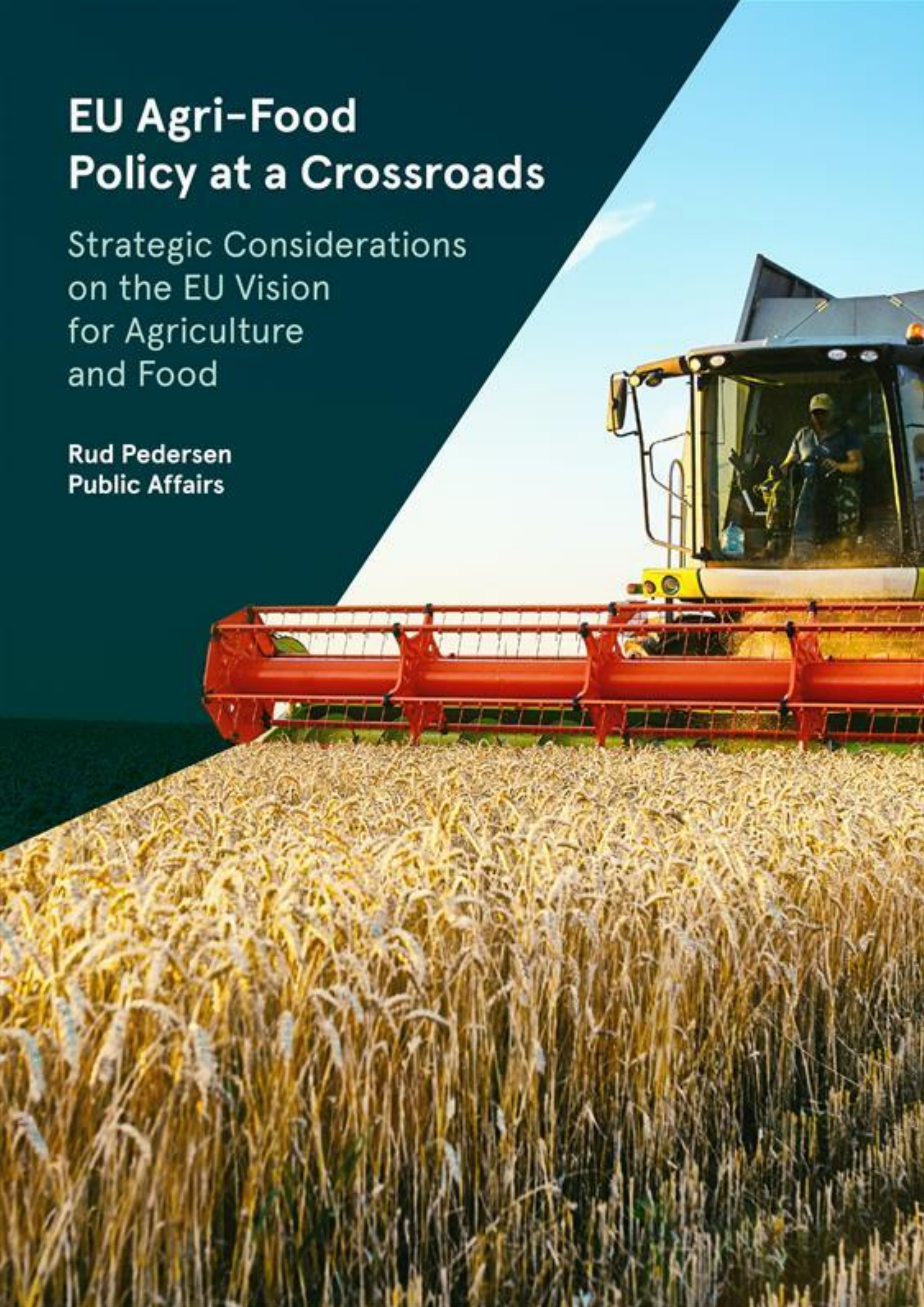
# EU Agri-Food Policy at a Crossroads

## Strategic Considerations on the EU Vision for Agriculture and Food

**Rud Pedersen Public Affairs**



## Key insights

1. **Onerous new interventions in the market could cause major problems for manufacturers, retailers and consumers, but also drive production away from EU farmers.**
2. **Use of mirror clauses to impose EU production methods on third countries could create major trade tensions, as could moves to stop imports of products using chemicals banned in the EU.**
3. **Companies will need to ensure that EU decision-makers hear their views.**

