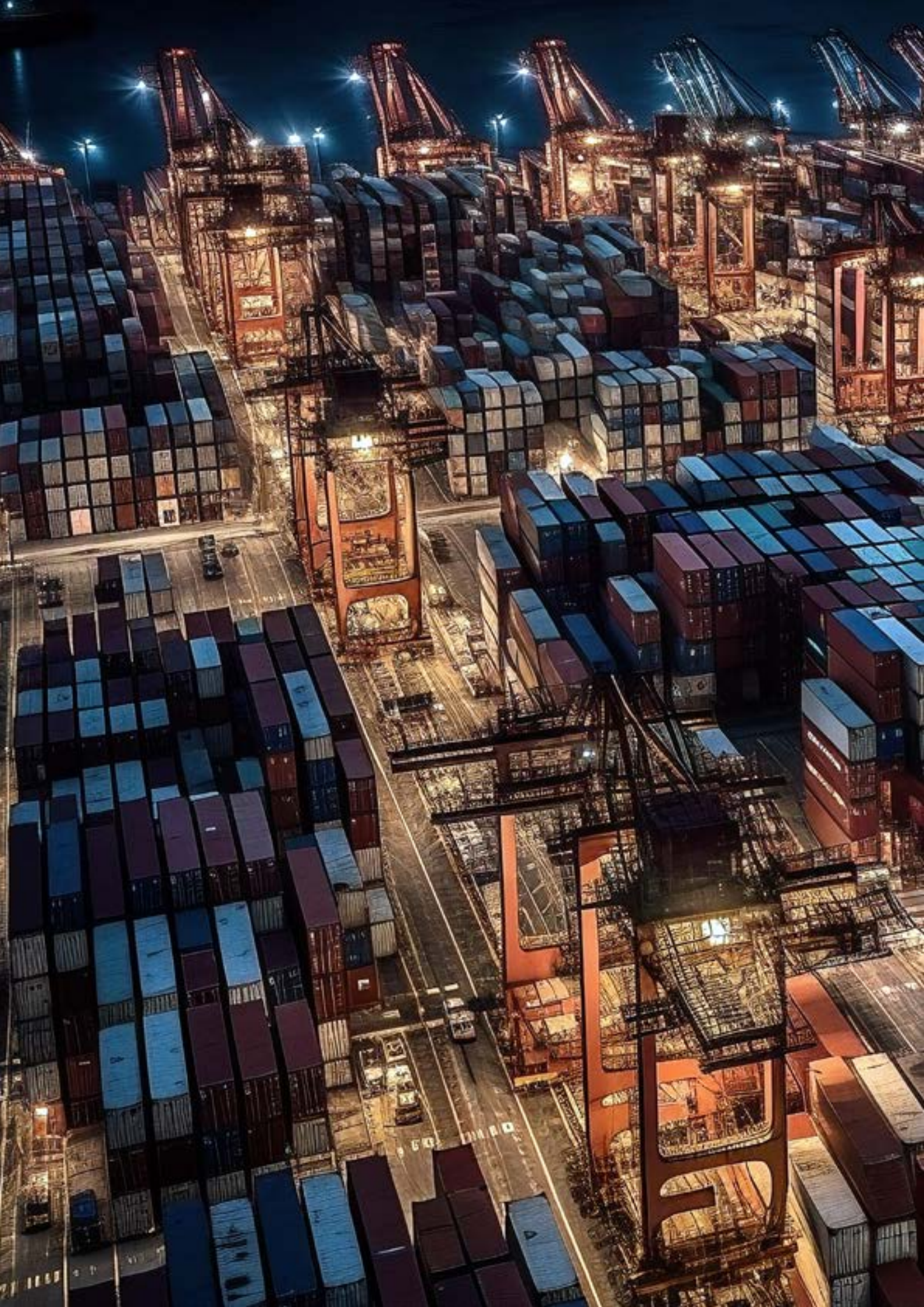


# HOW TO ACHIEVE SUSTAINABLE AGRI-FOOD TRADE

CELCAA Sector Vision







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## Introduction

Presently, European agri-food trade operates in an environment of continuous uncertainty. Climate change and geopolitical conflicts have shifted areas of agricultural and agri-food production and trade, modes of transport, and processing, with severe impacts on food and nutrition availability, affordability, and security. Crop migration will substantially change production and trade patterns<sup>1</sup>. The war in Ukraine has further revealed the strong vulnerability of agri-food trade to geopolitical conflict and re-emphasized the need for further diversification. It also showed the strong global interconnectedness and interdependence of agri-food production and trade.

