



Answering
tomorrow's
challenges
today

Study supporting the stakeholder consultation activities for the Sustainable EU Food System initiative

SME Summary Report

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Introduction

The SME survey supports the preparation of a new EU sustainable food system initiative,¹ which aims to make the EU food system more sustainable by integrating sustainability into all food-related policies. The proposal is part of the wider Farm to Fork Strategy², which (in the context of the European Green Deal³) recognises the inextricable links between healthy people, healthy societies and a healthy planet. The sustainable food system initiative will lay down general principles and objectives, together with the requirements and responsibilities of all actors in the EU food system. It is envisaged that the initiative is due to be adopted by the Commission in the second half of 2023.

The SME survey on the EU sustainable food system proposal was open for eight weeks between 01 September and 31 October 2022. It was accessible in all official EU languages. The survey complemented a series of other consultation activities, including an online public consultation, interviews, and workshops. Through a series of mandatory and voluntary questions, the online survey aimed to gather opinions and evidence on the key issues the initiative seeks to address, and on the main elements that may be used in formulating policy options to respond to those issues.

Data was screened and cleaned in line with the Better Regulation Toolbox. The first section provides information about the business and the organisations such as headquarters location and business sectors. The second section of the survey is divided into three subsections of questions: the first one is concerning Sustainability requirements that are going beyond legal requirements, the second subsections on Sustainability labelling, and finally the last section on Sustainable public procurement.

Overview of respondents to the SME survey

A total 335 of replies have been submitted to the SME survey. Of these, 333 responses were received from 21 EU Member States. The remaining 2 replies stem from Iceland. Not all EU Member States are represented in the sample, as no business operators from Bulgaria, Finland, Latvia, Malta, Netherlands, and Sweden contributed.

Most respondents operate in one EU Member State only. Among the 335 respondents, 206 SMEs operate just in one single EU Member State and 54 companies operate in more than one EU Member States. 75 of the respondents SMEs are active in both EU and non-EU countries.

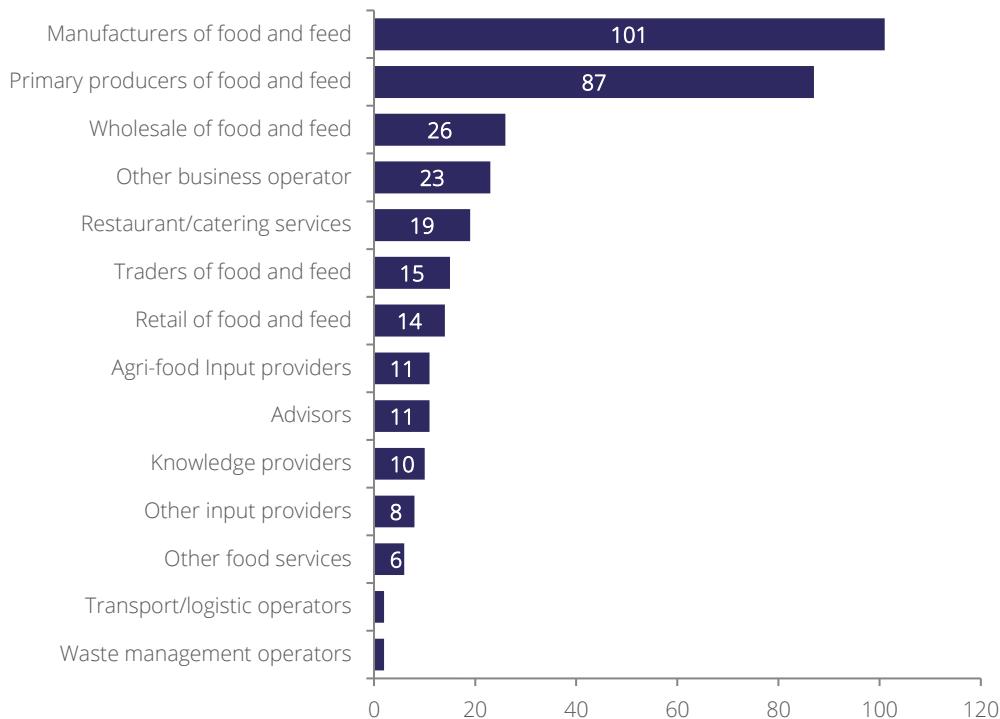
The majority of SMEs are part of the food and feed sector. 101 SMEs indicate that they are food and feed manufacturers, while 87 and 26 respondents indicate to be primary producers and wholesalers of food and feed, respectively. Other SMEs contributing to the survey include restaurants and catering services (19 replies), advisors (11 replies), retailers (14 replies), and traders (15 replies), and knowledge providers (10 replies). Another 23 contributions are given by multiple other categories of business operators including, *inter alia*, drinks production and retail (2 replies), wine production (3 replies), farming and meat trade (2 replies). Figure 1 below shows the number of replies for each firm category in the value chain:

