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COMMISSION STAFF WORKING DOCUMENT

Strengthening the position of farmers in the food supply chain

Accompanying the document

Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulations (EU) No 1308/2013, (EU) 2021/2115 and (EU) 2021/2116 as regards the strengthening of the position of farmers in the food supply chain

{COM(2024) 577 final/2}

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GLOSSARY

Term or acronym	Meaning or definition
AFCO	European Union Agri-Food Chain Observatory
AGRIFISH Council	Agriculture and Fisheries Council
APO	Association(s) of Producer Organisations
ASEDAS	Asociación de Empresas de Supermercados
BEUC	The European Consumer Organisation
CAE	Cooperativas Agro-alimentarias de España
CAP	Common Agricultural Policy
CEJA	European Council of Young Farmers
CMO	Common Market Organisation
COAG	Coordinadora de Organizaciones de Agricultores y Ganaderos
CR4 and CR5	Concentration Ratio of the top 4 and 5 retailers or firms
CUMAs	Coopératives d'Utilisation de Matériel Agricole (France)
ECVC	European Coordination Via Campesina
EMB	European Milk Board
EU	European Union
FEEF	Fédération des Entreprises et Entrepreneurs de France
FMO	Finnish Food Market Ombudsman
FNAB	Fédération Nationale d'Agriculture Biologique
FRESHFEL	European Fresh Produce Association

FTF	Fair Trade France
GIPT	Groupement Interprofessionnel pour la valorisation de la Pomme de Terre
HHI	Herfindahl-Hirschman Index
HZR	The CAP Horizontal Regulation (EU) 2021/2116
IBO	Interbranch Organisation
JA	Jeunes Agriculteurs
MIV	Milch Industrie Verband
MS	Member State(s)
OPs	Operational Programmes
PO	Producer Organisation
R&D	Research and Development
SATs	Sociedades Agrarias de Transformación (Spain)
SCAs	Sociétés Coopératives Agricoles (Agricultural Cooperatives, France)
SMEs	Small and Medium-sized Enterprises
SPR	The CAP Strategic Plans Regulation (EU) 2021/2115
SWD	Staff Working Document
TAPOs	Transnational Associations of Producer Organisations
TFEU	Treaty on the Functioning of the European Union
TPOs	Transnational Producer Organisations
UNPT	Union Nationale des Producteurs de Pomme de Terre
UPA	Unión de Pequeños Agricultores y Ganaderos
UTP	Unfair Trading Practice(s)

1. INTRODUCTION

The 2023/2024 farmer protests were centred around concerns about whether farmers were being fairly remunerated for their work, particularly in terms of price transmission and value-added sharing within the agri-food value chain, due to their weaker bargaining position compared to more concentrated and powerful buyers. Alongside the targeted review of the common agricultural policy[1] ('CAP'), which the Commission proposed on 15 March 2024 to deliver simplifications while maintaining a strong, sustainable and competitive policy for EU agriculture and food, the Commission also presented a reflection paper[2]. This paper outlines the possibility to implement several legislative and non-legislative measures to address this challenge by improving farmers' position in the agri-food supply chain and protecting them against unfair trading practices. The proposal discussed in this Staff Working Document is one of the initiatives listed in the reflection paper.

These ideas were subsequently presented to and discussed with the European Parliament Committee on Agriculture and Rural Development ('COMAGRI') on 19 March 2024[3], the ministers at the AGRIFISH Council meetings of 26 March[4] and 29 April 2024[5] reflecting broad support from Members of the European Parliament (MEPs) and Ministers. These meetings were followed by a presentation at a joint meeting of the civil dialogue groups for agricultural markets and animal products on 17 April 2024.

In parallel, on 25 January 2024 to provide a long-term perspective to farmers, President von der Leyen launched the Strategic Dialogue on the Future of Agriculture in the EU[6], which resulted in a report delivered on 4 September 2024[7], in time for the new College of Commissioners, which took office on 1 December 2024, to prepare its priorities.

Taking account of the reflections presented in March 2024, the reactions to them, and of the recommendations of the Strategic Dialogue, on 10 December 2024, the Commission

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[1] Proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) 2021/2115 and (EU) 2021/2116 as regards good agricultural and environmental condition standards, schemes for climate, environment and animal welfare, amendments to CAP Strategic Plans, review of CAP Strategic Plans and exemptions from controls and penalties, COM(2024) 139 final, 15.3.2024. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52024PC0139.

[2] European Commission, Commission proposes targeted review of Common Agricultural Policy to support EU farmers, press release, 15 March 2024, Brussels. Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_24_1493.

[3] Recording available at: https://multimedia.europarl.europa.eu/en/webstreaming/committee-on-agriculture-and-rural-development_20240319-1600-COMMITTEE-AGRI (Accessed 26 March 2025).

[4] Further information available at: https://www.consilium.europa.eu/en/meetings/agrifish/2024/03/26/ (Accessed 26 March 2025).

[5] Further information available at: https://www.consilium.europa.eu/en/meetings/agrifish/2024/04/29/ (Accessed 26 March 2025).

[6] Further information available at: https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal/agriculture-and-green-deal/strategic-dialogue-future-eu-agriculture_en (Accessed 26 March 2025).

[7] Strategic Dialogue on the Future of EU Agriculture – Final Report. Brussels, 4 September 2024. Available at: https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/main-initiatives-strategic-dialogue-future-eu-agriculture_en (Accessed 26 March 2025).

proposed[8] targeted amendments to the Common Market Organisation ('CMO') Regulation[9] and other CAP related basic acts (the CAP Strategic Plan Regulation and the Horizontal Regulation)[10]. These proposals aim to strengthen the position of farmers in the agri-food supply chain while preserving the principle of free negotiation of parties and market orientation of the current CMO Regulation.

This document outlines the key challenges aimed to be addressed by the proposed measures, the process and consultations activities that fed into the adoption of the measures, the different measures considered and their likely impact.

2. POLITICAL AND LEGAL CONTEXT AND RECENT MARKET DEVELOPMENTS

2.1. Instruments that aim to strengthen the position of farmers in the agri-food chain

The CAP provides measures designed to strengthen the farmers' position in the food supply chain and increase their bargaining power vis-à-vis more powerful players. These measures are set out in the three basic acts of the CAP, the CMO Regulation, the CAP Strategic Plans Regulation (EU) 2021/2115 ('SPR') and the CAP Horizontal Regulation (EU) 2021/2116 ('HZR'), as well as the Unfair Trading Practices ('UTP') Directive[11].

The strengthening of the farmers' position in the food supply chain has become an increasingly prominent objective under the CAP in the past 25 years. The transition during the 1990s from a price-support system within the CMOs based on price setting, public intervention and export subsidies to an income-support system based on direct payments, allows EU agriculture and farmers to benefit from market-orientation. The growing integration of the European agri-food sector in global markets has created significant trading opportunities, but it has also caused greater exposure to market imperfections and increased price volatility. To counteract these negative effects, in 2015 the European

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[8] European Commission, Commission proposes new measures to strengthen farmers' position in the agri-food supply chain and enhance cross-border enforcement against unfair trading practices, Press release, IP/24/6321, Brussels, 10 December 2024. Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_24_6321 (Accessed 26 March 2025).

[9] Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007, OJ L 347, 20.12.2013, p. 671–854, ELI: http://data.europa.eu/eli/reg/2013/1308/oj.

[10] Regulation (EU) 2021/2115 of the European Parliament and of the Council of 2 December 2021 establishing rules on support for strategic plans to be drawn up by Member States under the common agricultural policy (CAP Strategic Plans) and financed by the European Agricultural Guarantee Fund (EAGF) and by the European Agricultural Fund for Rural Development (EAFRD) and repealing Regulations (EU) No 1305/2013 and (EU) No 1307/2013, OJ L 435, 6.12.2021, p. 1 (CSP Regulation) and Regulation (EU) 2021/2116 of the European Parliament and of the Council of 2 December 2021 on the financing, management and monitoring of the common agricultural policy and repealing Regulation (EU) No 1306/201, OJ L 435, 6.12.2021, p. 187-261 (Horizontal Regulation).

[11] Directive (EU) 2019/633 of the European Parliament and of the Council of 17 April 2019 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain, OJ L 111, 25.4.2019, p. 59–72, ELI: http://data.europa.eu/eli/dir/2019/633/oj.

Commission created an expert group called the Agricultural Markets Task Force[12], which issued recommendations[13] on how to strengthen the farmers' position in the food supply chain. Two of the recommendations of the Task Force correspond to the topics addressed by the proposal at stake, namely the use of contracts and producer cooperation. These recommendations were partly implemented by means of amendments arising from the European Parliament in the process leading to adoption of Regulation (EU)2017/3793[14] ("omnibus regulation") and of Regulation (EU) 2021/2117[15].

Since 2 021, in the framework of the farm to fork strategy, the Commission has been organising under the auspices of the CAP Network[16] (formerly the European Network for Rural Development (ENRD) Contact Point) an annual 'Forum on Best Practices in the Agri-Food Supply Chain'. This is one of the actions envisaged by the European Commission to improve the farmers' position in the supply chain and step up cooperation between farmers and other players in the agri-food supply chain.

CMO Regulation

The CMO Regulation entered into force in 2013, regrouping the different historical sectoral CMOs in place since the early 1960s, already merged in the so-called Single CMO in 2007, which included the 2012 "Milk package" measures, amended in 2018 ("Omnibus" amendment) and in 2021 (under of the CAP 2023-2027 reform)[17]. It establishes a common organisation of agricultural markets through transparent, equitable rules that ensure a level

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[12] Further information available at: https://agriculture.ec.europa.eu/common-agricultural-policy/agri-food-supply-chain/agricultural-markets-task-force_en (Accessed: 25 March 2025).

[13] Agricultural Markets Task Force, Improving market outcomes – Enhancing the position of farmers in the supply chain. Brussels, November 2016. Available at: https://agriculture.ec.europa.eu/system/files/2020-01/2016-11-amtf-final-report_en_0.pdf (Accessed 26 March 2025).

[14] Regulation (EU) 2017/2393 of the European Parliament and of the Council of 13 December 2017 amending Regulations (EU) No 1305/2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD), (EU) No 1306/2013 on the financing, management and monitoring of the common agricultural policy, (EU) No 1307/2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy, (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products and (EU) No 652/2014 laying down provisions for the management of expenditure relating to the food chain, animal health and animal welfare, and relating to plant health and plant reproductive material, OJ L 350, 29.12.2017, p. 15–49 (Omnibus Regulation).

[15] Regulation (EU) 2021/2117 of the European Parliament and of the Council of 2 December 2021 amending Regulations (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products, (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on the definition, description, presentation, labelling and the protection of geographical indications of aromatised wine products and (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union, OJ L 435, 6.12.2021, p. 262–314.

[16] EU CAP Network (2021–2024), Forum on Best Practices in the Agri-Food Supply Chain, meetings organised by the CAP Network in collaboration with the European Commission (DG AGRI), 2021–2024. Available at: https://eu-cap-network.ec.europa.eu/publications/farm-fork-strategy-and-cooperation-agri-food-supply-chain-highlights-report_en, https://eu-cap-network.ec.europa.eu/publications/highlights-report-2nd-meeting-forum-best-practices-agri-food-supply-chain-highlights_en, https://eu-cap-network.ec.europa.eu/publications/highlights-report-3rd-farm-fork-forum-meeting_en, https://eu-cap-network.ec.europa.eu/events/4th-meeting-forum-best-practices-agri-food-supply-chain_en (Accessed 26 March 2025).

[17] Earlier, the CMO Regulation had been significantly amended in 2012 ("Milk Package") and 2018 (the 'omnibus' process) to clarify and reinforce competition exclusionss for producer organisations.

playing field for all economic actors involved in marketing agricultural products listed in Annex 1 of the Treaty. Among others, it lays down rules on contracts, cooperation, and exclusions from the application of competition rules, allowing farmers to organise themselves in producer organisations ('POs') or alongside other players in the supply chain, and interbranch organisations ('IBOs'). It also contains horizontal and sector-specific rules on recognition of POs, as well key provisions to ensure market transparency.

The most recent amendments to the CMO Regulation, adopted in December 2021, introduced several changes. These include:

- a new exclusion from competition rules for sustainability-enhancing agreements;
- revised roles and competences for POs and IBOs, particularly in the areas of sustainability, contractual framework and risk management;
- extended concept for value-sharing clauses in contracts that enables farmers to better share the value created further downstream in the supply chain; and
- improvements to geographical indications, offering producers greater flexibility in managing product specifications, control schemes, and private supply management.

These provisions aim to help improve farmers' bargaining power, reduce transaction costs, and foster collaboration in processing and marketing. Market orientation and free price formation are the central principles, ensuring that prices are largely determined by supply and demand.

In addition, the Commission aims to the improve market transparency in secondary legislation[18] as well as through non-legislative initiatives. Market transparency aims to correct information asymmetries and enable farmers to take more informed decisions either through existing EU market observatories[19] or through data published on the agri-food data portal[20]. On 12 December 2024 the Commission adopted a report[21] showing how new technologies could further improve market data.

To further increase transparency, boost the bargaining position of farmers and foster trust among supply chain actors, a new observatory, the EU Agri-Food Chain Observatory ('AFCO') was set up in April 2024[22]. Its objectives include: (i) exchanging information to

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[18] See e.g., Commission Implementing Regulation (EU) 2019/1746 of 1 October 2019, amending Implementing Regulation (EU) 2017/1185 laying down rules for the application of Regulations (EU) No 1307/2013 and (EU) No 1308/2013 of the European Parliament and of the Council as regards notifications to the Commission of information and documents, C/2019/6908, OJ L 268, 22.10.2019, p. 6. Available at: ELI: http://data.europa.eu/eli/reg_impl/2019/1746/oj.

[19] See for further details on the EU market observatories: https://agriculture.ec.europa.eu/data-and-analysis/markets/overviews/market-observatories_en.

[20] See for further information and access to the data published on the agri-food data portal: https://agridata.ec.europa.eu/extensions/DataPortal/home.html.

[21] European Commission, Report from the Commission to the European Parliament and the Council: The use of new information and communication technologies to ensure better market transparency pursuant to Article 225(dc) of Regulation (EU) No 1308/2013, COM(2024)568 final, Brussels, 12 December 2024. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52024DC0568.

[22] See for further information on the work of AFCO: https://agriculture.ec.europa.eu/common-agricultural-policy/agri-food-supply-chain/afco_en.

develop a shared understanding of the sector's challenges; (ii) increasing transparency on costs and margins in the chain; and (iii) identifying trading practices and contractual arrangements that affect how the chain operates. In the medium term, the AFCO aims to develop methodologies and indicators to assess cost structures and value distribution.

Other CAP related regulations

The CAP continues to pursue the Treaty objectives of increasing agricultural productivity through technological progress, ensuring a fair income for farmers, stabilising markets, safeguarding supplies, and offering consumers reasonable prices.

The 2021 Reform of the CAP covering the 2023-2027 period introduced significant changes with the SPR[23] and HZR[24], in particular a new delivery model that shifts from a compliance-based approach to a performance- and results-oriented policy. Consequently, Member States now bear greater responsibility for designing their national strategic plans and must be held more accountable for achieving the agreed objectives and requirements. One of the CAP's specific objectives mentioned in Article 6 of the SPR refers explicitly to the need "to improve the farmers' position in the value chain". To further strengthen farmers' competitiveness, the SPR allows Member States - under certain conditions - to fund sectoral interventions through operational programmes in many sectors, apart from a few exceptions (e.g. wine, beekeeping, tobacco and ethanol). While such programmes were previously limited to the fruit and vegetable sector, they are now more broadly available. Farmers can benefit by joining recognised POs and taking advantage of the measures these organisations implement. The EU financing available to POs is limited to a certain percentage (4.1% for fruit and vegetables, 6 % for other sectors) of the value of marketed production (VMP) by the POs. This means that the funding is proportional to the VMP or placed in the market collectively by POs for their members. These interventions and their modalities reinforce the role of POs and create a strong financial incentive for farmers to either join existing POs or for non-recognised POs to seek recognition.

UTP Directive

The UTP Directive was adopted by the European Parliament and the Council on 17 April 2019. It is binding on all 27 Member States and establishes a minimum level of harmonisation in the matter by introducing a list of prohibited unfair trading practices ('UTPs') between buyers and suppliers in the agricultural and food supply chain. Under the Directive, Member States must prohibit certain UTPs, which are divided into two categories: (i) per se or unconditional prohibitions ('black list'), and (ii) conditional prohibitions ('grey list') - the latter being prohibited unless agreed in clear and unambiguous terms in the supply agreement or in a subsequent agreement between the supplier and the buyer. The Directive also sets out minimum rules on enforcement of these prohibitions and provides for cooperation between enforcement authorities. Member States

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[23] The SPR sets out the objectives, interventions, and financial arrangements under the CAP for 2023–2027. It also contains rules on coordination, governance, monitoring, reporting, and evaluation.
[24] The HZR provides the framework for CAP financing, management, and monitoring. It further details how the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD) are allocated and used.

may adopt or maintain stricter national rules that go beyond those listed in the Directive, provided these comply with the rules governing the functioning of the internal market.

Member States were required to transpose the Directive into their national legal frameworks by 1 May 2021. By December 2022, all Member States had notified the Commission that the Directive had been fully transposed. Further details on transposition can be found in the *Report on Implementing the Prohibition of Unfair Trading Practices to Strengthen the Position of Farmers and Operators in the Agricultural and Food Supply Chain*[25] of 23 April 2024, as well as in the accompanying SWD[26]. On 10 December 2024, the Commission presented also a proposal[27] aimed at strengthening rules for cross-border enforcement against UTPs in the agri-food supply chain, as outlined in the UTP Directive. This legislative proposal is part of the response to farmers' protests, and it intends to tackle the challenges faced by UTP enforcement authorities when buyers and suppliers operate across different Member States by improving cooperation between the UTP enforcement authorities. The Commission is also currently conducting the first evaluation of the Directive and must present its findings in a report by 1 November 2025.[28]

Strategic Dialogue on the Future of EU Agriculture

As announced by President von der Leyen in the State of the Union address[29] in September 2023, the Strategic Dialogue[30] on the future of EU agriculture was launched in January 2024. It brought together 29 experts from the agri-food sector, civil society, rural communities, and academia to forge a shared vision for the EU's farming and food systems. In its final report[31] published on 4 September 2024, the Dialogue issued

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[25] European Commission, Report from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Committee of the Regions: Implementing the Prohibition of Unfair Trading Practices to Strengthen the Position of Farmers and Operators in the Agricultural and Food Supply Chain – State of Play, {SWD(2024) 106 final}, European Commission, Brussels, 2024. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2024:176:FIN (Accessed: 26 February 2025).

[26] European Commission, Commission Staff Working Document: Unfair Trading Practices (UTP) - Overview Tables on Member States' Transposition Choices and Enforcement Activities. Accompanying the document Report from the Commission to the European Parliament, The Council, The European Economic and Social Committee and the Committee of the Regions: Implementing the Prohibition of Unfair Trading Practices to Strengthen the Position of Farmers and Operators in the Agricultural and Food Supply Chain – State of Play, SWD/2024/106 final/2, European Commission, Brussels, 2024. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD:2024:106:REV1 (Accessed: 26 February 2025).

[27] European Commission, Proposal for a Regulation of the European Parliament and of the Council on cooperation among enforcement authorities responsible for the enforcement of Directive (EU) 2019/633 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain, COM(2024) 576 final, 2024/0318(COD), Brussels, 10 December 2024. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52024PC0576&qid=1740660011175.

[28] See for further information on the evaluation: https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/13826-Agricultural-food-supply-chain-combating-unfair-trading-practices_en.

[29] Ursula von der Leyen, 2023 State of the Union Address, September 13, 2023, Strasbourg. Available at: https://ec.europa.eu/commission/presscorner/detail/en/speech_23_4426.

[30] See further information on the Strategic Dialogue: https://commission.europa.eu/topics/agriculture-and-rural-development/strategic-dialogue-future-eu-agriculture_en.

[31] The final report of the Strategic Dialogue on the future of EU agriculture – A shared prospect for farming and food in Europe, 4 September 2024. Available at: https://agriculture.ec.europa.eu/document/download/171329ff-0f50-4fa5-946f-aea11032172e_en?filename=strategic-dialogue-report-2024_en.pdf (Accessed: 26 February 2025).

recommendations to the EU institutions, in particular to the European Commission, and the Member States.

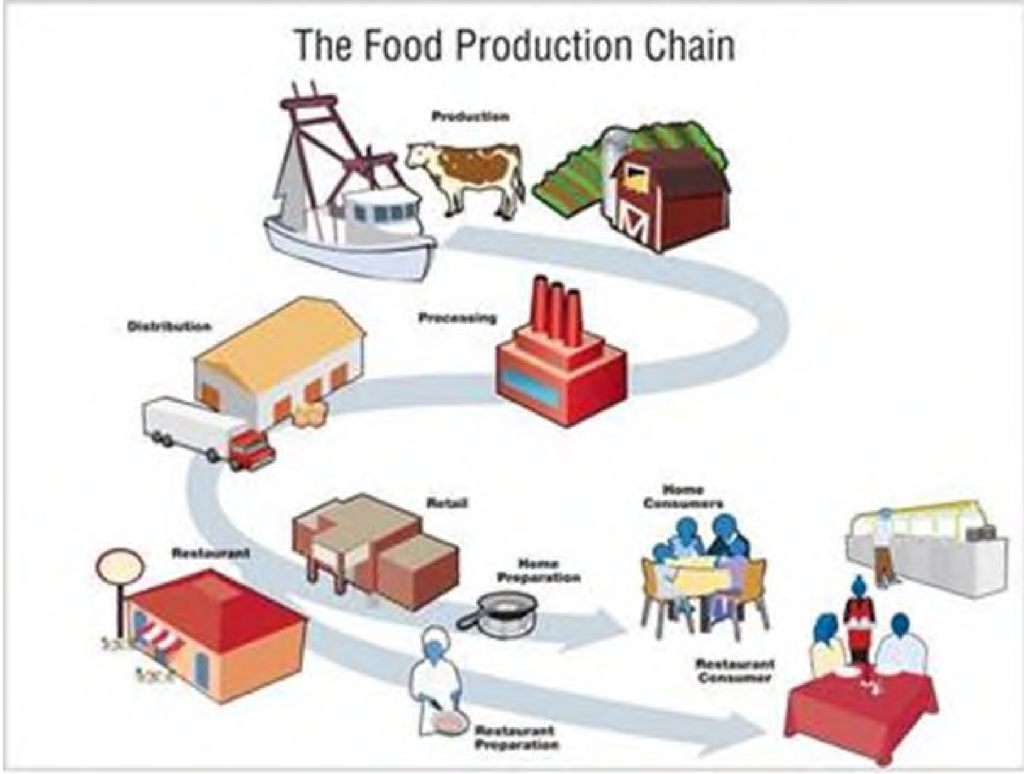
The first chapter of recommendations of the Dialogue's report deals with a fair and competitive food value chain by strengthening the farmers' position in this chain. Recommendations in this area focus on contracts, inviting to consider data on production costs and prices as relevant elements in contractual negotiation, favouring more transparency in favour of farmers and other weaker operators and allowing for renegotiations in case of an exceptional cost increase. The recommendations also highlight the importance of mediation mechanisms.

The Strategic Dialogue also calls for POs and associations of producer organisations ('APOs') to be strengthened (e.g., via targeted support) and for the process for recognising them to be simplified. The Strategic Dialogue recognises that economic, environmental, and social dimensions of sustainability are equally important for European societies in general and the agri-food systems in particular. It also recognises that the CAP should promote positive environmental and social outcomes and support the diversification of sustainable business models, including, for example, short supply chains.

2.2. Structure of the food chain and position of farmers

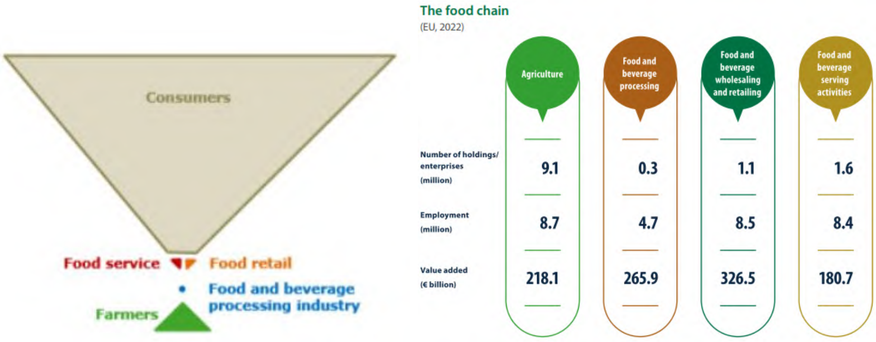
The EU's agri-food supply chain shows different degrees of market concentration across its different segments. In particular, while agricultural production remains highly fragmented, the agricultural inputs sector (e.g., seeds, fertilisers, agro-chemicals, and machinery) and parts of the food processing sector are highly consolidated, dominated by a few multinational companies with significant market power. In addition, international trading of agricultural commodities is also traditionally a concentrated segment, with few strong trading companies controlling substantial logistical assets (e.g. for transportation terminals and storage facilities) at the main trade hubs. Furthermore, retail also shows varying degrees of concentration, ranging from high to moderate at the national level, both for wholesale purchasing and for retail sales.

Figure 1: Organisation of the food supply chain



Source: CDC

Figure 2: Stylised representation of the EU agri-food supply chain from farmers to consumers.



