

“EU-27 call on Brussels for more urgent measures to calm rural anger”¹

EU agriculture ministers met to discuss how to ease the bureaucratic burden amid a tractor protest that blocked the centre of the Belgian capital.

The short-term proposals put forward by Brussels to simplify certain environmental requirements that farmers must meet in order to benefit from Common Agricultural Policy (CAP) payments, so-called cross-compliance, "go in the right direction (...) but are not enough", summarised Belgian Deputy Prime Minister David Clarinval. The Council (the Member States) invites the Commission to rapidly complete this set of measures with other more ambitious ones", said Clarinval, according to whom the EU-27 agree that the "complexity" of the issue requires measures "with a concrete impact in the short, medium and long term".

Analysis of the Fundación Valenciaport

The month of February has been marked by a succession of intense **protests** by groups of farmers in different EU countries, including Spain. The different idiosyncrasies of the European regions and their agricultural sector mean that there are multiple realities and demands, but all the protests have a general undercurrent, and that is the demand for **fairer treatment** under **EU** and **national legislation**. In the **case of Spain**, there is also a diversity of demands depending on the regions, but some of the main demands can be highlighted:

- **Fair product prices:** the fight for fair product prices is a common factor throughout the European sector, and a historical demand of the sector. In Spain, there is a demand for the correct application of the Food Chain Law and a real control of compliance and sanctions for non-compliance.
- **Flexibility and simplification of the Common Agricultural Policy (CAP):** in view of the revision of the CAP that came into force barely a year ago, farmers claim that a series of environmental, technical, administrative and control requirements are being imposed that are not compatible with the reality of the sector and that jeopardise the viability of many farms.
- **- Greater control of imports:** the sector denounces the excessive permissiveness of the European Union (EU) with regard to imports from third countries. According to the majority of farmers' associations, these imports do not comply with many of the phytosanitary requirements that are demanded of EU

¹ Original news published by "El País" and available at: <https://elpais.com/economia/2024-02-26/espana-pide-a-bruselas-que-acelere-medidas-para-los-agricultores.html>

production, describing the situation as a practice of "unfair competition", as well as a risk to the health of European consumers. In the area of foreign trade, the sector warns of the damage that could be caused by the continuation of certain Free Trade Agreements, such as the agreement with Mercosur.

- **Drought relief and contingency plans and the effects of climate change:** especially in southern European regions, the effects of climate change and persistent drought affect the survival of many crops.

The mobilisations that have taken place in recent weeks have placed the **agricultural sector** at the centre of the political debate and both European and national authorities are working on different dimensions to define measures that can correct some of the current deviations. As the analysis below shows, although in terms of Gross Domestic Product (GDP) the weight of agriculture is relative, it is a **strategic sector** for all countries, **key** to maintaining **food security** and **combating climate change** on the continent. It is precisely for this reason that both the European Commission and the respective national governments are working on measures to correct the problems and inefficiencies of the functioning of the internal and community market, with the aim of strengthening the survival and viability of the sector.

Some of the farmers' complaints also fall within the scope of **external trade**, which is the focus of this market alert. As will be seen below, and although net trade with third countries is still minor among the total traffic of member countries, the emergence of new producers and regulatory inequality has become a real risk. In this respect, it is **important** to stress that the agricultural sector is a very important sector for **foreign trade in certain areas of Europe**, where the export dynamism of agri-food products is key to the **generation of wealth** in the **regions**, and it is therefore necessary to align policies to maintain the export strength of the primary sector.

The agricultural sector in the European Union: characterisation and external trade

