



FICIL
RAISE THE BAR!



Position Paper No. 10

The Foreign Investors' Council in Latvia Position Paper on the Food and Drink Industry

16 September 2021

Executive Summary

The food and drink industry is Latvia's second-largest industrial sector, accounting for more than 20% of its manufacturing output. The food industry employs 19% of people working in manufacturing and yields an output of EUR 1.9 billion, of which 38% is exported¹, making the industry's stability extremely important for the overall economic growth of Latvia.

The sector is to experience vast legislative changes due to the single-use plastic ban, Farm to Fork strategy and other European Union (EU) policies within the scope of the Green Deal that aims to reduce the environmental and climate footprint of the EU, thus also impacting the way we process and package food. If the changes at national legislation level are not implemented astutely, the industry could be greatly hindered.

The main tool for the harmonised and sustainable transposition of the respective EU directives into the national legislation, also shown by the experience of neighbouring countries, is to facilitate a dialogue between the industry and the decision-makers. It is important to keep developing packaging policies following a holistic approach and ensuring success on all pillars of the packaging policy, as well as supporting the industry's self-regulation efforts through pledges and tax incentives in the areas of reformulation and responsible marketing, in addition to ensuring the availability of high-quality public health data.

¹ LIAA. 2019. Food Industry. <https://www.liaa.gov.lv/en/trade/industries/food>



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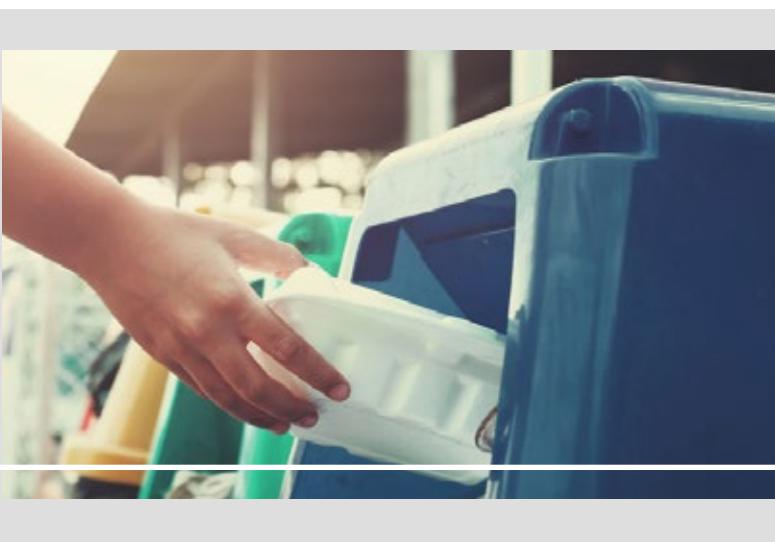
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Recommendations

Packaging policy

FICIL commends the Government of Latvia and the Ministry of Environmental Protection and Regional Development on their successful efforts in finding a solution and implementing a deposit system for PET, aluminum, and glass drinks' packaging. Food and drink industry representatives would recommend that the set course be continued, as well as focusing further on solving each packaging category case by case, by extending the return system to include glass, metal, plastic waste and especially polymers, drinks' containers and composite packaging, through creating collection infrastructures and raising customer awareness - educating consumers and providing incentives for collection and recycling.



FICIL believes that the successful implementation of the aforementioned policies is possible only through close cooperation between the government and the industry and wishes to encourage the creation of comprehensive packaging policy solutions that encompass all four pillars of the packaging policy:

1. Defining packaging and its minimum collection and recycling targets.
2. Establishing a proper tax framework in case targets are not met.
3. Raising public awareness on the importance of collection and recycling.
4. Developing a unified infrastructure for packaging collection.

Food policy

The industry fully supports the policy objectives regarding the Farm to Fork Strategy and recognises the importance of ensuring the sustainability of the food value chain, as per the EU Code of Conduct. The set objectives will, however, heavily impact the food industry through means of responsible marketing and reformulations on salt, fat and sugar reduction, which is why FICIL recommends:

1. Launching the product reformulation incentives gradually, in close collaboration with the industry.
2. Promoting the implementation of responsible marketing through a self-regulation process while avoiding additional regulatory burdens.
3. Ensuring availability of aggregated high-quality public health statistical data.



Rationale for the recommendations

Packaging Policy

- ▶ Defining packaging and its minimum collection and recycling targets

FICIL believes Latvia should follow the direction set by the EU and keep moving towards a more nuanced packaging segregation, with each type of packaging having specific collecting and recycling targets, just as was done with PET, aluminum, and glass drinks' packaging.

- ▶ Establishing a proper tax burden in case targets are not met

FICIL firmly believes that the relevant policies should be carried out considering the existing costs of producer responsibility schemes and connected to the industry's contribution via financing and public awareness initiatives.

It has been proven that fiscal measures do not encourage businesses to innovate, but on the contrary, negatively affect competitiveness and create additional financial burdens. As we mentioned, the packaging

policy includes four pillars that must all be satisfied to achieve a sustainable and functional packaging collection and recycling system, however, in the eyes of the FICIL Food and Drink Industry work group, the government has currently been focusing on levying packaging taxes in addition to industry-financed and managed collection and recycling programs, which have only led to market distortions. The reactive Extended Producers Responsibility (EPR) policy for packaging has proven to be a much more effective tool for increasing recycling rates, thus it should be applied to all consumer packaging types.

