



POLICY RECOMMENDATIONS FOR A MORE ACTIVE AND COMPREHENSIVE SOCIO-ECONOMIC POLICY ON AGRICULTURE

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Advice. Policy recommendations for a more active and comprehensive socio-economic policy on agriculture

Dear Minister

The Flemish Food Strategy aims to unite forces from various policy domains and stakeholders to develop a coherent food policy. With 11 food deals, the food strategy takes the first steps towards the concrete implementation of its strategic objectives. One of the deals focuses on the socio-economic aspect, namely Deal 2 - Collaborating for fair pricing and true costs. Building on its Vision Paper on a sustainable future for agriculture in Flanders and leveraging the expertise within the advisory board, the SALV (Strategic Advisory Council for Agriculture and Fisheries) aims to contribute to this food deal. This policy advice, initiated independently, serves as a starting point. It is conceived as a 'recap' of previous recommendations on the theme of agriculture and the economy, and providing recommendations for a more active and comprehensive socio-economic policy related to agriculture, building upon this 'recap.' In doing so, the SALV provides an initial framework for policy instruments to address socio-economic challenges within agriculture, without aiming to be exhaustive. The SALV has prepared this advice within its working committee on business models and endorsed it during its council meeting on June 2, 2023.

Yours Sincerely,

Hendrik Vandamme
president

Koen Carels
secretary

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Key points

The SALV advocates for a more active and comprehensive socio-economic policy concerning agriculture, calling on every level of government (Flemish, federal, European) to take action. In addition to initiatives from players in the food chain, policy initiatives are deemed necessary to improve the position of farmers in the supply chain and enhance income formation for the sustainable future of food production and every agricultural business model. Past policies that protected agricultural income have been dismantled over the decades in favor of a more liberalized production model.

SALV urges policymakers to renew their focus on a more active and comprehensive socio-economic policy regarding agriculture. This should be included in policy agendas and research programs. A future federal law to protect agricultural prices (as mentioned in the federal government agreement) should provide a solid foundation for fair and balanced price formation and ensure a level playing field in international agro-trade.

As an initial step towards such an active and comprehensive socio-economic policy, SALV proposes 11 core recommendations:

- Fair trade relations: Improve the legal framework for fair trading practices and balanced relationships in the agri-food chain. Expand and ensure effective enforcement of this framework.
- Transparency: Develop a permanent and up-to-date tool for economic monitoring of prices and margins across the entire chain and for each production column to adequately track price transmission and margin distribution.
- Collaboration: Proactively utilize opportunities within the European competition framework to support agricultural incomes and sustainable food production.
- Equal rules of the game: Establish a level playing field in international agro-trade in terms of production methods through a 'new style' trade policy.
- Tailored solutions and state aid: Recognize the specific characteristics of agriculture in heavily urbanized environments and ensure a fair allocation of state aid.
- Fair prices as part of true costs: Consider (the lack of) fair prices in assessing true costs.

- Sustainability labels: Apply a fair compensation for sustainability efforts as a criterion in the rules for sustainability labels.
- Ensure that consumer choices maximally support the further sustainability of agriculture: Healthy and sustainable food choices should become the most obvious choices, for consumers in general and for vulnerable consumers in particular. Fair and true price formation is a guiding component for further sustainability in food production and, therefore, for sustainable food choices.
- Public procurement for sustainable food: Ensure that public procurement rules guarantee fair compensation for primary producers and weaker market participants and stimulate local sustainable food production.
- Short supply chains and new business models: Promote the market potential of the short supply chain and develop a cohesive policy for the short supply chain and new business models/new chains.
- Societal services: Create a stimulating policy framework with improved or new instruments for a fair and structural compensation for societal services.

The SALV concludes that policy measures for a more active and comprehensive socio-economic policy around agriculture are necessary for further sustainability in food production and for every agricultural business model. The principles and recommendations for a more active and comprehensive socio-economic policy on agriculture should be implemented in the future European framework law for sustainable food systems. The Belgian EU Presidency in 2024 provides an excellent opportunity to prioritize this on the policy agenda. This advice builds upon SALV's Vision Paper and is developed based on its involvement in the Flemish food strategy, particularly in deal 2 'Collaborating for fair price formation and true prices.'

Contextualisation

The SALV recently unveiled its Vision Paper. In it, the SALV highlighted that since the publication of its initial exploratory note on the challenges for a sustainable future of agriculture in Flanders (2017)¹ socio-economic issues still constitute a fundamental hindrance to that sustainable future. Therefore, in its Vision Paper, the advisory board advocates for a more active and comprehensive socio-economic policy around agriculture, incorporating new and improved correction and intervention instruments. Such a policy, within a controlled global market context and guided by a framework for fair and just market relations, should be able to ensure attractive business models for farmers and horticulturists. This more active socio-economic policy, coupled with an inclusive innovation policy, will generate the necessary momentum to address environmental and climate policy challenges and reverse the crisis in well-being within the agricultural sector.²

The Flemish Food Strategy, aspiring to be a comprehensive strategy that unites forces from various policy domains and stakeholders to form a coherent food policy,³ takes the initial steps toward the realization of its strategic objectives with 11 food deals. One of these deals focuses on the socio-economic aspect, namely Deal 2 - Collaborating for fair pricing and true costs.⁴ The SALV contributes to this food deal through its work on the socio-economic theme and the expertise represented within the advisory board. The present advice serves as an initial recommendation in this regard. The SALV's contribution to this food deal underscores the importance that the SALV attaches to the Flemish Food Strategy in addressing the issue of agricultural income.⁵

¹ SALV, *Verkennde nota. Uitdagingen voor een duurzame toekomst voor de landbouw in Vlaanderen*, Brussel, 2017, https://salv.be/sites/default/files/documenten/SALV_ADV_20170531_notaduurzametoekomstlandbouw_DEF.pdf.

² Ibidem, p. 9.

³ Vlaamse overheid, *Go4Food. Een Vlaamse voedselstrategie voor morgen*, Brussel, 2022, <https://publicaties.vlaanderen.be/view-file/53611>. Zie ook: Departement Landbouw en Visserij, *Go4Food: een Vlaamse voedselstrategie voor morgen*, <https://lv.vlaanderen.be/beleid/vlaamse-kost-voedselstrategie>, website geraadpleegd op 9 maart 2023.

⁴ Departement Landbouw en Visserij, *Voedseldeals*, <https://lv.vlaanderen.be/beleid/go4food-vlaamse-voedselstrategie/voedseldeals#Samen>, website geraadpleegd op 9 maart 2023.

⁵ SALV, *Advies. Hapklare inzichten voor een Vlaams voedselbeleid*, Brussel, 2020, https://salv.be/sites/default/files/documenten/SALV_20200626_ADV_2020-08_Voedselbeleid_HapklareInzichten_wv6_DEF.pdf, p. 8 ([8], i).

1. More business models, yet the farmer still earns too little

To retain and attract as many farmers as possible and to take further steps towards sustainability, the SALV, as outlined in its recent Vision Paper, emphasizes the importance of establishing a solid income structure within the sector. Despite the diversity of various existing and new business models, the number of farmers continues to decline, and the average agricultural income remains low, making it challenging to compensate them in a thorough, accurate, let alone attractive manner for both products and services.⁶ Several factors impede fair remuneration for farmers. It is the combination of the demand for and supply of certain agricultural products, societal expectations regarding the production processes of these products, the position of farmers and weaker market participants in the agri-food chain, the unpredictability of natural factors, and the policy frameworks formed around each of these aspects that strongly influences the income formation of farmers. Several issues related to these aspects complicate income generation:⁷

- Uncertainty about the quantity produced due to natural factors (unlike most economic sectors, agriculture is dependent on environmental factors such as soil, climate/weather, pests, and diseases). Climate change exacerbates such effects further.
- The price inelasticity of food demand and supply, coupled with uncertainty about the quantity of production, makes agricultural income uncertain and volatile.
- The income of farmers is under pressure due to imbalanced power relations in the food supply chain. Trading partners of farmers are increasingly concentrated both upstream (fertilizers, crop protection, seeds) and downstream (processing, retail). The resulting vulnerable negotiating position of farmers in the chain often hinders fair income formation due to the uneven distribution of risks, costs, and benefits throughout the entire chain (cf. hourglass model, figure).⁸

⁶ SALV, *Visienota*, Brussel, 2022, https://www.salv.be/sites/default/files/documenten/SALV_20221222_Visienota_2023.pdf, p. 7. Zo hebben veel oudere bedrijfsleiders geen uitzicht op een opvolger. Gemiddeld kijkt 87% van hen aan tegen de stopzetting van hun onderneming. Dit is ook zo bij ruim 76% van de grootste bedrijven, vergelijk: Platteau, J *et al.*, *Uitdagingen voor de Vlaamse land- en tuinbouw. Landbouwrapport 2018*, Departement Landbouw en Visserij, Brussel, 2018, <https://landbouwcijfers.vlaanderen.be/landbouwrapport-lara-2018-uitdagingen-voor-de-vlaamse-land-en-tuinbouw>, p. 77.

⁷ Explained in full in SALV, *Kennisnota. Verdienmodellen in de land- en tuinbouw. Een reflectiekader rond structuren en bedrijfsoriëntaties*, Brussel, 2020, https://salv.be/sites/default/files/documenten/SALV_20200529_WCVDK_KennisnotaVerdienmodellen_def.pdf, p. 18-19.

⁸ At the Belgium level, agricultural and food products from 36,000 farmers, 64 fisheries companies, and 7,500 food companies (99% of which are SME's) must navigate their way to 5 million households and 11.5 million consumers through only 7 purchasing offices and 13 supermarket chains, cf. Statbel.