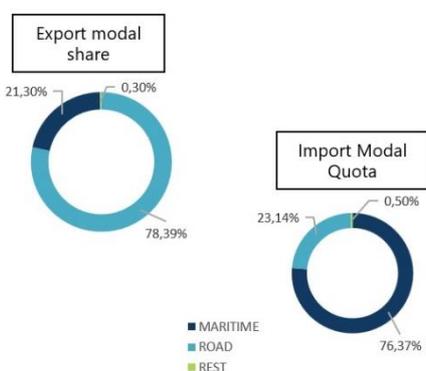
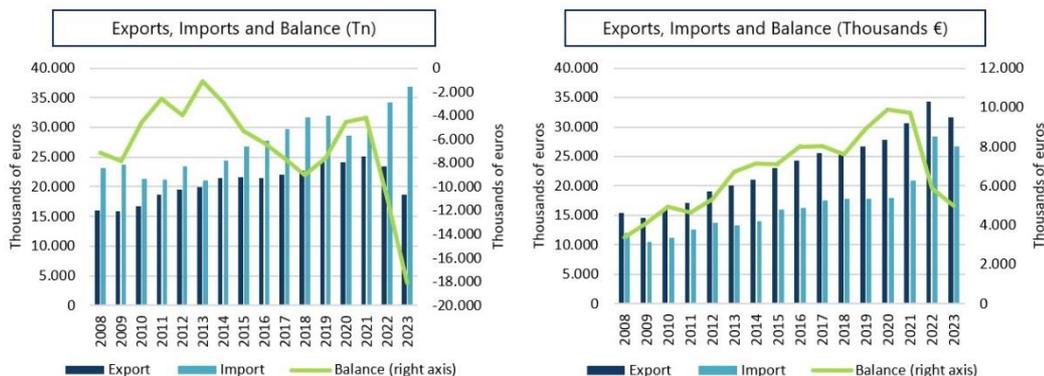
As regards the **agricultural sector in Spain**, by the end of 2022 as a whole, it accounted for **2.3% of Spain's total GDP**, thus placing it above the European average. Moreover, when considering the initial estimates of the Ministry of Agriculture, Fisheries and Food for the year 2023, the agricultural income has been set 11.1% higher than the previous year, so that agricultural production has reached a record value of 65,081 million euros.

Looking at the **characterisation of foreign trade** for the agri-food sector as a whole in Spain, a **similar pattern** to that observed in the **EU** stands out. In 2023, Spanish exports reached a value of 31,641 million euros, exceeding imports which totalled 26,668 million euros, generating a surplus of 4,976 million. However, when examining the figures in terms of tonnes, a common trend is evident: Spain exported 18,735 million tonnes and imported 36,868 million tonnes, resulting in a deficit of 18,133 million tonnes.

With regard to the main items in Spanish agricultural trade, it is worth highlighting the outstanding **export of fruit and vegetables**, while **imports** follow the European pattern, with a particular emphasis on the purchase of **cereals**. As far as the main export trading partners are concerned, the main destinations are European countries, generating a predominance of modal share of **exports by road**, given the geographical proximity. On

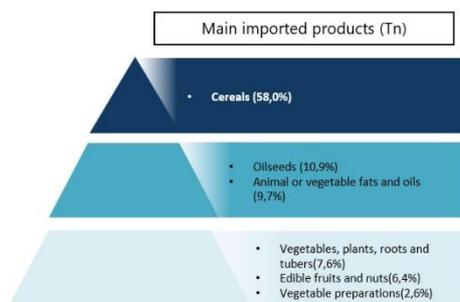
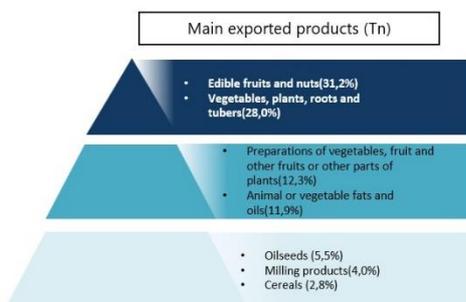
the other hand, in terms of **imports**, there is a greater diversification of international partners, which translates into a significant share of **maritime traffic**.

Infographic 2: Characterization of Spain's foreign trade

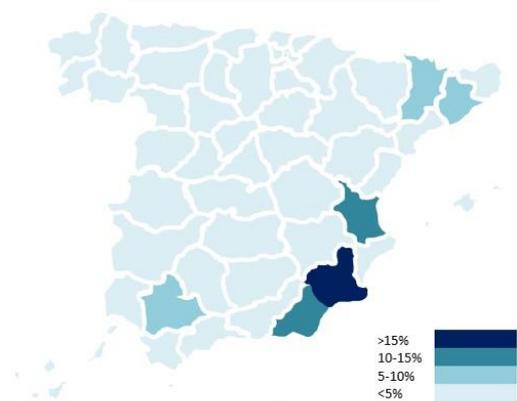


Main Export Countries (Tn)	
FRANCE	18,14%
GERMANY	17,28%
PORTUGAL	10,06%
UNITED KINGDOM	8,63%
NETHERLANDS	7,35%
ITALY	6,62%
BELGIUM	3,26%
POLAND	3,10%
UNITED STATES	2,40%
MOROCCO	2,22%
SAUDI ARABIA	1,54%
SWEDEN	1,46%
UNITED ARAB EMIRATES	1,40%
CZECH REPUBLIC	1,17%
SWITZERLAND	1,06%
REST	14,31%

