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The Role and Importance of the Wholesale and Retail Market Sectors for the European Union

The World Union of Wholesale Markets (WUWM) takes this opportunity to provide feedback, information and comment to the European Commission's retail monitoring report and consultation on "Towards more efficient and fairer retail services in the internal market for 2020".

This EC consultation places the issues of consumers and employment as two core points at the heart of current policy on the retail sector. WUWM addresses both these areas in this feedback, also demonstrating how wholesale and retail food markets are vital, credible and positive contributors to ensuring a level playing field exists for the retail sector in Europe. Retail markets, particularly where supported by fresh produce wholesale markets and local producers, are effective and vital players in ensuring European consumers have access to affordable fresh produce, with increased choice and product diversity. Consumers usually benefit from the retail market trader's competitive advantage in being able to offer a better tasting, higher quality, competitively priced product, alongside more personalised service and unsurpassed product knowledge.

Background

The World Union of Wholesale Markets (WUWM) is a non-profit association with a wide international membership that engages in all fields and activities related to the promotion, development and international exchange of expertise and information on wholesale fresh produce markets, as well as retail markets (selling both food and non-food items) direct to consumers. These markets are often publicly owned and managed, although there are increasing numbers of municipally owned markets now being privately managed in a public/private partnership.

WUWM presently has about 200 member bodies in 42 countries worldwide. As food is essential to human life, our members believe food distribution is a business unable to be run exclusively by economic considerations. Therefore the core values supported by the WUWM membership reflect the belief that: food distribution must comply with several social and ethical goals; and it should include a preference for fresh produce over industrialized product.

With the large retailers controlling the overwhelming majority of all food retail in European countries, the remaining retail players clearly need to remain in existence being one of the only alternative food solutions that provide for diversity and access to local food. A competitive playing field is necessary in order to ensure their survival and we believe this begins by better understanding, helping and acknowledging the importance of the wholesale and retail market sectors.

Wholesale and retail markets are a credible answer to many of the problems currently evident in the food, agricultural and retail sectors in Europe today. How will Europe keep the small/micro independent retailers and local food producers alive if markets (one of the main upstream structures to support them) disappear or continue to be marginalised? If there is to be real forward progress in European regional, urban, economic and social development, it is a major (if not urgent) priority, that local and regional decision-makers understand, address and support the needs of these markets and their traders.

Defining a ‘Market’

It is clear that in the past decade or so the original meaning of the word ‘market’ has been extensively enlarged. Our use and definition of the word ‘market’ is based upon the original understanding of the word’s meaning: as a public place/gathering held for buying and selling produce and merchandise.

For the purposes of ensuring clarity, WUWM provides the Commission with the following definitions of a “wholesale market” and a “retail market”. These definitions have, in recent years, been formally adopted by every member of WUWM managing such a market or trading on such a market, in over 40 affiliated countries.

Wholesale (food) market means: *“Those premises managed as a food business by a market (management) authority within the confines of which independent food businesses operate and may share common installations where foodstuffs are traded, stored, prepared or processed.”*

Retail market means: *“Those premises (either open-air or covered buildings) which unite a variety of commercial establishments and retail entrepreneurs that provide a wide commercial offer of food products of daily consumption complemented by other non-food products, and all this under a unity of management”.*

Importance of Wholesale Markets

With some 110 wholesale market members representing 21 different EU countries, the WUWM (European) wholesale market membership has more than **1,000,000 permanent employees** working on corresponding sites, and the companies operating on these markets have a turnover of around **€42 billion annually**. The overall volume of marketed produce represents around **26 million tons per year**, which equates to approximately **40% of the fruit and vegetable supply in Europe** (24 million tons per annum), 10% of fish and fish products supply in Europe (1 million tons per annum), and 2% of meat and meat product supply in Europe (1 million tons per annum).

Wholesale markets provide substantial economic (market transparency, competition and efficiency) benefits, allowing for a better understanding of price levels and price transparency - being successful in ensuring that this information is also made available to producers. They are vital providers of quality fresh produce and are the only alternative to the increasing global power of a handful of supermarkets and discounters.

WUWM supports the move for the increased recognition of wholesale markets as a valuable and essential established route to market for producers and their organisations; supporting efficiency and providing increased business opportunities in the process. In addition

wholesale markets provide many social benefits (e.g. by ensuring the effective supply of food to the poor and to the many diverse ethnic groups within our respective populations) and will continue to do so through adaptation and innovation in the future.

