

THE EU, CONSUMERS AND FOOD

- Expectations and reality

SUMMARY

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Summary

I Background

The Consumer Committee on Food Policy has been appointed by the Government to evaluate, from the consumer perspective, developments in the area of food following Sweden's membership of the EU.

The position before EU membership

The agreement with the EU concerning Sweden's membership meant that as of 1 January 1995 we participate in the common agricultural and fishery policy. In order that this might be smoothly effected, the adaptation of Swedish agricultural policy was commenced in advance of membership. The 1990 decision on food policy reform was therefore in many respects abandoned in practice.

The introduction of the EC's agricultural regulation was estimated to result in somewhat lower food prices. The increased competition, which might result from membership in the larger common market, was expected in time to force prices down further but, above all else, result in greater choice and variety becoming available.

At the time of the referendum on EU membership, great fears were expressed concerning deterioration of food quality. However, the food legislation had already, as a consequence of the EEA agreement, largely been adapted to EC legislation. The greatest change arising from membership is that we may thereby participate in the EU's decision-making process and can influence developments.

EC agricultural policy

The goals of the EC Common Agricultural Policy (CAP) are, under Article 39 of the Treaty of Rome; to increase agricultural productivity, ensure a fair standard of living for the agricultural community, to stabilise markets, to assure the availability of supplies and ensure that supplies reach consumers at reasonable prices.

The Common Agricultural Policy has been implemented with the aid of border restrictions, which have resulted in prices in excess of world market levels and regulation of the domestic market and prices by interventions such as supporting purchases, storage, export subsidies etc.

In 1992, the Council of Ministers decided on a reform of the CAP. Administratively protected prices were lowered and production reduced through production restrictions, set-aside and quotas. Farmers were compensated by direct income support. Support was also introduced for, *inter alia*, environmental conservation measures.

Despite the reform and the GATT agreement, the EC agricultural policy still involves high customs duties resulting in high prices and surpluses which are dumped. The EC budget expenditure in respect of the CAP in 1996 exceeds ECU 40 billion and is expected to increase with the present CAP. Further, pressure towards reforms and liberalisation of agricultural policy may be expected in connection with the next GATT/WTO rounds and the imminent expansion of the EU eastwards.

II Developments following EU membership

Consumption

The effects for consumers of EU membership are as yet rather difficult to assess. As regards consumption, the official statistics at the time of writing are not ready for 1995.

In 1994, we consumed food for a total of SEK 144 billion. As a result of EU membership a number of comparatively great price changes occurred. Rice, sugar, cheese and butter have become more expensive and flour, pasta, meat and margarine have gone down in price. The question then becomes, how has consumption changed. In the absence of the official statistics, the Consumer Committee on Food Policy has endeavoured to illuminate this matter by other means, but it is still very difficult to draw any conclusions concerning developments during 1995. Consumption of butter and cheese appears to have reduced while pasta and meat have increased. But as regards consumption of rice, sugar, flour and margarine, the situation is less sure; information available points in various directions.

Development of available selection

According to the Consumer Committee on Food Policy's selection questionnaire conducted at the end of January 1996, which was directed towards centrally located persons responsible for wholesale buying within the Swedish food wholesale groups KF (Swedish Cooperative Union and Wholesale Society), ICA, DAGAB including the D-group and Hemköp, the newly arrived EU products have already begun to complement the Swedish selection of foods in several product areas. This development might be reasonably expected to continue with an increasing share of EU trademarks on our shop shelves.

According to the questionnaire, imports from the EU have already begun to expand the selection available for the following products in particular: packed, fresh and frozen meat including turkey, sausage products, pasta products, frozen or conserved fruit/vegetables, beer and juices. For example the selection of imported frozen vegetables has been extended with Belgium vegetables and Dutch french fries. According to the sources of information, the expansion of the available selection with goods from various EU countries is not always a direct effect of our membership of the EU, but rather a development which would have taken place even if we had not become a member.

Import

During 1994 approximately one half of our total imports of food and agricultural primary products of SEK 31 billion came from EU countries. The EFTA countries' share was less, only 28 %. The largest item was fruit and vegetables which constituted just over one fourth of total imports. Half of these came from the EU countries.

Membership of the EU has already had effects on the pattern of trade. During the first six months of 1995, the value of total imports of food and agriculture primary products increased by 6 %, but the proportion of these coming from the EU area increased by almost 25 %. During this period imports were inhibited by the reducing value of the Swedish krona. During the third quarter, the value of the krona improved and imports from the EU increased in respect of several products.

During the period January to September 1995, imports of meat of various kinds increased by about 50 %. Just over one half of imported fresh beef was Irish. Our total import of pork doubled and the proportion of this imported from the EU tripled. The increased pork

imports came from Denmark. The previously important suppliers Poland and the USA lost market shares. Imports of cultured milk and yoghurt are not substantial, but it increased greatly, primarily by reason of the Finnish dairy company Valio entering onto the Swedish market. Egg imports from Finland also increased.

