



## European agriculture: situation and prospects

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4<sup>èmes</sup>

Assises  
Mondiales  
du Financement  
**Agricole & Rural**

26 et 27 septembre 2013 - Paris

# European agriculture: situation and prospects

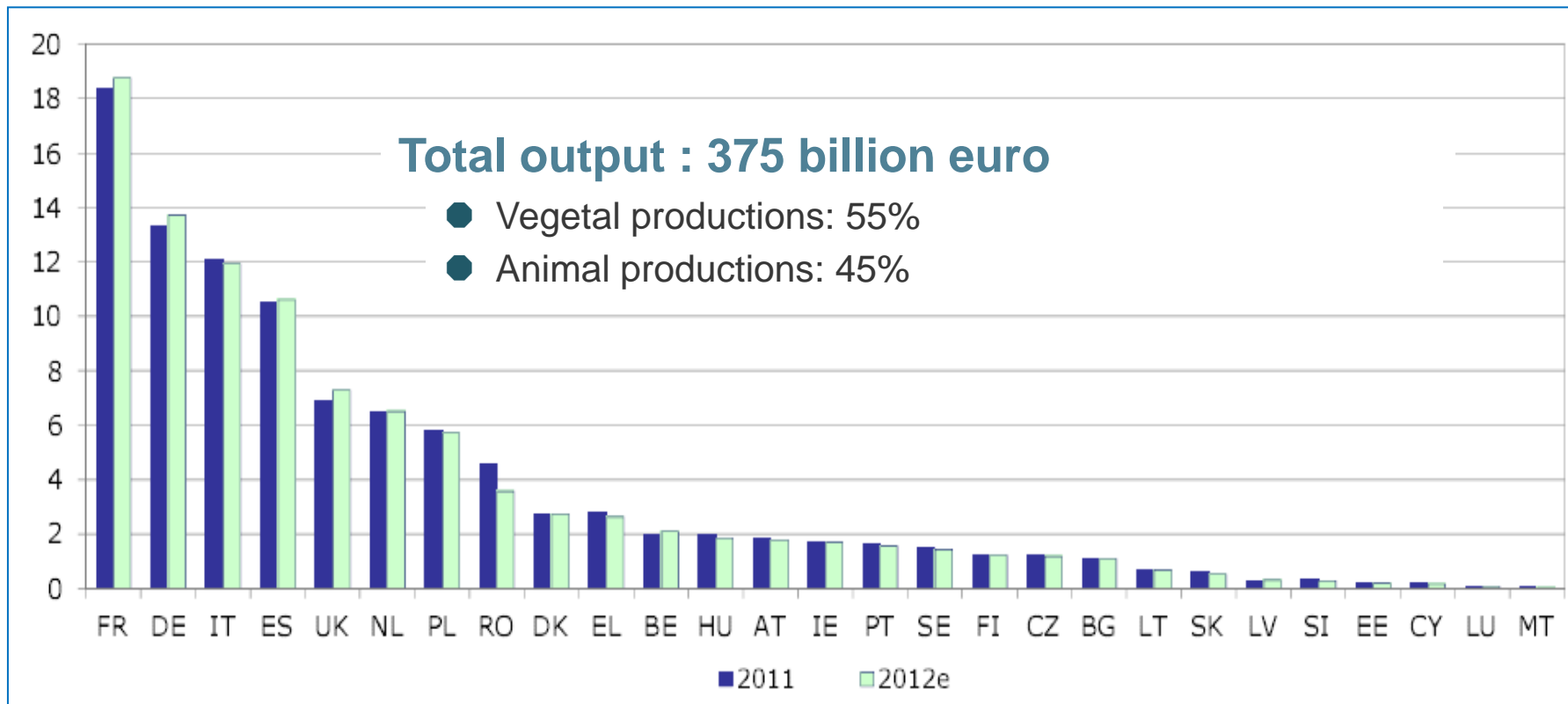
Vincent Chatellier – INRA (France)

## Structure of the presentation

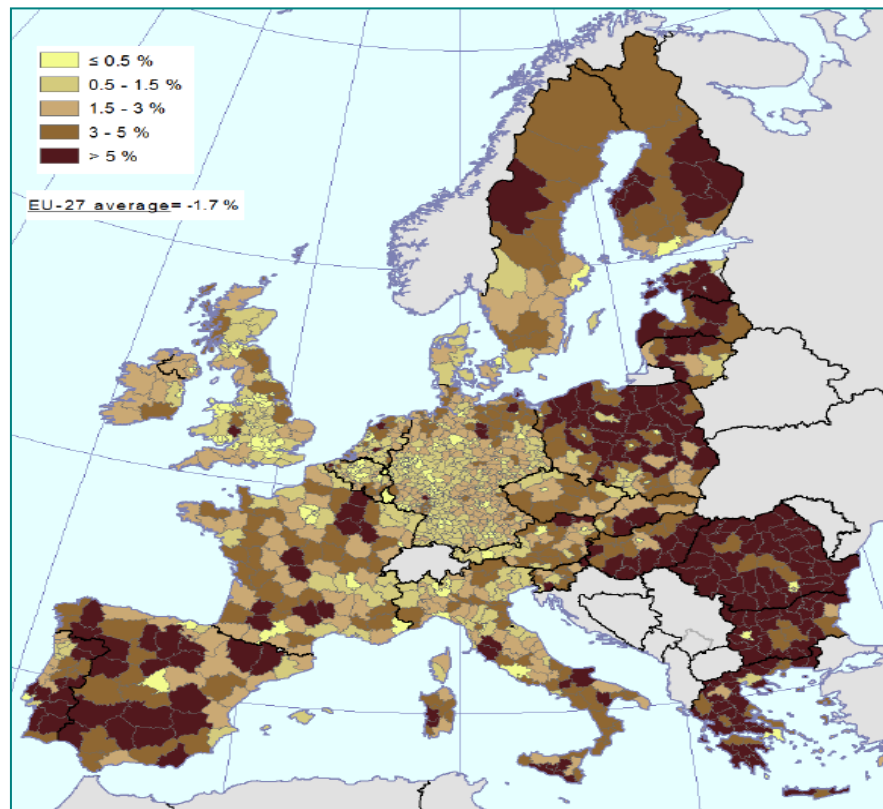
- 1- A diversified agriculture with some restructuration**
- 2- Dynamics of European agricultural productions**
- 3- EU agriculture and internationalization of markets**
- 4- The challenges of the CAP reforms**