We believe that the existence of SME/micro independent food retailers, local producers and retail market traders depends largely upon the existence and success of their suppliers – fresh food wholesale markets; and in turn that the role and importance of the retail trade to the life of local communities is dependent on there being an effective wholesale market network.

Importance of Retail Markets

A movement began in 2006 to strengthen the voice of the retail market sector. As a result, WUWM became the formal umbrella for supporting cross-border networking, promotion and collaborative activities for the sector, especially in Europe. These efforts have been rewarded by the fact that both retail market operators and also traders and their associations, have now united together in support of one another.

Extrapolated figures from a WUWM (retail) member survey in 2008 showed some **25,000 retail markets** (including open-air/street and covered markets) operate in the European Union, with more than **450,000 retail market traders** operating businesses on those markets. Additional to that, **1 million people** were found to be working on these retail markets, with the total turnover surpassing **Euro 40 billion**.

These figures, and other important research undertaken within WUWM and its membership (as well as within progressive local governments), shows clearly the benefits of retail markets to cities and consumers, as well as to food distribution chains in general. Examples from several European member states are annexed to this report.

In this respect, several core socio-economic benefits derived from the existence of retail markets within local economies and communities have been identified. Those include:

- Health (e.g. increased public fresh fruit/vegetable consumption)
- Employment (especially as relates to business entrepreneurship)
- Culture and tourism
- Urban and economic regeneration
- Community cohesion
- Support of the most vulnerable in the community (elderly, poor, etc.)
- Environment
- Support to local agricultural industries and local consumption/production
- Ensuring continuity of supply (and agricultural diversity)
- Facilitating monitoring of food standards and quality control measures

In further explaining the benefits of markets to local producers/agriculture, WUWM clarifies this position by especially noting here the fact that local growers and producers do not normally have the possibility, skill or time to sell directly to consumers. They may be able to sell a very small amount of produce to consumers (for instance using farmers markets) for limited periods such as weekends, but this in itself is not a sustainable solution for feeding larger urban communities/cities. The efficient sale of local produce normally relies on the effectiveness of the independent local retailers having an efficient sales/distribution network: local retailers (e.g. market traders and small shops/SME's trading daily or frequently) cannot themselves be expected to drive to every local farm, individually sourcing the necessary

product to in turn be sold to their customers. For this reason the wholesale market business is the asset guaranteeing the retail markets.

Retail markets offer many specific benefits to economies and communities. Annexed are some member documents of specific note from various EU countries.

Important needs of market operators and traders

Well managed markets have a positive impact on reducing crime, and reducing the decline of inner city centres.

Markets require first recognition and investment in the sector. More in-depth studies need to be done within member states, as municipal entities the market sector itself have not the resources to undertake this. The benefits and positive financial impact that markets provide to a city (through tourism and urban centre regeneration for example) often remain hidden or underestimated/undervalued as a result.

Located in the public domain and as public tools, markets are dependent on local government strategic visions and decision-making. This impacts the maintenance of their historic inner-city locations, municipal budgets, re-investment of their management profit (short-term profit and thinking versus long-term needs and requirements), city-centre management, resisting short-term benefits offered by real estate investors/developers;

WUWM and member markets can provide information/support at the local government level on these issues, but in many EU countries municipalities are not listening due to there being no real link between food/health/poverty. This is slowly changing, but more assistance is needed at a higher level to positively influence the progress.

Working on public domain, traders are legally only allowed to invest in their own stall or in some services and they are unable to influence the building and maintenance of the market halls and places themselves. Thus, in relation to the funding aspect of their existence, a new policy and new investment strategy needs to be developed by local authorities to address this problem. One solution - public/private partnerships - are increasing as a result, but this strategy is limited to only the most progressive municipalities having already understood the importance of professional management and strategic direction in ensuring the on-going success of its markets.

For the same reason (public domain), individual traders cannot change their hours of trading to accommodate the new needs of their customers/society. Again they are dependent on the quality of local decision-making. This can be positively influenced and addressed by entities such as the European Commission through increasing awareness, understanding and policy decisions.

WUWM encourages the European Commission to consider promoting and encouraging a better incorporation of the retail and wholesale market sectors in regional/local urban planning policy.

