Translation from Finnish

Legally binding only in Finnish and Swedish

Ministry of Agriculture and Forestry, Finland

Food Market Act

(1121/2018; amendments up to 116/2021 included)

By decision of Parliament, the following is enacted:

Section 1

Scope of application (116/2021)

This Act applies to contracts and practices between traders concerning trade in agricultural and food products. The provisions of this Act on the terms and conditions of contracts also apply to contractual practices.

The provisions of sections 2a–2g of this Act concerning supply contracts for agricultural and food products apply if the supplier is smaller than the buyer in terms of turnover and if the buyer's turnover is at least EUR 2 million and at least one of them is established in the European Union. With the exception of the turnover requirement, the provisions in question also apply where the buyer is a public authority in the European Union.

The provisions referred to in subsection 2 above apply irrespective of the state whose law would otherwise be applicable to the supply contract, except in cases where the supplier's annual turnover exceeds EUR 350,000,000 and the buyer is larger than the supplier, and except that section 2b only applies in respect of perishable products.

Section 2

Definitions (116/2021)

For the purposes of this Act:

1) *agricultural product* means a product referred to in Annex I to the Treaty on the Functioning of the European Union, with the exception of a fishery product;

- 2) *medium-sized enterprise* means an undertaking with 50 or more and no more than 250 employees and with an annual turnover or balance sheet total of more than EUR 10 million and an annual turnover of no more than EUR 50 million or an annual balance sheet total of no more than EUR 43 million;
- 3) *food* means a fishery product referred to in Annex I to the Treaty on the Functioning of the European Union and a product processed from agricultural and fishery products to be used as food;
- 4) *supplier* means an agricultural producer, natural person or legal person who sells agricultural or food products and a group thereof, irrespective of the place of establishment;
- 5) *buyer* means a natural or legal person, irrespective of the place of establishment, a public authority in the European Union and a group thereof who buys agricultural or food products;
- 6) public authority means a public authority, body governed by public law and a group thereof;
- 7) *perishable product* means an agricultural or food product that by its nature or at their stage of processing may become unfit for sale within 30 days after harvesting, production or processing;
- 8) *Market Organisation Regulation* means Regulation (EU) No 1308/2013 of the European Parliament and of the Council establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007.

Section 2a

Payment periods (116/2021)

The buyer shall pay for the agricultural and food products no later than 30 days after the delivery date or the date on which the amount payable is confirmed, if this is later than the delivery date. Where the buyer confirms the amount payable, however, the payment period will start to run from the delivery date.

By way of derogation from subsection 1, where regular deliveries are agreed in the supply contract, the buyer shall pay for the agricultural and food products within 30 days after the end of an agreed delivery period or the date on which the amount payable is confirmed for the delivery period, if this is later than the end of the delivery period. Where the agreed delivery period is longer than one month, however, the payment period will begin one month after the beginning of

the delivery period. Where the buyer confirms the amount payable, the payment period starts to run after the end of the agreed delivery period.

However, the payment period referred to in subsections 1 and 2 above may be up to 60 days if the product in question is not perishable and if this has been agreed in clear and unambiguous terms in the supply contract.

With the exception of the payment periods laid down in subsections 1–3, this section does not limit the application of the consequences of late payment laid down elsewhere by law and legal remedies available to the creditor, or the value-sharing clauses referred to in Article 172a of the Market Organisation Regulation. If the parties to the contract have not agreed on a due date for a claim or if the payment period under the contract is longer than that provided in subsections 1–3, the claim will nevertheless be deemed to have become due after the end of the maximum payment period laid down in this section.

The requirements referred to in this section do not apply to payments that:

- 1) are made by the buyer to the supplier in accordance with the school distribution scheme referred to in the Market Organisation Regulation;
- 2) are made by public entities providing healthcare referred to in Article 4, paragraph 4, subparagraph b of Directive 2011/7/EU of the European Parliament and of the Council on combating late payment in commercial transactions;
- 3) are related to contracts between suppliers of grapes or must for wine production and their direct buyers.

Section 2b

Cancellations of orders (116/2021)

The buyer shall not use a term or apply a practice under which it may cancel orders for products less than 30 days before the agreed delivery date.

