Organisation for Economic Co-operation and Development

DAF/COMP/GF/WD(2024)17

Unclassified **English - Or. English**

15 November 2024

DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS
COMPETITION COMMITTEE

Global Forum on Competition

Competition in the Food Supply Chain – Contribution from Argentina

- Session IV -

2-3 December 2024

This contribution is submitted by Argentina under Session IV of the Global Forum on Competition to be held on 2-3 December 2024.

More documentation related to this discussion can be found at: oe.cd/gfc24.

Please contact Mr Antonio Capobianco [Antonio.Capobianco@oecd.org] and Ms Carolina Abate [Carolina.Abate@oecd.org] if you have questions about this document.

JT03555613

Competition in the Food Supply Chain

- Contribution from Argentina –

1. Food, together with beverages, household cleaning products and toiletries, make up the supply of mass consumer goods, which are sold to final consumers in various retail outlets such as supermarkets, self-service stores, wholesalers, warehouses, kiosks and other specialised shops.

2. Regular food goods are typically purchased on a daily or weekly basis, and include fresh foods such as fruits and vegetables, artisanal bread, beef, pork and chicken, milk, cheese, eggs, among others. Non-regular food goods are typically purchased on a weekly or monthly basis, and include packaged products such as rice, dry noodles, oils, biscuits and flour, fresh fish and seafood, packaged bread, frozen products, among others.

3. Although as a result of price increases the basket of foods consumed on a regular basis can be modified -for example, first brands can be replaced by second brands, or the consumption of certain foods can be spaced out-, since these are staple goods, whose intake satisfies people's nutritional, kilocalorie and protein requirements, they are a set of goods whose elasticity is low (although there may be exceptions for certain specific foodstuffs). The demand for food, on the other hand, show greater elasticity to changes in income.

4. Because of its importance for human life, the purchase of food accounts for a significant percentage of household expenditure. It is for this reason that the food category is of great importance in different surveys and measurements made for statistical purposes. In Argentina, for example, this item has a percentage of weight in the basket of goods and services used to measure inflation based on the consumer price index and in the so-called 'basic basket' used to measure indigence and poverty. In other words, the supply and price of food have a direct impact on two partly related economic and social problems that are of great importance in the country: inflation and poverty.

5. In addition, the food sector occupies an important place in Argentina as it is a country with a primary production of great relevance at world level, with a long tradition in the agricultural and agro-industrial sector, in which the production of foodstuffs such as cereals, meat and oilseeds, among others, for domestic consumption and also for export, stands out.

6. Competition authorities have the power to study certain value chains, such as the food sector, the links that compose it, the main agents that make up the supply and demand of their markets, and their competitive dynamics. Ultimately, this task can contribute to solving sectoral difficulties with the potential to have an impact on more general problems, such as inflation and poverty, among others.

7. In this regard, section 28 of Act No. 27.442 on the Defence of Competition, grants the Argentine competition authority —at present the National Commission for the Defence of Competition (CNDC) together with the Secretariat of Industry and Commerce (SIyC)— the power to conduct market studies and investigations in order to issue pro-competitive recommendations of a general or sectorial nature with respect to the modalities of competition in the markets.

8. In effect, market investigations are proceedings developed by the competition authority to have an appropriate diagnostic of the competition conditions in determined

sectors of the economy. Its main objective is to promote and improve competition in the markets. After the study of a determined sector, the agency can issue recommendations to regulatory organisms, legislators, entrepreneurs chambers, etc. The CNDC can also recommend to conduct an ex -officio investigation if there is the existence of possible anticompetitive conducts.

9. This note is organised in three sections. The first one examines the incidence of household spending on food, based on the analysis of different statistical measurements that use baskets of goods and services to determine the evolution of economic and social indicators, such as inflation and poverty. Considering the food groups of relevance in consumer baskets, the second section reviews the findings of research carried out by the CNDC on two highly significant value chains in Argentina, beef and dairy. It also presents the results of the research on supermarket chains and the conditions of competition in relation to their suppliers. In the third and final section, some final remarks are presented.

