Rising food prices
P7_TA(2011)0071

European Parliament resolution of 17 February 2011 on rising food prices
(2012/C 188 E/11)

The European Parliament,

— having regard to Article 39 of the Treaty on the Functioning of the European Union,

— having regard to its resolution of 18 January 2011 on recognition of agriculture as a strategic sector in the context of food security (1),

— having regard to its resolution of 7 September 2010 on fair revenues for farmers: A better functioning food supply chain in Europe (2),

— having regard to its resolution of 8 July 2010 on the future of the Common Agricultural Policy after 2013 (3),

— having regard to its resolution of 5 May 2010 on EU agriculture and climate change (4),

— having regard to its resolution of 26 March 2009 on Food Prices in Europe (5),

— having regard to the proposal for a regulation of the European Parliament and of the Council establishing a facility for rapid response to soaring food prices in developing countries (COM(2008)0450),

— having regard to the eight recommendations to the G20 published by the United Nations Special Rapporteur on the right to food on 29 January 2011,

— having regard to the communication from the Commission on tackling the challenges in commodity markets and on raw materials of 2 February 2011 (COM(2011)0025),

— having regard to the Maputo Declaration on Agriculture and Food Security signed in 2003, in which African governments committed themselves to allocate a minimum of 10 % of their annual national budgets to agriculture,

— having regard to Rule 110(2) of its Rules of Procedure,

A. whereas food prices have peaked for the seventh consecutive month between 2010 and 2011, reaching the highest levels since the FAO started measuring food prices in 1990; whereas commodity price hikes have become a destabilising factor in the global economy and sparked riots and unrest in a number of developing countries and most recently in Algeria, Tunisia and Egypt,

B. whereas the Food and Agriculture Organization (FAO) estimates that the number of undernourished people in the world reached 925 million in 2010 and rising food prices coupled to unpredictable shortages of supply may cause this number to increase; whereas 29 countries in the world face food supply difficulties and are in need of external food assistance,

C. whereas recent food and commodity price volatility has raised serious concerns about the functioning of the European and global food supply; whereas the increase in food prices has hit the most vulnerable populations and countries hardest, both in developed and developing countries; whereas high food prices are driving millions of people into food insecurity, threatening long-term global food security; whereas, according to the FAO, food security includes the right to food and the accessibility of healthy nutrition for all.

D. whereas poverty and famine still exist in the European Union; whereas 79 million people in the EU still live below the poverty line (60 % of the average income of the country in which the person lives); and whereas 16 million EU citizens received food aid through charities last winter; whereas food security is a central issue for Europe and requires coordination between various sectoral policy areas at EU level and beyond, namely the CAP, energy policy, research, development and trade.

E. whereas the global economic downturn and rising food and fuel prices have worsened the food situation in many developing countries, especially the least-developed countries (LDCs), thus partly setting back the progress of the last decade on poverty reduction.

Factors contributing to rising food prices

F. whereas sufficient global food production can be regularly undermined by a range of factors including extreme weather events such as floods and droughts, increasingly driven by climate change; limited availability of natural resources and the growing demand for food from rising populations; close links between energy and food security against the background of a very low level of global food stocks; growing production of biofuels, increased feeding of grain to livestock; increased speculation on food commodities; growing dependency on food imports in many developing countries due to conflicts or failed food security policies.

G. whereas the impact of climate change on farming, mainly the reduction of crop yields because of repeated water shortages, droughts, or, in contrast, floods and landslides, seriously affects agricultural activities in the EU and developing countries, both falling significantly short of self-sufficiency in numerous agricultural commodities.

H. whereas the challenge is to produce ‘more from less’, with an emphasis on sustainable production, due to pressure on natural resources; whereas strengthening agricultural production in developing countries will increase resilience and adaptability to food shocks.

I. whereas the recent volatility has raised concerns about the functioning of the European and global food supply chains; whereas the Commission’s communication entitled ‘A better functioning food supply chain in Europe’ (COM(2009)0591) identifies serious problems in the supply chain such as abuse of dominant buyer power, unfair practices in contracting (including late payments), unilateral contractual modifications, advance payments for access to negotiations, restricted market access, lack of information on price setting and the distribution of profit margins throughout the food chain, closely linked to increased concentration in the input, wholesale and retail sectors; whereas the entire supply chain must be taken into account when analysing food prices and their evolution; whereas the food sector is fragmented and the supply chain is long and highly complex, comprising many intermediaries.

