European agriculture: situation and prospects

Vincent Chatellier

4èmes Assises Mondiales du Financement Agricole & Rural

26 et 27 septembre 2013 - Paris

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Vincent Chatellier – INRA (France)

Structure of the presentation

1- A diversified agriculture with some restructuration

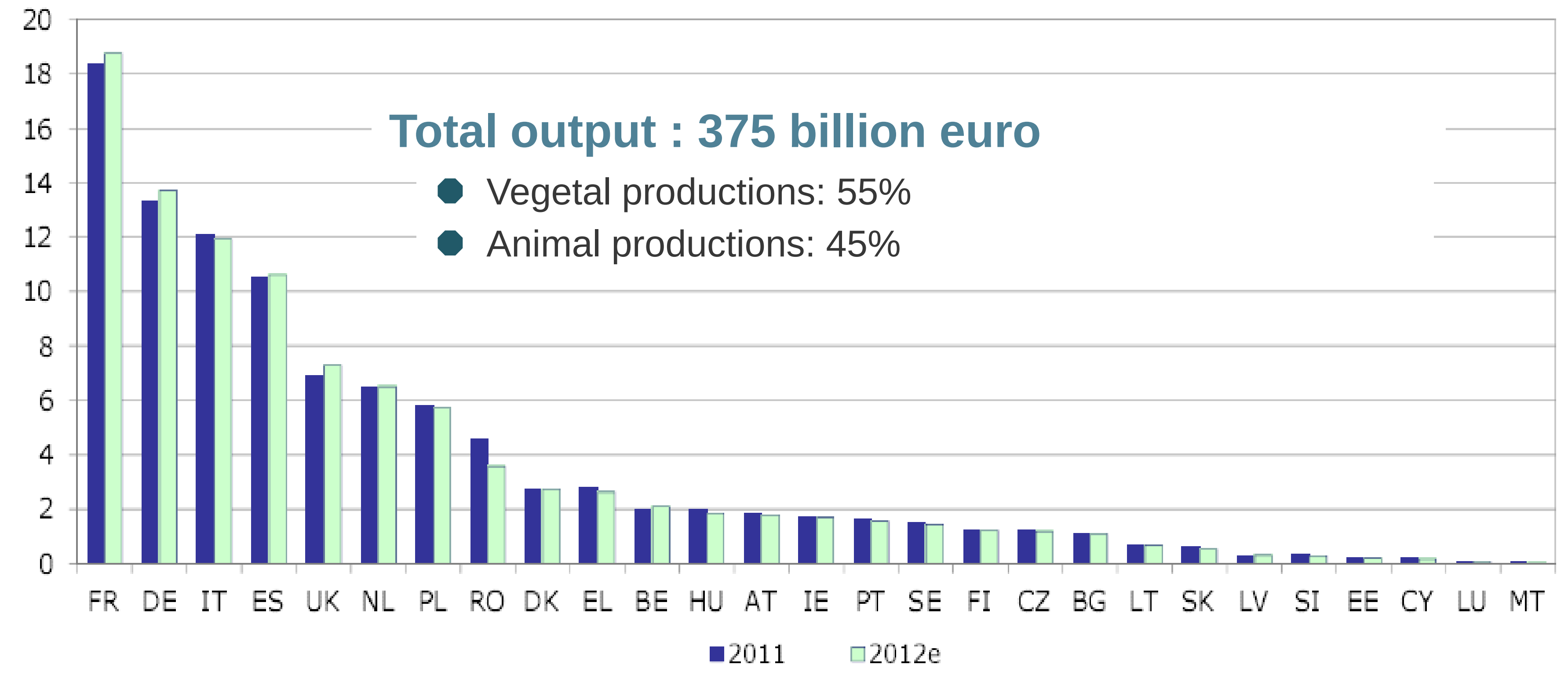
2- Dynamics of European agricultural productions

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 %)

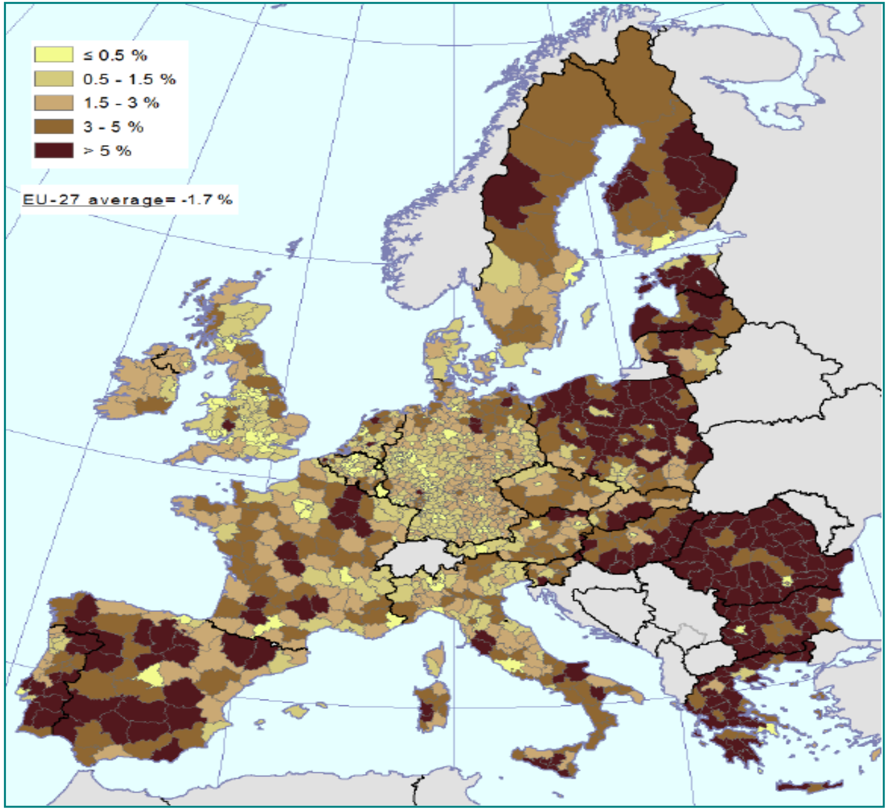


Total output : 375 billion euro

- Vegetal productions: 55%
- Animal productions: 45%

DGAGRI - Eurostat

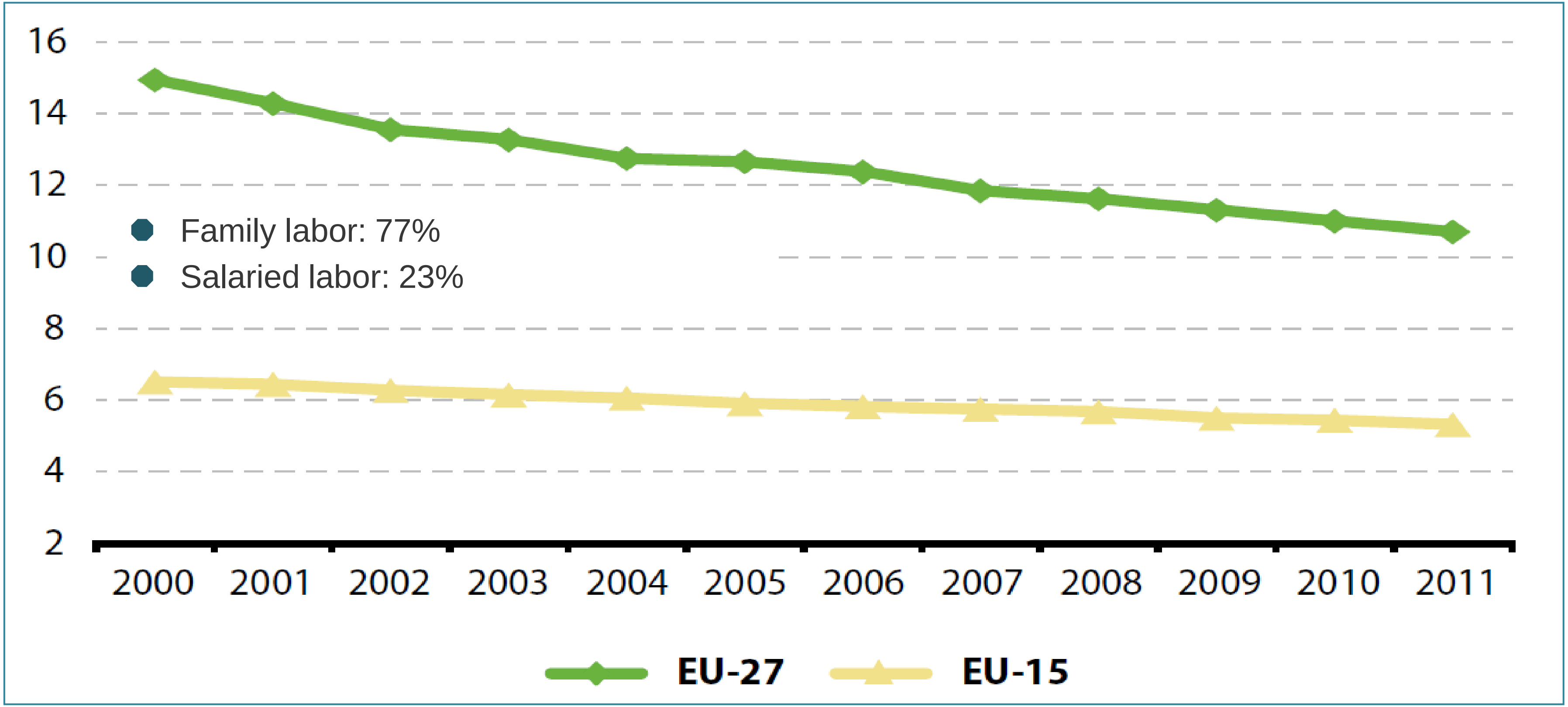
Agricultural in % of the total added value