1. The Weight of Food in Household Expenditure

10. Representativity of household consumption is addressed from different scopes by the National Institute of Statistics and Censuses (INDEC, for its acronym in Spanish). Among the different reports issued by the INDEC are the Basic Food Basket (CBA, for its acronym in Spanish), the National Survey of Household Expenditure (ENGHo, for its acronym in Spanish) and the Consumer Prices Index (IPC, for its acronym in Spanish).

11. These measurements have different objectives: while the IPC is used to measure the monthly evolution of consumer prices,[1] the CBA is used as a variable to measure poverty and indigence; the ENGHo is a survey on total household spending which analyses what households spend on, the method of payment, the type of shops where purchases are made and the frequency of spending, among other parameters.

12. The IPC measures price changes in a basket of goods and services. In order for the index to be representative, it has a weighing structure that distinguishes the relative importance of the products and services in the basket in average household expenditure. The IPC currently in use (Base 100 = 2016) has as the foundation of its weighing structure an estimate based on the 2004/05 ENGHo. Indeed, one of the utilities of the ENGHo is to serve as an input for the IPC weighing structure and, therefore, it is a useful source when assessing which consumption is representative for households in Argentina.

13. For the measurement of the IPC, INDEC uses the 1999 United Nations Classifier of Individual Consumption by Purpose (COICOP). This classifier has a first level of aggregation made up of a total of twelve divisions, including "Food and non-alcoholic beverages." From each of these divisions, sub-categories are derived that allow for a more detailed analysis. The structure of the weights leads to see the relative importance of these categories in household expenditure.

14. The table below shows the twelve categories and their weights at regional level, and the subcategories contained in the category "Food and non-alcoholic beverages". Although within each of these subcategories, the products that comprise them have

[1] See Indec, (2019), "Methodology of Consumer Prices Index (IPC). Base December 2016=100". The report on the methodological construction of the index, table 19 entitled 'Consumer prices of selected food, beverages and other items in the IPC basket, by region' (Consumer Price Index Vol.8, No. 25, July 2024 at https://www.indec.gob.ar/uploads/informesdeprensa/ipc_08_24A32B39CB9C.pdf), and the monthly publication report are of interest.

different weighing, these are not of public knowledge because they constitute statistical secrecy on the part of the INDEC.

Table 1.1. Main products categories openings of mass consumer products and weights by region

Code	Main openings	GBA	Pampeana	Noreste	Noroeste	Cuyo	Patagonia
	General level	100	100	100	100	100	100
1	Food and non-alcoholic beverages	23,44	28,65	35,3	34,67	28,42	27,43
01.1	Foods	20,33	25,73	31,66	30,31	25,47	24,77
01.1.1	Bread and cereals	4,05	5,02	6,59	6,49	5,21	4,61
01.1.2	Meats and by-products	6,98	9,81	13,27	12,5	10,32	9,92
01.1.3	Fish and seafood	0,51	0,47	0,29	0,34	0,45	0,48
01.1.4	Milk, dairy products and eggs	3,45	3,73	4,1	3,69	3,55	3,68
01.1.5	Oils, fats and butter	0,55	0,76	0,9	0,64	0,66	0,63
01.1.6	Fruits	1,27	1,46	1,46	1,45	1,1	1,28
01.1.7	Vegetables, tubers and pulses	2,23	2,9	3,59	3,58	2,79	2,68
01.1.8	Sugar, sweets, chocolate, candies, etc.	1,01	1,21	1,12	1,24	1,03	1,02
01.1.9	Other foods	0,29	0,37	0,36	0,36	0,36	0,48
01.2	Non-alcoholic beverages	3,11	2,92	3,64	4,36	2,95	2,66
01.2.1	Coffee, tea, yerba and cocoa	0,68	0,82	0,93	0,64	0,66	0,69
01.2.2	Waters, soft drinks and juices	2,43	2,1	2,71	3,72	2,29	1,97
2	Alcoholic beverages and tobacco	3,27	3,8	3,64	3,13	3,57	3,5
3	Clothes and shoes	8,49	10,43	11,60	12,37	11,38	12,82
4	Household, water, electricity, gas and other fuels	10,46	8,67	8,11	7,00	8,88	10,06
5	Household maintenance and equipment	6,27	6,34	7,78	6,12	6,28	6,55
6	Health	8,80	8,16	5,26	6,33	7,40	4,95
7	Transport	11,59	10,41	9,63	8,41	12,10	13,42
8	Communication	2,81	2,86	2,82	2,59	2,53	3,19
9	Entertainment and Culture	7,46	7,39	6,23	5,95	6,72	7,77
10	Education	3,02	1,61	1,36	2,04	2,24	2,09
11	Restaurants and hotels	10,84	8,10	4,96	7,99	6,85	5,08
12	Goods and other services	3,55	3,58	3,3	3,4	3,63	3,14

