



Strategic Dialogue on the Future of Agriculture in the EU

spiritsEUROPE's submission to the Stakeholder Consultation

5 April 2024

[spiritsEUROPE](#) proudly represents trade associations and spirits producers in European countries. Europe's spirits sector offers consumers a large variety of high-quality products, made from a broad range of agricultural raw materials such as grains, grapes, fruits, vegetables or botanicals. As a result, our sector greatly relies on, and is strongly committed to, responsibly and sustainably managed agricultural production processes.

1. How can farmers, and the rural communities they live in, be given a better perspective, including a fair standard of living?

Maintaining and promoting competitive, diverse, and ever more sustainable agricultural production systems across the EU will be key to ensuring vivid rural areas and providing long-term perspectives to farmers. An enabling EU policy framework in agriculture and rural development including dedicated public support schemes is key to support ongoing private investment and help ensure a fair standard of living for EU farmers and their families and create diversified jobs and broad growth for citizens in rural areas.

Thanks to its rootedness in the countryside and its considerable economic footprint, Europe's spirits sector today plays a positive role in supporting locally rural economies and encouraging entrepreneurship and job creation, including highly skilled workers, in the countryside. Spirits are produced in all EU Member States, and the vast majority of distilleries and spirits production units are located in rural areas, including in remote mountain areas and islands. Spirits production is firmly integrated into local agricultural production chains and thus supports sustainable biodiversity management. It is a high-value adding, competitive sector that requires a highly skilled, entrepreneurial workforce at the site of production.

The production of spirits requires a long-term view, with some aged spirits taking up to 60 or even 100 years from the start of production to product bottling. In line with this long-term mindset, the sector has a successful history of entering into long-standing partnership and cooperation agreements with farmers and suppliers in agricultural communities to support reliable quality production of crops of grains, fruits, grapes and other required raw materials. While some of the successes and benefits to farming communities and rural areas described above may be inherent to the spirits sector and spirits-related production processes, we believe that a valuable follow-up action to the Strategic Dialogue would be to establish at the EU level more regular structured dialogue platforms dedicated to:

- discussing long-term competitiveness prospects, support and incentives for individual sectors; as well as
- facilitating best practice sharing between different production sectors.

In addition, and in the quest to provide farmers and rural communities with a better perspective, we believe that policy dialogue needs to consider more systematically aspects beyond agri-food production itself, ie. related areas such as regional promotion and the development of adjacent services such as hospitality and tourism. In recent years, spirits have reinforced the global fame of EU quality products and have helped to attract a growing number of tourists to Europe's countryside – European distilleries have counted more than 6 million visitors in 2022. As regards future developments, the creation, for instance, of a European Agency for Tourism could strategically and structurally support the livelihood for rural communities in agricultural areas by helping to implement more attractive and dedicated tourism strategies for such areas. The agency could coordinate and support local business models of partnerships creating diversified jobs and broad-based growth in Europe's remote areas, thereby following suit to what the spirits sector has been pioneering and putting in place successfully for many years. As part of such a strategy, it will also be important to find more effective strategies to effectively address infrastructural deficits that are present in many rural areas across the EU.

More broadly speaking, to ensure vibrant rural communities, a multi-faceted approach is required to encourage and engage people to want to live in rural communities – “if you build it they will come”. Diversity of people, industry and lifestyles are needed for people to live in rural places in the EU. Such a multi-faceted approach should focus on key elements such as:

- **A Common Agricultural Policy (CAP)**, with a robust, inflation-linked budget and ringfenced for its original objectives of food production and rural development.
- **Support and deployment of innovation and technology** such as promoting the adoption of digital farming technologies, investing in R&D to develop new agricultural practices, products, and technologies tailored to the needs of European farmers, improving access to affordable and reliable non-fossil energy sources.
- **Provision of education and training opportunities** for farmers and rural communities to enhance their skills, adapt to new technologies, and improve their business and farming practices, including seed funding for rural based start-ups and tax incentives for those that scale up in these locations.
- **Measures to improve social inclusion and infrastructure**, including broadband internet access, transportation, healthcare, and education facilities, to enhance the quality of life and economic opportunities in rural areas and encourage younger generations to stay.
- **Ensuring a just and inclusive transition to sustainable practices** with adequate risk sharing mechanisms and funding to help rural businesses and communities successfully manage future changes.

2. How can agriculture be supported within the boundaries of our planet and its ecosystem?

Sustainable production processes are in the spirit sector's DNA and at the heart of what we do. We believe that long-term cooperation schemes are key to support agricultural production chains while keeping them within the boundaries of the planet and local ecosystems. Spirits generate the highest yield of finished product per kg of grain input, therefore are the most efficient use of agri-materials among alcoholic beverages. Moreover, the diverse nature of spirits raw materials makes them uniquely placed for multi-crop or for integrated farming in pretty much any region of Europe, resulting in higher productivity, additional income as well as in improved soil health and fertility.

To ensure that raw materials for spirits are sustainably produced in Europe, a broad range of cooperation initiatives have been developed and deployed by our members in partnership with regional production communities and farmers across Europe. These include (but are not limited to) initiatives to help reduce the use of pesticides and fertilisers, promote biodiversity and water

management, monitor and improve soil health, and/or help implement dedicated environmental certification schemes (a selected number of such examples can be found on www.drinksinitiatives.eu).

Naturally, best practices in sustainability management tend to differ between regions according to inherent differences in climate, soil or crops produced. To duly factor in such differences while nonetheless providing a coherent and sufficiently specific framework for action, we believe that the more systematic development of regional and/or sectorial sustainability roadmaps could act a key driver to develop and deploy best practices in agricultural production processes further. Such Roadmaps, as well as related EU and national policies, should also be designed to provide the required long-term clarity and certainty for companies to make the necessary investments.

