

Agri-food System Innovation

REPORT

Innovating EU Agri-food trade concepts

Following 18th meeting on 1 December 2025

Summary and main outcome of the Meeting

During its 18th meeting, chaired by Phil Hogan, the independent tripartite high level group on Agri-food System Innovation started its exchange of views with a presentation by Mr. Kenneth Lindharth Madsen, Head of Department for Trade, Markets & Geopolitics at Landbrug & Fødevarer (Danish Agri-Food Association). The meeting further confirmed the group's role a laboratory for EU policy innovation, a mandate originally given by the Competitiveness Council Presidency in 2011.¹

The high level group aims at more 'inclusive innovation' through 'thinking outside the box'. Members are a diverse group of experts from the public, private and academic sector, brainstorming together according to the Socratic dialogue method, in order to reach operable ideas.²

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Recommendations

- Sectoral and plurilateral or bilateral trade agreements should be prioritised by the EU to avoid cross-sector trade-offs and large horizontal concessions that may undermine parts of EU agri-food sector. In this sense, a shift away from the current multilateral and WTO umbrella negotiations can help ensure that sensitive areas within the EU agriculture sector are better protected in future larger trade agreements.
- To remain a credible and trusted partner, capable of delivering benefits rather than burdens to third countries, the EU should systematically assess and address the impact of EU regulations, such as the CBAM, on partner countries. Structured dialogue, phased compliance pathways and

¹ Council of the EU, 5-6 December 2011, Presidency Note.

² Members participate in their personal capacity. All recommendations for action and all ideas for further consideration have not always been agreed on by all members, but each advice is based on a very wide consensus. The final version is written under responsibility of the chairperson and the executive director. More information is available at: <https://www.highlevelgroup.eu/>

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digital and technical cooperation should therefore be provided, along with targeted investments, to support compliance with EU policies. EU's trade narrative should be adapted to this partnership approach and be used more extensively to counter fake narratives.

- In order to build mutually beneficial partnerships, the EU should leverage its agri-food strengths by addressing partner countries' priorities, like food security and food safety. This can be achieved through the transfer of know-how in sustainable production, agroforestry, digital agriculture and decarbonisation technologies where relevant, as well as advanced bio genomics and soil science where appropriate conditions exist, thereby pursuing reciprocal benefits and further strengthening partnerships rather than creating dependencies.
- Nevertheless, the EU should address domestic agri-food constraints to sustain external openness, focussing on the development and implementation of scenarios for structural adjustment. This will include ensuring coherence between ETS system and CBAM, managing the impacts of CSDDD and CSRD, supporting technology affordability and mitigating price volatility. At the same time, the EU should promote a more integrated representation of traditional agriculture, the bioeconomy and "new food" sectors to avoid policy silos and late-stage trade concessions.

1. Rethinking Europe's agri-food trade strategy

The latest geopolitical events, along with the shift in the EU-US relationship, have notably disrupted the status quo of international agri-food trade balances. For Europe, in particular, partly due to the new role conferred upon it as a globally significant player, new challenges and new opportunities are rising on the horizon. To maximise this newly acquired position, however, a rethinking of Europe's agri-food strategy, both internally and externally, is now required.

First of all, most of the "easiest" FTAs have already been concluded by the EU in recent years, and around 50% of current trade is now covered by such agreements. As a result, future agri-food trade agreements will increasingly concern more sensitive actors and sectors. Therefore, Europe's agri-food trade policies and agreements should be re-elaborated so as to explicitly identify existing implementation bottlenecks and incorporate concrete solutions and mechanisms to address them.

In this sense, it is also worth highlighting that EU trade policy is still based on an obsolete mandate dating back to 2005. The same mandate is, in fact, to date forcing the EU to negotiate broad and encompassing trade agreements - also linked to political cooperation agreements and wide sectoral coverage - while fulfilling WTO requirements, which also foresee that multiple clusters and sectors are negotiated under a single umbrella. The adoption of this open negotiating strategy has been increasingly

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criticised within Europe due to the perceived prioritisation of specific sectors at the expense of farming and agricultural interests – as highlighted in the case of Mercosur. It is clear that, in light of the current geopolitical challenges, such an approach should be abandoned in favour of a narrower and more targeted perspective, enabling the full realisation of Europe's targets.

