



EUROLAB Special Briefing

The latest developments of the food certification market

The food certification market is increasing rapidly because of the need to reduce health risks associated with food and the increase of the consumer's awareness about and interest in food safety.

Consumer attitudes towards food safety, nutrition & health have changed in the last years, with an increasing interest in learning more about healthful, safe and nutritious foods. Apart from consumers, the safety of food products has also become top priorities of governments, retailers, caterers and suppliers due to:

- Increasingly complex supply chains
- Rise in the number of food scandals & fraud
- Difficulties in traceability

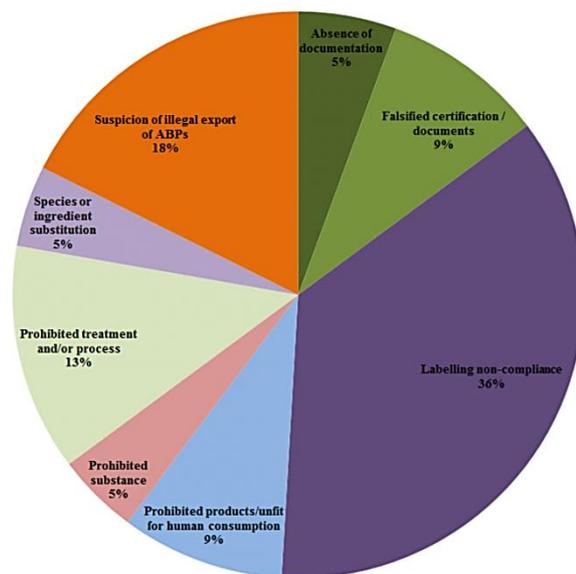
According to a research report by Transparency Market Research, the global food certification market stood at US\$11.2 bn in 2014 and is further expected to reach US\$16.0 bn by 2021. Overall, the market is expected to grow at a CAGR of 5.30% from 2015 to 2021. Currently, Germany is dominating the market for food certification in Europe followed by the U.K. Furthermore, the U.S. dominates the market for food certification in North America. Increasing health consciousness coupled with consumer awareness regarding side effects of contaminated food products is driving the food certification market. China dominates the food certification market in Asia Pacific followed by India. Factors such as increased standard of living and rising preference for quality food products are positively influencing the food certification market.

Additionally, a growing area of importance and growth globally in Testing and Measurement (T&M) is Food Safety Testing. The global food testing market is estimated to grow an approximate 43% from \$10.5 billion in 2014 to \$15.0 billion by 2019, driven by a rise in global food trade and the need for the production of safe, quality products to protect public health.¹

On the other hand, the growing food market determines the increase in outbreaks of foodborne illnesses, food fraud, mislabelling and violations of food chain rules.

Food Fraud Network (FFN)

In the wake of the horsemeat scandal of 2013, a pan-European mechanism, the Food Fraud Network (FFN), was set up in order to ensure the rapid exchange of information between national authorities and the Commission in cases of suspected fraudulent practices.



Cases exchanged by the FFN by type of alleged violation in 2015

¹KPMG Corporate Finance LLC, Test & Measurement M&A Newsletter, Q1 2015, <http://www.kpmgcorporatefinance.com/pdf/kpmg-cf-im-tm-q12015.pdf>

In 2015, 108 cases were exchanged by the Food Fraud Network (FFN). The alleged violations were mostly related to labelling non-compliance (mostly with regard to ingredient mislabelling), suspicion of illegal export of animal by-products (ABPs), and prohibited treatments and/or processes applied to a certain foodstuff.

Unfair Trading Practices (UTPs)

Due to all these recent incidents and developments in the food sector, more stringent food regulation and specific requirements have been imposed by the EU Framework:

In July 2014, the Commission adopted a [Communication](#) on tackling unfair trading practices (UTPs) in the business-to-business food supply chain. UTPs are practices that deviate grossly from good commercial conduct, are contrary to good faith and fair dealing and are unilaterally imposed by one trading partner on another. The Commission suggested a combination of voluntary initiatives and regulatory measures to tackle UTPs. In this respect, there has been significant progress over the last few years.

Voluntary initiatives: The EU-wide Supply Chain Initiative has been launched and gained significant participation. This stimulated the discussion of best practices and UTPs among operators and started to induce a cultural change in the food supply chain. Several national platforms have been established under the EU-wide initiative which is another positive signal. According to the latest report from the Commission on unfair business-to-business trading practices in the food supply chain, the voluntary initiatives seem to work better in some countries than in others. Belgium's initiative is an example of where a voluntary platform seems to be an efficient approach to tackling UTPs, meaning a regulatory system does not seem to be required. In other countries, for example in the United Kingdom, voluntary initiatives were less successful, confirming the need for regulatory measures and effective independent enforcement.

Regulatory frameworks: The fact that the large majority of Member States have introduced regulatory measures and public enforcement systems is a very important development. Some Member States have gone further than others, but almost all the legislative enforcement systems introduced go beyond the normal judicial redress through courts, thereby addressing the 'fear factor' of the potential victims of UTPs. Therefore, given the positive developments in parts of the food chain and since different approaches could address UTPs effectively, the Commission does not see the added value of a specific harmonised regulatory approach at EU level at this stage. However the Commission recognises that, since in many Member States legislation was introduced only very recently, results must be closely monitored, and reassessed, if necessary. Belgium and the Netherlands do not have a regulatory framework, but have opted for a national voluntary platform. The few remaining Member States without UTP legislation could benefit from following their example and considering at least a national voluntary platform.

Additionally, the European Commission organised a webinar on *Protecting Intellectual Property in Supply Chains: New Approaches and Initiatives* on 11 February. During the webinar the following topics were discussed:

- A new European Commission initiative to incorporate IP protection into supply chain management;
- How to integrate IP protection into existing supply chain management;
- How to identify and assess risks;
- Ways companies can incorporate best practices into working with third parties.

Should you have any comments or questions do not hesitate to contact the EUROLAB General Secretariat at info@eurolab.org

Sources:

- <http://www.transparencymarketresearch.com/food-certification-market.html>
- http://ec.europa.eu/food/safety/docs/official-controls_food-fraud_network-activity-report_2015.pdf
- Report from the Commission to the European Parliament and the Council on unfair business-to-business trading practices in the food supply chain - COM(2016) 32 final
- The Commission Communication on tackling unfair trading practices (UTPs) in the business-to-business food supply chain: http://ec.europa.eu/internal_market/retail/docs/140715-communication_en.pdf
- Action Plan on enforcement of IPR: <http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52014DC0392&from=EN>