Agricultural and food sector in EU with asserting the competition policy

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Presentation outline:-

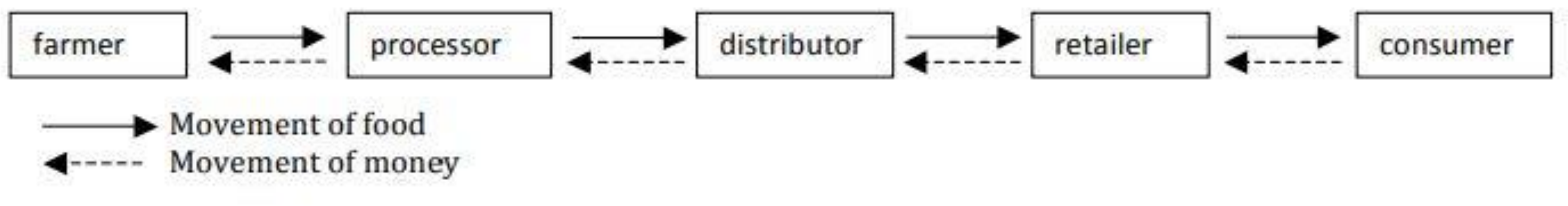
- Agricultural sector in EU & EU Food supply chain
- Facts and figures in Agricultural sector
- Competition in Agricultural sector
- Case study

Agricultural sector in EU

- Is one of the **principle sectors** of **European economy** which provides **daily food consumption** for individuals in **food supply chain** and in other **manufacturing sectors**.
- Much of **what we consume** and use every day comes **from a farm**. Agriculture is at the heart of our daily life, **vital to the economy** and s**ociety**. And farming cannot exist without farmers. **They** produce **high quality**, **safe food** for more than **500 million EU citizens**. They also help tackle climate change and preserve diversity of agriculture.

food supply chain :-

Is the process of producing, processing, distributing, consuming of food
Or in other simple words :- how food from a farm ends up on our tables



Which is driven by

- the distribution sector (wholesale and retail),
- the food and drink industry (processing and manufacturing),
- and the agricultural sector

In 2014, around 24 million people were employed in the EU food supply chain, representing approximately 10% of all EU employment.

- The total turnover of the food supply chain surpassed €3.9 trillion in the same year and generated an added value of around €700 billion .

Actors of the Food Supply Chain

- In the EU, around 11 million farms produce agricultural products

- agriculture provides work for roughly 22 million people. Furthermore, together with food processing, food retail and food services, agriculture makes up a sector providing nearly 44 million jobs in the EU.