¹ Sustainable EU food system –new initiative. Available at: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13174-Sustainable-EU-food-system-new-initiative_en

² COM(2020) 381 final. A Farm to Fork Strategy for a fair, healthy and environmentally friendly food system. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0381>

³ COM(2019) 640 final. The European Green Deal. Available at: <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1576150542719&uri=COM%3A2019%3A640%3AFIN>

Figure 1: Company's position in the value chain



n=335

Almost one in two SMEs responding to the survey are micro-sized enterprises. Micro-sized companies (between 0 and 9 employees) account for 41% of responses, while 30% of the replies are given by small companies employing between 10 and 49 employees. Medium-size firms (50 - 249 employees) followed with 19% of the respondents and the remaining 8% are self-employed. All enterprises indicate at least one product group(s) as the core business of their company. The majority of respondents produce milk/dairy products and meat and meat products (57 replies, each), followed by fresh fruit and vegetables (51 replies), fruits and vegetables preparation, and bread and bakery ware (49 replies each).

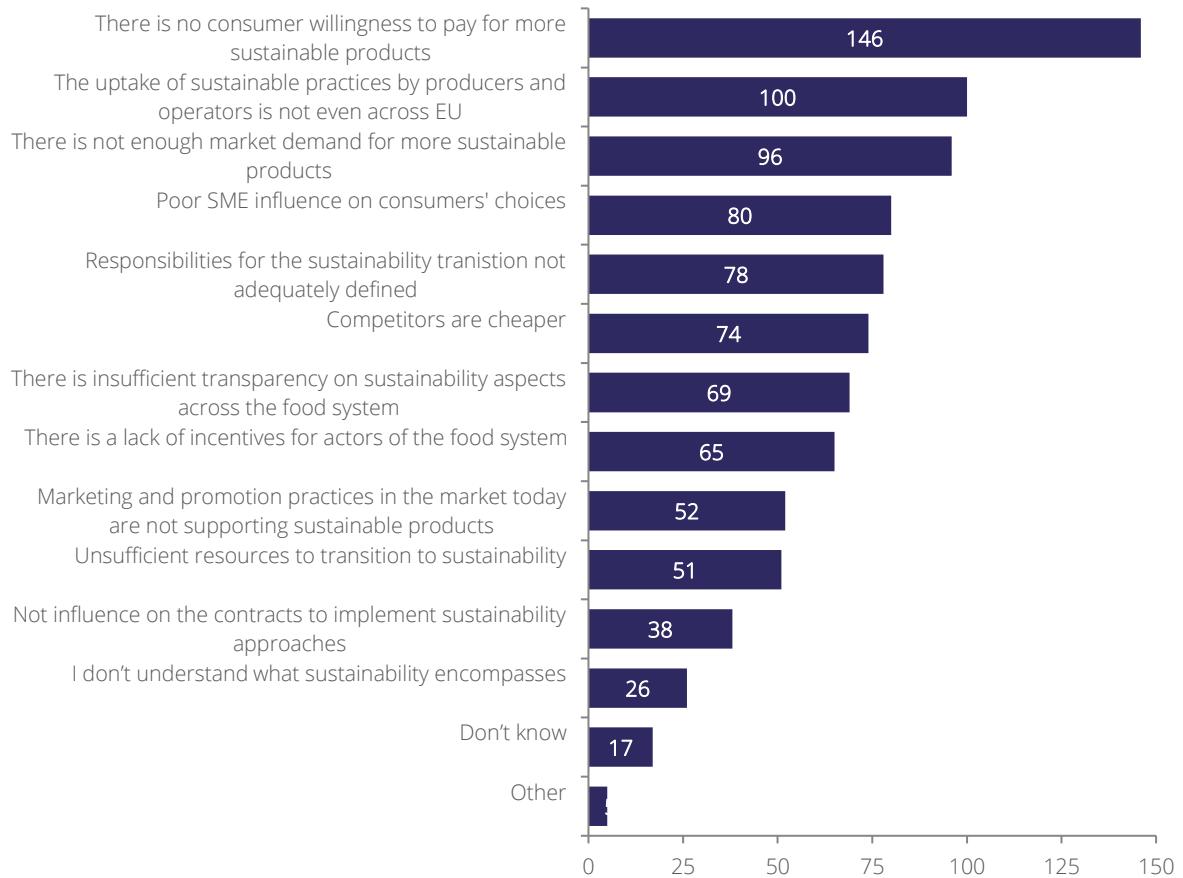
Policy Measure 1: Sustainability Requirements