Source: DG AGRI, CAP specific objectives explained – Brief No. 3

The structure of the agri-food supply chain

Regarding the structure of the agricultural level, most segments of production remain highly fragmented. In 2020, the agricultural sector employed 8.7 million people in the EU (4.2% of total employment), whose main occupation was in agriculture, either as employed salary workers or self-employed farmers.[32] In addition, the sector relied on a regular agricultural labour force of approximately 17 million people, including not only full-time workers but also part-time and seasonal workers - primarily self-employed farmers and their family members who regularly work on the farm. In 2023, the total output of the EU's agricultural industry reached €537.1 billion, generating €223.9 billion in added value.[33] Despite these substantial figures, the majority of the EU's 9.1 million farm holdings (i.e. farms) were family-run and of a small or medium size, with an average size of 17.1 hectares in 2020.[34] Farms with an annual standard output below €100,000 represent 92% of the total number of agricultural holdings in 2020 (8.4 million farms)[35].. In contrast, only 3.6% of farms exceeded 100 hectares. However, these accounted for 51.8% of the total agricultural land.[36] Farm concentration remained low, with just 7% of farms exceeding 50 hectares and a concentration ratio for the top five firms ('CR5') of only 0.19% at the EU level.[37] Between 2010 and 2020, the number of farms under 5 hectares fell by 2.7 million, contributing to an overall decline of 3 million farms (24.8%), while the number of large farms continued to grow, despite the total agricultural area remaining relatively stable (down just 2.2%).[38]

The food (including beverages) processing industry is a major EU manufacturing sector, comprising 309 045 firms, employing 4.7 million people, and generating €266 billion in value-added.[39] Some of the food processing sectors arehighly concentrated as explained further below, in particular those for food preparation deriving from complex processing activities, with large corporations dominating key subsectors such as meat processing, seed processing, dairy, and beverages. While 95.8% of EU food (incl. beverages) processors are small to medium-size enterprises ('SMEs'), firms larger than SMEs generate 57.6% of

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[32] Eurostat, Farmers and the agricultural labour force – statistics, November 2022, available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Farmers_and_the_agricultural_labour_force_-_statistics#Agriculture_remains_a_big_employer_in_the_EU.3B_about_8.7_million_people_work_in_agriculture (accessed 26 February 2025).
[33] Eurostat, Performance of the agricultural sector – statistics, November 2024, available at: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Performance_of_the_agricultural_sector#SE_MAIN_TT (accessed 26 February 2025).
[34] Eurostat, Key Figures on the European Food Chain – 2023 Edition, 6 December 2023, p. 13, available at: https://doi.org/10.2785/265789 (accessed 26 February 2025).
[35] Eurostat, Farm Structure Survey 2020.
[36] Ibid, p. 13.
[37] European Commission. *Commission Staff Working Document: Impact Assessment - Initiative to Improve the Food Supply Chain (Unfair Trading Practices),* SWD(2018) 92 final, Brussels, 12 April 2018., Accompanying the Proposal for a Directive of the European Parliament and of the Council on Unfair Trading Practices in Business-to-Business Relationships in the Food Supply Chain, page 42. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52018SC0092.
[38] Eurostat, Key Figures on the European Food Chain – 2023 Edition, 6 December 2023, available at: https://doi.org/10.2785/265789 (accessed 26 February 2025).
[39] Eurostat, Key Figures on the European Food Chain – 2024 Edition, November 2024, available at: https://doi.org/ 10.2785/5897613 (accessed 26 March2025).

value-added in food processing and 68% in beverages.[40] This concentration has been driven by natural growth and mergers.

Evidence of this dominance is also evident in the high concentration levels within certain sub-sectors and varies across the Member States. According to a JRC study[41], 35% of the subsector - Member State pairs[42] are highly concentrated, 14% moderately concentrated and the remaining 51% unconcentrated. Moreover, the product-specific concentration varies. In 14 Member States, branded markets for baby food, cereals, coffee, frozen pizzas, ready-cooked meals, ice cream, and yogurt are highly concentrated. However, some sectors remain fragmented, such as bread. Among the Member States, Denmark, the Netherlands, and Finland report the highest average Herfindahl Hirschman Index[43] ('HHI') values (above 2500), while Italy and Germany remain below 1600 across 23 product categories.[44]

In 2020, the wholesale and retail sector contributed €293 billion in value-added and employed 8.4 million people across 1.12 million companies.[45] The wholesale and retail concentration varies across Member States and market segments. Generally, the retail level exhibits often moderate levels of concentration and sometimes high concentration levels at national level. The concentration ration of the four largest retailers in a national market ('CR 4'; calculated as a sum of the share of sales of the four largest retailers in a national market)[46] ranged from 31% to 94% in 2017.[47] In Germany, the four largest retailers controlled 76% of retail sales in 2023,[48] while in the Netherlands, they accounted for 95.1% in 2021.[49] In 2022, the four largest retailers in Austria collectively held a market share of 91%.[50] Conversely, at the other end of the spectrum, Bulgaria, Greece, Italy, and Romania had CR4 values below 40%.

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[40] Eurostat, Key Figures on the European Food Chain – 2023 Edition, 6 December 2023, p. 55, available at: https://doi.org/10.2785/265789 (accessed 26 February 2025).
[41] European Commission, Joint Research Centre Technical Report - Market Power in Food Industry in Selected EU Member States, 2021, p. 15-16, available at: https://doi.org/10.2760/63613.
[42] Each subsector is present in different MS. A "pair" represents one subsector in a determined MS.
[43] Herfindahl-Hirschman Index (HHI): The HHI is a commonly used measure of market concentration and competition. It is calculated by summing the squares of the market shares of all firms in a given market. Higher HHI values indicate greater market concentration and potentially reduced competition.
[44] Ibid, p. 17.
[45] Eurocommerce, Retail & Wholesale in the agri-food value chain – key facts and figures, 2023.
[46] The CR4 ratio, calculated as a sum of the share of sales of the four largest retailers in a national market, provides their share of total demand at national level for the purchase of goods. It also provides a general indication of the average concentration at local level for final sales to end consumers, although that might vary significantly among various local catchment areas.
[47] European Commission, Joint Research Centre Technical Report - Market Power in Food Industry in Selected EU Member States, 2021, p. 14, available at: https://doi.org/10.2760/63613.
[48] Ahrens, S., Market shares of the leading companies in the food retailer sector in Germany 2023, Statista, July 2024, available at https://de.statista.com/statistik/daten/studie/159987/umfrage/umsatzanteile-von-lebensmittelhaendlern/#statisticContainer (accessed 26 February 2025).
[49] Distrifood, Marktaandelen 2008-2020 Nielsen, available at https://www.distrifood.nl/fooddata/marktaandelen (accessed 22 October 2024).
[50] Austrian Competition Authority. Sector Inquiry Food. Vienna, 202, page 44. Available at: https://www.bwb.gv.at/fileadmin/user_upload/BU-LM_final_original1_inh_NEU2.pdf (accessed: 26 February 2025).

Beyond market concentration, horizontal and vertical integration further shape the structure of the agri-food supply chain. Large retailers increasingly engage in vertical integration, acquiring or developing upstream suppliers, including food processing facilities and sometimes even agricultural land or farms, or expanding private-label product lines. With supermarkets, hypermarkets, and discounters accounting for 71% of packaged food sales in the EU[51], retailers can act as gatekeepers for consumer markets, applying significant influence over supply chains, pricing, and competition dynamics.[52]

Farmers' bargaining power

Given the structure of the agri-food supply chain, farmers are frequently confronted with more consolidated and powerful players in their commercial negotiations. In these conditions, they often find themselves in a weaker bargaining position with a limited alternative market options making it difficult to exert influence over prices. Studies mention that supply chain actors with more market power are assumed to pass through price changes in such a way that their margins are maintained or even increased at the expense of weaker operators like farmers. Some studies explicitly test this; however, they only focus on one product, and without much variation in market structure it is often not possible to test properly.[53]

The unique characteristics of agricultural production further weaken farmers' bargaining positions. Long production cycles, the perishability and seasonality of products, and a high dependency on climate conditions contribute to farmers' vulnerability. Biological uncertainties (e.g. animal diseases or plant pests) and inelastic demand further complicate the situation. This vulnerability is further exacerbated by the need for long-term investments and the unpredictability of external factors. Seasonal production cycles and high perishability require many products to be sold fresh, often forcing farmers to accept terms determined by more powerful market operators. Such conditions may result in situations that can be called "hold-up scenarios", where perishability eliminates the possibility to look for alternative buyers, leaving farmers with little choice but to accept conditions imposed by stronger market operators.[54] In addition, reliance on weather conditions and biological growth cycles introduces unpredictability, complicating stable

[51] European Commission. Commission Staff Working Document: Impact Assessment - Initiative to Improve the Food Supply Chain (Unfair Trading Practices), SWD(2018) 92 final, Brussels, 12 April 2018. Accompanying the Proposal for a Directive of the European Parliament and of the Council on Unfair Trading Practices in Business-to-Business Relationships in the Food Supply Chain. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52018SC0092.
[52] Idem.
[53] European Commission: Joint Research Centre, Galen, M., Gardebroek, C., Dries, L., Baltussen, W. et al., Monitoring of prices and margins in EU food supply chains – Existing and alternative approaches, Publications Office, 2019, https://data.europa.eu/doi/10.2760/197814; Van Galen, Michiel, and Robert Hoste, Profit Analysis in Animal Product Supply Chains: Exploratory Research and Proposal for a Generic Approach, 1 May 2016, Available at: https://doi.org/10.18174/382676 (accessed: 28 February 2025).
[54] Agricultural Markets Task Force, Improving Market Outcomes – Enhancing the Position of Farmers in the Supply Chain: Report of the Agricultural Markets Task Force, November 2016, Brussels, page 29. Available at:
https://agriculture.ec.europa.eu/common-agricultural-policy/agri-food-supply-chain/agricultural-markets-task-force_en (accessed: 28 February 2025).

planning. As a result, farmers face specific challenges in negotiations, with limited capacity to quickly respond to changes in market demands. To compensate these challenges, some of them being inherent to the agricultural activity, reinforcing the market power of farmers in the chain is a way to allow them to better respond to market opportunities.

2.3. Farmers' cooperation in producer organisations and other voluntary cooperation approaches

Farmers may organise collectively to improve their bargaining position and manage agricultural and economic activities more efficiently. The degree of organisation varies across Member States and sectors. Cooperation within a PO may include production planning, marketing, joint purchasing of inputs, storage, transport, logistics, and quality control. The three main activities carried out by recognised POs/APOs consist in 'joint contractual negotiations', 'joint commercialisation strategies', and 'joint planning of quantity'.[55] The incentives that drive EU farmers to set up or join POs are of economic, technical or social and human nature: POs strengthen the farmers' position in the food supply chain by ensuring, among others, higher market penetration and greater bargaining power vis-à-vis their business partners; POs add value to the business activities of their members when they provide, for instance, technical assistance to production; infrastructures for production, storage or processing plants; logistic services; or research and development activities; most POs refer to their democratic functioning, which over time helps consolidate and maintain trust in horizontal cooperation.

The benefits POs may bring to their members, translate, in essence, into greater bargaining power (more advantageous contractual terms) for their members and increased efficiency and effectiveness in agricultural productivity (through technical advice, technical know-how, joint use of infrastructure and equipment) and marketing (through joint commercial strategies). Furthermore, POs do not only benefit their members, but also the local communities where POs are located. POs create direct employment opportunities for carrying out their activities in processing, advice, marketing etc., as well indirect employment opportunities in the rural areas where they operate, besides giving visibility to the quality of the products of the regional or of local agricultural activity. In 2018, the EU had over 42 000 POs, many operating as cooperatives, of which only 2 909 (7%) are officially recognised. Recognised POs are concentrated in France, Italy, Spain, and Germany, which account for 73% of the total. They represent more than 720 000 producers and contribute to approximately 10% of the total value of EU agricultural production, mainly in the fruit and vegetables sector. The fruit and vegetables sector benefits from support granted through POs via the so-called "operational programmes" since 1996. In addition to POs, other recognised entities of producer cooperation in the EU include 88

[55] European Commission: Arcadia International E.E.I.G, Directorate-General for Agriculture and Rural Development, EY, Montanari, F., Chlebicka, A. et al., Study of the best ways for producer organisations to be formed, carry out their activities and be supported – Final report, {OPL}, 2019, Available at: https://data.europa.eu/doi/10.2762/034412.

APOs, 44 Transnational Producer Organisations ('TPOs'), two Transnational Associations of Producer Organisations ('TAPOs') and 124 Interbranch Organisations ('IBOs')[56].

In the fruit and vegetables sector, 1 164 POs, including some transnational ones, implemented CAP sectoral interventions through operational programmes ('OPs') across the EU in 2023. Spain (447), Italy (262), and France (167) had the highest number of POs implementing OPs. Additionally, 21 associations of producer organisations (APOs) ran OPs, with Italy (13) and France (3) leading in numbers. In 2023, first year of implementation of the SPR, only three Member States implemented OPs outside the fruit and vegetables sector. Italy reported 17 OPs under the 'other products' category, in line with SPR. Portugal implemented three OPs, also through POs - two in the cereals sector and one in other products. Slovakia had 11 OPs, all managed by POs, with nine in milk and dairy, one in pigmeat, and one in other products. As from 2024, sectoral interventions implemented through operational programmes in other sectors than the fruit and vegetables continued to develop in new Member States and sectors. For further details, please see **Annex 1** that provides detailed data per Member State.

In addition, many farmers collaborate outside formal POs by engaging in a number of activities, for example short food supply chains that bring producers and consumers closer together.[57] These initiatives include direct on-farm sales, participation in farmers' markets, community-supported agriculture networks, and forming of local distribution networks or food cooperatives.[58] By reducing the number of intermediaries between the farmer and the final consumer, these approaches allow producers to retain a higher share of the final price and foster mutual trust between farmers and consumers.[59]

In some Member States, farmers together with other operators have also initiated collaborative initiatives, including "fair price" labels, independently of POs and IBOs to

[56] IBOs include besides farmers also downstream operators at the processing and distribution level as members of the entity.

[57] Enthoven, L., & Van den Broeck, G., "Local Food Systems: Reviewing Two Decades of Research," Agricultural Systems, vol. 193, 103226, October 2021. Available at: https://doi.org/10.1016/j.agsy.2021.103226; Strategic Guide for Short Food Supply Chains, Strength2Food, Horizon 2000 project. Available at: https://www.strength2food.eu/wp-content/uploads/2021/04/Strategic-Guide-Short-Food-Supply-Chains.pdf.

[58] Kjersti Lassen, "Motivating to Support Local Production," Consumption Research Norway (SIFO), published on 7 February 2021, last updated 13 August 2021. Available at: https://www.oslomet.no/en/research/featured-research/motivating-to-support-local-production; Kneafsey M, Venn L, Schmutz U, Balasz B, Trenchard L, Eyden-Wood T, Bos E, Sutton G, Blackett M, with Santini F and Gomez Y Paloma S as editors, "Short Food Supply Chains and Local Food Systems in the EU: A State of Play of their Socio-Economic Characteristics," Luxembourg: Publications Office of the European Union, 2013. Available at: https://publications.jrc.ec.europa.eu/repository/handle/JRC80420.

[59] Idem; Stein, A.J., & Santini, F., "The Sustainability of 'Local' Food: A Review for Policy-Makers," Review of Agricultural, Food and Environmental Studies, vol. 103, pp. 77–89, 2022. Available at: https://doi.org/10.1007/s41130-021-00148-w.

ensure better incomes,[60] such as for example Fairebel[61] or Prix Juste Producteur[62] label to guarantee fair prices for milk and other products, Bio Équitable[63] or Agri-Éthique[64]. These farmer-led labels enjoy strong public recognition. For example, 73% of Belgian consumers believe fair arrangements should also apply to European farmers.[65]

3. Issues at stake, objectives and selected measures

3.1. Overview of issues at stake and the need to address them

During the 2023/2024 protests, EU farmers raised concerns about their weakening position within the agri-food supply chain, particularly in relation to price transmission and value added distribution in the chain. This imbalance stems from the structural characteristics of the sector described in Section 2.2, by which, as a result, farmers often find themselves in a disadvantaged position when negotiating prices and contract terms. With limited bargaining power, they are often price takers rather than price setters, leaving them vulnerable to market fluctuations and price transmission asymmetries, where retail prices tend to remain high even when farm-gate prices decline.[66]

The relatively low level of horizontal cooperation among farmers only partly answers to such challenges. Cooperation through cooperatives (the most common form of POs) differs by Member State and sector. Three groups of Member States can be identified on the basis of the economic importance that cooperatives (recognised or not) play in the relevant national context: low, with less than 20% market share in EE, EL, LT, HU, PL, SK; medium from 20% to 50% market share in BE, CY, CZ, DE, ES, IT, LV, PT, and high with more than 50% market share in AT, DK, IE, FR, NL.[67] Only around 8% of EU farmers are members of a recognised PO, and these recognised POs account for just 10% of the total value of marketed agricultural production in the EU.[68] The non-recognised entities do not benefit from the legal exemption that would allow them to collectively negotiate on behalf of their members with the same degree of legal certainty as recognised

[60] Riera Anton and Antier Clémentine, "DiverIMPACTS: Final Report," UCLouvain. Project duration: June 2017 to May 2022. Available at: https://zenodo.org/record/5913250 and https://sytra.be/wp-content/uploads/2021/02/sytra-diverimpacts-fair-price-pa.pdf; Sirdey, Ninon, Maisonhaute, Julie, & Arnold, Nadine, "Should Fair Trade Be Practiced beyond International Trade? The Rise of Domestic Fair Trade Initiatives," in *Commerce équitable: entre amplification et instrumentalisation*, pp. 189–207. Available at: https://doi.org/10.3917/ried.240.0189.

[61] Idem; For further information see: https://www.fairebel.be/.

[62] For further information see: https://collegedesproducteurs.be/prix-juste-producteur/.

[63] For further information see: https://www.bio-equitable-en-france.fr/.

[64] For further information see: https://www.agriethique.fr/.

[65] Poos, Samuel, "Local Fair Trade in Belgium and Europe," 8 February 2021. Available at: https://www.tdc-enabel.be/en/2021/02/08/fair-trade-of-belgian-products-gaining-a-foothold (Accessed 16 March 2025).

[66] See OECD, 15 May 2014, Competition issues in the food chain industry, p. 11-12. Available at: https://www.oecd.org/en/publications/competition-issues-in-the-food-chain-industry_09b968a9-en.html (Accessed on: 24 April 2025). "The concern here is that market power throughout the food supply chain may have contributed to this widening; this could arise from seller power at either or both the food processing or retailing sectors, and/or via the exercise of buyer power."

[67] Arcadia International E.E.I.G. (2019). Study of the best ways for producer organisations to be formed, carry out their activities and be supported. European Commission, Directorate-General for Agriculture and Rural Development. Available at: https://op.europa.eu/en/publication-detail/-/publication/2c31a562-eef5-11e9-a32c-01aa75ed71a1 (Accessed 26 March 2025).

[68] 720 000 EU farmers are members of a recognised PO out of 9.1 million farm holdings.

POs. These aspects further potentially limit access of farmers to collective negotiations to counterbalance the bargaining power of more concentrated buyers.

The lack of alternative distribution channels also exacerbates farmers' dependency on a limited number of buyers. Due to factors such as geographical constraints, perishability of agricultural products, and high market concentration in certain Member States in the retail and processing sectors, farmers often face restricted choices when it comes to selling their products. This increases their exposure to the so-called 'fear factor,' whereby the risk of losing a commercial transaction or facing retaliation discourages them from challenging unfavourable contract terms or even asking for a contract and negotiating the price.

These structural challenges collectively contribute to unpredictable farm incomes, financial instability, and difficulties in accessing loans. The situation has been further exacerbated by the compounding effects of multiple crises in recent years, which have led to severe disruptions in supply chains and an unprecedented rise in the cost of essential agricultural inputs, in particular energy and fertilisers. Market disturbances caused by Russia's war of aggression against Ukraine have further aggravated these challenges, disrupting trade flows and exacerbating volatility in global agricultural markets.

Asymmetries in the price transmission from farmers to downstream players is a permanent phenomenon in the food chain. It has meant in the recent period (2021 - 2023) that while input costs for farmers have surged, farm-gate prices have not necessarily adjusted accordingly, potentially leaving farmers unable to recover these additional costs. However, in the recent period, after a shock in input prices, which peaked at the end of 2022 and led to high food inflation rates, the overall situation is currently stabilising. Although quantities produced are not factored in (with a decrease of production due to adverse weather conditions in 2024), data shows that, since late 2023, agricultural output prices decreased slower than input prices, which suggests a potential positive impact on farmers' incomes. Data also suggests that between 2020 and 2022 prices for downstream actors, namely the processing industry and retail, have increased slower than farm gate prices. This indicates that for a while industry and retail have buffered the impact of food inflation on final consumers. Since 2023, the situation seems to have normalised to a certain extent, processing industry and retailers not seeming to buffer anymore price transmission to consumers.[69] Still, agricultural input prices are 30 to 50% higher than in 2020, leaving farmers in a vulnerable position when their output prices would decline for any reason not linked to input costs. In addition, high food prices still exert pressure on consumers' budgets, with 35% of consumers concerned about affording the food products they like.[70]

While a harmonised framework for fair trade products exists in the South-North[71] context, ensuring ethical sourcing and fair compensation for farmers in developing countries, no

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[69] AFCO meeting of 15 October 2024: https://ec.europa.eu/transparency/expert-groups-register/screen/meetings/consult?lang=en&meetingId=56863&fromExpertGroups=3949.

[70] European Commission, 2024. Key consumer data. Available at: https://commission.europa.eu/key-consumer-data [Accessed 30 April 2025].

[71] Trade relationships between producers in the Global South (e.g. coffee farmers in Ethiopia or cocoa cooperatives in Ghana) and consumers/retailers in the Global North (e.g. supermarkets or coffee shops in Europe). See for further details Naylor, L., "Some are more fair than others": fair trade certification,

equivalent harmonised framework has been established within the EU[72]. In recent years, various national and private fair pricing schemes have emerged across Member States, differing in scope, methodology, and legal recognition. However, without EU-level minimum requirements, these initiatives remain fragmented. Consumers also face difficulties in assessing the credibility of different schemes, undermining trust in fair pricing claims. While various fair pricing and local food initiatives have emerged, their lack of harmonisation at EU level leads to fragmented approaches and inconsistent credibility. This fragmentation weakens consumer trust in fair remuneration claims and makes it more difficult to justify price increases linked to higher sustainability standards, ultimately limiting the effectiveness of such schemes in supporting farmers.

Similarly, when speaking of short supply chains or local food systems, there is a wealth of initiatives that favour contacts between farmers and consumer and thus contribute to sustainability of the food systems, in particular from the social angle. However, there is also a certain number of local food schemes that are more driven by protectionist arguments ('gastro-nationalism') than by benefits in terms of economic, social or environmental sustainability. The development of these schemes risks resulting in higher prices for consumers and fragmentation of the single market without public benefit in terms of sustainability.[73]

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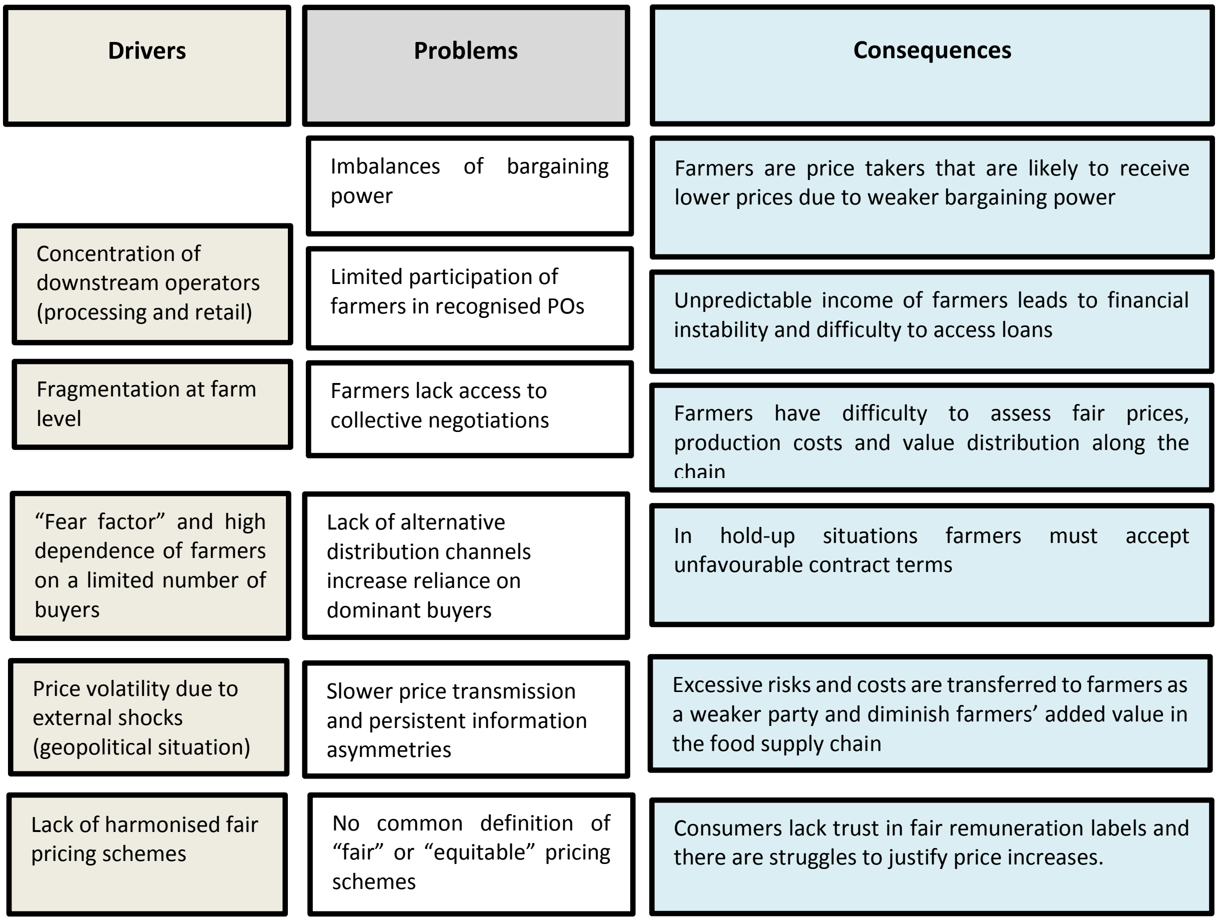
development, and North–South subjects, Agriculture and Human Values, Vol. 31, 2014, pp. 273–284. First published online 22 December 2013. Available at: https://doi.org/10.1007/s10460-013-9476-0.

[72] Initiatives involving producers and consumers both in the Global North - for example, small-scale farmers or social enterprises in Europe selling directly to ethically minded consumers in their own region.