FICIL proposes simplification of the materials within the packaging portfolio, tax benefits, amendments to the Natural Resource Tax Law and Single-Use Plastic Directive to maximise industry incentives. The Natural Resource Tax should only be applied in case of non-compliance with the EPR scheme, and not in addition to the EPR fee. Moreover, it is necessary to create conditions for fair

competition and economies of scale between different packaging solutions. Different types of packaging should have an equitable element of burden to avoid distortions and fragmentation of the EU Single Market.

Another pressing issue in the scope of the packaging policy is the unveiling of the plastic tax that would be applied on the drinks' carton packaging which contains far less plastic than other composite materials. FICIL believes that the current approach does not allow the industry to ensure collecting targets and informing the society on their own, while avoiding the tax, but on the contrary makes it inescapable.

- ▶ Raising public awareness on the importance of recycling

FICIL members call on the government to continue raising public awareness in a similar way to that as for such long-term projects as EPR and deposit systems. On this basis, awareness should also be raised about such packaging materials as composites.

The EU Directives in place imply ambitious collecting and recycling goals that cannot be realised without effective public participation. The campaign's "Gudri pakot - gudri šķirot" analysis² carried out by AS "AJ Power Recycling", "Zero Waste Latvija" and SIA "ZAAO" suggests that almost 80% of recycled waste that was not useful for further processing arises from the population's irresponsible or uneducated behaviour, namely, placing waste in the wrong collection and recycling containers.

² SIA ZAAO. 2020. Gudri pakot - gudri š irot. http://www.zaaolv/sites/default/files/frakcijas-analize-zinojums_0.pdf

- ▶ Developing a unified infrastructure for waste collection

FICIL again congratulates the government on successfully creating a collection infrastructure for drinks' packaging in PET, aluminum and glass that will start operating in February 2022, however, notes that it is equally important to provide a unified collection infrastructure for all types of packaging with a clear breakdown by containers that would be the same for all waste management operators in the long-term. As an example, a separate collection of drinks' packaging would significantly increase the volume of material available for recycling, which in turn would create a more predictable, high-quality supply to recyclers.

Food Policy

- ▶ Create the product reformulation incentives gradually, in close collaboration with the industry

FICIL is delighted with the Health Ministry's commitment to confer with the food industry on the improvement of the nutrition profiles of products in line with the guidelines for healthy, sustainable diets and decreasing the amount of salt, trans fats and sugar, as well as the number of calories and reducing the packaging of certain food products. The need for reformulation is one of the most pressing issues for the food industry also in the EU context, being described both in the Farm to Fork strategy and the EU Code of Conduct.



Experience in neighbouring countries has shown that ensuring the representation of the industry's interests and coordinating mutual objectives by introducing sectoral support mechanisms works more effectively than imposing restrictive measures. Therefore, FICIL firmly believes that industries and businesses should be strongly encouraged to invest in sustainable solutions. In various EU countries, businesses are self-regulating by product reformulation, the introduction of smaller packages and taking part in voluntary nutrition labelling schemes. For instance, the Estonian food industry signed a self-regulation pledge in line with the European Green Deal focusing on the F2F strategy, while in 2017 the Lithuanian Ministry of Health signed a pledge with the food and drink industry to achieve a reduction in added salt, fat, and sugar in products. Latvian decision-makers could rely on the positive outcomes in the neighbouring states and agree on a reduction of sugar in food and drinks with the industry, as well as impose tax benefits to innovative products, such as products with no added sugar. FICIL however emphasises the need for the reformulation process to proceed gradually, since as well as the content, we also see changes in the taste and the nature of the products, thus potentially hindering sales, if the process is executed meaninglessly.

- ▶ Promote the implementation of responsible marketing through a self-regulation process while avoiding additional regulatory burdens

FICIL agrees that minors are a sensitive audience and should not be exposed to excessive marketing of products with high salt, fat and added sugar levels, however, industry evidence suggests that the imposition of regulatory restrictions (e.g., restrictions on advertising on certain shows or at certain hours) does not bring the desired result, as consumption has not reduced while still creating a significant burden for the industry. In this regard, the fundamental interest of the FICIL members is to agree on certain age categories that are not targeted with any marketing activities at all. Instead of increasing the age limit for an advertising ban, FICIL suggests developing guidelines on responsible advertising in cooperation with the industry and formulating other legislation that would allow the food and drink industry to self-regulate.

It is common practice for large producers to voluntarily pledge to implement responsible advertising practices. Such an example is the EU pledge, which is a voluntary initiative by leading food and drink companies that account for over 80% of food and drink advertising spend in the EU. It has already been supported by local pledges in Switzerland, Portugal, and Belgium.

- ▶ Ensure availability of aggregated high-quality public health statistical data

FICIL continues to stress that the comprehensiveness, reliability, and availability of aggregate data in a user-friendly format in the public health sector continues to be an area of general concern. The government should regularly use statistical data on what kind of products are mostly contributing to sugar and salt consumption and how disseminated the problem of growing obesity rates in each age category is, both in order to plan and structure new policies and to revise the existing ones, as this would contribute to more qualitative policy-making. The correct use of large data would also help reduce the administrative burden and the availability of such data would increase the trust that businesses have in the public sector. To ensure availability of relevant nutritional data and to acquire the profile of an average consumer, FICIL proposes that a national survey on obesity be undertaken, to identify the sources and habits on sugar, salt and fat intake that would serve as a basis for future nutritional policy-making.



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FICIL is a non-governmental organisation that unites 38 largest foreign capital companies from various industries, 10 foreign chambers of commerce in Latvia, French Foreign Trade Advisers and Stockholm School of Economics in Riga. The goal of FICIL is to improve Latvia's business environment and overall competitiveness in attracting foreign investment, using the experience and knowledge of its members to provide recommendations to Government and state institutions.

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