

The Consumer Voice in Europe

## A fair food chain for farmers and consumers

BEUC's position on targeted amendments to the Common Market Organisation Regulation



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## Why it matters to consumers

Food prices in the EU have risen dramatically in recent years. While they seem to have stabilised over the course of 2024, they nonetheless remain 40% higher on average than the levels seen in early 2022. As more households across Europe face difficulties in making ends meet, many have turned away from buying less affordable yet more nutritious foods such as fruit and vegetables – thereby exacerbating health and nutrition inequalities.

For farmers to get a fair revenue from the market – the goal of the proposed ‘common market organisation’ regulation amendments, efforts should focus on ensuring a fairer distribution of the value added across the chain – as opposed to just increasing prices upstream. If ill-designed, measures to strengthen farmers’ position in the supply chain could end up benefitting primarily big players with an already strong bargaining power, while bringing little benefit to smaller actors and harming consumers through higher food prices.

## Summary

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In December 2024, the European Commission proposed targeted amendments to the Regulation establishing a common market organisation of agricultural products (CMO) to strengthen farmers’ position in agri-food supply chains.

In contradiction with ‘Better Regulation’ standards, no impact assessment was carried out by the Commission. We are concerned that some of the impacts – notably on consumers and food affordability – may therefore have been overlooked.

While supporting the overall objective and some of the proposed changes – such as the strengthening of rules for contracts and defining terms such as ‘fair’ and ‘short supply chain’ – BEUC has reservations on amendments seeking to weaken the application of competition law in the agriculture sector. We fear that these will primarily benefit big players while potentially harming consumers through higher food prices. Targeted support to small and diversified farms through the CAP – by making a better use of the public’s money – would be preferable in our view, alongside fighting market concentration at the processing and retail level.

## Missing impact assessment

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The Commission **failed to go through the normal processes involved in proposing new legislation**, including carrying out an ex-post evaluation/fitness check of existing legislation, a call for evidence or a public consultation, and performing an impact assessment. It justified ignoring these fundamental steps of Better Regulation based on “urgency”. And yet, none of the factors of “urgency” listed in the Explanatory Memorandum (the Covid-19 Pandemic, the war of aggression against Ukraine and the successive CAP reforms) are recent and therefore this explanation is surprising. A similarly weak justification was provided for the rushed CAP simplification proposal in the spring of 2024, for which the EU Ombudsman opened an inquiry<sup>1</sup> into the Commission’s application of its Better Regulation Guidelines and Toolbox, as well as legal requirements, when preparing legislative proposals that it deems urgent.

**Robust impact assessments should be carried out before any regulatory proposal is made.** BEUC is concerned that in the absence of a proper impact assessment, some impacts of the proposal, notably on consumers, might have been overlooked. This means that we must keep a close eye on how these proposals develop in terms of potential harmful impacts on consumers and it will be crucial that the staff working document to be produced by the Commission within three months after the adoption of the proposal specifically addresses the likely impacts on consumers. Moreover, BEUC would **urge the co-legislators to introduce a review clause** and request that the Commission publishes, within 3 years from the entry into application of these targeted amendments to the CMO regulation, **a report assessing their impact on farmers’ revenue and consumer prices.**

## Contractual relations (Article 168)

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### What the Commission suggests:

Each delivery of agricultural products should be covered by a written contract, subject to certain exceptions/exemptions. Written contracts should include certain elements ensuring transparency and predictability in the calculation of the final price, with a revision clause for contracts over six months to allow a revision of the contract to avoid that farmers are forced to sell systematically below their production costs.

**BEUC supports requiring the use of written contracts** for the delivery of agricultural products. In addition, we would see merit in exploring how data from these contracts could be made accessible in some form to market observatories – at EU and national level – to contribute to increasing transparency on price formation and margins in the food supply chain.

**BEUC also supports the idea of a revision clause** for contracts to facilitate price transmission mechanisms. The **need to cut lags in price transmission should be addressed in general though** – not just when it comes to passing on increased prices at the upstream end to the rest of the supply chain. Falls in production costs should be reflected equally fast in consumer prices, and as such we recommend ensuring all parties can make use of the revision clause.

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<sup>1</sup> <https://www.ombudsman.europa.eu/en/opening-summary/en/192548>

## Sustainability agreements (Article 210a)

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### What the Commission suggests:

Vertical and horizontal cooperation initiatives concerning agricultural and food products, which aim to apply certain social sustainability requirements that are more stringent than the mandatory requirements, should not be subject to the application of Article 101(1) TFEU prohibiting cartels and other anti-competitive agreements.

