

## SCI event Brussels, 24/1/2017 - Speaking notes ERRT President

Contribution on:

- where we stand with the SCI.
- reflection on behalf of ERRT on where we might be heading to.

Reference to developments of last year:

- EU Commission reported in January, slightly upbeat, concluding that there had been 'significant progress' over the last few years: 'The EU-wide SCI has been launched and gained significant participation'.
- More recently the European Commissioner for Agriculture, Phil Hogan, stated in the context of the AGRI Task Force report: 'The wind is at our backs, so we must not let the opportunity pass by.' The Commissioner sees apparently an opportunity to legislate.

As ERRT, we are for a number reasons not supportive of EU legislation.

- Although the AGRI TF report is misguided on recommending EU legislation on trading practices, it provides also several valuable market oriented suggestions to improve the position of farmers in the supply chain. The report also reminds us of the special characteristics of farming.
- For retailers farming is an indispensable and highly appreciated upstream part of the food supply chain. ERRT members are committed to work with farmers to enhance their position in the supply chain. Reference to dedicated partnerships with farmers. Also underline that retailers have few direct relationships with farmers. Majority of products sold are distributed from farmers, to food processors, packagers and transporters, before they end up on the retailers' shelves. Enhancing position farmers thus requires efforts throughout the supply chain.
- We have together with retail partners and food producing partners and initially also farming partners, established the SCI, which offers a set of clear principles of fair trading practices, as well as arrangements to solve disputes quickly and amicably.

Some important observations:

- Those who regularly publicly complain about being unfairly treated in the food supply chain, often have a very broad definition of unfairness (e.g. it is unfair not to cover at least the production cost and generate a profit margin). However, within the context of the Supply Chain Initiative fairness relates essentially to guaranteeing a fair process of trading negotiations. It is not about guaranteeing a certain predetermined outcome of those negotiations.
- Reference to Jérôme Bédier, Deputy CEO of Carrefour, who explicitly required to state in the AGRI TF report that the question of farmers' income depends on the market equilibrium, and not on unfair trading practices.
- Example: When an important agricultural trading partner like Russia imposes a ban on certain imported agricultural goods from EU farmers, this will have a big impact on some farm gate prices, which might fall at levels below production cost. This however has nothing to do with unfair trading practices and the price dip will occur regardless of EU legislation on trading practices. Retailers as partners of farmers in the supply chain help in such difficult circumstances to alleviate for them the price deterioration. Retailers run for

example extra marketing campaigns for the produce concerned, to push up demand. But this has its limits. Customers might be seduced to buy an extra kilo of apples or pears, but not a truckload.

- The AGRI TF report points out that despite consolidation, the majority of farms in the EU are still very small, what makes them vulnerable to market shocks. But in itself this has also nothing to do with unfairness in the food supply chain.
- Among those who lobby in Brussels for regulatory intervention, sometimes disappointingly low prices are mixed up with unfair trading practices. There have been several surveys among market participants on the occurrence of unfair trading practices. But it remains unclear to which extent respondents to these surveys mix up everything and therefore heavily over-report unfair practices. The outcomes of the surveys on unfair trading practices should therefore be considered with care.
- Participation of SME producers and in particular farmers in the Supply Chain Initiative should be improved. More participation would allow them to substantiate their allegations of unfair trading practices. This is a matter of fairness in itself. The burden to provide factual evidence of wrongdoing should be on those who allege that it occurs. The number of complaints remains fairly low. The third annual SCI Report (as presented at the event) is a testimony to that.

Political pressure to legislate at the EU level on trading practices in the food supply chain may be mounting, also from the side of the EU Parliament and a number of EU member states, but a critical look at the evidence on the table remains warranted.

- As ERRT, we trust that the EU Commission in its forthcoming Impact Assessment of policy options, including EU legislation on trading practices, stays firmly committed to its drive for Evidence Based Better Regulation.
- The proper functioning of the food supply chain, including its competitiveness and dealings with unfair trading practices, is of great importance for consumers, the companies in the chain and the European economy as a whole. This implies that overshoot and ill-guided policy interventions should be avoided.
- Reference to our openness to discuss any criticism on the SCI. We are currently within SCI reflecting on additional measures to make the Initiative even stronger and more independent. This despite the fact that the debate on trading practices in the European food supply chain has been small in providing evidence of wrongdoing.