Rolnictwo Zrównoważone

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# SUSTAINABLE FOOD IN POLAND

## The birth of the mass market as an opportunity for the food industry

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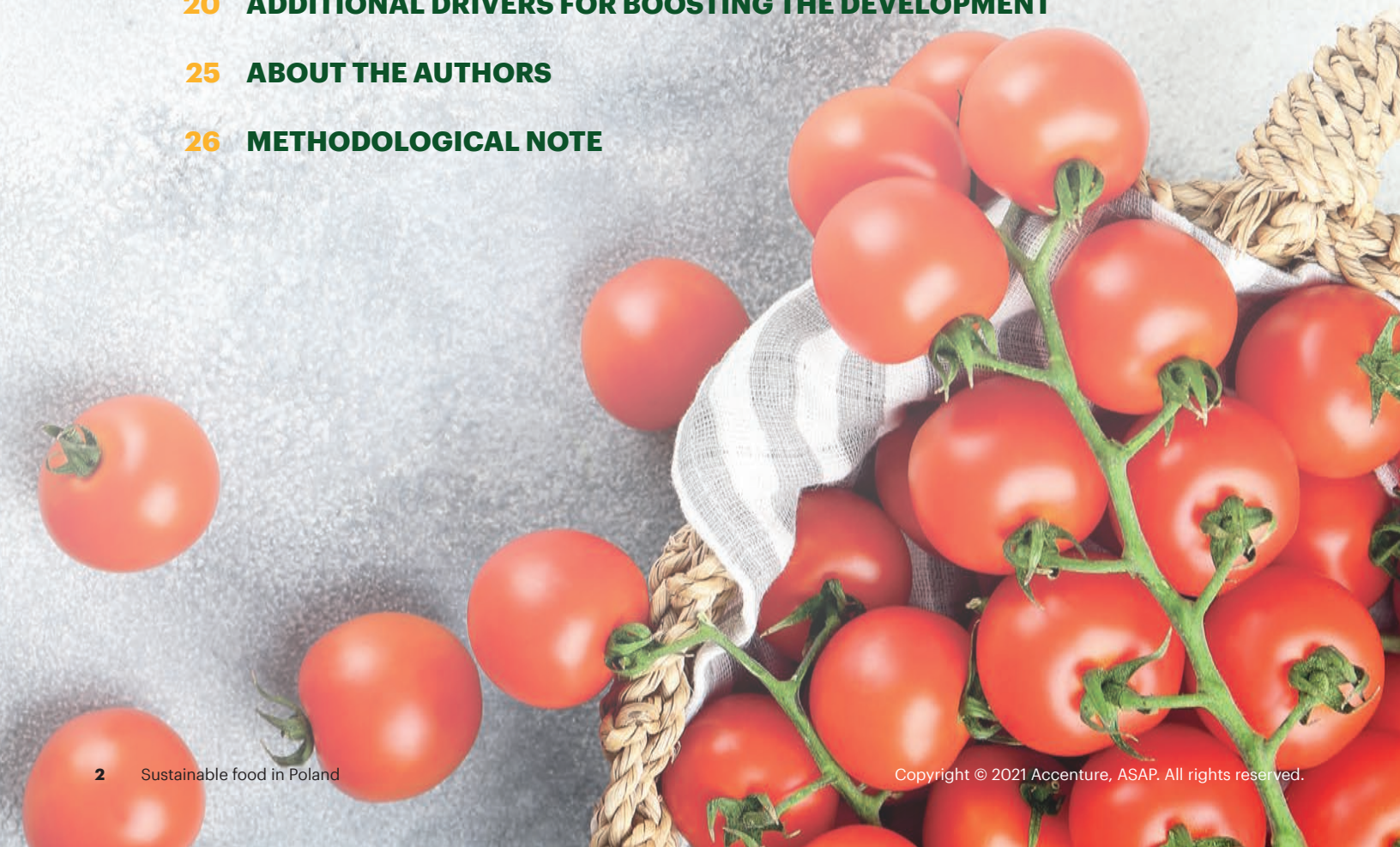



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# EXECUTIVE SUMMARY

Customers' increasing awareness of the role of food in their lives as well as their desire to protect the climate and environment and to maintain acceptable food prices have given rise to a new business opportunity. It is sustainable agriculture products: commodities and the processed food products, on which Poles are capable of spending as much as PLN 64.6[1] billion per annum even in the medium term. It is an opportunity for expanding this niche market into a mass one.

Consumers realize that such products will cost more than the ones produced in a conventional manner and are ready to pay more for them, yet less than for organic food. For enterprises and farmers, it is an opportunity for better margins on food sales and production, but also for following the global trend of protecting the climate and managing resources responsibly.

The market growth will be additionally supported by an EU policy and subsidies allocated to the development of sustainable agricultural practices in farms, the green approach of financial institutions and a continued development of digitization.

Such changes involve the transformation of the entire ecosystem, although, what is extremely important, some enterprises have already been heading there firmly. The greatest challenge will be to ensure such a volume of sustainable agriculture products that would enable them to be offered at attractive prices. Incentives from business to farmers are necessary here, as it is them who, apart from EU and Polish regulations, shape the future of agriculture to the largest extent. Food producers and retail chains should increase their requirements to be met by farmers (through audits/certificates), but at the same time they must not lose sight of the profitability of agricultural production. By declaring their readiness to pay a higher price for sustainable agricultural commodities, by offering favorable terms of payment, by supporting production cost optimization and by helping farmers obtain EU subsidies, they will be able to effectively encourage farmers to develop sustainable agriculture in their farms. Business advisory regarding promotion of sustainable agricultural practices offered to farmers is also important.

What remains crucial is better labeling and promotion of sustainable food for the consumer to be able to identify it on shelves easily. Sustainable food, which corresponds better with the preferences of Polish consumers, i.e. high quality, environmentally-friendly production and affordable price, may win a definitely larger market than organic agriculture products have managed to date.

[1] Accenture Research estimates based on ARC's research of February 2021.


