

**RECOMMENDATIONS ON WAYS TO IMPROVE THE DIVERSITY OF SOURCES OF SUPPLY, AMONG OTHERS BETWEEN SHORTER AND LONGER FOOD SUPPLY CHAINS**

EUROPEAN FOOD SECURITY CRISIS PREPAREDNESS AND RESPONSE MECHANISM (EFSCM)

BRUSSELS, 7 JULY 2023

**This document does not represent the position of individual members or of the European Commission. The recommendations have been adopted by consensus by the expert group on the EFSCM on 7 July 2023.**

The [Communication on a Contingency plan for ensuring food supply and food security in times of crisis](#)<sup>1</sup> sets out that on any matter of interest, the development of recommendations to address a crisis will be coordinated within the European Food Security Crisis preparedness and response Mechanism (EFSCM). According to its action plan in annex to the Communication, **recommendations are for instance to be developed on ways to reinforce the diversity of sources of supply between shorter and longer food supply chains.** In that context, the Commission set up a subgroup to the EFSCM with the mandate to discuss issues related to diversification of sources of supply. The subgroup met four times in June and October 2022 and in January and March 2023 to discuss the instrumental role of diversification in primary production and food supply from three different angles: (i) from the **primary production** (farming including aquaculture and fishing) perspective; (ii) from the **trade** (intra and extra EU) perspective; and (iii) from the **supply chains** (different stages of the supply chain from primary production to end consumption including consumption patterns) perspective.

As recently recognised in the Commission Staff working document (SWD) on Drivers of food security<sup>2</sup>, the EU Single Market is a cornerstone of EU food security as it enables a diversity of supplies coming from different pedo-climatic zones in the EU. **Every day, EU food supply chains provide Europeans with a wide variety of high-quality food.** This is thanks to the diversity and competitiveness of its agricultural, fisheries, aquaculture and food sectors and its market orientation where farmers and fishers can react to market signals. Consumers have access to both short food supply chains, sometimes directly from the primary producer to the consumer, and long food supply chains, involving more complex processes with several intermediaries. While the EU Single Market for goods and services and harmonised food safety requirements enable food to be distributed efficiently between Member States in a safe way, **diversification of supply sources is crucial to further strengthen the resilience and sustainability of our food systems.** Such diversification should notably be facilitated along the whole supply chain, as well as with regard to inputs and raw materials, agricultural, aquaculture and fisheries products and further processed foods. This will not only contribute to enhancing resilience to stress and shocks, exceptional, unpredictable and large-scale events or risks, but will, more structurally, also contribute to improved food access, including affordability, availability, use and stability. The Commission will map in 2023 the risks and vulnerabilities of the EU food supply chain and its critical infrastructures and on this basis the EFSCM will elaborate in 2024 recommendations to address or mitigate risks and vulnerabilities, including structural issues putting at risk food supply chains. The current focus on diversification in this specific recommendation is not to undermine the fact that there are further interlinked factors affecting resilience such as climate, biodiversity, energy, food demand, risk management, innovation, capacity to transform, enabling governance, connecting actors, processes, access to capital / finance.

**Recognising that diversification is paramount in ensuring food security and food supply in times of crisis, the EFSCM has elaborated the following generic recommendations regarding diversification of sources of supply to public authorities and private actors involved in the EU food supply chain.**

---

<sup>1</sup> COM(2021)689 final of 12.11.2021.

<sup>2</sup> SWD(2023) 4 final of 4.1.2023.

## 1. Primary production

Diversification of supply can be achieved at farm level and within farming or agrarian systems. There can also be diversification of farm model types in terms of farming practices or mixed farming. The existence of a diversity of crops, animal productions, farm types, agricultural regions with farm mixes is in and of itself a risk management tool, in the sense that not all crops or livestock activities are likely to fail or to be affected the same way and at the same time by one or the other hazard, i.e. production uncertainties, price uncertainties, technological uncertainties, climate and environmental uncertainties and policy uncertainties. In addition, as mentioned in the SWD on Drivers of food security, such farm diversification can also strengthen resilience against climate change, pests and pathogens. Farm, farming system and landscape diversification are part of the strategy to adapt to climate change. Focused production using a limited diversity of crops/species within a monoculture setting may increase the risk and severity of pest/diseases impacts. At a larger scale, agricultural diversification has also proven to enhance biodiversity, pollination and pest control without significantly compromising crop yields<sup>3</sup>.

