

The role of retail and wholesale in preserving food affordability

The retail and wholesale sector plays a critical role in ensuring food remains accessible and affordable to all.

Strong retail competition means that retailers must offer the best value for money to consumers. A competitor is usually only a short distance away, so a retailer and wholesaler needs to offer the best prices, choice and service to its customers, so they come back time and time again. That proximity also ensures accessibility, as retail and wholesale is present across the EU including in rural areas.

Business models like discounters and online channels (e.g. online retailing, takeaways, meal kit subscriptions etc.) strengthen competition for the benefit of consumers. Entrepreneurs (e.g. independent retailers and franchisees) are often local and provide a connection to local tastes and preferences. Innovation in-store and across the chain (e.g. hybrid 24/7 shops, AI-driven automation etc.), combined with conventional service brings modern retail to urban and rural communities.¹

What helps retailers and wholesalers deliver more affordable food?

...Strong competition

Competition among different stages of the chain (e.g. among farmers or among retailers) and throughout the chain drives all operators to become more efficient, differentiate their offering (with new products, innovation, more sustainability) and offer better prices for their customers and ultimately consumers. It also improves the resilience of all food chain actors, from farmers to consumers. Competitive market dynamics ensure efficient cost structures and thereby stable and affordable prices for consumers.

... the Single Market

The EU Single Market is a cornerstone of EU food security as it enables a diversity of supplies, fostering competition and making food more affordable to consumers.

...Retail alliances

Retail alliances are voluntary cooperation agreements between retailers and wholesalers across different EU countries, who get together at national or European level to jointly source products together.

¹ See [Skupina Coop](#), a winner of the [European Commerce Awards 2025 - EuroCommerce](#).

European retail alliances negotiate with large multinational suppliers of everyday products to get better prices, logistics, services and innovation support – so that retailers can offer those better prices and more choice to consumers.

Alliances operate within the strict boundaries of EU competition law. The European Commission has repeatedly confirmed that such alliances have pro-competitive effects. In closing an investigation into two retail alliances in 2023, the European Commission explained how *‘retailers exerted a higher bargaining power negotiating through the alliances; and the rebates contributed to the retailers’ overall pricing strategies **allowing them to reduce retail prices to match or undercut competitors’ pricing**’* and noted how *‘maintaining the capacity of retailers to reduce prices to consumers as well as ensuring competition between retailers are key objectives of competition policy [...] particularly important in the current context of high inflation.’*

The [Commission’s 2023 Horizontal Guidelines](#) confirm that *‘joint purchasing arrangements can give rise to significant efficiency gains [...] such as lower purchase prices or reduced transaction, transportation and storage costs’*.

...A thriving market for private labels

Private label products’ (also known as ‘own brand products’) are products which are sold to consumers or business customers by a retailer or wholesaler under their own name.

Private label products increase competition, bringing more choice and better prices to consumers.

Consumers value private label products because of:

- **Affordable prices** – at a time when the cost-of-living crisis is still a top priority.
- The high **quality** of private label products, with 81% of consumers thinking that the quality of private labels is as high or higher than A-brands.²
- The **innovation** private label products can bring – including on sustainability.

How do retailers and wholesalers decide prices and keep them affordable?

Prices are formed at each stage between the farm and consumers and are influenced by the dynamics between different players as well as the costs incurred along the way.

Retail prices are strongly affected by global commodity markets, processing industry costs, transport prices and geopolitical volatility. External shocks (energy prices, logistics disruptions, climate impacts) influence prices long before products reach the retail sector.

Before a product reaches consumers, every actor along the supply chain adds value. Retail and wholesale have the highest value added in the chain (almost €350 billion).³

Production costs, complexity of processing, market demand, availability of supply, transportation, compliance costs, labour and social security costs, the level of competition at different stages of the chain and the outcome of negotiations between suppliers and retailers all play a role in price formation.

