

European Parliament resolution of 7 September 2010 on fair revenues for farmers: A better functioning food supply chain in Europe (2009/2237(INI))

The European Parliament,

- having regard to the Commission communication entitled "A better functioning food supply chain in Europe" (COM(2009)0591) and the various working documents annexed to this communication,
- having regard to the final recommendations of the High Level Group on the Competitiveness of the Agro-Food Industry of 17 March 2009⁽¹⁾,
- having regard to its resolution of 26 March 2009 on "food prices in Europe"⁽²⁾,
- having regard to its declaration of 19 February 2008 on "investigating and remedying abuse of power by large supermarkets operating in the European Union"⁽³⁾,
- having regard to the conclusions adopted by the Council on 29 March 2010 on a better functioning food supply chain in Europe⁽⁴⁾,
- having regard to the report "Agribusiness and the right to food" by the United Nations Special Rapporteur on the Right to Food,
- having regard to Rule 48 of its Rules of Procedure,
- having regard to the report of the Committee on Agriculture and Rural Development and the opinions of the Committee on Environment, Public Health and Food Safety and of the Committee on Internal Market and Consumer Protection (A7-0225/2010),

A. whereas recent food and commodity price volatility has raised great concerns about the functioning of the European and global food supply chains,

B. whereas, although food prices have risen by 3.3% per year since 1996, the prices farmers receive have only risen by 2.1% whilst operational costs have increased by 3.6%, proving that the food supply chain is not functioning properly,

C. whereas the Commission communication acknowledges that "these changes have caused considerable hardship for agricultural producers and imply that consumers are not getting a fair deal"⁽⁵⁾,

D. whereas end-consumer prices on average remained constant or even increased despite the sharp decline in agricultural commodity prices in 2008,

E. whereas balanced commercial relations would not only improve the functioning of the food supply chain but would also benefit farmers,

F. whereas the proliferation of unfair commercial practices today is undermining the farmers' capacity to invest and innovate (especially in green technologies, climate mitigation and renewable energy sources, while farmers are required to meet high environmental standards, and these requirements will be further strengthened in the post-2013 Common Agricultural Policy),

G. whereas the share of agricultural value added from the food supply chain has dropped from 31% in 1995 to 24% in 2005 in the EU-25, and whereas preliminary figures for the following years show a further decrease of the share returning to farmers, against a constant increase of margins by processors, wholesale traders and/or retailers and economic operators outside the food supply chain,

H. whereas the average farmer's income decreased by more than 12% in the EU-27 in 2009, meaning that farmers can no longer generate a fair income from their work, and whereas, despite this, farmers and the agri-food sector still have to produce food products that meet extremely demanding quality standards at prices that are affordable to consumers, in line with the objectives defined under the CAP,

I. whereas the food supply chain involves farmers, "farmers" co-operatives and producer organisations, food

processing industries, wholesalers, retailers, supermarket chains, catering, restaurants, direct supply from subsistence, private production and consumers but also economic operators from outside the food supply chain, such as communications and promotions companies, suppliers of transport and logistics, energy and utilities, packaging, technical resources, additives, technologies and suppliers of consultancy services; whereas this complexity and high diversity must be taken into account in order to improve the sustainability of the whole chain,

J. whereas the Commission communication identifies serious problems such as abuse of dominant buyer power, unfair practices in contracting (including late payments), unilateral contractual modifications, advance payments for access to negotiations, restricted market access, lack of information on price building and the distribution of profit margins throughout the food chain, closely linked to increased concentration in the input, wholesale and retail sectors,

K. whereas the Commission communication of 28 October 2009 recommends promoting and facilitating the restructuring and consolidation of the agricultural sector by encouraging the creation of voluntary agricultural producer organisations,

L. whereas globalisation and the processes of concentration, especially at retail level, have created a situation of imbalance as between the different players in the food chain, and today's reality is one of a tiny number of all-powerful retailers who negotiate directly or indirectly with 13.4 million farmers and 310 000 agri-food enterprises Union-wide,