A majority of SMEs indicate that they do already more than they are required to become more sustainable. 17% companies (56 replies) already almost always implement sustainability approaches that go beyond legal requirements voluntarily, while 26% (86 replies) declare they do so frequently. Instead, 20% (65 replies) of companies declare that they are adopting extra sustainability approaches in their activities only occasionally. Yet, another 13% of companies hardly ever implement sustainability approaches that go beyond legal requirements.

SMEs responding to the survey identify consumer behaviour and preferences as one of the major barriers to achieving the transition towards a sustainable food system. 43% of respondents see a lack of consumers' willingness to pay for more sustainable products (146 replies), 28% identify a general lack of market demand for more sustainable products (96 replies), and 24% see a poor influence of SMEs on consumers as barriers. Yet, the second most frequently selected barrier suggests that SMEs acknowledge the uneven uptake of sustainable

practices by producers and food system operators across the EU (30%, 100 replies). Figure 2 shows the barriers that prevent enterprises from transitioning towards sustainability according to the respondents.

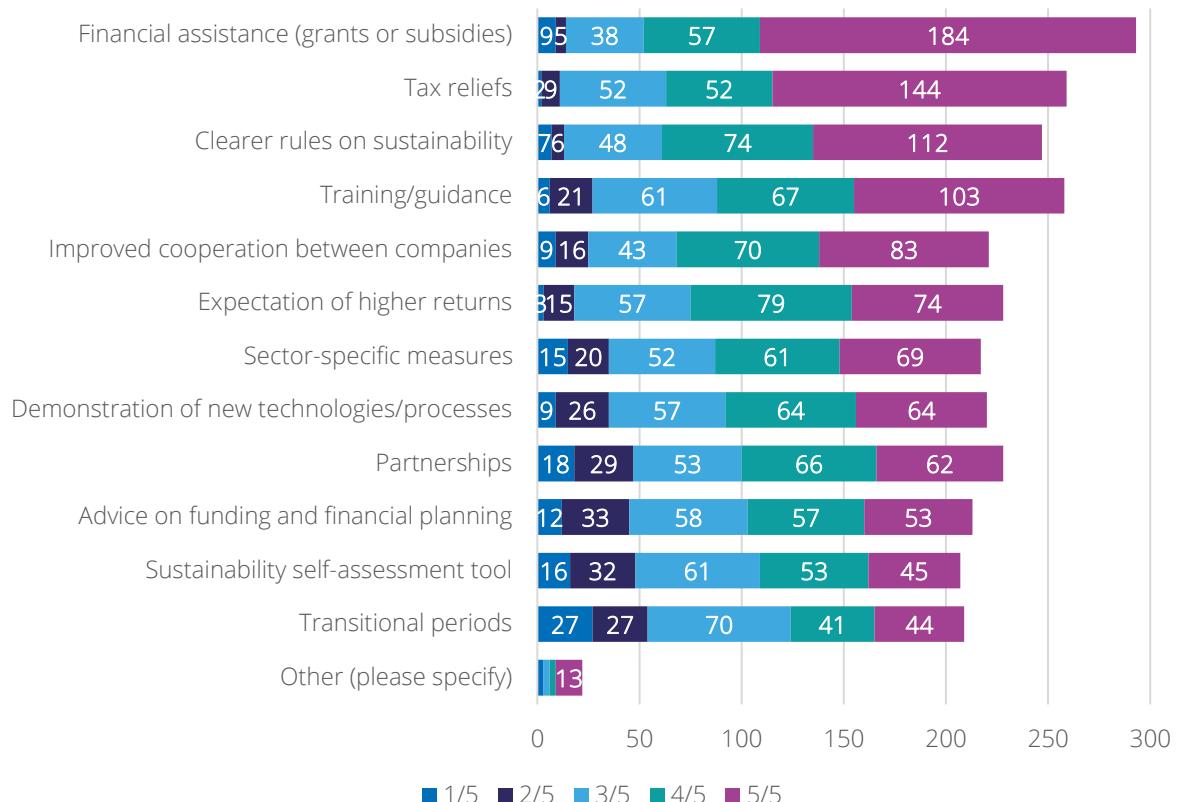
Figure 2: Main barriers to enterprises preventing the transition towards sustainability