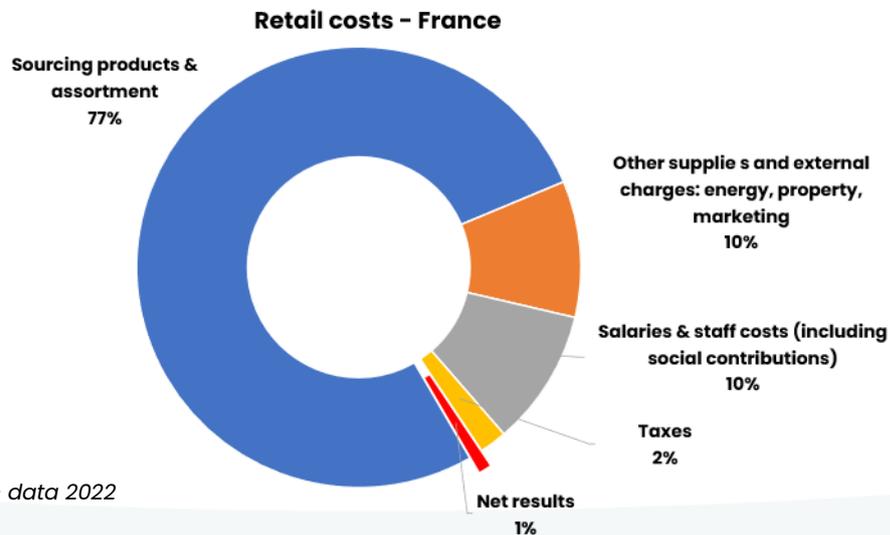
More than two thirds of retailers’ costs consist of the cost of purchasing the good for resale.⁴ Retailers and wholesalers operate on small profit margins (typically between 1% and 3%), reflecting high costs

² <https://www.eurocommerce.eu/the-state-of-grocery-retail/>, page 16.

³ <https://ec.europa.eu/eurostat/web/products-eurostat-news/w/wdn-20251212-1#:~:text=You%20can%20find%20out%20more%20in%20the%202025,consumption%20E2%80%93%20presented%20through%20text%20and%20colourful%20visualisations.>

⁴ See slide 13 here: <https://www.eurocommerce.eu/retail-and-wholesale-in-the-agri-food-supply-chain/>

for labour costs (retail being one of the biggest private employer in Europe), logistics, storage, food safety regulations, packaging, marketing, and unsold goods, which leads to reduced net profits.



Retailers operate one or more stores selling thousands of products, both food and non-food.

Retailers look to be profitable on a basket of products purchased by consumers. They make their money on volumes - not by optimising margins per product, gaining for each €100 spent in store, just €1- €3.

This pricing strategy may be different from other stages in the chain.

National dynamics (e.g. consumer behaviour and purchasing power, national competitive dynamics and organisations of supply chains), taxes and legislation also have an impact on price formation.

Countries with highly competitive markets, for example, are more exposed to increases in input prices, as the margin for absorbing shocks is limited.

Assessing food affordability requires recognizing structural differences between Member States.

What has the recent experience of high food inflation taught us?

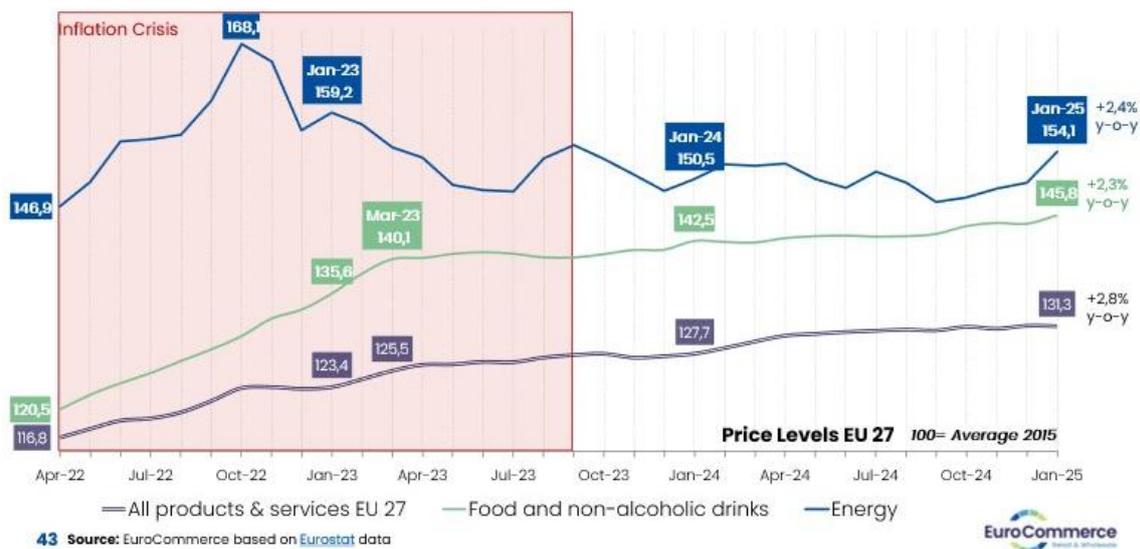
...Food affordability is key for European consumers

