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# Conference on the role of interbranch organisations in the food supply chain

## PRESENTATION OF THE STUDY ON 'AGRICULTURAL INTERBRANCH ORGANISATIONS IN THE EU'

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- c. Analysis of the functioning and benefits of IBOs*

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# BACKGROUND

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General objective: to provide a state of play analysis of agricultural interbranch organisations in the EU 28 MS

Three specific objectives:

- Provide a **comprehensive inventory of the respective rules** applicable to IBOs under national law;
- Present an **inventory** and a **comprehensive description** of the **current existing IBOs** in the EU 28 MS;
- Examine the **role IBOs play** in the food supply chain, the **factors influencing their functioning**, and the **benefits** offered by IBOs.

Notes: IBOs mean organisations recognised in context of sectors defined in CMO Regulation – **Inventory and results present situation as of 01 June 2016**

# APPROACH

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Theme (specific objectives)	Data sources, methods and tools
Legal framework	<ul style="list-style-type: none"><li>• Literature review (scientific &amp; grey)</li><li>• Interviews and questionnaire</li></ul>
Inventory existing IBOs	<ul style="list-style-type: none"><li>• Literature review (scientific &amp; grey)</li><li>• Interviews and questionnaire</li></ul>
Analysis of functioning and benefits	<ul style="list-style-type: none"><li>• Literature review (scientific &amp; grey)</li><li>• Case studies (5):<ul style="list-style-type: none"><li>• CIVB (Wine Bordeaux-FR)</li><li>• INTERPORC (Pork - ES)</li><li>• FruitVeb (F&amp;V - HU)</li><li>• IAOE (olive oil - ES)</li><li>• ZuivelNL (Dairy – NL)</li></ul></li></ul>

# APPROACH

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## *Limitations of the data:*

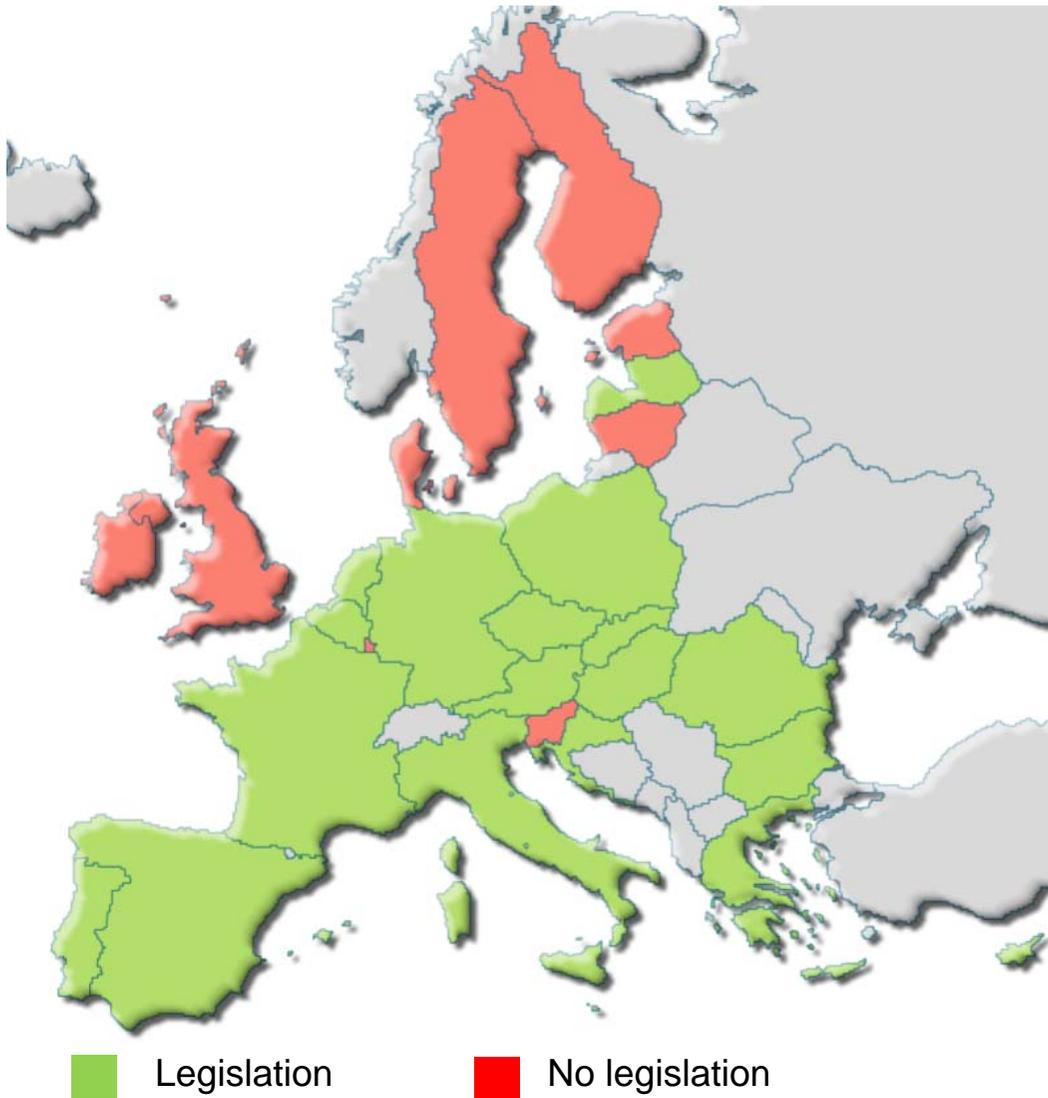
- Number of case studies (5) too limited to consider the large variability of cases.
- Literature on IBOs concerns mainly France and is rather rare in other MS.