# **1- A diversified agriculture with some restructuration**

## Agricultural output - Shares in EU-27 (in %)

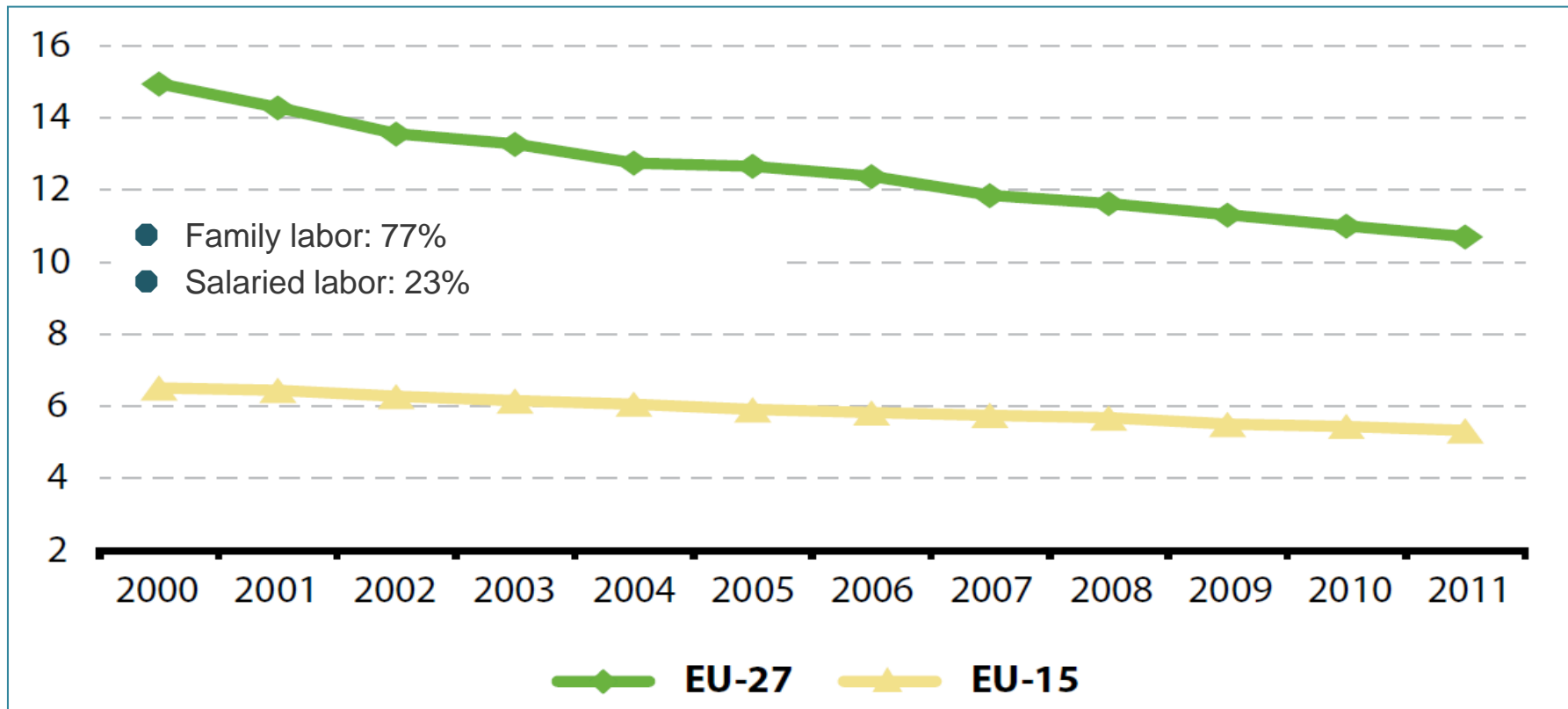


## Agricultural in % of the total added value



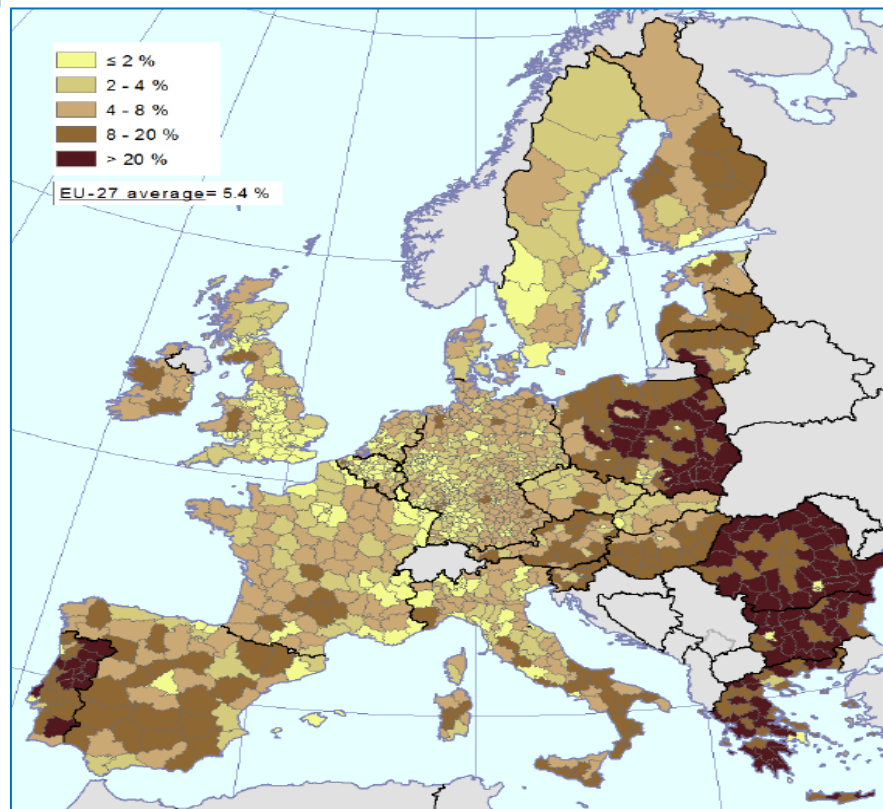
→ EU average = 1,7%

## Agricultural labour (Agricultural Work Unit - AWU)



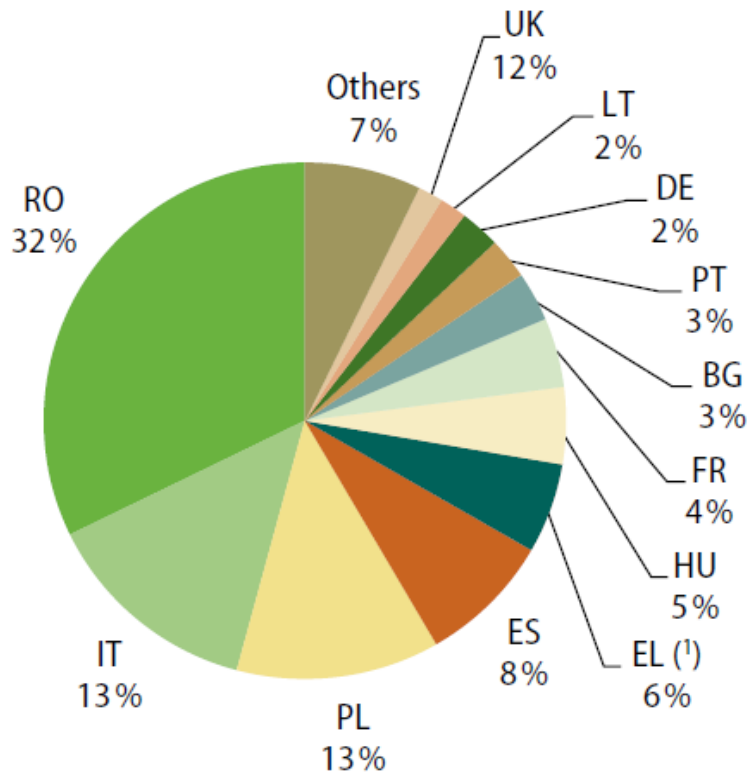


## Agricultural in % of the total employment



➔ EU Average = 5,4%

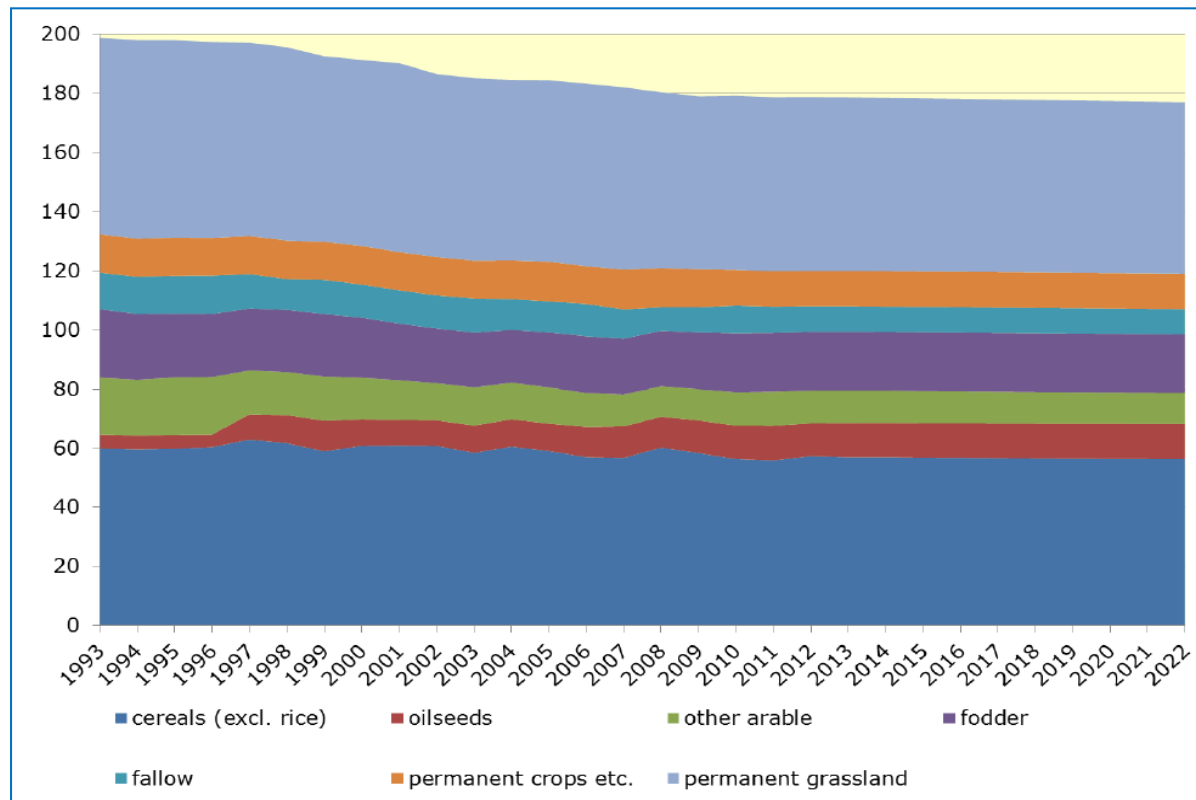
## Number of agricultural holdings in the EU-27



➔ **EU : 11,7 million farms**

- 70% less than 10 hectares (6% of the UAA)
- 3% more than 100 hectares (50% of UAA)

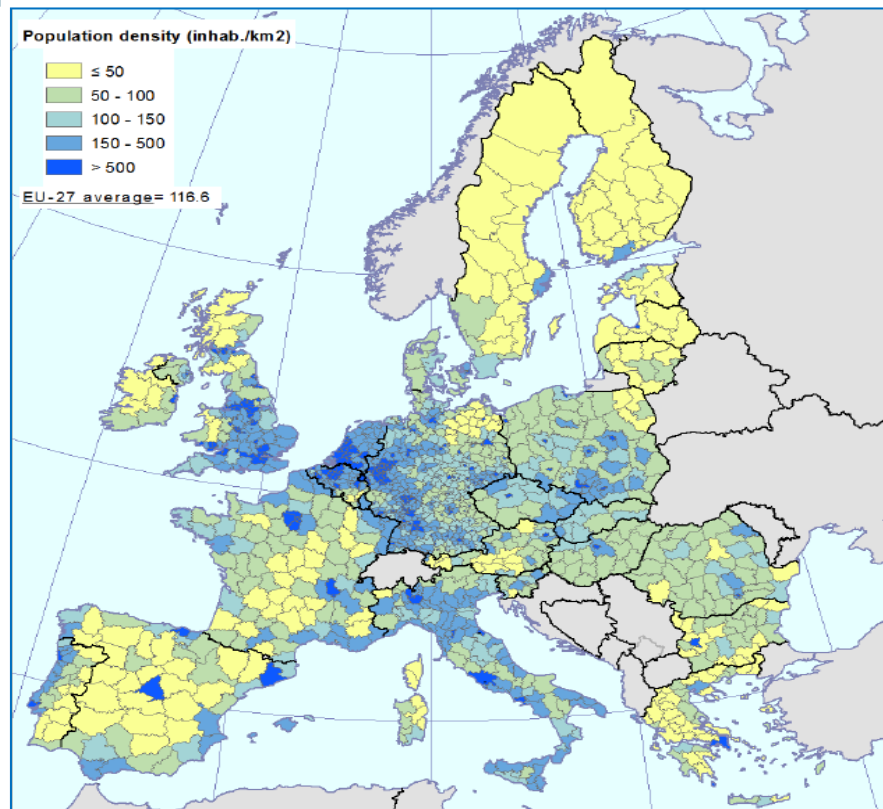
## Usable agricultural area (UAA) in the EU-27 (million ha)



