

Opinion of the Economic and Social Committee on the 'Role of middlemen — from production to consumption — in the setting of food prices'

(98/C 95/10)

On 20 March 1997 the Economic and Social Committee, acting under the third paragraph of Rule 23 of its rules of procedure, decided to draw up an opinion on the 'Role of middlemen — from production to consumption — in the setting of food prices'.

The Section for Agriculture and Fisheries, which was responsible for preparing the Committee's work on the subject, adopted its opinion on 4 December 1997. The rapporteur was Mr Kienle.

At its 351st plenary session (meeting of 28 January 1998) the Economic and Social Committee adopted the following opinion by 75 votes to one with three abstentions.

## 1. Introduction

1.1. The share of individual market participants in the final price of goods, and the question of trade margins, have always been the subject of lively debate. The discussion is often conducted with particular passion in the food sector. For example, in its Opinion on the 1997/1998 farm price proposals the Economic and Social Committee called for the effects on both farmers' incomes and consumer prices to be investigated. The opinion sets out to help make a complex market process comprehensible, to dispel unfounded prejudices, to highlight distortions, but above all to promote a constructive dialogue between producers, processors, trade and consumers.

1.1.1. Over the last few years agricultural producer prices in the EU have tended to put downward pressure on food prices. The proportion of consumer spending on food relating to agricultural producer prices has declined markedly. At the same time the proportion of spending relating to the selling, transport, processing and packing of foodstuffs has risen. The final consumer has benefited from productivity gains at the producer stage and tough competition in selling. This is graphically illustrated by the fact that in no EU Member State does the average four-person household spend more than 20 % of its income on food. Moreover, the work involved for consumers in preparing meals has been significantly reduced (convenience). The products thus have a higher service content.

1.2. Agriculture has traditionally been dominated by small production units which on their own have little or no influence on the pricing of their products. But prices determine revenue and thus farmers' incomes.

1.2.1. Because of the complexity of the subject the opinion concentrates on fresh farm products, particularly fruit and vegetables. A study of trade margins is particularly revealing in the case of fresh fruit and vegetables, as the market for these products is undergoing

radical change and is subject to sharp demand and price fluctuations. This is less true of processed fruit and vegetable products (juices, preserves, deep-frozen products), and so these products will not be discussed in detail here.

1.2.2. Opportunities for stabilizing prices via market regulations are limited in the case of perishable products. Indeed the proportion of EAGGF expenditure going on the common market organization for fruit and vegetables (cf. ESC opinion of 19 March 1996) is, at 5 %, much lower than these products' share of total final agricultural production (ca. 16 %). And with the implementation of the reform of the common market organization for fruit and vegetables the intervention instrument, which applies only to some types of fruit and vegetables, will diminish further in importance.

1.2.3. Fresh products like fruit and vegetables are generally ready for consumption and require no further processing. Producers and many consumers do not therefore understand why there should be such a large difference between producer and consumer prices.

1.3. Agriculture competes with other sectors of the economy for consumers' purchasing power. High margins thus weaken the sector's competitive position. Where trade margins contain fixed components, fluctuations in supply and demand weigh more heavily on the producer price than on the consumer price. In other words, the producer's price risk increases.

1.4. In the case of fresh products like fruit and vegetables short-term changes in trade margins are of great importance. If a supply-induced fall in producer prices is not matched by a reduction in consumer prices, the necessary stimulation of consumption will not occur, and surplus production will remain unharvested or will have to be destroyed. A serious problem of this kind occurred in the first half of 1997. EU apple stocks could not be cleared sufficiently quickly, as drastic price reductions at producer level were not passed on, or not sufficiently, to the consumer by the retail trade.

1.4.1. If sharp rises in producer prices resulting from supply shortages are cushioned at consumer price level by reduced trade margins, the market balance will also be upset. Goods will sell out and some consumers will go home empty-handed. If prices are deprived of their role as a market balancing mechanism in times of shortage, other distribution mechanisms (e.g. personal contacts, market power) will come into play.

