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The role of agriculture in rural development today

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Outline

- Agriculture: new role in rural development
- Competitiveness of production of commodities
- New supply of services of agriculture in rural areas
- Possible effect and role of policies in rural areas

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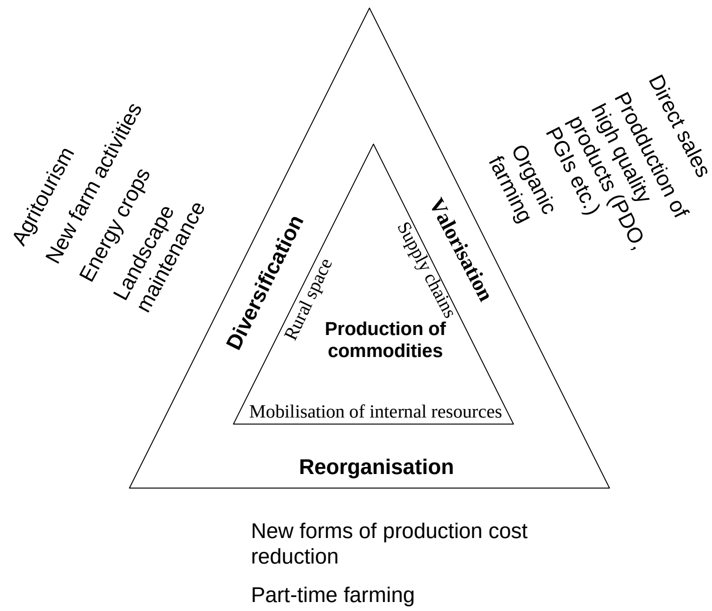
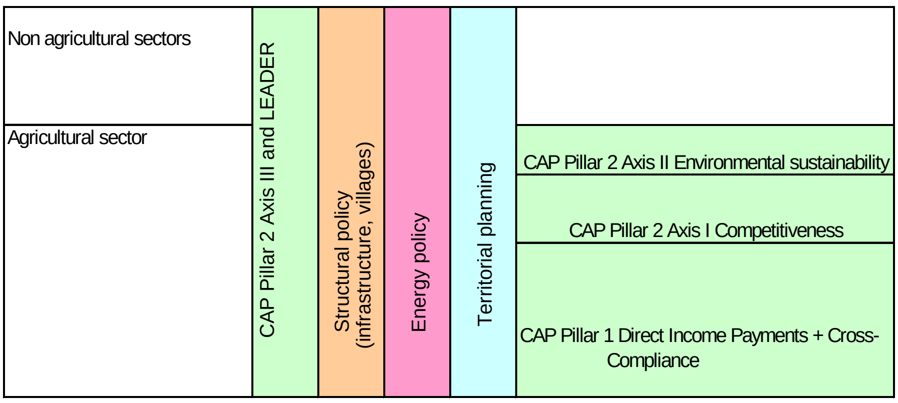
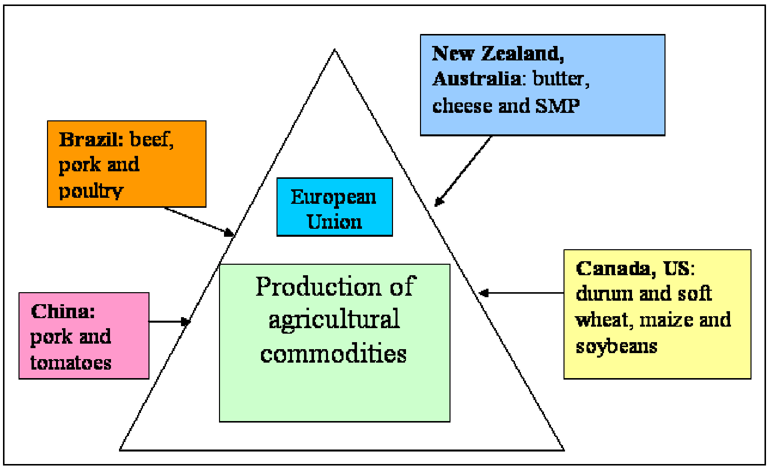