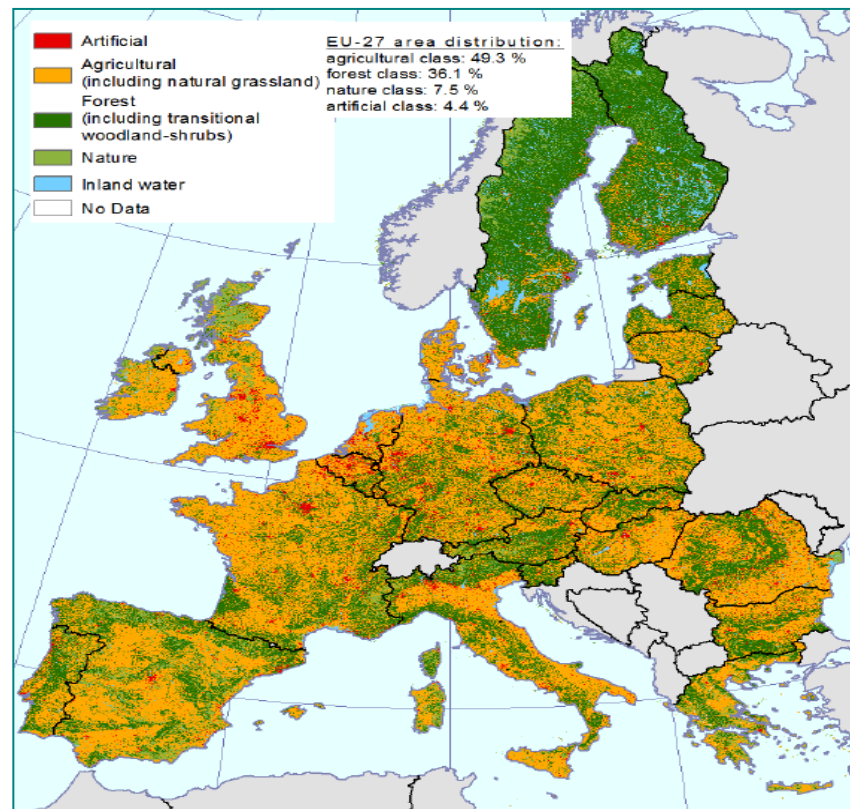
➔ **172 million hectares of UAA**

- 0,34 hectare of UAA per inhabitant
- 60% of arable land
- 34% of permanent grassland
- 6% of permanent crops