Source: CNDC based on INDEC

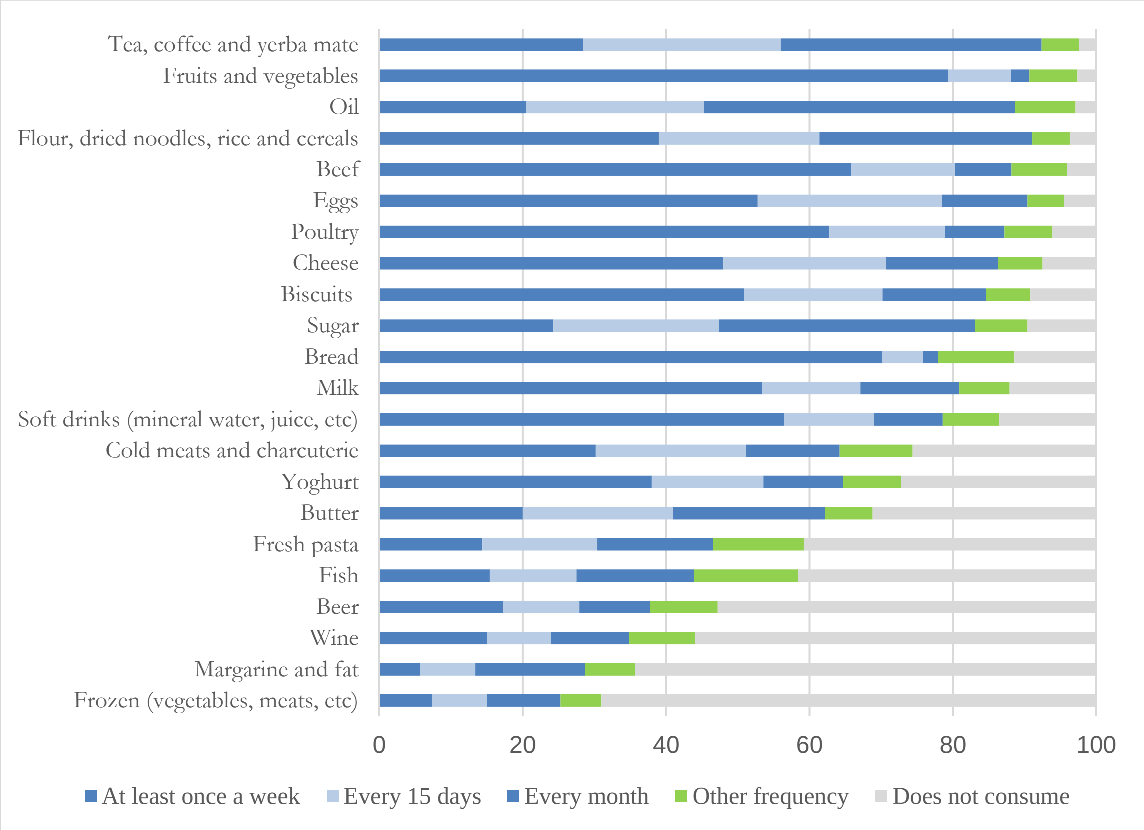
15. As for the relevance of the categories, it can be seen that the one with the highest weighing in household living costs is indeed food and non-alcoholic beverages (23.44% of the total IPC-GBA and 35.3% of the total IPC-NEA).[2] Of the food subcategories, it can be seen that the most important is 'meats and by-products' (which stands for 6.98% of the total IPC-GBA and 13.27% of the IPC-NEA). Its main products are different cuts of beef and whole chicken. In second place is 'bread and cereals' (4.05% of the IPC-GBA total