➔ **EU average = 1,7%**

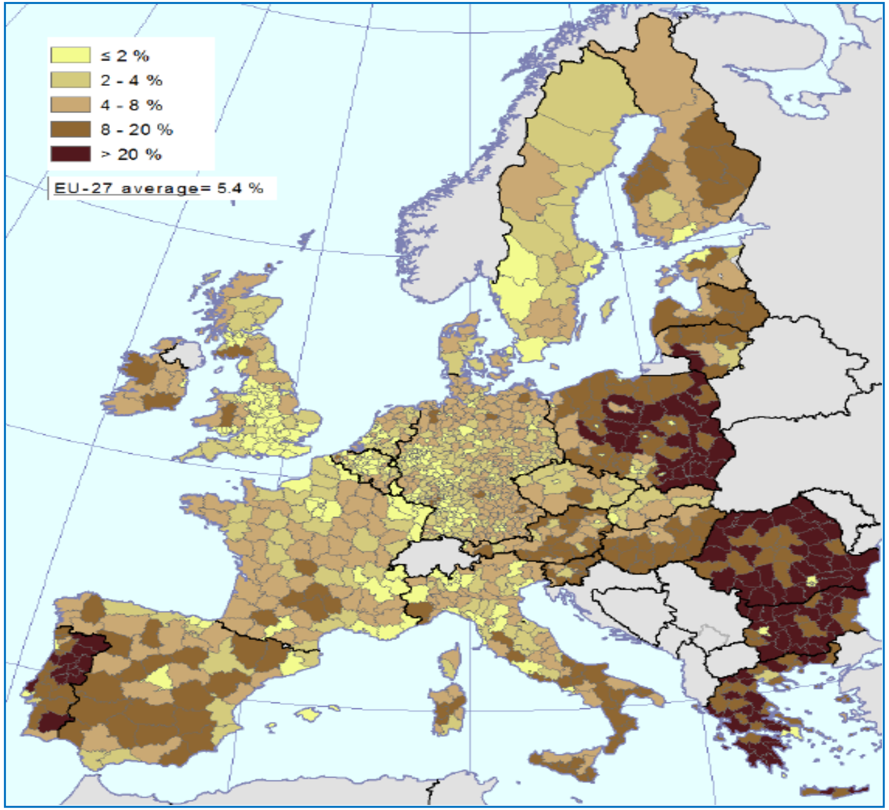
DGAGRI - Eurostat

Agricultural labour (Agricultural Work Unit - AWU)



Eurostat

Agricultural in % of the total employment



➔ EU Average = 5,4%

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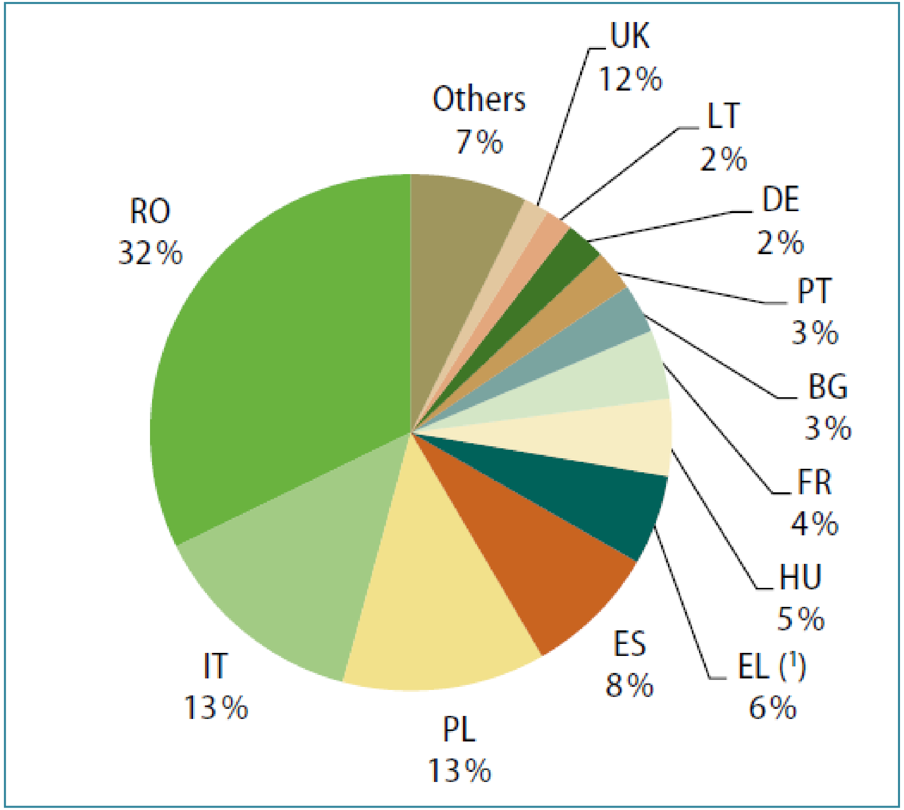
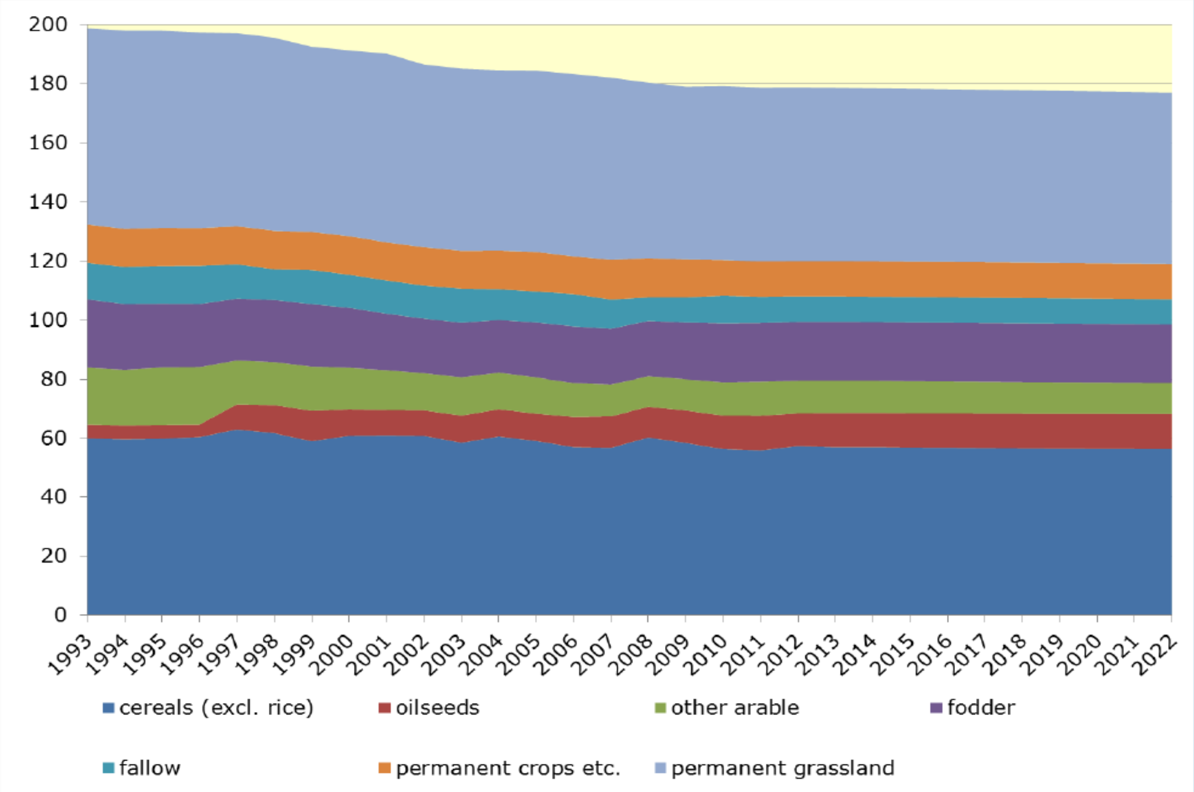
Number of agricultural holdings in the EU-27



EU : 11,7 million farms

- 70% less than10 hectares (6% of the UAA)
- 3% more than 100 hectares (50% of UAA)

