

**From Unfair Prices to Unfair Trading Practices :  
Political Economy, Value Chains and 21<sup>st</sup> Century Agri-Food Policy**

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**Abstract**

This paper analyzes how value chains play a role in the political economy of agricultural and food policy by (1) discussing historical insights; (2) reviewing an emerging literature on political economy of trade policy and value chains and drawing implications for agricultural and food policy; (3) discussing market power issues with increasing concentration in agri-food value chains and its implications for government regulations; and (4) presenting a political economy case study of recent regulations that have explicitly targeted value chain structures in the agri-food sector: the EU regulations on “*unfair trading practices (UTPs)*”. The case study is of wider relevance since it addresses a key concern in global value chains.

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## 1. Introduction

Much of agricultural and food policy discussions for most of the 20<sup>th</sup> century – and the centuries before -- centered around price and trade interventions, such as import tariffs, quotas and price support measures. Farmers in many countries lobbied governments to intervene as they argued that prices they received from markets were “unfair”. Price support measures, combined with import tariffs and export subsidies, were therefore key components of many countries’ agricultural and food policies in the 20<sup>th</sup> century (Anderson 2009). For example, the founding manifest of the European Union (EU) has “*to enforce fair prices*” as one of five objectives of its Common Agricultural Policy (CAP).<sup>1</sup>

In the late 20<sup>th</sup> century there were several reforms to reduce trade and price policy interventions in markets (Anderson et al 2013). Since then, there has been much discussion about different types of government interventions. One is the growth of food standards and regulations which have been argued to replace import tariffs as so-called “non-tariff measures” (Beghin, 2017). Many of these standards and regulations (including food safety regulations and geographical indications (GIs)) can both enhance efficiency (e.g. by reducing asymmetric information or minimizing negative externalities) and redistribute rents among interest groups, and thus be used to stimulate growth and also to protect vested interests (Beghin et al 2015; Swinnen 2016, 2017). Other policy discussions have focused on the relationship between farmers and other agents in (global and domestic) value chains. One element is that different agents in the value chains may form political coalitions in trying to influence policy-makers and that these political coalitions may change with increasingly sophisticated and differentiated value chains and with the globalization of value chains. Another aspect is that in an environment of liberalized markets and increasingly concentrated downstream and upstream

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<sup>1</sup> Article 39.1 of the 1957 Treaty of Rome, which founded (what is now) the EU.

industries in the agri-food chain, farmers have complained about “*unfair trading practices*” in the value chain. This is the case in global value chains where economists and NGOs have warned against rent extraction through the growing discrepancy between large (downstream) multinationals and local production. It is also the case inside countries where farmers have complained about the implications of growing concentration up- and downstream. For example, in the EU, farmers have lobbied their governments and the EU decision-makers to intervene and to regulate these transactions to protect them against a variety of business practices of large food companies and, especially, retailers.

There is a large literature on the political economy of price and trade policy (see Anderson et al 2013 and Swinnen 2018 for reviews), and a growing literature on the political economy of NTMs and standards (see Swinnen et al 2015 for review). There are much fewer studies on the interaction between value chains and the decision-making on agricultural and food policies, and even less about the political economy of UTPs. In this paper we contribute to a better understanding of this.

The first part of the paper (Sections 2 and 3) reviews historical insights and new studies on how value chains play a role in the political economy of agricultural and food policy. Section 2 discusses how political coalitions in domestic and global value chains affect(ed) a variety of agricultural and food policies with some historical examples. Section 3 reviews insights from an emerging new theoretical and empirical literature on global value chains and the political economy of trade policy and draws implications for agricultural and food policy. The second part of the paper (Sections 4 and 5) focuses on market power in value chains and the political economy of regulations of trading practices. Section 4 discusses market power issues with increasing concentration in agri-food value chains and its implications for government regulations. Section 5 presents a political economy case study of recent regulations that have explicitly targeted value chain structures in the agri-food sector: the EU regulations

on “*unfair trading practices (UTPs)*”. The EU case study is of wider relevance for trading practices in value chains and how they affect farmers. This is a major concern globally, including in the debate on how global and local modernizing value chains are affecting poor and small farmers in developing countries, and may influence discussions on global regulations.

## **2. Agri-Food Value Chains and Political Coalitions**

Political economy models of public policy in general – and agricultural and food policy more specifically -- often consider (besides the government) only “producers”, and “consumers” (and “taxpayers”) as the main agents to study the impacts of policies, the political incentives, and their lobby activities.<sup>2</sup> One (theoretical) reason is its didactic use, i.e. to avoid unnecessary complications in deriving policy effects and identify equilibria. Another (empirical) reason is the absence of disaggregated information of policy impacts on various agents within (or outside) the value chain.<sup>3</sup>

It is, of course, well known that in reality many more agents are affected – and also play a role in lobbying governments to introduce or remove certain policies. “Other agents” include input suppliers (such as land owners, seed and agro-chemical companies, or banks), traders, food processors, retail companies, environmental and food advocacy groups, etcetera. These agents may be differently affected by policies, depending on the nature of the policy (e.g.

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<sup>2</sup> With import tariffs and price interventions, “(final) consumers “ and “(agricultural) producers” have conflicting interests. However, this is not the case when production or consumption of food is subsidized. In this case both producers and consumers gain (depending on the openness of the country). It is the taxpayer who has to foot the bill. This was the case under the communist regime in Eastern Europe and the former Soviet Union in the 1950 – 1990 period where food production and consumption were heavily subsidized. A related but different system is in place in the US where the coalition between consumers and producers interest in agricultural policy is much more direct (Orden et al 1999). The Supplemental Nutritional Assistance Program (SNAP, earlier known as “*food stamps*”) is a major item of the US “Farm Bill”. This huge safety-net consumer program is under “agricultural policy”, for historical and political reasons (Cuellar *et al.* 2014).

<sup>3</sup> A few studies (e.g. Briones Alonso and Swinnen 2016) have tried to estimate the vertical distribution of policy impacts along the value chain.

whether the policy is targeted to the (raw) agricultural commodity or to a processed commodity – or whether farm subsidies affect land or other production factors). As a consequence, these different agents have sometimes joined forces (“*political coalitions*”) with farmers or with final consumers to influence policy makers in setting public policies. In other cases they have opposed each other on policy issues.

The nature of the product and the type of policy instrument will influence the political coalitions. “Agricultural policies” (such as tariffs, import quota, or price interventions) often do not apply to the raw agricultural products as they are sold by the farmers, but to products which have undergone a certain level of processing or marketing. For example, it is typically not the raw milk or the sugar beets that are traded or purchased but processed products such as milk powder, cheese or sugar. Hence, interests of food processing companies involved in early stage processing will often be aligned with those of farmers, while those of further processing may be opposite.

History provides many examples of political coalitions in agricultural and food policy. For example, the often heralded period of free trade in the mid 19<sup>th</sup> century comes to an end when cheap grain imports hit European markets after 1875. Governments of many countries (including France and Germany) introduced import tariffs to protect their grain farms. However several countries resisted protectionist pressures. There, coalitions of vested interest in and outside the value chain lobbied to counter the interests of grain farmers. For example in the UK and Belgium grain tariffs were opposed by a coalition of workers and industrial capital (who benefited from low food prices - and thus low wages - with cheap grain imports), the transport industry and the coal mines (where horse power - and thus cheap grain - was important), the brewing industry (using grain as raw material), the harbours (opposed to any tariffs that would limit the trade volume), and by livestock farmers who benefited through low feed prices (Swinnen 2009). A more recent example is from the reform of EU sugar policy. Some sugar is

“consumed” directly by households, but most is sold to the food (mostly beverage and confectionary) industry, which uses the sugar in various products sold to retailers. In the policy discussion, the EU’s beverage and confection industries lined up to lobby the EU decision-makers against the extension of the EU sugar quota; while the sugar processing companies and sugar beet farmers were lobbying to keep the quota.