Source: Living countrysides (Van der Ploeg eds) , 2002

Policies in the rural space



Global competition on commodity markets



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Average farm size in EU-27

Number of holdings	17.512.520
Agricultural land area (ha)	212.963.240
Average farm size (ha)	12

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Factors of competitiveness

- Farm structure
- Efficiency of production (yield/ha, production/animal)
- Efficiency of supply chain
- Quality of production
- District economies

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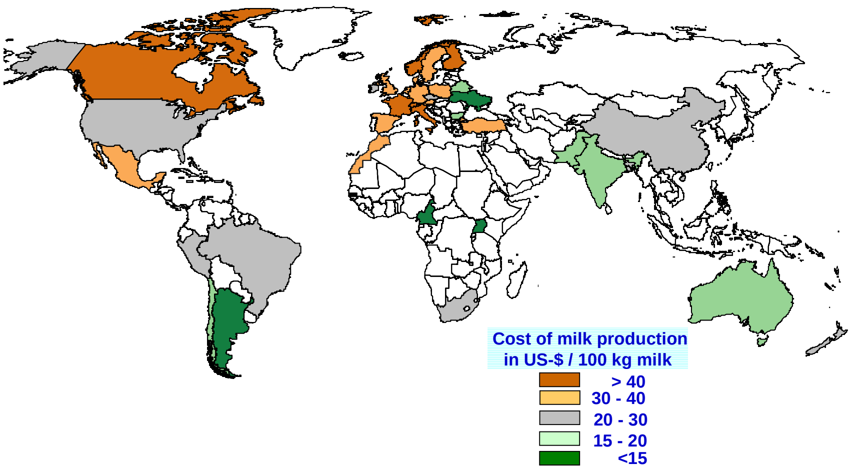
„IFCN 2006 - Milk cost potential map“

Results for the larger / efficient farm types



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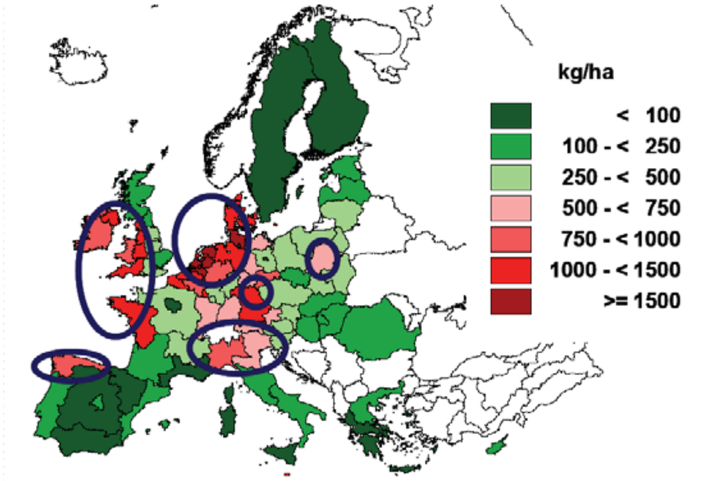
Milk production in kg/ha in the EU (2004)



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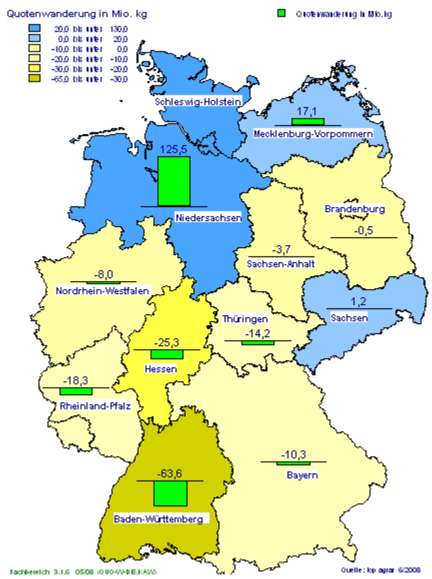
Liberalisation of quota market may weaken less favoured areas



