

EUROPEAN CONSUMERS AND FARMERS -- THE CONTEXT OF THE DEBATE.

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TO THE

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European Consumers and Farmers - The Context of the Debate.

I should like to begin by saying that I was very pleased to be able to accept your invitation to come and address this Seminar. I know that serious efforts are being made to improve the mutual understanding of consumers and farmers. I hope today to make a further contribution to those efforts, not only by outlining some of the background to the Community's consumer policy, but also by listening to the views of people who must play a key role in furthering this understanding.

I am sometimes surprised by the vehemence of consumer views on the Common Agricultural Policy and on food generally. The proportion of household income spent on food varies between 17% and 31% in our Member States. The trend over time is for this proportion to decline. As real income increases, expenditure on items other than food acquires increased importance in the consumer's perception. I am quite sure that I can tell you nothing new on this point.

The proportion of the final cost of food to the consumer represented by processing, packaging and distribution is tending to increase. This is a natural consequence of a gradual shift in purchases away from unprocessed basic products to semi-prepared and prepared foods.

Consumers in our Member States spend between 69% and 83% of their income on non-food items. Public statements by consumer representatives often seem, however, not to reflect this balance.

What are the reasons for this?

They are, in my view, quite simple and perfectly understandable.

In the first place, consumers buy food items more frequently than any other item (with the exception perhaps of tobacco products and newspapers).

.../... Secondly, no other group

Secondly, no other group of products accounts for such a large proportion of household expenditure combined with a similar frequency of decisions to purchase. I am quite sure that when people buy clothes or television sets or non-food goods for current consumption, their perceptions of price levels and changes in prices are just as acute as when they buy food. The important point, however, is that their purchases of these items are much less frequent than is the case with food.

Thirdly, the purchase of food, which responds to the fulfillment of a basic human need, is naturally an act with emotive overtones. Even today, when the vast majority of the population of the Community runs no risk of malnutrition (at least in quantitative terms), food is still regarded as one of the basic necessities of life.

Finally, the development of real incomes and of disposable income, together with commercial pressures in modern society, result in a growing tendency on the part of consumers to wish to diversify the range of goods and services which they buy. This may or may not be a good thing: the fact is that this tendency exists. This means that the more readily-perceived categories of expenditure, and particularly expenditure on basic necessities, come under pressure. People tend to want to diversify their expenditure at a rate which exceeds the growth in real income. They must therefore reallocate their expenditure as between the items they buy. The most prominent items of expenditure are naturally the first candidates for reduction, in order to release funds for other purposes. This factor, allied to a feeling on the part of many consumers that they probably eat more than they need, means that the total volume of expenditure on food comes under critical review, and increases in this sector of expenditure are regarded very grudgingly.

For these reasons, allied to many other reasons of a more general political nature, my impression is that the "consumer lobby" pressure on food prices and on agricultural policy will continue and gather more strength.

.../... Let me now sketch

Let me now sketch the outlines of the Community's policy in relation to consumers.

The Council adopted a preliminary programme for a consumer protection and information policy in April 1975. This programme has since been the basis for all Commission proposals in the area of specific consumer policy. The programme defines the five basic rights of the consumer. These are:-

- the right to protection of health and safety
- the right to protection of economic interests
- the right of redress
- the right to information and education
- the right of representation.

Last year, the Commission decided that, in the area of consumer policy, we should add a new emphasis on the active promotion of consumer interests, rather than concentrate solely on the more passive notion of consumer protection.

The term "promotion of consumer interests" has a specific meaning. It indicates the Commission's intention to give more prominence to consumer interests in drawing up proposals across the whole range of Community policies. It means that the assessment of the impact of these proposals on consumers would be a more important part of the process than it has been hitherto.

The 1975 Programme makes no specific mention of agriculture, but it is clear that the statement of the five basic rights remains valid in the context of food and of agricultural policy. These rights are valid in all circumstances in which the individual acts as a consumer.

I think it would be useful to examine the implications of these rights in the specific context of the CAP and food. In this way, we can identify not only the consumers' main interests in relation to agricultural policy but also the reasons underlying these interests.

