

P6_TA(2009)0191

Food prices in Europe

European Parliament resolution of 26 March 2009 on food prices in Europe (2008/2175(INI))

The European Parliament,

- having regard to Article 33 of the EC Treaty,
 - having regard to the Commission Communication of 9 December 2008 entitled "Food prices in Europe" (COM(2008)0821),
 - having regard to its study of 20 October 2007 entitled "The gap between producer prices and the prices paid by the consumer",
 - having regard to the Commission study of 28 November 2006 entitled "Competitiveness of the European Food Industry. An economic and legal assessment",
 - having regard to the Commission Communication of 20 May 2008 entitled "Tackling the challenge of rising food prices – Directions for EU action" (COM(2008)0321),
 - having regard to its Declaration of 19 February 2008 on investigating and remedying the abuse of power by large supermarkets operating in the European Union¹,
 - having regard to the Opinion of the European Economic and Social Committee of 7 April 2005 entitled "The large retail sector – trends and impacts on farmers and consumers"²,
 - having regard to the Commission Green Paper of 22 January 1997 entitled "Vertical Restraints in EC Competition Policy" (COM(1996)0721),
 - having regard to its resolution of 25 October 2007 on rising feed and food prices³,
 - having regard to the ongoing "health check" of the Common Agricultural Policy (CAP),
 - having regard to Rule 45 of its Rules of Procedure,
 - having regard to the report of the Committee on Agriculture and Rural Development (A6-0094/2009),
- A. whereas the European Union and the world have recently experienced high food-price volatility with sometimes significant price rises and ambiguous effects on the agricultural sector, with some gaining from the rise in prices and others – mostly stockbreeding farms and companies on the food-processing side – incurring much greater costs,

¹ Texts adopted, P6_TA(2008)0054.

² OJ C 255, 14.10.2005, p. 44.

³ OJ C 263 E, 16.10.2008, p. 621.

- B. whereas there has also been a considerable rise in agricultural production costs, as a result of the increased cost of materials such as fertilisers and phytosanitary products, and whereas despite the fact that at present prices at source have fallen steeply, this decrease is not going hand in hand with a fall, at the same level and across the same period, in production costs,
- C. whereas the fall in the prices of agricultural products, which is not matched by a fall in production costs, is putting farmers in an unsustainable financial situation, and many of them are abandoning production because it is unprofitable,
- D. whereas it has been found in various Member States that large manufacturers have set widely differing prices for the same products,
- E. whereas considerable price differences have been identified across the European Union with regard to the spread between consumer and producer prices, which in some cases cannot be explained by the costs involved in the processing, distribution and selling of products,
- F. whereas the entire supply chain must be taken into account when analysing prices and their evolution; whereas the food sector is fragmented and the supply chain highly complex, comprising many intermediaries,
- G. whereas some major processors have increased their market share in recent years,
- H. whereas in recent years there have been significant changes in the competitive structure of the food supply chain and increases in the degree of concentration among both food producers and wholesalers and retailers,
- I. whereas evidence from across the European Union suggests that big supermarkets use their buying power to force down prices paid to suppliers to unsustainable levels and impose unfair conditions upon them; whereas large retailers across the European Union are fast becoming 'gatekeepers', controlling farmers' and other suppliers' access to consumers,
- J. whereas consumer prices in the European Union are on average up to five times the farm gate price; whereas farmers in Europe received approximately half of the retail price of food fifty years ago and today that proportion - in conjunction with a marked rise in the degree to which food is processed - has dropped dramatically,
- K. whereas, although the funding of the CAP has contributed over the years to securing low consumer prices, it is noticeable that consumer prices remain high or are not falling despite the fall in prices in the agricultural sector,
- L. whereas a high degree of EU self-sufficiency is strategically desirable; whereas in this framework efforts must be made to achieve a strong position for EU primary producers as our food suppliers,
- M. whereas the imbalance in bargaining power between agricultural producers and the rest of the supply chain has resulted in strong pressure being maintained on producer margins in the agricultural sector,
- 1. Considers that, in accordance with the EC Treaty, it is in the EU public interest to maintain an adequate level of producer and consumer prices and to ensure fair competition, especially with regard to strategic merchandise such as agricultural and food products;

