UOKiK FOR AGRICULTURE - SPRING 2019

* **UOKiK checked how much food producers, agents and retailers earn on vegetables and fruit.**
* **It turned out that in extreme cases a farmer receives only a dozen or so percent of the price that consumers pay at stores.**
* **In addition, the Office issued a decision that improves the situation of sugar beet growers.**

**[Warsaw, 29 April 2019]** *When doing everyday shopping, many people wonder what determines the price of fruit and vegetables that they see on the price tag. We decided to check who earns the most on these products. The results largely confirm what farmers have been saying for a long time, namely that their income is low compared to the final price. In some cases, it was only a dozen or so percent*, says the president of UOKiK, Marek Niechciał.

What spurred the Office to investigate this issue was [last year’ control of prices of fruit and vegetables, including at agriculture product collection centres and at stores](https://www.uokik.gov.pl/aktualnosci.php?news_id=14713). The inspectors from the Trade Inspection noticed the disproportions between the price that farmers get and the price set by chain stores. At the turn of 2018 and 2019, the Office decided to closely examine this case and verify data on a “step backwards” basis. We checked the prices of a selected product batch at store, and then, based in invoices, we reached agents and ultimately – farmers. We analysed products sold in five chain stores, namely: Auchan, Biedronka, Carrefour, Lidl and Tesco. The examination was performed by the Provincial Trade Inspectorates of the Trade Inspection in Krakow, Warsaw and Poznań. The inspectors checked prices of **onions, potatoes and apples** and holiday rates for **cherries** and **raspberries** applicable at that time.

The results of the analysis are illustrative, and one must bear in mind that only one batch of a specific product was analysed; hence they cannot be applied to the entire market.

*Although* *it was a pilot study, it showed specific cases where a food producer earned a disproportionate income compared to its efforts and the risk involved. That is why I am calling on retail chains to introduce programs that will guarantee Polish farmers fair prices for their products. There are many solutions to choose from, including the placement of a simple sign on products similar to the Fair Trade mar, which means that farmers in far corners of the world* *get fair remuneration for their work*, says Marek Niechciał.

**Detailed results of the study**

The pilot study showed that in most cases there are several agents between farmers and stores, and their activity has a significant impact on the final price of vegetables or fruits sold at chain stores. Let’s take apples as an example: the profit of agents ranged from 10 to 77 percent, and the profit of stores – from 9 to 27 percent. The analyses performed by UOKiK also show that in extreme cases, fruit farmers earned only 14 percent of the final price of apples. This means that if a kilo of the fruit cost PLN 2, farmers earned only 28 groszes, despite the risks they incurred and a great deal of effort they put. The remaining results are presented below:

**Raspberries:** farmers received from 26 to 58 percent of the price ultimately paid by consumers; agents received from 10 to 42 percent, and retail chains from 9 to 27 percent.

**Cherries:** only three chain stores covered by the analysis sold cherries. Their share in the price at which cherries were offered for sale was from 25 to 68 percent. As for farmers, this percentage ranged from 15 to 50 percent, and in the agents’ case – from 17 to 26 percent.

**Onion:** earnings of the producers varied from 19 to 83 percent, while earnings of agents and stores varied from 43 to 52 percent and from 7 to 35 percent, respectively. In addition, in one case, agents sold the product to the store cheaper than they bought them from farmers, and the stores.

**Potatoes:** the share of farmers in the final price ranged from 26 to 68 percent, and agents – from 3 to 53 percent. The stored income ranged from 7 to 36 percent of the prices at which potatoes were offered for sale.

The material collected by UOKiK is for illustrative purposes only, however, our observations may be the starting point for retail chains that are willing to implement solutions promoting Polish food and supporting Polish farmers.

**Decision - Südzucker Polska**

Checking the price chain is not the only action taken by UOKiK on the farm and food market in recent times. **The Office issued a decision regarding** Südzucker Polska. It is one of four sugar producers in Poland. It is established in the south of the country, where other sugar companies do not have their plants. The inspection showed that Südzucker Polska could use its negotiating advantage against sugar beet suppliers, set prices in an unclear manner and require too long payment terms.

As for the price, farmers were familiar with only a part of the rate they received, the so-called guaranteed price. However, they could not examine how the remaining part of the payment they were entitled to was calculated. Südzucker calculated it on the basis of the price obtained by selling sugar at its plants in Europe. This rate was approved by a joint commission consisting of the Südzucker group and German farmers. These arrangements were binding on Polish farmers who had no influence on the price formation and could not verify calculations.

The Office also questioned the payment terms applicable in the company. According to the regulations, they should not exceed 60 days. Südzucker Polska set two deadlines. Farmers who delivered their product by 30 November received payment (based on guaranteed price) by 10 December. This was an unfavourable situation for those farmers who brought beets earlier, e.g. as part of early deliveries in mid-September. Farmers who delivered vegetables after 1 December received the payment after beets were processed into sugar at the turn of January and February. That meant that they might have waited over two months for their money.

During the proceedings Südzucker Polska voluntarily committed itself to change its practices. The Office believes it will help improve the situation of farmers and quickly eliminate unfavourable practices.

*It is very important to strengthen negotiating situation of Polish farmers. Thanks to our decision, they will have the same rights as their German counterparts*, says the president of UOKiK, Marek Niechciał.

During the negotiations of standard contract template, the representatives of Polish farmers will receive documents on issues related to price calculation at a later time. What is also important, they will attend meetings of the joint commission of German farmers and the Südzucker group. This means they will be allowed to verify the company’s price calculations directly and on a current basis.

In addition, the company will significantly shorten the payment deadline; thus, if beets are delivered by the end of a given month, Südzucker Polska will pay the guaranteed price by the 10th day of the following month; if beets are provided after 1 January, payment will be made within 14 days from the end of the sugar campaign, that is approx. in mid-February. This means that farmers will be waiting for their payment from 10 to about 40 days.

**Other actions taken by UOKiK**

*This is not the only action taken by the Office on the agricultural and food market. We also analysed contracts made by fruit processors with farmers. We have already begun calling on entities that may unfairly use their contractual advantage to change their practices. In total, we are planning to issue 13 calls*, says Piotr Adamczewski, head of the UOKiK Branch Office in Bydgoszcz.

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| The cases of contractual advantage are handled by the UOKiK Branch Office in Bydgoszcz. Notifications can be filed anonymously:   * by e-mail at the following address: [przewaga@uokik.gov.pl](mailto:przewaga@uokik.gov.pl), * in writing at the following address**:** The UOKiK Branch Office in Bydgoszcz, Plac Kościeleckich 3, 85-033 Bydgoszcz, * or by phone at the following number: 52 345 56 44. |