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AGRICULTURE: TOWARDS MORE EFFICIENT RESOURCE ALLOCATION

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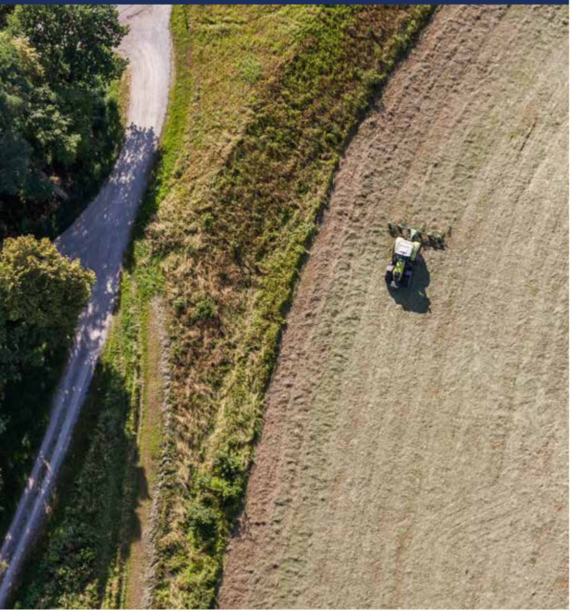

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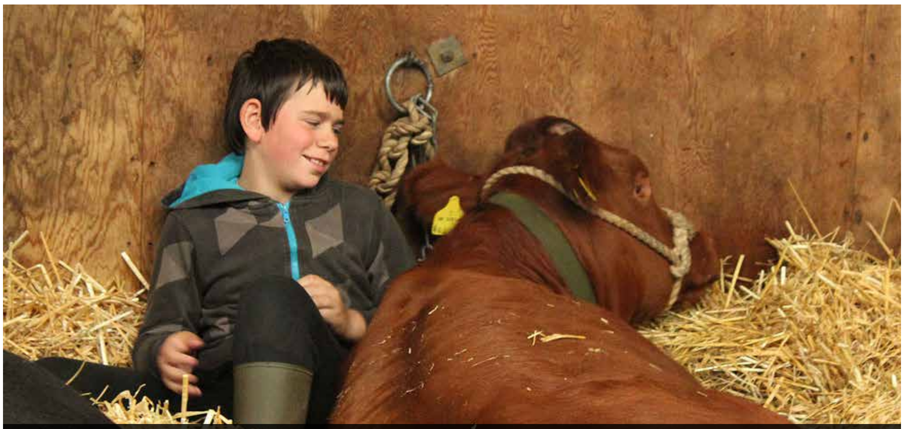

The next CAP should include new technologies, which will make the profession more attractive to the younger generation. [Rictor Norton & David Allen / Flickr]

Europe's CAP: A complicated jigsaw puzzle of divided interests

Europe's Common Agricultural Policy has to satisfy multiple interests and now resembles a giant jigsaw puzzle further complicated with each successive reform. EurActiv's Spanish partner EFEAgro reports.

The roots of the Common Agricultural Policy (CAP) lie in post-War Europe, where it formed part of a grand plan to gradually bring together every possible aspect of socio-economic activity and make future conflicts impossible.

It was created with a clear goal: to help EU farmers become profitable and stay that way.

A key aspect was to increase food supply, based on the principle that the continent would have to move towards one big trading area, in which agriculture and food products would be harmonised.

To achieve this, a common policy was needed to make agriculture across the member states as fair and even as possible.

A tough ask, no doubt, which is reflected in the successive reforms of the CAP that have been carried out. The EU institutions and the member states are all continually trying to improve the policy and adapt it to how markets and society itself are changing.

Halfway through the 2014-2020 programme, the EU is already beginning to talk about another reform and funding that will be more linked to issues like sustainability.

Attracting young people

In Spain, agricultural cooperatives have one eye on the current CAP and one on what may emerge in the future.

Gabriel Trenzado, Director of International Relations at Cooperativas Agro-alimentarias, believes that the current incarnation has triggered a debate about price volatility and imbalance in the value chain.

However, he thinks that the next CAP cannot just contribute to the debate. Instead, it has to introduce measures to tackle volatility and readjust the value chain so that something can be done about this period of low prices which is impacting producers so negatively.

