Survey of activities in food price formation, transparency and monitoring along the chain (already submitted to Italy in the context of the 3rd Food Chain Analysis Network (FCAN) meeting in 2011).

The objective of this initial meeting is to exchange information and experiences with respect to new initiatives and ongoing activities in capitals on understanding and monitoring the issue of price formation and transmission throughout the chain from producers to consumers. It is the intention of the Network to be as inclusive as possible for this topic thus encouraging the participation of different stakeholders either directly or indirectly through their delegation.

To the extent possible the OECD Secretariat will attempt to briefly summarize what Members consider to be the main economic policy issues in the price formation and transmission of food prices along the chain for the different stakeholders and how these are being addressed in capitals. The attached survey is to provide the OECD Secretariat with information for the summary to be distributed prior to the meeting.

I Are price formation, transmission and transparency issues along the food chain important and if so for which stakeholders and why?

Price formation, transmission and transparency along the food chain are important issues, not only for institutional bodies (Agricultural Ministry, Regions, Market Competition Authority), but also for producers, producer's unions, trade-unions, associations and more generally agribusiness and agro-food industry stakeholders and representatives of different stages of the supply chain and consumers (in addition to specialized and not specialized press and mass media, including television).

From the institutional point of view, the importance of these issues is related to the necessity to dispose of data to apply intervention measures (subsidized insurance, CMO measures, animals refund), and to comply with the Community rules on the prices transmission to the EU.

From a private point of view, stakeholders need price information to know market trends, and to have timely information about the relation between supply and demand and to know income levels of their associated.

In general, those issues are close related to the good functioning of market and their observation can give an idea of bargaining power.

II. What are the three most important issues with respect to food prices that have raised concern over the recent period?

1. Price volatility and the possible following speculative wave, with its impacts on agricultural producers.
2. The ratio between the farm-gate prices of agricultural products and production costs, following the rise of prices commodity, with the aim to identify the possibilities of stabilizing the farmer's income.
3. The correct distribution and price transmission along the supply chain to ensure compliance with the prerogatives of the various stakeholders of the chain, and especially the farmers income and the consumer protection,

III. Have you undertaken any institutional initiatives in recent years to improve your understanding of impacts of price formation, transmission and transparency on stakeholders in the food chain? Do these involve more than one ministry or units in a ministry, and if so which? These should include new working groups, new statistical units and special government offices and how they are administratively set up and operate. Any cross department activities in this area would be of particular interest.

Yes, recently Ismea has realized many studies and analysis on price transmission along the supply chain. Regarding this issue, Ismea has published the following study: "Check-up 2013 - The competitiveness of Italian agrifood".

It provide a deep analysis of the value chain and aims to quantify the division of the value of the goods produced by the agricultural sector and by the food industry and purchased by end users, among those who, directly or indirectly, become part of the production and distribution process.

The study has been realized through data coming from Ismea monitoring system, by internal researchers. Furthermore, Ismea has developed its network for monitoring production costs, at farm level, farm gate prices, and consumer prices.

IV. Are there non-governmental institutions which are involved in the same activities? Please include trade unions, co-operatives, consumer groups or business Associations.

In Italy, there is another body working on collecting agricultural products prices: the Chambers of Commerce, but they do not work on the price transmission along the chain. Furthermore, they do not monitor whole sectors such as fruit and vegetables.

V. Please describe briefly statistical and analytical activities undertaken on a regular or ad hoc basis. Please include special studies and research projects, database development, statistical analyses and other relevant activities.

On the issue of agricultural and agrifood market Ismea realizes the following activities:

- price collection at every level of the agrifood supply chain (producton costs, farm gate, wholesale, retail);:
- quarterly survey on panel of stakeholders (farms, processing);
- consumption observatory;
- organic and geographical indication products observatory;
- agrifood chain and market analysis;
- economic/financial analysis.

