

The 300 000 European businesses of the agro-food industry are in unprecedented turmoil. The underlying global changes have started before the credit crunch took hold but the latter did worsen the tendency. The profound structural changes affecting the agro-industry are another facet of the globalisation crisis: while the liberalisation of trade and the surge of

emerging economies have resulted in new market opportunities, the financial crisis and the fluctuations in the price of raw materials created trading uncertainties. Besides, consumption behaviours are being deeply modified as income and lifestyles developments evolve: food safety, health and prices of commodities become priorities. Starting with the producers, whose investments in research and innovation are

notoriously low resulting in low levels of labour productivity, the whole agro value chain is reorganising...in favour of the globalising retail systems. In agribusiness, competition is growingly based on organisational innovations: favouring them will prove a key competitiveness challenge for Europe in years to come!

For the three drivers identified through the semantic analysis of the world press on innovation in the agro-food industry, we suggest possible policy responses

Key drivers

Matching policy shifts and reforms

by Pierre Bittard and Aldin Quévreur, April 2009

INNOVATIVE INITIATIVES NEEDED TO SUPPORT INNOVATIVE AGRICULTURE

- EC contributes to framing the agricultural uses of water: large public/private partnerships at the local, MS and EU levels to develop increasing storage capacity, conveyance capability and adoption of conservation practices among all users

- EC designs programmes to promote agricultural contributions to carbon sequestration, to support improvements in EU-borders security to prevent entrance of damaging foreign pests, pesticides or GMOs
- EIB cooperates with national and local banks for agriculture (shared portfolio & shared risks) to propose co-financing of innovative projects (e.g. water-saving technologies, medium-term projects on renewable energies)

VALUE CHAIN STRUGGLES IN DAIRY BUSINESS

- Intense on-going competition: production vs processing vs transforming vs transportation vs marketing vs distribution players: small European players to be better connected to global supply chain
 - Urgent need for innovation and market intelligence on the milk 'filliere' (i.e. chain as system): trends are reshuffling price fixing rules, what will emerging innovations modify in terms of consumer satisfaction and European competitiveness?
 - The EC and the MS, after consultation with the agro-food filiere stakeholders, push new organisational arrangements whereby milk price paid to farmers is based on commercial milk price, plus earnings from milk processing, agri-trading and beyond.

GLOBALISATION OF RETAIL SYSTEMS: THE FOOD SAFETY AND SECURITY IMPERATIVE

- Globalised competition in agro-food chains are dependent on foodservice industries and multi-domestic restaurant brands: EU quality of products and services, quality standards and traceability to be promoted in support of Rural Development (cf. Health Check of the Common Agricultural Policy, January 2009)
 - Food safety and economic criteria urge EC to consult with industry to adopt responsible sourcing principles based on geographic proximity/ organic farming
 - Urgent need for innovation and market intelligence on benefits and potential of agricultural biotechnology as biotech crops may contribute to food security through increased yields and lower production costs

IDEAS FOR CHANGING EUROPE

A RESEARCHER'S THINKING

Research in nondestructive testing (NDT) and nondestructive evaluation (NDE) of wood originated in the need to assess wood-based materials and products so make accurate decisions about proper use. Today, two SIGNIFICANT CHALLENGES require additional INNOVATIONS:

- *Increased emphasis to address forest and ecosystem health issues. Use of woody biomass from widely varying growing conditions will play a key role in providing economical options for managing the health of these forests and ECOSYSTEMS.*

- *the marketplace has become increasingly GLOBAL in nature. Shipments of raw materials and products between countries on different continents is now commonplace.*

FOREST PRODUCTS JOURNAL, International Nondestructive Testing and Evaluation of Wood Symposium Series

GRIPS Intelligence Corner

Agribiotechnologies: longer-term food safety and environmental impacts to be addressed

• **Global adoption of biotech crops:** in 2008, biotech crop area grew 9.4 percent or by 10.7 million hectares to reach 125 million hectares. 13.3 million farmers in 25 countries are using agricultural biotechnology.

• **The 5 largest producers:** USA: 62.5 million hectares – m. h. – (soybean, maize, cotton, canola, squash, papaya, alfalfa, sugar beet); Argentina: 21.0 m. h. (Soybean, maize, cotton); Brazil: 15.8 m. h. (Soybean, maize, cotton); India: 7.6 m. h. (Cotton); Canada: 7.6 m. h (Canola, maize, soybean, sugar beet).

• **Upcoming:** In agribiotechnologies, the gap between Europe and the rest of the world is increasing. Will Europe find its own way to overcome insufficient public acceptance which translated into stringent requirements, bringing innovators back to the sector?

A BUSINESSMAN'S INTEREST

Currently we have equity rights in 4,8 companies, 60 of which meet the basic requirements of the GEB*, especially for high growth rates and innovation.

The innovative companies engaged in green energy, communication equipments, MODERN AGRICULTURE and pharmaceutical healthcare are some of the most attractive for VC firms. Domestic VC firms may be actively preparing for the GEB but foreign VC companies are still waiting, since current regulations limit listing to domestic companies

LI WANSHOU, president of the Shenzhen Capital Group, against the background of Chinese authorities having recently called for speeding up the establishment of the NASDAQ-like growth enterprise board (GEB)*.

POLICY SUPPORT ON THE MOVE

US MILK IS ON THE WAY TO HELP FEED HUNGRY AMERICANS

(March 26 , 2009)

FOOD BANKS IN NEED

The largest US domestic hunger-relief charity 'Feeding America' (formerly named America's Second Harvest - The Nation's Food Bank Network,) reported that the nation's food banks are seeing a 30 percent average increase in requests for emergency food assistance with the rate as high as 50 percent in some parts of the country. More than 90 percent of food banks reported that they are not currently able to meet the needs of their community without reducing the amount of food available to their agencies or clients or cutting back in other areas of their operations.

As Feeding America President said: "With unemployment cited as the primary driving factor in increased requests for emergency food assistance, and unemployment rates continuing to soar, we do not anticipate that the trends we are seeing will reverse any time soon. We will continue to find additional ways through our PUBLIC-PRIVATE PARTNERSHIPS to ensure that we can meet the needs of the more than 25 million Americans who rely on us for food assistance each year."

THE US DEPARTMENT OF AGRICULTURE RESPONSE: DAIRY PRODUCTS

The USDA is developing an INNOVATIVE STRATEGY that simultaneously helps people in need and dairy producers during these difficult times: circa 9.1 million tonnes of non-fat dry milk will be transferred from the US DA's Commodity Credit Corporation (CCO) to the Food and Nutrition Service to help feed hungry Americans through federal nutrition programs.

A SYSTEM PERSPECTIVE: REACHING OUT TWO BIRDS WITH ONE STONE

The NON-FAT DRY MILK will be converted into products such as INSTANTISED NON-FAT DRY MILK, SHELF STABLE FLUID MILK, cheese and soup. Emergency Food Assistance Program (TEFAP) (USDA's commodity programme) provides approximately 25 percent of the food moved through Feeding America food banks each year. Dairy is a nutritious product for the nation's emergency distribution network and food banks' child feeding programs.

"President Obama understands that providing food to those in need will help many weather these tough economic times. At the same time, USDA's disposal plan will benefit dairy farmers, who have seen markets disappear and prices plummet in recent months, by increasing consumption of milk and other daily products." (Tom Wilsack, Secretary of Agriculture)