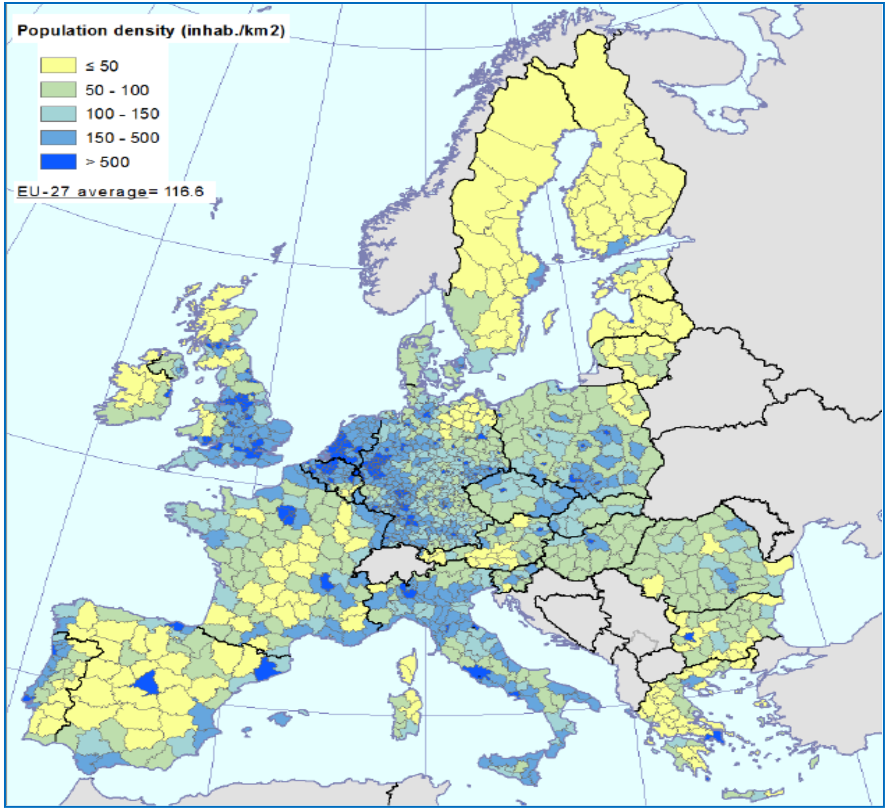
Usable agricultural area (UAA) in the EU-27 (million ha)



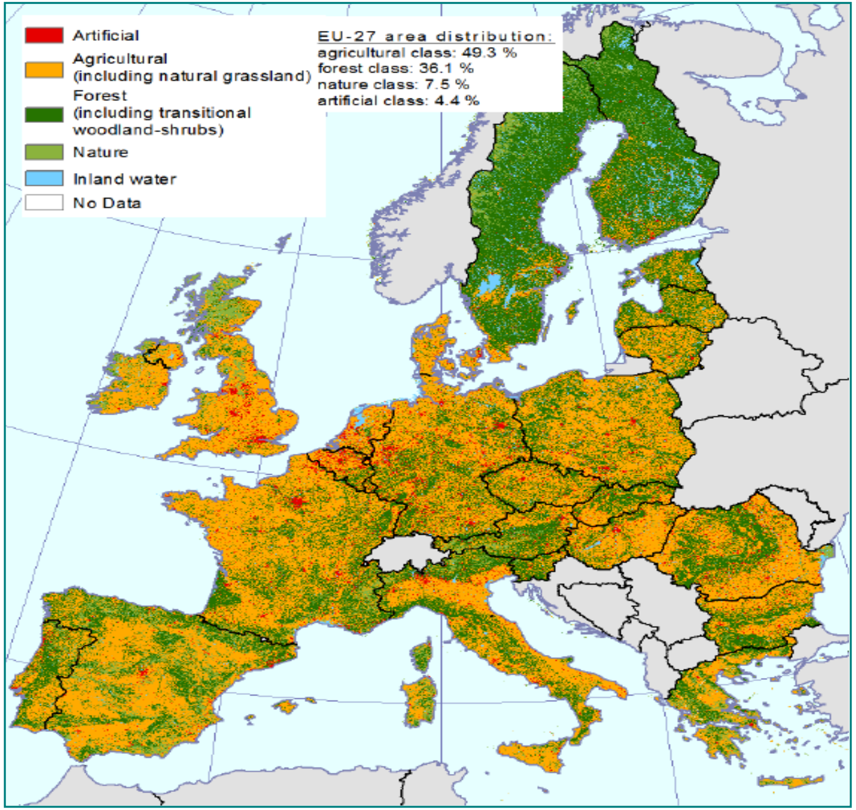
172 million hectares of UAA

- 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



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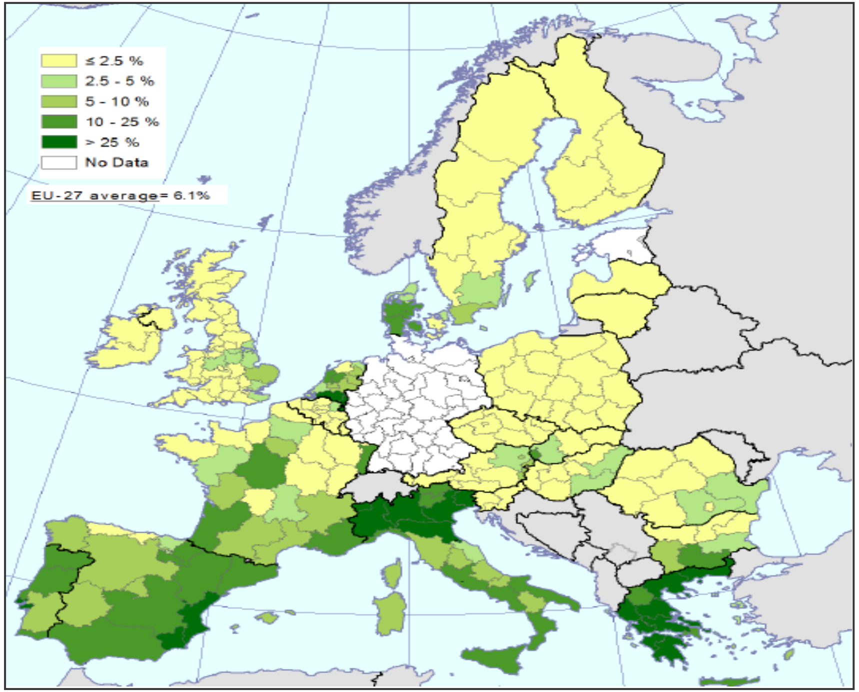
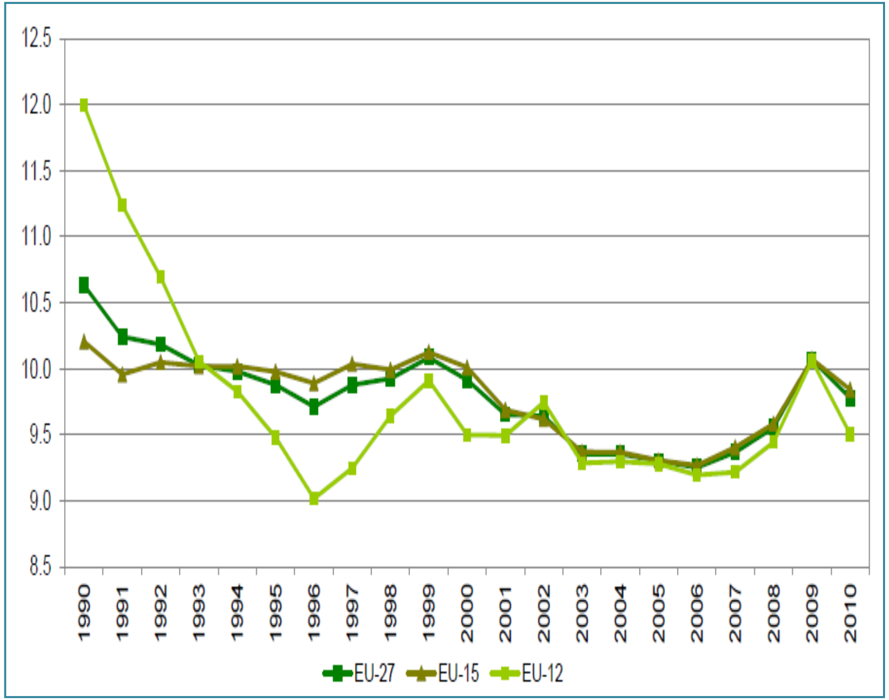
European agriculture and environment