Food systems are further facing a systemic challenge of a need for further “intensification” of production, whilst facing increasing pest and diseases, a decline of nutrients for some product groups and a decline of available tools through current policies at EU and international level. In 2050, the growth of population will outpace that of food production, whilst increased production of food will also create an increased environmental footprint<sup>2</sup>. The need for nutrient-rich and diverse food is growing, whilst in the EU the number of agricultural producers is declining and concurrently existing potentials in certain regions such as in Central Europe is not being realised.

Simultaneously, agri-food traders observe increasingly the emergence of diverse and unharmonized sustainability policies as well as private standard policies on environmental or societal objectives as new market access barriers, which are not yet sufficiently addressed at multilateral level or through dispute settlement. In a huge variety of different regional and global sustainability measures and policies will challenge agri-food traders with regard to compliance, costs and hence efficiency of trading.

Given these challenging circumstances agri-food traders agree that the triangle of environment, nutrition and food security needs a review and fresh perspectives, to create enabling and innovative conditions in which environmental and societal objectives and business can sustainably grow together.

<sup>1</sup>FAO. 2022. The State of Agricultural Commodity Markets 2022. The geography of food and agricultural trade: Policy approaches for sustainable development. Rome, FAO. <https://doi.org/10.4060/cc0471en>; p. 88 ff

<sup>2</sup>Ibid, p.52



## Objectives & Process

Trade and Sustainability has become a substantial priority work area for CELCAA and its members. An ever-changing agri-food trade environment on the one hand and an advancing policy environment at the European as well as the multilateral level on the other hand, will bring substantial upheaval for agri-food trade flows in the Single as well as in the global market. Given, that the past half decade has been amongst the extremely challenging in terms of supply chain disruptions, extreme weather events, geopolitical conflicts and growing regulatory requirements, agri-food traders understand that they will have to take a more proactive and long-term approach, to lead the agri-food trade sector into a sustainable and lasting future. As such CELCAA members agreed, that it will be most important:

- To facilitate a realistic perspective on “sustainable agri-food trade” and to maintain a level playing field between European and international endeavours.
- To secure a healthy environment for investments and innovation for sustainability as an economic opportunity.

To assess the dimension of these objectives, we have engaged in an ongoing assessment process with members of the CELCAA Sustainability Working Group, which kicked off with a first meeting in December 2022 with the objective to take stock on the work done so far and to allow us to identify parallels and differences between each agri-food commodity represented in the CELCAA Umbrella.

### Starting Points for our Roadmap on “how to achieve sustainable agri-food trade”

**1. EU-Agri-Food traders currently focusing on F2F policies:** CELCAA members were in particular focusing on policy debates in context of the EU Farm2Fork Strategy and to a somewhat lesser extent on broader Green Deal policy proposals. International and multilateral sustainability policies on trade have been monitored but not substantially covered.

**2. Where is the “to” in Farm2Fork?:** Most subjects covered policies which focused on production or consumer policies with indirect effect on agri-food trade.

**3. Are agri-food trade policies existing at all?:** The question was raised, if a policy debate on “sustainable agri-food trade” is existing at all or if trade policy is rather a consequence resulting from the F2F strategy?

**4. What are sustainable agri-food trade policies?:** CELCAA further recognized, that more assessment will be needed to define what “sustainable agri-food trade” is and what kind of policies will be needed to achieve sustainable agri-food trade?

## CELCAA Roadmap: Work in progress

With the agreement, to start a work-in-progress process, to explore and deepen agri-food trades engagement in this matter substantially, and based on our commitment to the EU Code of Conduct, CELCAA has discussed since early 2023 and on a continuous basis with:

