Ref. Ares(2018)4912856 - 25/09/2018

EUROPEAN COMMISSION
DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

Directorate G. Markets and Observatories
Director

Brussels, 25 September 2018
AGRI/G.1/ML/pm (2018) 5446422

MINUTES

JOINT MEETING of the "EXPERT GROUP FOR HORIZONTAL QUESTIONS CONCERNING THE CAP" and the "CDG CAP"

Date: 11/9/18

Chair: Bruno BUFFARIA

Delegations present: All Member States were present, except Bulgaria, Croatia, Cyprus, Greece, Malta, and Romania. All CDG organisation were present, except Beelife, CEMA, ECPA, EFNCP, EISA, IEEP, Pan Europe and UEAPME.

1. Nature of the meeting

The meeting was not open to the public.

2. Presentations and discussion on market transparency in the food supply chain.

After an introduction by COM setting out the issues around market transparency (MT) in the food supply chain (FSC) there were a series of presentations that structured the debate between participants. Including question and answer sessions. Presentations are available on CIRCABC and will be made publicly available online.

In particular the meeting included the following:

a. A summary presentation of the previously held joint AGRI-JRC academic and industry expert workshop on market transparency (30-31 May), by Prof. Carlo Russo;

b. Presentations on the relevance of MT to three key agricultural sectors (dairy, beef, fruit and vegetables) and presentation on the work of the French Observatory on Prices and Margins;

c. Additional discussant insights and debate based on the previous presentations.

COM then wrapped up the day highlighting key messages having come out and thanking participants for their contributions.

<u>Organisation interventions – morning session:</u>

a. Summary presentation of the previously held expert workshop on market transparency (30-31 May), by Prof. Carlo Russo

COPA highlighted the importance of having up-to-date information available and asked the presenter to comment.

Prof. Russo stated that updated prices are needed for effective price discovery in the FSC. But it is equally important that high frequency data does not contribute to exploitation for abuses of market power.

CEJA inquired on the nature of current asymmetries of information between operators in the FSC.

Prof. Russo clarified that while data on producers and consumers can be obtained, data on processors and traders are difficult to find.

COM asked about the nature of the data that would be needed.

Prof. Russo replied that better industry analysis, going beyond only prices, including information on contract clauses and FSC structures.

COPA stated that at beef farmers level every possible piece of information available was provided to authorities. There is a lack of transparency downstream that increases asymmetries of bargaining power between producers and downstream operators in the FSC.

b. Presentations on the relevance of MT to three key agricultural sectors (dairy, beef, fruit and vegetables)

b.1. Presentation on the relevance of MT to the dairy sector, by Mr. Philipp Hildebrandt (DMK Group)

b.2. Presentation on the relevance of MT to the beef sector, by Mr. Joe Burke (Bord Bia)

Birdlife enquired whether environmental data and subsidy data should also be considered in relation to MT.

Mr Burke replied that in Ireland the carbon footprint of every farm was measured, even if not published individually. Environmental data should be considered when talking about MT.

A member of a CDG organisation asked, in relation to Mr Hildebrandt's statement that with the data that is publicly available it was possible to explain 70% of the market, whether this understanding was ex post or also looking forward.

Mr. Hildebrandt clarified it was ex post. There are good prognostic models but they still do not provide accuracy at the 1 eurocent level.

The Via Campesina representative asked Mr. Burke about the distinction between dairy and beef herds in Ireland.

Mr. Burke replied that dairy herds are increasing and beef cattle are reducing in proportion. A similar trend exists at EU level. This introduces complexity as average carcass weights are coming down, which is important to take into consideration

Additional discussant insights and debate based on the previous presentations

First discussant panel (Ms Latkowska and Mr Efken)

Ms. Latkowska, commenting on the previous presentations, stated that there seemed to be more information available in the dairy sector than in the pigmeat sector, both in the production and processing stages of the FSC. The 10% of information that is not publicly available referred to by Mr. Hildebrandt is clearly important. The interpretation made of the data, not only having the data itself, is also key, both for economic actors and for public policy-makers. Many factors influence market developments, beyond prices.

