The role of institutions in providing food price formation data and analysis (2014 questionnaire)

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?***

   There is no single, official body in charge of monitoring food prices, food price transmission and/or of contractual arrangements along the food chain in Poland.

   Yet, some price monitoring tasks at different levels of food chain are run by some entities including: the Ministry of Agriculture and Rural Development, the Central Statistical Office, the Agricultural Market Agency and the Institute of Agricultural and Food Economics – State Research Institute (more information in reply to question no 7).

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?***

   The producer prices of agricultural and food products in Poland are monitored by the Ministry of Agriculture and Rural Development. The Ministry publishes detailed weekly reports through its Integrated System for Agricultural Markets Information (http://www.minrol.gov.pl/pol/Rynki-rolne/Zintegrowany-System-Rolniczej-Informacji-Rynkowej/). These reports include weekly and monthly prices, and volume traded at different levels of the food chain since such a data is the most common and synthetic source of information on market situation. The data is collected by the employees of the ministry, the farming advisory centres, the agricultural chambers and from wholesale trading platforms and farmers' markets. It needs to be underlined that the data is comparable to that collected in other EU Member States. Specialised bulletins on poultry, eggs, milk, oily plants, fresh fruits and vegetables, pork, beef and other product groups are available. The purpose of these publications is keeping individual farmers and processors informed about market trends in order to improve production planning and management.

   The Central Statistical Office of Poland (GUS) publishes monthly data on consumer price index (CPI), together with a breakdown into various food and non-food categories (e.g. baked goods, fruits, sugar, eggs, flour, poultry, pork, beef). The index is calculated on the basis of information from two sources: prices at retail outlets (current prices quotes) and a longitudinal study of household budgets (basket weighting). The COICOP/HICP classification is used. GUS also publishes monthly data on producer prices of agricultural goods.

   In response to Eurostat call for proposals to improve the data collection for the Food Price Monitoring Tool at national level - an initiative of the High Level Forum for a Better Functioning Food Supply Chain, Poland applied for a grant and will establish and improve detailed Domestic Producer Price Indices for Manufacture of food products and beverages. This includes price indices for new supply chains as well. Poland will also establish import price indices for existing and new supply chains.

   The Agricultural Market Agency (ARR) collects, analyses, processes and publishes information on the agri-food markets in Poland and abroad as well as prepares forecasts for these markets. The ARR publishes weekly reports "Situation on the market of basic agri-food products" ("Sytuacja na rynku podstawowych produktów rolno-żywnościowych"), weekly

reports on particular markets including cereals, meat and dairy products, "Monthly reports on the situation on the agri-food market and further market developments" ("Raporty miesięczne o sytuacji na rynku rolno-żywnościowym z elementami tendencji rozwojowej") and monthly reports on several markets including cereals, meat, milk, sugar, fruits and rapeseed. The Agency also publishes reports "Price forecast for basic agri-food products" ("Prognoza cen rynkowych podstawowych produktów rolno-żywnościowych") which are prepared with a contribution by the Team of Experts on Price Forecast of Basic Agricultural Products created by the ARR President. The reports are available on the ARR website: http://www.arr.gov.pl/.

A key role in conducting research and analyses in the area of agribusiness is played by the Institute of Agricultural and Food Economics – State Research Institute (IERiGŻ-PIB). From the point of view of market monitoring the most important is scientific and expert research the results of which are published in the following reports: "Market Analyses" ("Analizy Rynkowe") and "Agricultural Market, Analyses, Tendencies, Assessment" ("Rynek rolny, analizy, tendencje, oceny"). The reports are available (some of them free of charge) on the IERiGŻ-PIB website: https://www.ierigz.waw.pl/. The Institute is also engaged in scientific research concerning market measures, mechanisms of price transmission in the food chain, factors affecting price changes and price forecasts.