1.5. Distributors have a considerable influence not only on price formation but also on the composition of supply. Concentration in European food retailing and in purchasing by firms accentuates the danger of distribution becoming a 'filter'. Anyone who is not an accredited supplier to the leading food retailers will have to be content with a small niche market. For many producers supplying the major food retailers is a matter of survival.

## 2. The functions of distribution

2.1. Distributors play a major part in ensuring that the economy is supplied as efficiently as possible. A distinction is usually made between the following functions:

- geographical function (e.g. bringing together trading partners, transport of goods);
- timing function (e.g. bridging the timing gap between production and consumption);
- quantity function (e.g. combining or dividing up quantities of goods);
- quality function (e.g. sorting, blending, establishment of product ranges);
- advertising and publicity function (e.g. advertising the product).

2.1.1. The geographical function often includes the transport of goods. In the fruit and vegetables sector many specialized wholesalers have concentrated on bridging geographical distance, including transport, in producer areas (distribution). The free and unfettered movement of goods is therefore of great importance to the Community market in fruit and vegetables. In order to balance supply and demand in terms of timing distributors maintain warehouses. In the case of fruit and vegetables storage time is usually limited; in extreme cases (asparagus, soft fruits) it is only a few days. Consignments of various products have to be assembled or divided up, depending on the requirements of the next link in the distribution chain. Assembling suitable ranges of products is an important geographical function of wholesale distribution. At consumer level this function is performed by the food retailers.

2.1.2. Reparcelling goods may also involve combining small quantities. This quantity function usually also

involves a quality function. In European food retailing there is a rising demand for larger consignments and homogeneous quality. As individual producers are usually unable to offer sufficiently large quantities, supply of comparable quality from several producers has to be combined, usually on the basis of measurable quality characteristics. Packing thus has quantitative as well as qualitative aspects.

2.1.3. The communication function of distributors is often referred to, i.e. the mediation of market knowledge between producers and the demand side. If market signals are lost in the 'filter' of the distributive trades, it becomes more difficult to balance supply and demand, resulting in misallocation and economic waste.

2.2. The distribution functions need not be carried out by wholesalers or retailers. Many of the above tasks are also carried out by producer associations, and in some cases by individual producers. In the long term, services will be provided by the market participant who can offer them at the lowest price. Government regulation (e.g. tax laws, EU common market organizations) have a major influence on these costs.

## 3. The development of sales outlets for fresh fruit and vegetables

### 3.1. Retail level

3.1.1. The dominant trend in food retailing in the EU is one of concentration. Thus between 1970 and 1990 the number of food retailing outlets in the Community of twelve fell by more than a quarter to 490 000. In 1995 there were 540 000 food retailing outlets registered in the Community of fifteen. This figure is forecast to fall to 400 000 by 2005. Aggregate turnover has however risen steadily. In some areas of the Community this process of concentration is assuming threatening dimensions. Thus, the British government has complained that some rural areas — and also some inner city areas — have become 'food deserts', where suppliers of fresh food are not everywhere guaranteed to all sections of the community.

3.1.2. Within the EU there is a clear north-south divide. Whilst in 1995 the five biggest Scandinavian retailers accounted for well over 70 % of the sector's overall turnover, the corresponding figures for Italy and Greece were around a third, or less. In Central and Western Europe the proportion varies between 50 and 70 %.

3.1.3. The process of concentration can also be observed within firms. Whilst firms' purchasing of dry foodstuffs has for some time been centralized nationally, purchasing of fresh fruit and vegetables was until

recently done mainly on a regional basis. This too is increasingly done nationally. In many cases only supplementary purchases to cover short-term needs are still handled regionally. The number of decision-makers has thus been considerably reduced.

