7 May 2008: Organisation of fruit and vegetable processing industry

Published on May 07, 2008

The Conseil de la concurrence
encourages fruit and vegetable producers to organise themselves in order to strengthen their market power against distributors and reduce the offer's uncertain nature, on condition that they keep a real autonomy in their pricing policy

>Version française

On behalf of the Government, the Minister for agriculture sought the opinion of the Conseil concerning a new economic organisation of the fruit and vegetable processing industry. The government is willing to know what the possibilities are for producers organisations associations (AOP) regarding competition rules , notably as regards price and volume regulation.

Fruit and vegetable processing : a sector benefiting from special competition rules

The sector of fruit and vegetable is governed by a common market organisation (OCM), which offers important dispensations as regard competition common law, notably enabling a coordination between producers who remain independent. The OCM allows them to strengthen their position on the market as part of producers' organisations or associations, against a highly concentrated demand since mass distribution concentrates 74% of fruit and vegetable retail turnover.

A new organisation scheme based on AOP

The Minister for Agriculture and Fishing is willing to adapt the industry national organisation scheme in order to strengthen the producers' position on the

market. The envisaged system provides for two types of AOP : marketing AOP would concentrate offer and governing AOP would strengthen the piloting of actions by product (promotion campaign, products maturity date, volume estimates, etc.)

If marketing AOP, in their role to play major producers organisations put in common the sale and allowing producers to strengthen their negotiation power against distributors, seem to meet efficiently the sector's economic specificities, as long as they do not reach a dominant position, several issues are at stake as regards AOP's governance missions.

If governance AOP may take measures to limit the offer's uncertain nature , they have to refrain from intervening in price fixing

The common market organisation certainly authorises information exchanges on volumes and prices in order to limit the offer's uncertain nature due to the sector's specificities (production highly dependent on weather conditions, absence of stock duet to the perishable nature of goods). On the contrary the Conseil could not authorize practices consisting in directly handling prices, which would be anticompetitive. Several representative of the interviewed professionals thus admitted that such a measure would prove inefficient.

Other solutions –less restrictive of competition- seem to be more appropriate in order to reduce the offer's uncertain nature and its impact on producers' revenues. The formalization by contract of relations between producers and distributors and the insurance-revenue mechanisms, for instance, would be likely to meet the agricultural activity's uncertainty.