The Commission Vision for Agriculture and Food (COM (2025) 75) is principally aimed at the future of EU agriculture but holds a number of important elements also impacting the EU and non-EU agrochemicals and food industries. The following strategic analysis of the paper's implications focuses on these implications in respect of:

- Food chain regulation and revenue distribution
- Trade aspects of future agrifood policy
- Environmental aspects
- Innovation and AI

Each section looks at where companies may wish to seek the optimum outcomes for their businesses in the proposals the Commission paper seeks to establish.

## Food chain regulation and revenue distribution

The Vision pre-empts parts of the review planned for November 2025 of the Unfair Trading Practices Directive, (as do existing proposals on Common Market Organisations rules and Cross-Border Enforcement of Unfair Trading Practices [UTPs]) and suggests that the Commission will produce UTP revision proposals by Q3 2025. It looks to boost farmers' incomes by a better distribution of revenue across the supply chain. This includes a prohibition of '**Practices where farmers are systematically forced to sell below costs**'. Nevertheless, it does not entirely explain how these costs will be determined, and by whom, and could risk the system being fraught with legal disputes.

This provision will likely have a direct effect on retailers, manufacturers and commodity traders, and might create inflationary pressures throughout the value chain. Equally, if the price is too high, it could harm farmers by buyers seeking cheaper imported alternatives.

The suggestion that the revision will seek to iron out considerable **national implementation divergences** of the 2019 directive should be helpful to retailers and manufacturers operating in numerous markets but could lead to member state pressure to level up EU rules to their stricter national application. If divergence is still allowed, the proposal on **cross-border enforcement** could see stricter national rules being applied in the whole EU to the detriment of competitive prices for consumers. It will be important that cross-border enforcement should **only apply to rules agreed at the EU level**.

The proposed Agrifood Chain Observatory will involve extra reporting burdens on all participants in the value chain but could be useful to retailers in establishing their relatively low margins compared with others in the supply chain. It will be important, however, to have a **proper methodology to establish margins agreed with all stakeholders**. For retailers, it will be important to press for these to be established on **net margins**, as retailers have higher fixed overheads (employees, rent, energy) than e.g. manufacturers.

New proposed rules on **country-of-origin labelling** could create problems with the Single Market and also complaints by third-country suppliers, when most opinion polls have shown that few consumers are particularly interested in origin marking. This could create additional burdens on retailers and manufacturers, as well as potential conflicts with single market rules. It will also create some problems for products subject to GIs where a substantial component comes from outside the country or the EU. (Pasta, tomato products, mustard).

## Trade

There has always been a latent tension between the imperative of helping EU farmers and the interests of the wider economy, keeping consumer prices affordable and promoting EU exports, including in food, where the EU in 2023 saw a surplus of €70bn euros.

The Vision talks of *European Food Sovereignty remaining an integral part of the EU's overall security,* and proposes reducing **dependency on imports of proteins for,** for instance, **livestock feed.** This is clearly important, given present international tensions, but also has potentially negative connotations. In particular, it could **affect future trade in, and therefore foreign producers of**, commodities such as wheat, soy and legumes. Limiting manufacturer and retailer access to competitive imported alternatives could have a negative effect on companies along the supply chain.

In the same context, the proposal to replace imported raw materials and fertilisers will have a positive impact on the beleaguered EU fertilisers industry but also boost resilience against future attempts to 'weaponise' food and agricultural inputs. These benefits to domestic fertiliser producers could be offset (see Environmental issues below) by the focus on biofertilisers and soil restoration in the Vision.

The pursuit of '**mirror clauses**' seeking to impose EU production methods on third country producers, or more general '**trade reciprocity**' (a favourite term of the new US administration), including stricter import controls for compliance with EU Sanitary and Phytosanitary (SPS) rules and other standards, can leave the EU vulnerable in breaching WTO SPS rules at a time when it is seeking to maintain international trade rules in the face of a growing disregard of them. The extraterritorial imposition of EU production methods on trading partners, rather than the application of EU standards at the border, will be very difficult to negotiate. With a large export surplus in food, and the proposal to promote 'strategic exports', the EU has a clear interest in keeping trade open and sticking to the relevant multilateral rules.

