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[Publication](#) | 09.02.2011

## **Rising food prices**

### **Greens/EFA motion for a resolution**

*The European Parliament,*

- having regard to warnings of FAO on 3 February 2011 on globally rising food prices,
- having regard to its resolution of 26 March 2009 on ‘food prices in Europe’, focusing on the consequences of rising food prices on sufficient food supply in the developing countries,
- having regard to the Commission communication entitled ‘A better functioning food supply chain in Europe’ (COM (2009)0591),
- having regard to its resolution of 7 September 2010 on fair revenues for farmers: A better functioning food supply chain in Europe (2009/2237),
- having regard to the eight recommendations to the G20 published by the United Nations Special Rapporteur on the right to food, Olivier De Schutter,
- having regard to the recommendations of the International Assessment of Agricultural and Technology (IAASTD) on global food security strategies, initiated and carried out with support of the World Bank, UNDP and FAO,
- having regard to Rule 110(2) of its Rules of Procedure,

A. whereas the UN Food and Agriculture Organisation (FAO) Food Price Index has risen for the seventh consecutive month, reaching its highest levels since the index was backtracked in 1990; whereas prices for major food staples have soared close to their record 2008 levels, causing social and political unrest in many countries, such as Tunisia and Egypt and other countries of the middle East dependent on wheat imports,

B. whereas the FAO estimated that the number of undernourished people in the world reached 925 million in 2010, and rising food prices coupled to a rising population and unpredictable shortages of supply will cause this number to increase; whereas 29 countries around the world face food supply difficulties and are in need of external food assistance,

## **SUMMARY OF FACTORS**

C. whereas the current price spikes are due to a number of supply shocks, following extreme weather events such as floods and droughts increasingly driven by climate-change, speculation on food commodities, the growing demand for food by rising populations, increased production of agro-fuels, dependency on food imports due to conflicts or failed food security policies, and increased feeding of grain to livestock to meet the growing demand for meat in emerging economies, increasing population of urban poor in the developing world dependent on largely imported food,

## **SPECULATION ON AGRICULTURAL COMMODITIES**

D. whereas volatility of agricultural commodity prices has increased in significant part due to increase in financialisation and commodity speculation by 'purely financial' institutions; whereas institutional investors increased their investments in commodities markets from 13 billion euro in 2003 to between 170 and 205 billion in 2008; whereas the influx of 'long' positions on commodities, including the significant growth of over the counter (OTC) transactions and in particular through Exchange Trade Funds (ETFs), artificially inflates the price of commodities, decouple price dynamics from underlying fundamentals such as historical series on stock to consumption ratios and distorts the normal operations of the futures markets,

E. whereas speculation played a major role in the 2008 food prices crisis; whereas increased speculation with food commodities is also a consequence of growing volume and financial connection with other commodity markets and increasing risks on derivatives markets; whereas certain EU physical market players and derivative products on commodities are not supervised nor regulated as they benefit from exceptions and loopholes relating to MIFID (markets in financial instruments) and MAD (market abuse) directives,

## **UNSUSTAINABLE FOSSIL FUEL DEPENDENCY AND FOOD-FUEL COMPETITION**

F. whereas food prices are increasingly coupled with fossil fuel prices, due to energy-intensive production systems which rely on synthetic fertilisers, pesticides, processed feed and long distance transport; whereas these input prices rise in line with fossil fuel prices; whereas global ethanol production more than doubled in the EU between 2007 and 2009,

G. whereas agro-fuel production causes 'food versus fuel' land conflicts; whereas in the light of the global financial crisis the increasing use of agricultural commodities for feeding livestock and for agro-fuels production have encouraged speculations on agricultural commodities which must urgently be tackled and controlled on a global level,

## **WTO AND IMF, CASH CROP VS PRODUCTION FOR LOCAL POPULATION**

H. whereas, over the past decades, the World Bank, the International Monetary Fund and the World Trade Organisation have promoted trade liberalisation and structural reforms in agriculture in developing countries, which has imposed in many countries a dominant model of large scale export-orientated cash crop agriculture at the expense of sustainable local food production and local food markets, which has weakened the rural economies and food security of developing countries,

## **LOW INVESTMENT IN AGRICULTURAL KNOWLEDGE**

I. whereas the share of aid to the developing world going to agriculture and rural development has fallen dramatically over the past three decades; whereas investment in sustainable food systems in developing countries has declined due to a shift in priorities for export-oriented production further weakening local capacities to produce and distribute sufficient food at fair prices,

## **FARMERS LOSING OUT AND FOOD WASTE**

J. whereas the share of farmers' income from the food supply chain has substantially dropped, against a constant increase of profits by processors and retailers; whereas consumer prices have increased; and whereas at least 30% of all food produced globally is wasted at different points along the food chain,

## **GRAIN FED VS GRASS FED SYSTEMS, FEED DEPENDENCY**

K. whereas the dominant model of input-intensive and grain-fed meat production and related structural surpluses have significantly contributed to the current crisis in the European livestock sector, reflecting the high level of dependence on animal feed imports as opposed to more sustainable grass-fed, low cost meat production systems; whereas the impacts of unsustainable use of water, soil and biodiversity together with growing impacts of climate change will add to growing tensions on agricultural markets and increased food prices,

## **COLLAPSE OF DEVELOPING WORLD AGRICULTURAL SYSTEMS**

L. whereas over decades export subsidies and food aid, especially from the US and the EU have been responsible for the destruction of subsistence production- and small scale farming in developing countries and left millions of families landless and without sufficient access to food,