.../... It seems to me that

It seems to me that an understanding of these factors is a necessary pre-condition to any real attempt to improve understanding between consumers and farmers.

The first consumer right is the right to protection of health and safety. In this connection, the Community has a considerably body of legislation which affects products from the farm stage right up to the retailer's shelf.

We have, for example, legislation on chemical residues in and on various foodstuffs. There is a considerable amount of legislation on the various additives employed in the processing and preparation of foodstuffs for sale to the final consumer.

The aim of all this legislation is to ensure that the presence of dangerous or potentially dangerous substances in foodstuffs is strictly controlled, and does not exceed a level which is acceptable in the long term interests of consumers' health.

For farmers, this means that the use of certain products which are of direct assistance in improving performance and yields may be subject to restrictions. It can be argued that some of these restrictions mean that productivity and profits on farms are kept below levels which are technologically possible. On the other hand, it is reasonable to say that our application of technology must always be tempered by allowances for unforeseen effects and by a concern to ensure that economic benefits do not involve serious physical risks.

In the related field of environmental protection, it is clear that farmers themselves have an interest in measures aimed at protecting the environment and public health. Fertilizer and other chemical residues in water supplies can have serious consequences for farmers, just as they can for the non-farming population.

.../... The second consumer right

The second consumer right is the right to protection of economic interests. It is in this connection that most of the arguments between consumers and farmers take place.

I do not intend to embark on a detailed examination of the pro's and con's of the arguments presented by the two groups. That is, I am sure, something that will be examined during the course of this Seminar. It is also a debate which will be facilitated by a better mutual understanding between the two groups.

The fundamental problems of farmers and consumers in this debate will be outlined respectively by Mr. Savary and Mr. Dary this afternoon. What I want to do is to outline the principal bases of my "consumer policy" approach to the CAP, as it affects the consumers' economic interests.

The first and most immediate aspect of the consumers' economic interest in the CAP arises from the simple fact that consumers must pay the prevailing prices for foodstuffs. These prices are influenced to a varying but usually substantial extent, by the level of Community prices fixed in the context of the CAP. It follows also that changes in price levels fixed under the CAP also influence changes in prices actually paid by consumers. We must, of course, recognize that farmers are by no means the only agents whose activities affect the level of food prices. On the other hand, it must also be recognized that, in attempting to understand the formation of food prices, consumers and their representatives must look at all of the factors involved. This inevitably means that they must have regard to what happens at farm level and at the first marketing stage of agricultural products.

I have already made some remarks about the importance attached by consumers to food prices, and about the reasons for this importance. Since I am now talking specifically about the consumers' interest in the CAP, I hope that you will bear those previous observations in mind.

.../... Individual consumers

Individual consumers pay a considerable ~~les~~ proportion of total taxes in all Member States. For the moment, an important proportion of the Community budget is financed from Member States' revenues. Levies and duties on imports of agricultural products from third countries affect consumer prices, and constitute part of the Community's own resources, used to finance the budget. When the Community "own resources" system comes into full operation, Value Added Tax, which is a tax on consumption, will provide a substantial proportion of Community financial resources.

Summarizing these considerations, I arrive at the following conclusion: the consumer's economic interest in the CAP is a double one, in that food prices are partly determined by the CAP mechanisms, and the consumer pays a substantial proportion of the cost of operating these mechanisms.

This is not a polemical statement, but simply a statement of fact. It illustrates a situation common to areas in which there is a direct financial intervention by public authorities.

It is, however, important to recognize this fact, since this double economic interest has implications for the effective implementation of the consumer's other rights.

The consumer's interest in the price of food means, obviously, that he has a very close interest in agricultural price policy. It also means that he must have a corresponding interest in the balance between price and structural policy in agriculture.

It is clear that, in expressing the consumer's economic interest in the price of food, we must also admit the legitimate economic interest of producers.

It has long been recognized that the income problem, which is a severe one in many rural areas of the Community, cannot be dealt with adequately and fairly by price policy alone. It is also clear that

.../... price policy alone is

price policy alone is not a sufficient instrument for dealing with market disequilibria in the short term. These are considerations which must, in my view, underlie the consumers' approach to farm price policy.