These coalitions are important because some groups within these coalitions may be better organized and with stronger financial resources than farmers. A standard argument why farmers are taxed in developing countries is that they fail to organize effectively for political actions because they are dispersed, small, many and face high political transaction costs, arguments based on Olson’s (1965) *The Logic of Collective Action*. Coalitions of farmers with companies or segments in the value chain that are more concentrated and better organized can therefore affect the political influence of farmers. The growth of agricultural protection in many OECD countries in the second part of the 20<sup>th</sup> century was associated with the growth and concentration of (often cooperative) agribusiness, credit cooperatives, and food-processing companies which created a strong political coalition with farm interests in lobbying for agricultural policies (Anderson 1995).

Such coalitions do not only apply to policies affecting both the downstream and upstream value chain. Agribusiness and input owners have lots of stake, directly and indirectly, in agricultural policy.<sup>4</sup> For example, policies which affect land prices may create an alignment among farmers and landowners or may put them in opposing coalitions. There are many historical examples where landowners and (tenant) farmers fought each other over land regulations (Binswanger, Deininger and Feder, 1995; Swinnen et al, 2016). However, there are also many examples where landowners and farmers joined forces in lobbying for agricultural

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<sup>4</sup> Barrett and Maxwell (2005) identify an “iron triangle of food aid” of NGOs, agribusiness and maritime transport businesses who all benefit from food aid programs and lobbied jointly to maintain US (food) aid policies for many decades. See also Guariso et al (2014) on lobbying of development organizations.

subsidies. For example in the US and the EU farm subsidies, either linked to production or to land use, have spilled over into high land prices and rents creating a coalition between farmers and landowners (Ciaian *et al.* 2014).<sup>5</sup> On land and subsidy issues, environmental organizations have also become important lobbyists.<sup>6</sup>

These coalitions are not static. There are several reasons why political coalitions may change: traditional power structures within value chains may change with some (sub)sectors growing and others declining as the economy develops, with new policy instruments considered, with new technologies and globalization bringing new players into the value chains, etc. Biofuel companies and the insurance industry have become vested interests and strong lobby forces in countries such as Brazil and the US.<sup>7</sup> Crop insurance programs have become the largest expenditure item on recent US Farm Bills.<sup>8</sup>

Technological advances, such as biotechnology and genetically modified (GM) crops, created new vested interests. In the 1970s there was no pro- or anti- GM lobby since there was no GM. Since then, large agro-chemical and seed companies and many NGOs have lobbied intensely to influence food and GM regulations (Paarlberg 2001; Pinstrip-Anderen and Schioler, 2003; Vigani and Olper, 2014). While various groups tried to influence GM policy,

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<sup>5</sup> Ciaian *et al.* (2017) estimates that as much as 70% of agricultural subsidies in the EU end up with land owners. In recent EU policy discussions, landowners have not opposed moving from trade-distorting price support towards non-trade-distorting decoupled farm payments, since the payments are still linked to land use and thus keep land prices high (Ciaian and Swinnen, 2009; Salhofer and Schmid, 2004). Studies in the USA and Canada find significant increases in land prices as a consequence of farm payments (Barnard *et al.*, 1997; Goodwin *et al.*, 2003; Kirwan, 2009; Roberts *et al.*, 2003; Vyn *et al.*, 2012).

<sup>6</sup> Conservation has a long history in U.S. agricultural policy dating back to the Dust Bowl era of the 1930s (Gardner 2002). In recent decades, US farm groups seeking to raise prices have occasionally joined a political coalition with environmentalists to support the Conservation Reserve Program (CRP) for the protection of erodible land (Orden *et al.* 1999). In the EU farmers and environmental movements have mostly opposed each other in agricultural policy (Hart, 2015; Matthews, 2015).

<sup>7</sup> US biofuels policy includes tax exemptions, tariffs and mandates for the use of biofuels in transportation (de Gorter *et al.*, 2013, 2015; Lobell *et al.*, 2014).

<sup>8</sup> During the 2013 legislative process the insurance industry lobbied senators aggressively to maintain support for crop insurance program in the 2014 Farm Bill (Coble and Barnett, 2013; Cuellar *et al.*, 2014).

Graff, Hochman and Zilberman (2009) argue that the US agribusiness industry was lobbying more pro-GM than the EU agribusiness industry. Some important GM products are competing with traditional agribusiness products, especially GM traits which substitute for pesticides and insecticides. Because it threatened their traditional revenues, several large agro-pharmaceutical companies, such as Bayer and BASF, initially did not take a strong side in the debate. – in contrast to e.g. US based Monsanto which lobbied strongly pro GM. This created a very different political coalition in the US than in the EU, contributing to a different regulatory outcome (Qaim, 2009; 2016).

Globalization has increased the linkages between consumers and producers globally, but at the same time stimulated farmers to lobby for their “local products”, seeking a coalition with consumers interested in local foods. At the policy front this has e.g. resulted in regulations on geographical indications (GI) – an issue which has created significant tensions in trade negotiations (Josling, 2006; Huysmans and Swinnen, 2019; Raimondi et al. 2019). In terms of standards in global food chains, Swinnen and Vandemoortele (2011) identify a conflict between rich and poor countries, with rich countries characterized by a “pro-standard coalition” between consumers and producers and an “anti-standard coalition” in poor countries.

Standards may reduce information asymmetries and transaction costs but also protect vested interests. For example, product definitions may have important implications for producers and businesses. Historical cases include the *definition of wine* (first in France and later in the EU) which had major implications for trading partners (the introduction of the definition of wine as using exclusive fresh local grapes in France bankrupted the Greek economy in the early 20th century) (Meloni and Swinnen 2017). Another case is *the definition of chocolate* in western countries in the late 19th century which triggered a 30-year “chocolate war” in the EU later in the century after the UK joined the EU (Meloni and Swinnen, 2015). An interesting recent case is “*the definition of meat*” where technological advances and

changing consumer preferences are affecting political fights over food standards and regulations. As plant-based “meat” products have grown rapidly in recent years, US animal farms have lobbied for regulation to prohibit companies from using words such as meat, burger, sausage, etc unless the product came from an animal that was born, raised and slaughtered in a traditional way (Reiley 2019). Their pressure has triggered policy proposals in many US states. However, while the cattle associations have strong political power, the opposition is also significant, as several of the plant-based “meat” companies are either owned by large food companies (such as Kellogg and Kraft Heinz) or have raised substantial capital themselves. Big retailers and restaurants have also interest in plant-based alternatives. Interesting, major meat processing companies — such as Tyson Foods and Smithfield Foods— have not taken sides. They rely on the animal farms for traditional meat but also invest heavily in these plant-based alternatives because they believe there is growing consumer demand for this. The latter is similar to the position of some key agro-chemical companies in the GMO debate.

### **3. Globalization of Value Chains and Political Economy**

The spread of “global value chains” in recent decades is transforming not just the economics of production and exchange in the world, but also the political economy of agricultural and food policies. Interest groups beyond borders have always played a role in agricultural and food policy. For example, in the 1990s, US company Monsanto actively lobbied the European governments to allow GMOs in Europe. Another example from the late 20<sup>th</sup> century is lobbying by foreign farm associations and agribusiness companies when agricultural policies with high import tariffs and export subsidies were distorting international agricultural markets. Important outside pressure on countries such as the EU, Japan, etc, came not only from exporting nations, such as the US and Australia where governments were under pressure from their farm lobbies, and developing countries, but also from NGOs and

international organizations which accused the EU of causing poverty and hunger in the world.<sup>9</sup> This contributed to significant reforms in the 1990s as part of the WTO's "Uruguay Round Agreement on Agriculture" (URAA), (Josling 2015).