M. whereas in the developing world, the effects of dumping, cash-cropping and export oriented production, a lack of investment in agricultural knowledge and extension services leading to poor soil and water management and overgrazing, and extreme weather events increasingly linked to climate change, all contribute to the collapse of agricultural systems; whereas increased rural-to-urban migration and growing populations worryingly dependent on imported food and are ever more vulnerable to price spikes,

## **CLIMATE CHANGE AND GLOBAL FOOD STOCKS**

N. whereas, like in the case of Australia, Pakistan and Russia the effects of climate change, such as droughts, flash floods cause havoc with the expected pattern of food production, restricting food supply and provoking food price peaks,

O. whereas global food stocks, although not quite as low as in 2008, are still at historically low levels, which does not allow to temporarily ease the occurring price spikes and does not allow import-dependent countries to supply their populations with sufficient food during shortage periods,

## **LAND GRABBING**

P. whereas large tracts of land, particularly in Africa, have been bought up by non-African companies, frequently without the consent of the landholders; whereas this land is not always used for food production, but can be used for the production of export commodities like timber; whereas such developments, without an adequate legal framework, threatens the food production potential of African countries,

## **EU AS DONOR AND INTERNATIONAL TRADE NEGOTIATOR**

Q. whereas the voice of the EU as a donor in development aid and an important trade partner within bilateral and multilateral negotiations has weight and should be used responsibly, including the use of instruments which favour socially fair and environmentally sound trade rules such as the concept of qualified market access as suggested by the European Parliament,

## **DEMANDS**

### **FAIR TRADE IN AGRICULTURAL PRODUCTS**

1. Calls on the Commission and member states to adopt a reformed trade and development strategy which allows developing countries to sufficiently protect their domestic food markets and decide upon their own policies to improve their food production potential and support their small farmers;
2. Insists that direct and indirect export subsidies which have destroyed local food security systems in many developing countries must be abandoned along with tariff escalation mechanisms on processed goods imported from developing countries (which have obliged these countries to increase exports of raw materials at the expense of a balanced food security/food export policy);

### **IMPROVED DEVELOPMENT AID**

3. 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 and seeds;
4. Urges member states governments to maintain and improve their cash transfer programmes including micro loans as well as other social safety net policies to ensure that the poor will be able to have access to food through crises; demands that developed world governments and institutions provide sufficient assistance in this regard;

### **TRANSPARENCY AND MEASURES AGAINST SPECULATION**

5. Calls on the Commission to introduce much greater transparency in price formation in the food chain, through mandatory reporting and a Food Prices and Margins Observatory, to expose inefficiencies in price formation; calls on the Commission to also improve transparency on stocks of transnational companies related to food;
6. Calls on the EU to press for the creation of an independent global regulatory agency providing transparency on food markets and trade and setting rules on commodity futures and options exchange as well as implementing strict regulatory measures against global speculation on food commodities, such as position limits, and the restriction of dealing with food commodities derivatives to investors directly linked to agricultural markets;
7. Calls on the Commission to make comprehensive proposals in order to create and strengthen European commodity exchange authorities for spot and derivatives so as to limit and prevent such speculation by ensuring that any derivative transactions on food commodities involve at least one producer and one consumer ; to increase transparency by comprehensive provisions relating to transactions and positions reporting and registration requirements for market players, as well as an *ad hoc* market abuse regime for physical markets; in this regard welcomes the Commission proposal to regulate OTC derivatives and urges the Commission to put forward ambitious proposals, particularly in the framework of the MIFID revision;

### **STRATEGIC FOOD STOCKS AND MEASURES AGAINST FOOD WASTE**

8. Calls on the Commission to work towards a targeted global system of decentralised regional and local food stocks (both emergency stocks to reduce hunger and regional stocks to ease supply in times of price spikes); considers that these stocks should be managed on the most appropriate levels including local

regional and national authorities and a co-ordination 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;

9. Calls on the Commission as a matter of urgency to report to Parliament on the most effective way to achieve this; further calls on the Commission to play a leading role in advocating this targeted global food-stock system in multilateral and bilateral trade negotiations; calls on the EU and national governments to launch campaigns and put into place structural changes to minimise food waste;

### **MEASURES AGAINST CLIMATE CHANGE**

10. Calls for the swift implementation of the Copenhagen/Cancun decisions to limit global temperature increase to 2 degrees Celsius, with developed countries reducing their emissions by 30-40% by 2020 and 80-95% by 2050;

11. Considers that industrial farming practices in the developing world will lead to environmentally damaging practices which will, in the long term, destroy their food production potential; suggests 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, in line with International Assessment of Agricultural Knowledge, Science and Technology (IAASTD) conclusions;

### **SUSTAINABILITY CRITERIA**

12. Demands that the sustainability criteria for agro-fuels be revised to discourage land use change from food to fuel; calls on national governments across the world to reduce their ethanol and biogas subsidies; urges the Commission to include in its future action programmes recommendations by the International Assessment of Agricultural Knowledge, Science and Technology (IAASTD) on global food supply and the United Nations report on 'agribusiness and the right to food'; calls on the Commission to introduce an emergency mechanism which prohibits the use of grain for energy production in the EU, and imposes an import stop on agro-fuels based on such crops when the global grain price level passes a certain threshold;

13. Supports the development of local food networks and direct producer-to-consumer sale, in order to help decouple food prices from rising fossil fuel prices affecting the long distance transport of food; believes that more sustainable and local farming practices will also reduce the input costs of fertiliser and feed; calls on the Commission to propose within the WTO an initiative to evaluate commodity price stabilisation and other supply management tools; calls on the EIB to investigate possibilities for the immediate set-up of a guarantee fund in support of national micro-credit schemes and risk-hedging schemes that operate close to the needs of local food producers, especially in poorer developing countries;

14. Instructs the President to forward this resolution to the Council and Commission.

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