- **Science:** CELCAA has initiated and ongoing exchange with the EU funded research project “MATS – Making agricultural trade more sustainable [analysis.information here](#)) The project assesses global agri-food trade’s potential towards more sustainable operations and will design new benchmark in trade policy analysis
- **Multilateral actors:**
  - **WTO:** Ahead and during our Mission to Geneva in September 2023, CELCAA members seized opportunity, to exchange with members of the WTO secretariat as well as the chairs of the Agricultural Committee and the Trade and Environment Committee on the growing importance of “greening” trade in the multilateral debate with particular focus on increasingly diverging CBAM-mechanisms, diverging approaches on deforestation and increasing complexity for agri-food traders to comply with these requirements.
  - **FAO:** In the exchange with the authors of the FAO Study 2022 “The State of Agricultural Commodity Markets” from the Markets and Trade Division, CELCAA members deep dived into the changing patterns of agri-food trade caused by climate change and assessment of agri-food trade’s contribution to mitigate effects
  - **UNCTAD:** CELCAA has begun an exchange process with the United Nations Trade Conference, to explore tools to transition towards more sustainable agri-food operations. With that regard CELCAA was able to nominate an expert-speaker to attend the 13th UNCTAD Multi-year expert meeting on Commodities and Development;
- **European Commission:** CELCAA conducted a review of the methodology used in the “Sustainable Food Systems” chapters currently introduced in the FTAs with Chile and New Zealand together with DG Santé on its potential to transition food value chains. Further exchanges had been organised with DG Trade and DG Intpa, to assess the complexity of transitioning to sustainable agri-food production and trade within the Single Market as well as worldwide.
- **Field trip to the Netherlands together with wider group of agri-food stakeholders:** CELCAA has conducted its Annual General Meeting with the guiding theme “Reality check for agri-food trade and sustainability” via a field trip to VanDrieGroup in Uddel/ Netherlands, to understand better today’s challenges in the field. The meeting also served to present intermediate indicators and results for sustainable agri-food trade conducted by the EU-funded research project “Making Agricultural Trade Sustainable”.
- **Ongoing cross-sectoral working group** exchange has been further focusing on: Green Claims, Deforestation, Corporate Sustainability Due Diligence Directive, Framework Legislation on sustainable food systems;
- **Ongoing policy work on the Framework Legislation on Sustainable food systems:**
  - CELCAA has been a driving force in a value chain approach to assess sustainable food systems



- o CELCAA has further used the opportunity to deep dive further into the definitions of “sustainable agri-food trade” with draft principles submitted to the European Commission

- **Ongoing policy work on trade policies:**

- o CELCAA has been strongly focusing on assessing the role of sustainability in trade agreements and potential growth regions and substantially contributed to the EU Latin America strategy by raising the importance of a common and opportunity-oriented sustainability policy; in that regard CELCAA has joined the Domestic Advisory Groups for Central America and Columbia/Peru/Ecuador which focus on the implementation the respective Trade and Sustainable Development chapters;

- o CELCAA has further highlighted the importance and opportunities arising from the Sustainable Food System Chapters in the FTAs with Chile and New Zealand in respective exchanges with members of the European Parliament

- **Specific actions taken by the agri-food trade sector towards sustainable transition**

- o **Review of sustainable transport, logistics and storage as important source of emissions:** Operators have taken steps to improve fuel efficiency of ocean freight and road haulage, optimize routes and grouping shipments, with the mindset to give preference to carriers adhering relevant environmental credentials. Also, major improvements have been made with regards to sustainable storage and with regards to the assessment of direct and indirect emissions.

- o **Sustainable sourcing:** Traders have committed to sustainable sourcing and have been working towards improving due diligence, transparency and reporting.

- o **Investment in research and innovation:** The agri-food trade sector is seeking a proactive role to collaborate with research and science to address key concerns such as the “Making Agricultural Trade Sustainable Project” or the “Dublin Declaration of scientists on societal role of livestock”, aiming to address the food security/nutrients-climate nexus.

- o **Voluntary labelling and adaptation of production and packaging:** Agri-food sectors have engaged in voluntary labelling initiatives with the objective to educate on sustainability topics, such as recycling correctly and overall “sustainability” footprints such as the Eco score.

- o **F2F Policies:** All agri-food sectors have made concrete adjustments with regard to key objectives of the F2F strategy in areas such as the reduction of fertilizer and pesticide usage, emissions reduction or treatment of the soil.

- o **Code of Conduct:** CELCAA members are pro-actively engaging in the EU Code of Conduct as signatories, with dedicated sector commitments and as well in the advancement of the Code itself.

CELCAA remains committed to continue driving the discussion on this matter with the acknowledgement, that this can only be the beginning of a continuous debate and assessment in an ever-changing environment. Conclusions drawn from this report will be needing regular reassessment.