Figuur 6. Concentratie in de voedselketen, Vlaanderen, 2014

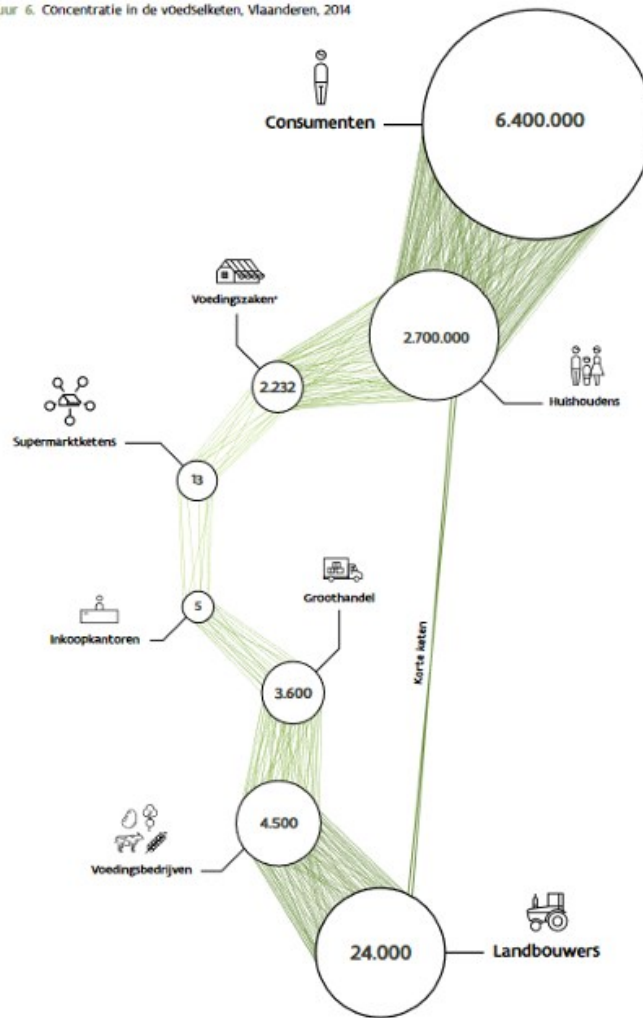


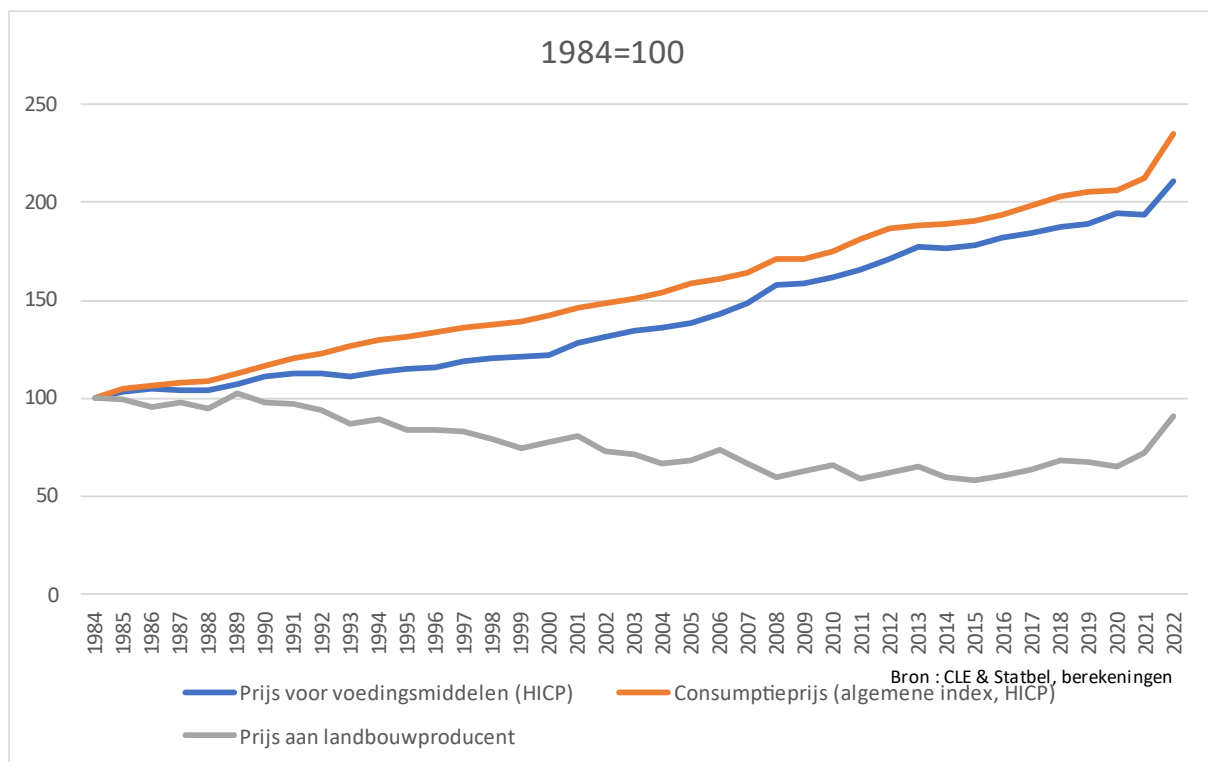
Figure 1. Concentration in the food chain, Flanders 2014. Source: LARA 2016 based on data at Flemish level from the Federal Public Service Economy, General Directorate Statistics.

- Deviating norms and standards for the production of agricultural and food products outside the EU borders and within the internal market create an uneven playing field. This is exacerbated by the fact that farm gate prices (the price received by the farmer), due to increasingly open markets, are largely determined by European and global market prices.
- Often, there is a lack of fair and attractive compensation for the societal services provided by farmers and horticulturists.

The increasingly open markets (i.e., increased liberalization of the sector at the European and global levels) exert pressure on prices. It is noteworthy that in the past, policy instruments existed to safeguard agricultural income, but they have been gradually phased out in recent decades (due to side effects they caused and rules of global trade).⁹ The European agricultural policy,

⁹ Side effects such as production surpluses. A market and pricing policy with significant market regulations for several land-dependent staple products (grain, sugar, dairy, beef, wine, and olive oil) largely relieved farmers, often resulting

since the 1990s, has evolved into a more liberalized production model, gradually relinquishing certain policy instruments that directly influenced supply and demand (e.g., quotas, minimum prices). However, the characteristics of agriculture and the food supply chain that pose challenges to income formation for primary producers (cf. supra) have persisted. Moreover, increased liberalization and international market integration have accelerated the divergence between farm gate prices and consumer prices. Structurally, (aggregate) farm gate prices have been declining for decades and have become highly volatile since the dismantling of market and pricing policies, while (aggregate) consumer prices have been on the rise.¹⁰ The recent disruptions caused by the Covid-19 and Ukraine crises led to an upward bend in the long-term trend of Belgian farm gate prices. Nevertheless, the difference between consumer prices and farm gate prices in 2022 has never been larger since 1984.¹¹ This illustrates that the significance of prices paid to farmers has become an increasingly smaller proportion of the food prices consumers pay. Additionally, the growing societal expectations regarding the environment and climate are often translated into norms and standards that increase production costs on the farm, thereby creating additional pressure on income formation. This is because there are usually no additional compensations for the extra efforts required to meet these expectations.



in less focus on active customer relationships on the farm, see SALV, *Kennisnota. Verdienmodellen in de land- en tuinbouw. Een reflectiekader rond structuren en bedrijfsoriëntaties*, Brussel, 2020, https://salv.be/sites/default/files/documenten/SALV_20200529_WCVDK_KennisnotaVerdienmodellen_def.pdf, p. 17-18.

¹⁰ FOD Economie (Trefpunt Economie 17, 2017).

¹¹ FOD Economie (Trefpunt Economie 17, 2017) and actualization on the basis of Statbel-data.

Figure 2. Aggregated index figures. Source: Federal Public Service Economy (Trefpunt 17, 2017) and updated based on Statbel data.

The Ukraine crisis further intensifies this issue. The crisis situation results in high operational costs and the need for an accurate reflection of these costs in the prices received by primary producers and other links in the supply chain for their products.¹²

2. Initiatives to improve agricultural income

The outlined issues above are not new. Up till now numerous initiatives have been launched aiming to improve supply chain collaboration, income formation, consumer awareness, etc., or are tangentially related to these goals. These initiatives can be categorized into two groups: those originating from policy and those initiated by actors within the agri-food chain itself. The following provides a brief overview of such initiatives. It is important to note that this is not an exhaustive list but rather an insight into how the issue of agricultural income has been approached thus far.

2.1 3 pillars of the European policy agenda

The most prominent European policy instrument aimed at positively impacting the living standards of farmers is the Common Agricultural Policy (CAP). In addition to social and ecological objectives, the regulation concerning the strategic CAP plans includes an economic objective, namely: '*promotion of a smart, competitive, resilient, and diversified agricultural sector for long-term food security*'.¹³ This objective aligns with the agricultural goals outlined in the Treaty on the Functioning of the European Union (TFEU).¹⁴ In addition to utilizing resources from the CAP, the European Union seeks to achieve the agricultural income objective of the TFEU through other means. For instance, a Taskforce on Agricultural Markets, led by Cees Veerman, was established. This taskforce aimed to explore how the position of farmers in the food supply chain could be strengthened. The taskforce presented its final report on November 14, 2016. The policy recommenda-

¹² On evolution of prices: Nationale Bank van België, *Verslag 2022*, Brussel, 2023, https://www.nbb.be/doc/ts/publications/nbbreport/2022/nl/t1/verslag2022_ti_volledig.pdf.

¹³ Regulation (EU) 2021/2115 of the European Parliament and the Council of 2 December 2021 laying down rules for support of the strategic plans prepared by the Member States under the Common Agricultural Policy (CAP strategic plans) and financed by the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD), <https://eur-lex.europa.eu/legal-content/NL/TXT/?uri=CELEX%3A32021R2115>, artikel 5 (a). See also the specific objectives from article 6 (a), (b) en (c) which further concretize the general economic objectives.

¹⁴ Verdrag betreffende de Werking van de Europese Unie, <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:12012E/TXT:NL:PDF>, artikel 39: The common agricultural policy shall ensure that: (a) productivity shall be promoted by developing technical progress and ensuring the rational development of agricultural production and the optimum utilisation of the factors of production, in particular labor; (b) the standard of living of the agricultural community shall be raised, in particular by increasing the individual earnings of persons engaged in agriculture; (c) the markets shall be stabilized; (d) the availability of supplies shall be guaranteed; (e) supplies to consumers shall be provided at reasonable prices.

tions of the taskforce were incorporated into the European Commission's policy agenda, consisting of 3 pillars:¹⁵

- Further amendments to competition rules to enable farmers to collaborate in producer organizations, as well as an incentive for vertical collaboration through association in sectoral organizations – **'chain collaboration' pillar**.
- Combating information asymmetry for fairer markets through increased market and price transparency – **'market and price transparency' pillar**.
- Strengthening the position of farmers in the food supply chain by imposing a ban on unfair trading practices – **'ban on unfair trading practices' pillar**.

In recent years, several of these policy directions have translated into policy initiatives at the member state level.¹⁶

2.2 The European Framework Law for Sustainable Food Systems

In the elaboration of its 'Farm to Fork' strategy, the European Commission proposes a framework law for sustainable food systems. The objective of this framework law is to accelerate and facilitate the transition to sustainable food systems. Promoting policy coherence at EU and member state levels, integrating sustainability into all food-related policy measures, and strengthening the resilience of food systems are core objectives outlined in the proposal for the framework law.¹⁷ The European Commission aims to submit a proposal for the framework law to the European Council and the European Parliament in September 2023. Notably, addressing the issue of fair and true prices will not be part of this proposal. The expected components of the Framework Law are limited to *public procurement, sustainability labeling, minimum sustainability standards (also for imported products), monitoring, and governance*.¹⁸

In a preliminary assessment of the anticipated effects of the framework law proposal, the European Commission points out additional production costs for manufacturers, retailers, food service, and particularly primary producers due to sustainability requirements. Regarding price for-

¹⁵ Europese Commissie, De taskforce landbouwmarkten, https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/market-measures/agri-food-supply-chain/agricultural-markets-taskforce_nl, website consulted on 11 April 2023; see extended elaboration on the three pillars in SALV, *Advies. BVR Markt- en prijstransparantie. Eén van de paden naar een betere werking van land- en tuinbouwmarkten*, Brussel, 2020, https://www.salv.be/sites/default/files/documenten/SALV_20201218_ADV_Markt_en_Prijstransparantie.pdf, p. 6-8; Verordening (EU) 2017/2393 van het Europees Parlement en de Raad van 13 december 2017 (Omnibus), <https://eur-lex.europa.eu/legal-content/nl/TXT/?uri=CELEX%3A32017R2393>.

¹⁶ Refer to, among others, recent SALV opinions on market and price transparency, unfair trading practices, and the Common Agricultural Policy.

¹⁷ Europese Commissie, *Legislative framework for sustainable food systems*, https://food.ec.europa.eu/horizontal-topics/farm-fork-strategy/legislative-framework_en, website geconsulteerd op 11 april 2023.

