



ECVC POSITION ON UNFAIR COMMERCIAL PRACTICES IN THE AGRIFOOD CHAIN

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We should analyse how well the agrifood chain works from a global point of view, which specifically takes into account the **liberalisation of agricultural markets and the loss of regulations and market sustainability that protect peasants**. Eliminating market regulation policies in the agricultural and food sectors and transferring them to the international stage destroys the sustainable socio-agricultural model, which is based on the produce of thousands of peasants. Combating malpractice is not enough to ensure a sustainable future.

Disregarding the Community preference and liberalising agricultural markets lead to the destruction of European agriculture and make food sovereignty ever more unobtainable. In addition to the elimination of tariffs, which result in lower prices for producers (not consumers), basic regulations such as standards that protect food quality and security, animal and plant health, the environment, animal welfare and labour rights are eradicated from negotiations, which focus solely on unfair speculation and competition. These regulations form a European production model, with certain production costs which the farmers have to bear and which the EU should recognise. Moreover, the aforementioned regulations should be implemented and monitored, not only in the case of EU producers, but for any import, and especially when the imports are at unusually low prices.

The loss of market regulation instruments, without the necessary structural changes, has weakened part of the agrifood chain. This has specifically affected farmers, who are in an unenviable situation in which price volatility negatively affects their incomes. Market management and repeated price crises, as well as the guarantee of an income, is not subject to aid privatisation through insurance systems; instead, it is subject to public market regulation policies. Therefore, we must begin by, on the one hand, making the future of the weakest link in the agrifood chain safer and introducing measures that allow producers to balance original prices with realistic costs and which, on the other hand, make the consumer aware of the value of the products. Both these elements are essential for the agrifood chain to function.

Creating structures that group supply together, such as producer organisations, in order to voluntarily self-regulate and replace public policy regulations and market controls does not, by any means, guarantee the farmers' survival nor ensure fair prices for the goods. The imbalance of power in the agrifood chain is so great that merely grouping together the producers will not eradicate the abuse of negotiating power in which the other parts of the agrifood chain engage. We need to carry out a thorough analysis of the producer

organisations' power in price negotiations for perishable goods, such as milk, in order to establish appropriate and adequate exceptions to competition rules.

Within this general framework, it is also of the utmost importance to strike a balance between competition rules, the way in which the relevant authorities implement them and the regulation of the agricultural and food sector. Rather than guarantee equal commercial relationships and fair pricing, the application of competition law to the original market of the agricultural products thwarts efforts to make the relationship between producers, industries and distributors more equal. Therefore, it is necessary to **introduce an exception to competition rules or establish their inapplicability to agricultural markets owing to the markets' specific needs.**

IT IS TIME FOR AN EU WIDE REGULATION OF THE AGRIFOOD CHAIN

The European Parliament, the Council and the Work Group for Agricultural Markets¹, **among many other European bodies, have recognised the need to address unfair commercial practices and power inequality in the European market.** This is in addition to the need to clarify that voluntary initiatives that seek to prevent unfair trading practices are insufficient. For example, in the final document of the Working Group on Agricultural Markets, there is a clear reference to the need to bring about new EU wide regulations to deal with these unfair commercial practices and establish effective enforcement systems in the Member States. For ECVC, this is absolutely fundamental and we need to draw attention to it urgently. We have had enough of analyses. It is time to act and develop a public community regulation that bans unfair commercial practices.

Therefore, **ECVC demands immediate action to increase farmers' incomes and improve their position in the agrifood chain. Now is the time to act, not carry out analyses. The farmers' situation is dire and we need to implement solutions.**

The conclusion of contracts for agricultural and food products must be obligatory in the EU. In these contracts, we must give due consideration to price, among other issues, bearing in mind production costs that the farmers have to cover.

However, we need to speed up the implementation of measures in possible **agreements that aim to spread power throughout the agrifood chain** by clarifying and adding more detail to the possibilities that the "Omnibus" regulation offers. This would enable us to provide farmers with a clear way to increase their incomes by obtaining some of the funds generated by the current system, which does not provide a fair or adequate price for their produce.

In concrete terms, we should eradicate unfair commercial practices because they generate unnecessary costs, reduce the profitability of peasant farms, distort competition and do not provide the consumer with any benefits. Moreover, they create unfair competition for operators that do not engage in these practices.

¹ - European Parliament report on Unfair Trading Practices in the Food Supply Chain

<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2016-0250+0+DOC+XML+V0//EN>

- Report by the Work Group for Agricultural Markets https://ec.europa.eu/agriculture/sites/agriculture/files/agri-markets-task-force/improving-markets-outcomes_en.pdf

- Strengthening farmers' position in the food supply chain and tackling unfair trading practices <http://www.consilium.europa.eu/media/22604/st15508en16.pdf>

It is essential that we introduce regulations to avoid abusive and unfair practices between different parts of the agrifood chain. There should be a mandatory regulation and a single legal approach across the entire European Union to prohibit certain abusive practices (selling at a loss, blind auctions, atypical payments...). Although Member States can have some leeway to adapt to their needs, the mandatory regulation and the single legal approach should apply to all commercial operations and act as a guarantee for equal conditions in the European Union. Currently, the approach differs according to each country.

Relying solely on a voluntary system to deal with unfair commercial practices is insufficient and ineffective. The ability to make complaints anonymously without the fear of facing repercussions from clients does not help producers. The main weakness of any voluntary system is the lack of an independent third party that can impose sanctions if the codes of good practice are not followed. Voluntary codes alone would only create synergy and be effective if they did more than previous, robust European regulations, for example if they used an entity to ensure implementation and independent control and had support in national legislation.

Bearing this issue in mind, it is also necessary to encourage collaboration and cooperation between different parts of the agrifood chain, including consumers, in order to create agrifood systems that truly improve long-term sustainability. This simultaneously improves economic, social and environmental conditions in the communities where people are trying to banish unfair and abusive commercial practices.

We should introduce **new measures to increase transparency throughout the agrifood system** in order to encourage effective competition conditions throughout the supply chain. To reach this aim, it could be useful to establish a **costs and prices observatory**. It would enable the analysis of markets and their prospects, which would help to make decisions to prevent crises and establish markets. Moreover, it is normal for buyers to have more information than the producers. This unequal share of information creates a lack of trust and power inequalities in commercial negotiations. To deal with this issue, we should encourage mandatory price reporting to cover information gaps in the system and the sharing of data collected to increase transparency. We should pay particular attention to the prices that the industrial sector and the wholesale industry identify as well as for the prices of agricultural and livestock inputs.
