Basic information

2009/2237(INI) INI - Own-initiative procedure	Procedure completed
Fair revenues for farmers: a better functioning food supply chain in Europe **Subject** 2.60.01 Trade restrictions, concerted practices, dominant positions 3.10.02 Processed products, agri-foodstuffs 3.10.03 Marketing and trade of agricultural products and livestock 3.10.10 Foodstuffs, foodstuffs legislation 3.10.12 Agrimonetary policy, compensatory amounts 3.40.13 Food industry 4.60 Consumers' protection in general 4.60.04.04 Food safety 5.10.02 Price policy, price stabilisation	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
AGRI Agriculture and Rural Development	BOVÉ José (Verts/ALE)	10/11/2009

Committee for opinion	Rapporteur for opinion	Appointed
ECON Economic and Monetary Affairs	The committee decided not to give an opinion.	
ENVI Environment, Public Health and Food Safety	HERRANZ GARCÍA Esther (PPE)	10/02/2010
IMCO Internal Market and Consumer Protection	FOX Ashley (ECR)	15/02/2010

Council of the European Union

Council configuration	Meetings	Date
Agriculture and Fisheries	2989	2010-01-18
Agriculture and Fisheries	3006	2010-03-29

European Commission

Commission DG	Commissioner
Agriculture and Rural Development	CIOLOŞ Dacian

Key events

Date	Event	Reference	Summary
28/10/2009	Non-legislative basic document published	COM(2009)0591	Summary
17/12/2009	Committee referral announced in Parliament		
18/01/2010	Debate in Council		Summary
29/03/2010	Resolution/conclusions adopted by Council		Summary
28/06/2010	Vote in committee		Summary
24/08/2010	Committee report tabled for plenary	A7-0225/2010	
06/09/2010	Debate in Parliament		
07/09/2010	Decision by Parliament	T7-0302/2010	Summary
07/09/2010	Results of vote in Parliament		
07/09/2010	End of procedure in Parliament		

Technical information

Procedure reference	2009/2237(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	AGRI/7/01632

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE439.121	13/04/2010	
Amendments tabled in committee		PE441.277	20/05/2010	
Committee opinion	ENVI	PE440.189	04/06/2010	
Committee opinion	IMCO	PE439.925	15/06/2010	
Committee report tabled for plenary, single reading		A7-0225/2010	24/08/2010	
Text adopted by Parliament, single reading		T7-0302/2010	07/09/2010	Summary

European Commission

Document type	Reference	Date	Summary
	COM(2009)0591		

Non-legislative basic document		28/10/2009	Summary
Commission response to text adopted in plenary	SP(2010)7906	08/02/2011	

Fair revenues for farmers: a better functioning food supply chain in Europe

2009/2237(INI) - 29/03/2010

The Council noted that the draft Council conclusions on how to improve the functioning of the food supply chain had been finalised as presidency conclusions with the support of a large majority of delegations. The conclusions reflect the outcome of the exchange of views held at the Council on 18 January 2010 on the Commission's communication "A better functioning food supply chain in Europe", a follow-up to the December 2008 report on food prices in Europe. The food supply chain connects three important sectors of the European economy: agriculture, the food processing industry and the distribution sectors. Its performance has direct consequences for citizens since food represents 16% of European households' expenditure and is increasingly important on the path towards recovery from the current economic crisis.

In the second half of 2007, agricultural commodity price increases accelerated and had reached exceptional levels by early 2008. The European Council of June 2008 asked the Commission to report back on these issues by December 2008. In response, the Commission proposed better to monitor developments in agricultural commodity and food prices, to analyse the impact of speculation on agricultural commodity prices and to investigate the functioning of the food supply chain.

Fair revenues for farmers: a better functioning food supply chain in Europe

2009/2237(INI) - 28/10/2009 - Non-legislative basic document

PURPOSE: to propose concrete actions to improve functioning of the food supply chain in the EU.