**BUT**

Excellent cooperation from IBOs to submit and complete the survey questionnaire (>80% response rate).

# THEME 1: OVERVIEW OF NATIONAL LEGAL FRAMEWORK GOVERNING IBOs

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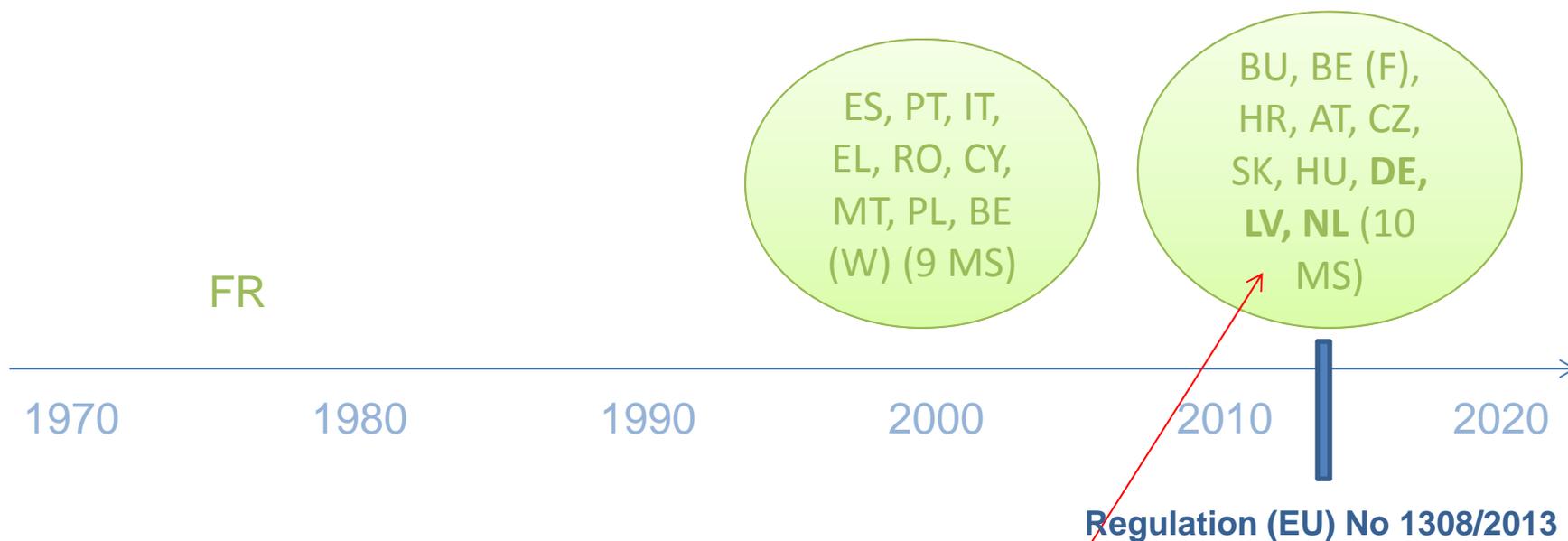


