



Cap sur la Pac 2020

Round Table no. 1

Liberating the development of agricultural and agrifood enterprises Ensuring fair prices for producers, fostering work on a sectoral basis and adapting rules and systems to match the specific characteristics of each sector

This introductory document for the round table discussions is aimed at providing all participants with information for context and reflection related to the topics addressed. It does not express the position of France with regard to the future common agricultural policy.

A. Context

This first round table takes further the work done in the French National Food Conference, whose conclusions in France can provide input for reflection at EU level. The first working area for the National Conference, “value creation and allocation”, highlighted the changes needed for an overhaul of contractualisation, reinforcement of farmer groupings and, more generally, the initiation of far-reaching reorganisation appropriate to the specific features of each sector.

The organisation of food supply chains is extremely diverse, depending on the sectors and Member States concerned. They notably differ in terms of the degree of integration of the chain’s various links in entities that have a wide variety of natures and sizes. Those entities may be formed upstream, such as producer cooperatives developing over time activities in food processing or even distribution based on strategies for diversifying and securing reliable commercial outlets. Conversely, they may arise on the distribution or processing side and pursue strategies aimed at securing reliable supplies.

Supply chains also differ in how far, and in what form the producers are organised, possibly grouped in cooperatives, which are a major factor in France, for example, or in officially recognised producer organisations (POs) or even associations of producer organisations (APOs). The degree of partnership established upstream in the chain plays a part in relationships along the supply chain.

The above sectoral organisational arrangements and the ability of the various links in the chain to discuss and establish shared strategies depend directly on their capacity to address effectively the various markets and the changes occurring in them. At EU level, the ways in which the actors may be organised can differ widely from one Member State to another in the same sector.

Successive crises in recent years have highlighted the inadequacy of the structural organisation of certain sectors, especially in livestock farming. In the absence of collective forward planning, such crises can lead in some cases to an imposed restructuring, accompanied by very major social impacts.

In the context of France's National Food Conference, French actors undertook to intensify the work done in interbranch bodies. The aim most notably is to build sectoral plans to enable agricultural and agrifood systems to adapt in order to address the issues in each sector. Every lever for action provided by advisory services, training and innovation must be brought to bear to assist such adaptation.

The necessity of an upgrade in product quality to meet the expectations of consumers and of the EU public in general in more remunerative market segments is a major focus strongly emphasised in during the National Conference. It must be possible to assist that upgrading by appropriately adding consumer value to the products, along with fair allocation of the value thus generated.

Better sharing of added-value should enable farmers and growers to earn a decent living from their work through payment of remunerative prices that reflect production costs and changes in those costs.

There is no single solution or model for stronger competitiveness in French or European agricultural sectors. The diversity of the models for production and organisation is a major advantage for European agriculture that should enable it to respond to a variety of expectations by adjusting to the differences between regions and areas of expertise.

Lastly, the development of agricultural and agrifood enterprises, producer organisations and interbranch bodies requires a regulatory framework that is comprehensible, stable and consistent across the EU. At the same time, it also needs to be sufficiently flexible to enable it to adapt to the realities encountered in the Union's various regions.

B. The solutions offered by the current CAP

The structural organisation of supply chains and the establishment of strategies for long-term competitiveness are first and foremost the responsibility of the actors in the industry. Nevertheless, the Common Agricultural Policy (CAP) has a major part to play in fostering the emergence of collective initiatives in different sectors with the aim of enhancing the value-added of European products. It must also provide the conditions for balanced relationships between the various links in sector supply chains.

The current CAP makes it possible, notably using coupled payments, to support certain sectors such as livestock farming that are faced with structural difficulties. These can supplement income in the most vulnerable sectors, but they are not made conditional upon compliance with criteria for economic organisation and they do not incentivise radical change in those sectors. In recent years, these support payments have proved to be insufficient to ensure the resilience of such sectors when faced with adverse climate-related and sanitary events.

As part of the common organisation of markets (COM), some sectors such as winegrowing, fruit & vegetables, olive oil and beekeeping are supported by specific multiyear sectoral programmes appropriate to them. For example, operational programmes in the fruit & vegetable sector are intended for producer organisations (POs) or associations of such organisations (APOs). Notable purposes of those programmes are to programme production and adjust it to match demand in terms

of quantity and quality, concentrate supply and place the products of members of producer organisations on the market, or to optimise their production costs. The administration of such programmes may turn out to be complicated in some cases and the linkage between the actions supported and the sectoral strategies could be further strengthened. Assistance is also available in the specific measures to support agriculture in the EU's outermost regions (POSEI) in order to help with sectoral organisation in overseas territories with specific characteristics.

The COM also defines the framework in which producers in all sectors have the option of forming groups and organising themselves. This regulation is notably directed at clarifying the exemption of the agricultural sector from competition law as laid down in the Treaty on the Functioning of the European Union (TFEU). More ambitious provisions are planned for certain sectors. In particular, this is the case for the “milk package” whose advantages, particularly in France, are demonstrated in the recent evaluation by the Commission. Nevertheless, the tools proposed by the COM have been seen to be insufficient, or insufficiently deployed, for any substantive structuring of the upstream components of agriculture or any satisfactory solution for the continuing imbalances in the supply chain.

With this in mind, significant progressive measures due to come into force on 1 January 2018 are contained in the current regulation following the “Omnibus” negotiations. This means that the “milk package” is now a permanent part of the regulatory framework. Provisions to allow recognised producer organisations to plan production, optimise production costs, place products on the market and negotiate contracts are extended to all sectors. Producers and their initial purchasers also have the option of defining ex-ante how the value created is to be allocated. The role of the interbranch bodies is strengthened, in particular by an ability to define standard contractual provisions on value allocation. Changes across the board are aimed at giving greater security and clarity to the approaches adopted by POs, APOs and interbranch bodies under the terms of agriculture’s exemption from competition law. What is needed now is for producers to be able to take advantage of the opportunities thus offered.

Following the above changes, the economic organisation of industry sectors is not addressed directly in the communication from the Commission of 29 November 2017. Conversely, in 2018 the Commission will be promoting an initiative on food chain relations that may notably include a proposal for legislation against unfair commercial practices (UCP).

One of the key advantages of European agriculture is its ability to create value with high-quality products produced by collective approaches based on farming methods, food processing expertise and specific local regions. Such value-added is notably founded on a range of quality and origin signs and labels favourably perceived by consumers. The rapid development of organic farming in particular is part of this upgrade, which is represented in the conversion of an average of 400,000 hectares every year in the EU, in addition to a market now worth €27bn.

Nevertheless, consumers are also expressing some mistrust of food products notably linked to criminal scandals given extensive coverage in the media and to sanitary crises. The desire is being expressed for greater transparency regarding product composition and origin and the actors in France undertook to respond to this in the French National Food Conference. It was in this context that France initiated a trial of labelling to indicate the origins of meat and milk contained in processed products.

C. Some questions for the future CAP

Following on from the proceedings of the French National Food Conference, a number of avenues might be explored when considering the future CAP:

- 1) How can industry sectors take advantage of CAP tools for economic organisation that are strengthened by the progressive Omnibus measures?
- 2) What new legislative changes in the COM would be required to promote fair allocation of the value created in sector supply chains and ensure more remunerative prices for producers? Which sectors should be covered by such provisions? Is there sufficient clarity on what is permitted under the terms of agriculture's exemption from competition law?
- 3) How might the tools provided by CAP add more consumer value to agricultural and agrifood products in order to improve the remuneration of farmers, and all actors, along the supply chain?
- 4) How might the CAP provide greater support for major change in locally-rooted sectors?