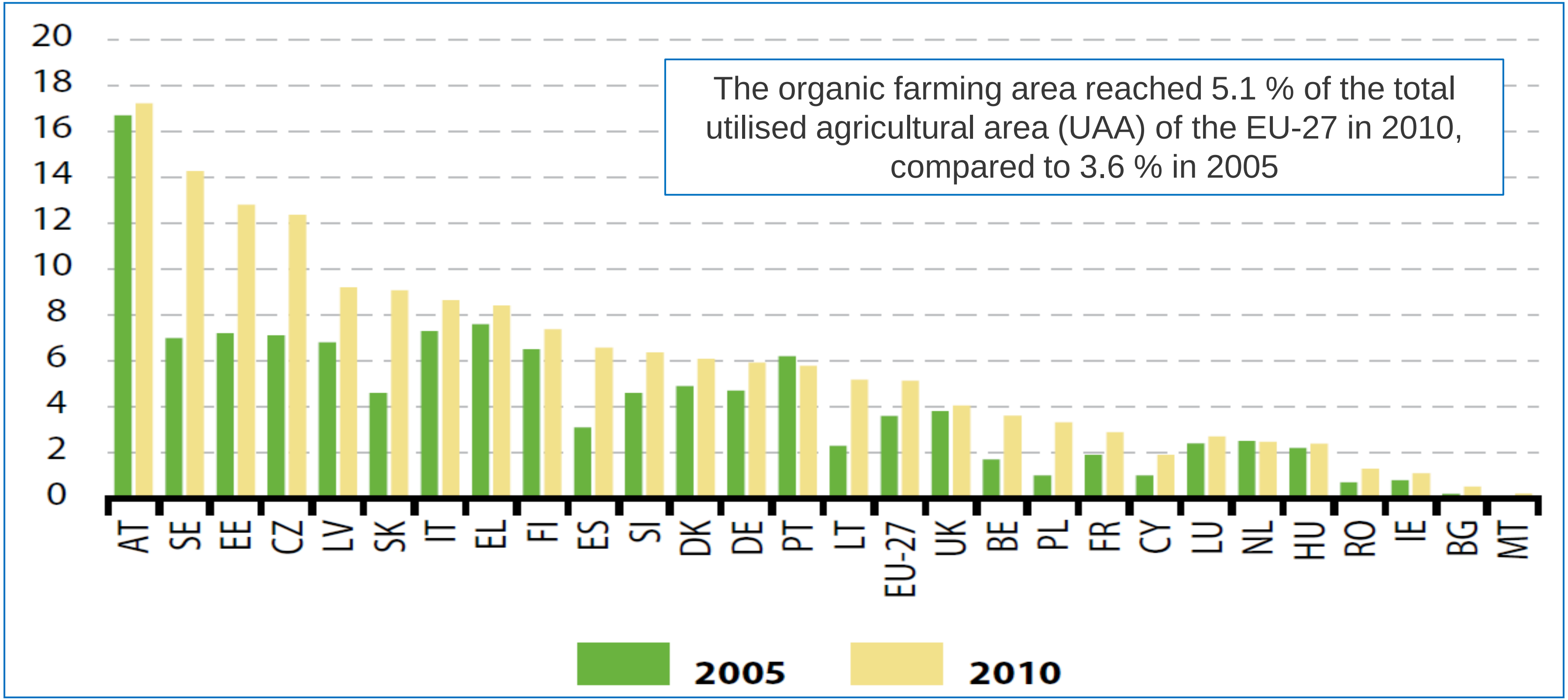
Share of irrigated UAA



Evolution of the share of agriculture in total GHG emissions (1000 t of CO2 equivalent)



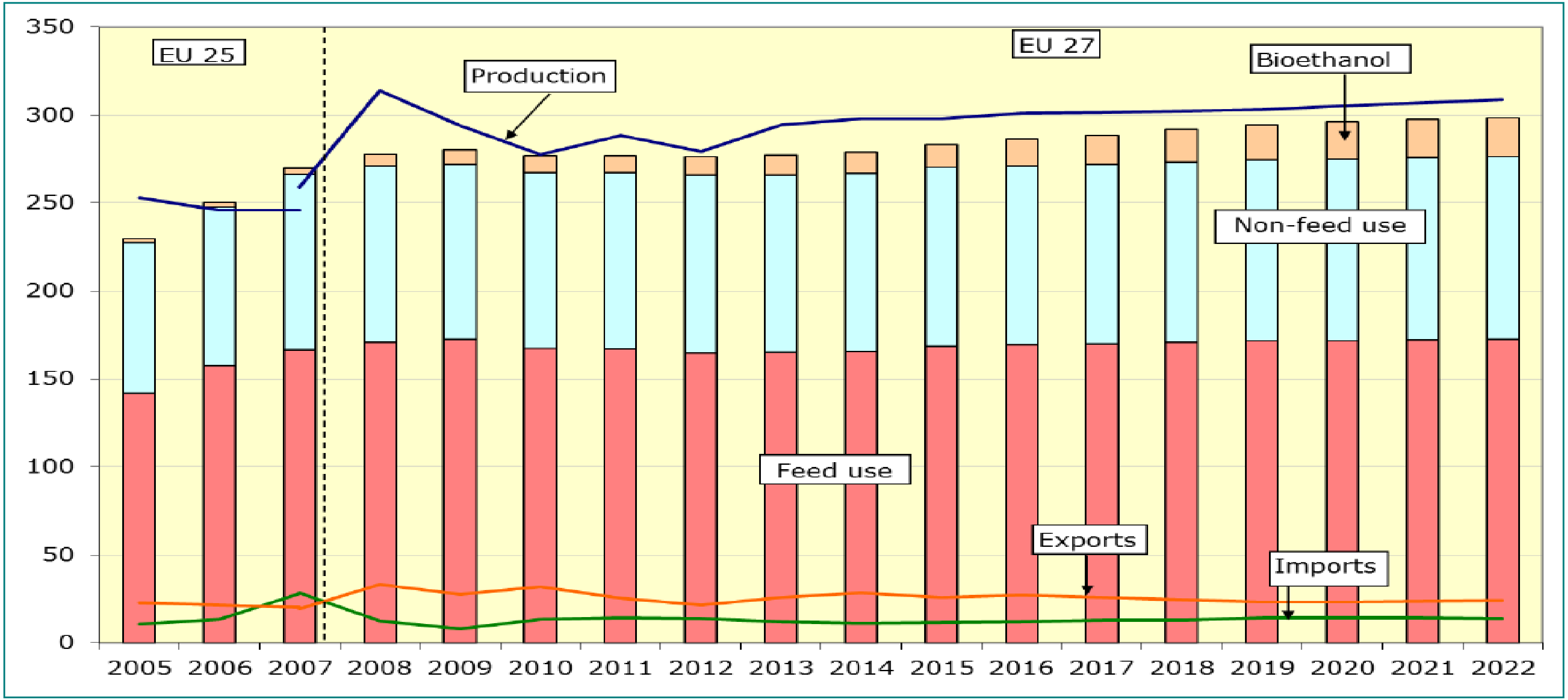
Share of organic area in the usable agricultural area (%)