The "Market Analyses" reports give an assessment of situation on particular agricultural markets including production, supply, demand, domestic prices and prices on major foreign markets, agri-food processing as well as factors influencing market developments on these markets. An important part of market analyses are short- and medium term expert forecasts. The reports are published twice a year (in most cases) for the following markets: cereals, rapeseed, fruits and vegetables, potatoes, sugar, pork, beef, sheep, poultry, milk, fish. There is also a report on foreign agri-food trade.

The "Agricultural Market, Analyses, Tendencies, Assessment" monthly reports give an information and comments on several agricultural and food markets. Monthly data on agricultural, disposal (at processing level) and retail prices is also available in these reports.

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?***

Price formation, transmission and transparency issues along the food chain are important for all stakeholders since access to information allows for market efficiency improvement, lowers transaction costs and is conducive to innovation and productivity growth. Also benefits resulting from coopetition (competition + cooperation) are regarded to be greater than those resulting from competition alone. An increase in vertical integration in the food chain appears to be conducive to a greater transparency regarding price formation, however, due to fragmented agricultural sector in Poland this vertical integration is still quite low.

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?***

In general, Polish scientific research has not identified impediments to price transmission along the food chain. A level of domestic prices of agricultural raw materials is influenced by world market prices and increases or decreases in domestic prices are transmitted relatively rapidly and elastically to disposal (at processing level) and retail prices.

On the other hand, however, fragmented agricultural sector and still low level of horizontal and vertical integration along the food chain (the highest level of horizontal integration is observed in fruit and vegetable sector) may lead to an increased risk of abusing of bargaining power by highly concentrated wholesale and retail sector also with regard to agri-food processors. It should be noted that complaints from food producers about the low level of wholesale prices and the growing buyer power of retail chains were behind the creation the Inter-Ministerial Team for Increasing the Transparency of Agri-food Markets and Improving the Functioning of Food Chain by Polish authorities in 2010 (more information in reply to question C of The OECD project on food price formation (2011 questionnaire).

Policy initiatives that can affect relationships along the food chain in Poland:

- in the Strategy for sustainable development of rural areas, agriculture and fisheries in 2012-2020 (Strategia zrównoważonego rozwoju wsi, rolnictwa i rybactwa na lata 2012-2020), a strategic document approved by the Polish Council of Ministers in April 2012, in *priority 3.1 Obeying/applying rules for fair competition on common and global agri-food markets* an assurance of behaviour in line with fair competition rules has been indicated as one of intervention measures and in *priority 4.3. Adjustment of agri-food sector to changing challenges in Poland, the EU and globally*, among others, improvement in horizontal integration of agricultural producers through producer groups and cooperatives and development of organisational structures along the food chain among agricultural and fishing producers have been indicated as intervention measures.
- in November 2013, the Act of September 13, 2013, amending the Act on the organisation of milk and milk products market (Ustawa o zmianie ustawy o organizacji rynku mleka i przetworów mlecznych) came into force. The Act implemented provisions of the Milk Package, that is, the Regulation (EU) No 261/2012 of the European Parliament and of the Council of 14 March 2012 amending Council Regulation (EC) No 1234/2007 as regards contractual relations in the milk and milk products sector, the Commission Implementing Regulation (EU) No 511/2012 of 15 June 2012 on notifications concerning producer and interbranch organisations and contractual negotiations and relations provided for in Council Regulation (EC) No 1234/2007 in the milk and milk products sector and the Commission Delegated Regulation (EU) No 880/2012 of 28 June 2012 supplementing Council Regulation (EC) No 1234/2007 as regards transnational cooperation and contractual negotiations of producer organisations in the milk and milk products sector. The Act of September 13, 2013, defines recognition procedure and requirements to be met by producer organisations and their associations in order to be recognised.
- a draft of the Act amending the Act on Agricultural Market Agency, organisation of some agricultural markets and some other Acts (projekt ustawy o zmianie ustawy o Agencji Rynku Rolnego i organizacji niektórych rynków rolnych oraz niektórych innych ustaw) has been prepared. Based on provisions of the Regulation of the European Parliament and Council No 1308/2013, establishing a common organisation of agricultural markets, a recognition of producer organisations, their associations, and inter-branch

organisations as well as compulsory, formalised, written contracts between agricultural producers and processors for deliveries of, among others, rapeseed, black currant and sour cherries have been implemented in the above draft. This should strengthen bargaining power of agricultural producers, help limit unfair business-to-business trading practices and improve vertical relationships in the food chain.