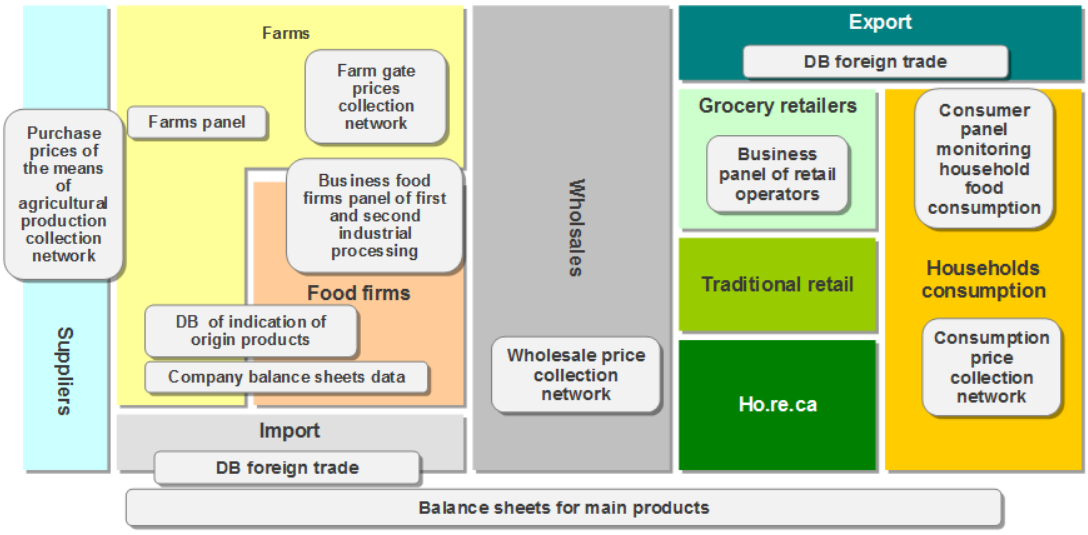
All processed data, studies and analysis are published and disseminated on the web site: www.ismea.it and www.ismeaservizi.it , particularly:

- Weekly reports news about market trends of every agricultural and agrifood sector;
- Quarterly reports about market trends, production, consumption, external trade, forecast of every agricultural and agrifood sector;
- Annual Check up about market trends, production, consumption, external trade, forecast of the agricultural and agrifood sector;
- Annual financial report of the most important agricultural and agrifood sector;
- Monthly and annual report on organic products;
- Annual report on PDO products.

The following slide resumes all ISMEA monitoring tools on agricultural and agrifood market.

MARKET AND INFORMATION SERVICES
ISMEA INFORMATIVE NETWORK ASSET

ISMEA set of tools for food chain monitoring



Information concerning the role of institutions in providing food price formation data and analysis.

OECD Secretariat set of questions

The Italian agricultural market monitoring system

1. **Is there a monitoring entity of food prices, food price transmission and/or of contractual arrangements along the chain in your country? What is its name? When was it established? Does it look specifically at certain products/sectors?**

The monitoring entity of food prices monitoring and food price transmission in Italy is ISMEA, the Institute for Services on the Agricultural and Agrifood Market, a public body that works on behalf of Agricultural Ministry.

ISMEA has been created in 1965, at that time his name was IRVAM, in 1987 the institute acquired its current name, while in 2001 there has been the last reform of Ismea that acquired the present structure and functions with the Decree of the Republic President n. 200.