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# INTRODUCTION

## Between the mass market and the organic market

What do we eat today and what do we want to eat? What are we going to put on our plates tomorrow? Which characteristics of food products are important to us, consumers? What do we want to find on shelves and put into our baskets?

**? Since organic food has not been produced on a mass scale in Poland (the share of organic food in the whole food market in Poland is 0.3% (the EU average is 4%)[2] and given the EU policy, which promotes departure from conventional production, what other production method addressing consumers' pro-environmental and health-oriented interests could become mass and be profitable?**

**? What solutions, tools, practices will contribute to an increased share of environmentally-friendly agricultural production in Poland?**

The food of the future is not pills or sachets of powder. It is not organic food either if speaking of the Polish scale of its consumption, that is availability to the majority of Poles. There is a huge gap between mass food, which is available to the greatest extent today, and organic food, which is still a niche. And it may be bridged by products and commodities obtained from sustainable farming. Its development is stimulated by consumers on the one hand and the legal and financial environments on the other hand. In fact, consumers are placed at the beginning of the chain. These are consumers who express their demand for a specific product, thus ensuring its purchase consumers that express their demand for a specific product, thus ensuring its purchase and, consequently, a potential profitability of production. Consumers go shopping and the retail chain requests its suppliers, that is farmers and/or processors, directly to provide them with specific goods.

How much can they spend on sustainable agriculture products? We are speaking of a market which could be worth PLN 64.6 billion in the medium term (in retail prices). This is an indisputable value. Let us note that, according to NielsenIQ's calculations, Poles spent PLN 142.3 billion on food overall in 2020[3]. What was the share of organic food in their baskets then? There are no hard data available here, but the players operating in this market estimate its value at over PLN 1 billion, and reports prepared by industry environmental organizations mentioned the amount of EUR 314 million in retail prices in 2019[4], that is approx. PLN 1.35 billion (at that time).

[2] The Supreme Audit Office (NIK) on supporting organic agriculture, information about the findings of the audit, NIK, Warsaw 2019. Additionally, only 3.5% of agricultural land is dedicated to organic production, while the EU average is 8.5% – Eurostat organic farming statistics.
[3] Turbulence in the basket – food: analysis.
[4] The world of organic agriculture.


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# WHAT IS SUSTAINABLE FOOD?

**Sustainable food is a product of sustainable agriculture. It is a model of agriculture taking care of the environment and the farmer's finance and is acceptable to the society.**

Sustainability is only achieved when three objectives are met: environmental, economic and social. Sustainable agriculture refers to all activities resulting in a reduced impact of agricultural production on the environment and a more efficient use of resources in an environmentally-friendly manner. It is about specific methods and principles of using soil, water, energy, machinery, plant protection products as well as fertilizers and seeds. At the same time, however, profitability and social acceptance of agricultural production are indispensable elements of sustainable agriculture[5].

Certifications enabling food industry enterprises to assess, improve and approve sustainable development of farms in their supply chains have already been available in the market.

The Farm Sustainability Assessment (FSA) and GLOBALG.A.P. with FSA add-on standards, which are the leading tools in the market of sustainable food production certification, and the Integrated Plant Production certification may be distinguished for plant production. Moreover, in light of the applicable law, biomass for biofuel purposes is also subject to certification for compliance with the requirements of standards such as ISCC, REDcert, where the standards encompass a high number of criteria for sustainable agriculture and have special versions and modules enabling full certification of sustainable development elements. An example of the Polish certification system approved by the European Commission with respect to demonstrating compliance with sustainable development criteria is the KZR INiG system.

For livestock production, requirements of individual enterprises processing animal products (own standards) prevail, but simultaneously industry associations are developing as effective methodologies of sustainable animal husbandry as possible, which may be exemplified by activities within the Global Roundtable for Sustainable Beef and the European Roundtable for Beef Sustainability. At the same time, there are systems focusing on welfare with increasingly more emphatically stressed elements of sustainable production, such as Animal Welfare Approved and Red Tractor standards, which are a good starting point for implementing the requirements of sustainable agriculture.

At present, there is no common labeling of sustainable food, unlike the case is with organic food. It happens, however, even if rarely, that food producers include the information about the origin of food coming from sustainable farming e.g. on packaging.

[5] Sustainable, organic and conventional agriculture: differences.


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## ECONOMIC GOAL

Secure the **financial stability** of the farm

## SOCIAL GOALS

**Take care of employees,** their rights and safety on the farm

Undertake activities for the **societal acceptance of agriculture**

## ENVIRONMENTAL GOALS

**Rotate crops** to enhance soil biodiversity

Build soil fertility by **increasing the humus content**

Fertilize plants based on the **fertilizer balance**

**Applying input products,** such as fertilizers, plant protection products, machinery and seeds, in an optimal manner

Effective use of **water resources**

Keep the soil under **the plant cover** for as long as possible

Support **biodiversity** on the farm and its surroundings

Ensure **animal welfare**

Apply the **no-tillage system**

Aim to **reduce greenhouse gases** emissions


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# WHAT DOES THE CONSUMER WANT TO BUY?

The coronavirus pandemic has changed not only the way of shopping but also the shopping basket composition. How will this change the food market? At the global level, 79% of consumers admit that the pandemic has increased their interest in caring for health, and 62% – that it has focused their attention on the environment to a greater extent (than before). At the same time, 46% of them declare that they will buy more local products[6]. These are global statistics.

What is it like in Poland? Similar. One in two Poles admits that their shopping preferences regarding food products have changed due to the COVID-19 pandemic. According to the research conducted for the Association of Sustainable Agriculture in Poland "ASAP", Polish consumers choose food more consciously in terms of its impact on health, consider the environmental impact of its production, buy more products of Polish origin, and want to purchase the higher quality ones in larger quantities than they did before. Poles associate high quality products primarily with product freshness (as indicated by 36% of the respondents) and lack of chemicals / artificial additives (as answered by 23% of the respondents[7]).