¹⁸ Europese Commissie, *Inception impact assessment*, https://food.ec.europa.eu/system/files/2022-02/f2f_legis_ia_fsfs_5902055.pdf.

mation, the assessment states: 'this could result in higher prices for government entities (e.g., in the context of public procurement) and consumers and/or reduced margins for players in the food system.'¹⁹ The preliminary assessment therefore emphasizes the need for a fair transition, support for the transition through the Common Agricultural Policy, the Common Fisheries Policy, and new business models such as carbon farming, as well as clear communication with consumers and all other actors in the food chain.²⁰

2.3 Policy initiatives at the Flemish and federal levels

Following the European policy frameworks of the Common Agricultural Policy and the European policy agenda for the improvement the working of agricultural markets (and the position of farmers therein), the Flemish and federal governments have implemented the following policy initiatives.

Flanders

- Flanders has developed a strategic CAP plan in implementation of the Common Agricultural Policy for the period 2023-2027. The SALV has issued three opinions on the CAP: an opinion on the European Commission's communication on the future of food and agriculture in 2018, on the Flemish CAP strategy note in 2019, and on the draft strategic CAP plan in 2022.²¹ The strategic CAP plan aligns itself through support for horizontal and vertical collaborations with the 'chain collaboration' pillar of the European Union's three-pillar strategy to improve the position of farmers in the chain.
- The 'market and price transparency' pillar is implemented at the national level by both the Flemish and federal governments. The Flemish government collects market and price data from stakeholders in the chain, focusing on agricultural products. The collection of data on retail purchase prices falls under federal jurisdiction. Market and price transparency aims to contribute to well-informed decisions, increased trust between market players, more balanced negotiation positions, the detection of unfair trading practices, and the development of market knowledge.²² Various government agencies from both the federal and

¹⁹ Europese Commissie, *Inception impact assessment*, https://food.ec.europa.eu/system/files/2022-02/f2f_legis_ia_fsfs_5902055.pdf, p. 6: 'this could result in higher prices for public authorities (e.g. in the context of public procurement) and consumers and/or reduced margins for food system actors'.

²⁰ Ibidem, p. 6.

²¹ SALV-Minaraad, *Advies. De toekomst van voeding en landbouw*, Brussel, 2018, <https://salv.be/salv/publicatie/advies-toekomst-voeding-en-landbouw>; SALV, *Advies. Een strategie voor het Vlaams landbouwbeleid 2021-2027*, Brussel, 2019, https://www.salv.be/sites/default/files/documenten/SALV_20190712_ADV_StrategienotaVlaamsGLB.pdf; SALV-Minaraad, *Advies. Strategisch GLB-plan 2023-2027*, Brussel, 2022, https://salv.be/sites/default/files/documenten/SALV-MINA_20220318_ADV_StrategischGLBPlan.pdf.

²² Compare with SALV, *Advies. BVR Markt- en prijstransparantie. Eén van de paden naar een betere werking van land- en tuinbouwmarkten*, Brussel, 2020, https://www.salv.be/sites/default/files/documenten/SALV_20201218_ADV_Markt_en_Prijstransparantie.pdf.

Flemish governments regularly release reports based on this data collection (see advisory section).

- The Flemish government has also taken the initiative to launch a food strategy, Go4Food, on November 29, 2022, to develop a strong and integrated Flemish food policy. A step-by-step plan was outlined and validated with organizations participating in the development of the food strategy (i.e., food coalition). In other words, the Flemish government brings together various stakeholders to co-create and implement the food strategy. The substantive foundation for the food strategy was based on four strategic pillars, each linked to strategic objectives:²³
 1. Healthy and sustainable nutrition for everyone
 2. Food system within ecological limits
 3. Full support for a resilient food economy
 4. Food connects farmer to consumer

Economic challenges related to agriculture and food are thus also addressed within the Flemish food strategy (particularly within the third pillar, where various strategic objectives impact themes such as cooperation and trust in the chain, fair pricing, entry into the sector, and promotion of fair and sustainable trade). Through 11 food deals, the Flemish government aims to get the implementation of the food strategy on track in the short term. These deals have the potential to impact multiple strategic objectives. Various actors in the food system commit to working on them. Deal 2 – working together for fair pricing and true prices – aims to take significant steps to achieve a fair price (formation) for all links in the chain, arrive at true prices that take into account external costs in areas such as the environment or health borne by society, proactively respond to the potential of sustainability labels in Flanders, and related EU legislation.²⁴

Federal

- Contribution of the federal government to increasing market and price transparency (i.e., shared responsibility with Flanders, cf. above).
- The federal government transposed the European directive on unfair trading practices into national legislation. In doing so, it aligns with the 'fair trading behavior within the food supply chain' pillar of the omnibus regulation. The European Commission defines unfair trading practices (UTPs) as relationships between businesses that deviate from good trading conduct, contravene the principles of good faith and fair treatment, unilaterally imposed by one trading partner on another, and leading to a disturbance in economic behavior. The

²³ Departement Landbouw en Visserij, *Voedselstrategie*, <https://lv.vlaanderen.be/beleid/go4food-vlaamse-voedselstrategie/voedselstrategie>, website geraadpleegd op 9 maart 2023. Vlaamse overheid, *Go4Food. Een Vlaamse voedselstrategie voor morgen. Synthese*, Brussel, 2022, <https://publicaties.vlaanderen.be/view-file/53611>.

²⁴ Departement Landbouw en Visserij, *Voedseldeals*, <https://lv.vlaanderen.be/beleid/go4food-vlaamse-voedselstrategie/voedseldeals#Samen>, website geraadpleegd op 9 maart 2023.

food supply chain is vulnerable to unfair trading practices due to significant imbalances between small and large market participants. The federal government integrated the directive into the Code of Economic Law and expanded existing general B2B provisions for the food supply chain.²⁵

- The federal coalition agreement of September 2020 mentions that the government will 'examine the possibility of adopting a "*law to protect agricultural prices*".²⁶ As of now, the policy preparation for this has not yet commenced.

2.4 Supply chain initiatives

In many cases, initiatives to strengthen the position of farmers in the supply chain and improve farmers' income are emerging from the chain actors themselves. Often, though not always, these initiatives are driven by or receive support from the government (financially and/or regulatory). These initiatives vary widely in scope, ranging from local and small-scale projects to well-established and structural entities. While initiatives initiated by actors in the agri-food chain are crucial towards improving the farmer's position in the chain and enhancing income formation, they are not sufficient. Below is a brief overview of such initiatives, not intended to be exhaustive but rather to provide the reader with an overview of the broad scope of such initiatives.

- The development of a code of conduct for contracts and interprofessional agreements within branch organizations or interprofessional consultation bodies.
- Buyers who purchase a certain volume at a fixed price to mitigate market volatility (e.g., Danone).
- Collaboration between farmers (e.g., Faircoop) and between farmers and retailers (e.g., biomilk.be and Delhaize) to introduce a specific label/recognizable logo in the market.
- The operation and policy regarding producer organizations.
- The operation and policy regarding branch organizations (e.g., the recent establishment of Pork.be).
- Hedging sales and/or purchase prices on the futures market to achieve more price stability.
- Introducing products with sustainability labels and the associated policies.
- Monitoring the efforts of retailers regarding fair pricing (e.g., expansion of the Superlijst methodology).
- The Chain Consultation.
- Alternative compensation systems for ecosystem services.
- Exploring the establishment of new crops and chains, including within the framework of the Flemish Protein Strategy and the Flemish Bio-economy Policy Plan (e.g., agricultural trajectories LemnaPro and CropExplore within Flanders' Food, CropDiva project, the B2BE facilitator...).

²⁵ Compare with SALV, *Advies. Oneerlijke handelspraktijken aanpakken voor een betere werking van de markten van primaire producenten in land- en tuinbouw, visserij en aquacultuur*, Brussel, 2021, https://www.salv.be/sites/default/files/documenten/SALV_20210517_ADV_OneerlijkeHandelspraktijken.pdf.

²⁶ Regeerakkoord, 30 september 2020, https://www.belgium.be/sites/default/files/Regeerakkoord_2020.pdf.

- Initiatives on the consumer side to promote sustainable food purchases (e.g., the 'more than my receipt' project).
- ...

2.5 Policy initiatives in other member states and third countries

The economic challenge concerning the formation of agricultural incomes is not exclusive to Flanders and Belgium. In other member states (and third countries) as well, policies are being devised to address economic challenges, either guided by initiatives at the European level (such as the implementation of the unfair trading practices directive). Some initiatives are more comprehensive than others.

The initiatives in France, in particular, have drawn attention due to their legal framework. Three laws are already in effect, aiming at establishing balanced commercial relationships in the agri-food chain (Loi EGalim 1),²⁷ , forming contracts to ensure fair remuneration for farmers (Loi EGalim 2)²⁸ , and, most recently, strengthening the balance in commercial relationships between suppliers and distributors (EGalim 3)²⁹ However, France and Flanders are not directly comparable. France, characterized by extensive agricultural landscapes and a dispersed urban network with one major metropolis, has a fundamentally different agri-food landscape than Flanders, which is marked by a dense urban network, limited open space, and an open economy.

The Dutch government is also planning steps to strengthen the position of farmers in the chain, as indicated in the coalition agreement 'Looking out for each other, looking ahead to the future:

'Collaborating with stakeholders in the supply chain and the Consumer and Market Authority, the government is making binding agreements to strengthen the position of farmers in the chain. We anticipate a non-voluntary contribution from banks, suppliers, the processing industry, and the retail sector. Where necessary, agreements will be legally secured. Supermarkets are expected to provide transparency on how their entire range is demonstrably sustainable

²⁷ Loi n° 2018-938 du 30 octobre 2018 pour l'équilibre des relations commerciales dans le secteur agricole et alimentaire et une alimentation saine, durable et accessible à tous, <https://www.legifrance.gouv.fr/loda/id/JORFTEXT000037547946>; Ministère de l'agriculture et de la souveraineté alimentaire, *EGalim 1 : tout savoir sur la loi Agriculture et Alimentation*, <https://agriculture.gouv.fr/egalim-1-tout-savoir-sur-la-loi-agriculture-et-alimentation>, website geraadpleegd op 11 april 2023.

²⁸ Loi n° 2021-1357 du 18 octobre 2021 visant à protéger la rémunération des agriculteurs, https://www.legifrance.gouv.fr/loda/id/JORFTEXT000044220683?init=true&page=1&query=Loi+n%C2%B0+2021-1357&searchField=ALL&tab_selection=all; see also Delpech, X., 'EGalim 2: une nouvelle loi visant à protéger la rémunération des agriculteurs', *Dalloz Actualité*, 10 november 2021, <https://www.dalloz-actualite.fr/flash/egalim-2-une-nouvelle-loi-visant-protoger-remuneration-des-agriculteurs#.ZDj5xXZBxaT>; Ministère de l'agriculture et de la souveraineté alimentaire, *Tout comprendre de la loi EGalim 2*, <https://agriculture.gouv.fr/tout-comprendre-de-la-loi-egalim-2>, website geraadpleegd op 11 april 2023.

²⁹ Légifrance, LOI N° 2023-221 du 30 mars 2023 tendant à renforcer l'équilibre dans les relations commerciales entre fournisseurs et distributeurs, <https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000047377284>; see also Chantepie, G., 'EGalim 3 : le droit des relations commerciales réformé à tâtons (première partie : lémiement du droit des négociations commerciales)', *Dalloz Actualité*, 5 april 2023, <https://www.dalloz-actualite.fr/flash/egalim-3-droit-des-relations-commerciales-reforme-tatons-premiere-partie#.ZD1SjnZBxPY>.

