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COMMISSION STAFF WORKING DOCUMENT

on various aspects of short food supply chains

Accompanying the document

Report from the Commission to the European Parliament and the Council

on the case for a local farming and direct sales labelling scheme

{COM(2013) 866 final}

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1. INTRODUCTION

Consumers are more and more alert about the food they eat. Discoveries of large quantities of mislabelled food – sometimes triggering widespread media coverage - have shaken society confidence in the proper functioning of the food chain. In addition, food hygiene crises, increased economic, environmental and climate concerns and awareness of social responsibility towards the community have increased consumers' interest in knowing how, where and by whom food is produced and handled on its way from the farm to the table, from the production site to the final place of sale. A survey[1] in 2010 showed that in all Member States, more than half of the respondents associate food and eating with concern about food safety. 71 % of respondents to a survey[2] in 2012 said that the origin of food is important. In the same survey, 81 % of the respondents agreed that agriculture is beneficial for the environment and 86 % agreed that agriculture helps to protect and preserve rural areas.

Buying food produced locally and with a reduced number of intermediaries handling it is one of the reactions. A growing number of consumers want to buy fresh, seasonal food, produced in their local environment, and as directly from the farmer as possible. Recent consumer surveys at national or regional scale have shown, for example, that 70 % of British consumers want to buy local food and 72 % of French consumers consider it important[3].

The aim of this Commission Staff Working Document is to put short food supply chains and local food systems into a broader context of European Union (EU) policy by ensuring coherence and co-ordination between various policy tools, to raise awareness about the benefits of these systems, and to launch a reflection about the opportunities for meeting the demand for local food.

This Commission Staff Working Document complements the Commission Report to the European Parliament and the Council on the case for a local farming and direct

1 Special Eurobarometer survey: Food related risks, No 354, 2010.
2 Special Eurobarometer survey: Europeans' attitudes towards food security, food quality and the countryside, 389, 2012.
3 http://agrilife.jrc.ec.europa.eu/documents/SFSChainFinaleditedreport_000.pdf

sales labelling scheme[4] by pointing to issues going beyond the labelling. It aims at identifying the challenges faced by short food supply chains and local food systems; presenting, analysing and clarifying the various tools available at EU level to assist producers in marketing their produce locally; and last but not least at giving orientations on how to get the best of these systems to maximize their expected positive effects and unlock their economic potential.

2. INFORMATION SOURCES

In order to get a better view of local farming and direct sales across the European Union, the Commission has undertaken several activities:

– Twenty-four Member States replied to a questionnaire with regard to direct and local sales. The results of this consultation were presented and discussed in May 2011 in the Permanent Committee on PDO/PGI[5] for Agricultural Products and Foodstuffs.

– The Commission received twenty-seven replies to a questionnaire sent to Members of the Advisory group on Quality of Agricultural Production and other relevant stakeholders. Two rounds of meetings with individual stakeholders have taken place during spring and autumn of 2011.

– A Working group composed of experts nominated by organisations represented in the Advisory Group on Quality of Agricultural Production was established in October 2011. It met five times in the period of one and a half year. The Working group has provided expert advice on short supply chains, direct sales, local products and communication between farmers and consumers. It has also examined the case for a local farming and direct sales labelling scheme assisting producers in marketing their produce locally.

– The Advisory group on Quality of Agricultural Production[6] has been informed about the work of the Working group at each of its meetings between October 2011 and June 2013 and has discussed the issues of local farming and direct sales.

– The Commission asked for an external study with the double aim of describing short supply chains and local food systems and of gathering evidence justifying or not an EU level action with regard to labelling. The study "Short Food Supply Chains and Local Food Systems in the EU. A State of Play of their Socio-Economic Characteristics" (hereafter: the Study on short food supply chains) has been published in March 2013[7].

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[4] http://ec.europa.eu/agriculture/quality/reports/index_en.htm

[5] Protected Designations of Origin / Protected Geographical Indications.

[6] http://ec.europa.eu/agriculture/consultations/advisory-groups/quality/index_en.htm

[7] Knefsey, M., Schmutz, U., Venn, L., Balint, B., Trenchard, E.: Short Food Supply Chains and Local Food Systems in the EU. A State of Play of their Socio-Economic Characteristics. European Union, 2013, available at: http://agrilife.jrc.ec.europa.eu/documents/SFSChainFinaleditedreport_000.pdf.

– A high level conference "Local Agriculture and Short Food Supply Chains"[8] organised by the Commission in April 2012 addressed challenges faced by farmers and a series of recommendations have been endorsed by the conference participants.

3. REVIVAL OF SHORT FOOD SUPPLY CHAINS AND LOCAL FOOD SYSTEMS

Short food supply chains[9] and local food systems[10] have always existed. However, the last two decades have seen a revival in many places in the EU. Selling farm products directly or through short supply chains is in many cases an important source of revenue for farmers, contributing to their well-being and to the viability of rural areas. For example, the share of farms estimating that more than half of their production is sold directly to consumers is almost 25 % in Greece, around 18 % in Hungary, Romania and Slovakia, and around 17 % in Italy and Poland[11].

This shows that certain consumers try to establish a long lasting relationship based on trust with farmers who are committed to fulfil their expectations. They believe that short distances between producers and consumers, few or no intermediaries and a proven link to the territory preserve community values and allow all actors in the food chain to identify themselves as members of that chain. This shows that there is an untapped potential of development of short food supply chains and local food systems.

Such relationships are beneficial for both farmers and for the local community as a whole. This has been demonstrated by various studies including the recent Study on Short Food Supply Chains and Local Food Markets in the EU: a State of Play of their Socio-Economic Characteristics. By reviewing literature and by own research, the study authors have looked at impacts across the EU and confirmed positive impacts. With regard to farmers, their role is enhanced as consumers understand better their function not only with regard to food production but also with regard to providing public goods like maintaining ecosystems, landscapes, and culture and tradition. Short food supply chains can result in a higher share of the value of the final sales price. This can result in a higher farm income and creates the opportunity to expand and modernise agricultural and non-agricultural activity on the farm as well as to improve viability of the farms.

Consumers concerned are able to fulfil their needs of food provision as well as better meet their environmental, climate, social and health expectations regarding food. The evidence has shown that consumers who would like to buy locally produced food often cannot recognise it in the market place[12]. There is a need for bridging the

[8] http://ec.europa.eu/agriculture/events/small-farmers-conference-2012_en.htm

[9] Sales from a farmer to a consumer with a reduced number of intermediaries; direct sales are short food supply chains without an intermediary.

[10] Production, processing, trading and consumption of food occur in a relatively small geographical area.

[11] Farm Structure Survey, Eurostat, 2007.

[12] Eurobarometer survey has shown that around half of respondents have difficulties. Special Eurobarometer survey: Europeans' attitudes towards food security, food quality and the countryside, 389, 2012.

distance between the consumers and the farmers, which has manifested for example in initiatives of community supported agriculture. In addition, many consumers attach to short food supply chains and local food systems values such as social contact between people, involvement in community life, solidarity and fair reward for services, and respect of the nature and the environment. Fulfilment of these values can enhance community life.