[73] EFSCM recommendations on ways to improve the diversity of sources of supply, among others between shorter and longer food supply chains, 2023, available at https://agriculture.ec.europa.eu/common-agricultural-policy/agri-food-supply-chain/ensuring-global-food-supply-and-food-security_en#documents.

Figure 3: Schematic overview of drivers, problems and consequences.



While the existing regulatory framework - including the CMO Regulation, CAP Strategic Plan Regulation, CAP Horizontal Regulation, and UTP Directive - has laid important foundations, additional targeted measures are needed. Addressing these issues is therefore essential to building a more resilient, balanced, and sustainable agri-food supply chain in the EU. Without these targeted policy measures, the imbalance in bargaining power would persist, weakening the economic viability of the EU farming sector based on many family farms and hampering its positive contribution to the continuity of EU food security, to the livelihood of rural areas, and to environmental sustainability.

3.2. Objectives

The policy intervention aims to contribute to the CAP's goals as a general objective by ensuring a fair standard of living for farmers, strengthening their resilience through improved market access and fairer added value distribution, and increasing the overall efficiency, fairness, and transparency of the food supply chain.

Achieving the following specific objectives will contribute to one or several of the general objectives: The policy intervention aims to strengthen farmers' bargaining power by addressing imbalances in the food supply chain and improving price transmission to ensure farmers receive a fairer share of added value. It seeks to strenghten the role of POs and expand farmers' access to collective negotiation tools, enabling them to secure better contract terms. In addition, it promotes the development of voluntary initiatives to establish a harmonised framework for "fair" or equivalent pricing schemes, while supporting short supply chains to reduce farmers' dependence on dominant buyers and improve market access.

Figure 4: Schematic overview of problems, specific and general objectives.

Problems	**Specific objectives**	**General objectives**
Imbalances of bargaining power	Strengthen farmers' bargaining position	Contribute to the CAP goals of fair standard of living for people engaged in agriculture and providing for similar conditions for trade
Limited participation of farmers in recognised POs	Strengthen the role of POs and provide further incentives to farmers to join POs	Strengthen resilience of farmers in the agri-food supply chain through improved market access and fairer value distribution
Farmers lack access to collective negotiations	Expand farmers' access to collective negotiation tools	Improve functioning of the food supply chain in terms of fairness, efficiency and transparency
Lack of alternative distribution channels increase reliance on dominant buyers	Develop a harmonised framework for short supply chains	
Slower price transmission and persistent information asymmetries	Improve price transmission and farmers' added value in the food supply chain	
No common definition of "fair" or "equitable" schemes	Develop a harmonised framework for "fair", "equitable" or equivalent pricing schemes	

3.3. Selected measures

The selected policy measures focus on targeted interventions that address some of the structural imbalances in the agri-food supply chain, in particular by granting the means to farmers to counterbalance the negative effects of these imbalances in their commercial relations with other actors in the food supply chain, while ensuring feasibility and broad stakeholder support. Measures that require further in-depth analysis, such as a prohibition to sell or buy below production costs and other measures interfering with market orientation, lack consensus among Member States, or pose potential risks to the competitiveness of the EU agricultural market have been set aside. Instead, the chosen actions build on the existing legal framework laid down by the CMO Regulation and the UTP Directive and lessons learnt from the practice, increasing transparency, strengthening farmers' bargaining power, and improving market conditions.

The following sections provide a detailed overview of the key challenges and the specific policy measures designed to address them, ensuring a balanced, fair, and sustainable agri-food supply chain.

Figure 5: Overview of the selected measures and corresponding legal provisions

Measures		Article in the CMO Regulation, SPR and HZR
Reinforced contract framework for all sectors and improved price transmission within the agri-food supply chain	Mandatory written contracts with exceptions at EU and MS level	Article 148 (Milk and milk products) CMO Regulation, Article 168 (all other sectors except milk and milk products, and sugar) CMO Regulation, Annex X (Sugar) CMO Regulation
	Mandatory objective indicators, indices or methods of calculation of the final price that reflects changes in market conditions and elements of production costs	
	Mandatory revision clause can be triggered by farmers if contracts last longer than 6 months	
	Optional contract registries	
	Mandatory mediation mechanism provided by MS	
Strengthen the role of POs and provide further incentives to farmers joining POs as well as expand farmers' access to collective negotiation tools	Clarifying that POs are formed at the initiative of farmers and improve bargaining power of POs and recognised APOs through competition exclusions	Article 152 CMO Regulation, Article 153 CMO Regulation, Article 52 SPR, Article 62 SPR, Article 88 SPR, Article 222 CMO Regulation, Article 16 HZR
	Increase protection of POs from direct contacts between buyers and PO members.	
	Simplification of recognition through one single act	
	Increase in the financial allocation to sectoral interventions by recognised POs	
	Funding possibility for crisis cooperation	
Support voluntary initiatives	Competition exclusion for voluntary agreements for social sustainability	Article 210a CMO Regulation, Article 152 CMO Regulation, Article 157 CMO Regulation, New Article 88a CMO Regulation
	Develop a harmonised framework for "fair", "equitable" or equivalent schemes and short supply chains	
	Include additional objectives for POs and IBOs	

In order to further clarify the intervention logic, the table below provides a mapping of the proposed measures to the specific problem drivers they address and the corresponding specific objectives they support. This mapping demonstrates the coherence between the identified problems, the specific objectives pursued, and the measures selected to ensure effective delivery of the policy goals.

Figure 6: Overview of the links between the selected measures, specific objectives, and problem drivers in the intervention logic.

Measure	Problem Addressed	Specific Objective Supported
Mandatory written contracts with exceptions at EU and MS level	Imbalances of bargaining power, Slower price transmission and persistent information asymmetries	Strengthen farmers' bargaining position, Improve price transmission and farmers' added value in the food supply chain
Mandatory objective indicators, indices or methods of price calculation		
Mandatory revision clause if contracts longer than 6 months triggered by farmers		
Optional contract registries		
Mandatory mediation mechanism provided by MS		
Clarifying that POs are formed at the initiative of farmers and improve bargaining power of POs through competition exclusions	Farmers lack access to collective negotiations	Expand farmers' access to collective negotiation tools
Reinforce protection of POs from direct contacts between buyers and PO members	Limited participation of farmers in recognised POs	Strengthen the role of POs and provide further incentives to farmers joining POs
Simplification of recognition through one single act		
Increase in financial allocation to sectoral interventions by recognised POs		
Funding possibility for crisis cooperation		

<table>
<tr><td>Competition exclusion for voluntary agreements for social sustainability</td><td>Expand farmers' access to collective negotiation tools</td><td>Farmers lack access to collective negotiations</td></tr>
<tr><td>Develop a harmonised framework for "fair", "equitable" or equivalent pricing schemes and short supply chains</td><td rowspan="2">No common definition of "fair" or "equitable" schemes; Lack of alternative distribution channels increases reliance on dominant buyers</td><td rowspan="2">Develop a harmonised framework for "fair", "equitable" or equivalent pricing schemes; Develop a harmonised framework for short supply chains</td></tr>
<tr><td>Include additional objectives for POs and IBOs</td></tr>
</table>

3.3.1. A reinforced contractual framework

One of the key levers for addressing imbalances in bargaining power are the rules for contracts by which farmers are selling their products to their buyers.

Mandatory written contracts

The CMO Regulation allows Member States to introduce an obligation that every delivery of agricultural products by producers is covered by a contract in written form since 2018 (Articles 148 and 168 CMO Regulation). For sugar, Article 125 CMO Regulation and Annex X include already such an obligation at EU level. This possibility is offered for deliveries by farmers as well as for deliveries of agricultural products by other producers. Member States can also decide which stages of the delivery are covered if delivery of the products is made through one or more intermediaries. In the Member States where such obligation is not implemented, producers can require that any delivery of its products to a processor or distributor be the subject of a written contract. Since 2019, the UTP Directive includes in its blacklist of unfair trading practices that are to be prohibited, the practice according to which the buyer refuses to confirm in writing the terms of a supply agreement for which the supplier has asked for written confirmation (Article 3(1)f of the UTP Directive).

The scale of the problem regarding the absence of mandatory written contracts varies significantly across Member States and sectors. Some Member States decided to make use of this provision. A Commission survey revealed that, out of the 24 Member States that responded to the request, only five - France, Italy, Lithuania, Spain, and Poland - have introduced mandatory written contracts for agricultural products.[74] With the transposition of the UTP Directive, Croatia introduced the absence of a written contract as a prohibited

[74] Agricultural Markets Task Force, Issue Paper – Contractualisation, Available at: https://agriculture.ec.europa.eu/document/download/ad129eb9-9c81-4dd8-937d-7bb21d0c75fa_en?filename=amtf-paper-contractualisation-20160524_en.pdf (Accessed: 25 March 2025).

unfair trading practice.[75] One factor that may contribute to the limited implementation by some Member States is resistance encountered from certain buyers. In this context, the inclusion of alternative measures - such as the obligation to confirm oral contracts in written upon request – has, in some cases, been used in national legislative processes as a justification for not fully establishing a clear legal safeguard that would protect farmers from possible disincentives or reluctance to request written confirmation.

The uptake by Member States in the milk sector is higher, with 13 Member States currently requiring compulsory contracts under Article 148 of the CMO Regulation, including France, Italy, Spain, Lithuania, Hungary, Slovakia, Croatia, Cyprus, Portugal, Bulgaria, Romania, Slovenia, and Poland. This limited implementation of mandatory contracts in national laws does not mean that contracts are not written by choice of operators. Many operators, even in Member States where there is no such obligation, in particular the bigger farmers, are putting the terms of their contracts on paper and do not rely exclusively on oral agreements. However, in a number of situations, there is no written form for the terms of the contracts. This has contributed to ongoing legal uncertainty for some farmers and a lack of transparency that written contracts could provide on key contractual elements, including the price. In some cases, this is a traditional way to operate and can reflect long-standing implicit arrangements, which in turn can place farmers in particular the smaller ones in situations of dependency of the buyer and complete lack of transparency (that can be accepted by some farmers for different reasons). The problem is therefore more concentrated in certain Member States and sectors where written contracts are not common, trust between producers and buyers is low, and farmers have weaker bargaining positions.

Contracts can help address unfair trading practices by making ex post unilateral changes in supply arrangements that harm farmers and their organisations more difficult. Such practices decrease the part of the added value generated that farmers and their organisations would otherwise be able to appropriate. Qualitative research[76] suggests for instance that ex post unilateral changes to supply cause farmers and their organisations harm.[77] Moreover,

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[75] European Commission, Staff Working Document – Unfair Trading Practices (UTP): Overview tables on Member States' transposition choices and enforcement activities, SWD(2024) 106 final/2, Brussels, 3 June 2024. This document corrects SWD(2024) 106 final of 23 April 2024. Accompanying the Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Implementing the prohibition of unfair trading practices to strengthen the position of farmers and operators in the agricultural and food supply chain – State of play (COM(2024) 176 final). Available at:
https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52024SC0106R(01).

[76] European Commission, Impact assessment accompanying the document Proposal for a Directive of the European Parliament and of the Council on unfair trading practices in business-to-business relationships in the food supply chain, SWD(2018) 92 final, p. 16.

[77] In the case of fresh fruit and vegetables for example, it is not uncommon that following an order given, a producer organisation prepares a batch (with the required grading, packaging and labelling) for which the quantities are revised downwards by the buyer (a retailer or its buying subsidiary) after the batch has left the packing station (e.g. to take into account short term fluctuation of demand at retail stage, in a just-in-time logistic approach). This means that the supplier (i) has to find an alternative outlet (usually at lower price, e.g. on a wholesale market) (ii) has to usually regrade and repack the goods not at its own premises implying extra costs and (iii) lose freshness of the product. In such cases, risks (short term fluctuation of demand) and

the number of unilateral changes to the agreements may increase during periods of crisis.[78] Although the UTP Directive prohibits such practices of unilateral or late changes of contractual terms, the absence of written contracts makes enforcement difficult, as oral agreements are not easy to trace.

Figure 7: Pricing of raw milk – experience in the Member States[79]

Pricing of raw milk – experience in the Member States

In the raw milk sector, several studies have identified weaknesses in price transmission linked to the prevalent retroactive pricing models, where producers only learn the price for their milk after processing and marketing have occurred. In Germany and other Member States, private dairies often apply comparative pricing models based on regional averages, which may still include delayed or opaque components. This model leads to systematic delays in price transmission and an unequal distribution of risk across the supply chain, with farmers disproportionately exposed to market fluctuations without adequate foresight or bargaining power. This may erode trust, discourage forward planning, and weaken the economic position of farmers, particularly in volatile market environments. In France the use of the "formule A + B" pricing model is widespread. Contracts typically combine a fixed base price (A) with a variable component (B) indexed to dairy product prices or input costs.

Although farmers have the right to request a contract with specific elements in the absence of mandatory written agreements, and the UTP Directive prohibits rejecting a written confirmation as an unfair practice, many hesitate to exercise this right due to the fear factor linked to - the risk of losing transactions in a market dominated by a few strong buyers. The fear of commercial retaliations remains the principal obstacle for smaller actors of the chain to even raise the fact they are subject to unfair practices[80]. By establishing a mandatory framework for written contracts applicable to all sector of agricultural products, the proposal ensures clear rights and obligations for operators, increasing market transparency, and helping to better align supply with demand. This obligation applies to deliveries of all the agricultural products in the EU between a farmer or its association and any other operator within the agri-food supply chain.

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related costs are entirely passed to the supplier (in many cases a farmer or a producer organisation) and directly result in an income decrease.

[78] Reference JRC study, Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Implementing the prohibition of unfair trading practices to strengthen the position of farmers and operators in the agricultural and food supply chain – State of play (COM(2024) 176 final). Available at: https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=COM:2024:176:FIN

[79] Thünen 2019, Scotland Study, pp. 54–55, *Observatoire de la formation des prix et des marges des produits alimentaires (OFPM)*, . [include references in the text]

[80] Food Chain - UTP - survey results. Available at https://datam.jrc.ec.europa.eu/datam/mashup/FOODCHAIN_UTP_5/

In the current CMO, there are some general exceptions even for Member States that decide to make the written form of contracts compulsory. For instance, a contract is not required where the products concerned are delivered by a member of a cooperative to the cooperative of which he is a member if there are statutory rules having similar effects in this cooperative. This is justified by the fact that cooperatives are owned and controlled by their members who agree democratically on the commercial arrangements concerning the deliveries of their members to the cooperative. Still there should be transparency on the rights and obligations of the members of the cooperative, concerning price, quantity, quality, terms of payments. Another existing derogation concerns first purchasers that are SMEs for whom the written contract is not compulsory.

The proposal keeps these exceptions with some adjustments to reduce unnecessary administrative burdens:

- The derogation for deliveries to cooperatives is extended to all producer organisations.
- Purchases from farmers by small enterprises: No written contract is required if the first purchaser of the agricultural products from farmers is a micro or small-sized enterprise due to likely equivalent bargaining position[81].. Medium enterprises with headcount of 50 to 250 staff members and a turn-over between €10 and €50 million should be concerned by the obligation of written contracts given their size compared to that of their farmers suppliers and likely differences in their bargaining position.The proposal would still apply to medium and large enterprises, that although only representing 4% of the buyers in the food industry, cover 85% of the food industry turnover (2023).

The proposal includes other general derogations:

- On-spot deliveries: A written contract is not necessary when the delivery and payment take place simultaneously. In this case, there is no reason to require a written form as there is no risk of unilateral change later in the process as the transaction is completed at the time of the delivery.
- Free deliveries or disposal of products: Deliveries made for free or in the context of the disposal of products that are no longer fit for sale are also exempt from this requirement. An obligation of written contract for such free disposal would be disproportionate.

As written contracts become the norm for farmers, it is necessary to grant to the Member States the capacity to establish further specific exemptions from the requirement for written contracts or written offers adapted to their national market, including the following:

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[81] Differences in bargaining power, which correspond to the economic dependence of the farmer on the buyer, are likely to lead for example to larger operators imposing unfair trading practices on smaller operators. See recital 9 of Directive (EU) 2019/633 of the European Parliament and of the Council of 17 April 2019 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain, OJ L 111, 25.4.2019, p. 59. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32019L0633.

- Low-value deliveries for which an obligation of written format may seem disproportionate to the objective of predictability. Member States are best placed to set what is the threshold adapted to their national conditions, but the proposal proposes that such limit should not exceed €10,000.[82]
- Seasonal or perishable products: some products need a fast process of decision, deliveries and movement of goods, because of their perishability and seasonal fluctuations . Member States are best placed to identify those products for which written contacts could impair the requirement of speed in certain conditions needing derogation.
- Traditional or customary sales: in some Member States there may be systems in place traditionally that give the necessary transparency and predictability to farmers involved without an obligation of written contracts and Member States should be able to maintain such systems in place.

Mandatory objective indicators

The current CMO Regulation provides, when the written form of contracts is made compulsory by Member States, for an obligation of contracts to contain some elements. This is in particular the case for the price to be paid, the quantity and quality, the timing of deliveries, the duration of the contract, the payment periods, the logistical arrangements for collecting or delivering the agricultural products, and the rules applicable in the event of force majeure. Concerning price, the option is given between static prices (fixed prices) and variable prices. When the option of variable prices is chosen, the CMO indicates that the variable price formula may include objective indicators, indices and methods of calculation of the final price, that are easily accessible and comprehensible and that reflect changes in market conditions.

In the absence of written contracts, or even when written contracts are in place, farmers may not have access to clear, unambiguous, and transparent information allowing them to understand how prices will be set. For example in the milk sector, prices are often determined without a formula or links to objective indicators of market prices and elements of production cost and are determined ex post based on market sentiment allowing the more powerful operators to secure their profit margin, before setting the price for the agricultural products received from farmers.[83] Where contracts do not include a pricing formula or objective indicators, it often reflects a deliberate preference by the stronger party to retain flexibility. By setting prices ex post, they can first secure their own margins and then pass on the remaining risk to the farmer. This lack of clarity prevents farmers from responding effectively to market fluctuations or benefiting from timely price

[82] This aligns with the Anti-Money Laundering Regulation (AMLR) that imposes an EU-wide maximum limit of €10,000 for cash payments, whether in single or linked transactions. Member States may also set lower limits for cash payments.

[83] See for example Thiele, H. D. and Tiedemann, T., Analyse und Effekte von Milchliefervertragsänderungen bei Umsetzung des Art. 148 der GMO in Deutschland, ife Diskussionspapier 02/2024, ife Institut für Ernährung und Ernährungswirtschaft e.V. and Fachhochschule Kiel, September 2024, Kiel. Available at: https://www.fh-kiel.de/fileadmin/data/presse/fh-ife-studie_art148__okt2024.pdf.

transmission in times of external shocks.[84] As a result, they bear the financial risk without adequate safeguards and often with no means to adjust their prices in response to unexpected increases in production costs.[85] Consequently, the absence of transparent pricing mechanisms tends to benefit the more powerful operator.

The proposal includes some changes concerning the variable price option.

First, it clarifies that when there is a variable price, the price formula should include clear and objective indicators, indices or methods of calculation of the final price, that are easily accessible and comprehensible. This reinforcement of the clause for variable price aims at giving transparency and predictability to the farmers and buyers on how the price is likely to evolve in case of a variable option.

Second, in the current CMO Regulation the indicators, indices and methods of calculation refer to changes in market conditions, the quantities delivered, and the quality of products delivered. When referring to market conditions, this may be understood as only taking into account demand shocks, while farmers can also be affected by supply shocks (i.e. input costs shocks). The proposal corrects this impression by clarifying that the price formula should also take into account indicators or price developments of relevant elements of production costs (e.g., energy, fertilisers, seeds, feed etc.). Those elements are freely negotiated between the parties when concluding the contract. Beyond transparency and predictability, such modification aims at improving price transmission and its symmetry.

The proposal does not mandate specific indicators, neither for market development nor for production costs, it is up to the parties to agree how the variable price will be established, and which elements of production costs and which market indicators will be considered. There is no change compared to the current CMO Regulation on this aspect of the price element in contracts. As today, Member States may continue to define relevant indicators based on objective criteria, such as studies on production costs and the food supply chain, but there is no change as to the preservation of freedom of parties to choose the indicators, and the way they are incorporated in the price formula which is the most appropriate for their agreement.

From this preservation of the principle of freedom to negotiate, derives an important element of the proposal: it does not aim at introducing a compulsory indexation to production costs, nor does it impose average market prices. The intention of the proposal is to ask parties to take into account the developments of markets (demand) and costs (supply) in the way they both agree to do. On the market development, parties may decide

[84] Banse, M., Knuck, J., and Weber, S. A., Stabile und hohe Milchpreise?! – Optionen für eine Beeinflussung der Milchpreise, Thünen Working Paper No 118, Thünen-Institut für Marktanalyse, Braunschweig, 2019. Available at: https://literatur.thuenen.de/digbib_extern/dn060782.pdf. See also German Bundestag, Supply relationships in the milk sector: current discussion points, Scientific Services, Document WD 5 – 3000 – 056/19, 6 June 2019. Available at: https://www.bundestag.de/resource/blob/650748/b83f555911aae054ee766a69f9ec50b0/WD-5-056-19-pdf-data.pdf.

[85] Knuck, J., Banse, M., Freund, F., Laquai, V., Margarian, A., and Thies, A. J., Evaluation of supply relationships between milk-producing farms and dairies, Thünen Working Paper No 215, Johann Heinrich von Thünen Institute, Braunschweig, August 2023. Available at: https://literatur.thuenen.de/digbib_extern/dn066536.pdf.

to refer to international global price quotations or to domestic more precise market quotations, including neighbouring countries; on costs, parties may take into account one or several of the main cost elements (e.g., energy, fertiliser, feed etc.) or an aggregate cost indicator. They remain free to determine what will be the variables of their price formula and what will the coefficients chosen for each of them. Such proposal has nothing to do with setting a minimum price or even price indexation on one or the other variable.

It is finally important to note that these new elements to include in the contracts do not impede the voluntary inclusion of value sharing clauses as defined by Article 172a CMO Regulation, meaning clauses that will allow a revision of returns for farmers *ex post* due to the value sharing arrangements agreed, including with market bonusses and losses.

Mandatory revision clause

The CMO Regulation is silent concerning the duration of contracts, except that it allows to Member States to decide on a minimum duration of contracts. Except in these cases, parties are therefore free to set the duration of their contractual relation, which can even be with an indefinite duration (provided there are rules for termination). The proposal does not change these aspects.

However, in order to enhance price transmission efficiency in longer-term contracts, the proposal requires that contracts exceeding six months include a mandatory revision clause, that can be triggered only after the first six months of contracts. Farmers, producer organisations, or associations of producer organisations may request a contract revision, particularly in cases of substantial production cost increases or significant market changes. If the request is denied, farmers must have the right to terminate the contract.

Such revision clause is important when the parties opt for a static price, as it helps ensure that changes in supply conditions or market developments are not left unaddressed too long for the weakest parties in the contractual arrangement. A six months' time period seems long enough to justify a revision of a static price agreed six months ahead. In the case a variable price option has been chosen, the formula will normally allow the adjustment to new economic conditions all along the contracts. However, there can be changes in the most relevant variables to determine a variable price, and the revision can also be triggered to ask for a revision of the price formula itself.

The proposal implies that there is an obligation to include a revision clause to be triggered by the farmer supplying agricultural products. This does not prevent parties from including revision clauses in favour of the buyers, accompanied by similar termination provisions.

Mandatory mediation mechanism

The current CMO Regulation offers the possibility for Member States to establish a mediation mechanism to cover cases in which there is no mutual agreement to conclude a contract. Such mediation concern cases when the contract has not been concluded. In the framework of the UTP Directive (Article 7), Member States are also incentivised to use effective and independent alternative dispute resolution mechanisms, such as mediation, to settle disputes on unfair trading practices once the contracts are concluded.

Farmers are often bound by the geography of their production site and the complexity of transport for perishable products. Therefore, they may be in situations where they are eager to conclude contracts with buyers that are also interested, but do not reach an agreement. The CMO mediation mechanism responds to such situations where there is a genuine willingness to conclude contracts, but a lack of trust prevents their finalisation. To encourage amicable resolution of such situations, the proposal requires that each Member State establishes a mediation mechanism. This mediation mechanism must be available to farmers who can request assistance to facilitate mutually agreed solutions between the parties and help restore trust.

While each Member State must ensure that an adequate system for mediation is accessible, the specific design can vary. Some Member States established standalone mediation bodies dedicated to agricultural contracts, others rely on pre-existing general dispute resolution agencies or assign this role to agricultural bodies or farmers' associations.

Farmers often attempt direct negotiation with buyers first; mediation tends to be a last resort. However, where farmers are more experienced, they are quicker to call for mediation when contractual disputes arise, helping avoid protracted conflict. Feedback from stakeholders who have used mediation indicates that it can prevent costly legal action and preserve relationships between buyers and producers. Farmers that are not fully informed about their rights or the existence of mediation are less likely to use it. Some stakeholders may also question whether the mediators have sufficient expertise in agricultural markets, highlighting a need for sector-specific knowledge.

With a wide application by Member States, the Commission will be in position to facilitate exchanges of best practices in this matter.

Optional contract registries

Additionally, to improve transparency and enforceability, the proposal provides for a possibility for Member States to establish national registers for written contracts. This is so far a possibility that is not mentioned by the CMO Regulation but that is applied by certain Member States, Spain in particular. By including this voluntary option in the CMO Regulation, this possibility for Member States is explicitly mentioned. Such registry can facilitate the enforcement of the unfair trading practices. In the current experiences, it remains solely used for this purpose by enforcement authorities, thus allowing confidential agreements and trade secrets to be preserved. For the sugar sector (Article 125 CMO Regulation) contracts need to be already notified to the Member States.