Section 2c

Unilateral changes to terms (116/2021)

A contract shall not use a term or apply a practice under which the buyer may unilaterally change the terms of a supply contract for agricultural or food products that concern the frequency, method, place, timing or volume of the supply or delivery, or the quality standards, the terms of payment or the prices, or the provision of services referred to in section 2d, subsection 2.

Section 2d

Prohibited payments (116/2021)

A contract shall not use a term or apply a practice under which the buyer may demand from the supplier in respect of agricultural or food products:

- 1) a payment not related to sales;
- 2) a payment for deterioration or loss on the buyer's premises or upon transfer of ownership to the buyer, unless this is caused by the negligence or fault of the supplier;
- 3) compensation for the costs of examining customer complaints relating to sales, unless this is caused by the negligence or fault of the supplier.

Unless previously agreed in clear and unambiguous terms in the supply contract or in a subsequent contract between the supplier and the buyer, the buyer shall not demand a payment from the supplier in respect of agricultural or food products for:

- 1) stocking or displaying such products, listing them in the product range or placing them for sale;
- 2) selling on discount as part of the costs of sales promotion;
- 3) advertising or marketing;
- 4) costs of fitting out the premises used for sales.

If the buyer and supplier have agreed on the payments referred to in subsection 2, the buyer shall, upon request, provide the supplier with:

- 1) an estimate in writing of the payments per unit or in total;
- 2) in the situations referred to in section 2, subsections 1, 3 and 4, an estimate in writing of the costs and the grounds for the estimate;
- 3) in the situation referred to in section 2, subsection 2, an account of the planned sales promotion period and the expected volume of the products to be ordered at the discounted price.

Section 2e

Commercial retaliation (116/2021)

The buyer shall not remove products from the product range, reduce the volumes of products ordered, discontinue services it provides to the supplier or otherwise carry out or threaten to carry out acts of commercial retaliation against the supplier because the supplier exercises its contractual or legal rights, refers a matter to a public authority or cooperates with a public authority.

Section 2f

Returns (116/2021)

The buyer shall not return unsold agricultural or food products to the supplier without paying for them or for their disposal, unless previously agreed in clear and unambiguous terms in the supply contract or in a subsequent contract between the supplier and the buyer.

Section 2g

Written confirmation of the terms of a supply contract upon request (116/2021)

The buyer of agricultural or food products shall confirm the terms of the supply contract in writing at the request of the supplier. However, this does not apply to deliveries by a member of a producer organisation to the producer organisation where the statutes of that producer organisation or the rules and decisions provided for in or derived from these statutes contain provisions whose effects correspond to those of the terms of the supply contract.

Section 2h

Trade secrets and technical specifications (116/2021)

Provisions on the prohibition of the unlawful acquisition, use or disclosure of a trade secret or the unlawful use or disclosure of a technical guideline and other related measures are laid down in the Trade Secrets Act (595/2018).

Section 3

Conclusion of contracts and submission of offers for the supply of agricultural products

A contract concerning the supply of agricultural products from a producer to a medium-sized or larger food industry or wholesale or retail enterprise shall be concluded in writing, except in the case of sugar or a delivery by a member of a cooperative to the cooperative referred to in Article 148, paragraph 3 or Article 168, paragraph 5 of the Market Organisation Regulation. Provisions on the minimum content and time of conclusion of contracts are laid down in Article 148, paragraph 2 of the Market Organisation Regulation for raw milk and in Article 168, paragraph 4 for other agricultural products. Compliance with the requirements is the responsibility of the buyer.

The requirements referred to in subsection 1 above do not apply if the producer declares in writing that any or some of the requirements in question need not be complied with in respect of a given contract.

Provisions on the right of a producer and producer organisation to require an offer to be submitted in writing are laid down in Article 148, paragraph 1a of the Market Organisation Regulation for raw milk and in Article 168, paragraph 1a for agricultural products other than sugar.

Section 4

Other prohibited terms (116/2021)

Provisions on the prohibition of using a term or applying a practice in contracts between traders that is unreasonable for the traders that are one of the parties to such contracts, considering the need for protection of such traders due to their weaker position and other relevant factors, are laid down in section 1 of the Act on the Regulation of Contract Terms between Businesses (1062/1993).

Provisions on the prohibition of using a practice in business operations that violates a good business practice or that is otherwise unfair to another trader are laid down in section 1 of the Unfair Business Practices Act (1061/1978).

