Spanish Food Prices Observatory
Status and functions

Functions:

a) To analyse price structure of the overall food chains and the external factors that modify them.

b) To generate studies able to explain imbalances of the buyer/bargaining power.

c) To establish a fluid dialogue and a better understanding between the different chain stakeholders.

d) To suggest new policies to the concerned Administrations as well as recommendations to all involved economic agents.

Status:

It belongs to the MARM Ministry, within the Directorate of Agro Industry and Markets. It provides consultancy, assessment, information generation, and food price analysis.
Systematic follow-up on food pricing

To analyse price structure of the overall food chains and the external factors that modify them

http://www.marm.es/es/estadistica/temas/observatorio-de-precios-origen-destino-en-alimentacion/

Prices of 36 fresh products are monitored, on a weekly basis, at three positions: farmer - wholesaler – retailer
To analyse price structure of the overall food chains and the external factors that modify them

Brief updated report on market data from each of the monitored food products:

- Main trends in pricing, production, consumption
- Main processes and supply chain description
- Commercial categories
- Export/import rates

http://www.marm.es/es/estadistica/temas/observatorio-de-precios-origen-destino-en-alimentacion/
To establish a fluid dialogue and a better understanding between the different chain stakeholders

Open, it contains:

- Relevant studies on food production and consumption
- Main regulations affecting the food supply chain
- Linked to other Prices Observatories and International Bodies related with food production

http://www.marm.es/es/alimentacion/servicios/observatorio-de-precios-de-los-alimentos/default.aspx
To establish a fluid dialogue and a better understanding between the different chain stakeholders

Only for Observatory members:

- News
- Relevant documents
- Seminars and Conferences
- Networking
Food Supply Chain Studies

To generate studies able to explain imbalances of the buyer/bargaining powder

Already 25 carried out

Olive oil
Milk
Bread and eggs
Citrus (oranges, lemons and mandarins)
Tomatoes, peppers, courgettes, carrots and potatoes
Apples, pears and bananas
Meats (sheep, chicken, rabbit, beef and pork)
European hake, young hake, cockerel, blue whiting and gilthead bream

NEXT STUDIES:
Rest of Fishes
Rest of Vegetables

http://www.marm.es/es/alimentacion/servicios/observatorio-de-precios-de-los-alimentos/estudios-e-informes/default.aspx
Food Supply Chain Studies

¿WHAT ARE THE STUDIES USED FOR?

MARM:
To detect possible inefficiencies in the food supply chain

Stakeholders:
To increase transparency and awareness, so that everyone involved can in fact enhance the efficiency of their own area

Consumers:
To receive a better information about the price formation process and the value generated at every step
The general objective of the studies is to analyse the value chain and price formation to contribute to market transparency.
All studies content

• **Introduction**
  - General and specific background
  - Working methodology
  - Sectorial characteristics and trends

• **Supply chain description**
  - General description
  - Configuration of the selected value chains

• **Cost/price structure identification**

• **Conclusions**
Introduction: General and specific background

• It is a descriptive overview to get a deeper insight into the value chain.

• To do so, it identifies and analyses the main configurations of the value chain.
  ✓ Description of the main processes at each stage of the value chain.
  ✓ Identification of the chief players and how they interact along the chain.
  ✓ Construction of the price structure from cost & profit data supplied by the sector at every stage.
Introduction: General and specific background

• These studies are not meant to be statistical surveys of incomes, costs and profits of the value chain players, nor a detailed diagnostic or analysis of the sector.

• The object is to encourage players to become involved in improving the sector by jointly analysing the costs incurred along the chain which have an impact on the end consumer price.

• Studies also enable key conclusions to be drawn about price formation in each sector.
Introduction: Working methodology

The working methodology consist on collecting data from the main players, calibrating those data against secondary sources and then validating them with players and sectorial associations.
Introduction: Sectorial characteristics and trends

1. International Analysis

2. Domestic Analysis

• Main Players in the concerned sector
Value chain description: General description of the value chain: Main stages
Value chain description: General description of the value chain: Main processes

**Production**
- Olive Farms

**Processing**
- Olive Oil Mills
- Refineries/Packing Plants
- Packing Plants

**Distribution**
- Supermarkets
- Hypermarkets

### Activities in the production stage
- Soil management
- Irrigation
- Pruning
- Fertilisation/fertigation
- Plant health treatment
- Harvesting
- Fruit haulage to the mill

### Activities at oil mills
- Fruit reception, classification, cleaning and/or washing
- Oil extraction: crushing, mixing, horizontal centrifugation, vertical centrifugation, settling, classification and quality control
- Oil storage
- Quality management, environmental management and traceability

### Activities at refineries and packing plants
- Raw material collection logistics
- Refining (only in the case of OO): neutralisation, decolouring and deodorisation
- Blending
- Packing: pack manufacturing, filling, sealing, labelling and packaging
- Palletisation
- Quality management, environmental management and traceability
- Transportation to distribution platform

### Activities in the distribution stage
- Reception and storage at the distribution platform
- Management of orders for points of sale
- Preparation, storage and dispatch of orders
- Transportation to store
- Shelf placement
- Product replenishment, spoilage and expiry control
- In-store sales
Value chain description: Configuration of the selected value chains

Extra virgin olive oil (EVOO):

Olive oil (OO)*:

[Diagram showing the value chain for Extra Virgin Olive Oil (EVOO) and Olive Oil (OO) with stages of production, processing, and distribution.]
The starting point of price formation analysis is to identify costs generated at each stage.

Cost ranges
Cumulative costs
Cost and price structure: Cost and price structure analysis

The set of cumulative costs along the EVOO value chain in the 2007/08 crop year represented approximately 91% of the RSP of the oil (VAT incl.).
The price formation process is plotted in a graph which details cost ranges and net profits which are obtained according to sector data.
Costs and prices structure: Cost and price structure analysis

Data for 2007/08 crop year

Cost ranges €/kg

The RSP of EVOO (VAT incl.) is 56% higher on average than the price received by olive growers.
The cumulative profit of all the players along the chain represents 2.5% of the RSP of the end product (VAT excl.).
Conclusions

Sectorial

Economical

• Share of total costs in the retailer selling price
• Total profit shared between all links
• Main components of each stage costs
• Stage costs comparison

Marketing/consumption

• Distribution channels: Modern vs traditional
• Share in distributor brands
• Quality segmentation/ added value generation
Thank you very much