

Trading practices – EU legislation is a blind alley for farmers and consumers

With the European Parliament’s agriculture committee and representatives from three EU member states discussing trading practices in the food supply chain, EuroCommerce Director-General Christian Verschueren warned that the constant focus on EU legislation is addressing the wrong target, will do nothing to help farmers and only harm consumers.

“Retailers understand the difficulties many farmers face, and have acted to help farmers over crisis periods in recent years. We want to help further, and support many of the recommendations of the Agri-Markets Task Force to improve farmers’ competitive position over the long term in the market. We fail to understand why so much attention is focused on EU unfair trading practices legislation when this is the one thing that will do nothing to help farmers.”

Diverse, high-quality food is Europe’s unique strength, and this is what retailers need to attract consumers to come to their stores. Calling for EU legislation diverts attention away from where policy could really help farmers flourish and ignores some basic facts about the supply chain and relations between retailers and farmers:

- on average across Europe, food retailers buy less than 5% of their products direct from farmers. The bulk of farmers’ produce is sold to wholesalers, traders or processors. The practices identified by countries in the Visegrad Group affect retailers’ contracts with large suppliers, and do not have any significant relevance to farmers.
- the price paid for a processed product by a retailer, often to a chain of multiple intermediaries, has almost no effect on what farmers get for their produce.
- 20 Member States have legislation on UTPs. Over 80% of retailers’ contracts for foods are for products supplied nationally. Even where a product is sourced cross-border, the contract will always stipulate which national jurisdiction applies. All of these national laws have provisions to protect parties against any unfair or unilateral breach of contract. This points to no cross-border issues which might otherwise create a need for EU legislation.
- retailers operate in a highly competitive market with average net margins of around 1% on food products, negotiating with food manufacturers with net margins of 15% or higher. By outlawing what are normal business practices between large, often multinational manufacturers and retailers, those calling for legislation will make it more difficult for retailers to get a good deal for consumers and simply put up consumer prices, with no benefit to farmers
- thus, EU legislation will simply add a further layer of bureaucracy to existing national laws which have not shown any positive impact on the problems facing farmers.

Retailers need a healthy, thriving farming sector. Those farmers who are doing best in Europe are not those subject to heavy legislation, but those who have established efficient producer organisations, ready to engage in a dialogue and create the conditions for aligning closely what consumer want with what farmers produce. This is a pattern we want to see replicated across Europe, with farmers able to earn a proper return from high-value products. Retailers have on multiple occasions sought to establish European dialogue with farmers, not least through the Supply Chain Initiative, whose guiding principles were agreed with farmers and all other parts of the supply chain.

Verschueren added:

“We support a market-driven agriculture sector, and policies which strengthen farmers’ position in the food supply chain. If we are all serious about achieving this, it is high time that we put aside

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divisive polemics and commit to a dialogue which can create trust and add value for everyone in the chain.”

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