The information supplied concerning Sweden's foreign trade with other EU countries is, following EU membership, of poorer quality than before because, inter alia, it is by definition no longer considered to be foreign trade. At present, information is only available up to September 1995.

The effects on agricultural production of EU membership

It was estimated that grain producers would gain as result of the EU membership and this has in fact been the case. The great change for farming as a result of EU membership is the introduction of increased compensatory payments per hectare. Developments in the world market have caused grain prices to rise more than was expected when the EU reformed its agricultural policy in 1992. The area based compensatory payments which were then fixed were intended to compensate farmers for a cut-back in intervention prices for grain. When market prices rose instead, the development of incomes for grain producers has been very positive. Higher prices and compensatory payments together yield income increases in 1995 of over 20 % per hectare compared with 1994. Developments in Sweden lean again towards the great grain surpluses existing before the food policy reform of 1990.

Under the EC's milk quota system, Sweden's country quota is 3,3 million tons of milk, which has been distributed by the National Board of Agriculture between almost 18,000 producers. The delayed distribution process also resulted in a reduction of milk weighed-in by 3,4 % during 1995 compared with 1994 and was under the country quota during 1995.

Sweden's total meat production increased a little. By reason of decreasing prices, demand has increased more rapidly than production and import from other EU countries has greatly increased. Meat production also has certain problems with profitability and competition from other EU countries. There are also fears concerning downward trends in demand in the EU countries. The interest of consumers for beef may be strongly influenced by the alarming reports concerning BSE, the so-called mad cow disease.

So far, grants compensate price reductions in the EC's agricultural policy. But the problem with the EC's agricultural policy remains: high costs for consumers and taxpayers, problems with surpluses and a cumbersome administration.

Ecological food

During 1995, the ecological acreage has doubled and comprises 3,5 % of Sweden's total agricultural land. EU membership has meant that the ecological production receives support under environmental support programmes which the EU finances to 50 %. As support for cultivation and animal husbandry, a total of SEK 330 million per annum has been appropriated, of which only SEK 100 million has been used during 1995. The entire limit is expected to be used first in 1999. SEK 50 million per annum will also be provided during forthcoming years for advice and training of farmers in order to increase interest in ecological production.

In accordance with a decision of the Riksdag (Swedish Parliament), a committee within the National Board of Agriculture has prepared an action plan to increase the extent of ecological production to 10 % of agricultural production. The action plan concluded with a proposal that SEK 15 million per annum should be appropriated for experiments and development within ecological farming.

During recent years, ethics, environment and health have become increasingly prominent issues of consumer interest. The demand for ecological food is one main reason for the increase of the operations. However, price, availability, marketing and inadequate knowledge have been obstacles to development of ecological farming. One issue of interest to consumers, and also for the trade, is to find more effective distribution systems between producers and consumers.

The importance of EU adaptation to food quality

The greatest changes for Swedish consumers regarding food quality already occurred as a consequence of the EEA agreement, whereby the food legislation was harmonized with the EC's rules. The rules concerning import control of animal foods from the EU, which following EU membership were substituted with provisions for own control by recipients, constitute an important exception.

During the membership negotiations Sweden demanded an exception from the EC's rules in the field of food and animal protection in those cases where adaptation to these rules was considered to cause a serious deterioration in the Swedish situation. Sweden was granted a permanent exception regarding checking of salmonella in meat imported from other EU countries. Exemptions subject to time limits were allowed in respect of checking certain other serious animal diseases in imported meat and also for, e.g., the prohibition of antibiotics and ground carcasses in feed. During the transitional period, the EU is working to review its rules, work where Sweden also participates in order to influence the EU in the desired direction.

The views of consumers concerning food quality

The Consumer Committee on Food Policy's attitude investigation indicates that a comparatively great proportion of Swedish consumers consider that EU membership has or will influence Swedish food quality negatively. But in reply to how food quality has *really* altered during 1995, most reply that it has largely remained unchanged.

New techniques in the food field – threat or opportunity?

Two techniques within the food field which are currently greatly discussed are *genetic modification* and *irradiation*. By means of gene modification it is possible to obtain qualities which are difficult or take a long time to attain by conventional methods. The treatment of food with ionizing radiation is performed in order to improve quality and shelf-life. The EC has common rules in regard to genetically modified products but not regarding how or which food may be irradiated. The primary argument within consumer and environmental organizations against these new techniques is partly related to the ethical implications and partly to the unknown long term consequences involved.