In 2025, the European Food Safety Authority found that food affordability continued to be a top concern for European consumers:⁵

- The price of food is most frequently selected by EU citizens (60%) when it comes to the most important factors when buying food (+6% compared with 2022);
- In 20 EU Member States, price is indicated as the most important factor when buying food.

⁵ https://www.efsa.europa.eu/sites/default/files/2025-09/2025%20EB%20103.3%20EFSA%20Report_vfinal.pdf.

From 2021 to 2023, Europe suffered from the highest levels of inflation since the introduction of the euro, with food inflation even higher than overall inflation.⁶



High inflation was caused by several factors, including the effects of the COVID pandemic, high energy prices, the effects of the Russian invasion of Ukraine and climate change-related weather events leading to scarcity of supplies and hence high prices.

These market conditions have led to a change in consumer behaviour. As we regularly document in the EuroCommerce/McKinsey State of Grocery reports, consumers have ‘downtraded’ and continue to do so by prioritising food prices over other considerations (e.g. origin of the product, sustainability):

- by substituting brands, e.g. from A-brands (i.e. international brands) to the retailers’ own brand);
- product categories (e.g. from fresh to canned products); or
- retail channels (from local stores to discounters) amidst the cost-of-living crisis.

...Retailers shield consumers as far as possible from rising prices

During the period of high inflation, retailers across Europe launched initiatives to support consumer purchasing power, for instance by offering promotions on essential private label products or ‘freezing’ the price of certain products for a period of time.⁷

At the same time retailers and wholesalers faced their own rising costs as a result of rising prices from suppliers and skyrocketing energy bills, with lower returns as overall volumes decreased as consumers were unable to pay for food or buying less.

Due to the high level of competition, retailers and wholesalers sought to absorb some of the cost increases to shield consumers from the worst of inflation. Margins of retail companies in 2023 when inflation slowed down decreased from 3.1pp in 2019 to 2.9pp in 2023.⁸

⁶ Eurostat data, available here: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Inflation in the euro area](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Inflation_in_the_euro_area).

⁷ See for instance: <https://www.carrefour.com/en/actuality/carrefour-bloque-les-prix-de-100-produits>, <https://press.delhaize.be/delhaize-lance-ses-ptits-lions-pour-soutenir-le-pouvoir-dachat-avec-des-baisses-de-prix-sur-la-marque-propre>

⁸ <https://www.mckinsey.com/~media/mckinsey/industries/retail/our%20insights/state%20of%20grocery%20europe%2024%20signs%20of%20hope/the-state-of-grocery-retail-2024-signs-of-hope.pdf>. Findings are also confirmed in other reports (e.g. EuroMonitor).

Several authorities and independent studies in [Austria](#), [Belgium](#), [Czechia](#), [Denmark](#), Germany, Lithuania, the [Netherlands](#), [Slovakia](#), [Spain](#) and the [UK](#) confirmed that:

- consumer prices followed general price developments and did not increase beyond justified cost increases;
- retailers' margins came under pressure and decreased; and
- costs rose more than retail sales prices.

What can be done to stop consumer prices unnecessarily rising?

