



2020/2131(INI)

24.9.2020

OPINION

of the Committee on Agriculture and Rural Development

for the Committee on Industry, Research and Energy

on a new strategy for European SMEs
(2020/2131(INI))

Rapporteur for opinion: Pina Picierno

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SUGGESTIONS

The Committee on Agriculture and Rural Development calls on the Committee on Industry, Research and Energy, as the committee responsible, to incorporate the following suggestions into its motion for a resolution:

- having regard to the Commission communication of 10 March 2020 entitled ‘An SME Strategy for a sustainable and digital Europe’ (COM(2020)0103),
 - having regard to the Commission communication of 20 May 2020 entitled ‘A Farm to Fork Strategy for a fair, healthy and environmentally-friendly food system’ (COM(2020)0381),
 - having regard to the Commission communication of 20 May 2020 entitled ‘EU Biodiversity Strategy for 2030’ (COM(2020)0380),
- A. whereas Europe’s 25 million small and medium-sized enterprises (SMEs) employ around 100 million people and account for more than half of Europe’s GDP; whereas they are among the social and economic mainstays of Europe, for example in terms of regional enhancement, planning and cohesion in rural areas and elsewhere;
- B. whereas, according to Commission data, in 2017 there were 22 000 agri-cooperatives and 289 000 food and drink companies in Europe, 90 % of which were SMEs and many of which were operating in rural areas; whereas these companies play a vital role in the rural economy;
- C. whereas the European Green Deal involves a wide range of deeply transformative policies for farmers and other operators in rural areas, including the ‘Farm to Fork’ strategy, as well as biodiversity strategies, whose successful implementation will depend to a large extent on the coherence of the common agricultural policy (CAP) and of the Member States’ Strategic Plans with the strategies’ respective goals; whereas SMEs have a key role to play in the achievement of Green Deal targets;
- D. whereas the COVID-19 crisis has highlighted the precarious financial situation of SMEs, many of which will not recover as a result of the confinement measures, which had the strongest impact on sales to the HoReCa sector and to third countries;
- E. whereas SMEs were hardest hit by the impact of the health crisis, which forced many of them out of business;
- F. whereas the EU has traditionally supported family farms, which are typically SMEs, and wants to continue to support them; whereas the ‘Farm to Fork’ strategy is also aimed at such farms;
1. Welcomes the fact that the ‘Farm to Fork’ strategy takes into account the diversity of SMEs in terms of business models, size, age and entrepreneurial profiles; stresses that the strategy should take into account their economic and social impact on the areas or sectors in which they operate;

2. Recalls that food production and processing is an essential sector in which SMEs play a very large role and that this sector will be crucial in the COVID-19 recovery period; highlights that a recovery based on the European Green Deal and the digital transition is an opportunity to accelerate and take advantage of the green and digital transformations; considers that the COVID-19 pandemic has revealed the need for enterprises in the social economy such as small-scale food distributors and for support for those active in the health and transport sector; believes that the pandemic has also highlighted the need to pay special attention to supporting agri-tourism activities carried out by SMEs through a specific allocation in the recovery plan in order to assist and support agri-tourism enterprises in overcoming the impact of the crisis; emphasises, in this regard, the capacity of SMEs in the agricultural sector to adapt to market needs; points out the deficiencies in the functioning of green lanes during the confinement period, due to the lack of harmonisation of procedures between Member States, and the resulting negative impact on agri-food SMEs, and stresses the need to prevent disruptions in the single market in order to guarantee the supply of goods; recalls that it is essential to guarantee free movement for seasonal workers in this sector in order to avoid any future labour shortages;
3. Highlights that SMEs are key elements of economic development and employment in rural areas, where they account for about 75 % of total employment¹; stresses that agriculture is and must remain an essential and systemically important sector for the EU, which, as a primary industry in which employment is strongly linked to the land and being unsuited to delocalisation, supplies high-quality raw materials for the secondary sector and the food industry in the interests of European consumers; considers that microenterprises and SMEs, alongside rural enterprises and farms, play a key role in sustainable regional development through the deployment of their resources into food production and other goods and services, including environmental services; stresses that promoting diversification, for example through agri-tourism, direct marketing, social services or other farm-based activities, forms an important entrepreneurial basis that complements farm income, and highlights the need to boost entrepreneurship support via training, innovation, accessible investment and R&D for SMEs in the food supply chain;
4. Welcomes the Commission's intention to tailor solutions to help SME food processors and small retail and food service operators to develop new skills and business models, while avoiding additional administrative and cost burdens, and to provide advisory services through the Enterprise Europe Network, within the framework of the new 'Farm to Fork' strategy;
5. Welcomes the Commission's temporary framework on State aid in the context of the severe consequences of the COVID-19 pandemic, which will increase the State aid limits, allowing Member States to grant up to EUR 100 000 per individual farm and up to EUR 800 000 for food processing and marketing companies; welcomes the new