n = 335

SMEs rank financial incentives as best to support the green transition. Most companies believe that grants and subsidies would best support them in making production processes and products more sustainable (184 replied). 13% of companies think the transition would be best supported through tax reliefs (144 replies), clearer rules on sustainability (112 replies), and training/knowledge improvement and guidance on implementing sustainability approaches (103 replies). The option on transitional periods is seen as least suited incentive option (27 replies on 1/5), followed by partnerships and sustainability self-assessment tool (16 replies). See below Figure 3 on the best supportive incentives for implementing sustainable processes:

Figure 3: Best supportive incentives for creating more sustainable processes and products



Note: 5/5 = strongly agree, 4/5 = somewhat agree; 3/5 = agree; 2/5 = disagree; 1/5 = strongly disagree

n = 335

Other incentives options (7 replies) that companies considered as enabling a more sustainable production include: Increase consumer awareness; marketing and promotion; promotion of rural world and production; research funding; combination of taxes for negative environmental externalities and incentives for businesses that create positive externalities; specific rules for quality schemes (PDO, PGI); reduction of administrative bureaucracy.

Policy Measure 2: Sustainability labelling

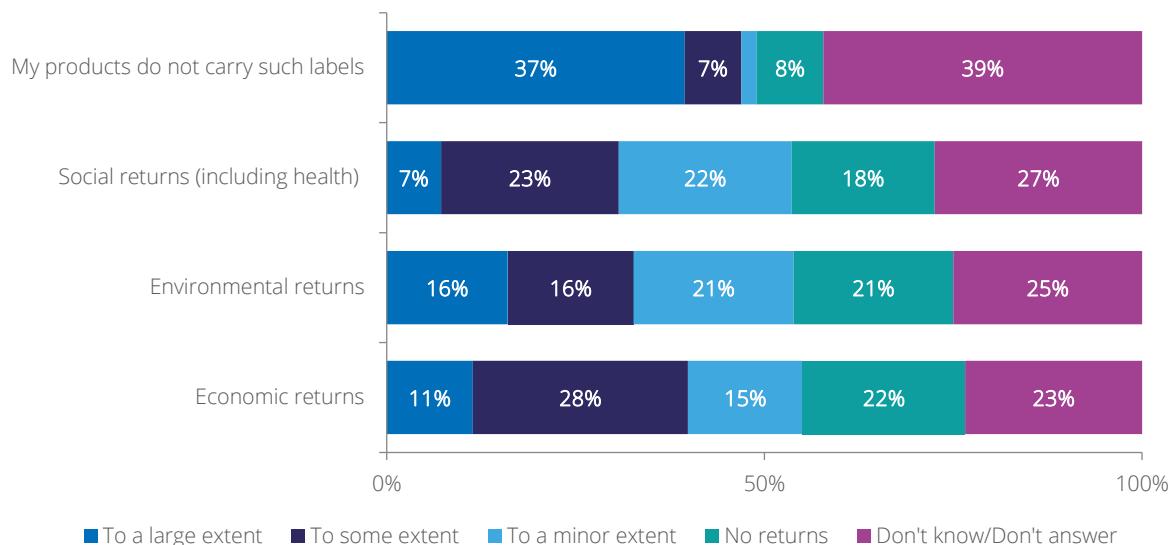
More than half of the SMEs responding apply already some form of sustainability labelling. 177 respondents report to have products that carry one or more sustainability, environmental, socio-economic, nutritional, or animal welfare label(s).

Overall, most companies (176 replies) report using signalling labels on their products. The environmental signalling label is the most frequently mentioned one (62 replies), followed by a sustainability signalling label (52 replies) and signalling labels with animal welfare and socio-economic criteria (respectively, 33 and 29 replies). Graded labels are used less frequently (93 replies). When these are used, most companies chose environmental (31 replies) and sustainability graded labels (27 replies). 17 companies declare to use both graded and signalling types of labels. Instead, 158 companies declare that they do not use labelling (graded or signalling) on their products).