The proposal to impose **stricter implementation** of **sustainability clauses** in FTAs could also trigger tensions with partners (and make importing more onerous) Equally, it is unclear whether the proposal for a 'Unity Safety Net' to respond to unfair actions against EU food exports by third countries adds anything to existing powers under e.g. the **existing Anti-Coercion Instrument**, and how far this could escalate reciprocal retaliation against EU exports.

## Environmental aspects

Companies will want to ensure that their views on the Vision's upcoming proposals are clearly communicated to decision makers.

It makes much of the need to **restore soil health and reduce reliance on chemical fertilisers and the reduced use of pesticides**. Instead, it looks to using more biological pest reduction methods, and alternative fertilisation through the use of manure (subject to problems of nitrate and ammonia leakage) and the products of anaerobic digesters. This is potentially a challenge for the agrichemicals and fertiliser industry but could open new avenues for **biopesticide** development.

The Vision points to **applying EU rules on the use of banned pesticides to imported products**. It plans to carry out an Impact Assessment in 2025 on a possible ban of imports containing any residues of (undefined) 'most hazardous' pesticides banned in the EU. This seems to go beyond the health considerations provided for under current legislation and covers wider environmental issues in third countries; it would require changes to current legislation on maximum pesticide residue levels (MRLs). As with mirror clauses, this approach could trigger **bilateral and multilateral trade tensions**. While the Commission recognises the need to respect international rules, its proposals would cut across the Codex Alimentarius process. The proposed approach in the paper would block the Commission from accepting and CODEx-agreed MRLs on any substance not approved in the EU (e.g. for environmental, rather than just health reasons). This would aggravate such tensions and complaints from third countries about the EU already not accepting a number of CODEx-MRLs. Companies will wish to **contribute to any consultation** on this proposal and the **impact assessment.**

Similarly, the **prohibition of exports of pesticides** (and chemicals more generally) banned for use in the EU would affect EU agrochemical companies and most likely lead to production going outside Europe rather than seeing production of these chemicals cease.

The Commission makes an important admission that **past withdrawals of pesticides**, not accompanied by timely approval of alternative (biological or low-risk) substances, could **negatively impact farmers and food production**. How far the promise to 'carefully consider any further ban of pesticides if alternatives are not yet available' will be fulfilled remains to be seen. This is particularly relevant for companies seeking renewal of existing substances and products.

The proposed legal framework for **accelerating the availability of biopesticides** under the simplification package later this year would require **Regulation 1107/2009** to be amended, a step the Commission has hitherto resisted due to fears of an uncontrollable process in the European Parliament. The amendments now proposed go further than current ideas of using the Biotech Act and should lead to biopesticides reaching the market much sooner.

Proposals on **food waste** mentioned in the Vision have already been adopted in the context of the Waste Framework Directive. Retailers and manufacturers have an opportunity to call, in the light of a mandatory 30% 'voluntary' target, for clear methodology for calculating waste, and for national authorities to allow VAT on donated goods to be refunded. A Commission **guidance note** on implementation to this effect would be a useful step for companies to press for.

The ideas in the paper on '**carbon farming**' and **storage** as a diversification measure for farmers offer an opportunity for them to find new income sources and for companies seeking carbon offsets and ways of storing carbon through minimal tillage techniques. The Commission also seeks to put new constraints on retail and food manufacturers to play a larger role in reducing carbon emissions.

## Innovation and AI

The Vision proposes as part of the Common Agricultural Policy (CAP) review more resources going to **smart farming** and using innovative technology to improve productivity and competitiveness. This should offer new avenues for IT and software companies looking at farming automation and precision crop treatments – e.g. **robotic** or **drone surveillance of crops** to identify and treat individual plants (rather than whole fields) against infestations, plant stress or weeds, using AI to direct and only use water or crop treatments selectively. With CAP funds under pressure, the Commission should be pressed to dedicate resources from **Horizon funding** to promote this technology in farming.

Back to the website