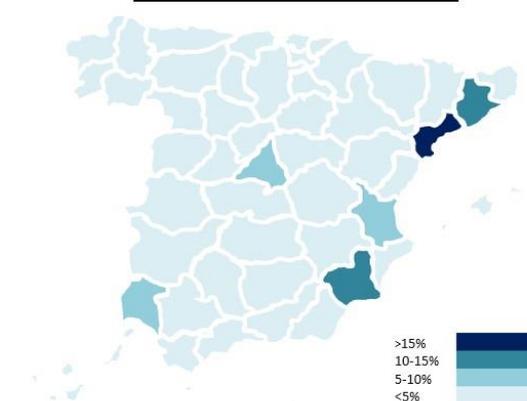
Main import countries (Tn)	
UKRAINE	21,11%
FRANCE	12,09%
BRAZIL	11,35%
ROMANIA	5,36%
UNITED STATES	4,48%
BULGARIA	4,12%
GERMANY	3,51%
PORTUGAL	3,37%
CANADA	2,84%
UNITED KINGDOM	2,55%
INDONESIA	2,48%
NETHERLANDS	2,10%
POLONIA	1,99%
RUSSIA	1,99%
BELDIUM	1,41%
REST	19,25%



Export Provinces



Import Provinces

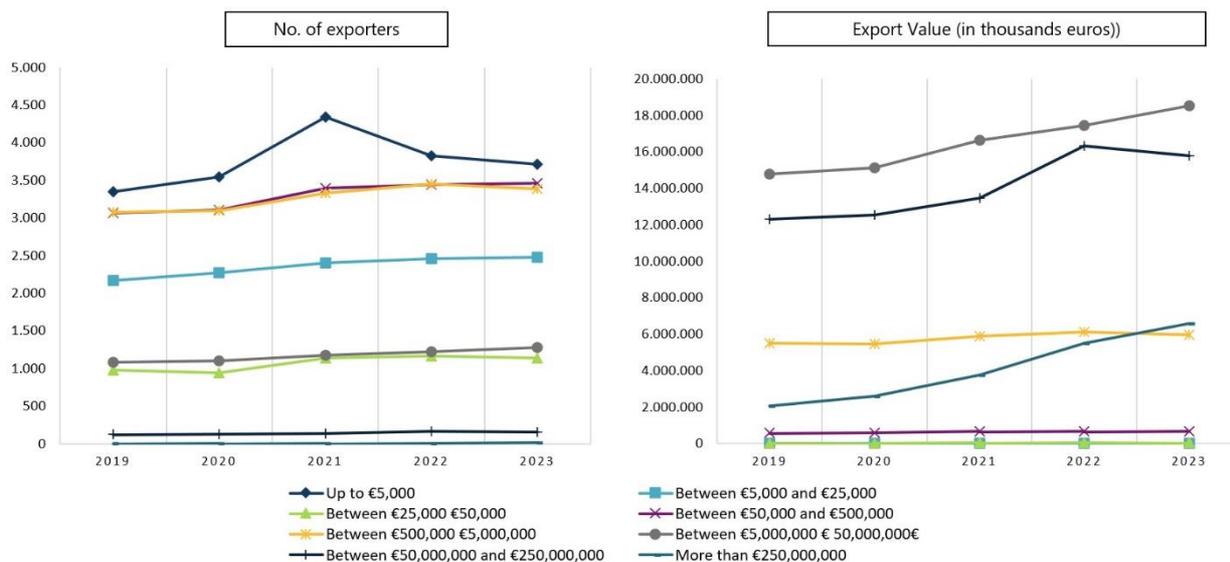


Source: Own elaboration based on data provided by the Spanish Tax Agency.