3.3.2. Enhanced cooperation between farmers in producer organisations and associations of producer organisations

A key instrument for strengthening the position of farmers on the food supply chain is their participation in collective organisations, such as recognised POs and recognised APOs. The CMO Regulation encourages the formation of these entities, but their uptake and recognition remain inconsistent across Member States. The main driver for farmers joining forces is the 'desire to achieve increased long-term competitiveness and economic sustainability of the individual farm' and the 'benefits deriving from joint sales via the

PO'.[86] Indeed, there is wide range of benefits for farmers to join POs, most notably greater bargaining power as buyer when POs rather than individual farmers negotiate with inputs and services providers (e.g., input suppliers, customers, insurance companies, banks, etc.) and as sellers with higher prices for the sale of agricultural products of the members of the PO, but also cater for long-term supply deals, regular orders or advance payments. POs also bring benefits in terms of increased agricultural productivity and greater effectiveness in subsequent marketing. Furthermore, enhancing the legal framework for POs to engage in collective negotiations would allow farmers to coordinate sales, plan production, and share market intelligence more effectively, thereby reducing their dependence on dominant buyers. Beyond POs, voluntary collaboration outside formally recognised structures can also contribute to fairer trading conditions.

Many farmers remain however outside these structures due to the perceived administrative burden linked with the recognition of POs,, a lack of sufficient incentives, or limited awareness of their benefits.[87] Among recognised POs, the situation varies widely across sectors and Member States. Some POs have succeeded in building a strong membership base and achieving significant bargaining power, particularly in sectors like fruit and vegetables or milk in certain countries. These POs are better able to negotiate contracts, secure fairer prices, and offer support services to their members. However, many POs still face challenges in reaching sufficient scale. In several sectors, membership remains too limited to create real countervailing power against large processors and retailers. A study indicates that smaller or weaker POs often struggle to influence market conditions effectively, due to fragmented membership, limited resources, or insufficient recognition by market actors.[88] Strengthening membership and consolidating POs remains crucial to fully achieve the objectives set out for them under the CMO.

Without sufficient membership, POs lack the critical mass needed to negotiate effectively and to counterbalance the bargaining power on behalf of their members, both with their input and services suppliers on the buying side and with large processors and retailers on the selling side. In terms of disincentives, farmers might not be joining POs mostly because of their unwillingness to cooperate due to the fear to lose their identity and entrepreneurial freedom, a feeling which, especially in Member States with a history of compulsory collective organisations, is often coupled with low or no trust towards such organisations. Moreover, the lack of information on the benefits that POs may bring, of concrete examples of successful POs and of political endorsement and adequate technical support by national authorities may play a negative role for farmers to join POs. Concerns over costs for setting up POs, for obtaining recognition, and for complying with POs' statutes or production standards set up by POs may also negatively impact the decision to join POs.

While the selected measures introduce certain improvements, they may not – on their own – be sufficient to overcome the structural and behavioural barriers identified above. These

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[86] Arcadia International E.E.I.G., EY, and independent experts, Study of the best ways for producer organisations to be formed, carry out their activities and be supported, final report, Directorate-General for Agriculture and Rural Development (European Commission), May 2019, page 80. Available at: https://op.europa.eu/en/publication-detail/-/publication/2c31a562-eef5-11e9-a32c-01aa75ed71a1/language-en.
[87] Ibid, 102 ff.
[88] Ibid.

limitations could affect the overall effectiveness of the proposed measures, particularly in terms of enhancing the attractiveness and uptake of the producer organisation model across all sectors and Member States.

There is therefore still a significant proportion of EU farmers that are not members of recognised POs. Only around 720,000 EU farmers (around 8% of all EU farmers in 2023) are members of recognised POs. Around 7% of all (A)POs are recognised, while a majority operate without formal recognition but still deliver tangible benefits to their members. Improving the rules applicable to POs in the CMO Regulation aim at reducing the degree of disincentive for farmers to join POs.*Improve bargaining power of POs and recognised APOs through competition exclusions*

To strengthen farmers' bargaining power, the proposal enhances cooperation within POs and APOs.

Currently, recognised POs (and mutatis mutandis APOs) benefit from a specific exception to Article 101 of the Treaty on anti-competitive agreements that could disrupt free competition. This allows them to plan production, optimise production costs, place products on the market, and negotiate contracts on behalf of their members, for all or part of their production. This exemption is subject to several conditions, including:

- The PO must genuinely exercise at least one economic activity (e.g., planning production, direct marketing, cost optimisation, R&D, quality product development, environmental management).
- The PO must place products of its members on the market;
- Members must not belong to another PO for the same products.

Recognition is voluntary and granted upon request. In most sectors, Member States are not obliged to grant recognition even if criteria are met, except in sectors like fruit and vegetables, olive oil, hops, silkworm, and dairy, where Member States must recognise eligible POs.

As a result, many POs that meet the criteria for recognition remain unrecognised. There is no uniform legal form for POs in the EU. Instead, a variety of structures exist, including agricultural cooperatives (e.g., SCAs in France), machinery groups (e.g., CUMAs), producer groups, SATs in Spain, Erzeugergemeinschaften in Germany, and others. A Commission-commissioned study from 2019 estimates over 21 000 cooperatives and more than 20 000 other types of POs operate in the EU. However, only 8% of cooperatives and 9% of other POs are formally recognised under the CMO[89].

[89] Arcadia International E.E.I.G., EY, and independent experts, Study of the best ways for producer organisations to be formed, carry out their activities and be supported, final report, Directorate-General for Agriculture and Rural Development (European Commission), May 2019, page 80. Available at: https://op.europa.eu/en/publication-detail/-/publication/2c31a562-eef5-11e9-a32c-01aa75ed71a1/language-en.

The 2019 study[90] has identified as key reason why POs often refrain from seeking formal recognition as a significant barrier the perceived administrative burden associated with the recognition process, especially for smaller groups of farmers. Furthermore, in certain sectors and Member States, farmers achieve cooperative advantages through informal structures or alternative legal forms, making the formal recognition under the CMO less appealing

Despite not being recognised, many of these organisations perform key functions such as production planning and contract negotiation. While some may benefit from national protections, there is no EU-wide legal status that affords them the same competition exemptions as recognised POs.

The current proposal introduces a derogation that extends the competition exemption of Article 152(1a) to all POs, whether or not they are formally recognised, provided they meet both the general and sector-specific conditions for recognition. This approach simplifies the legal framework and avoids creating unnecessary administrative burdens. It also acknowledges that many POs already meet the substance of recognition criteria, even if not formally recognised.

As highlighted in the same study[91], the distinction between recognised and unrecognised entities is often not central to how supply chain's function. Farmers typically form entities for practical reasons and only later decide whether to seek formal recognition.

This proposal is a simplification that avoids duplicating national cooperative recognition processes and does not create new control obligations. Non-recognised POs already operate without formal oversight, and enforcement of competition law remains the responsibility of national authorities and the Commission.

Currently, Article 152(1b) states that APOs are treated as POs for the purposes of Article 152, and may therefore benefit from the same competition exemptions provided they genuinely exercise economic activities and meet other conditions. The Commission proposal maintains this provision with no limitation concerning the size of APOs concerned. APOs represent a second stage of the organisation of producers. In many cases, POs keep a limited territorial dimension, that the organisation of a second stage allows to scale up and gain market power vis-à-vis buyers having a national or wider scope.

The proposal adds a new provision allowing recognised APOs that do not genuinely exercise an economic activity to negotiate contracts on behalf of their members, provided they do not exceed 33% of national production and they are composed of member POs that genuinely exercise an economic activity. This mirrors the existing rule in Article 149 for the milk sector and creates a more flexible, harmonised framework across all sectors. Such

[90] Arcadia International et al., Study of the best ways for producer organisations to be formed, carry out their activities and be supported, European Commission, 2019. Available at: https://op.europa.eu/en/publication-detail/-/publication/2c31a562-eef5-11e9-a32c-01aa75ed71a1/language-en.

[91] Arcadia International E.E.I.G., EY, and independent experts, Study of the best ways for producer organisations to be formed, carry out their activities and be supported, final report, Directorate-General for Agriculture and Rural Development (European Commission), May 2019, page 80. Available at: https://op.europa.eu/en/publication-detail/-/publication/2c31a562-eef5-11e9-a32c-01aa75ed71a1/language-en.

a proposal aims at allowing POs to progressively organise their scaling up into entities able to compete with large buyers by accelerating. The benefits from genuine horizonal cooperation are ensured at individual PO level, and the more complex organisation of a second degree will be favoured by the possibility to start cooperating on negotiation of contacts with buyers.

Together, these changes aim to strengthen the role of collective organisations in improving farmers' position in the supply chain while maintaining appropriate safeguards against market distortions.

Reinforce protection of POs from direct contacts between buyers and PO members

One of the difficulties of keeping the collective cohesion of POs between farmers is to preserve them from offers of buyers to buy directly at better price part of the production of the PO, undermining the collective strategies built by the POs. Many POs include in their statutes an obligation to bring to the PO a certain percentage, often quite high and close to the whole production, of their individual production. In the case of the fruit and vegetables sector, this is even the rule set by Article 160 CMO.

Precisely in the fruit and vegetables sector, since 2021, the CMO includes a new rule allowing direct contacts between buyers and individual PO members. The rationale of such amendment, brought by the European Parliament, refers to the need to organise the logistical dimension of the collection of fresh products by buyers like retailers directly at farm level. Such direct contacts were sometimes questioned in certain Member States as being possible at all. The new provision in 2021 conditioned direct contacts to the preservation of the capacity of the PO to ensure the concentration of supply and placing of products on the market, meaning that the essential elements of the sales such as price, quality and volume are negotiated and determined by the PO.

Such 2021 amendment did not apply to the milk and milk products sector. The current proposal corrects this situation by expanding it to all sectors, also clarifying that any objective of the PO shall not be impaired by buyers.

Simplification of recognition through one single act

Formal recognition of POs remains necessary to ensure that these organisations meet specific standards and fulfil the objectives set out under the CMO Regulation. Recognition provides legal certainty, access to specific support measures (such as financial assistance for sectoral interventions), and ensures that POs operate transparently and effectively in the interests of their members.

In the current CMO, PO may be recognised, upon request, by Member States, when they constituted, and controlled in a specific sector. This means that the recognition should be granted per sector, although the same PO can be subject to more than one recognition in the case it is operating in several sectors as mentioned in Article 154(1a) CMO.

The proposal clarifies that such recognition can be granted once for several sectors, provided the conditions of recognition are met for each sector. This is a simplification of the recognition process, avoiding the current obligation to grant several recognitions in the corresponding cases.

In light of the organic farming action plan[92], it is also proposed to offer to primary producers the possibility to form a PO among producers engaging solely in organic farming. Currently, the CMO Regulation does not specifically prevent the creation of POs consisting solely of organic farmers. However, it does not explicitly promote or facilitate such sector-specific organisations either. The existing framework is generally neutral regarding production methods (such as organic versus conventional farming) and focuses primarily on sectors (like fruit and vegetables, milk, etc.). As a result, organic farmers typically join general POs alongside conventional producers, where their specific needs and challenges may not be fully addressed. Organic farming is particularly characterised by its scattered nature, with producers having access to a limited number of processors and retailers. There is currently little knowledge on the degree of concentration in organic production and on whether its organisation needs particular attention. Such proposal reflects the need to encourage the forming or joining specific organic producer organisations and, where possible, encourage Member States to allocate funds for this purpose, recognised by the organic farming action plan.

Clarification that POs are controlled by farmers

In line with the long-standing interpretation of the Commission, it should be clarified in the legal text that POs are constituted at the initiative of and controlled by farmers in the sense of primary producers (and not by producers of agricultural products that can be first-processed products, like vegetable oils, flour, processed fruit and vegetables, dairy or meat products). This does not mean that operators not being farmers cannot be members of a PO. Often, POs include some actors like traders or processors that are part of the collective approach, and they can play a beneficial role by their presence. However, the initiation and the control of POs should remain in the hands of farmers, otherwise, such organisation would not meet the objectives of strengthening their position in the food supply chain. Structures controlled by processors or traders cannot by essence reinforce the position of farmers, as the final decision on the remuneration of farmers would not be in their hands.

Increase in the financial allocation to sectoral interventions by recognised POs

To further support the formation of POs, the proposal increases the financial support that producer organisations receive from CAP funding in other sectors than fruit and vegetables, through increased support to operational programmes. Since 2021, Member States have this possibility to dedicate up to 3% of their direct payments national envelope (and 2 % more if not used under coupled support income).

The proposal includes, on the one hand, amendments allowing Member States to allocate up to 6% of direct payments to operational programmes, without any consequence for their coupled support income envelope. This represents a strong political signal for Member States to support their POs though operational programmes, as a key intervention to reinforce competitiveness of EU agriculture and strengthen the position of farmers in the food supply chain. In addition, the enhanced EU co-financing rates, which so far have been available only to fruit and vegetable operational programmes, will be extended to operational programmes in other sectors. This means that producer organisations in sectors

[92] COM(2021) 141 final

such as cereals, dairy or meat will also benefit from higher EU financial support when they set up and implement operational programmes.

On the other hand, the proposal includes the introduction of specific incentives, through increased co-financing rates, granted to young and new farmers joining a recognised producer organisation and who undertake investments at their premises. It also includes specific support for countries with low PO implementation, in particular to strengthen the role of recognised POs in the fruit and vegetable sector in Member States where the degree of organisation of producers is below 10 % for three consecutive years. The fruit and vegetable sector is specifically targeted because it has benefited from support for POs since 1996, but in some Member States, very few farmers are members of recognised POs, and the sector's particular risks, such as seasonality and perishability, indicate that POs are especially important.

Finally, to improve the resilience of POs in times of crisis, the proposal allows greater flexibility in redirecting funds within operational programmes to address the consequences of adverse meteorological events, natural disasters, plant diseases, or pest infestations. Under certain conditions, the proposal establishes that Union financial assistance can be increased to help POs respond effectively to these challenges.

Funding possibility for crisis cooperation

In normal situations, EU rules do not allow farmers' associations and IBOs to make agreements that could limit competition. However, during a serious crisis, Article 222 of the CMO Regulation allows the Commission to temporarily approve cooperation agreements between farmers and their associations, recognised POs, APOs, or recognised IBOs to help stabilise the market. These measures taken by private operators aim at addressing severe market imbalances. Normally, competition law would not allow farmer's associations and recognised IBOs to make such agreements, because they reduce competition. However, Article 222 does not automatically include any EU funding to support these measures.

From an implementation perspective, the 2024 Commission report on the use of exceptional measures[93] states that these measures can be subject to collective action challenges. Experience shows that the effectiveness of Article 222 of the CMO Regulation, under which agreements are not mandatory for the parties who do not wish to participate, may be hampered by potential free-riding concerns. Granting a financial support could reduce such collective challenges, as was the case for example when the recognised French dairy IBO decided to allocate support from its own resources to farmers engaged in voluntary reduction of production during the COVID-19 pandemic in the framework of Commission Implementing Regulation (EU) 2020/599[94] of 30 April 2020 authorising

[93] COM(2024) 12 final

[94] Commission Implementing Regulation (EU) 2020/599 of 30 April 2020 authorising agreements and decisions on the planning of production in the milk and milk products sector pursuant to Article 222 of the Common Market Organisation Regulation in order to address the market disturbance caused by the COVID-19 pandemic. Official Journal of the European Union, L 140, 4.5.2020, p. 7–9. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0599.

agreements and decisions on the planning of production in the milk and milk products sector.

The current proposal only provides for a possibility for the Commission to grant support to those measures taken by the beneficiaries. It does not change any aspect of the conditions in which the Commission can accept or not that farmer and their associations, recognised POs, APOs, or recognised IBOs adopt temporary measures by exception to competition rules.

3.3.3. Promotion of voluntary approaches

To address the challenges faced by farmers and to promote greater transparency in commercial relations, the proposal introduces new EU-wide definitions and enhanced legal clarity within the framework of the CMO Regulation. These measures aim to ensure a fairer distribution of value along the agri-food supply chain, empower producers, and strengthen consumer trust.

Competition exclusion for voluntary agreements for social sustainability

Article 210a CMO Regulation was introduced in the CMO in 2021. It provides for an exclusion from the scope of application of competition rules in the production of or trade in agricultural products. This forms part of the overall ambition to ensure a more sustainable EU agri-food supply chain. The exclusion applies to agreements concluded solely between agricultural producers, and/or between agricultural producers and other actors in the agri-food supply chain, and that are aimed at achieving standards on sustainability that go beyond the EU and/or national mandatory standards. The restrictions of competition should be indispensable to the achievement of the objective pursued: such condition for instance ensures that the eventual price increase agreed are strictly necessary for attaining the sustainability objective. Article 210a also provides for the discontinuation of such agreements in case this is necessary in order to prevent competition from being excluded. The objectives of the agreements concerned may relate to environmental objectives, including climate change mitigation and adaptation, biodiversity, water and soil preservation etc. as well as to some other dimensions of sustainability related to societal concerns such as health through the reduction of use of pesticides and microbials, animal welfare or food waste). Guidelines have been adopted in 2023[95] to help economic actors determine whether the agreements they are engaging in are covered by such exception. Actors can ask an opinion to the Commission. So far, the Commission has received one request for an opinion, and that opinion has not yet been issued.

The proposal reinforces the social or socio-economic dimension of sustainability by broadening the scope of Article 210a CMO Regulation. The revised provision only expands the material scope of the current provision, without changing its overall architecture and principles. It allows for cooperation between farmers and market operators in support of objectives that go beyond minimum legal requirements in three different areas. By enabling such initiatives, the proposal helps to create a more socially responsible and sustainable agri-food sector, while keeping in place the same safeguards as for the

[95] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C_202301446

previous scope in terms of indispensability, maintaining legal certainty within the internal market and avoiding any disproportionate risk for consumer prices and choices.

The first new area concerned relates to small and family-run farms. These farms can be placed in a situation where their viability is at stake. The characteristics of family farms is that most of their labour costs (the costs related to family workers) are determined by the farmer, as an independent self-employed worker. When the returns are insufficient, family farms tend to under-remunerate the family work (while they have no such possibility concerning their hired workforce). Depending on the year, only about 26% to 38% of EU farms can cover their implicit costs (such as family labour, own capital and land) and depreciation.[96] This puts at stake their economic viability, in particular for farms relying predominantly on family labour. Those are defined in the proposal as farms of a standard output that does not exceed €100,000, which means farms below 50 ha in area and below 1.6 annual working unit.

Economic Size	(SE010) Total labour input (AWU/farm)	(SE025) Total Utilised Agricultural Area (ha/farm)
(1) €2,000 - < €8,000	1.02	6.2
(2) €8,000 - < €25,000	1.10	14.0
(3) €25,000 - < €50,000	1.34	28.2
(4) €50,000 - < €100,000 EUR	1.62	49.2
(5) €100,000 - < €500, 000	2.41	100.3
(6) ≥ €500 000	8.26	256.3

Source: FADN 2022.

The second area concerns the inclusion of young producers, they are either farmers or young producers of agricultural products. The challenge of generation renewal is illustrated by the fact that farm managers are on average becoming older, with the average age rising from 56 years old in 2005 to 57 in 2020. Generational renewal is an important issue in agriculture. The situation is worsening, with the percentage of farmers above 65 years old increasing while the other groups decrease. It is especially worrying that the percentage of young farmers is decreasing compared to 2010.

In these two first areas, there are usually no sustainability standards at EU or national level: parties to the agreement would have to set a standard aimed at increasing the level of sustainability in the scope (see point 63 of the Sustainability guidelines).

[96] AFCO meeting of 13 March 2025, presentation on economic viability of EU farms.

The last area concerns the improvement of working and safety conditions in farming and processing. Such sustainability objective was so far explicitly mentioned by the guidelines abovementioned (point 48) as not covered by Article 210a, but that could be covered by sustainability agreements. In this area, there are many mandated standards concerned health and safety at work or social protection, that apply both to independent farmers and/or hired staff in farms and processing industries, while there are also areas where mandated standards are less evident, such as living and housing or transport conditions for seasonal or migrant workers.

Develop a harmonised for "fair", "equitable" and short supply chains

At the core of the proposal is the introduction of definitions for the terms "fair" and "equitable" as they relate to commercial modalities (Article 88a CMO Regulation).

There are several private voluntary schemes that have as their primary objective fair remuneration. Some of these schemes have been designed specifically to deliver fair remuneration to farmers as the primary objective and these schemes are not focused on aspects of fair trade beyond this. Few schemes of this type have been identified by an upcoming study[97]in Belgium, France, and Germany (at regional level), but similar examples exist in some other Member States. These schemes tend to be inspired by fair trade type approaches. Some of them exist in a very similar model in several Member States, although managed and operated independently in each Member State. Other schemes are based more explicitly on fair trade approaches to North-South trade. They are adapted to the North-to-North. They may pursue social objectives such as improving working conditions on the farm and the rest of the supply chain; the primary focus is not necessarily specifically tailored to ensure farmer remuneration. The objectives of these schemes are wider than fair remuneration schemes.

The terms "fair" and "equitable" will be clearly defined to describe contractual practices that foster stability and transparency between farmers and purchasers, result in pricing that is considered equitable by the participating farmers and contribute to one or more of the United Nations Sustainable Development Goals ('SDGs') thus reflecting the usually wider scope of most of these schemes. This approach is intended to support pricing structures that fairly remunerate farmers for their work and align with the broader sustainability ambitions of the EU as well as contributing to the wider-sustainability considerations in the rural areas covering all three dimensions of sustainability (economic, social and environmental). Such definition is inspired from a national law[98] in the EU that defines such concept, which lists conditions such as duration of the contractual link, remunerative price paid to producers, contribution of the buyer to collective projects, etc. At this stage, the proposal only proposes basic elements for the definition in an implementing act of the details of what level of transparency, stability, remuneration and contribution will be needed, as well as other condition of use to be determined. The Commission proposes to

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[97] Study on regulatory and voluntary schemes for fair agricultural remuneration, upcoming (2025)
[98] LOI n° 2014-856 du 31 juillet 2014 relative à l'économie sociale et solidaire, Article 94, JORF n°0176 du 1 août 2014, texte n° 2.
Available at: https://www.legifrance.gouv.fr/jorf/article_jo/JORFARTI000029313690

adopt such implementing act within two years and therefore postponed he entry into force of such provision during the same period of time.

The proposal also defines the concept of a "short supply chain" (Article 88a CMO Regulation), referring to commercial arrangements where there is either a direct link between farmers and final consumers, or a close and geographically proximate relationship, including in cross-border settings.

In the past, short supply chains were defined in the context of Rural development rules, whereby cooperation could be funded with a view to promote activities in a local context relating to the development of short supply chains and local markets (Article 35(2)e of Regulation 1305/2013[99]). In this context, short supply chains were defined as having maximum one intermediary between the farmer and the consumer[100]. This definition reflects that the core element of supply chains that are called to be short is the connection between farmers and consumers. Sustainability benefits of short supply chains are linked to this close connection: they are principally of an economic and social nature as shorter supply chains can allow farmers to obtain better margins and can contribute to rural development and a sense of community.[101]

The proposal builds on the previous definition, taking into account of the different context of the CMO compared to the Rural Development policy. The term 'short supply chain' should be used only to designate commercial modalities where a direct connection exists between farmers and consumers that allows to directly exchange on the production process and the product, including by means of distance communication and/or via an intermediary who ensures such exchange at the moment of sale. Alternatively, this term may also be used where a close connection between farmers and consumers within their geographic proximity exists, including in cross-border contexts. The proposal does not limit this to one intermediary, as there are cases where there could be chains involving a farmer, a processor and a retailer all situated in geographical proximity that can deliver the same degree of connection than chains with no more than one intermediary. This definition seeks to support more direct economic relationship between producers and consumers in local economies and improve consumer awareness regarding the origin, quality, and production methods of agricultural products.

Geographical proximity must be understood in this proposal as not related to any administrative boundaries (national, regional or local). A short food supply chain should not hamper the cross-border close connection between farmers and consumers. On the

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[99] Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005, OJ L 347, 20.12.2013, p. 487–548. Available at: http://data.europa.eu/eli/reg/2013/1305/oj.

[100] "supply chains involving no more than one intermediary between farmer and consumer", Article 11(1) of Delegated Regulation Regulation (EU) No 807/2014 of 11 March 2014 supplementing Regulation (EU) No 1305/2013 of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and introducing transitional provisions, OJ L 227, 31.7.2014, p. 1–17. Available at: http://data.europa.eu/eli/reg_del/2014/807/oj.

[101] The sustainability of "local" food: a review for policy-makers, Alexander J. Stein and Fabien Santini, Review of Agricultural, Food and Environmental Studies, 2021 (103) pp77-89. Available at : https://link.springer.com/article/10.1007/s41130-021-00148-w.

contrary, it can support such relationships – for example, in border regions where consumers may buy directly from nearby farmers across national borders.

By providing harmonised EU-wide definitions of these voluntary terms, the proposal addresses the risk of misuse and enhances transparency in the marketplace. Consumers will be better able to rely on consistent, trustworthy information when choosing products, while farmers will benefit from a clearer legal framework supporting their commercial claims.

Including additional objectives for POs and IBOs

In parallel, the proposal strengthens the role of recognised POs by expanding the list of objectives they may pursue (Article 152 CMO Regulation). In future, POs will be explicitly empowered to undertake initiatives promoting fair trade schemes and the development of short supply chains. This creates opportunities for more resilient and diversified business models at producer level.

4. LIKELY IMPACTS OF THE SELECTED MEASURES

This section focuses on the likely impacts of the selected measures set out in Section 3, namely a reinforced framework for contracts involving farmers, enhanced co-operation between farmers in producer organisations, and the promotion of voluntary approaches. Most of the expected impacts relate to economic and social considerations, though possible limited environmental impacts are also included. The selected measures address diverse aspects of agricultural market relations. Therefore, it is appropriate to break down the assessment of the impacts by measure type. At the same time, their complementary nature in strengthening farmers' bargaining power may sometimes make it difficult to fully isolate the impact of each measure individually.

It should be noted from the outset that a precise quantification of the impacts of these measures is not feasible. Their actual impact will depend on the extent of uptake of the measures and derogations by both Member States and economic operators as well as on the pre-existing national legislative framework and on pre-existing supply chain structures and different currently prevailing practices in the sectors concerned. As the proposal aligns existing rules and establishes the same horizontal provisions across all sectors, no sector-specific assessment of these rules is carried out. With this said, the following sections will assess the likely economic advantages and disadvantages stemming from the selected measures for businesses, consumers and administrations. They will also assess the likely social and environmental impacts of the measures.