3.1.4. The trends observed in European food retailing as a whole generally also apply to fresh products like fruit and vegetables. In Germany in 1994, the five leading distributors accounted for 72 % of household consumption of fresh vegetables. In 1996, according to data from the household panel of the society for consumption and market and sales research (GfK) 80 % of fruit and vegetables for home consumption were bought at supermarkets, hypermarkets or discount stores. The corresponding figure for the Netherlands is 63 %, France 56 % and Spain 35 %. In 1995 in Northern Italy, supermarkets and discount stores accounted for 55 % of sales; the corresponding figure for Southern Italy was only 20 %. The big food retailers' share of sales of fruit and vegetables for home consumption has increased in all the Member States: in France it increased from 41 % to 56 % between 1987 and 1995; in the Netherlands from 50 % to 63 % between 1990 and 1995; and in Spain from 22 % to 35 % between 1989 and 1995. This is clear from the results of the various European household panels.

3.1.5. Traditional smaller retailers and specialist shops have lost ground throughout Europe, as have weekly markets in some countries. In Italy and Spain specialist shops and small food retailers still account for more than 30 % of sales of fresh fruit and vegetables. In the Benelux countries and the United Kingdom too, specialist greengrocers still play a major part in the retailing of fruit and vegetables, with a market share well in excess of 10 %. In Germany the small greengrocer's shop has virtually disappeared.

3.1.6. In Germany weekly markets are still an important sales outlet, with between 12 and 15 % of sales. In Germany markets have maintained their share of sales over the last decade. In France weekly markets' share of sales fell from 24,6 % in 1988 to 21,7 % in 1995. But here too there is recent evidence of stabilization. In Southern Europe markets account for about 25 % of sales.

3.1.7. In recent years consumers have shown greater interest in direct purchasing from the producer (from field or farm, or in some cases from farm shops). Direct purchasing may account for a significant proportion of sales of some products such as strawberries and asparagus. Direct sales probably account for between 2 and 7 % of the total; in Austria the proportion is even higher. The proportion of direct sales of organic fruit and vegetables, for which demand is growing, is traditionally very high; half of production is probably sold direct to the consumer.

3.1.8. There are many reasons for increasing concentration in food retailing and the growing share of supermarkets, hypermarkets and discounters in sales of fruit and vegetables. The advantageous conditions offered by these retailers are often quoted as a reason

for this continuing trend. Another important reason for the rise of large-scale retailing is the tendency to shop for fresh products less frequently. Job and other commitments mean that many consumers are no longer willing to shop for fresh products daily, in addition to the weekly or twice weekly trip to the supermarket.

3.1.9. Interestingly, consumer polls paint a different picture of purchasing habits. In general, consumers considerably overestimate the importance of weekly markets. A high proportion of consumers claim that they prefer to do their food shopping at the market. Other food outlets are regarded far less favourably. But the preferences expressed are clearly not reflected in actual shopping behaviour. Most consumers are unwilling to invest the necessary time in doing their shopping at the market. This is clear from studies carried out in France (Ctifl, 1996) and Germany (CMA, 1997).

3.1.10. The advantages ascribed to supermarkets and hypermarkets are, unsurprisingly, the time saving (ability to combine food shopping with other purchases), the ability to select one's own purchases, and lower prices. The wide selection of fresh fruit and vegetables on offer is seen as a particular advantage of hypermarkets. Weekly markets, on the other hand, are praised for their better quality, fresh goods, wide choice, reliability and human contact. The consumer claims to prefer the weekly market, but actually, for the sake of convenience, goes to the supermarket or discount store.

3.1.11. The above findings apply exclusively to home consumption. Non-domestic (large-scale) consumption accounts for a smaller proportion of sales of fresh fruit and vegetables than of other foodstuffs, although this market segment is growing rapidly in importance.

