

CFS 51 Side Event 35:
Fair Food Prices – Unlocking multistakeholder action for inclusive and competitive markets
Friday 27th October 2023, 13:30-14:45

Speakers

- Davine Minayo – Consumers International (Specialist, Fair Food Prices in Africa)
- Laura Lorenzo – World Rural Forum (Director)
- Teresa Moreira – UNCTAD (Head of Competition and Consumer Policies)
- Dr Willard Mwemba – COMESA Competition Commission (CEO)
- Shalmali Guttal – IPES-Food (Expert Panel member); Focus on the Global South (Executive Director)
- Pascal Liu – FAO Markets and Trade Division (Senior Economist)
- Saima Zia – Civil Society and Indigenous People’s Mechanism (Coordination Committee member); Pakistan Kissan Rabita Committee (Secretary)
- Charlie Worthington (moderator) – Consumers International (Food Systems Lead)

Background

The triple crises of conflict, climate, and COVID-19 have exposed the fragility of our overconcentrated food systems, resulting in soaring consumer prices while undermining the livelihoods of small-scale and family farmers. Governments and international organisations have worked to bring down global commodity prices by facilitating international trade and strengthening domestic food production; but this decrease is not being effectively transmitted to consumers, nor are producers benefitting from the high prices being paid. Instead, weak competition and market distortion are leading to record profits, built on unfair prices.

Delivering fair food prices for all requires urgent action to improve competition measures – both at national level and in global commodity markets – in order to tackle excessive pricing, financial speculation, and more. This side event will bring together representatives from government and international organisations, as well as consumer and farmer voices, to discuss the actions needed to deliver fair food prices; and explore how these efforts can be supported by a range of CFS policy products, including the Recommendations on Price Volatility and Food Security; the Voluntary Guidelines on Food Systems and Nutrition; the Voluntary Guidelines on the Right to Food; and the ongoing work on Data Collection and Analysis.

Introduction

- While the FAO’s Food Price Index, tracking food commodity prices on international markets, has been in steady decline since March 2022, consumer-level prices are still rising in nearly every country across the world.

- At the same time, food producers (especially small-scale farmers) are rarely receiving a fair livelihood for the food they produce, even when prices surge.
- There are various reasons why consumer prices are rising while commodity prices fall – it can take time for equilibrium to rebalance after shocks; energy costs are still high; and the impact of climate crisis is only getting worse.
- Yet it is also notable that many food companies, national and multinational, registered record profits in the wake of this food price crisis.
- The reality – that our overconcentrated and often uncompetitive food systems are a driver of unfair food prices – has been highlighted in the CFS plenary session on food price volatility; as well as by UNCTAD’s Trade and Development Report 2023, the WTO, the IMF, and many more.
- The focus of such conversations has still largely been on Europe and North America, where the data on profits and prices is clearest. But the problem appears to be just as severe in other parts of the world – Africa, Asia, Latin America – where data is often more limited, competition tends to be weaker, and this overconcentration is most dangerous.

Summary of panel discussion

Panellists were invited to highlight the impact of unfair prices on consumers and producers alike; and above all to explore and share some of the key solutions required.

Highlighting how consumers are being affected by unfair food prices, Davine Minayo, noted that the number of people facing acute food insecurity rose from 193 million in 2021 to 258 million in 2022, and is still rising in 2023. Additionally, more than 3 billion people cannot afford a healthy diet. Africa is particularly affected by food insecurity, and is home to 11 of the 22 ‘hunger hotspots’ identified by the World Food Program. She added that there is growing evidence that consumer food prices are unfair – driven up not just by conflict, climate, and COVID-19, but also by excessive pricing from dominant marketplace actors, taking advantage of these crises, and of a power imbalance in the marketplace. At the global level, there is evidence of this threat, with many actors reporting record profits in recent years, despite the global food crisis; and detailed data on pricing and profits in Europe and North America has made the situation even clearer. Yet in Africa, and elsewhere in the Global South, this data is not so widely available, and the threat of unfair pricing is going under the radar for governments, and even for consumers themselves, who are often not aware of this threat.