On the other hand, the consumers' reaction to farm price policy and its effects on food prices is not determined only by the degree of his understanding of the producer's economic problems.

His reactions are determined by a complex of factors, such as relative price movements as between food products, and his own perception of the priorities in expenditure between food products and other goods and services. This simply means that, even if the consumer has full understanding and sympathy for the level of prices required by farmers, this understanding is not sufficient of itself to prevent the emergence of price resistance, in the form of a switch of expenditure between products.

Once the existence and justification of the consumer's economic interest in agricultural policy are admitted, which I think they must be, it becomes necessary to examine the means by which this interest can be taken into consideration. I will have more to say about this shortly when I come to speak of the consumers' right of representation. For the moment, I want to consider what the admission of this consumer interest means for public authorities.

In my view, it means that considerations of consumer reaction must be given a specific and important place in the examination of the development of agricultural policy, and particularly in the background to decision-making on agricultural prices. During discussions about the technicalities of support mechanisms, in agriculture or in any other sector, it seems often to be forgotten that consumption is the final object of production. Given the present organization of our society, we forget this at our peril.

.../... This is not to say that

This is not to say that consumer interests have not been taken into account up to now. I am perfectly aware that both farmers and agricultural policy makers are constantly confronted by the results of consumer reactions to the effects of their decisions. I think it is fair to say, however, that in the process of agricultural decision-making in the Community, a much greater weight has been given to producer interests and to technical considerations than has been given to consumer interests and to the impact of these decisions on consumer behaviour. This is a situation which is bound to change, if only because the expression of the consumer's economic interest becomes more clearly articulated and more explicit every year.

The expression of a legitimate view on behalf of a large section of society is something which cannot be ignored.

The third consumer right is the right of redress. While this is an extremely important right, we need not go into it in any detail today, since its implementation raises no problems peculiar to agriculture.

The fourth consumer right identified in our 1975 Programme is the right to information and education.

In taking action to secure the implementation of this right, both the Community and the Member States have tended, in the first instance, to look at the problem of consumer education at a very general level. My own belief is that a well structured educational system will, in fact, give consumers the basic equipment they need to be informed and discriminating in their decisions.

At this early stage of our action in the Commission, we do not propose to give any particularly agricultural orientation to our approach to consumer education.

.../... The situation in relation

at European level has already begun. I have heard encouraging reports of discussions between the Consumers' Consultative Committee and COPA. CEPFAR's initiative is itself another positive factor. The present Seminar is intended to reinforce this dialogue and to build up the basis of mutual understanding which is necessary in order to allow realistic discussions of frequently conflicting opinions.

We in the Commission believe that we have made an important contribution to the implementation of the right of representation by setting up the Consumers' Consultative Committee in 1973. Many of the representatives of farm organizations present today will be familiar with the structure of Consultative Committees in the context of the agricultural policy. You will therefore understand the special role of this kind of consultation.

The function of the CCC is to represent consumer interests to the Commission, and to advise the Commission on the formulation and implementation of policies and actions regarding consumer protection and information, either when requested to do so by the Commission or on its own initiative. In practice, this means the following things:-

- a) the CCC is consulted on all proposals drawn up on the basis of the 1975 Programme:
- b) the CCC is consulted during the development of other policy proposals which clearly have an impact on consumers' interest:
- c) the CCC, on its own initiative, draws up opinions and recommendations for the Commission on matters which it regards as being of importance to consumers, and which it considers should be the subject of action at Community level.

.../... The CCC has, for example,

The situation in relation to consumer information is a little different. Firstly, the Commission's Information Services cover the whole field of Community policies, including both consumer policy and agricultural policy. Our intention is to give the maximum possible amount of objective information on the development and application of all Community policies.

Secondly, we endeavour to meet the requests of consumer organizations for information about the agricultural policy. My colleague, Vice-President Gundelach and the Directorate General for Agriculture, have been very helpful in this regard. The Environment and Consumer Protection Service, which provides the Secretariat for the Consumers' Consultative Committee, devotes a considerable amount of its energies to ensuring that the organizations represented within the CCC have the information necessary to assist them in examining the implications for consumers of developments in agricultural policy.