### 3.2. *The early links in the distribution chain*

3.2.1. The changes in food retailing are a main cause of adjustments in the upstream activities. There has also been enormous structural change in the wholesaling of fruit and vegetables. Suppliers to the major retailers must be able to offer larger quantities. Many medium-sized fruit and vegetable wholesalers have lost traditional customers — the regional purchasing centres — mainly as a result of the centralization of purchasing by firms. Also, many large European retailers attempt to buy as directly as possible from the producer. Wholesalers will in future be needed only as suppliers of logistic services or as an emergency source of supply. The smaller wholesalers specialize in supplying either major consumers (restaurants, canteens) or the ever shrinking specialized retailer and weekly market sector.

3.2.2. Wholesale markets have lost ground in recent years. The big chains are hardly represented there any more as permanent customers. In Great Britain the wholesale market is even used by chains to dispose of surpluses. This accentuates price fluctuations on the wholesale markets. In Germany only about 30 % of fresh fruit and vegetables by volume passes through the wholesale markets. In France, and particularly in the Southern European countries, the percentage is markedly higher. In 1996, according to Mercasa data, wholesale markets in Spain accounted for 60 % of national fruit and vegetable sales.

3.2.3. Within the European Union there are differences in the distribution of trade functions. Thus, in southern Europe channels of distribution are often very long and complex; in Great Britain on the other hand they are very short. In all countries the trend is towards shorter channels of distribution. Operators not providing any real service are eliminated from the sales chain. Unnecessary activities, such as the repacking of goods, are avoided as producers or producer associations supply the goods in the desired packaging.

3.2.4. The structure of producer organizations and associations has also changed. The size and average turnover of producer associations has increased. This concentration process is not however to be compared with that in the retail trade. The Netherlands' association of producer organizations (Verenigde Tuinbouwveilingen Nederland — VTN) is to some extent an exception (1996). The main function of producer organizations is to combine supply into sufficiently large lots. The retail trade often wants quantities sufficient for nationwide sales. Most producer organizations cannot achieve this scale however.

3.2.5. There also are producer organizations which are not in direct contact with the major retailers. The retailers are then supplied by specialized wholesalers, who sometimes supply the same customers. In this way the real objective of combining supply is only partly achieved.

3.2.6. The strengthening of producer organizations has for some time been a main objective of the common market organization for fruit and vegetables. By making resources available to the operating funds the EAGGF also supports efforts by recognized producer organizations to supply the retail trade directly. The proportion of production marketed by producer organizations has so far increased only in some countries. In Great Britain, the Netherlands, Denmark and Belgium it has actually fallen. In Germany the proportion has probably remained stable. Only in Denmark, the Netherlands and Belgium does the producer organizations' share of fruit and vegetable sales exceed 50 %. According to the Commission report on the situation of agriculture in the European Union in 1995, the marketing

share is particularly low with respect to vegetables, usually below 20 %.

3.2.7. The distributive trades are in some cases critical of the financial support which the new market organization provides for producer organizations. The fear is that these subsidies could enable producer organizations to offer services more cheaply than the distributive trades.

#### 4. The influence of distributors on the supply of fruit and vegetables

##### 4.1. *The product range*

4.1.1. All participants in the marketing chain — producer, distributor and consumer — influence the composition of supply. The influence of distributors is often viewed more critically than that of the other participants. Consumers accuse distributors of favouring certain products which are not what the consumer wants. A classic example of this was Dutch tomatoes sold on the German market in the 1980s, where the wholesalers' preferences in terms of origin clearly differed from those of consumers. This also showed however that in the long run clear consumer preferences cannot be ignored.

4.1.2. The dangers of consumers' wishes being ignored over an extended period is much greater if there is only a limited number of alternative sales outlets. This affects countries with a high level of concentration in food retailing, where purchasing by firms is mainly centralized and where specialized retailers, markets and small independent shops have a negligible market share.