Costs for introducing new label(s) vary widely according to replies from SMEs. In relation to costs of designing and printing the product label, most of the respondents declare that the total average costs could range between 1,000 to 5,000 Euro and 5,000 to 50,000 Euro (respectively, 11 and 9 replies). Yet, three respondents declare that the costs are quite low, indicating costs below 100 Euro. 6 companies out of 17 declare that the average total labelling costs range between 1,000 to 5,000 Euro to assess the performance or impact of a product. Companies judge the costs related to the adjustment of operations/products to requirements to be in the same cost range (8 replies). Costs related to certification, verification, and audit fall between 1,000 to 5,000 Euro according to 15 companies, while 11 companies place them between 5,000 to 50,000 Euro (out of a total of 38 respondents). Three companies report that the average costs of introducing sustainability labels would be under 100 Euro, while other three enterprises claim these would be between 100 to 500 Euro.

According to 16% (25 replies) of respondents, enterprises that introduced products carrying sustainability, environmental, socio-economic or animal welfare label(s) obtained mostly environmental returns (e.g., decreased resource consumption, decreased emissions, decreased waste or food waste generation). 11% and 7% (18 and 11 replies) of respondents declared that they obtained economic returns (such as higher prices charged for the product, access to new markets, increased sales volume or reputation) and social returns (such as higher employment, improved wages, healthier products, improved animal welfare) respectively. A large share of companies claim they obtain economic (28%, 45 replies) and socio-economic returns (23%, 36 replies) to some extents. However, 37% of companies (58 replies) declared they do not provide labels carrying sustainability, environmental, socio-economic, or animal welfare criteria (see Figure 4):

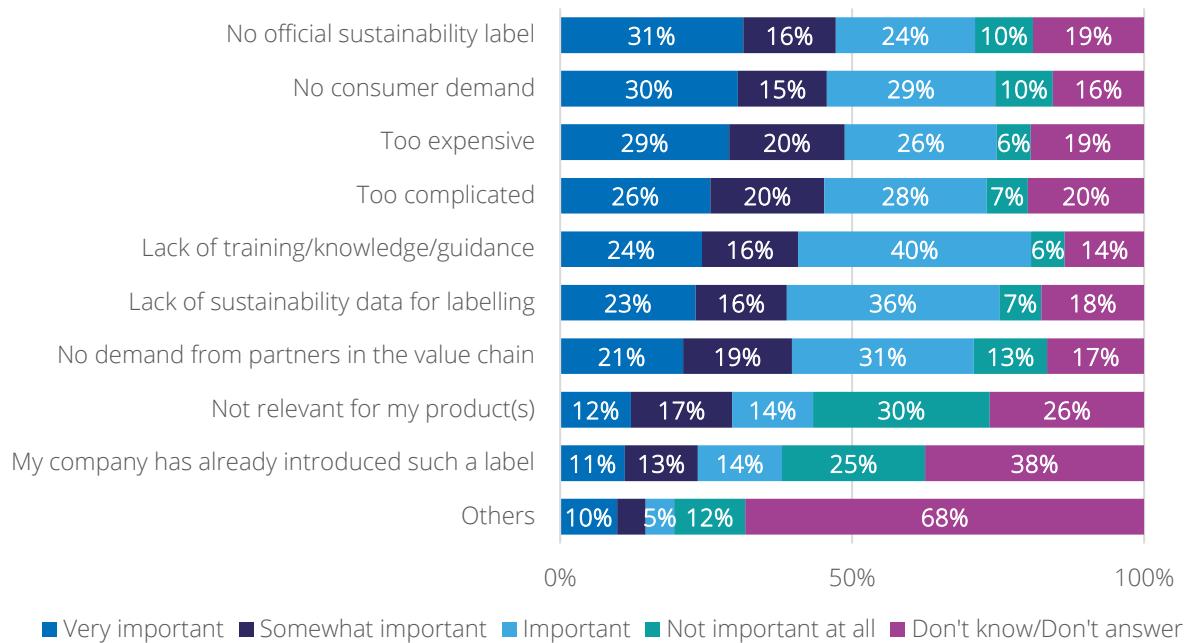
Figure 4: Returns obtained by the introduction of labels according to companies



n= 335

Lack of a sustainability label (31%, 79 replies), lack of consumer demand (30%, 74 replies) and too high costs (29%, 70 replies) are the reasons preventing from introducing labelling that have been considered as most important by the majority of respondents. Yet, the majority of respondents declare that the reasons that are not important at all in preventing the introduction of labelling are: lack of relevance for the products (30%, 70 replies) and that the company already introduced such labelling (25%, 51 replies). Figure 5: Reasons for not introducing labels