With the growth of global value chains, the distinction between "domestic interests" and "foreign interests" is no longer as obvious (Antras 2015). Hence, it is important to integrate these global value chains more explicitly in political economy analysis (Olper 2016). For example if companies are sourcing inputs from foreign subsidiaries or contracting with foreign farms or companies for their raw materials, the policy interests of these (domestic) companies may be aligned with their (foreign) input suppliers.

Traditional trade and political economy models do not accurately capture these effects since they (implicitly) assume costless switching between different producers and consumers if prices or costs change. However, in a world with extensive and elaborate product and process standards, such switching can imply significant transaction costs. For this reason and because of local imperfections in knowledge and capital market, trading is increasingly integrated in global value chains with elaborate and sophisticated forms of vertical coordination (Antras, 2015; Nunn 2007; Sexton, 2012; Swinnen, 2007; Baldwin and Lopez-Gonzalez 2014). This growth and integration of production and exchange in global value chains changes the incentives of various agents in the value chains to lobby for or against import protection and integration in international trade agreements (Blanchard and Matchke, 2015).

### *Insights from the political economy of trade policy literature*

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<sup>9</sup> For example, organizations such as the OECD and the World Bank emphasized how the EU (and other countries including the U.S.) were hurting the world's poor by contributing to low agricultural and food prices through their agricultural subsidies. Non-governmental organizations (NGOs) took the same position. See Swinnen (2011) for details.

An emerging literature on the political economy of GVCs and trade policy yields several insights. First, several studies find that GVCs affect trade agreements. An important initial analysis on the impact of GVCs on trade agreements was by Antràs and Staiger (2012). They argue that in the presence of GVCs, international prices are more likely to be determined by bilateral bargaining, and not by market clearing conditions. With offshoring and buyer-seller relationships optimal global policy cooperation changes because actual WTO rules (non-discrimination, reciprocity) cannot account well for trade externalities due to GVCs links (which are costly to break down). They argue that deep preferential trade agreements (PTAs) are better fit for that. Orefice and Rocha (2014) show empirically that there is indeed a two-way relationship between deep PTAs and GVC links. They find (a) that signing deep PTAs increases trade in production networks between member countries and (b) that higher levels of trade in production networks increase the likelihood of signing deeper agreements. The second result is consistent with findings of Blanchard and Matschke (2015) who combine firm level data on US foreign affiliate activities with US trade policy (duty preferences), to study the relation between offshoring and preferential market access. They find that a 10% increase in US foreign affiliate export to the US is associated with a 4% points increase in the rate of preferential duty free access. This effect is stronger for developing countries based US foreign affiliate with GSP preferences. Ruta (2017) also finds that more intensive global value chain integrations are associated with deeper trade agreements.

Second, some studies have focused on the impact of GVCs on trade policy, and more specifically import tariffs. To capture the GVC implications for political economy of trade policy, Blanchard et al. (2017) explicitly model the “foreign component” of “domestic products”, and vice versa, and use this to extend the well-known Grossman and Helpman

(1994, 1995) political economy model.<sup>10</sup> Blanchard et al's (2017) theory predicts (1) that the higher the foreign component of domestic products, the lower the tariffs and (2) that the higher the domestic component of foreign products, the lower the tariffs. Their empirical findings confirm these hypotheses. Blanchard et al (2017) thus show that trade protection is lower when the domestic content of foreign produced final goods is higher and (vice versa) for foreign content of domestically produced goods. In other words, the integration of economies and companies in global value chains tends to dampen the incentives for policies that hurt trade. Empirical results by Gawande et al (2015) support these arguments. They use trade and protection data of the pre- and post-crisis (2008-2009) period from 7 large emerging countries and find that participation in GVCs reduces government incentives to raise tariffs.

### *Implications for the political economy of agricultural policy*

These are powerful, but also intuitive results. What do they imply for agricultural and food policy ? Analysis of the interactions of GVCs and agricultural and food policies is just starting. As a first step, OECD calculated forward and backward “participation rates” for 20

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<sup>10</sup> Formally, the equilibrium optimal bilateral tariff,  $t_{xj}^i$ , set by country  $i$  toward country  $j$  final goods  $x$ , is represented by the extension of the tariff formation function:

$$t_{xj}^i = \frac{1}{e_{xj}^i} \left( 1 + \frac{\delta_x^i q_x^i}{|\lambda_{xj}^i| M_{xj}^i} - (1 + \delta_{xi}^*) \varepsilon_{xi}^{rj} \frac{DVA_{xi}^j}{p_x^j M_{xj}^i} - \frac{(1 + \delta_{x*}^i) \varepsilon_{x*}^{rj} FVA_x^i}{|\lambda_{xj}^i| p_x^j M_{xj}^i} \right).$$

The first two terms in the equation correspond to the inverse export supply elasticity  $\frac{1}{e_{xj}^i}$  and the inverse of import penetration  $\frac{\delta_x^i q_x^i}{|\lambda_{xj}^i| M_{xj}^i}$  in the original Grossman and Helpman model. The first term captures the terms-of-trade motive for tariff, while the second term captures the influence of domestic political economy concerns, where the government trades off the interests of import-competing producers of good  $x$  against social welfare. The third term is new and captures the impact of domestic value added in foreign production (DVA). When  $DVA_{xi}^j$  is high, the government optimally sets a lower bilateral tariff, because lowering the tariff raises the price of foreign final goods and some of this price increase is passed back to the home country in the form of higher prices for domestic value-added inputs. This effect is stronger when domestic governments value more the interest of domestic input producers, i.e. when  $\delta_{xi}^* > 0$ . The fourth term captures the role of foreign value added in domestic production (FVA). Foreign value added affects negative affect the optimal tariff because it induces an international cost-shift of trade liberalization effects, from import-competing industry to foreign inputs suppliers to that industry. See Blanchard et al. (2017) for details.

agricultural and food commodity groups (see Greenville et al. 2017a). The OECD study findings are summarized in Figures 1 and 2. Key insights are that (a) agri-food GVC participation is increasing but smaller than in most other sectors; (b) there are large differences in forward but less in backward participation rates; and (c) there is strong heterogeneity across commodities and between regions/countries. One could argue that GVC links are not so important in shaping agro-food trade policy because (a) agri-food GVCs have lower backward and forward linkages and (b) the agri-food sector is still one of the most protected sector globally (as both tariffs and NTMs are higher than in other sectors). This suggests that GVC links are likely to be less influential factors in determining agri-food policy.

However, some recent findings are at odds with such conclusion. First, GVCs forwards and backwards integration in the agricultural and food sectors, though lower on average than in the manufacturing sectors, has important variation across sectors (see Figure 2). Second, GVC integration has grown significantly in the last decades (Balié et al. 2018). Third, there is also significant variation across countries. Agro-food GVCs in Asia and Europe are more globally integrated than in other regions, including North America. Greenville et al (2017b) show that trade and domestic agro-food policies affect this. In particular, they find that border protection (like tariffs and restrictive SPS measures) negative affects country-sectors participation in agro-food GVCs. Similar findings are reported by Balié et al. (2018). Using a structural gravity model where the dependent variable is trade in value added for agriculture and food sectors, they showed that bilateral trade policies are key determinants of both backward and forward GVC participation in the food sector and, to a lesser extent, in the agricultural sector. These results suggest that a restriction imposed by one country not only dampens partner countries' exports but also the country itself through value chain linkages. Olper et al. (2019) test the impact of domestic and foreign value added (DVA and FVA) in the formation of agri-food tariffs with the EORA–MRIO database (1990–2013 period for more than 150 countries). They

find that DVA (and FVA) do reduce bilateral tariffs for agri-food trade and that the economic effect is of the same order of magnitude of what Blanchard et al. (2017) find for manufacturing. In summary, these results suggest that there is potentially a significant role for GVCs in shaping agri-food trade policy in a dynamic perspective.

