

## **P6\_TA(2007)0480**

### **The rise in foodstuff prices**

#### **European Parliament resolution of 25 October 2007 on rising feed and food prices**

*The European Parliament,*

- having regard to Article 33 of the EC Treaty,
  - having regard to its position of 26 September 2007<sup>1</sup> on set-aside for the year 2008,
  - having regard to Rule 108(5) of its Rules of Procedure,
- A. whereas world grain prices have increased dramatically in recent months and public and private cereal stocks have fallen to their lowest level in 40 years,
- B. whereas the latest estimates suggest that in 2007 the EU-27 grain harvest will be around 8 million tonnes less than in 2006,
- C. whereas the 2006 harvest was only 265,5 million tonnes, leaving just one million tonnes in intervention in 2007,
- D. whereas the world grain supply has been affected by severe weather conditions, notably droughts and floods, which are probably associated with climate change,
- E. whereas in most Member States it is impossible to discern a direct and long-term link between the rise in the prices of certain products and biofuel demand, but it should, nonetheless, be emphasised that in countries such as the US an active policy of promoting maize growing to produce bioethanol is having a direct effect on feed and food prices, which effect has been recognised by the Organisation for Economic Co-operation and Development (OECD),
- F. whereas the OECD study of September 2007 on the impact of biofuel production on global food security and biodiversity warns that competition for land and resources between food and feed production, on the one hand, and fuel, on the other, could increase food prices to such an extent that access to food for the poorest peoples and regions would be threatened,
- G. whereas world demand for food is rising faster than supply, not least because rising incomes in emerging economies such as India and China, combined with growing populations, are driving up demand, especially for meat and dairy products, and therefore also for feed,
- H. whereas food insecurity continues to be a reality for over 854 million people, some 820 million of whom are in the developing world,
- I. whereas retail food prices have not kept up with the cost of living, and farmgate prices have failed to keep up with retail prices,
- J. whereas major wholesale companies and a small number of large retailers operating in the

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<sup>1</sup> Texts adopted, P6\_TA(2007)0411.

EU have considerable power to set prices for foodstuffs, and whereas their concentration is such that it amounts to a dominant position vis-à-vis producers,

- K. whereas the rising cost of compound feed is driving up production costs for the livestock sector,
- L. whereas over the past 15 years the Common Agricultural Policy (CAP) has already undergone dramatic change in response to pressure from European society and its evolving economy, and whereas decoupling is providing farmers with the opportunity to respond to market signals,
- M. whereas Article 33 of the EC Treaty states that ensuring the availability of supplies and ensuring that supplies reach consumers at reasonable prices are objectives of the CAP,

### ***Set-aside***

- 1. Welcomes the recent decision by the Council of Ministers of agriculture to adopt the Commission's proposal to suspend set-aside obligations for 2008<sup>2</sup>;
- 2. Notes the Commission's estimate that this move will free up around 2,9 million hectares for grain production and increase the 2008 harvest by around 10 million tonnes;
- 3. Regrets the fact that the Council did not adopt Parliament's amendments seeking to suspend set-aside for the year 2009 as well, and expects this matter to be taken up in the imminent CAP Health Check;

### ***Food production and retailing***

- 4. Notes Commissioner Fischer Boel's recent comment that meat and meat-product prices could rise by up to 30% in 2008 because of increased feed costs;
- 5. Notes that the increased milk prices in 2007 represent a small but urgently needed income rise for dairy farmers, but are problematic for consumers and make it more difficult to obtain the required supply of milk products, for example for schools and hospitals;
- 6. Calls on the Commission, as a matter of urgency, to propose a temporary increase in milk quotas in order to stabilise prices on the internal market;
- 7. Notes with concern that European poultry producers are having to pay 40% to 60% more for feed than one year ago, especially as feed accounts for around 60% of their total costs;
- 8. Emphasises in the strongest possible terms that the raw-material cost is a relatively minor component in the total cost of many food products, especially processed foods, and that, even after the recent increases in wheat prices, the cost of wheat accounts for less than 10% of the retail price of a loaf of bread in the UK and less than 5% of that of a 'baguette' in France;

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<sup>2</sup> Council Regulation (EC) No 1107/2007 of 26 September 2007 derogating from Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers, as regards set-aside for the year 2008 (OJ L 253, 28.9.2007, p. 1).