Anyway, over time ISMEA has been taking on other roles and functions. Nowadays ISMEA's mission can be outlined as follows:

- to provide support to the policy-makers and public administration with analysis on policies and trends of the agricultural sector, to favour agricultural production and increase its value;
- to provide information and services to public and private companies involved in the processing and marketing of agrifood products, aiming at improving transparency in agricultural markets and at stimulating the matching of supply and demand in agricultural markets;
- to develop marketing activities and consulting for small-medium business units producing quality products, in order to favour agrifood products trade in domestic and international markets;
- to carry out support services to set up, manage, monitor and evaluate development programmes;
- to carry out support services to private enterprises actions for technological innovation, cultural reconversion, environment enhancing;
- to carry out operations of rural land reorganisation and to subsidise agricultural business units by granting guarantees and financial facilities;
- to introduce and develop new financial and guaranteeing instruments for promoting and busting young agricultural entrepreneurs;
- to manage and implement public actions of land privatisation.

ISMEA is the reference point for exhaustive information on the agricultural and agribusiness sector and it is the centre of a network of international records. The ISMEA core business is data collection, analysis and market information. The monitoring system of ISMEA, built with methodologies certified by the National

Institute of Statistic and working with procedures certified in compliance with the Norms UNI EN ISO 9001:2008, assure not only price collection at every level of the agrifood supply chain, but also:

- quarterly survey on panel of stakeholders (farms, processing, distribution);
- consumption observatory,
- organic and origin indication products observatory,
- agrifood chain and market analysis,
- economic/financial analysis.

On this issue ISMEA has participated and participates to different European Twinning Projects:

- "Moldova Improvement of Marketing of Agricultural Products" (TACIS Programme - DG I – 1996/1999);

- RO00 IB/OT/02 "Compliance of Agriculture Statistics with the norms and standards of the European Statistical System"

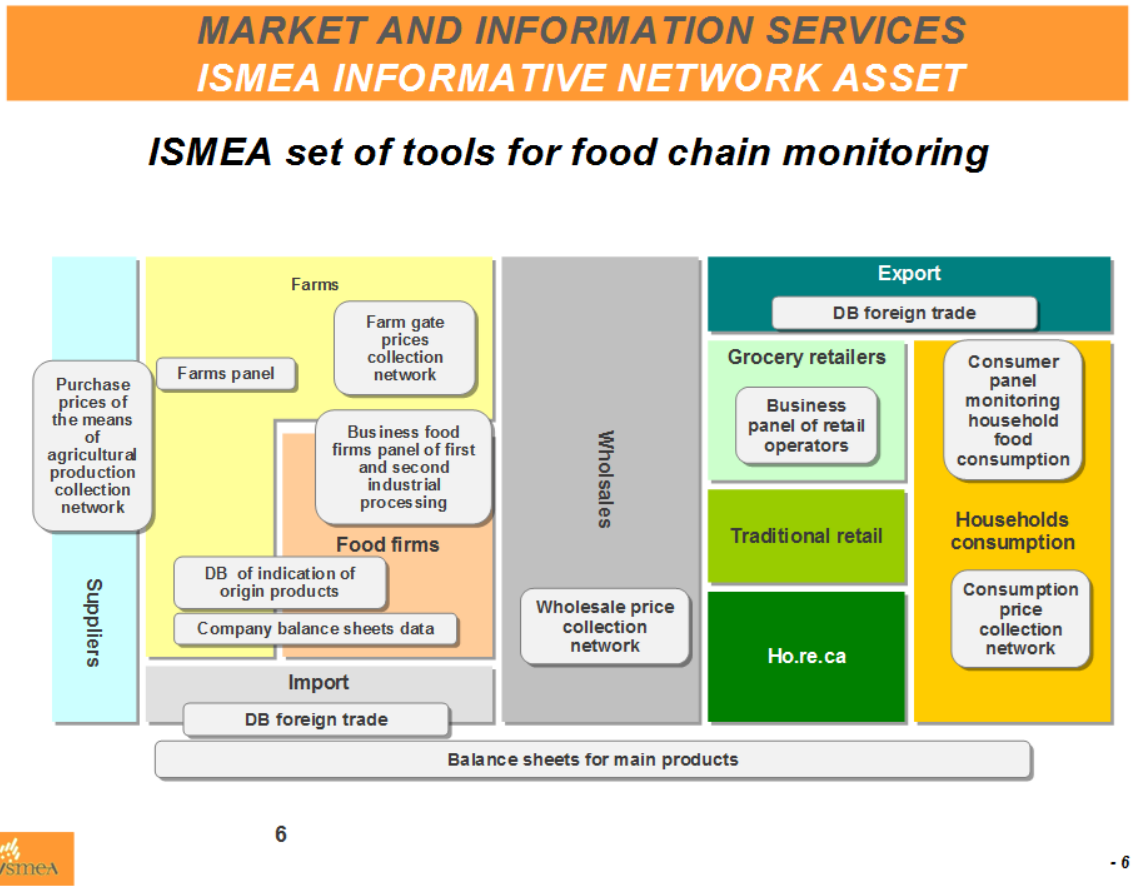
- PL2000/IB/AG/09 "Preparation for selected Common Agricultural Policy instruments"

