

The 2016 EU Agricultural Outlook Conference

*Structural change in EU agriculture:
past drivers and emerging challenges*

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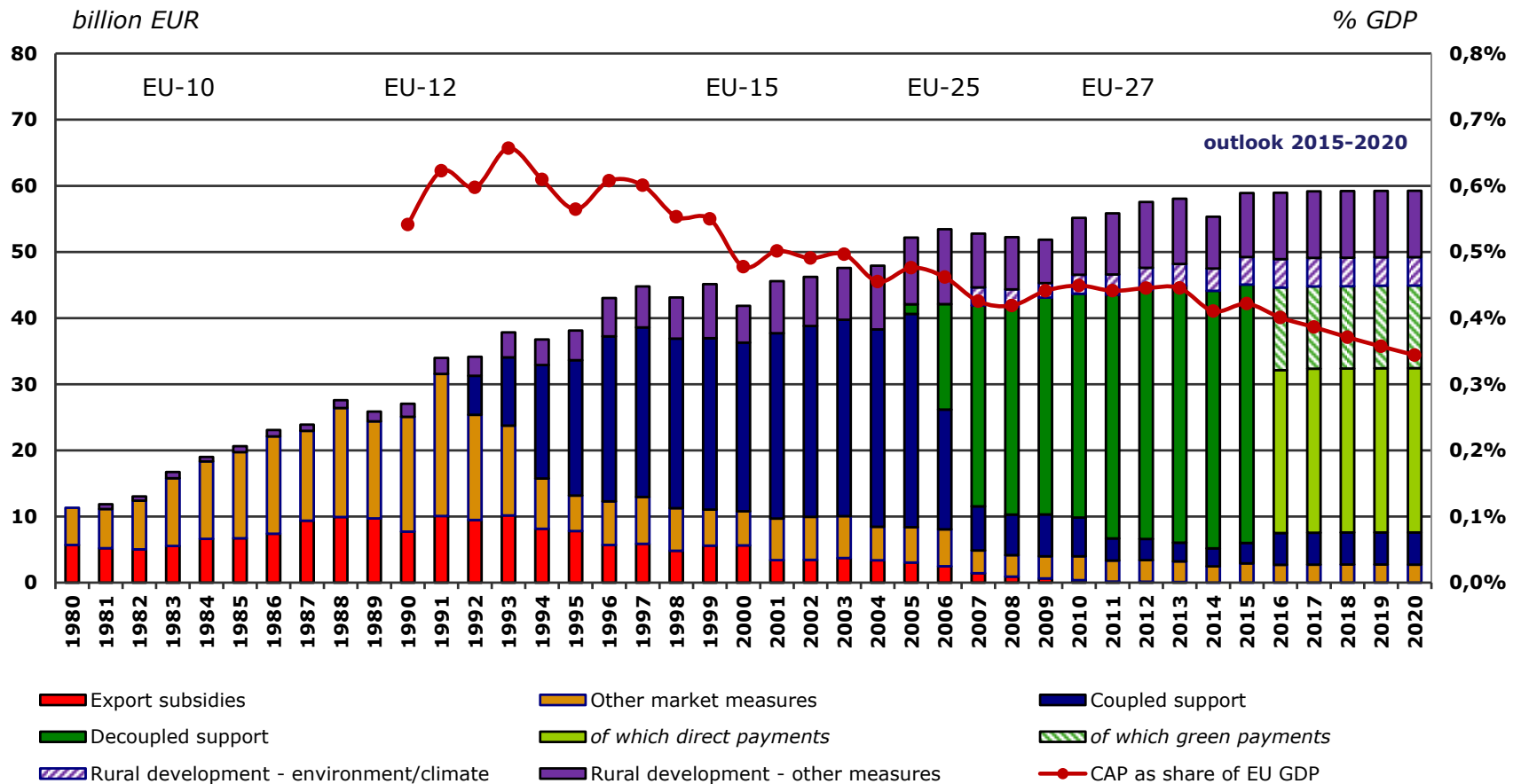
Brussels, 6-7 December