Ignacio López, International Relations Director at the Spanish young farmers' association (ASAJA), believes new policies have to be proposed to enable EU farmers to compete with the rest of the world and allow a generational transition to happen.

López also said these tools have to include new technologies, which will make the profession more attractive

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to the younger generation, as well as environmental sustainability, a crucial factor in future reform.

On the current CAP, López has no doubt that it is "reasonably satisfactory" and called for the policy to be given more time to develop.

The "active" farmer

One of the most prevalent points in the debate about the current CAP is the definition of "active farmer", which largely dictates how much funding an applicant is entitled to.

Distributing funds fairly among farming professionals was one of the main goals of EU agriculture ministers, but the Spanish agriculture sector does not think this has been achieved.

José Luis Miguel, from the Spanish farming association COAG, doubts whether the European Commission is doing all it can to clearly define the concept of an "active farmer".

Miguel insists that current laws fail to "legitimise" what should be "the backbone of the reform" in terms of a consolidated model of food production, social factors, and environmental sustainability.

He added that the current CAP "continues to ignore" the strategic nature of the sector and called on Brussels to come up with policies that protect the sector and "maintain a living countryside".

The Agriculture Secretary of the Union of Small Farmers (UPA), Ignacio Senovilla, did warn that the regionalisation system should not be tinkered with in any future reform, so as to avoid any instability in the distribution of funds.

One of the main "problems" that has emerged with successive reforms is changing criteria that make it difficult to coordinate between funding programmes.

Senovilla underlined the importance the CAP has on livestock farming, a sector that also receives funding thanks principally to coupled support. He warned that without this system, the sheep, goat and a large part of the cattle sector "would have disappeared".

The union official called on EU lawmakers to maintain the support structure's budget and, if possible, to come up with other proposals that would make livestock production "much stronger" in the 2020 CAP.

Agricultural inputs remain decisive in farm profitability

Seeds, fertilisers, pesticides, fuel, feed, irrigation equipment, water and power: all have an impact on farmer's income. EurActiv's partner EFEAgro spoke to sector experts about these farming essentials.

Production costs are an integral part of farming, dictating prices and how much aid is given from support packages. [AgriLife Today / Flickr]

Production costs are an integral part of farming, dictating prices and how much aid is given from support packages. Those costs are also volatile and fluctuate depending on decisions made far away and what is happening in global markets.

It's particularly true of cereal and raw materials pricing, which are all-important to feeding livestock.

The sector believes that electricity is the "input" that worries the industry most, and as a result, farmers are asking for more supervision of the input chain.

The Spanish Young Farmers Association's (ASAJA) director of international relations, Ignacio López, explained that "there is no parallel between production costs and sale price".

Declining profit margin

It's a problem that has really taken hold, because while "production costs have gone up 15% over the last few years in many cases, the prices that farmers get for their products have remained 'anchored'," López said. In this respect, market volatility remains a huge factor of uncertainty for many farmers.

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In addition to these production costs, López pointed out that there are "regulatory" costs that EU farmers are forced to bear and which affect performance against their competitors, who might only farm "a few kilometres over the border".

Antonio Catón, from Cooperativas Agro-Alimentarias, insisted however that there shouldn't be worries about costs related to fertiliser and fuel. In the case of fertilisers, he said prices go in cycles and are currently much lower than two weeks ago.

Fuel price fears

As for fuel, despite a pledge by OPEC to reduce oil production, which could lead to a rise in price, "alarm bells shouldn't ring", said spokesperson José Cardona. He did call on the sector to remain vigilant to price increases however, saying the fall in fuel cost has slowed since 2013.

Secretary-General of farming association COAG, Miguel Blanco, agreed that controlling production costs is crucial to maintaining farm profitability, which ultimately dictates the rental price.

That is why it is necessary to control this chain, dubbed the reverse chain, said Blanco who called for a monitoring body to be set up in order to bring more transparency to a process in which, he claims, "oligopolies run amok".

He added that producers are "shackled" by the chain and that a request for stricter monitoring had already been lodged with Spain's agriculture ministry.

Farmers caught in the middle

Regarding electricity, Blanco said tariffs had gone up by 70% since liberalisation in 2008, compared with the 22% European average. He called for contracts to be more flexible so that farmers are able to keep the lights on all year and keep vital machinery like irrigation ticking over when it is needed.