CONTEXT: the Commission has been following developments in food prices as part of a market monitoring exercise launched within the context of the November 2007 Single Market Review. In December 2008, the Commission published an interim report on "Food prices in Europe" and set out a roadmap identifying the key directions for policy actions. The food supply chain connects three important sectors of the European economy – agriculture, the food processing industry and the distribution sectors – that together make more than 5% of European value-added and 7% of employment. Moreover, its performance has direct consequences for all European citizens, since food represents 16% of European households' expenditures. It is thus essential that the food supply chain functions well to provide quality and safe food products at affordable prices. Over the past couple of years, prices along the food supply chain have fluctuated widely. From mid-2007 to mid-2008, agricultural commodity prices rose sharply, which resulted in increased consumer food prices and higher inflation levels overall. Since then, prices of many commodities have come down to levels comparable to or even lower than those reached before the start of the price surge. These changes have caused considerable hardship for agricultural producers and imply that consumers are not getting a fair deal. Looking into the future, it should not come as a great surprise that agricultural commodity prices may increase again rapidly as the world climbs out of recession. If the identified market malfunctioning is not addressed soon, there is a risk that consumer food prices will increase in turn disproportionately, leading to a drop in purchasing power and consumer confidence, and possibly slowing the emerging recovery of the European economy. It is therefore of the utmost importance to exert constant vigilance in order to identify and remove market distortions that have contributed to the observed asymmetries in price transmission along the food supply chain.

CONTENT: the Communication identifies significant tensions in contractual relations between actors of the chain, stemming from their diversity and differences in bargaining power. It also highlights the lack of transparency of prices along the food chain as well as the increased volatility of commodity prices. Lastly, it shows that the internal market for food is still fragmented across products and Member States. The Communication proposes **concrete policy actions at Member States and EU levels to improve the functioning of the food supply chain in Europe**. It describes the link between agricultural commodity prices and changes in consumer food prices. It identifies the main challenges faced by the food supply chain and presents a number of policy initiatives aimed at overcoming them. Lastly, it presents the next steps the Commission will take to implement these initiatives.

In order to improve the functioning of the chain, the Commission proposes:

(1) to promote sustainable and market-based relationships between stakeholders of the food supply chain:

- the Commission will work with Member States to put contractual relations on a more secure footing so that contracting parties will be able to reap the full benefits from the single market while retaining their freedom to contract. This will entail: i) an exchange of information on contractual practices, including a clarification of contractual rights and of the legality and fairness of commonly used contract clauses; ii) the launch of awareness campaigns to inform stakeholders of their contractual rights and potentially illegal or unfair practices; iii) an exchange of best practices on notification of contractual practices (e.g. Ombudsmen, actions by enforcement authorities, collective actions);
- at Community level, on the basis of the information gathered in this context, the Commission will: i) work together with the food supply chain stakeholders to prepare sets of standard contracts, whose use would be voluntary, taking into account the diversity of the food supply chain; ii) assess unfair contractual practices in the Internal Market and propose any necessary Community measures to address such practices;
- lastly, the Commission will work with the European Competition Network (ECN) to develop a common approach to relevant competition issues aiming at a sustained exchange of information, a swift identification of problematic cases and an efficient allocation of tasks among each member.

(2) to increase transparency in the food supply chain to improve the oversight of agricultural commodity derivatives market with the view to contain volatility and speculation:

- the Commission will make proposals to improve the oversight and overall transparency of agricultural commodity derivatives markets in the context of the overall approach on derivatives and the review of the Directive for Markets in Financial Instruments (MiFID);
- it publishes the first edition of the European Food Prices Monitoring tool and commits itself to examining ways of developing it further in order to cover a greater number of food products and chains, starting from the Summer of 2010. The Commission and calls for Member States to set up web-based and easily accessible food retail price comparison services;

(3) to foster the integration and competitiveness of the European food supply chain across Member States:

- in order to remove obstacles and end practices that fragment the Internal Market, the Commission: (i) will assess measures to address territorial supply constraints, to the extent that these create economic inefficiencies and contradict Internal Market principles (an Impact Assessment based on a detailed study to inform its action will be produced by the end of 2010); ii) urges the Council and the European Parliament to adopt rapidly the Commission's proposal for the revision of the legislation on labelling rules; iii) will review selected environmental standards and origin labelling schemes that may impede cross-border trade, with a view to establishing whether the policy objectives of these regulations can be reached with a smaller impact on the integration of the food supply chain; iv) also work with Member States and industry towards better harmonising the implementation of Community food safety standards;
- in order to foster the competitiveness of the food supply chain, the Commission will: i) promote and facilitate the restructuring and consolidation of the agricultural sector both in the context of the Rural Development policy, notably by encouraging the creation of voluntary agricultural producer organisations, and in the broader context of post 2013 Common Agricultural Policy. This will first be examined for the specific situation in the dairy sector; ii) take action to bring forward the proposals of the High Level Group aiming to improve the competitiveness of the agro-food sector, notably of SMEs, and to foster innovation and exports in the sector.