Source: Benke, Journées Automne AFPF, 2008

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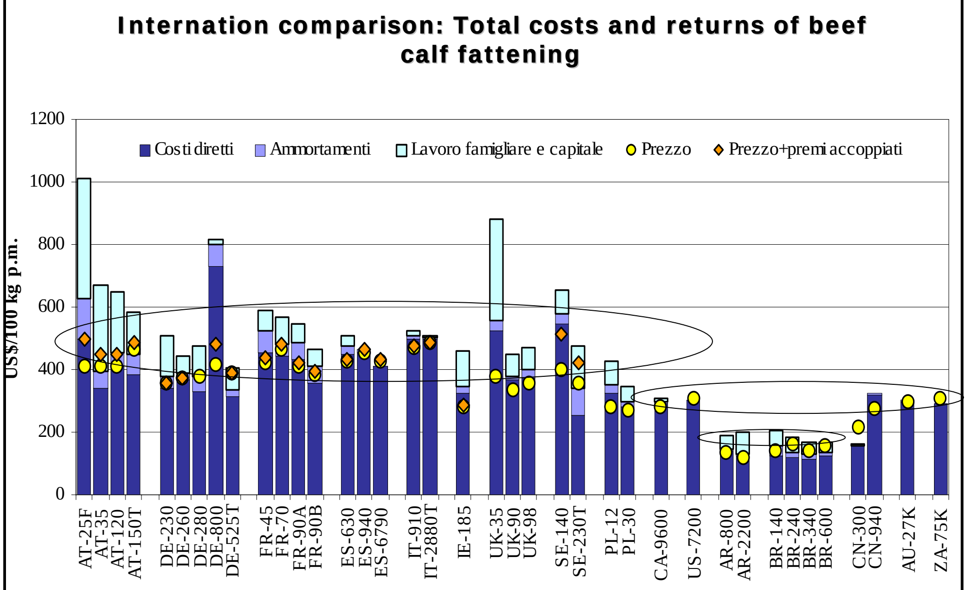

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EU Beef production in deficit

- The EU has become net importer of beef
- Ex 1: Important to strengthen the interdependence of the French suckler cow - Italian/Spanish fattening system in order to face world competition

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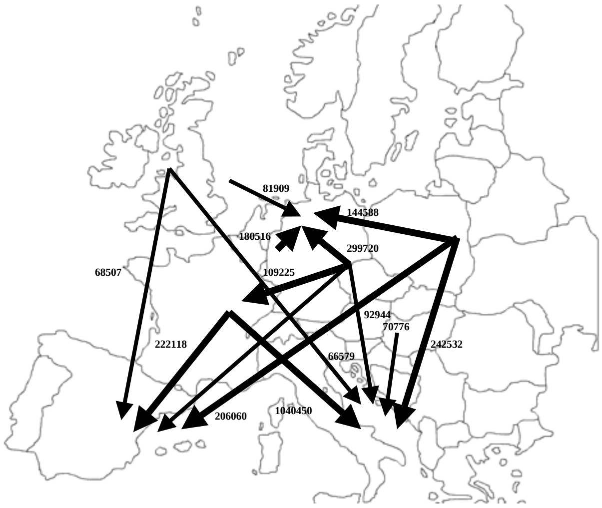
Long distance transport of cattle



Source: Animal Science Group, WUR, 2008

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Farm structure of cereal producing regions in the EU

