

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 11/24/2009

GAIN Report Number: E49080

Belgium EU-27

Post: Brussels USEU

Commission Communication on better functioning food supply chain

Report Categories:

Agriculture in the Economy

Approved By:

Debra Henke

Prepared By:

J. Barrie Williams

Report Highlights:

On October 28, 2009, the European Commission adopted a Communication on '[A better functioning food supply chain in Europe](#)'.

Having noted that the sharp decline in agricultural commodity prices of 2008 has so far failed to fully translate into lower food prices at producer and consumer levels, the Commission has identified the following three priorities:

- a. promote sustainable and market-based relationships between stakeholders in the food supply chain;
- b. increase transparency along the chain to encourage competition and improve its resilience to price volatility;
- c. foster the integration and competitiveness of the European food supply chain across Member States.

General Information:

The Communication on '[A better functioning food supply chain in Europe](#)' that was adopted by the European Commission on October 28, 2009 notes that the sharp decline in agricultural commodity prices of 2008 has so far failed to fully translate into lower food prices at producer and consumer levels. To counter this asymmetry, the Commission has identified three priorities:

- a. promote sustainable and market-based relationships between stakeholders in the food supply chain;
- b. increase transparency along the chain to encourage competition and improve its resilience to price volatility;
- c. foster the integration and competitiveness of the European food supply chain across Member States.

In response to priority a), the Commission considers that action is needed to eliminate unfair contractual practices between actors in the food supply chain. To this end the Commission intends to work with Member States to exchange information on contractual practices, launch awareness campaigns to inform stakeholders of their contractual rights, and exchange best practices on notification of contractual practices (e.g. Ombudsmen and actions by enforcement authorities). On the basis of the information gathered, the Commission will work together with the food supply chain stakeholders to prepare sets of standard contracts (the use of which would be voluntary). Additionally, unfair contractual practices in the Internal Market would be assessed and Community measures to address such practices would be proposed as appropriate. The Commission also proposes to create, where necessary, joint working teams within the [European Competition Network \(ECN\)](#) dedicated to the analysis of specific practices and markets which may be critical for the functioning of the food supply chain.

In response to priority b), the Commission will make proposals to improve the oversight and overall transparency of agricultural commodity derivatives markets. The Commission has also published the first edition of the European Food Prices Monitoring tool and commits itself to examining ways of developing it further. With this in mind, it calls on the National Statistical Institutes to collect the necessary data to achieve broader coverage starting from the summer of 2010. Furthermore, the Commission recommends that all Member States have web-based and easily accessible food retail price comparison services.

In response to priority c), in order to remove obstacles and end practices that fragment the Internal Market, the Commission will assess measures to address territorial supply constraints and will produce an Impact Assessment based on a detailed study by the end of 2010. The Commission also urges the Council and the European Parliament to rapidly adopt the Commission's proposal for the revision of the legislation on labeling rules. Additionally, the Commission will review selected environmental standards and origin labeling schemes that may impede cross-border trade, with a view to establishing whether the policy objectives of those regulations can be achieved with less impact on the integration of the food supply chain. It will also work with Member States and the industry towards better

harmonizing the implementation of food safety standards. In order to foster the competitiveness of the food supply chain, the Commission will promote the restructuring and consolidation of the agricultural sector both in the context of the Rural Development policy (notably by encouraging the creation of voluntary agricultural producer organizations) and in the broader context of post-2013 Common Agricultural Policy. This will first be examined for the situation in the dairy sector by the High Level Expert Group on Milk. The Commission will also take action to bring forward the proposals of the High Level Group aiming to improve the competitiveness of the agro-food sector, notably of Small and Medium sized enterprises, and to foster innovation and exports in the sector.