



Protecting Health,
Safety & Democracy



Decreasing Agricultural Prices Does Not Benefit Consumers

The Common Agricultural Policy's mission should be to ensure that all Europeans have access to good quality food at affordable prices. For more than 15 years, every CAP reform has been aimed at lowering agricultural prices, supposedly for the consumer's interest. But are low agricultural prices really benefiting consumers?

Low Agricultural Prices Do Not Always Mean Low Consumer Prices

While agricultural prices (in this context, *agricultural price* is the price paid to farmers) have decreased by 40% from 1970 to 2000, prices paid by consumers have remained stable. Since 2000, however, food prices have started to rise sharply¹.

The EU Court of Auditors claims that the decrease of the price of grains paid to farmers did not result in a decrease of the consumer's price for bread or grain fed meat.² In the same way, the EU Commission does not envisage that the decreased milk price paid to dairy farmers will lead to any price decrease for

consumers.

The main beneficiaries of agricultural price decreases are not consumers, but rather the agro-food industry and the retailing sector. Indeed, they buy "agricultural raw materials" at increasingly low prices while maintaining high prices for consumers, thus increasing their profit margin.

Not surprisingly, the Agrofood Industry Confederation (CIAA) – one of Brussels's most powerful lobbies – is constantly pushing towards a decrease of agricultural prices.

People's Taxes Fund Low Prices

Consumers do not benefit from decreased agricultural prices, instead they

pay for it! Indeed, the decrease of agricultural prices is possible only because of the direct payments farmers receive by the EU as compensation.

For example, while production costs for a ton of wheat are about 160 Euros, its market price is less than 100 Euros. The 60 Euros gap is covered by direct payments given to farmers. Similarly, the European Commission has proposed a decrease in sugar price production by 40%, which direct payments would compensate by 60% (i.e. if farmers lose 100 Euros because of price decrease, they will receive 60 Euros in compensation).

Each time a consumer buys food, they pay the "Value Added Tax." This tax varies from county to country (21% in Belgium, 5,5% in France), but it is levied in all EU countries and represents the main source of every member-state's contribution to the EU budget.

Public policies in the food sector and regulations of agricultural markets are justified by the importance of agriculture for food security and rural development. However, consumers should not pay for big agrobusiness companies to increase their profits through low agricultural prices.

Moreover, since VAT does not take into account people's revenues (rich people pay the same tax as poor people when they buy a litre of milk), proportionally it weighs heavier on the poor. In the end, it is the poorest who pay to enrich transnational companies.

Food Safety and Quality Under Attack

The decrease of agricultural prices compels farmers to cut down on

production costs by any possible means, often putting human health and/or the environment at risk.

The example of animal feeding perfectly illustrates this logic: Some years ago, carcass meal produced at the lowest cost in Great-Britain led to the mad cow disease. Today, genetically modified (GM) soy from Brazil or the United States is being used, without enough knowledge on the consequences it could have on people's health and the environment.

Most farmers cannot resist the pressure and are put out of business by this race towards ever lower prices: The EU loses more than 200.000 farmers every year³. By the next decade, if this trend continues, all our food will come from huge factory farms.

Yet, the taste, as well as the nutritional quality of industrial food, is much lower than food produced in sustainable small-scale family farms. Moreover, the end of sustainable small-scale farming would threaten the diversity of our food and the richness of our culinary traditions.

The Environment Endangered

Both the industrialisation of agriculture and cuts in production costs result in unsustainable methods of production. For example, hog factory farms create excess manure, which pollutes the waters, releases dangerous chemicals and generates horrific stench.

Similarly, the intensive production of fruits and vegetables requires lots of pesticides and massive quantities of water to irrigate the plantation, resulting in the drying out of aquifers. Last but not least, the increase of transports linked with the

globalization of food supply creates more pollution and accelerates the global warming. Thus the industrialisation of agriculture affects the quality of life in many communities.

On the other hand, fair agricultural prices help sustainable small-scale family farming, as well as sustainable methods of production, such as crop rotation, fallow pasture or the use of manure from the farm animals instead of chemicals. Sustainable farming helps preserve natural resources and a lively and beautiful countryside, for the benefit of all.

