Survey of activities in food price formation, transparency and monitoring along the chain.

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

Imbalances in bargaining power and anti-competitive practices, which have a negative impact on the supply chain, sound very unfair to stakeholders, namely production. Relations of agricultural producers given the particular characteristics of farm supply with food processors and distribution are very difficult and not balanced. **"Unfair Trading Practices"** was a major point of tension among players and their causes. Meanwhile one report of the Portuguese Competition Authority - On Trade Relations between Food Distribution and its Suppliers, October 2010 - contains some recommendations regarding self-regulation, better regulation of unfair trading practices; need to improve statistical information on prices along the food supply chain, as well as studies and conclusions resulting from initiatives of other Member States.

II-What are the three most important issues

The main issues are:

a) downward trend of existing margins upstream in the food chain

b) structural changes in the food chain (downstream concentration *vs* upstream "atomisation")

c) insufficient transparency and information in agro-food production, processing and distribution relations

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 Portuguese Government has created *PARCA - Platform for Monitoring Food Chain Relationships*, by a joint order of the Ministers of Agriculture and Economy (www.gpp.pt/parca)

The platform's starting point was (*see point I*) the recommendations of the final report of the Competition Authority on *Trade Relations between Food Distribution and its Suppliers,* released in October 2010.

Its mission is to promote the analysis of relations between production, processing and distribution of food products, with a view to fostering fairness and balance in the food supply chain, through an organized, regular and close dialogue between all Stakeholders, along with policy makers and relevant public administration bodies, including the Portuguese Competition Authority. This is not an executive or regulatory body, but a forum for discussion on the main points of tension among players and their causes, and for identifying needs and possibilities of action.

PARCA meets quarterly in plenary and technical subcommittees, in which is possible to address the main themes identified by food chain representatives are also possible. The main themes identified for discussion are:

- Transparency
- Unfair Trading Practices
- Valuation of National Production
- Arbitration mechanisms
- Distributor Brands

The Portuguese Parliament created in 1997 the Observatory of Agricultural Markets and Agrifood Imports -OMAIAA (Law # 11 / 97 of 21 May), with the more specific goal to analyze the situation and evolution of agricultural markets and agro - food trade balance , particularly resulting flows of imports.

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

PARCA is a **public-private partnership** with representatives of : agricultural production- (CAP) Confederation of Farmers Portugal- (CNA) National Confederation of Agriculture - (CONFAGRI) National Confederation of Agricultural Cooperatives and Agricultural Credit in Portugal ;food Processors - (CIP) Business Confederation of Portugal , (FIPA) Portuguese Agrifood Industry Federation (Centromarca) - Portuguese Association of Branded Products ;commerce-(CCP)Confederation of Trade Portugal) , (APED) Portuguese Association of Distribution Companies ; and it is coordinated by the Secretaries of State for Agriculture and Economy.Consumer groups are not represented.

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.

At institutional level:
INE (Statistics Portugal) – The National Statistics body publishes prices indices for different stages of the food supply chain (www.ine.pt).
SIMA – The Agriculture Markets Information System (Ministry of Agriculture) collets, processes and analyses prices (farm gate, manufacturing and wholesale) for 15 food chains and other market information (www.gpp.pt/sima).

At private-public level - PARCA :
They have elaborated some reports about price index concerning: pig meat, milk and milk products, cereals as raw material for the production of bread and feed, and on rice.
October 2010, recommendations of the Portuguese Competition Authority “Report on Trade Relations between Food Distribution and its Suppliers”.

We are exploring with stakeholders the possibility to create a **Price Observatory** for statistical information on retail prices, disaggregated by product.

The role of institutions in providing food price formation data and analysis

Answers for the questions 7-9

7. If you don't have such a monitoring entity, are food prices at different levels of the chain available publicly? Is food price transmission / 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?

i) Portugal doesn't have a monitoring entity to follow price formation along the chain, as explained before (please see PT's answer to the Survey of activities in food price formation, transparency and monitoring along the chain). The Ministry of Agriculture has a Market Information System (SIMA), which provides weekly /monthly prices at farm gate, manufacturing and wholesale for 15 food chains. For olive oil, milk powder and butter the price is monitored up to the processing level, at factory gate. All this information is public.

Statistics Portugal, the national statistics body, (INE) publishes price indices at different stages. Until 2005 we had price information from the Ministry of Economy. Budgetary limitations forced us to terminate this service and to integrate it in INE.

The mission of the PARCA (Platform for Monitoring Food Chain Relations) is to promote and guarantee transparency, within the supply chain, to increase competition and to improve the valorisation of the Portuguese production.

ii) The agrifood sector plays an essential role in the Portuguese economy through value and job creation. The relevance of the food supply chain and its competitiveness justifies the attention of the Portuguese Government to this issue. In 2010, the PARCA was created by a joint order of the Ministers of Agriculture and Economy. The PARCA is not an executive or regulatory body but rather a forum to discuss the main points of tension among players and their causes, and to identify needs and possibilities of action. (Please see PT's answer to the survey of activities in food price formation, transparency and monitoring along the chain). In addition, we are working in EU solutions to respond to the problems identified in the High Level Forum for a Better Functioning Food Supply Chain.

iii) In order to further reinforce the role of the PARCA, it is a clear objective to create an Observatory to get better information on retail prices.

8. What about the private sector: what is their demand for and willingness to provide greater transparency regarding price formation along the food chain according to your experience?

There is a consensus along the chain about the need to discuss "Unfair Trading Practices", given the comments from producers and the industry on abusive distribution practices of GGR and their effect/ imbalance in the transmission of value among the different players.

9. Have you identified impediments to price transmission along the food chain? Do you think that policies can help mitigating those impediments? In that context, have policy responses been taken to ensure that food markets are competitive and integrated in your country? What is your assessment of their effectiveness? Are there any policy related to relationships along the food chain in the pipelines?

i) Problems exist at two different levels: antagonism among stakeholders and lack of better statistic price information along the chain from production to consumer.

ii) Through a constructive dialogue, policies can identify problems and work to build solutions regarding contentious matters, with entities in conflict and regarding competition among operators. The Portuguese approach – the PARCA- is not an executive or regulatory body but a forum to discuss the main points of tension and get some mandatory written agreements.

iii) Some positive results have been achieved in terms of better definition/ transparency of Unfair Trading Practices and Abusive Business. Improving the definition of dumping, including deferred discounts being considered as part of the retail price; sales refusals, (including tying), and identification of the reasons that can be accepted for that purpose; identifying clearly unfair practices, or even strictly prohibited ones, such as: imposing conditions that are disproportionate to the sale itself; unilateral changes in contracts, or payments due to non-contractual promotion activities; retroactive changes in contracts; some additional prohibitions are implemented if the supplier is a SME, a Producer Organisation or a Cooperative.

Producing new legislation on mandatory payment deadlines for contracts of purchase and sale or supply of foodstuffs, exclusively intended for human consumption, involving a micro or small enterprise (Decree-Law 2/2013) and on Individual Unfair Trading Practices (PIRC) (Decree-Law 166/2013) are very important achievements in order to establish greater regulation on abusive and unfair trading practices and to strengthen the competitiveness of all the parts involved in negotiations.

iv) With stakeholders, we are exploring the possibility of creating a Price Observatory to produce statistical information on retail prices, disaggregated by product, and a code of good practices, even though some of these principles are already considered as prohibited unfair practices under the new legislation.