

THE CAP AND THE CONSUMER

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THE CAP AND THE CONSUMER

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## **ABSTRACT**

### THE CAP AND THE CONSUMER

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Official inception of the Common agricultural Policy of the European Union dates back to 1962. It has been criticised in many aspects so far; and the most recent criticisms came from the consumers. Nevertheless, consumers' side with respect to agricultural reforms has often been neglected vis a vis producers' side, making this subject and interesting issue needed to be looked into.

This thesis study touches upon the historical development of the Common Agricultural Policy. It explores benefits and the losses incurred by European consumers regarding the agricultural policy and the amendments introduced thereto. It sets out from this point of view and elaborates on food security, safety and quality within the European Union. This thesis exhibits facts about environmental consequences of the CAP together with organic farming practices. Additionally, it mentions globalization of the agricultural market and the emergence of supermarket

chains and discusses the benefits and detriments these brought about especially for the consumer. Finally, it indicates the activities undertaken by the organizations within the European Union and explores some of the reflections regarding the possible developments pursuant to the enlargement process.

Keywords: CAP reform, consumer, producer, food safety

## ÖZ

### ORTAK TARIM POLİTİKASI VE TÜKETİCİ

ŞEREMET, Işıl

Yüksek Lisans, Avrupa Çalışmaları

Tez Yöneticisi: Prof. Dr. Halis Akder

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Avrupa Birliği Ortak Tarım Politikası'nın resmi anlamda kurulması 1962 yılına uzanır. Bu politika, şu zamana dek birçok açıdan eleştirilmiştir. Son zamanlarda da en çok eleştiri, tüketicilerden gelmektedir. Ne var ki, tarım reformları söz konusu olduğunda tüketici tarafı, üreticiye göre genellikle ihmal edilen taraf olagelmıştır. Bu özelliği de bu tezin konusunu ilginç ve incelenmesi gereken bir konu haline getirmektedir.

Bu tez çalışmasında, Ortak tarım Politikası'nın tarihi gelişimine değinilmekte; tarım politikası ve bu politikada yapılan değişikliklerin tüketicilere getirdiği yarar ve zararları incelenmektedir. Bu bakış açısından yola çıkılarak Avrupa Birliği'nde gıda güvencesi, gıda güvenliği ve gıda kalitesi konuları incelenmektedir. Bu çalışma, organik tarım uygulamalarının yanısıra OTP'nin çevre açısından getirdiği sonuçları gözler önüne sermektedir. Ayrıca, tarım piyasasının küreselleşmesine ve süpermarket

zincirlerinin ortaya ıkmasına deęinmekte; ve tm bunların tketiciler aısından doęurduęu yarar ve zararları ortaya koymaktadır. Son olarak, Avrupa Birlięi lkelerinde tketiciyi koruma adına kurulmuę rgtlerin etkinliklerine aıęa ıkarmakta; ve Avrupa Birlięi'ndeki geniőleme sreci sonrası olası geliőmelere iliőkin grőler zerinde durmaktadır.

Anahtar szckler: OTP reformu, tketicisi, retici, gıda gvenlięi

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I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

Date: 09 .06.2004

Signature:

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## **LIST OF ABBREVIATIONS**

**BEUC:** Bureau Européen des Unions de Consommateurs

**BSE:** Bovine Spongiform Encephalitis

**CI:** Consumers International

**Defra:** Department Of Environment Food and Rural Affairs

**DG:** Directorate General

**SANCO:** Directorate-General for Health and Consumer protection

**DNA:** Deoxyribonucleic Acid

**EEB:** European Environmental Bureau

**EFA:** European Food Authority

**EFSA:** European Food safety Authority

**FAO:** Food and Agriculture Organisation

**FSIEWS:** Food Security Information and Early Warning System

**GEMS:** Global Environment Monitoring System

**GMO:** Genetically modified Organisms

**ICN:** International Conference on Nutrition

**IFA:** International Forum on Food and Agriculture

**RSPCA:** The Royal Society for the Prevention of Cruelty to Animals

**SPS:** Sanitary and Phytosanitary

**SRM:** Specified Risk Material

**SVS:** State Veterinary Service

**SCVPH:** The Scientific Committee of Veterinary measures relating to Public Health

**TSE:** Transmissible Spongiform Encephalopathy

**WHO:** World Health Organisation

**WWF:** World Wildlife Fund

## **CHAPTER 1**

### **INTRODUCTION**

Policies are devised to avert unwanted situations by using instruments; policies regarding agriculture are maybe the most sensitive and comprehensive ones. As agriculture is not only a kind of business, but a way of life in the European Union, agricultural policies bear great significance. Up until now, neither the EU nor any country in the world has been able to find viable and sustainable solutions to regulate agricultural markets by forming panacea-like policies, which raises denunciations. Given that the EU is now (as of May 2004) a union of 25 countries and approximately 455 millions people, it will undergo even a harder process of policy-making to satisfy the needs of a great many people involved. Considering complaints from the supply (producers) and demand (consumers) sides; and enabling both sides to avail themselves of their rights are complicated tasks for every government and naturally the EU.

Most of the publications available on the Common Agricultural Policy have focused on producers, that is to say, farmers so far. However, in contrast to a vast quantity of existing research, this thesis sets out to touch upon the consumers' concerns regarding the agricultural policy of the European Union. It is designed to reveal the needs and rights of the food consumers; which is gradually becoming a popular concern in developing societies as well as the European Union citizens.

In the first chapter, formation and evolution of the CAP is explained. The reforms introduced to the CAP beginning from the year 1958 and continuing until today are mentioned. Subsequently, objectives of the CAP that were first laid down in Treaty of Rome in 1958 are identified. The extension of these objectives to cover additional articles to keep pace with the changing conditions of 1990s is described. Answers of well-known scholars on agricultural economics are quoted regarding the question of ‘To what extent have the objectives of the CAP been successful?’. These views are evaluated from the consumers’ point of view.

The subject of the second chapter is the place of the consumer within the Common Agricultural Policy. Food consumer’s welfare in the European Union is scrutinized under the subheadings of food security, food quality and food safety.

Firstly, food security is classified into four as food choice and availability; food prices and expenditure; stability of food markets; and sustainability of food markets. These subjects are supported with formulae and some statistics.

Secondly, the definition, importance and scope of food quality are touched upon, which is actually an umbrella covering various aspects.

Thirdly, food safety, an issue of utmost importance to consumers is described. Food safety is illustrated with facts and figures about BSE outbreak and diseases classified under the term zoonoses. These issues, naturally, are linked to animal welfare, which is the major factor relating to these infections. Ongoing discussions about GMOs that caused conflicts between the US and the EU; food irradiation, food additives and flavorings are elaborated on in search of informing the reader of what is right; what is wrong; and what is exaggerated. Consumers’ rights to be informed of the nutritional values and contents of the food products they consume, namely labelling is mentioned. The benefits of organic farming are

introduced to the reader without neglecting some statistical facts. Naturally, the consequences of CAP practices on the European environment are discussed. Some suggestions and criticisms are made on all the issues mentioned above.

In the third chapter, benefits and costs of globalization for food consumers are mentioned. As a sub-category, the benefits and losses brought about by market chains which are the leaders of globalized agriculture; and their authority over producers about standards are discussed with opponent and proponent views.

What has been achieved in order to protect the consumers by the consumers' organizations within the European Union so far is touched upon in the fourth chapter. Twelve institutions of undeniable importance to consumers, ranging from the Commission to CI (Consumers International) to Food Standards Agency (FSA) are mentioned together with their activities and achievements.

Consumers' views about the CAP that are evidenced by recent polls are illustrated in the fifth chapter. Last dietary trends relating to the consumers' choices are exhibited.

Future challenges that CAP will possibly face are elaborated on in the sixth chapter. To illustrate, what will enlargement bring about with regard to CAP is discussed; and the need for future reforms towards attaining the goal of a sustainable, competitive, environment-friendly and quality agricultural production is emphasised.

In brief, the objective of drafting this thesis is to draw attention to the gains and losses incurred by the consumers vis a vis producers in relation to the execution of the Common Agricultural Policy of the European Union; to mention why devising a policy directed to the consumers solely is impossible; and what kind of

consequences emerged with the process of globalisation introducing us with market chains.

### **1.1. Origins of the CAP**

The world went through a drastic change with the onset of the World War II and the winds of the proceeding Cold War. The United States of America on the one side, and the Soviet Union on the other, became the dominating super-powers which led to bipolarity in the world. The USA, in favour of economically strong and politically stable democratic states of Europe, gave rise to the idea of a 'United Europe' with the Marshall aid for the sake of European economic recovery. The 6 European countries, namely, Germany, France, Belgium, Netherlands, Luxemburg and Italy, having experienced the immense destruction of the World War II and the following shortage in supplies, decided to come together and merge their economies so as to secure peace and stability and prevent conflicts from recurring in the European territory.

In this endeavour, the Treaty of Rome was signed in 1958 among 'the six', establishing the European Economic Community (EEC) out of the debris of the devastated economies of these formerly hostile nations. This treaty called for a customs union to be the basis of this community as put forth in the Article 9; which expanded into a common market later on. Hence, the essence of the European Union (EU) is economic integration.

Naturally, this economic integration of 'the six' entailed adoption of common policies in agricultural sector, which is one of the three pillars of economy other than trade and industry. Agricultural trade was and continues to be of remarkable significance for the Community, as it is the world's biggest importer as well as the

world's second biggest exporter of agricultural products.<sup>1</sup> However, agricultural policy of the Community had particular sensitivity because agriculture was regarded across the EU as much more than a branch of the economy – it was considered to be the lifeblood of rural society.<sup>2</sup> A vast part of the European population and a great extent of the European territory were employed in the agriculture sector, which called for regulations to be made in order to maintain the incomes of the farmers at reasonable levels and effective use of the land. Thus, harmonization in agricultural policies has been a troublesome issue imposing a great burden of responsibility on decision-makers in Europe, just like in any other country, due to its sensitive and indigenous nature.

So as to create this harmonized agricultural policy, Article 34 of the EC Treaty (Treaty of Rome) provides for the creation of the common organisation of the agricultural markets (COM) which, depending on the product, shall take one of the following forms:

- common rules on competition;
- compulsory co-ordination of the various national market policies/organisations;
- a European market organization<sup>3</sup>

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<sup>1</sup> <http://europa.eu.int/scadplus/leg/en/lvb/l04000.htm>

<sup>2</sup> <http://www.xanthi.ilsp.gr/kemeseu/ch4/start4.htm>

<sup>3</sup> <http://europa.eu.int/scadplus/leg/en/lvb/l04000.htm>

COMs eliminate the obstacles to intra-Union trade of agricultural products and maintain a common customs barrier vis a vis the third countries. COMs were introduced gradually; and now apply to most EU agricultural products.

Three main principles, defined in 1962, characterise the common agricultural market and therefore the COMs:

- a) **Free intra-Community trade:** barriers to be abolished in trade in farm products among EU Member States to create a unified market;
- b) **Community preference:** intra-Community supplies to be given preference in the market over extra-Community supplies (internal market to be protected from products imported from third countries at low prices and from remarkable fluctuations in the world market)<sup>4</sup>;
- c) **Common financing:** funding for the CAP to be financed by a European budget responsible for all revenues and expenditure generated by the Policy.

As for the historical aspect, these principles concerning the Common Agricultural Policy (CAP) of the European Economic Community, as it was then called, were set out at the Stresa Conference in July 1958. The CAP mechanisms were adopted by the ‘Six’ in 1960. The Common Agricultural Policy became one of the foremost and budget-consuming European policies (constituted half of the EU budget; although decreasing over the years) besides being the first common policy then. In the end, the CAP was put into effect in 1962 with the inception of ‘European Agricultural Guidance and Guarantee Fund’ which is abbreviated as

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<sup>4</sup> <http://europa.eu.int/scadplus/leg/en/lvb/l04000.htm>

EAGGF (FEOGA in French). FEOGA was separated into two sections in 1964: the Guidance Section, a structural fund, which contributes to the structural reforms in agriculture and the development of rural areas (e.g. investing in new equipment and technology); and the *Guarantee* Section, which funds expenditure concerning the common organisation of the markets (e.g. to buy or store surplus and to encourage agricultural exports). The Guarantee Section is the one which is more important being classified as compulsory expenditure within the Community budget. This section is a structural fund targeting promotion of regional development and reduction of disparities between individual European territories.<sup>5</sup>

As of the creation of the FEOGA, the Common Agricultural Policy-makers set off by enhancing intra-community trade and protecting the domestic market against extra-Community goods by way of creating a customs union. The CAP comprised a set of rules and mechanisms to regulate the production, trade and processing of agricultural products in the EC, the main focus gradually being rural development.<sup>6</sup>

Nevertheless, this formation has had some drawbacks. As a matter of fact, this union of the European countries encompasses a vast geographic area differing in climatic conditions which leads to diversification in agricultural products in far ends of the union. Relating to this, each Member State's having interests in relatively higher prices for so different a range of products lowers the chance for a consensus in designating policies capable of satisfying the needs of each negotiating member state. Considered within this large-scale, consumers of the net

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<sup>5</sup> <http://europa.eu.int/scadplus/leg/en/lvb/l04000.htm>

<sup>6</sup> *ibid.*

importer country inevitably subsidize producers of the net exporter country both within intra and extra-Community trade. As a natural consequence of this, prices go up with the bargaining of mutual benefits; a process ending up with the detriment of the consumers. The price mechanism of the CAP also leads the consumers to lose a great part of their income.

**Pricing system** of the agricultural products in the European Union used to function as shown below before it was subjected to some reforms:

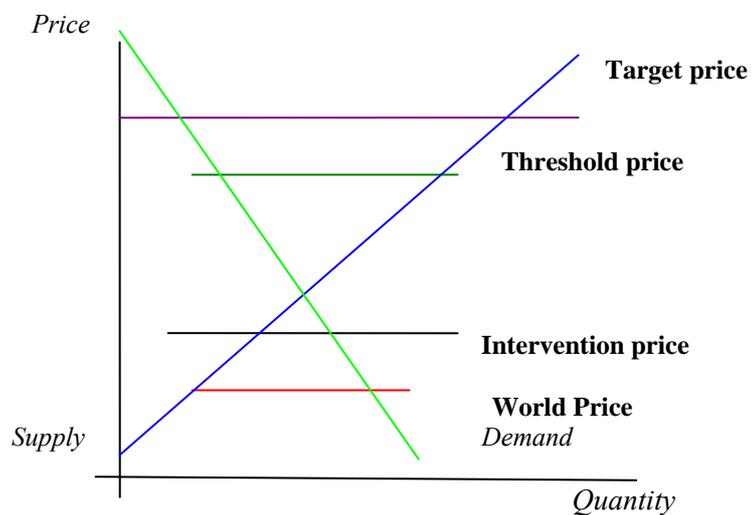


Figure1. Illustration of the price mechanism within the CAP<sup>7</sup>

*Threshold Price* = target price- transportation and storage costs

*Target (guide) price*: highest price in the EU where the product is the scarcest

Export refund = *intervention price*- *world price*

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<sup>7</sup> Ege, Aylin “Economic Integration of the EU” *Lecture notes*

*'Intervention price'* was below the *'threshold price'* to ensure EU goods are sold at minimum permissible price.

If world price was higher than the threshold price, then producers export to the world, which turned the export refund into an *'export levy'*.

Application of variable import levies varied to ensure that imported products can not undercut the target price, which was a guide to producers and a reference point for the functioning of the Policy. The import levy, reckoned by reference to a minimum import price- known as the threshold price, was set a little below the target price to reflect the cost of transport from the port to the market centre. The levy, which was equal to the difference between the threshold price and the world market price, was charged on imports.

*'World price'* indicated the lowest price at which the consignment of the products was offered at a particular port during some specified time period.<sup>8</sup>

With this pricing mechanism, the CAP succeeded in attaining its initial goals: it encouraged production and productivity, stabilised agricultural markets, provided security of supplies and protection of farmers from fluctuations in world markets. However, along with the success came adverse effects and problems of this overprotectionist policy. EU farmers kept producing more than the market could bear, creating excessive surplus bringing about a rise in the EU spending in agriculture. As a result, in its four-decade existence, the CAP was subject to some reforms.<sup>9</sup>

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<sup>8</sup> Ritson, Christopher (1997), *The Common Agricultural Policy*, CAB International, Department of Agricultural Economy and Food Marketing University of Newcastle upon Tyne, UK p.5

<sup>9</sup> <http://europa.eu.int/scadplus/leg/en/lvb/l04000.htm>

But, now, the EU intervenes when prices for agricultural products drop below a certain level and buys up surplus EU stock until the price increases above the intervention level. Surplus produce is regularly destroyed or dumped very cheaply on extra-Community markets.<sup>10</sup>

Compared to the previously illustrated mechanism, now agricultural produce is priced as in the following lines as summarized by Ritson:

-Some internal market support prices were reduced and some direct payments to producers were introduced as arable area or livestock headage payments.

-The variable import levy was replaced by a tariff equivalent. In the case of cereals, the new arrangements continue to operate so that a variable import tax can support a minimum import price, but for most other products, fixed import taxes now apply, often at very high levels, like those indicated for 1988.

-there are quantitative and financial restrictions on the degree to which exports can be subsidized.<sup>11</sup>

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<sup>10</sup> BBC NEWS Special Report (1999), 02-99, "Greening the Cap: A look back at the CAP"

<sup>11</sup> Ritson, Christopher (1997), *The Common Agricultural Policy*, CAB International, Department of Agricultural Economy and Food Marketing, University of Newcastle upon Tyne, UK p.6

## **1.2. What has Changed from the Treaty of Rome to the Agenda 2000 Proposals?**

The first proposal to reform the CAP came just ten years after its creation. In 1968, a "Memorandum on the reform of the CAP" was published by the Commission, which is widely known as the Mansholt Plan, named after Sicco **Mansholt**, Vice-President of the Commission who was responsible for the CAP at that time. The Plan provided for reducing the number of people employed in agriculture encouraging early retirement for farmers; and promoting the formation of larger and more efficient units of agricultural production by reducing the number of farms. But these proposals of Mansholt were not considered feasible; and therefore did not come into force.

Meanwhile, upon experiencing shortages in the 1970s, and undertaking the rising cost of the CAP, in 1983, a proposal for a fundamental reform was put forth by the Commission. With the publication of the Green Paper on "Perspectives for the Common Agricultural Policy", this proposal was formally expressed two years later (1985). The Green Paper was in search of bringing supply and demand into balance, introducing new ways of reduction in production concerning the troublesome sectors and, in general, analysing alternative solutions for the future of the CAP. <sup>12</sup>

Then, in 1988, the European Council put forth a package of reform measures, including the "agricultural expenditure guideline", which aimed to limit the share of CAP expenditure in the overall Community budget.

