



Committee of Professional Agricultural Organisations in the EU
General Confederation of Agricultural Co-operatives in the EU

PR(08)3632:2

Brussels, 02 June 2008

COPA-COGECA DECLARATION ON THE WORLD FOOD PRICES

COPA-COGECA DECLARATION ON THE WORLD FOOD PRICES

The recent surge in food prices is a wake-up call to governments throughout the world who, for too long, have taken agricultural production for granted. COPA and COGECA, representing European farmers and their cooperatives, call for EU and international measures which will put much more emphasis on food security, fair prices and stability for both producers and consumers over the coming years.

For many years agricultural markets - in the EU and across the world - were characterised by low prices and abundant supplies. The world today is very different.

Rising incomes in emerging economies is causing an acceleration in the rise in food demand, despite a slow-down in population growth.

But supply is simply not keeping pace. Globally farmers are facing more environmental challenges, more climate uncertainty and there is an increased risk of the spread of animal and plant disease. This means greater instability in food supplies, volatile prices and the possibility of food shortages.

In the EU policy reforms to meet WTO requirements have led to big cuts in farm subsidies for production, the dismantling of market management measures and the opening up of markets. This has left the European consumers and producers much more exposed to world market instability. At the same time, the very rigorous EU food safety, environmental and animal welfare requirements has increased farm costs and reduced EU farmers competitive position.

As a result, the EU food surpluses of the past have been replaced by contracting production in several sectors such as beef and dairy and a slow-down in sectors such as cereals, poultry and pigmeat. While there has been an upturn in certain food prices, most farmers have not seen the benefit. There have been huge increases in farm costs such as feed, energy, fertilizer and pesticides but the prices received by farmers have not kept pace. The huge global concentration of firms supplying farm inputs, processing and retailing food has placed farmers in a weak market position and as a result farmers are squeezed and have great difficulty in passing on cost increases. This is leading to falling income and is putting many farmers' future in jeopardy.

The situation faced by farmers in the poorer developing countries is even worse. There is something very wrong when half of the 860 million hungry in the world are also farmers. Seven out of ten of the world's poor live in rural areas and most of them work in agriculture. Yet investment in agriculture in most developing countries has been neglected for over twenty years and only 3% of development aid has been spent on agriculture.

The recent surge in prices of certain food is the result of a simple fact: production is no longer keeping pace with demand as a result of years of depressed world commodity prices and lack of investment in agriculture.

Our Proposals

Fair farm prices: the best way to ensure that supply keeps up with demand is to give farmers an incentive to produce and an incentive to invest. The recent sudden spike in food prices is destabilising but consumers must recognise that the era of cheap food prices is over. Farmers must receive a price for their produce which covers their cost of production and gives them the means and the incentive to invest.

In the EU the CAP must be adapted to meet the new challenges: the successive reforms of the CAP since 1992 have all been based on the assumption of continued abundant supplies of food and cheap world prices. Even in its recent Health Check proposals published in May this year, the European Commission has refused to change its policy direction, continuing to propose a further dismantling of market management measures and a further cut in farmers' support payments.

In a more open and turbulent market, with increasing price volatility and speculation, effective market management and a safety net for farmers will be more important than ever. EU farmers must be encouraged to optimise their production potential so that the downward trend in EU production is reversed and farmers throughout the EU are able to contribute to greater food security for EU consumers and also contribute to world food needs.

Investment in agriculture is key to economic growth for most developing countries, as concluded by the World Bank in its World Development Report 2008. Developing country governments and donor organisations should give a firm commitment to agricultural development and help subsistence farmers become small-scale entrepreneurs. In the EU there needs to be more research and development to enable farmers to become more competitive and to help meet the challenge of climate change.

Rapid response to humanitarian crises: the lack of stocks both in the EU (current EU cereal stocks are at zero) and the rest of the world makes it difficult to meet the urgent needs of populations in distress. Policy measures, including those in the CAP, must ensure the possibility to respond to these situations rapidly and effectively.

Trade policy: WTO rules should enable countries to implement policies which encourage greater food security, stability and sustainable production practices.

Strengthening the position of farmers in the food supply chain: government policy should encourage better codes of conduct on contracts and help strengthen agricultural cooperatives so that farmers are able to cover their costs and receive a fair return from the market.

A sustainable policy on bio-energy: if greenhouse gas emissions are not reduced it could threaten the world's ability to produce food. So it is not a simple choice between producing food or non-food products. With the right policies, farmers can make an important contribution towards reducing greenhouse gas emissions without risking food production. The EU is ensuring that the production of biofuels used to meet its mandatory targets for incorporation into transport fuel significantly reduces CO₂ emissions and does not cause environmental damage. Similar sustainable criteria should be applied world-wide.