However, to further and more thoroughly empirically analyze these interactions and effects, more and more detailed data are needed than are currently available. The Blanchard et al. (2017) study shows that one needs detailed data to measure the GVC effects at the sectoral level. However, current data for trade in value added, such as EORA–MRIO , OECD-TiVA and the World Input-Output Database (WIOD)<sup>11</sup> report only agriculture and food (aggregated) participation, nothing more. The recent OECD effort at estimating GVC participation based on GTAP sectors (see Greenville et al. 2017a) is a useful starting point, though at the moment these data are only available for one year (2011). In summary, there are constraints in terms of data availability for analyzing GVC impacts on policy and political economy in the agri-food sector.

#### **4. Modern Value Chains, Market Power and Regulations**

The growth of global value chains, or “modern” agri-food chains more generally, has coincided with significant consolidation in agribusiness, food processing and especially, retailing. This has occurred in OECD countries but also increasingly in emerging and developing countries, as reflected in the so-called “supermarket revolution” (Reardon et al., 2003). While in the late 20<sup>th</sup> century discussions on problems of excessive concentration in food value chains were mostly about the dominant position of food processors, in the 21<sup>st</sup> century this has shifted to implications of retail concentration (Swinnen and Vandeplass 2010).

#### *Economic effects of concentration in value chains*

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<sup>11</sup> See, respectively, <https://worldmrrio.com/>; <https://www.oecd.org/sti/ind/measuring-trade-in-value-added.htm>; and <http://www.wiod.org/home>.

The welfare effects of concentration in value chains are less obvious than often discussed. While buyer concentration is a useful first indicator of possible buyer power, higher concentration does not necessarily translate into high buyer power and/or high seller power. There are several possible reasons, including scale economies in production or R&D, reductions in transaction costs and countervailing power in value chains.<sup>12</sup> The argument of countervailing power in food value chains has been emphasized in the 2000s as growing concentration in the retail sector have made it a more powerful sector in the value chain and can offset market power of food processors and traders. For example, Swinnen and Vandeplass (2010) document several cases of poor consumers (often pensioners) in Europe demonstrating in favor of providing licences to hard discount retailers (such as Lidl in Europe) in their localities since it would provide them access to cheaper food (and products in general). Growing retail concentration may also benefit consumers in the policy arena since for many agricultural policy issues consumer and retailer interests are aligned, thus reinforcing consumers' political clout.

Many complaints of market power problems have come from farmers (and smaller food processing companies). However also there the situation is more complex than it seems. First, the entrance of large retailers may enhance, rather than reduce, competition in traditional markets trading controlled by traditional middlemen. For example, Swinnen and Vandeplass (2010) also document cases of poor farmers in India demonstrating in favor of allowing foreign

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<sup>12</sup> More specifically, in general concentration may be welfare improving if, first, it leads to gains in efficiency with scale economies (Demsetz, 1973). Second, efficiency will increase if transaction costs are substantially lower as a result of high market power (Shervani et al., 2007) or if monopolistic structures contribute to reducing market failures through vertical coordination (Slade, 1998). Third, investments in R&D and innovation may require a certain degree of market power, to ensure that companies benefits from innovations. (Pray et al., 2005). Fourth, increasing consolidation of retailers can be social welfare improving if it allows them to exert "countervailing power" vis-à-vis large, often multinational, food companies (Chen, 2003; Dobson and Waterson, 1997). Fifth, if firms are heterogeneous, collusion will be more difficult. In an "asymmetric" market environment, where one large firm coexists with a few smaller firms, it is less likely that they will collude (e.g., Compte et al., 2002; Kühn, 2004).

retailers to enter the Indian value chains because it provides them with alternative channels compared to the traditional situation where local middlemen have monopoly control over the markets.<sup>13</sup>

Relatedly, several studies, both theoretical and empirical, show that in situations with imperfect factor markets or significant search costs farmers may be better off with concentrated downstream agents. In several recent papers Sexton and collaborators emphasize that, with search and information costs, vertical coordination, contract production and lock-in between farmers and downstream companies are essential characteristics of “modern” agricultural markets and value chains (Crespi et al 2012; Sexton 2013; Adjemian et al 2015) . In these modern value chains, downstream companies have less incentives to use market power that reduces profitability of their suppliers. Focusing on developing and emerging countries, Swinnen and Vandeplas (2011) and Kuijpers and Swinnen (2016) explain that with resource-providing or interlinked contracts the *ex post* market power is different from the *ex ante* market power as the hold-up potential of the farmer enhances his/her bargaining power. In all these cases there is a trade-off with increased competition. With “too much” competition coordination and contracting are more likely to break down since hold-up opportunities and/or transaction costs increase.

Many of these arguments are conceptual. Empirical studies provide mixed evidence. Swinnen and Vandeplas (2010) review a series of empirical studies and conclude that there is no clear evidence that growing concentration in retail has consistently hurt consumers or farmers (suppliers) – the evidence is mixed. A more recent set of studies, focused on price transmission in value chains, summarized in McCorrison (2015), yields similar conclusions, i.e. that the evidence regarding asymmetric price transmission is very mixed and varies

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<sup>13</sup> The Indian government has been going back and forward with imposing restrictions on FDI in retailing, not allowing foreign retailers to invest in India, mostly under pressure of local traders and small shopkeepers afraid of competition.

between sectors and periods. Empirical studies in developing countries show that farms can benefit from value chain integration even with monopoly exporters in food value chains (e.g. Minten et al., 2009; Maertens et al., 2012). Yet, despite these conclusions, there are many cases of farmers complaining of how large processors and retailers abuse their market power vis-à-vis their suppliers.

### *Competition regulations and standards*

Increased concentration in agri-food chains has coincided with important price and trade policy changes. During the second half of the 20<sup>th</sup> century (in particular the 1950s through the 1980s) governments fixed prices for farmers in a large part of the world – not affected by market power of processors or retailers. In Europe this was the case both in the west, with minimum prices set by the government under the EU’s Common Agricultural Policy (CAP) for key commodities, and in the east under the state regulated price systems in Communist countries. In such an environment of price regulations concentration in value chain was less an issue. This is no longer the case in the 21<sup>st</sup> century as many countries liberalized agricultural policies (and prices) after 1990.

In this liberalized environment, different regulatory approaches have been tried. One approach is through introducing standards that guarantee farmers a certain price. This has been the objective of initiatives such as FairTrade and other standards. There is a wide variation of such standards, including Rainforest Alliance, UTZ, GlobalG.A.P. and BRC, each differing in a number of specific criteria. Arguably more than other standards, FairTrade has been focusing on trying to ensure “fair prices” for the farmers involved in their systems. However, the impact of FairTrade and other such schemes is mixed at best (see e.g. Meemken et al. 2019).

The standard approach to regulating market power is through competition regulations. There are several well-known cases when governments have prevented M&As to ensure sufficient competition in food markets – as in any other market. Recent examples from the

food sector include the 2017 merger of AB InBev and SAB Miller (at the time the third largest corporate take-over in history) which required divestment of some of their joint activities (Swinnen and Briski, 2017). In 2019 the UK regulators also blocked the merger of ASDA and Sainsbury's, arguing that it would lead to an increase in prices and a reduction of consumer choice.