Figure 6 Reasons for not introducing labelling as cited by respondents



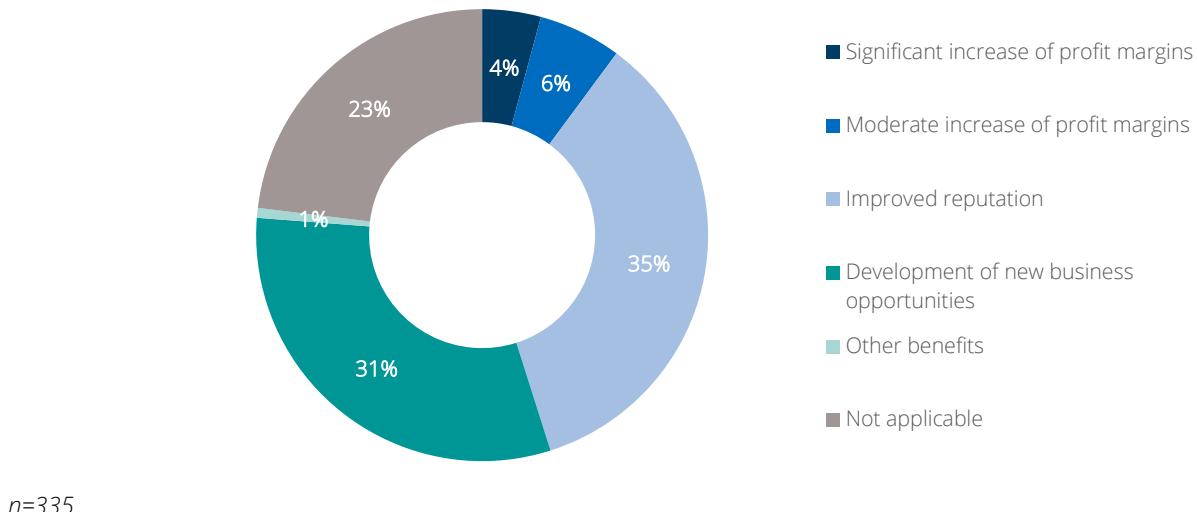
n= 335

Policy Measure 3: Sustainable Public Procurement

Based on the experiences of the participating SMEs, sustainability criteria are not very widespread in public procurement. Most of the respondents declare that they already participated in public procurement for food products (259 replies). When participating in a tender for public procurement of food products, 188 companies say the tender did not include any sustainability criteria. Still, 44 companies responded to tenders including environmental criteria (44 replies). 27 companies responded to tenders with social criteria. Among the two latter groups, 34 respondents declare that they found the tender somewhat, and an additional 17 found it highly challenging. Only five respondents considered the tenders with sustainability criteria highly beneficial.

SMEs are concerned about the negative implications of sustainable public procurement criteria for their businesses. Most companies find the criteria too demanding and complicated (147 replies), while 101 indicate too high legal complexity. Another 101 companies point out that to comply to tender specification, enterprises need to implement changes in their business. According to 35% of respondents (100 replies), the application of sustainability-related criteria in public tenders for the acquisition of food products would bring more benefits in terms of improved reputation, followed by 31% of replies on development of new business opportunities (89 replies). Responses are shown in Figure 7.

Figure 7: Benefits from the application of sustainability-related criteria in public tenders



Conclusions

SMEs underline the lack of consumer demand for sustainability products and the poor willingness to pay for sustainable products as the biggest barriers to a transition towards greater sustainability. As a consequence, enterprises that try to change their operations struggle to compete with less sustainable companies that are able to maintain lower production costs. Still, 17% companies (56 replies) already almost always implement sustainability approaches that go beyond legal requirements voluntarily, while 26% (86 replies) declare they do so frequently. Instead, 20% (65 replies) of companies declare that they are adopting extra sustainability approaches in their activities only occasionally.