9. Calls on the Commission and Member States to analyse the discrepancies between farmgate prices and the prices charged by the major retailers; points out, in particular, that the Commission should investigate the effects of concentration in the retail sector, which act mainly to the disadvantage of small producers, small enterprises and consumers, and employ all the legal means available to it should abuses of market power be identified;
10. Urges the Commission to authorise advance direct payments to livestock farmers, especially to those affected by disease outbreaks (e.g. bluetongue), as they may face serious cash-flow problems as a result of increased feed prices;

### ***Biofuels***

11. Emphasises that only a very small proportion of EU cereal production is currently being used for biofuel production and that meeting the EU's biofuel targets in 2020 would still require the use of only 15% of the EU's arable land;
12. Notes that the area of EU land under energy crops has increased tenfold, to 2,84 million hectares, since 2004,
13. Emphasises that biofuels are at present the only substitute for fossil fuels which is available on the market on a large scale and, unlike fossil fuels, is renewable and can produce significant reductions in greenhouse-gas emissions;
14. Notes that when one tonne of cereals is used in the EU for the production of bioethanol, up to 40% returns to the animal feed sector in the form of by-products;
15. Calls on the Commission and Member States, nevertheless, to do more to promote the use and production of second-generation bioenergy, which involves processing of manure and agricultural waste materials rather than primary agricultural products;
16. Calls on the Commission to carry out an environmental and food-security impact assessment which takes account of existing competition for land and resources between food and plant-based fuel production, and which examines the impact of climate change and possible measures to avoid further depletion of food-production resources;

### ***Imports and exports***

17. Notes with serious concern that the cost of compound feed has risen by EUR 75 per tonne and is continuing to rise owing to an acute shortage of feed grains, and that this represents an additional cost of EUR 10 billion to the EU livestock industry;
18. Notes the Commission's announcement made at the meeting of the Council of Ministers of agriculture of September 2007 of the intention of formulating a proposal to lift import duties for cereals for 2008 as a means of dealing with the difficult situation in the livestock sector, especially the pigmeat sector;
19. Points out that such decisions may actually weaken the EU's negotiating position on market access in WTO negotiations;
20. Emphasises that this decision should not serve as a precedent for other sectors, such as rice;
21. Rejects any moves to impose export quotas and tariffs on EU agricultural production;

22. Demands that third country operators be subjected to the same stringent controls as EU producers;
23. Calls on the Commission to undertake a stock-taking exercise of possible supply management and food security measures which could avoid further extreme volatility of feed and food prices and unsustainable competition between food and fuel production;

***Global food insecurity***

24. Is mindful that reduced world food stocks have a serious and particular impact on low-income food-deficit countries in the developing world, with the total cereal imports bill for these countries forecast to increase considerably to an all-time high of USD 28 billion in 2007/2008, up approximately 14% from last year's already high level;
25. Notes that, overall, developing countries will spend a record USD 52 billion on cereal imports in 2007/2008;
26. Calls on the Commission to analyse carefully the effects of supply shortages of cereals and oil seeds on the most vulnerable food producers and consumers in the EU and third countries, including proposals for instruments and measures to prevent disruptions of food supply and the inflationary effects of further price increases;
27. Calls on the Commission to undertake an in-depth analysis of world market trends, including the increased demand for food in developing countries, in order to consider, as part of the CAP Health Check, the creation of permanent mechanisms to guarantee an adequate market supply in future;
28. Calls on the Commission to take all necessary measures to guarantee a sustainable agriculture which is able to contribute to significant reductions in greenhouse-gas emissions and guarantee food sovereignty for the Member States;

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29. Instructs its President to forward this resolution to the Council and the Commission.