- in the draft Rural Development Programme for 2014-2020 (Program Rozwoju Obszarów Wiejskich 2014-2020) measures to strengthen bargaining power of agricultural producers through support of horizontal integration (measure: “Setting-up of producer groups and organisations”) and to improve economic performance of farms (measures: “Farm modernisation”, “Development of small farms”, “Payments for farmers who permanently transfer their holding to another farmer”) have been envisaged.
- in May 2013, the Minister of Economy created the Consultative Council on Trade and Services (Rada Konsultacyjna do spraw Handlu i Usług) – a team of experts and representatives of organisations representing the retail and service market in Poland. The aim was to identify problems and impediments to development of trade and services on the domestic market, to review the legislation affecting the functioning of entrepreneurs in these sectors as well as to perform market analyses and bring solutions resulting in a sustainable growth of the sectors while maintaining at the same time competition rules. The solutions worked out by the Council are to be the basis to undertake cooperation with other ministries to amend those legal provisions which constitute a substantial obstacle in development of the sectors. The Council is to support the Minister of Economy for the benefit of sustainable development of small, medium and big enterprises and to provide opinions and recommendations on domestic and EU policies regarding internal trade and services. Quite recently the Council’s activities have been focused on combating unfair trading practices in the context of the Supply Chain Initiative within the framework of the High Level Forum for a Better Functioning Food Supply Chain.
- in August 2014 the inauguration of the "Arbitration and Mediation Centre" (CAM) was held in Poland which is a significant step in the process of dissemination of amicable dispute resolution forms in business. The aim is to create 16 Regional Centres for Arbitration and Mediation. Their role will primarily be to support entrepreneurs in the consensual resolution of disputes, because legal action is taken as a last resort. The purpose of the project is also to disseminate information about the benefits offered by the amicable settlement of problems. The idea of mediation as a confidential and effective forms of intervention in business is to be promoted. The centres will work in close cooperation with business organisations, chambers of solicitors and barristers, as well as the social partners, so that they will be widely available to all interested.

The OECD project on food price formation

A. Experiences in monitoring retail food prices and more generally price transmission along the food chain

There is no single, official body in charge of monitoring food prices, food price transmission and/or of contractual arrangements along the food chain in Poland (which has been explained in detail in answers to 2014 questionnaire).

As far as market monitoring is concerned, the Office of Competition and Consumer Protection (UOKiK) conducted several market studies focused on specific sectors, the quite recent examples being the beer market study and the pork market study.

The beer market study was completed in 2013. The inquiry covered all levels of the beer supply chain: beer production, wholesaling of beer and beer retailing with emphasis on the HORECA segment. The reasons for undertaking the study were: (1) high production concentration - the 'Big Three' producers (SABMiller, Heineken and Carlsberg) together account for more than 80% of the market; (2) complaints from small breweries regarding the existence of exclusionary arrangements in the distribution through HORECA segment. (3) antitrust interventions in the beer sector in other EU jurisdictions. The study has not identified major problems with the functioning of the distribution chain. One interesting insight was that small regional breweries were quite successful in penetrating the market in recent years, which increased the variety of beer available in the market.