Mr. Efken, commenting on the previous presentations, also highlighted that much data is needed to have an overview of the market. Production levels are important to set expectations. It is also important that data are timely and easy to understand. Identifying the target audience for the data can inform how data is presented. Learning or feedback systems on data usage by agricultural producers and others would be useful. More information on market structures and organisation of the market should be considered. Given there are very different experiences in different MSs, there is scope for MSs to learn from each other.

COGECA highlighted the importance of data quality underpinning the information made available. The question of meat consumption data is an enlightening example of this: these data do not correctly reflect actual meat consumption. Care is needed that data is used appropriately.

Euromontana stated that there is an asymmetry of information between buyers and sellers (producers) in the FSC. Downstream from agricultural producers data is increasingly more difficult to find, this gives downstream sectors an unfair advantage in negotiations.

Greenpeace asked about data transparency on CAP payments to the agricultural sector. In response to COGECA, there is sufficient evidence that there is excessive red meat consumption, from a human health perspective. But agree that, in general, when underlying data used in studies is not of good quality this can confuse the debate.

COPA stated that while more data was important in the milk sector more up-to-date data is needed. High international exposure of milk markets makes this important. There is a lack of data on milk at distribution-retail and retail-consumer level. Lack of MT in the milk sector leads to a downward pressure on producer prices.

CLITRAVI highlighted the importance of market intelligence, and stated that better market intelligence was more important than new data in the FSC. There is high complexity downstream in the FSC, with many different products existing, and this may lead to too high amounts of data being made public to be of use. Increasing transparency would not aid in improving the negotiating position of agricultural producers.

Mr. Hildebrandt stated that whereas better use might be made of existing data, more data would be useful. Some types of analysis are currently limited due to data unavailability. Agreed that more data are needed on what type of transactions are taking place.

Mr. Burke agreed that market intelligence is key, rather than limiting objective to increasing market transparency. More data on trends and consumers is nonetheless needed. Detailed publishing of data on cattle prices has not led to collusion.

COM agreed that data quality and pertinence are key, and provided examples of current uses of per capita meat consumption, as well as how this data might be further refined, including better understanding of patterns of human and non-human meat consumption and of food waste. Information on direct payments is already publicly available.

Mr. Efken stated that average data alone was not sufficient to understand markets. Coefficients to transfer meat output to meat consumption need to be updated. Patterns of consumption have to be understood. Significant differences between individuals can exist: two thirds of German adults ate less than 200g/week or less of meat per week, one third ate 500g per day.

Mr. Russo pointed out that one of the reasons there is greater opacity downstream from agricultural production is that there is often a significant increase in complexity as one moves down the chain. It can be complex to keep tracking downstream because of distribution, transformation, etc. So there is a trade-off between wanting more information (which requires accepting greater complexity) and having data that is easy to understand. Questions arise of who should have the task of providing the final, processed information, that is understandable (public sector, FSC operators, including producer organisations, private consulting firms).

CEJA said that the need for more market transparency was not a matter of contention, and that there was general agreement that it would be useful for farmers to make better management decisions. However, further measures are needed, including improved education. Policy for agriculture in the European Union is increasingly more market-oriented, but for this process to be successful agricultural producers need to become more market-oriented too, and for this they need market information to observe market developments.

CONCORD asked for data on trade flows to Africa, for example on skimmed milk powder to West African countries (volumes and prices). There is an increase in exports that are in direct competition with local production in these countries.

CELCA highlighted the need to go beyond a focus on data and discuss knowledge and data intelligence. There is already a substantial amount of data available. More up-to-date data at EU-level would be useful, however. For example it is not yet known what happened this summer in terms of slaughtering at EU-level, whereas data in some Member States is available on a weekly basis The full context of the data is relevant, not only price data. There have to be concerns in terms of facilitating anticompetitive behaviour. Increased transparency negatively affecting market returns – for example third-country competitors would benefit from knowing more about EU prices in the FSC.

CLITRAVI highlighted the complexity of the FSC, including the global markets dimension. In this context a focus on prices exclusively would lead to wrong decisions. Even at MS level there is great complexity, at EU level even more so. The context of each particular market is important, both in terms of product markets and national markets – there can be great differences. Better market intelligence is needed, not more price data collection. The focus should be on improving understanding of market operation as a whole, then see what data is missing to understand markets better.