	Agricultural area	Cereals (ha)	UAA per farm	% Cereals
de8 Mecklenburg-Vorpommern	1.349.210	587.010	263,5	43,5
dee Sachsen-Anhalt	1.171.970	588.220	245,7	50,2
de4 Brandenburg	1.346.820	540.710	202,8	40,1
deg Thüringen	799.440	379.440	154,6	47,5
ded Sachsen	912.520	411.970	117,1	45,1
cz02 Stredni Cechy	549.880	301.480	116,3	54,8
cz04 Severozápad	312.670	124.400	116,2	39,8
cz03 Jihozápad	750.270	288.250	111,3	38,4
cz01 Praha	34.310	13.380	104,0	39,0
fr1 Île de France	568.190	341.810	101,6	60,2
cz05 Severovýchod	558.760	211.270	84,4	37,8
ukc North East (ENGLAND)	557.460	110.220	84,0	19,8
cz07 Stredni Morava	392.350	170.190	73,6	43,4
cz08 Moravskoslezsko	219.470	79.560	71,0	36,3
fr2 Bassin Parisien	8.976.700	3.723.870	69,6	41,5
se1 Östra Sverige	922.370	362.290	60,1	39,3
ukh Eastern	1.352.510	631.750	59,0	46,7
cz06 Jihovýchod	740.060	381.420	58,2	51,5
fr4 Est	2.119.980	719.340	57,7	33,9
def Schleswig-Holstein	1.008.600	331.030	56,7	32,8
dk02 Sjælland	491.480	297.420	56,6	60,5
ukf East Midlands (ENGLAND)	1.167.560	430.110	56,4	36,8
dk03 Syddanmark	809.400	425.630	54,6	52,6
fr3 Nord - Pas-de-Calais	818.930	345.900	54,4	42,2
es41 Castilla y León	5.449.900	2.394.960	54,3	43,9
Total		70.315.420	99,4	43,1
First 25		14.191.630		
% of total		20,2		

Source: Elaborated by CRPA on REGIO databank

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Income support and cross-compliance (CAP-Pillar 1)

Decoupling of Single Farm Payment:

- Decoupling of SFP may increase extensification of agriculture (forage crops, set-aside, reduction of crop yield) in particular in less-favoured areas
- Reduction of EU self sufficiency rate of several commodities

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Extensification of agriculture

	Set aside	Permanent pastures	Land abandonment
Finland	16,2	29,4	0,9
Sweden	14,2	16,2	0,0
Denmark		23,8	5,0
Belgium	5,7		0,0
Spain	6,1	6,0	3,6
Ireland	3,7		6,0
Portugal		19,3	22,0
Italy		0,5	8,1
Greece			17,0
Austria			0,5

Source; Agrosynergie, 2008

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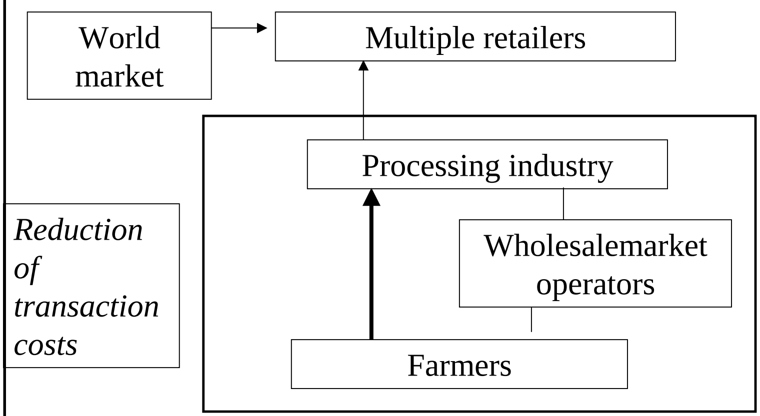
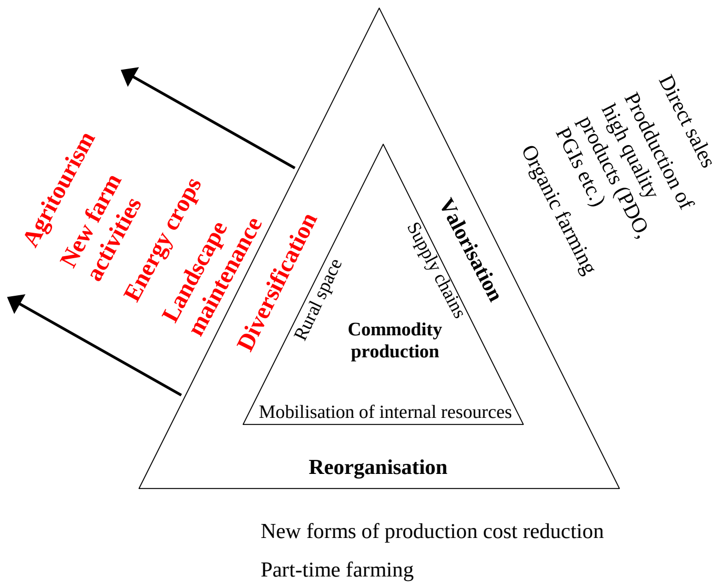
Improvement of competitiveness of agriculture (CAP-Pillar 2 Axis 1)