Short Overview of Retail Market Statistics in several key EU Member States:

European Union
25,000 Retail Markets
450,000 Retail Markets Traders
1million people employed
€35 Billion turnover (est)
10% of European retail offer (est)

Spain
1,000 indoor markets
280,000 employed
€ 5 billion turnover
40% consumption of fresh food

U.K.
1,100 retail markets
47,000 retail traders
95,000 people employed
£3.5 Billion annual turnover

Netherlands
1,000 weekly open-air markets
24,000 registered market traders
over €3billion turnover

Germany
3,000 weekly markets
50,000+ traders
150,000+ people employed
over € 4 billion in turnover

France
3,000+ markets
50,000 + traders
100,000 employed
€6 billion annual turnover

Specific WUWM feedback to the European Commission Retail Market Monitoring Report: “Towards more efficient and fairer services in the internal market for 2010”

Document: SEC(2010)807

We note that the definition of retail services in the sector in this report does not recognise markets unless “open market” is the specific reference. If so, we would suggest the terminology ‘retail markets’ or ‘open air/street/covered retail markets’ is used instead.

This report provides information on the way that retail markets support upstream/downstream linkages, urban regeneration and sustainable communities, job creation, supporting affordability and accessibility of fresh food, sustaining and creating new enterprise opportunities for domestic and migrant communities across member states, and providing a sustainable and environmentally sound platform for business.

The above applies to all forms of the retail market trade whether open-air or covered, and those markets being professionally managed.

WUWM FEEDBACK ON THE COMMISSION STAFF WORKING DOCUMENT ON RETAIL SERVICES IN THE INTERNAL MARKET

1 Page 16. Figure 5: shows food shops, but markets are excluded.

End of second paragraph (proposed insert)

“Street Markets and Market Halls are excluded from this analysis but they are an important addition to the overall food and non food retail offer available across member states”.

2 Page 20 below figure 7 end of paragraph 1.1.1 (proposed insert)

“For the poverty line section of the population in the E.U. making it easier for ambulant open market trading to expand will help to address access and affordability issues to/for basic food staples.”

3 “Market trading e.g. from Market Halls is now experimenting with WI FI installations for their tenants to allow e-mail orders and local pick-ups from office based staff in the locality”.

4 Page 25 end of first paragraph (proposed insert)

“In some member states ‘a needs based test’ provides a useful mechanism for assessing over saturation of retail especially by larger retailers. This in turn maintains a more level playing field for the nurturing of new micro and small businesses which is at the heart of the retail market industry on a global level.”

5 Page 28 end of second paragraph (proposed insert)

“A generic-pan European “Retail Market Shopper’s Charter” could absorb the basics of this legislation.”

6 Page 29 end of first paragraph (proposed insert)

“This is an area of significant importance in the independent food supply sector of market retailing. A greater emphasis on the value of vertical supply chain integration between

the independent wholesale market sector and retail markets will help strengthen their role and function as alternative providers of basic food staples and locally grown produce.”

7 Page 29

We refer to the supplied definition from WUWM of a retail market, as detailed in this report.

8 Action see Note No 122 (insert)

“In Europe the popularity of Farmers and Local Produce Markets continues to develop. This has been (in part) in response to food producers wanting a better price for their products because they have been squeezed by the bigger supermarkets on wholesale price.”

9 Page 45 bottom of page- (New note)

Dutch Competition Authority (NMA) survey December 2009 on costs and margins in the food production chain in the Netherlands, from producer to supermarket.

http://www.nmanet.nl/nederlands/home/Actueel/Nieuws_Persberichten/NMa_Persberichten/Persberichten_2009/31-09_NMa_maakt_prijsvorming_voedselketen_transparant.asp

10 Page 57 paragraph 2.2 (end)

There are plans by the International Accounting Standards Board (IASB) etc...

The international Accounting Standards Board (IASB) to make it obligatory for retailers to put the value of lease contracts of buildings on their balance sheets. Such an obligation would in many cases lead to a serious weakening of the balance sheet of retailers and this would probably make banks even more reticent to provide finance. In this regard, we urge the European Commission, the European parliament and the Member States to take seriously note of these probably unintended negative consequences of the plans of the IASB.

For further information on the information included in this report, or in the attached annexes, please contact:

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