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REPORT

on fair revenues for farmers: A better functioning food supply chain in Europe
(2009/2237(INI))

Committee on Agriculture and Rural Development

Rapporteur : José Bové

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

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 2009¹,
 - 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 Europe⁴,
 - 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,

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

2 Texts adopted of that date, P6_TA(2009)0191

3 Texts adopted of that date, P6_TA(2008)0054

4 http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/agricult/113636.pdf

5 Introduction to COM (2009)591

- 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, to establish it within the Commission and to include a comparison of sustainable production costs and farm gate prices for conventional and ethical product differentiae in key farming sectors of Member States and social-economic situations;
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. Urges the Commission 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;

14. 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;
15. 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

16. 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;
17. 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;
18. 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;
19. 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;
20. 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;
21. Considers there is a need to prohibit selling below purchase price at Community level;
22. 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;
23. 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;
24. 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;

25. 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;
26. Considers that a certain degree of coordination and harmonisation of national *measures* against unfair commercial practices will be needed at EU level;
27. 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;
28. 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

29. 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;
30. 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);
31. 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;
32. 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;
33. 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;
34. 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;

35. 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;
36. 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;
37. 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;
38. 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;
39. 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;
40. 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

41. 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;

42. 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;
43. 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;
44. 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

45. 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;
46. 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;
47. 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

48. 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;
49. 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;

50. 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;
51. 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;
52. Considers that preferential treatment should be granted to producer organisations, farmers' cooperatives and SMEs when awarding public procurement contracts in the food supply chain; calls therefore on the Commission to suggest measures in this regard;
53. 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;
54. 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, and that moreover these requirements will be further strengthened in the post-2013 Common Agricultural Policy;
55. 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;
56. 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;
57. 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;
58. 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

59. 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;
60. 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;
61. 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;

62. 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;
63. 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;
64. Affirms the need to develop food programmes for those EU citizens who need them, such as the most disadvantaged, the elderly and young people;
65. Instructs its President to forward this resolution to the Council and the Commission.

EXPLANATORY STATEMENT

One of the key goals of the Common Agriculture Policy was and is to guarantee fair revenues for farmers. But, compared to goals like increased productivity and global competitiveness of the European food industry, it seems that a fair income for farmers is not very high on the European Commission's agenda.

The Commission has informed Parliament and Council on serious problems which undermine a proper functioning of the food supply chain in Europe. They have become visible due to dramatic commodity price volatility in the agricultural and food sector. These problems seem to be closely linked to increased concentration in the sectors of processing industries, wholesalers, retailers, and supermarket chains, their growing market power and various practices of abuse of dominant buyer power in the food chain.

The Commission furthermore points at a number of unfair practices in contracting, restricted market access and undue fees imposed on producers for listing of food products in the retailing sector. Furthermore, the communication raises the question why farmers are suffering from decreasing farm gate prices in almost all sectors while consumers are facing constant or increasing prices for the end products they buy. Information of profit margins in the sector is however difficult to obtain.

As a response to these problems, the Commission suggests better price transparency throughout the food chain in order to increase competition and so to combat price volatility and a better flow of information between the market partners on supply and demand, prices, and contracting. However, very few data on price building at the level of processing, trade and marketing are currently available in the Member States and at EU level.

This report includes proposals which have been gathered based on a working document which your rapporteur prepared in order to invite all interested stakeholders to express their views on key questions for a better functioning of the food chain and fair incomes for farmers. The draft resolution has taken many of these proposals up in order to deepen the reflection on possible solutions and to call upon the Commission and the Council to take urgent action.

1. Transparency

The Commission suggests measures to increase price transparency in the food sector. These include mainly better transparency of agricultural commodity derivatives markets in order to be able to control excessive speculation and price volatility for agricultural commodities. Furthermore, the Commission suggests a European food prices monitoring tool and easily accessible food retail price comparison services.

However, these proposals do not include measures which could increase transparency about the distribution of added value and profit margins between and inside the different sectors of the food chain; information which discloses the real costs of production of farmers as opposed to prices offered by buyers and related consequences for production practices, food quality

and restructuring of the sector, negative impacts on the environment and comparable externalities; or information about the influence of structural surplus production caused by certain policies on quantities of supply and related decrease of producer prices.

2. Competition

The Commission suggests measures to improve competition within the European food chain mainly by enhancing further integration of the food industry within the internal market and to remove territorial supply constraints which contradict Internal Market principles. The Commission also reviews selected environmental standards and origin labelling schemes that may impede cross-border trade and suggests stopping the development of national and regional origin labelling schemes to be replaced by a new framework for geographical indications, marketing standards and certification schemes in its quality policy.