New rules regarding food additives

The EC's new rules concerning food additives, applicable to the whole of the EU, came into force on 1 January 1996. However, the Swedish Government has decided not to introduce these provisions into Swedish law in their entirety. Exceptions apply primarily to the rules concerning the disputed *azo-dyes* and the sweetener *cyclamate*, in respect of which

Sweden had unsuccessfully requested exemption during the membership negotiations. Nevertheless it has now been decided to use the so-called environmental guarantee (Article 100a of the Treaty of Rome), which relates to protection of health and safety of citizens, in order to restrict the use of these substances. Sweden has also requested exemption in order to limit the use of certain additives in respect of what are known as "traditional foods", by reference to the same article.

It has generally speaking been forbidden to wax fruit in Sweden previously but it is now permitted as wax is regarded as an additive and subject to the new rules.

Food control on new conditions

The import control of food altered with EU membership. Border controls are not permitted within the EU and goods should be permitted to be transported freely within the whole Union to the recipient in accordance with the principle of free mobility. This system is supplemented with rules regarding own control by producers. However, control that *vegetable foods* do not contain residues of prohibited pesticides is largely as it was before EU membership as one had already for some time used spot checks of imported consignments.

As regards *animal foods*, Sweden on entering the EU obtained supplementary guarantees that we would not receive *salmonella infected meat* from other EU countries. But the spot checks which the local supervising authorities conduct today are not as extensive as the previous import controls which were performed at the border. Food of animal origin from third countries may only be imported via districts where there is a control station approved by the National Food Administration, which has resulted in a halving of the import routes.

Import controls to ascertain whether food in Sweden contains prohibited residues of pharmaceuticals, e.g. *antibiotics* and *hormones*, have been undertaken more regularly since 1991. The results suggest that the risks of consumers coming into contact with any high levels of such substances is very small. In many countries antibiotics are used to stimulate growth but this is forbidden in Sweden. However, this is not the case in all the other EU countries and this has contributed to an increase in the development of resistant bacterial strains. It is not permitted in either Sweden or the EU to give animals hormones for the purpose of stimulating growth.

Diet and health

Following an adaptation to the EC's rules, the Swedish legislation differentiates between *food*, *food for special nutritional purposes* and *pharmaceuticals*. Food is everything which people can eat and drink, with the exception of pharmaceuticals. Food for special nutritional purposes is food which in some way is adapted for certain groups of people with special needs.

As a result of the Maastricht Treaty, the EU has been authorized to take measures in the area of community health. *The EU's community health work* must be conducted on the basis on the principle of subsidiarity, i.e that the EU should only become involved in matters which cannot be attended to better at another level. This means that one wants to give priority to larger projects which are facilitated by EU collaboration. Work to improve diet and health is included as a part of a project concerning e.g. cancer.

Labelling of foods – important but not simple

Labelling of food today is one of the most important aids for consumers in their choice of products. The EEA agreement and EU membership has meant that good labelling has now become more important. A larger common market may result in a greater number of producers and actors, and this may increase the need for extensive labelling as regards e.g. origin and additives.

Broadly speaking, all the labelling rules applicable to food entered into force as a result of the EEA agreement. The area is completely harmonized, i.e. Sweden cannot legislate on either more stringent or more relaxed regulations. However, individual firms may voluntary label their products with further information.

According to the EC rules applicable, the *selling and comparative price* must be stated on packages, shelf edges or on special notices. However, one does not need to state the comparative price if standard packages are used. However, in Sweden's view this system does not work satisfactory. All food should, according to the main rule, also be marked with the *best-before-date*. For certain so-called easily perishable food, e.g. fresh fish, fresh chicken, mince, offal and raw sausage, the *last day for use* must now be stated. It is also no longer mandatory to state the *date of packaging*.

All *ingredients* must be declared in a reducing scale, as previously. But for certain combined foods one does not need to mention, after the

EEA agreement was entered into, certain well known and/or name protected products constituting less than 25 %. The former Swedish level was 5 %. It is also no longer mandatory to state certain known strong allergens, irrespective of their quantity, as was the case previously.

Genetically modified products must be labelled, if the mixture or nutritional value of the new food has changed or in those cases where ethical doubts may be cast on the food. Labelling is not required if the gene modification only results from agricultural causes, e.g. that grain cannot be attacked by insects, or for products manufactured with genetically modified raw materials. However, *irradiated products* must always be labelled.

Labelling of origin may not be mandatory. If Sweden legislated on the compulsory labelling of origin, this would be considered in the EU to be a trade barrier. But firms may voluntarily label their goods with origin.

Animal protection and animal health

Animal waste grindings are manufactured from waste animal parts and used in certain countries as feed for domestic animals but was forbidden in Sweden during the mid-1980s. There is no general prohibition in the EU against using animal waste grindings. Animal waste grindings is considered to be the cause of so-called mad cow disease, and researchers at present have not excluded the possible transfer of "mad cow disease" to humans. One view advanced within consumer and animal protection movements is that animals should not be fed with animal waste grindings, thereby eliminating the risk of "mad cow disease" irrespective of any risks the contagion might present to humans.