Price volatility, farmers’ income, aid to developing countries

J. whereas fluctuations in commodity prices may become a more pronounced and regular feature of the global market; whereas higher food prices do not automatically translate into higher farm incomes, mainly due to the speed at which farm-input costs increase and the growing divergence between producer and consumer prices; whereas the share of farmers’ income from the food supply chain has substantially dropped, while the profits of processors and retailers have constantly increased; whereas consumer prices have increased; and whereas at least 30 % of all food produced globally is wasted at different points along the food chain,
The need to improve food security

1. Affirms that global food security is a question of the utmost urgency for the EU and the developing world and calls for immediate and continual action to ensure food security for EU citizens and at global level; stresses that food should be available to consumers at reasonable prices, while at the same time a fair standard of living for farmers should be ensured;

2. Stresses that the right to food is a basic and fundamental human right and it is achieved when all people, at all times, have physical and economic access to suitable, safe (from the point of view of health) and nutritious food to meet their dietary needs and preferences for an active and healthy life;

3. Stresses that a strong and sustainable agricultural sector across the EU and a thriving and sustainable rural environment, ensured by a strong CAP, are vital components in meeting the food security challenge; emphasises the importance of the CAP as a means to secure food production in the EU;

4. Affirms that the EU has a duty to ensure food security for its citizens and that continuing farming activity in the EU is key in this regard; draws attention to declining farm incomes in the EU, caused by rising production costs and price volatility, which impact negatively on farmers’ ability to maintain production; highlights the costs that European farmers have to bear in meeting the highest food safety, environmental, animal welfare and labour standards in the world; stresses that farmers must be compensated for these additional costs and for providing public goods to society;

Challenges of climate change

5. Is conscious of the great challenge climate change poses to achieving food security, especially through an increase in the frequency and scale of climatic events, such as droughts, floods, fires and storms, which will diminish the natural resource and agricultural production yields; is concerned about the unilateral actions taken by countries or regions impacted by climatic events and the knock-on effects of such measures on world markets; calls on the Commission to closely monitor implementation of climate change-related legislation in Member States; stresses the urgent need for climate change mitigation actions and adaptation measures aiming at increasing environmental and economic sustainability; urges Member States to set up adequate risk prevention and management measures to limit negative consequences of natural disasters for agricultural production;

6. Calls for coordinated action and better cooperation on climate change between the EU and developing countries, particularly technology transfer and capacity building; emphasises that combating climate change must be mainstreamed into all relevant EU policies, including development cooperation, and that training should focus on climate adaptation and good land stewardship practices, such as soil and water management, to prevent the loss of farmland due to soil erosion or salinisation;

Improved development aid

7. Points out that agriculture is a key sector in most developing countries, heavily dependent on primary commodities, which are particularly vulnerable to price fluctuations;
8. Calls on the EU to support rural development, increasing investment in farming and food security, and taking particular account of urgent hunger needs, small-scale farming and social protection programmes; highlights the importance of developing agriculture in the developing world and of allocating an appropriate share of EU overseas development aid to the agriculture sector; regrets that there has been a dramatic reduction in the level of development aid allocated to agriculture since the 1980s and welcomes the recognition of the need to reverse this trend;

9. Calls on the Commission to prioritise agriculture in targeted, accountable, effective and transparently managed development aid, including assistance to farmers in accessing markets; calls for significant increases in the amount of development aid going to agriculture, and for investment in training, improved extension services and decentralised research in agriculture for developing countries, so that farmers will be equipped with sustainable techniques to produce more efficiently while protecting their environment to ensure long-term food security, assisted by adequate public support, such as access to loans, non-profit micro-credit and seeds;

10. Calls on the EU and developing countries to promote land ownership as a tool for reducing poverty and guaranteeing food security, by strengthening property rights and facilitating access to non-profit micro-credit for farmers, small businesses and local communities; stresses the importance of new investments in enhancing the capacities of small farmers, more efficient water management technologies and restoration of soil nutrients;

11. Points out that it is necessary to introduce better agricultural production methods in developing countries, including low-cost technologies, provide research in agriculture, and increase productivity, in order to enhance sustainability and mitigate the negative effects of food insecurity;

12. Points out that humanitarian food assistance should match the needs, challenges and structural constraints in developing countries; in this respect underlines that it is important that food assistance should take into account the local production, distribution, transport and marketing capacities of these countries, contributing to building the bases for their long-term food security;

Producers' income and access to inputs

13. Notes that among the factors that most influence the price transmission mechanism and the gap between consumer and producer prices are: increasing concentration along the food supply chain, the degree of product processing, price rises linked to other external cost factors and speculation in agricultural commodities;

14. Notes that farm input costs are rising faster than agricultural commodity prices; is concerned that this could result in reduced farm output, which would exacerbate the food crisis in the EU and in the world; stresses that concentration in the input sector has devastating effects on the sustainability of farming, fostering dependency on a limited number of corporations for the purchasing of seeds and specialised fertilizers; calls on the Commission to ensure, in the context of increased consolidation, that a freely operating market functions in the input sector, contributing to food supply;

15. Expresses concern about low farm incomes in the EU; affirms that decreased incomes due to rising production costs and price volatility impact negatively on farmers' ability to maintain production and that as a result farmers do not benefit from increased food prices; firmly believes that food security will be compromised if these issues are not sufficiently addressed;

Food and energy production

16. Recalls that energy security and food security are very closely linked; recognises that energy costs are a key factor in determining the level of profitability of agriculture, which is in the main oil-dependent; encourages measures that incentivise farmers to become more energy-efficient and develop alternative energy supply sources; calls on the EU and national governments to launch campaigns and put into place structural changes to minimise food waste;
17. Considers, however, that the increased drive to develop renewable energy sources and meet the 2020 targets must take into account the impact on food production and supply; stresses the delicate balance involved in meeting the food/fuel challenge;