The increase in transparency along the food supply chain and the promotion of sustainable and market-based relationships between stakeholders have the potential to facilitate European recovery and should thus be undertaken as a priority before the end of 2010. The other initiatives address structural issues of the chain, with the aim of improving integration and competitiveness in the longer term. They will be complemented by proposals to strengthen the competitiveness of Europe's retail sector in the forthcoming Communication on the Retail Market Monitoring exercise. The **Commission will issue by November 2010 a report on the follow-up to the actions proposed,** on the basis of on-going discussions with EU Institutions and relevant stakeholders. To that effect, the Commission plans to broaden the scope and mandate of the existing High Level Group on the Competitiveness of the Agro-Food Industry, as well as its membership.

Fair revenues for farmers: a better functioning food supply chain in Europe

2009/2237(INI) - 18/01/2010

The Council held an **exchange of views** on ways to improve the functioning of the food supply chain. It instructed its preparatory bodies to continue examination of this issue with a view to preparing a set of conclusions to be submitted to the Council for approval in a forthcoming meeting.

The debate was conducted by means of a questionnaire elaborated by the Presidency on the basis of the Commission communication "A better functioning food supply chain in Europe".

The debate identified a clear need for further work on initiatives targeting the three cross-cutting priorities identified by the Commission in order to improve the food supply chain: (i) promote sustainable and market-based relationships between stakeholders in the supply chain; (ii) increase transparency along the chain to encourage competition and improve its resilience to price volatility; and (iii) foster the integration and competitiveness of the European food supply chain across EU member states.

The Commission communication is a follow-up to the December 2008 report on food prices in Europe, which sets out five key guidelines (roadmap) dealing with competitiveness, competition and consumer protection, integration/internal market, monitoring of food prices and speculation.

The market monitoring exercise revealed that, while on several dimensions of the supply chain performs well, important challenges remain ahead with a view to its improvement.

In the second half of 2007, agricultural commodity price increases accelerated and had reached exceptional levels by early 2008. The European Council of June 2008 asked the Commission to report back on these issues by December 2008. In response, the Commission proposed to better monitor developments in agricultural commodity and food prices, to analyse the impact of speculation on agricultural commodity prices and to investigate the functioning of the food supply chain.

The food supply chain connects three important sectors of the European economy: agriculture, the food processing industry and the distribution sectors. Its performance has direct consequences for citizens since food represents 16% of European households' expenditures and is increasingly important on the path towards recovery from the current economic crisis.

Fair revenues for farmers: a better functioning food supply chain in Europe

2009/2237(INI) - 07/09/2010 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution on the issue of fair revenues for farmers: A better functioning food supply chain in Europe, in response to the Commission Communication on the subject.

Members welcome the Communication since it recognises the existence of major power imbalances among operators, but believe that the measures suggested in that Communication are **not sufficient** to deal with the problems involved.

They note that 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. 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 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. The resolution 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. Members recall that 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, and they address these issues in the resolution.

Price transparency: Parliament 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. It 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.

Furthermore, the Commission is urged 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;
- 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;
- ensure that the processing industry in particular is monitored and investigated in order to guarantee price transparency, since in some countries the food processing industry has the largest margin in the food chain;
- 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.

It should be noted that plenary rejected the proposal from the committee responsible aiming to make it obligatory to provide clear proof in the transaction document of the value of what the supplier is selling, as well as the net real price attaching to the transaction.

Competition: Members call 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.

They call 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;
- examine the consequences of significant market penetration by a single retailer or a small number of retailers in a given Member State;
- 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;
- 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;
- 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;
- 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;
- 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.

Members feel that there is a need to **prohibit selling below purchase price at Community level**.

Abuse of buyer power and contracting: the resolution 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. Standard contracts could be useful tools, the implementation of which should be made compulsory in some sectors.

Members also ask 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;
- 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 on combating late payment in commercial transactions (exceptions should be considered in the case of producer organisations and cooperatives);
- 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;
- examine whether 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.

Members ask 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).

Speculation: the resolution calls on the EU 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. It 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;
- 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: Parliament encourages Member States to **draft codes of good commercial practices** for the food chain, including complaint mechanisms and penalties for unfair practices. The Commission is called upon to propose a common code, to apply throughout the EU, in order to rebalance relations in the food supply chain.

Sustainable food systems, food quality: Members deplore the fact that the Commission does not place more emphasis on the importance of agriculture in the food-supply and food-industry economic value chain. They stress 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. They call 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.

Plenary is against the idea of suggesting preferential treatment for producer organisations, farmers' cooperatives and SMEs when awarding public procurement contracts in the food supply chain.

Self supply, public catering, food waste: the Parliament 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;
- 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;
- 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.

Lastly, the resolution 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.