## **“Climate change is shifting competitive advantages for production and trade will be essential to counter these effects”- The role of agri-food trade in sustainable food systems**

Agri-food trade is an essential pillar of the European food and farming system. EU agri-food traders increasingly perceive a disconnect from the sectors contribution to a sustainable and resilient food system in current EU policies under the Green Deal initiative and the Farm2Fork Strategy. As agri-food trade is playing an increasingly important role in mitigating effects of crop migration and changing production conditions caused by climate change, it will be essential to consider the following principles for creating truly resilient sustainable food systems:

### **1. Sustainable food systems are interconnected, interdependent and operate in a complex international environment beyond the EU Single Market**

EU agri-food traders are operating in a highly globalized environment with a complexity of supply chain partners and origins. In that regard, agri-food trade contributes to the most efficient use of European and global resources. The network of agri-food trading is therefore one of constant optimization. The Covid pandemic as well as the conflict in Ukraine have provided evidence for the strong global interconnectedness and interdependence of the food chain and the vulnerability of food supply and production when it is disrupted. Therefore, an upcoming framework legislation on sustainable food systems must consider the global complexity and build on multilateral cooperation, trade facilitation, sustainability equivalence and harmonization of global food system standards.

### **2. Sustainable food systems acknowledge food and nutrition security as essential elements to its resilience.**

A debate about sustainable food systems must also include the debate about food and nutrition security and operate in coordination with the European Food Security and Crisis Mechanism. If food systems cannot secure equal access to food and nutrition for all, they are not operating in a sustainable manner. The vital role and contribution of agri-food trade in this context is moving commodities from surplus areas to deficit areas and balancing from periods of excess and periods of deficits over the course of the season. Agri-food traders further ensure that consumers have access to a broad and deep assortment of diverse food and drinks, which meet individual and collective cultural and culinary preferences.



### **3. Sustainable food production and trading systems are inclusive.**

FAO underlines the importance not only of food security but also of nutrition security and the essential need to ensure access to a diversity of food products, to which agri-food makes an essential contribution. Sustainable food systems and its policies therefore should include all agri-food products and commodities and focusing on enhancing access to a diverse range of food products for all in a global context. Traders in this context ensure that farmers will be able to sell their goods beyond the local markets and have access to a wider array of customers.

### **4. Sustainable food systems are incentivizing innovation in the field of agri-food trade.**

Agri-food trade may easily be overlooked when it comes to innovative approaches to increase sustainable operations in the middle part of the chain. Therefore, this legislative framework can only be successful if it truly incentivizes innovation for all parts of the food chain.

### **5. Sustainable food systems are accelerating the advantage of circularity.**

Agri-food value chains aim for the highest level of efficiency. Advancements in the field of circular agriculture will be needed to further leverage circularity and its benefits for all food systems actors. Agri-food trade is a substantial link in enhancing circularity and as such related policies must also focus on an enabling environment for agri-food traders. This will further include enhance innovation in preventing food waste.

### **6. Sustainable food systems consider the need for “sustainable intensification”.**

With the need to increase food production in the upcoming years, sustainable food systems need not only limitations to unsustainable practices, but proactive policy tools to enable increased food production in a sustainable manner, both in Europe and beyond.



## Perspectives and Definitions of Sustainable Agri-Food Trade

While concepts and definitions exist for food systems in general, no substantial progress has been made on defining how “sustainable agri-food trade” is characterized and conducted. Consequently, for now agri-food traders need to base their review on the broader definition of sustainable food systems, provided by the FAO:

**“A sustainable food system is one, that delivers food security and nutrition for all in such a way, that the economic, social and environmental bases to generate food security and nutrition for future generations is not compromised.”**

However, these definitions do not consider the unique nature and contribution of agri-food trade to sustainable food systems. While more work will be needed on defining, CELCAA members could agree on guiding principles on this subject. Sustainable agri-food trade is conducted:

- When trade is conducted in the most efficient and optimized manner
- When origins and outlets are most diversified, and monopolization of origins or outlets are being avoided.
- When trade is conducted with the least environmental impact and most social and economic benefit
- When trade is contributing to a valorisation of the product and contributes to less food waste.
- When resources are used as efficiently as possible
- When trade contributes to an overall food and nutrition security in the EU and at international level
- When trade is moved from surplus areas to areas of deficits and balances periods of surplus and periods of deficits