...eliminating territorial supply constraints

Retailers and wholesalers cannot benefit from all the efficiencies the Single Market brings because of territorial supply constraints.

Large manufacturers of everyday products prevent retailers and wholesalers from using the Single Market to purchase their products. They force all retailers and wholesalers (including those active in more than one country) to buy their products from national subsidiaries. They charge different prices for different countries for the same products coming out of the same factory – allowing them to levy surcharges in certain countries.

The European Commission has recognised that these **territorial supply constraints**⁹ cost EU consumers more than €14 billion a year and listed it as one of the Terrible Ten Single Market barriers¹⁰, promising to take action in 2026.

Retail alliances can offset the negative effects of territorial supply constraints by negotiating collectively for several retailers that operate in different countries, but this only partially counters the deliberate strategy used by suppliers to maintain higher prices in some countries.

...removing Single Market barriers and national protectionist measures

Creating a well-functioning Single Market is also the responsibility of EU Member States, who often put up barriers to cross-border trade via national laws which limit competition and raise prices for consumers. EuroCommerce regularly documents this in its Single Market Barriers Overview¹¹.

Other rules implemented at national level also limit competition (e.g. by limiting the number of private label products available) or interfere with price setting (e.g. by limiting discounts or providing resale thresholds) – thus having inflationary effects for consumers – while not bringing any benefits for farmers or SME processors in the supply chain the intended beneficiary.

In some Member States, the Single Market is undermined by the extra-territorial effect of stricter national rules. Leaving national rules that break Single Market freedoms unchallenged¹² undermines the legal certainty that companies need to fully realise the advantages of the Single Market. When this happens, its effect is to return to national sourcing – something Enrico Letta¹³ warned would ultimately affect the benefits that consumers derive from the Single Market.

⁹ [It's high time for the Single Market to benefit all - EuroCommerce](#)

¹⁰ [The Single Market: our European home market in an uncertain world - Internal Market, Industry, Entrepreneurship and SMEs](#)

¹¹ [Single Market Barriers Overview - EuroCommerce](#).

¹² [EuroCommerce urges European Commission to take action against French rules on B2B commercial relations - EuroCommerce](#).

¹³ [Enrico Letta - Much more than a market \(April 2024\)](#).

In recent years, a number of member states have or are considering measures on food prices such as capping margins or consumer prices for certain food products. These measures can have **unintended consequences**, such as: a) price increases for other goods, b) shortages or c) render a business unviable, thus leading to job losses, d) give rise to cross-border impact on neighbouring countries' economies and public discourse.¹⁴

The International Monetary Fund confirmed that *'regulatory price and margin controls are not a sustainable path to disinflation. Repeated government interventions, including capping retail margins and state-requested 'voluntary' reductions of bank and insurance fees—even if well-intended—often produce bad outcomes: they distort markets, defer price pressures, and weaken competition. Such measures thus risk complicating the fight against inflation and undermining the effectiveness of monetary policy'*.¹⁵

Measures promoting excessive price transparency in the market can also have detrimental effects, as they remove competitive constraints (as market players know everything their competitors do) and could facilitate tacit collusion in the agri-food supply chain.¹⁶

These extraordinary measures hit an **already highly regulated sector**. The European Commission recognised in its 2025 Single Market Strategy that retail competitiveness is held back by numerous restrictions of the establishment of shops and their operations and that some of these restrictions – if not proportionate - may create market entry barriers and negatively affect competition, productivity and innovation.¹⁷

...effective regulation based on evidence

The EU and its Member States regulate contracts in the agri-food supply chain to ensure agri-food chain actors and especially smaller farmers are not subject to unfair trading practices.