¹ European Spatial Planning Observation Network (ESPON) report of 31 January 2018 on small and medium-sized enterprises in European regions and cities.

temporary measure set out under the Rural Development Regulation², allowing EU Member States to offer support of up to EUR 7 000 per farmer and EUR 50 000 per SME;

6. Points out that agricultural production is characterised by fluctuating demand for labour and is seasonal in nature; stresses the need for a thorough understanding of employment and costs in agriculture in order to respond to unexpected fluctuations;
7. Highlights that women represent only 30 % of EU farm managers and often have significantly smaller farms than men; stresses the need to promote and support female entrepreneurship in agriculture through targeted measures and to support diversity in SMEs, in the context of a shortage of skilled employees and the underrepresentation of women in entrepreneurship; considers that enhanced access to continuous education, training and further training, including in managerial skills and expertise, is critical for SMEs, should include appropriate mentoring, coaching, skilling and up-skilling schemes, with a special focus on potential female entrepreneurs, and is essential for seizing technological and innovation opportunities and continuously optimising productivity in the agricultural sector within a sustainable economy; calls, furthermore, for support for entrepreneurial initiatives, skills and competences and for the continuous and targeted promotion of vocational education and training for women in rural areas;
8. Considers that free trade agreements concluded between the EU and its global partners should not put at risk sensitive EU agricultural industries but should rather be an opportunity for SMEs in the agricultural sector; considers it extremely important for the Commission to avoid measures which may hamper SME competitiveness or the free market principle and to focus on removing barriers within the single market in order to strengthen and diversify short supply chains in the agri-food sector; considers that efforts to enhance SMEs' market share and develop new market outlets in third countries, including through dialogue, the exchange of good practices with trade partners and a new information portal, may be made where they do not hamper the food security of the parties concerned and are consistent with existing climate commitments; insists on the future continuation of European product promotion campaigns in third countries; underlines that a coherent trade policy is crucial in order to avoid unfair competition from products imported from third countries which do not meet European standards;
9. Believes that decades of globalisation have resulted in de-industrialisation and the relocation of strategic sectors such as food and health in the EU and worldwide; underlines the important lessons of the COVID-19 crisis, namely the need to rethink the way the economy functions and the implications of this for EU policy-making; stresses the particular need to reform and align EU policies; points out that the CAP and trade policy must be adapted to step up food security in the EU, for example through the relocation of sustainable agricultural and food production throughout the EU;

² Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 (OJ L 347, 20.12.2013, p. 487).

10. Notes that animal diseases such as African swine fever, *peste des petits ruminants*, lumpy skin disease and others have had and/or are still having a very negative impact on SMEs in the agri-food sector and have caused businesses to close, which has had serious socio-economic consequences for local economies; calls on the administrations responsible to ensure equal treatment and provide a rapid and fair response and support to the businesses affected;
11. Points out that the ‘Farm to Fork’ strategy will affect most farmers, whose operations are often small family businesses operating on low margins; believes that all types of agriculture can benefit from this strategy; stresses that the strategy can create opportunities for local value chains composed of small farmers and food companies; welcomes, in this context, the Commission’s intention to scale up and promote circular business models to provide new entrepreneurial opportunities, including by making use of food waste, and supports specific measures tailored to agri-food SMEs; calls for sufficient and adequate support for the transition to sustainable practices, including through financial instruments (in particular in the framework of the CAP, cohesion policy and the recovery plan), and stresses that special attention should be paid to small and medium-sized farms and SMEs in the agricultural and food sector in order to support them in investing in regionalised organic supply chains and so that they are not disadvantaged or administratively overburdened by the implementation of the strategy; considers it important to reinforce support for innovative investments made by SMEs to assist them in making the ecological transition while enhancing their economic resilience;
12. Recalls that the digital transition is a major issue for SMEs in the agri-food sector and elsewhere; stresses the need to promote digital training and upskilling as well as for support and advice for SMEs in terms of sustainability and digitalisation; highlights the need to increase access to and the availability of broadband in all rural areas and peripheral regions in order to facilitate the establishment of SMEs and to promote innovative production methods such as precision farming, given that the competitiveness of SMEs is increasingly linked to the reliable functioning of digital infrastructure and services; considers, furthermore, that within the SME strategy, priority must be given to the provision of basic digital skills to all non-digital SMEs, including information on their rights and obligations within digitalisation, and that this need is particularly acute in sectors which have a high proportion of SMEs and in which digitalisation is not yet developed; calls, therefore, for targeted measures to support innovative SMEs in delivering sustainable and green-tech innovations and highlights the importance of developing artificial intelligence (AI) technologies tailored to the agri-food sector;
13. Supports the Commission’s call for Member States and contracting authorities to divide large public procurement contracts into smaller lots, given the potential of this approach to facilitate the participation of agri-food SMEs in public procurement and thereby contribute to shortening and diversifying supply chains, in line with the goals of the ‘Farm to Fork’ strategy; calls for more guidance for public authorities and SMEs on existing flexibilities and the adaptation of public procurement rules to this end;
14. Stresses that SMEs in rural areas, especially those located in peripheral rural areas,