## Population density (inhabitants/km2)

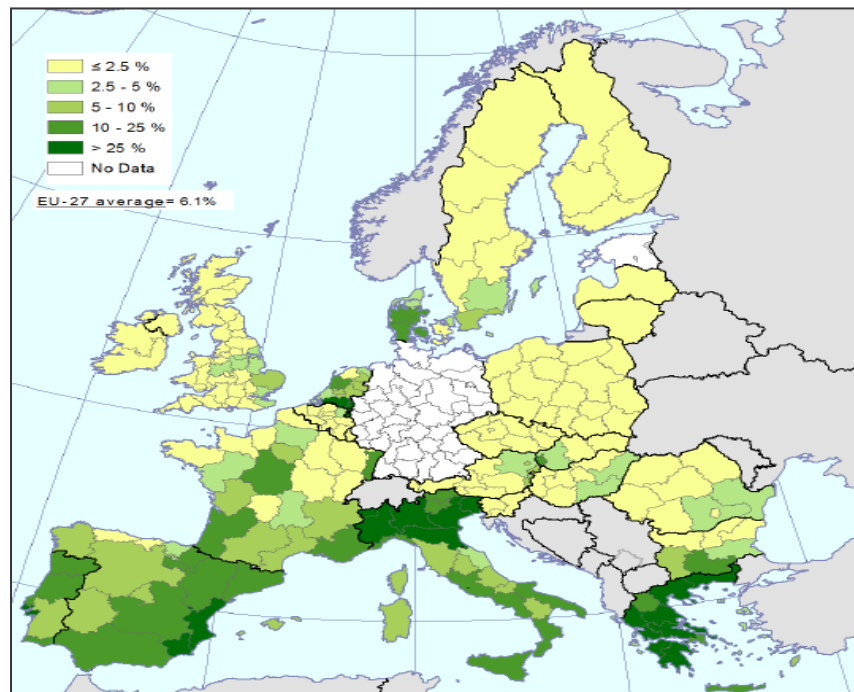


## Land cover

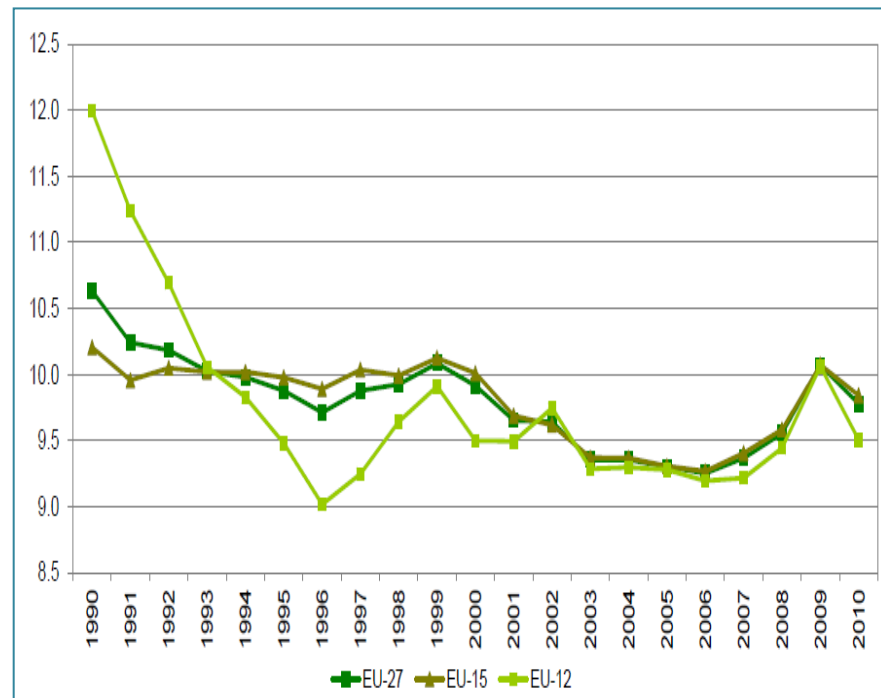


# European agriculture and environment

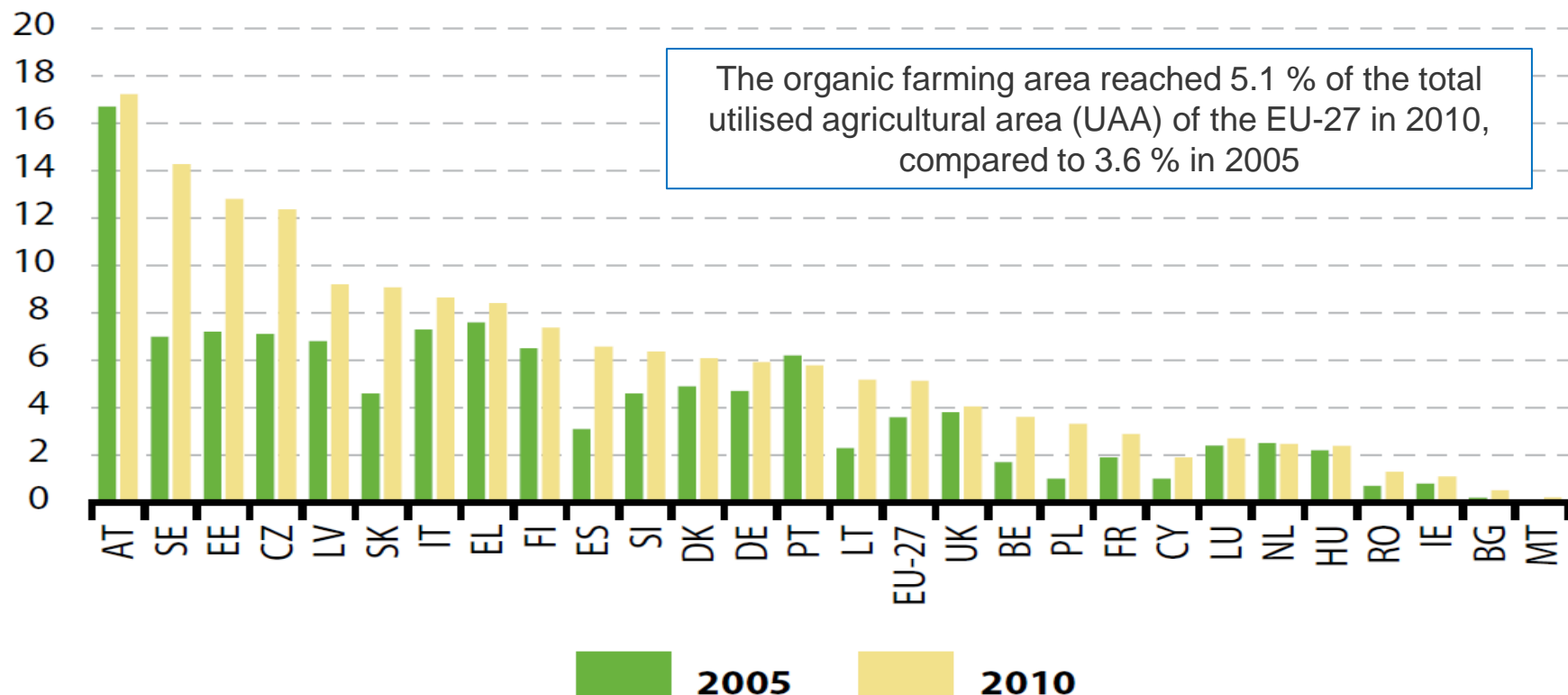
## Share of irrigated UAA



## Evolution of the share of agriculture in total GHG emissions (1000 t of CO<sub>2</sub> equivalent)



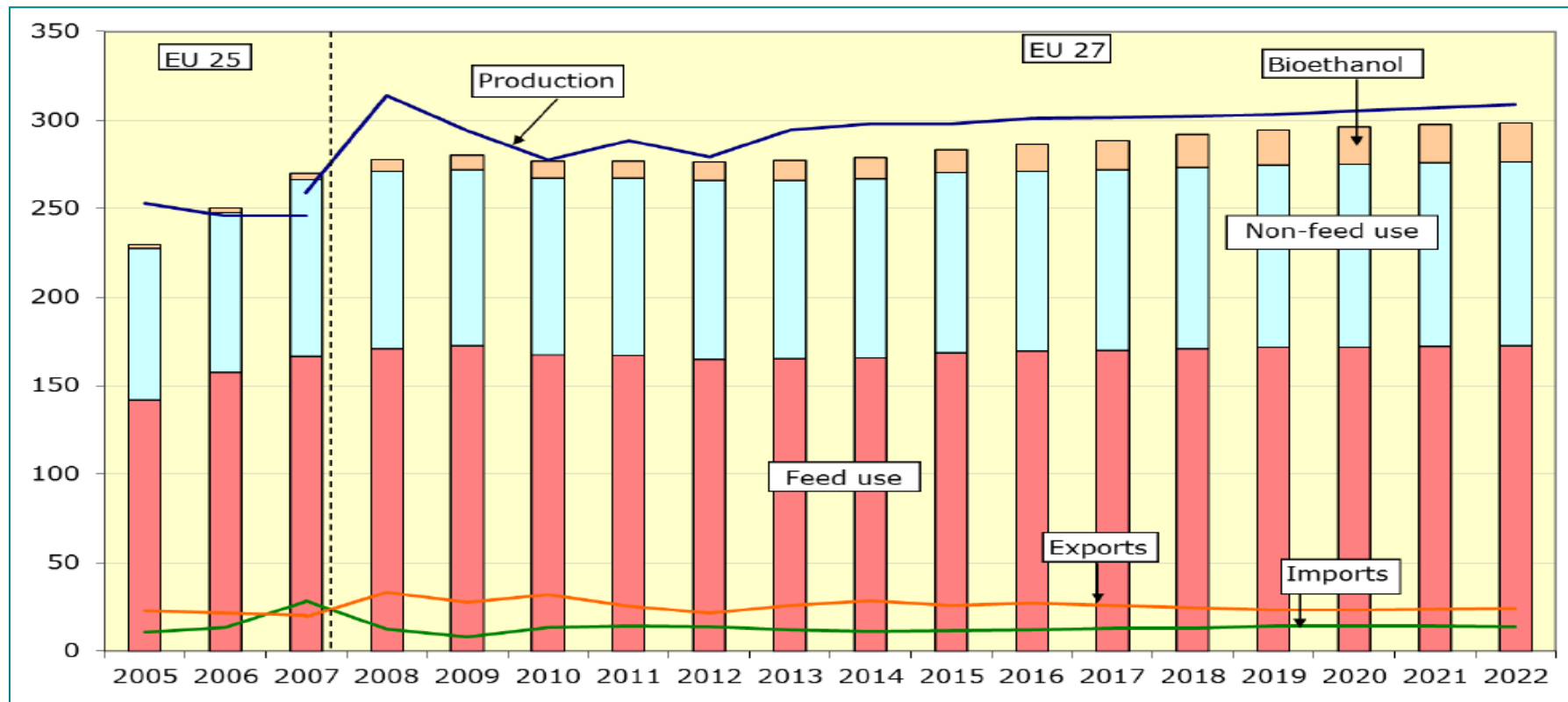
## Share of organic area in the usable agricultural area (%)