- Education and training
- Settlement of young farmers
- Modernisation of farm structure
- Participation of farmers in high value supply chains

Enforcement of supply chains

Supply chain agreements





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Energy policy in Germany for biogas plants

(subsidies in € ct/ kWh)

	up to 2009	after 2009
Base	10,67	11,67
Bonus renewable energy source	6,00	7,00
At least 30% slurry		4,00
Plant material landscape maintenance		2,00
Total	16,67	24,67

Valid for 20 years with a degression of 20 years

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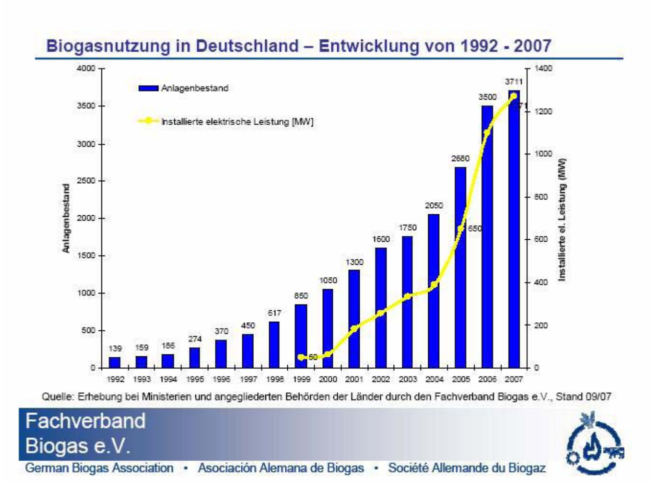
Biogas development in Germany



Source: Benke, Journées Automne AFPF, 2008

Biogas plants in Germany

Biogas plants in Niedersachsen in 2004
after 2004 the number of plants more than quadruplicated up to 700

Source: Benke, Journées Automne AFPF, 2008

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Biogas energy policy in Italy:

Subsidies regulated through market mechanism

- Producers and importers must feed in the electric net an amount of renewable energy source (RES), equal to a quota (3.05% in 2007, + 0.75% every year up to 2012) of non renewable energy produced or imported every year before;
- Renewable source energy production is certified by the Green Certificate (GC); the value of GC is 12,5 €ct/ kWh (GSE value in 2007) (12,5 ct/kWh);
- In 2007 the value of Electric Energy with Green Certificate sold to the net was 17-20 Ect/kWh;
- From 2008 RES generation (qualified by GSE) receives GC for the first 15 working years;
- From 2008 with agro-biomasses, plants <1 MW a new tariff 0,3 €/kWh (?) put in the grid.