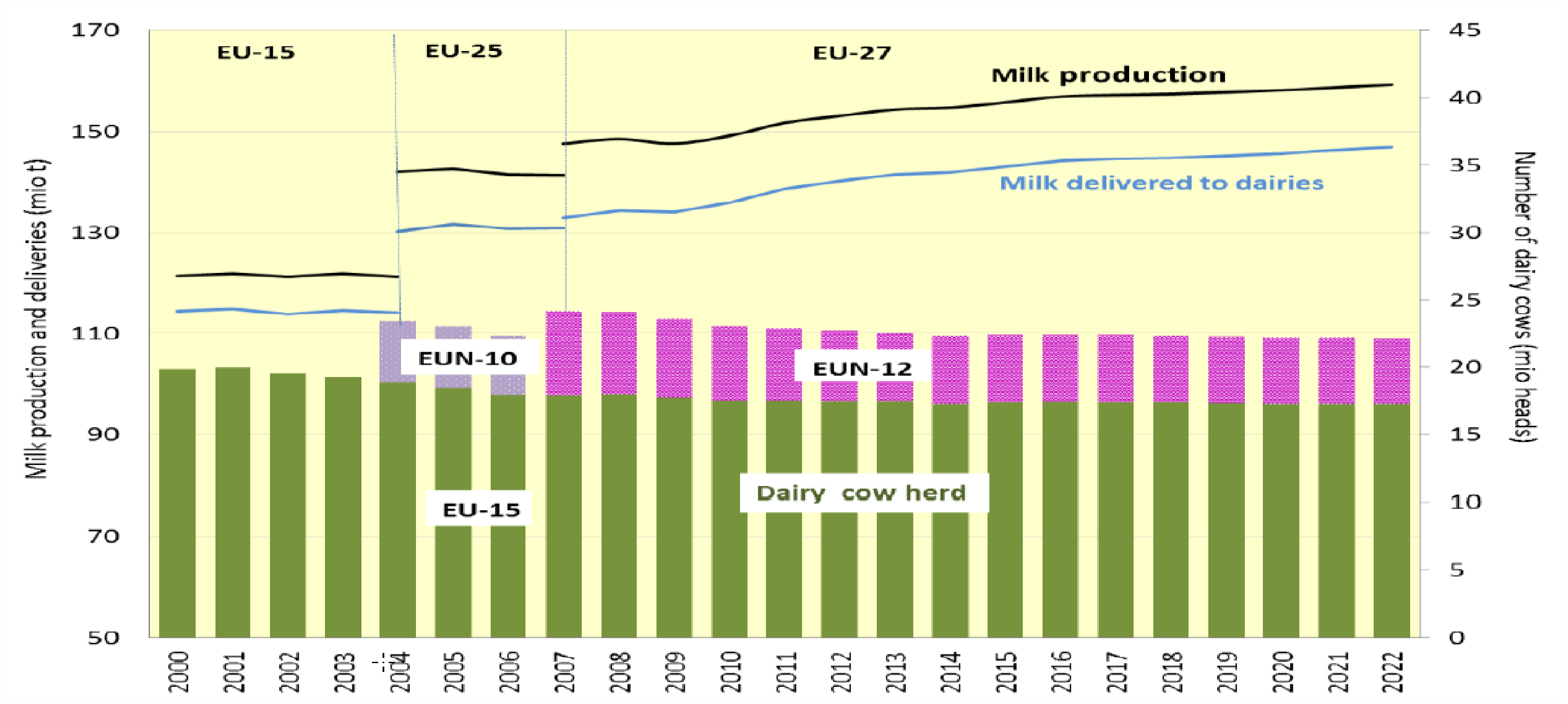
Eurostat

2- Dynamics of European agricultural productions

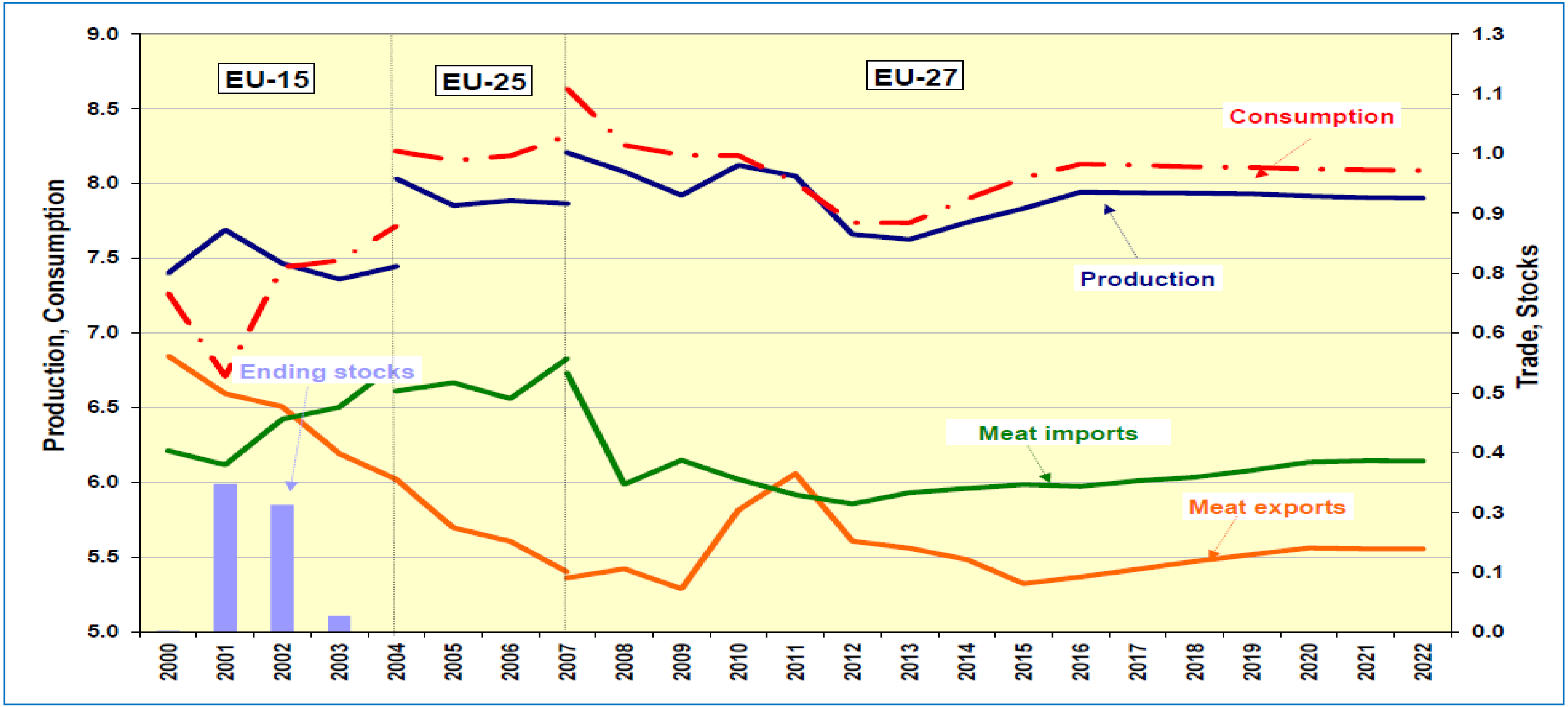
EU-27 cereal market developments (million t)



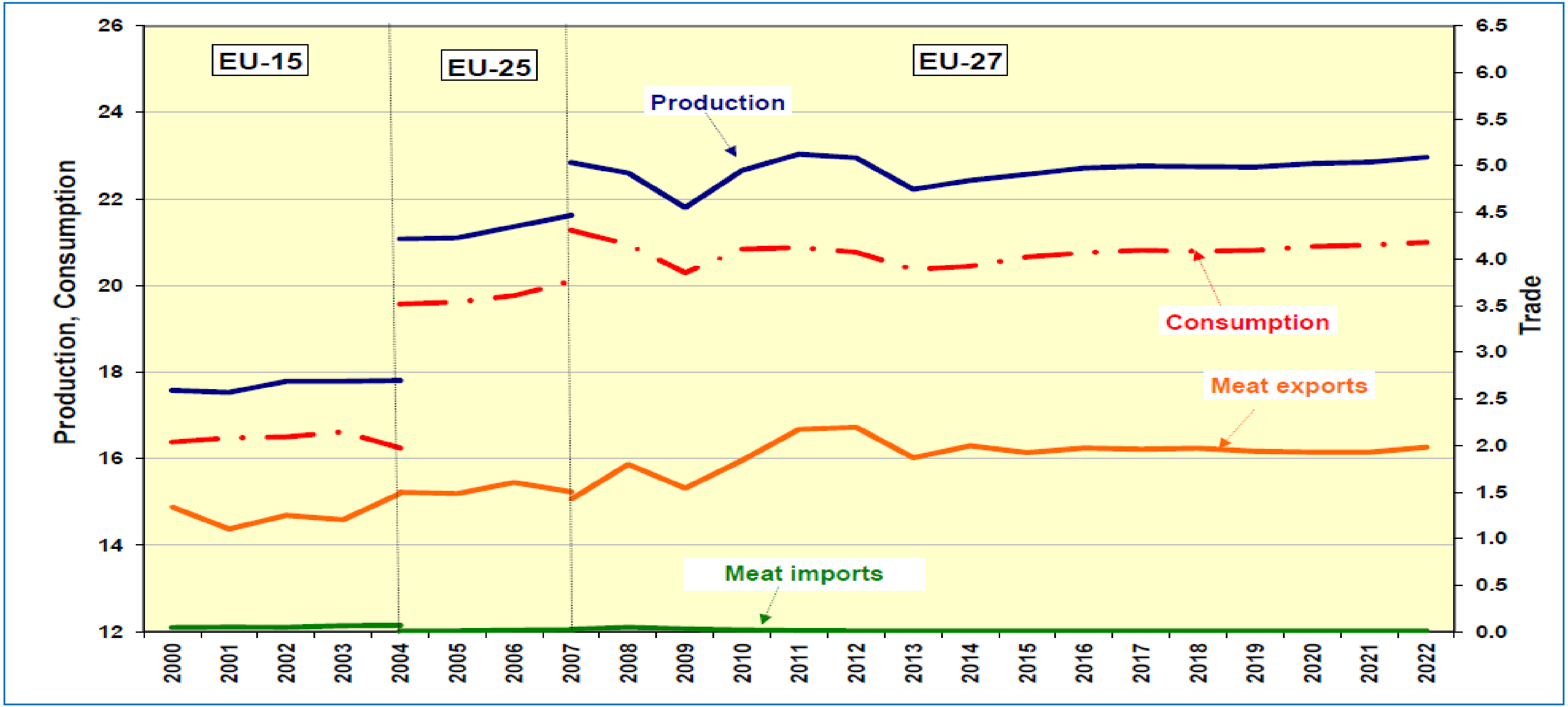
EU-27 cow's milk supply and dairy herd developments (million t)