- 19 MS with legislation
- IT/ES with regional legislation too

# THEME 1: OVERVIEW OF NATIONAL LEGAL FRAMEWORK GOVERNING IBOs

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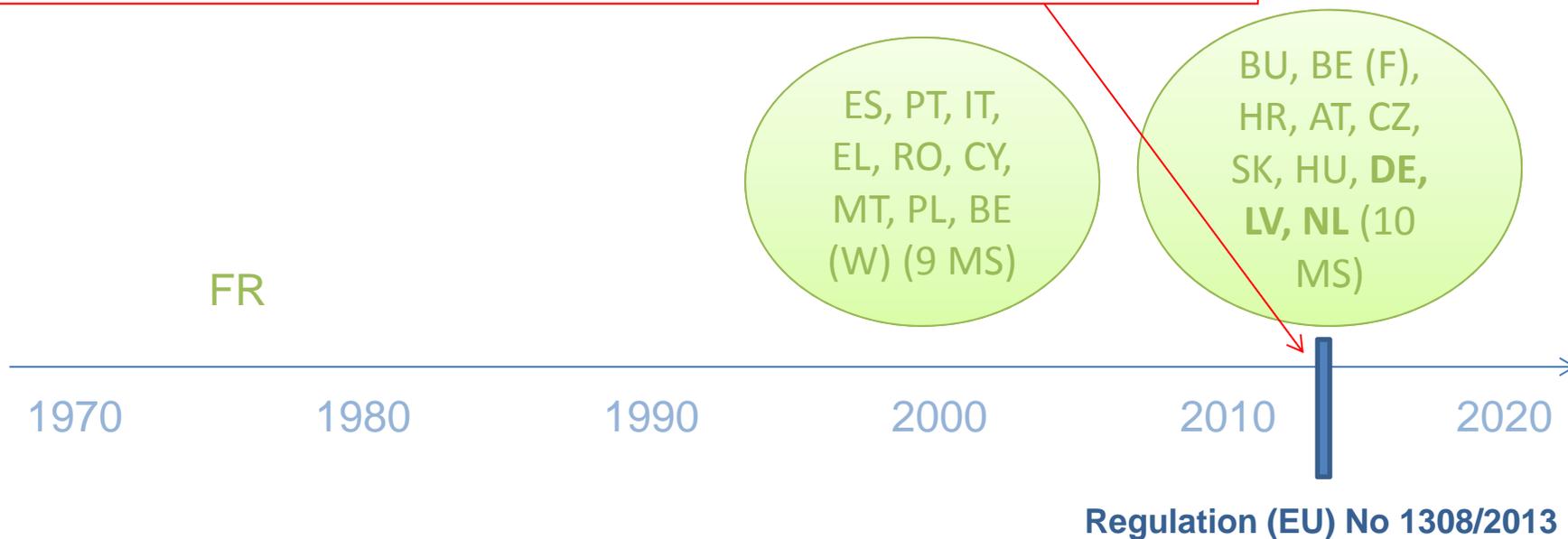
## Timing of first adoption



DE/LV and NL last MS to pass national laws (2013-2014)

# THEME 1: OVERVIEW OF NATIONAL LEGAL FRAMEWORK GOVERNING IBOs

Adoption of CMO Regulation pushed several MS to ensure **full alignment** of their national framework with EU rules (AT, BE/BG/FR/HR/HU/IT/PL) while others were planning to do that (CY/ MT/SK). CMO 2013 was a reason to introduce IBO rules in the NL in 2014.



# THEME 1: OVERVIEW OF NATIONAL LEGAL FRAMEWORK GOVERNING IBOs

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## *MS with national legislation on IBOs (19)*

- MS legislation reflects CMO requirements but each national framework has its peculiarities (e.g. IBOs definition/objectives, representativeness for recognition (quite heterogeneous) and extension of rules (more homogeneous), etc.)
- In FR/ES/IT/MT/NL/PT/RO national law specifically provides for the **extension of rules** to non-members under certain conditions
- **Extension of fees** to non-members set in national law of ES/FR/GR/IT/PT - IT/NL/PT have sanctions laid down for non-payment of fees
- A few **competition cases** involving IBOs, primarily in FR/ES, with **price fixing** being the most recurrent anticompetitive conduct at stake

# THEME 1: OVERVIEW OF NATIONAL LEGAL FRAMEWORK GOVERNING IBOs

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## *Remaining MS (9)*

- **9 MS** with no legislation on IBOs (DK/EE/FI/LT/IE/LU/SE/SI/UK)
- Reasons vary but, overall, similar to those applying to MS with national law but no IBO recognised e.g.:
  - Lack of awareness
  - Lack of funding opportunities
  - Distrust towards vertical cooperation
  - Uncertainty around application of competition rules
  - Slow uptake and weakness of POs under CMO Regulation
  - Presence of other type of cooperations: Non-recognised IBOs, cooperatives, grouping of producers, other private and public bodies.

