

ENRD Thematic Group on Sustainability Agreements in the agrifood supply Chain

Conclusions

<u>The Group</u> came together to agree a collective understanding of what constitutes a Sustainability Agreement, the challenges and barriers related to their establishment and implementation, and the added value of pursuing sustainability objectives through collective actions.

Sustainability Agreements are not new; there is no exact formula, or exact definition for them. The discussions provided an opportunity to explore the various approaches that reflect the diverse ways in which Sustainability Agreements can be implemented.

The Group acknowledged that the global effects resulting from recent critical events such as Covid and the Ukraine War, have seriously tested - and will continue to seriously test - the resilience of the food value chain (e.g. dependence on external inputs, increased input costs, product availability, increased prices for the consumer), with these effects particularly impacting on food production where threats to business survival are very real.

There was a strong consensus that such obstacles do not detract from the need for producers and all operators in the value chain to focus on sustainability. Sustainability Agreements provide an opportunity for creating added value, choice and premiumisation, whilst also supporting broader sustainability outcomes alongside business profitability. While these benefits are recognised, there was concern that any benefits to the supply chain will not be sustained in the long term, particularly once sustainability becomes the norm.

To that end TG members concluded that successful Sustainability Agreements should:

- Build on existing best practices on collective actions with sustainability objectives, including Sustainability Agreements (horizontal & vertical) across the value chain.
- Apply an integrated approach that builds business resilience e.g. cost reductions through
 collective actions and capitalises on sustainable use of natural assets in the locale and boosts
 the circular bio-economy.
- Enable fair prices to producers and others through integrated supply chains with mutual understanding and a culture of transparent co-operation throughout.
- Be **focused on the longer term**, with long-term objectives not being side-lined by short-term market needs.
- Ensure that consumers understand fully what they are paying for, and that they are aware of
 and understand how Sustainability Agreements can support the transition to sustainable food,



including how Sustainability Agreements can lead to fairer prices for producers with secured price passing through in the chain (particularly in the context of vertical agreements).

- Ensure that the value chain has robust, credible, fair and transparent sustainability standards in place that can build trust between businesses and consumers through effective communications and clear labelling. This is particularly so if consumers are to pay more for sustainable foods (alongside other considerations such as quality, ethics, authenticity).
- Understand consumer interest: consumers will be interested in the different aspects of sustainability – therefore not all aspects of sustainability need to manifest themselves on front of pack labelling.
- Ensure that credible tools such as; labelling, regulation, sustainability scores are adopted while recognising that private initiatives can only go so far. A harmonised EU approach to sustainability labelling would facilitate consumer understanding and supply chain communications. If there were to be EU driven initiatives such as a sustainability label, one may need to consider what would be the most appropriate approach for the value chain in question, including the possibilities for focusing on specific aspects of sustainability.
- **Ensure** an increased **scope for knowledge exchange**, **peer learning and innovation brokerage** to support the ongoing development and implementation of collective sustainability actions.

Sustainability Agreements & Article 210a of the Common Markets Organisation (CMO)

The group acknowledged that this was a new legal territory, with significant interest from supply chain actors and competition authorities. There was a strong belief that the provisions of Article 210a if used intelligently by all parties concerned, will support the transition towards more sustainable supply chains.

Key reflections

- Article 210a aims to eliminate the legal grey area that many Sustainability Agreements have been operating in and is a prompt for Sustainability Agreements to be more transparent.
- Article 210a effectively extends the derogations under competition law to include all producers and non-recognised Producer Organisations, presenting significant opportunities for business
- Businesses should be encouraged to speak to competition authorities about Sustainability
 Agreements so that the industry can get them validated (even if there is no prior
 requirement for this).
- Enforcement authorities need to be clear about what businesses at all supply chain levels can do under Article 210a now; that they could not do before.
- EC guidelines (to be published before end 2023) will be an opportunity to pin down the legal certainty, with terms clearly defined and acceptable agreements illustrated.



This Paper has been developed with the involvement of Thematic Group members from several EU Member States as part of the work carried out by the ENRD Contact Point to support the activities of the Thematic Group on Sustainability Agreements. The information and views set out in this document do not necessarily reflect the opinion of the European Commission.