2. Believes that, while competition provides consumers with food at competitive prices, farmers must be provided with a stable income by prices which cover their production costs and fair remuneration for their work, not least to ensure a secure supply of good-quality food;
3. Considers that a broad series of factors influence the price transmission mechanism and the gap between producer and consumer prices; names among these factors the marketing behaviour of operators along the supply chain, including manufacturers, wholesalers and retailers, the share of non-agricultural costs (such as energy and labour), legislative and regulatory frameworks, the perishable nature of the product, the degree of product processing, marketing and handling or consumer purchasing preferences;
4. Considers that, among factors that most influence the price transmission mechanism and the gap between consumer and producer prices, increasing concentration along the whole of the food supply chain, the degree of product processing and price rises linked to other external cost factors, as well as speculation with agricultural commodities play a determining role; reaffirms, therefore, the importance of market regulation instruments, which are more necessary than ever in the current climate;
5. Agrees with the Commission that trends in supply and demand and operational shortcomings in the food supply chain have played a significant role in increasing food prices; stresses, however, that a significant role has also been played by speculation on the financial markets, which has created distortions in the price formation mechanism;
6. Calls on the Commission to launch as soon as possible an investigation, in the form of a study, into the margin share in the production and distribution chains, as provided for in the 2009 budget on the basis of an earlier proposal by its Committee on Agriculture and Rural Development during the budget procedure; considers that this would be a first step towards increased transparency within the chain;
7. Deplores the ongoing dismantling of EU intervention measures in the agricultural market, which is making a decisive contribution to the extreme volatility of prices; believes that new market management measures need to be brought in to guarantee greater stability for producers' incomes and to offer consumers acceptable prices;
8. Believes that, within the framework of the CAP, market management measures are called for to provide stability for the agricultural sector and the agri-food market, and to maintain sustainable EU agricultural production at reasonable prices, avoiding a 'see-saw' effect on both sale prices and production factors;
9. Considers that, although the Commission's comparison between the the European Union and USA in terms of productivity is appropriate, it cannot constitute the absolute basis for the ideal measure of productivity in the food sector (particularly agricultural production and processing) in the European Union; stresses that the agriculture and food industry in the European Union differs significantly from that in the USA both in terms of the commodities and sectors which it covers and the conditions and rules by which it is governed;
10. Considers that strengthening the competitiveness and innovation capacity of the primary agricultural sector must be encouraged, as this would lead to greater diversification possibilities for primary producers in managing their holdings, and dependency on other players in the production and distribution chain would decrease;

11. Believes that the concentration of agricultural production supply by means of producers' organisations, cooperatives or other similar bodies, would make it possible to shift the balance of power within the food chain, by increasing farmers' negotiating strength, giving greater added value to their products, and shortening marketing channels to consumers;

Food market imperfections

12. Draws attention to the fact that large market power pays off in particular in the agri-food sector, given the price inelasticity of agricultural supply on the one hand and consumer demand on the other;
13. Is concerned by marketing practices such as the selling below cost of goods in order to generate an increase in supermarket visits; supports a prohibition on the selling of food below cost and supports Member States that have already introduced such measures; wishes to see more EU action taken against such aggressive pricing measures, as well as other anti-competitive practices such as product tying or any other abuse of market dominance;
14. Believes that pricing below cost, while not viable in itself for any enterprise, can only be applied by big (diversified) enterprises for a short period of time and only to drive their competitors out of the market; considers that, in the long term, such practice benefits neither consumers nor the market as a whole;
15. Is further concerned by other instances where the trade sector makes use of its market power, including excessive payment deadlines, listing charges, slotting allowances, threats of delisting, retroactive discounts on goods already sold, unjustified contributions to retailer promotion expenses or insistence on exclusive supply;
16. Stresses that, in some Member States, both the buying and the selling side of the market tend to be equally concentrated, thus aggravating the distorting effect on the market;
17. Stresses that in light of the CAP reform and in particular decoupling, farmer decisions on what to produce will be influenced more by signals coming from the market, which must not be disrupted by overconcentration in the retail sector; believes that the increase of EU food imports is likely to reduce farm prices;
18. Draws attention to the fact that it is possible for retailers to take advantage of labels such as "fair trade" in order to increase profit margins; calls, therefore, with a view to curbing such practices and controlling the use of such labels, for a strategy to support and develop fair trade throughout the European Union;
19. Acknowledges that, in the short term, the effects of market concentration at the various levels of the food supply chain can lead to lower price levels for food but that, in the medium and long term, care must be taken to ensure that this does not damage free competition, drive small producers out of the market and limit consumer choice;
20. Draws attention to the fact that many SMEs in the food sector are extremely vulnerable especially if they are dependent to a great extent on one large operator; notes that large operators in the food supply chain often employ "race to the bottom" price competitions between several suppliers and, in order to stay in business, small companies need to cut costs and margins, which translates into reduced payments to farmers, reduced market access and distribution channels for SMEs, fewer employees, and lower quality products for

consumers;