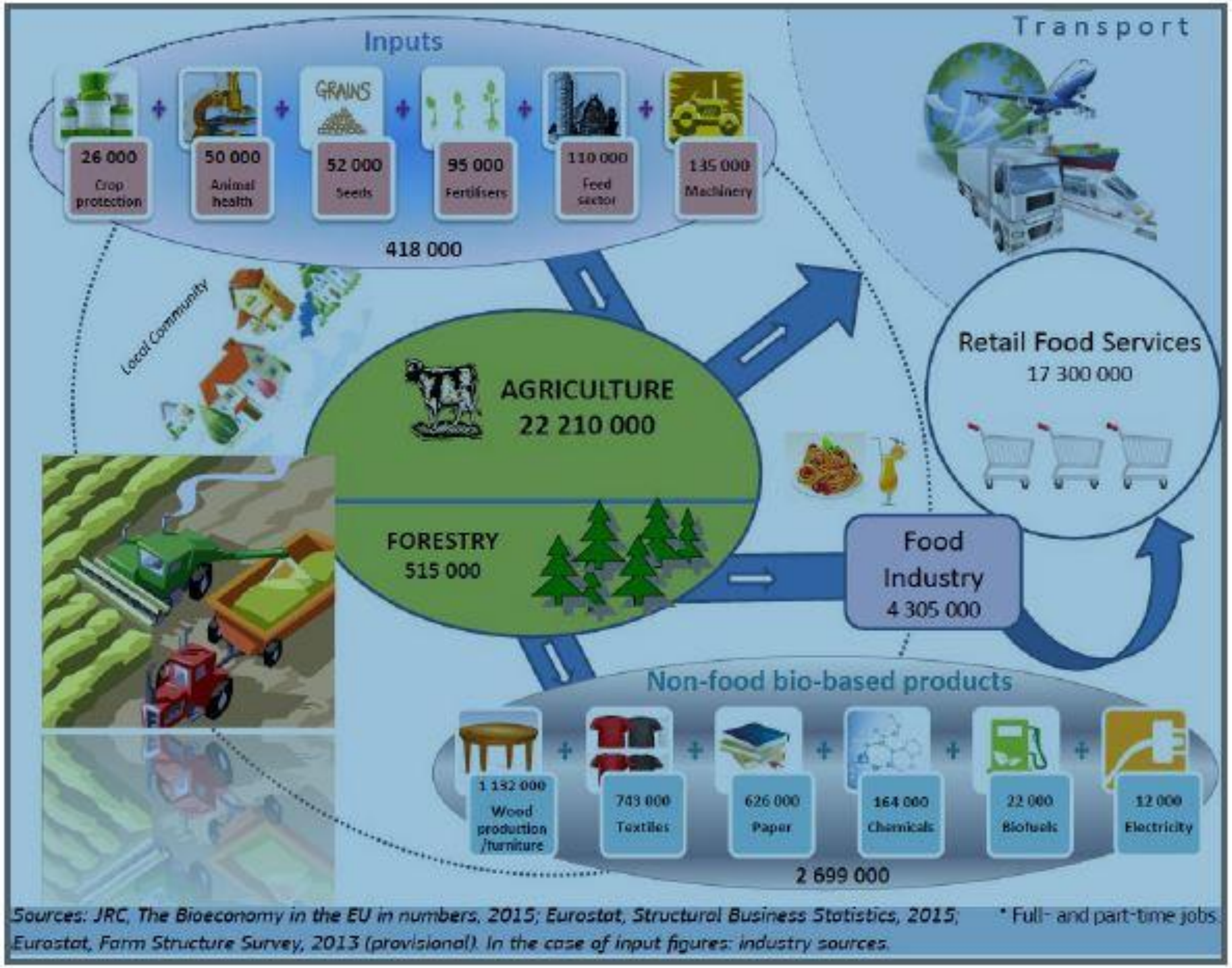


Fig:- Number of persons employed in farming, forestry and related industries

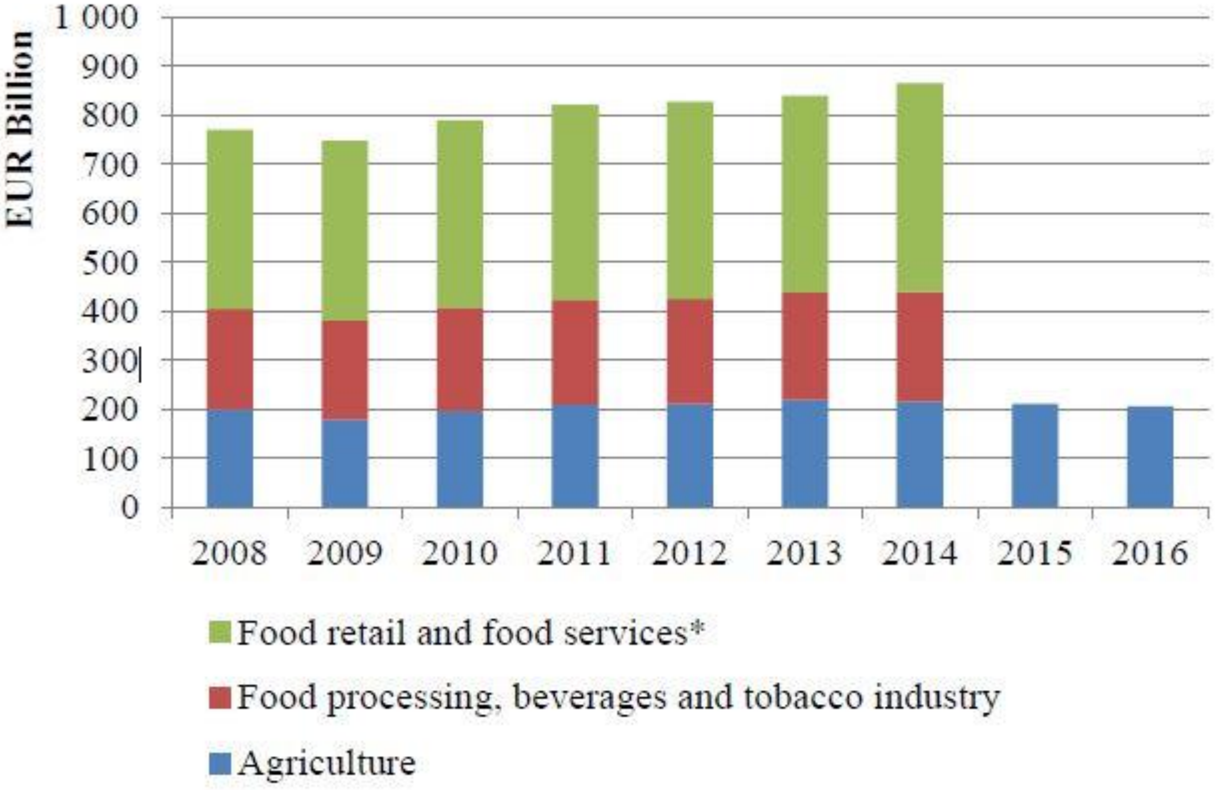
Structural overview of the food supply chain (2014)

	Agriculture	Food and drink industry	Wholesale	Retail
Turnover (billion euros)	414	1,095	1,254	1,114
Value added (billion euros)	211	219	104	164
Number of employees (million)	11.2	4.2	1.9	6.3
Number of companies (1,000)	10,800	292	341	803

Distribution of Value Added

The value added of agriculture has not increased to the same extent as that of other food chain actors. And **why ?**

- increasing **input costs** due to competition for scarce resources as well as the **limited possibilities** for farmers to add value to the basic product or to get remunerated for it.