# How to achieve sustainable agri-food trade

## – CELCAA Sector Vision and Policy Recommendations

Concluding from this substantial assessment process, CELCAA and its members have identified key elements which would contribute to the future resilience of the European agri-food trade sector within EU and international food systems:

### **1. Better integration of the interests of agri-food trade in current policy discussions:**

More attention will be needed to include agri-food trade in regulatory discussions to ensure an enabling policy environment that respects the unique needs of this essential sector toward a sustainable transition. Current EU policies focusing on sustainability objectives through the Green Deal and F2F-Strategy mostly target parts of the supply chain that are dedicated to production or consumption elements or affect agri-food trade on a broader scope level (Corporate Sustainability Due Diligence Directive, CBAM, Deforestation) without considering the specific challenges and requirements agri-food trade is facing.

### **2. Better cohesion and coordination of policies affecting agri-food trade through a designated contact point in EU policy-making:**

In light of the growing importance of agri-food trade in the upcoming decade, better representation will be needed within the EU policy-making environment to ensure policy cohesion and dedicated focus. CELCAA recommends structural changes by way of introducing a dedicated unit, a cross-directorate task force, or a Special Advisor to focus on 1.) ensuring cohesion of EU policies and efficiency and 2.) developing pro-active enabling tools to support the resilient transition of agri-food trade. Such a unit could further ensure a systemic and cohesive value chain approach in all EU policies.

**3. Policy tools for enhancing a sustainable transition:** The focus of policy makers will have to shift towards “enablers of a sustainable” transition. Agri-food trade will need tools to counter challenges arising from climate change as well as through conflicts or exceptional global events affecting the resilience of the supply chain. The sector acknowledges that greening supply chains provides further opportunities for new business opportunities and welcomes policy leadership when it is coherent, realistic, and enabling. This could be:

**a) Broad, fair, and diverse market access:** Access to food and nutrition is a universal right, and as such, the ambition of policymakers should be to create the widest possible access for a broad diversity of agri-food products with third-country partners at a bilateral as well as multilateral level. Further flexibility to respond to crisis situations should be a priority in this context.

**b) Strengthening circularity in agri-food and its trade:** Enabling policies and tools that focus on the circularity of agri-food and the reuse or further processing of “food waste” will be needed to unleash the potential for creating new business models through innovation and investment.



**c) Acceleration of digitalization in agri-food production and trade:** The potential of digitalization, AI, and technologies for climate-smart food systems for agri-food production and trade has not yet been exploited fast enough. The use of new technologies will help to create more efficient and, hence, more sustainable food trade operations by creating digital ecosystems for farmers, traders, and retailers to improve the management of sourcing and trade flows. Electronic certification has already proven its contribution to the resilience of the agri-food chain during the acute COVID pandemic but has not been advanced enough. Further connectivity as well as the advancement of second-mile infrastructure (AI, blockchain, apps, and usage of big data) within the Single Market but also with third countries will be essential to strengthening the resilience of the EU and global food systems. Therefore, investments in digital infrastructure for agri-food production and trade should become an essential part of future EU trade negotiations.

**d) Climate-smart and climate-resilient infrastructure:** Infrastructural and transport policies should be looking with priority towards the greening of agri-food storage, transport, and logistics by reviewing the value chain in a systematic manner by creating, e.g., strategic corridors for green agri-food trade, reviewing (cold) storage infrastructure, and continuing to focus on incentives for the adoption of regenerative fuels rather than fossil fuels or any kind of new transport opportunity. Moreover, increased reflections will be needed regarding climate-resilient infrastructure, ensuring the safe storage and transport of agri-food under changing climatic conditions.

**e) New perspectives on food and nutrition security:** Fair and equal access to food and nutrition as part of an inclusive agri-food production and trade strategy with a focus on both the Single Market and the world must become a priority of future discussions about sustainable food systems. Reducing production of certain food groups to the benefit of increasing the production of other food groups, while access to nutrients is not equal across the globe, is disregarding the importance of access to food and nutrients in the global context<sup>4</sup>. For example, mechanisms and tools that enable the redistribution of “excess nutrients” could create a healthier society by limiting unilateral oversupply in one region and enabling access in less nutrient-dense regions, and they could additionally create new business models (e.g., SWAP models).