The local community may furthermore benefit from increased economic activity and a revival – or at the very least maintenance - of local services. Growing demand for "local" products represents an opportunity for strengthening and developing the competitiveness of rural areas through encouraging economic activities to meet this demand. Supplying local food systems is not only an opportunity for agricultural production, it affects all post-primary production activities like processing, distribution and retail. The spill-over effects of agricultural production destined to the markets in proximity thus have a multiplication effect on the local community by generating employment opportunities.

This modern view of relationship between producers and consumers with regard to food as well as of ensuring competitiveness at local level is even more important in the current situation of economic crisis. The reaction "going local" is increasing the resilience capacity of local communities as it helps maintaining and generating local employment in many sectors, for example processing, retail and tourism.

Public support to short food supply chains and local food systems could help maximising these benefits. This has been confirmed in the last years by the growing interest by public authorities as well as by European institutions[13], even calling on the Commission to propose the appropriate support and promotion instruments. The debate on the importance of short food supply chains and local food systems has also been launched by stakeholders and food chain actors.

3.1. Producers

The share of the agricultural sector in the total value added of the food supply chain has decreased from 31% in 1995 to 24% in 2005, while over the same period, the shares of the food industry, wholesale and distribution sector have all increased[14]. A High Level Forum for a Better Functioning Food Supply Chain[15] has recently examined competitiveness in the agri-food industry and contractual practices in the food supply chain. It has developed a Code of conduct and a self-regulatory framework for the implementation of fair trading practices which will be put in practice by food chain actors on voluntary basis. Moreover, the High Level Forum has invited the Commission to undertake appropriate steps to ensure fair trading practices in the food supply chain. The Commission is conducting an assessment of

13 More information on the activities by the Member States as well as on the initiatives by the European Parliament and the Committee of the Regions is provided in the Commission Report on the case for a new local farming and direct sales labeling scheme.

14 Commission Communication "A better functioning food supply chain in Europe", COM(2009)591.

15 Established by the European Commission in July 2010.

unfair business-to-business trading practices in the food supply chain. The assessment is expected to be finalised by the end of 2013.

Table: SWOT analysis of local farming and direct sales

Strengths:	Weaknesses:
• Diversity of product • Fresh, seasonal food • Transparency / traceability in the local farming and in particular direct sales • Building relationship, trust • Responsiveness to consumer's demand • Control over the final price, more competitive consumer price, increase of bargaining power • EU tools and support measures	• Small production volume, seasonality of production • Relatively high cost of establishing and selling in alternative chains • Low capacity to join existing certification schemes • Lack of training, infrastructure, know-how and skills • Cost of regulation/controls
Opportunities:	Threats:
• Big interest in the origin of food and growing interest in buying « local » • Increased consumer motivation for "fair" trade • Opening of new marketing channels in the local economy • Member States' and regional authorities ready to act/support • Locally visible environmentally sound production and low carbon emitting supply chains	• Competitiveness of the business model • Societal changes: migration trends, ageing population • Difficulties for consumers to recognise "local" food • Long working hours, stress

A recent study[16] looked into difficulties of suppliers who consider their bargaining power in relation to large retailers to be small; in particular this holds for small suppliers and suppliers of fresh produce. Small suppliers not involved in producer organisations or other form of co-operation face barriers to enter the conventional

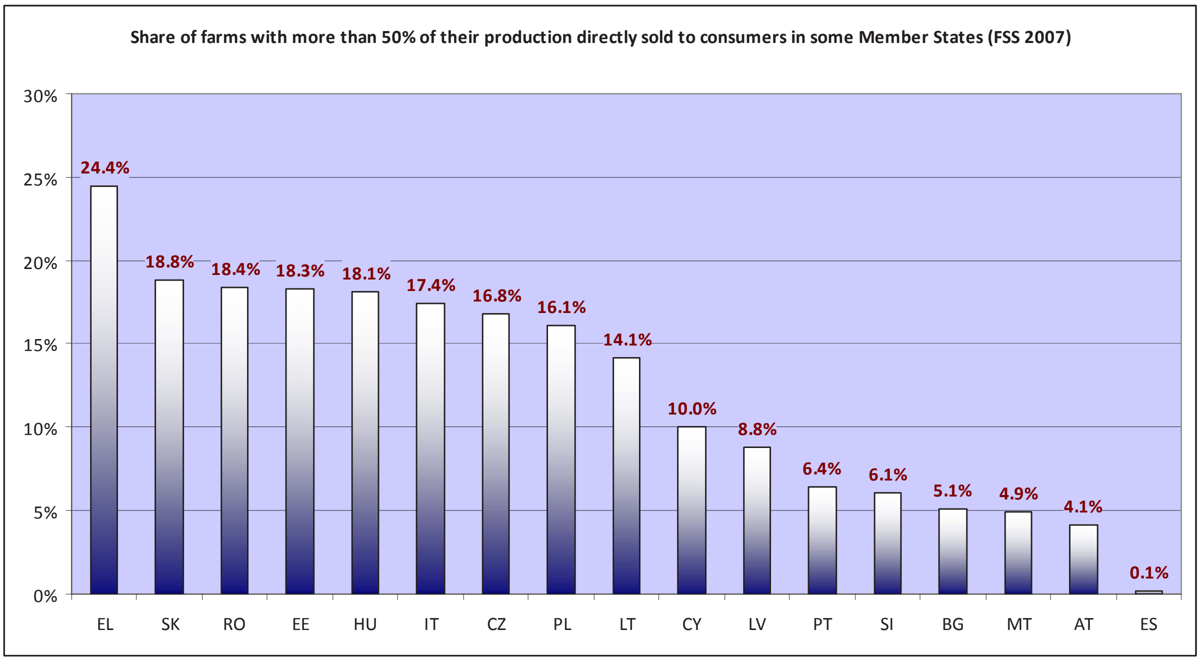
16 The impact of private labels on the competitiveness of the European food supply, LEI, 2011, available at: http://ec.europa.eu/enterprise/sectors/food/files/study_privlab04042011_en.pdf

commercial chains in terms of standards, investments and distribution capacity. Due in part to under-investment, they are least able to resist the power of large retailers and are likely to be the most vulnerable to imposed changes in contract terms. The consequences of this pressure are a considerable uncertainty for suppliers, a disincentive to invest and innovate, and limited power to compete.

Due to the pressures mentioned above, farmers may use alternative forms of supply chains: those addressing consumers more directly. In general, local farming aimed at supplying consumers in an area close by typically has specific characteristics: artisan – instead of industrialised production methods; use of traditional recipes and production techniques; and sales locally with fewer intermediaries. Such "local" farming is often linked to direct sales. These are the simplest food supply systems: products go straight from producers to consumers. The objective is to allow producers to capture a greater share of the retail price or offer their products at a more competitive price to consumers, and increase profit[17]. Farm stands and farmers' markets also provide consumers with a sense of the people and production processes behind the food bought. People become aware of the connection between farming and the food they eat. Short food supply chains furthermore contribute to increased access to fresh, seasonal food and clearer origin of the product.

Short food supply chains help keeping the value added within agricultural sector while at the same time bringing consumers closer to the source of the food they eat.

Graph: Direct sales in selected Member States



Source: Farm Structure Survey, Eurostat, 2007.

17 Jarosz L., The city in the country: Growing alternative food networks in Metropolitan areas, in: *Journal of Rural Studies*, 24 (2008), p. 231-244.

