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25th of March 2024, Brussels

Subject: The need for legal requirements on production cost coverage for farmers supplying the EU market

Dear Ms. Geslain-Lanéelle, Ms. Bateson, Mr. Santini, and Ms. Galinska,

We are a coalition of civil society organizations writing to you to request a meeting to discuss recent developments on addressing persistently low prices paid to farmers supplying the EU market.

In particular, we are calling for:

1. The introduction of a ban on the purchasing below the costs of production, in the upcoming review of the Unfair Trading Practices Directive
2. The application of such a measure also to non-EU farmers supplying the EU market.

In recent months, lawmakers have been taken aback by the widespread farmer protests across Europe. While farmers face different problems, a common demand emerged: the necessity to address power imbalances in agricultural supply chains which lead to price squeezing and even situations in which farmers are unable to recover the cost of the production of their goods.

The consequences are clear. To give an example, 1 in 5 farming households in France found themselves below the poverty threshold in 2018¹. It is not surprising that between 2005 and 2020 alone, around 5 million farms closed down across the EU, a large majority of which were considered small farms.

This is no different for non-European farmers supplying the EU market. In Côte d'Ivoire and Ghana, which produce most of the EU's cocoa, up to 58% of cocoa farmers live below the World Bank extreme poverty line, and up to 90% do not make a living income.² During the COVID-19 crisis, these

¹ Insee Première n° 1876 (2021), Le niveau de vie des ménages agricoles est plus faible dans les territoires d'élevage. <https://www.insee.fr/fr/statistiques/5434584>

² van Vliet, Jiska; Slingerland, Maja, A.; Waarts, Yuca R.; Giller, Ken E. (2021) A Living Income for Cocoa Producers in Côte d'Ivoire and Ghana? <https://www.frontiersin.org/articles/10.3389/fsufs.2021.732831/full>



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farmers' net income decreased even further by 16% on average. This trend was even more pronounced for women farmers, with a decrease of 21%.³

Member States as well as the European Commission have taken action in the past. Spain adopted its Law on measures to improve the functioning of the food chain (LCA) in 2013. France adopted its Law for balanced trade relations in the agricultural and food sector and healthy, sustainable food accessible to all (the Loi EGAlim), in 2018. A year later, the European Union adopted its Directive on Unfair Trading Practices (UTP) in business-to-business relationships in the agricultural and food supply chain, which also covers suppliers of agricultural products from non-EU countries.

While these legislative acts represent a step forward, for many farmers there remains a large and insurmountable gap between their production costs and current prices paid to farmers.

The farmers' protests have now put the price issue high on the political agenda. The Commission's non-paper '*Position of farmers in the food supply chain: Next steps*' states that an "observatory of production costs, margins and trading practices" will be created. Observatories are indeed a first step toward managing fairer prices in agricultural supply chains. It also reiterates that the UTP directive will be reviewed and new legislation will be considered, if necessary.

Going beyond, French president Emmanuel Macron proposed on February 24th that price floors might be necessary to ensure that producers have the guarantee that, whatever the circumstances, they will be adequately remunerated.

We laud these developments and underline that such measures must include all farmers supplying the EU market, including those based outside of the EU. Otherwise, measures to raise prices for EU farmers will be undercut by cheaper imported goods.

In addition, farmers in the Global South often face even greater challenges than European farmers due to increased power imbalances which lead to more exploitative trade practices, on top of increased vulnerability to the impacts of climate change. In some producer regions that are particularly dependent on the EU market, the combination of persistently low prices and the recent dramatic increase in input costs, accompanied by decades of non-investment in the sector, is driving a collapse in production – as can be seen with West African cocoa supply presently. The impacts will be felt in Europe via increased consumer prices, and in producer regions via societal and economic breakdown at the local level, feeding political instability at the regional level.

³ Oxfam (2023). Towards a Living Income for Cocoa Farmers in Ghana.
<https://oxfambelgie.be/LivingIncomeRapport>



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We therefore call on you to support:

1. The introduction of a ban on the purchasing below the costs of production in the upcoming review of the Unfair Trading Practices Directive, including:
 - a. a complete calculation of costs (including a fair farmers' income), as actually incurred by producers;
 - b. the possibility to file complaints anonymously and through accessible mechanisms; and
 - c. measures to increase transparency on prices and margins of all actors in agricultural supply chains, including traders and retailers;
2. The application of such a measure to both EU and non-EU farmers supplying the EU market.

We therefore hope you can bring up the issue of pricing and the need for a ban on the purchasing below the costs of production in the upcoming AGRIFISH Council of March 26th.

We would like to request a meeting with you to discuss these matters further.

On behalf of the EU NGO coalition on Unfair Trading Practices,

Warm regards,

Jonathan Matthysen

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