Yet, farmers have not always been satisfied with these competition regulations and have pushed for more interventions. An intriguing and innovative case of the political economy of regulations of market power and presumed abuse in agri-food value chains are regulations of "Unfair Trading Practices" (UTPs) in the EU.

## **5. Value Chains and "Unfair Trading Practices" Regulations in the EU**

Complaints by farmers of abuse of market power in agri-food value chains has led to regulatory interventions in the EU, under the so-called "Unfair Trading Practices" (UTPs) regulations, approved in March 2019. This case is not only interesting in itself. One could imagine that this regulation (which is now applied only to business transactions within the EU and between EU companies and companies in third countries) could provide a model for similar regulations globally in the future.

### *What are UTPs ?*

The distinction between what is considered "fair" and "unfair" is inherently subjective. Fairness could be considered in narrow economic terms (cost versus benefit, recovering certain investments, ...), but could also be interpreted in a much broader way, as a sociological construct. The notion of fairness further depends on the context under consideration: an unfair practice in one situation may be tolerated or even encouraged in different circumstances.

From a regulatory perspective, the concept of “unfair practices” was already established in the EU in 2005, in the *Unfair Commercial Practices Directive* (UCPD, 2005/29/EC). While this directive only regulates interactions between businesses and their consumers and not dealings between businesses (including farms), it did provide an example of regulating “unfairness” in commercial relationships. EU farm associations were inspired by the UCPD as a potential way to deal with increased concentration in the EU agri-food value chains, most notably in the retail sector.

In 2013, the European Commission (2013) defined UTPs as practices that ‘*grossly deviate from good commercial conduct, are contrary to good faith and fair dealing and are unilaterally imposed by one trading partner on another*’. They thus apply to business dealings between suppliers in the agri-food sector and their buyers. Often mentioned examples of UTPs are late payments, unilateral changes to contracts, the inclusion of ambiguous or incomplete contract terms, the unfair termination or disruption of contracts and the improper use of confidential information.

#### *Structural changes and the UTP discussion in the EU*

The history of UTPs is related to several structural changes in the policies and market conditions facing EU farms and agri-food chains more generally. First, important reforms of the EU’s Common Agricultural Policy (CAP) in the 1990s and early 2000s did not so much change the amount of subsidies going to EU farmers but changed the mechanism through which farmers were supported. The reforms replaced policy instruments such as price regulations and import tariffs with direct income support. While these reforms had important efficiency benefits, they also made farm prices more volatile as they were now linked to world market prices.

Second, these policy changes were followed by major volatilities in global agricultural and food markets after 2006 – the so-called food price crisis of 2007 and 2008 with large price spikes, followed by strong declines in 2009 (partly caused by the great economic recession) and resurging prices in 2010 and 2011. Figure 3 illustrates how these price fluctuations were felt especially strongly at the farm level, much more than in the processing and retail sectors. EU farmers complained about asymmetric price transmission with downward price developments in the market being fully pushed on to farmers by retailers and processors while upward swings and increases in consumer prices were only partially passed through – although the empirical evidence on this is mixed (see McCorriston 2015 for a review).

Third, concentration in downstream sectors of the EU agri-food chain has increased significantly in recent decades. At the time of the increased price volatility, market shares of the top 3 retailers in several EU countries had increased to above 50 percent (FoodDrinkEurope 2011).

The combination of these factors triggered demands from farm groups to protect them against (downward) price fluctuations and abuse of market power by processors and retailers. For example, Copa-Cogeca (2007), the main EU farmers association, tabled an action plan aimed at “rebalancing power in the food chain” in 2007. The European Commission started discussing UTPs as a potential problem in the food supply chain in 2009 and took two initiatives: they published a report titled ‘*A better functioning of the food supply chain in Europe*’ (COM(2009)591) and established a *High Level Forum* on the topic.<sup>14</sup>

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<sup>14</sup> The debate was fueled by a first important study, commissioned by the European Brands Association (AIM) and conducted by Dedicated Research (2011), which showed (based on a sample of 686) that 96.4 percent of respondents across the food and non-food retail supply chain had experienced UTPs. This number has been cited often in later communications on UTPs. The study also further developed the legal basis for EU-wide UTP legislation by exploring the existing legislations in the different member states and by looking at the linkages between possible UTP legislation and other areas of competition and consumer law.

## *Regulatory initiatives in EU Member States*

However, several of the EU Member States (MS) did not wait for EU-level regulations and started to introduce legislations or launch voluntary initiatives. Interestingly, there was considerable heterogeneity in their approaches. Table 1 summarizes the different country regulations. In Table 1, we rank MS' UTP regulatory frameworks in 2017, right before the lead-up to the introduction of the EU legislation, based on a set of parameters: the type of legislation and enforcement used, the coverage of the legislation (the number of UTPs addressed in the legislation) and whether the Member States also have a voluntary initiative dealing with UTPs.

The different approaches can be classified as follows :

- A. MS such as France and the UK introduced specific legislation and established a dedicated enforcement agency. In France, the most important piece of legislation governing the problem of UTPs is the “*Droit des pratiques restrictives*” which is a part of the commercial code (Renda et al. 2014). It is specifically aimed at dealing with unfair practices in vertical relations.
- B. MS such as Germany did not resort to new legislation but rather stretched their existing competition laws to also apply to vertical business-to-business (B2B) relations and address UTPs. The German *Act Against Unfair Competition*, which at first was only applicable to the relations between companies and their end consumers, was extended to also include the relationships between companies and their suppliers.
- C. MS such as Belgium opted for voluntary initiatives to tackle UTPs. In Belgium a scheme was established in the context of the so-called *Agro Food Chain Consultation*, which brings together representatives of all the different stages in the agricultural value chain, from farmers and input suppliers over processors, to retailers. The Agro Food Chain Consultation

started its operations in 2009 and a Code of Conduct for fair relationships between suppliers and purchasers was signed in the subsequent year (Agro Food Chain Consultation 2010).

D. Other MS, such as Denmark, introduced no specific measures, but decided that the existing competition regulations were sufficient to handle the issues in the agri-food value chains.

The result was a large heterogeneity of UTP regulations and voluntary initiatives at MS level. In the meantime EU-level discussions continued. In 2013, the EU Commission published a *'Green Paper on Unfair Trading Practices in the Business-to-Business Food and Non-Food Supply Chain in Europe'* (COM (2013) 37). The Green Paper concluded that the best way forward was to combine existing national legislation with voluntary initiatives at the EU level. This conclusion was consistent with the findings of the 2014 High Level Forum. These discussions culminated in the establishment of the EU *Supply Chain Initiative (SCI)*, a voluntary code of conduct based on a range of principles of good practice aimed at bringing actors across the food supply chain together to address UTPs. Companies were free to register with the SCI after which they had to follow a set of steps before their registration became official. Dispute resolution mechanisms were also provided: both bilateral and aggregated disputes could be handled.

#### *Growing Pressure and the 2019 EU Regulation*

While the European Commission hoped that the SCI would solve the main problems, several developments changed the political equilibrium towards more regulation. First, in the years after the SCI was introduced, there was an important change in the position of the food industry. They were initially reluctant to support legislations because they wanted to avoid the additional bureaucracy and constraints. However, while there are several large, often multinational, food processing companies in the EU, the vast majority of the EU food

companies are small and medium size enterprises (SMEs). These smaller food companies were themselves often confronted with the market power of the large retailers. Increasingly, the food industry associations started to support farm associations demand for going beyond a voluntary (SCI) approach towards regulations.