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<sup>12</sup> <http://europa.eu.int/scadplus/leg/en/lvb/l04000.htm>

Subsequent to these developments, the milestone reform movement was embarked on in 1991. The Commission, with the leading of the Agriculture Commissioner Ray **MacSharry**, put forward two discussion papers concerning the development and the future of the CAP. These papers were considered to be the basis for a political agreement regarding the reform of the CAP. They were adopted by the Council in May 1992.<sup>13</sup>

Mac Sharry reforms took the problems underlying the functioning of the CAP together with the developments in the world trade and environmental issues into consideration; thereby creating remarkable changes in the pricing mechanisms of the CAP. Mac Sharry proposed price cuts of 15% for beef and 30% for grain to render them more competitive in the intra and extra-Community market. He put forth a new regime of fixed support prices for cereals. Additionally, he advocated direct compensation to farmers to soften the blow of lower prices and to discourage overproduction. These reforms included:

- i. Area payments for arable crops (only payable as long as compliance with 'set aside' principles is observed);
- ii. Headage payments (with national ceilings); compulsory 'set-aside' requiring large farms to take some arable land out of production; flanking measures to encourage early retirement, afforestation, environmentally friendly farming methods and so on.<sup>14</sup>

Mac Sharry reforms were generally considered to be successful (they even led to the inception of the WTO), bringing about positive effects on European

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<sup>13</sup> *ibid.*

<sup>14</sup> <http://madariaga.coleurop.be/Common%20Agricultural%20Policy%20summary.doc>

agriculture. However, developments in the subsequent years -emerging international trends, the process of enlargement to involve Central and Eastern European countries besides Malta and Southern Cyprus, the preparation of the single currency leading to budgetary constraints, the increasing competitiveness of products from third countries and a new round of World Trade Organisation negotiations -urged further adaptation of the CAP, namely, a new reform.<sup>15</sup>

Agenda 2000 has been the most radical and comprehensive reform of the Common Agricultural Policy since it came into being. It built on the process embarked on in 1992 and provided a sound basis for the future development of agriculture in the Union, covering all -economic, environmental, rural- functions of the CAP. Its driving motives were competitiveness, sustainability and quality.<sup>16</sup>

Below are quotations from a speech by Dr. Franz Fischler on April,14,2004 summarizing the reforms and the future of the CAP in recent years:

A key principle of the new CAP is decoupling, which spells more market orientation, less trade distorting support, and places the focus on quality rather than quantity. It means that from 2005 onwards, the majority of subsidies will come in the form of a single farm payment, will be independent of production, and instead tied to farmers' meeting mandatory food quality, safety, environmental, and animal welfare standards under the principle of "cross-compliance". It also means that by the time it's fully implemented, we will have reduced our most trade-distorting support by 70 percent, and our export subsidies by 75 percent since our first revision of the CAP came into force in 1993.

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<sup>15</sup> <http://europa.eu.int/scadplus/leg/en/lvb/l04000.htm>

<sup>16</sup> Akder, Halis (2003) 'Türkiye Tarım Politikasında Destekleme Reformu', *Asomedyâ Dergisi*, s. 62

Fischler adds that CAP reform means more freedom in that guaranteed prices and huge surpluses are over; and the EU is moving into a decoupled CAP allowing farmers to develop their entrepreneurial skills, and putting a premium on respect of the environment and animal welfare besides food safety and the development and production of quality products. He argues that CAP reform also enables policymakers to reinforce rural development policy. Rather than increasing production, taking care and paying enough attention to the resources that make husbandry possible and caring for our environment are the necessities of our era in his opinion. He says, thanks to the subsidiarity that CAP allows, each country can decide on which parts of the CAP it wants to concentrate on to take the utmost benefit. According to Fischler, agricultural production today is demand-driven, and EU's farming sector is competing with producers from practically the whole globe. Just producing is not enough; production should be accompanied with competitiveness in the way to success. Also, competitiveness alone is not enough. In order to be successful in the long run, agricultural policy has to be sustainable, which is three-fold: in economic, ecological and social terms.

He states that the Commission proposed to the Member States to reduce the set-aside rate to 5% so that an increase in arable crop production in 2004/2005 can be achieved. Additionally, he guarantees a significant simplification regarding payments. Step number one decoupling is already done in his words. As the expenditure on direct payments and market support up to 2013 in an EU of 27 was agreed upon by the European Council in Brussels in 2002 the farmers profit from a lot more security and safety now as they can calculate now in long term perspectives. There is a clear consensus for a single fund for rural development with one programming and one control instrument from 2007 onwards. This will

render the rural development policy more effective, coherent and transparent. The times of the dual financing under the guidance and guarantee systems should finally be overcome in his opinion. Fischler concludes his statement saying that overcoming the stumbling blocks in agriculture is key to unblocking the ongoing negotiations on the Doha Development Agenda. The EU has to do its utmost to avoid 2004 being a lost year in the WTO. He hopes that they will be able to deliver a framework for the modalities that they failed to deliver in Cancun by summer.<sup>17</sup>

The EU citizens now expect all these commitments to be materialized so that the burden of enlargement on the EU budget, mostly the CAP will not deteriorate the economic situation.

### **1. 3. Objectives of the CAP**

As stated by Dinan (1999), the incentives on which the CAP is based and remain intact since the 1960s, as promised by the Treaty of Rome in Article 33 – Title II, are to **improve agricultural productivity** by promoting technical progress and by ensuring rational development of agricultural production and the optimum utilization of the factors of production; and **ensure a stable and regular food supply**. These are pursued while balancing the consumer interest in **reasonable prices** together with the farmer interest in **preserving a fair standard of living**

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<sup>17</sup> DN: SPEECH 04/177 on April 14, 2004

and **stabilised agricultural markets**.<sup>18</sup> These used to be the basic objectives of the CAP. But, with the changing conditions of the early 1990s, some new objectives were added to these original ones:

- maintenance of the maximum number of farmers on the land and preservation of rural communities;
- preservation of the countryside and the environment;
- avoiding the build-up of food mountains;
- maintenance of good international trading relations
- fulfilling the WTO agreement;
- decoupling of farm income support from production<sup>19</sup>

When these objectives are elaborated on, the outcome does not seem promising for food consumers. When criticisms toward the CAP are looked into, it is seen that there is a variety of viewpoints. All the following scholars agree on the unjustified financial burden of the CAP on consumers; they differ in details, though.

According to *Ritson*, who is the source of inspiration to this thesis, when these objectives are reviewed, the CAP seems to be a consumer-focused policy; for we apparently see that three out of five main objectives in the Treaty of Rome are consumer-oriented. Consumers have an interest in reasonable prices, sufficient food supply and a healthy agricultural sector as part of the economy considered as a whole. So, at first sight it may seem to be wrong to criticise the CAP in terms of

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<sup>18</sup> Dinan, Desmond (1999) *Ever Closer Union*, L. Rienner Publishers, p.334-335

<sup>19</sup> Howarth, Richard (2000) 'The CAP: History and attempts at reform' in *iea Economic Affairs* June 2000 Blackwell Publishers, Oxford, UK p. 4-5

the consumer welfare; but reality is somewhat different. Ritson advocates that in terms of expenditure and implicit tax of food consumption, and weakening of the international trading system that provides food security for all, CAP adversely affects consumers. Nevertheless, it affects overall nutritional quality of the European diet positively.<sup>20</sup>

As stated by *Howarth*, by its very nature, the CAP was detrimental to the interests of the consumers and taxpayers in the EU; and it also imposes severe burdens on outside suppliers in both the developed and developing world. This system of the CAP has been the main source of conflicts with the EU's international trading partners since the late 1970's. The reason for this is stimulation of agricultural output via high prices up to and beyond the point of self-sufficiency for most farm products. These surpluses peaked in the mid-1980s when the EU had become the largest butter and beef exporter in the world. Nevertheless, the export subsidies rendered developing countries' competitiveness against the EU impossible. So, this depressed and destabilized world commodity prices forcing these countries to decrease their prices for farm products.<sup>21</sup>

Thus, the CAP may be regarded as a burden both on the consumers and the extra-EU countries. But the extent of this burden it brought about depended critically on the level of the prices of agricultural produce which it imposed. Following discussions, deadlock and political horse-trading that lasted for years, common cereal prices, which set the tone for the rest, became effective as of 1967. Although the Commission had wanted them to be close to the Community average

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<sup>20</sup> Ritson Christopher (1997), *The Common Agricultural Policy*, CAB International, Department of Agricultural Economy and Food Marketing University of Newcastle upon Tyne, UK p.244-245

<sup>21</sup> Howarth, Richard (2000) 'The CAP: History and attempts at reform' in *Economic Affairs June 2000* Blackwell Publishers, Oxford, UK p. 5

(itself above the world market level), this turned out to be politically impossible. Prices were pitched to the highest -those of Germany- within the Community. Also, consumer choice is reduced by the restriction on imports caused by variable import levies -now converted into tariffs- and other import controls. Upon entering the EU, this reduction of choice made especially the British suffer, who were accustomed to a wide range of imported products from the cheapest sources, basically the Commonwealth countries like New Zealand.

Likewise, according to *Marsh* and *Swanney*, if the narrower description of agricultural output, sales of food and raw materials is employed; it is obvious that to the extent that the CAP retains a higher volume of resources within farming than would otherwise be the case, consumers must suffer. Losses are encountered in two ways:

- firstly, because the prices they pay under the arrangements of the CAP are higher than those required to ensure satisfactory supplies;
- secondly, because some of the resources retained within the industry could produce more valuable goods for consumers should they be redeployed in another industry.

Pricing mechanisms of the CAP, which preserve higher levels of consumer prices as a means of supporting producers are especially damaging in their opinion.

As for the **static effects**, the regressive effect of the CAP support system rendering food prices higher has drawn remarkable attention within the EU. Relatively poor citizens spend a higher proportion of their income on foodstuffs than wealthier ones. A policy, increasing the price of food represents a higher proportional tax on the expenditure of the poor; however, the total amount of tax

collected per head will be higher from rich families than from poor families. Thus, the CAP can be said to have a diverse effect on the distribution of real incomes.

As for the **dynamic effects**, higher food prices result in higher wage demand, and this wage demand is conceded and imposed to the consumers in the form of higher prices, in turn bringing about further claims for yet higher wages and for pressures to re-assert existing income differentials. The chain of controversy is long and contentious; but if it is accepted, then by increasing food costs, the CAP may be held to restrain the rate of growth rather than to enhance it.

As for **security**, marginal increases in domestic output generally account on imports of various types of input. Two deserve particular attention. Livestock production can be expanded by importing more livestock feed, especially soya. Secondly, crop production can be expanded by the use of remarkable quantities of fertilizers, sprays and machinery. Each of these elements is dependent on an adequate supply of fuel, principally oil. Therefore, the problem of security is transferred from one of food to one of the means of producing food.

Abundance within the EU depresses world prices but not the price prevailing within the EU borders. Shortages in the EU are compensated by imports which may tend to exacerbate scarcities in the world. From a merely consumer point of view, stability may be bought at an astronomical price. The maintenance of lower prices in the years of scarce crops has to be set against the higher prices prevailing at other times.

Probably, the most difficult concept to define which is included in the Treaty of Rome, so far as CAP is concerned, is that of reasonable prices. Almost any price level can be made to seem reasonable to someone. Therefore, farmers, in general, feel that prices ought to reward 'efficient' producers, efficiency in usually being

conceived in technical terms such as yield per acre. Equally, consumers may bear in mind that it is unreasonable to pay any more for a product than is necessary to ensure that they can purchase the product when they want it.<sup>22</sup>

Additionally, *Gardner* suggests that even if 5 or 6 of the \$47 billion transferred to producers via the CAP reaches low-income farmers in the Community, which is the target group, this represents only one-tenth of the cost of the CAP to consumers. If we put it another way, consumers keep forgoing \$10 for every dollar received by the farmers in need. He restates this in other words as 90% of the taxpayer expenditure and consumer loss from prices being too high and accordingly unnecessary.

Even in the most prosperous economies there is, by all means, unjustified damage on the side of consumers in his opinion. Money forgone for food is not spent on other goods: due to this opportunity cost of the CAP depressing the demand for other products, the economy as a whole is depressed.<sup>23</sup>

*Consumer organizations* also claim that the CAP has reduced the choice of foods, whereas it may have facilitated the production of more than adequate supplies of basic foods. This is due to farmers being encouraged to produce ‘standard qualities’ that are easily officially recognized and can therefore be bought into the EU’s surplus stockpiles. Food processors have found that because of this development and the restrictions on extra-EU purchase imposed by the import threshold system, traditional ingredients have become unavailable and the food

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<sup>22</sup> Marsh, S. John; Swanney, Pamela A. (1980) “The CAP and the Consumer” in *Agriculture and the European Community*, George Allen & Unwin Ltd. London, England p.67-73

<sup>23</sup> Gardner, Brian (1996) ‘How the EU supports agriculture’ in *European Agriculture: Policies, Production and Trade* p.55-61

system has had to adapt its processes and recipes to conform to the accessible products.<sup>24</sup>

To exemplify, Consumers International (CI) in 2003 called the Mid-Term Review (MTR) which aimed to reform the CAP to make it more environmentally-friendly and to address to consumer concerns regarding animal welfare and food quality and safety “another magician’s trick, a real sleight of hand, by EU agricultural negotiators”. CI officials did not think it will benefit consumers; and state that:

The CAP budget remains fixed at £30b/€43b/\$50b per year and is geared totally to the benefit of European farmers, rather than consumers and taxpayers. It will not reduce the cost of aid paid from taxation nor significantly reduce the price of food in the European shopping basket.<sup>25</sup>

Another criticism comes from the *Consumers’ Association (CA)*. The CA believes that the CAP is failing to meet even the limited objectives laid down in the 1950s, which are increasingly becoming beyond reach with the needs of today’s society. Former attempts at CAP reform have failed to address even its inherent problems, leaving aside the new challenges that confront it.<sup>26</sup>

Continuing with the consumer organisations, the Consumer Association states that the Common Agricultural Policy (CAP) is unique in that in other areas of public policy, citizens pay money as taxpayers to national and local government, revenue that is used to make services – such as public transport, leisure facilities, social housing etc., which are more readily affordable. However, the CAP takes money

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<sup>24</sup> Gardner, Brian (1996) ‘How the EU supports agriculture’ in *European Agriculture: Policies, Production and Trade* p.55-61

<sup>25</sup> Edwards, Tom, (26 June, 2003), “Cap Reform: A New Common Agricultural Policy?” (briefing paper)

<sup>26</sup> <http://www.which.net/campaigns/food/production/misc/capbriefing.pdf>

away from the citizens as taxpayers, and uses it to make the food they buy as consumers more expensive. CAP keeps EU food prices higher than prevailing prices elsewhere, and especially hit low-income families who spend a high proportion of their income on food. The Consumer Association says: 'EU citizens pay for the CAP both as consumers and taxpayers – so in effect they pay twice.'

The CAP is thought to be a substantial misallocation of resources, is inefficient, and is poor value for taxpayers, with a significant level of fraud. The CAP is anti-competitive and distorts markets; and in fact is a hindrance to a single market in some sectors. A failure to integrate agriculture within the broader food supply chain indicates that a policy that is producer-focused and pays slight attention to the demands of consumers is still under discussion. Pursuant to widespread public unease about food safety brought about by the Bovine Spongiform Encephalopathy (BSE), E coli and other food scandals including foot and mouth disease (FMD), people are concerned that the large sums of their money spent on support for agriculture are not producing reliable food products. The CAP has an effect on the type of food, method of production, and the price of this food paid by the consumer. It distorts demand and imposes a considerable burden in terms of taxes, higher food prices together with long-term impacts on public health and the environment. CA's concern to date has been that agricultural policy has mainly focused on producer interests while losing sight of changing consumer attitudes and demands. The Commission's recent proposals for CAP reform, made as part of the Mid-term Review (MTR) of the Agenda 2000 agreement, were opportunities to address some of the concerns of consumers on food production

methods. CA would welcome an end to the link between support for farmers and support for production, but the MTR proposals are not likely to achieve this.<sup>27</sup>

Another organisation, BEUC (Bureau Européen des Unions de Consommateurs) criticizes the actual CAP in terms of environmental, financial, social and economic sustainability. According to the BEUC officials, European consumers are very much concerned about the food they eat, and more particularly about safety, quality, nutrition, information and choice through traceability and labelling. Some very important points must be taken into account in reviewing the CAP: sustainability, environment and animal welfare, reducing current barriers to access to the EU food market, so as not to damage developing countries' economies, reducing direct payments, phasing out export subsidies, quotas and other price support mechanisms, and spending money for rural development and structural policies.<sup>28</sup>

Not to neglect newspaper articles, the followings are the views of Michael Wills former Home Office minister, published in the Guardian (2003):

When I try to imagine how history might assess this period, I believe that one of the key judgments will be how far, in times of unprecedented prosperity in the developed world, we have been able to help the world's most vulnerable people out of poverty. At the heart of that challenge lies the injustice of the global trading system, and the key to that is agricultural trade. For us that means Europe's common agricultural policy (CAP). Despite the heroic efforts of British ministers last month and the byzantine changes that emerged from the all-night session of the agriculture council in Luxembourg, the CAP remains in place, for at least another 10 years, still set to go on gobbling up half the EU's budget - still set for European consumers to pay around €90bn in higher food costs and direct funding of

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<sup>27</sup> [www.bsas.org.uk/meetings/annlproc/Pdf2003/233.pdf](http://www.bsas.org.uk/meetings/annlproc/Pdf2003/233.pdf)

<sup>28</sup> BEUC 2002 Annual Report BEUC 140/2003 May 2003

this policy, which adds £8 a week to the food bill of an average family of four.<sup>29</sup>

Additionally, as a result of the opinions of an Expert Working Group gathered in 2002 to hold *European Health Forum*, CAP was declared to be an inefficient and expensive way of keeping people employed. According to this group, the CAP price support acts in a markedly regressive manner: by raising the price of food above present world levels (of particular significance to the lower-paid who spend a larger proportion of family budget on food); and by subsidising producers in a manner especially beneficial to large producers. The CAP appears to operate as a rural social security system at the expense of poor households (whether they live in urban or rural communities).<sup>30</sup>

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<sup>29</sup> Edwards, Tom, (26 June, 2003), “Cap Reform: A New Common Agricultural Policy?” (briefing paper)

<sup>30</sup> Health and Common Agricultural Policy Reform Opinion and Proposals of an Expert Working Group – European Health Forum, Gastein 2002 *Health At The Heart Of Cap*

## CHAPTER 2

### PLACE OF THE CONSUMER WITHIN THE CAP

#### 2.1. Common Agricultural Policy or Consumer Aiding Policy?

"We are what we eat" is an old aphorism explaining the significance of our access to well-nutrition. This is why our dietary habits and nutritional balance are strongly influenced by the price and availability of food – and thus, in Europe, by the Common Agricultural Policy.<sup>31</sup>

It was not until 1968 that consumer protection within the official documents of the Community had been mentioned specifically. Until that time, merely the general provision of ensuring a better quality of life for European citizens was taken into consideration.