A Eurostat Farm Structure Survey 2007 has showed significant differences among the Member States with regard to development of direct sales. The farmers' answers to a question "Do the direct sales to consumers account for more than 50% of the total sales?" are presented in the graph.

Data are available for 17 Member States, representing 89 % of all EU farms. On average, about 15% of these farms sell more than 50% of their production directly to consumers, with significant differences among Member States: from almost one quarter of all farms in Greece to 0.1% in Spain.

Economic size classes between 1 and 8 ESU[18] have the highest shares of farms selling more than 50% of their production directly to consumers, whilst only about 3% of the farms belonging to size classes above 100 ESU sell more than 50% of their production directly to consumers.

According to Eurostat's Farm Structure Survey 2010, of the 12 million of agricultural holdings in the European Union, 7.3 million of agricultural holdings (60.4%) have an economic size of less than EUR 4 000 Standard Output[19]. These holdings employ 32% of the regular labour force in the agricultural sector (measured in full-time equivalents). More than 50% of the persons working in the European agricultural holdings work in a farm with less than EUR 4 000 Standard Output, which in absolute numbers corresponds to over 13 million people. Agricultural patterns characterised by small farm structures are more present in the new MS where 78% of all agricultural holdings are smaller than EUR 4 000 Standard Output, employing 48% of the agricultural labour force (measured in full-time equivalents). While the above Eurostat statistics are based on the economic size of the holdings, the market participation approach has been used in the definition[20] of the semi-subsistence farms; these are agricultural holdings which produce primarily for their own consumption and also market a proportion of their output. Eurostat provides data for 24 out of 27 Member States (no data are available for Belgium, Luxembourg and the United Kingdom) on the number of holdings producing mainly for their own consumption[21]. In 2010, 5.8 million holdings representing 49% of all holdings in the covered 24 Member States consumed more than half of their own production.

Despite their low market participation rates and relatively low profitability, small-scale farmers have an important role with regard to the environment climate and natural resources, local economy and social cohesion. Agriculture that is "local" by supplying consumers in an area close by typically has specific characteristics: artisan

18 'European Size Unit' (ESU) is a standard gross margin of 1.200 EUR that is used to express the economic size of an agricultural holding. This corresponds to approximately 1.3 ha of cereals or one dairy cow or 25 sheep or an equivalent combination of these.

19 Since 2010, economic size is no longer measured in ESU; this has been replaced by Standard Output. For more information, see page 19 of the following document: http://ec.europa.eu/agriculture/statistics/rural-development/2012/ch2_en.pdf

20 Council Regulation (EC) No 1698/2005 on Support for Rural Development by the European Agricultural Fund for Rural Development, OJ L 277, 21.10.2005.

21 A holding is considered to produce mainly for own consumption if more than 50% of the value of its final production is consumed by the holder's household. This should not be confused with self-consumption of the agricultural holding, i.e. the use of product as an input (e.g. fodder for animals).

– instead of using industrialised production methods; use of traditional recipes and production techniques; and sales use few intermediaries or are direct. The objective is to allow producers to capture a greater share of the retail price or offer their products at a more competitive price to consumers, and increase profit[22]. Farm stands and farmers' markets also provide consumers with a sense of the people and production processes behind the food bought. People become aware of the connection between farming and the food they eat. Short food supply chains furthermore increase access to fresh and seasonal food.

Few marketing channels are open to small-scale farmers, whose marketing is often hampered by the nature of the production (non-standardised product), processing and storage limitations, lack of infrastructure and difficult access to markets. The small levels of production are also often not sufficiently interesting to major buyers (retailers, traders and processing companies) that increasingly dominate the marketplace.

Additional income from selling through short supply chains may and does help small-scale farmers to continue their economic activity. The Study on short food supply chains has found some evidence that short supply chains in addition lead to increased local employment and multiplier effects and have a positive impact on regional tourism.

Finally, the impact assessment[23] related to EU quality schemes highlighted the widespread failure of these schemes to attract participation of small-scale producers. Small-scale producers in particular perceive the system as burdensome and expensive. As a consequence, the potential of quality schemes and quality products is not fully implemented across the European Union.

Taking into account that small-scale holdings are relatively more involved in short food supply chains, use of appropriate labelling information may contribute to increased visibility of their products and boost their sales. The question is whether an EU labelling scheme would add value taking account of the existing schemes, including EU quality schemes, and whether an EU scheme could coexist with the existing national or regional schemes.

3.2. Consumers

Empirical studies of the purchasing behaviour indicate a high level of interest in buying local and regional food. One study[24] indicates that in the United Kingdom, 70% wanting to buy ‘local’, nearly 50% wanting to buy more of it in the future, and 60% saying that they are currently buying local. According to Natural Marketing

[22] Jarosz L., The city in the country: Growing alternative food networks in Metropolotanian areas, in: *Journal of Rural Studies*, 24 (2008), p. 231-244.

[23] Proposal for a Regulation of the European Parliament and of the Council on agricultural product quality schemes, COM(2010) 733.

[24] Local Government Regulation, Buying food with geographical descriptions – How ‘local’ is ‘local’?, 2011.

Institute[25], 71 % of French and 47 % of Spanish and British consumers claim that it is important to buy local products. According to another study[26], 52% of Italian consumers purchase directly from a producer at least once a year. These consumers claim as the main motive, the price/quality ratio, but also other characteristics of direct sales, for example rediscovering the territory, access to seasonal products, and the social and environmental role of agriculture. More specifically for meat, 10% of EU consumers indicated that they buy meat or meat products directly from the farm[27].

The priorities of the Consumer Policy Strategy for 2007-2013[28] include: to increase consumer confidence in the internal market; to strengthen the consumers' position in the market place; and to ensure that consumer concerns are taken into account in all EU policies. In general, the level of consumer trust that retailers respect the rules protecting consumers, is higher for goods (including some food products) than for services[29]. With a view to better informing consumers, different information schemes have been developed at national, regional and local, but also at European level. The Eurobarometer survey on Consumer Empowerment[30] has revealed a lack of knowledge and skills among consumers, including regarding labelling and logo interpretation, which was supported by results of the study on the functioning of the meat market for consumers[31]. Consumer organisations, surveys and studies point to certain risks of information overload, proliferation of labels and consumer confusion[32].

Consumer confidence can be enhanced by correct product information. The General Food Law Regulation[33] stipulates that the labelling, advertising, and presentation of food shall not mislead consumers. Further provisions are set down in the general

25 Les chiffres de la consommation responsable, édition 2010, available at: http://www.mescoursespourlaplanete.com/medias/pdf/RapportwebVF-2010.pdf

26 Coldiretti – Agri2000: Osservatorio Internazionale sulla vendita diretta nelle aziende agricole – Quarta Edizione, 2009.

27 The survey showed significant differences between countries: from 26% of Latvian and 22% of Slovenian consumers buying meat directly from the farm, to 2% in Portugal. Study on the functioning of the meat market for consumers in the EU, http://ec.europa.eu/consumers/consumer_research/market_studies/docs/mms_follow-up_study_2012_en.pdf

28 EU Consumer Policy strategy 2007-2013, Empowering consumers, enhancing their welfare, effectively protecting them COM(2007) 99 final.