[2] As can be seen in Table 1, the structure of weighing differs according to the six regions defined by INDEC: GBA, Pampeana, NEA, NOA, Cuyo and Patagonia.

and 6.59% of the IPC-NEA), which includes artisanal bakery products such as ‘French or flute bread’, other industrial products such as dry noodles, rice, wheat flour, sweet and savoury biscuits and packaged bread. In third place is the subcategory ‘milk, dairy products and eggs’ (3.45% IPC-GBA and 4.1% IPC-NEA) and in fourth place is the category of ‘vegetables, tubers and pulses’ (2.23% in IPC-GBA and 3.59% in IPC-NEA). The fifth most important subcategory is ‘fruits’ (1.27% IPC-GBA and 1.46% IPC-NEA), while other relevant subcategories with a lower weighing but which include few products are ‘oils, fats and butter’ and ‘sugar, sweets, chocolates, candies’.

16. The results of the ENGHo 2017/2018 provide statistics on the purchasing habits of households according to two aspects that are of interest and which are summarised in Graph 1. The first indicates the percentage of households at the country level that purchase the products of the indicated category; the second, the frequency of purchase of these products, according to whether it happens i) once a week, ii) every 15 days, iii) once a month, or iv) with another frequency.

Figure 1.1. Purchasing habits. Percentage of households purchasing food and beverage products. Country total. Cities of 2.000 and more inhabitants. 2017-2018



Source: CNDC based on ENGHo 2017/2018

17. If we consider those categories that are consumed by at least 80% of households, ‘cold cuts and sausages’, some dairy products such as ‘yoghurt’ and ‘butter’, as well as ‘fresh pasta’, ‘fish’, alcoholic beverages (‘beer’ and ‘wine’), ‘margarine and fat’ and ‘frozen’ would not be included.

18. At the other extreme, the categories with the highest household penetration are infusions (‘tea, coffee and yerba mate’), followed by ‘fruit and vegetables’, ‘oil’, ‘flour,

dried noodles, rice and cereals', 'meat', 'eggs', 'poultry', 'cheese', 'biscuits' and 'sugar'. In the 85%-90% range are the categories 'bread', 'milk' and 'soft drinks, waters and juices'.

19. The analysis of household purchasing habits, although it does not present weights or use the same categories as those presented in Table 1, is of interest when assessing the representativeness of consumption and its study is complementary to that carried out previously.

20. Finally, the other source of interest, whose information complements the above, is the basic food basket (CBA), which includes products such as sweet biscuits, crackers, corn flour, sweets (dulce de leche, jam), yoghurt, butter, beverages, infusions (coffee and yerba mate), fine salt, vinegar and condiments, among others.

2. Competition Analysis of Food Markets

21. On several occasions, the CNDC has conducted market research on specific food value chains. The studies carried out on the beef and dairy value chains are particularly significant, as they are families of products of great importance in the consumption basket of the Argentine population, as shown in the previous section. Indeed, if we consider the basket of goods and services for the IPC measurement, within the category with the highest weight 'Food and non-alcoholic beverages', the subcategory of 'meat and meat by-products' **—**whose main products are beef and chicken**—** is the one with the highest weight, while in third place stands out the subcategory 'milk, dairy products and eggs'. The ENGHo results also allow 'meat' and 'milk' to be classified as products with high penetration and regular consumption in Argentine households.

22. For its part, the CNDC has also examined the conditions of competition in the relationship between supermarkets and their suppliers, finding the persistence of certain practices which, without constituting an infringement of the LDC, reflect the asymmetric relationship that prevails in the commercial contracts between certain suppliers, including food producers, and the retail chains.

2.1. Beef market investigation

23. In June 2023, the CNDC concluded a market investigation on the beef value chain in Argentina.[3] The investigation had been requested in 2020 by the then Secretariat of Domestic Commerce, after having observed imbalances in the beef market arising from price distortions at the different stages of the marketing chain, which did not seem to be related to the evolution of the main cost components in each production stage or to the general economic situation.

24. As already mentioned, the relevance of the analysis is linked to the importance of beef consumption for the Argentine population. Indeed, Argentina is the country with the highest average per capita beef consumption in the world, considering data for the years 2020 and 2021.