Outline

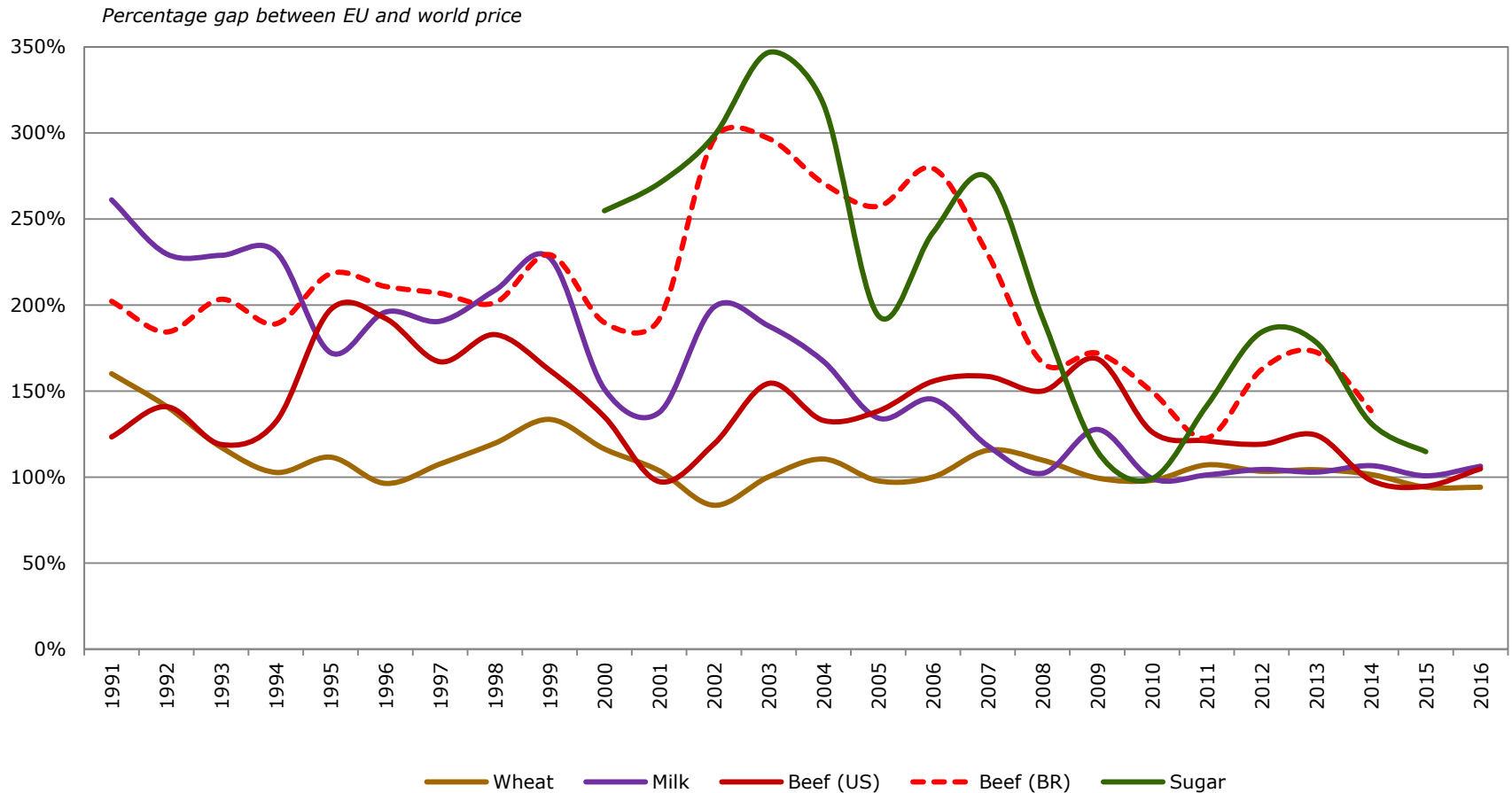
- 1. The policy impact on structural reforms...**
- 2. ...main lessons from past drivers...**
- 3. ...and main emerging challenges**

The long drive of CAP reform...