4.1.3. There are many examples of the influence of retailing on trends in the consumption of individual types of fruit and vegetables. Discount stores carry only a very limited range of fresh products. The rise in German consumption of bananas after 1983 and radishes towards the end of the 1980s can for example be attributed to the adoption of these products into the discount stores' range. In Great Britain the English Mushroom Board ascribes the rise in consumption of fresh mushrooms to the pricing and advertising strategy of the major retailing multiples. On the other hand, consumption of products which are difficult to sell in supermarkets (e.g. cherries, soft fruits) is stagnating.

4.1.4. Increasingly national purchasing by food retailers also threatens the survival of regional product ranges. If the production of a particular area is not enough to supply a national purchasing programme, the product will be obtained from another, distant producer area.

4.1.5. Firms wishing to become accredited suppliers to the retail trade must sometimes invest heavily.

Moreover, fees of various kinds are often levied in the form of discounts or contributions to advertising costs. These practices are more pronounced in Germany than in other Member States; there is also evidence that they occur in France. In Britain on the other hand, rigorous quality and hygiene requirements and conditions, set by retailers and varying from firm to firm have to be met before a supplier is accepted.

4.1.6. As it is the declared objective of the retailing majors to have only a few suppliers, producers are obliged to work with accredited suppliers. Such suppliers may be producer organizations, wholesalers or even major individual producers. The latter case is common in Great Britain.

4.1.7. On the subject of quality: the taste of many types of fruit and vegetable is satisfactory only if they are harvested when ripe. Most consumers do not recognize this quality characteristic. Ripe products have to be handled carefully and sold rapidly. This means higher logistical costs for producers and distributors. Unless such goods command a higher price there is no incentive to offer them for sale. The dilemma is clear: consumers are willing to pay more only if better quality is guaranteed; and suppliers are willing to supply the desired quality only if they are properly rewarded. Italian peach producers drew attention to this dilemma. The same applies to consumers' wish for environment-friendly production.

4.1.8. In the case of other foodstuffs this situation has led to the development of labels. And labels are gaining in importance in relation to fruit and vegetables too. In Great Britain in particular fresh fruit and vegetables are often sold labelled, with detailed production guidelines. Over the last two years almost all Germany's major food retailers have introduced their own labels. Producers view this development with mixed feelings, as these labels compete with efforts by individual producers or producers' associations to differentiate their own products. Government can help here by introducing quality guarantee certificates.

4.1.9. But recently British supermarkets seem to have changed their thinking and no longer to be insisting on the anonymity of products. On the contrary, the aim is now to improve the image of the product by revealing the name of the producer. 'Very few producers would put their name on a bad product', said a representative of one chain which sells onions from named producers. Market research from other countries points in the same direction. In 1996 59 % of consumers interviewed said that they would have bought more fresh fruit and vegetables if they had known the name of the producer. In 1989 this was true of only 46 % of respondents.

## 4.2. Pricing

4.2.1. This study cannot carry out a comprehensive survey of trade margins for fresh fruit and vegetables in the individual EU Member States. The following data are largely based on studies carried out in France, Germany and Great Britain. The comments refer to the total margin (the difference between producer and consumer prices), as in most cases it is not possible to break this down into wholesale and retail margins. It may be assumed however that the retail margin is by far the more significant component. (For example, in Germany the wholesale margin accounts for only 20 % of the total margin; in France the corresponding figure for vegetables is between 20 and 35 %). The margin is calculated as a mark-up in both percentage and absolute terms.

4.2.2. The different sources and variable quality of the data make it very difficult to draw a comparison between the various EU Member States. Systematic differences can, however, be detected. It can thus be assumed that in countries where discount stores have a large market share (e.g. Germany) margins tend to be lower.

4.2.3. In general terms, it can be said that margins rise with the intensity of product handling and with the degree of attention to quality (e.g. the major retailing multiples in Great Britain, which are often regarded as exemplary in this respect).