[6] Accenture - COVID-19 is Reshaping the Consumer Goods Industry.
[7] All statistics regarding the consumers' declarations come from ARC Market and Opinion research of February 2021 conducted for the Association of Sustainable Agriculture in Poland "ASAP" on a sample of 1,003 Poles aged 18+, unless indicated otherwise.


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## FOOD AND HEALTH

**85%**
This is the percentage of Poles who declare that they are guided by the impact of individual products on their own and their families'/ friends' health when making food purchase decisions.

**57%**
At the same time, this is the percentage of Poles who admit that they pay more attention to the impact of the chosen foodstuffs on their own or their families'/friends' health now than they did before the pandemic.

## FOOD AND ENVIRONMENT

**39%**
This is the group of Poles who declare that they pay more attention to the environmental impact of foodstuffs.

**61%**
And this is the percentage of Poles who claim that the environmental impact of manufacturing a product is important to them.

## FOOD AND ITS QUALITY

**79%**
This is the percentage of Poles who want to buy larger quantities of high quality products.

**47%**
And this is the group of Poles who admit that they buy larger quantities of unprocessed products than they did before the pandemic.

## FOOD AND ITS ORIGIN

**73%**
This is the percentage of Polish consumers who assure that they are guided by the Polish and local origin of a product when choosing foodstuffs.

**45%**
And this is the percentage of the respondents who buy larger quantities of products of Polish origin than they did before the pandemic.

**The food characteristics sought by the Polish consumer, i.e. local origin, quality, respect for the environment and affordable price are exactly what distinguishes sustainable agriculture.**


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## Consumer and sustainable food

40% of Poles have heard about the term “sustainable agriculture product” or “sustainable agriculture”. Eight out of ten Polish consumers have a positive attitude towards sustainable agriculture products (which is similar to organic agriculture products) and the consumers who are most interested in sustainable agriculture products are the ones paying more attention to health.

**75% This is the percentage of Poles who are interested in buying sustainable agriculture products...**

**83%**

**...and this is the group declaring that such products could constitute at least a half of their shopping basket.**



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## How to persuade even more Poles to buy sustainable food?

The fact that as many as 40% of Poles have encountered the term "sustainable agriculture product" or "sustainable agriculture" means also that there is still quite a large group of people who need to learn about it. Every second consumer does not know whether he has ever seen a sustainable agriculture product on a shelf and 56% of consumers think that they would be encouraged to buy such products by better labeling.

**A clear labeling of sustainable agriculture products is needed so that consumers know what they are buying.**

The Polish consumer's price sensitivity as well as seeking promotion and special offers are a phenomenon that has been noticeable for years and the pandemic can only strengthen it.

**89% On the one hand, this is the percentage of Polish consumers who would like food products to be cheaper...**


**...but this group of consumers associate sustainable agriculture products with an affordable price.**

**...and only this percentage of consumers perceive them as expensive.**

According to Polish consumers, sustainable agriculture products are 40% more expensive than those coming from conventional agriculture and 20% cheaper than products from organic farming. This is how they perceive prices.

Simultaneously, 73% of consumers admit that they would be ready to pay 20% more for a sustainable agriculture product than for a similar one coming from conventional farming.

**If retail chains were able to offer the consumer a sustainable agriculture product at a price 20% higher than that of the product coming from conventional production, its sales could reach a mass scale.**


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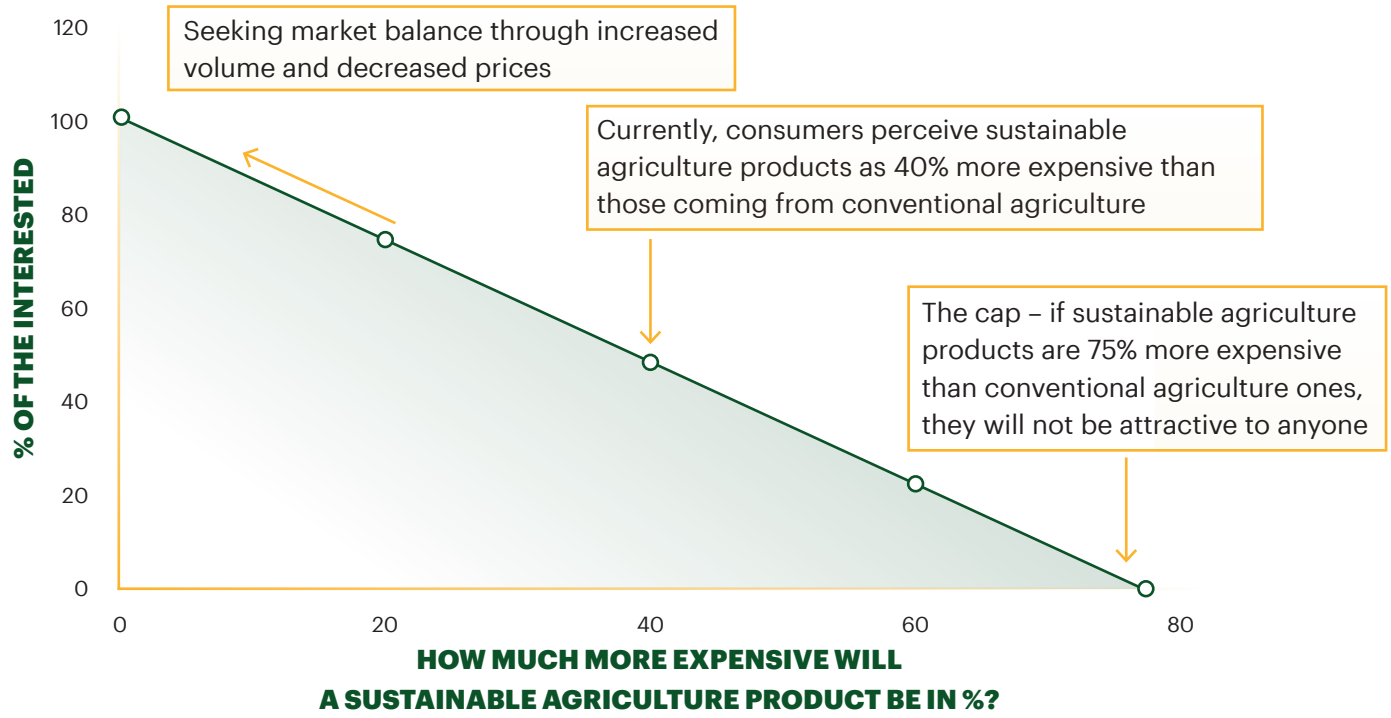
## Demand for sustainable food





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# THROUGH THE EYES OF THE FOOD INDUSTRY

The new demand for sustainable agriculture products must coincide with the supply. It is evident that Poles are ready to pay a little more for higher quality and local food produced in an environmentally-friendly manner.