On the legislative side, two proposals for Directives which aim to secure substantial advances in consumer information are currently being discussed in the Council. These are the proposal on the labelling, presentation and advertising of foodstuffs (the "food labelling" directive) and the proposal on unit pricing of foodstuffs. The first aims at giving the consumer more information about the composition of the product he is buying, and about conditions of use. The second is aimed at giving him information on the price, in a way which will permit a realistic price comparison between competing products.

Good progress has been made on these two proposals, and I have reason to hope that final agreement is not far off.

The fifth right defined in our 1975 Programme is the right of representation. In my view, the implementation of this right is crucial in the context of the work of your Seminar. I know that a dialogue between representative organizations of farmers and consumers

.../... at European level has already
begun

The CCC has, for example, given the Commission a general view on agricultural policy, and each year gives the Commission a specific opinion on the farm price proposals.

Four European organizations are represented in the CCC. These are:-

- the European Bureau of Consumer Unions,
- the European Committee of Family Organizations,
- EURO CO-OP
- The European Confederation of Trade Unions.

The diversity of the organizations represented in the CCC ensures that we have a comprehensive statement (if not always full agreement) of the consumer views on a given issue.

The CCC is not the only consultative body to the Commission in which consumers are represented. Consumers are represented on the Agricultural Advisory Committees. They are represented also on the Advisory Committee for Foodstuffs, and on the Scientific Committee for Foodstuffs. These last two Committees are particularly important for consumers, since they provide fora in which to put their views on what happens to food products between the farm gate and the wholesaler's warehouse. Without wishing in any way to minimize the importance of agriculture, I would say that the processing stage is an area of key interest for consumers.

I would say that neither consumers organizations nor the Commission would claim that we have reached an ideal level of consumer representation. It is clear that a great deal more has to be done, not only at Community level, but also in the Member States. I believe, however, that we have created the basis for a sound development in this respect.

Mr. Debatisse spoke this morning of the farmers' answer to the consumers' challenge. Without arguing with his analysis, I think that it might be useful to remember that the title of his paper implies an explanation of why the problem of consumer/farmer dialogue

.../... often presents itself

often presents itself in a very polemical way. The simple fact is that farmers became organized much earlier than consumers did. The reasons for this are evident: the history of agricultural policy is much longer than that of "consumer policy". The existence of an agricultural policy has always been the main incentive to farmers to form powerful and successful interest groups. The situation in relation to consumers is quite different.

Had things been otherwise, this Seminar today might have talked about the consumers' reaction to the farmers' challenge.

I would like to conclude by expanding a little further on my reason for being happy to accept your invitation.

As its name clearly states, CEPFAR is concerned with certain aspects of agriculture and rural society.

Two elements of this concern appeal to me.

The first is the notion of "rural society". If we reflect on this, we find that we can determine the bounds of consumer/farmer conflict. It is not a conflict between all consumers and all farmers. In modern agriculture, the farm family provides a gradually-diminishing proportion of its own food from its own productive resources. In this way, farming families are coming increasingly to share the perceptions, if not the opinions, of non-farming consumers when it comes to buying food.

On a wider plane, differences in consumption habits between urban and rural communities are gradually narrowing. They will never disappear altogether, but I believe that we will see an increasing tendency to find areas in which the consumer interests of urban and rural communities converge.

.../... I have said that the

I have said that the consumption habits of urban and rural communities will probably never converge. This is because the ways of life followed in these communities will always be different. It is right that this should be so. We need diversity in a society where, increasingly, the technological possibility of today becomes the imperative of tomorrow. In order to cope with this, and to judge the pace of our progress, we need the diversity of opinion and judgement which follow naturally from different ways of life. In my view, we need rural societies just as much as we need the physical attributes of agricultural areas.

This is a consciousness which must underlie the work of your Seminar, which is to promote, not agreement or identity of view, but understanding based on an appreciation and respect of different needs.

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