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News | 20.04.2016

Unfair trading practices in food supply chain



Unfair Trading Practices (UTPs) in the food supply chain is a major problem, particularly for farmers, producers and SMEs. In addition, farmers are already currently suffering from chronically low prices and high input costs. Unfair trading practices can come in many forms, from late payments to arbitrary and unilateral changes to contracts to unfair fees which retailers charge their suppliers in order for them to be included on the supplier list ("pay to stay"). Large retailers can enforce unfair contract terms and business practices due to their size and therefore increased bargaining power. The fear factor whereby weaker partners are too afraid to complain and/or feel pressured to accept contract terms which are detrimental to themselves also increases the risk of UTPs. In addition, stronger partners are becoming stronger: there is an increase of horizontal and vertical integration of the food supply chain and this is more cross border than ever. A useful statistic shows that 5 retailers (Carrefour, Aldi, Lidl, Tesco and Metro group) account for 50% of the market in Europe. It's therefore clear that this problem has an EU dimension and this is why the EU should play an important role on this issue! We should also be aware of the fact that UTPs are

not only detrimental to business, they also lead to food wastage and have negative effects on employment, environmental protection, product diversity, food cultural heritage and choice of retail outlets.

The Greens/EFA group's main goal and priorities for UTPs is to ensure that all entities in the food supply chain are protected from them: this requires regulatory action at European level. Given that UTPs have a tendency to be passed down the chain, we must address both direct and indirect supplier-to-supplier contractual relationships, cross border and with third countries: for example, the UK's Groceries Code only covers direct relationships between farmers and the top ten retailers, completely ignoring the role of food manufacturers. We should also be aware of the fact that there are limits to self-regulation. The Commission's voluntary Supply Chain Initiative has been boycotted by farmers' organisations precisely because it lacks adequate enforcement powers. The Greens/EFA group calls for adequate resources to ensure proper enforcement and sanctions. We fought strongly to get into the text of the report a call for an EU framework, which would be crucial in fighting against UTPs, as this is a cross-border issue. If we truly believe that SMEs are the backbone of the EU's economy, then we must take action on UTPs now, as SMEs are the most vulnerable.

Greens/EFA MEP **Igor Šoltes** firmly believes in the need for free and fair competition. However, free and fair competition requires enforcement of effective and relevant legislation at EU level which will protect all entities in the food supply chain, irrespective of geographical location. This would ensure that the food supply chain functions properly and that there is a level playing field for all actors in the internal market. **Igor Šoltes** strongly feels that there needs to be an effective and robust enforcement mechanism at Member states level in order to complement EU level action and address this issue comprehensively.

The Green/EFA group therefore welcomes today's vote in the internal market and consumer protection committee, by which the European Parliament sends a clear demand to the European Commission for an EU legislative framework tackling UTPs.

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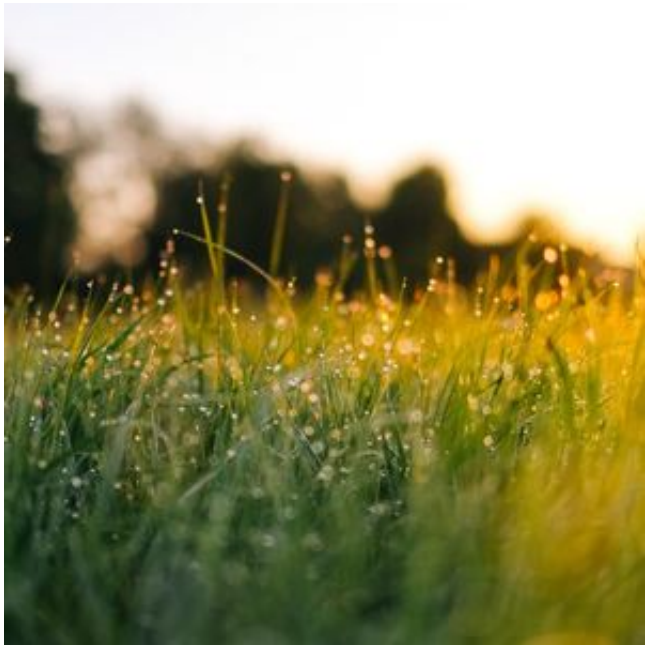
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