Animal transport became one of the first contentious Swedish issues in the EU noticed by the media. The Council of Ministers have now decided on a maximum transport time of 2 x 14 hours but, amongst others, Sweden and Germany desired to have more stringent rules while several countries in southern Europe worked for the opposite.

Fair trade

An important aspect, which is not covered by the traditional concept of quality in relation to food, is the ethical implications of trade with the

Third World. The concept *fair trade*, justice and solidarity in trade, has become a slogan in the debate.

The EC's Common Agricultural Policy has had negative effects on agriculture in the developing countries. There are very small quotas for the import of certain goods from countries outside the EU and one has kept price levels for producers at an artificially high level within the EU, while simultaneously dumping surpluses on the world market at prices which not even Third World producers can compete with.

The EU customs system differs from the former Swedish rules. The EU's system with higher customs for processed products than for unprocessed products impairs opportunity for fair trade. The EU also has different customs for different countries. Former colonies are favoured by the quota system and have advantageous customs rates.

Environmental quality

The interest of consumers in the interrelation of consumption, production and environment has increased, and they are more willing to assume greater responsibility for the environment. Environmental issues have a clear bearing on both consumer and agricultural policy.

In order that regard for the environment should be reflected in our consumption, knowledgeable and conscious consumers, forward thinking producers and good technology are required but effective control mechanisms such as environmental labelling, financial control mechanisms and regulatory systems are also necessary.

The international consumer organizations participate in the active environmental work. Their philosophy is that consumers are entitled to live in a healthy and sustainable environment. It is consequently important to assist consumers to "think green".

The environmental support for Swedish agriculture is financed 50 % by the EU and comprises support for open farmland, biological diversity, cultural environment, ecological cultivation, fallow crops and protected zones/extensive pasture lands in order to reduce nutrient leakage and erosion, conservation of endangered domestic animal species, wet lands and small watercourses to protect the biological diversity.

A global perspective was introduced by the EC's Fifth Environmental Action Programme – Towards Sustainability, 1993. This programme for sustainability indicated five sectors as particularly important, namely industry, energy, traffic, agriculture and tourism. Environmental regard must also be taken when designing agricultural support and the use of the EC's structural funds.

In anticipation of the EC's Intergovernmental Conference in 1996, the Swedish Government proposes that an environmental goal for the Common Agricultural Policy is introduced into Article 39 of the Treaty of Rome. Swedish agricultural policy has previously contained such an environmental goal. Further, the environmental requirements contained in Article 100a of the Treaty of Rome ought to be reinforced in order to reflect the Rio Conference's goals concerning sustainable development.

Cross border environmental problems can only be solved by international collaboration. This cooperation involves balancing how trade restrictions may be minimized while protection for consumers and the environment maintained at a high level. The World Trade Organization, WTO, consequently has a working group on trade and environment.

Price developments following EU membership

Swedish consumer prices for food were estimated to reduce with 2–3 % by a transfer to the EC regulatory system for agricultural products. This meant lower price support in combination with higher direct income support for farmers. It was considered that, following membership, increased competitive pressure with the large EU market would, in time, result in further pressure on prices.

Food prices during 1995 rose by 0.9 % (December 1994 – December 1995). During this period the Consumer Price Index rose by 2.6 %. Thus in real terms food prices have fallen by 1.7 % during 1995.

There are two main explanations by why prices did not fall as much as expected:

- the weak Swedish krona during the greater part of 1995, whereby imports became more expensive
- poor competition within Sweden.

As expected prices of flour, margarine and food oils and also meat have dropped following EU membership while prices of butter, cheese, certain fruits and sugar have risen.

The reduced prices of flour and vegetable fats is connected to the removal of fees which consumers previously had to pay by reason of the Swedish agricultural regulation. The reductions in raw material prices have not been transferred to consumers of finished products such as, for example, bread.

Prior to EU membership it was computed that price changes in respect of various dairy products would result in approximately unchanged average prices for the selection of products available. Reduced prices of liquid products would be matched by increased prices of butter and cheese. The prices of certain products (low fat milk, cream) were reduced at the beginning of 1995 but the milk prices have risen since then. In the dairy field, consumer prices have on average increased by about 5 % during 1995 (December 1994 – December 1995). In the dairy sector the price increase was 6–7 % but farmers could only increase their prices by 1–2 % (excluding certain EC support). However, in January 1996 an increase was registered in farmer's milk prices by 2 % compared to December 1995.

The prices of fresh fruit and vegetables have great seasonal variations during the year. In the beginning of 1995 prices were at a high level also as a result of the weak Swedish krona – imports are generally invoiced in the strong currencies of the German mark and Dutch florin. Later during the year prices reduced, primarily for vegetables, and in December 1995 they were in many cases lower than a year previously. However, fruit prices were generally higher than before EU membership. During 1995 we have had advantageous transitional rules concerning bananas and the price increase of bananas during 1995 can only partially be explained by EU effects.