Second, in 2015, the debate on UTPs took on a greater urgency, triggered by falling prices for certain agricultural commodities and the Russian import ban on agricultural products (European Commission 2016). These factors increased pressure from farmers to go beyond the SCI to deal with UTPs. In May 2015 Ministers of Agriculture of seven Eastern European Member States (Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia) made a joint statement demanding EU-wide UTP legislation.

Third, there were important developments at the EU institutions.<sup>15</sup> Within the European Commission (EC), the UTP issue had so far been handled by the Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) which had a tradition of relying on competition regulations and avoiding market distorting regulations. Under increasing pressure from farm organizations and Ministers of Agriculture, the Directorate-General for Agriculture and Rural Development (DG AGRI) tried to take on a more active role. DG AGRI, with a much more interventionist history as implementers of the CAP, first created an “*Agricultural Markets Task Force*” (AMTF). The AMTF concluded that voluntary initiatives (the SCI in particular) were insufficient and called for a ‘*framework legislation at the EU level*’, with effective enforcement in the Member States. In 2016, also the European Parliament (EP)<sup>16</sup>, voted with an overwhelming majority (600 to 48) in favor of EU-wide

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<sup>15</sup> The EU institutions are made up of three legislative bodies: the European Parliament, the European Commission (the executive branch) and the Council of the European Union (‘the Council’, made up of Member State ministers). The European Commission proposes legislation, but it has to be approved by both the European Parliament and the Council.

<sup>16</sup> On several occasions the EP has demonstrated a stronger tendency to regulate than the EC (see e.g. the case of the 2013 CAP Reform discussed by various authors in Swinnen (2014)).

legislation on UTPs and the Council called on the EC to undertake an official UTP impact assessment (Council of the European Union 2016).

In 2018, the EC proposed a Directive on UTPs to prohibit four types of UTPs: (i) late payments, (ii) last-minute order cancellations for perishable food products, (iii) unilateral or retroactive changes to contracts and (iv) forcing the supplier to pay for wasted products. Other UTPs would only be prohibited if they were not stipulated in the contract. National authorities would be responsible for enforcement and the administration of sanctions. It also provided for a confidential complaints procedure. The proposed Directive only applied to small- and medium-sized enterprises (SMEs) to protect them against their (usually bigger in size) buyers. As such, it would not apply to larger food processing companies subjected to UTPs by, for example, retail chains.

All interest groups intensively lobbied EU decision-makers (in the EP and the Council). The farm associations and food industry lobbied in favour, countered by vigorous counter-lobbying by the retail sector. The food industry also lobbied to extend the size limitations to also include medium and larger (food) companies.

The EC, the EP and the Council agreed on a UTP Directive in March 2019. The final text included several amendments for more extensive regulations than the EC proposal. Instead of 4, it included a list of 16 UTPs that will be outlawed.<sup>17</sup> Instead of only applying to SMEs, the regulation applies to all agri-food companies (including farmers, processors, retailers, input providers, ...) with a turnover of less than €350 million. The legislation implies that every MS

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<sup>17</sup> Black practices (always outlawed): 1) Payments later than 30 days for perishable agricultural and food products; 2) Payments later than 60 days for other agri-food products; 3) Short-notice cancellations of perishable agri-food products; 4) Unilateral contract changes by the buyer; 5) Payments not related to a specific transaction; 6) Risk of loss and deterioration transferred to the supplier; 7) Refusal of written confirmation of supply agreement by the buyer, despite request of the supplier; 8) Misuse of trade secrets by the buyer; 9) Commercial retaliation by the buyer; 10) Transferring the costs of examining customer complaints to the supplier. Grey practices (outlawed if not in the contract): 11) Return of unsold products; 12) Payment of the supplier for stocking, display and listing; 13) Payment of the supplier for promotion; 14) Payment of the supplier for marketing; 15) Payment of the supplier for advertising; 16) Payment of the supplier for staff of the buyer, fitting out premises.

will have to, at the very least, incorporate and implement the stipulations of the EU directive (within a period of 2 years), but will be free to go above and beyond those rules should it wish to do so.

In terms of enforcement, the Directive ensures that every country will have a dedicated national enforcement authority to handle complaints and, if needed, impose penalties. Every enforcement authority should be able to receive confidential complaints and to launch its own (so-called *ex officio*) investigations. In an attempt to diminish the so-called ‘fear factor’<sup>18</sup>, suppliers who lodge a complaint should be given the possibility of doing so anonymously. They may also choose which enforcement authority to turn to: either where the supplier is located or where the buyer is located. Finally, the Directive also provides a ‘cooperation regime’, under supervision of the European Commission, between the different national enforcement authorities to ensure a continuous exchange of information and best practices.

The final UTP regulation is considerably beyond what the European Commission proposed and evidently much more interventionist than the voluntary SCI that was introduced in 2013. The EU UTP regulation ranks high compared to average MS regulations, as shown in Table 1. It does not only force all MS to introduce specific regulations on UTPs into their national legislation, it also ensures that every MS will have a dedicated national enforcement authority to handle complaints and impose penalties. It allows for receiving confidential complaints and for engaging in own investigations. While the EU regulation seems to be scoring high in terms of coverage, most outlawed UTPs can be classified in two categories: (1) unilateral modification clauses or (2) terms unreasonably imposing or shifting risks. The UTP directive thus ranks close to Hungary and Spain, around 5 in our ranking of MS regulations.

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<sup>18</sup> A particular feature of UTPs and a big argument in favor of specific rules on the issue is the so-called ‘fear factor’, which prevents victims of UTPs to take action out of fear of losing their business altogether. One can imagine that this factor is even more acute in situations of extreme imbalance in market power between buyers and suppliers, as is often the case in the food supply chain.

## 6. Conclusions

Value chains play an important role in the political economy of agricultural and food policies but the past literature has largely ignored these. While the role and extent of global value chains in the economy is growing, value chain coalitions have also played a role in the past in influencing agricultural and food policies. However, traditional models have insufficiently recognized the role of value chain linkages and vertical political coalitions in lobbying and political decision-making.

With the growth of global value chains there is a new interest in analyzing this but the political economy literature on this is only recently emerging. Studies on tariffs in manufacturing show that the integration of sectors and industries if global value chains affects political activities and tends to mitigate trade interventions for those sectors most strongly integrated in global value chains. While agriculture is somewhat less integrated in global value chains, on average, recent studies on agricultural and food tariffs suggest that these results may also apply to agri-food value chains.

A crucial issue in value chain analysis is market power and unequal bargaining between farmers and more concentrated industries. The literature, both theoretically and empirically, shows that the relationship between concentration and market power is complex and that concentration in modern value chains may also contribute to increased efficiency because of reduced search and transaction costs, countervailing power, and its capacity to overcome factor market imperfections through vertical coordination. Most government interventions to reduce market power have concentrated on the use of traditional competition policy.

Recently, the EU has introduced regulations that explicitly target market power abuse in agri-food value chains through its regulations on “*unfair trading practices (UTPs)*”. The demand for value chain regulations in the EU was triggered by several structural changes and

shocks over the past years. Reforms of the CAP in the 1990s and 2000s removed traditional price interventions, opening markets to more price fluctuations. Food price spikes from 2007 onwards caused major price volatility and farmer complaints about asymmetric price transmission in value chains. More recent food price fluctuations and negative implications of the 2015 Russian import ban triggered more lobbying for the UTP negotiations.