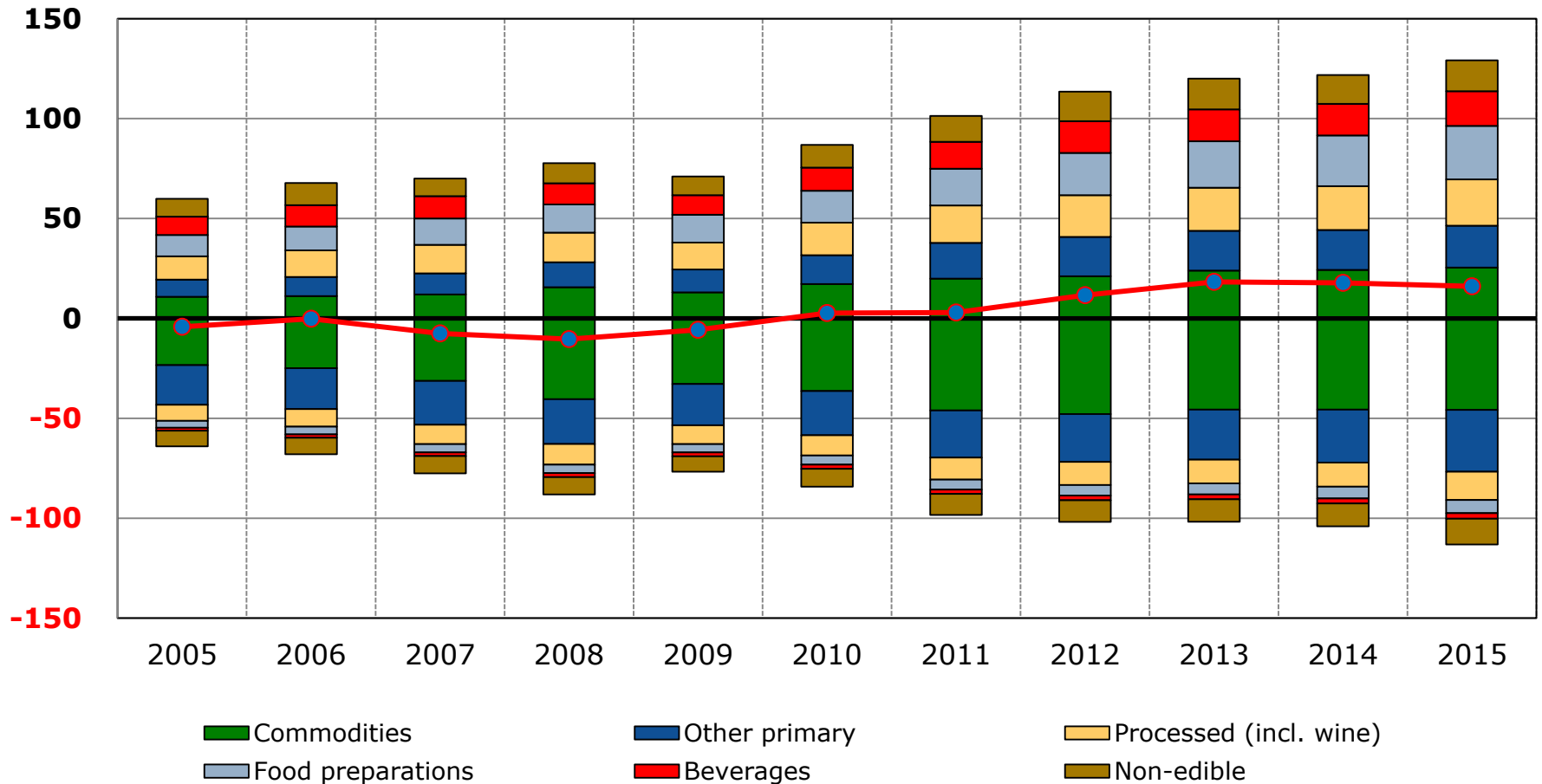
Source: DG AGRI.

...bridged the gap between EU and world prices...