21. Is worried by the increased level of speculation with food, as observed on the financial markets; calls on the Commission to launch an investigation into this matter; awaits the conclusions of the High Level Group on the Competitiveness of the Agri-Food Industry and encourages this Group to propose effective measures to address the imbalances in the market;
22. Maintains its reservations concerning the Commission's conclusions that speculation on the financial markets has not played a significant role in the process of price formation; considers that the Commission should take initiatives to strengthen monitoring of the futures markets in basic agricultural commodities;
23. Considers that the Commission is restricted at present to a partial reading of the available data since it does not take account of the possible impact of speculative investment in futures, such as:
 - the increase in price for end buyers (producers and consumers) resulting from the creation of false expectations of price trends,
 - the creation of disincentives and additional uncertainty for early-stage and small producer enterprises reliant on agricultural products, resulting, possibly, in the creation of obstacles to market entry and impediments to the process of strengthening competition on certain markets,
 - the inequitable (social and geographical) redistribution of the surplus from the sale of agricultural products to the detriment of farmers/producers and to the benefit of middlemen and speculators;
24. Stresses that, in contrast to the Commission's estimation, there is a more urgent need to consider new regulatory provisions for the futures markets, as there are indications that speculation already creates problems in the pricing of basic foods and, therefore, for the markets and producer enterprises which are reliant thereon;
25. Considers that the Commission has, during the last five years, improved its supervision of cartels, both through the introduction of better competition legislation and implementation of existing legislation; considers that measures such as leniency applications, the settlement procedure and forensic IT have made an important contribution; considers, however, that there are still improvements to be made with regard both to their content and their implementation by the Member States;
26. Draws the attention of the Commissioner for Competition to Parliament's above-mentioned declaration on investigating and remedying the abuse of power by large supermarkets operating in the European Union; is disappointed that the Commission has not taken heed of this call; calls in this connection for an investigation into market concentration and cartels in the retail sector and for penalties in the event of irregularities;
27. Calls on the Commission to analyse, in its annual reports, the gap between producer and consumer prices, differences between prices in the Member States and differences in prices between various agricultural products;

28. Notes that large-scale enterprises generate clear and well-known economic benefits (economies of scale and scope), leading to lower costs and therefore lower prices; stresses, however, that a policy to improve the food supply chain should encourage the creation of operational schemes (for example clusters, networks, and inter-branch organisations) to enable the agricultural sector to benefit from these advantages so as to put undertakings at subsequent stages in a position to withstand pressure on their profit margins;
29. Is deeply concerned that, in the survey of the main practices which cause competition problems in the food supply chain, the above-mentioned Commission Communication on food prices in Europe fails to include the abuse of the dominant position observed at the retail stage and also, to a certain extent, at the wholesale stage; considers that anti-competitive practices employed by undertakings with a large market share, such as exclusivity agreements, or a product tying obligation, constitute a serious setback in terms of fair competition in the food supply chain;

European Union role

Reacting to market imbalances

30. Endorses the Commission's decision to propose an efficient EU market-monitoring system, which is able to register price trends and costs of inputs across the whole supply chain; believes that this system should ensure transparency and permit cross-border comparisons between similar products; considers that this system must be established in close cooperation with Eurostat and national statistical authorities and should work with the network of European Consumer Centres (ECC); refers to the principle that additional costs and burdens should be kept within reasonable limits;
31. Calls on the Commission to establish a Community legal framework which will include, amongst other measures, the in-depth revision of Directive 2000/35/EC of the European Parliament and of the Council of 29 June 2000 on combating late payments in commercial transactions¹ and will encourage balanced relations between the various agents in the food chain, by preventing all abusive practices and encouraging a fairer distribution of profit margins;
32. Calls on competition authorities at national and EU level to investigate and evaluate consumer prices throughout the European Union to ensure that competition rules are respected, and to ascertain the responsibility of the various operators who comprise the value chain; stresses that downward price movements must be passed on to the consumer in the short term, while upward movements must be passed on more quickly to the producer;
33. States that greater transparency regarding cost structure can be achieved through the creation of an EU-wide database, which is easily accessible to citizens, and which contains reference prices of products and inputs, together with information on the costs of energy, pay, rents, duties and taxes from across the entire European Union; calls on the Commission to draw up plans for such an electronic system, based on existing national models, such as the French 'observatoires des prix'; considers, further, that it is also necessary to create, in cooperation with the Food and Agriculture Organization of the United Nations (FAO), an international observatory for agricultural product, input and food prices in order to monitor this data better at international level;