*and animal-friendly, including sustainable procurement practices and a fair price for farmers. We are exploring ways in which consumers could contribute to the sustainability of agriculture. In the Netherlands, domestically produced food is labeled with its origin to encourage informed choices. The government is committed to procuring sustainably and locally produced food.'*³⁰

In monitoring commercial transactions between retailers and their direct suppliers, the United Kingdom stands out for the appointment of a public official, the Groceries Code Adjudicator. This public watchdog is an independent regulator ensuring that retailers treat their direct suppliers legally and fairly according to the Groceries Supply Code of Practice. The Adjudicator presents retailers with issues brought to their attention by suppliers, federations, and other representative entities.³¹

3. The reflection framework as a compass

The enumeration in section 2 illustrates the broad range and scope of policy initiatives and chain initiatives, all aiming for improved chain collaboration and fair remuneration for primary producers. It also demonstrates the difficulty for policymakers or partners of the Flemish food strategy (especially the chain actors involved in deal 2) to maintain an overview and situate specific initiatives. In preparing this advice, the SALV applied its reflection framework on structures and business orientations in agriculture to comprehend and approach policy initiatives and chain initiatives in a structured manner. According to the SALV, the reflection framework can thus serve as a tool to help maintain an overview and frame initiatives according to their specific functionalities.

For a detailed explanation of the reflection framework, the advisory board refers to its knowledge note on business models.³² Here, it suffices to provide the following in general terms (compare with the diagram, Fig. 1):

- The conditions set by the policy within which agriculture takes place, market demand (with diverse consumer preferences and profiles), and societal expectations are crucial and

³⁰ Rijksoverheid, *Coalitieakkoord 'Omzien naar elkaar, vooruitkijken naar de toekomst' 2021-2025*, hoofdstuk 2. Duurzaam land, Landbouw, Natuur en stikstof: <https://www.rijksoverheid.nl/regering/coalitieakkoord-omzien-naar-elkaar-vooruitkijken-naar-de-toekomst/2.-duurzaam-land/landbouw-natuur-en-stikstof>. See also the budget statements of the Ministry of Agriculture, Nature, and Food Quality and the Animal Health Fund for the year 2022: Tweede Kamer der Staten-Generaal, Kamerstuk 35925-XIV, nr. 97, *Vaststelling van de begrotingsstaten van het Ministerie van Landbouw, Natuur en Voedselkwaliteit (XIV) en het Diergezondheidsfonds (F) voor het jaar 2022*, <https://zoek.officielebekendmakingen.nl/kst-35925-XIV-97.html>.

³¹ UK Government, *Groceries Code Adjudicator. About us*, <https://www.gov.uk/government/organisations/groceries-code-adjudicator/about>, website geraadpleegd op 11 april 2023.

³² SALV, *Kennisnota. Verdienmodellen in de land- en tuinbouw. Een reflectiekader rond structuren en bedrijfsoriëntaties*, Brussel, 2020, https://salv.be/sites/default/files/documenten/SALV_20200529_WCVD_M_KennisnotaVerdienmodellen_def.pdf.

overarching factors that guide the farmer's exploration/choice of a specific business model or combination of business models.

- The decision on how farmers create, deliver, and capture value (i.e., the essence of a business model for a company) is linked to several broad determining factors influencing the choices for a particular production and production method, and for one or more business orientations. These determining factors can be categorized into two major groups: the entrepreneurial profile and the business situation.
- An important observation is that there are no rigid boundaries between different business orientations and the business models based on them. Agricultural enterprises position themselves with their own business strategy on a continuum of possible business orientations, emphasizing one orientation more or less. Generally, three dimensions of business orientations can be identified:

I/ A continuum from strongly, moderately, to weakly specialized in production to weakly, moderately, to strongly diversified in products and/or services.

II/ A continuum from companies strongly emphasizing efficiency to companies strongly emphasizing branding (brand creation).

III/ A continuum based on the degree and nature of collaboration, both horizontally and/or vertically.

The various policy initiatives and chain initiatives aimed at improving the position of farmers in the chain and the formation of agricultural incomes can be aligned with this reflection framework. Past advisory reports from SALV on these issues can also be linked to it. This approach helps maintain an overview of the numerous initiatives and situates each initiative appropriately. SALV employed this methodology to structure the initial meeting for the formulation of this advice. It could potentially serve as a guide for both policy-makers and partners of the Flemish food strategy.

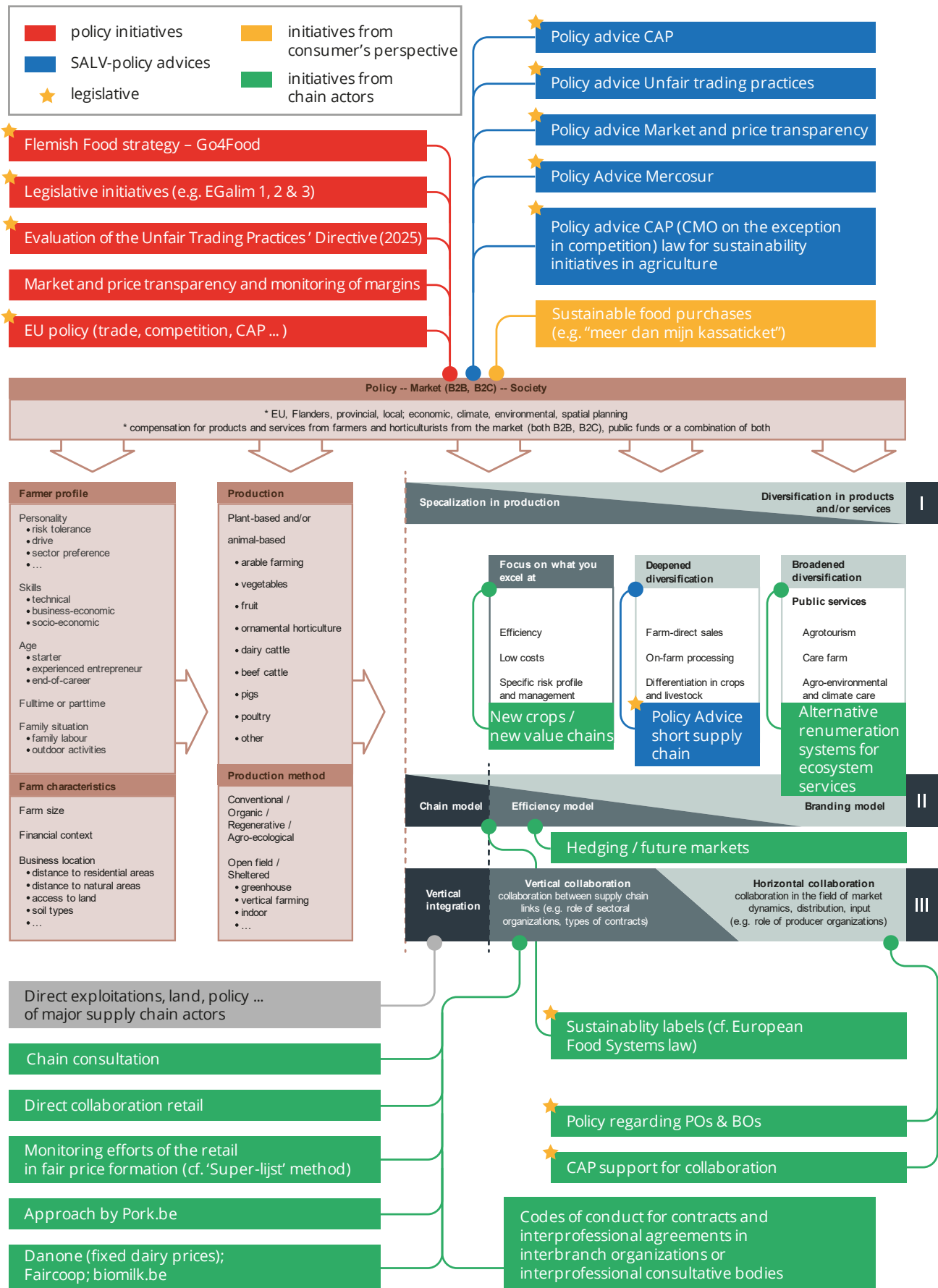


Figure 3. Integration of policy and supply chain initiatives into the SALV reflection framework on structures and business orientations in agriculture and horticulture.

Advice

The present advisory section consists, for each theme, of two interconnected sections: a framework where key messages for a more active and comprehensive economic policy around agriculture from previous advisory work are reiterated (i.e., a 'recap'), followed by related recommendations and considerations.

[1] Every government must engage in a more active and comprehensive economic policy around agriculture – Flemish, federal, and European. In its role as an advisory board, the SALV approaches deal 2 of the Flemish food strategy concerning fair and true prices with a view to policy recommendations. The advisory board also identifies points of connection within this advice that are relevant to other deals, as well as to the broader strategic objectives of the Flemish food strategy (see also context 2.3). This advice provides an overview of previous recommendations regarding the socio-economic challenge for a sustainable future in agriculture. This 'recap' emphasizes the need for a more active and comprehensive economic policy around agriculture and is complemented with forward-looking recommendations. With this, the advice does not intend to be exhaustive regarding other possible policy instruments; it aims to provide an initial concrete starting point. Given the distribution of competencies around economic agricultural policy, the SALV highlights which recommendations from this advice are most relevant for each level of government:

- Flemish : [2], [3], [4], [5], [7], [9], [10], [11], [12], [13], [14], [15], [16], [17], [18], [19]
- Federal : [2], [3], [4], [6], [7], [8], [9], [10], [11], [12], [15], [17], [18], [19]
- European : [2], [3], [4], [5], [6], [10], [11], [12], [13], [14], [15], [18], [19]

Specifically for the European policy level, the advisory board believes that the principles and recommendations regarding a more active and comprehensive economic policy around agriculture, crucial for further sustainability of the agriculture and food system, should be fully reflected in the future European legislative framework for sustainable food systems (Framework Law). The Flemish and federal governments should seize the Belgian EU Presidency in 2024 to highlight the need for a more active and comprehensive economic agricultural policy on the policy agenda.

4. Why are 'fair and true prices' relevant to agricultural and food policy?

[2] Policy action on fair and true prices is essential for the further sustainability of the agricultural sector and for the consolidation of its geopolitically strategic role.   

The COVID-19, Ukraine, and energy crises have demonstrated that excessive dependence on

foreign supply chains for essential goods and services makes our society vulnerable. In this context, the renewed focus on 'reshoring' should be understood, meaning bringing back essential strategic sectors to Europe and thereby promoting shorter and more sustainable supply chains.³³ To sustain agriculture in its role for strategic autonomy in food provision – we can avoid risky dependencies on other regions for our basic food supply with the EU – it is necessary to deploy resources and policy instruments **to protect and strengthen** the sector.³⁴ The government carefully delineates socially desirable and sectorally attractive structural outlines within which farmers can develop sustainable, resilient business models.³⁵ Demonstrating and communicating external effects of food production, including (the lack of) fair prices, through true prices to consumers should make the need for a level playing field and fair compensation for sustainability efforts tangible (cf. 5.2). To address the economic challenges around agricultural income, it is important for the government to:

- a. **address and eliminate inherent vulnerabilities** of the agricultural sector (related to international pricing, trade policy rules, and imbalanced market relations in the supply chain) for which **a more active and comprehensive socio-economic agricultural policy** is necessary. There exist inherent vulnerabilities in the agricultural sector that largely escape the sector's containment ability. While agricultural enterprises may strive to enhance their resilience and robustness (cf. [2]b), they continue to face persistent inherent vulnerabilities (e.g., international pricing, trade policy rules, imbalanced market relations throughout the agri-food chain). Thus, efforts by the agricultural sector to enhance resilience and sustainability can be undermined by the persistence of inherent vulnerabilities.³⁶ An active and broader socio-economic agricultural policy is crucial when expecting farmers to be adequately compensated primarily through the market for the products and services they provide.³⁷
- b. support farmers in developing **resilience and adaptability at both a personal and business level**. The government should achieve this through an inclusive and effective innova-

³³ SERV, *Advies. Reshoring. To reshore or not, that's the question*, Brussel, 2022, https://www.serv.be/sites/default/files/documenten/SERV_20221205_Reshoring_ADV.pdf.