Looking beyond our sector, supporting agriculture within the boundaries of our planet and its ecosystem, especially within the EU, involves a comprehensive approach that integrates sustainability into the core of agricultural practices. One should aim to optimise agricultural production within the natural boundaries of the system. This, in effect, proposes that agricultural production aligns with local natural systems and as the resilience and natural state of those systems improves, agricultural output should increase and be more resilient. Coherent policies and partnership approaches are needed to help expand sustainable farming practices, enhance biodiversity, and promote circular economy-mechanisms, particularly with regards to nutrient flows at farm level.

3. How can better use be made of the immense opportunities offered by knowledge and technological innovation?

To maximize the diffusion of knowledge and facilitate easier and faster access to innovation for the different actors along the EU agri-food production chain, a predictable enabling policy framework needs to be put in place to unleash and support private-sector driven investments and cooperation schemes. Such an enabling policy framework should be sufficiently flexible and incentive-driven by design to allow for a wide deployment of different innovation initiatives. In addition, it should be supplemented by a range of co-funding and investment schemes from public authorities to ensure public support of research & development programmes, to guarantee inclusiveness and fairness when deploying innovation-oriented initiatives, and to empower the publicly (co-)funded scaling up of initiatives that have proven successful in practice. Such co-funding and investment schemes are particularly needed in key capital-intensive areas, such as the scaling up of R&D exploring the limitation and reduction of the use of pesticides.

Successful long-term partnership and cooperation schemes between upstream and downstream actors in the agri-food chain have been shown to play a key role in the promotion and speeding up of innovative practices to support sustainable and regenerative agricultural practices. In the spirits sector, numerous successful cooperation schemes have already been put in place in recent years to support the roll-out of innovative practices in the areas of regenerative agriculture (for instance, in the area of winter wheat production for vodka), carbon farming (implementing practices that increase carbon sequestration in soil, such as cover cropping and reduced tillage), to foster research into improved raw material production (for instance, research into heat- and pest-resistant grape varieties for brandy production), encouraging the use of renewable energy sources on farms as well as the testing out of different innovative climate risk mitigation and adaptation measures. An enabling policy framework together with tailor-made public funding schemes will help to boost the scope, scale, and impact of such projects further in the future.

4. How can a bright and thriving future for Europe's food system be promoted in a competitive world?

The global reputation of EU food and drink products is second to none. Thanks to its unique food heritage and diversity, and with the support of quality schemes and promotional activities, the EU has managed to become the world's largest agri-food exporter. The exports of agri-food products generate significant social and economic benefits, including for farmers and rural communities. The high quality, standards, diversity, and often iconic status of EU agri-food products – supported by a broad Geographical Indications (GIs) network – are guarantees of their continued attractiveness worldwide. To benefit from this attractiveness and ensure a bright and thriving future, Europe's food system needs to remain closely integrated within the international rules-based trading system. In particular:

1. EU agri-food products need an open and dynamic trade policy, which provides new opportunities and preserves their competitiveness in already established markets. The core elements of such an open trade policy are a combination of Free Trade Agreements (FTAs) with promising emerging markets, effective market access and enforcement strategies, and an ambitious trade diplomacy and promotion agenda.
2. Due consideration should be given when adopting EU legislation and instruments to the potential effects they could have on the continued competitiveness of Europe's food system in a global, tightly interconnected world.
3. To ensure the structural resilience of the EU food system in an increasingly volatile world marked by geopolitical tensions, the EU should do more to protect EU agri-food products and exports against potential trade weaponization and retaliation, and to ensure potential trade disputes that are unrelated to agri-food are resolved, so that food ecosystems are not held hostage.

As a high-value added, export-driven, high productivity and diversified sector, spirits are one example of how external trade can help EU agri-food production thrive in a competitive world. While other regions in the world are also prominent producers of spirits drinks, the EU's strict quality standards and 240 registered spirits Geographical Indications (GIs), which are the embodiment of rich European traditions, coupled with a strong innovative spirit, have ensured that EU spirits remain relevant and attractive both at home and abroad. In doing so, our sector continues to support farmers, who provide the essential ingredients needed for the production of spirit drinks, and entire rural communities.

With 85% of global growth expected to come from outside of the EU in the next decade, the EU will need international trade more than ever to provide Europe's food system and farmers with a bright and thriving future. While the quality and reputation of EU agri-food products speaks for itself, it is a matter of priority for the EU in an increasingly competitive world to negotiate and adopt trade agreements with high-potential emerging markets (India, ASEAN, Mercosur and Sub-Saharan African countries).

While Free Trade Agreements (FTAs) have a key role to play, not least in addressing peak tariffs that still apply, for instance, to spirit drinks (such as 150% in India or Indonesia, and 60% in Thailand), they are insufficient to deliver a bright and thriving future for Europe's agriculture and food system on their own. In parallel, it is important to improve the way the EU addresses market access issues, as well as implementation and enforcement of existing commitments made by third countries, not least through reinforced cooperation between the European Commission and EU Delegations, Member States and the private sector.

The third pillar of an open trade policy is trade diplomacy and promotion. The EU needs to continue to invest in forging regulatory dialogues with trade partners to improve mutual understanding, prevent the emergence of trade barriers, and promote greater regulatory convergence. This is both a more effective and less antagonizing way of addressing regulatory divergence than imposing unilateral measures and standards on trade partners. Trade diplomacy is also critical to prevent disputes and escalation, and reduce the risk of agri-food being used as a bargaining chip in unrelated disputes. Last but not least, the EU needs to make more use of promotion policy to increase awareness of and the appeal of EU agri-food products in third countries – particularly where FTAs are being or have been negotiated.

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