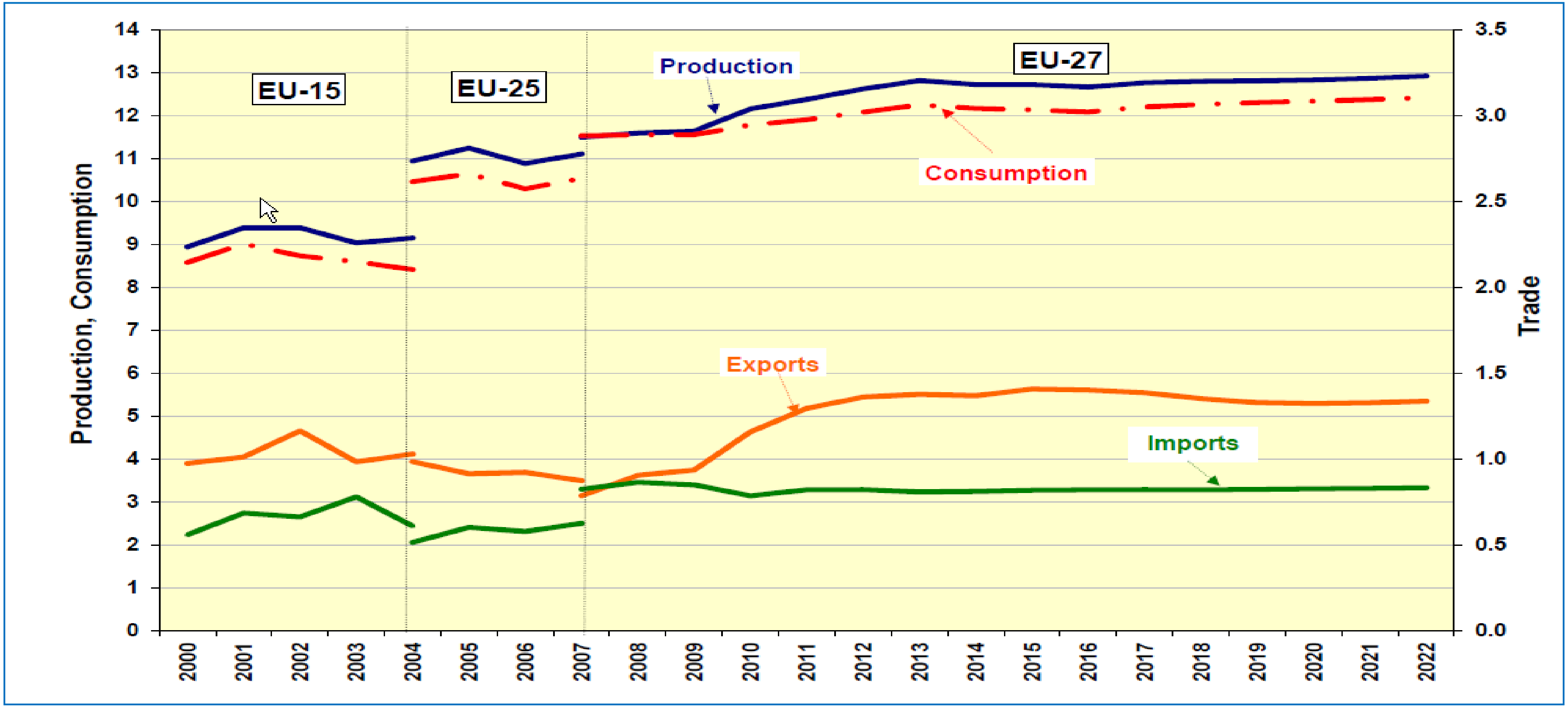
EU-27 beef meat market developments (million t)



EU-27 pig meat market developments (million t)

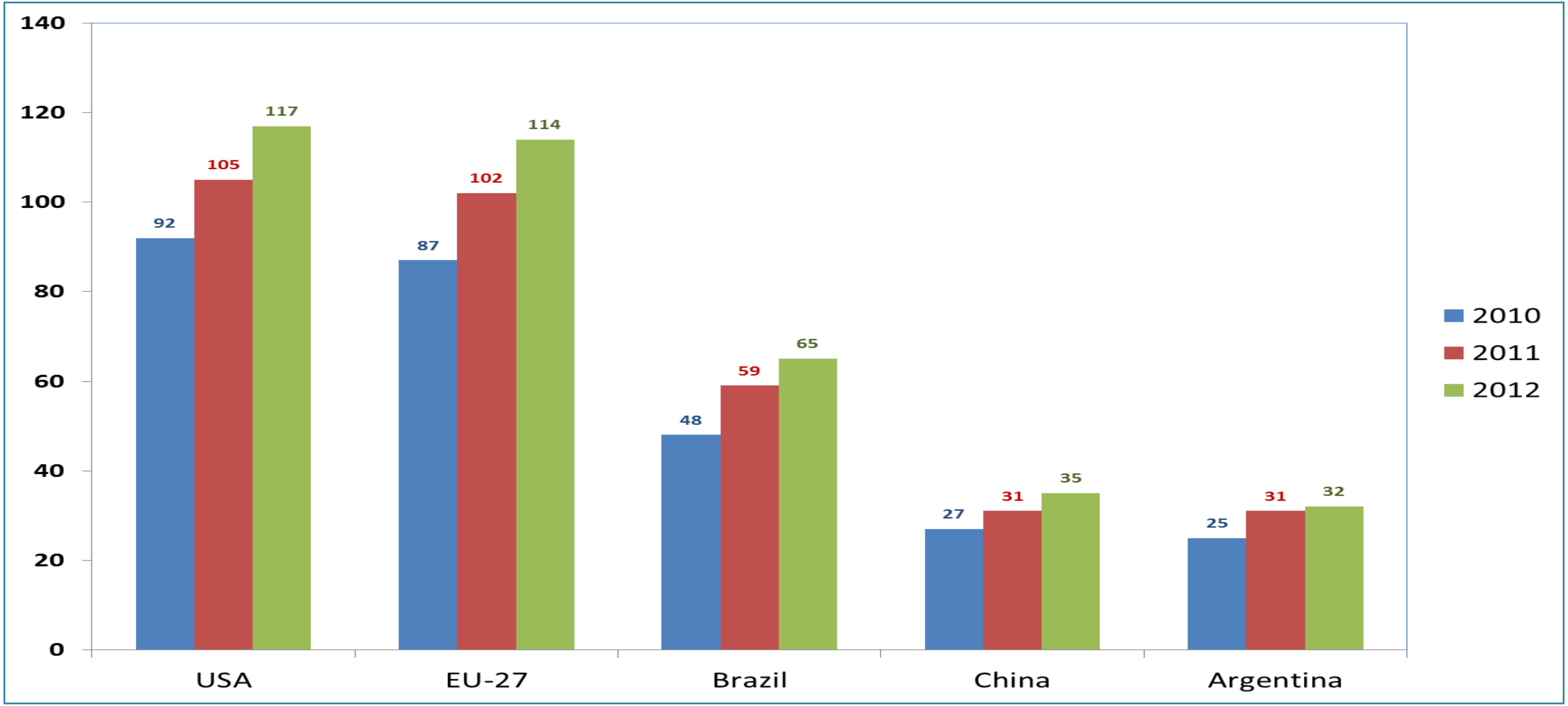


EU-27 poultry meat market developments (million t)



3- EU agriculture and internationalization of markets

Top 5 world agricultural exporters (billion euro)