M. whereas excessive concentration leads to losses in product diversity, cultural heritage, retail outlets, jobs and livelihoods,

N. whereas the Commission states that contractual imbalances associated with unequal bargaining power have a negative impact on the competitiveness of the food supply chain, as smaller but efficient actors may be obliged to operate under reduced profitability, limiting their ability and incentives to invest in improved product quality and innovation of production processes,

O. whereas food products are traded freely in the internal market and the outcome of price negotiations between producers (organisations), processors, traders and retailers is often determined by price developments in the world market,

P. whereas the enormous difference in numbers and economic power between farmers and retailers is a clear indication of an imbalanced food supply chain whereas in order to balance out the numbers it is necessary to promote the development of economic organisations of farmers; whereas cooperatives play a central role by increasing their influence and negotiating power,

Q. whereas the European Union is integrated in, and bound by treaty to, world trade,

R. whereas the European Union is the world's largest agricultural importer and exporter, with the EU's agricultural imports rising in 2008 by some 10% to EUR 98 600 million and agricultural exports rising by nearly 11% to EUR 75 200 million,

S. whereas the European Union already makes very many concessions under its development aid policy, and whereas bilateral agreements must not be made one-sidedly, to the detriment of European agriculture,

1. Welcomes the Commission Communication of 28 October 2009 entitled "A better functioning food supply chain in Europe" ([COM\(2009\)0591](#)), since it recognises the existence of major power imbalances among operators, but believes that the measures suggested in that Communication are not sufficient to deal with the problems involved;

2. Calls on the Commission and Member states to urgently address the problem of unfair distribution of profits within the food chain, especially with regard to adequate incomes for farmers; recognises that to stimulate sustainable and ethical production systems farmers need to be compensated for their investments and commitments in these areas; emphasises that power struggles must give way to cooperative relationships;

3 Notes that all the agriculture-related objectives referred to in the Treaties of Rome (increased productivity, adequate food supply, reasonable consumer prices, market stabilisation) have been attained, with the exception of the objective of fair income in agriculture; calls on the Commission therefore to take proper account of this in all budgetary proposals;

4. Recognises the need for a stable, secure and profitable production sector as a decisive factor in the food chain; notes also, however, that the food chain is made up of several actors – farmers, processors, manufacturers, suppliers and retailers – who all contribute added value and who equally need a certain amount of security;

Price transparency

5. Calls on the Commission to improve the European food price monitoring tool with the aim of making it more user-friendly, by including a multilingual interface covering a greater number of food products and achieving better price comparability on each grade of the food supply chain within and among Member States, so as to meet consumers' and farmers' need for more transparency on food price building;

6. Deplores the reluctance of the European Commission to carry out a study of the distribution of profit margins throughout the supply chains as agreed with regard to the 2009 budget procedure;

7. Points out that an imbalance in business transparency between agricultural undertakings and up- and downstream actors in the food chain may have negative consequences for the negotiating position of farmers and producer groups;

8. Calls on the Commission to swiftly carry out the pilot project on the creation of a European farm prices and margins observatory (supplemented by data on prices, margins and volumes) for which Parliament and Council adopted a EUR 1.5 million appropriation under the 2010 budget;

9. Urges the Commission to maintain the high-level group on the food distribution chain as a permanent forum for discussion, as it has proved a significant instrument for identifying problems, making recommendations and adopting strategies with a view to remedying the current situation of imbalance;

10. Calls on the Commission to propose mandatory annual reporting by the top European traders, processors, wholesalers and retailers on their market shares (with data on private labels) for key food items and on their monthly sales volumes so as to allow all market partners to estimate trends in demand, supply and price developments in the food chain;

11. Notes that in some countries the food processing industry has the largest margin in the food chain, as has also been confirmed by the Commission; calls for the processing industry in particular therefore to be monitored and investigated in order to guarantee price transparency;

12. Considers it necessary to increase market transparency and the information supplied to consumers as a prerequisite for highlighting the identity of products and guaranteeing variety in foods and in agricultural and agri-food products, which are an expression of the history and cultures of numerous countries and regions and reflect the "distinctive" nature of agriculture in each Member State;

