Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 2/24/1999

GAIN Report #SP9011

Spain

Agricultural Situation

Spain's Position on CAP Reform

1999

Prepared by:
Office of Agricultural Affairs
U.S. Embassy
Drafted by:
Chris Rittgers

Report Highlights:
Amid farmer protests in Madrid and Brussels, Spain's objectives for CAP reform and the Agenda 2000 proposals have become more specific. While initially opposed to any cuts in agricultural supports, Spain has apparently recognized that some reductions are inevitable, and now hopes to obtain certain goals. These can be summarized as follows: no Member State "co-financing" of CAP budget, an increase in dairy production quota, an increase in number of beef animals eligible for subsidies, a revision of cereal historical yields, and maintenance of production aids for sunflowers.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Madrid [SP1], SP

On 20 February, the Eve of the EU's "historical" meeting of Member State Agricultural Ministers, an estimated 10,000 farmers (this is the police estimate, organizers say 30,000) marched down Madrid's main thoroughfare, requesting that Spain's Ministry of Agriculture defend their interests during discussions on Agenda 2000 and CAP reform. The demonstration was organized by COAG, Spain's largest and most left-leaning Farmers' Union. During the demonstration, speakers claimed that the Commission's proposed reforms would result in a loss of 200,000 million pesetas ($1.3 billion) for Spain's agricultural sector. In principle, this group, like the rest of Spain's agriculture sector, is opposed to any reductions in agricultural aids. However, speakers acknowledged that some cuts in agricultural supports were probably inevitable for the 2000 to 2006 period, but they requested that the cuts be "modulated," i.e. the cuts be made to reflect crop production and price conditions.

On 22 February, an estimated 3,000 farmers from Spain went to Brussels to join their compatriots from other EU countries to voice their opposition against the reforms. In addition, ASAJA, Spain's most mainstream Farmer's Union, had scheduled a demonstration in Madrid on 25 February (including an appearance in front of the U.S. Embassy), but they have since postponed their demonstration until 6 March, whatever the outcome of the debate in Brussels.

While Spain's agricultural sector's response has been no more vociferous than that in other Member States, as a large recipient of CAP funding (about $6 billion annually), and the largest net recipient of EU funds, Spain's agriculture has as much at stake as any member State in the current Agenda 2000 and CAP reform debate. Until recently, other than opposing any cuts in CAP or other EU funds, Spain has said very little officially regarding their specific goals for the outcome of the budget battle. As in most EU internal debates, Spain let Germany and France take the initiative and set the policy agenda. However, as it has recently become apparent that some budget cuts were inevitable, Spain has been more concrete in expressing its objectives for the outcome of budget and agricultural policy debate. Spain's main objectives regarding the principle themes of the current EU policy debate can be summarized as follows:

1. Co-Financing: Spain is adamantly opposed to Germany's idea of co-financing the CAP budget through Member State treasuries.

2. Cohesion Funds: If there is to be a cut in the EU's general budget, Spain would favor cuts in agricultural support rather than reductions in cohesion and structural funds. A cut in these funds are thought to be even more politically unacceptable than reduction in agricultural aids.

3. Overall CAP Funding: Reflecting the two positions above, Spain supports France's proposal for a 3 percent reduction in CAP funding during 2000-2006. However, we are not aware of any official statement that the cuts be "modulated" as sought by the Farmers' Union.

4. Dairy Reform: Reflecting a long-held request, Spain is requesting that their EU-allocated production quota be increased by 1 million tons, rather than the 220,000 tons proposed by the Commission. Spain has always claimed that their dairy quota should at least be equal to domestic consumption needs.

5. Cereals: Spain is opposed to the 20 percent reduction in intervention prices as this reduction would not be fully offset by the proposed increases in direct payments from 54 to 66 E/ton. Given that the proposed reduction in intervention prices is a for-gone conclusion, however, Spain is requesting that the historic yields used to calculate the direct payments on grains be increased. Spain has long complained that the yields the EU uses to determine Spain's direct payments are far too low because they were based on drought years. Spain's Minister of Agriculture has been quoted as characterizing the reform plan on cereals as "absolutely unacceptable" because it does not include revisions of Spain's historical yields.

<u>6. Oilseeds:</u> Spain is opposed to lowering oilseed compensatory payments from 92 to 66 E/ton, which would make oilseed and grain payments equal. Rather, they favor a separate scheme for sunflower producers in Spain, essentially leaving payments equal to the 92 E/ton producers currently receive. The sector claims that reducing payments to oilseed producers would reduce by half the current 1 million hectares of sunflower area in Spain as producers would either switch to grain or just leave the land idle.

<u>7. Beef Reform:</u> Spain is seeking an increase in the number of beef animals eligible for bonus payments. Spain points out that only 68 percent of current production currently receives payments, compared to 100 percent for producers in Holland and Germany. Spain has rejected the proposal to allow only a 13 percent increase in the assigned cattle quota eligible for payments.

<u>8. Wine Reform:</u> Of all the reform proposals, Spain is most supportive of the that relating to the wine sector. The Commission's proposal to allow a 1 percent increase in wine area would translate into an increase of 11,570 hectares of vineyards in Spain. This limited percentage increase is supported by ASAJA and the marketing cooperatives, while COAG and other Farmers' Unions are opposed to any increase for fear it would reduce market prices. The wine merchandising sector, on the other hand, is seeking a four percent increase, and no limits for production on area not eligible to receive payments. Officially, Spain is seeking an increase between 1 and 4 percent, but will probably be satisfied with the one percent increase proposed by the Commission.