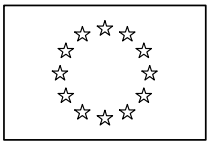

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COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS

Tackling the challenge of rising food prices
Directions for EU action

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1. INTRODUCTION

For thirty years, food prices both in Europe and globally have fallen in real terms. This trend has been reversed over the past months by sudden and steep upward movements in world agricultural commodity prices.

The price surge affected several commodities at the same time: cereals, meat, and dairy products all recorded two digit or even three digit increases in less than a year. The size and abruptness of the price surge have generated macro-economic imbalances across the world. Developing countries and the most vulnerable populations have been hit disproportionately. Millions of people living on the edge of poverty face hunger and malnutrition..

Inside the Union, food price inflation reached 7% in March 2008. For European consumers, the effects of soaring food prices have been worsened by simultaneous increases in energy prices. Households purchasing power has gone down and it is the 16% of Europeans living below the poverty threshold who are most exposed.

2. A SUDDEN AND STEEP SURGE ACROSS A BROAD RANGE OF AGRICULTURAL COMMODITIES

Reversing three decades of declining agricultural prices (in real terms), the prices of a number of commodities started a steady upward movement in 2006. They increased dramatically in the second half of 2007 to reach a peak level in the first months of 2008.

The increase was sharp and affected a broad range of commodities simultaneously. Between September 2006 and February 2008, world agricultural commodity prices rose by 70% in dollar terms. Particularly strong increases concerned wheat, maize and rice prices as well as dairy products[1]. Reference prices for world markets in early February 2008 compared to the same month of 2007 were of the following order of magnitude: + 113% for US wheat versus + 93% for EU wheat; + 83% for US soybeans; + 52% for Thai rice, + 24% for US maize. Since February, the reference price for rice (Thailand's export price) has doubled, as it went beyond 1000 US $/tonne at the end of April. Meat, such as poultry, and vegetable oils also registered strong price increases. In Europe, prices for wheat and dairy products increased by 96% and 30% respectively between September 2006 and February 2008.

Lately, a downward inflexion of the trend has been observed, driven by a decline in the price of cereals and of dairy products. Compared to their latest peaks, prices in the EU dropped by 25% for wheat and by 35% for butter. Rice prices continue to rise, also as a result from export constraints imposed by important rice producing countries such as Vietnam, Thailand, India and China to avoid domestic shortages. Given the volatility of the situation and the conflicting nature of the trends, price movements will be closely monitored in the coming months.

[1] Some commodities, such as sugar, have seen a continued price decrease.

3. THE ROOT CAUSES OF HIGH FOOD PRICES: TEMPORARY AND STRUCTURAL FACTORS

The observed price movements are the result of a complex combination of both structural and more temporary factors. While there is consensus on which factors are relevant, views differ with regard to their relative importance. Furthermore, he degree by which each factor explains increases in prices varies by commodity and by region. The causes behind price rises for wheat and rice are substantially different from those for maize and soya. The former have been strongly determined by supply-side issues. In the case of the latter, demand growth has played a major role. Supply-side factors appear to have triggered greater price responses than has demand growth.

Looking into structural drivers of market changes, over the past years ***a steady rise in demand for staple commodities and for higher value added food can be observed from emerging economies, such as China, Brazil and India***. This is driven by record economic growth rates, urbanisation and changes in dietary patterns (notably for meat: for example, today, Chinese consumers eat 50 kg of meat per year, compared with just 20 kg in 1985.). In broader terms, the growth in world population, notably in developing countries, has also contributed to expand food demand.

High energy prices are also affecting agricultural prices. According to some analysts, rising energy prices have a more significant impact on food prices than increases in the price of agricultural commodities. They are affecting food prices directly, by raising the price of inputs, such as fertilisers, pesticides and diesel, as well as the processing and transportation costs. The price of nitrogen fertilizer is up 350% since 1999, largely due to fuel costs. Freight costs have also gone up significantly. Indirectly, the rapid rise in crude oil prices also increases the demand for biofuels, as it makes them a viable substitute for fossil fuels.

