



Market Challenges for farmers and industries or The need to rebalance the agro-food chain

Paulo Gouveia, Brussels, 28 September 2009

Structure of the Presentation

- 1. An unbalanced agro-food chain**
 - 2. Some necessary actions**
 - 3. Late payments**
 - 4. The UK Ombudsman**
 - 5. The Belgian agreement on milk**
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1. An unbalanced food chain

The result of several factors such as:

- a large number of farmers (some 15 million), small in dimension and in economic power
- an agri-food industry with (some 310000 enterprises) of variable dimension and economic power
- a very concentrated and consolidated retail sector very small in number but with an impressive economic power

1. An unbalanced food chain

The result of several factors such as:

- A significant time gap between the initial steps of crop (or animal) production and the selling of the final production, a fact that causes inadequacies between supply and demand;
- Many products are perishable with a very short shelf life

1. An unbalanced food chain

The result of several factors such as:

- Its place as the first link in the food chain makes it difficult to pass on (upwards in the food chain) any consequences of market variations

1. An unbalanced food chain

The causes:

- Increasing globalisation;
- Retail consolidation;
- Processing Consolidation;
- Ferocious competition amongst retailers;
- Farmers are weak sellers;
- (sometimes) Abusive commercial practices;
- Oversupply in some sectors.

1. An unbalanced food chain

The consequences:

- Relentless downward pressure on prices;
- Farmers, in many cases, do not cover production costs;
- Insufficient investment in farm business;
- Alarming low level of R & D;
- Farmers abandoning sector and activity;
- Risk for the consumer of a reduced choice, reduced flexibility of supply and possibly food safety.

1. An unbalanced food chain

In 9 out of 25 EU Member States the market share of the five biggest retailers (in 2004) was above the 75% threshold.

2. Some necessary actions

Copa and Cogeca believe that there is a need to

- ✓ Promote the economic organisation of producers
- ✓ Facilitate the positioning in the markets
- ✓ Promote the concentration of supply (e. g. producer groups)

2. Some necessary actions

Copa and Cogeca have discussed believe that there is a need to

- ✓ Have a regulatory framework in which self-regulatory (voluntary) arrangements will operate
- ✓ Have a “one-stop shop” at the European Commission
- ✓ Establish a permanent dialogue platform with the EC services

2. Some necessary actions

Copa and Cogeca have discussed believe that there is a need to

- ✓ Revise, re-assess and develop appropriate legislation
- ✓ Create an independent “European Food Trading Agency” with an “Food Trading Ombudsman” who would adjudicate on disputes

2. Some necessary actions

Copa and Cogeca have discussed believe that there is a need to

- ✓ Create and develop best practices/ codes of conduct
- ✓ Communicate adequately to all stakeholders, to the consumers and to the European Institutions

3. Late payments

**1 out of 4 insolvencies is
due to late payments!**

...it represents losses of:

450 000 jobs each year;

**Outstanding debts of 23.6 b€ every
year.**

(source: EC, DG Enterprise & Industry)

