

Supply chain and farmers – legislation isn't the answer

A proposal which won't harmonise anything – and will harm countries where the supply chain works well

Commenting on the European Commission's draft legislation banning or restricting a number of practices between operators in the food supply chain, Christian Verschueren, Director-General of EuroCommerce said that EU legislation will do nothing to help the overall situation of farmers or create a level playing field in Europe:

"We are not convinced that a 'minimum harmonisation' approach is the right instrument to deliver the level playing field which the Commission wants to achieve. The Commission has not produced any evidence of a structural problem or of the utility of EU legislation in resolving it."

There is already extensive legislation in most Member States, and EU legislation aiming to provide a minimum set of principles will not deliver more than Member States' existing frameworks. Moreover, it allows Member States to go a lot further in intervening in the market, and will impose unnecessary regulation in countries where dialogue and better organisation of farmers have led to a well-functioning food supply chain without specific legislation.

The proposal goes against creating the positive relationships and trust needed for a better-functioning supply chain. On the contrary, it favours adversarial enforcement and sanctions, which in some countries have already spilled over into discriminatory action and disproportionate fines incompatible with EU law. The directive also introduces an arbitrary culture of name and shame with no right of response or defence.

We would have wished that the Commission had acknowledged and built upon the major progress, achievements and values of the [Supply Chain Initiative](#) in encouraging positive resolution of disputes through mediation and dialogue, producing quicker and better results for all players.

There are better ways to help farmers than political gestures

Like the Commission, retailers and wholesalers are keen to help farmers create a competitive food supply chain. But in responding to political pressure from the European Parliament and a number of Member States, the Commission has ignored much better ways of addressing the real problems facing farmers. Christian Verschueren commented:

"Political gestures don't make for good or 'better regulation'. This directive won't do anything to help farmers. The problems farmers face are best addressed by helping them organise themselves better through e.g. producer organisations and cooperatives, encouraging the use of risk management tools, and aligning what they produce better with what consumers want. There is also a need for better understanding of value transmission in the supply chain."

Legislation that carries major risks

Christian Verschueren warned that the Commission draft legislation exposed the market - and consumers - to a number of major risks in the course of its negotiation:

"The Commission has opted for legislation to deal with issues which can be much better resolved by market operators through mediation and positive dialogue at national or local level, for example in national platforms and interbranch organisations. We therefore call upon the Parliament and the Council to resist making this a Christmas tree of additional, unnecessary and intrusive provisions or broadening the scope of the directive beyond farmers and SME suppliers."

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Notes to editors

In light of the risks of this proposal running out of control in its passage through the institutions, EuroCommerce will be asking the Council and European Parliament in examining this proposal to:

- ensure that this directive focuses on helping small operators dealing with large operators; and avoid it further restricting the ability of retailers to negotiate with large manufacturers, whose net margins of 15-30% contrast with the 1-3% achieved by retailers. It will be consumers who end up paying for such an outcome, with no guarantee that farmers see any of the additional profits;
- consider whether further intrusion into the principle of freedom of contract and the workings of the market is really justified at EU level; and ensure that the list of practices covered remains limited and relevant to the players it seeks to help;
- ensure that the list of practices covered remains limited, and provides the necessary legal certainty for operators, with clear definitions and provisions to avoid wide interpretation and the abuse already experienced in a number of Member States;
- ensure that when transposing and enforcing the directive, Member States respect the principles of free movement of goods, services and establishment in the Single Market; this means that any implementing provisions need to be non-discriminatory and proportionate;
- introduce provisions in the proposal for mediation and dialogue at national level; and
- include mechanisms to ensure a proper right of response and defence for operators.

Attached (Annex) is a fuller set of facts and figures about the agri-food supply chain and retail.

For more information about examples of good practice by retailers in their dealings with farmers and small suppliers, see our website [here](#), and follow us on Twitter [#retailers4farmers](#).

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EuroCommerce is the principal European organisation representing the retail and wholesale sector. It embraces national associations in 31 countries and 5.4 million companies, both leading multinational retailers such as Carrefour, Ikea, Metro and Tesco, and many small family operations. Retail and wholesale provide a link between producers and 500 million European consumers over a billion times a day. It generates 1 in 7 jobs, providing a varied career for 29 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.