**PRESENTATION AT CDG HOS "FRUIT & VEGETABLES"**

# Background (title slide)

* Market transparency is part of the initiative to improve   
  the functioning of the food supply chain
* In particular it is a follow-up of the report of the Agricultural Markets Task Force
* The two other components of the AMTF report are covered already:
  + On UTPs we have a political agreement on the proposal for a Directive, and
  + producer cooperation and value-sharing agreements were included in the ‘Omnibus Regulation’ (Regulation (EU) 2017/2393)

# Existing legal framework (slide 2)

* Market transparency has a legal basis in the CMO Regulation (1308/2013) and the related delegated and implementing acts (2017/1183 and 1185)
* This legal framework defines the objectives and requirements for the collection and dissemination of market data

# Economic context (slide 3)

* Market information is of increasing importance to the extent that
  + market orientation in the agri-food sector increases
  + as does market concentration at the processing and retail stages
  + while the entire chain integrates ever more into global markets
  + and consumer demand is changing, too

>> Many stakeholders and public authorities call for more market transparency

# Political context (slide 4)

* First – in 2016 – there were calls from both the Council and the Parliament to address the issue of market transparency along the food supply chain, and now that we working on the issue, both Council and Parliament want the Commission to finalise this work

# Baseline (slide 5)

* Downstream of agricultural producers, the food supply chain is a ‘black box’
* Prices are available on a weekly basis or even less frequently
* Some quantities are available on production levels and stocks,   
  even if some of these are only reported on a voluntary basis
* For some products all Member States report data, for others only   
  if their production is above certain thresholds
* Operators report to Member States, which verify and transmit the data to the Commission, but there is
* No coordination of Member States’ systems and no exchange of best practices
* This means there is a wide variety of national approaches   
  (from advanced market information systems to minimum reporting)
* The data that is reported to the Commission is disseminated through its systems   
  (dashboards, agri-food data portal, observatories)
* But some Member States, IBOs or market intelligence companies may also disseminate or sell related data

# Member States and stakeholders views (slide 6)

* The Commission has carried out a comprehensive consultation of Member States, stakeholders and technical experts, as you see on the slide
* Last year we organised in particular two workshops and we circulated specific questionnaires:

# Questionnaire – Stakeholders (slide 7)

* Over 50 responses were obtained from representatives of the various stages of the food supply chain – i.e. from trade, professional or business organisations:
* 22 from agriculture, 18 from food processing, 10 from wholesale & retail
* 98 % of respondents state that market transparency is necessary for competition in the food supply chain
* 73 % state that the current level of market transparency is insufficient or has a negative impact in their sector

# GREX/CGD workshop (slide 8)

Calls for:

* better use of existing information
* improved data quality
* greater timeliness of dissemination
* being mindful of costs of collecting new data
* considering other data like on environmental sustainability
* better contextualisation of the data, and
* structural analyses of the food supply chain

# Workshops (slide 9)

* More details can be found online

# Benefits of market transparency (slide 10)

* Operators in the food supply chain   
  (farmers, processors, retailers):
  + Increased production efficiency
  + Improved risk management
  + Better manageable price volatility
  + Increased trust
* Public authorities:
  + Reduced need for public intervention
  + More informed public policy
  + Better preparation for and response to crises
  + Improved enforcement
  + Multiplier effects for own spending to improve the functioning of the chain
* Other respondents also pointed to benefits for consumers, researchers and the environment (food waste)

# US Livestock Mandatory Reporting Act (slide 11)

* We did not only consult stakeholders and experts in the EU, but we also looked at examples from elsewhere, in particular at the ‘Livestock Mandatory Reporting Act’ in the United States.
* There the impact of the act is that
  + *Exercised* market power is reduced
  + Demand for agricultural products increased
  + The market has become more integrated
  + Spot & futures prices are more responsive – and converging
  + And these benefits are likely to be structural
* However, there are also concerns with market transparency, mainly regarding costs and the confidentiality of the information :

# Costs to public administrations (slide 12)

* Wageningen University has done a study on the costs of market information systems to public administrations, based on questionnaires and interviews
* There was a lot of heterogeneity, but the trends suggest that costs increase the more stages of the chain and types of data are covered
* Roughly the costs per sector and product are 2,000 to 80,000 EUR per year

# Costs to operators (slide 13)

* On the side of the operators, the JRC is currently finalising a study on costs
* The results are limited by the responses the JRC received with cost estimates, and costs are typically greater for large organisations, but:
* In most cases the additional reporting is expected to cost less than 10,000 EUR for setting up or expanding the system and for running it
* Even those costs fall further if the reporting is limited to prices