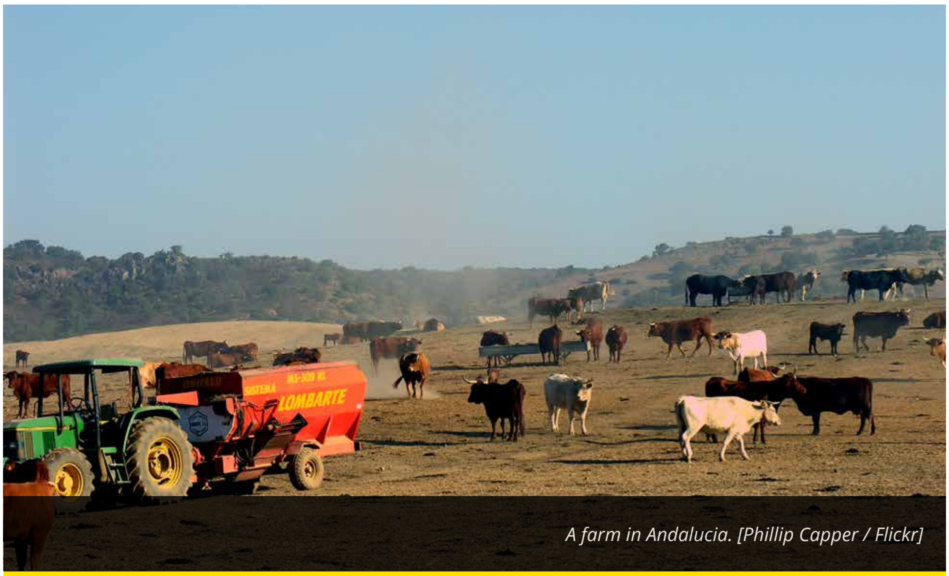
Agricultural Secretary of the Union of Small Farmers (UPA) Ignacio Senovilla, summed up that farmers are "caught in a sandwich" between the input and food value chains.

Senovilla acknowledged that fertiliser and fuel price is a global issue on which "almost nothing can be done", but insisted that energy costs are the real worries.

He agreed that "more control" and "intervention" is needed from an administration that, he thinks, is "looking the other way".

'Zero kilometre' food products start to take Spain by storm

Concepts like "100% local" and "zero kilometer" products are now on an upward trend in Spain and are forcing the food industry to rethink how it does business. EurActiv's partner EFEAgro reports.



A farm in Andalucia. [Phillip Capper / Flickr]

Beyond the usual advertising messages, sector and consumer association representatives admit it is not easy to bring together local producers and industries, except for those involved in the primary sector.

Why? Because the most readily available products, in terms of proximity, are not always the cheapest. And because production depends on seasonal foods, meaning regional produce is not always easy to come by.

Seasonal raw materials

Catalan company Casa Amella has been promoted as an example worth following. Its founder, Daniel Amella, told EFEAgro that "everything we sell has zero preservatives, zero additives; our raw materials are seasonal".

He explained that "At the moment, we aren't making vegetable or leek soup because, quite simply, they aren't growing in the fields. We don't bring in greenhouse vegetables... All that is sold is what remains in the shop."

The vast majority of his suppliers are to be found in the Bages region, near Barcelona, a few kilometres from the production facility, which is in the Artés

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municipality. The only exception? Lentils and other legumes are brought in from Castilla y León, thanks to a "trusted farmer".

They sell everything from oil and pasta to soups and hamburgers, and in 2017, will set up a factory dedicated solely to the production of juices.

"We believe that if it's possible to buy stuff from down the road, it is ultimately better than having to buy from the opposite corner of the world," Amella concluded.

The project has gone from strength to strength and the company will close 2016 with a turnover of €2.5 million, a 25% increase on last year.

"Our facilities are vegan-friendly, as we don't use any animal products. They are sustainable too; we care about the environment. All the lights are LED and we use materials like wood, clay, and metal," the founder added.

Critics argue it is just a fad, but Amella highlighted the importance of consumers valuing the final product and understanding why the sale price is much higher than many competitors.

Going "100% local" is more popular with those who are interested in the primary sector and many engaged with it decide to set up their own production facilities, so they can control the whole process.

Organic yogurt and milk

Another example is Galician enterprise Casa Grande de Xanceda, whose organic yogurt brand has grown strongly and is carving out its own niche.

