OECD Food Price Formation Scoping Questions

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?
Yes, there is an entity in Belgian that analyses food price transmission. The Belgian Price Observatory has been established in 2009, following a period with high inflation rates. The Price Observarory is part of the Institute for National Accounts. Operationally, the Observatory is run within the Belgian Ministry of Economy. Initially, the aim of this entity was to analyse and to explain the price evolution of consumer goods and services. Not only food products are analysed (processed food products such as alcoholic and non-alcoholic drinks, bread, sugar and chocolate as well as unprocessed food products such as vegetables, meat and fruit), but also energy (gaz, electricity, gasoil,...), services (restaurants, rent, social protection, ...) and industrial consumer goods (clothes, shoes, cars, electronic devices...). In fact, the Belgian Price Observartory screens all product and services of the Eurostat Coicop nomenclature. Especially for food products, specific attention is paid to the transmission of the prices in the whole chain. This means that price evolutions at the farm level will be compared with the price evolution at the level of the food industry and with consumer prices. In 2013 the mission of the price observatory has been extended. Not only the price evolution of consumer products is important but also consumer price levels, the profitability of sectors and the functioning of markets.
(http://economie.fgov.be/fr/statistiques/organisation/icn/prix/)

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? With the new legislation of 2013, the price observatory will collaborate more intensely with Belgian competition authority and with regulation services. This means that whenever the Price Observatory detects that (food or other) markets are not functioning very well, this will urge for example the Competition Authority to start an in-depth investigation or this can inspire legal services within the Ministry of Economy to make propositions to improve existing legislation. In the past the close link between the different institutions was not clear.

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? The key objective of the Price Observatory is to improve market transparency. The reports of the Observatory are validated by a scientific committee (composed of professors and experts), and are used by the government in order to take appropriate action, by the Belgian Competition Authority and by legal services within the Ministry of Economy.

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? The Price Observatory can start a study on its own initiative, at the request of the Minister of Economy or at the request of the competition authority. Sector federations (at the farm level, industry level and at the retail level) and consumers are other important stakeholders.

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 At the moment 15 persons work for the Price Observatory. We work closely together with the statistical services within the Ministry of Economy and with sector federations on a volantary basis.
- Financial implications for its regular functioning Apart from salaries and other personnel expenses, the budget 2014 is at 109 000 € for the purchase of market information and other operational expenses.

6. What are the future plans for this entity? Analysing price evolutions and the food chain remains a top priority for the Belgian Price Observatory. New tasks have to be structurally incorporated within daily activities (analysing price levels and explaining price differences betweens Belgium and the neighbouring countries, analysing the functioning of specific markets and detecting possible problems in terms of competition, ...).

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? At the farm level, there is certainly a huge demand for more transparency within the chain. At the industry level and at the retail level, there is more hesitation to collaborate.

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? - The Price Observatory has demonstrated that price asymmetry for processed food products occurs especially at the retail level. This means that consumer prices go up when the prices of the underlying raw materials go up, but when underlying raw materials go down consumer prices don't change. Price asymmetry is less problematic at the food industry level. (http://economie.fgov.be/fr/binaries/Rapport_annuel_2013_Observatoire_prix_tcm326-243890.pdf, pages 61-77)- In 2013 the Belgian Ministry of Economy started to publish an index for bovine meat. This index shows the evolution of the price for bovine carcasses and the evolution of the cost price to produce this kind of meat. This index has been worked out at request of the whole chain and is used as an element in commercial negotiations between farmers, industry and retailers. For the moment it is too early to make a propper impact assessment, but at the farm level they use the index as an official indication for the economic situation in their sector (http://economie.fgov.be/fr/modules/publications/general/ratio_simplifie.jsp).

economie
FOD Economie, K.M.O., Middenstand en Energie
Peter Van Herreweghe - Adviseur-generaal

Economische Analyses en Internationale Economie - Economische afdeling
FOD Economie, K.M.O., Middenstand en Energie ::: Ondernemingsnummer: 0314.595.348 ::: Disclaimer

City Atrium C - Bureau 5B26
Vooruitgangstraat 50
1210 Brussel

Tel. +32 (0)2 277.83.96

peter.vanherreweghe@economie.fgov.be
http://economie.fgov.be