The pork market study, which focused on the market for purchasing live pigs from farmers, was completed in 2010. The primary motivation for this review were complaints from pig farmers and their associations, (e.g. the Agriculture Chambers) about alleged anti-competitive horizontal practices by main purchasers (slaughterhouses and traders), which depressed producer prices of live pigs. The market study identified evidence pricing parallelism by some slaughterhouses, however, there was no evidence that this phenomenon could be a result of explicit collusion. Concentration on the pig procurement market is very low, even in narrowly delineated regional markets. Vertical arrangements between intermediaries and pork processors were also investigated, as well as the functioning of the so-called 'pricing commission' – a potential platform for the exchange of information organised by producer associations. No evidence of anticompetitive practices was found.

There was no increase in the number of UOKiK's interventions in the food sector in recent years, except for the apparent increase in merger decisions, resulting from an increase in merger activity. The issues of buyer-supplier relations did play a role in some of the mergers reviewed by UOKiK. However, so far the risk of significant lessening of competition was identified only in relation to horizontal effects in food retailing on local level.

B. *The existence of specific legislation or governmental entities to address food price formation*

In Poland, the major national regulations related to the functioning of the supply chain are contained in Article 15 of the Act of April 16, 1993 on Combating Unfair Competition (Ustawa o zwalczaniu nieuczciwej konkurencji). The most important provisions are:

- the prohibition of resale below purchase price in outlets larger than 400 m2, if it limits the access of small enterprises to the market (promotional and some special sales are exempt from the prohibition);
- the prohibition of requesting fees for introducing a product for resale, other than a (per unit) retail margin (i.e. the prohibition of imposing shelf fees by retailers).

The provisions mentioned above are aimed mostly at preventing the exercise of market power by retailers in relation with wholesalers and food producers. In practice, the prohibition of shelf space fees has little effect on the functioning of the food chain, as market participants find many ways to circumvent the prohibition. In 2008 the Parliament passed an Amendment to the Act, which liberalized the prohibition of resale below purchase price, by exempting the issuing of store coupons at prices below the face value. The Amendment was vetoed by the President of Poland.

The only exemptions regarding anticompetitive practices in the food supply sector applicable in the Polish jurisdiction are those stemming from Article 42 of the Treaty on the Functioning of the European Union and Regulation No 1308/2013, establishing a common organisation of agricultural markets.

C. ***The existence of codes of conduct within the industry to foster transparency along the food chain***

- Polish authorities used to be concerned with the functioning of the food chain mostly due to complaints from food producers about the low level of wholesale prices and the growing buyer power of retail chains. In 2010, at the Minister of Agriculture and Rural Development suggestion an Inter-Ministerial Team for Increasing the Transparency of Agri-food Markets and Improving the Functioning of Food Chain was created. The members of the Team were the representatives of the Ministry of Agriculture and Rural Development, the Ministry of Economy, the Ministry of Treasury, the Ministry of Finance, the Office of Competition and Consumer Protection (UOKiK). The aim of the initiative was:
  - ✓ the review and assessment of the trading practices applied in the food chain as well as the review of regulations, both national and European ones, in this area;
  - ✓ the preparation of the project on monitoring of the level of prices and margins for selected agri-food commodities and dissemination of collected information to consumers;
  - ✓ the preparation of the project on creation of the platform for agreement among stakeholders and of code of conduct of good trading practices.
- The Team prepared a code of conduct for contractual arrangements between food suppliers and food retailers, however, the code was not adopted by market participants due to too divergent positions of suppliers and marketing chains.

D. Specific research and projects to bring to the OECD Secretariat's attention

See reply to question no V. in Survey of activities in food price formation, transparency and monitoring along the chain (2011 questionnaire).

Survey of activities in food price formation, transparency and monitoring along the chain (2011 questionnaire)

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

See reply to question no 8 of The role of institutions in providing food price formation data and analysis.

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

The three most important issues with respect to food prices that raised concern are:

- delayed payments and other payment related problems, insolvency, bankruptcy, mostly of small- and medium sized processing plants,
- an increased variability of agricultural and food products' prices, instable markets (speculations, unpredictable phenomena, mostly weather, policy, for example, Russian embargo),
- a declining share of agricultural producers in retail prices and faster concentration of processing and retail levels in the food chain compared to agriculture which may lead to abusing of bargaining power and unfair trading practices.

