



Procedure file

| Basic information | | |
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| INI - Own-initiative procedure | 2008/2175(INI) | Procedure completed |
| Gap between producer prices and the prices paid by consumers | | |
| Subject 3.10.03 Marketing and trade of agricultural products and livestock 3.10.12 Agrimonetary policy, compensatory amounts | | |

| Key players | | | |
|---------------------|--|--------------------------------------|------------|
| European Parliament | Committee responsible | Rapporteur | Appointed |
| | AGRI Agriculture and Rural Development | PSE BATZELI Katerina | 20/05/2008 |
| European Commission | Commission DG Agriculture and Rural Development | Commissioner FISCHER BOEL Mariann | |

| Key events | | | |
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| 04/09/2008 | Committee referral announced in Parliament | | |
| 09/12/2008 | Non-legislative basic document published | COM(2008)0821 | Summary |
| 17/02/2009 | Vote in committee | | Summary |
| 24/02/2009 | Committee report tabled for plenary | A6-0094/2009 | |
| 23/03/2009 | Debate in Parliament |  | |
| 26/03/2009 | Results of vote in Parliament |  | |
| 26/03/2009 | Decision by Parliament | T6-0191/2009 | Summary |
| 26/03/2009 | End of procedure in Parliament | | |

| Technical information | |
|----------------------------|---|
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| Procedure subtype | Initiative |
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| Documentation gateway | | | | | |
|---|--|-------------------------------|------------|----|---------|
| Committee draft report | | PE413.955 | 19/11/2008 | EP | |
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| Amendments tabled in committee | | PE418.268 | 26/01/2009 | EP | |
| Committee report tabled for plenary, single reading | | A6-0094/2009 | 24/02/2009 | EP | |
| Text adopted by Parliament, single reading | | T6-0191/2009 | 26/03/2009 | EP | Summary |
| Commission response to text adopted in plenary | | SP(2009)3245/2 | 08/10/2009 | EC | |

Gap between producer prices and the prices paid by consumers

PURPOSE: to present a Communication from the Commission on food prices in Europe.

CONTENT: in the second half of 2007, agricultural commodity price increases accelerated and by early 2008 reached exceptional levels. These price hikes caused a rapid increase in consumer food prices, which reduced EU household purchasing power by around 1%. Low income households were hit even harder. The June 2008 European Council asked the Commission to report back on developments in agricultural commodity and food prices and analysis of the impact of speculation on agricultural commodity prices, as well as investigation of the functioning of the food supply chain. This Communication responds to this request.

Prices of agricultural products have decreased sharply over the past months and prices of food products are expected to follow suit. However, structural factors like the growth in global food demand and the decline in food crop productivity growth are likely to keep prices high up over the medium-term. It is possible that speculation played a role in determining prices, and a continued surveillance of markets for agricultural products is therefore required.

To put global supply and demand for food back into balance, agricultural production should respond to market signals and an open trade policy should be promoted. By agreeing to the Health Check of the Common Agricultural Policy (CAP), the EU has already taken decisive steps to allow farmers to respond better to more volatile market conditions. The Doha Round of WTO trade talks promises the opening up of agricultural markets to developing countries. Against the background of the economic slowdown, it is more important that consumers benefit without delay when agricultural prices fall. Identifying and resolving problems in the functioning of the food supply chain in terms of regulation and competition is key to achieving this objective.

The Commission reviews developments in agricultural commodity prices and provides an outlook for the medium-term. It analyses the contribution of speculation to agricultural commodity price developments and investigates the functioning of the food supply chain. Drawing from its analysis, it sets out a roadmap to improve the functioning of the food supply chain. The roadmap contains a variety of initiatives and should evolve over time as knowledge of the food supply chain deepens:

Promote the competitiveness of the food supply chain: the recommendations from the High Level Group on the Competitiveness of the Agro-Food Industry expected in early 2009 should help the food supply chain to improve its overall competitiveness and thus its resilience in response to price shocks.

Ensure a vigorous and coherent enforcement of competition and consumer protection rules in the food supply markets: in the context of the European Competition Network the Commission will continue a sustained dialogue with National Competition Authorities, so as to ensure a coherent and well coordinated enforcement of competition rules throughout the EU, to the benefit of European consumers. Based on the analysis of market developments, investigation should be targeted at those restrictions of competition and/or specific practices which have the highest potential to distort competition. Moreover, at a time of sharply fluctuating food prices, the risk of misleading price advertising increases. For example, consumers may be misled by suppliers altering pack size or contents in order to apparently maintain the same price for the relevant product. National consumer protections authorities should therefore pay particular attention to the enforcement of the Directives on unfair commercial practices and unit pricing.

Review of regulations that have been identified as potentially problematic for the functioning of the food supply chain: the Commission proposes the following: (i) regulations that restrict entry of new companies into the market need to be removed where appropriate, while keeping in mind their environmental and social goals; (ii) regulations which restrict business' ability to compete on prices should be examined at a national level; (iii) practices which distort the relationship between suppliers and retailers should be discouraged; e.g late payments, unjustified or excessive fees paid by suppliers for services provided by retailers or tempting consumers with misleading offers; (iv) regulations on shop opening hours could deserve examination at national level in view of their impact on food prices, based on consultations of social partners and taking into consideration their social and environmental effects.

Provide better information by setting up a permanent European monitoring of food prices and the supply chain: the continued monitoring of producer and consumer prices of a set of selected and comparable consumer goods would reveal price differentials across Europe and help identify cases of market fragmentation. There appears to be a lack of sufficient comparable price and quality information that would empower consumers to make better-informed choices.

The Commission is reviewing regulations impacting the functioning of the retail markets.

Examine measures to discourage speculation to the detriment of commercial operators in agricultural commodity markets: the Commission considers that there is a need to avoid the effects that excessive speculation has on food prices. It is of the opinion that such a degree of volatility as the one observed during recent months benefits neither producers nor consumers. Accordingly it will examine what measures

contributing to a reduction in price volatility in agricultural commodity markets could be taken. The Commission will take into account the results of the on-going in-depth review of the supervisory and regulatory framework that is applied to all significant financial market actors, including hedge funds and private equity, with a particular focus on capital requirements, risk management and transparency.

Gap between producer prices and the prices paid by consumers

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.

Gap between producer prices and the prices paid by consumers

The European Parliament adopted by 390 votes to 112, with 71 abstentions, a resolution in response to the Commission Communication on food prices in Europe. The resolution 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.

Parliament 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.

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