¹ OJ L 200, 8.8.2000, p. 35.

34. Calls on the various players in the production and distribution chain to work together to develop 'best practices' or 'scoreboards' to promote price transparency for agricultural products;
35. Calls on Member State authorities and the Commission to provide detailed research and analysis into price transmission and the margins which apply between the farm gate and the final consumer price, together with an analysis of the location and number of supermarkets, their turnover, and also their specific costs in terms of logistics and energy expenditure; calls on Member State authorities and the Commission to examine whether the criteria for establishing a dominant position in a market are still adequate considering the developments in the retail market; calls for the reinstatement of a Commission task force on the food supply chain, working together with national competition authorities;
36. Notes that one of the causes of the difference between prices at source and at destination is an imbalance in the food chain, and that, despite this, the European Union lacks adequate measures to encourage producers' organisations, through cooperatives or other organisations, to promote supply concentration; calls on the Commission to establish measures, both within the CAP and in other EU policies, to encourage such organisations, which will result in a better organisation of the market and increased negotiating strength for producers vis-à-vis the other links in the food chain;
37. Proposes that national competition authorities, which have a broad role under Community legislation with regard to monitoring the operation of competition at all stages of the food supply chain, strengthen their cooperation under the coordination of the Commission, through the open method of coordination with regard to monitoring production costs and trade, in order to ensure the proper functioning of the internal market;
38. Takes the view that, since the retail trade is influenced mainly by national legal, economic, political and cultural factors, it would be useful, within the framework of the European Competition Network (ECN) to conduct a greater exchange of information and, possibly, coordination among Member States to investigate anti-competitive practices by companies operating at intra-EU level;
39. Calls, within the framework of the Lisbon Strategy, for support to be given to national schemes aimed at reducing or withdrawing unjustified regulatory interventions in the retail sector which would restrict competition and the smooth operation of the food supply chain at consumers' expense;
40. Takes the view that the leniency programme should be employed both at national and at EU level, so that the competent competition authorities can learn about more anti-competitive practices in the food supply chain;
41. Points out that, apart from Community competition rules, there are many other policies at EU level governing the operation of the retail trade, which include, inter alia, Community single market rules and Community consumer legislation; stresses that all these policies should converge and be centrally coordinated at EU level so as to achieve the best possible results at consumer price level;
42. Stresses the fact that the responses to the current food crisis should also take place at international level; calls for the creation of an international network around the FAO to ensure sufficient world food stocks;

43. Calls on the Commission to negotiate a World Trade Organization agreement that gives the agricultural sector sufficient scope to be able to compete with third countries; considers that inclusion of non-trade concerns is of critical importance here, in order to preserve and uphold EU production standards;
44. Calls for crisis reserves and storage to be set up at EU level for certain basic foodstuffs, along the same lines as for oil products;
45. Calls for the introduction of mechanisms to combat speculation in the financial markets with agricultural commodities and financial instruments based on those commodities; supports the Commission's intention to examine what measures could be taken to contribute to a reduction in price volatility in agricultural commodity markets;
46. Calls for measures in support of cooperation between small agricultural producers so that they are able to compete with large producers, processors and retailers; considers that Member States and the European Union need to ensure the existence of various forms of commerce and avoid a total liberalisation of the food market that would lead to further concentration; calls on the Commission to launch a Green Paper on strengthening producer organisations, efficient chain approaches, and the market power of large retailers;
47. Calls on the Commission to monitor food imports more closely for compliance with EU hygiene and environmental standards, in particular, so that imported products do not expose EU consumers to greater risks;
48. Believes that it is necessary to encourage a greater concentration of agricultural supply by supporting the various legal types of association, with a view to adjusting the balance of power within the food chain, give farmers' production added value and increase their negotiating strength vis-à-vis other commercial agents;
49. Calls for the reinstatement of a European Food Producer Consulting Service giving advice to farmers and producer organisations on product distribution, the retail market and opportunities for the production of specific products;
50. Calls for the creation of a telephone hotline for consumers and agricultural producers, where they can report instances of abuse, and where information on comparable products and prices from across the European Union can be made available; considers that this should be established and function within national ECCs;
51. Welcomes the introduction of the Consumer Market Scoreboard as a tool to better monitor the internal market and to provide more information to the consumer;
52. Is concerned about the influence of intermediaries in the final consumer price; calls on the Commission to launch an analysis of the supply chain in order to gain a better understanding of the role of each operator involved in the price formation chain;

