

# Improving the situation in the retail grocery sector

Published: 08.08.2024.

The Competition Council (CC), taking into account the aggravated situation in the food sector and rising retail prices, on its own initiative carried out a large-scale market study from spring 2023 to spring 2024, analysing the variability and transmission of food prices from producer to processor, wholesaler and retailer, and assessing whether the cooperation between suppliers and retailers complies with the regulatory framework. In order to improve the situation in the food retail sector, the CC prepared and on 10 July submitted proposals to the Ministry of Economics (MoE) to amend the Prohibition of Unfair Trading Practices Law (PUTPL).

The Competition Council in its in-depth market study concluded that some retail stores on average apply a higher markup to certain products of Latvia in the egg, fish, milk, meat, grain and bread product groups than to products produced outside Latvia. Around 30 percent of retailers applied a higher markup to Latvian producers' products compared to imported ones.

## Amendments to the Prohibition of Unfair Trading Practices Law

Taking the findings of the market monitoring into account, the Cabinet of Ministers, on 9 April of this year, established a task for the CC *"to prepare and submit proposals to the Minister of Economics on necessary amendments to the laws and regulations in order to eliminate the differential treatment in pricing between food products produced in Latvia and other countries and promote fair trade practices and equal competition in the retail food market"*. This was followed by a letter of 22 May from the Saeima Economic, Agricultural, Environmental and Regional Policy Committee to the Cabinet of Ministers, expressing support for the work initiated by the CC to clarify the application of the provisions of the Prohibition of Unfair Trading Practices Law in retailer-supplier contracts, as well as to develop a concept on the prohibition of exploitative practices.

The CC prepared proposals for amendments to the PUTPL aimed at prohibiting discriminatory practices by purchasers and applying unequal conditions on the market, and presented them to associations of food growers, producers and traders, as well as on 19 June at the CC Advisory Council, composed of the MoE, the Ministry of Agriculture (MoA), associations representing businesses and local governments, and other representatives.

As a result of discussions of the Advisory Council, support was received for the proposals to be further advanced or submitted to the MoE in order to ensure public consultation and submission of the planned amendments to the Cabinet of Ministers for consideration. On 10 July, the proposals for improving the law were submitted by the CC to the MoE, thus putting the further promotion of the amendments in the hands of policymakers.

## Further challenges to improve the situation

At the same time, in response to the letter of the Saeima Economic, Agricultural, Environmental and Regional Policy Committee to the Cabinet of Ministers, it is planned to find a solution to increase the share of locally produced goods in food retail, improve communication between retailers and suppliers and introduce a modern digital tool for comparing prices of food products. Thus, the future tasks set by the Cabinet of Ministers for the responsible institutions are:

for the CC to identify the share of locally produced goods in food retail and submit the assessment to the MoE and the MoA by 1 November;

for the MoA to analyse the experience of other countries in increasing the share of local products on the shelves and submit an assessment to the MoE by 1 November;

for the MoA, in cooperation with the MoE and the CC, to assess the possibility of implementing measures to improve cooperation between food retailers and suppliers (promotion of entering into a code of cooperation or memorandum between suppliers and food retailers, development of best practice guidelines, etc.) and submit the assessment to the MoE by

1 November;

for the MoA, in cooperation with the CC and the MoE, to prepare proposals (concept) for the introduction of a modern digital tool for the comparison of retail prices of food procurement baskets, including the identification of good practices in other countries and assessing the possibility of regular monitoring and analysis of changes in prices of food products.

Finally, the MoE will summarise the proposals and prepare a draft response letter to the Saeima Economic, Agricultural, Environmental and Regional Policy Committee on possible solutions to improve the situation. The draft letter must be submitted to the Cabinet of Ministers by 20 November.

---

<https://www.kp.gov.lv/en/article/improving-situation-retail-grocery-sector>