Over the last decades, a trend could be observed towards increased specialisation of farms and farming regions, with a simultaneous decrease of the variety of agricultural landscapes and crop species. Similarly, the evolution of farm structures in Europe has progressed towards more concentration, with larger and more specialised agricultural holdings gaining importance in the farming sector in the EU. This structural adjustment in agriculture is driven by socio-economic factors, ecological factors, sector-specific drivers (i.e. technological advances in agriculture) and policy factors. Large and/or specialised holdings are able to achieve economies of scale and adopt new technologies including concerning animal health, while others, smaller and/or less specialised farms, sometimes less equipped to face economic shocks, but often more resilient and able to reply to the needs of the population during crises, risk being squeezed out of production, thus generating more concentration or, in marginal regions, leading to land abandonment. Overall, the combination of farm-level and aggregate-level diversification may be the most effective approach to promoting sustainable and resilient agricultural systems, that deliver food security and nutrition for all in such a way that the economic, environmental, and social bases to generate food and nutrition for future generations are not compromised. On the aquaculture side, a substantial diversification and increase in aquaculture production capacity is virtually impossible to achieve in the short-term due to, inter alia, current spatial planning management and administrative burden at national levels, unless innovative solutions can help cater for short term solutions.

The EFSCM:

- emphasises the importance of the policy tools, in particular within the Common Agricultural Policy (CAP), that favour richer and longer **crop rotations**, on top of its long-term benefits for the sustainability of food systems, as a risk mitigating practice for agricultural production in the EU in general as well as in each farming region and on each farm. GAECs<sup>4</sup> as basic level and interventions like eco-schemes and AECC<sup>5</sup> in the CAP will reinforce the diversity of cropping systems and rotations in the EU;

---

<sup>3</sup> Tamburini et al.2020, Agricultural diversification promotes multiple ecosystem services without compromising yield. Science Advances, 6(45), eaba1715.

<sup>4</sup> Good agriculture and environmental conditions.

- stresses that the production of alternative crops/species and other primary raw material should be market-led, **competitive**, at **production costs** and **prices** that allow primary producers to be remunerated appropriately, and take place within rule-based, organised and flexible **supply chains** that are able to provide inputs and the necessary production factors, and place the products and foodstuffs deriving from them on the market; notes the importance of sufficient, reliable, sustainable transport connectivity to underpin efficient supply chains; recognizes that this evolution of agricultural production systems will necessitate important investment at farm level, as well as in the food industry, that will need to be supported by public policies;
- emphasizes the need to mitigate the concentration of specific production in determined geographic locations of Europe as it makes production more vulnerable to climate change shocks or supply chain disruption, pest infestation, and, in specific situations where this is needed because of an excessive degree of concentration, to reterritorialise agriculture within the EU without prejudice to the ability of farmers to make their own choices with regard to their production taking into account market signals;
- reiterates the importance of **research and innovation**, while ensuring food and feed safety, in food systems in general, and in particular in plant, algae and animal breeding, including by establishing the appropriate legal framework for plant varieties obtained by new genomic techniques, for livestock and aquaculture medicine, in precision farming and digitalisation in crop production with the use of fertilisers and pesticides, in human and animal nutrition, in alternative proteins, such as insect and seaweed farming, and in agricultural and aquaculture techniques, including agro-ecological practices, to support diversification of production, in circular economy, bioeconomy transitions in farming, recycling of organic and inorganic raw materials into inputs in agriculture, as well as farm advice and knowledge transfer capacity to reinforce the dissemination of scientific advances;
- stresses that many of the alternative crops that could enrich crop rotation are often facing the problems of **minor crops** with challenges and scarce technical solutions in crop protection;
- insists on the importance of **policy coherence and an enabling regulatory environment** to help primary producers and other actors of the food supply chain to develop a market for a larger variety of crops and foodstuffs; for example, **soil sealing** has a negative impact on the capacity of farming to supply raw material for food; **spatial planning** rules should take into account the needs of farming and aquaculture; competition for the **availability of biomass** or disruption in supply chains for by-products can create disturbance.

---

<sup>5</sup> Environmental, climate-related and other management commitments.

## 2. Rule-based trade

Trade allows to source from elsewhere the food and inputs, including those that cannot be produced locally or for which a crisis or a shock affects temporarily the local production capacity, providing a buffer against supply disruptions and offering diversified and complementary sources of supply to disperse risks. Trade plays an important role for resilience of food systems and food security, globally, regionally and locally. It has positive effects on supply chain efficiency, food prices and household income, increasing food availability and access, although, as mentioned in the SWD on Drivers of food security, it can have opposite effects on other aspects, for instance food security if surges of food imports crowd out domestic production and possibly create new dependencies. Trade-limiting policies on the other hand can increase vulnerability to shocks. Thus, ensuring that trade can flow smoothly and predictably is crucial to mitigate the impacts of crises both at EU and global level. The multilateral rule-based trading system plays an important role in providing stable and predictable trading conditions.