As stated by the European Parliament, five internationally accepted basic consumer rights are recognised by the European Union:

- the right to protection of health and safety;
- the right to protection of financial interests;
- the right to protection of legal interests;
- the right to representation and participation;

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<sup>31</sup> Health and Common Agricultural Policy Reform Opinion and Proposals of an Expert Working Group – European Health Forum, Gastein 2002 Health at the Heart of CAP

- the right to information and education.<sup>32</sup>

Amsterdam Treaty recognizes consumer policy in its own right to a much greater extent than before. Article 152 of the Amsterdam Treaty stipulates that “the potential health impacts of all European Union (EU) policies be assessed; and a high level of human health protection shall be ensured in the definition and implementation of all Community policies and activities”

Additionally, Article 153 (129a) of the same Treaty requires that: “.. the Community shall contribute to protecting the health, safety and economic interests of consumers, as well as to promoting their right to information, education and to organise themselves in order to safeguard their interests”.<sup>33</sup>

Article 153 facilitates limited application of the Article 95 and broadens its remit beyond single market issues to involve access to goods and services and to the courts, quality of public services, and aspects of nutrition, food, housing and health policy. It also stipulates that action adopted shall not prevent any Member State from maintaining or introducing more stringent measures so long as they are in accordance with the Treaty. Article 95 (100a) emphasizes the role of scientific evidence, both at EU and national level, in the evaluation of proposals related to health, safety, environmental protection and consumer protection measures.<sup>34</sup>

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<sup>32</sup> European Parliament Fact Sheets, 4.10.1 Consumer policy: principles and instruments

<sup>33</sup> Health and Common Agricultural Policy Reform Opinion and Proposals of an Expert Working Group – European Health Forum, Gastein 2002 *Health At The Heart Of CAP*

<sup>34</sup> European Parliament Fact sheets, 4.10.1. Consumer policy: principles and instruments

### **2.1.1. FOOD SECURITY**

As defined in the World Food Summit, food security connotes all people, at all times having physical and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life.<sup>35</sup>

Variables concerning food security are production, imports, exports and changes in stocks.<sup>36</sup>

This very concept may be divided into three subheadings upon compiling the classifications put forth by Kasnakoğlu (1998) and Ritson (1997).

#### **2.1.1.1. Food Choice and Availability**

Today, most countries choose to be reliant on other countries rather than being self-sufficient by importing food products to make food available for their citizens. Given that the European Union is founded upon self-reliance rather than self-sufficiency, by eliminating borders to ensure availability of all products for its citizens, the CAP can be said to aim for enhancing intra-Community trade in food products.<sup>37</sup>

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<sup>35</sup> Definition from the World Food Summit, Rome, October 1996 (FAO 2000)

<sup>36</sup> Alamgir, Mohiuddin; Arora, Paonam (1991), NYU Press, IN Funds for Agricultural Development

<sup>37</sup> Kasnakoğlu, Haluk (1998) 'Food Security Issues in Turkey' in *World Agricultural Trade*, Westview Press, p. 246

The formula for the availability of staple food products defined in the first stage is: *Availability= production of staple products + imports-exports+ available stocks – losses and uses other than for food.*<sup>38</sup>

To put this formula into sentences, this means the availability of sufficient quantities of food of appropriate qualities, supplied through domestic production or imports (including food aid). Availability is often confused with food security but should properly be seen as only a part, albeit an important part of food security.<sup>39</sup>

As put forth by the FAO, the basic (physiological) energy requirements of the population is indispensable so as to determine which products should be monitored under the body of a FSIEWS (food security information and early warning system) (availability of these products, stability of supplies, access for all to these products and biological utilization). A list of the quantities of staple food products traditionally consumed by the population to satisfy their energy and nutritional requirements is compiled for each homogenous dietary region. The list comprises 3 important concepts:

a) *basic energy requirement*: the basic (physiological) energy requirements of a population (whether country-wide or a homogenous group within a country) generally varies between 2000 and 2350 Kcal/day/person, varying according to the age, sex, structure and average weight and health status of the population

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<sup>38</sup> <http://www.twinside.org.sg/title/food-cn.htm>

<sup>39</sup> “Food Insecurity, Poverty and Agriculture: A Concept Paper”, (23 September, 2002), Agriculture and Economic Development Analysis Division, Agricultural Sector in Economic Development Service, Food and Agriculture Organization of the United Nations on <http://www.fao.org/es/ESA/pdf/fipa.pdf>

together with the level of physical activity. These estimates are based on a population in a well-nourished condition (account being taken of work and free time activities). Proteins should make up 10 to 12 percent of energy intake while the recommended energy amount of fats is 15 to 30 percent.<sup>40</sup>

b) *the food shopping basket*: the basket of goods purchased by consumers within the EU show a great variety. So, a price shift that may seem of relatively minor to consumers buying small quantities of a product may loom much larger in the minds of those for whom it is a significant element in diet. The British obsession for butter may be psychological as much as financial. However, concern of the British with livestock products relative to fruit and vegetables reflects a different pattern of consumption to, for instance, that of Italy. Overall, it seems fair to assert that the consumers are reluctant accepters of the CAP as it stands and believe in the words of their representative organisation, BEUC, that the EU's policy should shift towards being a 'food policy' rather than merely an agricultural policy.<sup>41</sup>

Meat and dairy consumption generally faced a sharp decline during the early nineties in most accession countries. During that time meat and dairy consumption declined by 10-20% and fell significantly below the per capita consumption in the EU-15. The structure of meat consumption changed significantly: Beef and mutton consumption declined sharply while that of pork and especially for poultry

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<sup>40</sup> Handbook for defining and setting up a Food Security Information and Early Warning System FAO Rome, 2000

<sup>41</sup> Marsh S. John; Swanney Pamela A. (1980) 'The CAP and the Consumer' in *Agriculture and the European Community*, George Allen & Unwin Ltd. London, England p.73

developed positively. Milk consumption also fell, and – with some exceptions - did not recover in the late nineties. An increasing demand for high value products like cheese and fresh milk products is observed. The prospects for meat and dairy consumption remain positive and indicate a growing market especially for high quality and high value added products.<sup>42</sup>

According to the report, the determinants and effects of changes in meat consumption patterns are income and the related effects of consumption away from home and growing convenience, prices, health consciousness. To a lesser extent however environmental concerns play a role in the decision of consumers. Sheep, pig and poultry meat are considered trendy, positively income elastic and healthy. Health consciousness and convenience have a strong impact for dairy products that are partly seen as substitutes for meat products. Fruit and vegetable products will increasingly substitute products with high fat content and continuously expand its position in the consumption basket of consumers in the Accession and Candidate Countries. The expected positive income trends, which are currently twice as high as in the EU-15 on average, will further strengthen these developments and contribute to a considerable market expansion for white meats, high value dairy products, food preparations and fruits and vegetables.<sup>43</sup>

*c) the diet of each population group* : Two of the most common causes of premature death in the European Union are cardiovascular disease and cancer. It is estimated that one third of cardiovascular disease deaths and a similar

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<sup>42</sup> [http://europa.eu.int/comm/agriculture/publi/reports/ccconsumption/index\\_en.htm](http://europa.eu.int/comm/agriculture/publi/reports/ccconsumption/index_en.htm)  
(January 2004)

<sup>43</sup> *ibid.*

proportion of cancers are caused by poor diets. Malnutrition accounts for over a hundred times more preventable deaths than food-borne infections.

Parallel to this, a number of EU developments are on the way to promote nutrition and health. These are:

- \_ The White Paper on Food Safety that proposed a ‘comprehensive and coherent nutritional policy’ for the EU and a ‘nutrition action plan’

- \_ Creation of the new European Food Safety Authority (EFSA)

- \_ The Council Resolution on Health and Nutrition under the French Presidency, (December 2000), which invited the Commission to "allow for nutritional health to be taken into account when drawing up and implementing any relevant community policies and develop tools for assessing the health impact of community policies”

- \_ The Eurodiet Project (1998-2001) developing a set of population dietary goals for Europe

- \_ Commissioner Byrne’s statement in which he identified combating obesity as a key element for his Directorate in a speech (at the European Health Forum, Gastein, 2002).<sup>44</sup>

Diet-related diseases have economic as well as social and personal consequences. Chronic ill health imposes a huge financial burden on health services across the EU and in accession countries. To illustrate, obesity is estimated to cost some health services around 7% of total health care budget of these countries; and over 7 million years of life are lost annually in the EU because of premature death from cardio-vascular diseases.

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<sup>44</sup> Health and Common Agricultural Policy Reform Opinion and Proposals of an Expert Working Group – European Health Forum, Gastein Opinion 2002

Improvements in the population's diet will abate the burden of cost on health services from chronic disease, such as heart disease, cancer and diabetes.

There is now a matchless opportunity to align the CAP to health and to economic objectives by encouraging alterations to dietary behaviour via adjusting CAP support.

In the 1980s, in many EU countries a switch from butter to margarines made from polysaturated and monounsaturated fat occurred. This emerged through commercial and educational factors - a combination of health information, price, availability, palatability and marketing. It brought about improvements in population's saturated/unsaturated fat levels, and contributed to reduction of cardiovascular disease in these countries.

The World Health Organisation (WHO) recommends a daily intake of at least 400g of vegetable (in addition to potato) and fruit. This amount is reported to protect us against cardiovascular diseases, some cancers and micronutrient deficiencies. However, EU per capita consumption of fruit and vegetables is not high enough to meet these recommendations. Fruit and vegetable production needs to be increased and prices lowered to enhance the access of the consumer. Any remaining surplus fruit and vegetables may be recommended to be distributed to vulnerable groups rather than be destroyed.<sup>45</sup>

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<sup>45</sup> Health and Common Agricultural Policy Reform Opinion and Proposals of an Expert Working Group – European Health Forum, Gastein Opinion 2002

### 2.1.1.2. Food Prices and Expenditure

Preserving high agricultural prices as a means of supporting farmers' incomes to implement the CAP leads the EU consumers to pay higher food prices. This lowers real income levels all over the Community (but proportionately more for lower-income groups that spend a relatively high proportion of household expenditure on food), and constitutes a substantial non-budget consumer cost of the CAP. The gradually increasing emphasis since the early 1990s on more direct payments and lower market prices has however increased the proportion of support paid by taxpayers as opposed to consumers. The effect is therefore somewhat less regressive than in the past.

The OECD has recently put forth estimates of the overall level of support given to agricultural production by both consumers and taxpayers of its member countries. Two measures are used: producer subsidy equivalents (PSEs) and consumer subsidy equivalents (CSEs). The total PSE measures annual monetary transfers to agricultural production from domestic consumers and taxpayers as a consequence of agricultural policies. The total CSE measures the annual monetary transfers from consumers to the agricultural sector as a result of agricultural policies, namely the implicit tax on consumption.<sup>46</sup>

For the PSE and CSE figures of the EU, see Appendix A.

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<sup>46</sup> Thompson, K.J., Snowdon, P. J. and Janet M. , (1997), *Agricultural Policy Reform in Turkey relating to WTO and EU Agreements: Institutional aspects of Agricultural policy Formulation Process in the EU* Ankara , Egdell Univ. of Aberdeen p.69

### 2.1.1.3. Stability of Food Markets

The analysis of stability of supplies comprises information on prices and quantities in the markets, the evolving stock situation and the functioning of the transport system etc., namely, knowledge of the mechanisms via which consumers access available supplies everywhere and at all times. The overall import (and export) figures exhibit the availability of products, but the date of entry (or exit) of products into the country can refer to the stability of supplies.<sup>47</sup>

As defined by the FAO, stability in food security connotes that variations and shocks in the availability of staple food products; the amount and diversity of food basket which is able to meet the minimum nutrition requirements shall not adversely affect the consumers.

Another aspect of this subject is that food security is defined at the level of the individual even though it is brought about by a combination of individual, household, community, national and even international factors. Besides, the mere presence of food does not entitle a person to consume it. There are many factors having influence on food security. This is a complicated and often misunderstood issue; but in general can be summarized as follows.

In order that we can come to an assumption regarding food stability in the EU, potential growth in supply and demand sides within the EU, covering **income growth rate, food production growth, population growth** should be considered.

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<sup>47</sup> Handbook for defining and setting up a Food Security Information and Early Warning System FAO Rome, 2000

*i. Income growth rate*

The EU has a number of advantages, but economic dynamism is no longer one of them according to Aslund. The following statements are quoted from an article of his:

In order to qualify, the applicant countries had to adopt all the bureaucratic EU regulations, including the most moribund of them, known as the Common Agricultural Policy -- a system of subsidies paid to EU farmers. As a result, the Central Europeans should expect their growth to slow: This year, the 15 pre-expansion EU members were expected to post an economic growth rate of less than 2 percent. By contrast, the U.S. economy and that of the world as a whole are set to expand by 4.5 percent. For the past five years, the new Central European members -- Poland, the Czech Republic, Slovakia and Hungary -- have had a mediocre economic growth rate of 3 percent a year. Those four countries constitute almost 90 percent of the population of the entering states. (The other six -- Estonia, Latvia, Lithuania, Slovenia, Malta and Cyprus -- are mini-states, with only 10 million people among them.)<sup>48</sup>

*ii. Population growth*

**Table 1.** Gross rates of Population Change in the EU

	Natural increase*			Net migration*			Total increase*		
	1980	2001	2002	1980	2001	2002	1980	2001	2002
<b>EU</b>	2.5	1.0	0.8	1.7	3.0	2.6	4.2	4.0	3.4
<b>Eurozone</b>	2.7	1.0	0.8	2.0	3.1	2.8	4.7	4.1	4

\*: per 1000 population

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<sup>48</sup> Aslund, Anders (25 April, 2004), "An Expanding Europe, in Decline: The EU Is an Economic Laggard. If You Want Growth, Kazakhstan's the Ticket"

**Table 2.** Population Figures of the EU, Eurozone and Accession Countries

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>EU</b>	378.04 mil.	379.6 mil.	379.524 mil.	380.8 mil.
<b>Euro-zone</b>		305.2 mil.	305.6 mil.	306.9 mil.
<b>Accession countries</b>				74.1 mil.

Population in the EU rose by 1 560 000 in 2001, an annual rate of 0.4%, exactly by the same figure as in 2000. Net migration accounted for approximately three-quarters of the population increase in 2001, with natural growth accounting for the other quarter. Natural growth has been below net migration since 1989.<sup>49</sup>

Data from the EU's statistical office shows that between 1975 and 1995 the EU population grew by just over 6%. From 1995 to 2025 however, this growth is expected to almost half to roughly 3.7%. The working-age population was 225 million in 1995, and is expected to remain fairly constant at around 223 million in 2025.

Consequently, the rate of population growth is slowing across the EU; and the researchers call it 'graying population'.<sup>50</sup>

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<sup>49</sup>[http://www.czso.cz/csu/redakce.nsf/i/E35E16278958A131C1256C8D003E9770/\\$File/070802.pdf](http://www.czso.cz/csu/redakce.nsf/i/E35E16278958A131C1256C8D003E9770/$File/070802.pdf) and European Report, January 14, 2004

<sup>50</sup> Geddes, Andrew, (20 June 2002) 'Europe's ageing workforce' in BBC news

### *iii. Food production growth*

In a speech, Agriculture Commissioner Fischler stated that net export share of the EU has gone down in every agricultural commodity on the world market over the last decade largely thanks to measures to hinder creating mountains of surplus food products. This decrease was materialized as by 60% in cereals; by 50% in cheese; and in beef the EU has even become a net importer, but import tariffs on agricultural products represent an average of just 10%. In the words of Fischler, this reflects EU's system of preferences, that the EU has also become the most important importer of agricultural produce from developing countries; and Latin America alone is sending 45% of its agricultural exports to the EU.<sup>51</sup>

All these mean that agricultural production growth has also slowed down over years thanks to reforms to alleviate the problem of surplus.

As a result, all these factors seem to be parallel to each other at first sight. That means we can infer that not much fluctuations occur in terms of stability in the food market regarding the EU. But, in order that we can obtain exact figures, an in-depth research should be carried out, which surpasses the focus of this thesis.

#### **2.1.1.4. Sustainability of Food Markets**

What we should understand from achieving sustainability in agriculture within the EU is providing Europe's descendants with the benefits of Europe's unique

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<sup>51</sup>[http://europa.eu.int/rapid/start/cgi/guesten.ksh?p\\_action.gettxt=gt&doc=SPEECH/04/207|0|RAPID&lg=EN&display=Brasilia](http://europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=SPEECH/04/207|0|RAPID&lg=EN&display=Brasilia), 27 April 2004 SPEECH/04/207, Dr. Franz FISCHLER

environmental endowments and natural resources. However, meeting three challenges (combination of the classifications made by Kasnakoğlu with that of the EU official website and the FAO) should also come to our minds: the first one is an *economic* challenge (strengthening the viability and competitiveness of the farm sector); the second one is a *social* challenge (improving the life standard and economic opportunities in rural areas in the face of a growing population); and the third one is an *ecological* challenge (enhancing acceptable environmental practices as well as the provision of services related to the conservation of habitats, biodiversity and landscape; struggling against environmental pollution by waste materials; availability of water resources, soil derogation, retrieving of fertile soil by employing it for construction, promotion of irrigation techniques, grazing, soil erosion and agricultural activities).<sup>52</sup>

Sustainable agricultural production must also reflect the concerns of consumers, especially as regards quality, safety and traditional/organic production methods. These concepts are elaborated on below.