29 European Union: Consumer Markets. Scoreboard, 8th edition. Making markets work for consumers, 2013, available at: http://ec.europa.eu/consumers/consumer_research/editions/cms8_en.htm

30 Special Eurobarometer "Consumer Empowerment", No 342, 2011.

31 http://ec.europa.eu/consumers/consumer_research/market_studies/docs/mms_follow-up_study_2012_en.pdf

32 BEUC: Where does my food come from? BEUC consumer survey on origin labelling of food, 2013.
BEUC: From a Common Agricultural Policy to a Common Food Policy, 2010.
Harbaug, R., Maxwell, J.W., Roussillony, B.: Label Confusion, The Groucho Effect of uncertain. Standards, Indiana University, 2010.
Better Regulation Executive/National Consumer Council, Warning too much information can harm, 2007. Which? Making sustainable food choices easier, 2010.

33 Regulation (EC) No 178/2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety, OJ L 031 , 01/02/2002, Article 16.

labelling Directive[34] and Regulation (EU) on the provision of food information to consumers[35]. In more general terms, consumers are also protected by provisions of the Unfair Commercial Practices Directive[36].

A UK study[37] has looked into the use of the food description "local" and analysed the inspection results of local authorities who checked the accuracy of "local" claims with regard to 30 or 50 miles distance. They determined that at least 18% of claims for products being "local" were false. The study has found that the increasing focus on 'local' has resulted directly from consumer interest in the origin of food, the impact of food transport on the environment and a desire to support 'local' businesses.

4. CHALLENGES FOR "GOING LOCAL"

Short food supply chains and local food systems represent the diversity and richness of European agriculture which must be preserved. They are however facing numerous challenges. These were addressed during the conference organised in 2012 as follows:

– Knowledge, training and skills: there is often a lack of knowledge and expertise required to engage in creating a new activity of selling directly to the consumer. Selling of products requires knowledge and skills, different from those required for production. By selling directly, a farmer becomes much more than a producer: (s)he is at the same time a marketing agent, a distributor and consumer relations expert. Training is often necessary to cope with all these challenges.

– Structural and logistic issues: there may be a lack of adequate facilities or even space to sell directly on the farm which requires investment in buildings and selling facilities. A farm might be in a place too remote for consumers to go there and ensuring appropriate transport infrastructure is a prerequisite. Moreover, common processing facilities at a disposal to those farmers who want to sell processed products may not be available in close vicinity.

– Administrative burden: the documentation required and costs incurred to comply with food hygiene legislation in particular are sometimes considered as one of the main difficulties faced by farmers who wish to develop short supply chains and sell to consumers directly. This is notably the case for small-scale farmers.

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34 Directive 2000/13/EC of the European Parliament and of the Council of 20 March 2000 on the approximation of the laws of the Member States relating to the labelling, presentation and advertising of foodstuffs, OJ L 109, 6.5.2000, p. 29.

35 Regulation (EU) No 1169/2011 of the European Parliament and of the Council of 25 October 2011 on the provision of food information to consumers, OJ L 304, 22.11.2011, p. 18.

36 http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32005L0029:EN:NOT

37 Local Government Regulation, Buying food with geographical descriptions – How 'local' is 'local'?, 2011.

– Competition with major market players: the volume and range of products offered by individual farmers is relatively small and in addition usually seasonal. This limits the competitiveness of farmers vis-à-vis distributors and wholesalers procuring on a larger scale who thus find it easier to respond to the needs of industrial food producers and large retailers. Association and co-operation models to join forces may not have been successful in every environment and may be conditioned upon cultural characteristics; this influences farmers' ability to cope with stronger players on the market.

– Access to public procurement: difficulties in participating in public food procurement by local authorities, for example for schools or hospitals, are often evoked. The reasons are similar as mentioned above: fragmented offer and lack of collective approach make it difficult to compete in a public tender.

– Low level of development of producer groups and association systems: in some Member States or regions it is observed that a level of association of farmers is lower than in other. In these cases farmers have not joined a producer group or a co-operative despite the fact that co-operation models can be most helpful to strengthen the position of farmers on the market.

– The development level of local markets is not homogenous: there are significant variations between the markets for products to be sold locally. Some markets are not very responsive to changes, while others see increasing interest and demand for local products. It is therefore a challenge to make an appropriate marketing strategy for development of short food supply chains.

– Financial constraints to access capital: farmers find it difficult to set up new marketing activities because of cash flow difficulties or limited access to loans.

– Information and promotion activities: a considerable number of consumers report difficulties in identifying products made on farms nearby or in knowing where to buy such products. In other words, there is often insufficient visibility of and knowledge about locally produced products, as well as lack of information how to access them. Ensuring higher visibility of these products, underpinned by information and promotion activities, is also connected to a challenge of educating consumers about the food.

The EU legislative framework, notably rural development provisions, currently provides for a range of tools and support measures to help farmers sell directly or through short food chains. In addition, the Commission proposals for the CAP reform and rural development[38] seek to further strengthen the EU commitment to local agriculture and short food supply chains, as a way to unlock the full economic potential of such agricultural models. Their growing importance justifies a new consideration of these systems as an emerging foundation of a new focus of

[38] Commission Proposal for a Regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), COM(2011)627 final/2.

European agriculture, more based on partnership of actors within local communities. The policy tools which are at disposal of Member States are presented in Annex I.

5. EU LEVEL INITIATIVES

In view of growing social and economic importance of short food supply chains and local food systems, and of their increasingly important place in the political debate across the Member States, the Commission has committed to examine and discuss the issue more in detail. When looking at the challenges of the CAP post 2013[39], the Commission underlines that "*EU citizens demand high quality and a wide choice of food products, reflecting high safety, quality and welfare standards, including local products*". The Commission also underlined that "*environment, climate change and innovation should be guiding themes that steer the policy more than ever before.*"

Short food supply chains and local food systems offer opportunities to farmers and citizens. The Commission aims at putting forward the tools sustaining their development and encouraging the food chain actors and public authorities to use them to the benefit of all.

In order to provide an overview of short food supply chains and local food systems across the EU, an external study[40] was launched in 2011 and published in 2013. Consultations of Member States and stakeholders on direct sales and local sales of agricultural products and foodstuffs took place in 2011. During 2011 to 2013, experts have examined the issue of direct sales and short supply chains, including how to develop a labelling scheme for products sold directly or locally, with the objective of helping farmers find alternative sales channels and diversify their sources of income, clarifying rules for farm products sold in directly or locally and helping consumers to better identify such products.

The Committee of the Regions consideres[41] that the Commission should "*adopt definitions of 'Local Food Products' and 'Local Food Systems', and introduce a new logo and identify a common symbol and scheme identity for local products […]*".

In its resolution "Future of the CAP after 2013"[42], the European Parliament makes clear that improving competitiveness at different levels, including local markets, should be a fundamental objective of the CAP post-2013.

The EP resolution "Fair revenues for farmers: A better functioning food supply chain in Europe"[43] argues in favour of simplification of procedures supporting the local and regional marketing of food. It considers that measures should be taken for creating

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39 The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future, COM(2010)672 final.