COPA stated that whereas agricultural producer data was highly transparent, further down the FSC this was not the case. It is key to have more information on market developments.

Mr. Burke pointed out the importance of meat in attracting shoppers in retail outlets, where those that buy meat spend three times more than those that do not. Meat is a key section of outlets for retailers.

Ms. Latkowska stated that while comparability of data is important having disaggregated data on processed products is key, even if not fully comparable, as they allow discerning trends in demand.

COM agreed that not only prices, but also market intelligence and understanding of market structure are necessary. Participants were invited to contribute to the development of the FSC market sectors description notes that have been uploaded to CIRCABC. These sector description notes are a first attempt to link analysis with identifying where and why some data or quantitative market info is missing and where effort can be concentrated. International trade data is available from COMEX for download. Work on improving usability is ongoing and will be made available through the agri-food data portal that is being developed. There are also efforts to make data available on a weekly basis (with a week's delay), using TAXUD custom surveillance data.

ECVC highlighted volatility of milk prices as an issue and questioned what the usefulness of increased market transparency would be for volatility. Price volatility is dependent on internal and external factors to the EU. Called for a minimum of regulation on production to avoid market crises. A cheese observatory has been helpful in determining how much cheese to place on the market.

COM stated that before policy design and information we need to start with an evidence basis, which is market transparency and data. This can be a point of consensus, as all those in the FSC as well as regulators can make use of such data.

Organisation interventions – afternoon session:

b.3. Presentation on the relevance of MT to the fruit and vegetables sector, by Mr. Francisco Borras (ANECOOP)

b.4. Presentation on the relevance of MT to the fruit and vegetables sector, by Ms. Testut-Neves (France Agrimer)

COPA called for measures to stop below-cost selling and asked for the panel to suggest measures to effectively meet that goal.

Mr Borras suggested that measures forbidding sales beneath purchase price would be sufficient. But these could possibly be circumvented by using intermediaries.

IFOAM inquired on the collection of market data for organic products.

Mr Borras stated that such data doesn't exist in a comprehensive form.

Ms Testut-Neves stated that in France there is some data now on organic food, which has started to be collected in collaboration with the French Agricultural Ministry and the Organic Food Agency.

Additional discussant insights and debate based on the previous presentations

Mr Kuhar called on FSC stakeholders to come up with focused, concrete proposals and not ask for whole new systems of comprehensive data collection. This is also the case for large scale systems of data analyses. In Slovenia there was a food-euro measure that was abandoned as support for it was withdrawn. The situation between Member States is very diverse. Communication is also important so that the messages coming out from the data are well understood. Smaller and concrete steps can be useful.

Mr Gardebroek mentioned that there was a need to better understand how price transmission along the FSC was working in different sectors within the EU. There is an increasing need for market transparency. There is plentiful data at farm level, and on consumers too, but other stages of the FSC are lacking, but important. There is less public data available, at least in the Netherlands (less auctions, more contracts). Data is also needed by public authorities, for example to identify possible instances of abuses of market power. The objective of public policy in increasing market transparency should be clear; is it timely provision of market information to farmers? Is it to protect consumers from high prices, e.g. by preventing collusion in the FSC? Is it to improve public policy in the FSC, for example by having an in-depth analysis of the sectors to understand whether they are working well?.

Mr Ihle questioned the usefulness of food-euro decompositions, such as those conducted by the French Observatory on Prices and Margins, in giving useful information to the public at large, operators in the FSC and public authorities. There are issues with presenting large volumes of data and comprehensibility of the messages. There doesn't seem to be a justification for replicating the model of the French Observatory on Prices and Margins for all Member States.

Ms Testut-Neves explained that the French Observatory on Prices and Margins was implementing existing French legislation and, so, following the wish of the French legislator. Currently there are no academic studies on the usefulness of the data provided by the French Observatory on Prices and Margins. But there is an increased use of the data by the media, by operators in the FSC, etc. There is also added value in associated services (marketing, packaging, etc.).

The French Representation added that the French Observatory on Prices and Margins provided useful information to frame the stakeholder debate in France. It saved time as all stakeholders had a common evidence basis on which to support their debates.