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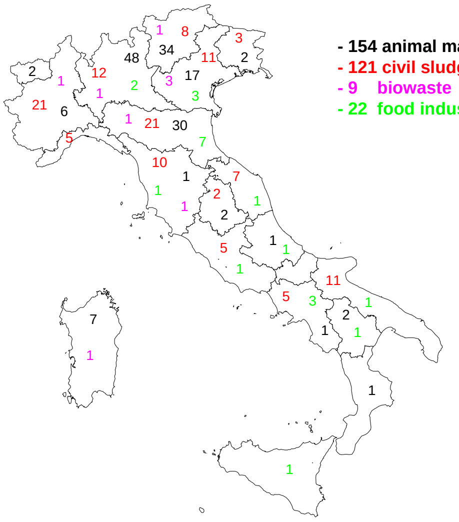
Biogas in Italy 2007

306 plants



- 154 animal manure + agro-industrial residues + energy crops
- 121 civil sludge
- 9 biowaste
- 22 food industry wastewater

Biogas from MSW landfills:
141 plants, 210 MWe
(GSE, June 2008)

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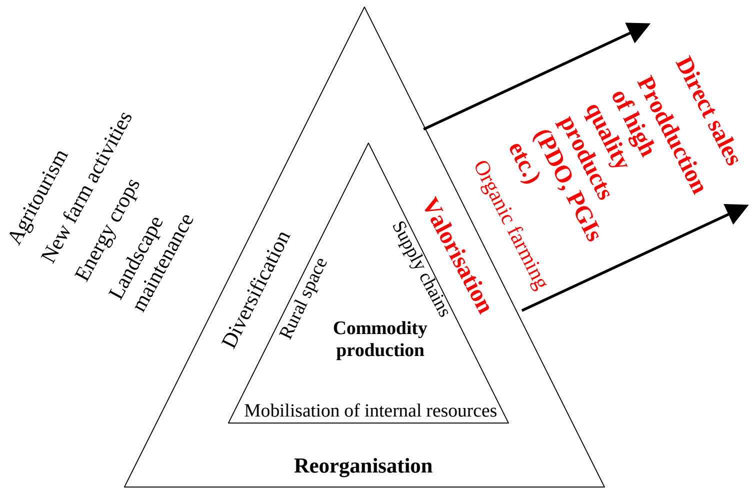

New forms of production cost reduction

Part-time farming

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Success factors of PDO and PGI products

- Product highly specific and typical
- Quality perceived and appreciated by consumer
- Strong vertical and horizontal coordination between firms
- Strong involvement of local institutions

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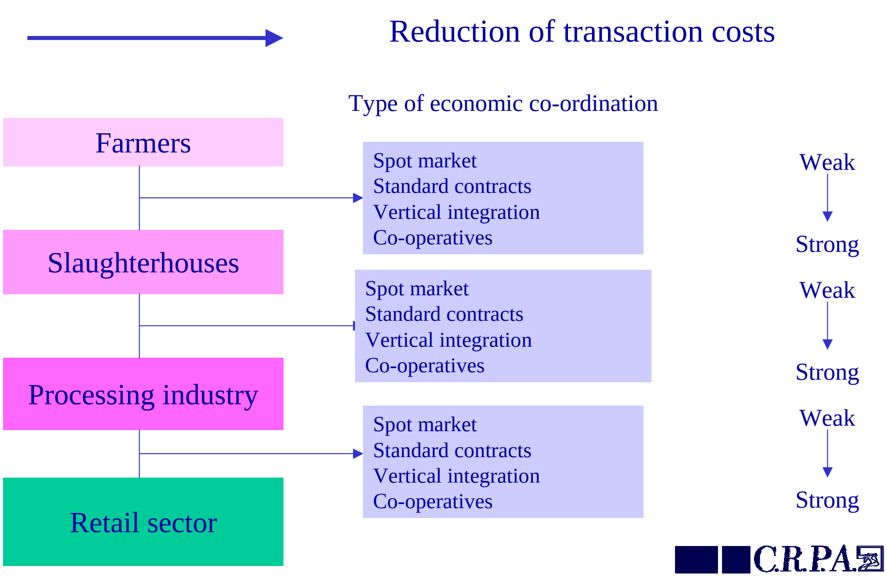
Strong economic co-ordination between firms in supply chain



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Importance of PDO and PGI products