³⁴ SALV, *Visienota*, Brussel, 2022, https://www.salv.be/sites/default/files/documenten/SALV_20221222_Visienota_2023.pdf, p. 19. Vergelijk met SERV-advies rond open strategische autonomie: "de EU [...] slaagt [erin] haar publieke vitale belangen alsook haar risicovolle strategische afhankelijkheden te verminderen zonder het economisch fundament, zijnde de interne markt, in het gedrang te brengen", in: SERV, *Advies. Open strategische autonomie: balanceren in een spanningsveld tussen autonomie en openheid*, Brussel, 2023, https://www.serv.be/sites/default/files/documenten/SERV_20230320_open_strategische_autonomie_spanningsveld_ADV.pdf, p. 3.

³⁵ Ibidem.

³⁶ SALV, *Advies. EU-Mercosur handelsakkoord*, 2021, https://salv.be/sites/default/files/documenten/SALV_20210226_BRADV_2021-02_Mercosur.pdf; SALV, *Kennisnota. Verdienmodellen in de land- en tuinbouw. Een reflectiekader rond structuren en bedrijfsoriëntaties*, Brussel, 2020, https://salv.be/sites/default/files/documenten/SALV_20200529_WCVDM_KennisnotaVerdienmodellen_def.pdf; SALV, *Visienota*, Brussel, 2022, https://www.salv.be/sites/default/files/documenten/SALV_20221222_Visienota_2023.pdf.

³⁷ Compare with SALV-Minaraad, *Advies. De toekomst van voeding en landbouw*, Brussel, 2018, <https://salv.be/salv/publicatie/advies-toekomst-voeding-en-landbouw>, p. 10.

tion policy and a modernized education and training landscape. It is crucial for farmers to have a good understanding of their own business-economic situation (costs, cash flow and planning, financial health) and beneficial for individual farmers to compare with counterparts both domestically and internationally. Sector organizations and producer organizations play a significant role in facilitating such benchmarking. In addition to insights into the business-economic situation, risk diversification can also be a component of a resilient business. This diversification can take various forms: diversified production (e.g., mixed farms), diversified markets, diversified activities (e.g., deepening and broadening diversification). Moreover, the government should subject new policy frameworks to a resilience assessment at the sectoral level and a well-being assessment at the personal level (in accordance with applicable stress factors identified within the Well-being Action Plan: regulations, uncertain future and lack of appreciation, weak position in the chain and financial uncertainties, professional risks, and high workload).³⁸

The SALV Vision Paper outlines some key components for this more active socio-economic agricultural policy at the (relevant) European, federal, and Flemish levels:

- a. The rollout of a **'new-style' trade policy** that breathes life into business models based on more sustainable production methods, both domestically and internationally.
- b. Increasing **market and price transparency** to enhance the position of farmers, small market participants, and stakeholders in the food supply chain.
- c. Achieving a fairer food system by promoting **more accurate price formation** throughout the chain, internalizing the environmental and other costs of producers up to the consumer, ensuring a just system where a fair price for farmers is guaranteed.
- d. Ensuring a **fair share of the cake** for the first links in the chain by further developing initiatives to address unfair trading practices through legislation.
- e. Encouraging new instruments that stimulate **demand** for and willingness to purchase sustainable food products from Flemish agriculture.
- f. Implementing a **more active policy regarding agricultural lands**, adequately ensuring the agricultural function and purpose of this essential production factor.
- g. Developing improved or new (public, private) instruments aimed at **the proper and structural compensation for societal services**, in line with the needs of a climate-resistant and neutral society.

[3] Chain action within the allotted structures is necessary, but policy action is indispensable.  The SALV appreciates that the Flemish Food Strategy in general, and deal 2 in particular, provides a framework for bringing together chain actors to chart paths towards fair remuneration for all links in the chain, especially primary producers and weaker market participants. The advisory board believes that, in addition to initiatives from chain actors them-

³⁸ Ibidem; see also: SALV-Minaraad, *Advies. Strategisch GLB-plan 2023-2027*, Brussel, 2022, https://salv.be/sites/default/files/documenten/SALV-MINA_20220318_ADV_StrategischGLBPlan.pdf, p. 51; see Departement Landbouw en Visserij, VLAM, ILVO, *Actieplan welbevinden voor de Vlaamse land- en tuinbouw. Samen zorgen we voor de boer*, 24 mei 2022, https://lv.vlaanderen.be/sites/default/files/attachments/actieplan_welbevinden_digi_0.pdf.

selves, policy action is necessary that goes beyond facilitating consultation structures and encouraging chain initiatives through project work. This is crucial, not least to realize the scaling-up of promising projects into a sector-wide improvement of price and income formation. The SALV, with the mentioned components from the Vision Note, points the way for this more active and broader economic policy around agriculture, for which policy action is expected from the various government levels (Flemish, federal, European).

5. How to shape policy action around fair and true prices?

The SALV calls for policy action in this chapter to address fair and true prices, advocating for their inclusion in policy agendas and research programs. The SALV recommends the development of a future federal law to safeguard agricultural prices, serving as a robust foundation for fair and equitable pricing and the establishment of a level playing field. This chapter provides recommendations on fair trade relationships, transparency, collaboration, equal rules, the role of fair prices within true prices, sustainability labels, public procurement for sustainable food, and forms of diversification, including the valorization of societal services.

[4] Include a recurring agenda item on a more active and broader economic policy around agriculture in intra-Belgian and European agricultural policy forums.   Policy action regarding agricultural income and pricing of sustainably produced food requires a structured policy coordination and coherence between different government levels (within Belgium and with Europe). According to the advisory board, the principles outlined in the SALV Vision Paper and the specific recommendations on fair and true prices from this advisory deserve to be best followed at the European policy level, including through the development of the EU legislative framework on sustainable food systems (Framework Law). The Belgian EU Presidency in 2024 offers the opportunity to highlight socio-economic policy around agriculture as a significant yet underemphasized pillar of (European) food policy.

[5] Integrate the quest for a more active and broader economic policy around agriculture within the European research programs preparing the rollout of European policies.  Recognizing that the current economic policy environment around agriculture struggles to achieve a fair and attractive income for farmers and that increasing societal expectations regarding food production (e.g., Green Deal) will further accentuate this challenge in income formation, the SALV deems it necessary for research programs on agriculture and food to focus more than today on the socio-economic policy dimension. In addition to thorough impact assessments of policy proposals in the current agricultural economic context and socio-economic policy pathways to make policy proposals feasible and even promising, research programs, according to the SALV, should primarily invest in the proactive development of appropriate socio-economic policy tools, including mechanisms for market correction and regulation. For example, the current Horizon Europe research program on agriculture does not provide a specific research objective or selection criterion related to the improvement of economic policies around agriculture. The advi-

sory board sees an opportunity in the Belgian EU Presidency in 2024 to include the quest for a more active socio-economic agricultural policy as a theme within the relevant research programs.

5.1 Fair prices: fair market relations – transparency – collaboration – equal rules of the game

The European Commission, based on the study of the Agricultural Markets Taskforce, developed a three-pronged strategy to strengthen the position of farmers in the chain: eliminate unfair trading practices, increase market and price transparency, and enhance collaboration among farmers and other chain actors.³⁹ The SALV has previously emphasized that these **three pillars must reinforce each other** to effectively lead to improved chain functioning and fair trade. This requires **policy coherence** across different government levels (Flemish, federal, European).⁴⁰

[6] Quickly establish the law protecting agricultural prices, as outlined in the federal government agreement.⁴¹  Recognizing and strengthening the three-part strategy to improve the position of primary producers and weaker market participants within the agri-food chain (transparency, fair trading practices, collaboration) and monitoring the rules in international agri-trade (both within Europe and at external borders), this law should serve as a solid foundation to strengthen and balance the chain's discussions on fair pricing and create a level playing field. Such a robust legislative foundation should appropriately distribute efforts for further sustainability of the food system across society. Fair and just market relations and equal rules in international agri-trade should protect primary producers and weaker market participants from the market power of stronger actors and provide them with a fair competitive agri-trade framework. Simultaneously, fair and just market relations and a level playing field should ensure that the final bill for the sustainability of the food system remains affordable for vulnerable groups in society. The SALV expects a similar approach at the European level, particularly within the legal framework for sustainable food systems (the EU sustainable food systems framework).

[7] Draw inspiration from the French EGAlim laws, which provide an anchoring mechanism for a proper allocation of the costs of the primary producer (and evolutions therein) up to the store shelves.⁴²  The advisory board acknowledges the fundamentally different

³⁹ Regulation (EU) 2017/2393 of the European Parliament and the Council of 13 December 2017, <https://eur-lex.europa.eu/legal-content/nl/TXT/?uri=CELEX%3A32017R2393>; *Report of the Agricultural Markets Task Force, Improving market outcomes. Enhancing the position of farmers in the supply chain*, Brussel, 2016, https://ec.europa.eu/info/sites/info/files/food-farmingfisheries/farming/documents/amtf-report-improving-markets-outcomes_en.pdf.

⁴⁰ See: SALV, *Advies. Oneerlijke handelspraktijken*, Brussel, 2021, https://www.salv.be/sites/default/files/documenten/SALV_20210517_ADV_OneerlijkeHandelspraktijken.pdf.

⁴¹ *Regeerakkoord*, 30 september 2020, https://www.belgium.be/sites/default/files/Regeerakkoord_2020.pdf, p. 45: "De regering zal de mogelijkheid onderzoeken om een "wet ter bescherming van de landbouwprijzen" aan te nemen."

⁴² Loi n° 2021-1357 du 18 octobre 2021 visant à protéger la rémunération des agriculteurs (Egalim 2); Loi n° 2018-938 du 30 octobre 2018 pour l'équilibre des relations commerciales dans le secteur agricole et alimentaire et une alimentation saine, durable et accessible à tous; Légifrance, LOI N° 2023-221 du 30 mars 2023 tendant à renforcer l'équilibre

agri-food landscape in Flanders and Belgium compared to France (see context 2.5). However, this should not deter the legislator from introducing similar legal reference points for fair agricultural income formation, without losing sight of probable shifts in pricing pressure that strong market participants exert on other intermediate chain links. The federal government agreement provides the framework to take action in this regard (cf. [6]).

5.1.1 Fair market relations

Trade in agricultural and food products based on fair and proper agreements, contracts, and conditions is a crucial step towards improving the incomes of farmers, which is essential for the overall sustainability of food production. The initiative to ban unfair trading practices (i.e., through the implementation of the European directive) will also need further development to ensure a fair share of the cake for suppliers in the chain.⁴³

[8] Enhance the legal frameworks for fair trade practices and better power balances in the food chain, expand them, and enforce them effectively.  The European directive on unfair trading practices has been transposed into Belgian legislation at the federal government level within the Economic Code and has been in effect since the end of 2021. A mid-term evaluation at the European level is scheduled for 2025, for which interim monitoring results will be collected. At the Belgian level, it is specified that the lists of prohibited unfair trading practices (i.e., the so-called black list) or of trading practices allowed only if clearly and unambiguously agreed upon in advance (i.e., the so-called grey list) can be expanded by royal decree. SALV advocates for the following adjustments and recommendations at the federal level:

- a. Consider the non-compliance with future interprofessional agreements as a prohibited unilateral contract modification.** Interprofessional agreements (through sector organizations or other interprofessional platforms) play a crucial role in determining the conditions related to price, quality, weight, volume, delivery, etc., and consequently, in the income formation of farmers and horticulturists. Given the strong influence of international market integration on the unit price formation for agricultural products (cf. background, 1.), interprofessional agreements that establish reception conditions and quality standards constitute essential components in the effective remuneration to farmers. The advisory board has previously suggested that the application of the directive on unfair trading practices could be strengthened by incorporating a 'penalty clause,' namely, recognizing the non-compliance with interprofessional agreements made within a sector organization, another interprofes-

dans les relations commerciales entre fournisseurs et distributeurs,

<https://www.legifrance.gouv.fr/jorf/id/JORFTEXT000047377284>.