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.

See reply to question C of The OECD project on food price formation (creation of the Inter-Ministerial Team for Increasing the Transparency of Agri-food Markets and Improving the Functioning of Food Chain) and reply to question no 9 of The role of institutions in providing food price formation data and analysis (creation of the Consultative Council on Trade and Services).

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

Activities in the area of food price formation, transparency and monitoring along the chain are also performed, although to a lesser extent, by research institutes, agricultural chambers, branch organisations of agri-food producers.

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.

The Institute of Agricultural and Food Economics – State Research Institute and other institutions have produced several studies and analysis or reports concerning food price formation, transparency and monitoring along the food chain:

- Studies explaining mechanisms affecting agricultural prices, for example:

Rembisz Wł., 2008: *Micro & macroeconomics of balanced growth in the agri-food sector*.[1] The author shows price adjustments in the marketing chain and, in particular, explains the mechanism of price spread between farm gate and retail food price levels, assuming that both farm producer and processor are maximizing their utility functions.

Hamulczuk M., Stańko St., 2013: *Factors affecting changes in the prices and farmers' incomes in the Polish pig market.*[2] The paper presents market-based mechanisms underlying changes in pig prices and pig meat producers' income in Poland. The pig prices are determined by supply and demand equilibrium. Farmers are price takers and a market price is a parameter which enables them to make economic calculation and being verify their individual effectiveness. This paper comprises also an empirical analysis of the factors affecting pig prices development in the 1997-2012. The analysis based on VAR models indicates that pig prices in Poland are determined mostly by the situation on foreign markets. In the long term only around 30% of pig prices variation in Poland depends on national conditions. The Granger causality tests proved that changes in the prices of pork in the marketing chain occur according to a pattern typical for a competitive market – the direction of price signals comes from producer prices towards consumer prices. The farmers margins in pork meat marketing chain have not changed over analysed period – they varied in cyclical and seasonal motion around 37% level.

– Research aiming at estimation and measurement of price margins or price spread and assessment of their changes over time, for example:

Stańko St., 2008: *Tendencies in changes of the agricultural products and food prices in Poland in years 1996-2008*.[3] The aim of the paper is to present the trends of prices of farm products and those of food retail prices in Poland. An increase of producer prices of agricultural products (a raw material) was smaller than that of the prices of food products in 1997-2008.

Seremak-Bulge J., 2012: *Changes in prices and price margins on the markets of main food products*.[4] An analysis of price changes at particular levels of main agri-food markets, namely cereal market, dairy market and meat market, implies that price shifts that occurred over the period of 2004–2011 were favourable for agriculture. Polish accession to the EU triggered increase in retail food prices. Despite considerable short-term fluctuation there were no substantial changes in the share of producers, processors and traders in retail prices of food. Price mechanism assured efficient price transmission between particular stages of food markets which recovered after price shocks to previous proportions of particular margins resulting from long-term equilibrium.

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[1] Rembisz Wł. ,Mikro i makroekonomiczne podstawy równowagi wzrostu w sektorze rolno-spożywczym, Vizja Press&It, Warszawa 2008. Available only in Polish.

[2] Hamulczuk M., Stańko St., Uwarunkowania zmian cen wieprzowiny i dochodów producentów trzody chlewnej w Polsce, Zagadnienia Ekonomiki Rolnej nr 3/2013, pp. 44-66. Available only in Polish.

[3] Stańko St., Tendencje zmian cen produktów rolnych i żywnościowych w Polsce w latach 1996-2008. Zeszyty Naukowe SGGW w Warszawie - Problemy Rolnictwa Światowego, t. 4(19): 2008 http://www.wne.sggw.pl/czasopisma/pdf/PRS_2008_T4(19)_s416.pdf. Available only in Polish.