**76%**
This is the percentage of Poles who think that food producers should use commodities obtained from sustainable farming.

**82%**
This is the percentage of Poles who believe that retail chains should offer sustainable agriculture products.

> *"Polish consumers are more and more conscious. They choose environmentally-friendly and local products, preferably delivered straight from the farm. This offers a huge development potential to sustainable producers. Many investments, as well as introduction of good agricultural practices, which will lead farmers and enterprises to a greater market advantage not only in Poland but also in the European arena, are still ahead of us."*

Enterprises can determine their suppliers' labor and raw material quality standards, since it is them who buy goods from farmers, thus deciding from which supplier they will purchase. Often, thanks to the scale of their operations, including the international ones, they may support farmers, i.e. share their knowledge and global practices, which have already been developed in other countries.

> *"Our consumers require the raw material to come in at least 50% from suppliers with sustainable agriculture principles implemented and certified."*
>
> *"Sourcing sustainable commodities is one of the priorities when making decisions on the procurement of commodities, along with safety/quality, availability and price."*
>
> *"More and more customers condition their cooperation with our company not only on the food quality and safety certificates held but also on the knowledge of what happens before the raw material enters our factory. Therefore, it was decided to begin implementing the principles of sustainable agriculture in our suppliers' farms and building the awareness of a sustainable supply chain among intermediaries already a few years ago."*


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## TIPS

**KNOWLEDGE ABOUT PRACTICES**
The first steps of the enterprises should be taken towards expanding their knowledge on sustainable agricultural practices in order to be aware of what to encourage farmers to do and what to require from them.

**PRODUCT LABELLING**
Proper labeling of products will enable the consumer to distinguish them from those coming from conventional and organic farming.

**CHALLENGES AND SOLUTIONS**
When preparing for a change, it is also worth noting what challenges the enterprises may face when attempting to promote sustainable agricultural practices (which are discussed further in the report) and the solutions we are suggesting.

# Challenges: how to overcome them?

As part of our research, we conducted interviews with enterprises operating in the food industry, which – when talking about challenges to the development of sustainable agriculture – often mentioned those concerning the beginning of the chain, i.e. in farms. The collected answers could be divided into three categories based on the degree of openness to changes, the profitability perception and characteristics of generations. In this section, we suggest solutions to all of them.

### KNOWLEDGE AND OPENNESS TO CHANGES

Farmers' attitudes towards shifting to one or another production method differ. Their diversified openness is an effect of their lower or higher certainty about the profitability of such changes. The effect may be further intensified by, for instance, the lack of knowledge about sustainable agriculture. This is because the knowledge is not widespread. Many farmers are not fully aware of or convinced about the opportunities behind this type of production and the applied standards. It happens at times that they have already been running their farms sustainably without realizing that.

**What is worth doing?**

In order to promote the sustainable agricultural practices, it will be crucial to build awareness and share knowledge. A good source of knowledge about it is e.g. ASAP Academy, which is a series of online classes on sustainable agriculture[8], and "The Guide to Sustainable Agriculture ASAP"[9], which is a compendium of knowledge about, among others, technologies and legal regulations as well as introduction of sustainable agriculture to a farm from the practical perspective, updated on an ongoing basis.

[8] ASAP Academy.
[9] Association of Sustainable Agriculture in Poland "ASAP" (www.sustainableagriculture.pl).


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## PROFITABILITY

An additional restraining factor might be farmers' sentiments regarding profitability. Shifting to sustainable agriculture involves the necessity to make certain adjustments of farms' infrastructure, which farmers may associate with additional costs, such as purchase of precision agricultural machinery and a GPS, which help farmers fully use digital solutions.

This is the percentage of farmers who rated agricultural production profitable in 2020.

**17%**

And as many as this rated it unprofitable.

**24%**

And such a group stated that the demand for agricultural products was below their expectations.

**32%**

*Source:*
*Koniunktura w gospodarstwach rolnych w I półroczu 2020 r. [Economic situation of farms in H1 2020], Statistics Poland, September 2020*[10]

**What is worth doing?**

The fundamental factor will be the attractiveness of the change in the production method. Business needs to create favorable conditions and incentives for farmers on the one hand and ensure that they see the profitability on the other hand. **If consumers are willing to pay more for sustainable agriculture products, the farmers should also get a higher rate for agricultural commodities.** A guarantee of such a price would additionally strengthen the perception of production profitability. Therefore, it will be necessary to change the existing business models, which promote short-lived one-season benefits at all cost (such as yield per hectare), in favor of solutions supporting medium- and long-term benefits.

[10] Statistics Poland (GUS), Economic situation of farms in H1 2020.


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> *"The priority is a partnership-based cooperation oriented towards ensuring profits not only for us but also for the partner, who needs to benefit from the cooperation in terms of not only finance but also knowledge and know-how."*
>
> *"We are working on building a stable supply chain through contract farming agreements with a guaranteed price concluded directly with the farmer."*

**What is worth doing?**

It is also important to build awareness of the fact that sustainable agriculture is a solution that is less costly and easier to implement than organic agriculture to which it might be compared. An even better effect could be achieved by providing farmers with support in obtaining EU funds[11] to cover the purchase of machinery or decision support systems, using digital technologies. Another solution to this challenge is to rent the equipment to farmers instead of them buying it.