Most companies believe that financial incentives, including grants, subsidies, and taxes, are the best measure to mitigate the possible negative impacts of sustainable requirements and market challenges. Other potential mitigation solutions include tax reliefs and providing clearer rules on sustainability. Other incentives (2 replies) that would enable a more sustainable production include increasing consumer awareness and marketing and promotion of sustainable products.

Absence of official sustainability label, lack of consumers demand, and high costs are considered to be the main reasons for preventing the introduction of sustainability labelling. Nevertheless, most companies (52%, 177 replies) report having products that carry one or more sustainability, environmental, socio-economic, nutritional or animal welfare label(s). Overall, the environmental signalling label is the most frequently applied label among SMEs.

Most companies did not participate in public procurement tenders that included sustainability criteria (73%, 188 replies). Those that did (27%, 71 replies) reported doing so for tenders including environmental and social criteria, where they found the criteria too demanding and complicated.

Annex – Frequency tables per question

Table 1: Q2 Where is your company's/association's headquarter located?

EU countries	Count
Austria	2
Belgium	4
Bulgaria	0
Croatia	3
Cyprus	1
Czechia	3
Denmark	13
Estonia	5
Finland	0
France	12
Germany	8
Greece	23
Hungary	11
Ireland	1
Italy	65
Latvia	0
Lithuania	1
Luxembourg	1
Malta	0
Netherlands	0
Poland	60
Portugal	19
Romania	39
Slovak Republic	3
Slovenia	26
Spain	33
Sweden	0
Non-EU countries	Count
Iceland	2

Table 2: Q3 Where does your company/ the members of your association operate?

Category	Count
EU Member State(s) and non-EU Countries	75
Single EU Member State	206
Multiple EU Member States	54

Table 3: Q4 Under which of the following categories does your company fall?

Category	Count
Advisors	11
Agri-food Input providers	11
Knowledge providers	10
Manufacturers of food and feed	101
Other business operator	23

Category	Count
Other food services	6
Other input providers	8
Primary producers of food and feed	87
Restaurant/catering services	19
Retail of food and feed	14
Traders of food and feed	15
Transport/logistic operators	2
Waste management operators	2
Wholesale of food and feed	26

Table 4: Q5 Which product group(s) is the main focus of your company?

Category	Count
Bread and bakery ware	49
Fish, seafood and aquaculture products	28
Food ingredients	21
Nuts and seeds	12
Other food products	28
Other non-alcoholic beverages	25
Wine or aromatised wines	13
Animal feed	25
Beers	20
Cereal and cereal products including breakfast cereals	40
Confectionary	42
Fresh fruit and vegetables	51
Fruit and vegetables preparations	49
Meat and meat products	57
Milk/dairy products	57
Not applicable	25
Oil/fats and spreadable fats	42
Other alcoholic beverages	13
Other inputs for primary production of food (fertilizers, pesticides etc)	14
Pasta	27
Ready meals, soups, sandwiches	32
Soft drinks	33
Spirit drinks	23
Vegetable protein-based products	18
Wine or aromatised wines	14

Table 5: Q6 How many employees does your company have?

Category	Count
Small - 10 - 49	103
Micro - 0 - 9	138
Medium - 50 - 249	64
Self-employed (micro enterprise)	30

Table 6: Q7 To what extent are you voluntarily implementing today sustainability approaches which go beyond legal requirements?

Category	Count
Frequently	86
Almost always	56
Hardly ever	44
Sometimes	52
Occasionally	65
Not applicable /Don't know	28

Table 7: Q8 What barriers prevent you from transitioning towards sustainability?

	Count
There is no consumer willingness to pay for more sustainable products	146
The uptake of sustainable practices by producers and food system operators is not even across EU	100
There is not enough market demand for more sustainable products	96
Poor SME influence on consumers' choices, which are influenced by various factors and can result in unsustainable purchasing decisions and consumption patterns.	80
Responsibilities for the sustainability transition not adequately defined and allocated all actors and segments of food system	78
Competitors are cheaper	74
There is insufficient transparency on sustainability aspects across the food system	69
There is a lack of incentives (e.g., financial, research and innovation) for actors of the food system	65
Food marketing and promotion practices in the market today are not generally supporting sustainable products	52
My business does not get a fair share of the added value in the market where I operate, so I do not have sufficient resources to transition to sustainability	51
Due to the imbalances in market power in the food chain, I cannot exert enough influence on the contracts I am bound by, to implement sustainability approaches	38
I don't understand what sustainability encompasses	26
Don't know	17
Other	5

