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"Why we need a strong primary food sector in the EU"

Paulo Gouveia | 29.10.2015

Specific objectives of the CAP (Article 39 TFEU)

- to increase agricultural productivity by promoting technical progress and ensuring the optimum use of the factors of production, in particular labour;
- to ensure a fair standard of living for farmers;
- to stabilise markets;
- to ensure the availability of supplies;
- to ensure reasonable prices for consumers.

Complementary objectives of the CAP ("in their own right")

- high level of employment (*Article 9*),
- environmental protection/ sustainable development (*Article 11*),
- consumer protection (*Article 12*),
- animal welfare (*Article 13*),
- public health (*Article 168(1)*)
- economic, social and territorial cohesion (*Articles 174 to 178*)
- common commercial policy (*Article 207*)

"Why we need a strong primary food sector in the EU" ?

Challenges:

- Demand of secure food supply for increasing world population & changing food patterns
- Increasing production costs
- Speculation and extreme price volatility for agricultural commodities
- Globalisation and trade liberalisation
- Biodiversity, environmental protection and other public services
- Climate change – adaptation to and mitigation

Structural challenges of the EU primary food sector/agricultural sector

Increasing demand for food at global level: (60% more by 2050, FAO)

Fewer farms: (83 000 farms less per year, 1975 – 2007)

A new mix of production factors, since capital & technology

- replace labour (more than 4 million full time jobs disappeared in the EU-9 between 1975 and 2007) and
- require more machinery (44% of farms owned a tractor in 1995, in 2005 was already 56%).

Increasing farm size: in the EU-15 from 17.4 to 22 hectares between 1995 and 2007

Ageing farm population: only 6% of EU farm managers are younger than 35 years, while more than half are 55 years old or older

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Opportunities:

- Investments to support farm modernisation
- Investments to improve resource efficiency, sustainability and reduce environmental footprint in the value chain
- Research and Innovation – e.g. innovative technologies and logistics for better use of co- and by- products (circular economy)
- Tailor made financial instruments, better adapted to the needs of the agriculture sector

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All these factors converge towards:

“producing more with less”

(resource efficiency)

"Why we need a strong primary food sector in the EU" ?

What do we still need?

- to ensure a level-playing field through a more balanced and better functioning food supply chain
- Further develop entrepreneurship and competitiveness in the sector through public-private partnerships and intra-sector collaboration
- Vocational training and advisory services => upskilling and knowledge exchange

The Imbalance of power in the food supply chain increases pressure in the primary food sector

The functioning of the food supply chain is a major challenge of to the economic viability of farmers and their agri-cooperatives, given that:

- food produced by 12 million farmers and 22000 agri-cooperatives is sold to some **110 “buying centres”** (which buy 85% of all food products in the EU).
- UTPs are estimated to cause a **loss of €10.9 billion** every year to the agri-food sector in the EU.

Therefore, there it is crucial to have a fair, more balanced and better functioning food supply chain.

The value of cooperation

The current crisis as it has been observed in the dairy sector in particular, has clearly demonstrated the vulnerability of farmers when they are left alone to face the extreme volatility of commodity prices in the world market.

New measures in the CAP to enhance producer organisations (POs) and cooperation in the food supply chain is vital and therefore most welcome.

“Working together, works!”

Some 22000 agri-cooperatives in the EU, ensure that more than 6 million member farmers, realise a total turnover of € 347 billion euro and maintain a strong market presence in the food supply chain.

They have demonstrated their resilience even in times of recession. The Top-100 cooperatives increased their turnover from 2011 to 2012 by 4% and by 14% in the following year.

EU agri cooperatives deliver benefits primarily to their members, as well as to non-members

A DG Agri study from 2012 validated the

“**competitive yardstick theory**”:

“A large market share for cooperatives in a particular sector or country, can increase the price level and reduce the price volatility (…). Also non-member farmers in this sector and country benefit from the large market share of the cooperatives. These non-member farmers may benefit more, as Investor Owned Firm competitors generally pay higher prices.”

Do we actually need a strong primary food sector in the EU?

“Why we need a strong primary food sector in the EU” ?

Yes !

"Why we need a strong primary food sector in the EU" ?

1. To ensure a competitive agricultural sector

2. To ensure a competitive and sustainable EU food chain sector

3. To be a strong partner on the world market

4. To be able to feed the world in 2050

“Why we need a strong primary food sector in the EU” ?

Without a strong agricultural sector we can not meet the EU objectives regarding food provision, farm income, food quality and prices as well as the environment.

Nevertheless, the sector is under immense pressure, since it faces major challenges and fierce competition at global level.

THANK YOU

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