



Ministry of Economic Affairs

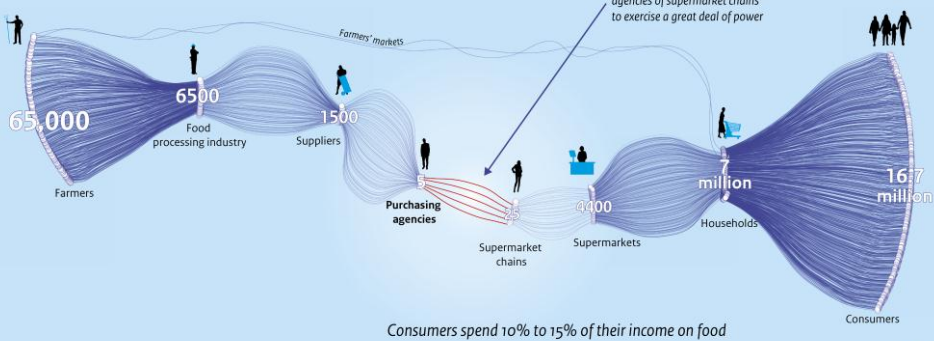
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*Competition
meets
Food Chain Network*

Pitch Jaap van Driel | October 31, 2013



Food Chain in The Netherlands





Food Chain The Netherlands as example

- Between farmer and supermarket, many actors and links operate
- Funnel in the middle
- Complexity of the Food Chain
- Disclaimers:
 - When disaggregated to product or category chains, the supply side on the left side of the picture will vary
 - The market is not national; considerable import streams; two thirds of primary production are exported



Food Chain Trends and Issues

- Feeding nine billion, new scarcity of resources (land, water, P);
→ biotechnology, reduce losses and food waste
- Impact food on health, malnourishment childhood (protein) and obesity (fat, sugar) → need to improve diets (nudging)
- Economic crisis → household budgets, no access to healthy food
- Public → more private regulation (food standards, certification)
- Civil society (ngo's, CSR, 'fair trade') as 3rd regulatory mechanism (next to public regulation and market)
- Consolidation (Food Industry, Food Retail) → Market Power, UTP's
- Price volatility (price transmission, risk-producers and consumers)
- Farmers turning into entrepreneurs
- Role of co-operatives: economies of scale, risk sharing, lower transaction costs, access to resources and markets, innovation; mobilizing countervailing power limited



Unfair trading practices and competition policy

'Competition policy is not to protect competitors, but to protect competition' (Former EU Commissioner competition)

- Alternative approaches to unfair trading practices:
 - additional public regulation
 - private regulation thru code of conduct and conflict resolution
 - no regulation → reputation/CSR
- Example of Youth Food Movement's action in Amsterdam Sep 2012
 - (YFM organized a collective 2% rebate action at a supermarket chain that had urged suppliers to give a 2% rebate on their bills)
 - Pressure thru social media made supermarket chain to withdraw



Sustainability a competition issue?

- Competition rules based on classical definition of consumer welfare
- Sustainability goals (environment, biodiversity, human health, fair trade, animal welfare) can be part of consumer welfare in a broad welfare definition
- Conflict arises under private voluntary action to redress market failure (first mover disadvantage)
- Private regulation may be more effective than public regulation to repair some market failures (e.g. to bring down the use of antibiotics in the animal industry)