

The Portuguese Agriculture and the CAP

Leonardo Costa

School of Economics and Management,
Portuguese Catholic University at Porto
Boxtel, the Netherlands, October 25th
of 2007



Summary

- 1- Fischler's 2003 CAP Reform
- 2- Regions and Governance
- 3- A few Portuguese agriculture main indicators
- 4- Some recent developments
- 5- Towards rural development



1- Fischler's 2003 CAP Reform (I)

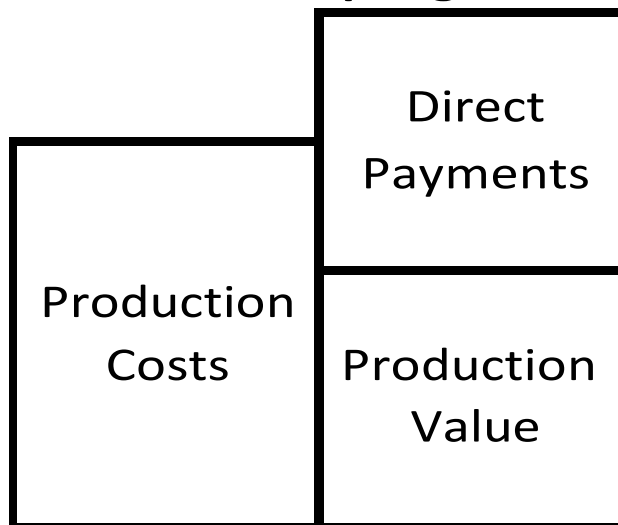
Fischler's CAP Reform has introduced:

- A decoupled income support for farmers called the Single Farm Payment.
- Modulation and payments transfers from CAP first to second pillar
- Revision of some Common Market Organizations (dairy, sugar, etc.)
- Financial ceilings for farm support.

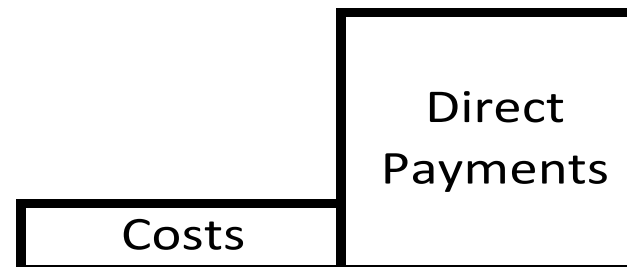
1- Fischler's 2003 CAP Reform (II)

- Concerns were raised about possible future land use and production changes and their impact on rural communities

Before Decoupling



After Decoupling ?





1- Fischler's 2003 CAP Reform (III)

Implementation in Portugal:

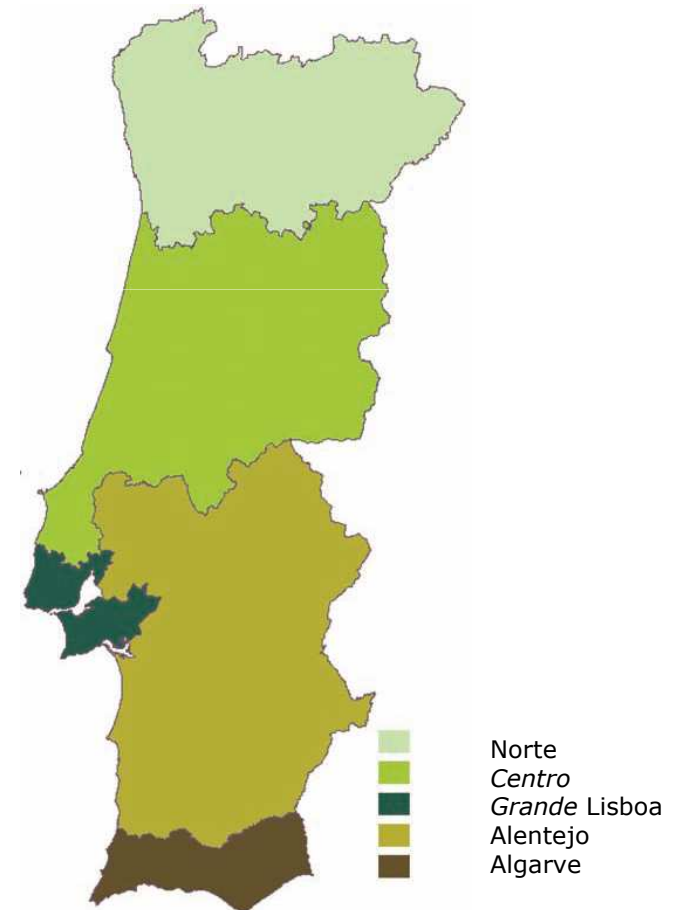
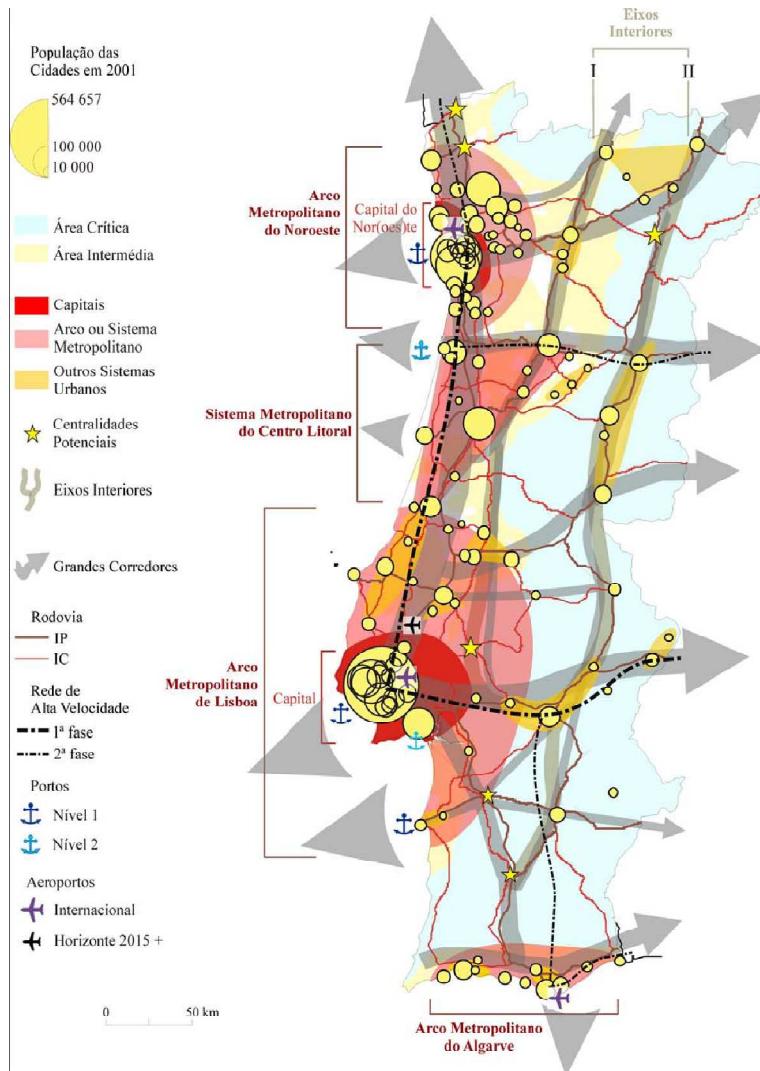
- Historic implementation of decoupling (base period 2000-2002).
- Full decoupling for arable crops
- Partial decoupling for some livestock premiums
- Full decoupling of the Dairy Premium from 2007 on, in mainland Portugal



2- Regions and Governance(I)

- The Network Society, the Information Era, brought us Metropolitan Regions (Castells, 2001) or Metapolis (Ascher, 1995).
- These highly populated Regions concentrate employment, technology, and wealth and are connected to the world economy. They are employment basins.
- The alternative low populated Regions are the Rural Regions.

