

Joint Statement

More vigilance required on retail alliances for a stronger EU agri-food supply chain

The following statement is issued on behalf of three trade associations representing farmers and agri-cooperatives (Copa-Cogeca), food manufacturers (FoodDrinkEurope) and brands (AIM) in response to the European Commission Joint Research Centre (JRC) report on retail alliances and their impact on the food supply chain, which was published on 13 May.

Brussels, 15 May 2020 – We welcome the JRC report on retail alliances and their impact on the agri-food supply chain, which confirms that unfair or anti-competitive behaviour may arise with retail alliances. The report, however, also demonstrates that more research is needed to understand the negative effects of retail alliances on the entire supply chain. By 1 May 2021 EU Member States are expected to adopt and publish their measures to transpose the 2019/633 Directive on Unfair Trading Practices and this report is a timely reminder of the goals of the Directive, addressing a number of unfair trading practices applied by buyers or groups of buyers to the rest of the supply chain.

We commend the JRC for analysing this complex issue as it is important to have clarity and transparency on how behaviour in one link in the chain will have significant cascading effects on the rest of the chain, from farm to fork.

The analysis, launched at the request of the European Parliament following the successful adoption of the Unfair Trading Practices Directive in 2019, which all three of our associations fully supported, provides an overview of how retail alliances have been established and operate. It points out that they have led to an increase in market concentration, for example in France, where four alliances represent 90% of grocery sales. Retail alliances in other markets, such as Germany, Italy, the Netherlands and Belgium, hold a similarly powerful position.

The report acknowledges that such concentration may give rise to anti-competitive or unfair trading practices, which “*may negatively affect consumers or upstream supply chain actors*”. Without the necessary safeguards, the pooling of buyer power results in important imbalances to the disadvantage of suppliers. For many suppliers, the pressure and fear factor can reach extreme levels, forcing them to accept payments below the cost of production.

The report points out that the “*possible benefits that RAs can provide to consumers might be off-set by the possible harm inflicted on upstream actors*” and it therefore urges “*authorities to remain vigilant in order to address possible concerns arising under EU competition law, the Unfair Trading Practices Directive, and relevant national legal provisions*”. The analysis shows that possible efficiencies of retail alliances on consumer prices may be limited, particularly in the case of alliances of large retail chains that are active in the same market. The potential benefits of such efficiencies should always be weighed against the negative effects on product innovation, sustainability and overall competition in the market. European retail alliances tend to negotiate with international suppliers both for brands and private labels, as alliances “*have important network effects ... obviously farmers are also indirectly linked to retailers when agricultural products are processed into final food products*”. The UTP Directive impact assessment

provided the background to the complex interactions and dependency in the agri-food supply chain, which have become more visible with the current COVID-19 crisis.

We call upon Member States to continue to drive a 'fairness for all' approach and ensure the prompt implementation of the UTP Directive by 1 May 2021 (applicable by 1 November 2021) to enable a strong and healthy European agri-food supply chain.

The questions raised by the JRC report should drive the European Commission and national competition authorities towards more scrutiny in the set-up and operation of retail alliances and to further research the effects of these alliances on the supply chain. Such deep analysis would allow for a holistic policy approach to the functioning of food chains, based on transparency and fairness across the supply chain.

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About

AIM is the European Brands Association representing brand manufacturers in Europe on key issues which affect their ability to design, distribute and market their brands. AIM's membership comprises 2500 businesses ranging from SMEs to multinationals, directly or indirectly through its corporate and national association members.

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Copa and Cogeca are the united voice of farmers and agri-cooperatives in the EU. Together, they ensure that EU agriculture is sustainable, innovative and competitive, guaranteeing food security to half a billion people throughout Europe. Copa represents over 23 million farmers and their families whilst Cogeca represents the interests of 22,000 agricultural cooperatives. They have 66 member organisations from the EU member states. Together, they are one of the biggest and most active lobbying organisations in Brussels.

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FoodDrinkEurope represents the food manufacturing industry. Made up of 294,000 business and 4.7 million workers, the food and drink industry buys 70 percent of all EU agricultural produce and is Europe's largest manufacturing industry.

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