With regards to intra-EU trade, the Single Market has been instrumental in removing trade barriers and guaranteeing the continued functioning of supply chains and their resilience in the context of the last crises.

As mentioned in the Commission's Trade Policy Review<sup>6</sup> and the SWD on Drivers of food security, the Commission stresses the role of trade openness within the concept of EU's "Open Strategic Autonomy", notably recalling the importance of open and rule-based trade with well-functioning, diversified and sustainable global value chains. In this respect, open and rule-based trade plays a role in strengthening resilience and supporting the competitiveness of the EU food industry. At the same time diversification of import sources is key to improve resilience and avoid bottlenecks and vulnerabilities due to excessive dependence on a limited number of trade partners, for importing key commodities for food security or inputs necessary for the agricultural, fishery and aquaculture production (feedstuff, but also fertilisers and energy) and food processing. Similarly, when exports of food products are concentrated on a single destination, this exposes producers and traders to potential large impact disturbance on the EU agricultural markets in case of events affecting the demand of such importing non-EU country. In this respect, it is paramount to maintain engagement and build alliances with trade partners to ensure trade diversification and a common set of rules through multilateral engagement, bilateral cooperation, trade agreements and autonomous EU measures, while complying with EU international commitments.

The EFSCM:

- recalls the importance of a well-functioning **Single Market**, in times of crisis, as demonstrated during the COVID-19 crisis, and in normal times to ensure that disturbances in one Member State can be compensated by supply from others, and that operators enjoy the choice to supply and source freely across the Single Market at all times, thereby supporting the resilience of the whole food supply chain including cross-border; also highlights the need to ensure freedom of movement of workers;

---

<sup>6</sup> COM(2021) 66 final.

- reminds that **flexibility** is required to adapt Single Market rules when appropriate, as demonstrated for example in the case of labelling requirements immediately after the start of the unjustified Russian aggression against Ukraine (in the case of the type of vegetable oils as ingredients for example); such flexibility should not result in compromising food and feed safety;
- highlights the importance of **avoiding any kind of unjustified export restrictions** (including measures and trading practices with a similar effect) on the EU internal market or globally, since such unjustified export restrictions only result in higher prices for consumers while not alleviating the situation, even for those imposing them;
- stresses that, notwithstanding the overall benefits of trade to ensure food security, situations of **over-dependency on imports or exports** with a limited number of trade partners, where the supply and demand in the EU would be severely affected by a sudden change in trade flows, are generating vulnerabilities, for example in the case of imports of protein-rich feed (e.g. soy meal), feed additives or micro ingredients, and should thus be minimised; the negative impact of uncontrolled exports on developing countries' farming, markets and food systems should also be taken into account;
- notes that actors operate in a complex **regulatory framework**, with **divergences** at international level between the EU and the rest of the world that may generate in some cases restrictions to EU exports and in other cases present a risk of isolation of the EU in SPS<sup>7</sup>/TBT<sup>8</sup> issues and of undermining the objective toward a more sustainable EU food system; also notes that, despite harmonisation efforts, there are still some persistent national rules in Member States (i.e. related to the use of plant protection products or to packaging) that create obstacles to free movement and hamper the functioning of the Single Market; calls for harmonisation of legislation to ensure free movement within the EU to limit such divergences;
- calls for a reinforcement of **cooperation**, including in multilateral fora such as the WTO or the FAO, and bilateral trade negotiations, on avoiding unjustified trade restrictions and fostering sustainability, including by reinforcing FTA<sup>9</sup> trade and sustainable development chapters and by introducing a chapter on sustainable food systems in newly negotiated FTAs;
- welcomes the fact that **stocks of primary, first processed food products and their ingredients and inputs** can alleviate tensions on supply; calls on Member States to reflect on the relevance and the appropriate level of public food reserves in accordance with WTO rules to ensure food security without increasing disproportionately the cost for consumers and taxpayers; recalls that it was the availability of agricultural commodities destined for the non-food market and turned to food use, that limited supply disruptions (i.e. oilseeds used for vegetable oils for food use rather than vegetable oils for biofuels) at the beginning of the war against Ukraine and highlights that stimulating domestic production for different market end-uses, can create a buffer of supply.