	Spain	Portugal	France	Italy	Germany	Austria	UK	Netherlands
Cheese (t)	16.445	1.287	193.810	453.588	16.000	5.000	14.000	37.866
% of total	5	2	11	40	0,8	3,5	3,7	5,6
Fresh meat (t)	30884	2000	138398	6001				
% of total	3	2	2	1				
Processed meat (t)	11.002	89		180000				
% of total	8	1		15,5				
Olive oil (t)	18.949	1.500		6.238				
% of total	2	3		1				

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Territorial planning policy (1)

- Efficient use of territory saves precious fertile land for agriculture

Ex 1: In the Netherlands 9% of the territory is covered with buildings, in Flanders 24%, both areas have a similar population density

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Territorial planning policy (2)

- Importance of minimal vital farm size

Ex 2: Veneto and Campania in Italy.

A small to tiny farm size together with a rapid growth of SMEs causes an urbanisation of the former rural area and a strong intensification of remaining agriculture

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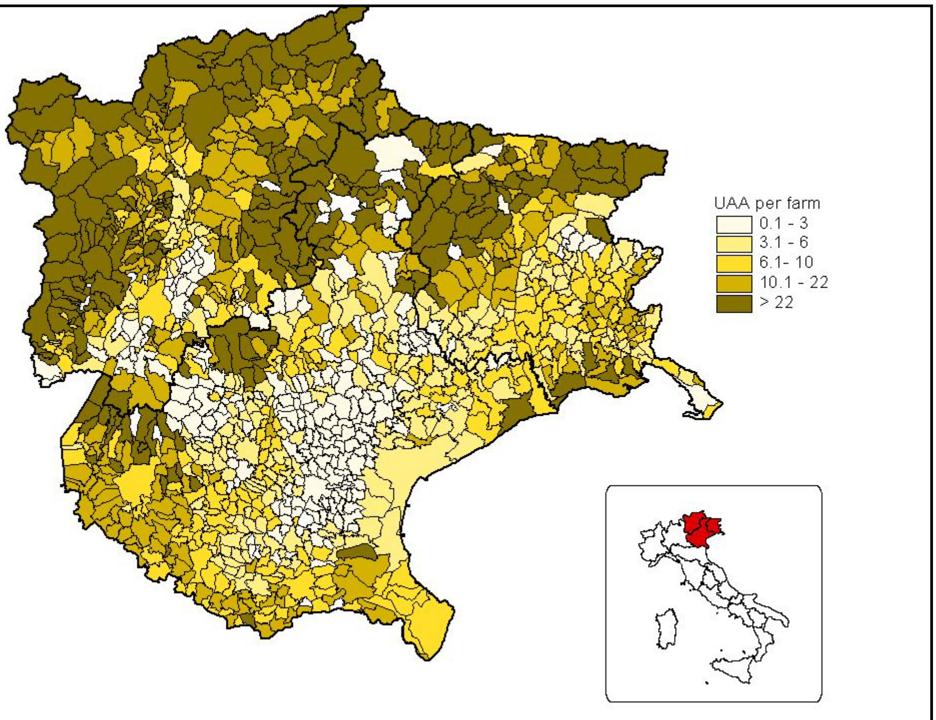
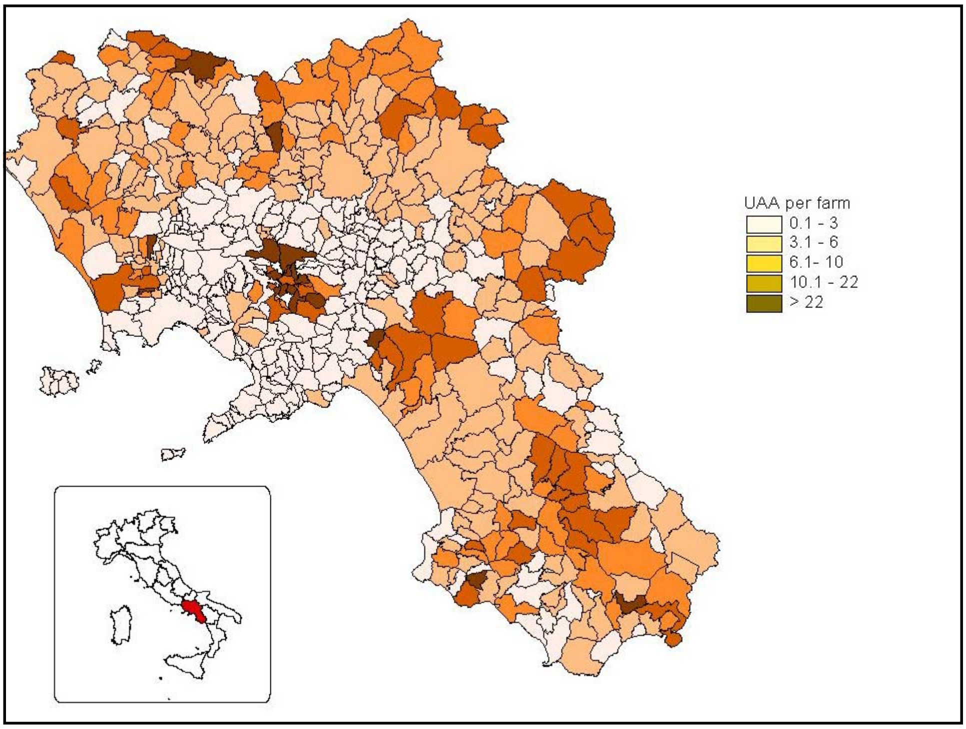