However, your rapporteur deplores that these proposals do not take into account the high diversity in territorial structure, size, level of specialization, employment capacities, and access to public support of the various small, medium and large enterprises involved in the food chain; the extremely unequal bargaining power of farmers, as opposed to processors, wholesalers, and retailers which has led to abusive buyer practices and anti-competitive behaviour ;the low ambition and performance of national and European competition authorities to address these asymmetries and to take adequate measures; and the ongoing "price war" in almost all member states between supermarket chains.

3. Restructuring of agriculture and the food chain

The Commission suggests measures for restructuring the agricultural sector and food chains and to encourage the creation of agricultural producer organisations. As an example the Commission suggests to focus on the milk sector, ignoring a substantial number of highly processed food products which compose most of the households' consumption. It also envisages creating a new 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.

However, these proposals do not take into account the high diversity of agricultural structures and size of holdings and their respective links to local, regional, national or international markets; the high diversity of processing industries and the different levels of competitiveness in relation to the markets and supply chains they are embedded in; the diversity of independent local retailers, markets, local food chains and semi-subsistence food supply systems which do not depend on market development; the high dependence on external and often imported inputs and the vulnerability of intensive agro-industrial producers in the food chain which are considered to be the most competitive on the world market ; the rapid disappearance of small and medium sized enterprises, retailers and shops, especially in disadvantaged rural areas; and the conflict between European competition rules and the intention expressed by the Commission to improve producers organisations' bargaining power so as to allow them to achieve a fair price for their production.

4. Abuse of buyer power and contracting

The Commission considers that action is needed to eliminate unfair contractual practices between business actors all along the food supply chain. It highlights practices like late and

delayed payments, unilateral changes in contracts, upfront payments as entry fees to supermarkets and many more.

However, proposals for measures against these practices are limited to exchange of good practices, awareness raising campaigns and preparation of voluntary standard contracts. The proposals furthermore do not include measures against practices which impose low farm gate prices through high volume requirements, "minus-margins" (exclusive prices for one buyer) ; measures which fix maximum listing fees and measures against threats of delisting; measures against foreclosure of supplies, undue fees for packaging, marketing fees, after-sale rebates and retro-active payments; measures against undue delay in payments, as practiced in almost all retailer chains and against extra contribution to marketing costs fees to cover expenses for market failures; or measures to improve know-how of producers and consumers on price building across the food chain and measures to control concentration of bundlers and buying desks at European level.

5. Resale at loss

Under anti-competitive practices, the Commission has not specifically mentioned resale at loss practices which are widely spread in Europe. The Commission points however at a significant number of cartels and resale price maintenance cases; joint commercialization and joint purchasing agreements (buying alliances); tying and bundling arrangements; and an increasing use of private labels.

However, the communication does not include data or analysis on resale and loss practices which compile cases like the "pasta cartel" in Italy, or similar cases in France, Germany, Ireland and new member states; proposals which take account of experiences of various member states in applying national laws against resale at loss practices and which could make existing EU competition law more efficient in preventing and stopping these practices.

Moreover, the work of the European Farm Prices and Margins Observatory could allow for the definition of a bottom price covering costs of production and guaranteeing a faire income to farmers. Such price would serve as a reference during negotiations between producers' organisations and food chain's downstream sectors in order to forbid sale at loss by farmers.

6. Improvement of food quality and sustainable food systems

Furthermore, the communication has not taken into account price relevant relations between farm sizes and farm gate prices; differences in dependence of farms on external inputs (energy, feed, etc) sustainability of farming practices in view of the new challenges like climate, change, biodiversity loss as mentioned in the CAP health check and the EU economic strategy 2020; the relevance of EU-hygiene standards in relation to local or distance marketing and shelf life of products; and the different criteria for food quality beyond food security.

Improvements of the functioning of food chains should include a differentiation and revision of hygiene rules; decentralizing and simplifying certification and control systems; promotion of direct producer-consumer-relations and short food supply chains, whose sustainability benefits have been documented by EC research projects; and involvement of producers and consumers in the elaboration of quality and fair trade criteria;

7. Self supply, public food chains, catering and food waste

The communication does not take into account the following practices:

- food chains which are not or only partially integrated into the market economy, e.g. - subsistence or semi-subsistence production, which still provides an important part of food supply in many member states, especially in the fruit and vegetable sector;
- public and private catering (including canteens and restaurants), which have their own specific demands, price structures and rules of competition;
- environmental sustainability criteria for food procurement practices (catering services) as a means to enhance food quality and local economic development, while also reducing 'food miles' and agrichemical dependence;
- extremely high losses of food throughout the food chain, which in most member states comprise up to 30% of produced and marketed food.
- the importance of the European Food Aid Program on the food supply chain which feeds 43 million poor people in Europe and which needs to be revised in terms of better linking of local producers and consumers of food.

