



Workshop

**on contractual negotiations by
producer organisations for olive oil,
beef and arable crops
(Articles 169, 170 and 171 CMO)**



Agriculture
and Rural
Development

*DG Agriculture and Rural Development
European Commission*



Agenda

Introduction

Introductory presentation on Articles 169-171 CMO (DG AGRI)

First round of sectoral presentations (olive oil, beef, arable crops)

Coffee break ~ 11h00

Open-floor discussion of Questions (a), (b), (e)

Lunch ~ 13h00 - 14h30

Second round of sectoral presentations (olive oil, beef, arable crops)

Open-floor discussion of Question (d)

Coffee break ~ 16h00

Open-floor discussion of Questions (c), (f)

Closing remarks



New provisions in the CMO

- Articles 169-171 CMO on contractual negotiations introduced by Regulation (EU) No 1308/2013 (= Common Market Organisation regulation)
- Scope: allowing Producer Organisations (PO) and Associations of POs (APOs) in certain sectors to negotiate collectively
- Objective: strengthening of the bargaining power of producers
- Sectors: olive oil, beef and veal and certain arable crops



Themes addressed in today's workshop

- How do relevant sectors function and what is role of POs/APOs?
- What are the activities POs/APOs carry out for the benefit of its members?
- How relevant is the contractual negotiations possibility for the sectors concerned?

Objective: to obtain, on that basis, a systemic overview of the practical aspects in relation to the application of Articles 169-171 CMO



Overview of Articles 169-171 CMO

Main elements

- Negotiation of supply contracts by the PO or Association of Producer Organisations (APOs)
 - Notion of recognition
- Conditions for contractual negotiation including the quantitative thresholds for contractual negotiation
- Procedural aspects
- Role of national competition authorities



Conditions of application of Articles 169-171 CMO

- PO/APO pursues one or more of the following objectives:
 - Concentrating supply;
 - Placing on the market of the products produced by members;
 - Optimising production costs.
- PO/APO integrates activities
- Integration leads to significant efficiencies so as to contribute to Common Agricultural Policy objectives
- More concrete:
 - Activities listed in Article
 - Activities significant in terms of volume of produce concerned and in terms of cost of the production and placing of the product on the market



Conditions of application II

Activities listed in the Articles:

- (i) joint distribution, including joint selling platform or joint transportation;
- (ii) joint packaging, labelling or promotion;
- (iii) joint organising of quality control;
- (iv) joint use of equipment or storage facilities;
- (v) joint processing;
- (vi) joint management of waste directly related to the production of olive oil;
- (vii) joint procurement of inputs;



Conditions of application III

Quantitative limits for contractual negotiations

The quantities for a which a PO can negotiate supply contracts are limited:

- olive oil: 20% of the relevant market
- beef and veal: 15% of national production
- arable crops: 15% of national production

Data on national production in the sectors is published in the Official Journal of the EU and on DG AGRI's website:

- http://ec.europa.eu/agriculture/olive-oil/legislation/index_en.htm

- http://ec.europa.eu/agriculture/cereals/legislation/index_en.htm

- http://ec.europa.eu/agriculture/beef-veal/policy-instruments/index_en.htm



Powers of national competition authorities

National competition authorities (NCAs) can stop or reopen negotiations on a case-by-case basis:

- to prevent competition from being excluded, or
- if the objectives of Article 39 TFEU are jeopardised, or
- if [an NCA] finds that the product covered by the negotiations forms part of a separate market by virtue of the specific characteristics of the product or its intended use and that such collective negotiation would cover more than 15 % of the national production of such market (NB: beef and arable crops only)



Questions I

Relevance of contractual negotiations possibility:

- a) What is the **level of awareness and interest among producers** in your Member State regarding the new provisions on contractual negotiations (Articles 169-171 CMO)?
- b) Do you already have an idea if producer organisations will make use of the new provisions? What are the **possible obstacles** for their use?
- e) To what extent do producer organisations in the respective sectors trade in **produce sourced from non-members**?



Questions II

Quantitative limits for contractual negotiations:

d) How would you define the product markets and geographic markets in the sectors concerned?

See **Article 207 CMO** on definition of relevant market

- **"product market"** means the market comprising all those **products which are** regarded as **interchangeable or substitutable** by the consumer by reason of the products' characteristics, their prices and their intended use;
- **"geographic market"** means the market comprising the **area** in which the undertakings concerned are involved in the supply of the relevant products, **in which the conditions of competition are sufficiently homogeneous and which can be distinguished from neighbouring areas**, particularly because the conditions of competition are appreciably different in those areas.



Questions III

Conditions for contractual negotiations:

- c) What are the **most significant activities of a PO in terms of cost** for the production and supply of products in the three sectors, looking in particular at the following activities: distribution, packaging, promotion, quality control, storage, equipment, waste management, procurement of inputs?

Does a PO carry out the following activities **for all or part of the volumes it sells**: distribution, packaging, promotion, quality control, storage, equipment, waste management, procurement of inputs?

- f) To what extent do producer organisations in your sector **outsource** any of the activities listed in point (a) of Articles 169-171 CMO?



Concluding Remarks

- Lack of balance of bargaining power
 - Call for more competition
- Concentration of supply = important task for POs
 - Other tasks somewhat less central
- PO as a means to manage :
 - Price volatility
 - Variability of production conditions
- Freedom of farmers crucial for PO success:
 - Selling produce outside of a PO
 - Exit conditions from a PO



Concluding Remarks

- Selling of non-members' products
 - Separation for reasons of transparency / efficiency
 - Limited allowance for such practices
- Call for market transparency regarding
 - Production prices
 - Wholesale prices
 - Retail prices

Any further written reply to our questions would be welcome !



Thank you for your attention