Several of these rules have the legitimate aim of eradicating unfair behaviour and improving the position of smaller actors in the agri-food chain. However, certain frameworks excessively interfere with the free formation of prices and laws of supply and demand, increasing prices to consumers and not helping farmers. Regulatory interventions in pricing or contractual relationships risk disrupting competitive market dynamics and increasing costs (and prices) across the chain. For example, rules that restrict the ability of retailers and wholesalers to negotiate with large multinational manufacturers, with the justification of helping farmers. The European Commission warned against this approach in 2018, explaining that *'regulating commercial transactions between such large players could reduce the pressure that large customers can exert on large manufacturers to reduce their margins and imply significant market disturbance because of their broad impact on the market and, ultimately, on consumer prices. Besides, it is not obvious that farmers or other parties higher up in the supply chain would benefit from a regulation of UTPs that would give large processors or manufacturers greater margins.'*¹⁸

¹⁴ See: [Concerns about price transparency and price intervention measures - a public letter - EuroCommerce](#).

¹⁶ These measures can also infringe EU law, given that under Article 4(3) of the Treaty of the European Union, Member States cannot facilitate infringements of EU law (e.g. EU competition law).

¹⁸ UTP Impact Assessment, Annex H Section 2: *there can be unintended negative consequences of regulating practices in the food supply chain. This concerns notably regulating the trading relationships between (mostly brand) manufacturers holding a significant share of the market of the sales of food products in a particular product category in a given Member State (hereafter designated in a simplified way as "large manufacturers") and their "large customers" (e.g. modern retailers holding a significant share of the food retail sales in a given Member State). [...] A large manufacturer that would leverage a regulation of UTPs to pressurize the retailers to increase prices at which retailers buy from the manufacturer has no obligation or incentives and is unlikely to share with its own suppliers the extra benefits it would obtain from such regulation.*

More recently, the German Monopolkommission found that *'strengthening the manufacturers appears to lead to a margin shift between producers and food retailers that does not benefit agriculture or consumers'*¹⁹ and asked the German government to refrain from regulating relations between food manufacturers and retailers.

In a similar way, experience to date does not conclude that intervention in prices (e.g. a ban on sales below production costs) will improve the position of smaller farmers but can increase consumer prices amongst other negative effects (e.g. legal uncertainty, administrative burden, hurting farmers' competitiveness internationally).

Experience with price interventions shows that overly prescriptive rules can allocate resources and production quantities inefficiently, undermine the ability of market players to absorb shocks, improve the position of already large global manufacturers (but not of farmers) and reduce innovation incentives.

Such measures can lead to overproduction, limited flexibility and structural inefficiencies, ultimately resulting in higher prices and lower quality.

Shielding certain market stages reduces pressure to remain competitive and cost-effective.

Agricultural prices are formed on open global markets, influenced by a mix of different factors based on supply and demand (e.g. the nature of the harvest, the consumer demand), input costs (e.g. fertilisers, seeds, labour) and transportation and logistics costs. They are also affected by other factors (e.g. international trade, commodity trade, government subsidies) or events (e.g. climate events, seasonal patterns).

Effective public policy should focus on enhancing competitiveness, efficiency and innovation throughout the value chain to the benefits of consumers

Conclusion

Understanding the role of the different actors in the agri-food supply chain and the facts and evidence is key to understanding what contributes to food affordability. Ensuring food affordability can be achieved by tackling Single Market barriers, stopping or preventing national protectionist measures or interference with the free formation of prices. Any discussions also need to be understood in context of the drivers of food price inflation and real wage rises, meaning EU legislation must be thoroughly impact assessed to lead to better outcomes for consumer prices, the economy and for the 8.4 million workers²⁰ employed in retail and wholesale companies that need to remain competitive to contribute to food affordability and accessibility.

¹⁹

https://monopolkommission.de/images/PDF/SG/SG%20LLK%202025/Sondergutachten%20Lebensmittellieferkette_Monopolkommission.pdf.

²⁰ [Retail and wholesale in the agri-food supply chain - EuroCommerce.](#)

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EuroCommerce is the principal European organisation representing the retail and wholesale sector. It embraces national associations in 27 countries and 5 million companies, including leading global players and many small businesses. Over a billion times a day, retailers and wholesalers distribute goods and provide an essential service to millions of business and individual customers. The sector generates 1 in 7 jobs, offering a varied career to 26 million Europeans, many of them young people. It also supports millions of further jobs throughout the supply chain, from small local suppliers to international businesses. EuroCommerce is the recognised European social partner for the retail and wholesale sector.