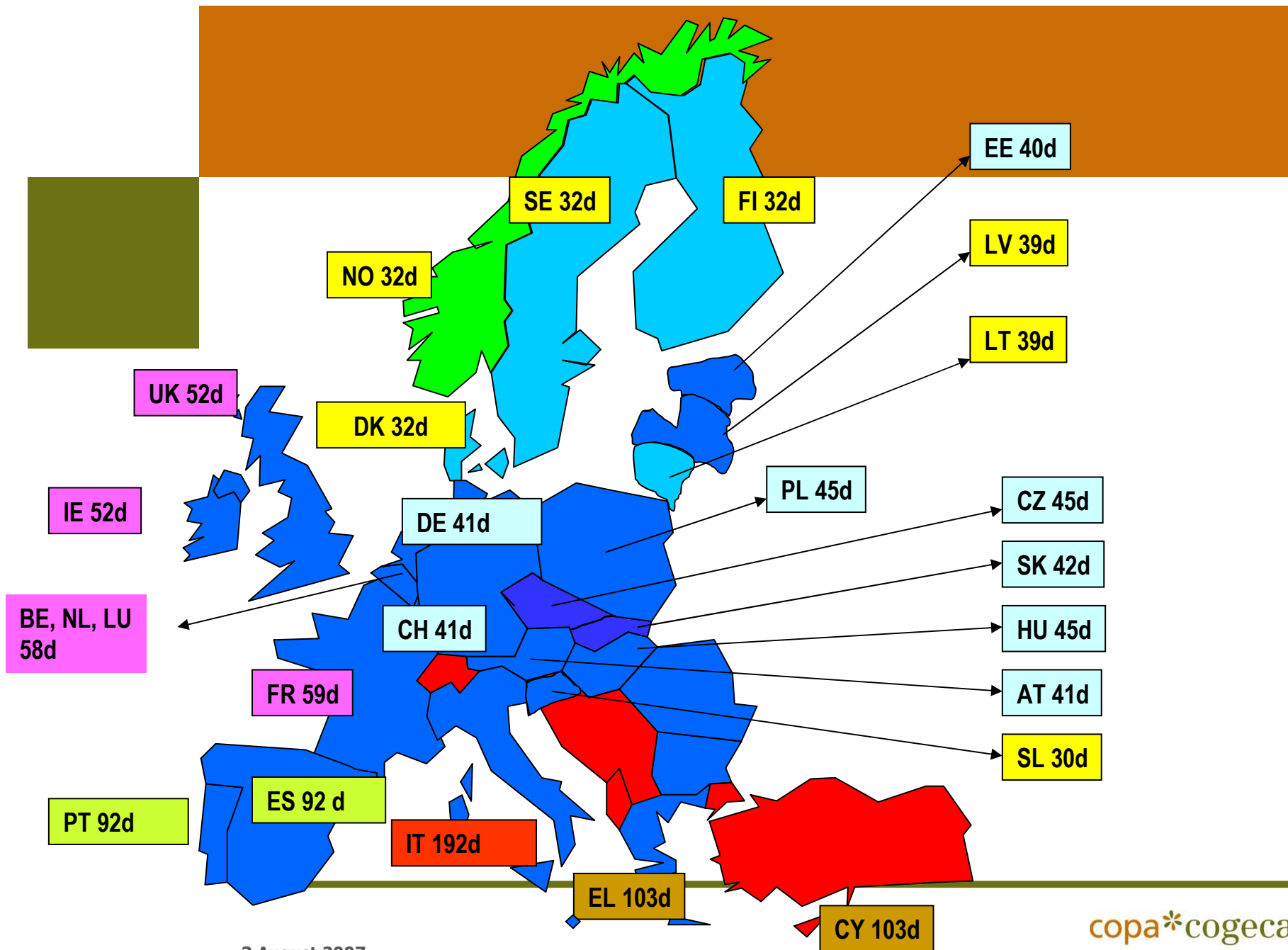
3. Late payments

**Late payments are an obstacle
to the proper functioning of
the Internal Market (art. 14
EC)**

(source: EC, DG Enterprise & Industry)

3. Late payments: Needs to address

- Setting a maximum payment period for contracts;
- (possibly) define a compulsory contractual late payment fee;
- Focus on grossly unfair practices;
- Organising and lodging claims;
- Full and complete retention of title;
- Transparency and compulsory reporting of late payments.



3 August 2007

4. The UK ombudsman

On 4th August the Competition Commission formally recommended to the Department of Business Innovation and Skills (BIS) that it should establish an Ombudsman to arbitrate disputes between grocery retailers and their suppliers and also investigate complaints under the new Groceries Code of Practice (GSCOP).

4. The UK ombudsman

On the same day the CC published the final GSCOP Order which covers the 10 largest retailers in the UK. Those retailers now have 6 months to comply with the order.

4. The UK ombudsman

The Ombudsman will be appointed by the Office of Fair Trading (OFT), which would also set an annual budget for costs and expenses – estimates from the CC put this figure at £5m a year in total including initial set-up costs.

4. The UK ombudsman

These costs will be reimbursed from retailers using a formula which will take into account the size of retailers as well as the number of complaints involving them and requiring resolution.

4. The UK ombudsman

The overriding objective of the Ombudsman will be to undertake investigations and arbitrate disputes arising from GSCOP to promote the interests of consumers.

