

Summary report of the second meeting of the Agricultural Markets Task Force on 8 March 2016 – Market transparency

1. FIRST DISCUSSION

The Chairman introduced the topic by referring to the specific characteristics of agricultural production, which reveal that price is not always an ideal clearing mechanism on agricultural markets. The following discussion focused on the cost/benefit analysis of availability of market information; the need for more monitoring at processor and retailer level; the need for detailed consumption information; "the race to the bottom" in agricultural markets with prices that do not reflect public concerns about food production; big data in agriculture and different pricing mechanisms.

2. EXPERT HEARING

Three external experts were invited to the meeting.

Mr Craig Morris (USDA) presented the state of price information available to the US farmers focusing on the mandatory price reporting for processors for meat and dairy sector, where every major processor is obliged to provide transaction information three times a day through a special IT system that is immediately available to farmers. It provides a common information base that helps processors focus on their operational efficiency and added value rather than bargaining regarding the raw materials. It reshaped the pricing mechanism from one based on live weight of the animal to the value of cuts that can be produced from it and from an auction to a contract system. The data is now universally used to price the contracts.

Mr Steve MacCorrison (University of Exeter) summarized the research on food chain. He indicated that the situation is complex and differs across the Member States (but also across different retail chains, across space and across outlets). The chain is characterized by successive oligopolies at different stages where multiple margins are set (issue of "double marginalization").

Ms Celine Giner presented the work of the OECD on food price formation in the Food Chain Analysis Network. Following the survey, all the OECD members have at least basic consumer price monitoring, however most have more elaborate systems with Belgium, Chile, EU, Italy and Lithuania having a dedicated food supply chain monitoring systems and France, Spain and United States both price and costs monitoring in the food chain (most of these countries have special entities for this work).

3. CONCLUDING DISCUSSION

In the discussion, it was argued that it is not clear how farmers can benefit from better information on prices, especially if for structural reasons they cannot act on this information. An industrial farmer already has access to information online, but the lonely farmer in a disadvantaged area has maybe less to gain from more transparent markets. The basic question is: in what way can it be helpful to improve the position of the farmer? Although there is some proof that short term price information would be useful for every participant in the food chain (including farmers) – even if it is not the essential element. The existing system of price information can be optimized, better linked, more efficiently available and costs better spread out. In the longer run, in view of need for adaptation taking long-run decisions (investment,

farm succession) we need other types of information based on analysing trends. It should also be acknowledged that many aspects of agriculture which are important for the public are not reflected in prices (although taken for granted by consumers). The focus is often on industrial farming which however will develop in its own dynamic and without public help, but if we also consider those who are inefficient but produce public goods – they will disappear if they are not supported. However, if this difference is not accounted for, the Task Force will come up with one-size-fits-all instruments which will not solve the underlying problems.

Further discussion related to need for support to farmers to better understand data, tackling the issue of confidentiality, the need for early-warning information about the markets and the developments of futures markets. An issue was raised about the monitoring of margins to understand the functioning of the food supply chain, taking into account the difficulties related to the fact there are many different value chains even for the same agricultural product and it is difficult to account for the costs and the variability of costs among different actors.

The next meeting of the group will take place on the 12th of April in Brussels and it will cover access of farmers futures markets and financial instruments.