Survey of activities in food price formation, transparency and monitoring along the chain
Submission by The Netherlands

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

Price formation, transmission along the chain and transparency get much attention of farmers unions and the dutch food processing industry. They have the feeling that retail chains are forcing them to accept low prices and apply unfair trading practises (e.g. the renegotiation of current contracts). The national parliament frequently urges the minister of Economic Affairs to intervene in the price formation process because of the perceived imbalance of bargaining power of the different parties in the food chain. Primary producers and food industry express concern over the downward influence on prices of the buying power of retail chains.

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

We will mention two issues. The first issue is the inclusion of the cost of sustainability in food prices, or in other words: how can you internalize the external costs of environment or higher animal welfare standards? Regarding the relationship between sustainability and price levels of food, primary producers take the position that price levels are too low to be able to invest in more sustainable production methods at farm level. Farmers unions request the government to introduce mandatory price measures including the higher costs of environmental measures. The government prefers to leave this isue to the parties in the food chain to organize themselves higher food standards.
The second issue concerns the bargaining position of primary producers in the food chain as a result of the buying power of retail chains. Farmers are from time to time forced to sell their products below the cost prices, especially in the fresh produce markets. The balance of supply and demand in the fresh markets is very delicate, so a small increase in production can distort prices. Producers are complaining about retail chains which force the prices further down.

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.

The Netherlands is actively participating in the European High Level Forum on the food chain. This forum covers amongst others contractual relations in the food chain and the role of private labels in relation to price formation and innovation.
Moreover we introduced a code of conduct of fair trade practises in 2013 in which participate all the partners of the food chain on a voluntary base. First of all they have to accept the rules of the code of conduct and in case of misbehaviour of one of the operators in the food chain they can submit a complaint at a steering committee.

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

The Farmers Union (LTO), the federation of the dutch food processing industry (FNLI) and the central bureau of retail chains CBL) are all involved in the discussion on the distribution of the consumer Euro among the parties in the food chain.

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.

In 2013 the Ministry of Economic Affairs commissioned a food price Monitor at the WUR-LEI-research institute. LEI calculates and publishes on a monthly base the indexes of farm gate prices, producer prices and consumer prices. See:
http://www.agrimatie.nl/ThemaResultaat.aspx?subpubID=2424&themaID=2263&indicatorID=2414&sectorID=2243

The aim of this project is to increase the transparancy of commodity and food prices in the Netherlands.

The same LEI-institute published in april 2013 a report on food price monitoring and observatories, an exploration of costs and effects in which they give an overview of all the efforts in Europe to make food prices more transparant (LEI 2013-027). Special attentiuon is given to the french and spanish food price observatories.

Finally we asked the National Competition Authority (ACM) to commission a new study on price formation and transmission in the food chain. In 2009 a comparable study was undertaken concerning the price formartion of seven products. Now we are updating this study and adding one additional product. The study will be ready before the end of 2014.

September 11, 2014
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