### **2.1.2. Food Quality**

Recently, European consumers' choices have showed an inclination towards preferring healthier and more flavoursome food of higher nutritional value, produced by more environmentally-friendly methods. What underlies this

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<sup>52</sup> [http://europa.eu.int/comm/agriculture/foodqual/sustain\\_en.htm](http://europa.eu.int/comm/agriculture/foodqual/sustain_en.htm)

development is the principle of quality, which can be monitored by a FSIEWS (Food Security Information and Early Warning System).<sup>53</sup>

Food quality is a complex characteristic determining the value or acceptability of the food to the consumer. Besides safety, the attributes of quality comprise: *nutritional value; organoleptic characteristics like appearance, colour, texture, taste and functional properties.*<sup>54</sup> To exemplify, viscosity and consistency are determined by both visual and textural quality; and flavour is a combination of smell and taste that can also be influenced by texture and appearance.<sup>55</sup> Additionally, the colour, (shade and intensity of that colour) size and shape of a portion of food is considered to be our visual perception; texture of that food concerns our perception of this food by our mouth and finger, helping us evaluate the freshness of a food.<sup>56</sup>

*Food freshness* is the basic characteristic of general food quality. And general food quality is the result of all the favourable characteristics making food desirable to eat.<sup>57</sup>

Among the other aspects, food quality is perhaps the most variable one according to consumers' tastes. Consumers' likes and dislikes regarding the shape, texture, color etc. of a food can never be the same. Therefore, producers have to offer the

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<sup>53</sup> [http://europa.eu.int/comm/agriculture/foodqual/quali\\_en.htm](http://europa.eu.int/comm/agriculture/foodqual/quali_en.htm)

<sup>54</sup> Handbook for defining and setting up a Food Security Information and Early Warning System FAO Rome, 2000

<sup>55</sup> *ibid.*

<sup>56</sup> Vieira, Ernest R. (1996), 'Quality and Sensory Evaluation of Food, Elementary Food Science' in Elementary Food Science Chapman & Hall, USA p.92-93

<sup>57</sup> Lewis, Carrol (2002) "Food Freshness and 'Smart Packaging'" in FDA Magazine

consumers a wide-range of alternatives, yet trying to abide by the requirements laid down by legislators.

As for what the European Union has done so far relating to the issue of improving food quality, we see that the 1992 and 1999 CAP reforms pointed agri-environmental measures and aid for extensification, and in 1992 European quality labels were introduced. Community legislation cannot and should not take over completely from that of its Members and attempt to cover all aspects of quality; but it should attempt to collaborate on pursuing a policy to foster quality instead.<sup>58</sup>

An indispensable actor contributing to the quality of food is the group of farmers. Farmers are not just producers of food. They also provide a vital service in protecting the natural environment and preserving the rural heritage which all of us can enjoy. These responsibilities mean additional costs for farmers such as requiring them to continue to farm in adverse conditions where the land is poor, for example. In recognition of this, the CAP aims to compensate farmers for providing these services, which in turn has a beneficial effect on food quality.<sup>59</sup>

### 2.1.2. **Food Safety**

The safety of foodstuffs, the monitoring of which is a government responsibility, is an indispensable characteristic of their quality. By a safe food, the absence or acceptable safe levels of contaminants, impurities, natural toxins or any other

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<sup>58</sup> [http://europa.eu.int/comm/agriculture/foodqual/quali\\_en.htm](http://europa.eu.int/comm/agriculture/foodqual/quali_en.htm)

<sup>59</sup> 'Healthy Food for Europe's Citizens: The European Union and Food Quality' European Commission Booklet 2000

substance that could be excessively or chronically detrimental to health is implied.<sup>60</sup>

Since the European Union now only has a single frontier for its imports, it undertakes the responsibility of ensuring that extra-EU foodstuffs are as safe as intra-EU foodstuffs. The Commission also represents the interests of the Union's consumers in international bodies handling trading matters, food standards or health questions like animal diseases.<sup>61</sup>

Over the past few years several events have occurred on the international scene, which highlighted the significance of food safety in health and development.

As early as 1983, a joint FAO/WHO Expert Committee on Food Safety concluded in its report "The Role of Food Safety in Health and Development" that disease caused by contaminated food is one of the most widespread threats to human health, and a remarkable cause of reduced economic productivity.

In 1990, the World Summit for Children adopted the World Declaration on Survival, Protection and Development of Children, together with a Plan of Action to implement this World Declaration. Improvement in children's health and nutrition is identified in as a high priority issue, and the provision of adequate diets (i.e. nutritionally and culturally acceptable and safe diets) is regarded as one of the important interventions.

The FAO/WHO International Conference on Nutrition (ICN) held in 1992 recognized that access to nutritionally adequate and safe food is the right of each individual. Besides, emphasis was made on hundreds of millions of people

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<sup>60</sup> Handbook for defining and setting up a Food Security Information and Early Warning System FAO Rome, 2000

<sup>61</sup> 'Healthy food for Europe's citizens: The European Union and Food Quality' European Commission Booklet 2000

suffering from communicable and noncommunicable diseases caused by contaminated food and drinking water. Subsequently, in its Plan of Action for Nutrition, the Conference identified the protection of consumers and the prevention of food-borne diseases as two of the chief strategies to overcome malnutrition.

Additionally in 1992, the United Nations Conference on Environment and Development adopted Agenda 21, which noted the need to protect and promote human health through, inter alia, the control of communicable diseases. A number of communicable diseases like cholera can be transmitted by food. Also the necessity to protect and promote human health was noted by reducing exposure to toxic chemicals, many of which reach the consumer via food.

The Commission published a White Paper on food safety in 2000. Through this paper, the concept of food safety was extended with the placement of nutrition within the scope of the document. From then on, consumers were decided to be offered not only safe, but also healthy food, and be given the possibility to make better-informed choice about the food they consume through the supervision by a European Food Authority to be established.

As also stated by Patricia Brunko of the Health and Consumer Protection DG, in the EU decision-making process, some legitimate factors concerning the health protection of consumers and the enhancement of fair practices in food trade have already been taken into consideration. The definition of the scope of such legitimate factors is presently being studied internationally. Examples of these are environmental considerations, animal welfare, sustainable agriculture and consumers' expectation concerning food quality, fair information and definition of the essential characteristics of products and their process and production

methods.<sup>62</sup> The following items which currently occupy the agenda are classified under the heading of food safety:

### **2.1.3.1. BSE, Zoonoses and Animal Welfare**

Legislation in the field of food safety started in the 1960s and grew more intense in the 1990s with the advent of the single market. Additionally, it has focused on struggling with bovine spongiform encephalopathy since 1994, which is abbreviated as BSE.<sup>63</sup>

BSE, or the mad cow disease by its common name, has been topping the agenda since then. This deadly disease is thought to break out in the United Kingdom and spread to the neighbouring countries alarming the European Union as well as the outer world. In the UK, Portugal, the USA and Canada, BSE was confirmed. In Argentina, Australia, Botswana, Chile, Namibia, Nicaragua, Norway, New Zealand, Paraguay and Swaziland it is unlikely according to the statistics available so far.<sup>64</sup>

This disease had influenced dairy cows and beef cows, had totally undermined the beef trade in the UK and had led to the extermination of 165,000 cows due to its potential to infect humans as Dr. Tim Lang, Professor of Food Policy at Thames Valley University stated. The Mad Cow Disease was challenging free trade, as

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<sup>62</sup> Campbell, Peter, "Food Safety, the Way Forward" in Consumer Voice 2000, no:1 p.17

<sup>63</sup> *ibid.*

<sup>64</sup> Consumer Voice Special edition 2000

'passports' for sources of beef were becoming essential to retrieve consumer confidence.<sup>65</sup>

The steps taken in the European Union to eradicate BSE and ensure that beef and other products of bovine origin are marketed in the EC are safe mean that products banned in the EC are also banned for exports outside the Community. In other words, the EC rules give the same protection to third country consumers as it does to EC consumers. Another effect of the export ban is to restrict the risk that the BSE agent is recycled in a third country and then re-imported within the borders of the EC.<sup>66</sup>

Parallel to this, third countries exporting meat, meat products or processed animal protein (for animal feed) to the community were required to certify that those products do not contain SRM (specified risk material) as of 1 April 2001. SRM points to those tissues of cattle, sheep and goats which are proven to, or might potentially harbour detectable BSE infectivity in infected animals.

Besides, the use of certain slaughtering techniques, which entail a risk of contamination of animal blood by the release of BSE-infected tissue into the bloodstream was prohibited after 31 December 2000.<sup>67</sup>

As for the causes underlying the BSE outbreak that have existed in a lot of parts of the world for decades as also supported by Dr Tim Lang are intensive farming involving feeding of meat-and-bone top cattle, the energy problems leading to

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<sup>65</sup> <http://www.twinside.org.sg/title/food-cn.htm>

<sup>66</sup> Drotsby, Paolo, "Mad Cow Disease, Worldwide Solutions needed" in Consumer Voice 2001 no:1 p.21

<sup>67</sup> Hakulin, Kajsa, "BSE risk material: the EU Commission takes no chances" in Consumer Voice' no:2 2000 p.15

insufficient heating of the animal proteins, and the prevalence of other transmissible spongiform encephalopathy (TSE) like scrapie in sheep and chronic wasting disease in farmed game. This is why it is possible that BSE has developed in other parts of the world independently of the outbreak in the UK, however much stress is made on its being originated from the UK.<sup>68</sup>

As for the precautions, successive Commission decisions (94/381/EC, 99/129/EC, 2000/766/EC) have banned the inclusion of mammalian tissues in feedingstuffs intended for ruminants (cattle and sheep). Since 2000 the ban has covered all processed animal proteins; namely meat and bone meal, meat meal, bone meal, blood meal, dried plasma and other products.<sup>69</sup>

Another relevant issue is the ‘**zoonoses**’ problem. Zoonoses are diseases or infections that can be transmitted from animals to humans. Infection generally emerges as a result of eating products of animal origin or direct contact with an infected animal. Salmonella, the priority target, can be found in a whole series of food products such as raw eggs, poultry, pork, beef, other products of animal origin and vegetables. Campylobacter is chiefly found in chicken meat and its main symptom in humans is diarrhoea, though it can sometimes lead to a nerve disorder and paralysis rarely. Listeria and E.coli-producing toxins are two other common infections. Steps are being taken to reduce the presence of these agents within the food chain. To achieve these reduction targets, Member States need to carry out national control programmes and encourage the private sector to collaborate. Concerning the commercial activities between Member States and

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<sup>68</sup> Drotsby, Paolo, “Mad cow disease: worldwide solutions needed” Consumer Voice no:1 2001 p.21

<sup>69</sup> <http://europa.eu.int/comm/research/growth/gcc/projects/food-fraud.html>

with the third countries, certification of salmonella status will be made obligatory as per the specified time schedule.<sup>70</sup>

Regarding these infections, EU Commissioner for Health and Consumer Protection David Byrne said at an interview on 29 September 2003:

Currently, the number of food-borne infections affecting consumers across the EU is far too high. Salmonella alone infects over 160 000 individuals in the EU annually of which it is estimated that around 200 die. The annual costs of food-borne salmonella are calculated to reach up to €2.8 billion per year.<sup>71</sup>

Considering the emergence of the above-mentioned infectious diseases, and the aphorism '*We eat what we feed*', the issue of **animal welfare**, a growing concern, should also be touched upon.

The Treaty of Amsterdam signed in June 1997 contains a legally binding Protocol recognising that animals are sentient beings and calls for full regard to be paid to their welfare in the formulation or implementation of policies pertaining to agriculture, transport, research and the internal market. The State Veterinary Service (SVS) carries out welfare inspections on farms to check whether legislation and the welfare codes are being complied with or not. Besides spot checks and scheduled visits, the SVS follows up all complaints and allegations of poor welfare on specific farms as urgent matters. Where problems regarding welfare arise, advice or warnings are often sufficient to bring about satisfactory improvements. Follow-up visits are arranged to check up on this. However, where necessary and where the evidence is found, Department of Environmental Food

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<sup>70</sup>[http://europa.eu.int/comm/dgs/health\\_consumer/library/speeches/speech161\\_en.pdf](http://europa.eu.int/comm/dgs/health_consumer/library/speeches/speech161_en.pdf)

<sup>71</sup> News released from Brussels, 29 September, 2003

and Rural Affairs (DEFRA) initiates prosecution action against farmers for welfare offences. DEFRA also co-operates closely with other organisations like local authorities and the Royal Society for the Prevention of Cruelty to Animals (RSPCA).<sup>72</sup>

Importance of animal health for food safety should not be neglected because the above-mentioned zoonoses, such as brucellosis, salmonellosis and listeriosis can be transmitted to humans, in particular through contaminated food. Application of the Hazard Analysis and Critical Control Point Principles (HACCP), as a layer of responsibility for food safety and as a preventive measure in addition to food inspection, is crucial to achieving the highest level of protection.<sup>73</sup>

As for legislation on animal welfare, the Protection of Animals Act 1911, as amended, includes the general law relating to cruelty to animals, together with causing them unnecessary suffering. The welfare of all farmed "livestock" on "agricultural land" is further protected in Great Britain by the Agriculture Act (Miscellaneous Provisions) 1968, accepting it as an offence to cause or allow unnecessary pain or unnecessary distress.<sup>74</sup>

As for the hygiene of feed and additives for use in animal nutrition, so as to protect human health, a number of antibiotics (avoparcin, bacitracin-zinc, spiramycin, tylosin and virginiamycin), and growth promoters (carbadox and olaquinox) in former use as feed additives for food animals in the EU have been withdrawn. These antibiotics were withdrawn as a precautionary measure, because they have been known to contribute to the development of bacterial

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<sup>72</sup> <http://www.defra.gov.uk/animalh/welfare/farmed/on-farm.htm>

<sup>73</sup> BEUC 2002 Annual Report, BEUC 140/2003, p.19

<sup>74</sup> *ibid.*

resistance. Growth promoters caused concern over the risk of toxicity to those who might eat food products from treated animals, as well as to operators at food production facilities.<sup>75</sup>

Bureau Européen des Unions de Consommateurs (BEUC) would like four antibiotics (monensin sodium, salinomycin sodium, avilamycin and flavophospholipol) currently authorised for use as growth-promoters in feed to be phased out by January 2006. Additives that are genetically modified or produced from a GMO should first comply with the requirements of and be evaluated according to the Regulation on genetically modified food and feed, before undergoing the authorisation procedure under this proposed Regulation.

#### **2.1.3.2. GMOs (Genetically Modified Organisms)**

Genetically modified organisms (GMOs) and genetically modified micro-organisms (GMMs) can be identified as organisms (and micro-organisms) whose genetic material (DNA) has been altered in a way that does not occur naturally by mating or natural recombination. This technology is generally called "modern biotechnology" or "gene technology", sometimes also "recombinant DNA technology" or "genetic engineering". It lets selected individual genes be transferred from one organism into another, which can occur between non-related species too.<sup>76</sup>

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<sup>75</sup> "Food Fraud: detecting food law cheats" published on 23.11.2001 on [www.europa.eu.int/comm/research/growth/gcc/projects/food-fraud.html](http://www.europa.eu.int/comm/research/growth/gcc/projects/food-fraud.html)

<sup>76</sup> "Question and Answers on the regulation of GMOs in the EU",  
DN: MEMO/04/16 28 January, 2004

Genetically modified food products have been causing hot debates on the international arena, between the United States of America and the European Union in particular, in recent years. There has been such a lot of controversy on this issue so far that sensitivity among the EU decision-makers keeps increasing. Now, this simmering battle between the United States and the European Union over genetically modified organisms has entered a new phase. On July 1 2003, the European Parliament ended its controversial moratorium on new GMO crop approvals, but replaced it with food “traceability and labeling” rules which are expected to be at least as contentious. Under the moratorium, the EU had effectively banned GMO foods since 1998 by refusing to approve any new licenses for their production or import. American biotech firms and farmers long complained that this policy unfairly restricted trade in agricultural products, in violation of the WTO rules. Congress pushed for action on their grievances, and in May, the US government initiated litigation at the WTO with regard to the EU policy. While the new European decision to move to traceability and labeling rules will end the moratorium, and by this way make the May WTO request moot, U.S. parties nonetheless remained unhappy.

At the heart of this dispute are the striking differences in the way that U.S. and EU authorities frame their arguments. To the United States, the GMO policy debate is about trade, while to the EU it is one of public safety.<sup>77</sup>

In response to this commotion arouse regarding GMO food and feed, the UK Government published the results of a research on GMOs. It indicates that pollen from genetically modified (GM) oilseed rape travels six times further than

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<sup>77</sup> [http://www.globalisation101.org/news.asp?NEWS\\_ID=55](http://www.globalisation101.org/news.asp?NEWS_ID=55) (30 June, 2003)

previously documented; and if left uncontrolled can contaminate non-GM crops for generations. Further findings reveal that some GM crops could make birds such as the skylark extinct within 20 years. Adrian Bebb of Friends of the Earth Europe said:

This research shows that allowing GMO crops to be grown in Europe will be a recipe for disaster. Containing GM crops like oilseed rape is virtually impossible and will cause contamination for years to come. The co-existence between GM and conventional or organic farming is simply not possible. Furthermore the research shows that our wildlife is being put at an unnecessary risk with birds facing extinction. The public and the environment must come before the commercial interests of the biotech companies.<sup>78</sup>

Parallel to this, the European Commission, on July 23, 2003 confirmed its opposition to establishing areas free of genetically modified organisms, approving the line taken by Agriculture Commissioner Franz Fischler. "It shouldn't be up to an individual member state to decide that a region or the entire country can't have GM products," said Fischler while presenting guidelines adopted by the EC on the coexistence of traditional, organic and GM crops.

"We can't limit the choices of farmers on their own land," he added. Fischler stated that if an area or region was established as a 'GMO-free zone', the case could be brought to the European Court of Justice.

In its guidelines on the coexistence of various kinds of crops, the EC reiterated its preference that the final regulations be decided nationally.<sup>79</sup>

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<sup>78</sup> <http://www.defra.gov.uk/environment/gm/fse/index.htm>

<sup>79</sup> Ansa news, 23 July 2003

As for the legal aspect, all GM seed varieties have to be approved and authorised in the EU for cultivation under Directive 2001/18 on the deliberate release into the environment of genetically modified organisms or under the Regulation on genetically modified food and feed to enter into force. Authorisation is only granted subsequent to a positive scientific assessment deducing that no unacceptable risk to the environment or human health is likely to be encountered.<sup>80</sup>

Legislation on seeds has always recognised that a 100% purity is not possible, which is why thresholds have been set considering plants are grown in an open field; cross-pollination is a natural phenomenon; and one cannot control wind and insects contributing to this. For instance, certified soya beans may have up to 1% impurities of another soy variety. Impurities can emerge through cross-pollination; dissemination of volunteers; and at harvest, transport and storage. Also thresholds in seeds were put forth for the presence of harmful organisms, e.g. mushrooms.

