

Food price inflation: urgent need to review EU's agricultural policy

The European Liberal Democrat and Reform Party, convening in Stockholm, Sweden, on 30th and 31st October 2008:

WHEREAS:

- Following years of a stable or falling trend on food prices, a considerable rising trend of those is taking place.
- The rise in food prices impacts most heavily low-income countries, in which food represents almost 80% of consumer spending according to the FAO, while in developed countries it represents only around 20%.
- About 75% of the world's poor live in rural areas, and many are dependent on agriculture. By contrast, only 5% of EU's population works on farms, and the farming sector is responsible for less than 3% of EU's GDP but receives more than 40% of the EU budget. OECD countries' total agricultural subsidies amount to more than the GDP of the whole of Africa.
- The lack of access to loans or microcredits, investment in agriculture, rural development, use of fertilisers and training of farmers in developing countries have contributed to their poverty and vulnerability; whereas all these conditions place tremendous obstacles to increase the agricultural output.
- Demand for food is rapidly increasing, especially in emerging countries such as China and India, in which their middle classes are also growing with the result that demand for food is growing too.
- Oil prices, the continuous global growth in population, an increased consumption of meat, adverse wheat harvests, an increased bio-fuel production have all contributed to the rise in food prices, an increase production which is result of concerns over oil prices, energy security and climate change, which have prompted governments to take a more proactive stance towards encouraging production and use of bio-fuels.
- Given growing criticisms about their distorting effects, Common Agricultural Policy (CAP)'s subsidies are now decoupled from production (single payment scheme) or transferred to the second pillar (rural development), but income support to farmers still represent 75% of CAP expenses.
- The agreement reached in 2002 on EU Financial Perspectives 2007-2013 included a clause requiring a "comprehensive and wide-ranging review, covering all aspects of [EU] revenue and expenditure, including, inter alia, the CAP and the UK rebate" to take place in 2008.

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- High import tariffs have the effect of keeping prices high by restricting competition by non-EU producers.
- The Council agreed in December 2007 to suspend import duties on all cereals (except oats, buckwheat and millet) as a reaction to the exceptionally tight situation on the world and EU cereals markets and the record price levels.
- The latest round of talks under the “Doha Round” of multilateral trade negotiations ended in disarray at the end of July 2008, once again leaving the poorest nations as the big losers.

AND CONSIDERING THAT

- Future needs for development aid should indeed not depend on the development of the EU's agriculture budget.
- Today's challenges are different from those of yesterday and EU money spent on income support to farmers may be better spent in other areas, notably energy security, environment, innovation and transport.
- Even though the move away from price support to more decoupled agricultural policies observed worldwide since the launching of the Uruguay Round in 1986 was a step in the right direction, it is impossible to totally break the link between income support and production, as income support determines the conditions of entry in and exit of agriculture, thus creating market distortions.
- Production subsidies, import quotas and price support distort global agricultural free markets, hinder food exports by developing countries, and prevent the lowering of food prices that would naturally happen through free trade, subsequently undermining growth in developing countries.

The Congress of the European Liberal Democratic Party (ELDR):

Proposes the progressive reduction of the CAP after 2013 and its replacement with new common food, rural and sustainable land use strategies

Welcomes the suspension of import duties on cereals approved at the end of 2007

Calls on the EU to make the necessary efforts and compromises at the Doha Development Round in order to come up with a successful result soon.

Invites the European Commission to move towards a multilaterally-agreed total liberalisation of world agricultural trade within a fixed deadline

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Considers that this liberalisation should be accompanied by the respect of the same food-safety standards as those faced internally by EU farmers for EU agricultural imports in order to avoid EU farmers to be put at a competitive disadvantage and thereby ensure a level playing field.

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