⁴³ SALV, *Advies. Oneerlijke handelspraktijken aanpakken voor een betere werking van de markten van primaire producenten in de land- en tuinbouw, visserij en aquacultuur*, Brussel, 2021, https://www.salv.be/sites/default/files/documenten/SALV_20210517_ADV_OneerlijkeHandelspraktijken.pdf; SALV, *Verlag. Toekomstdialoog oneerlijke handelspraktijken (i.s.m. BVLE)*, Brussel, 2021, https://www.salv.be/sites/default/files/documenten/SALV_20211215_VERSLAG_TD1_UTP_pdg.pdf.

sional platform, or the Chain Consultation as a unilateral contract modification and thus as an unfair trading practice. Interprofessional agreements concluded by representative professional organizations bind their members, regardless of whether they have individually signed the agreement. These agreements frame delivery contracts and contractual arrangements and are thus considered a part of them. The recognition of non-compliance with interprofessional agreements as an unfair trading practice would apply to such agreements concluded or reaffirmed in light of this legal provision's entry into force.⁴⁴

- b. Establish clear and enforceable conditions for conducting reasonable promotional activities. The emphasis of promotions should be much more on product quality.** The emphasis of promotions should be much more on product quality. When the level of promotion becomes excessive, it generates negative effects on the margins of suppliers in the food supply chain, with the primary producer often experiencing the most price pressure. Such extensive promotional activities run counter to the comprehensive sustainability of the food chain and hinder the feasibility and affordability of the sustainability efforts of primary producers. Moreover, this creates a misleading perception among consumers regarding what constitutes a fair price for sustainably produced food. Therefore, there is a need for a clear and enforceable framework with conditions under which reasonable promotional activities can be carried out. The law on unfair trading practices can provide a space for this, as previously requested by the SALV.⁴⁵ Specifically, this could involve limiting the maximum discount percentage on the selling price and the sold volume for a specified duration. In general, promotion based on quality within the overall promotional policy should be proportionally greater than promotion based on price. Violations of such provisions should be reported and treated as unfair trading practices.
- c. Embed the renegotiation of contracts in exceptional and unforeseen circumstances (imprevisie) in the law on unfair trading practices.** Thanks to a renewal in Book 5 of the Civil Code (Article 5.74)⁴⁶ the doctrine of unforeseeability is recognized, namely the possibility that contracts can be renegotiated due to circumstances that have arisen after the conclusion of an agreement but were not intended by the parties and could not have been foreseen, making the performance of the agreement particularly difficult or significantly burdensome for one or both parties (cf. unforeseeability). Currently, this doctrine of unforeseeability is only included as supplementary law, namely as a legal rule that parties can deviate from by agreement in the drafting of a contract. The principle of the doctrine of unforeseeability works in two directions: both in the case of exceptional cost increases and decreases. The SALV calls for a stronger anchoring of the doctrine of unforeseeability by including the refusal of the possibility of contract renegotiation in exceptional and unforeseen circumstances as an unfair practice in the law on unfair trading practices. Through interprofession-

⁴⁴ Ibidem.

⁴⁵ Ibidem, p. 19.

⁴⁶ Wet houdende boek 5 “Verbintenissen” van het Burgerlijk Wetboek, 28 april 2022, https://etaamb.openjustice.be/nl/wet-van-28-april-2022_n2022032058, artikel 5.74.

al consultation, it should still be possible to omit the doctrine of unforeseeability optionally within contracts.

- d. Empower the supervisory authority with the right of initiative, making the law on unfair trading practices a robust policy instrument.** The enforcement authority should proactively exercise the right of initiative to identify and penalize unfair trading behavior. The European directive enables enforcement authorities to initiate investigations autonomously, compel suppliers and buyers to provide necessary information for an inquiry, conduct unannounced inspections, have the power to cease unfair trading practices, impose fines and penalties, and publicly disclose their decisions. The directive also provides frameworks for collaboration between enforcement authorities in different member states and with the European Commission to strengthen enforcement.⁴⁷ The SALV has learned that there have been few (anonymous) complaints filed with the enforcement authority to date. Lack of awareness (or the absence thereof) regarding the possibilities to file complaints may play a role in this. However, beyond this, the fear of commercial retaliation may explain the reluctance to submit complaints. There is no firm guarantee of protecting the identity of the complainant throughout the entire legal process. Therefore, the SALV calls for more investigations on the authority's own initiative. As an example, the SALV refers to the British Groceries Code Adjudicator. This public watchdog annually surveys experiences regarding trade relations within the agri-food chain, engaging in dialogue with buyers of primary producers and weaker market participants.⁴⁸ The advisory council also requests a thorough examination of the French EGalim laws in the context of enforcement aspects, taking into account the specificities of the agri-food landscape in France and Flanders/Belgium (cf. supra).

5.1.2 Transparency

The aim of increasing market and price transparency should be to improve the position of farmers and small market participants in the food supply chain. In this regard, the SALV requests to avoid any situation where higher market and price transparency would contradict this objective. A study and evaluation should demonstrate the impact of a higher degree of transparency on the position in the chain and income formation.⁴⁹

[9] Expand economic monitoring of prices and margins into a permanent and up-to-date tracking tool for price transmission and margin distribution throughout the agri-food production chain, across distinct production chains.  Only in this way can policy render

⁴⁷ Directive (EU) 2019/633 of the European Parliament and of the Council of 17 April 2019 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain, <https://eur-lex.europa.eu/legal-content/NL/TXT/PDF/?uri=CELEX:32019L0633>, artikel 4, 6, 8.

⁴⁸ UK Government, *Groceries Code Adjudicator*, <https://www.gov.uk/government/organisations/groceries-code-adjudicator>, website geraadpleegd op 14 maart 2023.

⁴⁹ SALV, *Advies. BVR Markt- en prijstransparantie. Eén van de paden naar een betere werking van land- en tuinbouwmarkten*, Brussel, 2020, https://www.salv.be/sites/default/files/documenten/SALV_20201218_ADV_Markt_en_Prijstransparantie.pdf.

the debate on fair prices and fairness in margin distribution objective, ensuring that market and price transparency truly becomes instrumental in promoting fair trading practices and forging balanced collaborative partnerships (i.e., the three pillars of the European strategy to improve the position of farmers in the chain must reinforce each other in their mutual coherence). It is very positive that a lot of data is already collected on prices and margins throughout the agri-food production chain. Through the Flemish Government's order (BVR – besluit van de Vlaamse Regering) on Market and Price Transparency, the Flemish government is tasked with collecting price data from the first links in the agri-food production chain, while the federal government is responsible for collecting price data further down the chain. The National Bank, Statbel, and the Price Observatory regularly release reports on price evolutions and margins throughout the agri-food production chain. However, the issue is that these reports do not result in an integrated view of prices and margins across the distinct production chains of the agri-food production chain. Such an integrated and always up-to-date view is necessary to objectify the discussion around fair prices and fair margin distribution throughout the chain. The following examples support the claim of this missing link:

- a. **Price Observatory (FPS Economy/INR):**⁵⁰ The study revealed that the increased costs of raw materials can be passed on to the consumer by the food industry and supermarkets, but with a delay and incomplete transmission. However, the study does not include an analysis of the agricultural sector. The reference to sharply rising prices of raw materials in the study also gives the impression that significant margins are being made within the sector. However, the recent increases in production costs indicate the opposite.
- b. **National Bank of Belgium:**⁵¹ This study does include the agricultural sector in its analyses. However, the figures are so aggregated that little can be concluded regarding the issue of fair prices and fair margin distribution.
- c. **Statbel:**⁵² compiles highly comprehensive and detailed indices based on price data of production factors and agricultural prices. However, these indices exist independently, not only from each other (the linking of the index series on production factors and farm gate prices is not established) but also in relation to the reports of other government services.
- d. **Agricultural Figures Flanders:** The Flemish government collects and publishes data on agricultural prices following its order on Market and Price Transparency (BVR Markt- en

⁵⁰ Prijzenobservatorium (FOD Economie/INR), *Prijsverloop in de voedingskolom: een analyse van het prijs-transmissiemechanisme voor België en de buurlanden*, 2022, <https://economie.fgov.be/nl/publicaties/prijsverloop-de-voedingskolom>.

⁵¹ Nationale Bank van België, *Bedrijven, prijzen en marges*, Brussel, 2023, https://www.nbb.be/doc/ts/publications/other/230123_marges_nl.pdf.

⁵² Statbel, *Landbouwprijzen*, <https://statbel.fgov.be/nl/themas/landbouw-visserij/landbouwprijzen#figures>, website consulted on 14 March 2023.

Prijstransparantie), providing representative information per product).⁵³ Additionally, it monitors the accounts of around 600 agricultural businesses, generating business economic results per sector.⁵⁴ From a microeconomic perspective, these accounts can enable a comparison with estimations of parameters at the macroeconomic level.

Thoughtful connections between these different data streams will provide opportunities to create a comprehensive view that can be shaped into a full-fledged monitoring tool for price transmission and margin distribution. Experiences from the **digitization policy** may likely help establish such connections quickly and keep them up to date smoothly

5.1.3 Collaboration

The SALV sees opportunities at the European level through the recent amendment to the GMO Regulation, which stipulates that agreements between agricultural producers or between agricultural producers and market participants aiming at a higher-than-legal sustainability standard obtain an exemption from general competition rules.⁵⁵

[10] Proactively explore the possibilities offered by the European competition framework to support agricultural income formation and further sustainability in food production.  Primary producers can focus on horizontal collaboration within producer organizations (to build market knowledge, bundle supply, or even organize processing themselves, ...) and/or on vertical collaboration within sector organizations (which promote dialogue, best practices, and market transparency as a platform, and manage the supply chain without being directly involved in production, processing, or trade). In addition to the significant role that producer organizations and sector organizations play in demand-supply interactions within the agri-food chain, the GMO Regulation additionally emphasizes cooperation agreements in the chain. For example, Article 210 (a) of the GMO Regulation creates additional space for agreements between farmers or between farmers and market participants on sustainability initiatives, offering pro-

⁵³ Departement Landbouw en Visserij, *Marktinformatie*, <https://landbouwcijfers.vlaanderen.be/marktinformatie>, website consulted on 14 March 2023.

⁵⁴ Departement Landbouw en Visserij, *Bedrijfseconomische resultaten bedrijfstakken*, <https://landbouwcijfers.vlaanderen.be/bedrijfseconomische-resultaten-bedrijfstakken>, website consulted on 14 March 2023.