Genetic modifications were introduced in beet, maize, potato, swede rape, soya bean, cotton, chicory and tomato all over the world. For the time being, only GM-maize, GM-swede rape, GM-soya bean and GM-chicory are authorised in the EU. Requests for authorisation for GM-potatoes, GM-beet and GM-cotton have been made.

Considering another aspect of this issue, the EU is also heavily dependent on imports of conventional seeds from third countries where GM cultivation is performed. Approximately 33% of maize seeds, 80% of soya bean seeds, 66% of cotton seeds and 10% of rape seeds are imported. The experience gained in recent

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<sup>80</sup> Brussels News Bulletin 29 September, 2003

years shows that the “adventitious” or “technically unavoidable” presence of traces of GMOs in conventional seeds has thus become unavoidable for it is being a reality. The seed directives lay down minimum conditions regarding the seed harvested and aimed at marketing, especially in terms of varietal purity; however, they do not include specific requirements concerning the presence of genetically modified seeds in seeds having lots of non-genetically modified varieties.<sup>81</sup>

For this reason, not to ignore this reality and to facilitate the marketing of seeds having GM traces, it is proposed to set up ‘de minimis thresholds’ for such presence of authorised GM varieties merely. The thresholds are recommended to be adjusted according to the reproductive system of the plants under discussion, the vegetative cycle, together with the probability of adventitious presence in the seed crop.<sup>82</sup>

According the news released on 16 January 2004, the European Commission has adopted a system to ensure that GMOs contained in food and feed products can be precisely identified. Each GMO that has been approved for use in the EU will be given a different code composed of letters and digits, a so-called "unique identifier". This code is required to accompany products containing that GMO as they are transmitted through the production and distribution chains. Operators will have to list the codes for individual GMOs, in accompanying documentation, that have been used to constitute the original raw material for products intended for food, feed and processing. This will allow products containing these GMOs to be

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<sup>81</sup> [http://europa.eu.int/comm/food/fs/sc/scp/outcome\\_gmo\\_en.html](http://europa.eu.int/comm/food/fs/sc/scp/outcome_gmo_en.html)

<sup>82</sup> *ibid.*

accurately traced and labelled when they come to the marketplace. The new Commission Regulation completes the EU's regulatory framework on the authorisation, labeling and traceability of GMOs (Directive 2001/18 and Regulation 1830/2003).

Since 1997, labelling to indicate the presence of GMOs as such or in a product is mandatory. From 17 October 2002 onwards, Directive 2001/18/EC foresees that Member States shall take all necessary measures to ensure labelling of GMOs in products at all stages of the placing on the market. The new Regulations were published in the Official Journal in the autumn 2003 and put into force on 18 April, 2004. They set up a harmonised EU system to trace GMOs, introduce the labelling of GM feed, reinforce the current labelling rules on GM food and establish a streamlined authorisation procedure for GMOs in food and feed and their deliberate release into the environment. They aim to put into place a stringent regulatory framework backed up with strict safety assessments of GMOs to assure a high level of health and environmental protection; close existing legal gaps and address the legitimate concerns of citizens, consumer organisations and economic operators.<sup>83</sup>

Sanitation of plants is also a relevant subject to be discussed under GMOs. According to the Sanitary and Phytosanitary (*SPS*) agreement that was adopted by WTO members as part of the Uruguay Round of multilateral trade negotiations (1986-1993), countries have a right to set special controls on food products,

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<sup>83</sup> “Questions and answers on the regulation of GMOs in the EU”  
DN:MEMO/04/16 , January, 28, 2004

“based on scientific principles.” This implies that a product such as a GMO must be scientifically shown to be harmful before it may be restricted.<sup>84</sup>

### **2.1.3.3. Food Irradiation**

Irradiation is a process in which foods are exposed briefly to a radiant energy source like gamma rays or electron beams within a shielded facility. Even though irradiation does not substitute proper food manufacturing and handling procedures, it is capable of killing harmful bacteria greatly, reducing potential hazards, particularly when used to treat meat and poultry products. Many health experts are of the opinion that using the irradiation process can be an effective method to help reduce food-borne hazards and prevent the existence of harmful organisms in the food we consume.<sup>85</sup> Irradiation can contribute to the HACCP (Hazard Analysis and Critical Control Points) meaning production of safer food. It is unavoidable that under certain circumstances, some food may contain pathogenic microorganisms, even though they were manufactured abiding by the GMP rules. In these cases, irradiation makes the product safe, just as milk pasteurisation makes milk safe to consume.<sup>86</sup>

The Food and Drug Administration has approved irradiation of meat and poultry products. Additionally, it allows its use for various foods, including fresh fruits and vegetables, and spices. The agency evaluated the process as safe and effective

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<sup>84</sup> [www.wto.org](http://www.wto.org)

<sup>85</sup> <http://www.cfsan.fda.gov/~dms/qa-irr1.html>

<sup>86</sup> Delincee, Henry; Willhöft, Corinna, “Active or radioactive, friend or foe”, *Consumer Voice* 2000 no:3 p.31

in abating or eliminating harmful bacteria. Irradiation also reduces spoilage bacteria, insects and parasites, and in certain fruits and vegetables it inhibits sprouting and holds up ripening. To illustrate, irradiated strawberries stay unspoiled up to three weeks, versus three to five days for untreated berries.<sup>87</sup>

Food irradiation, which is not banned in nearly 40 countries and endorsed by the World Health Organization, the American Medical Association and many other organizations, does not make foods radioactive, just as an airport luggage scanner does not make luggage radioactive; nor does it cause harmful chemical changes. The process may cause a small loss of nutrients but no more so than with other processing methods like cooking, canning, or heat pasteurization. Federal rules call for labeling of irradiated foods so as to make them distinguishable from non-irradiated foods.<sup>88</sup>

Nonetheless, in order to strengthen consumer confidence, food manufacturers should ensure more transparency about the methods of food production and processing including this case of irradiation. In addition, the dialogue among scientists, public health officials, food industry, consumer organisations and the media should be intensified to make sure that consumers receive relevant information.<sup>89</sup>

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<sup>87</sup> <http://www.cfsan.fda.gov/~dms/qa-irr1.html>

<sup>88</sup> Excerpted from Food Irradiation: A Safe Measure. January 2000  
Publication No. (FDA) 00-2329

<sup>89</sup> Consumer Voice Special Edition 2000, Publication of the Health and Consumer Protection DG

#### 2.1.3.4. Food Additives, Flavorings and Hormones

The European Commission concentrated on three areas regarding food safety:

1. Public health (e.g. **additives**)
2. Protection of the consumer (e.g. labelling)
3. Control and enforcement provisions (e.g. hazard analysis)<sup>90</sup>

Food additives are substances added intentionally to foodstuffs to perform certain technological functions, for example to colour, to sweeten or to preserve.

Food additives are defined in the Community legislation as "any substance not normally consumed as a food in itself and not normally used as a characteristic ingredient of food whether or not it has nutritive value, the intentional addition of which to food for a technological purpose results in it or its by-products becoming directly or indirectly a component of such foods."<sup>91</sup>

Food additives are authorised at the EU level for all the fifteen Member States, as well as for Norway and Iceland. The use of food additives must always be labelled on the packaging of food products by their category (anti-oxidant, preservative, colour, etc) followed by their specific E-number or complete name as an easy means of identification. Detailed rules on labelling of additives in foodstuffs, and on additives sold as such to food producers and consumers are laid down in Community legislation (see Directive 2000/13/EC, Regulation 50/2000/EC).

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<sup>90</sup> Marsden, Terry.; Flynn, Andrew; Harrison, Michelle (2000), *Consuming Interests: The Social Provision of Foods*, UCL Press, London p. 19

<sup>91</sup> for full definition see: Article 1(2) of Directive 89/107/EEC

The Community legislation on food additives is based on the principle that only those additives that are explicitly authorised may be used. Most food additives may only be used in limited quantities in certain foodstuffs. If no quantitative limits are foreseen for the use of a food additive, it must be used according to good manufacturing practice, i.e. only as much as necessary to achieve the desired technological effect.

Food additives may only be authorised if:

- there is a technological need for their use,
- they do not mislead the consumer,
- they present no hazard to the health of the consumer.

Prior to their authorisation, food additives are evaluated for their safety by the Scientific Committee on Food, an expert panel that advises the European Commission in questions relating to food.

Originally, the addition of vitamins and minerals to food that is called food fortification aimed to prevent or correct a nutritional deficiency within a population. Nowadays, marketing considerations play an increasing role in the decision to fortify foods. Harmonisation of legislation is the only way to ensure that EU consumers can be properly informed and decide whether or not to eat food that has been fortified. The draft legislation proposed by the Commission is welcomed, but it contains one considerable loophole. Although the claims proposal, also discussed in the EP, would prohibit explicit health and nutrition claims for certain types of food, the fortification proposal would allow the same food to be promoted as fortified foods. Producers could get around the ban on health and nutrition claims simply by stressing that their products contain “added

calcium” or “added vitamins” that consumers would associate with good health. Fortification should not promote poor eating habits. Fortification of certain foods with “undesirable” nutritional profiles, for instance nutritionally poor foods or foods containing high levels of sugar, salt or fat, should not be authorised. It is essential that the strictest rules apply to the voluntary fortification of food, such as:

- Agreement on upper safe limits of vitamins and minerals, taking into account all sources of intake, including the intake from food supplements;
- Establishing purity criteria and quality standards;
- Mandatory notification prior to market introduction;
- Clear and strict labelling rules so that consumers understand the nutritional value and the marketing claims of these products;
- Claims on fortified foods which are not ambiguous, misleading or unclear and do not imply that the foodstuff can be a substitute for a varied, healthy diet. The rules contained in the proposal on food claims must be strictly applied to fortified foods;
- Preventing the addition of vitamins and minerals to discriminate against foods which naturally contain a particular vitamin or mineral. A product should not for instance claim that it contains 20% more calcium than milk, which not only naturally contains calcium, but also provides other nutritional benefits.<sup>92</sup>

As regards the use of hormones in food products, the Scientific Committee of Veterinary measures relating to Public Health (SCVPH) concluded in April 1999 that oestradiol 17 $\alpha$  should be considered a carcinogen. For the other 5 hormones (testosterone, progesterone, trenbolone acetate, zeranol and melengestrol acetate),

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<sup>92</sup> BEUC's Quarterly Newsletter no:47, March 2004

the SCVMPH assessment could not give a quantitative estimate of the risk to consumers. On this basis, in 2000 the Commission made a proposal to amend Directive 96/22/EC concerning the prohibition on the use in stockfarming of certain substances having a hormonal or thyrostatic action and of beta-agonists. On 22 July 2003, the Council approved the European Parliament's amendments at second reading on the above proposal.<sup>93</sup>

### **2.1.3.5. Labelling**

The main idea behind labeling food products according to ingredients and processes responds to the Amsterdam treaty idea of consumers' "right to know." This philosophy, accompanied by the use of the "precautionary principle" in food safety regulation, gives way to a long-term view of potential costs and benefits for each product before it is approved. So, it covers all potential consumer, social, and environmental risks.<sup>94</sup>

Undeniably, consumers are entitled to know the ingredients of what they eat; and they are becoming more and more conscious and aware of the facts on food production. That is why food labelling has become one of the most controversial aspects of food legislation and has never remained stationary- demands for more different labelling information keep on increasing. At the moment, labelling legislation leaves much to be desired. Legislation laying down clear criteria for

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<sup>93</sup> News from Brussels, 15 October 2003

<sup>94</sup> Haniotis, Tassos,(2003) "Regulating Agri-Food Production In The US And The EU", The Pennsylvania State University, European Commission, Belgium

the use of nutrient content and food claims is necessary, as such claims bear a great potential to mislead and confuse consumers.

The Commission's White Paper on Food Safety includes proposals to do away with the 25% compound ingredient rule; to introduce labelling rules for specific allergens; and devise rules for 'health claims' used to promote particular foodstuffs. These proposals shall be welcomed; however, consumers have other concerns: to illustrate, terms such as 'organic', 'free-range' and 'farm-fresh' are open to abuse due to lack of strict definitions. In surveys, consumers turned out to believe that 'haddock fillets' were single fish fillets instead of pieces cut from compressed block of fish. Advertising a food product as 90% fat-free implies that the manufacturers overlook to mention that a fat content of 10% in a food product is not low. These kinds of examples undermine consumer confidence in the information placed on a food label by manufacturers.<sup>95</sup>

The single market directed where the Commission takes steps in regards with the consumer; and consequently, the Commission of the European Communities in 1985 put forth that the Community foodstuff legislation must provide the consumer with a high level of public health protection as well as accurate and adequate information regarding the nature, characteristics and, where appropriate, the origin of foodstuffs offered for sale.<sup>96</sup>

Some assert that the best approach to food safety issues is merely providing the consumers with relevant information and let them make their own choices regarding behaviour and products. Nevertheless, others assert that, whereas

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<sup>95</sup> O'rourke, Raymond, "Food labeling: How much information can consumers digest?" in *Consumer Voice* no:2 2000 p.5

<sup>96</sup> Marsden, Terry.; Flynn, Andrew.; Harrison Michelle, (2000) *Consuming Interests The Social Provision of Foods* UCL Press, London, p. 18

consumer information has a major effect in food safety issues, it is not a panacea. When consumers were asked who they most count on to ensure that the food they buy is safe, 41% answered themselves, whereas only 20% said the government, 14% food manufacturers, 10% food retailers, and 8% consumer organizations.<sup>97</sup>

What is attractive in food labelling requirements is that they appear to allow access of foreign producers to the domestic market- they use production methods different from those used in the importing country, though- rather than closing the internal market completely for foreign competition. Labelling may solve many disputes in this respect; however, it does not seem so in two categories; firstly, labelling the potentially risky products 'red' imposes an economic burden on foreign suppliers that may possibly result in their exclusion from the importing country market; and secondly a public opinion in the importing country may emerge against the 'red' labelled foodstuffs lest they may be unsafe to consume.

In order to avoid conflicts over standards, two different approaches are put forward: harmonization and mutual recognition. Harmonization, on the one hand, is considered to be too cumbersome to be employed so as to remove technical barriers to trade under the Single Market initiative. Mutual recognition of national standards, on the other, was considered more promising and viable to set up a functioning Single Market within the European Union. However, a deep trust in each others' fundamental values underlies mutual recognition; and although administratively more compatible, may be more demanding than harmonization.<sup>98</sup>

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<sup>97</sup> Senauer, Benjamin; Asp, Elaine; Kinsey, Jean, (1993), *Food trends and the changing consumer*, p.253

<sup>98</sup> Ingco, Merlinda; Winters, Alan L., (2000) "Perspectives of Developing Countries and transition Economies" World Bank Paper no:418

As for irradiation, to provide consumers with more transparency, any irradiated food and food ingredient must be labelled irrespective of its quantity.

The labelling of nutritional information must become obligatory, in a comprehensible and standardised format, in order that consumers can make healthier choices. It is important that the “big eight” are labelled, i.e. energy, protein, carbohydrates, sugars, fat, saturates, sodium, fibre.<sup>99</sup>

Regarding this, labels encompass a new nutritional reference tool called the %Daily Value explaining whether a food is high or low in a nutrient like fat, sodium or cholesterol. A catchy rule of thumb to follow is that if the %Daily Value is 5% or less for a specific nutrient, that food is low in that nutrient. What consumers aim is to choose foods that together add up to no more than 100% of fat, cholesterol and sodium and at least 100% of nutrients like fibre and calcium. In addition to the "Nutrition Facts" panel on the side or back of the food package, consumers can examine the health and nutrient claims on the front of this product.<sup>100</sup>

The list of ingredients must include all the substances used in the manufacture or preparation of a product and which remain present in the product, including additives. Additives must be designated by their category (e.g. 'colouring agent' or 'preservative') followed by their specific EC number or complete name as an easy means of identification.<sup>101</sup>

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<sup>99</sup> BEUC's quarterly newsletter no: 47 March 2004

<sup>100</sup> FDA flyer, 1994, *The New Food Label: What Consumers Want to Know*, Updated: November 1996, Office of Food Labeling

<sup>101</sup> *ibid.*

What we can infer from these is that in order to strengthen consumer confidence, food manufacturers should ensure more transparency about the methods of food production and processing. In addition, the dialogue among scientists, public health officials, food industry, consumer organisations and the media should be intensified to make sure consumers receive balanced information.

#### **2.1.3.6. Organic Farming and Environment**

‘Organic farming’ refers to farming practices lacking chemical pesticides, herbicides and animal medicines that offer the consumers healthy and tasty foodstuffs.

*Codex Alimentarius Commission*, the United Nations body that oversees the world’s food standards, defines organic agriculture as a ‘holistic production management system that avoids use of synthetic fertilizers and pesticides, minimizes pollution of air, soil and water.’<sup>102</sup>

What contributed to growth in organic or ecological farming over the last few years is increased consumer awareness of food safety issues and environmental concerns. Despite its constituting only about 3% of the total EU utilised agricultural area (UAA) in 2000, organic farming has in fact developed into one of the most dynamic agricultural sectors in the European Union. The organic farm sector grew by about 25% a year between 1993 and 1998 and, since 1998, is estimated to have grown by approximately 30 % a year. In some Member States,

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<sup>102</sup> FAO Inter-Departmental Working Group on Organic Agriculture brochures, Organic agriculture and food security brochures

it now seems to have reached a plateau, though.<sup>103</sup> Sales of organic products have grown by around 40 % a year and now account for 3 % of all food trade within the European Union. Organically farmed land trebled between 1993 and 1997 in terms of area reaching 2.2 million hectares.<sup>104</sup>

Uptake of organic products in mainstream retailing, especially in supermarkets, could be the most important factor in making them available to a wider and concerned public. Both supply and demand have expanded in the last several years. In spite of this growth, the average market share for organic products is small, about 2 percent in the EU, with some remarkable exceptions such as the share of organic vegetables at 5-10%.<sup>105</sup>

Organic farming has to be understood as a part of sustainable farming system and a viable alternative to the more traditional approaches to agriculture. It uses modern, yet natural plant-protection methods, avoiding the use of pesticides contradicting the thought that more environmentally-friendly agriculture means old-fashioned methods.<sup>106</sup> Sustainability in terms of both agriculture and the environment is a fundamental policy objective of today's common agricultural policy:

'Sustainable development must embody food production alongside conservation of finite resources and preservation of the natural environment to meet the needs of

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<sup>103</sup> [www.europa.eu.int/comm/agriculture/qual/organic/index\\_en.htm](http://www.europa.eu.int/comm/agriculture/qual/organic/index_en.htm)

<sup>104</sup> Directorate-General for Education and Culture Healthy food for Europe's citizens booklet The European Union and food quality 'European Commission'

<sup>105</sup> [www.europa.eu.int/rapid/start/cgi/guesten.ksh?p\\_action.gettxt=gt&doc=SPEECH/04/36|0|RAPID&lg=EN&display=](http://www.europa.eu.int/rapid/start/cgi/guesten.ksh?p_action.gettxt=gt&doc=SPEECH/04/36|0|RAPID&lg=EN&display=) DN: SPEECH/04/34 of Dr. Franz Fischler in Brussels on 22 January 2004 at European Hearing on Organic Food and Farming

<sup>106</sup> *ibid.*

people without damaging the ability of future generations to meet their own needs.'