Section 5

Food Market Ombudsman

In order to improve the functioning of the food market and to prevent practices that are contrary to good business practices, there is a Food Market Ombudsman in connection with the Finnish Food Authority. The Ombudsman is autonomous and independent in his or her operations.

The Food Market Ombudsman issues recommendations, opinions and proposals related to the functioning of the food supply chain and informs and advises food supply chain operators on good business practices. Prior to issuing a recommendation, the Ombudsman shall request an opinion from the self-regulatory body of the food supply chain.

The Food Market Ombudsman shall act especially in cases which are of considerable importance for the functioning of the food supply chain or where significant problems may be presumed to occur the most frequently.

Section 6

Appointment and Office of the Food Market Ombudsman (116/2021)

The Food Market Ombudsman is appointed by the Government for a maximum term of five years at a time. The qualification requirements for the Food Market Ombudsman are a Master's degree, familiarity with the mandate of the position and leadership skills demonstrated in practice.

The Food Market Ombudsman has an Office with the necessary number of public officials working as rapporteurs and other staff. The Ombudsman approves the rules of procedure for the Office. The Finnish Food Authority is responsible for the administrative services of the Office. The Food Market Ombudsman appoints public officials and recruits other staff to the Office insofar it is not a question of persons responsible for administrative services at the Finnish Food Authority.

Further provisions on the qualification requirements and duties of the rapporteurs of the Office of the Food Market Ombudsman and the procedure for handling matters in the Office, the way in which administrative services are carried out in the Finnish Food Authority and other matters related to the organisation of the Food Market Ombudsman's duties are issued by government decree.

Section 7

Supervision

The Food Market Ombudsman supervises compliance with section 3 and Articles 148 and 168 of the Market Organisation Regulation.

In addition, the Food Market Ombudsman supervises compliance with section 1 of the Act on the Regulation of Contract Terms between Businesses and section 1 of the Unfair Business Practices Act in respect of:

- 1) the sale of agricultural products from a producer to the food industry or to wholesale or retail trade;
- 2) the sale of agricultural or food products from the food industry to wholesale or retail trade.

The Food Market Ombudsman also supervises compliance with the provisions of sections 2a–2g and compliance with the prohibitions referred to in the Trade Secrets Act in the supply contracts referred to in section 1, subsection 2. (116/2021)

Section 8

Referral of a matter to the Food Market Ombudsman (116/2021)

A matter concerning an infringement of a provision that is subject to supervision by the Food Market Ombudsman under section 7, subsections 1 and 2 may be referred to the Food Market Ombudsman by:

- 1) a party to a contract;
- 2) an operator who is subject to a contractual term or whose operations may be damaged by it;
- 3) a registered association operating to protect the interests of traders.

A matter concerning an infringement of a provision that is subject to supervision by the Food Market Ombudsman under section 7, subsection 3 may be referred to the Food Market Ombudsman by:

- 1) a supplier;
- 2) a producer organisation, another organisation of suppliers or a group thereof at the request of a member or member organisation where the member considers that it has been affected by a prohibited term;
- 3) an independent and non-profit-making legal person representing suppliers at the request of a supplier.

The Food Market Ombudsman may also take up a matter referred to in section 7 on his or her own initiative.

Section 8a

Consideration of a matter (116/2021)

In addition to the provisions of the Administrative Procedure Act (434/2003) on the consideration of a matter, the Food Market Ombudsman shall inform the referring party, within a reasonable period of time after the receipt of the notification, of how it intends to follow up on the matter. Where the grounds for acting on a matter are insufficient, the Food Market Ombudsman shall state the reasons within a reasonable period of time after the receipt of the notification. Where sufficient grounds for acting on a matter exist, the Food Market Ombudsman shall conduct and conclude an investigation within a reasonable period of time.

A trader has the right to be heard before the Food Market Ombudsman makes a proposal for a penalty payment referred to in this Act. The Food Market Ombudsman shall inform the trader in writing of the allegations made against it relating to the issues that have arisen during the investigation and of the grounds for these. The Food Market Ombudsman shall set a reasonable time period within which the trader may present its views in writing.