40 http://agrilife.jrc.ec.europa.eu/documents/SFSChainFinaleditedreport_000.pdf

41 Opinion of the Committee of the Regions on 'Local food systems" (outlook opinion), 2011/C 104/01.

42 European Parliament Resolution of 8 July 2010 on the future of the Common Agricultural Policy after 2013, P7_TA(2010)0286.

43 European Parliament resolution of 7 September 2010 on fair revenues for farmers: A better functioning food supply chain in Europe, P7_TA(2010)0302.

marketing outlets for farmers to offer their products directly to consumers and for sales of agricultural products on local markets.

In 2012, a high-level conference "Local Agriculture and Short Food Supply Chains"[44] organised by the Commission addressed the challenges faced by farmers and a series of recommendations have been endorsed by the conference participants. The conference focused on the use of policy instruments, facilitating access to markets as well as reinforcing links between farmers and consumers, and improving the implementation of relevant hygiene legislation applying to short food supply chains. The conference gave voice to farmers, in particular small ones, who presented success stories and challenges they are facing. It also gave voice to consumers who shared their expectations as well as to public authorities who described their activities supporting local agriculture and short food supply chains.

Finally, in the framework of adopting Regulation (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs[45], the European Parliament and the Council considers it warranted to request a report of the Commission on the case for a local farming and direct sales labelling scheme to assist producers in marketing their produce locally. Work on this report shows that a range of tools are in place – including at EU level - to help farmers sell through short food supply chains and to increase their presence in local food systems. However, the actual use of these tools varies considerably between regions and Member States. Challenges with regard to engaging in local agriculture are not the same across the EU and hence a combination of actions that Member States could make available to assist their development should be tailored to the needs.

6. SHORT FOOD SUPPLY CHAINS: A PRIORITY IN THE CAP POST 2013

As systems that contribute to unlocking the economic potential of local communities, short supply chains are important elements to face the economic crises. The Europe 2020 strategy is about delivering growth that is: smart, through more effective investments in education, research and innovation; sustainable, thanks to a decisive move towards a low-carbon economy; and inclusive, with a strong emphasis on job creation and poverty reduction. Short food supply chains contribute to:

– smart growth, through creating employment opportunities at local level, and increasing knowledge and skills; and increasing human and social capital through connections and networking, community involvement and understanding of links between food, environment and health;

– inclusive growth, by strengthening development of local suppliers and services, retention of financial sources within local economy, and increasing physical capital through supporting of local activities through aid to investments, training;

44 http://ec.europa.eu/agriculture/events/small-farmers-conference-2012_en.htm
45 OJ L 343 of 14.12.2013, p. 1.

– sustainable growth, by contributing to the protection of natural capital, environmentally sound and climate-friendly practices and behaviours.

According to the conclusions of the above mentioned conference, there are significant barriers which prevent or inhibit short food supply chain and local food production systems to deliver its contribution towards the overall goals of Europe 2020 embedded in the CAP. These barriers are of two broad types: public policies in some cases favouring larger farms and conventional supply chains; and difficulties specific to farmers (age, knowledge and skills, lack of interest, lack of financial resources, lack of infrastructure, etc.). The conclusions called on the Commission to review the factors which are causing these barriers with the aim to find ways to better support these kinds of systems across the EU.

EU rural development policy has been offering measures which can help to establish and foster short supply chains, for example through support for investment, training, certain forms of organisation and the LEADER approach. As said, the present framework will be substantially strengthened through the CAP reform, in order to help farmers meet some of the challenges set out above. The development of short supply chains and local markets will be an explicit element under future rural development priorities; and a series of tools will support this priority.

More precisely, two novelties for the future rural development policy are explicit support for:

– *horizontal and vertical co-operation among supply chain actors for the establishment and development of short supply chains and local markets;*

– *promotion activities in a local context relating to the development of short supply chains and local markets*"; and

the possibility for Member States / regions of including "*thematic sub-programmes*" within their main rural development programmes, dedicated to short food supply chains.

Farmers in many regions of the European Union have successfully entered short food supply chains[46]. Where this is not the case yet, Member States and regions and farmers there are encouraged to use these possibilities for kick-starting new short food supply systems. When preparing their rural development programmes for the period 2014-2020, Member States are encouraged to analyse the situation of short food supply chains and local food systems on their respective territory in terms of strengths, weaknesses, opportunities and threats, and identify the needs that have to be addressed. A thorough reflection on how a possible creation of a sub-programme for short food supply chains could respond to these particular needs should be done.

46 EU Rural Review from July 2012 provides for best practice examples in various Member States, showing how to cope with challenges to the benefit of all actors: http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=E8F24E08-0A45-F272-33FB-A6309E3AD601

The most relevant measures addressing short food supply chains are presented in Annex 1.

7. FOOD HYGIENE RULES TO ACCOMPANY THE SPECIFICITIES

Throughout the wide stakeholder consultations with respect to short food supply chains referred to above, certain aspects of EU food hygiene legislation (the "EU hygiene package"[47]) have been raised as a key obstacle for farmers wishing to use such chains or sell directly.

The main conclusions of the 2012 Conference in this respect pointed to the need to better use the hygiene and safety regulatory framework. The conclusions acknowledged that the EU hygiene rules already allow sufficient flexibility to Member States to address specificities of food production and food marketing, in particular for small farmers, often the most concerned by the short supply chains and local food production systems. However, it was also acknowledged that in practice, such flexibility does not often reach the operators.

For this reason, a conference/workshop on flexibility was held on 2-3 October 2013 the outcome of which will permit an informed evaluation of which amendments to the guidelines if any are necessary to allow small food producers and short food supply chains to fully benefit from the specific provisions foreseen at EU level. In addition, the Commission is planning a review of the EU hygiene law, which will consider the implementation obstacles, if any, of the specific provisions related to short food supply chains (Annex 2).

Member States should take a more proactive role and adapt legislation where possible to the benefit particularly of small farmers and direct sales. A closer examination of the problems raised shows that many problems that farmers face are due to implementation choices made at Member State level or to failure to publicize effectively how the flexibilities incorporated in the food hygiene package can be used.

8. OPENING AND PROMOTING ACCESS TO MARKETS

For successful marketing of food directly or through short supply chains, a strategy comprising several elements is needed in order to position, present and price products accordingly. Firstly, the farmer's produce must be visible and accompanied by the appropriate information. Secondly, communication and promotion activities

[47] Regulation (EC) No 852/2004 of the European Parliament and of the Council of of 29 April 2004 on the hygiene of foodstuffs, OJ L 139, 30.4.2004, p. 1.
Regulation (EC) No 853/2004 of the European Parliament and of the Council of 29 April 2004 laying down specific hygiene rules for food of animal origin, OJ L 139, 30.4.2004, p. 55.
Regulation (EC) No 854/2004 of the European Parliament and of the Council of of 29 April 2004 laying down specific rules for the organisation of official controls on products of animal origin intended for human consumption, OJ L 139, 30.4.2004, p. 206.

should be developed in order to convey correct messages about the nature of the product and the way it is produced and sold. Thirdly, having a variety of outlets instead of a single one may provide better opportunities for maximizing profits. Farmers need to possess knowledge and marketing skills for organising their sales as well as to recognise their marketing opportunities.

