



26 February 2024, Brussels

An adequate answer to the farmer's protest: fair prices through strengthening the UTP directive

ECVC demands an obligation at the EU level to ensure prices paid to farmers cover the costs of production, including a decent income for the work of farmers and agricultural workers and their social security contributions.

In recent months farmers protests have blocked cities all over Europe. ECVC firmly believes that the Spanish translation of the EU Unfair Trade Practice (UTP) directive is a good way forward to reply to the demand unifying most of the protests: fair prices for farmers' products. While some other national translation may be interesting, it is only in Spain that this law has been effective and actually made a difference in the price of the farmers: it actually obliges each link of the food chain to cover its production costs, starting with producers. Some key features are developed here, which should be taken up at the EU level of the directive in order to strengthen it.

Through the law, producers have the right to anonymously report anyone who purchases their produce at a price below their production costs, which they self-determine for their products on a case-by-case basis. Thus, purchase of produce at a loss can be punished with a fine of €3,000 to €100,000. It is important to have truly dissuasive fines. Repeat offenders can be fined at a higher rate, from €100,000 to €1 million euros. During the first quarter of 2023, the Spanish government announced that 55 companies had been sanctioned¹.

An instrument, created by COAG – one of the Spanish member organisations of ECVC and La Via Campesina - in 2008, together with two consumer associations, has been very important in giving transparency to the market:

- **The Origin-Destination Price Index (Indice de precios origen-destino - IPOD)** publishes an index every month to denounce the abuse of power and the imposition of prices below production costs by industry and distribution. This index started off back in 2008 as an initiative of farmers and consumer organisations, and it illustrated the difference between prices paid to farmers and by consumers. This amounted to more than 500%, indicating that the greatest beneficiaries of market deregulation have been the strongest operators (generally large-scale distribution) and the most disadvantaged were farmers and consumers, for whom prices at source are very low and yet consumers pay a much higher price than they would have to in a regulated market situation.

The core of the law are the two following functional instruments:

- **First, the Food Information and Control Agency (FICA)** which is the legal body of control, dedicated to collecting anonymously complaints and sanction from farmers, farming organisations, cooperatives and other entities in the chain. It also has its own capacity to carry out ex officio inspections of compliance and execution of contracts, on price abuses, lack of agricultural contracts, failure to meet payment deadlines and other abusive practices. It publishes the sanctions when they are final.
- **The Chain Observatory**, which is responsible for carrying out price and cost studies along the value chain of each agricultural and animal production. These studies are important as they

¹ https://www.aica.gob.es/Data/UPLOAD/PUBLICACION_DE_SANCIONES_01

are part of the possible references for farmers when they negotiate contracts. It also has to publish studies of costs, evolution of consumption and evolution of food prices.

Another key element is that in Spain, contracts – which are obligatory - must be deposited in an official register so that no changes can be made once complaints have been articulated.

The EU should include this high level of public control and price transparency. It should also pay attention to the following elements:

- Prices by law must cover production costs in each link of the chain, starting with the farmer and the cost must include a decent income for farmers and all agricultural workers.
- Selling at a loss is prohibited.
- Farmers must be paid in a maximum of 30 days when they sell a perishable product and 60 days if products are processed.
- Sanctions must be significant if the above points are not complied with.
- Price observatories at national and European levels must provide net margin levels by brand and manufacturer.
- There must be transparency on commercial negotiation conditions.

Finally, this law will not be completely effective without addressing international trade, removing the WTO from agriculture and stopping free trade agreements. A new trade framework based on food sovereignty should be implemented to enable the relocation of agricultural production and prevent national production from competing with imports that maintain low prices. Furthermore these free trade agreements deepen the climate and biodiversity crises and damage food systems in Europe and the rest of the world.

This law will not be enough to solve all the problems of agriculture in Europe but it is an important and vital step in the transition towards fair food systems.

The European Union adopted its last revision of the Directive on Unfair Trading Practices (UTP) in the agricultural and food supply chain in April 2019². The Directive bans certain „Unfair Trading Practices“ imposed unilaterally by one trading partner on another at the EU level in the agricultural and food supply chain. However, even though the directive is a step in the right direction, it does not go so far as to legally cover production costs. As seen in the farmers protest the national implementations did so far not improve the bargaining power of farmers. Hence ECVC is calling the EU commission to strengthen the directive at EU level and a national implementation based on the chain law in Spain.

Contacts

Morgan Ody – ECVC Coordinating Committee - +33 626977643 – FR, EN

Andoni Garcia Arriola – ECVC Coordinating Committee - +34636451569 – ES, EUS

Vitor Rodrigues - ECVC Coordinating Committee - + 351966468055 - PT, EN, ES

ECVC Office - press@eurovia.org - +32 2 217 31 12

² https://agriculture.ec.europa.eu/common-agricultural-policy/agri-food-supply-chain/unfair-trading-practices_en