At the same time, the negotiations of additional concessions to third countries, like the frequently requested expanded access to services, which remains difficult to realise, has further sparked criticism, while also underlining one of the key factors actually hampering the conclusion of meaningful and mutually beneficial trade agreements between the EU and third countries. In this regard, the establishment of sectorial trade agreements, where possible, should be supported to pave the way for a shift in the EU's agri-food trade partnerships, limit subsequent concession requests and expand the possibility of achieving new win-win trade agreements.

Nevertheless, the transformations required to reaffirm Europe's position in agri-food trade should not undermine its role as a credible and trustworthy partner for third countries. Therefore, to retain its reputation and establish fair and mutually beneficial partnerships, policy alignment with third countries' needs, market rules harmonisation, as well as the establishment of open and long-term consultation mechanisms, will be fundamental. Accordingly, future climate policies, similar to the EUDR and CBAM, should take into account their potential impact on third countries, along with existing sanitary and phytosanitary measures, often emphasised by the EU in its negotiations, as well as regulatory requirements for products (MRL) and production methods (GMO).

2. Building mutually beneficial partnerships through agri-food trade

Improving strategic autonomy will be a key priority for the EU in the next decades. But this cannot be achieved through isolation and self-sufficiency; on the contrary, genuine interdependencies should be pursued by understanding partner countries' priorities and needs and by refining thus EU's external strategies and objectives accordingly.

Against this background, Europe's several strengths in the agri-food sector can strongly support the EU's long-term objectives. In fact, by paying attention to partner countries' growing need to address expected population growth and related food shortages in the coming decades, Europe can leverage its potential in two key priority areas for third countries: (i) increasing domestic food production (food security) and (ii) improving food quality while keeping it affordable (food safety). Regarding the former, by focusing on wheat production (and other cereals), where a global decline is expected in the years ahead, along with agroforestry - a sector where Europe is sufficiently developed to provide guidance to other countries - Europe can become a key partner for third countries, enhancing its role as food exporter on the global scene.

Moreover, beyond commodities and finished products, partners may increasingly look to Europe for technologies that support carbon neutrality, including carbon capture and storage solutions, in light of

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future climate challenges that all countries will have to face. This latter dimension is of strategic importance for Europe; by disseminating carbon neutral methodologies and know-how to third countries it can indirectly support the production of renewables, raw materials and digital services, which remain fundamental for Europe's transitions, thus creating mutually beneficial relations rather than one-sided dependencies. Nevertheless, within European policies, this agri-food trade perspective is not yet fully connected to the strategic autonomy agenda, therefore calling for a better consolidation and a more holistic view.

Likewise, a stronger and better coordinated EU's external strategy should be pursued. While recognising that food security is shaped by local constraints and that potential solutions offered by the EU are strongly influenced by local environmental conditions across regions such as Africa, India and South America, relevant technical solutions developed at global level should nonetheless be shared and adapted where appropriate. More specifically, given that food security is strictly dependent on water availability, stability and scarcity, a proper and explicit integration of the Water–Food–Energy Nexus into EU policy agreements should be considered, in order to ensure the export of solutions that might guarantee secure and safe food production and healthy soils in third countries.

Furthermore, the sustainable use of soils and water resources leads to the generation of ecosystem services that benefit not only local communities but also generate wider global benefits, including land regeneration, carbon storage, water purification, pest controls and climate regulation. Nevertheless, despite this broader relevance, recognition of these services remains uneven. Internally, the Common Agricultural Policy already acknowledges them to some extent, by setting environmental expectations and minimum standards under which ecosystem services can be rewarded. By contrast, at the international level - particularly within trade agreements - this dimension is still largely overlooked. This calls therefore for a revision of general trade policy agreements to explicitly recognise ecosystem services as a source of benefits for both local and global actors and to ensure that they are appropriately and economically rewarded.

The same activities can also be further operationalised in trade agreements and trade policy with third countries by including them under the cooperative dimension, along with the equivalence of standards. By advancing this cooperation perspective, Europe can work toward both objectives, namely achieving its own strategic interests and spreading environmental standards, while at the same time advancing third countries' interests and relevance in trade agreements. Indeed, this will imply the need for practical support, including investments in third countries and technical knowledge transfer to enable standards compliance, improve technology uptake and facilitate imports and exports. Moreover, by pursuing an *Aid for trade* approach in parallel for some developing countries, the EU can further reinforce this perspective, guaranteeing third countries an open market for sustainable products. Existing models, such as Denmark's "strategic sector counsellors" placed in embassies and funded through development assistance, show how peer-to-peer exchange, trust-building and capacity development can be combined with trade goals.

