

# Agreement on unfair trading practices in the food supply chain will protect all EU farmers

The new European law will cover agricultural and food products traded in the food supply chain, banning for the first time up to 16 unfair trading practices imposed unilaterally by one trading partner on another. Other practices will only be permitted if subject to a clear and unambiguous upfront agreement between the parties involved.

The European Commission had tabled its legislative proposal in April 2018 to ensure more fairness in the food chain and provide a minimum protection across the EU. This is the first time that EU level legislation will be implemented in this area. The new framework grants Member States the authority to enforce the new rules and impose sanctions in case of established infringements.

Attending the final negotiating meeting with the European Parliament and Council representatives, Phil **Hogan**, Commissioner for Agriculture and Rural Development, said: *"Today's agreement paves the way for a first-time EU law which provides significant protection for all EU farmers, their organisations as well as small and mid-range businesses. They will now be protected against all bigger operators acting unfairly and outside the rules. I would like to express my appreciation to all the negotiators, whose constructive approach and hard work ensured today's political agreement. I am particularly pleased that the agreement was achieved within a remarkably short eight months of the proposal's presentation by the Commission."*

The agreement reached today will apply to anyone involved in the food supply chain with a turnover of €350 million with differentiated levels of protection provided below that threshold. The new rules will cover retailers, food processors, wholesalers, cooperatives or producers' organisations, or a single producer who would be engaging in any of the unfair trade practices identified.

The unfair trading practices to be banned include: late payments for perishable food products; last minute order cancellations; unilateral or retroactive changes to contracts; forcing the supplier to pay for wasted products and refusing written contracts.

Other practices will only be permitted if subject to a clear and unambiguous upfront agreement between the parties: a buyer returning unsold food products to a supplier; a buyer charging a supplier payment to secure or maintain a supply agreement on food products; a supplier paying for a buyer's promotion, advertising or marketing campaign.

The implementation of these will not lead to higher prices for consumers. In the course of the public consultation conducted by the Commission before

presenting the proposal, consumer organisations encouraged the regulation of these practices because of their negative effect on consumers in the longer term.

An important element of the directive is that Member States can introduce a higher scope above €350 million in their national legislation or take further measures, should they so wish. The agreement also includes a review clause set at 4 years, which means that the provisions of the legislative text will have to be evaluated and possibly reviewed during the course of the next parliamentary mandate.

Member States will designate authorities in charge of enforcing the new rules, including the ability to impose fines and initiate investigations based on complaints. Confidentiality can be requested by parties filing a complaint, to address concerns about possible retaliation. The Commission will set up a coordination mechanism between enforcement authorities to enable the exchange of best practice.

Following today's agreement, a vote will now take place in the European Parliament and the Council to formally endorse the text. Once fully adopted, Member States will have to transpose the new legislative text into their national law.

## **Background**

The Commission Work Programme 2018 states that *"the Commission will propose measures to improve the functioning of the food supply chain to help farmers strengthen their position in the market place and help protect them from future shocks"*.

This initiative follows the references to the food chain in President Juncker's State of the Union speeches of 2015 and 2016, and is a political response to the resolution by the European Parliament adopted in June 2016 inviting the European Commission to submit a proposal for an EU-level framework concerning unfair trading practices. Moreover, in December 2016, the Council called on the Commission to undertake an impact assessment with a view to proposing an EU legislative framework or other non-legislative measures to address unfair trading practices.

The Commission has been working towards a fairer and more balanced food supply chain since the beginning of its mandate. In 2016 the Commission set up the [Agricultural Markets Task Force](#) (AMTF) to assess the role of farmers in the wider food supply chain and make [recommendations](#) on how it can be strengthened. On the basis of these recommendations, the Commission launched an [inception impact assessment](#) and a [public consultation](#) on the improvement of the food supply chain in 2017, which in turn helped identify the specific unfair trading practices that operators frequently consider to be exposed to.

A [recent EU-wide opinion poll](#) published in February 2018 shows that a great majority of respondents (88%) considers that strengthening farmers' role in the food supply chain is important. 96% of the respondents to the 2017 public consultation on the modernisation of the CAP agreed with the proposition that

improving farmers' position in the value chain including addressing UTPs should be an objective of the EU's Common Agricultural Policy.

**For More Information**

[European Commission acts to ban unfair trade practices in the food supply chain](#)

[Commission proposal against unfair trading practices in the food supply chain](#)

[MEMO: Tackling unfair trading practices in the food supply chain](#)