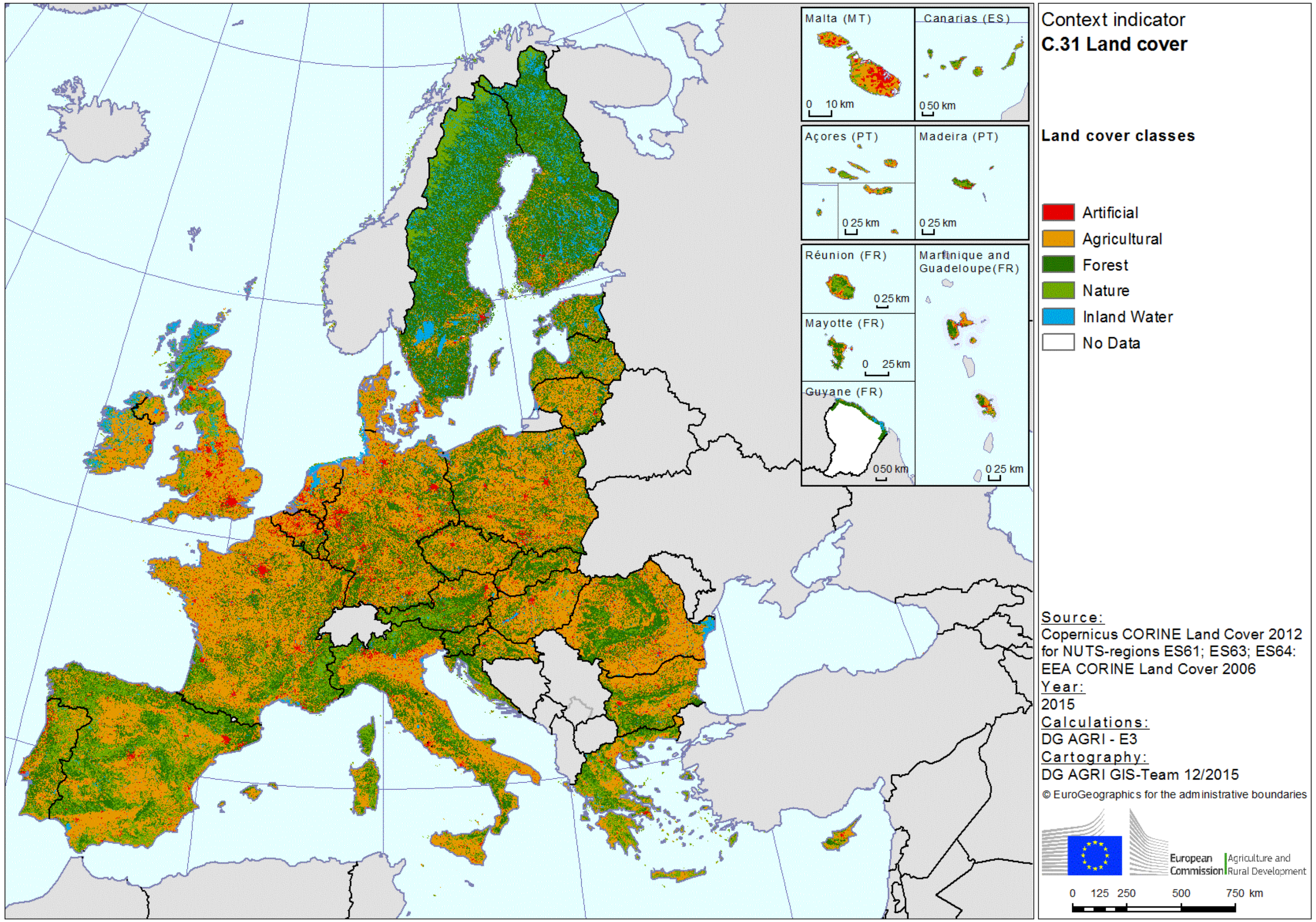
Source: Eurostat, Economic Accounts for Agriculture (aact_eaa01) and Structural Business Statistics (sbs_na_sca_r2, sbs_na_dt_r2 and sbs_na_1a_se_r2).
* EU-27 data for 2008-2010; EU-28 data for 2011-2012.

Facts and figures in Agricultural sector

- **Land cover**

Agricultural land accounts for almost half of the European territory (48%) and has a notably higher share in the territory of the EU-N13 (57%) than in the EU-15 (39%).

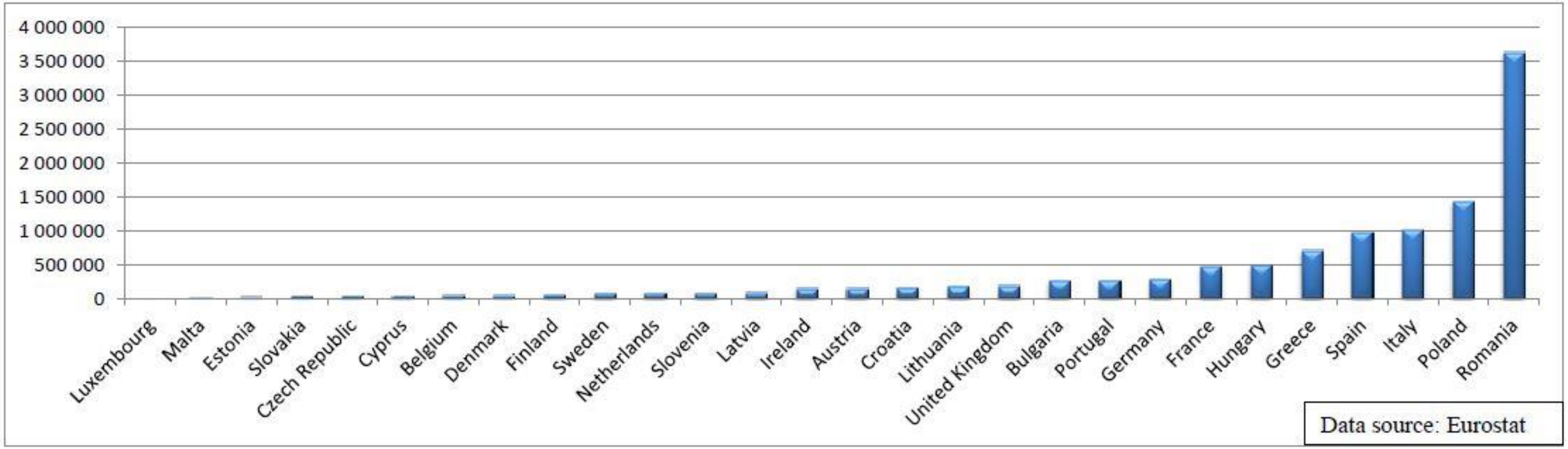
Generally the countries with a lower percentage of agricultural area present higher percentages of forests.