- PL 2001/ IB/AG/04 "Organic farming"

- MT 2000 IB/AG/01 "Setting Up the integrated administration and Control System"

- DZ_11_AA_AG_09 "Creation of a market Observatory for the most important agricultural Algerian products"

The following slide resumes all ISMEA monitoring tools.



The ISMEA monitoring system collect prices of more than 600 agricultural and agrifood products.

All processed data, studies and analysis are published and disseminated on the web site: www.ismea.it and www.ismeaservizi.it

2. What is the rationale behind the existence of this monitoring entity? What does it add to what was done in the past in terms of monitoring food prices in your country?

The rationale behind the existence of the monitoring system of ISMEA is the necessity and opportunity for Ministry to assure:

- market transparency, reducing information asymmetries between operators, and protect the interests of consumers;
- support to the competitiveness of enterprises, monitoring the functionality and efficiency of the markets and of the food chain through independent analysis;
- improve relationship between the agro-food operators and banks and insurance companies, through a deeper knowledge of sector and a better assessment of the risk profile of the economic-financial enterprises.

It allow the operation of some instruments of national and EU policy.

In fact, the monitoring system assure the timely delivery of prices:

- for policies insurance
- for the refund in case of animal disease;
- to comply with the EU Regulations regarding the price communication to the EU;
- to the National Authority for Market Competition;
- to mass media;
- to disseminate internet all data;
- to analyse the agricultural and agrifood sector;
- to arrange study for the Policy makers.

ISMEA (until 1987 IRVAM) actually represent the only experience of governmental and institutional monitoring system.

The development of the methodology and procedures of collection price, as well as the certification in accordance with ISO 9001:2008, have consolidated and strengthened the system and the results obtained, in terms of timeliness, scope, coverage of products and territory, reliability and impartiality.

3. **Can you identify three key objectives of this institutional initiative? Have they been reached? Did you set up an assessment process? Can you describe experiences that were not as successful?**

In these last decades, CAP has undergone great changes that we can summarize by sayng that farms and farmers are much closer to the market than some years ago and they need market information in order to make their business decisions.

In this context we can identify the following three key objectives:

I. Market transparency
II. Market price availability at the different stages of the supply chain for the exhaustive Knowledge to check the proper functioning of the chain.
III. Agricultural farm price knowledge for the application of many support measures and intervention in agriculture.

At the question*: "have they been reached*?", Ministry representatives should be answer.

From the point of view of ISMEA, surely the results of the monitoring system assure the objective described above.

From the point of view of the process management it must be emphasized that:

- the monitoring system is certified according to ISO 9001:2008, that involves the adoption of evaluation system of internal processes;
- Ismea is part of the National Statistical System and the price collection is part of the National Statistic yearly Plan; this means that ISTAT verify the applied methodologies;
- Every year, the results of the activity are evaluated through a customer satisfaction survey among users of the ISMEA information service on the food market.

Actually, any new initiatives and experiences have been taken with unsuccessful outcomes, the activity of price collection is well established and follows standard procedures and is constantly monitored.

