

# Gap between producer prices and the prices paid by consumers

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The Committee on Agriculture and Rural Development adopted the own-initiative report drawn up by Katerina BATZELI (PES, EL) in response to the Commission Communication entitled Food prices in Europe. The report notes recent high food price volatility, the rise in agricultural production costs, the power of big supermarkets, high consumer prices, and the fact that imbalance in bargaining power between agricultural producers and the rest of the supply chain has resulted in strong pressure being maintained on producer margins.

The committee considers that, in accordance with the Treaty, it is in the European public interest to maintain an adequate level of producer and consumer prices and ensure fair competition, especially with regard to strategic merchandise such as agricultural and food products. Members discuss the factors influencing the price transmission mechanism and the gap between producer and consumer prices, and reaffirm the importance of market regulation instruments, which are more necessary than ever in the current climate.

They call on the Commission to launch **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. They deplore the dismantling of Community intervention measures in the agricultural market, which is making a decisive contribution to the extreme volatility of prices. New market management measures need to be brought in to guarantee greater stability for producers' incomes and to offer consumers acceptable prices. The committee believes that the concentration of agricultural production supply by means of producers' organisations, or other similar bodies, would make it possible to shift the balance of power within the food chain, by increasing farmers' negotiating strength.

**Food market imperfections:** the report draws attention to the fact that a **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. It expresses concern about marketing practices such as the selling below cost of goods, and wishes to see more European action taken against such **aggressive pricing measures**. Members are also worried about the **increased level of speculation with food** and call on the Commission to launch an investigation into this matter.

The committee is deeply concerned that the Commission Communication fails to include the **abuse of the dominant position** observed at the retail stage and also, to a certain extent, at the wholesale stage. Anti-competitive practices employed by undertakings with a large market share, such as exclusivity agreements, constitute a serious setback in terms of fair competition in the food supply chain.

**EU role:** the committee endorses the Commission's decision to propose an efficient European market monitoring system, which is able to register price trends and costs of inputs across the whole supply chain. It calls on the Commission, and Member States as appropriate, to do the following, inter alia:

- to establish a Community legal framework which will include the revision of Directive 2000/35/EC 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;

- to create a Europe-wide database, easily accessible to citizens, containing reference prices of products and inputs, together with information on the costs of energy etc, from all across Europe. Such an electronic system, should be based on existing national models, such as the French 'observatoires des prix';
- to create, in cooperation with the FAO, an international observatory for agricultural product, input and food prices in order to monitor this data better at international level;
- to provide detailed analysis into price transmission and the margins applying 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;
- to examine whether the criteria for establishing a dominant position in a market are still adequate considering the developments in the retail market;
- to establish measures, both within the CAP and in other European policies, to encourage producers' organisations, which will result in increased negotiating strength for producers vis-à-vis the other links in the food chain;
- to negotiate a WTO agreement that gives the agricultural sector sufficient scope to be able to compete with third countries;
- to monitor food imports more closely for compliance with European hygiene and environmental standards, in particular, so that imported products do not expose EU consumers to higher risks;
- to reinstate a European Food Producer Consulting Service giving advice to farmers and producer organizations on product distribution, the retail market and opportunities for the production of specific products;
- to create 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 EU can be made available;
- 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:** Members recommend a series of actions, including the introduction of policies that sponsor more direct contact between producers and consumers, such as the recently adopted European School Fruit Programme. They consider that better information to consumers is paramount, in order to encourage a climate of confidence in the system.