Demand for agricultural commodities is also influenced by the ***emergence of alternative market outlets, in particular the biofuels market***. Commission analyses indicate that current EU biofuel production has little impact on current global food prices, as biofuels use less than 1 per cent of EU cereal production. The European Council has agreed a target of 10% biofuels in transport fuel by 2020: such a long lead-time makes it unlikely that this can have had an impact on prices today and the sustainability criteria proposed by the Commission will mitigate the impact for the future. On the other hand, the proactive policy pursued by the US has had a noticeable impact on the maize market, but so far has remained a relatively moderate contributor to high food prices in general. US production of bioethanol is estimated to absorb around 25 per cent of national maize production.

Some structural factors are also depressing supply potential. These include ***the slowing down of growth in food cereal yields***, which has concerned in particular European producers, but also partly reflects years of underinvestment in agriculture in developing countries.

Furthermore, ***climate change*** analysis suggests that unusual weather patterns are likely to become more pronounced, with possible consequences in volatility of agricultural production because of weather-related supply shortfalls.

While structural factors can account for a longer term but gradual shift in the market equilibrium, temporary factors have reinforced the direction and speed of changes, acting as triggers of the sudden jump in prices.

Adverse weather conditions have hit a number of major producing and exporting countries, leading to exceptionally poor harvests. For example, Australia suffered three droughts in the last six seasons, with production falling by 50% in 2006. The weather related cereal supply shortfall of North America, Europe and Australia in 2006 was more than 60 million tonnes, four times more than the increase in cereal use for ethanol in these countries. Due to the historically low level of international stocks, the surge in agricultural commodity prices have not been cushioned by stock releases, According to FAO's forecast, world cereal stocks are expected to fall to a 25-year-low of 405 million tonnes in 2007/08, down 21 million tonnes, or 5%, from their already reduced level of the previous year. EU intervention stocks are depleted.

Furthermore, developments in the financial markets have had an impact. There has been increased activity by speculative investors in commodity related financial markets to hedge price risk or use excess liquidity in the wake of the financial market crisis. These activities lead to increased price movements and volatility on futures and spot commodity markets and have amplified the underlying price movements. Their influence on long term price formation remains uncertain.

The depreciation of the US dollar has also contributed to driving prices upwards. Exchange rate effects have added to the unequal impact of price increases. For countries whose currencies are tied to the Euro (e.g. FCFA countries in West and Central Africa) the negative effects have been somewhat reduced. Countries whose currencies are depreciating are hit particularly hard.

Some exporting countries have responded to rising prices with restrictive export policies. India has introduced export bans, Vietnam and Thailand rice export limits, Indonesia export taxes on palm oil, Kazakhstan a ban on wheat exports. Such taxes and export bans are designed to protect domestic markets from short term supply shortfalls and price shocks. However, they further tighten international agricultural markets to the detriment especially of food importing developing countries. In a medium term perspective, such restrictions send the wrong market signal, reducing incentives for farmers to invest and increase production and contributing to imbalances on regional markets.

The impact of these combined developments on agricultural prices is compounded by the relative inelasticity of supply and demand of agricultural products in the short term. Agricultural production is seasonal, with a time lag between market signals and producers' response. In recent years there has been insufficient investment in agriculture in developing countries. Finally, a relatively small share of global production comes onto world agricultural markets (16% of world wheat production is traded, 8% for dairy products and 7% for rice), and increasingly, this comes from a small number of exporting countries.

4. OUTLOOK FOR THE MEDIUM TERM

Agricultural prices are subject to cyclical fluctuations. Over the past century, they have known numerous peak periods. The key question is whether this time the next downward adjustment will be sufficient to wipe out the past increases or whether we are entering into an era of persistently higher levels of price for agricultural commodities.

All the analysis suggest that high food prices are not a temporary phenomenon but are likely to persist in the medium term, though most likely not at the record levels recently reached. The recent commodity price rises have been associated with some temporary factors, in particular weather related shortfalls. Thus, the return to average harvests should ease the tight situation on agricultural markets and contribute to lower food prices. However, to the extent that some of the underlying factors are structural and lasting, there is likely to be a continued imbalance between dynamic demand growth and increases in supply.

All of this means that food prices are unlikely to fall back to pre-crisis level in the short to medium term. Forecasts made by FAPRI and OECD predict that, even with the return of normal weather conditions and a return to normal supply, commodity prices – in nominal terms – over the medium term would average above the levels that prevailed in the past ten years. Any short term decline would be unlikely to last.