GTA & Comext

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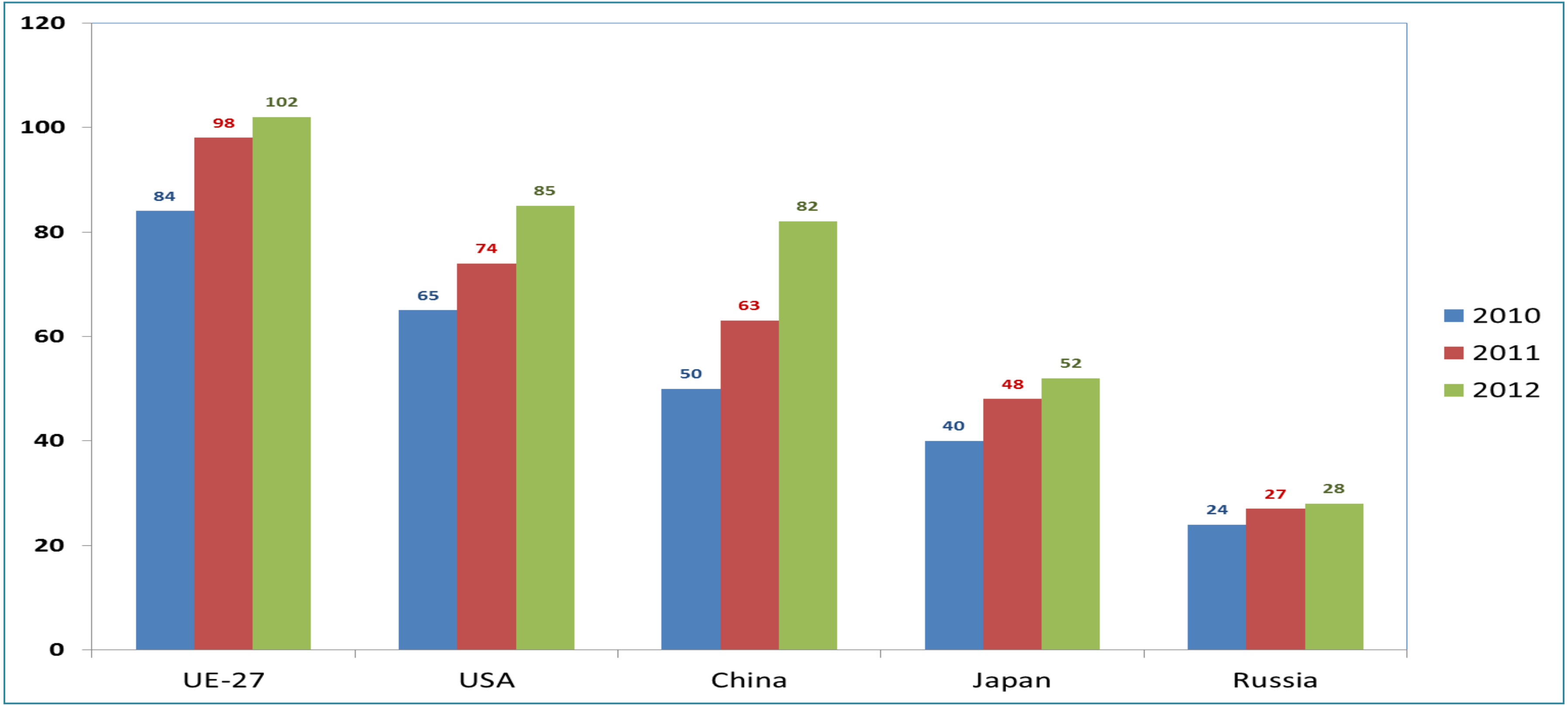
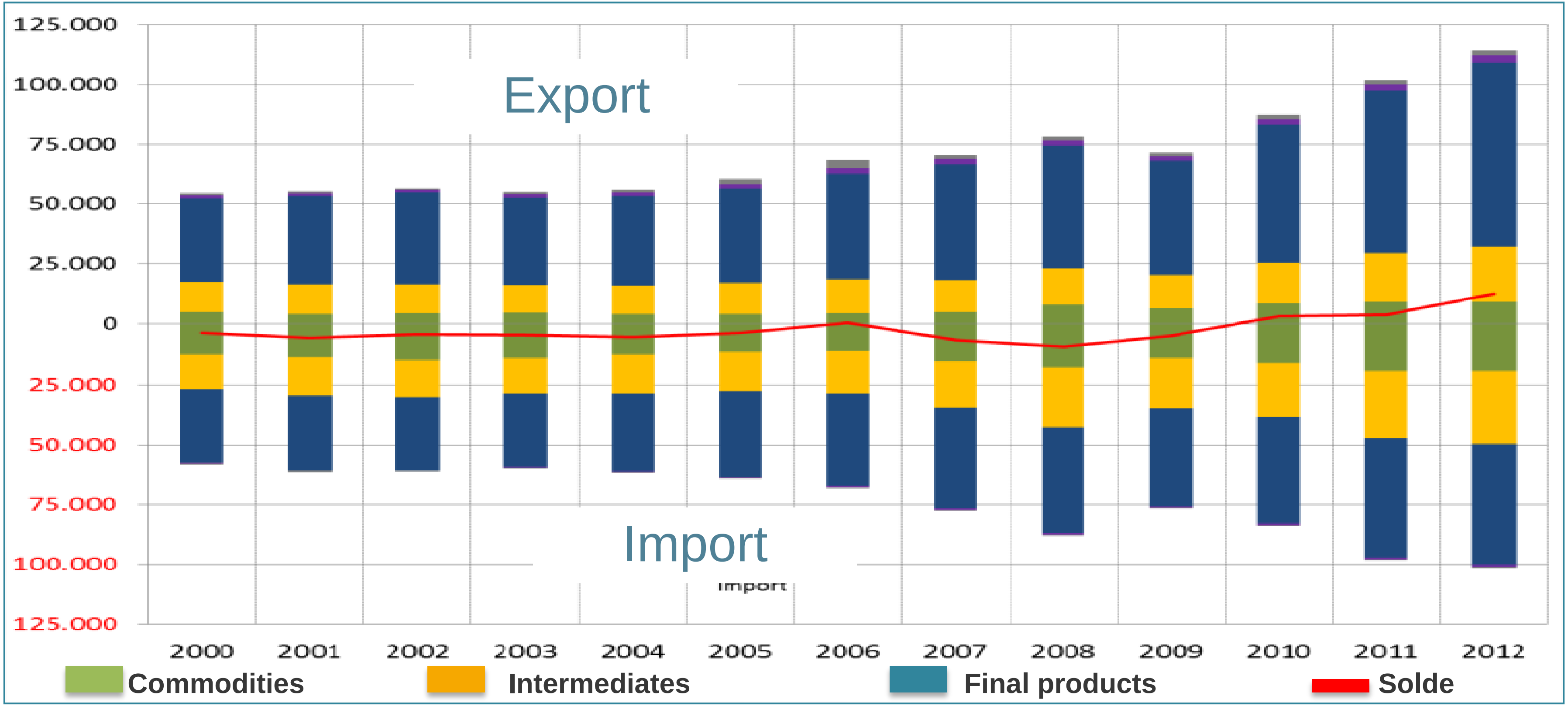


GTA & Comext

EU-27 structure of agricultural trade (million euro)



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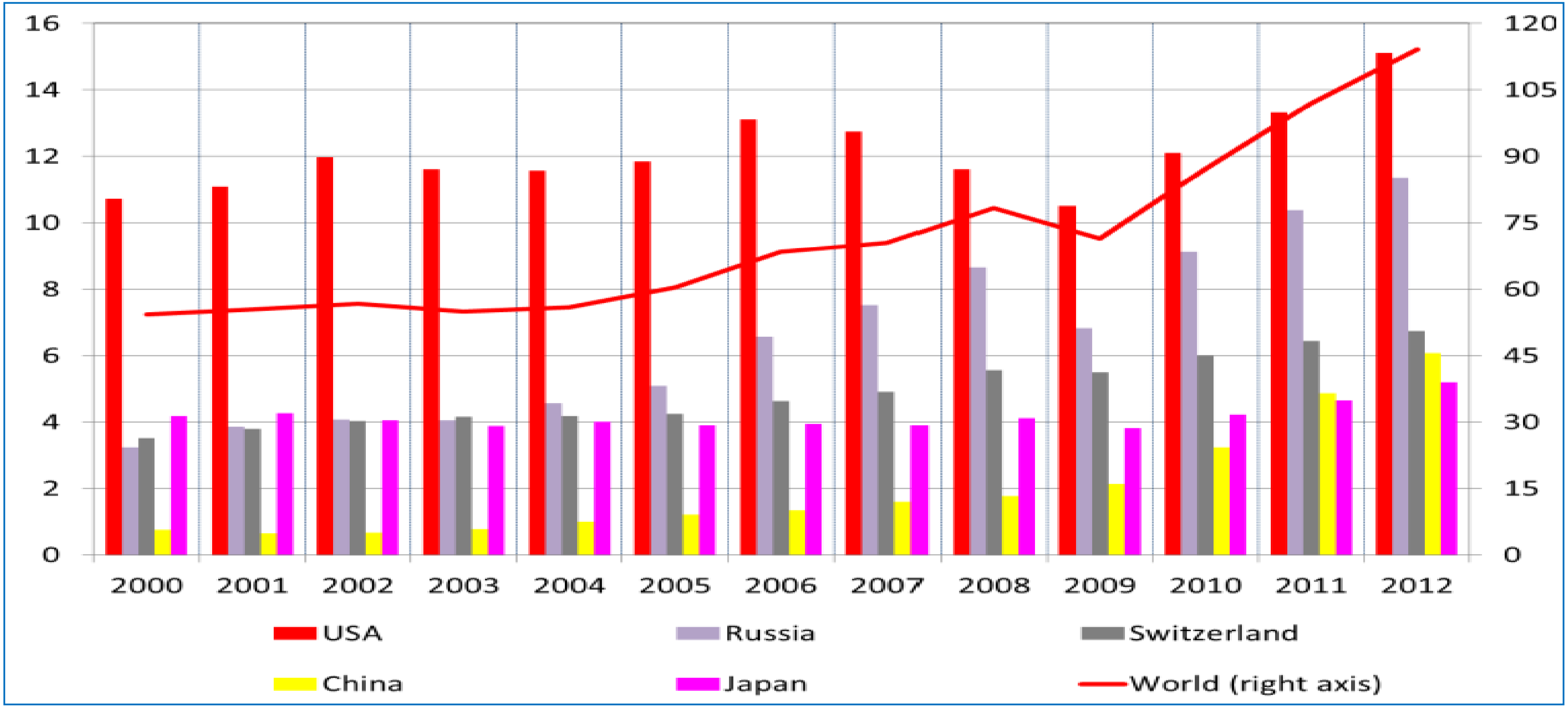
EU-27 agricultural export by destination (billion euro)