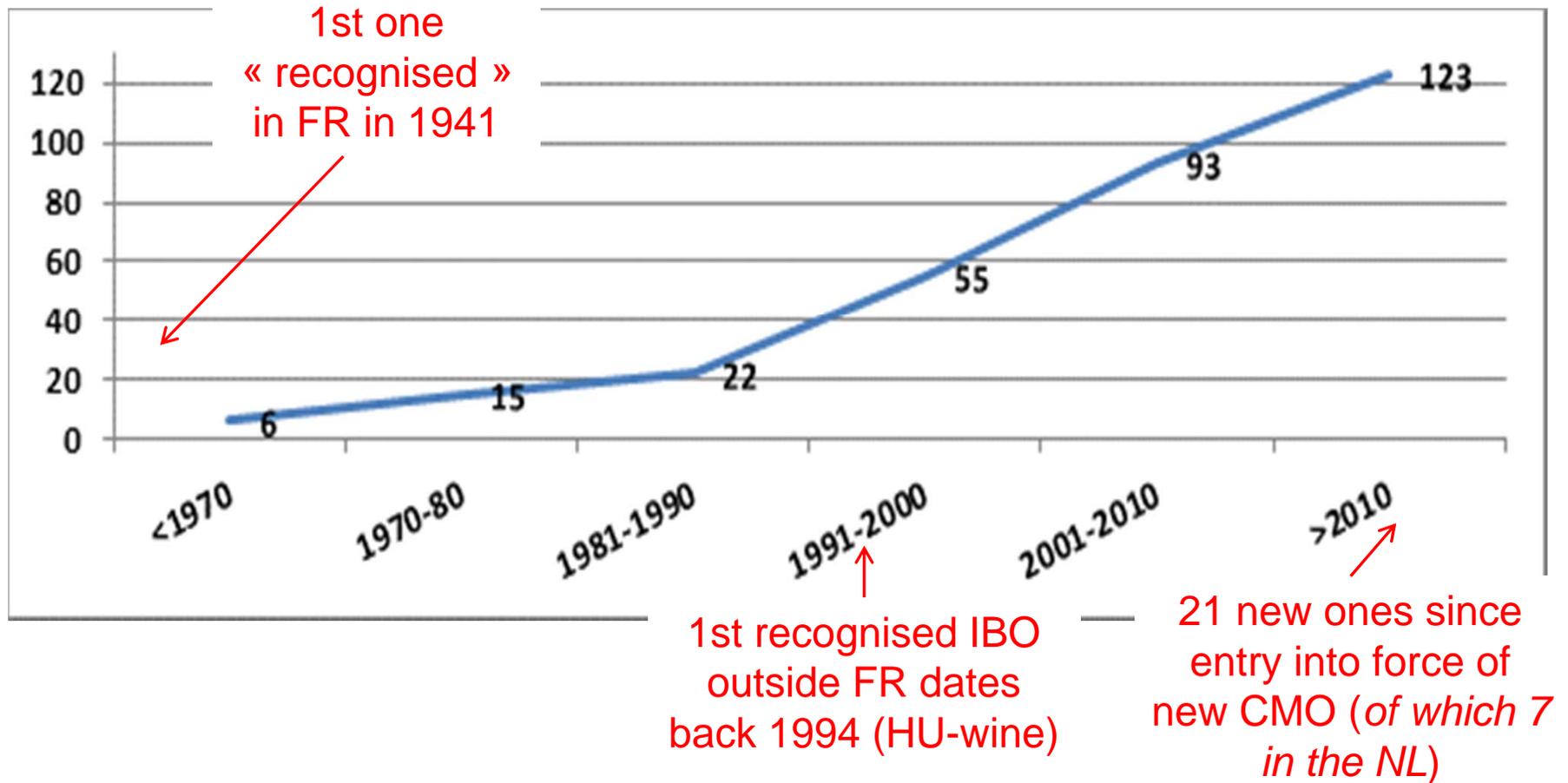
# THEME 1: OVERVIEW OF NATIONAL LEGAL FRAMEWORK GOVERNING IBOs

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*Questions ?*

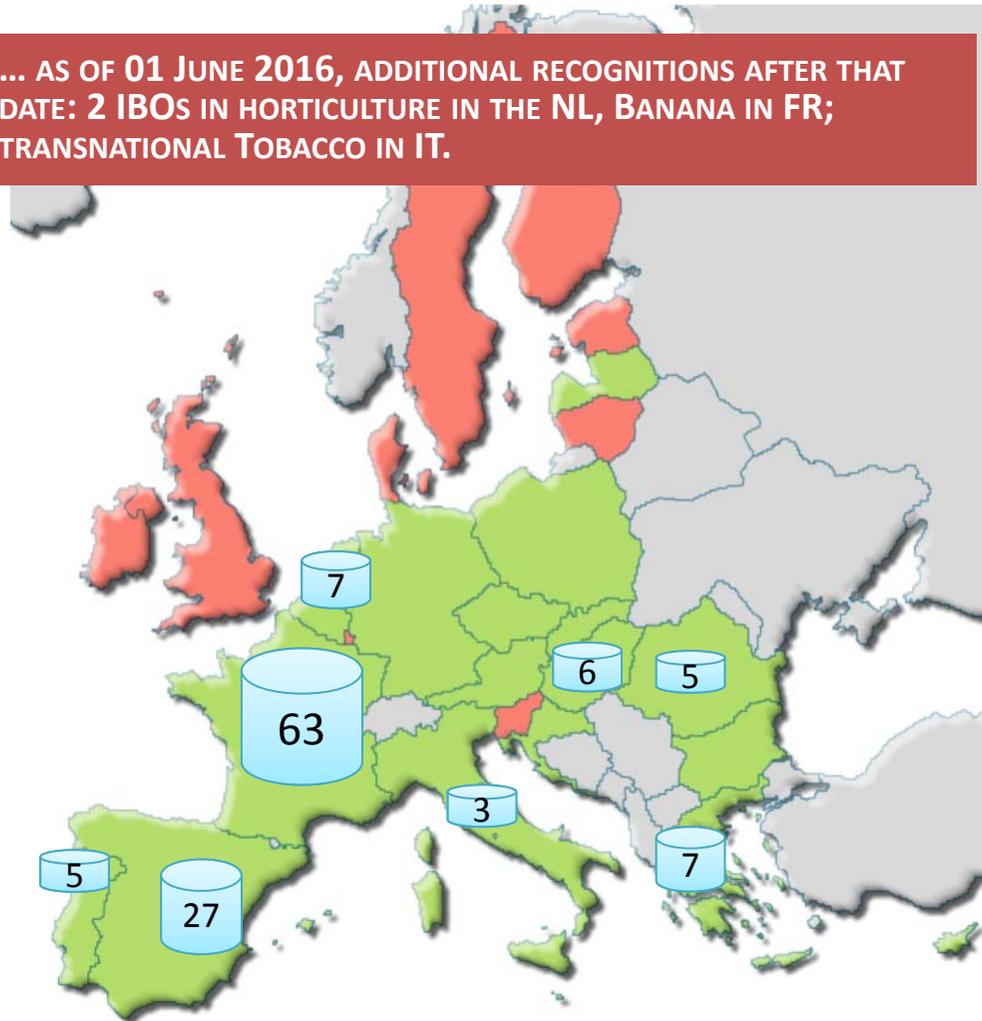
# THEME 2: INVENTORY OF EXISTING IBOs

## History of recognition



# THEME 2: INVENTORY OF EXISTING IBOs

... AS OF 01 JUNE 2016, ADDITIONAL RECOGNITIONS