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Position on the European Parliament report on unfair trading practices in the food supply chain (UTP)

Manufacturers, suppliers and traders must work together closely and trustfully, because only fair cooperation of all stakeholders along the supply chain guarantees the quality of products as well as customer satisfaction in the long term. To this end, METRO GROUP has actively participated in discussions at European level on the relationships between the various actors of the supply chain.

A study conducted on behalf of the European Commission in 2015 examined the developments in the Member States concerning unfair trade practices, as well as the experiences of participants and non-participants of the Supply Chain Initiative. The study concludes that there is currently no need to regulate unfair trade practices at EU level.

In contrast, the report of the European Parliament on UTP partially blames the trade industry for the current problems faced by farmers, calls for Europe-wide regulations and is highly critical of trademarks, among other things.

METRO GROUP is committed to transparent and trusting relationships with its business partners and is convinced that a legal regulation of trade practices in the food supply chain at EU level is not the right solution to tackle potential problems between the various actors.

FACTS:

Competition is very strong in the retail sector, not least in order to build customer loyalty. This results in constant attention to ensure quality, innovation, satisfaction and other factors that are important to customers. This competition increases the purchasing power of consumers. Any interference with the freedom of contract of the stakeholders in the supply chain, e.g. via legal regulations on UTP, reduces competition between the parties and will have negative consequences for innovation in the trade sector and thus for the customers.

For example, retailers have very few direct trade relations with farmers. There is no general market power of the trade industry in the supply chain. Nevertheless, the European Parliament report on UTP partially blames the trade sector for the current problems faced by farmers. The current milk crisis, however, is the result of a structural market problem, closely related to surplus production and falling demand. Retail trade is only one stage in the food supply chain and directly buys only about 37 % of the total quantity of milk produced, the rest is used by the dairy processing industry. In principle, unfair trade practices can occur anywhere, at any stage of the supply chain.

In almost all Member States, regulatory or self-regulatory systems have already been established to prevent unfair trade practices. A majority of them has access to public funds to implement these systems. In addition, the Commission found that national platforms that

manufacturers and farmers participate in, are the most effective system to overcome the potential “fear factor”, which affects suppliers, as well as to develop trust between the actors along the food supply chain.

With the launch of the Supply Chain Initiative in 2011, retailers have shown their commitment to fairness in dealing with suppliers. METRO GROUP was one of the first companies that joined the Supply Chain Initiative. The principles of best practices include parameters for commercial transactions that ensure contractual freedom, competitiveness, trust and stability in trade relations between business partners. More than 1,200 companies in the food supply chain have joined the SCI (more than half of them are SMEs).

There is no “one-size-fits-all” solution. As most contracts between business partners in the food supply chain are national rather than transnational, there is no reason to adopt harmonised measures at EU level.

The European Parliament report tries to establish a link between trademarks (own brands) and unfair trade practices. However, this link does not exist in practice. **Trade marks increase the quality of the shopping cart, facilitate product diversity and offer added value beyond price and quality, namely innovations and sustainability.** As shown by numerous studies on trademarks, they have increasingly become both vehicles for product innovations, as well as a means for traders to directly control the quality of the products.¹ In addition, consumers have a wide choice of shopping alternatives, particularly for goods purchased on a daily basis, and use them side by side in different shopping situations.

METRO GROUP is one of the most important international trade companies. In the fiscal year 2014/15, it generated sales of about €59 billion. The company operates in 29 countries at approximately 2,200 locations and employs about 220,000 people. METRO GROUP’s performance is based on the strength of its sales brands operating independently on the market: METRO/MAKRO Cash & Carry – international leaders in cash & carry wholesale, Media Markt and Saturn – market leaders in consumer electronics retailing in Europe, as well as Real hypermarkets.

¹ European Commission, “Towards more efficient and fairer retail services in the internal market for 2020”, 2013