UECBV questioned the cost of the data of the French Observatory on Prices and Margins. The data is not used by FSC operators in agreeing their prices, it is more useful from a pedagogic perspective. Average figures are not useful for operators in the FSC.

COPA stated that where for downstream operators there were claims that there was no need for action on market transparency and that market transparency might be costly, on the agricultural producer side there was a clear need for more transparency. When operating in a market there is a need to perceive market signals effectively, and for that more transparency is needed. The creation of trust between stakeholders would also allow for more opportunities to add value in the FSC.

EUROMONTANA stated that the quality of the data reported by the French Observatory on Prices and Margins has been improving. The French Observatory on Prices and Margins, to their knowledge, only gathers data from existing sources, and has not led to increased data collection costs. Discussions between FSC operators are now more substantiated, due to the French Observatory on Prices and Margins. While public authorities have left the retail sector become increasingly concentrated, with a negative effect on competition and agricultural producers, there is a focus on intervening on competition and producer organisations, which doesn’t seem justified.

FoodDrinkEurope stated that in the French milk sector data from the French Observatory on Prices and Margins was not used in negotiations and in making business decisions. Average prices did not give sufficient information to allow this. More data was need on consumption patterns.

CEETTAR stated that there is an increasing regulatory and administrative burden, while prices are not increasing, which is damaging for producers. Imports are not subject to the same level of production standards (social, environmental, etc.). The European Commission should rebalance it’s policy to reduce inequalities.

COPA stated that, from their perspective, it was clear that observatories can be useful. Identifying what data is missing is key, and how an EU observatory might work.

Mr Gardebroek asked the participants to state how useful they found the data made available by public authorities. From his experience individual farmers are often not aware of this data and are not concerned with prices in other MSs, and have already access to most of their relevant price information. More information allowing sectoral analysis is needed (for example stocks). Researchers have not analysed much structural issues in the FSC.

COPA stated that it is important that information flows through the FSC. In the long run farmers will learn to use better data available from public authorities. Currently data being published by public authorities mostly comes from producers themselves, and the reason they may not be using such data much is that they already have the data.

Nordzucker stated there is a long track record with price reporting in the sugar sector and good collaboration with beet growers. As processors in the sugar FSC are the only ones reporting prices they are at a disadvantage when compared to other operators downstream. It is important to let the market function and for supply and demand to meet without unnecessary interference.

COGECA praised the newsletter of France Agrimer, and stated that the quality of the work of the French Observatory on Prices and Margins should not be contested. Market observatories are an extremely useful tool for farmers. A holistic view is needed that takes into account not only market transparency but also unfair trading practices.

CEJA stated that there is a responsibility of organisations representing agricultural producers to make these aware of the existence of observatories and other public data sources and to encourage them to use those data. There is room for improvement, for example in increasing the frequency of the publication of data. In the U.S.A. some processors have bi-daily price and volume data provided by the government. In the EU even having data every two weeks is seen as positive, but this should be more ambitious. While supply and demand forces in the market are welcome, producers need to monitor the market if they are to be supplying to it. That is not prices alone, information is needed on volumes, stocks, movements. The FSC can grow stronger and grow together if communication between operators is improved.

3. Conclusions

COM summarised that there were calls for better use of existing information, to improve data quality, to improve timeliness, to be mindful of costs of collecting new data, to consider environmental sustainability. There were also calls to better contextualise the data, to develop more structural analyses of the FSC. The provision of better market transparency overall would improve the resilience of EU agriculture. There is no attempt and there will be no attempt to go back and reintroduce fixed prices. The nature of indicators has to be considered, as simple averages may not be sufficiently useful. Some leading indicator prices, such as what was done in the grains sector, may be a solution, where actual prices are reported, but at specific prices for certain grades and locations. Many sources of information exist, some of these are private sources. COM buys some of this private data, but cannot publish it, so it is not accessible to FSC operators without the means to acquire it. If there is a concern with more equitable economic outcomes the conditions for those outcomes have to be created. Market transparency can play a role here. Mr Boras explained clearly the challenges faced by FSCs, and that not all the chains are the same. Some of the chains are working well – there was no mention of the grains FSC. An FSC that functions well allows all the different sectors to increase overall economic welfare. In that sense, the main lessons about the French Observatory on Prices and Margins is that the production of good information allows the building of trust along the FSC and improves the fluidity of its functioning. It allows for better negotiations between economic actors, and so it is important for the Commission to contribute to build this type of consensus. It was reminded that on 21 September COM organises a producers organisation conference.