25. At the national level, the beef industry was and is one of the most relevant productive sectors in terms of the capital movements it generates. At the same time, due to its prominent role, both in the domestic and foreign markets, it is one of the main pillars of the national economy. Indeed, Argentina is one of the five largest beef exporters in the

[3] Available at: https://www.argentina.gob.ar/sites/default/files/2023/06/im15_dispo_y_anexo_2.pdf.

world. However, in the domestic market, it has been observed that per capita beef production has declined considerably over the last sixty years. The cattle stock has not undergone major changes and the average weight of animals slaughtered is considerably lower than in other cattle-producing countries.

26. The CNDC concluded that the different markets that form part of the beef value chain do not present significant concentration indicators. The sector has a large number of agents participating in the production circuit throughout the national territory, although with different relevance between regions. A low concentration was even observed at the slaughter stage, which shows higher concentration indicators in other countries with beef production.

27. Broadly speaking, beef production involves a production chain that begins with breeding and rebreeding. It then continues with the subsequent fattening of cattle, carried out by winter breeders and feedlots. Intermediation between the fattening stage and the slaughter stage for the sale and purchase of live cattle is carried out in concentrator markets, fairs and local markets, with a relevant figure being the consignee. The processing of livestock at the slaughtering stage is carried out by slaughterhouses which, in turn, can carry out processing tasks for smalls slaughterers and suppliers, all these agents being the ones who offer the split beef (typically, slaughterhouses sell the half-carcass), which is then sold in retail sales centres (through supermarkets and butcher's shops) or on the international market.

28. A particular feature of the beef value chain in Argentina is the process of selling live cattle, which involves intermediation between the fattening and slaughter stages. This intermediation can be carried out directly or through consignees, who may choose to sell their supply in the concentrator markets. If the sale is made directly, it is carried out by the fatteners themselves. Consignees, on the other hand, grow in importance when they operate with small-scale producers, who, due to their small sales volume, do not usually negotiate and close direct contracts with slaughterhouses, and do not handle precise market information.

29. Concentrator markets can be defined as places where buyers and sellers of animals come together to auction livestock for slaughter. Although there are sixteen operational centres registered in Argentina, the main concentrator market in the country is the Mercado Agroganadero S.A. (MAG), a 110-hectare site located in the town of Cañuelas, province of Buenos Aires, which is managed by a private company. On a daily basis, the cattle are brought in and received and transported there in lorries, where they are counted and evaluated, and then classified and weighed in the consignees' corrals. The weighing is considered the moment of change of ownership of the cattle and is when the sale operation is made effective by linking the data of the lot with the buyer's information, the price and the total kilograms. The marketed troops are picked up by authorised transport firms. The buying and selling process within the market ensures traceability throughout the marketing circuit prior to slaughter at the slaughterhouse, since the computer system allows the registration and tracking of the seller and the field where the animals come from, which makes it possible to know the origin, feed, health and veterinary products used.

30. Although the analysis of cattle sold in 2019, 2020 and 2021 shows that the percentage sold in the country's main concentrated market accounted for just over 9% of sales in those three years, the experts consulted by the CNDC in the framework of the market research stated that the MAG is of major importance because it functions as a price reference for many of the operations that take place outside that market. The purchase and sale of livestock does not necessarily require the intervention of an intermediary and is carried out in all provinces of the country without the need to go through concentrated markets, which are usually located in large agglomerations. In this sense, sellers and buyers

of live cattle that are atomised come together in concentrated markets, which organise the intermediation between supply and demand, and the prices that emerge from these markets are a reference in the purchase and sale of live cattle that takes place throughout the country.

31. While no specific competition concerns were identified in any of the markets surveyed, it was noted that the information presented to consumers is often inaccurate, unclear and incorrect in relation to the different products produced by the industry. It was observed that traceability information on livestock is usually complete and accessible up to the sale of the live cattle, but this does not extend to the later stages, once the animal is slaughtered and marketed.

