INTERNATIONAL AGRICULTURE AND TRADE POLICY
Division II/10

MINISTERIUM
FÜR EIN
LEBENSWERTES
ÖSTERREICH

OECD TAD Agro-food Trade Division
c/o Celine Giner
Rue Andre Pascal 2
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Vienna, 16.09.2014

Your Reference/Your File Number Your letter dtd.	Our File Number	Official-in-charge/Ext.
8 July 2014	BMLFUW-LE.2.3.8/0014-II/10/2014	Jürgen DREXLER 2914

OECD Food Price formation project

Dear Ms. Giner,

Concerning your email of 8 July 2014 we can give you an update - especially in relation to your last sentence of question 9 - as follows:

The Ministry of Agriculture, Forestry, Environment and Water Management started an initiative for a "Better functioning of the food supply chain in Austria" by inviting the Austrian Retailers and the Austrian Chamber of Commerce to join a start-up meeting in July 2014. There was great interest to improve especially the transparency of working together in the "vertical food chain". Working groups are put up, best-practice examples should inform about the success of improving the functioning of the food supply chain.

Unfortunately we are not able to provide more concrete information and results at this stage.

Yours sincerely
For the Federal Minister:
Marcus Kucera

Electronically signed

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	Datum/Zeit-UTC	2014-09-16T16:21:44+02:00
	Aussteller-Zertifikat	CN=a-sign-corporate-light-02,OU=a-sign-corporate-light-02,O=A-Trust Ges. f. Sicherheitssysteme im elektr. Datenverkehr GmbH,C=AT
	Serien-Nr.	541402
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AGRICULTURE AND NUTRITION
Division III/Milk
DI Krammer/2769, DI Rosenwirth/2821

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

1. ***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 issues are of great importance, especially for those members of the food chain that have weaker bargaining power, such as farmers and producers. To avoid the misuse of market power, these issues need to be considered and further investigated. Developments of the last decades have shown that only little information on the price transmission issue is known, especially of the processing and commerce parts of the food chain. Thus, transparency should be well addressed. Also for the consumer it is important to have sufficient information about price transmission and the reaction of consumer prices to changes of the producer prices. But, it is vitally important to take differences in quality levels into account. To maintain a general fairness along the whole food chain it is important to gain knowledge about price building processes and the earning of the profit margins.

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

Price volatility, price transmission and reaction patterns to price changes and fairness along the food chain in connection with transparency have been important issues in recent times also in Austria. For consumers and in consequence for politicians the consumer price spike in 2007 and the resulting market crisis with the fall of producer prices in the dairy sector were of great concern. Efforts have gone into deliberations on how to improve transparency and fairness along the food chain (approaches such as ombudsmen, codes of good conduct on a voluntary basis, improvement of the European competitiveness by means of enhancing innovation etc.) and a better comparison of prices across countries (same quality, concentration of trade chains etc.).

3. ***and 4. 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? Are there non-governmental institutions which are involved in the same activities?

Due to the critical developments on the milk market in 2009, the Austrian Ministry of Agriculture, Forestry, Environment and Water Management induced a study with the title "Estimating Market Power in Food Retailing – The Case of Milk Products in Austria" to analyse price building and price transmission more deeply. The study, which was conducted by the Austrian Institute of Economic Research and finalized in 2010, was a more in-depth study of a first more general study of the with the title "Marktspannen und Erzeugeranteil an Nahrungsmittelausgaben als Ansatz zum Messen von Marktmacht im Agrar- und Ernährungskomplex", which was also conducted by the same institution.

Having gained these in formations and in reaction to the recent developments on the European level concerning the High Level Forum for a better Functioning of the Food Supply Chain, the Division III/6 Milk of the Austrian Ministry of Agriculture, convened a new working group of different stakeholders of Austrian companies and official institutions in March 2010. The first meeting was held as an information and discussion platform concerning relevant issues of the food chain development. The working group is meeting on a regular basis and consists of members of the Austrian Ministry of Agriculture, Forestry, Environment and Water Management, the Federal Ministry of Economy, Family and Youth, the Austrian Competition Authority, members of the different social partners, and the Agrarmarkt Austria.

Due to the efforts the European Commission is undertaking concerning a European Food Prices Monitoring Tool (in the course of the Working Group within the High Level Forum), Mr. Rosenwirth, who is also member of the working group, has initiated a national working group of stakeholders to develop such a tool on a national basis in Austria. Members of this national working group are again the Ministry of Agriculture, Forestry, Environment and Water Management, the Austrian social partners and statistic institutions such as Statistik Austria, the LBG (one of the leading tax consulting and auditing firms in Austria) and the Agrarmarkt Austria. The aim of this working group is to improve the transparency of the Austrian food chain. Thus, a pilot project has been initiated to find out which data is available in what quality. The aim of the project is twofold: first, a set of price indices shall be developed that contains price developments of certain products over time. This shall illustrate the reaction of prices to input-/raw material price changes on the various stages of the food chain. Second, a set of absolute prices of selected homogenous products shall demonstrate the proportion of value added in the food chain. This shall give an image of the raw material price proportion of the final consumer price. At the moment, the Federal Institute of Agricultural Economics is designing the project outline and gathering the relevant

information. The study is expected to be available in the middle of 2012. In the course of this study, it is also planned to involve non-governmental organisations such as the Austrian Dairy Association or members of different Austrian trading companies into the study progress.

5. ***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.***

Range of studies that have already been sent to the OECD food chain network secretariat, pilot project that examines available data for the implementation of an Austrian food prices monitoring tool on index and absolute basis (see answer to question above). First overview shows that data quality of the different products is very diverging (e.g. milk has quite good data basis with good legal basis for data acquisition, other products have no good data basis so far).