Technological improvements, increases in yields and expansion of production area may help meet the demand growth and reduce price inflation. However, even assuming constant favourable climatic conditions, a number of factors will limit the pace at which production can catch up with demand. Factors like availability of land, water, agricultural input prices, technological innovation and investment will limit the scope for increases in productivity.

5. THE IMPACT WITHIN THE EU

Rising commodity prices have contributed to higher food and headline inflation in the EU. Headline inflation in the EU increased from 1.9% in August 2007 to 3.8% in March 2008. Food inflation (excluding alcohol and tobacco) increased from 2.7% to 6.9%. Similarly, energy inflation increased from -0.6% to 10.9%.

However, the transmission to consumer prices has been limited by three factors: (i) the appreciation of the euro; (ii) the declining share of agricultural raw materials in food production costs compared to energy and labour costs (mainly due to increased processing) and (iii) the low share of food in the total household expenditure (today an average EU-27 household spends around 14% of its total income on food). The competitive structure of the food supply chain, such as the level of concentration of the retail and distribution sectors, may also have influenced the varying extent and pace with which increases in raw material prices have been transmitted to consumers in different Member States.

In the case of bread, the cost of the raw material, wheat, accounts for only 5% of the total production costs, while the main cost factors are labour, energy and capital.

Inflation has been higher for processed food (where raw material prices account for a smaller proportion) ***than for unprocessed food*** (such as fruits and vegetables but also meat). In the EU, inflation in processed food (including categories such as 'Bread and cereals' and 'Milk, cheese and eggs', but excluding alcohol and tobacco) increased from 2.3% in July 2007 to 9.4 % in March 2008. Inflation in unprocessed food also increased from 2.6% in September 2007 to 4.2% in March 2008. The increase was more gradual and of a lesser extent than for processed food. The reason why processed food has been more affected than unprocessed food is that the kind of raw materials used in processed food have been those vulnerable to price increases (in terms of food, but also in terms of other inputs such as energy), whereas unprocessed food like vegetables, fruit, and fish have not experienced price increases. With regard to meat, this can be explained by a time-lag between higher feed costs through increased cereal prices and the resulting higher animal output prices.

According to analyses conducted in this field, the average increase in consumer food expenditure in the EU 27 resulting from the rise in the prices of agricultural products between February 2007 and February 2008 is 5%, reducing the purchasing power of an average EU household by 0.7%.

The impact of the food price increase has been felt differently across Member States and layers of the society within each Member State. Variations can be linked to Member States' differences in terms of market structures, consumption patterns, income levels and household expenditure for food. While the increases in food prices in EU-15 were around 5-7%, they were much higher in the new Member States (21.8% in Bulgaria and 17% in Estonia). This coincides with higher proportion of expenditure for food in household budgets. The percentage of household expenditure goes from 9.06% in the UK to 41.87% in Romania. In addition, the poorest 20% of households spend a much higher proportion of their household budget on food. For example, in Romania it is 56.8%, in Lithuania 43.4%, in Bulgaria 42%, in Latvia 38.2%, in Slovakia 30.7%, in Hungary 27.2%. Also in some countries of higher income level the proportion spent on food by the poorest households is substantially higher than for an average household (27% in Italy, 23.8% in Spain19.9% in Slovenia, 20.2% in Greece, 22.6% in Cyprus, 16.2% in Ireland, 14% in Germany).

Rising prices have benefited EU farmers in certain sectors, although to varying degrees. Whereas, cereal producers are benefiting from high prices, livestock producers however are negatively affected by the increase in feedstuff prices. Dairy producers and processors are also prevented from fully benefiting from the world price increase by the constraints put on output increase by the quota system in place.

6. THE IMPACT AT GLOBAL LEVEL

The impact of rising food prices on developing countries can lead to mixed results in the short and in the long term. Recent violent protests and food riots in Latin America, Africa and Asia demonstrate an immediate and dramatic impact on the world's poorest populations, putting years of progress towards the MDGs at risk. In the longer term, rising prices could turn into an opportunity to help rural communities in some developing countries out of poverty. Closer analysis shows that the impacts vary significantly across countries but also within each country.