The 2012 conference has addressed the question of how to facilitate market access for local farmers. The conference conclusions have underlined the importance of creating trust between farmers and consumers and the significance of values attached on one side to the production and on the other hand to the marketing of agricultural products. "Going local" means a shared vision with quality, environment, ethics, culture, social links and conviviality up front. Major ingredients of "going local" are networking, trust and mutual knowledge, and education of both farmers and consumers.

The conference conclusions indicated that these values could be promoted by a new label for short supply chains, under the condition that this would be an additional tool, simple and not causing additional cost for producers. Most farmers have limited know-how, time and financial resources to develop marketing strategies. Labelling information adapted to the sales channel chosen could be the key for presenting their produce on the market.

Moreover, to allow for a better market access, the conference outcome showed that public procurement legislation should explicitly allow inclusion of "local products" in public calls for tenders. Finally, local governance dealing with short supply chains should involve local stakeholders, from farmers to distributors and consumers, and support initiatives of getting locally produced food in public institutions like schools, hospitals and other public canteens.

In addition, the Study on Short Food Supply Chains and Local Food Systems in the EU has revealed that access to markets could be enhanced by fair labelling practices. Several cases of misleading or wrongful labelling claims have been found, causing unfair competition conditions. In order to open and promote access to markets for products sold in short food supply chains and local food systems, protection against imitations can play an important role. Appropriate labelling information at EU level, underpinned by information and promotion activities, including awareness rising of citizens could reduce the risk of misleading the consumers.

Regardless of the possible creation of a label at EU level, value added of products sold in short food supply chains or in local markets could be increased by appropriate labelling. Labelling guidance and best practices are presented in Annex 3.

8.1. Promotion of short food supply chains and local food systems

8.1.1. European Network for Rural Development (ENRD)

In the framework of EU rural development policy, the ENRD has organised various activities in the past with regard to short food supply chains and local products.

A Working Group on Short Supply Chains (SSCs) was established in April 2011. Today it includes 13 other interested National Rural Networks (NRNs) and some EU organisations. The aim is to form a focal point for cooperation and sharing of experience and the dissemination of accumulated knowledge on local food and short supply chains to a wider audience.

The publication "EU Rural Review" from summer 2012 entitled "Local food and short supply chains"[48] was a joint effort of the Working group. It presents experience and case studies provided by 10 NRNs.

For the future, further activities by the NRNs could be envisaged, coordinated at European level by the ENRD. Taking into account that a well-established network, comprising all Member States, exists and has already been active in the field of short food supply chains and local agriculture, the ENRD could be called to organise further activities for better promoting and integrating short food supply chains and local food production systems.

8.1.2. *Information activities*

The Commission regularly co-finances information measures relating to the common agricultural policy. In the 2013 call for proposals[49], development of short supply chains is for the first time amongst the eligible actions by rural actors.

It is envisaged that short supply chains and local products could be one of the topics for the Commission presence in fairs across the EU. In particular, further participation of farmers engaged in short supply chains and local food production systems could be sought.

8.2. Public procurement

Public procurement can support the development of sustainable food supply chains with their purchases.[50] Many stakeholders have raised EU public procurement rules as a further obstacle to developing short chain and local sales of food to public institutions. Further explanations are provided in Annex 4.

Public procurement tenders for supplying food to public canteens might require stable quantities of food over the whole year which a single farmer can hardly provide. To be able to jointly bid in a public procurement tender, farmers should organise themselves and take advantage of various models of co-operation. Besides

48 http://enrd.ec.europa.eu/app_templates/filedownload.cfm?id=E8F24E08-0A45-F272-33FB-A6309E3AD601

49 OJ C 264, 13.9.2013, p. 11.

50 For example, Rome[50] is providing to schools 150.000 meals per day, whose ingredients are 70% organic, 11% fair trade and 24 % local. For developing this green food market a range of obstacles have been overcome. The Roman authorities started to change the contract auction scheme. Innovative award criteria have been introduced in order to develop the sustainability of the offered products and services. Another example is from Brittany where 12 million of meals are served yearly in schools. The regional authorities decided to include local products, also by fostering co-operation between the personnel of the canteens, school authorities and local farmers. Source: FNH and CIVAM: Guide de la restauration collective responsiable. A l'attention des collectivités et des entreprises, Version 2, 2011.

traditional forms like farmers' associations and producer groups, new innovative approaches of co-operation have emerged.

With the reinforced support to co-operation activities with a view to increase collective ability of farmers, disadvantages of fragmentation and small structures could be partly overcome.

9. GOING BEYOND RURAL AREAS: INNOVATION AND RESEARCH

Active involvement of all actors in the short food chains may increase their potential of bringing social, environmental and economic benefits. As the main feature of short food chains is to reconnect producers and consumers, better inclusion of consumers and notably those from the cities seems to be a prerequisite for their successful development. Until recently, short food supply chains were considered to be part of the development of rural areas. Today they should be looked also from the perspective of urban development.

To better interconnect the actors, innovative solutions are sought, often associated with uptake of new knowledge and new technologies, in particular IT, and new organisational models[51]. The aim would be to foster food chain innovation and to look at sustainable modes of urban and peri-urban food provisioning.

In this context the agricultural European Innovation Partnership (EIP) is relevant. The EIP aims to foster a competitive and sustainable agriculture and forestry sector that 'achieves more from less' input and works in harmony with the environment. The EIP adheres to the "interactive innovation model" which focuses on forming partnerships - using bottom-up approaches and linking farmers, advisors, researchers, businesses, and other actors in Operational Groups. This will generate new insights and ideas and mould existing tacit knowledge into focused solutions that are quicker put into practice. Such an approach will stimulate innovation from all sides and will help to target the research agenda. Innovation under the EIP may be technological, non-technological, organisational or social, and based on new or traditional practices.

Operational Groups will bring together farmers, researchers, advisors, businesses, NGOs and other actors to implement innovative projects pursuing the objectives of the EIP for Agricultural Productivity and Sustainability. Operational Groups can be supported by various funding sources.

Rural Development Policy and the Union Research and Innovation Framework "Horizon 2020" will provide particular opportunities for setting up Operational

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51 In the framework of 7th Framework Programme, two projects FOODMETRE and SUPURBFOOD related with short-chain delivery of food to urban and peri-urban areas are on-going. FOODMETRE looks at planning and innovation in food area to ensure sustainable development of metropolitan regions. One of its goals is to identify concepts as well as practical examples for food chain innovation in the context of small-scale urban, peri-urban and peri-urban-rural forms of agriculture and food production up to large-scale metropolitan production regimes geared towards feeding urban populations. SUPURBFOOD looks at sustainable modes of urban and peri-urban food provisioning. This research will analyse the way in which several European city regions deal with short supply chains in food, nutrients, water and carbon.

Groups in the period 2014-2020 and incentivise interested actors who engage in actions on developing, testing and applying innovative approaches. The two policies complement each other in giving emphasis to different objectives and main target groups. Other policies, such as Cohesion and Education Policy, might offer additional opportunities.

10. CONCLUSION

Various existing and proposed EU rules, tools and support possibilities presented in this Commission Staff Working Document provide for a solid framework for farmers on the one hand, and Member States and regions on the other hand, to successfully support short supply chains and to engage in local food systems.