On 1 January 1996, value added tax on food was reduced from 21 % to 12 % which theoretically meant a price reduction of 7.4 %. Food prices had in February 1996 reduced by 5.4 % since December 1995. If fresh fruit and vegetables, which usually increase greatly in price during this season, are removed from the computation the price reduction is on average for other products 7.4 %. However, this does not represent a complete impact of the value added tax reduction as greatly decreasing coffee prices explain part of the reduction. During January prices reduced in the early production stages for meat and certain dairy products. The reduction in the Consumer Price Index ought therefore – subject possibly to a certain time lag – be somewhat greater than the reduction of value added tax for these goods, which so far has not been the case.

Regional differences

Prior to EU membership, it was considered that the development of prices would differ between various parts of the country. Regions near the Continent and large consumption centres would be exposed to

increase competition and consequently obtain lower prices than other regions.

Regional divisions of the Consumer Price Index for food indicates that the prices rise somewhat more rapidly in northern Sweden than in the rest of the country. However, it is not sure that this is an EU effect as the weak krona inhibited competition from outside Sweden for the greater part of 1995. A more probable explanation may be the current transfer to cost related pricing in the earlier stages of the chain. In that case consumer prices rise in small and more remote shops.

International price comparisons

Food prices decreased significantly more in Finland on EU membership than in Sweden. According to the Finnish Consumer Price Index a price reduction of 8.5 % is reported during 1995 compared with price rises in Sweden of 0.9 %. The difference is largely the result of EU membership involving greater readjustment for Finland than for Sweden. Besides this, there was a value added tax reduction of about 4 % on 1 January 1995. Finnish consumer prices decreased even more than had been expected which suggests that there is competition operating at stages after the agricultural level. Another contributory factor was that the Finnish currency did not reduce in value like the Swedish currency. Further, the competition authority in Finland has responded more forcefully than the Swedish authorities as regards monopolies and oligopolies in the food sector.

The Consumer Committee on Food Policy has computed that the Swedish and the Finnish food prices in December 1995 lay at approximately the same level when expressed in Swedish krona. Denmark's and Norway's prices were in excess of this while other nearby EU countries had lower price levels. The differences are to a great extent connected to the different levels of value added tax.

Developments within the food industry

When Sweden decided in 1991 to apply for membership of the EC, it was considered that substantial improvements in efficiency, both structural and within companies, would be necessary within the various stages of the food production chain. This applied particularly to industry in order that it would be possible to meet the competition from companies in other EC Member States. However, developments during

the period 1991–1994 suggest that the structural transformation within the food industry has taken place more slowly than within other manufacturing industries. The Swedish food industry shows high margins and good profitability. Historically speaking, this was a result of the high border protection and poor internal competition.

The producer cooperative firms have for many years occupied a prominent position on the market, particularly in relation to the primary processing of raw materials within the dairy, slaughtering and milling industries. In order to strengthen their position they have acquired ownership in the form of subsidiary companies in other EU countries and entered into strategic alliance primarily with agricultural cooperative firms abroad.

Procordia Food AB (in particular Felix, Önos/Ekströms, Bob and Abba), which was formerly the largest food group in Sweden outside the farmers' cooperatives and owned half by the Swedish State and half by Volvo, was sold during 1995 to the Norwegian firm Orkla.

The large transnational firms (TNFs) in the food branch (e.g. Philip Morris, Unilever and Nestlé) have considerably increased their influence on the Swedish food industry. During 1995, 35 % of members of the Swedish Food Industry Trade Union were employed by TNFs. It is a characteristic feature of TNFs that, by refraining from price competition, they have been able to achieve very high profitability. Their substantial resources provide the preconditions for extensive product development. As a result of agricultural regulation and non-tariff obstacles which have inhibited foreign trade, TNFs have production plants in many countries. The new opened EU market now creates the prerequisites for specialization of production directed at longer series with larger and fewer plants. What this may mean as regards localisation in Sweden is difficult to assess.

As yet it is too early to express a general opinion on whether the increased competition from the food industries of other EU countries has resulted in any pressure on prices. The weakening of the krona during the first half year of 1995 was favourable to the Swedish food industry. Subsequently, the krona has become stronger and certain pressure from importers has occurred, primarily in the butchering and sausage industry.

Developments within trade

The Swedish food trade is characterised by close collaboration or joint ownership between retail and wholesale companies and by the dominant

position of the three trade blocs ICA, KF (Swedish Cooperative Union and Wholesale Society) and the Axel Johnson/Dagab Group. However, in recent times direct distribution from manufacturers to shops has become a serious competitor of the wholesale trade. This particularly applies to suppliers of hypermarkets and cut-price shops. This new form of distribution has increased pressure on wholesale companies to rationalise their operations.