13. Calls on the Commission to carry out an impact assessment on the benefits of an improved legal framework covering private quality and distributor labels, with a view to avoiding their multiplication, in order to provide consumers with greater transparency and market access for producers;

14. Highlights the need to promote an increase in the added value of European agri-food production and launch information campaigns for consumers on the efforts made by farmers and the industry in relation to the environment, food safety and animal welfare;

Competition

15. Calls on national and European competition authorities, and other regulating authorities involved in production and commerce, to robustly address the dominant position and significant market share of agribusiness traders, input companies, processors and retailers operating in the food supply chain; urges these authorities to take action against abusive buyer practices of all actors which put farmers in a very unequal bargaining position;

16. Calls on the Commission to establish a new relationship between competition rules and the CAP, with the aim of providing farmers and their interbranch organisations with tools that will make it possible to improve their negotiating position;

17. Urges the Commission to examine the consequences of significant market penetration by a single retailer or

a small number of retailers in a given Member State; urges the Commission to consider the possibility of introducing corrective measures - for the benefit of producers and consumers - where retailer practice or market share is found to have an anti-competitive effect;

18. Calls on the Commission to submit a report to Parliament by the end of 2010 providing data on buyer power abuse in the EU, anticompetitive behaviour and unfair contractual practices throughout the food chain from the input sector through to the consumer, and proposing suitable responses;

19. Calls on the Member States, where appropriate, to give their national competition authorities greater scope for action by establishing straightforward evidence-gathering mechanisms with regard to distortions of competition through unfair contractual practices;

20. Considers there is a need to prohibit selling below purchase price of agricultural produce at Union level;

21. Urges the Commission to initiate a full sector inquiry along the food supply chain to determine the level of buyer power abuses in the sector; points to the success of the competition inquiry within the pharmaceutical sector in 2009;

22. Urges the Commission to revise the criteria currently used to assess anticompetitive behaviour (Herfindahl Index); this index, which is useful for assessing the risks of monopoly, is unable to get the true measure of anticompetitive practices of a collusive or oligopolistic nature, as is apparently occurring, at least in part, in large-scale retailing;

23. Calls on the Commission to ensure a more targeted application of competition rules in the food chain and to consider legislative proposals to Parliament and Council in this regard, so as to effectively limit the development of dominant market positions within the input sectors, the food processing industry and the retail sector and to strengthen farmers' bargaining power, enabling them to take coordinated action against dominant actors through efficient producer organisations, sectoral organisations and SMEs;

24. Takes the view that Regulation 1234/2007 on the Common Market Organisation (CMO) regulation must be revised as a matter of urgency in order to strengthen such organisations, and that the scope of this regulation should be widened in order to include sustainable production practices as a condition for exemption to Article 101 TFEU;

25. Considers that a certain degree of coordination and harmonisation of national measures against unfair commercial practices will be needed at EU level;

26. Urges the Commission to provide for legislative diversification for products with a strong territorial basis, which are marked by their specific, distinctive, local or regional nature, in comparison with standardised products;

27. Calls on the Commission to submit measures to ensure the survival of various nutritional, environmental and health-related characteristics and to ensure that such diversity is matched by suitable prices; essentially, competition should be developed also on the basis of various quality characteristics which should be duly measurable;

Abuse of buyer power and contracting

28. Calls on the Commission to ensure that EU competition law is not by-passed by buyer power abuse (no distortion) in the food chain, which often occurs in the form of late payments to farmers or small processors, subsequent alterations to contract terms, forced discounts, resale at loss, excessively high volume requirements and unjustified listing fees, and to make adequate legislative proposals if necessary;

29. Asks in particular that payment periods along the food supply chain should be shortened to a maximum of 30 days for all foodstuffs and less for highly perishable agricultural products, as part of the ongoing revision of Directive 2000/35/EC of the European Parliament and of the Council on combating late payment in commercial transactions (exceptions should be considered in the case of producer organisations and cooperatives);