As far as the **structure of the sector** is concerned, it is important to point out that this is a highly **atomised sector** in which there are a large number of **individual farms**, most of which are self-employed. These currently coexist with **large companies** with greater **market power** that accumulate the highest **profit margins**.

This is evidenced by examining the concentration in the number of exporting companies and differentiating them according to export value in thousands of euros (Infographic 3), whereby a large number of exporting companies with exports of less than €5,000 are observed, while few companies have significantly high export values

Infographic 3: Exporters Concentration



Source: Own elaboration based on data provided by the ICEX.

With this, farms run by independent farmers or small family businesses face challenges in accessing large-scale exports due to existing constraints in terms of resources, production capacity and access to international markets. Moreover, this takes place in a context of rising production costs. At the same time, large farms have the capacity and resources to export on a larger scale. This scenario raises questions about the viability of part of traditional agriculture, indicating a structural change in the sector.

In this line, and in order to maintain the sustainability of small farms, which are highly dependent on the domestic market, it is crucial to ensure that imports comply with the same competitive principles. This implies establishing trade policies and agreements that protect the interests of local farmers, promoting fairness in competition and ensuring that market conditions are favourable.

International trade management in the agricultural sector

At the same time, in the field of **international trade**, the **agricultural sector** has undergone significant developments with respect to **internationally** established **free trade agreements**. These agreements have influenced the trade and production dynamics of agriculture across Europe. In theory, bilateral agreements play a significant role in **expanding** trade **opportunities** and new trade prospects for the partners involved, thus further expanding international markets. This makes it possible to

strengthen trade ties and promote a more fluid exchange of agricultural products between the signatory regions.

Indeed, numerous agreements have been established at the global level on agricultural matters, each with its own implications and repercussions on international trade. Among others, in 2012, the agreement with the **Andean countries** (Colombia, Peru and Ecuador) sought to strengthen trade ties and promote the exchange of agricultural products between the parties involved. In the same year, the agreement with **Morocco** established a new agricultural protocol with the aim of advancing trade liberalisation between the EU and Morocco. Similarly, in the case of **Central American** countries, a free trade agreement was established in 2013.

However, in practice, these **agreements** are **complex** and pose **challenges** in terms of unfair **competition**, as they do not always entail **regulatory equalisation**, which ends up harming national production. As mentioned above, this has become a **focal point** for **farmers' demands** at the European level and, as proof of this, it is worth highlighting the difficulty that the agricultural agreement with Mercosur is having in crystallising.

In addition to this component relating to free trade agreements, one of the sector's main concerns in terms of foreign trade is the **non-matching** of **regulations imposed** at EU level for imported **products**. These regulations, at **regional level**, establish and demand **high social** and **environmental standards**, while allowing the entry of products produced in third countries under unequal conditions, which generates a **lack of effective reciprocity**. The paradox may arise where a certain product cannot be used as a pesticide in EU production because it is considered toxic but is allowed to be imported as a consumer product.

Moreover, in addition to this, in most cases of extra-EU imports, imports come from countries where **operating costs** are lower, which also gives them a **comparative advantage**. This situation has strategically led many Spanish companies to operate through **subsidiaries** or by acquiring **shares** in companies located in countries outside the EU. However, these movements are by no means new, as many companies from other EU member states have been producing in countries such as Morocco since 2012.

Given this situation, the **European Commission** is the EU's **executive body responsible** for **developing** and **implementing policies** and **regulations** related to **agricultural** and **food trade** in the **EU**. In this sense, requests from the agri-food sector at the European level for a review of the standards and procedures established for the inspection and control of imports fall within its remit. And indeed, the **response** from the **European Commission** has been swift. The European institutions have taken concrete steps to address the concerns of the sector under analysis, including actions aimed at increasing flexibility and reducing the administrative burden of CAP rules. In addition, the European Commission is carrying out work to identify and address the sector's specific difficulties, as evidenced by the launch of public consultations, most notably on unfair trade practices in the agricultural supply chain.