2- Regions and Governance(II)






2- Regions and Governance (III)

- The industrial era was characterized by big and highly centralized national governments defining and doing everything.
- The information era is giving place to small and decentralized national governments that make local partnerships with regional governments, municipalities, NGO, Universities, and/or the private sector, to refine and implement policies.

3- A few Portuguese agriculture main indicators (I)

	Year	Unit	Portugal
Territorial area of Portugal	2005	km2	91909
Number of farms	2005	1000	324
Annual Work Units (AWU)	2005	1000	369
AWU Agriculture/Total employment	2005	%	7,7%
Family AWU	2005	1000	310
Family farm population	2005	1000	869
% of total population	2005	%	8%
Farm Area	2005	1000 ha	4779
% of territorial area	2005	%	52%
Total forest area	2001	1000 ha	3349
Utilised Agricultural Area (UAA)	2005	1000 ha	3679
Arable land (as main crop)	2005	1000 ha	1240
Permanent crops	2003	1000 ha	649
Permanent pastures	2005	1000 ha	1769
Gross Value Added at basic prices (GVAbp)	2005	million euros	2559
% of GDP at basic prices	2005	%	2,0%
Subsidies – Taxes	2005	million euros	554
External trade – Imports	2005	million euros	4780
External trade – Exports	2002	million euros	2204
EAGGF payments to Portugal	2005	million euros	1233
1st Pillar	2005	%	57,8%
2nd Pillar	2005	%	42,2%



3- A few Portuguese agriculture main indicators (II)

Structure of agricultural final output for some EU MS, 2005

	Cereals	Vegetables	Fresh fruit	Olive oil	Wine	Industrial c	Cattle	Pigs	Milk	Sheep&goats
FR	14.8	5.0	4.1	0.0	11.6	5.2	13.9	4.8	12.8	1.4
NL	0.7	9.1	1.9	0.0	0.0	1.2	7.3	10.4	17.6	0.9
PT	2.5	10.9	12.8	2.3	14.1	1.2	10.2	8.4	12.1	2.3
EU 25	10.3	8.6	6.5	2.5	4.8	4.4	9.5	9.4	14.3	1.9



4- Some recent developments (I)

- An increase of wheat and barley areas. A reduction of durable wheat area. An increase in cereal prices.
- Generalized augments of animal products, particularly of bovines (+35%) and pigs (+15%).
Unfavorable price evolution for bovines and favorable price evolution for pigs.



4- Some recent developments (II)

- An increase of milk production in the EDM, Alentejo, and Azores. A decrease in all the other regions. An increase in the prices of dairy products.
- Problems with cross compliance of dairy farms in regions such as the EDM.
- An increase of organic farming in the interior part of the country, being the Alentejo the leading Region.



4- Some recent developments (III)

- Development of High Natural Value and Cultural Heritage farms and landscapes in some mountain areas, in the Douro region, in the southern Alentejo region, and in the Azores.
- Development of rural tourism infrastructures and circuits.
- Bioenergy as a destiny for maize and sugarbeat production.
- The Alqueva dam.



5- Towards rural development (I)

- High quality products and markets
- Quality certification processes such as organic farming, geographical origin, etc.
- New services: tourism, bioenergy, control of carbon emissions, control of nitrogen, biodiversity
- Multifunctionality and the WTO: to price the new services is compatible with the WTO.



5- Towards rural development (II)

- Regional and cross-sectoral approaches
- Local (sub-regional) partnerships for policy refinement and implementation.
- Moving CAP first pillar direct aid to the second pillar
- Crossing CAP second pillar with EU structural funds in financing rural development.
- Shaping CREPE (Julian Hoskins)