4.1. Economic impacts

4.1.1. A reinforced contractual framework

The policy intervention aimed at reinforcing the contractual framework in which farmers operate addresses several elements of the contractual relationship between the parties. Those include the requirement to formalise contracts in writing, the requirements on the price setting and review mechanisms, and the introduction of mediation mechanisms in negotiation processes. While these measures are expected to strengthen farmers' bargaining power collectively, their multi-faceted nature also means that their impact will vary depending on multiple factors - such as the degree of formalisation required at national level and the derogations from this requirement to be decided by the Member States, the content of contract clauses, existing market and supply chain structures, the level of collective organisation in agriculture, and the availability of information and legal support services, among others.[102]

Requirement to formalise contracts in writing – impacts on farmers and buyers

For farmers, formalising contracts in writing is expected to provide several benefits, in particular an increased transparency, accountability, predictability of the terms agreed as well as a reduction of asymmetric price transmission along the agri-food supply chain.[103] Written contracts are expected to provide incentives to more equal risk sharing between farmers and buyers of agricultural products, what is expected to create efficiency gains for the overall agri-food supply chain.[104] At the same time, written contracts alone do not substantially rebalance bargaining power or address underlying market imbalances, which are largely shaped by international market dynamics and the strong negotiating position of organised buyers.[105]

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[102] Trouvé, A., Dervillé, M., Gouin, D.-M., Pouch, T., Fink-Kessler, A., Kroll, J.-C., Rat-Aspert, O., Briot, X., & Lambaré, P., *Étude pour le Ministère de l'Alimentation et de la Pêche et France AgriMer sur les mesures contre les déséquilibres de marché : Quelles perspectives pour l'après quotas dans le secteur laitier européen?,* 2016, p. 99. Available at: https://www.franceagrimer.fr/fam/layout/set/ajax/content/download/45608/434908/file/rapport_etude_desequilibres_de_marche.pdf.

[103] For a discussion on these aspects, see: Franscarelli, A., & Ciliberti, S., 'Mandatory Rules In Contracts Of Sale Of Food And Agricultural Products In Italy: An Assessment Of Article 62 Of Law 27/2012', *EAAE 140th Seminar, 2014.* Available at: https://ageconsearch.umn.edu/record/163350/?v=pdf; Berger, Y., Marchal, Y., Champanhet, F., & Riou, Y, Rapport sur la Mise en œuvre de la contractualisation dans la filière laitière française, CGAAER Rapport n°15053, 2015, p. 35 ff. Available at: https://agriculture.gouv.fr/sites/default/files/cgaaer_15053_2015_rapport-2.pdf; Report of the Agricultural Markets Task Force, *Enhancing the Position of Farmers in the Supply Chain*, 2016. Available at: https://agriculture.ec.europa.eu/common-agricultural-policy/agri-food-supply-chain/agricultural-markets-task-force_en; , Banse, M., Knuck, J., & Weber, S. A., 'Stabile und hohe Milchpreise?! - Optionen für eine Beeinflussung der Milchpreise', *Thünen Working Paper,* No. 118, 2019; Revoredo-Giha, C., Clayton, P., Costa-Font, M., Agra-Lorenzo, FAL., & Akaichi, F., 'The impact of mandatory written dairy contracts in European countries and their potential application in Scotland', *Social Research series*, Scottish Government Social Research, 2019.

[104] For a discussion, see Vavra, P., 'Role, Usage and Motivation for Contracting in Agriculture', *OECD Food, Agriculture and Fisheries Papers*, No. 16, OECD Publishing, 2009; Cesaretti, G.P., Mariani, A.C. and Sodano, V., *Sistema agroalimentare e mercati agricoli*, il Mulino, 1994;; Sodano, V., *Strumenti di analisi per l'economia dei mercati agroalimentari*, Edizioni Scientifiche Italiane, 2004.

[105] For a discussion on these aspects, see: Franscarelli, A., & Ciliberti, S., 'Mandatory Rules In Contracts Of Sale Of Food And Agricultural Products In Italy: An Assessment Of Article 62 Of Law 27/2012', EAAE 140th Seminar, 2014. Available at: https://ageconsearch.umn.edu/record/163350/?v=pdf; Berger, Y., Marchal, Y., Champanhet, F., & Riou, Y, Rapport sur la Mise en œuvre de la contractualisation dans la filière laitière française, CGAAER Rapport n°15053, 2015, p. 35 ff. Available at: https://agriculture.gouv.fr/sites/default/files/cgaaer_15053_2015_rapport-2.pdf; Report of the Agricultural Markets Task Force, Enhancing the Position of Farmers in the Supply Chain, 2016. Available at: https://agriculture.ec.europa.eu/common-agricultural-policy/agri-food-supply-chain/agricultural-markets-task-force_en; , Banse, M., Knuck, J., & Weber, S. A., 'Stabile und hohe Milchpreise?!-Optionen für eine Beeinflussung der Milchpreise', Thünen Working Paper, No. 118, 2019; Revoredo-Giha, C., Clayton, P., Costa-Font, M., Agra-Lorenzo, FAL., & Akaichi, F., 'The impact of mandatory written dairy contracts in European countries and their potential application in Scotland', Social Research series, Scottish Government Social Research, 2019.

This reflects the experience of those Member States which have already made written contracts compulsory under the current CMO Regulation. First, written contracts have been reported as positively contributing to the clarity and certainty that farmers can obtain on the terms of their agreements or the price they will receive.[106] Second, written contracts are considered to significantly reduce the risk of harmful unfair trading practices, for example, where vagueness or lack of clarity in non-written agreements can be used by the stronger party to impose unilateral changes to agreed terms or payments.[107] According to the JRC survey, unilateral changes to the agreement by the buyer is one of the most frequent UTP after late payments, with 10-20% of respondents to the survey being affected by such practices.[108] In addition, improved certainty over trading and pricing conditions is expected to help farmers make longer-term decisions and investments based on clearer expectations about the future, and to access better financing opportunities.[109]

Written contracts can improve farmers' access to finance - such as loans or short-term credit lines - as they provide documented evidence of income, reduce information asymmetries for banks by signalling farmers' repayment capacity, and lower the perceived risk of default.[110] This, in turn, can lead to reduced borrowing costs. As a result, farmers with written contracts are more likely to be granted loans (e.g., lower rejection rate) and to benefit from lower risk premiums.[111] Banks increasingly value formal written agreements, particularly in sectors such as dairy, wine, and fruit and vegetables, as these offer more predictable cash flows.[112] This predictability is especially important for young and new farmers, as it reduces the need for collateral and makes finance more accessible. Many young farmers lack land or equity and are therefore likely to benefit particularly from written contracts when applying for credit. Easier access to finance through formalised market relationships can help lower one of the main entry barriers for young farmers by

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[106] Defra, *Contractual practice in the UK dairy sector consultation: Summary of responses,* 2021, p. 9. Available at: https://assets.publishing.service.gov.uk/media/606c6c0ed3bf7f401340b31d/summary-responses-contractual-practice-uk-dairy-sector.pdf; Revoredo-Giha, C., Clayton, P., Costa-Font, M., Agra-Lorenzo, FAL., & Akaichi, F., 'The impact of mandatory written dairy contracts in European countries and their potential application in Scotland', Social Research series, Scottish Government Social Research, 2019, p. 54; Franscarelli, A., & Ciliberti, S., 'Mandatory Rules In Contracts Of Sale Of Food And Agricultural Products In Italy: An Assessment Of Article 62 Of Law 27/2012', EAAE 140th Seminar, 2014, p. 14; Defra, *Impact Assessment: Implementation of the EU Dairy Package,* 2013, p. 4.

[107] European Commission, *Impact assessment accompanying the document Proposal for a Directive of the European Parliament and of the Council on unfair trading practices in business-to-business relationships in the food supply chain*, SWD(2018) 92 final, 2018, p. 84ff and 266.

[108] European Commission, JRC's Food Chain - UTP - survey results, 5th wave 2024. Available at: https://datam.jrc.ec.europa.eu/datam/mashup/FOODCHAIN_UTP_5/.

[109] In this sense, see Defra, *Impact Assessment: Implementation of the EU Dairy Package,* 2013, p. 28; Report of the Agricultural Markets Task Force, *Enhancing the Position of Farmers in the Supply Chain*, 2016, p. 13, pp. 66-67.See also Boufounou, Paraskevi, et al. , Value-Chain Finance in Greek Agriculture, *Sustainability*, Vol. 16, no. 7, 2024, pp. 2922, Available at: https://doi.org/10.3390/su16072922.

[110] Boufounou, Paraskevi, et al. , Value-Chain Finance in Greek Agriculture, *Sustainability*, Vol. 16, no. 7, 2024, pp. 2922, Available at: https://doi.org/10.3390/su16072922.

[111] Federica Di Marcantonio, Pavel Ciaian, and Jan Fałkowski, Contracting and Farmers' Perception of Unfair Trading Practices in the EU Dairy Sector, Journal of Agricultural Economics, vol. 71, no. 3 (2020): 652–676, Accessible at: https://doi.org/10.1111/1477-9552.12388.

[112] Ibid; Ciliberti, S. and Frascarelli, A. (2013), Mandatory rules in contracts of sale of food and agricultural products in Italy: An assessment of Article 62 of Law 27/2012, 2013. Available at: http://ageconsearch.umn.edu/bitstream/163350/2/Ciliberti%20Frascarelli_140%20EAAE.pdf.

facilitating investment in land, buildings, or equipment. There is some practical evidence that financial institutions offer preferential lending terms to farmers with formalised contracts. For example, some financial institutions in France and the Netherlands have offered interest rates on farm loans for farmers with multi-annual contracts than for those without.[113] Formal agreements have been associated with lower interest rates, higher loan approval rates, reduced income volatility, and increased willingness among banks to lend - particularly to smaller holdings.[114] Vertical coordination mechanisms, including written contracts, can enhance farmers' bankability by reducing transaction risks.[115]

Nonetheless, the compulsory use of written contracts raises concerns, in sectors with low value transactions regarding compliance costs for both farmers and the buyers. Some stakeholders, for example processors or certain farmers, particularly those operating on a larger scale or affiliated with cooperatives or POs,[116] fear that a one-size-fits-all obligation could create new burdens in form of compliance costs, particularly for buyers and intermediaries who rely on informal or flexible arrangements, because buyers would need to adapt to new requirements, including revision of templates, updating of internal systems and ensuring compliance with the new rules.[117] Such reluctance may also hide other considerations linked to a wish to not commit in advance to any delivery betting on better opportunity sales, or to considerations related to grey economy. In general, small-scale farmers consider written contracts beneficial.

At EU level, quantifying possible adjustment costs is more complex due to wide variation across Member States, supply chains and market structures. In addition, the proposal does not prescribe the format of the contract to keep the adjustment costs to the minimum (e.g., operators can rely on standard contracts developed by POs or IBOs or confirm the agreement in writing via an email), leaving it to operators to choose the least burdensome option. Factors influencing the adjustment costs include the frequency and nature of transactions, national contract law requirements, and the extent to which standardised tools - such as model contracts developed by POs or IBOs - are available and used. The adjustment costs are also influenced by the duration and complexity of contracts, the digital readiness of operators, and the availability of legal or advisory support. While the adjustment costs per contract appear to be relatively modest of around €8.25 per

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[113] FI-Compass and EARFD, Financial needs in the agriculture and agri-food sectors in France, June 2020, Available at: https://www.fi-compass.eu/sites/default/files/publications/financial_needs_agriculture_agrifood_sectors_France_0.pdf; FI-Compas and EARFD, Financial needs in agriculture and agri-food sectors in Netherlands, Available at: https://www.fi-compass.eu/sites/default/files/publications/financial_needs_agriculture_agrifood_sectors_Netherlands.pdf.

[114] Case study no. 4, Multiannual price risk management, in study of risk management in EU Agriculture. Available at: https://op.europa.eu/fr/publication-detail/-/publication/fa39d840-af66-11e8-99ee-01aa75ed71a1/language-fr/formatPDF/source-search.

[115] Boufounou, Paraskevi, et al. , Value-Chain Finance in Greek Agriculture, *Sustainability*, Vol. 16, no. 7, 2024, pp. 2922, Available at: https://doi.org/10.3390/su16072922.

[116] For more details see Annex 2.

[117] Revoredo-Giha, C., Clayton, P., Costa-Font, M., Agra-Lorenzo, FAL., & Akaichi, F., 'The impact of mandatory written dairy contracts in European countries and their potential application in Scotland', *Social Research series*, Scottish Government Social Research, 2019, p. 53.

contract,[118] they may still be considered overall non-negligible depending on the value of the transaction, the number of the transactions, complexity of the contract, use of standard contracts, the duration of the contract and the frequency of contract revisions, or the size of the operator. Given that the Commission's proposal includes a threshold below which low-value contracts (less than €10,000) would be exempted from the written form requirement, the proportional cost for a €10,000 contract would be just 0.0825% of the contract's value. This proportion would decrease further for higher-value transactions, while lower-value ones are exempted altogether.

At the same time, written confirmation of contractual arrangements already covers the vast majority of transactions in the agricultural sector. This is particularly the case in Member States where written contracts are mandatory under Articles 148 or 168 of the CMO Regulation, or because of national transposition of the UTP Directive that has classified the refusal to provide such confirmation as a prohibited UTP. In practice, this means that buyers are already required to comply with the obligation to provide written confirmation of an agreement. Written contracts are also standard in the sugar sector, as required under Article 125 of the CMO Regulation. On this basis, it can be assumed, as a conservative estimate, that 80% of the value of farm production is covered by written contracts. Most of what is not yet covered by written contracts, but only by oral agreements, relates to practices that are covered by the exceptions proposed by the Commission (e.g., low-value contracts, customary sales modalities or on the spot sales). Therefore, it can be assumed, based on a conservative assumption, that only a quarter of the remaining oral agreements would not be covered by these exceptions. This means that approximately 5% of the value of agricultural production would be affected, i.e. €26.448 billion in 2024.[119] Applied to the value of production affected, the costs of making written contracts compulsory can be estimated, with conservative assumptions, to €21,819,600 of recurrent adjustment costs per year.

While the requirement for written contracts would be a shared responsibility between buyers and farmers, the main costs of setting up a contract would fall on the buyers, whereas farmers would continue, as they do today, to negotiate and verify the agreed terms and conditions.

Overall, available survey evidence suggests that while compliance costs are not considered a major concern for most business stakeholders, a significant proportion do report notable compliance costs. In a survey carried out for the UTP Impact Assessment in 2018, 57% of responding buyers indicated that compliance costs were either 'insignificant' or only

[118] For a quantification of costs, see for example Defra, *Impact Assessment: Implementation of the EU Dairy Package*, 2013, p. 23 ff. The effort required to confirm the key elements of a contracts in writing (price, quantity, delivery arrangements, and other relevant terms) is estimated to take no more than 15 minutes per contract. The hourly tariff is set at EUR 33.00, corresponding to the One-In-One-Out tariff, including hourly earnings (Eurostat, Structure of earnings survey 2022), non-wage labour costs (Eurostat, Labour Force Survey, data for Non-Wage Labour Costs) and 25% overhead costs, for ISCO 1-5 Non-manual workers; the use of ISCO 1-5 is based on the assessment that the tasks require a mixture of skills (managers, professionals/lawyers, technicians and clerks). Using €33.00 per hour, this equates to €8.25 per contract.
[119] Eurostat.

'slightly significant'. However, 43% assessed the costs as 'high' or 'moderate'.[120] These costs were primarily associated with ensuring that standard contracts were not in breach of UTP provisions, or the training of staff involved e.g. in negotiations.[121]

Mandatory elements in written contracts – impacts on farmers and buyers

To fully realise the potential benefits of written contracts for farmers - namely improved transparency, greater predictability, and a clearer allocation of commercial risks - certain core elements must be included as mandatory. These include, among others, the method of price determination (fixed or formula-based on objective indictors linked to market developments taking into account the elements in production costs), the quality and quantity of the product, delivery schedule, duration, payment terms, logistical responsibilities, and provisions for force majeure. In particular, the inclusion of clear pricing mechanisms and review clauses can play a critical role in enhancing the economic functioning of the food supply chain, especially in sectors such as dairy.[122]

The transition towards ex-ante pricing mechanisms, where the price (or pricing formula) is defined in advance, could substantially improve transparency and allow farmers to better assess the profitability of production decisions. However, economic literature notes that in cases where processors are obliged to take all products supplied (milk in this case), ex-ante pricing may increase the commercial risk borne by processors that have been setting the prices ex post, potentially resulting in downward pressure on farmgate prices to hedge against uncertainty.[123] Nevertheless, experience in other Member States, such as France and Spain, demonstrates that these risks can be mitigated through structured pricing schedules, or combining fixed base prices with variable components linked to market indices or input costs.[124] This approach, in turn, shifts the risk of any potential surplus to producers or their organisations, while the effectiveness of combined pricing mechanisms

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[120] European Commission, *Impact assessment accompanying the document Proposal for a Directive of the European Parliament and of the Council on unfair trading practices in business-to-business relationships in the food supply chain*, SWD(2018) 92 final, 2018, page 86.
[121] European Commission, *Impact assessment accompanying the document Proposal for a Directive of the European Parliament and of the Council on unfair trading practices in business-to-business relationships in the food supply chain*, SWD(2018) 92 final, 2018, p. 57.
[122] For a discussion on contractual pricing mechanisms, see Banse, M., Knuck, J., & Weber, S. A., 'Stabile und hohe Milchpreise?!-Optionen für eine Beeinflussung der Milchpreise', *Thünen Working Paper*, No. 118, 2019; Revoredo-Giha, C., Clayton, P., Costa-Font, M., Agra-Lorenzo, FAL., & Akaichi, F., 'The impact of mandatory written dairy contracts in European countries and their potential application in Scotland', *Social Research series*, Scottish Government Social Research, 2019; Lambaré, P., You, G., & Dervillé, M., 'Contrats laitiers : état des lieux en 2016', *Dossier Économie de l'Élevage*, n°474, 2016. Study of Ecorys and Wageningen Economic research for the COM on risk management in agriculture: Final Report, 2017.
[123] In this sense, see Thiele, H. D., Tiedemann, T., 'Analyse und Effekte von Milchliefervertragsänderungen bei Umsetzung des Art. 148 der GMO in Deutschland', *ife Diskussionspapier 02/2024,* ife Institut für Ernährung und Ernährungswirtschaft, 2024.
[124] Revoredo-Giha, C., Clayton, P., Costa-Font, M., Agra-Lorenzo, FAL., & Akaichi, F., 'The impact of mandatory written dairy contracts in European countries and their potential application in Scotland', *Social Research series*, Scottish Government Social Research, 2019, p. 54-57.

is said to vary depending on the reaction of the supply side to the prices set and the involvement of POs in the organisation of the supply of milk.[125]

Mandatory review clauses in longer-term contracts provide a useful mechanism for adapting to changing market conditions. They allow farmers (and buyers when they include such clauses in the contracts) to reopen negotiations of contracts based on triggering events - such as significant increase in input cost or significant shifts in market conditions - thereby reducing the risk that long-term contracting result in loss-making locked positions and contributing to greater market stability.[126] Such clauses are generally seen as positive tools for preserving contractual fairness and enabling responsive adjustments, without undermining the overall predictability of the contract framework. In addition, the availability of reliable indicators can support the use of indexed pricing formulas and review clauses, contributing to more stable and equitable pricing outcomes for farmers.[127]

The use of market and cost indicators (e.g., elements of energy costs, feed costs, or market price indexes) alongside review clauses in longer-term contracts allows for more rapid price adjustments and help farmers avoid systematically selling below production costs for prolonged periods. Studies in the dairy sector suggest that timely indexation under compulsory written contracts might have contributed to reduce the volatility of farmgate prices.[128] Studies in the cereals sector suggest similar results showing that mandatory contracts, which may set the price based on market and cost indicators, could increase farmers' average income stability.[129] At the same time, if price formulas based on indicators become too rigid without any possibility for review in case of miss-match with market realities, farmers may miss opportunities to benefit from global price surges.[130] For instance, during rapid commodity price fluctuations, time-lagged review clauses can result in lost income of up to 5 % per harvest cycle. Nevertheless, it has been suggested that the inclusion of mandatory review clauses in longer-term contracts might incentivise buyers to shift to shorter-term contracts to avoid renegotiation.[131] In sectors without a statutory minimum contract duration, such a shift could expose farmers to higher price volatility.

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[125] Ibid. 56.

[126] Briner, S. and Finger, R., The effect of price and production risks on optimal farm plans in Swiss dairy production considering two different milk quota systems, Journal of Dairy Science, vol. 96, no. 4, 2013, pp. 2234–2246. Available at: https://doi.org/10.3168/jds.2012-6086.

[127] This is in line with the role of market observatories, as discussed in Report of the European Commission on Union Market Observatories, COM(2023) 679 final.

[128] European Commission, Evolution of compulsory contracts, Producer Organisations and the market situation for milk and milk products, SWD(2016) 367 final, 2016. Revoredo et at , page 94, which points to (limited) findings on price volatility

[129] Penone, C., Giampietri, E. & Trestini, S. Exploring farmers' intention to adopt marketing contracts: empirical insights using the TOE framework. Agric Econ 12, 39 (2024). https://doi.org/10.1186/s40100-024-00333-7.

[130] European Commission, *Impact assessment accompanying the document Proposal for a Directive of the European Parliament and of the Council on unfair trading practices in business-to-business relationships in the food supply chain*, SWD(2018) 92 final, 2018.; cadia International (2019), *Study on Unfair Trading Practices in the Food Supply Chain*,

[131] Austrian Competition Authority, Sector inquiry food, 2022, p. 91. Available at: https://www.bwb.gv.at/fileadmin/user_upload/BU-LM_final_original1_inh_NEU2.pdf.

The inclusion of mandatory elements in written contracts is expected to translate into measurable economic gains for farmers. By reducing uncertainty around pricing, volumes and delivery conditions, farmers can make more informed investment and production decisions that are expected to lead to an improved profitability. In the absence of predictable cash flows, farmers are less willing to invest in productivity-enhancing assets that may lead to sub-optimal investment decisions in the long-term.[132] Some studies indicate that contracts with clear pricing formulas or fixed prices may reduce farm income volatility by 8% - 10%.[133] This reduction in income variability is expected to translate into an average margin improvement of around 1% of the annual income per farm per year.[134] Based on this, it is estimated that the stabilising effect of such measures could improve income by approximately €360 per farm per year.[135] Since, as already stated, the vast majority of transactions are already covered by written contracts that may include the mandatory elements and a revision clause, and certain transactions would be exempt from this requirement, it is conservatively assumed that around 1 million farms (out of 9 million farms in the EU; approximately 11% of EU farms) would benefit from the introduction of the mandatory elements and revision clause. Taking into account existing practices at Member State level and applicable derogations, this would lead to an estimated benefit of between €360 million across the EU.

In addition, in sectors with a high degree of buyer concentration, clearer contractual terms and access to mediation mechanisms can help prevent occurrence of unfair trading practices, such as last-minute order cancellations or unilateral price changes in the absence of written agreements - practices which are already prohibited under the UTP Directive, but often difficult to enforce in the absence of a written record.

Mediation is intended for situations where parties are unable to reach an agreement but are willing to conclude or revise a contract. The introduction or wider use of mediation mechanisms in commercial relationships within the agri-food supply chain can make a significant contribution to conflict resolution, particularly in cases of unequal bargaining power. Mediation offers a confidential, non-adversarial, low-cost, and time-efficient alternative, enabling parties to ensure the continuity of their business relationship. This is especially relevant in the agricultural sector, where stable, long-term partnerships between farmers and buyers - such as processors or retailers - are often vital for business viability

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[132] fi-compass, An agricultural-focused EAFRD financial instrument providing market-responsive financial products, European Investment Bank and European Commission, December 2018, p. 40-41. Available at: https://www.fi-compass.eu/sites/default/files/publications/Agri-focused%20EAFRD%20FI%20providing%20market-responsive%20financial%20products.pdf.

[133] Revoredo-Giha, C., Clayton, P., Costa-Font, M., Agra-Lorenzo, FAL., & Akaichi, F., 'The impact of mandatory written dairy contracts in European countries and their potential application in Scotland', *Social Research series*, Scottish Government Social Research, 2019.

[134] Briner, S. and Finger, R., The effect of price and production risks on optimal farm plans in Swiss dairy production considering two different milk quota systems, Journal of Dairy Science, vol. 96, no. 4, 2013, pp. 2234–2246. Available at: https://doi.org/10.3168/jds.2012-6086.

[135] This is based on the assumption of an average annual farm income of €36,000 per farm. It is important to note that farm income can significantly vary depending on the sector, size of the farm, organisational structure, training, age and sex of the farm holder as well as the Member State (see for further details: https://agridata.ec.europa.eu/extensions/FarmEconomicsOverviewReport/FarmEconomicsOverviewReport.html).

and largely dictated by the geography of agricultural production, which is strongly territorialised.

In fragmented supply chains, where many small farmers negotiate with a limited number of larger buyers, mediation can help mitigate the so-called ‘fear factor’ - the reluctance of farmers to raise concerns due to fear of retaliation or loss of business. By providing a neutral forum without direct confrontation, mediation can support more balanced negotiations and strengthen trust. Moreover, mediation encourages dialogue and mutual understanding, focusing on resolving issues rather than escalating conflicts. It reassures farmers that their concerns will be taken seriously, and helps buyers understand the broader context without feeling attacked. This can lead to more balanced and respectful relationships over time. In this way, mediation reduces the fear of retaliation and encourages a culture where problems can be raised and solved constructively - benefiting both sides in the long term.

This has also a positive impact on the mental health of farmers, that have the possibility to turn to a mediation service and don’t feel to be locked in a conflictual situation without any support. Evidence from several Member States suggests that mediation can also enhance resilience.[136] For example, it has been used successfully not only in contractual disputes at the time of renewal of contracts but also in crisis contexts - such as sharp price declines - to help coordinate collective responses. Where mediation mechanisms are in place (e.g., in certain EU Member States), farmers can resolve disputes more quickly and cheaply compared to lengthy disputes and legal proceedings. Mediation costs depend on the complexity of the case and duration of the dispute resolution, in typically range between € 500 and €2,000 per case.[137]

Also, buyers benefit from clearer contractual terms and mediation, reducing the likelihood of contractual disputes. This can yield savings in legal fees estimated at up to €2-€4 million annually at the Member State level when fewer investigations and disputes are required.[138]

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[136] European Commission, Impact assessment accompanying the document Proposal for a Directive of the European Parliament and of the Council on unfair trading practices in business-to-business relationships in the food supply chain, SWD(2018) 92 final, 2018, p. 183; Austrian Competition Authority, Sector inquiry food, 2022, p.295 Available at: https://www.bwb.gv.at/fileadmin/user_upload/BU-LM_final_original1_inh_NEU2.pdf.