The role of ports as strategic points at the service of the agri-food sector

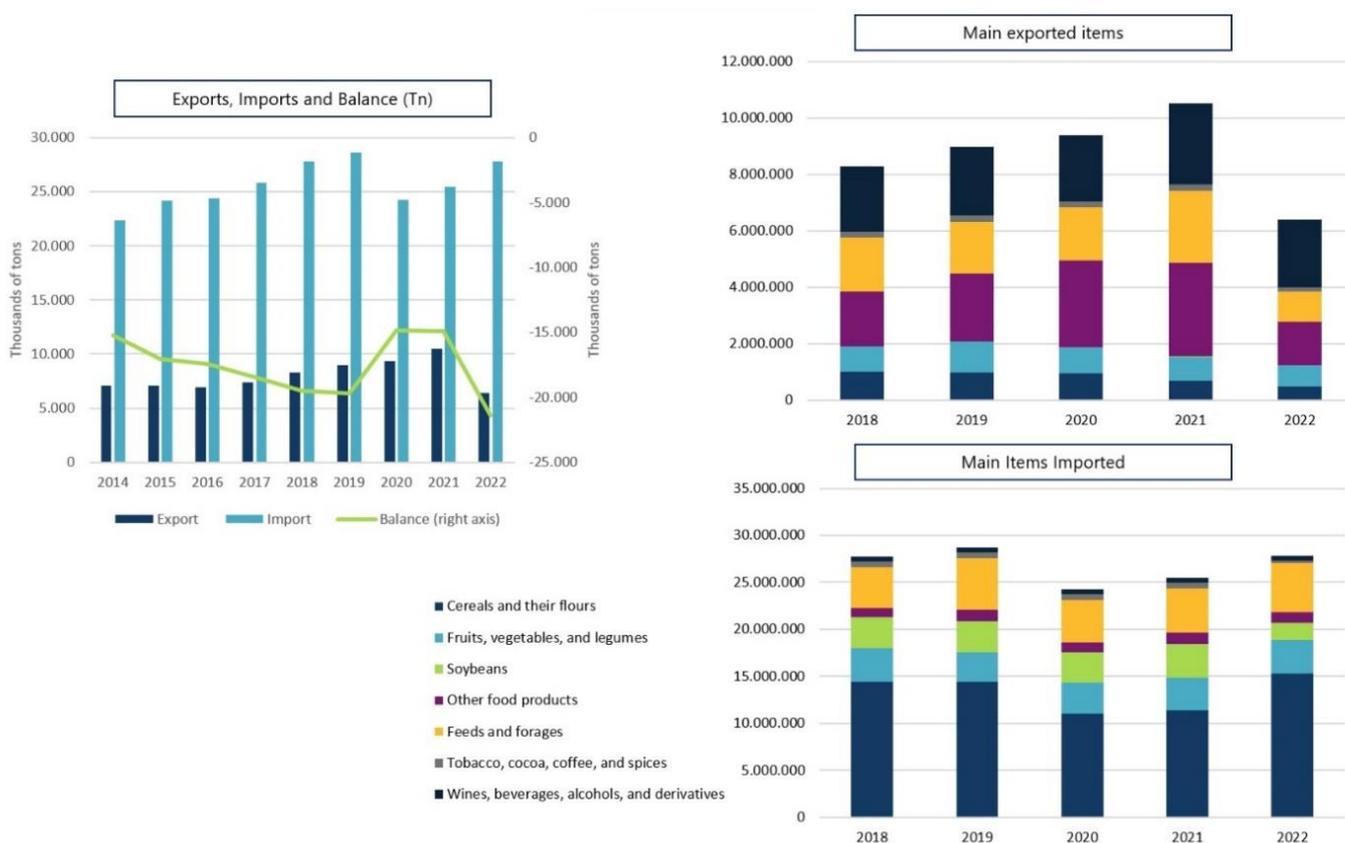
Ports, as **entry points** for imports into the EU, and as **facilitators** of **international trade**, play a **key role** in this respect. In particular, in **complying** with the **standards** and **procedures** established for the inspection and control of agricultural imports from third

countries with guarantees, and in collaboration with the phytosanitary and food safety authorities, who establish the rules to be applied. Furthermore, its contribution and commitment to **efficiency** and **agility** in the import process is evident through the **implementation** of **technologies** and procedures that facilitate the **inspection** and **control** of **unloading**.

In line with the prominent role of **ports** as **strategic** entry points for agricultural imports into the EU, their influence is magnified when considering the **modal share of imports** of the **agricultural sector** revealed in Infographic 2. In the same way, and as shown in Infographic 4, imports by sea transport significantly exceed exports. This imbalance is rooted in the nature of the **main trading partners**, as **exports** are mostly concentrated within the EU, while **imports** cover a more **diversified network** of international partners.