> *"We support modernization of farms, construction and expansion of cowsheds, purchase of machinery and equipment facilitating work and improving animal welfare."*
>
> *"The best practices include assistance in developing a machine park and obtaining funds for machinery purchase."*
>
> *"We cooperate directly with our growers by e.g. providing various services, such as strip tillage and sowing, beet harvesting, pile covering, etc."*

## NEW–OLD GENERATION

It is not that easy to give up the cultivation patterns that have proved effective for decades. Changes are the more difficult to carry out the longer the new generation, which could seek and implement plant cultivation and animal husbandry innovations more easily, is not interested in succession.

> *"One of the primary challenges for sustainable agriculture will be to pay more attention to encouraging young people to take up agricultural activities through actions coordinated with competences of the state."*

**What is worth doing?**

It might prove crucial to introduce innovative cultivation models and cooperation with startups and innovative businesses, which appeal to younger generations. Examples of the innovations which could attract young farmers are digital solutions available in the farm or vertical farming in urban areas, which make it possible to live and work in the city. Another solution might be to increase the degree of automation, including the use of robots, which will translate into a lower demand for workforce. What remains an extremely significant stimulus is also aid in ensuring long-term financial stability of the farm and in the social perception of farmers.

[11] Rural Development Programme for 2014–2020 (transitional period until 2022), Common Agricultural Policy Strategic Plan.


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## Good practices: it is already happening

The enterprises taking part in our research have shared with us their solutions, tools and observations concerning the introduction and promotion of sustainable agriculture among their suppliers. It is these enterprises that constitute a substantial link in disseminating the knowledge about new cultivation technologies. The cyclical meetings, coaching, common workshops, agronomic consulting, participation in contests and observation of demo farms enable farmers to grow together with the enterprise. At the same time, it is essential to treat every farm individually, particularly in the context of the set requirements and pace of changes. Our respondents recognize the importance of such a partnership-based approach. This results also in the trend of shortening supply chains, i.e. resigning from cooperation with intermediaries and building relationships directly with farmers.

> *"What works very well is the cooperation model based on a direct relationship with the grower, advisory on the selection of appropriate agricultural engineering, harvesting, transport and storage of a given raw material and cyclical meetings to discuss achievements, determine forecasts and actions for the future."*
>
> *"Each farm is taken care of by a dedicated animal husbandry technician with whom it maintains ongoing contact."*
>
> *"In 2020, over 70% of the vegetables and fruits cultivated in Poland and sold by our chain came directly from producers rather than intermediaries."*

### SHORTENING SUPPLY CHAINS

Increasingly more enterprises decide to cooperate with local suppliers. It is a matter of concern about carbon emissions and security, including quality of supplies (thanks to a shorter chain). Finally, it is also support for regional production and the closest surroundings.

> *"Our buyers pay more and more attention to local products to support their surroundings, neighbors. We are all connected with each other and dependent on one another [...] The local aspect is also related to the fact that if a product is local, the supply chain is shorter and the product does not have so many preservatives and is fresher."*
>
> *"We strongly count on cooperation with Polish vegetable and fruit suppliers. At the end of 2021, 90% of the vegetables and fruit cultivated in Poland will come from domestic producers, with a higher share of supplies from small family farms [...] Thanks to the shorter way from the farm to shelf, supplies will be carried out in a more sustainable and environmentally-friendly manner."*


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### TERMS AND CONDITIONS OF CONTRACTS AND TERMS OF PAYMENT

Food industry enterprises have already tested in practice several ways of supporting financial stability of farmers. When talking to us, they mentioned, among others, making earlier payments to farmers (in connection with the pandemic situation), helping them obtain EU funds for farm development, making long-term supply contract agreements, determining the guaranteed price, enabling the farmer to sell agricultural commodities outside Poland, offering apps useful in sustainable production and organizing business skill workshops/coaching for farmers.

> *"In 2020, which was a particularly difficult year for the agriculture sector due to the outbreak of the COVID-19 pandemic, together with our partner, we allocated nearly PLN 5 million to an earlier purchase of a raw material from farmers cultivating it sustainably, which helped prevent negative economic effects of the pandemic."*
>
> *"We were the first in Poland to cooperate with farmers by offering professional coaching. The program enabled the development of soft skills."*
>
> *"We develop the Polish economy; by cooperating with more than 516 suppliers from Poland and buying their products, we make it possible to sell Polish products in our stores located in other countries."*


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## INCLUSION IN THE CORPORATE STRATEGY

The objectives related to the development of sustainable agriculture are included in corporate strategies of market leaders. Defining and showing sustainable development indicators helps enterprises clearly communicate with shareholders, business partners, suppliers, employees and customers. Implementation of such indicators supports companies themselves in tracking their own progress in building and promoting sustainable agriculture.

> *"At the moment, all farms in Poland from which we buy potatoes comply with the principles of the Sustainable Agriculture Programme and 100% of the potatoes we process are produced sustainably."*
>
> *"This year, for selected recipients of our products, we want to ensure that around 80% of the purchased raw material comes from sustainable farms, with the ultimate goal being 100% by 2025."*

## AUDITS AND CERTIFICATIONS

Another practice that is frequently used by our interlocutors is introduction of audits and certification programs in farms. This allows them to systematize requirements and carry out controls, which results in a development plan for a farm and the certainty that sustainable standards are met.

> *"Apart from standard product quality control processes imposed by laws, we perform over 9 thousand additional food tests and numerous audits at our suppliers a year."*
>
> *"What we require from our suppliers in the first place is quality proven with certificates."*
>
> *"An action plan has been prepared for each farm and the results are evaluated gradually."*
>
> *"As a co-founder of the Sustainable Beef Platform, in cooperation with the meat industry, we develop production standards to be implemented in farms."*

## RESEARCH AND DEVELOPMENT

Sustainable agriculture is an incentive for enterprises to focus on research and development, also through cooperation with higher education institutions and experts. What counts is industry partnerships and cooperation (e.g. through the Association "ASAP"), promotion of sustainable agriculture awareness not only among the current suppliers, and encouraging other enterprises to join the partnerships.