5. The Belgian agreement on milk

The following slides are extracts of a larger presentation from



The Belgian dairy sector

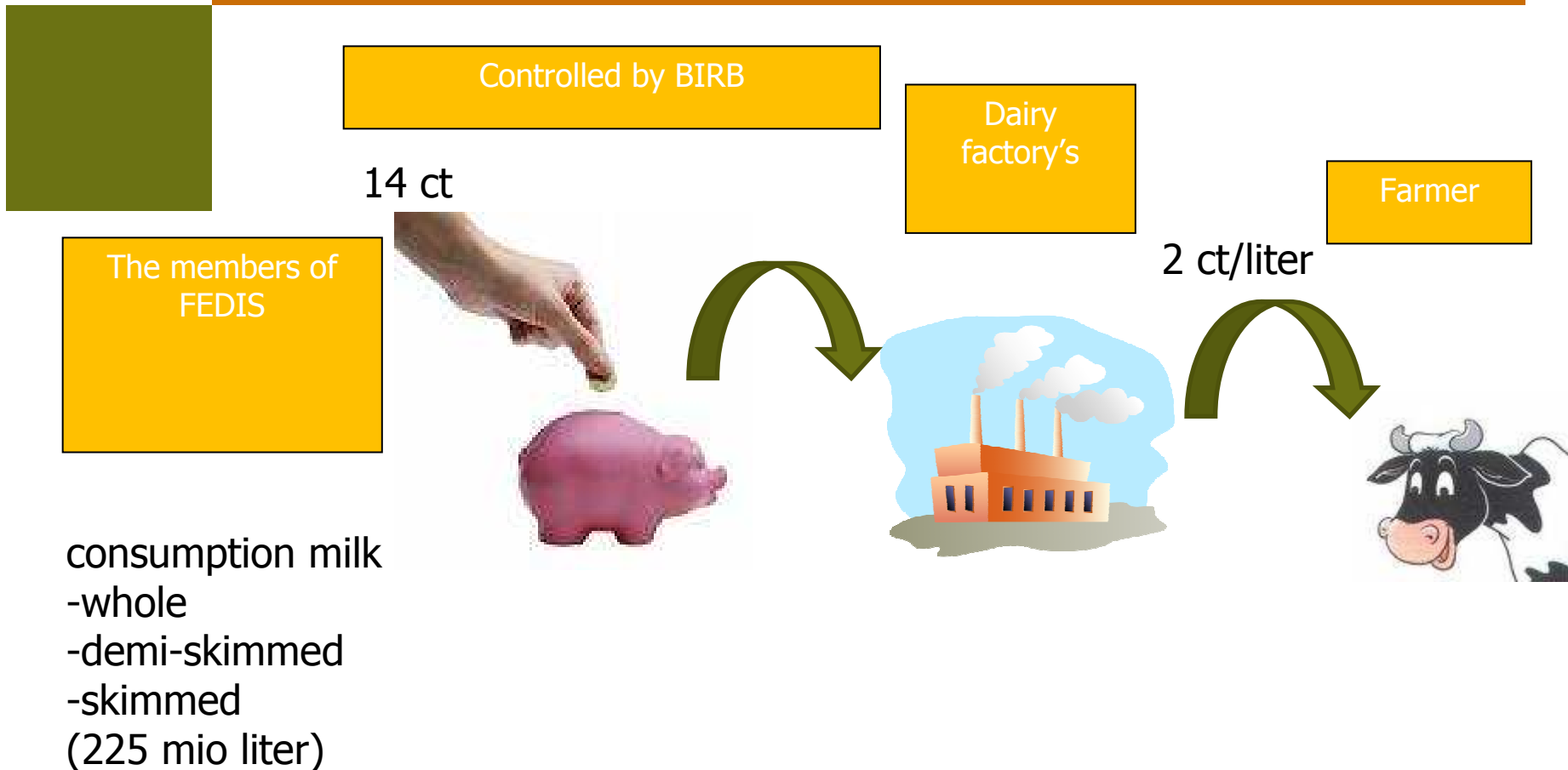
- Yearly production: 3.300 mio tonnes
- Consumption milk production: 450 mio liters
- Number of dairy farmers: 12.000
- Average production/farm: 275.00 liter
- Average milk price for the month June: 21,5 ct

The deal with FEDIS

For the next 6 months:

- For every liter consumption milk the distribution sector is buying in:
FEDIS puts 14 ct in a fund
- The fund is re-distributed monthly to the farmers for an amount of 2ct/liter milk production by Belgium farmers.
- The dairy factories distribute the money based on the monthly delivered liters to the farmers
- The Belgium government controls the system
- Total budget for 6 months: 33,6 mio €

Belgium milk-deal: July – December 2009





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Defending and developing the European Model of Agriculture



Thank you!

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