32. For this reason, the CNDC recommended to the Secretariat of Agriculture, Livestock and Fisheries and the Secretariat of Commerce, both belonging to the Ministry of Economy of the Nation, the articulation and deepening of public policies that allow product traceability. That way, more information would be available as, for example, some of the characteristics of the bovine animals from which the meat cuts marketed in the shops authorized for this purpose come from, with the aim of providing consumers with greater knowledge about the meat they buy, which could lead to product differentiation and greater competitive dynamics, with the consequent benefit to the general economic interest.

33. In line with this recommendation, in October 2024, the Secretariat of Agriculture, Livestock and Fisheries of the Ministry of Economy, by means of a resolution, established the modification of the current analogue and manual traceability system by a National Electronic Individual Traceability System for cattle, bovines and deer. Using electronic technology as a tool for individual identification, it will be possible to establish the precise traceability of each animal from the primary link to the meat processing industry. The implementation of this new system will be phased in gradually from March 2025. The State will provide the electronic devices to all producers in the country until the current stock is covered, which will be purchased through international public tender, with external financing for the implementation of the programme.

2.2. Dairy value chain market research

34. In October 2017, the CNDC completed a market research on the dairy value chain, which included the study of the primary stage of production and sale of raw milk, and the stages of industrialisation, marketing and distribution of different dairy products ranging from fluid milk to by-products such as cheeses, yoghurts, dulce de leche, butter and desserts.[4]

35. With regard to the regulations to which the dairy industry is subject, in 2016 a new regulation was established for the raw milk market, which established the creation of the Integrated Management System for the Argentine Dairy Industry (SIGLeA, for its acronym in Spanish). It functions as a unified information system between the agents in the dairy chain and the various state bodies. The regulation establishes that those agents who carry out the primary purchase of raw milk and those who process or industrialise raw milk from dairy farms they own and/or consign raw milk in any way, must inform through SIGLeA the daily receipts of raw milk and the sending of samples for the necessary analyses to make the Single, Monthly, Mandatory, Universal and Electronic Settlement. This involved the creation of the so-called 'Reference Milk' with the aim of allowing dairy producers to make comparisons on the quality of the milk they produce, which, in turn, made it possible to establish a reference price for the litre of raw milk paid to the producer.

[4] Available online: https://www.argentina.gob.ar/sites/default/files/im_lacteos.pdf.

36. With regard to the level of concentration in the different stages of the chain, it was found that, in the raw milk market, supply is atomised, while on the demand side, despite the existence of more than 1,000 companies, the four largest firms in the sector account for 55% of raw milk purchases. This is in line with the concentration of the supply of certain dairy by-products, where, for example, four companies account for 86% of the supply of fluid milk. The cheese market is de-concentrated, however, cream cheese and grated cheese have high levels of concentration, while cheeses sold by weight have low levels of concentration. Another market with a high level of concentration is yoghurt. On the other hand, in the markets for dulce de leche, butter and cream, concentration is moderate to high.

37. Despite the high levels of concentration found in some of the markets for dairy by-products, the CNDC did not find evidence of abuse of dominance in any of them. However, certain factors unrelated to structural aspects of the markets were identified which could potentially affect the competitive functioning of these markets.

38. For example, the incidence of the practice known as ‘milk clearing’ or ‘triangulation’ in the competition between dairies for raw milk suppliers was analysed. In effect, this practice consists of the exchange of processed milk between industrial companies that have an excess of raw material and those that require a higher level of supply. This is a behaviour that is used in specific and exceptional situations, for example, in the event of a breakdown in a production line or similar situations, with the aim of avoiding discarding a highly perishable product such as milk or cutting off the flow of purchases with their suppliers, and then ‘compensating’ the delivery received in another similar situation. As it is a system of compensation between industrial companies, it does not constitute a market, and as it is an emergency practice of a circumstantial nature it does not affect the demand for raw milk to the dairy farms. However, it was pointed out that it could be an instance where sensitive information could be exchanged between competitors.

39. On the other hand, it was observed that the commercial relationship between the dairy farms and the industry is carried out, in the vast majority of cases, through informal agreements, which generates uncertainty for the input producers with respect to payment terms and conditions. Indeed, the particular relationship of loyalty that was found between the dairy farms and the industries they supply, in most cases, is caused by the uncertainty associated with a possible break in the payment chain of the dairy farmer in the event of a change of customer. However, the link with the supplier seems to be reduced in periods of low raw milk production, and no evidence has been found that this characteristic of the dairy market has generated anticompetitive effects on the prices paid to producers.

