RAISING AWARENESS ABOUT FOOD SYSTEM NETWORK DYNAMICS

PROCESSED TOMATOES FOOD CHAIN ONLINE WEBINAR ON ZOOM
Monday, 21 September, 10:00-11.30 CEST

Thank you for joining us !

VALUMICS partner FIAB (Spanish Food and Drink Federation) hosted the webinar with the participation of VALUMICS Partners and Expert speakers, Celine Keidel from DG AGRI and Rosa de la Torre from CTAEX. Over 70 stakeholders joined the VALUMICS webinar which focused on the Processed Tomato Food Value Chain in Europe. The webinar was an interactive session and it is evident that the participants showed great interest in the research results carried out in the project. It seems clear that the European public policy makers are being looked to in helping balance the values in the chain of the processed tomato and in no doubt for other food products. Fruitful discussion during the Q&A panel session highlighted concerns with waste and packaging in the industry. The market power dynamics and fairness of price transmission was highlighted with further discussion on the IBO´s that have been successful, however there is still a power imbalance evident along the tomato food chain. The EU Unfair Trading Practice Directive has come into play and it will be interesting to see the developments in the coming years on what impacts this will have on the sector.

VALUMICS
Food Systems Dynamics

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KEY QUESTIONS AND ANSWERS:

IS MORE TRANSPARENT PRICE INFORMATION SHARING AND OPENNESS SEEN AS KEY TO COMBAT UTPS?

Celine Keidel from DG AGRI answers:
Any transparency is necessary for more fairness but I do not think one is necessarily linked with the other, at least it is not how we have designed the Unfair Trading Practice Directive. It is really a matter of re-organising the bargaining power so it is another aspect I would say. Making information on prices to be more transparent is an aspect of fairness along the food supply chain however then there are other practices that we tackle in the directive. Transparency on prices is not in the directive. One is not necessarily linked or key to the other.

THE SHARE OF PRIMARY PACKAGING IN THE AVERAGE INDUSTRIAL PRODUCTION COST IS VERY HIGH, WHAT IS THE CURRENT RESEARCH IN THE FIELD, AND DOES IT CONSIDER MORE SUSTAINABLE ALTERNATIVES, INCLUDING ISSUES RELATED TO REDUCING METAL WASTE AND POSSIBLE HEALTH ASPECTS FOR CONSUMERS?

Rosa de la Torre from CTAEX answers:
I know that there a lot of studies in packaging looking for more suitable recepies and available packaging to avoid metal and to avoid harmful substances. We participate in a European project to develop a new machine to put into the cans without (Bisphenol A) which is banned for the EU community. It was an important project to develop this insert into the cans. But now it is difficult to put a new packaging because the tomato product has very low pH value and high in acid, and therefore could lead to damaging in the packaging. For this reason it is difficult to change the packaging. There are companies looking for more functional and important new packaging for this kind of product. The greatest strength of tinplate is its incredible recyclability. In Germany, the material has consistently exceeded all required recycling rates for 10 years. In 2018, a whopping 90.4 percent of the tinplate used as packaging material in Germany was recycled – in Europe the figure was 82.5 percent. This makes tinplate the recycling champion among packaging materials.

BASED ON THE PRESENTATIONS, ITALY AND SPAIN HAVE A LARGE MARKET SHARE IN THE GLOBAL TOMATO MARKETS. DOES IT MEAN, THE EU DOES NOT NEED TO IMPORT TOMATOES?

Antonella Samoggia VALUMICS partner UNIBO answers:
The IBOs aims at optimising and finding an equilibrium between the local producers and the processors. Within this framework the aim is to use as much as possible of the raw material produced in local territories and by the EU. It is important to know that in order to ensure the quality of final products, that is processed tomato, there is need to deliver the raw material as soon as possible. The framework contract establishes that there can be only a few hours, around 5 hours, in-between the harvesting and when the processors get the tomato to be processed. As example of the importance of this aspect is a pilot project from MUTTI, a leading tomato processor in Italy. They are inventing as a pilot project to can the tomato on the field, so they are testing these new systems. The idea is to use the tomatoes being grown here. Then again for some specific processed tomato produce, such as the paste and the concentrate, double/ triple concentrates require more tomatoes. Some companies may use imported tomatoes.

HOW MUCH TOMATOES GO TO WASTE (WHEN TOMATOES ARE NOT SO PERFECT OR FRESH ANYMORE, AND GET DUMPED BY RETAILERS) IN THE EU ON AVERAGE? AND WHAT ARE THE WAYS TO AVOID WASTING EDIBLE YET REFUSED TOMATO BY INDUSTRIES?