30. Urges the Commission to propose an expansion of European competition law beyond its current narrow focus on consumer welfare and concerns for low food prices;

31. Calls on the Commission to examine whether requirements imposed by individual distribution chains, over

and above statutory stipulations, in relation to vegetable-growing and fruit-growing practices and pesticide residues are liable to impede free trade and unfairly to strengthen the position of distributors in the food supply chain;

32. Calls for a list to be drawn up of abusive market practices, such as loss leader pricing and sales commissions, and for such practices to be explicitly outlawed by the EU; calls for companies failing to comply to be "named and shamed" and for penalties to be introduced;

33. Calls on the Commission to examine whether and to what extent the misuse of private labels (own brand products) and the practices of buying alliances by supermarket chains, lead to unfair competition and pressure on farmers and the systematic reduction of producer prices; stresses that the misuse of private labels has an adverse impact on producers' capacity to innovate (especially small producers); urges the Commission to take action in this regard so that farmers and producer groups are treated fairly in the process of price building;

34. Takes the view that the Commission's recommendations to enhance vertical integration of the food industry do not always reflect the need to rebalance bargaining power between farmers, distributors and the food industry, and that those strategies should therefore be accompanied by measures to discourage abusive practices;

35. Warns that contract farming imposed by buyers, vertical integration and futures, which are playing an increasingly important role, could weaken competition and farmers' bargaining positions; calls therefore on the Commission to examine the effects of contractual arrangements of this type and to take appropriate action if needed;

36. Calls on the Commission and Member states to promote fair contracting between all the actors of the food supply chain based on terms negotiated with farmers' and producers' organisations, including sectoral and interbranch organisations, so as to enhance sustainable farming practices and ensure best product quality, to reduce purchase prices for inputs and to guarantee fair prices, and to provide for an easily accessible system to guard against breach of contract by buyers; takes the view that standard contracts could be useful tools, the implementation of which should be made compulsory in some sectors; supports the exchange of best practices on notification of contractual practices between Member States, including the provision of information to the Commission;

37. Welcomes and encourages the establishment of ombudsmen for the food retail sector and other arbitration mechanisms aimed at guaranteeing compliance with contractual agreements; calls on the Commission to examine experiences in this regard with a view to the establishment of an EU-wide food retail ombudsman whose tasks would be to ensure enforcement of codes of conduct, best practices and contracts in transactions among operators from different Member States;

38. Calls on the Commission to uncover unfair practices in relation to listing fees and other market entry fees and to examine them under competition law; calls on the Commission to propose uniform rules on the use of listing fees and market entry fees and, in particular, to take action against excessive fees demanded by distributors;

39. Believes that the Commission needs to promote a large-scale information campaign at European level in order to raise farmers' awareness concerning their rights, the abusive practices of which they may be the targets, and the means available to them to denounce abuses;

Speculation

40. Calls on the European Union to press for the creation of an independent global regulatory agency setting rules on commodity futures and options exchange and implementing strict regulatory measures against global speculation on food commodities;

41. Asks that, in view of increasing market orientation, measures are taken to counter extreme price volatility, since some players in the food chain are taking advantage of that phenomenon while others are being visibly damaged by it; calls therefore on the Commission to propose legislation for instruments to curb price volatility in order to reduce the vulnerability of producers;

42. Calls on the Commission to strengthen the competences of European commodity exchange authorities so as to prevent speculation on food commodities and to work towards the implementation of adequate EU measures preventing speculation on non-agricultural commodities to influence agricultural futures;

43. Calls on the Commission to improve the oversight and the overall transparency of agricultural commodity

derivatives markets and also to enhance the transparency for over-the-counter activity in the context of the upcoming review of MiFID and other relevant legislation;

Self-regulation

44. Urges the Council to further encourage self-regulation initiatives and the possibility of setting up mutual funds to cope with economic risks, so as to strengthen farmers' bargaining positions, especially through support to economic and producer organisations, sectoral organisations and farmers' co-operatives;