## **2- Dynamics of European agricultural productions**

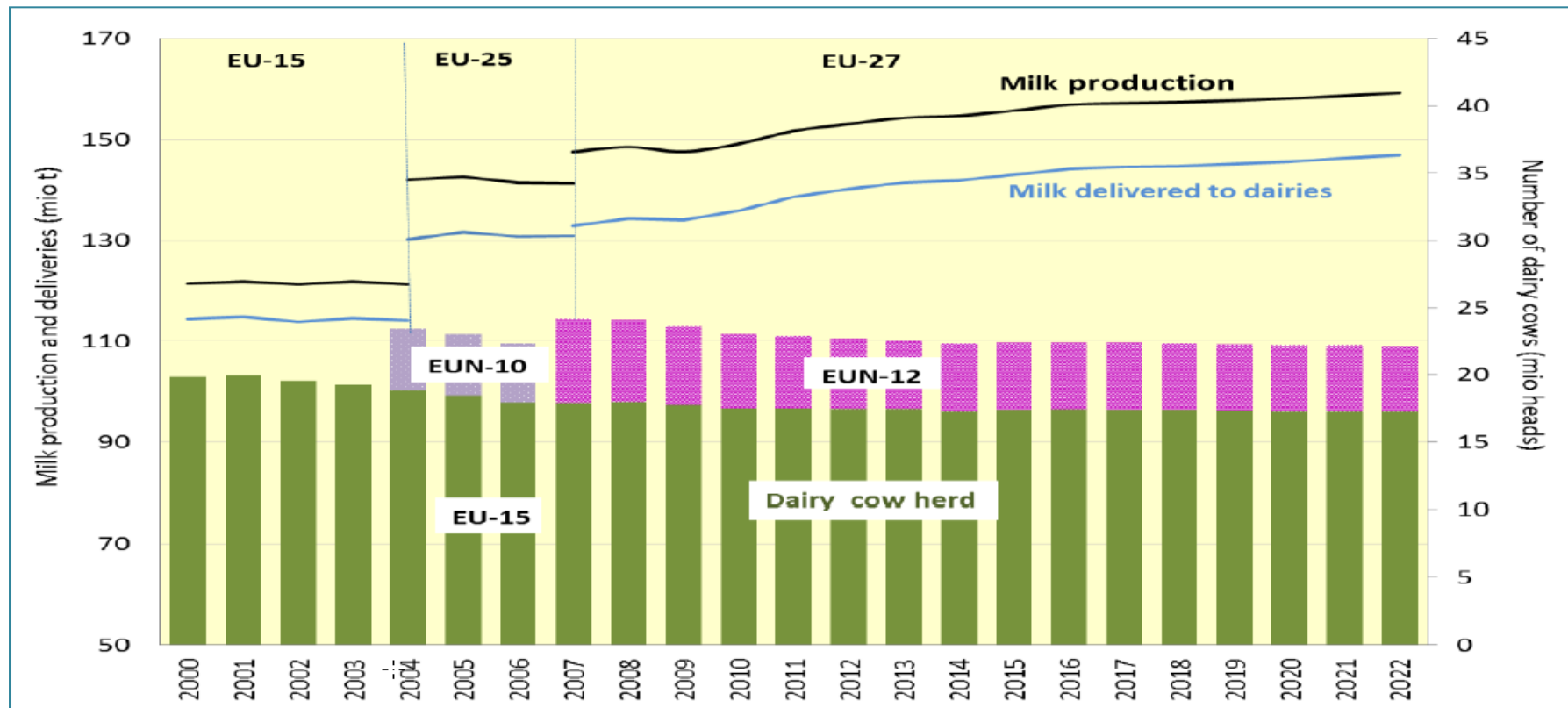


## EU-27 cereal market developments (million t)

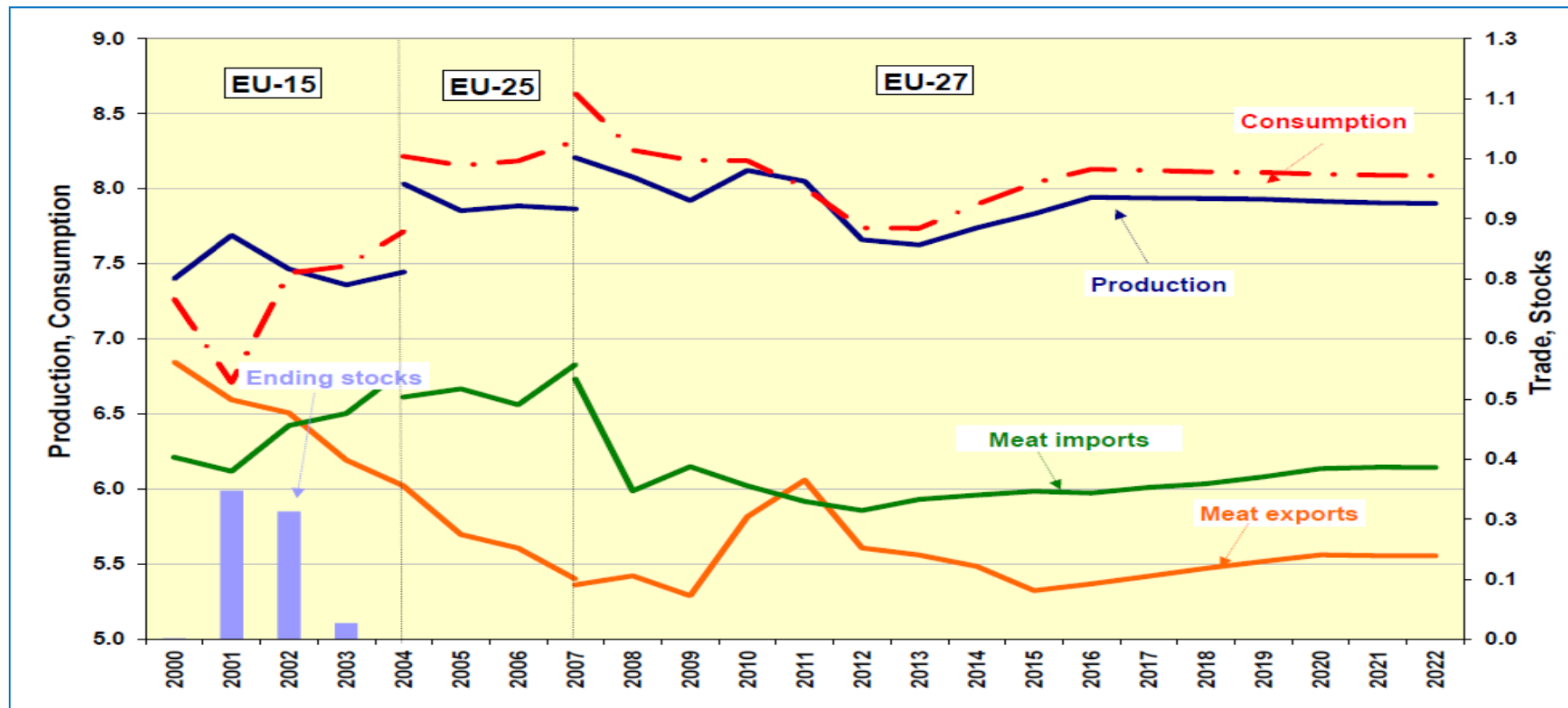




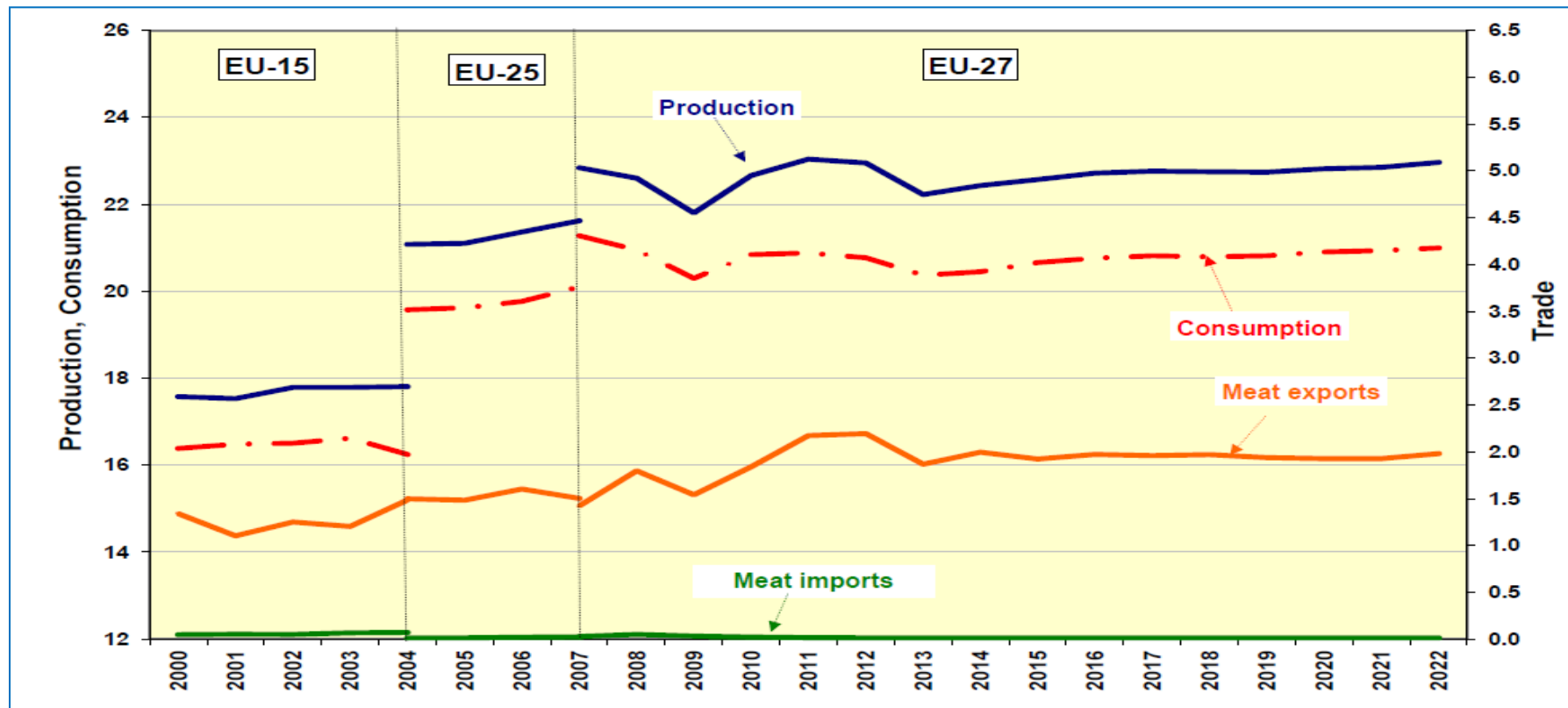
## EU-27 cow's milk supply and dairy herd developments (million t)



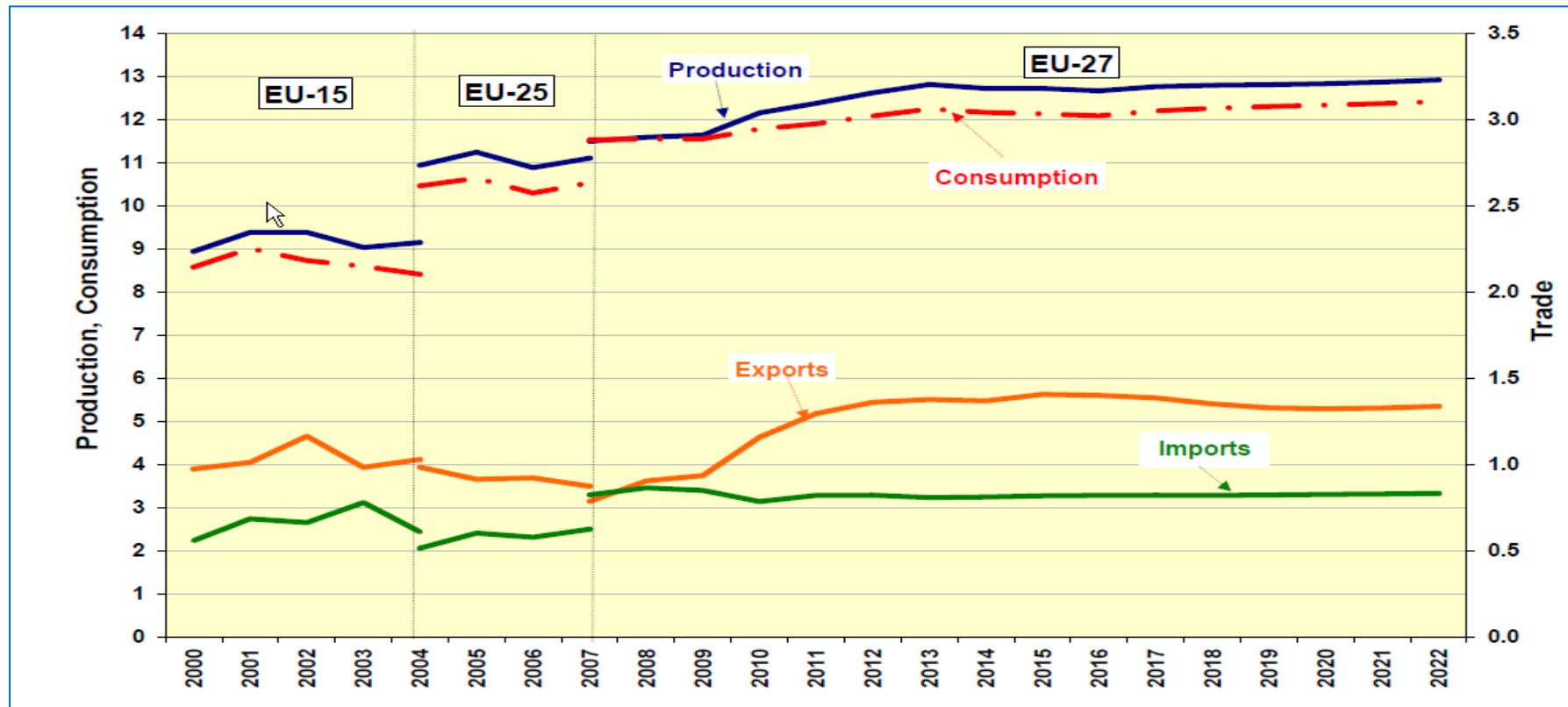
## EU-27 beef meat market developments (million t)