Antonella Samoggia VALUMICS partner UNIBO answers:
Regarding the waste of the processed tomato. When the harvesting is carried out by mechanics, the first selection of waste product is carried out manually so you would have somebody on the field by the machine to make the selection of these tomatoes. At the EU level, that there is still a substantial level of waste. It is around 3 million metric tonnes of waste per year. Then again it is also true that there is an increasing number of companies that are innovative. They are trying to use and create by-products. The waste might also come at the processing stage. What the processors do is to use the powders, using the seeds to create oils, they may also extract lycopene that is then used in other industries. Some companies are using the red colour to create paints. It is evident that there is an increasing interest of investment to diminish tomato waste.

WHAT ARE THE CONSUMPTION EXPECTATIONS AND MARKET CHANNELS FOR PROCESSED TOMATO IN THE NEXT YEARS?

Antonella Samoggia VALUMICS partner UNIBO answers:
The expectation is that HORECA will absorb an increasing amount of processed tomato in the next years. It is so unless, due also to the pandemic, consumers will increase their purchasing and consumption of processed tomato at home.

ARE THE IBOS BECOMING THE NORM IN ITALY?

Antonella Samoggia VALUMICS partner UNIBO answers:
There is lower number of IBOs in Italy compared to other European countries. They represent an important actor in agro-food system functioning and dynamics, ensuring a discussion forum that may lead to better balanced relationships along the chain.

HOW DOES BRIX VALUE AFFECTS PRICE NEGOTIATION BETWEEN PRODUCERS AND PROCESSORS?

Ivan Duric VALUMICS partner IAMO answers:
BRIX value plays an important role in price setting. According to the IBO regulations, especially from the 2018 contractual agreements, low BRIX values means lower quality and thus producer might receive a penalty (decrease in negotiated price). On the other hand, BRIX value between 4.8 and 5.2 is characterized as premium quality and would be supported with 1 Euro/ t in addition to the agreed price.

CAN INDIVIDUAL PRODUCERS DIRECTLY NEGOTIATE CONTRACTS WITH IBOS?

Individual producers are not allowed to negotiate the price with processors directly. Only producer organisations could conduct the negotiations. Furthermore, if any producer or processor is excluded from the IBO, they are not allowed to make any negotiation with current IBO members and vice versa.

WHY DO SMALL PROCESSORS INDICATE HIGHER LERNER INDEX ON INPUT MARKET AS COMPARED TO MIDDLE AND LARGE PROCESSORS?

Lukas Cechura VALUMICS partner CULS answers:
The reason might be the quality of the production, processing of specialised products and/or diseconomies of scale.

Sharing Poll Results

Attendees are now viewing poll results

1. For 1€ (100%) of tomato sauce, who IN REALITY receives the highest share?

Farmers	(1) 2%
Processors	(10) 24%
Retailers	(31) 74%

2. For 1€ (100%) of tomato sauce, who SHOULD receives the highest share?

Farmers	(34) 81%
Processors	(6) 14%
Retailers	(2) 5%

3. In your opinion, what should lead the shift of the processed tomato value chain to increasingly sustainable practices?

Public policies at national and EU level	(28) 67%
Consumers behaviour	(6) 14%
Private management practices of companies	(8) 19%

ON THE FIRST TWO POLL QUESTIONS, HOW WOULD YOU SAY YOUR FINDINGS MATCH AGAINST THE REALITY ANSWER ABOUT RETAILERS GETTING THE GREATER SHARE AND THE NORMATIVE ANSWER THAT THE FARMERS SHOULD. WHAT DID YOUR STUDIES SHOW YOU IN TERMS OF MARKET POWER AND PRICE TRANSMISSION?

Ivan Duric VALUMICS partner IAMO answers:
So what the analysis show in our case, and what becomes visible from the structure of the governance and the settings of the IBO, the share producers get improved much more since the IBO came into force. This was the initial aim of the IBO. So from this kind of setting it seems that this fair representativeness of power within the IBO seems to have an effect on prices as well. What is an issue however, and could be discussed further, is price setting between processors and retailers, where we observe a 3 times higher price margin. This high margin probably comes from price negotiattion system that is usually based on auctions. As Antonella already mentioned, there are some changes in this direction so it is obviously recognised as a problem by everyone in the sector. Overall, our analysis show that producers improved their prices through IBO setting. On the other hand, retailers still have a strong power in price negotiations, especially as they are not in the IBO structure.

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Lukas Cechura VALUMICS partner CULS answers:
I fully agree with Ivan. We could observe that a change occurred in 2010, in relation between the farmer and processor that it was in favour of the farmer. However after 2010 the situation has been getting worse. That is, the processors have been taking the market power back, i.e. they have been paying lower price to the farmer for the raw material. As far as of the magnitude of this change is concerned, the question is about the source and the quality of data. To see exact number of this change in Italy. etc. We could observe a change and the price transmission results confirm this pattern. But the exact magnitude of the change on the aggregate level cannot be fully revealed by accounting data and data-set that does not contain all processors in the industry.