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Freshfel Europe: Market transparency needs context in order to improve the functioning of the food supply chain

About Freshfel Europe: This response to the consultation on market transparency is provided by Freshfel Europe, a vertical organisation representing the various segments of the fresh fruit and vegetable sector – from production down to retail, with a membership across the EU. The information provided can be published with our organisation’s information.

The fresh produce category and market transparency: When debating market transparency, the specific characteristics of the fruit and vegetable supply chain should be kept in mind: There is (sometimes high) perishability and seasonality; production is not always stable and could vary from one year to the other, depending on climatic conditions; for most of the products, there is a very short commercial cycle; within a single product category, there is a huge diversity in specific variety, quality, growing method, freshness & maturity, and packaging. Given the multi-layered supply chain structure, there are different market realities and prices. Additionally, the market reality could vary widely from one market to the other, and from one Member State to the other. Both supply and demand can fluctuate, resulting amongst others from climatic conditions. This can lead to (high) price volatility, in particular for produce with a shorter shelf-life.

Supply chain structure and market transparency: Within the fresh produce sector, there is a widely fragmented production base, different layers of the trade segment and value-added services across the chain, ending with a consolidated retail sector and an increasingly consolidated food services sector. Despite the consolidation of the latter, the food service market is very diverse: public or private canteens, schools, hospitals and health care, prisons, the army, catering, transport, restaurant chains, grocery shops, etc. Other segments of the chain not to be forgotten are the processing industry and the exporters to third countries. Each of these segments have a different market reality and different price settings. Due to this highly diverse character of the chain, market transparency, and in particular price transparency, needs to be utilized cautiously.

Relevance of market data and market transparency: A degree of market transparency and market information coordinated by authorities, such as DG AGRI Expert Groups and dashboard, leads to a better dissemination and analysis of existing data. The sector is also engaged in collectively providing forecast and stock depletion data for the main crops, such as apples and pears, peaches and nectarines, citrus, and kiwifruit. This information is publicly available and aggregated. Given the volatility of the production, it is important that operators across the chain have access to reliable information to best plan their campaign and take the most informed decision to maximize return for the various partners in the chain. Transparent information between all the actors will only enhance the functioning of the supply chain. Hence, the push towards a greater degree of transparency in the data from all the actors in the chain is understandable and commendable. However, information is usually limited to the main crops, to the detriment of smaller crops for which price information might be sensitive. Therefore, the sector supports a push for more market intelligence, in which all the nuances of the chain are included, rather than mere price transparency.

Reliability and constraints of a higher level of market transparency: In order for market transparency to benefit the functioning of the market, information needs to be properly analysed for all the different chains, and should be relevant and unambiguous. Ideally, market transparency should be of equal benefit to anyone in the chain or in the market. Should operators be required to provide data, the most accurate information should be supplied. Therefore, it is very important that clear information is provided about the stage in the chain during which the price is reported, such as prices before picking, ex packing/ex works, at wholesale, retail. Moreover, information about quality parameters should be harmonized to avoid misleading comparisons. When stakeholders are asked to report, e.g. to the Commission services, the method should be as precise as needed to secure accuracy and have a good understanding of what is behind the data. Providing “unprecise” or “incorrect” market data will be detrimental and a waste of resources as, ultimately, the market will “not lie”. The market reality will promptly rectify the information. Beyond the production forecast, most of the market information is usually ex-post information with limited benefit to structure the market. As stated above, the fresh produce market is characterized by a frequent volatility affecting both supply (because of climatic havocs) and demand (because the weather influences consumers’ preferences). The diversity of, amongst others, products, origin, varieties, production certification, such as organic and PGI, qualities, labelling, and packaging leads to a multiplicity of prices and market prices. Difference in cost structure also depends on the location, size of the place of production, cultivation and protection systems, and final use of the product. This array of prices is noticeable even within the same category: the price for one variety of apple is not the same as for another one. Additionally, prices for the same category vary between the member states. To conclude, fruit and vegetables are speciality crops, not commodities, which should be reflected reliably in any effort to enhance market transparency.

Scope of the information and market transparency: On the background of the above description of the fresh produce sector, an initiative to report on supply and demand trends will be challenging, as it will have to reflect this complex operational reality. If the initiative is to be useful for recommendations and business decisions, the market information tools should encompass more data than just information about prices and production volumes. It should also include other parameters or figures on weather, trade data, input and storage costs, as these are all contributing to the functioning of the supply chain. All these data should somehow be easy to access in a user-friendly platform. For market monitoring, multiple information could be provided, depending of the purpose, such as production forecast, stocks, producer or market price, on a weekly basis.

Coverage of products and market transparency: It is easier to capture information for the main crops, but those usually will have multiple stories per category, such as apples, oranges, tomatoes, bananas. Information for smaller crops might be more difficult to collect due to fragmentation or lack of structure to collect the data. However, smaller crops might also have their own merits and rationale to be followed and have information with key trends. In principle, the main benefit will be to have information organised at EU level, in the Single Market. Information on third country markets are less relevant, as the main trends are a posteriori accessible through Eurostat.

Final recommendations on market transparency: Any Commission’s initiative on market transparency should aim at reflecting the complex market reality of the fresh produce business, to avoid it to be counterproductive. It should take the complexity of the fruit and vegetable supply chain into account, with all its diversity. All the relevant factors that affect the chain need to be understood for operators across the chain to make informed operational decisions. Even though improved statistics on market trends are always an asset, sharing general and aggregate information on production and trade, in relation to market developments, should also be in line with competition policy rules. Therefore, a clear framework should be provided for the contributors to these efforts for enhancing market transparency.

Freshfel Europe, the European Fresh Produce Association, represents the fresh fruit and vegetable supply chain in the European Union and is registered in the transparency register under the reference: 1637225479-02. We incorporate more than 150 direct members and associated members, including companies and national associations of producers, shippers, exporters, importers, distributors, retailers, and their service providers. Through the membership of national associations, we have a wide, representative outreach of the EU fruit and vegetable production and trade.