This objective urges farmers to consider the consequences that their activities will have on the future of agriculture and how the systems they employ shape the environment. As a result, farmers, consumers and policy-makers have shown a renewed interest in organic farming.<sup>107</sup>

Organic agriculture emphasizes diversification and adaptive management, largely decreasing vulnerability to weather vagaries or other factors. In spite of a misconception that agro-ecological systems cannot increase agricultural productivity, the reality is that multi-cropping increase yields significantly. A diversified organic farming system increases farm production by 20 to 60 percent in comparison with a traditional low-input system; and at the same time, improves stability by improving soil and water quality and the ecological services that support agriculture. These methods may not achieve the same yields as the high input systems; however, they provide a path to increase yields together with incomes. Farmers can use available resources without worrying about major losses, like those incurred by farmers who often see their expensive inputs swept away by unexpected rains. All these factors contribute to enhancement of food security which is highly promising.<sup>108</sup>

The European Union in 1992<sup>109</sup> laid down a set of rules regarding organic production so as to encourage the growth of organic production and to improve

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<sup>107</sup> [http://europa.eu.int/comm/agriculture/qual/organic/index\\_en.htm](http://europa.eu.int/comm/agriculture/qual/organic/index_en.htm)

<sup>108</sup> FAO Inter-Departmental Working Group on Organic Agriculture brochures, Organic agriculture and food security brochures

<sup>109</sup> *ibid.*

consumers' safeguards when they buy organic foodstuffs. These encompass the types of products which can be used to treat plants or soil in the case of cereals or fruit and vegetables. They also include the types of feed and organic farming that is encouraged by the EU rules together with the animal medicines which can be used in animal production. Given that some products can leave durable residues in soil after use, the EU also requires farmers to follow these guidelines for at least two years before their products can be certified as organic. The same procedures apply to extra-EU products (products imported from outside the European Union) that are marketed under the name 'organic'. To ensure that consumers know what they purchase as named organic, the European Union has also established rules for labelling. In spite of the variety of labels from one EU Member State to another, they must bear the words 'Organic farming—EEC control system' which indicates that a grower has met EU requirements and has gone through controls by national authorities. Additionally, in 1999 an EU-wide 'organic' label; namely an 'EU logo' was agreed, a proof that a grower has met EU requirements and has been subject to controls by national authorities,<sup>110</sup> which is the first possible action in respect of taking measures to protect consumers' rights. This is an essential instrument to increase the visibility of organic produce; and solve the problems of organic farmers who cannot market their products as organic.

Thus, agri-environment measures like labelling mentioned above have contributed to developing the supply of organic produce, which is the first link in the chain.

Organic farming is one way to achieve sustainable development. The idea of a European Action plan was born during a conference in Denmark in 2001, which

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<sup>110</sup> 'Healthy food for Europe's citizens The European Union and food quality' European Commission booklet 2000

was a follow up of a conference in Austria in 1999. The issue was brought up by the Swedish Presidency and the Agriculture Council invited the Commission in June 2001 to study the possibility of developing a European Action Plan with the objective of promoting organic food and farming and present appropriate proposals. What has been achieved so far to enhance environmental and animal welfare-friendly farming systems, of which organic farming is a prime example, is introduced with the followings:

For farmers it is now easier to extensify animal production and raise crops more suitable for organic farming thanks to the new principle of de-coupled support. Defined, strict production methods are used in the organic sector and these methods are backed up with an on-farm control system that creates a relative advantage for organic farmers regarding cross compliance. Removal of the mandatory set-aside is designed to benefit organic farming. As Dr Franz Fischler, Member of the European Commission responsible for Agriculture, Rural Development and Fisheries said in his speech on 22 January 2004, since the transition to organic production took two years or more, the EU offered various forms of support to farmers willing to switch to organic farming methods. He declared that most of the funding came from the EU's budget for agri-environmental measures providing aid for farmers who practice farming methods that reduce the impact on the environment. Fischler added that funds to support organic farmers accounted for 8 % of the total agri-environment budget and farmers could receive payments of up to 900 euro per hectare to indemnify their short-term economic losses originating from switching to organic production.<sup>111</sup>

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<sup>111</sup> DN Speech 04/36 Brussels, 22 January 2004

Consequently, Member States have the choice to dedicate up to 10 % of their national envelopes to support quality production like environment-friendly farming. The Action Plan including the consultations until now has identified several important issues. A few of the ideas have been towards:

- Enhancing the information available to consumers;
- Improving the links between producers and the market;
- Enlarging the funding for research concerning organic farming;
- Further harmonising inspection and standards for organic farming throughout the EU.

Additionally, it is estimated that £15 to £25 per hectare per year is gained upon transition from non-organic farming to organic farming. If environmental gains in terms of improved soil health and biodiversity are calculated, this estimate goes further.<sup>112</sup>

Clearly, what we see here is organic farming being directly linked to environmental concerns, which is causing unrest these days.

As for the legal aspect, what lie at the core of the Community's agri-environmental strategy within the CAP are targeted measures that reward farmers for environmental services in rural areas over and above good agricultural practice and environmental legislation. The inclusion of such measures into all rural development programmes implemented by the Member States is compulsory.<sup>113</sup>

Regarding the protection of the environment within the EU, we read in the words of Marsh that agriculture is likely to have to accommodate an increasing number

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<sup>112</sup> Cobb, D., O'Riordan T. (2001) 'Assessing the Consequences of Converting to Organic Agriculture' Journal of Agricultural Economics January, Volume:52, No:1-3, p.32

<sup>113</sup> [www.europa.int/comm./agriculture/foodqual/sustain\\_en.htm](http://www.europa.int/comm./agriculture/foodqual/sustain_en.htm)

of restrictions designed to protect the environment. Measures to limit pollution and to penalize those who cause it (polluter-pays principle) are likely to influence both crop and animal production. Increased demands made by non-farming interests on the countryside, for housing, for recreation and for sites for 'clean technology' industries will not only mean the loss of land to farming but tougher standards in relation to nuisances like noise, smells, muds on roads and unsightly farm buildings. Concerns of a longer-term nature about 'global warming' and the exhaustion of minerals and fossil fuels may cause increasing intervention in the form of carbon taxes and the control of emissions from agriculture. Measures of this nature add to the cost of food production. Countries not applying these may be able to undercut EU producers as a result. Thus, the EU, according to Marsh, will have to decide to what extent it can reconcile the need to regain a competitive agriculture with the demands of environmental lobby groups.<sup>114</sup>

The CAP has been criticised as failing to take environmental factors sufficiently into account, for example, by encouraging intensive farming. Professor of Food Policy at Thames Valley University Tim Lang said: 'We must stop intensification. We must re-inject food security in the system'. The farmers, in his opinion, were questioning intensification of agriculture, adding that the big lesson for the public was that you cannot squeeze nature to the maximum.

Likewise, according to a press release on April 10,2001 Green Party chief spokesperson Trevor Sargent declared in a speech that:

Common Agricultural Policy reforms have had no positive environmental impact since 1992 according to the European Environment Agency". "What CAP has done is encourage

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<sup>114</sup> Marsh , John 'The Common Agricultural Policy' 1997 Dartmouth Publishers p.432-433

larger and more intensive farms at the expense of smaller, more sustainable ones. This policy has led to the inhumane treatment of animals and generated apparently cheap food but at enormous hidden costs to all of us through health problems, environmental clean-up budgets and now compensation for BSE and FMD. Finally, the CAP's unnecessary encouragement of long haul food and animal routes is costly in terms of fuel, the environment and animal welfare.<sup>115</sup>

Additionally, the use of artificial fertilizers, herbicides, pesticides, fungicides and other chemicals, the removal of hedgerows and ditches and the reclamation of marshes, scrub and woodland to increase the arable area; the improvement of hill land; the increased use of machinery, and therefore oil for additional cultivations; the increased use of drugs and the search for cheaper substitute feeds for high-priced grain in livestock production have all been encouraged by the high prices of the CAP. All these ended up in environmental damage and partially a threat to public health. Economists criticize this as a waste of scarce resources, while conservationists condemn it as harmful to ecological balance and human health.<sup>116</sup> In this context, as for the chemicals, the Commission's White Paper on a "strategy for a future chemicals policy", issued in 2001, aimed to reform the current chemicals policy of the EU by guaranteeing that all produced or used chemicals are shown to be safe. The Parliament and the Council have both already expressed their support for the Commission's White Paper and even called for further strengthening of the protection of public health and the environment. And the Commission was called on to issue its proposals as soon as possible by BEUC

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<sup>115</sup> Press release on April 10, 2001, "Greens Call For Radical Overhaul Of Agriculture To Protect Against Future Crises"  
[http://www.johngormley.com/dail/press/call\\_for\\_radical\\_reform\\_for\\_agriculture.html](http://www.johngormley.com/dail/press/call_for_radical_reform_for_agriculture.html)

<sup>116</sup> Howarth, Richard (2000), 'The CAP: History and attempts at reform' in *Economic Affairs June* Blackwell Publishers, UK p.7

(Bureau Européen des Unions de Consommateurs), the EEB (European Environmental Bureau), Friends of the Earth, WWF (World Wildlife Fund) and Greenpeace. According to BEUC, it is high time that a consistent and horizontal chemicals policy regulating chemicals instead of individual products was devised. As everybody agrees, consumers must be able to choose healthier or environmentally friendly products. Hazardous chemicals (including CMR substances, persistent and bio-accumulative substances and endocrine disrupters) should never be allowed in everyday consumer products. The safety of chemicals on the market should be independently assessed and less safe chemicals should be substituted by safer ones.<sup>117</sup>

To sum up all these, long-term protection of the rural environment is a prerequisite for the sustainable delivery of the benefits it ensures, for these benefits take a long time to generate and regenerate. A policy seeking to provide such benefits must accept the need to persuade farmers and landowners to relinquish some of their rights to develop land in return for commitments to long term support.<sup>118</sup> Therefore, farmers should be sensitive against environmental protection for the sake of a healthy environment to live in as well as to sustain agricultural practices offering safe food to consumers.

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<sup>117</sup> BEUC 2002, BEUC 140/2003, Annual Report May 2003

<sup>118</sup> Lowe, Philip; Whitby, Martin (1997) 'The CAP and the European Environment', *The Common Agricultural Policy*, CAB International, p.302

## CHAPTER 3

### FOOD CONSUMERS AND GLOBALISATION

Globalisation refers to a process of increasing openness, growing interdependence and deepening economic integration between countries and regions.<sup>119</sup> It is the breakdown of discrete economic spaces. It heralds the consequent loss of executive capacity by territorially-bound national governments. Globalisation is bound up with the liberalisation of global finance and the rapid rise of instant trans-border dealing in financial commodities. It is associated with the multi and trans-nationalisation of production activities and the growth of global trade.<sup>120</sup>

Benefits of globalisation are cost savings due to scale economies and enhanced product variety; gains from technology transfer; cost reductions due to learning-by-doing and moving up the learning curve. Globalisation brings about improved resource allocation; heightened competition as a spur to achieving world standards of efficiency; wider options for consumers; ability to tap international capital markets; and exposure to new ideas, technologies and products.

Nevertheless, this coin has two faces. Challenges of globalisation are greater competition from low-cost and high volume producers on a more level playing

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<sup>119</sup><http://www.cdra.org.za/Publications/Featured%20writers/Globalisation%20Briefing%20Paper%20by%20Heather%20de%20Wet.doc>

<sup>120</sup> Rosamond, Ben ((2000) "Europe and the World: Contemporary International Theory and European Integration", *Theories of European Integration*, St. Martin's Press Inc., New York, USA, p.179-180

field; further liberalisation of trade by the WTO; and greater integration of markets/national boundaries.

There are reactions to globalisation in that it leads to deprivation of developing countries of adequate living standards, opportunities for their exports and more importantly for their right to work.

As for the environment, competition forces nations to a "race to the bottom" in national environment standards; eco-dumping: Nations lower environmental pollution standards to attract inward investment, which is a real hazard against environment and therefore public health.

When agriculture is considered, globalisation can be said to have a negative effect on food security due to the withdrawal of state support, deregulated prices, rising cost of inputs, and competition from large commercial farms. In many regions, small-scale farmers encounter the destruction of their livelihoods. Policies and measures designed to promote local production and consumption would help protect small-scale producers.<sup>121</sup>

According to the International Forum on Food and Agriculture (IFA), globalisation for agriculture should be opposed to because primary producers in all regions of the world would lose as prices are forced down by multinational traders. Two million people in the developing countries would be marginal to the world economy, as they would not have the technology or capital to compete, and their current political influence would be overwhelmed by market forces. The multifunctional role of agriculture in the EU, including its environmental, food quality and rural development roles would be abandoned. Besides, EU consumers

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<sup>121</sup><http://www.cdra.org.za/Publications/Featured%20writers/Globalisation%20Briefing%20Paper%20by%20Heather%20de%20Wet.doc>

would be obliged to accept whichever food safety standards were determined by major exporting countries or international scientific bodies, e.g. regarding GMOs.<sup>122</sup>

Likewise, Denny, the Guardian economics editor, states that farmers are being subjected to steadily more international competition with the dismantling of the post war protectionist subsidy and regulatory regimes. The Doha trade round in November 2001 has been a further step in the liberalisation of global agriculture. As small farmers are obliged to accept prices for their products that are set by international commodity markets, they either have to get more efficient or suffer a cut in their profits in his opinion. Consequently, they suffer. The average farm income was about £80,000 a year in 1997; while in 2003 the figure became closer to £10,700. And even this is a massive improvement on 2000/2001 where the average income was only £2,500 according to Denny.<sup>123</sup>

Accordingly, Kathryn Tulip of Small Farmers Campaign Group GAFF, maintains that small farms are failing and their land is being bought or leased by larger neighbours. The big 5 supermarkets which control 70% of the UK retail food market impose restrictive producer contracts seeking to achieve “permanently lower prices” by demanding specialisation in products and standardised agronomic and livestock production practices. The outcome might be lower prices, but it doesn’t necessarily mean that the farmers can make a decent living out of their earnings, and increasingly there are concerns about the environmental effects of this too in her words.<sup>124</sup>

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<sup>122</sup> [www.archives.tcm.ie/carlownationalist/2003/08/21/story18378.asp](http://www.archives.tcm.ie/carlownationalist/2003/08/21/story18378.asp)

<sup>123</sup> Denny, Charlotte, (21 August, 2003), “Do small farms matter?”

<sup>124</sup> *ibid.*

Consequently, globalisation in agriculture has its risks and benefits and therefore losers and winners and small farms seem to have disadvantages in this process.

### **3.1. Market chains and Food Consumers**

The CAP should no more be seen as purely agricultural concern, as it strongly impacts upon, besides other factors, the environment, the price of food to consumers, and commercial fortunes of food companies.

Consumers have different tastes. The diversity in concentration levels reflects cultural and sociological varieties in the way people shop; nevertheless, economic factors like economies of scale in distribution, store size and management have given the large chain stores that became the leaders of globalised agriculture a great advantage over their smaller rivals. This led to the development of strong store-brand images. To illustrate, the rise of discount stores in every developed country in the early 1990s has been at the expense of the smaller, cheaper stores rather than the dominant firms. Thus, a strong core oligopoly with a dynamic fringe has come to the scene.<sup>125</sup> Additionally, supermarkets required highly standardised products in large volumes, with stringent quality requirements, a high level of post-production processing and elaborate due diligence arrangements. Opportunities for small and medium-sized exporters were limited by the ever-increasing demands for scale, investment in processing facilities and monitoring systems.<sup>126</sup>

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<sup>125</sup> Insergent, Ken A.; Rayner, Anthony J.; Hine, Robert C. (1998), *The Reform of the Common Agricultural Policy*. New York, St.Martin's Press, Com. Ltd., G.Britain

<sup>126</sup> <http://www.ids.ac.uk/ids/global/ffv.html>

Farmers (and their input suppliers), food manufacturers and food retailers make up a complex and interdependent food chain. Any change brought in for one cog of this chain affects the whole. The risks associated with trade, in the words of Harris and Swinbank, are bound to disadvantage small companies competing with larger ones<sup>127</sup> introducing the consumers with chains of supermarkets.

Regarding this, Dr. Tim Lang, Professor of Food Policy at Thames Valley University, said that as the food system became more centralised, there was growing food insecurity even in rich countries. The distance for shopping for food had increased from 2 miles to 5 miles, increasing 'food miles' embodied in food and creating a motorway food system. Long-distance transport and intensification of agriculture were linked. Tim Lang said that Britain had shifted from a policy for small farmers to a policy against farmers. The British model of farming, where farmers were systematically thrown out of agriculture, was being spread to other parts of the world. He added that there were mountains of food in Britain and miles of supermarket shelves; but many of the British could not afford an adequate diet due to rising unemployment and declining social welfare. One-fifth of the population was classified as not being able to afford a nutritious diet. Poverty, he said, was a reality even in rich countries.<sup>128</sup>

On the other hand, this centralization of the retail sector providing the consumer with a larger freedom to compare, choose and purchase by self-servicing system

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<sup>127</sup> Harris Simon; Swinbank Alan (1997), 'The CAP and the Food Industry', *The Common Agricultural Policy*, CAB International, p.282

<sup>128</sup> <http://www.twinside.org.sg/title/food-cn.htm>

turned out to be a benefit. These developments led to more comprehensive protection, information, education and organization of consumers.<sup>129</sup>

Parallel to this, nowadays supermarket mechanisms almost compete with national policy-makers in that they get more and more demanding as food safety and security concerns became an item on the agenda. These chains construct the only mechanism within the food industry that is adjusted according to the consumer. They urge wholesale producers to abide by the standards they put; to get the certificates required, thereby increasing the quality of the products offered for sale. According to Austrade (Australian Trade Commission) officials, the standards European retailers and food producers require often outstrip the legislation in force, namely the normal EU standards. Each EU member country also has stringent recycling requirements. The UK, like many EU nations, is pushing more responsibility onto the producer to make sure materials are both recyclable and reusable. On the other hand, EU standards are considered to be the world's benchmark; exporters aware of EU needs are well placed to deal with future requirements in any part of the globe. So, on food safety, a chain of trust is formed; consumers trust retailers and retailers trust suppliers.<sup>130</sup>

To sum up, formation of market chains at the expense of smaller stores has both advantages and disadvantages; but positive sides seem to outweigh the negative ones in terms of the consumer interests.