Developing countries that are net importers of food, such as in Africa but also the Philippines, Indonesia and China, are the hardest hit by the crisis. Food aid-dependent countries which are also energy importers are the most vulnerable to price increases. According to the FAO[2], the cereal import bill of the world's poorest countries is forecast to rise by 56% in 2007/2008. This follows a significant increase of 37% in 2006/2007. For low-income food-deficit countries in Africa, the cereal bill is projected to increase by 74%. As food represent the most important share in these countries' consumer price basket, a full transmission of higher food prices means higher inflation, with possible adverse macroeconomic effects on stability and/or on growth through tighter monetary policies.

On the world stage, at aggregate level, the winners are net food exporting countries. In principle, net exporters stand to profit from improved terms of trade. High world prices for food crops are for instance benefiting the US (wheat, maize, rice, soy), Argentina (wheat, maize, rice, soy), Brazil (maize, rice, soy), Canada (wheat, rapeseed), Paraguay (maize, soy), Uruguay (maize, rice, soy), Russia (wheat), Thailand (rice, cassava) and Vietnam (rice), as well as Australia. However, some of these countries have introduced export restrictions to maintain low domestic food prices. This is the case for instance of Argentina, Egypt, India, Pakistan, Cambodia and Ukraine. There are 20 countries with similar export restrictions.

Few dispute that the net welfare effect on the global poor is negative, particularly in the short term. While households that are net sellers of food can gain, net food purchasing households suffer. The negative burden of food price inflation is borne by urban poor population, but also by the rural poor. In the rural areas of developing countries, there are many net food buyers (marginal farmers, rural labourers, non-farming households, landless households dependent on remittances etc.). This group loses more than it gains. On average, in a developing country a poor household spends about 50-60% of its budget on food and 10% for energy. Using as an example a household in Sub-Saharan Africa living on $5 a day, this means that $3 go on food, $0.5 on energy and $1.5 on other expenditures. A 50% rise in food prices means that the daily expenditure of that family for non food needs will have to be reduced by $1.5. In the short term, if higher prices have not led yet to food shortage, they have translated into greater poverty, malnutrition and increased vulnerability to further external shocks. According to preliminary estimates from the World Bank, the surge in food prices could push around 100 million people into deeper poverty.

[2] FAO, Crop prospects and food situation, no 2, April 2008.

In the medium to long term, rising prices offer new income-generating opportunities for farmers and could enhance the contribution of agriculture to economic growth, although several factors may slow down this adjustment. High agricultural prices provide incentives for public and private investments and programmes to improve productivity, reinforce infrastructure, spread production to marginal land and enhance the efficiency of agricultural markets. This could have positive effects across the whole economy, increasing labour demand and wages in rural areas, stopping outmigration to urban areas, reducing poverty, and contributing to food security. However, a number of factors may slow down this adjustment. In several countries, some forms of government intervention reduce incentives to producers to invest and increase their production. Additional factors are the geographical location of markets, their organisation, lack of information, the power of some intermediaries in the agri-food chain, difficulties in access to seed, fertilisers, and credit, as well as the low level of investment in rural infrastructure in the past. All these factors are detrimental to small rural producers. Adjustments in the rural economy, which can create new opportunities, will take time to reach the poor and to increase agricultural output.

7. ELEMENTS FOR AN EU RESPONSE

At EU level, policy initiatives can pursue three complementary lines of intervention:

(a) actions to address and mitigate short and medium term effects of the food price shock;

(b) actions to increase agricultural supply and ensure food security in the longer term;

(c) actions to contribute to the global effort to tackle the effects of the price rises on poor populations.

a) Actions to mitigate the effects of price increases in the short and medium term

(1) Monitoring price developments. Given the volatility and complexity of the current price trends, the Commission will closely monitor price developments within the EU and internationally and will report by the end of the year on the evolution of the situation.

(2) Adjusting the Common Agricultural Policy (CAP). A number of adjustments in the market management of the CAP) have been recently decided to mitigate the effects of the price increases. Intervention stocks have been sold. Moreover, three explicit steps have been taken to respond directly to the exceptionally high price levels on cereal markets: First, the Council decided in September 2007 to suspend for 2008 the obligation for farmers to set-aside 10% of their arable land. The Council also agreed unanimously on 20 December 2007 to suspend import duties on cereals with only few exceptions for the current marketing year (although the impact of this move might be limited, given the low level of effective tariffs). The Council has also decided to increase milk quotas by 2% as from 2008.