---

<sup>7</sup> Sanitary and Phytosanitary Measures.

<sup>8</sup> Technical Barriers to Trade.

<sup>9</sup> Free trade agreements.

### 3. Downstream:

The Commission SWD on Drivers of food security pointed out that the involvement of a diversity of players in the food supply chain, including small and medium sized enterprises (SMEs), can better ensure food security, as it allows to cover the whole territory and the full range of products. The experience with the COVID-19 crisis showed that short food supply chains (SFSCs<sup>10</sup>) could offer a complementary alternative compared to longer supply chains, when the latter were challenged by logistical difficulties. Short food supply chains (with few intermediaries) and local food systems may, however, not be able, on their own, to provide sufficient food to an increasingly concentrated urban population, nor fully satisfy consumer demand for diverse food production. For example, in the fishery sector, local consumption is possible but limited to coastal areas.

Because of the concentration of market power in some chains or stages of the food chain, some players have significant influence on a large part of the chain/stage and have influence over what foods are produced, processed, distributed and sold with implications on sourcing of inputs and commercial practices, affect diversity of products offered on the market, may make more vulnerable smaller suppliers, thus reducing the diversity of the food supply.

Concerning healthy and sustainable diets, the Farm to Fork Strategy questions the sustainability of the current consumption patterns from a health and environmental point of view. Moving to a more balanced diet between plant-based and animal-based source of proteins with less red and processed meat and with more fruits and vegetables, as fostered by the Farm-to-Fork strategy, is likely to reduce not only risks of life-threatening diseases, but also the environmental impact of the food system. A global diet that depends on a few staple crops renders the food system more vulnerable to shocks like resource scarcity, diseases, pests and climate change that could threaten yield productivity. Change in demand and diets requires that consumers are better aware of and informed about sustainable and healthy food choices. Furthermore, the 'food environment' from which consumers get their food should ensure and facilitate that healthy and sustainable food is varied and easily accessible. The Commission SWD on Drivers of food security notes that when faced with higher consumer food prices, especially poorer households, which spend a large share of their budget on food, will have to resort to coping strategies, which may involve substitutions towards more calorie-dense but micronutrient-poor and less diverse foods. This can compromise diet quality and aggravate health problems.

The EFSCM:

- acknowledges that **short supply chains**, including within public procurement though appropriate criteria for sustainable food procurement in schools and public institutions, should play a complementary role in a diversified supply of food to EU citizens with longer and potentially more complex food supply chains necessary to supply large populations, while the resilience of all supply chains should be improved;

---

<sup>10</sup> A short food supply chain is one where there is no or a small number of intermediaries between the producer and the consumer.

- calls to promote those short food supply chains and local food systems that are beneficial to sustainability in the EU and globally; notes that some local food schemes are more driven by **protectionist arguments** (“gastro-nationalism”) than by benefits in terms of economic, social or environmental sustainability and their development risks resulting in higher prices for consumers and fragmentation of the Single Market without public benefit in terms of sustainability;
- notes that the **supply of diversified agricultural commodities and food products** should respond to **sufficient demand** for such products, supported by appropriate consumer and demand related policies, to ensure that their prices remain remunerative;
- draws attention to the importance of public authorities and the private sector to find the right balance between possible price increases generated by diversification and the need to **keep food affordable** in the EU;
- supports the reflection within the Farm to Fork Strategy to create a more favourable **food environment** so that consumers can more easily make their purchase decision within a **larger array of sustainable food options**; Business-to-business labelling and quality initiatives should be encouraged in support to the provision of information to consumers;
- stresses **the role of downstream stages of the food supply** chain (food processing, logistics, transport and retail) in providing a diversified supply of food for consumers at affordable prices and in setting the food environmental and consumer acceptance for diversified products. It is also helpful in mitigating price volatility inherent to primary products’ markets for final consumers and in maintaining lively, competitive and innovative food processing, sustainable, smart and resilient transport and logistic systems, wholesale and retailing sectors, based on a multitude of SMEs without excessive concentration.
- highlights the potential role of **moving to a more balanced diet between plant-based i.e. vegetables, fruit, pulses, cereals) and animal-based sources of food and proteins** based on a diverse range of food and drink products, including a larger diversity of plant-based products while recognising the importance of animal productions for food security and the potential to improve the sustainability of livestock production through innovation. Ultimately, this will improve the resilience of the EU food system in addition to the health and environmental effects.