⁵⁵ SALV – Minaraad, *Advies. Strategisch GLB-plan 2023-2027*, Brussel, 2022, https://salv.be/sites/default/files/documenten/SALV-MINA_20220318_ADV_StrategischGLBPlan.pdf, p. 37. Regulation (EU) 2021/2117 of the European Parliament and of the Council of 2 December 2021 amending Regulations (EU) No 1308/2013 establishing a common organisation of the markets in agricultural products, (EU) No 1151/2012 on quality schemes for agricultural products and foodstuffs, (EU) No 251/2014 on the definition, description, presentation, labeling, and protection of geographical indications of aromatized wine products, and (EU) No 228/2013 laying down specific measures for agriculture in the outermost regions of the Union, <https://eur-lex.europa.eu/legal-content/NL/TXT/PDF/?uri=CELEX:32021R2117&from=nl>, Article 1 adding Article 210a to the CMO Regulation: “Article 101(1) TFEU shall not apply to agreements, decisions, and concerted practices by producers of agricultural products related to the production or trade of agricultural products and aimed at applying a sustainability standard that goes beyond what is prescribed by Union law, provided that such agreements, decisions, and concerted practices impose only those restrictions on competition that are indispensable for achieving that standard.”

spects for fair remuneration for sustainability efforts within the agri-food chain. The SALV urges the government to proactively leverage this competition exception. This can be done through the following avenues:

- a. **Facilitate, within the framework of the Flemish Food Strategy, the sustainability initiatives that can fall under this competition exception.** The SALV sees several opportunities to set up initiatives in collaboration with chain actors under deal 2 (e.g., in the context of animal welfare, climate mitigation, ...). These initiatives should be able to receive support and be shaped by the Flemish government in coordination with the federal government (cf. [10] b).
- b. **According to the SALV, federal competition policy should proactively provide the necessary direction, legal certainty, and fertile ground for such initiatives.** In this regard, the advisory board refers to the proactive stance of the Dutch competition authority and notes that in Germany, several price-increasing chain agreements have already been reported under this new framework.⁵⁶ The SALV requests that the competent government level adequately coordinates on this matter with key stakeholders from the agri-food chain.
- c. **Facilitate an exchange at the European level with key stakeholders from the agri-food chain regarding initiatives falling under this competition exception. This can enrich the groundwork for such initiatives.** When initiatives falling under this competition exception are ongoing in various member states from the agri-food chain, it is advisable to bring together key stakeholders from the agri-food chain at the European level to learn about successful (and less successful) initiatives. From this, these key stakeholders can draw inspiration for translating possible initiatives within their own agri-food landscape, and policymakers can assess which aspects of the guidelines may require adjustments.

The introduction of this competition exception for sustainability initiatives in agriculture already underscores the importance of fair prices for further strides towards sustainability. However, given the (European, Belgian, and Flemish) policy direction towards increasing (legal) requirements in the areas of environment and climate, questions may arise about whether the current competition exception for sustainability initiatives in agriculture is too restrictive (i.e., limited to above-legal efforts) and whether the existing exceptions to competition rules provide sufficient support for the ongoing sustainability trajectory.

5.1.4 Equal rules of the game

The SALV has repeatedly emphasized the challenging market environment in which the further ecological sustainability of the agricultural and food system must unfold. The government must ensure a level playing field in the globalized market and transparently present the affordability of

⁵⁶ FD, *Kartelwaakhond roept boeren op prijsafspraken te maken*, 16 februari 2023, <https://fd.nl/economie/1467915/kartelwaakhond-roept-boeren-op-prijsafspraken-te-maken>.

its own environmental policy. Focused on international (agro)trade, the advisory council advocates for a 'new-style' trade policy that creates a business model for more sustainable production methods. To achieve fair agreements, the advisory council highlights the need to ensure fair competition and a level playing field, and to ensure that one's own sustainability efforts are not jeopardized.⁵⁷

[11] Establish a level playing field regarding production methods through a 'new-style' trade policy.   Ensuring a level playing field remains a crucial focus to enable further sustainability in the agricultural and food system (both domestically and externally in third countries). In the assessment of imported products, there is currently too much emphasis on product characteristics concerning food safety and health, and far too little on the features of the production process (production method). This means that imported products may appear to have the same quality but can differ significantly in terms of standards and regulations related to the environment and climate that must be adhered to during the production process. Consequently, these differences result in cost disparities that disadvantage domestic primary production competitively. Moreover, these differences constitute hidden costs that must be taken into account when assessing true prices (cf. below). A 'new-style' trade policy should increasingly focus on equal standards and regulations within the production method (mirror clauses), anchoring fairness and global sustainability in international agri-trade.⁵⁸ Recent initiatives from the European Commission to impose the same maximum residue levels (MRLs) for certain pesticides (i.e., neonicotinoids) on imported products as on Union products are examples to be followed. Effective enforcement will be a crucial key element in this regard.

[12] Advocate at the European level for tailored solutions that take into account the specific urbanized context of Flemish food production and, simultaneously, ensure fair allocation of state aid.   SALV has already put forward 'room for tailored solutions' as one of the six strategic core themes to be placed on the European agenda during the European Presidency. The advisory council emphasized that European policy frameworks must provide sufficient flexibility to achieve policy objectives, taking into account the specific situation of agriculture in the Flemish urbanized context.⁵⁹ Spatial differences between member states result in diverse contexts in which food production must be organized. Flemish agriculture operates within a highly urbanized environment and limited open space. The demand from various land uses for the same limited space already poses challenges regarding access to agricultural land (pressure on land prices). Parcel fragmentation and a small plot structure often make uniform product quality requirements a significant challenge, leading to additional logistic process steps. The specific spatial context also comes into play when translating European policy objectives. Insufficient

⁵⁷ SALV, Advies. EU-Mercosur handelsakkoord, Brussel, 2021, https://www.salv.be/sites/default/files/documenten/SALV_20210226_BRADV_2021-02_Mercosur.pdf.

⁵⁸ Ibidem, p. 15; see also SALV, Advies. *Hapklare inzichten voor een Vlaams voedselbeleid*, Brussel, 2020, https://salv.be/sites/default/files/documenten/SALV_20200626_ADV_2020-08_Voedselbeleid_HapklareInzichten_vw6_DEF.pdf, p. 25-26.

⁵⁹ SALV, Advies. *Vlaamse Agenda Europees Voorzitterschap 2024*, Brussel, 2022, https://www.salv.be/sites/default/files/documenten/SALV_20220421_ADV_EU_VZP.pdf.

recognition of the specificity of the region can disrupt the internal market. Although European policy frameworks acknowledge private production conditions in some member states and set conditions (e.g., within the framework of CAP support and crisis support), such recognition has so far not extended to agriculture within a highly urbanized production environment with limited open space. Moreover, a widely varying use of state aid schemes among member states (e.g., in the context of crises) exacerbates the disruption of the internal market. To enable and safeguard the further sustainability of Flemish agriculture with fair remuneration for primary producers in the future, the recognition of the specific circumstances in which the Flemish agricultural sector operates will be necessary. SALV calls on policymakers to work together with the stakeholders represented in the advisory council to determine how such tailored solutions should be implemented. At the same time, according to SALV, the European level must ensure fair application of state aid that counteracts undesirable effects on the level of competition among member states.

5.2 Fair prices as part of true prices

[13] Take (the lack of) fair prices into account when estimating true prices.   The estimation of true prices or 'true cost accounting' (TCA) is 'a way to make the various societal effects on the environment, on a social level, and on human health transparent. This allows for the identification of instruments to incorporate these effects into the decision-making of all actors in the food chain – including government, banks, etc. – ultimately resulting in a more sustainable food system.'⁶⁰ External effects (costs as well as benefits) associated with the production of, in this case, food, but currently not reflected in the product price (i.e., hidden costs and benefits), are made known and transparent through the estimation of true prices (TCA) based on measurement. Such insight is crucial for consumers to make informed and thoughtful choices for sustainable and healthy food (which consumers currently lack). These measurements are based on life cycle analyses for various products and consider environmental, health, and social effects. The SALV notes that there are still many uncertainties about such measurements (e.g., reliability of data and proxy variables to calculate certain external effects, figures that effectively relate to the specific context of Flemish food production, considering beneficial effects, incorporating a systems approach that captures the complexity of agriculture and food).⁶¹ These measurement uncertainties are separate from the assignment of monetary values to external effects to arrive at true prices. In addition to measurement uncertainties, the advisory board also points out that the issue of agricultural income formation receives almost no attention in the calculation of true prices, while this is an integral part of the sustainability of agricultural production. From the observation that market imperfections make fair prices difficult to achieve, this should also be considered as a hidden cost that should be included in TCA. Finally, the advisory board points out that true prices must also be calculated for imported products to make (the lack of) a level play-

⁶⁰ W. Baltussen en G. Woltjer, "True Cost Accounting: een instrument om duurzame productie en consumptie van voedsel te bevorderen", *Parlement en Wetenschap*, https://parlementenwetenschap.nl/wp-content/uploads/2023/02/230124_Factsheet_true_cost_accounting_Baltussen_Woltjer.pdf.

⁶¹ Van Linden, V., Boone, L., Corbala Robles, L., Heuts, R., Dewulf, J., *Vergelijking van de milieupact van verschillende landbouwproductiesystemen op basis van een voedingskorf*, Study conducted on behalf of Afdeling Partnerschappen met besturen en maatschappij, Departement Omgeving, Brussel, 2022.

ing field visible through TCA. By taking all aspects of sustainable food into account through TCA, the actual price relationship between food products based on their level of sustainability becomes clear and transparent for consumers, and ultimately, products that score better in terms of overall sustainability and health will become relatively cheaper. The SALV also sees a connection with its earlier recommendation that food policy should actively promote accelerated changes in consumption patterns towards dietary patterns that are better for health and the environment, based on health recommendations outlined by the high health council and the Flemish food triangle.⁶² Regarding the Flemish food pyramid, the advisory board also asked to add the concept of socio-economic sustainability to it so that the citizen includes that essential value in his reference framework as a conscious consumer.⁶³

5.3 Labels and certifications

In its advice on Flemish food policy, the SALV has already emphasized that well-thought-out regulation at the European level, aimed at maintaining a level playing field and competitiveness, can ensure that, among other things, labels contribute to sustainable food choices.⁶⁴

[14] Consider a fair remuneration for sustainability efforts as a criterion when establishing rules regarding sustainability labels.  The initiative of the European Commission regarding the legislative framework for sustainable food systems (Framework Law) also aims to define rules for the labeling of food sustainability.⁶⁵ SALV welcomes a certain level of standardization and harmonization of rules for labeling. This should enhance the credibility of labels/certifications, providing consumers with a reliable and scientifically supported guide for making sustainable consumption choices. Additionally, it should help promote a level playing field for primary producers and other chain links supporting the efforts of the label (cf. above). According to SALV, sustainability labels should guarantee that they contribute to environmental and climate objectives (i.e., the ecological sustainability dimension). However, it is crucial that the efforts associated with a label (i.e., extra efforts or efforts to achieve policy goals quickly) are adequately remunerated to primary producers and other chain links bearing these efforts (and the associated costs) (i.e., the economic sustainability dimension). Therefore, the framework law should include fair remuneration for efforts associated with a label as a demonstrable criterion

⁶² SALV, *Advies. Hapklare inzichten voor een Vlaams voedselbeleid*, Brussel, 2020, https://salv.be/sites/default/files/documenten/SALV_20200626_ADV_2020-08_Voedselbeleid_HapklareInzichten_wv6_DEF.pdf, p. 26.

⁶³ SALV, *Advies. Naar een Vlaamse landbouw 'fit for 55': inzichten en aanbevelingen*, Brussel, 2021, https://www.salv.be/sites/default/files/documenten/SALV_20211014_ADV_Fitfor55.pdf, p. 20; de SALV riep het Departement Omgeving eerder reeds op tot een dialoog met de sector rond de aangevulde voedingsdriehoek (brief 10 mei 2021).