Upon request, the trader under investigation has the right to receive information on the documents concerning the investigation and the phase of the proceedings to the extent that this cannot harm the investigation of the matter, unless otherwise provided in the Act on the Openness of Government Activities (621/1999), this Act or the European Union laws.

The Food Market Ombudsman can use the information obtained from the trader under investigation only for the purpose for which it was gathered, unless the Food Market Ombudsman has initiated a new investigation.

Section 8b

Protection of certain information (116/2021)

In addition to the provisions on secrecy elsewhere in the law, the Food Market Ombudsman shall, upon request of the referring party, keep secret the identity of the referring party and the operators referred to in section 8 represented by the party and other information related to the

consideration of the matter identified by the referring party if, based on the circumstances, their disclosure can be deemed to be harmful to their interests.

However, should non-disclosure of information endanger the parties' right to be heard or to a fair trial, the Food Market Ombudsman shall not keep such information secret. In this event, the Food Market Ombudsman shall give the notifying party an opportunity to withdraw his or her notification. If the notifying party declares that he or she will withdraw the notification, the consideration of the matter lapses. However, if the Food Market Ombudsman deems it possible to continue the consideration of the matter without disclosing the information referred to in subsection 1, the consideration may continue.

Section 9

Negotiation and promotion of reconciliation

If the Food Market Ombudsman suspects an infringement of a regulation related to his or her supervisory mandate, he or she shall seek to persuade the trader to voluntarily discontinue any illegal activities through negotiations.

Where necessary, the Food Market Ombudsman may assist the parties in a dispute by investigating the matter and seeking to promote its amicable settlement.

Section 10

Reprimand (116/2021)

Where a buyer acts in breach of sections 2a–2g or 3 or of Article 148 or 168 of the Market Organisation Regulation and the infringement is negligible, the Food Market Ombudsman may issue a reprimand to the buyer.

A reprimand may be issued if the matter does not warrant more stringent measures.

No reprimand shall be issued if the party concerned has taken corrective action on its own initiative immediately after having observed a practice referred to in subsection 1.

Section 11

Public warning (116/2021)

Where a buyer intentionally or through negligence infringes the requirements laid down in sections 2a–2g or 3 or in Articles 148 or 168 of the Market Organisation Regulation and the infringement is not negligible, the Food Market Ombudsman may issue a public warning to the buyer. A public warning may be issued if the infringement does not warrant more stringent measures. A public warning may also be issued to a trader or group of traders to which the business operations involved in the infringement have been transferred as a result of a corporate acquisition or other transaction.

The Food Market Ombudsman shall publish information on a public warning without delay after the trader concerned has been notified of the decision and the decision has become legally valid. The publication shall indicate the nature and type of the infringement and the trader responsible for the infringement. The information shall be kept on the Food Market Ombudsman's website for a period of one year.

Section 11a

Prohibition imposed by the Food Market Ombudsman (116/2021)

Where a buyer infringes the provisions of sections 2a–2g or 3 or Article 148 or 168 of the Market Organisation Regulation, the Food Market Ombudsman shall forbid the buyer from continuing or repeating the practice. For specific reasons, such a prohibition may also be addressed to a person employed by the buyer or another party operating on its behalf.

A notice of a conditional fine may be issued to enforce the prohibition. Provisions on issuing a notice of a conditional fine and ordering it to be paid are laid down in the Act on Conditional Fines (1113/1990).

Section 12

Prohibition imposed by the Market Court

Provisions on the Food Market Ombudsman's right to initiate a case concerning the imposition of a prohibition and a conditional fine before the Market Court are laid down in chapter 5, section 2 of the Market Court Proceedings Act (100/2013).

Provisions on the imposition of a prohibition referred to in section 4, subsection 1 above by a decision of the Market Court are laid down in section 2 of the Act on the Regulation of Contract Terms between Businesses.

Provisions on the prohibition of a practice referred to in section 4, subsection 2 above by a decision of the Market Court are laid down in section 6 of the Unfair Business Practices Act.

Section 12a

Penalty payment (116/2021)

Where a buyer intentionally or through negligence infringes a requirement or prohibition referred to in sections 2a–2g or 3 or in Article 148 or 168 of the Market Organisation Regulation and if the infringement is serious, prolonged or repeated, a food market penalty payment may be imposed on the buyer. A penalty payment may also be imposed on a trader or a group of traders to which the business operations involved in the infringement have been transferred as a result of a corporate acquisition or other transaction.