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<sup>129</sup> *Avrupa Topluluğu'nda Tüketiciyi Koruma Politikaları ve Türkiye'nin Uyumu*, (1989), TOBB, Ankara, p.6

<sup>130</sup> <http://www.globalsupermarket.com.au>

## **CHAPTER 4**

### **INSTITUTIONS SAFEGUARDING THE INTERESTS OF THE EU CONSUMERS**

#### **4.1. The European Parliament and the Commission**

Pressure exerted by the European Parliament for consumer concerns to be dealt with comprehensively by the other EU institutions has been strong and persistent. Not until 1967 did the Commission address this issue; but then the first direct elections in 1979 brought about consumer affairs to be pushed (with the help of consumer groups' lobbying) higher on the Parliament's agenda. The Single European Act modifications shifted consumer protection policy from being a technical harmonisation of standards to improve the internal market and mutual recognition on the basis of consumer protection.

Concern for consumers in the post-1992 internal market, and determination to give consumer protection a higher profile led Parliament to organise public hearings in 1990 and 1991 on different aspects of consumer policy. In this way, a 'Consumer Intergroup' was made up with the aim of focusing on issues of particular importance to consumers at a pre-legislative stage.

The Parliament has been remarkably instrumental in ensuring higher budgetary provisions for the information and education of consumers in those Member States where representation of the consumers is weak.

Lack of efficient coordination and commonality of purpose between national consumer groups, as well as wide differences in their efficacy and influence within the EU still remains to be a problem. Nevertheless, the situation is improving as trans-frontier purchases of goods and services go up pursuant to the completion of the single market. In this endeavour, the EU has made provisions for consumer education in primary and secondary schools and the gradual inclusion of consumer education in school syllabuses. Besides, the Commission has piloted teacher-training schemes in schools.

Also, European Consumer Information Centres in areas where cross-frontier purchase is prevalent were set up. These centres provide information regarding the internal market and consumers, and reinforced the link between national consumer organisations and the EU. The Commission also publishes a practical guide for consumers informing them of consumer policy developments in detail, and explaining what kind of protection is available on matters such as product safety, doorstep selling and foodstuffs.

#### **4.2. Food and Agriculture Organisation (FAO)**

The Food and Agriculture Organization of the United Nations (FAO) was founded in 1945 to provide an international and neutral forum for conducting independent scientific assessment of food safety risks.

FAO encourages farmers to follow good agricultural practices, and is working with different partners to develop a general framework for food production systems which are not only economically but also environmentally sustainable. Since the harvest period for many fruits and vegetables can be limited, FAO also supplies information on the best methods for preserving produce (to illustrate, drying, chemical processing and heat treatments) while retaining the maximum amount of nutrients. Another goal of the Organization is to improve people's access to fruits and vegetables. In rural areas, FAO strives to integrate gardening messages with nutrition information, encouraging local communities to grow and consume a variety of crops. In urban areas, FAO has launched the “Food for the cities” initiative, a programme that is designed to link production with transportation, storage and marketing strategies. FAO also deliberates to address critical issues like urban poverty and food costs.<sup>131</sup>

The FAO Food And Nutrition Division Aims to create sustainable improvements in nutrition, especially among nutritionally vulnerable households and population groups; raise awareness of the benefits of combating hunger and reducing malnutrition; assist countries in identifying people who are food insecure and vulnerable to nutritional problems; promote food safety and prevent food-borne diseases; focus on consumer protection and fair practices in food trade.<sup>132</sup>

FAO's food safety assessment work covers the evaluation of food additives, contaminants, residues of veterinary drugs and pesticides, microbiological hazards, and processes including foods derived from biotechnology. These assessments are carried out jointly with the WHO. They provide a scientific basis

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<sup>131</sup> <http://www.fao.org/english/newsroom/focus/2003/fruitveg1.htm>

<sup>132</sup> [http://www.fao.org/es/ESN/index\\_en.stm](http://www.fao.org/es/ESN/index_en.stm)

for the work of the *Codex Alimentarius Commission* in setting international standards, and advice to FAO and WHO member countries in establishing their national food safety standards and measures.<sup>133</sup>

### **4.3. World Health Organisation (WHO)**

Since its inception in 1948, the World Health Organization (WHO) has been working towards the improvement of food safety. Its work involves both technical cooperation with Member States to strengthen national food safety programmes and normative functions, i.e. developing the scientific basis for managing food safety programmes and food safety-related issues. In partnership with the Food and Agriculture Organization of the United Nations (FAO), WHO provides for the Secretariat of the Codex Alimentarius Commission (CAC). WHO's food safety work is coordinated and implemented at Headquarters by Food Safety Programme, Department of Protection of the Human environment, Cluster on Sustainable Development and Healthy Environments (FOS/PHE/SDE) and, at the regional and country level, by Regional Advisers. Areas in which the WHO is particularly active include:

1. Development of national food safety policies and infrastructures: This entails reviewing and assessing local needs, and establishing inter-sectoral collaboration for implementing food safety activities.
2. Food legislation and enforcement (also referred to as 'food control'): It encompasses components such as (a) food standards and codes of hygienic

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<sup>133</sup> [http://www.fao.org/es/ESN/food/riskassessment\\_en.stm](http://www.fao.org/es/ESN/food/riskassessment_en.stm)

practice, (b) inspection services and laboratory analysis; and (c) promotion and training in the Hazard Analysis Critical Control Point (HACCP) system as a tool for food safety management.

3. Promotion of food technologies of public health importance: Initiatives focus on increasing the awareness within the health sector regarding food processing technologies that will assist in preventing food-borne disease and decreasing post-harvest spoilage and losses of food.

4. Education of households/consumers in food safety: This involves education of households in hygienic handling of food through liaison with primary health-care workers who, by educating and informing mothers, play a key role in the promotion of safe weaning food and the prevention of diarrhoea in infants and young children. Other means of food safety promotion are through school education, mass media, etc.

5. Food safety in the urban setting: Emphasis is given to improving the hygienic quality of street-vended food; and food served in food service establishments, including canteens and hospitals and catering firms. In addition, food safety is a major theme of the "healthy marketplaces" initiative carried out under the WHO's Healthy Cities Project.

6. Promotion of food safety in tourism: The focus of this work is three-fold and comprises (a) motivating and educating managers as well as food handlers in food service establishments about the hygienic handling of food; (b) involving tour operators and travel agencies in informing travellers about possibly hazardous foods; and (c) legislation and inspection of food service establishments.

7. Information gathering including epidemiological surveillance of food-borne diseases, monitoring of contaminants, particularly chemical contaminants in food,

as well as monitoring food safety infrastructure: Since 1976, WHO has been implementing the Global Environment Monitoring System - Food Contamination Monitoring and Assessment Programme (GEMS/Food) which provides information on the levels and trends of major contaminants in food and their significance for human health.<sup>134</sup>

#### **4.4. Consumer's Association (CA)**

Consumers' Association (CA) is a non-profit organisation and founder of the BEUC, the European Consumer Organisation, and Consumers International (CI), the international federation of consumer organisations. Consumers' Association campaigns on behalf of all UK consumers. It increasingly focuses on EU policy so as to ensure improvements for UK consumers, working closely with BEUC - as well as the body that sets international food standards (Codex Alimentarius) and the World Trade Organisation (WTO). It successfully campaigned for the establishment of the Food Standards Agency (FSA), pursuant to a succession of food scares and a breakdown in consumer confidence. It continues to watch the development of the new European Food Safety Authority (EFSA) to ensure that it operates transparently; and effectively involves consumers.

What CA wants to see is any public support linked to food quality, environmental and rural objectives, instead of consolidated payments based on recent levels of support as proposed by the Commission. CA is also in favour of institutional changes within the EU putting an end to the domination of agricultural policy by

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<sup>134</sup> <http://www.who.int/fsf/fctshtfs.htm>

the Commission's Agriculture Directorate-General and EU Farm Ministers at the expense of wider interests.<sup>135</sup>

#### **4.5. BEUC (European Consumers' Organisation)**

BEUC was founded in 1962 to defend and promote the interests of European consumers - citizens as purchasers or users of goods and services - in the EU policy process. Drawing on collective knowledge and experience, the BEUC team and members develop policy positions to form the basis of campaigns together. BEUC contributes expertise on issues that have direct economic or legal consequences for consumers or that influences consumers' health, safety and environment. It seeks to maximise the benefits of the Single European Market and minimise potential risks for the consumer, focusing increasingly on matters of quality and on social and ethical issues. BEUC's vision of the European Union is one of shared responsibility among all stakeholders in society in order to maintain and strengthen fundamental consumer rights.

BEUC members are particularly pleased with the progress they brought about regarding consumer policies of the EU. So far both the European Parliament and the Council have agreed that information will be provided on whether a food or food ingredients have been genetically modified, and that all ingredients derived from GMOs (such as oil) will be labelled even if no longer detectable by testing. According to the officials of the BEUC, over the next years very fundamental changes can be expected in EU consumer policy due to enlargement, but also

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<sup>135</sup> McKechnie, S. (2003), (Director of Consumers' Association), London  
[www.bsas.org.uk/meetings/annlproc/Pdf2003/233.pdf](http://www.bsas.org.uk/meetings/annlproc/Pdf2003/233.pdf)

because of increased cross-border opportunities offered by a larger market, the euro, on-going developments in e-commerce, agricultural policy and trade.

BEUC members are concerned that within the proposed Commission Consumer Policy Strategy 2002-2006, the focus is too much on the economic importance of a large market made possible by these changes. They fear it is causing the Commission to see (national) consumer protection laws as fragmenting this larger market and as an obstacle to consumers enjoying its full benefits. Consequently, the Commission seems to be moving to favour the principle of full or maximum harmonisation.

The BEUC Legal Department operates the secretariat of the European Consumer Law Group (ECLG). Its purpose is the strengthening of the links between practitioners and researchers involved in the promotion of consumer interests in their respective countries.

BEUC coordinates food consensus project, the purpose of which is to bring consumers (from EU and accession countries) and scientists together with other stakeholders in workshops. By this way, BEUC stimulates interactive dialogue to identify areas of consensus.

One of the campaigns BEUC initiated together with EEB was a campaign for reform of EU chemical policy in April 2000 that launched 'Chemicals under the Spotlight: from Awareness to Action' that led to the signing of the Copenhagen Chemicals Charter in October 2000.<sup>136</sup>

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<sup>136</sup> [www.eutop.de/chp/Download/deRooRe.pdf](http://www.eutop.de/chp/Download/deRooRe.pdf)

#### **4.6. Food Standards Agency (FSA)**

The Food Standards Agency is an independent food safety watchdog founded in 2000 so as to protect public health and consumer interests in nutritional issues. The Agency represents the UK government on food safety and standards issues in the European Union.

Between 2001 and 2006, the Agency's key aims are to reduce food-borne illness by 20% by improving food safety right through the food chain; help people to eat more healthily; promote honest and informative labelling to help consumers; promote best practice within the food industry; improve the enforcement of food law; earn people's trust by what it does and how it does it.

FSA is the UK's most reliable source of advice and information about food. The FSA provides advice and information to the public and Government on food safety from farm to fork, nutrition and diet. It also protects consumers through effective food enforcement and monitoring. The Government is committed to improving public services and making them more responsive to their users. These standards set out the level of service you can expect from the Food Standards Agency. By helping to develop a framework of well-founded and effective European food law, the Agency will be able to secure a sound basis for its activities as a food authority.<sup>137</sup>

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<sup>137</sup> <http://www.foodstandards.gov.uk/aboutus/>

#### **4.7. European Food Authority (EFA) / European Food Safety Authority (EFSA)**

Experiencing food scares in the 1990s (eg BSE, dioxins...) which undermined consumer confidence in the safety of the food chain, the European Union recognised the necessity of establishing a new scientific body charged with providing independent and objective advice on food safety issues associated with the food chain. General principles and legislation on food and setting up a European Food Authority (EFA) was agreed on at the Nice Summit in December 2000.

Its foremost objective as set out in the White Paper on Food Safety would be to: "...contribute to a high level of consumer health protection in the area of food safety, through which consumer confidence can be restored and maintained." The outcome of these efforts turned out to be the European Food Safety Authority (EFSA), which was legally born in January 2002 replacing EFA, European Food Authority. EFSA provides independent scientific advice on all food and feed safety matters - including animal health and welfare and plant protection - and supplies scientific advice on nutrition in relation to Community legislation. EFSA informs the public in an open and transparent way on all matters within its remit. The Authority's risk assessments provide risk managers (made up of the EU institutions with political accountability, i.e. European Commission, European Parliament and Council) with a sound scientific basis for defining policy-driven legislative or regulatory measures required to ensure a high level of consumer protection in relation to food safety.

In 2003, EFSA developed into a fully-fledged independent European agency. It published its first scientific opinion related to GMOs in that year.

EFSA is now mainly dealing with requests for risk assessments originated from the European Commission and plans to take on a wider brief from other European institutions in the near future. Notwithstanding the major needs of its key customers, EFSA is already undertaking its own work so as to look ahead and address broader issues of importance to its mandate. To exemplify, through such “self-tasking”, the Authority’s Scientific Committee has initiated work regarding the identification of emerging food safety issues.<sup>138</sup>

#### **4.8. Consumer Cooperative Organisation (EURO COOP)**

EURO COOP (a consumer cooperative organisation) provides a European platform for consumer interests. Consumer co-operatives were the first consumer organisations aiming to defend and promote consumers' interests, and in many countries they contributed to the creation of consumer associations, as it was recently the case in Sweden. At the European level, Euro Coop's first purpose is to defend and promote consumers' interests. Its priorities are laid down by the members, consumer co-operatives' national organisations.<sup>139</sup>

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<sup>138</sup> [http://www.efsa.eu.int/about\\_efsa/catindex\\_en.html](http://www.efsa.eu.int/about_efsa/catindex_en.html)

<sup>139</sup> [http:// www.eurocoop.org](http://www.eurocoop.org)

#### **4.9. European Association for the Co-ordination of Consumer Representation in Standardisation (ANEC)**

ANEC stands for "European Association for the Co-ordination of Consumer Representation in Standardisation". ANEC was established in 1995 as an international non-profit association. ANEC provides technical expertise based on a network of more than 170 consumer representatives across Europe. ANEC's areas of priority are child safety, design for all, domestic appliances, environment, information society, services and traffic safety.

According to ANEC, consumer participation in the work of national standards bodies is unsatisfactory. It is developed to a certain extent in only 8 of the 15 EU and 3 EFTA countries. This is the result of an ANEC study on the national arrangements for consumer representation in standardisation published in 2001. Consumer representatives in all EU and EFTA countries see the lack of resources as the main obstacle to stronger consumer participation in standardisation. Against this background, ANEC has been calling for a revision of the European standardisation system that in its current shape primarily serves industry needs.<sup>140</sup>

#### **4.10. International Organization of Consumers Unions (IOCU)/ Consumers International (CI)**

Consumers International, founded in 1960, is an independent, non-profit and non-governmental organisation, which currently links the activities of 215 members in 88 countries, and represents consumers' interests in many global policy-making

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<sup>140</sup> <http://www.anec.org/anec.asp?rd=53342&ref=01-01&lang=en>

bodies. It aims to promote and protect consumers' rights and interests world-wide through research, information and education; to assist and promote genuine efforts throughout the world in consumer self-organisation as well as governmental efforts to further the interests of the consumer; to support and strengthen member organisations; to influence the institutions which formulate global and regional policy affecting consumers.

Consumers International organises many conferences, seminars and regional workshops on consumer-related issues. It has developed expertise in model consumer protection legislation, consumer magazine development, product testing support, media and communications support, consumer education, and national and international advocacy guidelines to support the work of its member organisations. Consumers International links the work of its member organisations through information networks, regular publications, seminars, workshops and triennial World Congress. It initiates research and action and publishes briefings on many international issues. Its publications are World Consumer (four times a year), Consumer Current (12 times a year), Consumer Directory (every second year) and Regional newsletters.

#### **4.11. Association of European Consumers (AEC)**

AEC, founded in 1999, brings together 33 consumer organisations from 17 different countries from EU and Central and Eastern Europe. AEC and its members aim to work together in the interest of consumers focusing on social and environmental awareness. AEC works to strengthen consumer influence in society and to gain recognition of the important role that consumers play in choosing the

direction of social and environmental development. AEC tries to ensure the diffusion of vital, objective information that can help consumers make informed, rational and responsible choices, thereby guiding society into an ethically principled, ecologically sound and harmonious course of development. AEC works with topics such as: sustainable development, representation of consumers, food safety, animal welfare and collaboration with Central and Eastern European Countries.<sup>141</sup>

#### **4.12. Confederation of Family Organizations in the European Community (COFACE)**

COFACE was originally founded in 1958 as the European Action Committee of the International Union of Family Organizations (IUFO). Over time, it grew independent, and in 1979 turned itself into an international not-for-profit voluntary organization with the name ‘Confederation of Family Organizations in the European Community’, now the European Union. COFACE's activities have helped in shaping of European policy in areas such as protecting consumer interests, social protection and programmes for assistance to people with disabilities and health promotion and education.<sup>142</sup>

Apart from all these institutions and government policies, the food consumer himself bears responsibilities to protect himself from harmful effects. Therefore, the issue of the rights and liabilities of food consumers need to be touched upon here.

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<sup>141</sup> [www.consumer-aec.org/english/index.htm](http://www.consumer-aec.org/english/index.htm)

<sup>142</sup> [www.coface-eu.org/english/html/coface.html](http://www.coface-eu.org/english/html/coface.html)

As regards the liabilities of the consumers, no matter how good the safeguards put into place throughout the food chain, they should not forget that they still bear some responsibility to handle food and cook food properly and safely. Food is not a zero-risk commodity. Just as ignorance cannot be considered to be defence when it comes to compliance with the law, ignorance of simple hygiene and safe food practices cannot be defence against the potentially deadly food poisoning microorganisms found in the raw foods we consume. Food control authorities try to help consumers to help themselves by providing authoritative education and information considering that consumers are entitled to equal protection from poisonous information about food. But consumers should also fulfil the requirements of handling food and then should be in search of their rights where necessary.<sup>143</sup>

As for the rights, Article 153 (129a) of the Treaty of Amsterdam now constitutes a legal basis for a complete and diverse range of actions at European level. It stipulates that: ... the Community shall contribute to protecting the health, safety and economic interests of consumers as well as to promoting their right to information, education and to organise themselves in order to safeguard their interests. This article also requires a stronger integration of consumer interests in other EU policies. Article 95 (100a) §3 emphasizes the role of scientific evidence, both at EU and national level, in the evaluation of proposals concerning health, safety, environmental protection and consumer protection measures. Article 153, strengthens limited application of Article 95 and broadens its remit beyond single market issues so as to include access to goods and services and to the courts,

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<sup>143</sup> Ellard, Raymond, "Back to the Future: From sci-food scares to a culture of food safety" in Consumer Voice special edition 2000, p. 28

quality of public services, and aspects of nutrition, food, housing and health policy. It also states that action adopted shall not prevent any Member State from maintaining or introducing more stringent measures as long as they are compatible with the Treaty.<sup>144</sup>

Additionally, consumers in the European Union have a plenty of common fundamental rights if they shop across EU borders now. These stem from EU directives which in many cases allow Member States to introduce or maintain more stringent consumer rights.