⁶⁴ SALV, *Advies. Hapklare inzichten voor een Vlaams voedselbeleid*, Brussel, 2020, https://salv.be/sites/default/files/documenten/SALV_20200626_ADV_2020-08_Voedselbeleid_HapklareInzichten_wv6_DEF.pdf, p. 24.

⁶⁵ Europese Commissie, *Inception impact assessment*, https://food.ec.europa.eu/system/files/2022-02/f2f_legis_ia_fsfs_5902055.pdf.

for sustainability labels. In the translation of the European framework law, the intention should not be to introduce additional labels into the market, leading to more confusion among consumers. In this regard, the advisory board emphasizes the need for proper alignment of the rules around sustainability labels within the framework law with consumer rights policy frameworks and policy development.⁶⁶ In other words, the principles of labeling derived from the framework law should be integrated as much as possible into existing labels. SALV further points out that the functioning of labels/certifications is only successful in commanding a premium when the label/certification can be distinguished in the market. If commitments around a particular label/certification were to evolve into requirements for general market access, the added value of the label/certification would no longer be visible and would affect pricing. Therefore, it is important for the government to take policy action for a more active socio-economic policy around agriculture that aims for an inclusive and sector-wide solution, given the sustainability efforts expected from the entire agricultural sector.

5.4 Public procurement for sustainable food

[15] Ensure that the rules regarding public procurement for sustainable food guarantee fair remuneration to primary producers and weaker market participants, and promote local sustainable food production.

The European Commission aims to establish minimum mandatory criteria for public procurement of sustainable food from schools and public institutions through the legislative framework for sustainable food systems (Framework Law).⁶⁷ SALV believes that schools and public institutions, in their public procurement, should adhere to the principles of this advice on international price formation, rules in trade policy, and more balanced and fair chain relations, setting a good example. In practice, however, the advisory board observes that public institutions often prioritize the most advantageous offer over aspects of overall sustainability and health when awarding government contracts.⁶⁸ SALV requests that the Belgian Presidency be used to advocate for the inclusion of fair remuneration to primary producers and weaker market participants in the rules regarding public procurement for sustainable food within the framework law. Through such government contracts, public institutions should

⁶⁶ Directive 2011/83/EU of the European Parliament and of the Council on consumer rights, <https://eur-lex.europa.eu/legal-content/NL/TXT/PDF/?uri=CELEX:32011L0083&from=EN>; Beleidsprocessen in voorbereiding, waar de SALV zich nog niet inhoudelijk over heeft uitgesproken: Europese Commissie, COM(2022) 143 final, *Voorstel voor een Richtlijn van het Europees Parlement en de Raad tot wijziging van de Richtlijnen 2005/29/EG en 2011/83/EU wat betreft het versterken van de positie van de consument voor de groene transitie door middel van betere informatie en bescherming tegen oneerlijke handelspraktijken*, Brussel, 30.3.2022, <https://eur-lex.europa.eu/legal-content/NL/TXT/HTML/?uri=CELEX:52022PC0143>; Europese Commissie, COM(2023) 166 final, *Proposal for a directive of the European Parliament and of the Council on substantiation and communication of explicit environmental claims (Green Claims Directive)*, Brussel, 22.3.2023, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52023PC0166>.

⁶⁷ Europese Commissie, *Inception impact assessment*, https://food.ec.europa.eu/system/files/2022-02/f2f_legis_jia_fsfs_5902055.pdf.

⁶⁸ Findings from project *Cocoreado – connecting consumers and producers to rebalance farmers' position*, Horizon 2020 H2020-RUR-2020-1: onder meer projectpublicatie 'D2.4 Long list of 60-100 innovative initiatives', p. 24: '*Preliminary literature review shows that although the EU Commission tries to support as much as possible sustainable food public procurement principles, many contracting authorities in the EU countries privilege only the lower price criteria to select food suppliers and do not require the provision of sustainable goods and services.*'

be able to stimulate the sale of local sustainable food production (also directly through the short chain), for example, by issuing targeted tenders and splitting a large requested volume across multiple tenders.⁶⁹ To directly stimulate local sustainable food production through public procurement, schools and public institutions often encounter limitations in terms of competition regulations. Similar to the possibility of a competition exception between farmers and between farmers and market participants for sustainability initiatives in agriculture, a similar approach should be explored in the context of public procurement.

5.5 Short supply chain, shortened supply chain, deepened diversification, broadened diversification, and social services

Short chain starts from the farmer with pricing autonomy and added value as core elements. As such, the short chain is an umbrella term that can encompass various marketing strategies, catering to a wide range of types of agricultural businesses (although not every farm is suitable for short chain activities due to factors such as location, subsector, personality, or business situation). The various forms of short chain have in common that the primary producer can largely determine the selling price (pricing autonomy) and there is a connection with the end consumer.⁷⁰

According to the SALV, the short chain requires a coherent policy that is coordinated across all levels of government and policy domains. A clear platform should better facilitate dialogue within the short chain. Furthermore, the SALV calls for a more extensive education and advisory offering, and emphasizes the need for sector-wide and business-economic data on the short chain. The SALV makes these recommendations based on the observation that the short chain can contribute to the resilience and financial viability of an agricultural business.⁷¹

In addition to food production, agriculture also provides societal services, including the enhancement of ecosystem services such as climate regulation, carbon storage, water retention, preservation of soil fertility, regulation of erosion risk, and provision of green spaces for outdoor activities. The SALV has already emphasized the need for a fair and structural compensation for such societal services that should generate a business model for the farmer.⁷²

⁶⁹ Cf. project *Cocoreado – connecting consumers and producers to rebalance farmers' position*, Horizon 2020 H2020-RUR-2020-1: onder meer projectpublicatie 'D2.4 Long list of 60-100 innovative initiatives', p. 28.

⁷⁰ SALV, Advies. De korte keten. Vormen, kansen en uitdagingen, Brussel, 2020, https://www.salv.be/sites/default/files/documenten/SALV_20200714_ADV_KorteKeten.pdf.

⁷¹ SALV, Advies. De korte keten. Vormen, kansen en uitdagingen, Brussel, 2020, https://www.salv.be/sites/default/files/documenten/SALV_20200714_ADV_KorteKeten.pdf.

⁷² SALV, *Visienota*, Brussel, 2022, https://www.salv.be/sites/default/files/documenten/SALV_20221222_Visienota_2023.pdf, p. 10; SALV – Minaraad, Advies. *Strategisch GLB-plan 2023-2027*, Brussel, 2022, https://salv.be/sites/default/files/documenten/SALV-MINA_20220318_ADV_StrategischGLBPlan.pdf, p. 36.

[16] Encourage initiatives to optimize and expand the (market) potential of the short food supply chain. Focus on market development and entrepreneurial skills.  The SALV has previously highlighted the growth potential for the short food supply chain (with the caveat that the limits of the short food supply chain depend on the potential consumer segment and the differentiation basis of the involved agricultural businesses within a specific geographical scope). To fully realize and, where possible, expand the potential of the short food supply chain, the advisory board calls for initiatives that stimulate further market development and enhance entrepreneurial skills through comprehensive education, training, and advisory programs.⁷³

[17] Develop a coherent policy for the short food supply chain and new business models/new chains based on alignment across different government levels and policy domains.   The SALV has previously pointed out that short food supply chain producers encounter a diverse set of regulations, spanning federal, regional, and local government levels, as well as various policy domains. A coherent policy for the short food supply chain, and by extension, for new business models and new chains (including within the framework of the Flemish Protein Strategy and the Flemish Bio-economy Policy Plan), should eliminate contradictions in regulations between government levels and policy domains. Additionally, such a coherent policy for the short food supply chain and for new business models and new chains should provide clarity to the involved farmers and chain actors regarding the regulations they need to comply with. The SALV sees a coordinating role for the agricultural administration to facilitate policy development for the short food supply chain and for new business models and new chains, working collaboratively with all relevant government levels and policy domains to address challenges.⁷⁴

[18] Establish a supportive policy framework and develop enhanced or new (public, private) instruments to ensure a fair and structural, standalone compensation for societal services.    The provision of societal services by agriculture, particularly its intended enhancement, involves investments and costs. Some farmers have managed to build a business model around certain societal services as a form of diversification (e.g., agro-tourism), while others use these services to enhance the image and, consequently, diversify their operations (e.g., grazing in natural meadows promoting on-farm sales).⁷⁵ However, a fair and structural compensation for societal services, especially for the enhancement of ecosystem services, is generally lacking and often hinders further scaling of these services. According to the SALV, such compensation should go beyond covering costs to be truly incentivizing. When public funds are used for compensating societal services, European policy frameworks (CAP, state aid rules)⁷⁶ often limit

⁷³ Vergelijk met SALV, Advies. De korte keten. Vormen, kansen en uitdagingen, Brussel, 2020, https://www.salv.be/sites/default/files/documenten/SALV_20200714_ADV_KorteKeten.pdf.

⁷⁴ Compare with SALV, Advies. De korte keten. Vormen, kansen en uitdagingen, Brussel, 2020, https://www.salv.be/sites/default/files/documenten/SALV_20200714_ADV_KorteKeten.pdf.

⁷⁵ See SALV, Kennisnota. Verdienmodellen in de land- en tuinbouw. Een reflectiekader rond structuren en bedrijfsoriëntaties, Brussel, 2020, https://salv.be/sites/default/files/documenten/SALV_20200529_WCVDK_KennisnotaVerdienmodellen_def.pdf, p. 11-15.

⁷⁶ Regulation (EU) 2021/2115 of the European Parliament and the Council of 2 December 2021 laying down rules for support of the strategic plans prepared by the Member States under the Common Agricultural Policy (CAP strategic

the support amount to cost coverage and income loss. When private funds can be utilized, international pricing (based on economies of scale not offered by the agricultural landscape in Flanders) may result in limited valorization. Additionally, the advisory council believes that the compensation for societal services should be evaluated independently. It should not be the intention for a societal service to structurally compensate for the shortcomings of the core agricultural activity. Alongside financial incentives, a supportive policy framework also includes access conditions that motivate farmers to invest in societal services. This approach ensures that synergies arising from certain societal services can be optimally utilized for other (ecosystem) services and/or contribute to achieving environmental and climate policy objectives.⁷⁷

**[19] Policy action for a more active economic policy around agriculture is necessary for the further sustainability of food production and for every agricultural business model. **

  Just because a farmer focuses on the short chain (e.g., direct sales in an on-farm shop), the shortened chain (e.g., selling products at a higher price under their own brand or a certified label via retail), or diversification (e.g., monetizing societal services alongside agricultural products) does not exempt them from the macroeconomic environment. Opportunities for independent pricing will always need to be in a certain relationship to the aggregated demand and supply within the food supply chain. Moreover, if the journey toward further sustainability leads to certain business models that currently operate within a niche and demand market (and therefore achieve more favorable pricing) evolving into more standard business models, the requested policy actions for a more active economic policy around agriculture will also play a crucial role for these business models.

plans) and financed by the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD), <https://eur-lex.europa.eu/legal-content/NL/TXT/PDF/?uri=CELEX:02021R2115-20220422&from=NL>.

⁷⁷ Zie SALV, *Advies. Beleidswenken voor een klimaatbestendige landbouwsector*, Brussel, 2019, https://salv.be/sites/default/files/documenten/SALV_20191129_Klimaatadaptatieplan_2030_ADV.pdf; including, among other things, focusing on carbon credit models: SALV, *Stageverslag. Koolstofverdienmodellen in de landbouw*, Brussel, 2022, https://salv.be/sites/default/files/documenten/SALV_20220912_V_Stage_Koolstofverdienmodellen_nalectoren.pdf.

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