8. Speculation

Finally, your rapporteur calls for adequate measures against speculation on food commodities

4.6.2010

OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND FOOD SAFETY

for the Committee on Agriculture and Rural Development

on fair revenues for farmers: A better functioning food supply chain in Europe
(2009/2237(INI))

Rapporteur: Esther Herranz García

SUGGESTIONS

The Committee on the Environment, Public Health and Food Safety calls on the Committee on Agriculture and Rural Development, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

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. Regrets the failure to establish a correlation between high consumer prices and the prices paid to European farmers, and stresses the need to achieve a fairer distribution of value added along the various links of the chain, from the primary input markets which precede farmers in the chain, to the final consumers at the end of the chain;
3. Calls for a broader debate taking greater account of the link between price and quality, and considers that consumers should be provided with information, for example through producers' websites or terminals in shops, including information about methods of rearing and cultivation;
4. Calls for a European strategy to boost the bargaining power of the weaker links of the chain, especially in the primary sector; believes it is necessary, inter alia, to modify EU competition legislation and harmonise the criteria used by the national competition authorities, taking account of the characteristics of the agricultural sector;
5. Notes that power imbalances represent a strong disincentive for the continuation of farming in the European Union; highlights the need to strengthen the Community measures focused on the concentration of supply in the various sectors of production by

doing more to encourage producer groups, with the aim of boosting their negotiating power in relation to the remaining links in the food supply chain;

6. Urges the Commission to examine the consequences in all Member States of significant market penetration by a single retail entity; urges the Commission to consider placing an appropriate upper limit on market penetration;
7. Calls for support to be provided for the creation and operation of national systems to monitor price formation and evolution in the retail sector and the big supermarkets;
8. 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 prohibited by the EU; demands that companies failing to comply be 'named and shamed' and that penalties be instituted;
9. Denounces price manipulation and cartelisation by large-scale distribution sectors and calls for urgent measures to end these practices and achieve transparency in the price formation process for food products from the viewpoint of the end-consumer;
10. Stresses, in particular, the need to reinforce the EU legislation on late payments to suppliers, for contracts with both public bodies and private-sector partners; calls, in addition, for measures at European level to prevent unfair competition practices related to own-brand marketing by distribution companies;
11. 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;
12. Notes the emergence in some Member States of voluntary codes of practice and /or the establishment of an Ombudsman for the food retail sector; urges the Commission to examine the experiences of the Member States in this regard with a view to the establishment of a European-wide code of practice and food retail Ombudsman;
13. Considers it necessary to promote the closer integration of the various links of the chain in the context of interprofessional organisations and to draw up codes of good practice and voluntary standard contracts, with the possibility, in certain cases and especially for perishable goods, for Member States to demand that they become binding;
14. Calls on the Member States to introduce arbitration mechanisms that will guarantee compliance with contractual agreements;
15. Recalls that the stability of a 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, and that moreover these requirements will be further strengthened in the post-2013 Common Agricultural Policy;
16. Calls on the Commission to improve the European Price Monitoring Tool and develop a user-friendly, transparent and multilingual interface allowing consumers and stakeholders to compare prices of basic foodstuffs in each link in the food supply chain within a certain

Member State and between different Member States;

17. 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.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	2.6.2010
Result of final vote	+: 54 -: 2 0: 0
Members present for the final vote	János Áder, Elena Oana Antonescu, Kriton Arsenis, Pilar Ayuso, Paolo Bartolozzi, Sandrine Bélier, Martin Callanan, Nessa Childers, Chris Davies, Bairbre de Brún, Esther de Lange, Anne Delvaux, Bas Eickhout, Edite Estrela, Jill Evans, Karl-Heinz Florenz, Elisabetta Gardini, Gerben-Jan Gerbrandy, Julie Girling, Françoise Grossetête, Dan Jørgensen, Karin Kadenbach, Christa Kläß, Jo Leinen, Corinne Lepage, Peter Liese, Linda McAvan, Radvilė Morkūnaitė-Mikulėnienė, Vladko Todorov Panayotov, Gilles Pargneaux, Antonia Parvanova, Andres Perello Rodriguez, Sirpa Pietikäinen, Mario Pirillo, Pavel Poc, Vittorio Prodi, Frédérique Ries, Oreste Rossi, Daciana Octavia Sârbu, Carl Schlyter, Horst Schnellhardt, Theodoros Skylakakis, Bogusław Sonik, Catherine Soullie, Salvatore Tatarella, Anja Weisgerber, Glenis Willmott, Sabine Wils, Marina Yannakoudakis
Substitute(s) present for the final vote	Christofer Fjellner, Gaston Franco, Esther Herranz García, Rovana Plumb, Bart Staes, Kathleen Van Brempt, Anna Záborská