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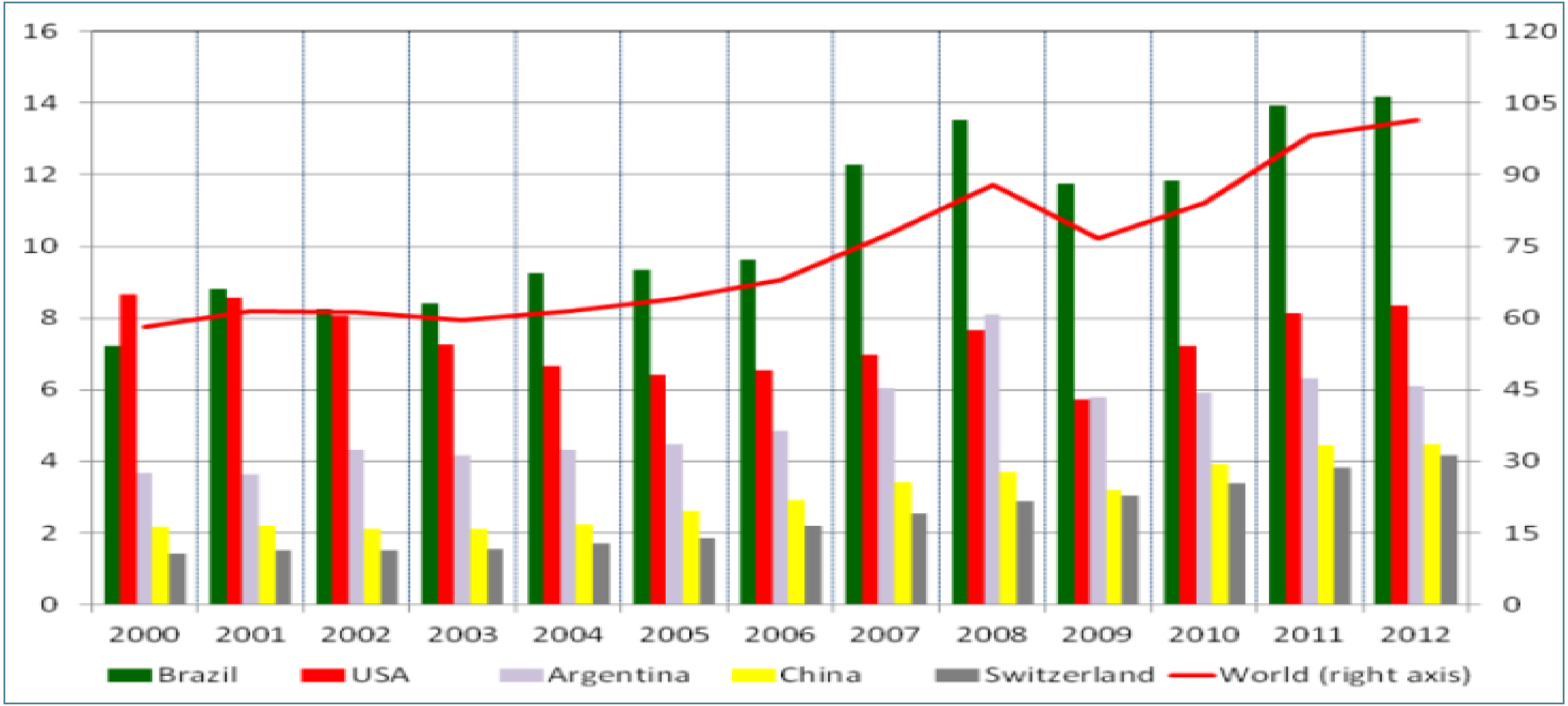
EU-27 agricultural import by origin (billion euro)



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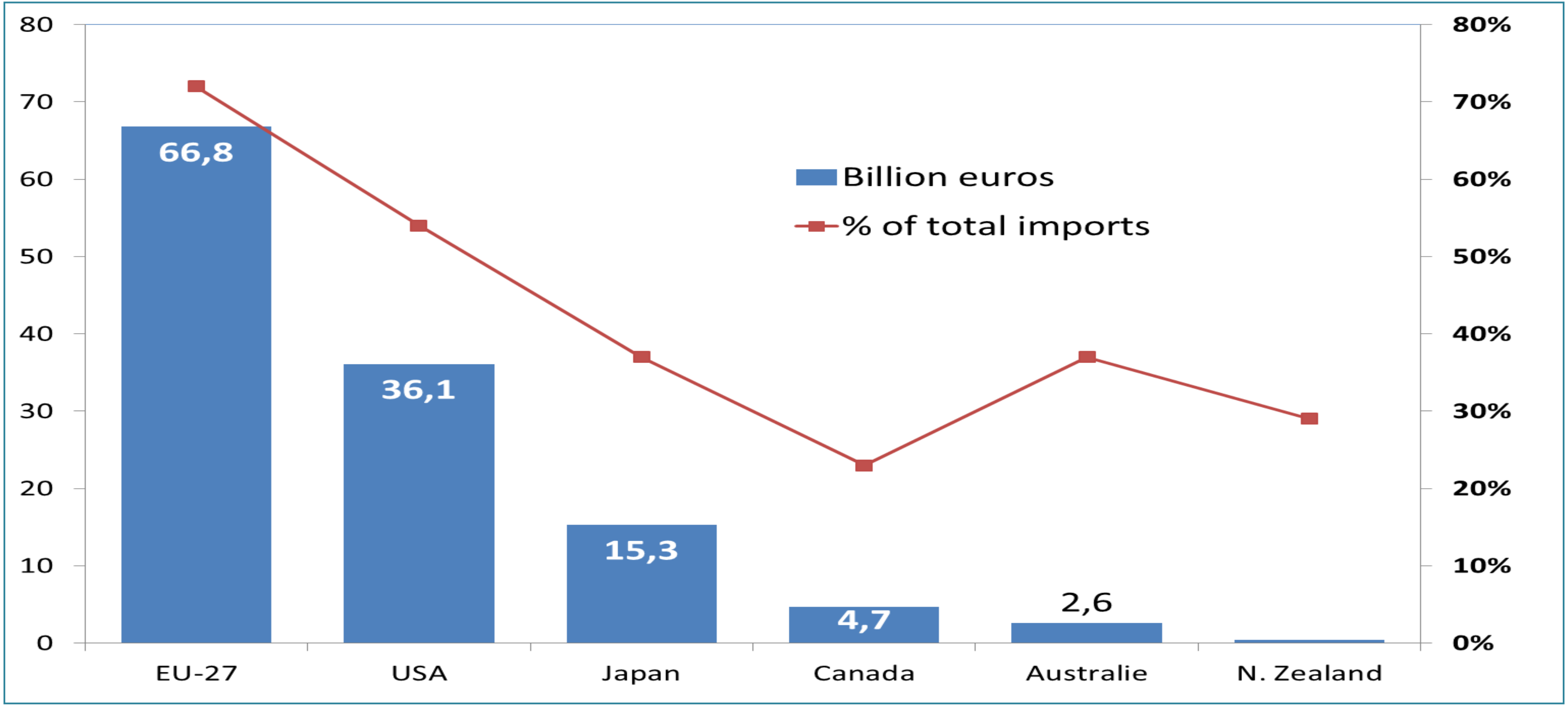
Agricultural imports from developing countries (billion euro)



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4- The challenges of the CAP reforms

The successive CAP reforms

Three principles

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

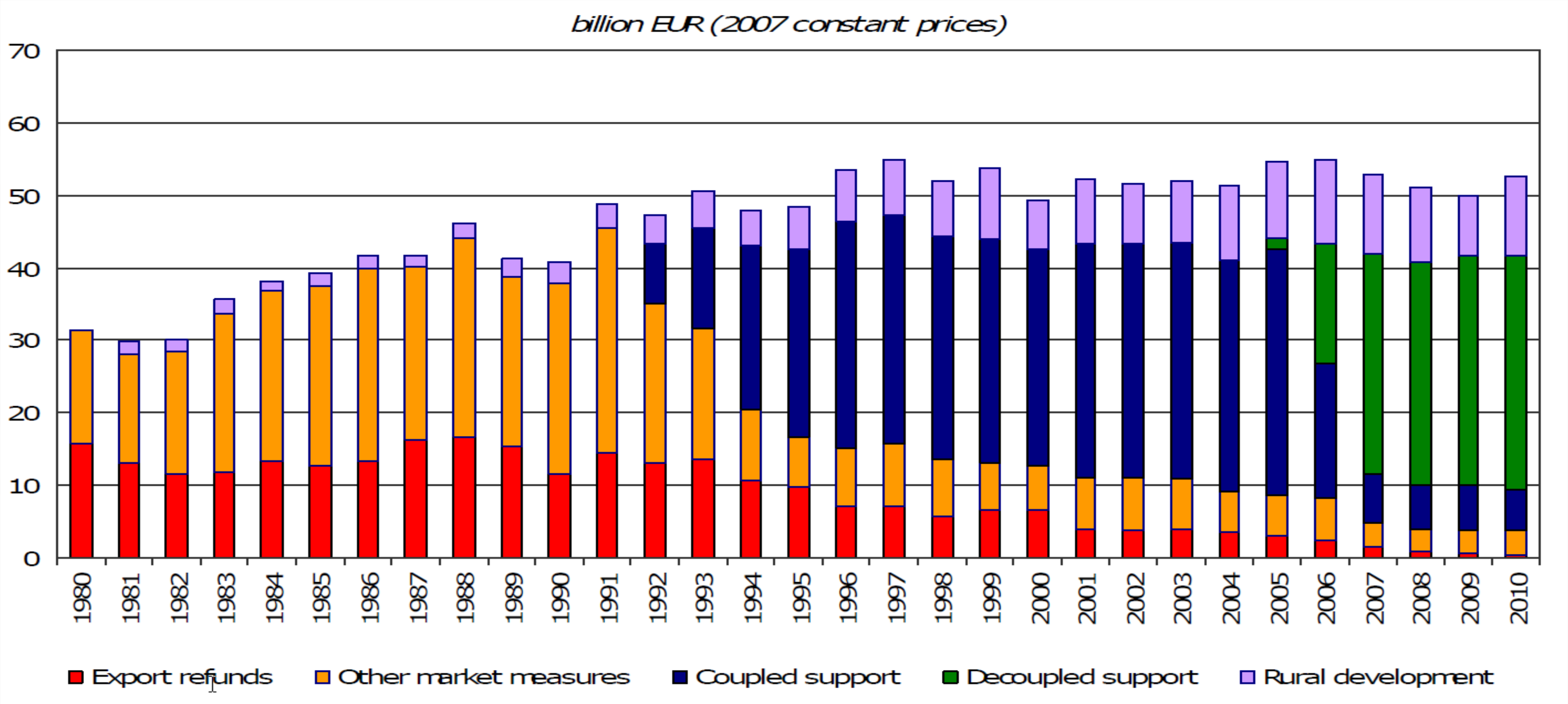
Reform process since twenty years

- 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)



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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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For more information…

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