AFTER THAT DATE: 2 IBOs IN HORTICULTURE IN THE NL, BANANA IN FR; TRANSNATIONAL TOBACCO IN IT.



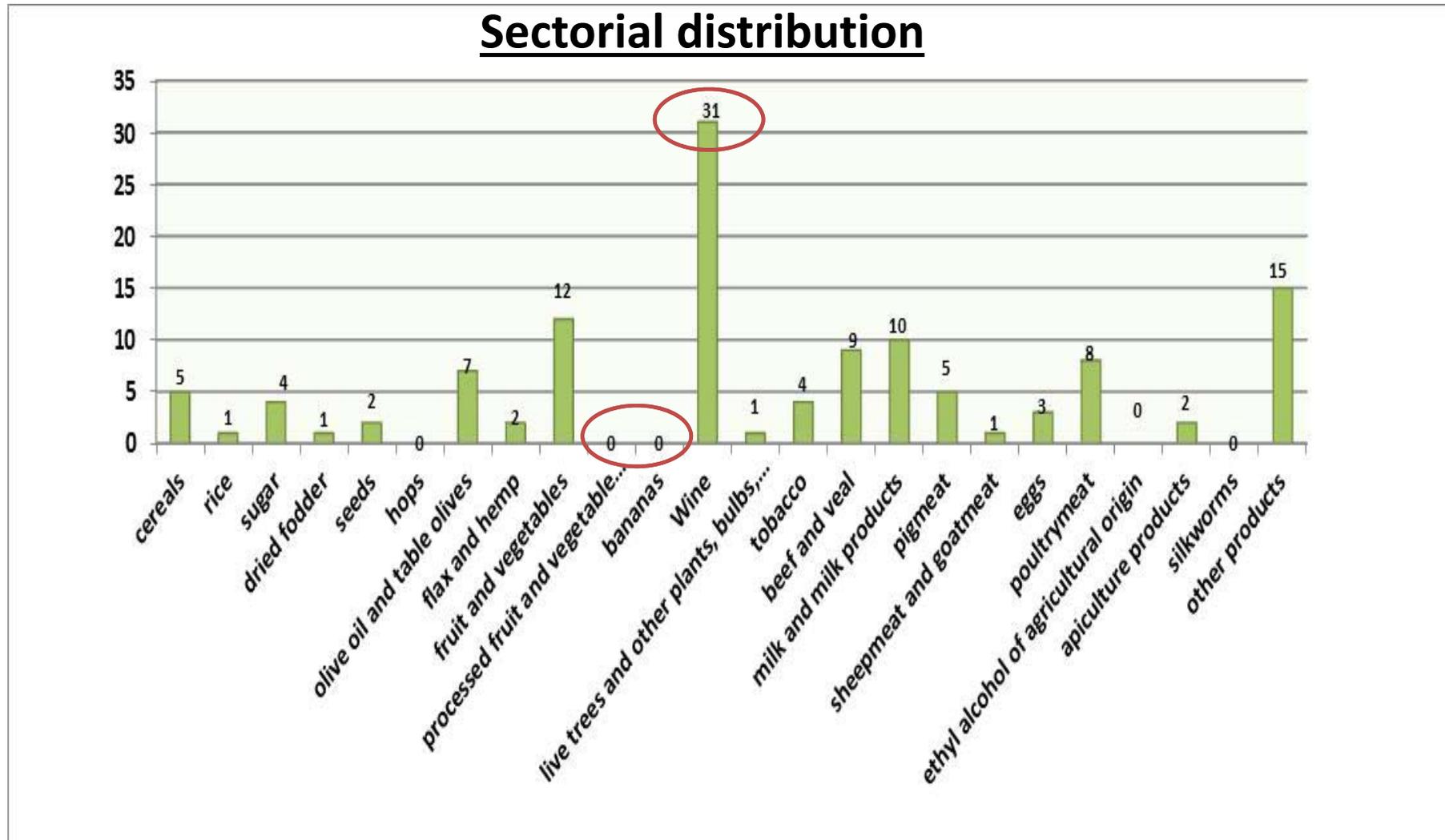
## Geographic distribution

- IBOs recognised in 8 MS
- 85 national IBOs
- 38 regional ones (36 in FR – mainly wine & 2 in SP – regionally recognised)
- NO transnational IBOs
- Few IBO recognitions have been withdrawn