A continuous structure rationalization is in progress within the retail trade sector, and between 1990 and 1994 the total number of food shops reduced by 9 % to 7,000. The conversion of the structure of shops meant that supermarkets and hypermarkets increased their market share (in 1994 they had 72 % of turnover), that the small service shops retained their share of approximately 10 % and that the group other food shops (those with 250–400 m² shop area) greatly reduced.

During the period 1990–1994 their share of turnover reduced by 6 % to 18 %.

Organizational changes were also a reason behind the structural changes in the trade. Price determination, which to a high degree had previously been controlled by the integrated wholesale and retail bloc sector, has been partially transferred to the retail sector.

Measures to improve efficiency within the various trade blocs and chains was undertaken with the aim of being better placed to respond to not only domestic competition but also to the expected competition from EU firms. However, foreign chains have not established themselves on the Swedish market. This is probably connected, *inter alia*, to the fact that it is difficult to obtain attractive shop locations in Sweden.

Consumer policy in the EU

Consumer issues have grown in importance within the EU in several respects which do not only concern Sweden. The overall consumer issues attained such status by 1995 that they obtained their own general directorate within the Commission. Consumer protection was introduced into the Maastricht Treaty in 1992. New consumer policy action programmes have been adopted. The Commission has stated that consumer policy will be integrated with other policies.

During the work creating the EC Inner Market, common rules were created in relation to various goods in trade. The Cassis-principle applies in those cases where there are no common rules, i.e. goods which may be sold in one EU country may also be sold in another. One fear is that certain countries must retreat from a higher level of consumer

protection by common EU rules being placed at an average level in relation to the Member States' legislation although one may be forced to permit goods in accordance with the Cassis-principle. It is possible that higher levels of protection may be permitted in accordance with Article 129a.

□ In anticipation of the Intergovernmental Conference IGC-96, consumer representatives have suggested a number of important alterations need to be made to the EU's treaties as regards consumer interests. The principle of subsidiarity ought not to be applied so that it results in passiveness at the European level as regards consumer issues. The promotion of consumer interests should be one of the primary objectives of the EU. In particular Article 129a, concerning consumer protection in relation to health and safety, should be reinforced and extended. The EU's responsibility to reinforce the legal rights of consumers should be included. Consumer representation should be improved.

The Commission's latest consumer policy programme for 1996–1998, emphasizes the adaptation of public services to consumer interests, the growing difficulties for consumers with financial services, and also the need to ensure that consumers gain from information technology. Food policy is selected as a special priority area and the Commission must take measures within the field of food safety/purity.

The consumer organizations have severely criticised the EC's Common Agricultural Policy and endeavoured to obtain improvements in integration of consumer and food policies.

Consumer influence in the EU

There are many consumer organizations in the EU states. They are organized in different ways. For example they may be founded on the issue of the country's leading consumer magazines or organized as consumer advisors, with extensive member organizations which completely or partially work with consumer issues. The latter model is typical for Scandinavia. There are also local action groups for various kinds of consumer policy objectives.

The organized consumer voice is sometimes considered to be weak as it primarily comprises organizations, other than pure consumer organizations, involved in consumer policy issues, e.g. trade union organizations, environmental organizations and consumer cooperative movements. The involvement of popular movements in consumer issues is considerably greater in the northern EU countries than in those in the South.

Both European umbrella organizations and national consumer movements are represented in various EU organs.

In the Economic and Social committee (ECOSOC), which is the advisory organ to the Commission, consumer representatives are included among the so-called "other social parties" by the side of employer and employee representatives. The Commission has also established a comprehensive consumer committee (EU CC), in which the large consumer umbrella organizations within the EU are included. The representation has increased for national consumer movements. In the agricultural field, consumer representatives are included in the many various advisory bodies for products regulated by the Common Agricultural Policy. However, the consumer representatives are far from satisfied and are of the view that the Commission and other EU organs, not least within food policy, listen more to the powerful producer representatives.

Consumer influence in Sweden

There are very many organizations in Sweden including consumer issues on their programmes. There are also nowadays two umbrella organizations in the field, *Sveriges Konsumentråd* (Swedish Consumer Council) and *Konsumenter i Samverkan – Underverket* (Swedish Consumer Coalition). Both these umbrella organizations are very much engaged with food issues.

The consumer movements encounter many difficulties. Besides the lack of resources they have, above all else, three main problems which can be identified as regards the possibility of influencing food consumers in modern Sweden:

– Considerable decision making power is transferred to the EU

Substantial parts of the food legislation are harmonized with the EC's legal rules and Sweden is included in the EC's Common Agricultural Policy. The EU is now empowered to decide on, amongst other things, price labelling and competition. The real decision-makers are therefore more remote, both physically and mentally, which means that participation on the part of consumers in the EU's decision-making process is weak.