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Equally significant, EU *one-size-fits-all* approach, often adopted in multilateral and regional agri-food trade agreements, should be reconsidered in favour of more tailored bilateralism. This shift could help addressing some existing issues in trade agreements involving the agri-food sector, such as limited recognition of the EU as a single entity on SPS market-access questions, the complications created by overlapping GATT/WTO tariff-rate quotas and bilaterally agreed TRQs, mirror clauses and equivalence requirements that often weaken negotiations when partners are asked to fully match EU environmental, animal welfare and health standards. On the contrary, bilateral agreements, despite still requiring the negotiation of 35 chapters (from environment to aid), may allow the EU to refine outcomes, pursue mutual benefits and avoid broad regional concessions that can expose EU vulnerabilities or intensify pressure on European farming communities.

Europe's trade positions must be further strengthened by communicating its advantages more clearly in negotiations. As a matter of fact, Europe's agri-food sector is highly competitive - especially in high value-added and branded segments, such as wine, whiskies, chocolate and dairy, in which it plays a decisive role - its trade share is increasing and digital and technological transformation are being steadily introduced in the sector. Moreover, the European food safety framework is widely well known and used as an international benchmark, further confirming its position. Yet, this dimension is often overlooked in EU trade agreements with partners countries, calling for stronger support by the EU of its sustainable agri-food model at the international level.

3. Addressing domestic challenges and improve internal coherence

Simultaneously, the EU should address domestic agri-food trade challenges that stakeholders are increasingly facing, confronted not only with external pressures or unfair practices not properly checked by EU institutions, but also with internal policy demands and regulations such as CSDDD, CSRD, and ETS. In particular, this latter challenge is of serious concern for European producers, who are well aware of the risks associated with a non-uniform or incoherent application of the ETS alongside CBAM - which would ultimately fail to provide a level playing field with external actors. Worth noting, CBAM will also likely indirectly generate an impact on European stakeholders' imports of fertilisers from third countries, leading to higher costs. In this context, EU institutions should seek to provide wider support, while managing the indirect consequences generated by these domestic regulations, in a balanced and coherent manner. The same logic applies indeed to SDGs, animal welfare, and other EU-side regulations that directly affect the upstream part of EU production and impose adjustment costs on EU companies.

At the same time, as suggested by Letta and Draghi, intra-EU market issues related to economic growth, sustainable economic activities, competitiveness and the completion of the Single Market should also be considered when assessing trade impacts on the agri-food sector. Worth highlighting, among the several recommendations delivered in their reports, particular attention should be given to reduce regulatory burdens for European manufacturers and food companies, thus enabling them to grow their business, facilitate their work at the international level - rather than creating additional barriers - and lead in shaping broader international standards. Therefore, close engagement with domestic

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stakeholders will be essential when setting new standards aimed at reinforcing competitiveness, in order to ensure consistency and coherence in the internal market.

Farmers, likewise, as key actors leading the agri-food sector in Europe, should be more closely involved in EU agriculture policymaking, to avoid that future multilateral and bilateral agreements undermining their efficiency, already under strain. For instance, a recurring issue, impacting the quantity and quality of production concerns the affordability and practicality of new technologies. While it is true that costs are gradually decreasing (for example, for drones), new technologies, that are key to address climate change challenges, remain unaffordable. This indeed calls for a closer alliance between the development of technology in Europe and its uptake in the agri-food sector, taking into account this domestic issue and comparing it with other countries when negotiating trade deals.

An additional domestic concern regards price volatility. As a matter of fact, farming price volatility is currently extreme, with prices falling dramatically year-on-year, and generating a significant impact on farmers' production expenses, also growing in tandem with inflation. This scenario must as well be carefully understood and considered when negotiating with other countries, and in particular when opening the European market to lower-priced goods, contrary to the usual and non-realistic profitability scheme that the EU uses.

Ultimately, differences can be observed in the way traditional areas, such as existing farming policies, and emerging policy domains, including the bioeconomy and "new food", are addressed and discussed. This separation might eventually influence how related issues are framed in the international arena and within trade agreements. Therefore, a more integrated approach, bringing these areas into a common discussion, could facilitate a broader and more inclusive debate encompassing the full range of the agri-food sector, while at the same time avoiding future trade concessions for new areas not adequately discussed. Adopting such an approach could also support a more coherent articulation of Europe's strategic interests across agriculture and food, beyond traditional domains.