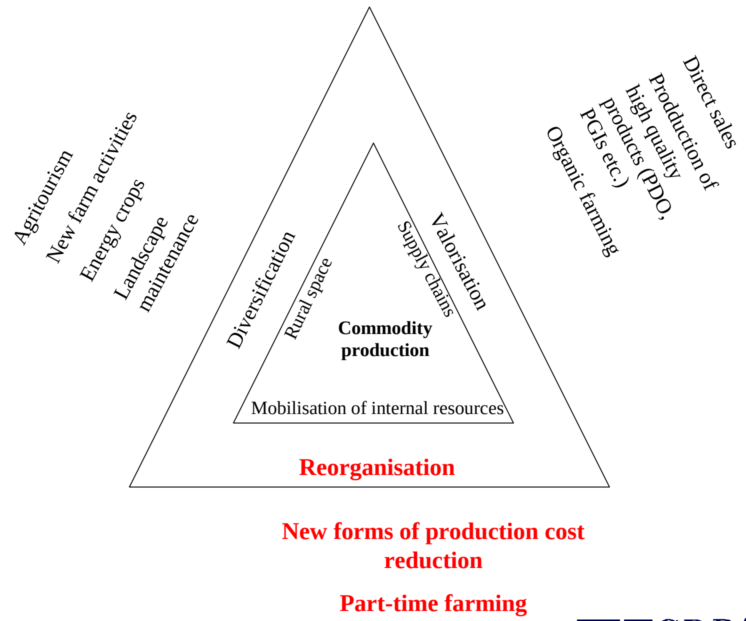



UAA per farm
0.1 - 3
3.1 - 6
6.1- 10
10.1 - 22
> 22


Agritourism
New farm activities
Energy crops
Landscape
maintenance
Direct sales
Prodduction of
high quality
products (PDO,
PGIs etc.)
Organic farming
Diversification
Rural space
Valorisation
Supply chains
Commodity
production
Mobilisation of internal resources
Reorganisation
New forms of production cost
reduction
Part-time farming

Improvement of environment and rural space (CAP-Pillar 2 Axis 2)

New forms of cost reductions:

- Close the nutrient cycle
- Reduce purchase of inputs and increase technical efficiency of production process
- Increase environmental sustainability of production process

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Improvement of environment and rural space (CAP-Pillar 2 Axis 3 + LEADER)

- Agritourism
- Renewal of villages
- Training of economic actors
- Rural animation
- Improvement of quality of life
- Diversification of non-agricultural activities

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Thank you for you attention

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