

Position Paper

UEAPME¹ position on the impact of direct sales on SMEs

Introduction

The European Commission has recently issued a questionnaire on the possible impact of direct sales of agricultural products. The aim seems to be a possible promotion of this way of food distribution. UEAPME member organisations regard this approach with caution.

SME perspectives on direct sales

Direct sales, including farmers' shops and farmers' markets, cause a significant damage for the economy in rural areas for the following reasons:

- Market distortion vis-à-vis food processing enterprises (bakers, butchers, confectioners, fancy food producers, fruit and vegetable merchants, small grocers, small cheese producers),
- Lost knowledge of craft food production and hygienic food distribution,
- Abuse of public subsidies for energy, loans, construction of workshops and selling points, marketing,
- Traffic to and from farms multiplies transport costs and CO₂ emissions for each product.

Development of rural areas

The renewal of rural areas is a stated goal of the European Commission. This new task is clearly expressed in the new name of the Directorate General "Agriculture and rural development". UEAPME supports this goal. Millions of SMEs located in rural areas all over Europe contribute to the prosperity of the European economy. These SMEs are mainly not farms but enterprises in all thinkable sectors. The non farm-related food processing sector is crucial in rural areas.

A "short food supply chain" as intended by the European Commission, i.e. each consumer getting his processed food from farms directly, may turn out to actually be not so "short" due to the multiple individual trips involved. On the other hand, well organised supply chains may include long transport while protecting the environment by rationalising the movement and quantity of transported goods.

Lack of compliance with the hygiene regulations

Primary production is exempted from the compliance with the "hygiene package" EC regulations 852/2004, 853/2004, 854/2004 and 882/2004. Recital 14 of 852/2004 says that member states should "encourage" primary producers to adopt the regulation. However, also processed food is sold in farmers' shops that are not always inspected as they should be. This causes a market distortion on one hand and a food hygiene risk on the other.

¹ UEAPME subscribes to the European Commission's Register of Interest Representatives and to the related code of conduct as requested by the European Transparency Initiative. Our ID number is 55820581197-35.

Quality Schemes Labels

The draft proposal on an agricultural product quality schemes regulation introduces a criterion on “local farming”. A label is foreseen for farmers who sell directly their products to consumers. UEAPME warns against unjustified sponsoring of direct sales in the framework of this directive.

Abuse of subsidies

Member associations of UEAPME are concerned on the abuse of agricultural subsidies for local sales, marketing etc. In fact, it is possible that a marginal number of goods come from own production while the majority of products comes from outside the farm. Primary producers in the agriculture sector have access to subsidised energy prices, water prices and financial loans in many member states of the European Union. Direct sales benefit from tax incentives for farm production. A reduced VAT tax rate of 15% instead of 20% for products sold at farmers shops applies in Italy. In Luxemburg and Italy a “primal right” is claimed to produce and to sell products such as “farmers’ bread”, ham, “country sausage”. These products are produced with a lack of professional qualification with all negative consequences regarding hygiene, quality and consumer protection.

Some examples for the possible additional sale of products (not produced on the farm) at direct sales shops:

Italy:	up to 49% (up to 100% for bakery products. Baking is in general regarded as a food processing activity allowed to farmers)
Austria:	up to 25-100% (in case of crop failure)
Germany:	up to 40% or 51.500 € ²

The following products sold at farmers markets and direct sales points are already now benefiting from several national legislation and subsidies for energy (diesel), marketing, construction of selling points etc.: dry meat, sausages, bread, fruit juices, processed vegetables, olive oil, processed milk and cheese, flour, wine, honey, processed fish, and others.

Conclusion

Existing national rules and legislation cause an unacceptable competition disparity in many Member States. To avoid market distortion in the future it will be necessary to impose the same rules regarding hygiene, safety, taxes on farmers than on craftsmen and retailers. The food producing and processing SMEs ask for the same rights and the same obligations for the same activities. A partnership should be developed between farmers and food processing SMEs. The work of each partner in the food chain has to be treated within the same financial and legal framework.

Brussels, 9 June 2011

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² (Bundesfinanzhof 25.03.2009 – IV R 21/06)