If consumers encounter problems with a cross-border transaction, they can seek assistance from a European Consumer Centre which offers consumer advice. Alternatively, consumers can seek advice and access to an out-of-court alternative dispute resolution (ADR) through the European Extra-Judicial Network (EEJ-Net) - a network of ADR schemes across the EU. ADR schemes offer a cheaper, simpler and usually quicker solution to resolving cross border disputes than the courts. All 15 Member States as well as Norway and Iceland have a central contact point to help consumers. The EEJ-net was launched in October 2001 and has already dealt with over 1100 consumer complaints.<sup>145</sup>

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<sup>144</sup> European Parliament Fact Sheets 4.10.1 consumer policy: principles and instruments

<sup>145</sup> EU Business Fact sheets, 5 December, 2002

## **CHAPTER 5**

### **CONSUMERS' VIEWS ABOUT THE CAP**

A majority of the Europeans want to see a change in the way the Common Agricultural Policy (CAP) supports the EU farmers. According to the latest Eurobarometer opinion poll, more than 60% of EU citizens see a shift of farm subsidies from production to directly supporting farmers and the rural areas as "a very good" or "fairly good" thing. Support among those questioned for direct support to farmers was on average 62%, up 6% compared to the last Eurobarometer poll of mid-2001. The survey also shows that citizens want the EU farm policy to ensure that agricultural products are healthy and safe. According to the poll, for the EU citizens, the priority of the CAP should be to ensure that agricultural products are healthy and safe, promote respect for the environment, protect medium or small sized farms and help farmers to adapt their production to consumer expectations.

Confidence of the EU citizens in the CAP's ability to deliver safe agricultural produce has also recovered. There was an increase - from 37% (2001) to 42% - in the number of respondents who felt that the CAP ensured that agricultural produce was safe to eat. This is seen as the area in which the CAP best fulfils its objectives.

Lack of information continues to be a problem - 'Don't know' answers ranged from 24 - 35%. Only 20% of respondents, for example, felt that they had enough information on how food is produced and treated.

Those surveyed were strongly in favour of the following farm policy objectives listed in the survey:

- To ensure that agricultural products are healthy and safe: 90%
- To promote the respect of the environment: 88%
- To protect medium or small sized farms: 81%
- To help farmers to adapt their production to consumer expectations: 80%
- To favour and improve life in the countryside 77%
- To make European agriculture more competitive on world markets: 77%
- To ensure stable and adequate incomes for farmers: 77%
- To encourage the diversification of agricultural products and activities: 73%
- To favour methods of organic production: 72%
- To protect the taste of European agricultural products: 73%
- To protect the specificity of European agricultural products: 73%
- To reduce development disparities between regions: 72%
- To defend farmers' interests in their dealings with intermediaries and distributors: 71%

When asked how well they thought the CAP met its objectives, the satisfaction levels ranged from 41% (To ensure that agricultural products are healthy and safe) to 25% (To defend farmers' interests in their dealings with intermediaries and distributors).<sup>146</sup>

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<sup>146</sup> <http://europa.int.comm/agriculture/survey/2002>

Another related research on European consumers' trust in food reveals that consumer trust fruits and vegetables more than "junk food". Trust in food turns out to be high in the United Kingdom, Denmark, and Norway, but low in Italy and Portugal and relatively low in Germany. Research also indicates that consumers in these countries are most sceptical about meat products, fast-food outlets and food processors. Analysis shows that between one third and one quarter of consumers think that the price, taste and quality of food as well as farming methods, nutrition and safety have deteriorated over time. Italian and Portuguese consumers display the highest level of pessimism, with 60-80% believing that food prices, taste and quality have worsened over the past twenty years. But a lower proportion believes that food safety and nutrition has become worse. Pessimism in all countries is associated with trust in individual food items. When asked about their level of trust in various institutional players in the case of a food scare, consumers rarely believed they were told the whole truth. Less than 10 percent of the respondents in all the surveyed countries trusted the food-processing industry to tell the truth about a food scare. About 10 percent trusted supermarket chains and 14 percent trusted farmers. The highest levels of trust were placed in consumer organisations, food experts and governmental bodies. The ranking of trust in institutional players was practically identical across all six nations. Any interpretation of these findings must take into consideration the fact that such players may have different roles and profiles in each of the different countries. However, the results indicate that consumer organisations, food experts and governmental control bodies are widely trusted irrespective of the country.<sup>147</sup>

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<sup>147</sup> Research by C. Poppe & U. Kjaernes on [www.trustinfood.org](http://www.trustinfood.org)

## CHAPTER 6

### FUTURE PROSPECTS IN THE LIGHT OF NEW CHALLENGES

The Common Agricultural Policy has been the foremost, the most contentious and the largest budget-consuming one of all the Union's policy areas. The EU retains more power in agricultural policy area than it has in any other policy area; additionally it has passed more legislation on agriculture than in any other single policy area. The future prosperity of the EU's agricultural sector depends on its ability to profit from the domestic and international opportunities that have emerged in recent years. The CAP has already gone through a huge progress and has now a great potential to become a truly European model of agriculture for the 21st century.<sup>148</sup>

The significance of the CAP nowadays is also associated with the fact that it is directly related to the Single Market and the EMU, which are two key areas on the way to achieve a truly integrated Europe.<sup>149</sup>

In view of the requirements of our age, new internal and external challenges vis a vis the CAP have now arisen:

- Enormous growth is foreseen on the world agricultural market with prices offering a good rate of return. The present level of CAP prices is too high for the

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<sup>148</sup> <http://europa.eu.int/scadplus/leg/en/lvb/l04000.htm>

<sup>149</sup> *ibid.*

EU to meet international undertakings and to be able to benefit from the expansion of world markets, with the risk that surpluses will recur and create intolerable budget costs, and market share may be lost within intra and extra-Community levels;

There is disparity between agricultural support distributed among regions and producers, resulting in poor countryside planning: a decline in agricultural activities in some regions and overly intensive farming practices in others leading to pollution, animal diseases and poorer food safety;

- It is a key task to render the CAP more acceptable to the average citizen, namely the consumer;

- Power of the agricultural sector in the EU rests on its diversity: its natural resources, its farming methods, its competitiveness and income levels, and also its traditions. Due to successive enlargements, managing the CAP has become far too complex and bureaucratic, and sometimes even practically impossible to understand. For this reason, a new, more decentralised model should be developed granting the Member States more freedom without putting competition or renationalisation of the CAP at stake; but laying down shared, clear ground rules and rigorous controls instead.

As a matter of fact, the European Union has to keep its agricultural sector on guard against international negotiations and define the acceptable limits for itself. Enlargement of the EU to Central and Eastern Europe inevitably renders market management and simplification measures necessary more than ever, since economies of the applicant countries are still heavily dependent on agriculture.<sup>150</sup>

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<sup>150</sup> <http://europa.eu.int/scadplus/leg/en/lvb/l60002.htm>

Enlargement will bring a number of heavily agricultural and relatively poor economies into the EU. The CAP has to be flexible enough to incorporate these countries without de-stabilising agriculture either in the existing EU 15, or in the new Members.<sup>151</sup>

Agriculture Commissioner Dr. Franz Fischler made a speech in April 2004 concerning the reforms and the future of the CAP in which he argued that enlargement apart from more competition would bring greater opportunities for Europeans in the farming sector. For him, this means more trade, uniform standards and greater openings on a larger internal market of 450 million consumers without tariff restrictions, export quotas or trade barriers. Purchasing power in the new members will lead to large numbers of new customers demanding branded food items from EU-15 which is expected to continue in the future with further strong growth in cheese and meat product consumption, for example. He stated that farmers and the food industry in today's EU in particular will benefit from this increased demand as it is mainly their brands that are sought-after. Fischler concluded his speech reminding that the EU is the first importer and second largest exporter of agricultural products world-wide.<sup>152</sup>

According to Moyer and Josling, EC consumer groups have never constituted an important force in influencing the development of the CAP. It may seem puzzling since CAP holds farm prices high where they would be in the absence of price supports. Public choice theory gives insights as to why consumer voice is weak. Individual consumers do not easily perceive the impact of the CAP. Most food they buy in shops comes only indirectly from farmers; through processors and

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<sup>151</sup> <http://www.xanthi.ilsp.gr/kemeseu/ch4/start4.htm>

<sup>152</sup> Dr. Franz Fischler DN: SPEECH 04/177 date: 14 April, 2004

marketing chain. Losses to each individual consumer are therefore high in relation to total income. Effect of the CAP in maintaining stable consumer prices (even if at a high level) has been publicised as a benefit to consumers, along with the presumed advantages of a high degree of self-sufficiency. So, consumers have had little incentive to organize and contribute to the resources necessary to influence the policy debate. Only recently has the issue of excessive food costs been linked to issues of family poverty and industrial wage costs and only in certain countries. Moreover, consumer interests appear acceptable to their membership. All this means that consumer organizations can not make credible threats or promises to policy-makers. Consumer organizations can not deliver effective political support or incentive to pay much attention to their views, except on specific issues such as food quality and safety.<sup>153</sup>

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<sup>153</sup> Moyer, H. Wayne., Josling, Tim.E. (1990), *Agricultural Policy Reform: Politics and Process in the EC and the USA*, Harvester Wheatsheaf , p. 48-49

## **CHAPTER 7**

### **CONCLUSION**

Agriculture is considered to be vital all over the world because it encompasses the whole population given that we are either producers or consumers; or both. Governments devise policies to keep these sides, supply and demand in balance and satisfy the needs of both groups together with meeting the challenges of changing world conditions. These policies face criticisms; undergo reforms and still fail to content the parties concerned as is the case with the Common Agricultural Policy (CAP) of the European Union (EU). Being the most extravagant policy of the EU, expenditure for the CAP still constitutes approximately 40% of the EU budget. It has long been the target of severe criticisms and subsequent changes to keep pace with technological advances leading to newly emerging needs.

Principles governing the CAP were laid down in the Treaty of Rome in 1958. Then, the first reform movement to introduce changes to these principles came from Sicco Mansholt; but this plan failed to be viable. Then, Green Paper was published in search of a balance between demand and supply in agriculture. Subsequently, the milestone reforms of MacSharry became the starting point of radical reforms, proposing area payments for arable crops and headage payments. MacSharry reforms led to the creation of the World Trade Organisation replacing the General Agreement on Tariffs and Trade. After that, Agenda 2000 proposals

put forth in 1997 built on MacSharry reforms in search of a more competitive, decentralised and less bureaucratic CAP offering a higher life standard to farmers. Agenda 2000 introduced terms like ‘modulation’, meaning a reduction in direct payments for bigger farms to finance the new rural development policy; and ‘cross-compliance’ implying that this payment will be linked to the respect of environmental, food safety, animal and plant health and animal welfare standards, as well as the requirement to keep all farmland in good agricultural and environmental condition. During these years, the most remarkable change has been the transition from price support to direct income support. With the effects of globalization and technology, sustainable and competitive agriculture gained popularity. Decoupling, which means cutting the link between production and direct payments has also become a major concern nowadays. Decoupling is designed to stabilise incomes of the farmers and give their entrepreneurial freedom back to them. As for the latest developments, talks in Seattle, Doha and Cancun were expected to bear some good results. Unfortunately, they also failed to get appreciation, being able to satisfy neither the expectations of the consumers, nor the producers of food.

One of the core arguments of this thesis work is that all the scholars concerned with agricultural policies agree that the food expenses incurred by the European consumers for the functioning of the CAP cost too much. They pay for higher food prices as consumers; and for the budgetary cost of operating the market management system as taxpayers. This fact justifies the complaints coming from consumers for paying twice for food products.

The second core argument of this thesis is that consumers are becoming more and more aware of the facts about what they eat and what they are entitled to claim

against thanks to technological improvements, lobbies of consumer groups and communication facilities. As the society grows more conscious, food additives, flavorings and hormones used in food products are questioned by the consumers. Some are even proved to be carcinogenic if used in excess amounts (more than allowable amounts). Also, irradiation of food, irrespective of its being harmless or not, is a sensitive issue for consumers. As these facts and sometimes rumours become widespread, consumers become more and more sceptic, and this makes them curious about what they eat. Now, the consumers claim their right to access to affordable, safe, quality and nutritious food products bearing the right of full information about the ingredients on their labels.

Especially the outbreak of mad-cow disease and the ongoing controversies on genetically modified foods alarmed the consumers. BSE crisis drew public attention to the concerns about animal welfare. Now they act more consciously lest they may consume unsafe food products. According to the results obtained by the opinion polls in the EU, food safety concerns top the other objectives of the CAP in the minds of European citizens. This emphasizes the significance of safety of food and labeling again.

As a relevant issue to food safety, consumption of organic products is a growing trend nowadays, directing the farmers to produce and the consumers to eat healthier food in the face of a growing demand. Organic farming practices benefit each of the parties concerned; costing less and harming less. In terms of pollution brought about by the residues of pesticides and similar chemicals used in intensive agriculture, organic farming contributes to the protection of the environment, which is a condition of sustainable agriculture and development.

Globalisation, an undeniable and irreversible fact of our era, also has effects on consumers, both favourable and unfavourable. Due to the withdrawal of state support, deregulated prices, rising cost of inputs, and competition from large commercial farms, food security for the consumer became questionable. On the one side of the coin, with the developing technology creating supermarket chains, food became distant to the consumer eradicating smaller retail stores; but on the other side, food became plentiful and various in these supermarkets which offer the consumers a wide-range of choice.

There are many institutions and organisations functioning to safeguard and defend the rights of consumers in the EU. Especially, in the wake of food safety issues they keep growing in importance as they are functional in informing and warning the consumers about the risks and benefits of the food products.

Some groups, the above-mentioned consumer organizations in particular, hope to see the days when the letters C.A.P. stand for 'Consumer Aiding Policy' rather than the Common Agricultural Policy. Nevertheless, it should not be forgotten that the income levels, tastes- likes and dislikes- of the consumers indicate a great variety. Additionally, individual consumers cannot easily perceive the effect of the CAP. This brings us to the third argument this thesis is based on: Considering this heterogenous structure, which renders drafting of a cohesive agricultural policy impossible, noone can expect the CAP to be totally consumer-oriented. That is why devising a policy to meet the needs of the consumers as a whole is beyond discussion directing the policy makers towards producers.

In the light of all these subjects pertaining to the Common Agricultural Policy from the point of view of the consumer, the CAP can be said to have achieved many things; but apparently there is a long way to go. The CAP seems to need

more drastic rather than cosmetic reforms in the upcoming years. These reforms will be essential to modernise the CAP that already serves agriculture from northern Finland to Southern Portugal; and to prepare a sound background for an enlarged EU of 25. Considering the fact that some of the new members' economies are highly dependent on agriculture and will need aid in a number of areas, a hard and complicated work is awaiting the EU decision-makers. As a consequence, these future reforms should not only be based on economic aspect; but should also consider social, environmental and rural objectives for the sake of attaining a sustainable CAP.

### Appendix A. Total Support Estimate by Country

		1986-88	2000-2002	1986	1990	1995	2000	2001	2002p
<b>Australia</b>	USD mn	1.674	1.387	1.821	2.585	2.259	1.352	1.171	1.232
	EUR mn	1 533	1 504	1.856	2.036	1.728	1.468	1.308	1.307
	Percentage of GDP	0,8	0,4	1,1	0,8	0,6	0,4	0,3	0,3
<b>Canada</b>	USD mn	7.161	5.604	7.429	9.644	5.393	5.533	5.308	5.969
	EUR mn	6 541	6 088	7.571	7.596	4.125	6.004	5.927	6.334
	Percentage of GDP	1,7	0,8	2,0	1,7	0,9	0,8	0,8	0,8
<b>European Union</b>	USD mn	<b>110.771</b>	<b>103.849</b>	<b>105.171</b>	<b>132.810</b>	<b>145.909</b>	<b>100.061</b>	<b>98.921</b>	<b>112.564</b>
	EUR mn	<b>100 624</b>	<b>112 823</b>	<b>107.173</b>	<b>104.617</b>	<b>111.614</b>	<b>108.577</b>	<b>110.456</b>	<b>119.438</b>
	Percentage of GDP	<b>2,7</b>	<b>1,3</b>	<b>3,0</b>	<b>2,2</b>	<b>1,7</b>	<b>1,3</b>	<b>1,3</b>	<b>1,3</b>
<b>Japan</b>	USD mn	57.573	60.168	52.145	52.332	98.574	67.480	57.338	55.687
	EUR mn	52 133	65 445	53.138	41.223	75.405	73.223	64.024	59.087
	Percentage of GDP	2,3	1,4	2,6	1,7	1,9	1,4	1,4	1,4
<b>Turkey</b>	USD mn	3.183	7.878	2.883	6.457	6.145	10.491	5.410	7.733
	EUR mn	2 888	8 543	2.938	5.086	4.700	11.384	6.041	8.205
	Percentage of GDP	3,6	4,2	3,8	4,3	3,6	5,3	3,6	4,1
<b>United States</b>	USD mn	68.532	93.504	74.888	71.433	70.538	92.797	97.442	90.273
	EUR mn	62 804	101 761	76.314	56.269	53.959	100.695	108.804	95.785
	Percentage of GDP	1,4	0,9	1,7	1,2	1,0	0,9	1,0	0,9
<b>OECD</b>	USD mn	302.384	315.015	296.426	343.170	374.737	321.311	305.470	318.264
	EUR mn	275 157	342 481	302.069	270.320	286.656	348.656	341.088	337.699
	Percentage of GDP	2,3	1,2	2,6	2,0	1,6	1,3	1,2	1,2

Source: OECD, PSE/CSE database, 2003

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