## EU-27 pig meat market developments (million t)

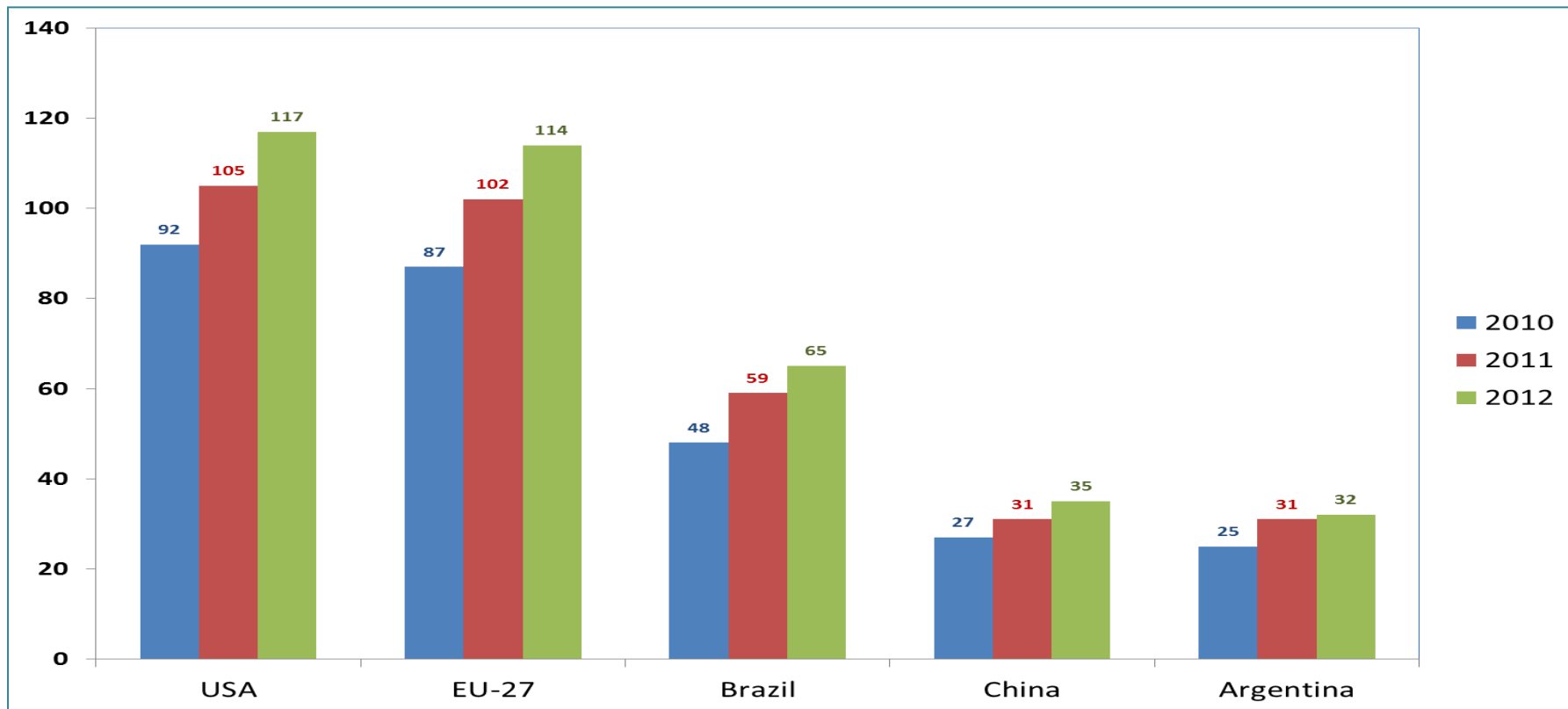


## EU-27 poultry meat market developments (million t)

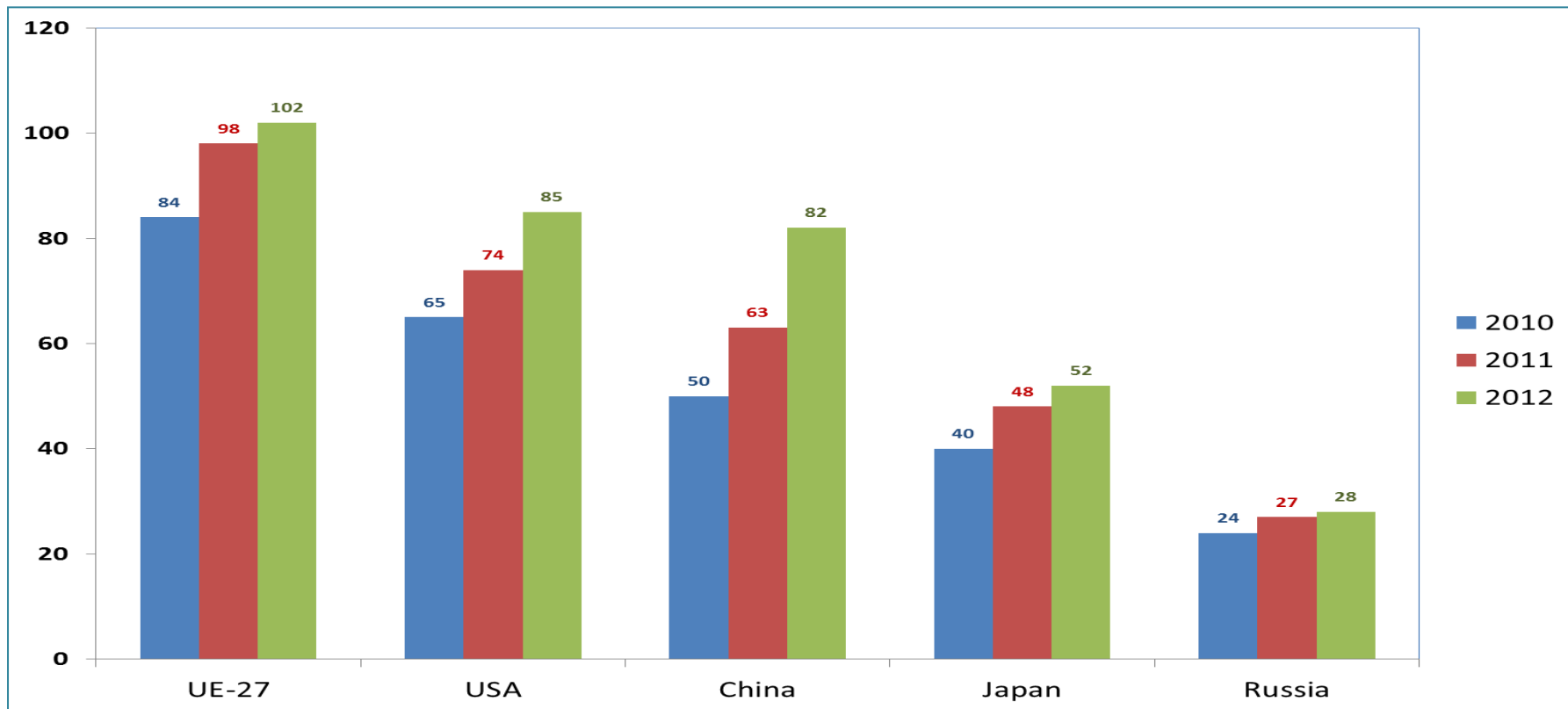


## **3-** EU agriculture and internationalization of markets

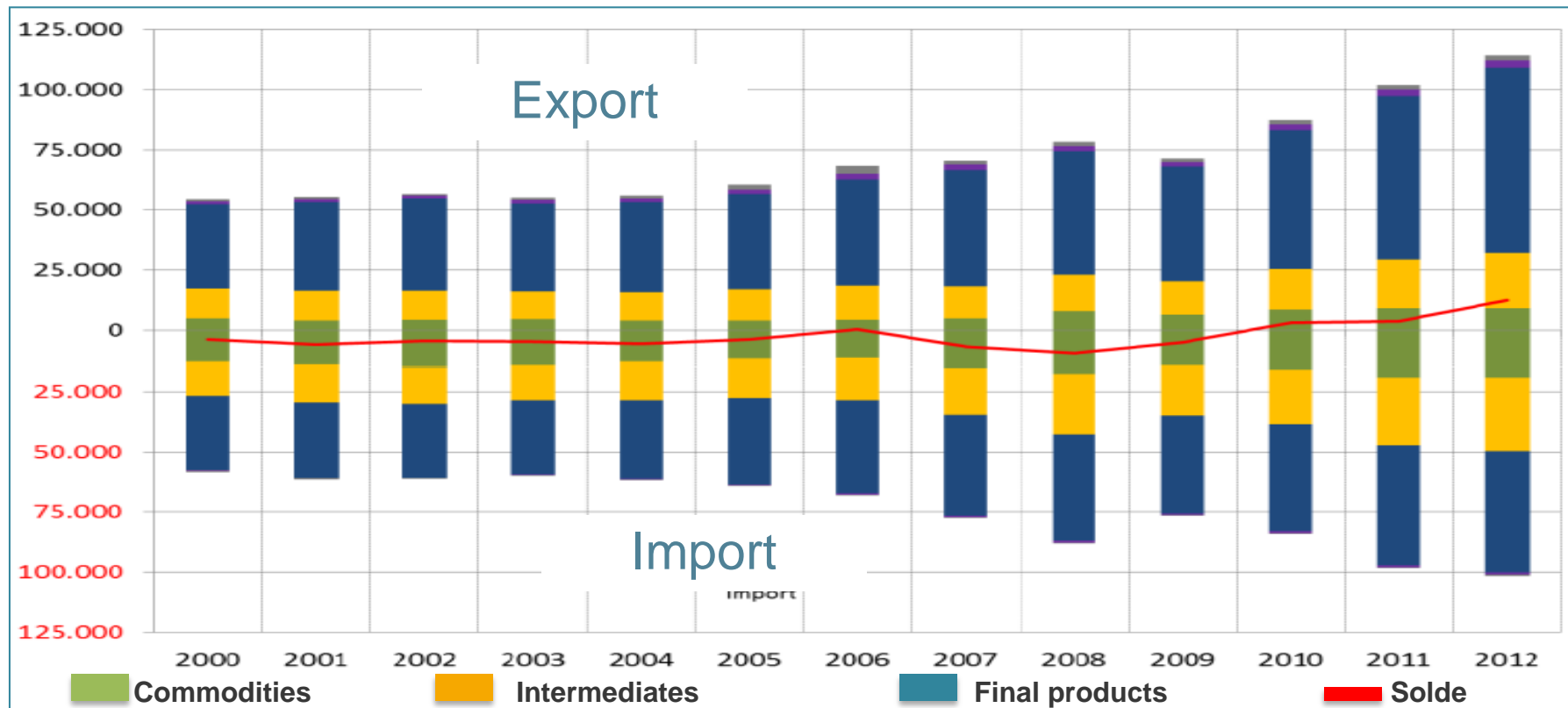
## Top 5 world agricultural exporters (billion euro)