**f) Sustainable production and trading operations as added value and quality incentives for buyers and consumers:** It will be essential to emphasize the added value and quality gains for agri-food products through more sustainable operations. Therefore, the sustainable option must become by default the more affordable option, e.g., by incentivizing green options along the supply chain.

**4. Sustainable agri-food trade policies in FTAs and international trade:** It will be essential to further address structural concerns for market access and the comparability of standards with long-term solutions in FTA negotiations.

**a) Sustainability equivalence:** More investment and policy engagement will be needed to create a level playing field for the comparability of sustainability standards, e.g., in production and trading methods. This includes further development of methodology and KPIs, following the example of SPS equivalency. This will not only allow a better understanding of the mutual state of play but also a demystification of the allegedly diverging standard.

**b) Sustainable Food Systems Chapters:** We welcome the Sustainable Food Systems Chapter as an acknowledgment of the global interconnectedness of food systems and the need for strengthened cooperation. At the same time, we also understand this chapter as a commitment not to compromise each other's economic, social, and environmental sustainability. As such, we'd like to see future equipment for the SFS chapter with concrete tools for enforcement and a system of checks and balances. The SFS chapter has the potential to manage and, if needed, compensate for shortcomings from market access chapters.

**c) Management tools focusing on demand and supply patterns:** Future FTA negotiations should include the creation of digital management tools to create more transparency in forecasting and understanding mutual excess and deficit supplies and periods (with reference to Point 3b). Ever-changing food systems caused by climatic and geopolitical conditions or diseases will cause changing supply and demand patterns, about which we need better knowledge and management. This will also help to counter concerns about competitive losses. Therefore, investments in digital infrastructure for agri-food production and trade should become an essential part of future EU trade negotiations.

**d) Tackling global fragmentation in environmental standard setting:** Stronger engagement in trade and environmental sustainability policies will be needed at a multilateral level, as the impact of arising environmental regulations is having an imminent impact on global agri-food production and trade. Growing fragmentation of environmental regulations is already creating a fragmented level playing field with increasing complexity in compliance and costs. More reflections on the common standard setting for environmental regulations, including reflections on emission counting methodologies, will need to take place in multilateral forums and with stronger linkage to the WTO.

**5. Incentives for transition:** Stronger financial incentives and clearer, and more tangible KPI's will be needed for those operators, who show motivation to accelerate more sustainable operations.

**6. Forecasting and anticipating food systems challenges and respective contingency planning:** Stronger research and assessment will be needed in research, tracking down changes to production and trading patterns within the EU Single Market as well as research about international agri-food markets. In that regard the FAO report on “The State of Agricultural Commodity Markets 2022 -The geography of food and agricultural trade: Policy approaches for sustainable development” could be a first entry point. A deep analysis will be needed to understand the needs of agri-food production in future and how agri-food producers and traders need to prepare on these changes by e.g. accelerating the roll-out of climate resilient crops, climate resilient infrastructure, storage and transport, reviewing sustainable intensification.

**7. Stockholding and strategy adjustment of Green Deal objectives before the new legislative period.** Before entering the next legislative period after the European elections in 2024, we recommend a cross-sectoral reality check/ evaluation of the objectives of the Farm2Fork strategy. It will be essential to use the lessons of the current legislative period, to adjust the Green Deal/F2F strategy. This could be done and conducted in form of a selected evaluation committee consisting of Commission, Parliament, Council, and stakeholders.

CELCAA and its members are strongly committed to engage into a constructive and solution-oriented process at EU as well as at multilateral level. In that regard, CELCAA members will continue the debate in ongoing working mode, to ensure an enabling environment for agri-food trade as an essential pillar to EU and international food and farming systems.



CELCAA is the European Liaison Committee for Agricultural and Agri-Food Trade and, as such, represents at European level the most essential food sectors such as meat and livestock, dairy, cereals, grain, and oilseed trade, eggs, egg whites, and egg yolks, wine and aromatized wine products, hops, tea, and herbal infusions, tobacco, and the butcher craft sector and their trade.

We represent, in total, more than 25.000 agri-food producers and traders in Europe. Our vision is to create open, fair and sustainable agri-food trade by ensuring that agri-food trade is recognized as an essential pillar of sustainable and resilient EU and international food and farming system.