– *Openness can easily be disrupted*

During the membership negotiations Sweden issued a declaration that the principal of access to official information would continue to apply without restriction following membership. But today it is not clear what legal significance this declaration actually has. Both individual citizens and e.g. consumer movements may have less opportunity to scrutiny EU material than the Swedish principle of access to official information provides, which would be very serious.

– *There are many wishing to represent consumers*

Both politicians, public authority officials, manufacturers and the trade sometimes claim to be the representatives of consumers. Consumers themselves and their organizations have difficulty in being heard. Perhaps this results from the fact that organizations within the consumer movement operate, and not least argue, in a different manner than politicians and public authority officials. Further, these organizations react sooner and even respond to weak signals. Youth organizations may encounter a further problem as there is sometimes a different perspective on various issues by different generations, or they quite simply afford priority to different issues.

III Deliberations and proposals

The EC's agricultural policy

When discussing how the necessary reforming of the EC's Common Agricultural Policy should be structured, the positive experience from the short period of deregulation within agricultural policy in Sweden ought to be safeguarded.

We propose:

that the Swedish Government promotes within the EU changes to the Common Agricultural Policy so that consumer interests are better safeguarded

that the Swedish Government work for the adaption of agricultural prices in the EU to a level where production restrictions are not required

that the Swedish Government work for the establishment of an environmental policy within the CAP, which will support environmental measures and not provide compensation in respect of previous production/income support

that the Swedish Government endeavour to ensure that rules regarding ecological agriculture do not restrict operations or impede a broad development towards a sustainable ecological cycle agriculture.

The EU's food legislation

A review of the EU's food legislation indicates that there are certain inadequacies. Sweden and Swedish public authorities are promoting certain issues within the EU concerning rules on food quality. In this connection we wish to specially emphasize certain important requirements:

We propose:

that food legislation and the way it is dealt with is reformed, so that consumer interests are improved

that the EU's common work as regards Codex Alimentarius is reviewed. An individual country must have the opportunity of pursuing its own line for improved consumer protection in Codex unless the EU can unite on a sufficiently high level of protection

that Sweden works to ensure that within the EU a broader perspective is afforded to food consumption and that ethical arguments should be regarded as equally important as strictly scientific views

that Sweden does not permit the production of genetically modified food in Sweden, and also works to ensure a corresponding situation within the EU. In the second place Sweden should work to ensure that all products including genetically modified organisms are, as far as possible, labelled in a consistent manner

that irradiation of food is not used either in Sweden, with the possible exception of spices

that Sweden works towards the preparation of a good international system for the compulsory labelling of the origin of food

that Sweden works towards changing the EC rules relating to additives, so that azo-dyes and the sweetener cyclamate is forbidden in the whole of the Union

that Sweden actively works to ensure that the EU is able to retain its prohibition against the use of hormone preparations in animal husbandry

that Sweden works in order to ensure that antibiotics in animal husbandry are only used as health care measures following veterinary prescription and not as general feed additives in order to increase animal weight

that Sweden endeavours to obtain a change of rules within the whole of EU in order to improve checks concerning meat infection with so-called mad cow disease or swine fever. If the EU does not alter its rules, Sweden should work to retain the special rules we obtained during the membership negotiations which afford us the opportunity of checking whether imported meat is infected with these diseases

that Sweden continues the work to improve the international rules relating to contents declarations of combined foods.

Price gauging

A review of price developments and price levels following membership of the EU has indicated certain inadequacies as regards the statistical base information.

We propose concrete improvements in relation to the following points:

that the regional division of CPI is computed continually and that the CPI sample of shops is altered/enlarged so that the basis for regional comparisons is improved

that a review is made of the producer price index for the food industry, so that the possibility of analyses in comparison with consumer prices increases

that prices of fresh fruit and vegetables are collected to an increased extent at various stages and published, so that consumer monitoring of this market is made possible

that the possibilities are investigated of conducting examinations of price levels in different districts, similar to those previously done by SPK (the former competition authority). Such material could be used, inter alia, as a basis for decisions concerning regional policy measures.

Competition should be improved

An ambitious application of the competition legislation in Finland has aided the advantageous price developments for consumers which occurred in connection with EU membership.

Against the background of the Finnish experiences, we think that it is of vital importance

that the new sharpened Swedish competition legislation's possibilities of intervention are also utilized by the Swedish competition supervisory authorities

that amendments to the Planning and Building Act are directed towards improving competitive pressure within the retail trade and removing impediments to new establishments.

Consumer protection should be reinforced

Consumer protection should be reinforced and there is an opportunity to effect this during the EU Intergovernmental Conference.

We believe that it is very important for Sweden to work towards

the reinforcement and clarification of the Treaty of Rome, and in particular Article 129a, so that consumer issues are afforded greater weight

the strengthening of the so-called environmental guarantee, Article 100a of the Treaty of Rome, by the EC Commission being required to analyze and have regard to how consumer protection is affected by those proposals legally founded on this Article

the application of the principle of subsidiarity as a possibility for every Member State to impose more stringent rules than those applicable in the EU within the field of consumer protection.