Initially farm associations were the main groups demanding such regulatory interventions. Retailers and food processing companies opposed the introduction of legislation and supported voluntary initiatives. After voluntary initiatives were attempted, the food industry (which includes many SMEs) considered the attempts unsuccessful and changed its position to favoring legislation, thus switching from a coalition with retailers to one with farmers. This shifted the balance of power in the negotiations to the pro-UTP legislation side, resulting in the 2019 EU UTP directive.

The EU case study is of wider relevance for trading practices in value chains and how they affect farmers. This is a major concern globally, including in the debate on how global and local modernizing value chains are affecting poor and small farmers in developing countries, and may influence discussions on global regulations.

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**Table 1a. EU and Member States UTP regulations**

R A N K	Country	Legal Treatment	Enforcement			Coverage (%) <sup>c</sup>	Private code	Since <sup>d</sup>
			Authority	Ex Officio <sup>a</sup>	Conf. <sup>b</sup>			
1	Croatia	Specific	Dedicated	Yes	Yes	91	Yes	2017
2	France	Specific	Dedicated	Yes	Yes	73	Yes	2008
3	United Kingdom	Specific	Dedicated	Yes	Yes	73	Yes	2013
4	Hungary	Specific	Dedicated	Yes	Yes	55	No	2009
	<b>EU UTP Directive</b>	<b>Specific</b>	<b>Dedicated</b>	<b>Yes</b>	<b>Yes</b>	<b>36</b>	<b>Yes</b>	<b>2019</b>
5	Spain	Specific	Dedicated	Yes	Yes	27	Yes	2013
6	Romania	Specific	Dedicated	Yes	No	64	No	2009
7	Slovakia	Specific	Dedicated	Yes	No	55	No	2012
8	Portugal	Specific	Dedicated	Yes	No	18	Yes	2010
9	Slovenia	Specific	Competition	Yes	Yes	91	Yes	2011
10	Czech Republic	Specific	Competition	Yes	Yes	64	Yes	2009
11	Lithuania	Specific	Competition	Yes	Yes	55	Yes	2009
12	Latvia	Specific	Competition	Yes	Yes	45	Yes	2008
13	Italy	Specific	Competition	Yes	No	100	No	2012
14	Bulgaria	Specific	Competition	Yes	No	18	Yes	2008
15	Ireland	Specific	Competition	No	No	55	No	2012
16	Germany	Stretched	Competition	Yes	Yes	45	Yes	2004
17	Cyprus	Stretched	Competition	No	Yes	45	No	2008
18	Austria	Stretched	Competition	No	No	55	No	2010
19	Finland	Stretched	Competition	No	No	18	Yes	1993
20	Greece	Stretched	Court	No	No	55	No	1914
21	Belgium	Voluntary	Court	No	No	36	Yes	2010
22	Estonia	Voluntary	Court	No	No	36	Yes	2015
23	The Netherlands	Voluntary	Court	No	No	36	Yes	2013
24	Sweden	None	Court	No	No	0	Yes/No	/
25	Poland	None	Court	No	No	0	Yes/No	/
26	Malta	None	Court	No	No	0	No	/
27	Luxembourg	None	Court	No	No	0	No	/
28	Denmark	None	Court	No	No	0	No	/

<sup>a</sup> Ability to launch own investigations

<sup>b</sup> Ability to receive confidential complaints

<sup>c</sup> Percentage of UTP categories (out of a total of 11) covered by the regulation/initiative

<sup>d</sup> Year of introduction of the regulation/initiative

**Table 1b. EU and Member States UTP regulations – Ranked by year of introduction**

R A N K	Country	Legal Treatment	Enforcement			Coverage (%) <sup>c</sup>	Private code	Since <sup>d</sup>
			Authority	Ex Officio <sup>a</sup>	Conf. <sup>b</sup>			
24	Sweden	None	Court	No	No	0	Yes/No	/
25	Poland	None	Court	No	No	0	Yes/No	/
26	Malta	None	Court	No	No	0	No	/
27	Luxembourg	None	Court	No	No	0	No	/
28	Denmark	None	Court	No	No	0	No	/
20	Greece	Stretched	Court	No	No	55	No	1914
19	Finland	Stretched	Competition	No	No	18	Yes	1993
16	Germany	Stretched	Competition	Yes	Yes	45	Yes	2004
2	France	Specific	Dedicated	Yes	Yes	73	Yes	2008
12	Latvia	Specific	Competition	Yes	Yes	45	Yes	2008
14	Bulgaria	Specific	Competition	Yes	No	18	Yes	2008
17	Cyprus	Stretched	Competition	No	Yes	45	No	2008
4	Hungary	Specific	Dedicated	Yes	Yes	55	No	2009
6	Romania	Specific	Dedicated	Yes	No	64	No	2009
10	Czech Republic	Specific	Competition	Yes	Yes	64	Yes	2009
11	Lithuania	Specific	Competition	Yes	Yes	55	Yes	2009
8	Portugal	Specific	Dedicated	Yes	No	18	Yes	2010
18	Austria	Stretched	Competition	No	No	55	No	2010
21	Belgium	Voluntary	Court	No	No	36	Yes	2010
9	Slovenia	Specific	Competition	Yes	Yes	91	Yes	2011
7	Slovakia	Specific	Dedicated	Yes	No	55	No	2012
13	Italy	Specific	Competition	Yes	No	100	No	2012
15	Ireland	Specific	Competition	No	No	55	No	2012
3	United Kingdom	Specific	Dedicated	Yes	Yes	73	Yes	2013
5	Spain	Specific	Dedicated	Yes	Yes	27	Yes	2013
23	The Netherlands	Voluntary	Court	No	No	36	Yes	2013
22	Estonia	Voluntary	Court	No	No	36	Yes	2015
1	Croatia	Specific	Dedicated	Yes	Yes	91	Yes	2017
	<b>EU UTP Directive</b>	<b>Specific</b>	<b>Dedicated</b>	<b>Yes</b>	<b>Yes</b>	<b>36</b>	<b>Yes</b>	<b>2019</b>

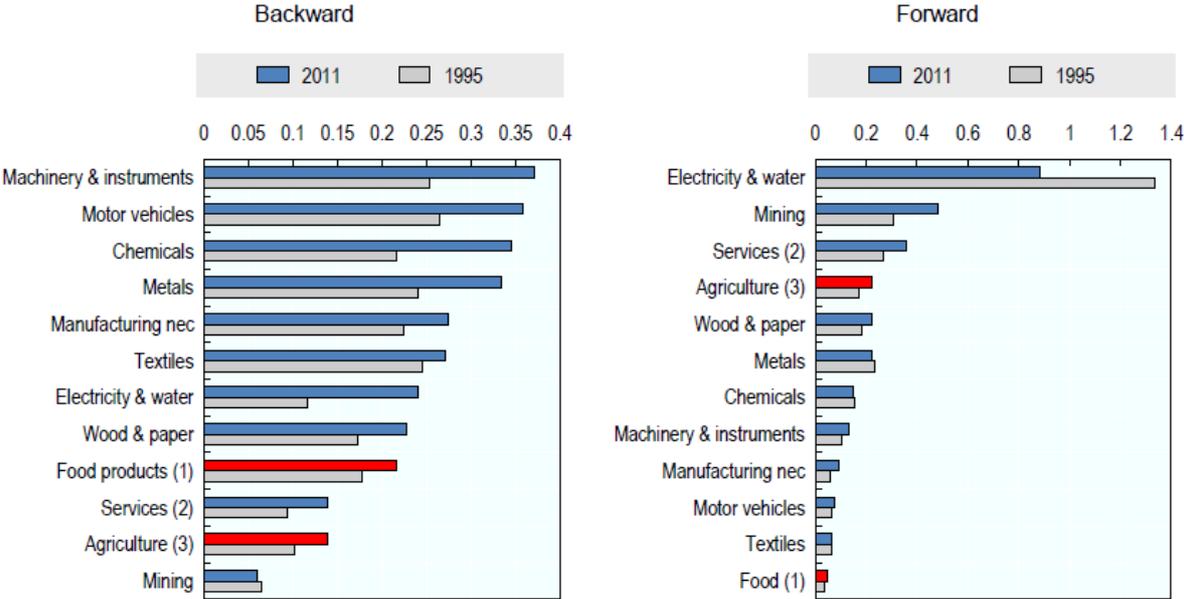
<sup>a</sup> Ability to launch own investigations

