



Main points for regulation article **“Producer price must be higher than production costs”**

Explanation of paragraphs	Draft article
<p>(1) Price must be higher than production costs.</p> <p>All items that are included in the BAL study must be considered as costs.</p> <p>Not all subsidies should be deducted (e.g., subsidies for additional environmental measures not deducted)</p>	<p>(1) The price received by an agricultural producer for a primary product must be higher than total production costs. These production costs include all costs incurred in relation with the production of the primary product. They include, among others, costs for bought-in feed, fodder crop cultivation (seeds, fertilisers, plant protection products, others), animal husbandry costs (veterinary costs, insemination, etc.), maintenance of machinery and buildings, contract work, paid wages as well as remuneration for farm managers and unpaid workers (if not included under wages), overheads, rent, depreciation, interest and taxes. Should new cost items become relevant for production in the future, they shall be included as well. Furthermore, only production support measures may be deducted from costs as subsidies.</p>
<p>(2) EU cost calculation</p> <p>Priority for collective agreements when it comes to remuneration calculation. If not available, then recommendation: twice the minimum wage</p>	<p>(2) Production costs shall be determined on the basis of a quarterly market-appropriate cost calculation using the EU Farm Accountancy Data Network (FADN) for the area of each Member State for each agricultural sector based on region, farm type and farm size. This refers to total costs as stipulated in the paragraph above. These averages shall be made available to the Member States as well as to primary producers and buyers of primary products in each agricultural sector as price reference values to be respected. The price paid for a primary product must be higher than the relevant reference value in the respective region. The labour costs for farm managers and family workers that are not included under wages shall be determined on the basis of country-specific collective agreements with due consideration of type of qualification. Should such an agreement not exist, these income costs shall be deemed at least twice the minimum wage in the country in question.</p>
<p>(3) When dairies pay their suppliers/farmers in (e.g. monthly) instalments of an estimated price amount (for which the balance of the actual total amount is settled at the end of the year), they must refer for their (e.g. monthly) payments to the current/latest</p>	<p>(3) When it comes to determining prices that must be higher than production costs, the latest – as far as possible regional – costs reported by the EU that are available when the price is determined must serve as the basis. Even in the case of payment in (e.g. monthly) instalments, the latest applicable reference value must be taken into account to ensure that prices paid to the primary producers always lie above the amount of the reference value.</p>

(quarterly) reference value. It is not possible to only refer to a current reference value when the balancing payments are to be made at the end of the year.

Costs changes must be taken into account. Therefore price adjustments in contracts must be possible.

Paragraph on additional measures is important to ensure that processors do not simply look at the reference value in isolation and receive additional measures for free.

Paragraph on volume so that processors are not obliged to buy an unrestricted volume. This means that producers will also not produce an unrestricted amount (at a high/appropriate price).

The following applies for contract-based sales: When the contract period is longer than ??? months, a flexible pricing model that is based on the applicable latest quarterly price reference value is obligatory, insofar as the price is always adjusted when it is no longer above the latest quarterly reference value. The price can also be adjusted downwards when the latest reference value has decreased as compared to the previous one. In this case as well, the price must compulsorily remain above the latest value.

Should the price above the reference value fail to reflect certain additional measures, at least the cost of this added value must be compensated for by the price as well. An overview of costs for each additional measure will be provided annually by the European Commission for each Member State at national level for each sector and each primary product.

The volume of the primary product to be sold at this price shall be freely negotiated between buyer and seller.

(4) Paragraphs 1-3 expressly apply to cooperatives and their members as well.

(5) Here onwards, other stakeholders after the processor are also made responsible.

(5) The following applies for all other stakeholders along the value chain: Each buyer shall pay the entrepreneur directly before them in the food supply chain a price that at least corresponds to the real incurred costs or the costs borne for the production of the product in question. Attestation of the same must be provided in the form of legally-accepted documentary proof.

(6) Especially prohibit retailers from setting very low final prices.

(6) Entrepreneurs that sell foodstuffs to end consumers shall not offer retail prices that are below the real purchase price of said product. The sale of easily perishable foodstuffs or foodstuffs that are close to their use-by date to the public is not considered unlawful as long as this condition is clearly indicated to the consumer.

(7) Entrepreneurs that act as final points of sale for products to consumers shall not pass on the business risk, arising from their business policy in relation to publicly-offered prices, to one or any of the above-mentioned entrepreneurs.

(8) Article on monitoring/sanctions so that the Regulation is actually enforced and infringements are penalised. Member States are responsible.

(8) Member States shall monitor compliance with the price requirements enshrined in this article and shall sanction violations in such a way that the concerned buyer and seller are clearly penalised for this infringement. To this aim, a complaints office shall be set up in each country, where nominative or anonymous complaints can be filed and which is compulsorily in charge of examining and sanctioning infringements.

(9) In principle, the EU must, for example, introduce mirror clauses/duties on imports (primary products as well as processed products), so that dairies do not import cheap milk powder for processing (instead of using local milk purchased at a decent price) and retailers do not import any products that were produced outside the EU without cost coverage.

(9) The EU shall define its trade policy to ensure that the prices determined in the EU according to this Regulation are not undermined in any way at any production or processing stage by imported products, thus ensuring that the effectiveness of this Regulation is not decreased.