*And...*

*1 IBO recognised at EU level*

# THEME 2: INVENTORY OF EXISTING IBOs



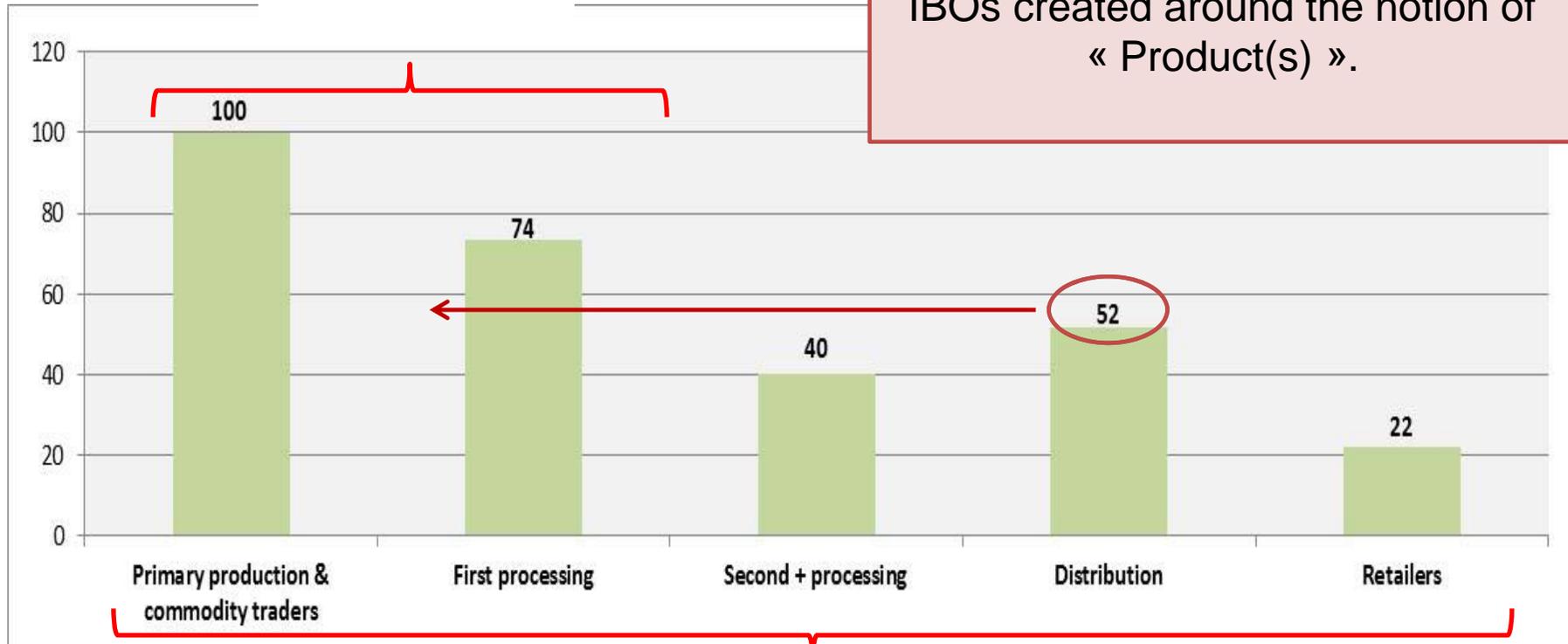
# THEME 2: INVENTORY OF EXISTING IBOs

## Membership per supply chain stage

(n=100)

Short IBOs

IBOs created around the notion of « Product(s) ».



Long IBOs

## THEME 2: INVENTORY OF EXISTING IBOs

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- **Representativeness** rarely reaches 100% (between 80 and 95% for primary production (exception FR wine IBOs with 100% representativeness due to obligations under GIs).
- **Top 3 objectives:**
  - Improving knowledge and transparency of production and export markets;
  - Promoting consumption; and
  - Providing information and performing research.
    - ⇒ 1/3 of IBOs have changed their objective over time to move to more promotion and marketing and less market regulation actions.
- **Membership** varies in number (ranging from 3 members to more than 500) and in legal forms (farmers, associations, private entities, farmers and/or trade unions, POs/APOs, etc.).