EU farms

- A total of roughly **11 million farms** operated in the EU-28 in 2013.
- **Romania** alone accounted for 33% of all farms (partly because even the smallest holdings are included in its agricultural census), followed by Poland (13%) and Italy (9%)

Number of agricultural holdings, 2013



Competition in Agriculture and food sector

Competition policy is about applying rules to make sure businesses and companies compete fairly with each other.

- Which encourages **enterprise, innovation and efficiency**, creates a wider choice for consumers and helps **reduce prices** and **improve quality for consumers.**

- In a competitive market, **prices are pushed down** meaning more people can afford to buy products, it encourages businesses to **produce and boosts the economy in general**. Competition also encourages businesses to **innovate in terms of e.g. production** methods and **improve the quality of goods and services they sell** – to attract more customers and **expand market share**.

- Competition within the EU is also essential to **make European companies stronger** outside the EU too – and able to hold their own against **global competitors**

Competition in Agriculture and food sector

The Treaty on the Functioning of the European Union (TFEU) provides a specific status for the agricultural sector with regard to competition rules

TFEU gives unique powers to the EU legislator to decide about competition rules in agriculture sector, *taking into account the five objectives of the Common Agricultural Policy* (CAP).

- *Increasing productivity of agricultural production,*
- *Ensuring a fair standard of living for agricultural communities,*
- *Stabilizing markets, assuring supplies*
- *Ensuring reasonable prices for the consumer.*

The maintenance of effective competition is one of the objectives of the common agricultural policy and common organization of market

What hinders agriculture sector to be competitive (challenges are faced)

1. EU farmers face challenges due to the characteristics of the agricultural sector. Natural disasters and elements (such as **adverse weather conditions and diseases**) can significantly **reduces production**, resulting in **volatility of prices and revenues**.
2. Farmers also face **increased demands** in terms of **quality, variety** and traceability by **end consumers**
3. Agricultural producers are remained into least concentrated.And on the other hand their input suppliers and customers (processors, wholesalers and retailers) are often much larger and more concentrated. Henceforth they have very little bargaining power in their negotiations with large suppliers and buyers.

Resolving these challenges by :-

- Integration of producers into producer organizations

Producer organization :-

- producer organizations can aggregate supply and serve more customers and additional markets.
- Producer organizations can offer supporting services that reduce costs), better manage production (e.g. through advisory services and quality control) and facilitate innovation (e.g. through intelligence gathering and dissemination as well as advisory services).
- the integration of producers into producer organizations can provide farmers with more stability, resilience, sustainability, flexibility, and more value.
- Ultimately, the integration of producers into producer organizations of appropriate size and activities can provide farmers with better and more stable revenues, while keeping adequate supply and reasonable food prices for consumers in line with the objectives.