Proposals to increase consumer influence

Consumer influence should increase within public authorities and ministries. Consumers must have the opportunity of influencing the decision-making process in Sweden and the EU.

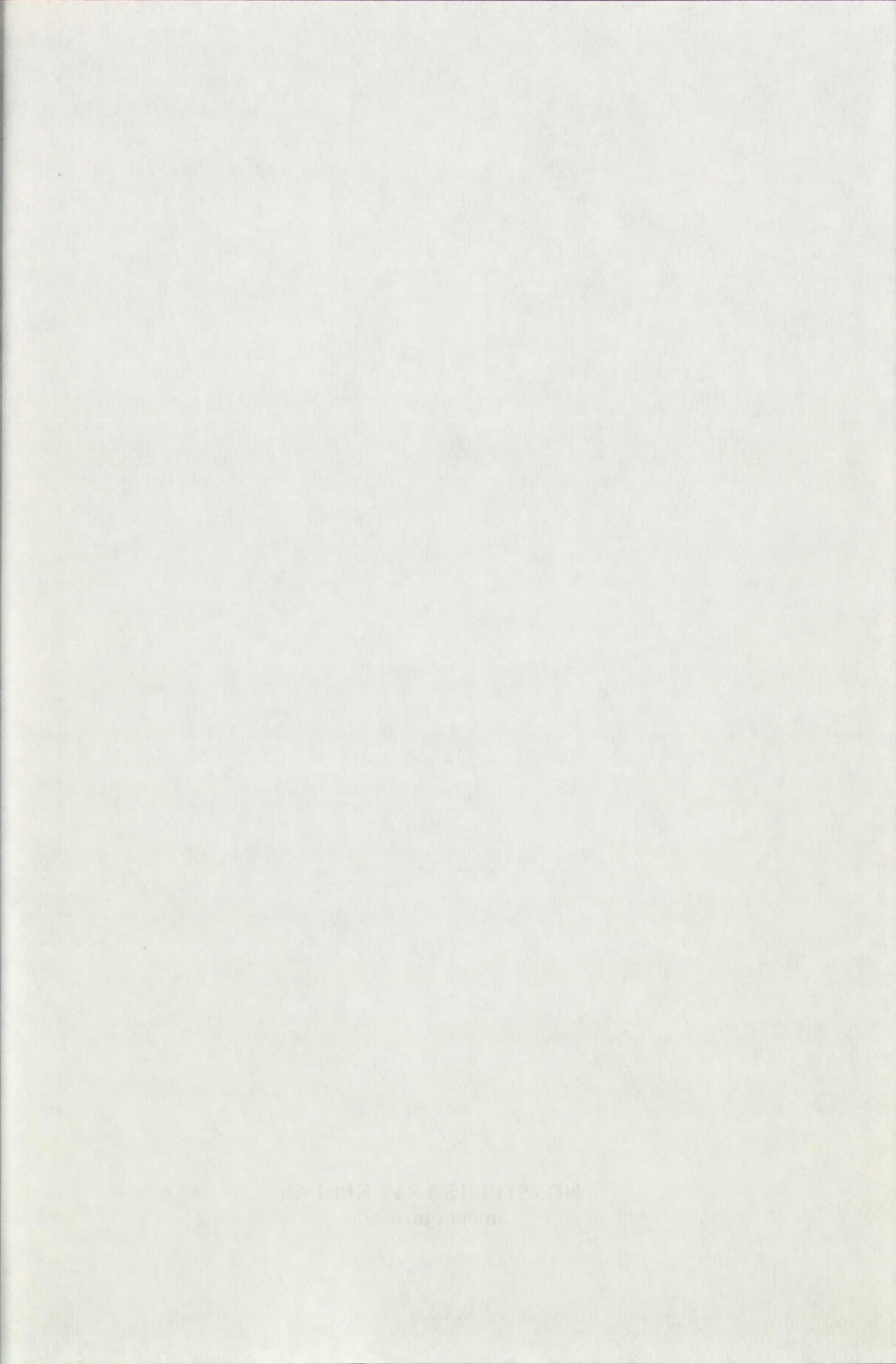
We therefore propose:

that resources for research concerning the situation of households are increased, as this means that the understanding of consumer implications increase in society

that all relevant authorities form reference groups with consumer representatives from important fields and also increase consumer representation on existing councils, working groups and reference groups

that the umbrella organizations within the consumer movements are guaranteed the necessary resources and also that other organizations may also obtain assistance for, above all else, local projects. Operations directed outwardly should be given priority as should projects for youths

that the Cabinet Office and government authorities ensure that EU material concerning food and consumer policies are available to the public interested in order that openness is not in danger of restriction.



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