Table 8: Q9 What incentives would best support you in making your processes and products more sustainable? Choose from 1 -- 5

	1/5	2/5	3/5	4/5	5/5
Financial assistance (grants or subsidies)	9	5	38	57	184
Tax reliefs	2	9	52	52	144
Clearer rules on sustainability	7	6	48	74	112
Training/guidance	6	21	61	67	103
Improved cooperation between companies	9	16	43	70	83
Expectation of higher returns	3	15	57	79	74
Sector-specific measures	15	20	52	61	69
Demonstration of new technologies/processes	9	26	57	64	64
Partnerships	18	29	53	66	62
Advice on funding and financial planning	12	33	58	57	53

	1/5	2/5	3/5	4/5	5/5
Sustainability self-assessment tool	16	32	61	53	45
Transitional periods	27	27	70	41	44
Other (please specify)	3	0	3	3	13

Table 9: Q10 If your company offers products carrying sustainability, environmental, socio-economic or animal welfare label(s), could you please specify the label(s) they carry?

	Signalling label	Graded Label
Sustainability	52	27
Environmental	62	31
Socio-economic	29	18
Animal welfare	33	17
My products do not carry such labels	152	158

Table 10: Q11 What was the approximate cost (in Euros) when introducing this (these) label(s)?

Total average costs	Designing the product label	Assessing the performance of the product	Adjustment of operations/product to requirements	Certification audit	Labelling scheme/use of the label	Others
0-100	3	2	4	3	4	1
100-500	6	1	1	3	3	1
500-1000	4	1	1	4	1	1
1000-5000	11	6	8	15	7	0
5000-50000	9	4	5	11	5	0
50000-300000	2	3	3	2	2	0

Table 11: Q12 If your company offers products carrying sustainability, environmental, socio-economic or animal welfare label(s), has your company obtained returns in the following domains from implementing this label/these labels?

	Economic returns	Environmental returns	Social returns (including health)	My products do not carry such labels
To a large extent	18	25	11	58
To some extent	45	26	36	11
To a minor extent	24	33	35	3
No returns	34	33	29	13
Don't know/Don't answer	37	39	42	62

Table 12: Q13 How relevant are the following reasons in your company for not introducing a sustainability label?

	Very important	Somewhat important	Important	Not important at all	Don't know/Don't answer
No official sustainability label	79	40	60	25	48
Lack of sustainability data necessary for the labelling of my products	58	39	91	18	44
Too expensive	70	48	63	14	47

	Very important	Somewhat important	Important	Not important at all	Don't know/Don't answer
Too complicated	62	47	67	17	48
Lack of training/knowledge/guidance	59	40	97	14	33
Not relevant for my product(s)	28	40	32	70	61
No demand from partners in the value chain	52	46	77	31	41
No consumer demand	74	37	70	24	38
My company has already introduced such a label/labels on its products	23	26	30	51	78
Others (please specify)	4	2	2	5	28

Table 13: Q14 If you participated or considered participating in a tender for public procurement of food products, did this tender include any sustainability criteria (for example environmental criteria, social or health related technical specifications, selection or award criteria)?

	Count
Yes, social aspects besides health (e.g. in relation to child labour, social inclusion, gender equality, training opportunities)	27
Yes, environmental criteria	44
No	188

Table 14: Q15 [If yes in Q14] Was participating in tenders with sustainability-related criteria challenging?

	Count
Highly beneficial	5
Somewhat beneficial	10
Somewhat challenging	34
Highly challenging	17
No different than other tenders	28

Table 15: Q16 What challenges do you think that the application of sustainability-related criteria in public tenders for the acquisition of food products would bring to your company?

	Count
Highly beneficial	5
Legal complexity	101
Change in business operations to comply with the tender specifications	101
Lack of sufficient supply of sustainable products	61
Criteria can become too demanding and complicated	147
Significant decrease of profit margins	29
Adapting sourcing strategies	54
Moderate decrease of profit margins	29
Other challenges	12
Not applicable	60

Table 16: Q17 What benefits do you think that the application of sustainability-related criteria in public tenders for the acquisition of food products would bring to your company:

	Count
Significant increase of profit margins	12
Moderate increase of profit margins	17
Improved reputation	100
Development of new business opportunities	89
Other benefits	2
Not applicable	66