# Confidentiality and competition (slide 14)

* For confidentiality, the key is not to be able to identify individual operators
* This is already addressed in Implementing Regulation (EU) 2017/1185, as you can see on the screen
* On the other hand, at least bigger players already can have access – at least to some extent – to similar data from private market intelligence companies
* Making this data publicly available not only levels the playing field in this regard, it also allows competent authorities to be able to better spot irregularities
* Because for instance collusion is more of a structural problem that needs to be addressed by competition authorities than a problem of market transparency

# Conclusions - Next steps (slide 15)

* There is support to extend the collection and publication of market data *as long as* the:
  + system is not too costly
  + publication raises no new competition concerns
  + reporting is targeted on key products only
  + data are of good quality and published in a timely manner
  + information contributes to understand structural issues in the chain better
* The next step is to review the existing Implementing Act (2017/1185) – or rather its Annexes – to increase market transparency for key sectors and products
* Then, before the act can be adopted, there is a four-week *consultation period with stakeholders* on the proposed legal text
* But we expect to finalise the process before summer

# Thank you! (slide 16)

# Background and defensives

The food **industry** is opposing further legislation on market transparency. The over­arching argument is that existing data is sufficient and efforts should be focused on making better use of this data. This argument is valid to the extent that there are significant amounts of relevant data available at Member State level. One possible approach would therefore be to collect this information and report it at EU level. A pedagogic approach is needed to address this concern. In addition, under the current legal acts some data is already collected directly from the food industry (in particular from the meat and dairy sectors).

Specific objections of the food industry to increased market transparency include:

* Increased market transparency may facilitate anti-competitive practices.

>> There is only a concern about anti-competitive effects when and where operators can identify prices from individual companies – but existing legislation already addresses this concern (Regulations 1308/2013 and 2017/1185) by stipulating that data has to be published in a sufficiently aggregated form.

* Increased transparency is not only about prices, but also about other aspects, such as production levels, stocks, trade, consumption, contract types and the structure of the food supply chain.

>> AGRI agrees, but this is an argument to go even beyond price transparency, rather than an argument against price transparency itself. While prices may not be enough to fully characterise a market, they provide useful information to operators, in particular information on price changes and trends that can help producers make better production and investment decisions. Knowing prices is a necessary step for any market analysis.

* Increased market transparency will not balance the bargaining power of agricultural producers vis-à-vis the buyers of their products.

>> Market transparency is only one part of the initiative to improve the food supply chain – producer cooperation and unfair trading practices have already been addressed. Taken together, these elements will strengthen the position of farmers in chain. In any case, in negotiations where both parties are more equally informed is a situation where bargaining power is also more balanced.

* Reporting will be excessively complex given the range of products.

>> Only a few key products are targeted that are important for understanding the market – and much of this information already exists at Member State level.

* Reporting will be excessively costly.

>> There is already legislation that requires some operators to report market data to the Commission (via Member States). These operators have systems in place for data collection and reporting, i.e. the cost for reporting additional data is expected to be minimal. And a lot of information already exists at Member State level, i.e. bringing this information to EU level would have minimal costs.

* The situation in different Member States is very diverse and cannot be covered by a ‘one-size-fits-all’ approach.

>> Such differences are a call for increasing market transparency in a coordinated way across Member States.

* Communicating the new data may not be effective and confuse users.

>> Communicating what data means is a different issue from the collection of data. The way data is communicated is indeed important and the Commission has dedicated platforms in place – which it works to improve – such as the dashboards, market observatories, and the agricultural markets outlooks. However, effective communication of data requires that there is data that can be communicated in the first place.

* Increased transparency in the EU puts EU food processors at a disadvantage vis‑à-vis third country competitors.

>> Third country competitors are usually bigger enterprises that already can get access to relevant information from private market intelligence companies. Making this type of data public will therefore to rather improve the position of agricultural producers and the functioning of the food supply chain in the EU.

Agricultural **producers** support increasing market transparency (more and better – i.e. representative & reliable – market data from down the chain that is published at a high frequency). Producers highlight the existing asymmetry in access to market information between the production stage and other stages of the chain. The ad­van­tages they see are: Price data is a key market signal to inform producer deci­sions. Better and more data, esp. at the processing stages, is a pre-requisite for the analysis and better understanding of market developments. Increased market transparency can increase trust between operators.

The **retail** sector has stated that it is generally in favour of increased market trans­parency (it may benefit to the extent that it can better benchmark prices paid to its suppliers). However, should there be an introduction of data reporting obligations for retailers – where retailers are not already reporting the data at Member State level – this could entail additional data collection costs. A fallback position may be the introduction of voluntary reporting mechanisms for retailers. Reporting by retailers may also raise data confidentiality issues, as well as concerns with anti-competitive effects (noting that existing EU legislation on market trans­parency in the EU already protects confidentiality and addresses competition concerns). It is possible that the retail sector reviews its position when there are more details on what the Commission proposal includes.