



Regulating the Retail Landscape for Suppliers Tackling Unfair Trading Practices

Joe Healy IFA President, Wednesday 30th November 2016

Minister for Jobs, Enterprise & Innovation Mary Mitchell O'Connor, Members of the Oireachtas, Guest Speakers, ladies and gentlemen.

I want to welcome you all here today to this forum on the **regulation of the retail market** and how we address the area of **unfair trading practices** and **strengthen farmers' position in the food chain**.

In addition to farmers, we are joined today by representatives from the agrifood industry and the retail sector.

Farming and the agri-food sector is Ireland's largest indigenous productive sector, exporting food and drink worth almost €11bn last year and providing employment to over 300,000 people directly and indirectly.

It has been a key driver in Ireland's economic recovery. However, the recovery is not being felt by those of us who produce food. We are not fairly rewarded for our work and investment.

The reality is that primary producers are not getting fair play in the food supply chain and our viability is being seriously challenged, both in domestic and European markets.

For many years, IFA has campaigned for regulation of the retail sector to achieve a fairer share out of the price and better trading conditions for farmers.

The fact that 20 Member States have now introduced some form of voluntary or statutory legislation is recognition of the seriousness of the problem. Only this week, the French authorities are taking Carrefour to task over unfair trading practices.

Imbalance of power in the Food Supply Chain

Both in Ireland and at EU level, it is widely recognised and accepted that there is a major imbalance of power in the food supply chain. As price setters, retailers are at the top of the chain, and primary producers as price takers are at the bottom.

This imbalance of power has resulted in a situation where farmers are sometimes compelled to accept unreasonable conditions and prices that do not cover their costs or provide an economic return.

The food supply chain in Ireland, in our main export market in the UK and in most of Europe is characterised by the concentration of buying power in the hands of a small number of very large and powerful retail groups with significant market share.

Here in Ireland, the retail market is characterised by the concentration of 95% of buying power in the hands of five retail groups:

- Tesco, Supervalu, Dunnes, Aldi and Lidl.

Grocery Goods Regulations

The Grocery Goods Regulations were signed into law last February. The purpose of these regulations was to rebalance relationships in the food supply chain and to prohibit unfair trading practices.

Minister, you are welcome here today and we appreciate your attendance at our event. We look forward to hearing from you shortly.

However, farmers were very disappointed that your predecessor did not recognise the negative impact for them when retailers sell food below the cost of production, just to gain footfall through their stores.

We also made it very clear that we need an independent Ombudsman to police the retail sector. Today, we are calling on you to revisit this issue.

The appointment of a retail Ombudsman in Ireland, who can take up complaints and grievances of suppliers over mistreatment by retailers, remains a key objective of IFA.

The Regulations contain some important safeguards for suppliers,

- ensuring contracts in writing,
- payment within 30 days, and
- the prohibition on a requirement to pay for promotions etc.

However, the absence of a ban on below-cost selling is a major flaw. This common practice has a long-term negative impact on our primary producers and diminishes the value of food to consumers.

Minister, the new Grocery Regulations will have to lead to a fundamental change by retailers and wholesalers when it comes to paying their suppliers promptly.

Wholesalers and retailers will have to step up to the mark and comply with the new legislation, which provides for payment within 30 days as a standard provision. There is no justification for these players to insist on contractual terms longer than the standard 30 days, for short shelf-life products such as meat, fruit, vegetables, milk and other fresh products.

I want to welcome all our Guest Speakers here today.

Christine Tacon

In my role as Chair of the COPA Working Party on the Food Chain, I met Christine Tacon last September in Brussels.

In her role as the UK Groceries Code Adjudicator (GCA), she has demonstrated the impact that independent and effective investigative powers can have.

Christine is responsible for monitoring, encouraging compliance with and enforcing the Code. She will give an insight into her work and activities, including her investigations into the retail sector.

Her presentation to you today will clearly show the changes she has affected in areas such as delisting, excessive charges for packaging and additional payments over and above agreed amounts.

EU Task Force

IFA has welcomed Commissioner Phil Hogan's Agri-Markets Task Force Report and the recommendations on increased price transparency and independent enforcement to strengthen farmers' position in the food chain. This is a significant step forward at European level on this issue.

It is critical that these recommendations of the Task Force are implemented without delay, and actively enforced to rebalance power in the food chain.

Minister, we want the Irish Government to take the lead in driving this and to be fully supportive of Commissioner Hogan's initiative.

Competition and Consumer Protection Commission

We are also joined today by John Shine, who is Director of Regulation in the Competition and Consumer Protection Commission.

John, you have a very important role to play in ensuring the effective implementation of the Regulations and providing confidence to suppliers.

The CPCC must be very strong and visible in monitoring the compliance of retailers and wholesalers with the legislation, including all the requirements for retailers/wholesalers in staff training, annual compliance reporting and maintaining of records.

Suppliers need:

- Contracts that are effective
- Complaints must be investigated in confidence
- Anonymity has to be upheld
- Offences against the regulations prosecuted

Retailers must be aware that they will be held to account, and farmers need to know the regulations to protect suppliers are being enforced.

Minister, there are serious implications for suppliers and the people here in the room today if they make a complaint. They are in fear of being delisted.

Christmas Message to the Retailers

Growers were the victims in a vicious battle over market share, when retailers savagely discounted Irish potatoes and vegetables in the run-up to Christmas in recent years.

I want to put down a marker here today: this action by retailers, when some items were sold at one tenth of their production cost, will not be tolerated. This action by retailers had a very negative effect on the wholesale sector and farmers have seen this avenue of sales vanish.

Retailers claim that they pick up the cost of these 'crash-price promotions'.

The reality is that below-cost selling means a lower price across the board for our produce.

Conclusion

The current imbalance of power in the food supply chain is unsustainable for the family farm structure in Ireland and across the Europe.

Fresh produce sectors, such as liquid milk, horticulture and meat are under particular pressure from the retail sector.

Quality and value for consumers must be maintained, but producers must be paid a fair price which reflects the cost of production costs and a reasonable margin.

The Government and the EU Commission must accelerate their plans to strengthen the position of farmers in the supply chain. I look forward to the contributions from our speakers here today and active engagement from the floor.

I will now hand over to the Minister who will address you.

Thank You.