Bringing the producer closer to the consumer

53. Calls for the introduction of policies that sponsor wider and more direct contact between producers and consumers, such as the recently adopted European School Fruit Programme, as this can provide producers with a more relevant role in the market, while at the same time offering consumers a better and wider choice of products; one such policy would be the

creation and promotion of areas for the direct marketing of products by producers;

54. Calls on the Commission to take action to facilitate mergers and cooperation between producers' organisations such as cooperatives, thus avoiding bureaucratic burdens and other restrictions, with a view to increasing the size of producers' organisations so that they can adapt to the supply conditions demanded by the globalised market;
55. Considers that wider and better information to consumers is paramount, in order to encourage confidence in the system, and all efforts should be taken towards educating and correctly informing the consumer and providing them with neutral information;
56. Requests that when information is being provided to consumers, particular stress be laid on the efforts made by EU producers to meet Community rules on the environment, food safety and animal wellbeing;
57. Stresses that consumer protection policy covers not only prices but also food variety and quality; proposes, therefore, that the Commission investigate under which operating conditions in the food supply chain, in particular in the retail sector, a loss of quality and variety in products can be observed;
58. Notes the added value of local retailer shops that provide an important contribution to bridge the gap between producers and consumers and also improve the quality of life in rural areas by creating work opportunities and reinforcing existing social links;
59. Considers that the use of new technologies and the internet should be widely promoted; stresses that new technologies can be used to provide more information about the place, price and characteristics of the different product varieties; believes that this can better match niche demand and can offer a wider choice to the consumer; is in favour of using EU rural development, competitiveness and cohesion funds for facilitating producer access to the market through modern technology and the internet;
60. Calls for measures to be put in place that give more impetus to the concept of "local foods", and especially actions to promote, and inform consumers on, the special characteristics of such products and their health benefits and financial advantages, as well as support for traditional markets and traditional types of commerce in which producers meet consumers directly;
61. Calls for the European Union and the Member States to give greater encouragement to the organic sector; calls, furthermore, for an ambitious policy of financial incentives to encourage this type of agricultural production and enable consumers to obtain high-quality products at reasonable prices;
62. Urges reinforcement of cooperation between producers either by following the traditional format of producer organisations or by introducing new forms of cooperation in marketing operations of farmers;
63. Calls for greater promotion of the differentiation of agricultural products as a marketing concept, which leaves room for different prices, in accordance with quality;
64. Is concerned at the fact that the negotiating strength of food producers at the expense of retailers, due to a strong brand name or product differentiation, acquires a

disproportionately negative significance in the above-mentioned Commission Communication on food prices in Europe, compared to other very much more important factors such as imperfect competition or oligopolistic/monopolistic practices; takes the view that the creation of a strong brand name or product differentiation are legitimate practices and that it is only the abuse of the position which these practices may confer that constitutes unfair practice;

65. Calls for the reinforcement and streamlining of EU policies for the protection of origin and geographical indications and other certifications, which differentiate among agricultural products; welcomes, in this regard, the debate launched by the release on 15 October 2008 of the Green Paper on Agricultural Product Quality: product standards, farming requirements and quality schemes (COM(2008)0641);
66. Takes the view that the option of a special label on EU agricultural products should be explored in greater depth, based on existing models; considers that this label should guarantee compliance with EU production standards, such as fair treatment of market participants throughout the entire production and distribution chain; considers, further, that such a label would act as a stimulus to consumers, encouraging their consumption of EU products, and hence supporting EU producers;
67. Urges the Commission to evaluate the costs borne by producers in complying with Community rules on cross-compliance and the extent to which these differ between Member States, bearing in mind that those rules are more stringent than those applicable to imported products;

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