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> *"The role of processors is extremely important and therefore we continuously strive for them to have their own sustainable agriculture promotion programs in place or become members of the Association "ASAP"."*
>
> *"Our company goes beyond the area of its contractors by sharing its knowledge and good practices with other businesses and farmers as part of the Association "ASAP"."*

## TECHNOLOGY

A stimulus that considerably accelerates the growth of sustainable agriculture and facilitates its implementation and pursuit is technology. Digital solutions, such as advanced agronomic and business decision support systems, cultivation management platforms and weather forecasting systems, mean a completely new level of digitization and efficient farm management. At the same time, however, this topic occurred in few of the interviews we conducted.

> *"In our activity, we focus on precision agriculture areas using the possibilities offered by the modern technology."*
>
> *"We have been monitoring the level of CO2 emissions by means of the COOL FARM TOOL since 2017. It is another step towards carbon neutrality."*
>
> *"We have organized a program involving farmers as part of which each farmer has their account in an application, where they can check the price, demand, our plans for subsequent quarters of the year at any time, which makes it easier for them to make decisions regarding their own actions and plans."*


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# ADDITIONAL DRIVERS FOR BOOSTING THE DEVELOPMENT

Sustainable agriculture will grow faster and faster. The market is busy due to consumer demand on the one hand and a range of legal solutions, financial and other instruments, which will support this type of production and processing in the coming years, on the other hand. This is an outcome of the provisions of the European Green Deal and Common Agricultural Policy (and its financial incentives for farmers), new strategies of financial institutions (including banks), but also development of e-commerce and technologies for plant cultivation, animal husbandry and product sales.

## ? What fosters sustainable agriculture?

### EU POLICY: STRATEGIES AND REGULATIONS

- The European Green Deal speaks of the Farm to Fork strategy[12], which aims at "a new and better balance of nature, food systems and biodiversity; to protect our people's health and well-being"[13] and of the EU Biodiversity Strategy, which supports "the way for ambitious and necessary changes that will ensure the well-being and economic prosperity of present and future generations in a healthy environment[14]."
- The Common Agricultural Policy[15] provides financial incentives and instruments for farmers, who might obtain support for implementing sustainable agriculture in Poland: specific technologies and other related actions.
- Such a policy of sustainable natural resource management, climate change prevention, access to "healthy, affordable and sustainable food" for Europeans means that the EU market will be increasingly more demanding also for Polish farmers and food processors. The changes occurring in the EU are crucial for them. Today, approx. 40% of the food produced in Poland is exported, 2/3 of which to EU member states[16]. Without transforming the production to meet the standards promoted by the EU, it will be difficult to maintain such sales.

[12] From Farm to Fork | European Commission (europa.eu).
[13] Ibid.
[14] EU Biodiversity Strategy (europa.eu).
[15] The Common Agricultural Policy in brief | European Commission (europa.eu).
[16] Business insider, 300gospodarka.pl.


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## NEW CRITERIA FOR BUSINESSES AND PUBLIC ORGANIZATIONS AS PART OF GREEN PROCUREMENT

- In order to improve the availability and price of sustainable food and promote healthy and sustainable diet as part of mass catering, the European Commission will determine the best method for setting the minimum obligatory criteria for sustainable food procurement.
- Promoting such a sustainable European food presents an additional opportunity for increasing its sales in third markets. It may be a competitive advantage and may open new markets for European, including Polish, farmers.
- The implementation of green procurement into corporate strategies is a tip for suppliers and contractors to commence the inclusion of environmental practices in their production, distribution, marketing, and other processes and is a response to consumers expectations who desire more sustainable products. Such business decisions will increase value in the entire food production chain and contribute to company development in the long run.

## FINANCING, SUSTAINABLE BANKING

> *"The new EU regulations will put an increasingly greater pressure on conventional agricultural practices and, what follows, the necessity to make changes to the way of pursuing an agricultural activity. In many cases, this will require investment financing. As the largest institution financing the agri-food sector in Poland, we have been supporting all ideas which result in pursuing sustainable agricultural activity, that is safer for the environment, for a few years now."*

Financial institutions have already been reacting to the new EU regulations and consumer trends. Many banks declare that they will discontinue financing businesses and investments from environmentally harmful industries. This means that capital will be moved to other investment projects and, in all likelihood, preference will be given to the sustainable ones. Banks are explicit about supporting the clients that want to counter negative climate changes and they create new green products. The available options include:

- **Green bonds**
  Companies or states issue bonds, which are a kind of public loan for financing specific organic and/or sustainable projects. In Poland, one of the banks has issued bonds to be used for financing sustainable agriculture, low-carbon means of transport, and renewable energy. Importantly, high interest in green bonds is noticeable and the demand is usually higher than supply.
- **ESG-linked corporate loans (ESG: Environment, Social, Governance indicators)**
  Loan terms and conditions are dependent on the calculated ESG indicators, which means that the more the borrower is engaged in running their business responsibly considering the impact on the environment, local communities and the corporate governance, the better terms and conditions it may be offered, i.e. lower interest rate, reduced amount of the required own contribution and more favorable other loan parameters.