4. Next steps

Currently the Commission is analysing the situation regarding market transparency and possible measures, which includes on-going dialogue with Members States and stakeholders via workshops and questionnaires. As the next step the Commission should decide on the measures to take and the instruments to use. While nothing concrete can be said before the analysis is finalised, the way forward on this issue might consist of an implementing act. The Commission hopes to complete this work in the first half of 2019 through this inclusive process.

5. List of participants

In attachment.

< e-signed >

Jens SCHAPS
Director

List of participants– Minutes

JOINT MEETING of the "EXPERT GROUP FOR HORIZONTAL QUESTIONS CONCERNING THE CAP" and the "CDG CAP"
Date: 11/9/18

FAMILY NAME	FIRST NAME	DELEGATION
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ANKA	Lonrencz	FoodDrinkEurope
AXELSSON	Susanna	Sweden
BARTHELMY	Roger	Ministry of Agriculture, Luxembourg
BEILE	Julia	JRC
BIGNAMI	Francesca	FoodDrinkEurope
BØJE	Cecilie	Denmark
BORRAS	Francisco	ANECOOP
BRANDNER	Ingrid	AGRI.G.1
BRICHART	Henri	COPA
BROŽOVÁ	Pavla	Czech Republic
BURKE	Joe	Speaker, AN BORD BIA THE IRISH FOOD BOARD
CALBRIX	Gérard	FoodDrinkEurope
CAPIAU	Jeroen	COMP
CECNILOV	Dmitrij	PermRep CZ
CELLETTI	Patrizia	Italy

CONTIERO	Marco	Greenpeace European Unit
CRETU	Alina	CEPM
CUNNINGHAM	Sarah	United Kingdom
DE LA VEGA	Nicolas	IFOAM EU Group
DEBERNARDINI	Mariana	CEJA
DERUWE	Helene	SACAR
DI CONCETTO	Alice	Eurogroup for Animals
DUPEUX	Berenice	EEB
EFKEN	Josef	speaker
ERNST	Cécile	France
FAYEL	Dominique	Euromontana
FEDAK	Maciej	Poland
FEURLE	Klaudia	CELCAA
FLOREZ	Luis	AGRI.G.2
GALL	Eric	IFOAM EU Group
GARDEBROEK	Dr. Ir. Cornelis	speaker
GEENEN	Hanne	Belgium
GENOVESE	Gianpiero	JRC
HAFNER	Andrej	Slovenia
HAINE	Daniele	Belgium

HEALY	Cormac	CELCAA
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IERUGAN	Aurora	AGRI.C.1
IHLE	Rico	speaker
JACOBSEN	Bente	Germany
JOLLY	Laurene	GROW-EXT
JORDANA	Ines	BirdLife Europe
KIONKA	Christian	FoodDrinkEurope
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KOSTOPOULOS	Konstantin	ELO
KRAL	T.	PermRep CZ
KRZYSZTOFOWICZ	Maciej	JRC
KUHAR	Ales	speaker
KUKOVICS	Sandor	COGECA
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LUND-LARSEN	Jesper	EFFAT
LUONI	Federica	BirdLife Europe

MAES	Jannes	CEJA
MAIERHOFER	Katharina	Austria
MAISON	Pierre	ECVC
MANANA	Nuno	Portugal
MANGEN	M.	Ministry of Agriculture, Luxembourg
MARTINEZ	Pascual	CELCAA
MCKEON	Niall	Ireland
MEISSNER	Matthias	WWF
MERIAUX	Jean-Luc	CELCAA
MESA MORA	José Antonio	ECVC
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MIRIZZI	Francesco	COPA
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MULLENEERS	Erik	Netherlands
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ROCHA	Ana	ELO
RODRIGUES	Orlando	Euromontana
RUETZ	Erich	Austria
RUIZ	Jabier	WWF
RUKA	Kristine	Latvia
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SANDU	Raluca-Elena	ENV
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SCHMIT	Frank	PermRep LU

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SCHWEIZER	Cyrille	France
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