The authorities in the Member States are offered to use the existing measures and the new ones to be adopted shortly in the framework of rural development. The advantages of flexibilities provided by EU rules in order to simplify the economic environment for farmers and minimise their operating costs should be taken on board. Support for direct selling and short supply chains can improve trust in the food chain, contribute to vibrant local communities, link the countryside and cities, provide for environmental benefits and contribute to a low carbon footprint and thus achieve a much broader objective.

Annex 1

Rural development support

With regard to short supply chains and local markets, the most relevant post-2013 support measures will be:

– *Knowledge transfer and information actions* (Article 15) – e.g. support for training courses, workshops, coaching, demonstration activities and farm exchange visits;

– *Advisory services, farm management and farm relief services* (Article 16) - e.g. advice to farmers on finding alternative marketing channels;

– *Quality schemes for agricultural products and foodstuffs* (Article 17) – to help meet the initial costs of farmers' participation in quality schemes (the range of such schemes will be wider than in the current period and might involve schemes operating through short supply chains) as well as to promote products covered by such a supported quality scheme;

– *Investments in physical assets* (Article 18) – e.g. for investments in storage facilities and farm shops to market products covered by Annex I of the Treaty (i.e. certain "agricultural" products);

– *Farm and business development* (Article 20) – e.g. for investments needed to help market products not covered by Annex I of the Treaty, such as jams or bread;

– *Basic services and village renewal in rural areas* (Article 21) – especially investments in small-scale infrastructure (e.g. rural marketplaces);

– *Co-operation* (Article 36) – see section 3.2 below;

– *the LEADER approach* (Articles 42-45).

Explicit support for short supply chains and local markets: the *Co-operation* measure

Article 36 of the draft Rural Development Regulation explicitly offers support for:

– "*horizontal and vertical co-operation among supply chain actors for the establishment and development of short supply chains and local markets*" (Article 36 (2) (d));

– "*promotion activities in a local context relating to the development of short supply chains and local markets*" (Article 36 (2) (e)).

Both types of support are on offer in the context of co-operation between at least two entities (in line with the name of the measure concerned, which is designed essentially to help overcome the disadvantages caused in rural areas by fragmentation and small scale).

The co-operation projects must be new and will be funded for a maximum of 7 years: the measure is intended to launch new initiatives, not fund existing projects or provide long-term support.

A range of costs can be partly or fully covered, depending on the exact nature of the project concerned and whether it relates entirely to products falling within Annex I of the Treaty[52]. Examples of costs include those related to:

– carrying out a feasibility study or drawing up a business plan;

– the running costs of the co-operation (e.g. the cost of running a co-ordination centre where fresh produce from several nearby farmers is collected to be dispatched to nearby households through a joint "box delivery scheme");

– investments (e.g. the cost of setting up the co-ordination centre mentioned above);

– promotion.

For the purposes of granting support under this rural development measure, the meaning of the terms "short supply chain", "local market" and "in a local context" will be set out in additional detail through delegated acts. Discussion with Member States experts on this issue are on-going to provide specifications which will help the measure to work effectively in a targeted way, and with reasonable coherence with other policy instruments.

Thematic sub-programmes

Article 8 of the draft Rural Development Regulation offers Member States / regions the possibility of including "*thematic sub-programmes*" within their main rural development programmes.

A thematic sub-programme is effectively a "programme within a programme" – devoted to a topic which is so important[53] for the Member State / region concerned that it requires extra visibility and analysis, as well as (in some cases) higher support rates for beneficiaries.

The maximum aid intensity of a measure supporting an operation within a thematic sub-programme addressing "short supply chains" is 10 percentage points higher than in normal cases (see Article 8 (3)).

52 Support for operations whose outputs do not consist purely of such products is subject to the EU's normal rules on state aid – which will influence exactly what may be supported, and the maximum level of support.

53 Sub-programmes should be used sparingly: otherwise, the coherence of the "standard" programmes could be lost.

In addition, any thematic sub-programme must include:

– a specific analysis of the strengths, weaknesses, opportunities and threats (SWOT) related to the theme of the sub-programme in the area concerned;

– specific targets at the level of the sub-programme, with a selection of measures to be used to achieve those targets;

– a separate indicator plan with planned outputs and expenditure.

The architecture of a thematic sub-programme therefore mimics that of the main rural development programme – and must be consistent with this, although it enjoys a "semi-autonomous" life.

Annex 2

EU hygiene package

With respect to impact on small farmers and food supply chain, current EU hygiene rules can be summarised as follows:

– General hygiene provisions for primary production

– General hygiene requirements for all other food business operators

– The application of procedures based on the HACCP[54] principles

– The obligation of approval of the establishment

– Specific hygiene rules for food of animal origin

– Fees for the organisation of official controls on specific rules for products of animal origin

Several exclusions and derogations from and adaptations to the current EU rules - the so called "Flexibility provisions" for competent authorities and for food business operators – exist. Their aim is to assist Member States who are best placed to find solutions to local situations. In case of local agriculture and short food supply chains, application of flexibility provisions could result in possible adaptations of the hygiene legislation in order to contribute to unlocking economic potential of these systems.

Flexibility provisions have been explained and published, as guidelines[55], by the Commission in 2010 and can be summarised as follows:

Exclusions

A key measure to facilitate direct sales by farmers and short supply chains is the fact that the direct supply, by the producer, of small quantities of primary products to the final consumer are excluded from the application of the whole EU hygiene package. This also applies to such sales if made by local retail establishments directly supplying the final consumer. The sale of raw milk, honey, eggs, fruit or vegetables from farms can thus benefit from this exclusion.

Derogations

In addition to this exclusion, the "EU hygiene package" allows Member States to derogate from certain provisions, under specified circumstances.

– For example, slaughterhouses need not have a separate place with appropriate facilities for the cleaning, washing and disinfection of means of transport for livestock, if official authorised places and facilities exist nearby.

[54] Hazard Analysis and Critical Control Points.
[55] http://ec.europa.eu/food/food/biosafety/hygienelegislation/index_en.htm

– Most relevant for farmers processing food is the possible derogation that the premises where foods with traditional characteristics are exposed to an environment necessary for the part-development of their characteristics (e.g. the maturation of cheese) may in particular comprise walls, ceilings and doors that are not smooth, impervious, non-absorbent or of corrosion resistant material and natural geological walls, ceilings and floors. In other words, such premises on a farm can be accepted to have walls not in line with the requirements for bigger food establishments.

These examples are directly relevant for small and medium enterprises (SME) and thus also for most farmers wishing to engage in direct or short chain sales. However, several Member States have not used the possibilities for such derogations.

Adaptations

Finally, Member States may adapt requirements laid down in the Annexes of the hygiene package in specific circumstances, often most relevant for SME, for example:

– To enable the continued use of traditional methods of production (at any stage of production, processing or distribution of food);

– To accommodate the needs of food businesses situated in regions that are subject to special geographic constraints (e.g. adaptation in small slaughterhouses or SME in mountain regions or islands, important for the local supply of food);

– To adapt requirements on the construction, layout and equipment of establishments.

Member States must notify the Commission the measures on flexibility they want to apply.