40. However, this scenario, together with the perishable nature of raw milk, which forces producers to dispose of their production on a daily basis, could put dairy farmers at a disadvantage when negotiating with the industry. The current regulation, which establishes that the price paid for raw milk should respond to its quality attributes and nutritional composition, seeks to reduce this uncertainty. However, it was found that the implementation of the ‘reference milk’ could also function, in practice, as a facilitating element of a tacit agreement between the dairy industry companies buying raw milk, especially since it is not common practice for dairy farms to take their own samples and verify the quality of their milk independently.

41. Based on the findings of the market investigation, the CNDC made certain pro-competitive recommendations to the then Undersecretariat of Dairy of the Ministry of Agro-industry. Firstly, it recommended that before the implementation of SIGLeA, the Undersecretariat should take the necessary measures to ensure that dairy plants cannot access prices or any other commercially sensitive or strategic information reported by their competitors, thus preventing the information system from becoming a facilitator of collusion. It also recommended promoting greater participation of producers in the analysis

of samples taken on a daily basis, as well as the extraction of counter-samples for analysis by authorised laboratories. The authority also recommended using the SIGLeA information on the price of raw milk paid by producers in order to detect anomalies in the evolution of prices, with the aim of identifying those events or movements with a low probability of occurrence in competitive markets, for example, especially low average prices paid to producers, low price dispersion, structural breaks in the lines, among others.

2.3. Research on the conditions of competition in the relationship between supermarkets and their suppliers

42. In 2019, the CNDC published a report on supermarkets and the conditions of competition in relation to their suppliers.[5] With regard to retail trade, this sales channel is of some importance because more than 30% of household spending on food and household products takes place in this sales format.

43. Large supermarket and hypermarket chains also have a greater impact on suppliers than other sales formats. The system of volume discounts or loyalty agreements, promotions and extended payment terms, among other elements, make it a complex channel to manage, particularly for small and medium-sized suppliers, as it requires a particular and costly management strategy, which in some cases can lead to lower profitability compared to other channels. On the other hand, large chains —which have multiple outlets, are present nationwide through different formats, including convenience stores, supermarkets, hypermarkets and, in some cases, also at wholesale level— are of interest to suppliers because, due to the shelf display of the available products, they function as a kind of 'shop window' that allows for permanent advertising of the products, which is relevant for business development.

44. Food is one of the most important items in supermarkets, whose main characteristic is the ability to offer the consumer a complete basket of everyday products, which includes regular food goods, purchased on a daily or weekly basis, non- everyday food goods, purchased on a weekly or monthly basis, and non-food products (such as household cleaning products, personal care products, among many others).

45. Overall, the country's six main supermarket chains were found to account for around 80% of total sales in the supermarket sector in Argentina, with the top three chains responsible for around half of the sector's sales. In addition to 'own brands',[6] the large chains source from a large number of suppliers from which they buy everything from food, self-care and cleaning products, to stationery and bazaar products, electrical appliances, clothing, among others.

46. The large volume of both suppliers and products purchased by the large supermarkets is organised through a logistics structure that includes their own distribution centres, transport of goods to branches and shelf-stocking services. Therefore, large chains, in addition to operating as a sales channel for merchandise, also provide logistics services to suppliers, which may include merchandise display and advertising, among others. Large suppliers may have their own distribution, transport and shelf-stocking. In contrast, for small and medium-sized suppliers, the logistics, transport, marketing and advertising services of the large chains are often of great importance because they generally do not

[5] Available at: https://www.argentina.gob.ar/sites/default/files/im_5_-_disposicion_y_anexos_0.pdf.

[6] Products produced by a third-party manufacturer based on specifications provided by the retailer, who then markets and sells those products under their own brand.

have their own distributors, transporters or stockists or an advertising budget, which makes them highly dependent on the large chains to be able to operate and remain in the channel.

