



# Arable crops CDG

on contractual negotiations by  
producer organisations

*DG Agriculture and Rural Development  
European Commission*

Agriculture  
and Rural  
Development



## Producer Organisation/Group/Association ...

- **At the heart of the CAP since the Stresa Conference**
  - *In the price and market policy: e.g. sectoral market organisations*
  - *In the structural policy: e.g. support for the setting up of producer groups, support for marketing and processing structures*
  - *See Reg. N°26 of 1962 and in particular derogation introduced in Art. 2, which is currently embedded in Art. 209 of the CMO; Reg. 1308/2013*
- **Some basic objectives:**
  - *Concentration of supply and placing on the market*
  - *Strengthening of farmers' bargaining power in relation to food industry (recital 139 of CMO regulation 1308/2013)*



## ... new challenges to address ...

- **"Insecurities" driving the current policy debate?**
  - *Commodity price developments: volatility, co-movement and level*
  - *Supply concerns: terms of trade, productivity, climate change*
  - *Demand concerns: food chain "bottlenecks" in price transmission, economic and/or policy crises*
- **The 2013 CAP reform process can be viewed as an effort to address**
  - *Market failures, especially those linked to economic and environmental sustainability*
  - *Policy failure in areas linked to the fairer distribution and "green" targeting of support*
  - *"Linkage" in delivery of private and public goods (one as prerequisite for the other)*



## ... POs, a part of the answer ...

- **A new role for POs**

- *Commodity price developments: volatility, co-movement and level*
- *Creation of value and segmentation of the market*
- *Reduction of transaction costs and economies of scale*
- *Incorporating services to generate higher prices for producers and lower costs for the user/customer*

- **And therefore a new regulatory framework within Reg 1308/2013**

- *Art. 152-156: production planning, optimising production costs, Innovation & Research on sustainable methods, technical assistance, waste management*
- *Art 157-163 on Inter-branch organisation, recognition*
- *Art. 164 extension of rules, easing market balance, contracts*
- *Art. 169-171 on contractual negotiations for olive oil, live bovines and cereals sectors*

- **A differentiated approach**

- *F&V, Milk (Art.149), Olive oil, Hops, **Sugar***



## ... CAP complying with competition rules

- **Tension between CAP & competition policy**

- *"The maintenance of effective competition on the market for agricultural products is one of the objectives of the CAP and the common organisation of the relevant markets" (ECJ 2003, Milk Marque para. 57)*
- *Community competition rules are applicable in the agriculture sector (Article 206 CMO regulation; Milk Marque, para. 58)*
- *Having said this, precedence granted to the objectives of the common agricultural policy over those in relation to competition policy (Milk Marque, para. 81)*
- *Single market vs relevant market*

## SUGAR: What is an agreement?

"Agreement within the trade" means one of the following:

*"an agreement concluded, prior to the conclusion of any delivery contract, **between undertakings** or an undertakings' organisation **recognised by the Member State** concerned, or a group of such undertakings' organisations, on the one hand **and a sellers' association recognised by the Member State** concerned or a group of such sellers' organisations on the other;"*



## SUGAR: What says the regulation?

### *Article 125*

### **Sugar sector agreements**

"1. **The terms for buying sugar beet** and sugar cane, **including** pre-sowing **delivery contracts, shall be governed by written agreements** within the trade concluded **between**, on the one hand, **Union growers of sugar beet** and sugar cane or, on their behalf, the organisations of which they are members, **and**, on the other hand, **Union sugar undertakings** or, on their behalf, the organisations of which they are members.

2. **Agreements** within the trade as described in point 6 of Section A of Part II of Annex II **shall be notified** by sugar undertakings to the competent authorities of the Member State in which they produce sugar.
  
3. From 1 October 2017, agreements within the trade shall conform to the purchase terms laid down in **Annex X.**"

## *ANNEX X*

# **PURCHASE TERMS FOR BEET DURING THE PERIOD REFERRED TO IN ARTICLE 125(3)**

## POINT I

1. Delivery contracts shall be made in writing for a specified quantity of beet.
2. The duration of the delivery contracts may be pluriannual.
3. Delivery contracts may specify whether an additional quantity of beet may be supplied, and under what terms.

## POINT XI

[...]

4. Agreements referred to in paragraph 3 lay down, in particular:

[...]

(h) ***rules on adapting prices in cases where pluriannual contracts are agreed;***

## Concluding remarks:

- ~~price agreement~~
- "modifier"



**Thank you for your attention**

## New provisions in the CMO

- Articles 169-171 CMO on contractual negotiations introduced by Regulation (EU) No 1308/2013 (= Common Market Organisation regulation)
- Scope: allowing Producer Organisations (PO) and Associations of POs (APOs) in certain sectors to negotiate collectively
- Objective: strengthening of the bargaining power of producers
- Sectors: olive oil, beef and veal and certain arable crops

## Conditions of application of Articles 169-171 CMO

- PO/APO pursues one or more of the following objectives:
  - Concentrating supply;
  - Placing on the market of the products produced by members;
  - Optimising production costs.
- PO/APO integrates activities
- Integration leads to significant efficiencies so as to contribute to Common Agricultural Policy objectives
- More concrete:
  - Activities listed in Article
  - **Activities significant in terms of volume** of produce concerned **and** in terms of **cost** of the production and placing of the product on the market

## Conditions of application II

### Activities listed in the Articles:

- (i) joint distribution, including joint selling platform or joint transportation;
- (ii) joint packaging, labelling or promotion;
- (iii) joint organising of quality control;
- (iv) joint use of equipment or storage facilities;
- (v) joint processing;
- (vi) joint management of waste directly related to the production of olive oil;
- (vii) joint procurement of inputs;

## Conditions of application III

### Quantitative limits for contractual negotiations

The quantities for a which a PO can negotiate supply contracts are limited:

- olive oil: 20% of the relevant market
- beef and veal: 15% of national production
- arable crops: 15% of national production

Data on national production in the sectors is published in the Official Journal of the EU and on DG AGRI's website:

- [http://ec.europa.eu/agriculture/olive-oil/legislation/index\\_en.htm](http://ec.europa.eu/agriculture/olive-oil/legislation/index_en.htm)

- [http://ec.europa.eu/agriculture/cereals/legislation/index\\_en.htm](http://ec.europa.eu/agriculture/cereals/legislation/index_en.htm)

- [http://ec.europa.eu/agriculture/beef-veal/policy-instruments/index\\_en.htm](http://ec.europa.eu/agriculture/beef-veal/policy-instruments/index_en.htm)



## Questions

- a) Do you already have an idea if producer organisations will make use of the new provisions? What are the **possible obstacles** for their use?

### **Conditions for contractual negotiations:**

- b) What are the **most significant activities of a PO in terms of cost** for the production and supply of products in the three sectors, looking in particular at the following activities: distribution, packaging, promotion, quality control, storage, equipment, waste management, procurement of inputs?