[137] European Parliament, Directorate General for Internal Policies, Rebooting the Mediation Directive: Assessing the Limited Impact of Its Implementation and Proposing Measures to Increase the Number of Mediations in the EU, 2014. Available at: https://www.europarl.europa.eu/document/activities/cont/201105/20110518ATT19592/20110518ATT19592EN.pdf; European Commission (2023), Commission staff working document – Impact assessment report Accompanying the proposal for a Directive amending Directive 2013/11/EU on alternative dispute resolution for consumer disputes, as well as Directives (EU) 2015/2302, (EU) 2019/2161 and (EU) 2020/1828, SWD(2023) 335 final, Brussels, 17.10.2023. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023SC0335.

[138] European Parliament, Directorate General for Internal Policies, Rebooting the Mediation Directive: Assessing the Limited Impact of Its Implementation and Proposing Measures to Increase the Number of Mediations in the EU, 2014. Available at: https://www.europarl.europa.eu/document/activities/cont/201105/20110518ATT19592/20110518ATT19592EN.pdf.

While buyers face initial adjustment costs estimated at around €660 to €1,320[139] per company related to drafting compliant contracts, training staff and implementing internal monitoring systems.[140] Resulting into approximately one off initial adjustment costs for 15,474 buyers of €10.2 million to €20.4 million within 18 months after entry into force of the proposal.[141]

For larger processors and retailers operating in several EU Member States, divergence in Member State requirements due to derogations at Member State level can increase these costs.

Impacts on consumers

As the measures primarily concern contracts at the farm level, and are therefore not expected to have a direct and immediate impact on consumer prices or product availability. However, any broader impact on price stability - particularly if prices become more stable but marginally higher - could affect consumer choice in the longer run.[142] For example, evidence of Member States with strict UTP legislation does not suggest a link to higher food inflation, the implications for consumer behaviour may potentially vary depending on household income and purchasing power.[143]

Impacts on public authorities in the Member States

Clear, written contracts can simplify oversight and investigations into unfair trading practices. Some Member States estimate annual savings of €2 -€4 million in public enforcement budgets due to the diminished need for extensive investigations.[144] These estimates may vary depending on the size of the Member States and the dimension of the economic activity. Fewer investigations are needed, since disputes can often be settled by examining the contract's terms rather than conducting interviews or audits. Enforcement authorities can devote less time and resources per case, as clear contractual evidence

[139] Based on a standard cost model, initial adjustment costs for buyers are estimated as legal contract drafting and review: The hourly tariff is set at €33.00, corresponding to the One-In-One-Out tariff, including hourly earnings (Eurostat, Structure of earnings survey 2022), non-wage labour costs (Eurostat, Labour Force Survey, data for Non-Wage Labour Costs) and 25% overhead costs, for ISCO 1-5 Non-manual workers; the use of ISCO 1-5 is based on the assessment that the tasks require a mixture of skills (managers, professionals/lawyers, technicians and clerks). It is estimated that the initial adjustment would require between 20 to 40 hours. Using €33.00 per hour, this equates to €660 to €1,320.

[140] European Commission, Impact assessment accompanying the document Proposal for a Directive of the European Parliament and of the Council on unfair trading practices in business-to-business relationships in the food supply chain, SWD(2018) 92 final, 2018, p. 183;

[141] According to Eurostat structural business statistics, there are 1,108 food companies that are not small or micro (2023), and 4,724 wholesale food companies, 8,465 retail companies non-specialised and 1,177 food retailers that are not small or micro (2020). This represents a total of maximum 15,474 companies that would have to adjust their contracts on the first year of implementation within 18 months after entry into force of the proposal. This results into one off initial adjustment costs of 15,474 x €660 = €10.2 million to 15,474 x €1,320 = €20.4 million.

[142] European Commission, Impact assessment accompanying the document Proposal for a Directive of the European Parliament and of the Council on unfair trading practices in business-to-business relationships in the food supply chain, SWD(2018) 92 final, 2018, p. 91.

[143] Ibid.

[144] Ibid.

replaces complex investigative work. For example, in Spain, which introduced obligatory written food supply contracts in 2013, authorities observed that having a contract for each transaction, has improved transparency and enables quicker detection of abuses. In addition, for instance if a buyer fails to pay on time or tries to retroactively change terms, the violation is easily spotted in the written contract, avoiding a protracted investigation. Other enforcement authorities, such as Italy, Poland, share similar experience.

There are no costs relating to the transposition since the Regulation is directly applicable, however, some Member States may consider there is a need to adjust national laws or to adopt derogations from mandatory contracts introduced at Member States level.

Additional costs may occur, due to setting up registers (optional), training public servants, and setting up of mediation mechanism when none is available (which is not the case, as non-specialised mediation schemes are available everywhere in the Union). One-off costs can range depending on the options decided by the Member States from €100,000 (in smaller Member States) to €1 million (in larger Member States).[145]

4.1.2. Enhanced cooperation between farmers in producer organisations and associations of producer organisations

<u>*Impacts on farmers*</u>

A key impact of the proposal is the promotion of deeper farmer integration into larger POs, which has the potential to enhance market stability and resilience.[146] Larger POs aggregate supply, increasing both volume and variety, which strengthens their ability to secure better contracts and expand market access. Furthermore, these organisations offer essential support services and create added value through processing, allowing farmers to navigate market fluctuations more effectively. Enhanced integration is likely to lead to improved risk management, greater economies of scale, and more predictable income streams for farmers.[147]

Farmers highlight[148] the positive impact on access to market channels and in increasing stability and security. The impact of PO activities on farm themselves is more positive on

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[145] Ibid.

[146] European Commission (2019). Commission Staff Working Document Accompanying the Report on Competition Policy 2018, SWD(2019) 297 final, Brussels, 15 July 2019.

[147] Integration into horizontal organizations and pooling of their agricultural output enables farmers to strengthen their bargaining power *vis-à-vis* potential buyers and input suppliers, to reduce risks associated with farming activities, to gain market access to particular marketing channels, and to benefit from economies of scale. As members of a PO, moreover, farmers can invest collectively in assets or services that require high fixed costs, allowing them, for instance, to access new technologies and to improve efficiency and productivity, which ultimately leads to higher income", Cseres, K. J. (2020). "Acceptable" Cartels at the Crossroads of EU Competition Law and the Common Agricultural Policy: A Legal Inquiry into the Political, Economic, and Social Dimensions of (Strengthening Farmers') Bargaining Power. The Antitrust Bulletin, 65(3), 401-422. https://doi.org/10.1177/0003603X20929122.

[148] European Commission: Arcadia International, Areté, Directorate-General for Agriculture and Rural Development, ECORYS, ERGO and IHS Markit, Establishing an operational programme – Supporting producer organisations to contribute to strengthening farmer's position in the agri-food supply chain and

turnover and price achieved than on yield. The presence of specific PO actions is a strong determinant of farm results (e.g. PO actions related to labelling and promotion can improve price performance). Specifically, farms using POs as their primary source of information achieve higher prices. The impact of PO membership is positive on farm growth and, to a greater extent, to unit value of production (hectare/animal head). PO membership reduces the costs related to fees and brokers' commissions for farmers. Moreover, farmers are relieved of administrative tasks related to concluding and negotiating contracts, obtaining legal advice, and settling disputes. In addition, joint marketing and product quality improvement can lead to an increase in the commercial value of the products, while modernised logistics and packaging can result in cost savings.

Overall, a conservative estimate suggests cost savings of between 0.5% and 1% for farmers who start marketing their production through recognised POs or APOs.[149] Taking a conservative estimate that the value of marketed production (VMP) from farmers newly engaging with recognised POs corresponds to 1% of total EU agricultural output[150], this is equivalent to €5.36 billion of VMP newly marketed through POs. It is assumed that cost savings of 0.5% to 1% would translate into a corresponding increase in the VMP. This could correspond to an estimated annual benefit of between €26.8 million and €53.6 million. This estimate reflects reductions in transaction-related costs (e.g. administrative burden, negotiation, marketing, and logistical efficiencies) for new members joining collective marketing structures and does not account for any increase in volume or price. It excludes any benefits already achieved by existing PO members through strengthened collective structures and does not account for price improvements or logistics-related gains for existing PO members. These savings may vary across the sectors and Member States and will depend on the operational efficiency of a given PO, the scale of the farm of the new member (smaller farmers will benefit more than bigger farmers due to economies of scale) and market situation.

The proposal directly addresses the structural imbalance between individual farmers and large retailers or processors. Without collective negotiation mechanisms, farmers often struggle to secure fair prices and contract terms. By enabling farmers in unrecognised collective entities to benefit from the same exclusions to competition law as recognised entities, those farmers are not placed at a disadvantage, an element that is crucial for preventing market distortions and ensuring equitable conditions across the sector. This shift is expected to create a more balanced and competitive agricultural market.[151]

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improving the economic, social and environmental sustainability of farm – Final study report, Publications Office of the European Union, 2023, https://data.europa.eu/doi/10.2762/599656.

[149] Ibid. European Commission: Directorate-General for Agriculture and Rural Development, ECORYS and IfLS, Synthesis of evaluation reports from Member States regarding their national strategies for sustainable 2013-2018 operational programmes in the fruit and vegetables sector – Final report, Publications Office of the European Union, 2022, https://data.europa.eu/doi/10.2762/396335.

[150] According to Eurostat the total value of the agricultural output in the EU was EUR 536.93 billion in 2023.

[151] "The exemption of the agricultural sector from the competition rules is often explained by reference to the atomistic nature of the farming industry and the inability of individual farmers to bargain on a level field, given the few firms that dominate the processing and marketing of agricultural produce. Accordingly, competition law cannot be applied to the agricultural sector in a fair or constructive manner, hence the need to exempt the sector wholesale from application of these rules.", Cseres, K. J. (2020). "Acceptable" Cartels

Research across France, Germany, Spain, and Poland highlights a clear correlation between PO membership and reduced exposure to unfair trading practices (UTPs). The study states: "PO membership reduces the likelihood of farmers reporting UTPs compared to non-members". [152] By reinforcing collective bargaining mechanisms, the initiative can lead to reduction of unfair trading practices and contribute to a more transparent and ethical marketplace.

With regard to APOs, one of the key impacts of the proposal is the facilitation of broader market access for farmers and POs through APOs. By coordinating supply and demand, APOs help stabilise prices and reduce market volatility. This collective approach enables farmers to secure more favourable pricing and enhances overall market resilience, ultimately ensuring greater economic sustainability for members.[153]

In view of the need to avoid excessive market concentration within large APOs that could gain disproportionate influence, leading to reduced competition and the possibility of monopolistic practices, negatively impacting consumers by driving up prices and stifling innovation, the proposal includes a safeguard limiting market concentration to 33%[154], ensuring that competition remains fair and balanced.

In addition, according to a study[155], 54% of POs (including cooperatives) that are not recognised pursue joint contract negotiations. POs may need to seek recognition, otherwise, they risk acting in violation of competition rules. Extending the competition exclusion to non-recognised POs that comply with the recognition criteria would lead to fewer exchanges with public authorities and reduce the risk of POs being subject to investigations by competition authorities and the Commission.

It is estimated that this may lead to cost savings in preparing the request for recognition of 40 to 80 hours per recognition request per PO, amounting to €1,320 to €2,640. Assuming that this would lead to 54 to 108 (two to four avoided requests per Member State per year)

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at the Crossroads of EU Competition Law and the Common Agricultural Policy: A Legal Inquiry into the Political, Economic, and Social Dimensions of (Strengthening Farmers') Bargaining Power. The Antitrust Bulletin, 65(3), 401-422. https://doi.org/10.1177/0003603X20929122 (Original work published 2020)

[152] Di Marcantonio F., Havari E., Colen L., Ciaian P., *Do producer organizations improve trading practices and negotiation power for dairy farms? Evidence from selected EU countries*, (2021), agricultural economics; See also European Commission: Arcadia International, Areté, Directorate-General for Agriculture and Rural Development, ECORYS, ERGO and IHS Markit, Establishing an operational programme – Supporting producer organisations to contribute to strengthening farmer's position in the agri-food supply chain and improving the economic, social and environmental sustainability of farm – Final study report, Publications Office of the European Union, 2023. Available at : https://data.europa.eu/doi/10.2762/599656.

[153] Improving market access and opportunities for value addition for small-scale food producers and family farms, as well as ensuring properly functioning food commodity markets, are among the objectives of the Sustainable Development Goals, targets 2.3 and 2.4.

[154] Limiting the market concentration to 33% of the production in a Member State, (i.e., 1/3 of the market) allows to ensure that there are options for the buyers to purchase their products in case of disagreement or excessively high prices.

[155] European Commission: Directorate-General for Agriculture and Rural Development, Montanari, F., Chlebicka, A., Szabo, G., Amat, L. et al., Study of the best ways for producer organisations to be formed, carry out their activities and be supported – Final report, {OPL}, 2019, https://data.europa.eu/doi/10.2762/034412.

avoided requests within the EU per year, this would amount for POs to approximately €71,280 to €285,120 of cost savings per year in the EU. If 19,980 of the non-recognised POs that pursue join contract negotiations may avoid seeking a recognition, this would lead to cost savings amounting between €26.37 million to €52.75 million in total.

The rules on simplification on the recognition of POs, foster better coordination between different agricultural sectors. This is expected to reduce inefficiencies in the supply chain, leading to more stable supply levels and price stability, ultimately benefiting both producers and consumers.

By simplifying and streamlining the recognition process for POs in multiple sectors, the proposal facilitates diversification among producers. This, in turn, helps POs and their members mitigate risks associated with price volatility and supply chain disruptions, contributing to greater market resilience.

The proposal acknowledges that different agricultural sectors operate under distinct regulatory frameworks (e.g. dairy, meat, and cereals). As a result, compliance costs may increase. However, the policy only introduces the possibility for operators, with the true regulatory burden and implications to be assessed based on the actual uptake and implementation.

Impact on consumers

The legal proposal acknowledged the potential risk of higher consumer prices due to large APOs negotiating prices collectively, introducing a safeguard mechanism according to which no single APO controlling more than 33% of the market can benefit from the new provision to prevent excessive price increases, as competition is not excluded while at least two thirds of the market share of any MS will continue to be in the hands of competitors. Conversely, the proposal also recognises the potential for economies of scale when farmers collaborate through POs and APOs. By streamlining production and operational efficiencies, POs could lower production costs and/or improve quality of the products marketed by them, which may translate into reduced prices and/or better quality of products for consumers.[156] The policy framework supports this outcome while maintaining market fairness and competition.

Impact on public administrations

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[156] Deconinck, K. (2021-02-17), "Concentration and market power in the food chain", OECD Food, Agriculture and Fisheries Papers, No. 151, OECD Publishing, Paris. Available at: http://dx.doi.org/10.1787/3151e4ca-en. See also European Commission: Arcadia International, Areté, Directorate-General for Agriculture and Rural Development, ECORYS, ERGO and IHS Markit, Establishing an operational programme – Supporting producer organisations to contribute to strengthening farmer's position in the agri-food supply chain and improving the economic, social and environmental sustainability of farm – Final study report, Publications Office of the European Union, 2023. Available at : https://data.europa.eu/doi/10.2762/599656. European Commission: Directorate-General for Agriculture and Rural Development, ECORYS and IfLS, Synthesis of evaluation reports from Member States regarding their national strategies for sustainable 2013-2018 operational programmes in the fruit and vegetables sector – Final report, Publications Office of the European Union, 2022. Available at: https://data.europa.eu/doi/10.2762/396335.

Member States' administrations will face a comparatively lower burden by extending competition law exclusions to non-recognised POs, rather than requiring these entities to undergo a formal recognition process to qualify for such benefits. According to a study[157], 54% of POs (including cooperatives) that are not recognised pursue joint contract negotiations. This would POs organisations (including cooperatives) may need to seek recognition; otherwise, they risk acting in violation of competition rules.

A very conservative estimate of approximately two to four requests for recognition can be avoided per Member State per year (equivalent to 54 to 108 recognitions per year in the EU). It is estimated that this may lead to administrative cost savings in examining the request of 40 to 80 hours per recognition request, amounting to €1,320 to €2,640.[158] This amounts to approximately €71,280 to €285,120 of cost savings per year in the EU for public administration. If 19,980 of the non-recognised POs that pursue join contract negotiations may avoid seeking a recognition, this would lead to cost savings amounting between €26.37 million to €52.75 million.

Article 101 of the Treaty on the Functioning of the European Union (TFEU) is a key component of the EU's ex post competition enforcement. This principle is not altered under the new rules proposed, and unrecognised entities will be subject to ex post controls by national competition authorities and the Commission in the same way as today. There is thus no additional administrative burden created on the unrecognised entities.

Public administration may need to modify the recognition forms allowing POs to request a recognition for different sectors in one single request. The administrative effort should be however minimal since the criteria for the recognition have not changed and is estimated to be around 20 to 40 hours at most, resulting into €660 to €1,320 per MS.[159] This equals between €17,820 to €35,640 of one-off adjustments costs for PO recognition forms for the EU.

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[157] European Commission: Directorate-General for Agriculture and Rural Development, Montanari, F., Chlebicka, A., Szabo, G., Amat, L. et al., Study of the best ways for producer organisations to be formed, carry out their activities and be supported – Final report, {OPL}, 2019, https://data.europa.eu/doi/10.2762/034412.

[158] Based on a standard cost model, administrative cost savings per avoided request for recognition: The hourly tariff is set at €33.00, corresponding to the One-In-One-Out tariff, including hourly earnings (Eurostat, Structure of earnings survey 2022), non-wage labour costs (Eurostat, Labour Force Survey, data for Non-Wage Labour Costs) and 25% overhead costs, for ISCO 1-5 Non-manual workers; the use of ISCO 1-5 is based on the assessment that the tasks require a mixture of skills (managers, professionals/lawyers, technicians and clerks). It is estimated that the assessment of the recognition request would require at least between 40 to 80 hours. Using €33.00 per hour, this equates to €1,320 to €2,640.

[159] The hourly tariff is set at EUR 33.00, corresponding to the One-In-One-Out tariff, including hourly earnings (Eurostat, Structure of earnings survey 2022), non-wage labour costs (Eurostat, Labour Force Survey, data for Non-Wage Labour Costs) and 25% overhead costs, for ISCO 1-5 Non-manual workers; the use of ISCO 1-5 is based on the assessment that the tasks require a mixture of skills (managers, professionals/lawyers, technicians and clerks). Using €33.00 per hour, this equates to €660 to €1,320 per MS.

4.1.3. Promotion of voluntary approaches

For farmers already engaged in existing quality schemes, the definition of terms to designate them offers a crucial advantage, providing greater visibility and access to high-value markets. In addition, small-scale farmers, cooperatives, and sustainable agrifood enterprises will now have a clearer pathway to develop their own schemes in line with EU requirements, allowing them to capitalise on new branding opportunities.[160]

Furthermore, the recognition of short supply chains is set to strengthen the direct link between farmers and consumers. By reducing dependence on intermediaries, farmers can retain more value from their products, ensuring a fairer distribution of earnings within the supply chain. There are indications that short supply chains can result in better prices for producers and that farmers can appropriate more added value and thereby improve their income[161]. This shift also extends benefits to processors and retailers, who stand to gain from stronger partnerships with suppliers in close geographic proximity - fostering a more resilient and community-oriented food system. It is short supply chains that can favour the interaction and connection between farmers and consumers and thereby promote the development of trust and social capital that in turn can generate a sense of identity and community and contribute to social inclusion.[162]

Beyond individual market players, the proposal enhances legal certainty across the industry. By establishing clear EU-wide definitions, which will be further substantiated in implementing acts, for these terms, business operators can navigate compliance with greater confidence, ensuring accountability and transparency in their operations.[163] Schemes that do not meet the minimum requirements established in the proposal, and further detailed in the implementing acts, would not be permitted to claim they are "fair", "equitable", or equivalent in relation to farmers or a "short supply chain". Products under these schemes could still be marketed without such claims, or the schemes themselves would need to be adapted accordingly.

By granting more visibility to such schemes, by protecting them from less ambitious schemes and therefore giving more credibility, the proposal is likely to contribute to an increased market share for such schemes, thus contributing to higher economic benefits for farmers and processors. Retailers involved in such schemes on a voluntary basis will be able to use them as incentives for consumers to come more frequently in their outlets.

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[160] Reference to positive impact of fair schemes on income of farmers involved.

[161] Stein A., Santini F., *The sustainability of "local" food: a review for policy-makers, (2021)*

[162] Kneafsey, M., Venn, L., Schmutz, U., Balázs, B., Trenchard, L., Eyden-Wood, T., Bos, E., Sutton, G., & Blackett, M. (2013). Short food supply chains and local food systems in the EU (EUR 25911 EN; JRC Scientific and Policy Reports). https://doi.org/10.2791/88784.

[163] See Impact assessment accompanying the proposal for a Directive of the European Parliament and of the Council and amending Directives 2005/29/EC and 2011/83/EU as regards empowering consumers for the green transition through better protection against unfair practices and better information, cording to which, there were around 230 ecolabels active in Europe in 2020 of which 48% cover some social attributes. 901 labelling schemes have been identified across Europe in the food area, and there have been 100 private green energy labels mapped in the EU. However, many labels are subject to different levels of robustness, supervision and transparency, which may raise questions about their reliability.

While the proposal aims to enhance transparency, sustainability, and fairness in agrifood markets, its success is not without potential challenges. The effectiveness of voluntary schemes ultimately depends on consumer willingness to pay a premium for ethically sourced products that meet higher standards. In an inflationary environment, where purchasing power is strained, consumer demand for such products may weaken, limiting the overall impact of these initiatives. However, in times of crisis, such schemes may also attract another part of the consumers that wish to support farmers, and SMEs, in particular those situated in close geographic proximity.[164]

Another key concern is the risk of uneven standards across different schemes. Without a uniform and ambitious EU-wide definition, less rigorous schemes could undercut more ambitious ones, leading to a race to the bottom. Additionally, if individual Member States choose to impose stricter conditions, the resulting patchwork of regulations may create legal uncertainty and distort fair competition between schemes operating under different national rules.

The proposal enhances transparency, allowing consumers to make more informed purchasing decisions based on fairness, social responsibility, and ethical considerations. This added clarity could strengthen consumer trust in food labels, helping individuals align their choices with their values.[165]

Additionally, the promotion of social sustainability initiatives is expected to expand the range of products available, offering consumers more options that meet higher ethical and quality standards. With clearer distinctions between different sustainability-driven schemes, consumers will have greater agency in supporting responsible business practices.

However, these benefits come with certain risks. In the absence of robust certification mechanisms or effective controls, terms such as “fair,” “equitable,” could be misused, leading to consumer confusion. Without safeguards, misleading claims - sometimes referred to as “fair-washing” - could undermine trust in the very labels meant to provide transparency. That said, existing EU consumer protection laws do provide mechanisms to prevent deceptive practices and ensure accountability. The impact on enforcement authorities is expected to be limited. There would be no need to establish new bodies, as any necessary controls and audits could be carried out within existing frameworks and structures. The enforcement authorities would, however, need to integrate these controls and audits into their existing control or audit strategies. Participating farmers or consumers would be able to lodge complaints with the relevant existing authorities if schemes were found not to comply with the minimum requirements.

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[164] For instance, a 2011 paper by Hainmueller, Hiscox and Sequiera that studied consumers’ willingness to pay for fair trade coffee found that although consumers’ willingness to pay for fair trade products exists, this is lower for consumers with lower incomes. Final report by the Ipsos and London Economics Consortium - Consumer market Study on the functioning of voluntary food labelling schemes for consumers in the European Union EAHC/FWC/2012 86 04, p. 247. Hainmueller, Jens, Michael J. Hiscox, and Sandra Sequeira. "Consumer demand for fair trade: Evidence from a multistore field experiment." *Review of Economics and Statistics* 97, no. 2 (2015): 242-256.

[165] Stein A., Santini F., *The sustainability of “local” food: a review for policy-makers, (2021),*The introduction of a scheme reflecting products’ performance with regard to different aspects of sustainability was presented as a solution, communicating to consumers explicitly which food products perform better on which sustainability criteria.

Concerning the extension of the scope of Article 210a to social sustainability, like for environmental sustainability agreements, such agreements are likely to offset the costs of transition for producers. A potential drawback is the possible impact on pricing. Some social sustainability initiatives, like environmental ones, may lead to higher costs, which may be passed on to consumers. The proposal is constructed that only the indispensable costs may be passed to ensure a higher degree of sustainability. Such agreements will need to be discontinued if they result in exclusion of competition or if they impair the fulfilment of CAP objectives laid out by Article 39 TFEU. As national competition authorities will continue to oversee the market to prevent anti-competitive behaviour, the proposal is not likely to have a significant negative effect for consumers.

4.2. Social impacts and environmental impacts

While contract measures primarily aim to improve the bargaining position of farmers vis-à-vis other actors in the food supply chain, the use of written contracts can have indirect social and environmental impacts.

By stabilising farm incomes, mandatory written contracts could enable farmers to invest more in their communities and improve working conditions. Research suggests that increase in income predictability can lower farmer stress levels and lead to improved mental health outcomes and overall well-being for farmers and farm workers.[166] This can foster better working conditions and social cohesion in rural areas.[167] Greater income stability and improved access to finance can reduce entry barriers for young farmers, who typically lack collateral or equity.[168] This helps mitigate rural depopulation and supports the long-term viability of agriculture.

More predictable income flows can encourage farmers to adopt environmentally friendly practices (e.g., precision agriculture, organic farming) that require higher upfront investment but can improve soil health and biodiversity over time.[169] If rigid formulas or inappropriate cost indicators fail to reflect true production costs, farmers may be forced to cut corners, including environmental or social safeguards, to remain competitive.[170] In such cases, the hoped-for social and environmental benefits may fail to materialise.

