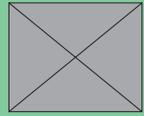


2016-03 FOOD PRODUCT SUPPLY CHAINS



Food product supply chains organise access to food from the producer through to the consumer. The ESEC's view of the way they work is clear: the mass consumption model is in crisis and the limits of a system beset by price wars, which upset the value chain to the disadvantage of everyone involved, are plain for all to see.

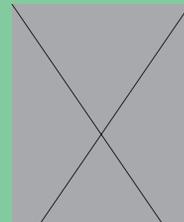
While the successive reforms of the CAP have replaced the price and quantity regulation mechanisms with contract-based procedures between stakeholders, the lack of proper organisation between producers and distribution channels alike mean that the strongest stakeholders are able to dominate an industry battling with increasingly globalised competition. The main supermarket brands monopolise more than 70% of food supplies in France, and are continuing to tighten their grip through their recent grouping into four central purchasing offices. 98% of their suppliers are micro-businesses and SMEs, but national and international corporate giants still dominate. Meanwhile, intermediaries, wholesalers and logistics professionals are taking on an ever more strategic role. On the producers side, the number of agricultural holdings (450,000 in mainland France) has fallen by 8% since 2010. Producer organisations, which are trying to increase the value of their outputs, and the inter-branch organisations, which organise the distribution channels, simply do not have enough capacity for action.

Against such a backdrop, tensions are running high in supplier-distributor commercial negotiations, governed by a vast array of legal instruments, amended in 2008 by the Act on

modernising the economy (LME). Profits have slumped to record lows without there being any real tangible benefit for consumers. Ultimately, it's the agricultural producers and employees who end up paying the price of this fierce competition, which has negative repercussions for everyone involved.

There may, however, be some signs of new trends on the horizon - such as the emergence of new stakeholders and new behaviours. In this way, consumers are asking to be kept better informed. Mindful of their health and the environment, product taste also matters to them and they are attentive to food quality labels. Local supply chains are an answer to their calls for a trustworthy system and more direct relations with producers or processors. In the same way, beyond the "click & collect" online shopping options offered by supermarkets or digital platforms of local supply chains, the arrival of digital technology is set to upend traditional supply chains, heralding a complete shakeup of the system.

"Restore meaning, value and confidence in food: this is what not just consumers are increasingly clamouring for, but also most of the stakeholders of food product supply chains."



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THE RECOMMENDATIONS

BRING ABOUT THE NECESSARY CONDITIONS FOR IMPROVING THE BALANCE IN TRADE RELATIONS

- Assess the impacts of the Act on modernising the economy on the situation of different stakeholders, the profit margin sharing and pricing mechanisms and commercial retail development.
- Improve trade negotiations:
 - put an end to illegal practices, take a harder line as regards punishment, make their publication systematic, provide protection for "whistleblowers" and broaden the scope of forms of misconduct;
 - organise the negotiations in an external setting or by videoconference if requested by one of the parties, and provide them with a digital platform, the contact details of the trade relations mediator as well as legal training and information.
- Review the timeframe of negotiations by taking a fresh look at the principle of the final deadline, by aiming for wider adoption of multiannual contracts with two-stage procedures for certain products (beginning with discussions between manufacturers and producers).
- Secure transparency on retail establishments and strengthen their governance.
- Step up the role of inter-branch organisations:
 - give precedence to an arrangement extended to include all links in the chain, facilitate decision-making and assess how much room for manoeuvre they have;
 - allow them to contribute to fairer value distribution: definition of indicators, drawing up framework contracts, determining upper and lower price and volume limits, etc.;
- Invite producer organisations (POs) to take part in negotiations:
 - clearly explain their relationship with buyers in a single contractual document;
 - examine the merits and feasibility of setting up or developing multiproduct POs and of grouping POs together to achieve optimum sizes.
- Promote the "responsible supplier relations" certification and CSR among all agri-food stakeholders and underscore the merits of such initiatives among consumers.

DEVELOP LOCAL SUPPLY CHAINS THROUGH TERRITORY-BASED APPROACHES

- Develop territory-based distribution channels and consumption trends based on short and local supply chains through Regional sustainable food and farming plans:
 - ensure better coordination with the Territorial food projects;
 - include a hierarchical section on "fighting waste" which involves all links in the chain;
 - tap into the positive repercussions that a sustainable, local food supply can have on the collective catering industry;
 - review the current needs and resources at local level and, where applicable, re-establish processing structures.
- Support food crop production, local supply chains and the organisation of local distribution channels Overseas.

INFORM CONSUMERS, BE GUIDED BY THEIR CHOICES AND BUILD THEIR TRUST

- Raise consumers' awareness of the economic, social and environmental impacts of their purchasing habits by improving information on CSR instruments and their use by production and distribution businesses.
- More clearly identify and harmonise official quality and origin labels: distinguish official labels with a common symbol and make their specifications more accessible.
- Improve traceability and information for consumers:
 - extend the trial underway on the labelling of meat and milk origin;
 - enable consumers to access information on products' ingredients, origin and social and environmental impact more easily;
 - regulate comparative advertising more tightly and look into the possibility of regulating "paper-based" advertising.
- Develop a European open database on supply chains, maintained by the stakeholders and task FranceAgriMer with oversight of a digital innovations laboratory.