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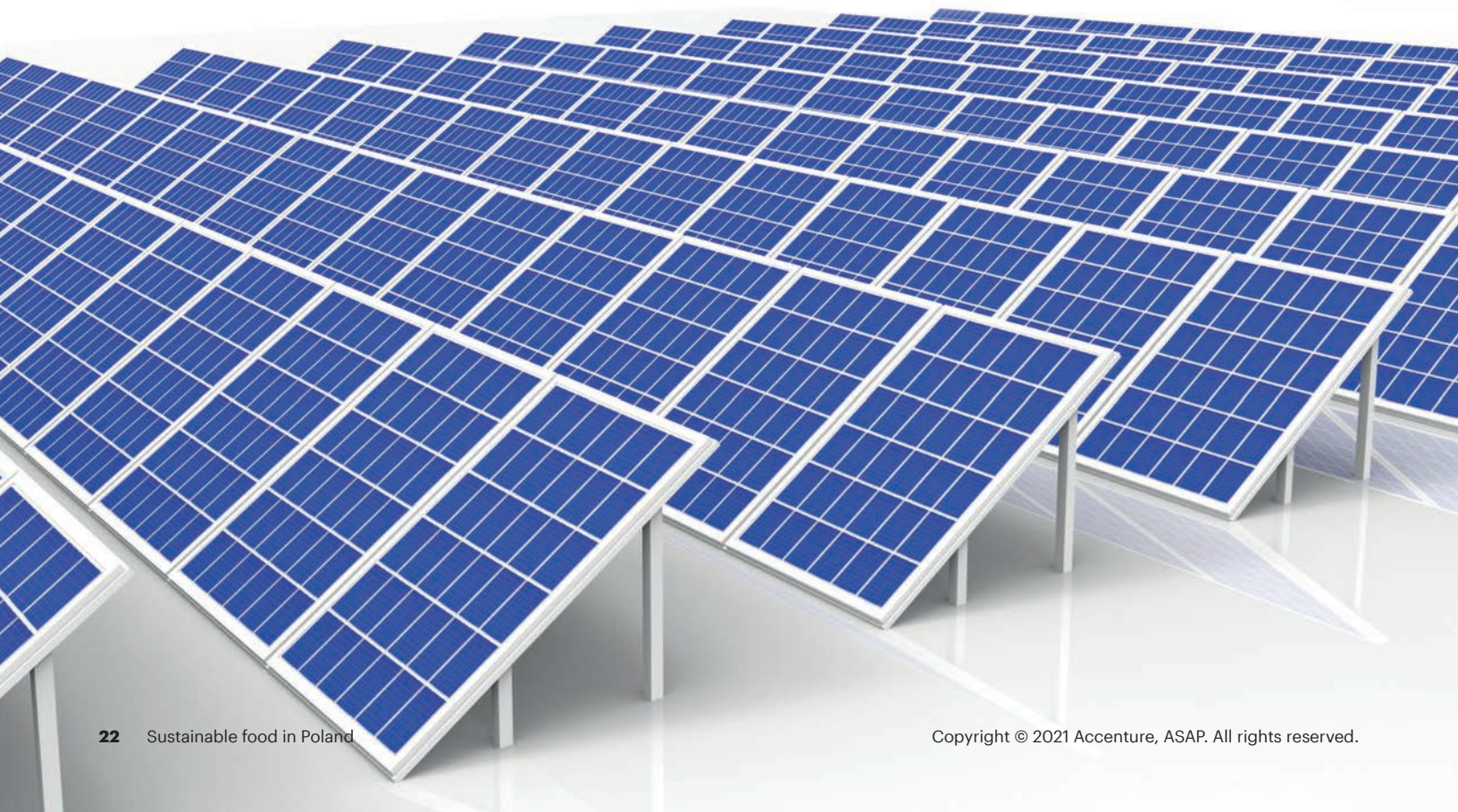
» **Dedicated special purpose loans addressed to individual and business clients**
What is meant here is loans for financing renewable energy sources, including photovoltaic systems, wind and waterpower plants, and EU-funded projects, green buildings and green technological innovations.

What also drives financial institutions to support environmentally friendly activities is a range of policies and legal regulations, including:

» **SFDR (Sustainable Finance Disclosure Regulation)**
It is a Regulation under which financial institutions have been obliged to disclose information related to sustainable development since March 2021. In particular, it introduces the requirement to disclose the extent to which they invest their funds in sustainable activities.

» **Action Plan: Financing Sustainable Growth**
It is a Plan adopted by the EU in 2018 and it focuses on three objectives: reorienting capital flows towards a more sustainable economy, mainstreaming sustainability into risk management, and fostering transparency and long-term perspective.

» **Regulation (EU) 2020/852 of the European Parliament and of the Council**
It provides the principles of Taxonomy, a classification system which helps identify green investments and green businesses by means of specific indicators. Its aim is to support investors in making informed decisions supporting sustainable development. It is also designed to combat greenwashing.

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## E-COMMERCE

Technology development provides an opportunity for popularizing the trend of purchasing directly from the farmer: currently, every fourth Polish consumer buys directly from the farmer, including 83% admitting that produce purchased directly from the farmer is better than that offered in stores. Online shopping would be convenient: it could encourage more frequent purchases and attract new consumers. One of the top players in the e-commerce industry[17], which made products purchased from farmers available on its platform as part of a pilot project, has decided to attract farmers as suppliers and share its consumer base with them. The indication of the origin of particular farmers' products is also more and more often emphasized in retail chains' communication.

## A NEW BUSINESS APPROACH: FROM SHAREHOLDERS TO STAKEHOLDERS

Changing the way of operating, seeking new sources of revenue, higher margin categories/ markets and cost reduction methods are substantial factors supporting sustainable agricultural practices. The point is to ensure long-term benefits to all participants of the supply chain in accordance with the message behind the UN Sustainable Development Goals: "Leave no one behind." Co-creating value, including non-financial one, for all stakeholders rather than shareholders only is a popular strategy adopted by companies at present. What can be noticed there is abandonment of the old pattern and adaptation of the enterprise to the requirements of new reality, e.g. by enabling regional suppliers to provide supplies to a part of the chain only or shifting to as-a-service business model, i.e. renting agricultural equipment to farmers instead of them buying it and taking initiatives promoting benefits for farmers to appreciate their positive contribution to preventing climate change, such as carbon credits[18],[19].