4.2.4. For high-value products (asparagus, strawberries etc.) relatively low percentage mark-ups of 50 to 70 % are the rule. In absolute terms, however, the mark-up is greater than for lower-value goods. These products usually have a short shelf life. This entails high distribution costs.

4.2.5. Margins on low-value products (apples, cabbages etc.) are often well above 100 %, and in the case of particularly cheap products (carrots, onions etc.) well above 200 %. The absolute margins are however lower than on higher-value products. This group of products usually has a relatively long shelf life.

4.2.6. This means that the producer's share of the consumer price is high in the case of high-value products (e.g. 60 % for asparagus in Germany) and low in the case of low-value products (just 20 % for white cabbage in Germany).

4.2.7. Margins on the same product may vary from one Member State to another where the popularity of the product varies greatly. Thus the total margin on chicory is lower in France than in Germany, as sales of chicory in France are at least ten times those in Germany.

4.2.8. Over the longer term the producer's share of the consumer price has fallen markedly. Whilst at the beginning of the 1950s the producer's share of the consumer price of white cabbage was still above 50 %, by the 1970s it had fallen to 33 %. It has since fallen further to 18 %.

4.2.9. Short-term margin trends are particularly significant for fresh products with large price fluctuations.

4.2.10. For some products the price of which fluctuates greatly, e.g. cauliflower and asparagus, there is a close correlation between producer and consumer prices. Other products do not exhibit this relationship however.

4.2.11. Unfavourable weather conditions or natural disasters may cause prices to rise to such an extent that the absolute trade margin actually has to be reduced. This occurred in the case of leeks during the cold snap in Northern Europe at Christmas 1996.

4.2.12. On the other hand, the state of stocks may cause a significant widening of trade margins. European stocks of apples were unexpectedly high in January 1997. Attempts were therefore made to boost sales by cutting producer prices. This merely resulted in a price war, however, and did nothing to boost demand. Although local producer prices had fallen sharply since the middle of January, retail prices did not move.

4.2.13. In the case of products, like apples, which are relatively resistant to consumer price changes, consumer demand cannot thus in the short term react to changed supply conditions. The result is increased price pressure upstream, and higher margins, and thus profits, for the retailers. The retail trade's resistance to price cuts and the pressure exerted by it on producers have increased in recent years and are likely to increase further.

4.2.14. It appears that frequent fluctuations in the price of fruit and vegetables at auction are becoming an increasing irritant to the buyers of the major retailers. Large retailers are therefore tending to enter into longer-term price agreements. In some cases they insist on seasonal average prices, based on production costs plus a 'normal' mark-up ('cost price plus').

#### 4.3. *The demands of food retailers in setting prices*

4.3.1. Leading retailers demand ever greater price stability and certainty from their suppliers. Auction systems are subject to critical scrutiny, and weekly or longer-term price agreements, or even seasonal average prices, are gaining in importance.

4.3.2. The degree of price fluctuation at auctions differs, depending on whether the product can be stored to some extent or is highly perishable. In the case of perishable products price fluctuations usually result from changing availability, whilst in the case of more durable products speculation plays a greater part.

4.3.3. In general terms, auctions require greater flexibility of the retail trade. It is difficult to enter into long-term fixed price agreements for products, the availability of which varies greatly.

4.3.4. Firm price agreements with supermarket chains lead to reduced market transparency, as individual customers are granted different prices and conditions on the basis of their market strength.

4.3.5. It may be assumed that the distributive trades are normally better informed of the market situation than producers and their associations. Market information (harvest forecasts, stocks, demand trends etc.) is thus very important to producers in enabling them to conduct successful sales negotiations. The organization and financing of market information systems for producers differ greatly from one Member State to another. Thus, in France information of this kind is collated and disseminated by a department of the agriculture ministry. In Germany producers have to finance the system themselves. In some Member States there are no market intelligence organizations.