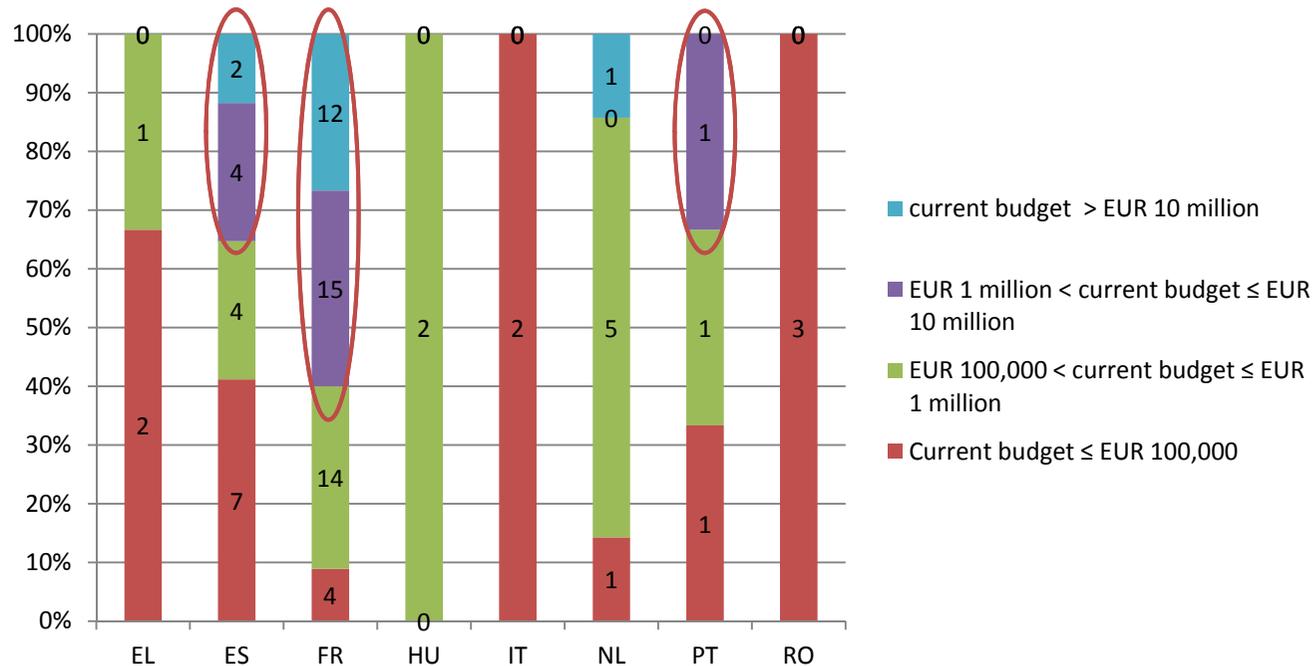
## THEME 2: INVENTORY OF EXISTING IBOs

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- **Governance** mainly based on a General Assembly, a Board and a secretariat support.  
Approach in “colleges” only in FR based on 3 main principles:
  - Representativeness,
  - Parity and
  - Unanimity
- 50 IBOs (out of 89 respondents) reported the use of extension of rules (mainly FR and NL but also ES and IT) (**Trend ↗**)

# THEME 2: INVENTORY OF EXISTING IBOs

- Large variability as regards budget of IBOs



- **Funding sources:** fees from members, fees when extension is applied, national and EU subsidies.

## THEME 2: INVENTORY OF EXISTING IBOs

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*Questions ?*



## THEME 3: ANALYSIS OF THE FUNCTIONING AND BENEFITS OF IBOs

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- **Preamble as regards the functioning of IBOs:**
  - Maturity of IBOs different across MS.... and across sectors in MS);
  - Comparison across MS difficult due to different socio-political, economic and historical context;
  - IBOs as part of the various (and often several organisations) present in the supply chain (⇒ Only 1 of the components of the governance of a supply chain: co-existence with – many – other organisations: recognised - e.g. POs/APOs - or not by CMO).
  - The different dynamics of actors 1) within IBOs BUT also 2) between IBOs and other organisations within the supply chain have to be fully considered to really understand the functioning of IBOs.

## THEME 3: ANALYSIS OF THE FUNCTIONING AND BENEFITS OF IBOs

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- **Regulation itself doesn't stimulate initiatives** leading to the creation and recognition of IBOs). Often a response to a crisis situation (economic, governance issues).
- **Initiatives of creation** and request for recognition often **come from primary production actors but not only**. ⇒ Need to be structured to **enter into discussions/negotiations** with public authorities.

## THEME 3: ANALYSIS OF THE FUNCTIONING AND BENEFITS OF IBOs

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- The **internal structure of the IBO (its organisation) is not that important** (legislation flexible on this), what **counts is the relationship between actors** and the dynamics:

⇒ Literature refers to “IBO concept” or “IBO system”

This includes:

- ✓ Relation between members of the IBOs (**search for consensus** – at least at the top of the organisations). **Platform for collective communication.**
- ✓ **Privileged relationship** of IBOs in the supply chain with **public authorities** (entry point for authorities). Contact for policy dialogue.
- ✓ This relation is even stronger with extension of rules (IBO ⇒ CAs) and/or delegations of official tasks (CAs ⇒ IBOs). French history shows that **CAs are “stabilising “ functioning of IBOs and (good) relationship between its members.**
- ✓ Application of **extension of agreements** (including fees) allows long-term funding of IBOs.