Laura Lorenzo shared how farmers are losing genetic diversity in their farms, as a result of overconcentrated markets prioritising a small number of crops, exposing them to the dangers of pest and disease vulnerability. She added that farmers still experience challenges in access to markets for example, while negotiating contracts there is unfairness and in most cases the contracts are unbalanced. Farmers often lack the power to interact on equal terms with other actors, putting them at a disadvantage as they end up earning less than the other actors in the value chain. One example is of coffee farmers within the family farming network in Uganda, who earn only 0.5% of the retail price that is offered for coffee in London.

Teresa Moreira shared proposals on how governments can address unfair food pricing by strengthening competition in the agri-food space. She noted that to enhance competition and deliver fair food pricing, governments in net food importing countries (and especially developing countries) need to diversify the sources of imported commodities to avoid overdependence, and also to promote local production of these foods. To achieve fair international trade, there is need for governments to reduce non-tariff trade barriers, resist unnecessary and unjustified export restrictions, as well as to switch from long supply chains to regional supply chains where possible. She added that governments could also promote competition in the marketplace through legal action against abuses of market power and anti-competitive practices; market monitoring to advise governments on regulatory and structural reforms; and merger control to ensure open and competitive food markets. To protect the consumer, there is need to restore access to food for all people and all countries at accessible prices, improve food security, control hoarding, price gouging, and other speculative behaviors; as well as to educate consumers about nutrition, disease prevention, and food adulteration.

Dr Willard Mwemba discussed how the COMESA Competition Commission had recently established a research unit to form the African Market Observatory, in partnership with Centre for Competition, Regulation and Economic Development (CCRED). Issues highlighted by the initial outputs include overconcentration in many COMESA markets, with a small number of powerful, vertically-integrated traders paying low prices to small-scale farmers, and making huge margins as they sell their products. Information asymmetry, especially where multinationals have an advantage and can hold information as they wish, ends up disadvantaging the farmer and the consumer alike. Therefore, consumer awareness is needed to identify issues that look anti-competitive and gross consumer violations. He added that governments need to identify where their policies undermine competition, such as bans on imports and exports. Advocacy is also needed, and COMESA is organizing a meeting for ministers of agriculture and trade in early 2024, to discuss how some of the policies they are implementing are having a negative effect. A review of some of the mergers in the food sector has shown that some of the mergers taking place are anti-competitive, in the sense that at the point of application, misleading information was provided. COMESA has also established a research platform to identify anti-competitive business practises which are then implemented at the COMESA restrictive business practices network.

Shalmali Guttal noted that the current challenges in the food system are structural, and therefore need systemic structural solutions. She shared the findings of a study by IPES-Food which identified four key flaws/weaknesses as the drivers for the global food crisis. These flaws are not new, but have been exposed by the current crisis. These are food import dependency, production systems focused on exports, highly concentrated global markets, fake and dysfunctional grain markets and vicious cycle of climate change, conflict, poverty, and hunger. To achieve fair food prices and rebuild food security, there is a need to; tax windfall profits from agribusinesses and invest that in food security, food sovereignty and rebuilding climate resilient food systems; break agribusiness monopolies through stronger oversight for mergers, or simply regulate the power of agribusinesses; and overturn the concentration of private grain reserves and instead support public food reserves to protect people from shocks.

Pascal Liu noted that distortions along the value chain are caused by imperfect competition, market power, technical barriers to trade, oligopolies, and incomplete information of stakeholders along the value chains. In order to have fair food prices, he suggested that there is need for policies to support domestic producers, have fair trading policies, regulate barriers to fair trade, develop mechanisms for better price transmission along the value chain, have responsible business conduct, conduct due diligence to contribute to better livelihoods for farmers and workers, and finally create a level playing field between advanced economies and middle and low income economies. Aside from policies, multistakeholder collaboration is needed along the food supply chain to address the existing challenges.

Saima Zia that unfair pricing is also exacerbated by the fact that farmers have in many cases focused on growing cash crops because of the economic incentive, in turn neglecting indigenous food crops, the impact of climate change, as well as systemic inequalities and injustices in the global food system. To address these challenges, there is need to put people at the centre of these discussions; to promote sustainable food production systems; to support policies that promote agriculture and other sustainable food production practices; and deliver policies that reduce poverty, hunger, and protect the environment. We also need more public investment in the food system, strengthening farmer organizations to allow them to participate in policy making, improve their bargaining systems, and make it easier for them to access new technologies to transform their production practices.