Low Agricultural Prices Cause Unemployment and Poverty

More than 50% of the people in the Global South make a living from agriculture. The competition with cheap food from the European Union, the United States and Brazil has disastrous consequences for those small farmers.

Every year, it forces millions of people who are no longer able to sell their farming products to abandon the countryside. Impoverished farmers migrate to slums or to Northern countries to find jobs and often end up working as agricultural labourers in countries such as Spain, France and Italy under terrible conditions, underpaid and with no social rights.

Meanwhile farmers in Europe also suffer from decreased agricultural prices. Many are forced to leave the farms, yet with little hope of finding another job.

With unemployment at 10% in Europe such an agricultural policy that destroys even more jobs is scandalous.

Another Agricultural Policy is Needed

The decrease of agricultural prices destroys sustainable family farming, which is progressively replaced by factory farming. This trend represents a threat to our food system and is the result of a policy that, for the last 15 years, has been promoted by the European ministers and the EU Commission.

Our political leaders pretend to be acting in the interest of consumers, when in fact consumers do not benefit from this price decrease. On the contrary, through taxes, they are made to shoulder the whole cost of this kind of policy.

Apart from that, a policy that negatively affects the quality of food, threatens people's health and the environment, destroys jobs and spreads misery all over the world cannot possibly be in the consumer's interest.

Of course, informed and responsible consumers can support sustainable family farming as well as organic and/or fair trade products simply by making the right choice.

However, it is the responsibility of policy makers at the national, European and international level to implement policies that allow access to healthy and good quality food to all and to allow small scale farmers to produce it.

What Can be Done?

- Support agricultural prices that stabilise at the level of average production costs. This can be done through supply management and trade barriers towards cheap imported food;
- Encourage short supply chains (such as farmers markets or product sales

straight from the farm), as well as efforts to bring food supplies back to the local level. This can be done by setting up local or regional supply chains;

- Support quality food production and sustainable methods of production. Organic agriculture, small diversified farms and farms in disadvantaged areas should be promoted. Numerous sustainable small-scale family farms all over Europe should be a new priority for the European Common Agriculture Policy;
- Enact a moratorium on factory farming and stop direct payments to them; and,
- Stop all export subsidies or direct payments aimed at dumping EU food abroad.

Three Conditions To Maintain Fair Prices For All Consumers

The increase of agricultural prices at the level of production costs will not affect the consumer, if the following conditions are met:

(1) Control the margins of the agro-food and the retailing sector. Today, raw agricultural products account for less than 15% of the price consumers pay for their food. Thus, fair food prices basically mean that the retailing sector and the agro-food industry must keep acceptable margins for food products. Price transparency must also increase, for example, the price paid to farmers for fresh products should be made available to consumers;

(2) Keep agricultural prices stable. When agricultural prices vary, the prices for consumers tend to be fixed at the higher level and do not decrease when agricultural prices fall. Agricultural prices can be stabilised through supply manage-

ment, price support mechanisms and import regulations; and

(3) VAT for basic food products should be reduced or eliminated.

Good food should not be the privilege of wealthy people. A European social model that creates a two class food system (organic local food for the rich / junk food for the others) is not acceptable. Instead of implementing a policy of low agricultural prices that destroys sustainable family farming and promotes factory farming, the EU agricultural policy's priority should be to make local quality food from sustainable small-scale family farms available to all consumers.

The Common Agricultural Policy Must Change!

Notes

¹ According to the French consumers organization UFC-Que Choisir, the average consumer basket price, composed mainly of food products, rose by 12,2% between 2000 and 2004.

² «No significant decrease of the prices paid by the consumers has been noticed (for bread for example) or has had a link with the decrease of the price of grains (beef and pork meat). The financial contribution by the taxpayers has risen sharply without leading to any real benefit for the consumers.» Court of auditors, Special report N°2/99 considering the effect of CAP reform on the sector of grains, OJEC 080/7/1999.

³ *Agriculture in the EU, Statistical and Economical Information*, European Commission, Jan. 2001.



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