# THEME 3: ANALYSIS OF THE FUNCTIONING AND BENEFITS OF IBOs

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- Main issues:
  - Representativeness & extension of fees
  - Transparency
  - Long term funding when extension is not used
- Challenges:
  - Concerted management of interests of the different actors. OK for a given project in case of crisis, but more difficult long-term.
  - Positioning as regards application of competition law applied to agricultural sector (what can be done ? What can't be done by IBOs? ) => remaining grey zone(s).
  - Benefits mainly of intangible nature and therefore difficult to measure/to quantify.

## THEME 3: ANALYSIS OF THE FUNCTIONING AND BENEFITS OF IBOs

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- Impacts of IBOs actions and bargaining power:
    - The presence of IBOs has little, if any, impact on possible existing asymmetries in the bargaining power of the involved actors. With the exception of IBOs in olive oil and tobacco, IBOs are “non-economic” structures.
  - Impacts of IBOs actions as regards CAP objectives:
    - Mainly intangible. No clear (quantitative) evidence on the impact of the activities of IBOs on CAP objectives (farmer income, productivity, sustainability; price stability, and risk management).
- ⇒ **BUT presence of IBOs in the supply chain CLEARLY benefits actors, stakeholders and competent authorities (public goods in case of delegation of official tasks).**

# THEME 3: ANALYSIS OF THE FUNCTIONING AND BENEFITS OF IBOs

IBO activities	Benefit level of the action and impact on CAP objectives				
	Farmer income	Productivity	Sustainability	Price stability	Risk management
<b>(i)Improving the knowledge</b> and the transparency of the production and the market through the publication of relevant statistical data in an aggregated form as well as via the analysis of future market developments	+	+	+	+	++
<b>(ii)Forecasting</b> of production potential, and recording public market prices	+		+	+	+
<b>(iii)Helping to coordinate</b> better the way the products are placed on the market, in particular by means of research and market studies	+	+	+		+
<b>(iv)Exploring potential export markets</b>			+	+	+
<b>(v)Drawing up standard forms</b> of contract, compatible with Union rules, for the sale of agricultural products to purchasers and/or the supply of processed products to distributors and retailers	+		+	+	+
<b>(vi)Exploiting to a fuller extent the potential of the products</b> , including at the level of market outlets, and developing initiatives to strengthen economic competitiveness and innovation	+		+		+
<b>(vii)Providing the information and carrying out the research</b> necessary to innovate, rationalise, improve and adjust production and, where applicable, the processing and marketing	++	++	++		++
<b>(viii)Seeking ways of restricting the use of animal-health or plant protection products</b> , better managing other inputs, ensuring product quality and soil and water conservation, promoting food safety, in particular through traceability of products, and improving animal health and welfare	++		++		+
<b>(ix)Developing methods and instruments for improving product quality</b> at all stages of production and, where applicable, of processing and marketing	+		++		+
<b>x)Taking all possible actions to uphold, protect and promote organic farming</b> and designations of origin, quality labels and geographical indications	+		++		+
<b>xi)Promoting and carrying out research into integrated, sustainable production</b> or other environmentally sound production methods	+		++		+
<b>xii)Encouraging healthy and responsible consumption of the products</b> on the internal market and/or informing about the harm linked to hazardous consumption patterns	+		++		
<b>(xiii)Promoting consumption</b> of, and/or furnishing information concerning, products on the internal market and external markets	+		+		+
<b>xiv)Contributing to the management of by-products</b> and the reduction and management of waste.	+		++		+

# CONCLUSIONS

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## IBO: tools for the development of the supply chains ?

- Even if the total number of IBOs continues to grow at a regular pace, the full implementation of the “*IBO concept*” – i.e. the full use of legislative provisions, including extensions of rules and financing to non-members, and the establishment of close relationship between all actors being economic actors, other stakeholders and public authorities - is still under development.
- “*Presence of IBOs CLEARLY benefits actors, stakeholders and competent authorities*” .... as most of other types of vertical cooperation. IBO is not the single type of vertical cooperation to be considered.

# CONCLUSIONS

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## **IBO: tools for the development of the supply chains ?**

- Member States should reflect on whether IBOs (good) functioning is just brought about by further implementing Regulation (EU) No 1308/2013 or whether further steps are needed (e.g. how to set-up good working principles within the chain) to make the best use of IBOs for the furthering of the food supply chain.
- Each MS might thus consider defining the optimal conditions of the national “concept” (full use of all IBO provisions and optimal relationship between actors within and outside the IBOs). Under these conditions, IBOs could constitute efficient tools for vertical cooperation leading to further development of the supply chain.



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**Thanks for Your Attention!**

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