These flexibility provisions provide solutions for small businesses as regards compliance for approval and for adaptations needed to give appropriate responses to local problems and to ensure a proportionate approach. Based on the notifications received from Member States on national measures to adapt to small activities, the Commission however concludes that Member States may not have availed of all flexibility possibilities offered in the hygiene package. Therefore,

– the wording of existing guidance documents and of the hygiene regulation will be evaluated and if necessary adapted with the aim to allow small food producers and short food supply chains to fully benefit from the specific provisions foreseen in EU hygiene law;

– in 2014, in the framework of the Better Training for Safer Food (BTSF) programme, specific training for competent Authorities in the Member States on the correct application of flexibility provisions is foreseen;

- the Commission will organise, already in 2013, specific workshops, with the participation of Member States' Authorities and involved stakeholders, for explaining the flexibility rules in the hygiene package with the aim to apply an uniform approach within the Member States in the light of the FVO's report on the application of flexibility provisions in certain Member States;

- the Commission published in 2010 on its website (http://ec.europa.eu/food/food/biosafety/hygienelegislation/index_en.htm) two guidance documents addressed to food business operators and competent Authorities, on the flexibility provisions. These guidelines are structured in the form of questions and answers, with the scope to use a practical approach easy to read for everybody;

- HACCP systems are a key element to ensure the safety of our food placed on the market but should and could be tailored to the size of the production and risks involved. National guides developed in some Member States can help food business operators to better understand and implement an HACCP plan tailored to the risk of the production and size of the establishment.

Annex 3

Labelling practices

Rules on food labelling applicable to all foods are laid down in Directive 2000/13/EC[56]. They have been updated by the Regulation (EU) No 1169/2011[57] on the provision of food information to consumers, which shall apply from 13 December 2014. The Commission presented in 2010 EU best practice guidelines for voluntary certification schemes for agricultural products and foodstuffs[58] to help improving transparency, credibility and effectiveness of voluntary certification schemes and ensuring that they do not conflict with regulatory requirements. These guidelines are addressed to schemes with third-party attestation and provide recommendations regarding scheme participation and development, scheme requirements and correspondence claims, certification and inspections and mutual recognition and benchmarking/overlap with other schemes[59].

These guidelines for voluntary certification schemes may be used for self-declaration schemes as well.

In order to provide appropriate information to consumers, self-declaration labelling schemes for short food supply chains and local food systems should have the following characteristics:

– A clear concept of the scheme's objectives and specified eligibility requirements. This would allow to distinguishing one scheme from others; and inform consumers clearly what the scheme is addressing.

– A clearly recognisable geographical boundary of the scheme. This would allow consumers to understand and relate to the area where the scheme is operating.

– Labelling should focus on re-creating the relationship between agricultural producers and consumers. This could be achieved in particular by:

  - Indication of the farmer who has produced the product covered by the scheme by his/her name and address allows consumers to better identify with the producer, and creates value and meaning around the product and its origin. At the market place, contact information of the farmers should be provided to allow direct contacts and visits of the farm. Points of sale and catering facilities should be equipped with information about the farmer - producer (leaflets, brochures, etc.). Such transparency thus goes beyond the tracing required for hygiene purposes.

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56 Directive 2000/13/EC of the European Parliament and of the Council of 20 March 2000 on the approximation of the laws of the member States relating to the labelling, presentation and advertising of foodstuffs, OJ L 109, 6.5.2000, p. 29.

57 OJ L 304 of 22.11.2011, p. 18.

58 OJ C 341 of 16.12.2010, p. 5.

59 The Commission has asked for an external study on functioning of voluntary food labelling schemes which will also look at the compliance of the schemes with the EU guidelines. The publication of the study is planned for end of 2013.

- Information about specific characteristics and attributes of the product, representing values which are exchanged through short supply chains and local food systems, in particular social and cultural values built on traditional knowledge, skills and customs, like artisanal production, hand-made products, traditional recipe, traditional breeds and species.

- Clear indication of the type of the supply chain, for example direct sale, sales through one intermediary, etc. allows consumers to "attach" a fair price to the product, by having information about the actors in the chain to be remunerated.

- In case of processed food, transparency about the sourcing of raw materials and ingredients should be ensured.

– Consideration should be given, if appropriate, to specific graphic identifications or symbols that could further contribute to product visibility and communication about the scheme. Consumers may associate such identifications to the objectives and values that a scheme represents. As consumer knowledge about farmer's produce reduces proportionally to the growing distance between the farmer and the consumer, it should also be taken into account that a logo is relatively more useful for geographically extended schemes.

Annex 4

Public procurement rules

The Directive on public procurement[60] provides for criteria on which the contracting authorities shall base the award of public contracts. These should be either various criteria linked to the subject–matter of the public contract, for example quality, technical merit, environmental characteristics, delivery period and others laid down in Article 53 of the Directive, or the lowest price only. There is no obligation to buy based only on the lowest price.

For hotel and restaurant services, fewer rules for public service contracts apply. The rules applicable to these services require ex-post transparency and equal treatment, allowing to take into account the specificities of the services: Article 23 concerning setting out the technical specifications and Article 35 (4) concerning sending a notice of the results of the award procedure.

Green public procurement

Food and catering are among 10 priority sectors for green public procurement, identified by the Commission[61]. A Handbook on green public procurement "Buying green![62]" is designed to help public authorities successfully plan and implement green public procurement. It explains the possibilities offered by European Union law in a practical way, and looks at simple and effective approaches to greening contracts. In addition, the Commission has presented a toolkit[63] for use by public purchasers. It includes recommended green public procurement purchasing criteria for priority product and service groups, amongst other food and catering services. Therefore, it is worth reminding that public procurement rules do not set up obstacles to buying green.

In addition, a political agreement has been reached between the European Parliament and the Council[64] including several modifications to current procurement rules which may also be relevant for direct or short chain food purchases by public institutions. One of them is the introduction of a life-cycle cost concept. This encourages public authorities to consider the full life-cycle of products in their purchasing decisions. The life-cycle cost will include internal costs and monetised external environmental costs. Member States and contracting authorities will remain free to decide whether to integrate life-cycle costing in their procurement procedures. Where direct or short

60 Directive 2004/18/EC of the European Parliament and of the Council on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts, OJ L 134 of 30.4.2004, p. 114.

61 Commission Communication "Public procurement for a better environment", COM(2008)400.

62 http://ec.europa.eu/internal_market/publicprocurement/docs/gpp/buying_green_handbook_en.pdf

63 http://ec.europa.eu/environment/gpp/pdf/toolkit/food_GPP_background_report.pdf

64 http://www.europarl.europa.eu/committees/en/imco/subject-files.html?id=20120214CDT38033

chain purchases do indeed lead to lower life-cycle costs, a switch to such a system could provide further encouragement and thus lead to additional business opportunities to farmers.

Contracting authorities may take into account criteria linked to the production process of the goods or services to be purchased.

Review of the public procurement policy

Further changes provided for by the political agreement for the future public procurement policy which are of particular relevance for short food supply chains and local food are:

– a simplified approach for SMEs;

– a specific and simpler regime for services like social, health and education services, including the possibility for Member States to eliminate the price as sole award criterion. This may concern services like food catering for schools and hospitals and other restaurant services.

Together with the inclusion of externalities into the costs and the use of quality criteria, local products may find it easier to enter public canteens.