<sup>b</sup> Ability to receive confidential complaints

<sup>c</sup> Percentage of UTP categories (out of a total of 11) covered by the regulation/initiative

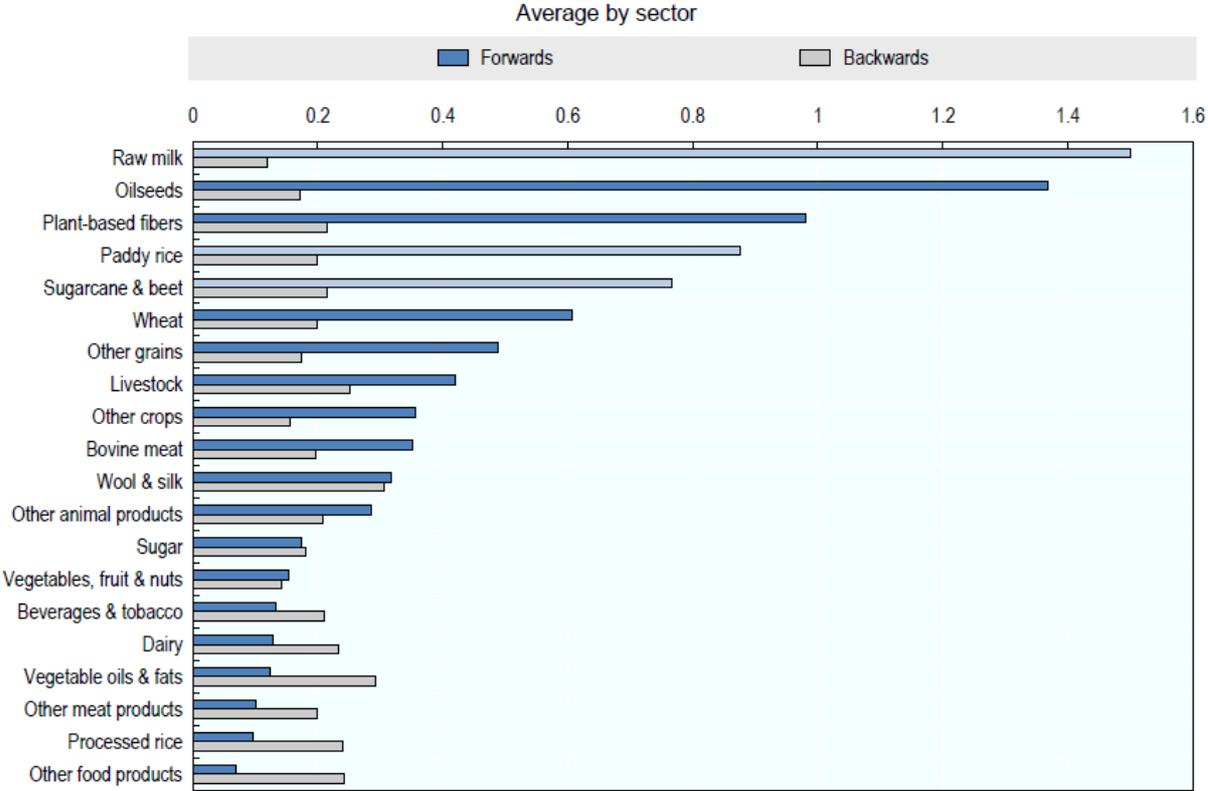
<sup>d</sup> Year of introduction of the regulation/initiative

**Figure 1: GVC participation differs for agro-food sectors compared with others**



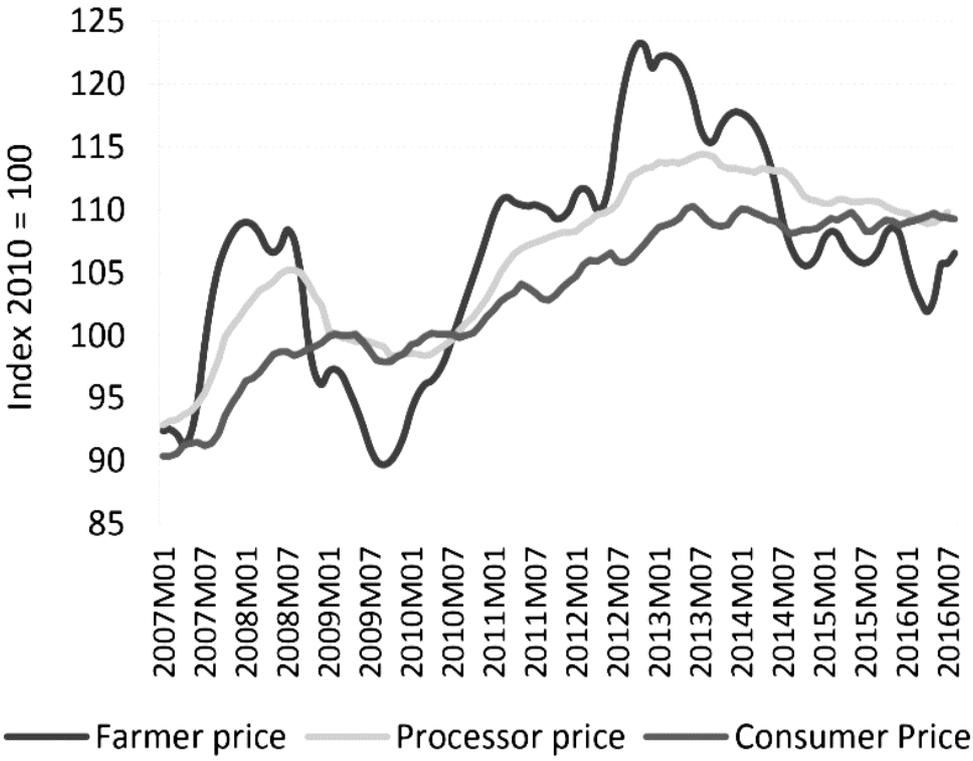
Notes: Food includes food products, beverages and tobacco. 2. Services include construction. 3. Agriculture includes agriculture, hunting, forestry and fisheries.  
 Source: OECD (2015).

**Figure 2: Average forward and backward participation**



Notes: Sectors with lighter shading represent those for which there is very little trade and as such only a few observations available. Given this, forward participation is high and it is not representative of most sectors worldwide.  
 Source: Greenville et al. (2017a)

**Figure 3: Evolution of prices along the supply chain in the EU, 2007-2016 <sup>19</sup>**



Source: European Commission (2016a)

<sup>19</sup> Note: For the EU level the evolution of monthly prices are taken from DG AGRI Bulletin, which stressed that Eurostat monthly indices for EU farmer prices are not available since 2013. Until December 2015, they are estimated based on MS data weighted by their share in the agricultural output. Beyond, indices are estimated based on cereal, sugar, milk and meat monthly prices weighted by annual production. (European Commission, 2016)