When zooming in specifically on the **Port Authorities**, the prominent role of the **Port of Valencia** in traffic **servicing foreign** agricultural **trade** becomes **evident**. When analysing the flows, especially those involving transit, the Port Authority of Bahía de Algeciras is strongly positioned. However, if we choose to exclude transit-related traffic, the Port Authority of Valencia demonstrates its outstanding importance in the traffic of agricultural products.

Infographic 4: Characterization of the Spanish Port System's Foreign Trade



MAIN PORT AUTHORITIES EXPORT			MAIN PORT AUTHORITIES EXPORT DIRECT SHIPMENT			MAIN PORT AUTHORITIES IMPORT			MAIN PORT AUTHORITIES IMPORT DIRECT SHIPMENT		
Port Authority	Tons	%	Port Authority	Tons	%	Port Authority	Tons	%	Port Authority	Tons	%
Bahía de Algeciras	6.707.705	29,06%	Valencia	3.400.795	35,79%	Bahía de Algeciras	8.339.683	19,00%	Tarragona	5.796.287	19,02%
Valencia	6.664.980	28,87%	Barcelona	3.097.663	32,60%	Valencia	5.991.645	13,65%	Cartagena	4.630.552	15,20%
Barcelona	5.269.882	22,83%	Bahía de Algeciras	827.073	8,71%	Tarragona	5.816.771	13,25%	Valencia	2.738.759	8,99%
Las Palmas	1.836.974	7,96%	Bilbao	707.352	7,44%	Barcelona	4.781.438	10,89%	Barcelona	2.645.244	8,68%
Bilbao	709.849	3,07%	Tarragona	322.638	3,40%	Cartagena	4.630.552	10,55%	A Coruña	2.608.082	8,56%
Tarragona	343.075	1,49%	Sevilla	210.699	2,22%	A Coruña	2.608.082	5,94%	Bahía de Algeciras	2.424.565	7,96%
Málaga	264.190	1,14%	Vigo	190.203	2,00%	Las Palmas	2.042.153	4,65%	Huelva	1.581.410	5,19%
Bahía de Cádiz	222.131	0,96%	Santander	148.745	1,57%	Huelva	1.586.410	3,61%	Bilbao	1.399.515	4,59%
Sevilla	210.699	0,91%	Huelva	117.376	1,24%	Bilbao	1.403.664	3,20%	Bahía de Cádiz	1.256.689	4,12%
Vigo	199.031	0,86%	Bahía de Cádiz	113.133	1,19%	Bahía de Cádiz	1.267.281	2,89%	Santander	1.065.470	3,50%
Rest	657.128	2,85%	Rest	365.440	3,85%	Rest	5.435.714	12,38%	Rest	4.323.908	14,19%
Total	23.085.644		Total	9.501.117		Todo	43.903.393		Total	30.470.481	

Source: Own elaboration based on data provided by the Spanish Port System.

All in all, the **agricultural sector**, although not significant in terms of economic size for the EU as a whole, is a **strategic** sector of vital importance in terms of **food security** and its **role** in the fight against **climate change** for certain areas or regions. However, the **opening** of the agricultural sector to **foreign trade** poses several **risks**, especially when faced with **competition** from **emerging countries** as major food producers, whose **comparative advantage** is their **low operating costs**.

This fact, together with the permissibility of the **entrance** of these **products** into the **EU** under **unequal conditions** and, therefore, a lack of **regulatory equalization**, may affect the survival of the sector. Especially due to its casuistry, with a tight profitability margin and its sensitivity to external competition conditions. Nevertheless, based on the foreign trade data analyzed, for the time being there is no significant displacement of domestic agricultural products compared to those imported from third countries, therefore **intra-EU trade** is **predominant**.

Even so, and undoubtedly, the **crisis** that the agricultural sector is going through shows that the **situation** of the agriculture sector is **complex** and requires careful **attention** both **internally** and in **relation** to **foreign trade**. Given this situation, the **European Commission** has a **crucial role** to play in **safeguarding** its **competitiveness**, and the **role** of **ports** as **catalysts** of **international traffic** is **crucial**, working in harmony with the competent bodies, enforcing compliance with the standards established with guarantees.