On a more general level, decoupled income support and reform of individual market organisations has already made farmers more responsive to market signals.. Several measures included in the Health check package adopted in parallel with this Communication, such as, abolition of obligatory set-aside and gradual increase in the milk quotas with a view to their elimination in 2015, move in this direction and should contribute to easing tight agricultural markets.

(3) Acting for the most deprived persons. The Commission will present a revised food security programme for the most deprived persons. The existing most deprived persons' food aid programme, started in 1987, has provided annually around €300 million worth of food aid, reaching 13 million beneficiaries in 19 Member States.

(4) Investigating the functioning of the food supply chain. The Commission will set up a task force to examine the functioning of the food supply chain, including concentration and market segmentation of the food retail and distribution sectors in the EU, and will produce a first report on the situation by the end of 2008. This will feed, in particular, into the monitoring of the retail sector established further to the Single Market review. The Commission will also continue to work closely on these issues with national competition authorities and encourages Member States which have or are planning to reform restrictive regulation in the retail sector to continue their efforts.

(5) Avoiding measures with distortionary effects. Given the strong impact of food price inflation on the purchasing power of households on low incomes, there is a debate in several Member States on how such effects can be – temporarily – mitigated. Where short-term targeted measures are taken to alleviate the impact of higher food prices on the poorer sections of the population they should avoid distortionary effects. The Commission will also monitor such developments closely.

(6) Analysing speculative investments. The Commission will monitor closely activities by speculative investors in commodity-related financial markets and their impact on price movements.

b) <u>Actions to enhance agricultural supply in the longer term</u>

(1) Strengthening the sustainability of EU policy on biofuels. Further analyses need to be carried out to examine how the agreed EU target (10% of biofuel for transport by 2020) will influence agricultural market prices and land use. However, simulations show that the consequence of a rising share of biofuels from 1% in 2005 to 10% in 2020 is a 30 million ton increase in feedstock use. Taking into account by-products, this translates into a 4 million tonne increase per year over a 15 year period. By 2020, this could mean an increase of cereal prices by about 3-6 per cent, rapeseed by about 8-10 per cent and sunseed 15% as compared to 2006, assuming a share of 30 per cent of supply is provided by second generation biofuels. But these impacts will be limited through the growing use of second generation biofuels which is encouraged by EU policy. Second generation biofuels are produced from feedstocks other than food crops, and can come not only from dedicated energy crops, but also from sources such as recycled vegetable oils, animal fat, by-products of forest based industries, forestry residues, solid waste and grasses.

(2) Promoting sustainable production of biofuels at international level. EU policy on biofuels is increasingly seen as part of a global trend to stimulate biofuel production. Proactive biofuel policies are pursued in particular by the US, as well as by Brazil, India, China and other countries. Based on existing policies, it is expected that by 2016 corn acreage for bioethanol in the US will rise to 43% of the entire national corn land harvested for grain in 2004. The risk identified by some analyses is that the demand for biofuels would be met not by taking advantage of the widespread scope for productivity increases, but by displacing food crops. To minimise the risk of this happening in the EU a key feature in the Commission's proposal for a Renewable Energy Directive is the biofuel sustainability scheme, covering greenhouse gas impacts, biodiversity and land use impacts. The scheme will also include regular monitoring and reporting on a wide range of economic, social and environmental impacts, including positive and negative impacts on food security. The proposed scheme will apply to both EU produced and imported biofuels and is fully compatible with the EU's commitments under international trade rules. By encouraging the adoption of similar sustainability criteria by consumers and producers of biofuels outside the EU and by actively promoting the global development of second and third generation biofuels, the EU can make an important contribution to shaping the future development of biofuels.

(3) Strengthening agricultural research and related knowledge generation to enhance sustainable productivity growth of agriculture both in Europe and in developing countries through, for example, new crop varieties and improved cropping systems with higher and more stable yields, more efficient use of water, greater resistance to diseases and environmental stress and less need for pesticides. The Commission will continue to facilitate co-ordination between Member States and to provide opportunities for collaborative research between Europe and developing countries through the 7th Research Framework Programme. Furthermore, it will maintain its strong support for the international agricultural research system (in particular the Consultative Group on International Agricultural Research, CGIAR), currently standing at around €32.5 million, with a perspective to double it from 2008, to reach an average of €63 million per year for the next three years.