Research shows that fostering farmers' collaboration generates besides economic benefits, also social and environmental benefits (based on social return on investment analyses, farm networks generate between €2.70 to €4.23 of benefit for each €1 invested).[171]

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[166],Eurofound, 2020, p. 10 , European Agency for Safety and Health at Work, Mental health in agriculture: preventing and managing psychosocial risks for farmers and farm workers, Report, 2024, Available at: https://osha.europa.eu/sites/default/files/documents/Mental-health-agriculture_EN.pdf; Farmwell, Improving farmers' wellbeing through social innovation – Mapping report on challenges, 2021, Available at: https://farmwell-h2020.eu/wp-content/uploads/2021/12/D-2.3_SYNTHESIS1.pdf.
[167] Knapp & Torm, 2019, p. 145.
[168] Ares et al., 2020, p. 48.
[169] FAO, 2019, p. 23.
[170] OECD, 2015, p. 41.
[171] FARMWELL, Policy case No 2 – Supporting farmers' collaborations, 2022, page 3. Available at: https://farmwell-h2020.eu/wp-content/uploads/policycase-2.pdf.

By allowing operators to undertake initiatives supporting voluntary measures - such as the definition of optional reserved terms and the extension of Article 210a CMO Regulation to social objectives - the initiative strengthens the viability of farmers, especially small-scale farmers. This, in turn, contributes to generational renewal in agriculture, making the farming profession more attractive for younger generations,[172] helps preserve rural employment, and enhances the overall attractiveness of rural areas.

Legal uncertainty is a concern in relation to social sustainability objectives. In the absence of clear EU guidelines, business operators may struggle to interpret the law and develop new sustainability-driven initiatives. This lack of clarity could discourage investment and innovation in socially responsible business practices, undermining one of the proposal's key aspirations.

From the social side, there is a considerable decrease in the number of accidents on farms for both recognised and non-recognised POs. There is also an increase in environment-related investments over time in POs, with a significant number of members mentioning such increase as the result of PO membership.[173]

Taking into account that SDGs are designed to be indivisible,[174] the proposal takes action on the level of economic and social development by extending the objectives to be pursued under Article 210a, introducing in this way the necessary legal framework to address the social challenges in the agricultural sector, while providing legal certainty to the operators and the national competition authorities themselves with regard to the ”safety zone” of such initiatives.[175].

Beyond economic stability, these measures have the potential to foster deeper social connections. The promotion of short supply chains, which emphasise direct and close relationships between farmers and consumers, can strengthen cohesion between urban and rural areas[176]. By creating a more localised and transparent food system, the proposal encourages solidarity and mutual support between different regions.

Another key social benefit is the potential improvement of labour conditions in the agricultural sector through those voluntary approaches either for agreements within Article 210a CMO Regulation or for "fair", "equitable" or equivalent schemes. Given that the industry relies heavily on migrant workers, clearer definitions and standards for fair supply chains could reduce the risk of labour exploitation and support better social protections for

[172] CEJA position paper "Resilience and sustainability of the agrifood supply chain", 2021. Available at: https://wordpress.ceja.eu/wp-content/uploads/2021/06/Position-Paper-Resilience-and-sustainability-of-the-agri-food-supply-chain.pdf (Accessed: 24.04.2025).

[173] European Commission: Arcadia International, Areté, Directorate-General for Agriculture and Rural Development, ECORYS, ERGO and IHS Markit, 2023

[174] European Commission, reflection paper towards a Sustainable Europe by 2030 (March 2019), p.29

175 SUSTAINABILITY AND COMPETITION – note by Greece to 134th OECD referred to the need of "In the face of a 'climate emergency' and important social challenges that will certainly result from this development, it is important to equip all public policies with the tools to accommodate and enhance sustainability initiatives from both the public and the private sector. Business as usual is no more an option and the transition to an economy that is environmentally (and socially) sustainable is urgent. Systemic resilience becomes a goal for public action.", DAF/COMP/WD(2020)64, 3 November 2020, p. 14

[176] Stein A., Santini F., *The sustainability of "local" food: a review for policymakers* (2021)

farmworkers. Ensuring fairness in agricultural employment would mark an important step toward more equitable working conditions across the sector.

From an environmental perspective, the proposal also aligns with broader sustainability goals. By requiring "fair" supply chains to actively contribute to Sustainable Development Goals (SDGs), including environmental protection and climate change mitigation measures, these initiatives can play a role in the green transition, ensuring that economic and social benefits are not achieved at the expense of environmental progress.

However, challenges remain. A focus on social objectives - such as fair and local supply chains - could, in some cases, divert attention from stricter environmental standards. If farmers find it easier to access premium pricing through fair trade or short supply chain initiatives, they may have less incentive to adopt additional, costlier environmental measures, such as organic farming practices. On the contrary, practitioners of short food supply chains or fair schemes including fair trade are often also involved in environmental sound systems[177]. There is a higher uptake of environmentally sound practices which is de facto elements in favour of a positive environmental impact of Short Food Supply Chains in the EU[178]. Balancing these priorities will be key to ensuring that social and environmental goals reinforce, rather than compete with, one another.

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[177] The example of FairTrade where farmers typically have conditions/additional requirements to fulfil in terms of sustainability criteria (environmental, social). Nonetheless, overall, farmers benefit from fair trade, as suggested by the fact that those joining fair trade tend to stay, European Commission, S&P Global commodity insights, Arete*, Study on regulatory and voluntary schemes for fair agricultural remuneration (2025).*

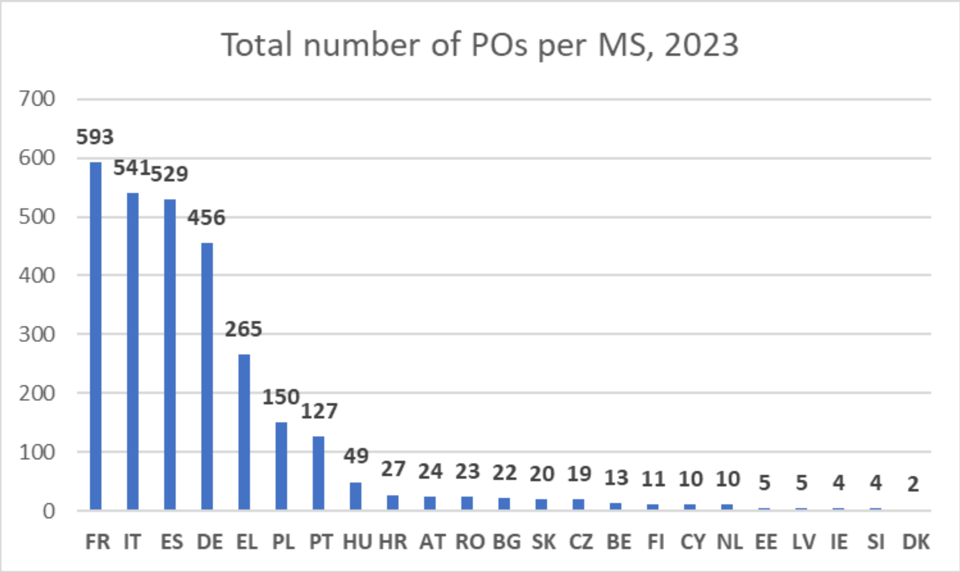
[178] Kneafsey et al, 2013, Short Food Supply Chains and Local Food Systems in the EU. A State of Play of their Socio-Economic Characteristics, JRC

ANNEX 1: OVERVIEW OF THE LEVEL OF COOPERATION OF FARMERS IN PRODUCER ORGANISATIONS AND OTHER ENTITIES

This Annex provides an overview of the level of cooperation of farmers in producer organisations and other recognised entities, based on data submitted by Member States under Article 5 of Regulation (EU) 2016/232[179]. The charts include only those Member States in which at least one producer organisation has been officially recognised, which is why not all 27 Member States are represented.

The data presented in this Annex is relevant for Sections 2.3, 3.3.2 and 4.1.2 of the main document.

Figure 8: Total number of recognised POs per Member State in 2023.



[179] Commission Implementing Regulation (EU) 2016/232 of 15 December 2015 laying down rules for the application of Regulation (EU) No 1308/2013 of the European Parliament and of the Council with regard to notifications to the Commission of information and documents, OJ L 44, 18.2.2016, p. 15.

Figure 9: Total number of recognised APOs, TPOs and TAPOs per Member State.

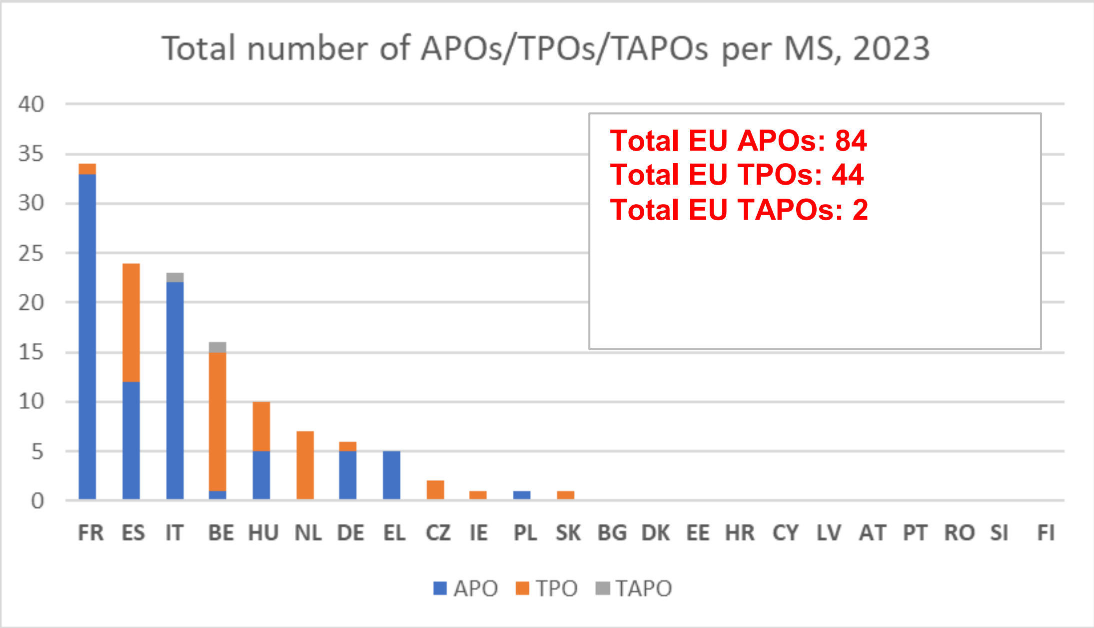


Figure 10: Total number of recognised IBOs per Member State.

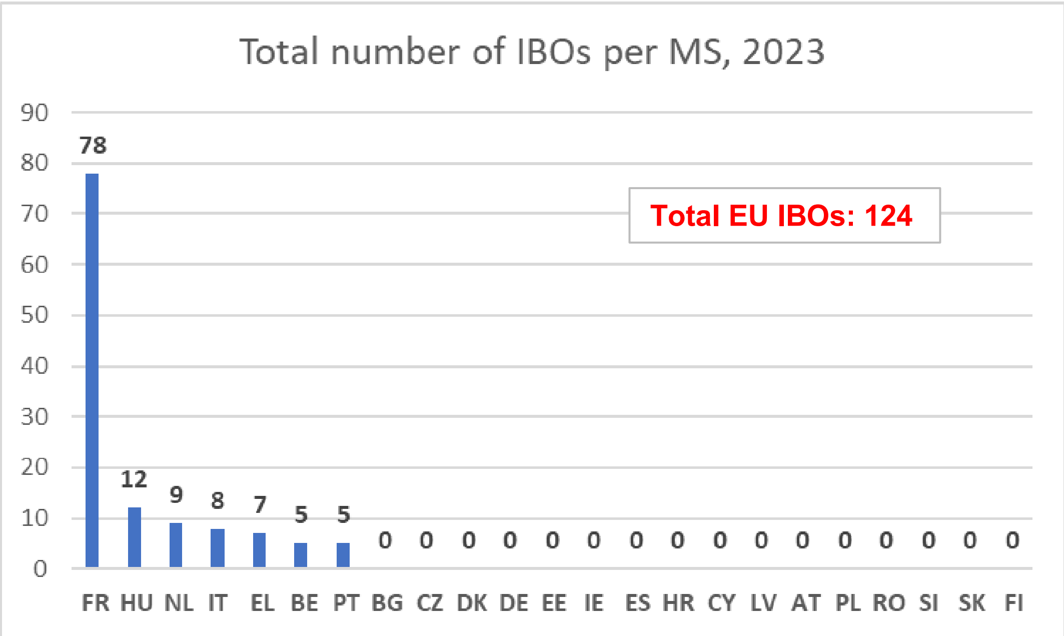


Figure 11: Total number of recognised entities per sector.

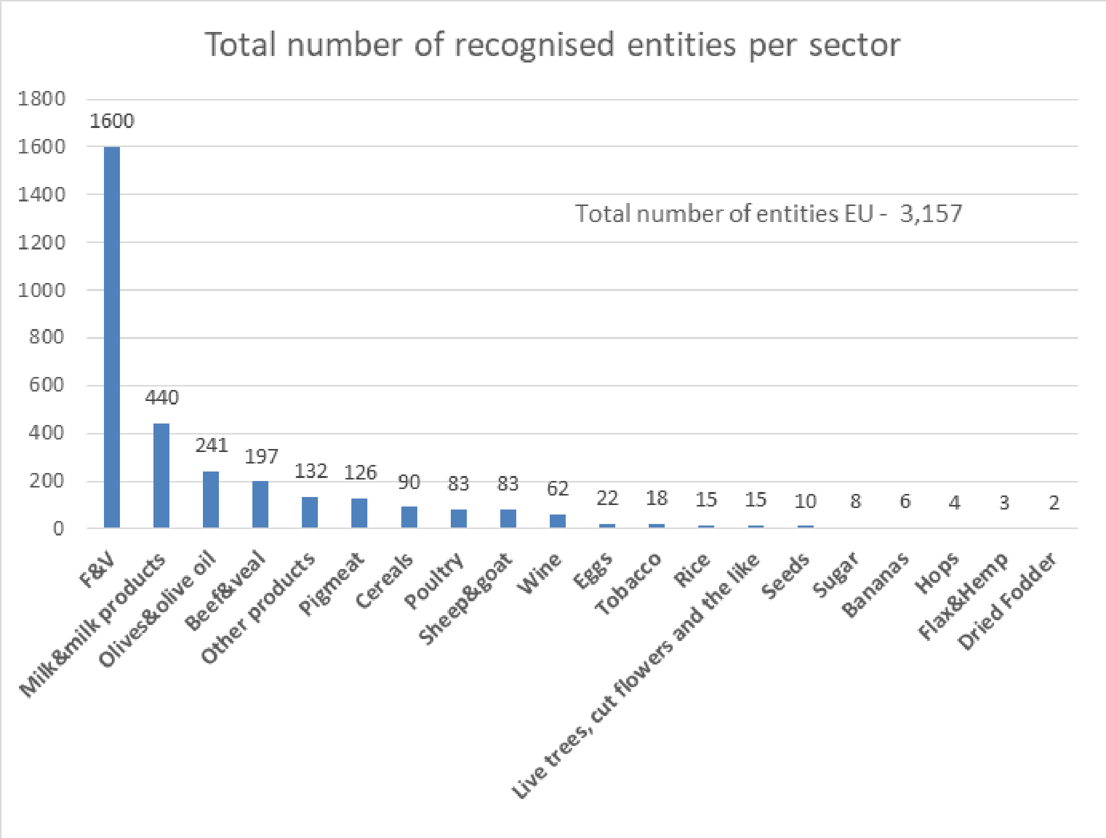


Figure 12: Total number of producer members and non-producer members per Member State in recognised entities.

This figure shows the number of producers of agricultural products listed in Annex I (e.g. farmers), as well as non-producers, who are members of recognised entities in the EU.

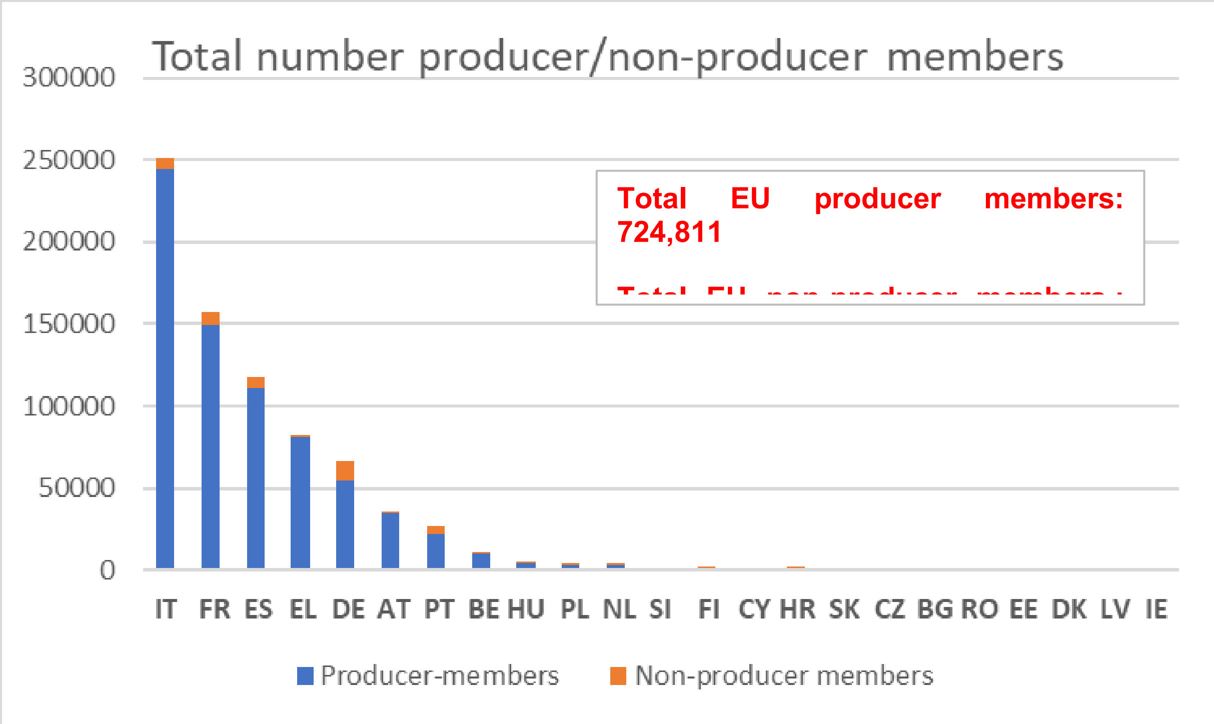
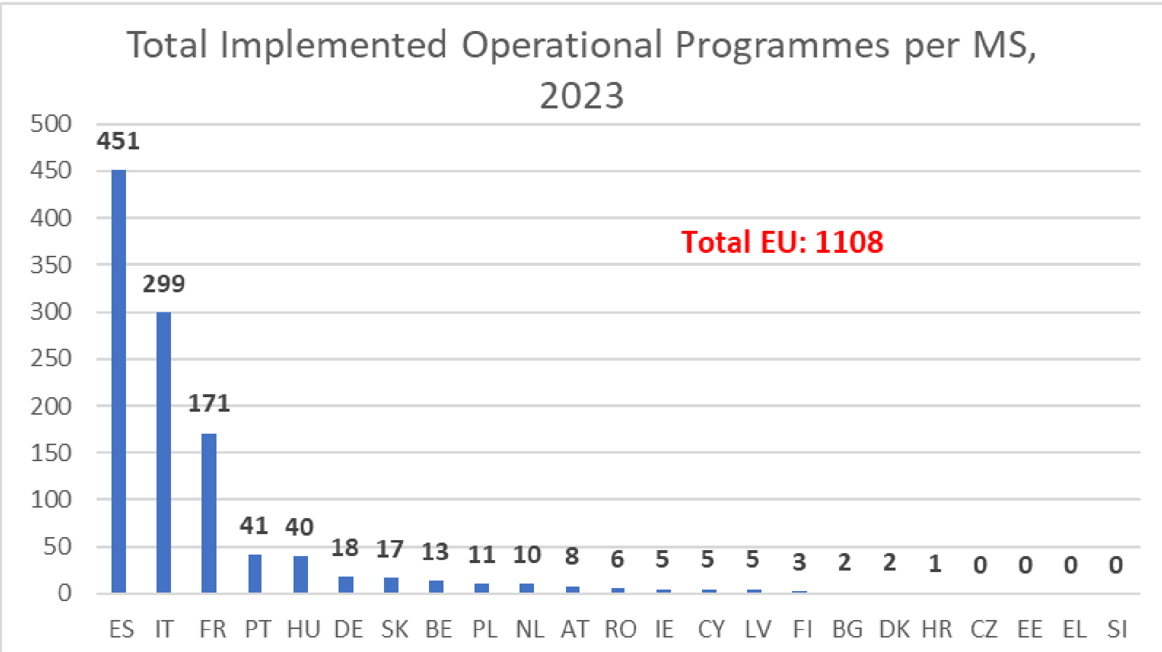


Figure 13: Total implemented operational programmes per Member States.



Operational Programmes are a key form of sectoral intervention implemented by recognised producer organisations, mainly in the fruit and vegetables sector. Under Regulation (EU) 2021/2115 (the Strategic Plan Regulation), Member States may include such programmes in their CAP Strategic Plans as part of their sectoral interventions. These programmes are co-financed by the EU and aim to improve the competitiveness, sustainability and resilience of producer organisations through actions such as production planning, quality improvement, environmental measures, and crisis prevention and management.

This figure presents the number of Operational Programmes implemented in 2023 across EU Member States. A total of 1,108 programmes were in place, with the majority concentrated in Spain, Italy, and France – Member States where the fruit and vegetables sector is particularly strong and where producer organisations play a significant role.

ANNEX 2: SUMMARY OF STAKEHOLDER CONSULTATION ACTIVITIES

On 15 March 2024, the Commission presented a reflection paper outlining the possibility of several legislative and non-legislative measures aimed at improving farmers' position in the agri-food supply chain and protecting them against unfair trading practices. The proposal discussed in this Staff Working Document is one of the initiatives listed in the reflection paper. No public consultation or targeted consultation in writing were conducted, but the spontaneous submissions by stakeholders, bilateral meetings with stakeholders, presentations in GREX and stakeholder's working groups are summarised hereafter.

Summary of discussions with the Member States and European Parliament:

The ideas outlined in the reflection paper were presented and discussed with the European Parliament Committee on Agriculture and Rural Development ('COMAGRI') on 19 March 2024[180], the ministers at the AGRIFISH Council meetings of 26 March[181] and 29 April 2024[182] reflecting broad support from Members of the European Parliament (MEPs) and Ministers.

On 26 March 2024, the Council stressed the importance of ensuring fair remuneration for farmers and of increasing transparency in the food supply chain. The Council welcomed the Commission's initiatives in this regard. Finally, the Council reaffirmed its political will to address the legitimate concerns voiced by farmers and it will revisit this topic at a future meeting. It also mandated the Special Committee on Agriculture to continue work on these matters. On 29 March 2024, agriculture ministers took stock of the measures taken and the initiatives presented so far as part of the EU's response to farmers' concerns. Based on information provided by the Commission and guidance from the European Council at its meeting of 17-18 April 2024, ministers also discussed future measures aimed strengthening the position of farmers in the food supply chain.

Summary of meetings with stakeholder:

The Commission held twenty-four meetings[183], prior to the adoption of the CMO proposal between March 2024 and beginning of December 2024, with different stakeholders across the agri-food supply chain. Among these stakeholders were EU-level farmer associations (COPA-COGECA, CEJA, Jeunes Agriculteurs, European Milk Board (EMB) and Organizaciones de Agricultores y Ganaderos (COAG), UPA (Unión de Pequeños Agricultores y Ganaderos) and the European Coordination Via Campesina (ECVC)),

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[180] Recording available at: https://multimedia.europarl.europa.eu/en/webstreaming/committee-on-agriculture-and-rural-development_20240319-1600-COMMITTEE-AGRI (Accessed 26 March 2025).

[181] Further information available at: https://www.consilium.europa.eu/en/meetings/agrifish/2024/03/26/ (Accessed 26 March 2025).

[182] Further information available at: https://www.consilium.europa.eu/en/meetings/agrifish/2024/04/29/ (Accessed 26 March 2025).

[183] Those meetings have involved bilateral contacts between the Commission and the stakeholders, as well as the participation of the Commission in working groups and workshops organised by respective organisations.

industry representatives (German Dairy Industry Association, Finnish Food and Drik Industries' Federation, British Agriculture Bureau, Asociación de Empresas de Supermercados (ASEDAS), Les Mousquetaires, EuroCommerce), consumer organisations (BEUC, FEEF), labour unions (EFFAT), national-level cooperatives and producer organisations (Cooperativas Agroalimentarias de España, French Associations of Producer Organisations, Union nationale des producteurs de pomme de terre (UNPT), Groupement Interprofessionnel pour la valorisation de la Pomme de Terre (GIPT) and Fédération Nationale d'Agriculture Biologique (FNAB)) and fair trade organisations (Fair Trade France (FTF)). There were also policymakers (Mission of Norway to the EU), market regulators (Finnish Food Market Ombudsman) and an academic professor (Philippe Baret, UCL Louvain). These meetings provided a comprehensive overview of the perspectives from the stakeholders in the sector.

The main topics of the meetings are briefly summarised as follows:

I. Reinforcing the contractual framework.

Under the topic of reinforcing the contractual framework in the agricultural sector, stakeholders discussed the proposed measure to make contracts mandatory, the required elements of contracts, the establishment of mediation mechanisms for farmers, the challenges related to generational renewal and the creation of contract registries.

On the topic of making contracts mandatory, some stakeholders, including representatives from Italy, France, and Spain (Unión de Pequeños Agricultores y Ganaderos) in the COPA-COGECA Working Party on the Food Chain, expressed support for this measure. Others, such as an academic professor and Les Mousquetaires, argued in favour of a sector-specific approach, given the differences in contractual practices across sectors and products.

The milk and dairy sector was in particular discussed, with some representatives raising concerns about the proposed mandatory elements of contracts. The German dairy industry association (MIV) highlighted potential challenges associated with pricing formulas, warning that the proposed amendments to Article 148 of the CMO could increase price volatility and lower farmers' income.