The reformation of CAP (common agricultural policy)

- The question of farmers' lack of bargaining power vis-à-vis their buyers, has been at the heart of policy discussions in the last decade. And this prompted to put CAP under a reformation in 2013.

The CAP reform added some new competition rules in agricultural sector
applying a case study here :-

The CMO (common market organization) Regulation allowed producers of olive oil, beef and veal and arable crops to jointly sell/commercialize their products through Producer Organizations (POs). but subject to conditions

1. These POs should make farmers more efficient by providing farmers with supporting services other than sales, such as storage, distribution or transport services and
2. The volumes marketed by the PO should not exceed certain thresholds.

And the commission adopted a guideline in 2015 concerning the implementation of the rules regarding joint sales by producers of olive oil, beef and veal and arable crops

CASE STUDY :- **AB InBev and abuse of its dominant position**

30 November 2017

Anheuser-Busch InBev (abbreviated as **AB InBev**) is a multinational drink and brewing holdings company based in Belgium. Which is the **world's biggest beer brewer**, with a very strong position on the Belgian beer market. Its most popular beer brands in Belgium are **Jupiler** and **Leffe**

- Commission sends Statement of Objections to AB InBev for preventing cheaper imports of beer into Belgium
- **Effective competition** is important for European consumers to reap all the benefits of the internal market**. This case** is an example of the **Commission's effort** to ensure effective competition along all levels of the value chain from farmers, producers, distributors to consumers

- The European Commission has informed AB InBev of its preliminary view that the company has **abused its dominant position** on the Belgian beer market, by **hindering cheaper imports** of its **Jupiler** and **Leffe** beers from the Netherlands and France into Belgium. In these countries **AB InBev sells Jupiler and Leffe** at **lower prices** than in Belgium due to the increased competition it faces there.

- **Margrethe Vestager**, Commissioner in charge of competition policy, stated that :-

- ***AB InBev** Has deliberately prevented cheaper beer imports out of France and the Netherlands to reach consumers in Belgium and these practices would breach EU competition rules, because they deny consumers the benefits of the EU Single Market – choice and lower prices*

The commission has outlined these practices of AB Inbev which have been in place since 2008:-

- AB InBev changed the **packaging of Jupiler and Leffe** beer cans in the Netherlands and France to **make it harder to sell them in Belgium**: for example, it **removed French text** from its cans in the **Netherlands,** and **Dutch text** from its cans in **France**, to **prevent** their sale in the **French and Dutch speaking parts of Belgium**, respectively;

- AB InBev **limited access** of **Dutch retailers** to **key products and promotions**, in order to **prevent them from bringing less expensive** beer products to Belgium: for example, **it limited** the quantity of certain products sold to Dutch retailers and **restricted the availability** of certain promotions, if there was a chance that the Dutch retailers could import the products into Belgium.

What was the Commission's preliminary view about these practices ?

✓ That these practices have created anti-competitive obstacles to trade and partitioned the EU's Single Market along national borders and this this would infringe Article 102 of the Treaty on the Functioning of the European Union (TFEU) that prohibits the abuse of a dominant market position.


Commission accuses AB InBev of preventing cheaper beer imports to Belgium
North Sea
Netherlands
Belgium
France
Germany
Supermarkets
Supermarkets
Supermarkets
Beer
Beer
STOP
STOP
AB InBev
AB InBev

The Commission opened **formal antitrust proceedings** in June 2016 into AB InBev's practices affecting the Belgian beer market.

The **Statement of Objections** is **a formal step in** Commission investigations into **suspected violations of EU antitrust rules.**

And before this to happen

- The **Commission informs** the companies concerned in writing of the **objections raised against them**. The **companies** can then **examine** the documents on the **Commission's investigation file**, reply in writing and request an oral hearing to present **their comments** on the case before representatives of the Commission and national competition authorities.
- There is **no legal deadline** for the **Commission** to complete **antitrust inquiries** into anticompetitive conduct. The duration of an antitrust investigation depends on a number of factors, including the complexity of the case, the extent to which the undertaking concerned cooperates with the Commission and the exercise of the rights of defense.