45. Encourages Member States to draft codes of good commercial practices for the food chain, including complaint mechanisms and penalties for unfair practices; calls on the Commission to propose a common code, to apply throughout the EU, in order to rebalance relations in the food supply chain; urges also the Commission to make a proposal for applying an EU-wide mechanism for monitoring relations between dominant retailers and their suppliers through specialised bodies in the Member States;

46. Considers it necessary to promote the closer integration of the various links of the chain in the context of interbranch organisations and to draw up voluntary standard contracts, with the possibility, in certain cases and especially for perishable goods, of Member States demanding that they become binding;

Sustainable food systems, food quality

47. Deplores the fact that the Commission, in its communication, does not place more emphasis on the importance of agriculture in the food-supply and food-industry economic value chain; stresses the correlations between low farm gate prices and structural surplus production and their consequences for sustainability, food quality, animal welfare, agricultural innovation and employment in disadvantaged regions;

48. Calls on the Commission to propose the adoption of instruments to support and promote farmer-managed food supply chains, short supply chains and farmers' markets, in order to establish a direct relationship with consumers and to enable farmers to obtain a fairer share of the value of the final sale price by reducing the number of middlemen and of stages in the process;

49. Urges the Commission, in its activities, to be particularly attentive to the situation in developing countries and not to jeopardise the self-supply of food in these third countries;

50. Calls on the Commission to review EU hygiene standards in relation to local or distance marketing and the shelf life of products, to decentralise and simplify certification and control systems, and to promote direct producer-consumer relations and short food supply chains;

51. Affirms the importance of, and need for, robust regulations on the quality of agricultural products; recalls, in this connection, the European Parliament resolution of 25 March 2010 on agricultural product quality policy, and affirms the imperative need for imported products to comply with all quality and manufacturing standards so as to guard against unfair competition with European products;

52. Recalls that the stability of farmers' income determines their capacity to invest in green technologies, climate mitigation and renewable energy sources, and environmental protection measures for sustainable agriculture, and in addition that farmers are required to meet high environmental standards;

53. Considers it essential to improve the organisation of and further rationalise the food supply chain in order to reduce the environmental impact of food transportation (food miles) and promote the marketing of local foodstuffs;

54. Stresses that investment in facilities for the conservation and packaging of farm products could make a significant contribution to ensuring fair prices for these products;

55. Stresses the need to ensure sustainable development of the rural economy by encouraging the processing of agricultural products on farms, as well as non-agricultural activities, with a view to increasing the number of jobs and generating additional revenue;

56. Calls on the Commission to support local and regional food marketing initiatives and not to burden them unduly with regulations and red tape, because they contribute significantly to the generation of added value by agricultural enterprises;

Self supply, public catering, food waste

57. Calls on the Commission to pay due attention, when reviewing EU standards, also to locally based food producers such as those involved in subsistence production;

58. Calls on the Commission to assess possible modifications to the rules on public procurement practices for catering services so as to enhance sustainable farming practices and animal welfare and develop seasonal and local food;

59. Considers that public procurement, for example in the context of specific programmes for dairy products, fruit and vegetables being implemented in schools, should guarantee access for small local producers and local producer groups;

60. Considers that measures should be taken to encourage agricultural markets directly administered by farmers, the creation of marketing outlets for producers to offer their products directly to consumers and the introduction of programmes to encourage the sale of products on local markets;

61. Urges the Commission to analyse, in a report to the European Parliament and the Council, the huge waste of food in the food chain, which in most Member States comprises up to 30% of produced food, and to take action via an awareness-raising campaign about the essential value of food;

62. Affirms the need to develop food programmes for those EU citizens who need them, such as the most disadvantaged, the elderly and young people;

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63. Instructs its President to forward this resolution to the Council and the Commission.

(http://ec.europa.eu/enterprise/sectors/food/files/high_level_group_2008/documents_1_hlg/final_recommendations_hlg_17_03_09_en.pdf

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(Texts adopted of that date, **P6_TA(2009)0191**.

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(Texts adopted of that date, **P6_TA(2008)0054**.

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(http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/agricult/1136346.pdf

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(Introduction to COM (2009)591.

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