(4) Maintaining an open but vigilant GMO policy. GMO cultivation continues to spread in third countries, and demand for soybean and soy meal is growing, including in the EU, where the livestock sector is highly dependent on plant proteins imports, mainly soybean and derived products. GMO cultivation is limited in Europe, both for feed production and for biofuel production, in contrast to the fast expansion at world level. The EU legal framework provides for a pre-marketing authorisation of GMOs, on the basis of effective, science based standards for authorisation, giving the EU a strict authorisation system. The Commission will continue to implement this legislation, dealing with requests for authorisation, and, under the current particular circumstances, will pay particular attention to the issue of feed imports, in accordance with the procedures set out in the legislation.

(c) Actions to address effects of the crisis at international level

(1) Continuing to promote an open trade policy and working towards an early conclusion of the DDA. There are significant potential gains for developing countries from the Doha Round in terms of new market opportunities, which would help generate additional export income, stimulate agricultural production and facilitate access to foodstuffs, thereby alleviating the current food price hikes. The EU has already autonomously granted duty and quota free access to least developed countries. The same approach is now extended to the ACP countries in the framework of the Economic Partnership Agreements (EPAs). The issue of the negative impact of export restrictions should be raised at relevant forthcoming meetings of the WTO and in other relevant international fora.

(2) Standing ready to maintain EU humanitarian commitments and scale up the EU contribution to the global effort to tackle the effects of the crisis on poor populations. Major international organisations (WFP, FAO, World Bank, IMF) are warning that a humanitarian crisis could be looming, caused not by a global lack of food but by a deterioration in the access to food for the world's most vulnerable people. The impact of rising food prices on food-aid deliveries has only been partially cushioned by increasing levels of donor resources. The WFP has called for approximately $750 million in additional financing to help maintain food aid for its planned humanitarian and development caseloads in 2008, which has only been partly met. Other UN agencies, Red Cross agencies and NGOs are similarly affected by increases in operational costs. The gap between available resources and increasingly expensive operations looks set to grow. In 2008, the Commission has so far mobilised €333 million for short term assistance. The Commission will carefully monitor the evolution of needs for humanitarian aid, and is considering ways to mobilise additional funds to contribute in international organisations' ongoing or planned initiatives; and to meet possible unforeseen humanitarian needs from 2008 to 2010.

(3) Providing through the EU development policy support for medium and longer term structural responses. In the longer term a supply response in developing countries can only come the strengthening of policies and investments in rural development, food security and agriculture. EU Development cooperation programmes will support this approach. Rural development, agriculture and/or food security have been already selected by an increasing number of African countries (22) as focal sectors for support under the 10th European Development Fund (2008-2013). Community support in this area should reach some 3.5 billions over the next five years. The Food Security Thematic Programme supports interventions at global, continental and regional level to improve food security in favour of the poorest, which ensure coherence, complementarity and continuity of Community interventions, including in the area of transition from relief to development. Development cooperation responses could proceed along two lines: first, supporting safety nets, including direct social protection (cash) transfers for the poor (urban and rural) to enable them to cope with shocks and lasting high prices; and second, making agriculture a higher priority within development programs, with measures to promote productivity increases among producers, especially small farmers. Supporting a supply response from developing countries themselves requires investment in the enabling environment for the sector, notably in rural infrastructure, as well as reforms in agricultural policies, institutions and land management regimes. Expansion of investments in agricultural research programmes is also key to raising agricultural productivity and to achieving food security in the medium to long term.

(4) Promoting a coordinated EU contribution to the international response. The EU lends its full support to the initiatives recently launched under the UN auspices and promotes further action to ensure an effective multilateral response, capable of limiting overlaps,and ensuring maximum efficiency as well of anticipating similar developments in the future.A coordinated approach between the EU and its Member States is needed to ensure complementarity and division of labour.

(5) Rises in food and commodity prices, if sustained over time, could have implications for both global and EU security, including the threat of conflicts over scarce resources and increased movements of people. This issue should therefore also be taken into account in the current re-examination of the European Security Strategy of 2003.

8. CONCLUSIONS

The European Commission will continue to monitor the evolution of the situation and the reasons behind the rise in food prices. It invites the European Council to endorse the policy directions put forward in this Communication and to make them the basis for tackling the challenge of rising food prices within the EU and at international level.