often face distinctive and more challenging operating conditions, such as small local markets and long distances to major markets, fewer transport connections, poor digital connectivity and fewer training opportunities; emphasises the need for appropriate policy design and support with respect to market development, exports and marketing for rural SMEs;

15. Considers that the next CAP reform should strongly pursue the simplification of administrative procedures, as red tape puts small and medium-sized holdings at a considerable disadvantage in comparison with larger ones;
16. Is of the opinion that the CAP reform should deliver more balanced support for small and medium-sized farms and that EU support should prioritise the family farm model;
17. Calls for a strong CAP budget that meets the new Green Deal challenges and asks that the Next Generation EU allocation to the CAP prioritise support to small and medium-sized enterprises;
18. Notes the high level of fragmentation in primary agricultural production compared to other food chain operators, to the detriment of the bargaining power of small farmers, and considers it necessary to reinforce derogations from and adaptations of EU competition rules in the agricultural sector to establish a better balance between the different operators; welcomes the new legislation on unfair trading practices³ and recognises it as a first important step in the direction of harmonising the rules at EU level, which would benefit the bargaining power of SMEs in the agri-food sector, but regrets that sales at a loss are not covered by the directive; emphasises that EU and national authorities must strengthen their efforts to protect SMEs from unfair market practices that can result from the abuse of dominant market positions, whether by large suppliers, processors or customers, calls for stricter application of the Late Payment Directive⁴, and urges the Commission to improve monitoring and enforcement;
19. Strongly supports the application of the ‘Think Small First’ principle/SME test across all legislative proposals, and in particular in tailoring the measures relevant to rural SMEs in the new ‘Farm to Fork’ and biodiversity strategies, and therefore asks the Commission to conduct proper impact assessments;
20. Considers that support under the European Agricultural Fund for Rural Development (EAFRD) is very important for farms and SMEs in the agri-food sector and could be targeted towards farms and other businesses in rural areas, which may include SMEs, to ensure long-term development, diversification and sustainability throughout the company lifecycle; welcomes the decision to earmark 2 % of unspent EAFRD appropriations for crisis measures that could save the SMEs hardest hit by the pandemic

³ Directive (EU) 2019/633 of the European Parliament and of the Council of 17 April 2019 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain (OJ L 111, 25.4.2019, p. 59).

⁴ Directive 2011/7/EU of the European Parliament and of the Council of 16 February 2011 on combating late payment in commercial transactions (OJ L 48, 23.2.2011, p. 1).

fallout;

21. Points out that many EU rural areas are also zones where high-quality agricultural products and foodstuffs are produced; underlines the importance of cooperatives in agri-food sectors and their social added value for rural areas; stresses the importance of SMEs in the agri-tourism sector and their role in ensuring vibrant rural areas by providing employment; asks, therefore, for support to those SMEs, which are often family businesses, and in particular for broadband access and connectivity to aid the promotion of their products in the single market and, where appropriate, in addressing trade barriers in third countries; calls for the development of an EU e-label, where applicable, to provide online consumers with a modern and digital list of ingredients and nutritional information; stresses that promoting the concept of diversification, for example through agri-tourism, direct marketing, social services or other activities on the farm, is an important entrepreneurial basis and can help to ensure a sufficient income for agricultural enterprises;
22. Calls on the Commission to ensure full and homogenous enforcement of the Late Payment Directive and the Directive on Unfair Trading Practices in order to improve the functioning of the entire food supply chain within the EU single market and strengthen the bargaining position of farms, cooperatives and agri-food SMEs;
23. Urges local, regional and national authorities to support and encourage the use of EU and/or national and regional agri-food quality schemes, especially among SMEs, as a means to create jobs and preserve traditional production practices and culinary heritage;
24. Regrets that the new provisions proposed by the Commission in the context of the Rural Development Regulation to help farmers overcome the crisis are discriminatory towards countries that do not have funds left at the end of the programming period and that this unbalanced situation may end up distorting competition between Member States;
25. Recalls that some sectors such as beekeeping are managed mostly by micro- or SMEs which do not have the same financial liquidity as larger enterprises, which in turn makes it harder to get loans or other similar financial instruments in order to grow or develop; notes that factors such as price pressure and uncontrolled use or overuse of plant protection products in some regions have had devastating economic effects on beekeepers and SMEs, whose business hinges upon them;
26. Considers that improved quality of services and facilities in the general interest is as important in rural areas as in urban areas; stresses that everyday services such as childcare, care for the elderly, healthcare and schools lead to improved living standards in rural areas and minimise rural depopulation;
27. Points out that only 11 % of EU farms, mostly SMEs, are run by people under 40; commends the existing measures to support young farmers, such as the Young Farmer Payment (YFP); notes, nonetheless, that poor information flows and administrative burdens may lead to young farmers missing out on EU subsidies; calls, therefore, for additional targeted measures for young farmers; urges support for improved knowledge transfer between generations of farmers and for generational renewal in agriculture;

