



Press release

Press Office

Kaiser-Friedrich-Str. 16

53113 Bonn

Phone: +49 228 9499-215/214

Fax: +49 228 9499-143

www.bundeskartellamt.de

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Bundeskartellamt / Sustainability

Achieving sustainability in a competitive environment – Bundeskartellamt concludes examination of sector initiatives

Bonn, 18 January 2022: The Bundeskartellamt has concluded the examination of two separate business cooperations and sustainability initiatives: An initiative launched by the German retail sector and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH to introduce living wages in the banana sector as well as current plans on expanding the animal welfare initiative “Initiative Tierwohl” to include cattle fattening. These reviews are part of the authority’s offer to advise businesses on cooperations and provide guidance especially on how to ensure that sustainability strategies are embedded in competition law.

Sustainability initiatives often consist of agreements concluded between competing companies on issues related to competition, such as prices and conditions, so that competition law criteria also have to be taken into account. In this context, the Bundeskartellamt makes sure that sustainability and public interest objectives are achieved and choices are available to consumers in line with competition requirements.

Andreas Mundt, President of the Bundeskartellamt: *“Competition law does not stand in the way of cooperations for achieving sustainability objectives – on the contrary. Effective competition is part of the solution since sustainability requires innovation, which in turn only emerges in a competitive environment. If a cooperation impedes competition it must be assessed under competition law. However, our work with*

various initiatives has shown that competition law is flexible enough to support sustainability initiatives especially in setting common standards while making sure that the conditions are fair and transparent. But there are also limits to this. Cooperations have to genuinely improve sustainability and must not only aim to increase the margins of a few companies.”

Living wages in the banana sector

The Bundeskartellamt has no competition concerns about the food retail sector’s voluntary commitment to set common standards for wages in the banana sector.

On behalf of the Federal Ministry for Economic Cooperation and Development, GIZ and German retailers intend to introduce pilot measures to promote living wages in the banana sector. For this purpose and against the backdrop of the Act on Corporate Due Diligence in Supply Chains, which will enter into force in 2023, a sector cooperation in the food retail industry is to agree on voluntary common standards and strategic goals along the private-label banana supply chain. The core objective is to jointly introduce responsible procurement practices and develop processes to monitor transparent wages. At the same time, the participating companies are planning to gradually increase the sales volume of bananas which are produced and procured in line with living-wages criteria. In this context, no information on procurement prices, other costs, production volumes or margins is exchanged. Nor are compulsory minimum prices or surcharges introduced at any point of the supply chain. The Bundeskartellamt will stay informed on how the project develops.

The animal welfare initiative “Initiative Tierwohl”

The Bundeskartellamt has provided guidance to the animal welfare initiative “Initiative Tierwohl” since 2014 and in the past years has particularly encouraged improvements regarding product labelling, thus making it easier for consumers to identify the meat on offer that actually comes from a participating farm with improved standards. Going forward, the authority is calling for the inclusion of more competition elements in the structure of the financing model.

“Initiative Tierwohl” is a project based on an agreement between the agricultural, meat production and food retail sectors and wishes to reward livestock owners for improving the conditions in which animals are kept. The initiative is mainly financed by the four largest food retailers EDEKA, REWE, Aldi and the Schwarz Group. A key component of the initiative is paying participating livestock owners a standard premium (referred to as “animal welfare payment”) via the participating slaughterhouses. The price premium for pork is 5.28 euros per pig; the premium for

poultry ranges from 2.75 to 4 cents per kilogram, depending on the type of poultry. So far, the initiative only covers the production of poultry meat and pork.

The Bundeskartellamt encouraged the initiative to introduce in several stages a clear labelling for meat produced in line with animal welfare criteria (referred to as “Nämlichkeit”) to make the conditions in which animals are kept and their origin transparent for consumers. The financing model was also adjusted several times in the past years.

The initiative “Initiative Tierwohl” now wants to introduce this model for cattle fattening, beginning in 2022. This would also affect the dairy sector. In this context, the Bundeskartellamt once again pointed out the need for consumers to be able to identify meat produced in line with animal welfare criteria (labelling). In addition, the authority is calling for the initiative to further develop the existing financing model.

Andreas Mundt: “The agreement reached between the businesses on paying a standard premium was tolerated for a transitional period due to the project’s pioneering nature. However, competition elements must gradually be introduced. These may include, for example, a recommendation to pay a compensation for animal welfare costs, as with regard to calves, rather than a standard premium for animal welfare, as has so far been the case for poultry and pork. Observing animal welfare criteria is a factor that consumers increasingly take into account when making their buying decision. In the future this will also have to be reflected in the structure of the financing model.”

The concept of the animal welfare initiative “Initiative Tierwohl” is therefore to be further developed for the next project phase starting in 2024.