Under the current system, German dairies are required to accept and process all milk delivered by their contracted farmers, this is known as"100% Abnahmeverpflichtung" or "100% purchase obligation". The price farmers receive is determined by market conditions only after processing and selling the milk. Consequently, there is no mechanism for volume adjustment or coordinated production planning at the level of producer organisations or cooperatives, leaving farmers as price takers and bearing financial risks at the processing stage.

MIV commissioned a study from the Kiel University of Applied Sciences, which suggests that setting prices in advance could lead to significant price reductions, as dairies would likely adopt a conservative pricing approach to safeguard their financial stability. The study also examined commonly used pricing formulas, particularly the "net utilisation model" (Netto-Verwertungs-Modell), where the price paid to dairy farmers for raw milk is linked to the revenue generated from processed milk products. MIV argued that this model is widely accepted by dairy farmers and helps counterbalance the market power of the retail sector.

In the meeting with the representative of UK farmers, the British Agriculture Bureau (BAB) also mentioned the specificities of the milk sector and explained that the UK has established a Dairy Code Adjudicator to enforce the new Fair Dealing Milk Regulations. These regulations make contracts mandatory for all sales of milk, regardless of whether they involve a cooperative or another buyer. The European Milk Board (EMB) mentioned these regulations to argue that contracts between farmers and cooperatives may be a solution to strengthen farmer's position in the sector.

Discussions at the COPA-COGECA Working Party also explored the possibility of linking non-static prices to production costs. Some members suggested establishing an EU-wide rule on production costs or a common EU approach to fair pricing, while others called for a standardized definition of costs and margins at the EU level.

On the topic of establishing mediation mechanisms for farmers, the Finnish Food Market Ombudsman (FMO) supported it as a means to facilitate agreements within the supply chain, improve compliance among operators and mitigate the fear factor associated with enforcement.

Strengthening the contractual framework can also help to improve access to bank financing, a key barrier to generational renewal. CEJA emphasized that this investment gap limits young farmers' ability to compete and adapt to market changes.

Lastly, regarding the introduction of contract registries, Cooperativas Agroalimentarias de España (CAE) raised concerns based on its experience in Spain, while Coordinadora de Organizaciones de Agricultores y Ganaderos (COAG), in the context of a European Parliament meeting on fair prices, expressed support for the measure.

II. Reinforced cooperation of farmers.

Stakeholders discussed different measures to strengthen farmers' cooperation, focusing on the recognition of POs, the scope of competition law exclusions under Article 210 of the CMO and the need for increased funding under the Strategic Plans Regulation (SPR).

On the role of producer organisations and cooperatives, the EMB argued that cooperatives do not always effectively represent farmers' interests, as they are often too weak to negotiate fair prices with buyers and lack democratic control by their members.

CAE mentioned that it would be helpful to clarify the definition and role of producer organisations under the CMO Regulation and distinguish it from other figures, such as Interbranch Organisations. In addition, the Féderation Nationale d'Agriculture Biologique (FNAB) called for the adapting the rules on POs and IBOs under the CMO to better support organic producers.

Regarding the competition exclusions for POs and APOs, stakeholders expressed doubts and interest regarding the scope of agreements that could benefit from the exemption under Article 210 of the CMO. French APOs, the Dutch Ministry of Agriculture, CEJA and FoodDrinkEurope, raised questions about which agreements could fall under this provision. Some of the stakeholders, among them UNPT/GIPT and the Dutch Ministry of Agriculture, mentioned the complexity of understanding the derogations and assessing their applicability, and the Finnish Food and Drink Industries called for an evaluation of the use of this Article.

An additional concern for CEJA comes from past court cases, such as the French *Endives* case, which have contributed to a sense of uncertainty and fear among stakeholders. CEJA pointed out that differing standards of 'sustainability' across the food chain further complicate cooperation. Despite these concerns, the Finnish Food Market Ombudsman emphasized the need to reconcile competition and agricultural policy.

The Commission clarified that agreements seeking exemption under Article 210 of the CMO must define their objective, justify the necessity of cooperation, and that the restrictive measure in question is indispensable. It reiterated the importance of the indispensability requirement and the existing regulatory baseline, meaning that the provision only applies to agreements that go beyond mandatory regulations.

On the potential extension of Article 210a to include social objectives, views were divided. BEUC raised concerns that, without clear definitions, such an extension could lead to price fixing and greenwashing while failing to provide tangible benefits to farmers and consumers. Conversely, EFFAT, representing workers in the agricultural and food processing sectors, called for stronger commitments to social standards, fair wages, and improved working conditions. The Commission reaffirmed that the indispensability test would continue to serve as a safeguard against greenwashing and other unintended consequences.

Regarding the exclusion from competition rules in Article 222, the European Coordination Via Campesina (ECVC) recommended putting in place a multi-level crisis management system to respond at an early stage to crisis in emerging markets, including crisis caused by financial speculation. In their view, the system should be fully transparent and include assistance for voluntary volume reduction in the event of a crisis and a temporary capping and cessation of imports at the time of early warning of domestic overproduction. ECVC also suggested that POs should be allowed to propose quantitative controls, including temporary and binding limits, and that, in addition to the EU crisis fund, the sector itself should contribute to all necessary expenses incurred in this regard.

UNPT/GIPT expressed concerns about the challenges of accessing financial support under Article 222 of the CMO. They feared that, under Article 222, POs could be forced to enter into agreements allowing them to manage withdrawals from the market and storage for non-members, which, in CAE's view, would be inefficient because the responsibility for market management should not fall only on POs.

III. Voluntary initiatives.

Stakeholders discussed voluntary fair trading schemes, their interaction with national initiatives, and their potential role in strengthening fair practices in the agri-food sector. While some questioned their added value and feasibility, other stakeholders saw these schemes as a valuable tool to strengthen farmers position.

BEUC raised concerns about the purpose and effectiveness of fair trading schemes, arguing that they might duplicate or interfere with existing national initiatives without providing clear additional benefits. Similarly, Les Mousquetaires noted the challenges of establishing uniform European standards for such schemes, given the diversity of the agri-food sector.

On the other hand, Fair Trade France (FTF) explained that French legislation already incorporates socio-economic objectives into fair trade schemes, making them a potential tool for public procurement policies. This view was shared by Jeunes Agriculteurs (JA), who expressed interest in using public procurement to promote local products.

The academic expert and the Fair Trade Advocacy Office emphasized that current "fair schemes" have developed in the absence of an overarching EU framework. They warned that if a framework is introduced, it should safeguard high standards and prevent that such schemes are taken over by organizations with lower standards. The expert also stressed the importance of making fair schemes attractive to consumers and ensuring that negotiations within the value chain reflect fair practices.

Finally, regarding short supply chains, the academic expert suggested using organic farming as a benchmark for comparison. While short supply chains could complement organic production, they should not replace it, as this could have unintended consequences for the market.

IV. Other suggestions.

In addition to the topics listed above, stakeholders suggested to review urgently the UTP Directive to include the prohibition of sale below production costs.

Many of the stakeholders discussed with the Commission on the potential need for an EU-wide prohibition on sales below cost. Some of them (BEUC, EFFAT, JA) supported such a regulation arguing that it could enhance transparency in value allocation along the supply chain and provide greater legitimacy compared to leaving the definition of fairness to private market initiatives.

Other stakeholders, such as CEJA, CAE and Eurocommerce, did not support a strict ban on sale below production cost alleging potential negatives effects on small, less efficient farmers. In CAE’s view, supporting farmer’s incomes should focus on strengthening their position in the supply chain and restructuring market supply rather than imposing a ban.

A Spanish association of distributors and supermarket chains (ASEDAS) shared its experience with Spain’s ban on purchasing below production costs. They highlighted several practical challenges, including competition law concerns, trade secret protection issues, and implementation difficulties at different production levels. The European Brands Association also raised similar concerns during a meeting at the European Parliament. The Spanish association also noted that the impact on consumer prices remains difficult to assess due to the complex market conditions in 2022 and 2023.

The Commission acknowledged the complexity of the issue and launched a study on ‘regulatory and voluntary schemes for fair agricultural remuneration’ to understand existing public and private measures at the Member State level.

Summary of the Joint meeting of the Civil Dialogue Group on Animal Production and Civil Dialogue Group on Agricultural Markets held on the 17 April 2024.

The Commission organised a Civil Dialogue Group on 17 April 2024 to present a set of actions to address the concerns expressed by farmers regarding, among other things, their position in the food supply chain. A key measure announced was the targeted amendment to the Common Market Organisation (CMO) Regulation.

In the meeting, several participants (FoodDrink Europe, COPA, COGECA, ECVC, Independent Retail Europe) welcomed the ideas presented to improve the position of farmers in the food supply chain and raised different questions. IFOAM advocated for stronger support in sustainable public procurement to enhance market opportunities for organic products.

COPA called for innovative and swift modifications to the CMO Regulation to better support farmers, COGECA emphasised the role of cooperatives in strengthening farmers' market position and asked the legislator's to not purpose overly complex measures. FRESHFEL asked the Commission to consider the particularities of the different sectors, and how important it is for them to have flexibility to implement crisis measures and deal with their market reality. COAG welcomed the possibility to have mandatory contracts covering production costs but stressed the need for parallel action on third-country imports to avoid market distortions.

The Commission acknowledged the positive feedback, reaffirmed its commitment to strengthening farmers' position while maintaining market orientation, and stressed that any legislative changes would be targeted, ensuring minimal administrative burden on stakeholders.

Annex 3: Who is affected and how?

1. Practical implications of the initiative

The initiative introduces targeted amendments to the Common Market Organisation (CMO) Regulation and other basic acts of the Common Agricultural Policy (CAP), namely the CAP Strategic Plan Regulation (SPR) and the Horizontal Regulation (HZR). Its overarching objective is to strengthen the position of farmers in the agri-food supply chain by addressing structural imbalances in bargaining power and improving price transmission, while preserving the principles of contractual freedom and market orientation that underpin EU agricultural policy.

The proposed amendments focus on three mutually reinforcing areas:

- A reinforced contractual framework for all sectors, aimed at improving transparency, predictability and fairness in commercial relations and price formation;
- Enhanced cooperation between farmers through Producer Organisations (POs), including better access to collective bargaining tools and simplification of recognition procedures;
- Support for voluntary approaches via a harmonised framework for "fair", "equitable" or equivalent schemes, the promotion of short supply chains, and a new competition exclusion for voluntary agreements pursuing social sustainability objectives (Article 210a CMO Regulation).

While the measures are assessed individually, their complementary nature means that they collectively contribute to improving farmers' overall position in the supply chain. In practice, their effects are interrelated and cannot always be clearly attributed to a single measure. The actual impacts will depend on national implementation choices, uptake by economic operators, and pre-existing regulatory and market conditions in different sectors and Member States. The diversity of supply chain structures and contractual practices across the EU means that the scope and intensity of impact may vary considerably. Therefore, the quantified estimations provided in this annex are based on the assumption that the measures are implemented in all Member States. The conservative assumptions in the calculations take into account that some of the measures, such as mandatory written contracts, are already implemented by some Member States and market participants. The conservative estimates already include also the possibility for derogations.

The measures are expected to provide farmers with improved legal certainty, stronger negotiation leverage, and more stable income perspectives, without undermining key policy objectives such as market orientation, flexibility, and competitiveness. National administrations will also benefit from clearer enforcement frameworks, more effective oversight tools, and reduced disputes. While it is difficult to precisely estimate the administrative effort required to implement the new provisions - including e.g. time spent on adjusting contract templates, setting up optional registries, or processing PO recognition - indicative assumptions have been made to reflect the likely scale of the impacts (for further details see also Section 4).

For further details on the underlying assumptions and references please see Section 4.

2. SUMMARY OF COSTS AND BENEFITS

I. Overview of Benefits (total for all provisions)		
Description	***Amount***	***Comments***
Direct benefits		
For farmers and their associations - Strengthened bargaining power and resilience leading to increased income stability through reinforced contractual framework, review clauses (Section 4.1.1)	Approximately €360 million per year	Farmers and their associations benefit from increased transparency and predictability of a reinforced contractual framework and price transmission mechanism, a stronger role for (A)POs, extended access to collective negotiation tools, and support for voluntary initiatives. These elements are expected to lead to an improvement of the price transmission, reduce income volatility and improve farm gate prices through collective negotiations. By reducing uncertainty around pricing, volumes and delivery conditions, farmers can make more informed investment and production decisions that are expected to lead to an improved profitability. In the absence of predictable cash flows, farmers are less willing to invest in productivity-enhancing assets that may lead to sub-optimal investment decisions in the long-term.[184] Some studies indicate that contracts with clear pricing formulas or fixed prices may reduce farm income volatility by 8% - 10%.[185] This reduction in income variability is expected to translate into an average margin improvement of around 1% of the annual income per farm per year.[186] Based on this, it is estimated that the stabilising effect of such measures could improve income by approximately €360 per farm per year.[187] Since vast majority of transactions is already covered by written contracts that may already include the mandatory elements and a revision clause or certain transactions would be exempted from this requirement, it is taken as a conservative assumption that around 1 million farms (out of 9 million farms in the EU; around 11% of EU farms) would benefit (taking into account existing practices at MS level and derogation), this would lead to around €360 million in the EU.
For farmers and their associations – Reduction in	Approximately €26.8 million to	A conservative estimate suggests cost savings of between 0.5% and 1% for farmers who start marketing their production through recognised POs or

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[184] fi-compass, An agricultural-focused EAFRD financial instrument providing market-responsive financial products, European Investment Bank and European Commission, December 2018, p. 40-41. Available at: https://www.fi-compass.eu/sites/default/files/publications/Agri-focused%20EAFRD%20FI%20providing%20market-responsive%20financial%20products.pdf.

[185] Revoredo-Giha, C., Clayton, P., Costa-Font, M., Agra-Lorenzo, FAL., & Akaichi, F., 'The impact of mandatory written dairy contracts in European countries and their potential application in Scotland', *Social Research series*, Scottish Government Social Research, 2019.

[186] Briner, S. and Finger, R., The effect of price and production risks on optimal farm plans in Swiss dairy production considering two different milk quota systems, Journal of Dairy Science, vol. 96, no. 4, 2013, pp. 2234–2246. Available at: https://doi.org/10.3168/jds.2012-6086.

[187] Assuming an average annual farm income of €36,000 per farm. It is important to note that farm income can significantly vary depending on the sector, size of the farm, organisational structure, training, age and sex of the farm holder as well as the Member State (see for further details: https://agridata.ec.europa.eu/extensions/FarmEconomicsOverviewReport/FarmEconomicsOverviewReport.html).

transaction costs through enhanced participation in (A)POs and collective negotiations (Section 4.1.2)	€53.6 million per year	APOs.[188] Taking a conservative estimate that the value of marketed production (VMP) from farmers newly engaging with recognised POs corresponds to 1% of total EU agricultural output[189], this is equivalent to €5.36 billion of VMP newly marketed through POs. It is assumed that cost savings of 0.5% to 1% would translate into a corresponding increase in the VMP. This could correspond to an estimated annual benefit of between €26.8 million and €53.6 million. The estimate reflects reductions in transaction-related costs (e.g. administrative burden, negotiation, marketing, and logistical efficiencies) for new members joining collective marketing structures and it does not account for an increase in volume or price. It excludes any benefits already achieved by existing PO members through strengthened collective structures and does not account for price improvements or logistics-related gains for existing PO members. These savings may vary across the sectors and Member States and will depend on the operational efficiency of a given PO, the scale of the farm of the new member (smaller farmers will benefit more than bigger farmers due to economies of scale) and market situation.
For farmers and their associations (especially small and young farmers) – Improved access to finance (Section 4.1.1)	€5–10 million per year	The current funding gap for the EU agricultural sector is estimated at €62.3 billion[190]. Strengthened and more predictable contractual relationships are expected to facilitate access to finance by reducing perceived credit risks for lenders and improved credit worthiness of farmers - particularly in the case of small and young farmers. Making a conservative assumption that the loan rejection rate would be reduced by 5 to 15%[191], the funding gap could decrease to between €3.12 billion and €9.35 billion, depending on how the provisions are implemented by Member States, the extent to which derogations are applied, and prevailing financial market conditions. Experience from France and the Netherlands shows that farmers benefiting from multiannual or stable contracts often receive loans at 0.5–1 percentage point lower interest rate. Applying this to EU-27, the benefit of improved contractual stability would be a measurable reduction in financing costs. For example, if EUR 1 billion in additional loans were made accessible under more favourable conditions, this would translate into annual interest savings of approximately €5 -10 million. At a broader scale - for example, if €3 - 9 billion of the funding gap is closed - the estimated annual benefit would range between € 15 million and €90 million across the EU farming sector.

[188] Ibid. European Commission: Directorate-General for Agriculture and Rural Development, ECORYS and IfLS, Synthesis of evaluation reports from Member States regarding their national strategies for sustainable 2013-2018 operational programmes in the fruit and vegetables sector – Final report, Publications Office of the European Union, 2022, https://data.europa.eu/doi/10.2762/396335.

[189] According to Eurostat the total value of the agricultural output in the EU was €536.93 billion in 2023.

[190] European Commission and European Investment Bank, Financing gap in the agriculture and agri-food sectors in the EU, Factsheet October 2023, https://www.fi-compass.eu/sites/default/files/publications/FinancingGapAgricultureAgrifood_RTW_0.pdf.

[191] Ibid. Sie also for example European Commission and European Investment Bank, Financial needs in the agriculture and agri-food sectors in France, 2020, https://www.fi-compass.eu/sites/default/files/publications/financial_needs_agriculture_agrifood_sectors_France_0.pdf. About 57% of rejection reasons are linked to banks' risk policies or perceived viability of farms due to volatility of income.

Farmers and buyers – Reduced compliance risks and disputes (Section 4.1.1)	€0.5–2 million per year	Greater contractual clarity and transparency as well as mediation mechanism are expected to reduce the number of disputes between farmers and buyers by a conservative estimate of 1,000 cases per year. Assuming a cost of €500 – EUR 2,000 per case (including legal, administrative, and opportunity costs for both contract parties – famers and buyers), this results in estimated annual savings of €0.5–2 million.
National administrations – Reduction of the need for complex investigations by UTP enforcement authorities – Savings in enforcement costs (Section 4.1.1)	€6-12 million per year	Clear, written contracts can simplify oversight and investigations into unfair trading practices. Some Member States estimate annual savings of €2 to €4 million per Member State in public enforcement budgets due to the diminished need for extensive investigations. These estimates may vary depending on the size of the Member States and the dimension of the economic activity. Fewer investigations are needed, since disputes can often be settled by examining the contract's terms rather than conducting interviews or audits. Enforcement authorities can devote less time and resources per case, as clear contractual evidence replaces complex investigative work. For example, in Spain, which introduced obligatory written food supply contracts in 2013, authorities observed that having a contract for each transaction, has improved transparency and enables quicker detection of abuses. In addition, for instance if a buyer fails to pay on time or tries to retroactively change terms, the violation is easily spotted in the written contract, avoiding a protracted investigation. Taking a very conservative assumption that such reductions in costs for investigations would occur only on an annual basis in 3 MS per year. This would lead to cost savings in enforcement of around €6 to €12 million per year in the EU.
Benefits for national administrations and POs – reduction in enforcement costs and administrative simplification of PO recognition and collective negotiations (Section 4.1.2)	€0.14 million to €0.57 million per year	According to a study[192], 54% of POs (including cooperatives) that are not recognised pursue joint contract negotiations. This would mean that POs (including cooperatives) may need to seek recognition; otherwise, they risk acting in violation of competition rules. <u>Benefits national administrations:</u> A very conservative estimate of approximately two to four requests for recognition can be avoided per Member State per year (equivalent to 54 to 108 recognitions per year in the EU). It is estimated that this may lead to administrative cost savings in examining the request of 40 to 80 hours per recognition request, amounting to €1,320 to €2,640.[193] This amounts to approximately €71,280 to €285,120 of cost savings per year in the EU for public administration. If 19,980 of the non-recognised POs that pursue join contract negotiations

[192] European Commission: Directorate-General for Agriculture and Rural Development, Montanari, F., Chlebicka, A., Szabo, G., Amat, L. et al., Study of the best ways for producer organisations to be formed, carry out their activities and be supported – Final report, {OPL}, 2019, https://data.europa.eu/doi/10.2762/034412

[193] Based on a standard cost model, administrative cost savings per avoided request for recognition: The hourly tariff is set at €33.00, corresponding to the One-In-One-Out tariff, including hourly earnings (Eurostat, Structure of earnings survey 2022), non-wage labour costs (Eurostat, Labour Force Survey, data for Non-Wage Labour Costs) and 25% overhead costs, for ISCO 1-5 Non-manual workers; the use of ISCO 1-5 is based on the assessment that the tasks require a mixture of skills (managers, professionals/lawyers, technicians and clerks). It is estimated that the assessment of the recognition request would require at least between 40 to 80 hours. Using €33.00 per hour, this equates to €1,320 to €2,640.

		may avoid seeking a recognition, this would lead to cost savings amounting between €26.37 million to €52.75 million. Cost savings for POs: Likewise, it is estimated that this may lead to cost savings in preparing the request for recognition of 40 to 80 hours per recognition request per PO, amounting to €1,320 to €2,640. Assuming that this would lead to 54 to 108 (two to four avoided requests per Member State per year) avoided requests within the EU per year, this would amount for POs to approximately €71,280 to €285,120 of cost savings per year in the EU. These savings relate to reduced processing time, fewer document exchanges, simplified audits, and lower legal/consultancy costs for applicants. Benefits apply primarily to new and non-recognised POs.
Indirect benefits		
Benefits for buyers of agricultural products and consumers – enhanced food security thanks to improved resilience of agri-food chain	Not quantifiable (positive)	Reduction of inefficiencies in the agri-food supply chain
Benefits for farmers - positive impact on mental well-being	Not quantifiable (positive)	Reduction of uncertainty and hassle with a positive impact on farmers' well-being by reducing stress factors.
For the agricultural sector – Support to generational renewal	Not quantifiable (positive)	More competitive and predictable market conditions that make farming more attractive as a career, facilitate intergenerational farm transfers, and encourage young entrepreneurs to invest in innovative business models, while facilitating the access to finance. Over time, this contributes to generational renewal and the long-term viability of the sector.
Benefits for consumers – more stable consumer prices	Not quantifiable (positive)	Efficiency gains in the agri-food supply chain, arising from reduced transaction costs, improved coordination, and lower compliance and dispute resolution costs, are expected to contribute to greater price stability over time. These structural improvements — supported by reinforced contracts, stronger producer organisations, and increased market transparency — help create a more competitive and predictable market environment. This may lead to more stable consumer prices, particularly in sectors previously affected by high coordination failures or dominant intermediaries.

II. Overview of costs							
		Citizens/ Consumers		Businesses		Administrations	
		One-off	Recurrent	One-off	Recurrent	One-off	Recurrent
Reinforced contractual framework (Section 4.1.1)	Direct adjustment costs	n.a.	n.a.	€10.2 million to € 20.4 million[194] in total €660 to €1,320 per company	€ 21.82 million per year € 8.25 per contract	€2.2 million to €22 million[195] € 0.1-1 million per MS[196]	
	Direct administrative costs	n.a.	n.a.	0	0	0	0
	Direct regulatory fees and charges	n.a.	n.a.	0	0	0	0
	Direct enforcement costs	n.a.	n.a.	0	0		
	Indirect costs	0	0	0	0	0	0
Strengthened role of POs (Section 4.1.2)	Direct adjustment costs	n.a.	n.a.	0	0	€17,820 to €35,640 in total[197] €660 to€1,320 per MS	0
	Direct administrative costs	n.a.	n.a.	0	0	0	0
	Direct regulatory fees and charges	n.a.	n.a.	0	0	0	0
	Direct enforcement costs	n.a.	n.a.	0	0	0	0
	Indirect costs	0	0	0	0	0	0
Voluntary approaches (Section 4.1.3)	Direct adjustment costs	n.a.	n.a.	0	0	0	0
	Direct administrative costs	n.a.	n.a.	0	0	0	0
	Direct regulatory fees and charges	n.a.	n.a.	0	0	0	0

[194] See underlying assumptions and references to data used in Section 4.1.1.
[195] Taking a very conservative estimate that 22 MS would need to adjust their legal system regarding contracts, set up mediation service and possibly would decide to set up the optional contract register.
[196] These costs represent the costs necessary for setting up a mediation mechanism.
[197] These costs are related to the need to adjust notification forms for PO recognition, see Section 4.1.2.

	Direct enforcement costs	n.a.	n.a.	0	0	0	Non-quantifiable depending on the number of complaints and potential infringements
	Indirect costs	0	0	0	0	0	0

(1) Estimates (gross values) to be provided with respect to the baseline; (2) costs are provided for each identifiable action/obligation of the preferred option otherwise for all retained options when no preferred option is specified; (3) If relevant and available, please present information on costs according to the standard typology of costs (adjustment costs, administrative costs, regulatory charges, enforcement costs, indirect costs;).

III. Application of the 'one in, one out' approach			
[M€]	**One-off** (annualised total net present value over the relevant period)	**Recurrent** (nominal values per year)	**Total**
Businesses			
New administrative burdens (INs)	0	0	0
Removed administrative burdens (OUTs)	€-0.07 million - €-0.29 million	0	€-0.07 million - €-0.29 million
Net administrative burdens*	€-0.07 million - €-0.29 million	0	€-0.07 million - €-0.29 million
Adjustment costs**	€10.2 million to € 20.4 million	€ 21.82 million	
Citizens			
New administrative burdens (INs)	n.a.	n.a.	n.a.
Removed administrative burdens (OUTs)	n.a.	n.a.	n.a.
Net administrative burdens*	n.a.	n.a.	n.a.
Adjustment costs**	n.a.	n.a.	
Total administrative burdens***	***€-0.07 million - €-0.29 million***	**0**	**€-0.07 million - €-0.29 million**

(*) Net administrative burdens = INs – OUTs;
(**) Adjustment costs falling under the scope of the OIOO approach are the same as reported in Table 2 above. Non-annualised values;
(***) Total administrative burdens = Net administrative burdens for businesses + net administrative burdens for citizens.