4. Who are the "clients" of this monitoring entity: government, specific stakeholders along the chain, consumers? How do they use the tool to your knowledge?

I. Agricultural Ministry, Regions.
They use the tool to apply intervention measures (subsidized insurance, CMO measures, animals refund), and to comply with the Community rules on the prices transmission to the EU.
II. Market Competition Authority. They use data for monitoring market transparency along the chain.
III. Agricultural, agribusiness and agro-food industry stakeholders. They use price information to know market trends, and to have timely information about the relation between supply and demand.
IV. Associations, Consortium and Producers Union, representatives of the different stages of the supply chain. They use data to know income levels of their associated.
V. Specialized and not specialized press and mass media, including television; they use data to make and disseminate information.
VI. Ismea financial and insurance tools utilize prices collected by the monitoring system of the Institute.

5. What is the cost of getting this monitoring entity up and running in terms of:

- Involvement of ministries, statistical offices, stakeholders along the chain

- Financial implications for its regular functioning

The ISMEA Monitoring system involves an external network of about 200 interviewers, 20 livestock markets and 10 wholesale fruit and vegetable markets in Italy, 26 fishery markets.

Regarding the consumer prices, the network involves 700 sales points of the large retail distribution.

The quarterly survey are addressed to a panel of 900 farms and 1200 food industry companies to collect data about the economic and market situation, productions and trade of the main products.

Nowadays the functioning of all monitoring tools costs about 1,5 Mio€ (internal and external costs) per year.

6. What are the future plans for this entity?

The future plans future plans involve the maintenance and consolidation of the information service, trying to rationale costs and finding sources of funding alternative to the Ministry.

In effect, given the actual economic crisis the funds available for the ISMEA monitoring system have suffered a sharp decline.

7. If you do not have such a monitoring entity, are data on food prices at different levels of the chain available publicly? Is food price transmission or transparency an important issue for your government, for consumers and for stakeholders along the chain? Is there a plan to set up a monitoring entity? Did you have one in the past and why did it stop operating?

-

8. Does the private sector have a demand for and willingness to provide greater transparency regarding price formation along the food chain according to your experience?

According the ISMEA experience there is a strong demand of market transparency; anyway, this need is rarely accompanied by the willingness to participate in providing data.

The private sector normally shows a great interest in the knowledge of price formation along the food chain, even if the interest became stronger every time the price volatility rises up.

9. Have you identified impediments to price transmission along the food chain? What policies do you think might help mitigate those impediments? Have policy actions been taken? For example, have measures been taken to ensure that food markets are competitive and integrated in your country? What is your assessment of their effectiveness? Are any future policy initiatives affecting relationships along the food chain in the pipelines?

I. Normally, in Italy impediments to price transmission along the food chain are represented by a lot of factors; the most important is the weakness of producers respect to the traders, due to:

- the supply structure is very pulverized (high number of producers);
- the italian territory geography: consumption centers are far away from production areas;
- high cost for trading services;
- high cost to make products marketable.

II. The most important solution to this weakness is the attempt to aggregate producers and the politic initiative in this direction has been taken by the support to the constitution of the PO, the Producers Organisation, envisaged within the CMO EU regulations.

III. In the context of Fruit and Vegetables CMO, a special survey has been realised by ISMEA to evaluate its effectiveness; regarding the issue of this questionnaire, it is quite interesting to emphasize that one of the most important result has been that aggregated producers (in the PO) sprout higher prices than the producers that cater to the market individually. The report of this study is available on Ismea web site at this link: http://www.ismea.it/flex/cm/pages/ServeBLOB.php/L/IT/IDPagina/7903

IV. Relationships along the food chain is a topic closely followed and cared for; referring to this, it can be sued a study carried out by the Market Competition Authority with the collaboration of Ismea, on the bargaining power of retailers in the food chain.