Owning a farm with 400 cows, the company is thinking about signing agreements with local farmers in order to grow the outfit even more.

"We wanted to free ourselves from dependence on the dairy sector with whom we could not negotiate. The initial objective was to get to using 100% milk from our own cows. At first, there was a lot of waste, but technology and our own approach has allowed us to meet this goal," said the firm's spokesperson, Jessica Rey.

The company has prioritised brokering agreements with local suppliers, not just in terms of food supply, but also in issues to do with maintaining facilities and animal welfare.

"Going for local producers has its own advantages. Transportation is easier, we have more contact with the supplier and can even share calendars and schedules," Rey added.

Casa Grande de Xanceda has doubled its production in just four years, from 10,000 units to 20,000.

At the other end of Spain, in Andalucía, an initiative has sprung up that brings together local producers of "gourmet" products, so that they can easily sell their wares online.

The enterprise, based in Huelva, ranges from oils produced by cooperatives to mushrooms, and honey, to name just a few products.

Added value through geographical proximity has made its way into another area, including collective catering. Fundación Fuhem is working with schools so that their kitchens are able to offer organic, seasonal food, provided by local suppliers.

Farmers seek CAP reassurances from French presidential candidates

French farmers are eagerly awaiting their next president's agricultural programme. The next head of state, to be elected in May, will play a central role in reforming the EU's Common Agricultural Policy.

The EU's pork sector is in crisis. [Kevin DeRudder/ Flickr]

Confronted by a raft of crises in the pork, beef and milk sectors, France's agricultural community is awaiting the EU's new Common Agricultural Policy (CAP) with bated breath. The CAP will be largely shaped by the country's next president.

"From the start of their mandate, the future president will have to act quickly to breathe life back into French agriculture," said the FNSEA, the country's biggest agricultural union.

As the presidential election approaches, France's farmers are hoping

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for measures to boost the sector, as well as policies to support the European agricultural model, under strain from international competition and price volatility.

According to data published last week (13 December) by the French National Institute of Statistics and Economic Studies (INSEE), the average income of French farms is set to fall by 26% in 2016 compared to 2015. Worst affected are milk producers, who were hit hard by the removal of European milk quotas and the milk crisis that followed.

To put the country's farmers back on the right track, the FNSEA has issued the presidential candidates with a list of 13 recommendations, some of which are directly aimed at influencing the negotiations on the new CAP.

"The architecture of the current CAP is unable to respond to all the relevant issues. Farmers need Europe. But they need Europe to do better," said the FNSEA.

For François Fillon, candidate for the right wing Republican Party, the debate on the new CAP is a priority. Favourite to win the election, Fillon said he intends to "make our view of the CAP count" during the reform debate.

Among his central proposals is the preservation of "every euro" of the CAP budget.

This proposal partly responds to the FNSEA's concerns but the organisation believes the EU should take a step back. "The CAP budget fell by 12% between 2007 and 2014, even as Europe grew," the union said.

Risk management

Among the criticisms levelled at the CAP is the fact that it does not do enough to mitigate the risks face by farmers. The question of dedicating European funds to an insurance fund against climate and market hazards, which have been recurring factors in recent agricultural crises, is one possible way forward.

For the FNSEA, the future European agricultural framework must "develop risk management tools". More specifically, the farmers' union called for the activation of a "revenue stabilisation fund as part of the new and improved CAP".

"When market risks lead to price fluctuations so great that they place a member state's agricultural sector in danger, it should be up to the Union to intervene. I will defend the idea that risk management should be one of the two priorities of the 2020 CAP," Fillon said in his manifesto.

Marine Le Pen, the extreme right National Front candidate currently sitting second in the polls, sees the CAP as an inefficient tool for French agriculture and has called for the policy to simply be renationalised.