28. Calls for support for work-life balance initiatives in order to take account of the needs of farming families and to ensure appropriate measures such as parental leave and the provision of replacement workers in the event of illness;
29. Notes that the development of effective bioenergy competence centres is crucial in adequately addressing the need for solutions to climate change and could therefore enable the shift towards carbon-neutral agriculture by 2050 to become one of the pillars of the Green Deal;
30. Stresses that bioenergy from agriculture and forestry for mobile and stationary use is already the fastest and cheapest possible development in the mobility and heating sector and can be rapidly expanded in the future, within reasonable sustainable limits, with maximum CO₂ efficiency; points out that it would further contribute to regional added value creation and a significant reduction in CO₂;
31. Calls on the Commission to support entrepreneurship by improving the business environment in rural areas through measures to promote sustainable growth, rapid access to flexible small-scale funding (including solidarity savings) and broadband internet access throughout the EU;
32. Considers that provisions should be included in public procurement procedures that enable SMEs, particularly local SMEs, to participate in calls for tender, thus supporting low- and zero-mile products;
33. Stresses the importance of providing diversified SME funding in the farming sector.

INFORMATION ON ADOPTION IN COMMITTEE ASKED FOR OPINION

Date adopted	22.9.2020
Result of final vote	+: 44 -: 1 0: 2
Members present for the final vote	Mazaly Aguilar, Clara Aguilera, Atidzhe Alieva-Veli, Álvaro Amaro, Attila Ara-Kovács, Carmen Avram, Adrian-Dragoş Benea, Benoît Bîteau, Mara Bizzotto, Daniel Buda, Isabel Carvalhais, Asger Christensen, Angelo Ciocca, Ivan David, Paolo De Castro, Jérémy Decerle, Salvatore De Meo, Herbert Dorfmann, Luke Ming Flanagan, Cristian Ghinea, Francisco Guerreiro, Martin Häusling, Martin Hlaváček, Krzysztof Jurgiel, Jarosław Kalinowski, Elsi Katainen, Gilles Lebreton, Norbert Lins, Chris MacManus, Marlene Mortler, Ulrike Müller, Maria Noichl, Juozas Olekas, Pina Picierno, Maxette Pirbakas, Eugenia Rodríguez Palop, Bronis Ropè, Bert-Jan Ruissen, Anne Sander, Petri Sarvamaa, Simone Schmiedtbauer, Annie Schreijer-Pierik, Veronika Vrecionová, Juan Ignacio Zoido Álvarez
Substitutes present for the final vote	Claude Gruffat, Michaela Šojdrová, Marc Tarabella

FINAL VOTE BY ROLL CALL IN COMMITTEE ASKED FOR OPINION

44	+
EPP	Álvaro Amaro, Daniel Buda, Salvatore De Meo, Herbert Dorfmann, Jarosław Kalinowski, Norbert Lins, Marlene Mortler, Anne Sander, Petri Sarvamaa, Simone Schmiedtbauer, Annie Schreijer-Pierik, Juan Ignacio Zoido Álvarez, Michaela Šojdrová
S&D	Clara Aguilera, Attila Ara-Kovács, Carmen Avram, Adrian-Dragoş Benea, Isabel Carvalhais, Paolo De Castro, Maria Noichl, Juozas Olekas, Pina Picierno, Marc Tarabella
RENEW	Atidzhe Alieva-Veli, Asger Christensen, Jérémy Decerle, Cristian Ghinea, Martin Hlaváček, Elsi Katainen, Ulrike Müller
ID	Mara Bizzotto, Angelo Ciocca, Ivan David, Gilles Lebreton, Maxette Pirbakas
GREENS/EFA	Benoît Biteau, Claude Gruffat, Francisco Guerreiro, Martin Häusling, Bronis Ropé
ECR	Mazaly Aguilar, Krzysztof Jurgiel, Bert-Jan Ruissen, Veronika Vrecionová

1	-
EUL/NGL	Luke Ming Flanagan

2	0
EUL/NGL	Chris MacManus, Eugenia Rodríguez Palop

Key to symbols:

+ : in favour

- : against

0 : abstention