BEUC supports ensuring a fair standard of living for farmers and good working conditions for workers in the agricultural and processing sectors, yet **we fear the proposed text will do little in this regard while it risks harming consumers.**

Currently, a derogation already exists in CMO 210a for sustainability agreements contributing to environmental objectives, reducing the use of pesticides and antimicrobials, or improving animal health and welfare. BEUC drew attention to the risk of greenwashing cartels while recognising value in such agreements provided they lead to genuine sustainability improvements.

We are concerned, however, that while **these provisions remain largely untested**, the Commission is now extending them to goals including “supporting the economic viability of small farms”, “attracting and supporting young producers” and “improving working and safety conditions in agricultural or processing activities.” BEUC agrees these are very important objectives, yet for the first two (supporting small and young farmers), they should be **primarily supported through the Common Agricultural Policy (CAP)**, and not through a weakening of competition law at the expense of food affordability and consumers – who are already paying for the CAP as taxpayers. As for the latter (improving working conditions), we would support **strengthening minimum requirements in the legislation** as opposed to leaving it to producers’ goodwill, combined with a strict enforcement of social conditionality in the CAP.

The text proposed by the Commission **opens the door to social washing**, with a risk that food companies and retailers that make negligible efforts to tackle social issues faced by farmers and/or workers may pocket disproportionate and unjustified price premiums from the market. In such combined vertical-horizontal agreements, **powerful upstream actors are likely to absorb the biggest share of the price premium paid by consumers** while only a minimal share will reach the farmers supposedly meant to benefit. If increased cost-of-living and consumers turning to less expensive products are the reason behind farmers’ struggles, as the proposal’s Explanatory Memorandum suggests, any measure that risks further inflating food prices while bringing no guarantee that consumers’ money will reach farmers can hardly be seen as a good option.

For this reason, we **recommend against expanding the scope of CMO 210a.**

## Optional terms such as “fair”, “equitable” and “short supply chain” (Article 88a)

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### What the Commission suggests:

Optional terms like “fair,” “equitable,” and “short supply chains,” which are used to describe the organisation of the supply chain when marketing agricultural products, should only be used under certain conditions defined in the text. The Commission may elaborate further on these conditions via implementing acts.

In principle, BEUC supports defining commercial terms like “fair,” “equitable,” and “short supply chains.” In the absence of clearly defined rules, some producers can take advantage of consumers’ interest in social sustainability to advertise their products with statements which are vague, unreliable, and/or are based on opaque or confusing criteria.

**Careful consideration should be paid to consumer understanding** and expectations if the intention is to boost trust in these terms. In particular, “short supply chain” and “direct sale” are not equivalent terms despite some overlap, yet the proposed definition of “short supply chain” might create confusion in this respect.

## Role of POs and APOs (Article 152)

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### What the Commission suggests:

It should be permitted for non-recognised producer organisations (POs), including cooperatives, to negotiate contract terms on behalf of their members for some or all of their production. Likewise, recognised associations of producer organisations (APOs) should be able to negotiate contract terms on behalf of their recognised producer organisations members provided the volume of products covered does not exceed 33% of the total national production of any given Member State.

BEUC is concerned that the impact of the proposed changes, notably in terms of the risk of higher prices for consumers, is unclear – **as no impact assessment was carried out.**

The idea of strengthening the bargaining power of farmers through POs and APOs is positive, yet maintaining effective competition on the market is necessary to guarantee fair prices for consumers.

We fear that at the end of the day, a restriction of competition might benefit primarily big players. Notably, **cooperatives should not be equated with POs** and as such should be excluded from the scope of this amendment.

## The way forward

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Rather than further loosening competition rules in the agriculture sector, strengthening farmers’ position in the supply chain requires ensuring they have timely and easy access to **information about market developments.** The asymmetry and lack of transparency in information between farmers and their counterparts downstream in the food supply chain puts farmers at a

disadvantage in the market and erodes trust. BEUC, therefore, supports **increasing market transparency – including at the consumer level** – and we look to the **EU Agri-Food Observatory** on costs, margins and prices to shed some light on price formation and transmission in the food value chain.

In parallel, targeted support should be provided through the CAP to farmers most in need, such as small and mixed farms – as recommended by the Strategic Dialogue on the future of EU Agriculture – alongside **fighting market concentration** at the processing and retail level. Consolidation is taking place throughout the food supply chain and competition authorities need to make sure this process does not happen at the expense of farmers and/or consumers.

Finally, **aligning imports on EU production standards** would also contribute to strengthening EU farmers' position in the value chain by ensuring that third country producers applying lower standards (e.g. on animal welfare) cannot undercut them in the market.

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