The amount of the penalty payment is based on an overall assessment and, in determining it, account shall be taken of the nature and extent, degree of gravity and duration of the infringement. The penalty payment shall not exceed one per cent of the turnover of the operator purchasing the products from the sale of products falling within the scope of this Act for the year in which the operator was last involved in the infringement. If the buyer is a public authority, the penalty payment shall not exceed one per cent of the value of the annual purchases of products falling within the scope of this Act.

A penalty payment shall not be sought or imposed if the infringement is negligible or if the imposition of a penalty payment is to be deemed manifestly unreasonable. A penalty payment may be waived where the same operator has been ordered to pay a conditional fine on the same grounds. A penalty payment shall not be imposed on a party suspected of the same act in a pretrial investigation, consideration of charges or a criminal matter pending before a court of law, or where a charge against the party for the same act has been settled by a legally valid decision by a court of law.

Section 12b

Imposition and enforcement of a penalty payment (116/2021)

A penalty payment is imposed by the Market Court upon a proposal by the Food Market Ombudsman.

The responsibility for enforcing a penalty payment rests with the Legal Register Centre. Provisions on the enforcement of a penalty payment ordered to be paid under this Act are laid down in the Act on the Enforcement of a Fine (672/2002). A penalty payment will expire five years after the date of a decision regarding the penalty payment that has become legally valid.

A penalty payment is ordered to be paid to the State. No penalty payment shall be imposed where the application to impose it has not been submitted to the Market Court within five years of the date when the infringement ended.

Section 12c

Measures related to trade secrets and technical guidelines (116/2021)

In contractual relationships referred to in section 1, subsection 2, the Food Market Ombudsman may assist the holder of a trade secret or technical guideline, at his or her request, with initiating and handling a prohibition, compensation and other action referred to in the Trade Secrets Act in a court of law.

Provisions on securing the provision of evidence in cases concerning compensation for damage or the imposition of a prohibition arising from the unlawful use or disclosure of a trade secret or technical guideline referred to in the Trade Secrets Act are laid down in the Act on Securing the Provision of Evidence in Civil Cases Concerning Industrial Property Rights and Copyright (344/2000).

Section 12d

Reference to the Criminal Code (116/2021)

Provisions on the punishment for business espionage are laid down in chapter 30, section 4, for violation of a business secret in section 5 and for misuse of a business secret in section 6 of the Criminal Code of Finland (39/1889), and those for a secrecy offence in chapter 38, section 1 and for secrecy violation in section 2 of the said Act.

Section 13

Obligation to provide information (116/2021)

Notwithstanding secrecy provisions, a trader is obliged, upon request, to provide the Food Market Ombudsman or a public official in the service of his or her Office, free of charge, with the information and documents necessary to ensure compliance with the requirements and prohibitions referred to in this Act that under section 7 are subject to supervision by the Food Market Ombudsman. However, the trader does not have an obligation to provide the Food Market Ombudsman with information or documents containing correspondence between an outside legal consultant and the client that is to be considered confidential. In responding to questions raised by the Food Market Ombudsman, the trader shall not be required to admit that it has acted in contravention of this Act.

The Food Market Ombudsman may issue a notice of a conditional fine to enforce the duty of disclosure. Provisions on imposing a notice of a conditional fine and ordering the payment of a conditional fine are laid down in the Act on Conditional Fines.

Section 13a

Inspections (116/2021)

In matters subject to supervision by the Food Market Ombudsman, the Food Market Ombudsman and a public official at the service of his or her Office carrying out an inspection have the right to carry out unannounced inspections at the premises of operators obliged to comply with the requirements and prohibitions referred to in this Act which are necessary to ensure compliance with such requirements and prohibitions. However, inspections shall not be carried out in premises that are subject to domestic privacy provisions. The provisions of section 39 of the Administrative Procedure Act shall be complied with in the inspections.

The Food Market Ombudsman and a public official at the service of his or her Office conducting an inspection shall have the right to examine, regardless of the recording medium, the business correspondence, accounts, data processing records, other documents and data of a trader and a group of traders that may be relevant for monitoring the compliance with this Act and to take copies of these. He or she may also request explanations of facts and documents related to the subject matter and purpose of the inspection from all representatives or members of staff of the

trader or the group of traders and to store the responses received. He or she shall also have the right to seal the premises or accounts, documents and data for the period of conducting the inspection and to the extent necessary for it.