## CULTIVATION METHODS

- Reduced tillage is one of sustainable agricultural practices. It improves soil water capacity (and thus it addresses the effects of climate change such as droughts), fosters carbon capture and storage in fields and reduction of greenhouse gas emissions[20]. It is an alternative to traditional tillage, excludes excessive soil displacement and oxygenation. The treatments are usually limited to opening soil and mixing its surface without inverting it. The remaining portion of the work is done by earthworms and other soil organisms.
- Vertical and urban farming: urban agriculture will grow upwards along with skyscrapers, at the same time creating highly skilled jobs, reducing costs of transport, and making use of renewable energy sources. In a controlled soilless environment, they do not require the use of plant protection products and allow reduction of water consumption by as much as 95%. They are also a response to the risk of crop loss due to weather changes and extreme phenomena[21].

[17] Amazon: Amazon to source directly from farmers - The Economic Times (indiatimes.com).
[18] New Coalition Announces Bold Plan to Decarbonize Europe's Food System.
[19] Commission sets the carbon farming initiative in motion.
[20] IUNG-PIB Studies and Reports, ENVIRONMENTAL AND ECONOMIC EFFICIENCY OF CONSERVATION AGRICULTURE
[21] Accenture „The Future of Food 2020".


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## DIGITIZATION

» **Supply chain**

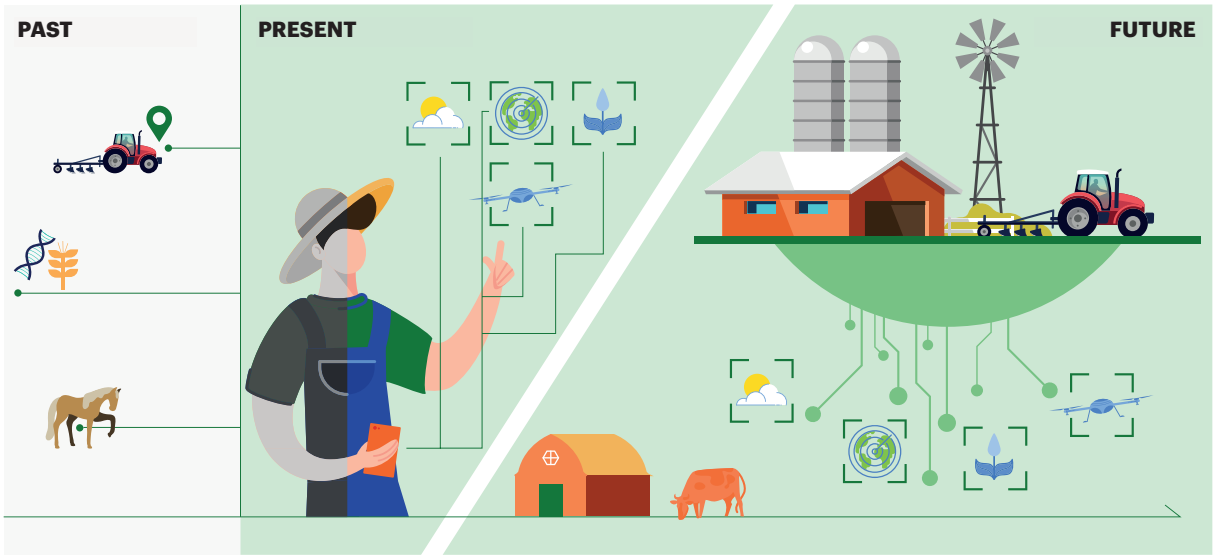
The food supply chain will become digital and smart to an increasingly greater degree, e.g. through digital sensors and records supported by the capabilities offered by the blockchain technology. They may provide a specific insight in each ingredient's way from seed to fork[22].

Moreover, various applications permit access to platforms, marketplaces and data shared by other market players. This, in turn, enables a flexible response to the current demand and better planning of the demand. An easy and quick access to other data important for managing a farm is ensured also by stock, workforce and expenditure management applications.

» **Agriculture X.0**

Sustainable agriculture has already been revolutionizing plant cultivation methods. Technology enables a precise application of plant protection products, fertilizers or seeds, and weather forecasting combined with comprehensive monitoring using remote sensing and satellite images permits farmers to make the best decision about when and in which part of the field it will be the most efficient to apply input products. These solutions, that is solutions enabling data-based decision-making, lead to increased harvesting and minimized costs of production as well as reduced environmental impact. Farmers may also use sensors to monitor the CO2 level, thus helping businesses achieve climate neutrality faster.

Agribots and artificial intelligence will play an increasingly greater role in the future through the dynamic system of interfaced robots and the Internet of Things cooperating along the entire chain. Integrated crop management systems will make farms more and more automated and robotized[23].




[22] This vision of the future is presented in the short video: The Red String.
[23] The farmer's main task will be to monitor the farm (robotic harvesting tools, water containers, self-driving vehicles, artificial intelligence managing the time and intensity of light exposure of plants). It is a response to the problem of shortage of workforce in the agriculture sector.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# METHODOLOGICAL NOTE

The consumer survey was conducted by ARC Market and Opinion for the Association of Sustainable Agriculture in Poland "ASAP" on a sample of 1,003 Poles aged 18+ using the CAWI method (web interviews) in February 2021.

Individual interviews with enterprises were also carried out as part of the research project. We would like to thank, among others, BNP Paribas Bank Polska, Cargill, Crisp Malt, DANONE, De Heus, Döhler, Dreher Poland, Eurocash, Farm Frites Poland, Grupa Żywiec, Hochland Polska, Jeronimo Martins Polska, Lidl Polska, Malteurop, Maspex, McDonald's Polska, OSI Food Solutions Poland, Pepsico Polska and SGS Polska for taking part in the survey. The anonymous quotations presented in the Report come from these interviews.

# ASSOCIATION OF SUSTAINABE AGRICULTURE IN POLAND "ASAP"

The Association of Sustainable Agriculture in Poland "ASAP" is a non-commercial organization gathering groups of enterprises and individuals representing various industries within the food chain. The Association takes numerous actions for promotion, education and cooperation in the areas of sustainable agriculture and sustainable food in Poland. Organization's website: www.sustainableagriculture.pl.


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