



### PFP Position on market transparency

*PFP (Primary Food Processors) would like to register their concern regarding the initiative to broaden the scope of the system of notifications for the agricultural sector. Market transparency from the agricultural and first processing stages of the food supply chain is currently sufficient, and increasing it risks undermining our negotiating position.*

#### PFP main activities

Primary Food Processors is composed of six trade associations, representing manufacturers of sugar, starch, flour, vegetable proteins, cocoa, and vegetable oil and protein meal products respectively.<sup>1</sup> The principal activity of PFP members is to process agricultural raw materials into a range of commodities or ingredients that are purchased by secondary processors for food, feed and non-food uses. The position of PFP in the food supply chain means that we enjoy strong links with farmers. The sector directly employs over 120,000 people in the EU and provides one million indirect jobs.

#### Market transparency

PFP finds that overall there is sufficient market transparency, from both public and private sources, for all stakeholders to obtain a comprehensive overview of agricultural markets. In particular, the market observatories provide data and facts that support market transparency and PFP sectors have shown good will by contributing constructively to providing intelligence and data to the Market Observatories on sugar, crops and proteins.

This draft Implementing Regulation is aimed at increasing market transparency along the chain to the benefit of farmers, in order to provide them with “accurate and timely market data”. However, PFP considers that the proposal will not achieve this objective and could, if not amended, weaken some supply chains to the detriment of farmers as well as primary processors.

The European Commission has so far failed to recognise that excessive price transparency can distort the proper functioning of supply chains. In the first place, additional information from the first processing stage would exacerbate the information asymmetry that already exists with secondary processors and retailers, reducing the already-limited room for manoeuvre afforded to primary processors in contract negotiations. The proposals put forward would do nothing less than further distort competition. In essence, the inherent

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<sup>1</sup> These are: the European Committee of Sugar Producers (CEFS); the European Starch Industry Association (StarchEurope); the European Flour milling association (The European flour millers); the European Vegetable Protein Association (EUVEPRO); the European Cocoa Association (ECA); the European Vegetable Oil and Proteinmeal Industry (FEDIOL). For more information see <http://www.pfp-eu.org/>.

## The Vital Link in the Food Chain

assumption by the European Commission that more transparency would lead to increased prices for farmers is fundamentally flawed. From past experience, it is clear that additional transparency in prices towards secondary processors and retailers exerts uniformly downward pressure on the prices of primary processors and – consequently – farmers.

Furthermore, officially-published price information can also be easily misinterpreted. The European Commission is rightly regarded as a reference point by actors throughout the EU agri-food sector, and the publication of unrepresentative information could put severe strain on the proper functioning of the supply chain. To name but a few examples:

- The proposal to introduce a distinction between the notification of long- and short-term contract prices in the sugar sector would be particularly damaging in this regard, given that short-term contracts account for only small quantities of sales in the major western European sugar-producing countries.
- There are several hundred types of wheat flours available on the EU market. Given that the most representative type varies from one Member State to a next, the data are not directly comparable.
- There is no justification to opt for a weekly notification regarding wheat flour market prices, when a monthly basis would give the same information and is more desirable from an administrative burden point of view.
- For special grades of crops, such as non-GM or organic, reporting is not relevant since these crop materials have to be purchased according to prior-agreed contracts, often put in place months out, and are supplied on a campaign, rather than on a weekly or monthly, basis. The costs of these materials are also variable; each contract cost can be different depending on growing region, quantity and quality specification.

Primary processors depend on remunerative prices for their products to be able to source raw materials at a fair price from farmers. This is because in a number of cases within the primary processing sectors, farmers and processors are one and the same, organised as cooperatives. In other cases, value-sharing ensures that market benefits and risks are shared between both parties. By weakening our joint negotiating position, the proposals put forward would diminish the share of value received by primary processors and farmers alike.

In still other cases, Primary Food Processors hedge and buy their agricultural raw materials on EU and global commodity derivative markets, which provide transparent prices to all market participants along the supply chain and allows them to manage their price risks.

PFP strongly opposes the provisions in the draft implementing regulation as they currently stand, which risk severe damage to the position of first processors and farmers in the food supply chain.

