

Unfair Trading Practices – over-implementation won't help farmers

With member states in the final stages of transposing the Unfair Trading Practices (UTP) Directive, EuroCommerce Director-General Christian Verschueren commented today:

“We believe strongly in cooperation across the chain as a means of creating the right conditions for the sustainability of farmers and the agri-food chain across Europe. We are very concerned at national governments over-implementing the UTP directive. This will simply increase consumer prices and undermine the single market, without creating any benefit to farmers. We are asking the Commission, when assessing national implementation measures, to look at how to preserve the spirit of the Directive - which was clearly to support smaller farmers and suppliers in dealing with a larger buyer.”

Retailers and wholesalers deliver an essential service, providing consumers with a wide choice of food products at competitive prices. They purchase most of what they sell from large manufacturers and other suppliers, and very little (less than 5%) directly from farmers. Retailers are investing in numerous initiatives to support farmers and SME suppliers (see how on our website: <https://www.sustainable-commerce.com>).

Large - often global - manufacturers are able to enjoy significant net profit margins of up to 15-30%, and control must-have products that retailers (who operate with 1-3% net margins) cannot afford not to stock. Yet these multinational manufacturers confront retailers year after year with large unilateral price increases with little or no justification.

The Commission Impact Assessment on the UTP proposal rightly suggested that large businesses should be able to negotiate freely and that protecting large suppliers would simply allow them to boost their profits with no incentive to share this benefit with farmers¹. The President of the German Competition Authority recently warned against interfering with the freedom of contract between larger players in the market.²

An [OECD paper](#) on market power in the food supply chain found structural challenges for farmers, but no evidence of systematic or wide abuse of market power at their expense. The Joint Research Centre [survey](#) evaluating the impact of the UTP directive showed many players to be unaware of existing regulatory frameworks, and made little use of existing dispute resolution mechanisms. A [survey](#) by the German Competition Authority also found that UTPs were not an issue for suppliers, and that retailers negotiated fair agreements with them.

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¹ Annex H: Economic impact of unfair trading practices regulations in the food supply chain (DG Competition) to Commission Staff Working Document – Impact assessment on the Initiative to improve the food supply chain (unfair trading practices), available [here](#).

² <https://www.lebensmittelzeitung.net/politik/Unfaire-Handelspraktiken-Chef-des-Kartellamts-kritisiert-UTP-Gesetz-151547>

Contact :

Neil McMillan - +32 479 40 22 41 - mcmillan@eurocommerce.eu

Vincent Yhuello - +32 471 95 03 55 - yhuello@eurocommerce.eu

www.eurocommerce.eu