#### 5. Outlook and conclusions

5.1. The Committee, like the Commission in its Green Paper on Commerce, realistically believes that an irreversible concentration is taking place in European food retailing. It is to be expected that European food retailing will become even more concentrated and that price agreements will become still more prevalent. Supermarkets, hypermarkets and discount stores will continue to increase their share of sales of fresh fruit and vegetables in all European countries, although the pace of change will differ from one Member State to another.

5.2. The Committee considers that policy measures are needed to contain the process of concentration in the retail trade within reasonable bounds. The producers' position vis-à-vis the major retailing organizations must also be further strengthened, for example by helping them to help themselves. Only in this way can manifest market failure and socially undesirable developments and abuses, such as extremely long payment deadlines or 'listing fees', be prevented, and can it be ensured that all kinds of retail outlet continue to offer consumers a broad range of fruit and vegetables.

5.3. The Committee is concerned that major retailers are not adjusting the prices of perishable products like fruit and vegetables, or not adjusting them quickly

enough, to changing supply and demand conditions. This may result in unsaleable stock or severe loss of income for producers.

5.4. The Committee points out that there is a danger that increasing concentration of purchasing within the leading distributive organizations will diminish the range of fruit and vegetables available and lead to regional specialities disappearing from shelves, to the detriment of local producers and consumers. This would give a further impetus to the standardization of products on the basis of their external appearance, and shelf life, at the expense of their organoleptic qualities. Specialist outlets and weekly markets can be expected to offer regional ranges increasingly alongside their international products, but the sale of regional products should not be restricted to these outlets. It is unacceptable that products should be withheld from the consumer because quantities sufficient for a national programme cannot be assembled or because of 'listing fees'.

5.5. The EU market organizations have for some time, rightly in the Committee's view, required national origin to be clearly indicated; this requirement should be retained without qualification. Information should also be provided on the time of harvesting. It is however not certain that these rules are being properly enforced by means of checks and sanctions. The fact that this desirable labelling is not required for many other foodstuffs may play a part here. The Commission's initiatives on protected labels of origin and geographical denominations are to be welcomed. However, it is striking that these programmes have been slow to get off the ground and that labels of origin and local denominations are insufficiently well known. In some Member States these Community protection systems have so far been a failure.

5.6. The Committee is concerned that there could be a loss of market transparency, particularly in the case of fresh products like fruit and vegetables. This would weaken the position of producers. In this field the Commission has so far undertaken only to collect

information needed for the management of the market. The possibility of making market information available to market participants should also be looked at, for example in the increasingly important area of organic products; attention should be paid here to balanced cost allocation.

5.7. The Committee acknowledges that with the reform of the market organization for fruit and vegetables steps have been taken towards strengthening the position of producers and their organizations. In view of the concentration of demand, combining supply via producer organizations is more urgent than ever. The operational funds and programmes should be used to boost the competitiveness of producer organizations and thus of their products.

5.8. The Committee points out that margins will in future depend to a very great extent on product quality and on the quality programmes operated by producers/traders. Food labelling and the novel food regulation<sup>(1)</sup>, as well as quality standards for fruit and vegetables are particularly important here. A universal approach to quality maintenance needs to be developed, particularly within the distribution organizations. Only in this way can it be ensured that 'higher' quality reaches the consumer and is appropriately rewarded.

5.9. Finally, the Committee urges that consumers be made more aware of their — considerable — opportunities for influencing supply and prices. Preferences expressed only in non-binding polls have absolutely no effect on the market and may actually be counter-productive. But consumers can exercise effective influence through their buying behaviour and choice of outlet. Consumers should also be informed as to production methods and the quality and health characteristics of products. Young consumers are a particularly important target group here. Increased initial and further training of sales staff and improved information, for example on regional products and food quality, are of course in the interests of both producers and consumers.

<sup>(1)</sup> Regulation (EC) No 258/97 of 27 January 1997.

Brussels, 28 January 1998.

*The President*  
*of the Economic and Social Committee*  
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