7.6.2010

OPINION OF THE COMMITTEE ON THE INTERNAL MARKET AND CONSUMER PROTECTION

for the Committee on Agriculture and Rural Development

on fair revenues for farmers: a better functioning food supply chain in Europe
(2009/2237(INI))

Rapporteur: Ashley Fox

SUGGESTIONS

The Committee on the Internal Market and Consumer Protection calls on the Committee on Agriculture and Rural Development, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Notes the significant imbalance of power in the whole food supply chain between the primary input actors, the primary producers, processors and retailers caused inter alia by a lack of efficiency and coordination on the part of producers and by differences in economic size, market power and position in the chain; emphasises that balanced commercial relations will improve the functioning of the food supply chain and benefit all economic actors, including consumers and producers;
2. Calls on each Member State, with the assistance of relevant national authorities, where appropriate, to study revenues and competitiveness within the food supply chain, markets and the constraints specific to each major section of the chain and draw up proposals to encourage the consolidation of organisations representing producers' interests, so as to improve their organisational set-up and effectiveness in commercial bargaining, provide support for training farmers in the area of strategic planning, and encourage them to invest upstream in the supply chain so they benefit from the added value of their products;
3. Calls on the Commission to include, in its analysis of food supply chain problems, the

impact of new actors which specialise in modern forms of catering, in particular the mass catering sector; calls on the Commission to determine the market shares of those new actors across the European Union and to study the differences in market conduct between those actors and the traditional actors in the chain; calls on the Commission to publish a report and, where appropriate, propose measures to foster better compliance by that sector with European competition rules and with good commercial and contractual practices;

4. Considers that the asymmetric response observed between commodity and consumer food price developments is a sign of imbalance in the food supply chain which has negative consequences in that, for example, it prevents consumers from benefiting from lower prices; stresses that increased transparency along the chain is key to improving competition and resilience to price volatility; emphasises the need to facilitate better access to markets for producers and SMEs;
5. Calls on the Commission to strengthen the Union's tools in order to lessen price volatility on the agro-food market;
6. Notes that higher food consumer prices put pressure on household incomes, in particular the most vulnerable households who spend a considerably greater proportion of their income on food; recognises the important role that competition between the different actors within the supply chain plays in delivering choice and lower prices to all consumers, especially the most vulnerable, and emphasises that any reforms to the food supply chain must neither harm competition nor prejudice consumers;
7. Stresses the importance of the revision of the European CAP food aid programme for the most deprived so as to provide support, along the food supply chain, for the Union's poorest citizens;
8. Notes that the second Consumer Markets Scoreboard shows satisfaction amongst consumers with the services offered by food retailers, but reveals a lack of satisfaction on the comparability of food prices; also notes with satisfaction the first edition of the European Food Prices Monitoring tool published by the Commission as well as similar initiatives taken by Member States to permit fair revenues along the supply chain with an analysis of costs, processes, added value, volumes, prices and margins across all sections of the food supply chain, in line with competition law and commercial confidentiality in order to provide price transparency for consumers;
9. Calls on the Member States, with a view to achieving fair prices, to strengthen producers' and producer organisations' management capacity and bargaining power vis-à-vis other economic operators in the food chain, and encourage the formation of organisations which strengthen the links between the various stakeholders within branches, provided that they do not hinder the proper functioning of the single market;
10. Calls on the Commission and the Member States to put contractual relations throughout the food supply chain on a more secure footing so that all actors will be able to reap the full benefits from the single market while retaining their freedom to contract, by proposing voluntary codes of good contractual practice, wherever possible at a European level, and by identifying and banning unfair contractual practices; also stresses the importance of shortening payment periods along the food supply chain through the

ongoing revision of Directive 2000/35/EC of the European Parliament and of the Council on combating late payments in commercial transactions; calls on the Commission to prepare voluntary written standard contracts for the agro-food sector;