[4] Seremak-Bulge J., Zmiany cen i marż cenowych na podstawowych rynkach żywnościowych. Zeszyty Naukowe SGGW w Warszawie. Ekonomika i Organizacja Gospodarki Żywnościowej nr 100 (2012), pp.5-24. http://www.wne.sggw.pl/czasopisma/pdf/EIOGZ_2012_nr100.pdf. Available only in Polish.

Figiel S., Popiołek R., 2009: *Analysis of price spread on the main agri-food markets.*[5] The study aims at assessment of price spread variability on the main agri-food markets. Price spread trends as regards their magnitude and structure in nominal and real terms at particular levels of marketing chains were analysed for the period 1996-2008. In general, nominal price spread tended to increase in analysed marketing chains whereas real price spread was characterised by a downward trend or a lack of trend. In all analysed cases price spread was subject to significant variations. The higher the level of a product transformation, the greater the price spread reflecting marketing margin in processing and trade.

– Research aiming at analysis of price transmission, for example:

Seremak-Bulge J. (ed) 2006, 2007: *Cereals market evolution and price transmission process*[6] and *Meat market evolution and price transmission process.*[7] Both publications deal with cereal and meat markets structural change and impact on price relationships and price transmission. The main finding is an impact of world prices on domestic ones and declining impact of farm prices on retail prices. Markets with a high vertical integration, e.g. poultry, are characterised by lower variability of price margins.

Rembeza J., 2010: *Price transmission in the Polish economy*.[8] The author shows that price transmission takes place from farm, through processing, to retail level and is spread over a period of time. A long-run balance exists among prices at these levels.

Hamulczuk M., 2013: *Asymmetric price transmission along the food chain. Example of poultry market.*[9] The aim of the research was an analysis of the factors determining price formation in the agri-food chains. The theoretical backgrounds of the asymmetric vertical price transmission were presented as well as empirical tests for asymmetry. In the empirical studies Enders and Siklos procedure based on TAR and M-TAR methodological framework was applied. The conducted research did not prove asymmetric pricing behaviour on the Polish poultry market.

[5] Figiel S., Popiołek R., Analiza rozstępów cenowych na głównych rynkach rolno-żywnościowych. Ekonomiczne i Społeczne Uwarunkowania Rozwoju Polskiej Gospodarki Żywnościowej po Wstąpieniu Polski do Unii Europejskiej, IREIGŻ-PIB, Raport PW nr 170, Warszawa 2009. Available only in Polish.

[6] Seremak-Bulge J. (red.), Ewolucja rynku zbożowego i jej wpływ na proces transmisji cen. Ekonomiczne i Społeczne Uwarunkowania Rozwoju Polskiej Gospodarki Żywnościowej po Wstąpieniu Polski do Unii Europejskiej, IREIGŻ-PIB, Raport PW nr 38, Warszawa 2006. http://www.ierigz.waw.pl/publikacje/raporty-programu-wieloletniego-2005-2009/1314186878. Available only in Polish.

[7] Seremak-Bulge J. (red.), Ewolucja rynku mięsnego i jej wpływ na proces transmisji cen. Ekonomiczne i Społeczne Uwarunkowania Rozwoju Polskiej Gospodarki Żywnościowej po Wstąpieniu Polski do Unii Europejskiej, IREIGŻ-PIB, Raport PW nr 73, Warszawa 2007. http://www.ierigz.waw.pl/publikacje/raporty-programu-wieloletniego-2005-2009/1314191743. Available only in Polish.

[8] Rembeza J., Transmisja cen w gospodarce polskiej, Wydawnictwo Uczelnianie PK, Koszalin 2010. Available only in Polish.

[9] Hamulczuk M., Asymetria w transmisji cen w łańcuchu żywnościowym. Przykład cen drobiu w Polsce. Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu, nr 307 /2013. Available only in Polish.