The Food Market Ombudsman and a public official at the service of his or her Office carrying out an inspection shall also have the right to obtain all information necessary for carrying out the inspection from an enterprise which processes information referred to in subsection 2 at the request of the trader being inspected or otherwise as part of the service offered to the trader. If the disclosure of the information to a public official carrying out the inspection results in costs to the enterprise which processes the information at the request of the trader being inspected or otherwise as part of the service offered to it, the trader or the group of traders being inspected shall bear the costs, unless otherwise agreed by the parties.

Provisions on the obligation of the police to provide executive assistance are laid down in chapter 9, section 1 of the Police Act (872/2011).

Section 13b

Exchange of information between public authorities (116/2021)

Notwithstanding secrecy provisions, the Food Market Ombudsman and a public official in the service of his or her Office shall also have the right to receive, free of charge, any information necessary to determine whether an infringement referred to in sections 2a–2h, 3 or 4 has taken place from public authorities referred to in subsection 2 or other bodies responsible for managing a public duty.

The Food Market Ombudsman may, on his or her own initiative and notwithstanding secrecy provisions, disclose information or a document received or drawn up in connection with the management of the duties laid down in this Act if this is necessary for:

- 1) the Finnish Competition and Consumer Authority for the purpose of investigating the restraints on competition referred to in chapters 2 or 4a of the Competition Act (948/2011) or the control of concentrations referred to in chapter 4;
- 2) the Finnish Tax Administration for duties related to the assessment and collection of taxes, tax control, collection of charges or recovery of taxes and charges;
- 3) the pre-trial investigation authorities for the purpose of preventing, uncovering or investigating criminal offences or submitting cases to prosecutors for consideration of charges, or for other

duties of the pre-trial investigation authorities in accordance with the purpose of collecting and storing information;

4) the Finnish Food Authority, the National Supervisory Authority for Welfare and Health, the Centres for Economic Development, Transport and the Environment, the Regional State Administrative Agencies, the Customs and local governments for the purpose of monitoring the requirements concerning agricultural or food products falling within their respective competences or of ensuring the conditions for granting aid related to these.

Provisions on the disclosure of a confidential document held by the Food Market Ombudsman to a foreign authority are laid down in section 30 of the Act on the Openness of Government Activities.

Section 13c

Retention of information (116/2021)

The Food Market Ombudsman shall retain the necessary information regarding the consideration of matters. The information shall be deleted five years after notification has been made, unless further retention of the data is necessary in order to protect the rights of a person who is subject to a criminal investigation, pending court proceedings or official investigation, or of a notifier or a person subject to the notification. The need for further retention of data shall be examined no later than three years after the previous review.

Section 14

Request for review (116/2021)

Provisions on request for judicial review to administrative courts are laid down in the Administrative Judicial Procedure Act (808/2019). However, a judicial review of a decision of the Food Market Ombudsman concerning a public warning or prohibition is requested at the Market Court. The provisions of the Market Court Proceedings Act apply to request for review.

A judicial review of a decision of the Market Court regarding a penalty payment may be requested by appeal to the Supreme Administrative Court without leave to appeal. A judicial review of a decision of the Market Court regarding a public warning or prohibition may be requested by appeal to the Supreme Administrative Court if the Supreme Administrative Court grants leave to appeal. The Food Market Ombudsman may appeal against a decision of the Market Court regarding a penalty payment by which the Market Court has rejected the Food Market Ombudsman's proposal in full or in part, and against a decision regarding a public warning or prohibition by which the Market Court has reversed or amended a decision of the Food Market Ombudsman.

The court may postpone the consideration of a penalty payment case if another case concerning the same operation is pending in another court proceeding which may have an effect on the decision to be given in the penalty payment case.

Section 15

Entry into force

This Act enters into force on 1 January 2019.

Section 3 does not apply to contracts concluded before the entry into force of this Act.

The Act Amending the Food Market Act 116/2021 enters into force on 1 November 2021.

Supply contracts concluded before the entry into force of the Amending Act 116/2021 shall be made compliant with it by 1 May 2022.