11. Welcomes the Commission's decision to expand the remit and membership of the High Level Group on the competitiveness of the agro-food industry; calls on the Commission to invite all stakeholders, including consumer groups to participate and asks for the different platforms within the forum to promote information sharing and best practice across the European Union; asks the Commission and Member States within this remit to develop European voluntary codes of good commercial practice for all actors in the food supply chain;
12. Encourages the establishment in all Member States of Ombudsmen to arbitrate disputes between all actors, investigate complaints and make recommendations on how to improve compliance with legislation and voluntary codes; encourages these national Ombudsmen to exchange best practice and coordinate their actions;
13. Calls on the Commission and Member States to identify and assess, and, where necessary, address and combat unfair commercial and contractual practices and abuses of dominant positions, which are detrimental to the functioning of the internal market; stresses that a better awareness of contractual rights will contribute to preventing these practices; requests an information campaign informing all actors within the food supply chain, especially farmers, of their rights as well as of the most common unfair commercial practices;
14. Believes that it is essential for consumers to have access to clear labelling information allowing the identification of the origin of unprocessed foods and the identification of local and traditional products, and stresses that such labelling schemes should not restrict the free circulation of goods in the internal market;
15. Recognises the importance retailers' own brand labels play in enhancing competition and in providing improved choice and lower prices to consumers;
16. 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;
17. 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;
18. Calls on competition authorities, where appropriate, to investigate and, where necessary, take action against anti-competitive practices between all actors in the food supply chain;
19. Calls on the Commission to clarify, for public purchasers in the food supply chain, the application of the environmental and social criteria of Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public

service contracts¹ and to supplement them with innovation-fostering criteria, in particular to encourage: (a) fair trade for local producers and local products, (b) sustainable European farming, (c) selection of bids offering the best value for money rather than the cheapest bids, and (d) a return to innovative investment in European farms; calls on the Commission to include these proposals in the interpretive communication which has been announced on the legal framework for helping awarding authorities to take better account of the objectives of promoting innovation, sustainable development and combating social exclusion;

20. Calls on the Commission to step up its efforts to prevent the discrimination to which European agro-food SMEs are subjected on international markets; calls on the Commission, in particular, to propose a measure enabling the European Union's awarding authorities to facilitate access for European SMEs to the food supply chain in the award of public contracts along the lines of the measures already applied by some parties to the WTO Agreement on Government Procurement (GPA).

¹ OJ L 134, 30.4.2004, p. 114.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	3.6.2010
Result of final vote	+: 36 -: 0 0: 0
Members present for the final vote	Pablo Arias Echeverría, Cristian Silviu Buşoi, Lara Comi, António Fernando Correia De Campos, Jürgen Creutzmann, Christian Engström, Evelyne Gebhardt, Małgorzata Handzlik, Malcolm Harbour, Philippe Juvin, Sandra Kalniete, Eija-Riitta Korhola, Kurt Lechner, Toine Manders, Hans-Peter Mayer, Mitro Repo, Robert Rochefort, Zuzana Roithová, Heide Rühle, Christel Schaldemose, Andreas Schwab, Catherine Stihler, Róza Gräfin Von Thun Und Hohenstein, Kyriacos Triantaphyllides, Emilie Turunen, Bernadette Vergnaud, Barbara Weiler
Substitute(s) present for the final vote	Ashley Fox, Anna Hedh, Constance Le Grip, Emma McClarkin, Morten Messerschmidt, María Muñoz De Urquiza, Konstantinos Poupakis, Sylvana Rapti, Wim van de Camp

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	28.6.2010
Result of final vote	+: 32 -: 4 0: 2
Members present for the final vote	John Stuart Agnew, Liam Aylward, Christophe Béchu, José Bové, Luis Manuel Capoulas Santos, Michel Dantin, Albert Deß, Diane Dodds, Hynek Fajmon, Iratxe García Pérez, Béla Glattfelder, Martin Häusling, Esther Herranz García, Peter Jahr, Elisabeth Jeggle, Jarosław Kalinowski, Elisabeth Köstinger, Giovanni La Via, Stéphane Le Foll, Miguel Angel Martínez Martínez, Gabriel Mato Adrover, James Nicholson, Rareş-Lucian Niculescu, Wojciech Michał Olejniczak, Georgios Papastamkos, Marit Paulsen, Britta Reimers, Ulrike Rodust, Alfreds Rubiks, Giancarlo Scottà, Czesław Adam Siekierski, Sergio Paolo Francesco Silvestris, Marc Tarabella
Substitute(s) present for the final vote	Luís Paulo Alves, Spyros Danellis, Bas Eickhout, Jill Evans, Marian Harkin, Sandra Kalniete, Astrid Lulling, Maria do Céu Patrão Neves, Christel Schaldemose, Robert Sturdy, Milan Zver
Substitute(s) under Rule 187(2) present for the final vote	Tadeusz Cymański