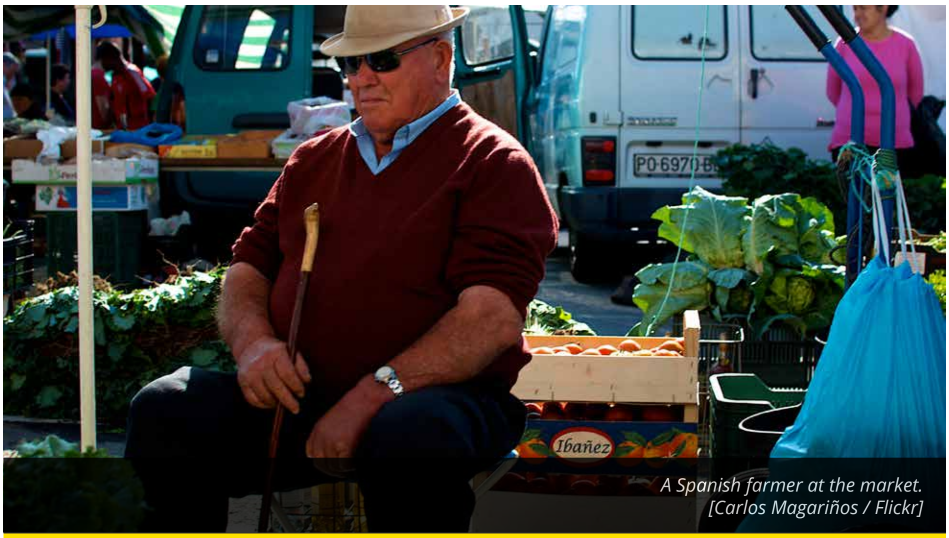
Too many standards

The question of standards is also animating the French debate. The FNSEA has called for an end to the over-transposition of European standards into French agriculture, which it believes harms the competitiveness of French farmers compared to their European counterparts.

Fillon appears to have been receptive to this call. "We have lost count of examples of over-transposition of the European rules and standards, which are already binding and costly in the name of the precautionary principle," said Fillon.

How Spanish farmers try to make a profit

Direct aid, funds from the second pillar, input costs and farming income are just some of the many balls that agriculturalists have to juggle these days. These factors ultimately make or break a farming enterprise. EurActiv's partner EFEAgro reports.



A Spanish farmer at the market. [Carlos Magariños / Flickr]

In Spain, nearly 1 million farms and holdings maintained more than 30 million hectares of land in 2015, according to data provided by the National Institute of Statistics (INE). That equated to around 750,000 people actively employed in the sector.

Spain is the second biggest beneficiary of Common Agricultural

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Policy (CAP) funding after France, from a pot worth about €408 billion for the 2014-2020 period. Just over €300 billion of that is earmarked for direct payments, the first pillar, and just under €100 billion will be available for rural development, the so-called second pillar.

That means that Spain's farming and rural areas will be able to count on about €45 billion: €34.58 billion in direct payments and the rest in rural development funding.

In 2015, according to data supplied by the Spanish Agricultural Guarantee Fund (FEGA), the first pillar received €5.58 billion and the second €1.69 billion. In total, €7.27 billion was distributed among 902,261 beneficiaries.

This aid comes in addition to that granted by the EU in times of crisis, for example in the milk sector after quotas were lifted or the fruit and vegetable industry after the Russia embargo was put in place, as well as those granted by Madrid and the autonomous communities. This includes subsidies that have been set up to cover buying new machinery or underwriting insurance costs.

Farmers face numerous costs associated with labour, equipment, raw materials, safety, hygiene and health.

According to Spain's agriculture ministry, in 2015, total spending on intermediate consumption rose 2.37% on the previous year to €21.49 billion.

From this, €915 million was spent on phytosanitary concerns; over €2 billion on fertilisers; €1.89 billion on energy and lubricants; seeds needed €906 million of expenditure; animal feed totalled a whopping €10.7 billion; vet bills came to €587 million; and equipment and building maintenance cost farmers €1.14 billion and €516.5 million, respectively.

This expenditure doesn't even take into account water bills, insurance, machinery or modernisation efforts. In 2015, farming income totalled €24 billion, highlighting how narrow margins are.

According to the Spanish agricultural ministry, income is the amount made in farming activities (remuneration for land, capital and labour) and the added value of subsidies, with intermediate consumption subtracted.

Spanish agriculture minister Isabel García Tejerina said at the first meeting with farmers during the new government's mandate three weeks ago that "the object is to consolidate the growth" seen in agricultural income and farmer income.

Crop production last year totalled €27.5 billion, up 7.68%, while animal husbandry brought in €16.2 billion, up 2.49%.

Agriculture in Spain makes up some 8.5% of GDP and directly and indirectly provides 2.5 million jobs.

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