**Research**

18. Emphasises the importance of publicly funded research which serves to promote food security; calls for investment in research not only into new technologies but also into comprehensive and sustainable farming systems which will serve the aim of long-term food security; stresses in this connection the pioneering role which could be played in this field, for example, by an EU technology platform for ecological agricultural research;

**Transparency on commodity markets and action against speculation**

19. Welcomes the current attempts to raise awareness of food-commodity price formation mechanisms at international level (in particular the initiative of the G20 French Presidency, and the 3rd Berlin Agriculture Ministers’ Summit); asks the Commission to seek greater clarity on all the factors that affect short- and long-term food commodity price fluctuations, in particular the extent of the interaction between all forms of speculation and fluctuations in the prices of agricultural commodities, as well as the linkage between energy markets and food prices; considers that such a thorough economic analysis of food price formation mechanisms at play will better enable EU decision-makers to take informed and adapted measures to mitigate the effects of food price fluctuations;

20. Notes the Commission Communication on challenges in commodity markets and raw materials and welcomes the Commission’s attention to the issue thus far; asks the Commission to establish better information flows providing timely and quality data on market developments, taking into account the issue of stock dislocation; stresses, however, that improved information flows alone are not a solution to addressing volatility in markets; believes a stronger approach to tackling the issue may be necessary, particularly with regard to increasing transparency in commodity markets; highlights the problems faced by farmers at times of extreme market and price volatility; draws attention to the difficulties that farmers encounter in attempting to forward-plan at times of extreme volatility; urges the Commission to introduce effective and robust measures to address volatility in agricultural markets as a matter of urgency; believes that this will be a key determinant in ensuring that production is maintained in the European Union;

21. Stresses that it is not possible to take effective action against major price fluctuations without adequate levels of intervention stocks or strategic stocks; considers, therefore, that the role of market intervention instruments must be a key part of the future CAP;

22. Asks for greater transparency, better quality and timeliness of information on food commodity reserves and stocks, and price formation at international level, as requested in the recent Commission Communication on tackling the challenges in commodity markets and on raw materials; asks the Commission to take the necessary steps to fight against the excesses of speculation on commodity markets; stresses that those steps should be taken as part of the efforts to regulate the financial markets at global and EU level;

23. Urges the G20 to coordinate the creation of preventive mechanisms against the excessive fluctuation of prices and to work towards regulation, specifically designed to tackle food and agricultural crises; calls on the G20 to ensure convergence of food and agricultural commodity regulation and to involve countries that are not part of the G20; asks for solutions to address excessive price volatility to be coordinated at international level; requests that abuses and manipulations of agricultural prices be fought at international level, as they potentially put at risk global food security; condemns the abusive activities of speculators in global commodities, agricultural raw materials and energy that accentuate the volatility of food prices and deepen the global food crisis;

24. Calls on the Commission to include adequate proposals in the upcoming reviews of the Markets in Financial Instruments Directive (MiFID) and the Market Abuse Directive to address the concerns in food and agricultural commodity markets;
25. Supports, in this context, a revision of the existing legislation on financial instruments, which should provide for more transparent trading; recalls that financial instruments should serve the economy and help agricultural production surmount crises and climatic events, while at the same time speculation should not be allowed to threaten otherwise efficient agricultural holdings;

26. Underlines the important role currently foreseen for the European Securities and Markets Authority (ESMA) in overseeing commodity markets; invites the Commission to reflect upon the possibility of giving ESMA more powers to prevent manipulation and abuses in commodity markets;

27. Is in favour of bolder European action to tackle the problem of price manipulation, including through a mandate issued to regulators and oversight bodies to restrict abusive speculation; believes that commodity derivatives are different from other financial derivatives; calls on the Commission to ensure that dealing with food commodity derivatives is restricted as far as possible to investors directly linked to agricultural markets;

28. Considers that a targeted global system of decentralised regional and local food stocks (both emergency stocks to reduce hunger and regional stocks to be used to regulate commodity prices and to ease hunger in times of price spikes) would be beneficial, helping to facilitate world trade when price spikes occur, warding off recurring protectionism and easing the pressure on world food markets; considers that these stocks should be managed on the most appropriate levels, including by local, regional and national authorities and a coordination body under the aegis of the United Nations’ FAO, making full use of the experience gathered by the FAO and the UN World Food Programme;

Trade

29. Demands that EU negotiators integrate non-trade issues as part of WTO negotiations, so as to ensure that agricultural imports from third countries provide European consumers with the same guarantees in terms of environmental protection, animal welfare, food safety and quality as provided by EU farmers; reaffirms its support for a balanced and timely agreement to be reached at WTO level, as an essential element in attaining global food security; recalls in this context that unreasonable unilateral barriers to trade contribute to the inefficiency of global food supply; asks the Commission to ensure that international and bilateral trade agreements provide European farmers with a sustainable future and preserve EU food production, small-scale farming and global access to food from being put at risk;

30. Calls for national governments, in line with the FAO recommendations, not to adopt export restriction measures, as they provoke greater uncertainty in the markets and disrupt world markets, and therefore have the potential to drive prices up further at global level;

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