## Top 5 world agricultural importers (billion euro)

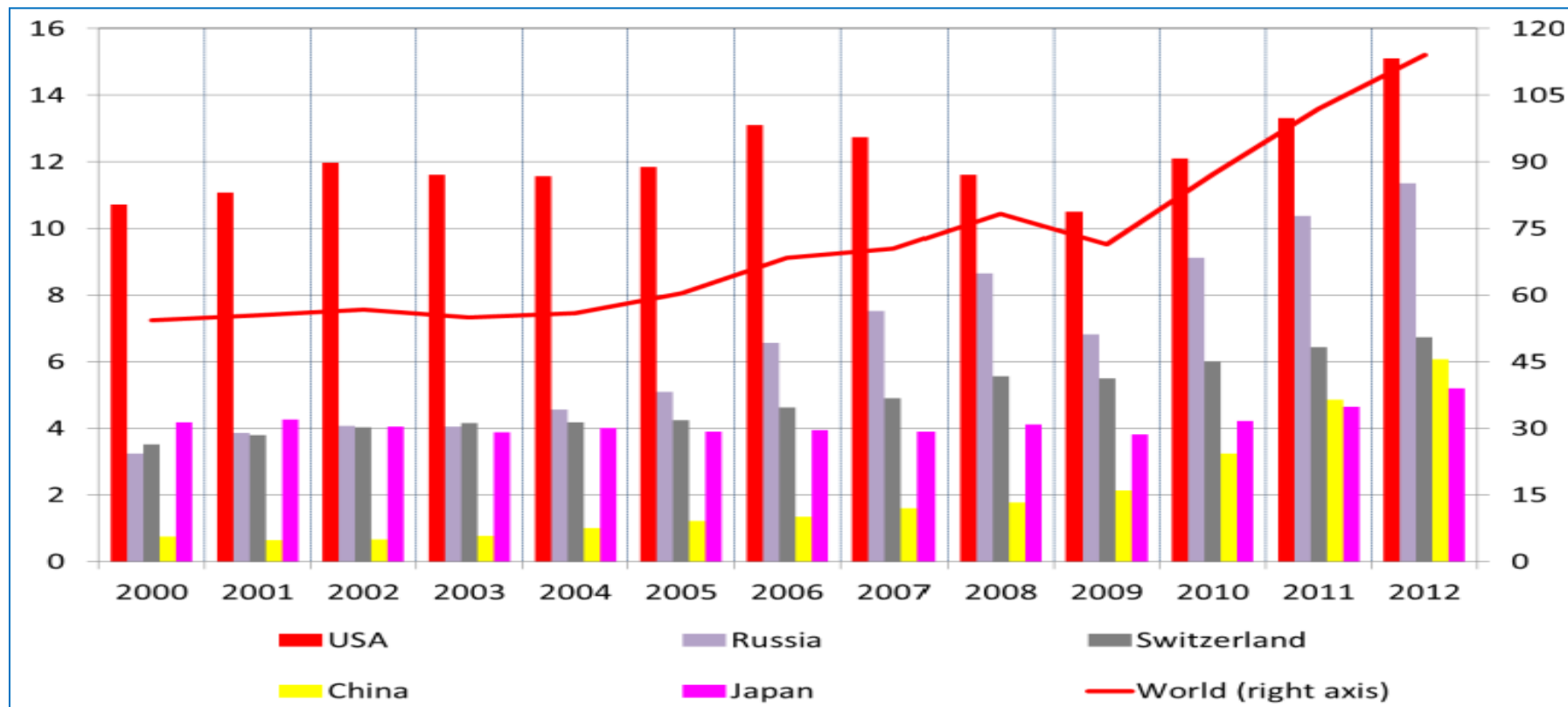


## EU-27 structure of agricultural trade (million euro)

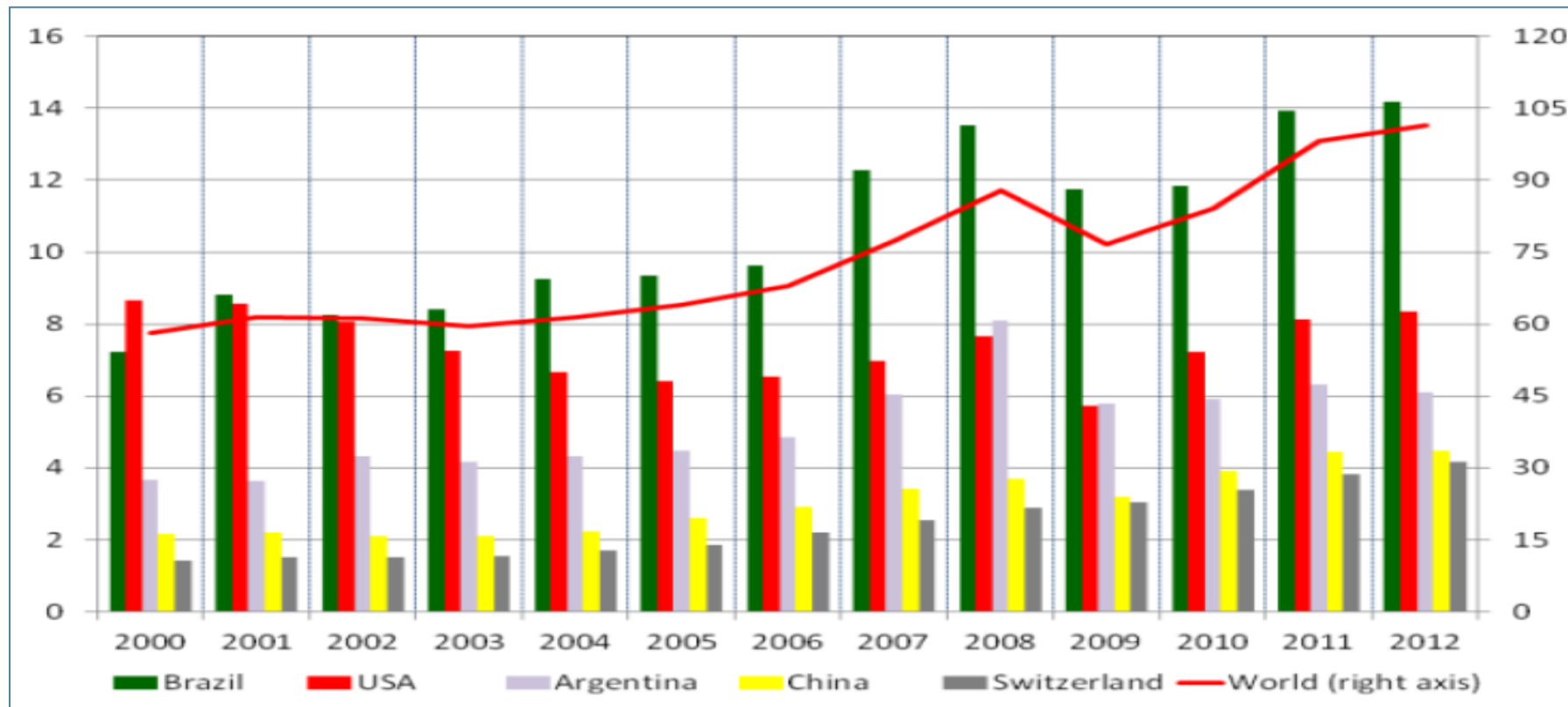




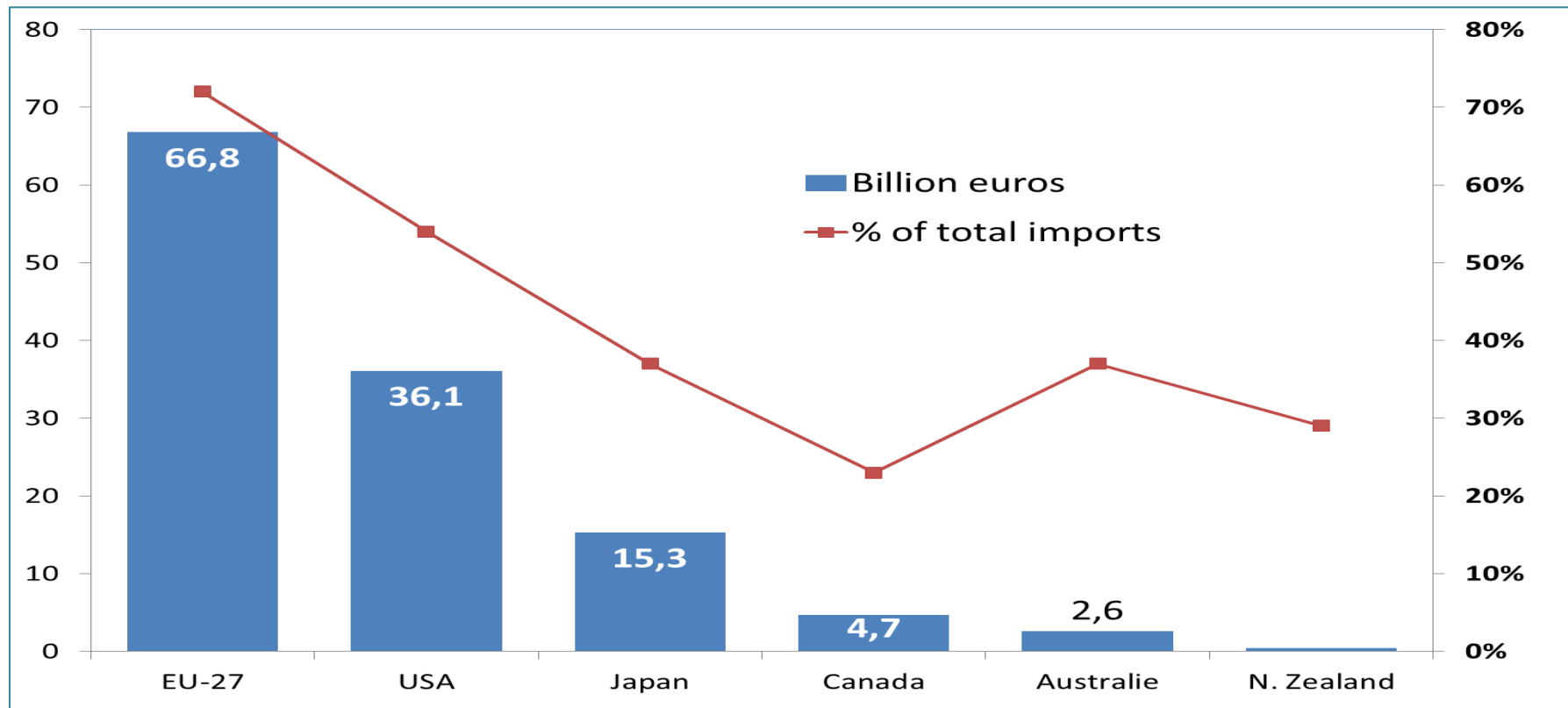
## EU-27 agricultural export by destination (billion euro)



## EU-27 agricultural import by origin (billion euro)



## Agricultural imports from developing countries (billion euro)



## 4- The challenges of the CAP reforms

# The successive CAP reforms

## → Three principles

- Unicity of the European market ; community preference ; financial solidarity

## → Reform process since twenty years

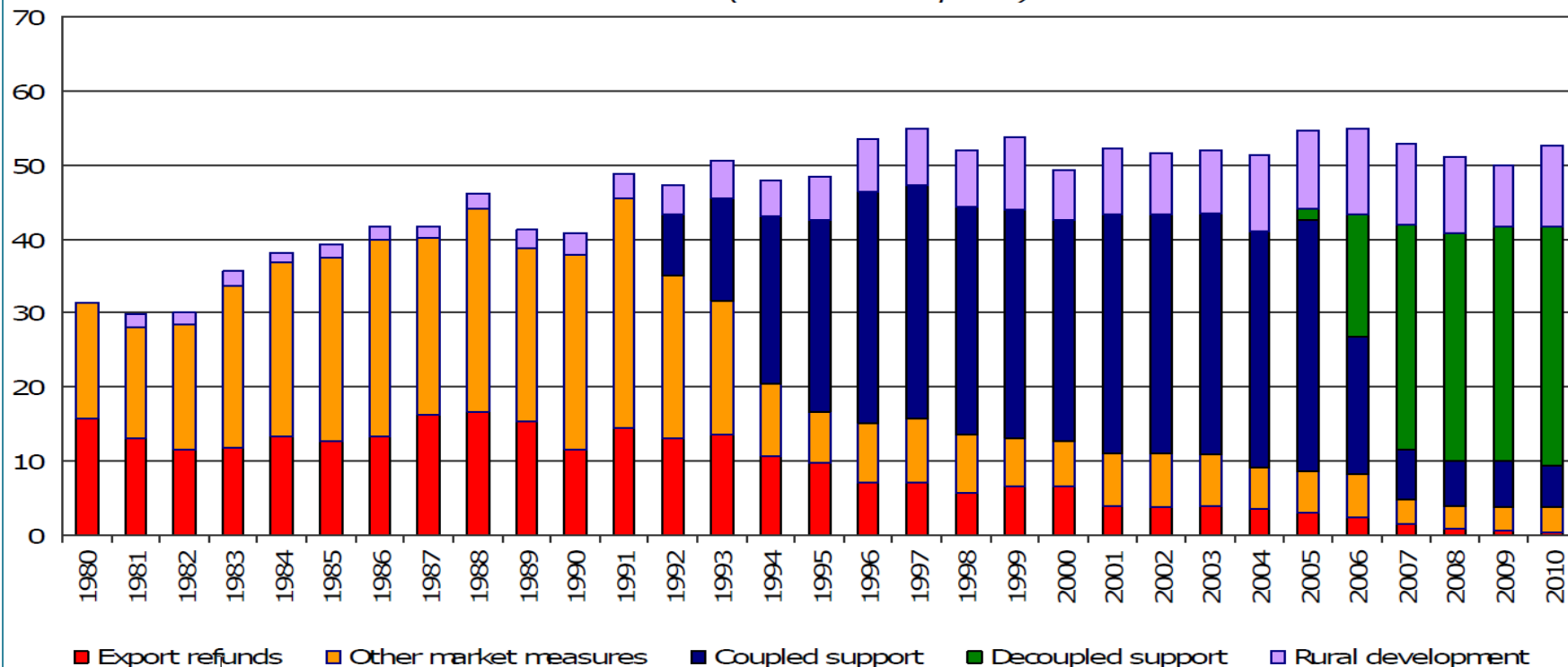
- 1992, 1999, 2003, 2012, etc...: transformation by small successive steps

## → The guidelines

- Gradual abandonment of regulatory measures: export refunds and storage
- Declining support for the guaranteed prices
- Compensation through direct aid...more and more decoupled
- Legitimation of the decoupled payments by environmental standards
- Increase of the rural development measures
- Strengthening the principle of subsidiarity

## EU budget for Agriculture (billion euro)

*billion EUR (2007 constant prices)*



# CAP reform: key challenges

## ➔ Economic challenges

- European and global food security
- Price volatility of inputs (energy) and agricultural products
- Competitiveness in international markets (efforts in terms of innovation and logistics)

## ➔ Environmental challenges

- Emissions of greenhouse gases from agriculture and carbon storage
- Quality of water, air and soil
- Biodiversity

## ➔ Territorial challenges

- Specialization of territories and geographical concentration of agricultural supply
- Preservation of agriculture in areas with natural constraints
- Economic vitality of rural areas with few jobs (services and industries)

## CAP reform: the institutional context

### ➔ Less pressure of the WTO on reform process

- Domestic support (decoupled aids are compatible with the "green box")