47. Negotiation between large chains and suppliers is a process that includes not only the purchase or delivery price, but also the conditions under which the goods are to be delivered, the conditions for the incorporation of new products, payment terms, discounts to be applied for the provision of services by the supermarket, promotions, the manufacture of private label products and the return of goods, among other elements of negotiation.

48. In general, the supply model of supermarket chains is structured through buyers who act as chief negotiators within departments grouping various product categories. Negotiations can be on an annual or monthly basis or on a one-off basis. Negotiations between supermarkets and suppliers are conducted nationally and centrally, for all branches. This means that branches do not have the independence to decide on issues such as product assortment, prices or shelf placement. In other words, by negotiating with suppliers on the totality of products purchased by the chain, supermarkets negotiate terms and conditions on large volumes of purchases, which increases their bargaining power.

49. The Argentine supermarket sector is supplied from both a range of large suppliers and much smaller companies. When negotiating with supermarkets, the relationship is more symmetrical in the case of large suppliers. As a result, small or medium-sized suppliers may obtain less favourable trading conditions from supermarkets than their larger competitors, which affects their ability to compete.

50. When analysing different negotiating factors between suppliers and supermarkets, certain issues were found that particularly disadvantage small and medium-sized suppliers, who have less bargaining power with supermarkets. For example, it was noted that the conditions and costs of access to supermarkets may not be very transparent, that barriers to entry due to access costs may be high, that there may be excessive delays in registering a product, that commercial agreements are often not made formally in writing and that unilateral modification of certain conditions by supermarkets can be common. It was also found that there are no explicit rules that prevent the largest or leading suppliers from influencing the shelf price of their competitors, that there is little transparency in the charges made and discounts applied, and that there is little detail on discount description on invoices or debit notes, that there is little transparency in the commercial conditions for product display and shelf placement, that payment deadlines are often excessive and that the agreed deadlines are often not met, that the cost of promotions offered to consumers can be passed on unilaterally to suppliers, that the system for returns is unclear or not explicit in commercial agreements, and that it is common for suppliers to be held responsible for loss, theft or damage to goods once the products have been delivered, among other concerns.

51. Based on these findings, the CNDC recommended to the then Secretariat of Commerce to establish a code of best commercial practices between supermarket chains and their suppliers. This had the aim of promoting competition, based on the following general guidelines: to guarantee predictability and transparency in commercial relations between supermarkets and their suppliers —including issues related to payment terms, returns and logistics—; to facilitate access to large chains of new suppliers that comply with legal requirements; to establish a transparent and non-arbitrary trade discount mechanism that provides certainty on the price that suppliers will charge for products purchased by large chains; to prevent leading suppliers from interfering in the allocation of display space or in the pricing of their competitors' products; to avoid the financing of promotions falling on a party that has not agreed to the launch of such promotion; to establish a streamlined, simple and effective dispute resolution mechanism to ensure compliance with the provisions of the code, involving relevant government agencies; to

encourage leading supermarkets and suppliers to adhere to the code; and to design a follow-up mechanism to monitor the effectiveness of the code and encourage future modifications as appropriate.

52. In addition, with the aim of facilitating consumer choice and, therefore, improving the conditions of competition, the CNDC recommended the National Directorate for Consumer Protection to endorse a regulation for the use of promotions in order to prevent the prices of marketed products from being artificially manipulated to make the discounts of a promotion appear more attractive to the consumer (for example, by setting higher prices to then promote a discount). In this sense, it was recommended to establish the obligation to display the promotional price together with the original price of the product and the date on which that price was in force.

3. Final remarks

53. In conclusion, the food sector in Argentina not only plays a crucial role in meeting the basic needs of the population, but it also has a significant impact on the economy and the quality of life of households, due to its weight within family spending and its influence on inflation and poverty. Furthermore, it occupies a dominant position in the national productive matrix, as the country has a highly relevant primary production sector at the global level, with a long tradition in the agricultural and agro-industrial sectors.

54. The study and analysis of competitive dynamics within food value chains, such as beef and dairy products, help identify potential improvements in market efficiency that could contribute to mitigating larger-scale economic problems. In this regard, research conducted by the CNDC plays a fundamental role by providing diagnoses and recommendations that promote greater competition in the markets that make up these production chains, which in turn can have positive effects on the country's economy.