- Export competition (lower export refunds)
- Market access (a positive effect on the increase in international prices)

### ➔ The financial framework of the EU 2014-2020

- A decrease of the EU budget
- CAP: 37% of the total EU budget

### ➔ A policy framework: strategy « Europe 2020 »

- Smart, sustainable and inclusive growth

### ➔ Co-decision of the European Parliament on the CAP



## CAP reform: main tools

### ➔ The targeting of CAP direct payments (Pillar I)

- Convergence of the amount of decoupled direct aids per hectare within each country
- Possibility of maintaining some coupled payments (especially for animal products)
- « Greening » (grassland, crop diversification, land area with some environmental constraints)

### ➔ Market regulation

- Abolition of the milk quotas system (2015)
- Recognition of producer organizations (producer power along the food chain)
- Intervention tools and storage

### ➔ New priorities for rural development (Pillar II)

- Knowledge transfer and innovation, strengthening the competitiveness
- Risk management (insurance mechanisms)
- Protection of ecosystems ; greenhouse gas reduction

## Conclusion

### → Some good reasons to hope in the EU agriculture...

- World food demand is permanently increasing
- New sources for using agricultural production (ex: energy)
- Several competitors progressively saturate with their food export
- Standards and traceability are playing an increasing role
- Concentration of firms and development of contractual relations with farmers

### → Challenges for public policy and actors from EU rural areas

- Improve the communication in favour of closer relations between agricultural and society
- Limit the loss of agricultural land
- Rebalance market power (transparency, sharing of the added value along the food chain)
- Better justify the CAP budget and create risk management tools
- Increase the investments in agriculture (productivity, innovations, etc.)

# Thank you for your attention



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