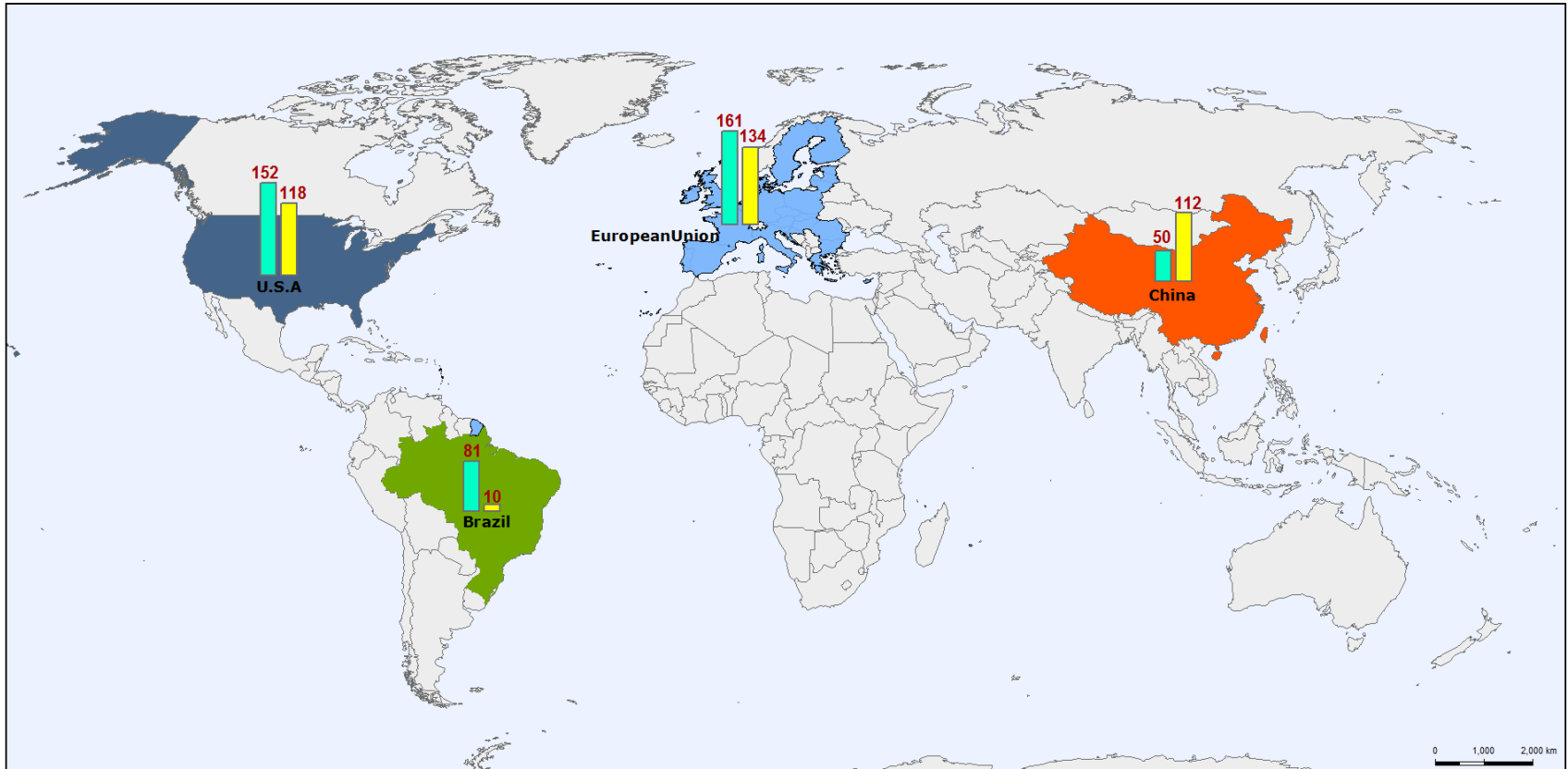
Source: AGRI calculations based on European Commission AGRI and OECD data.

...turned the EU into a net agro-food exporter...

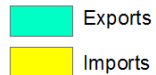


Source: COMEXT.

...and a major agro-trade player...



Agri-Food Trade (Avg 2013-2015 in billion US\$)



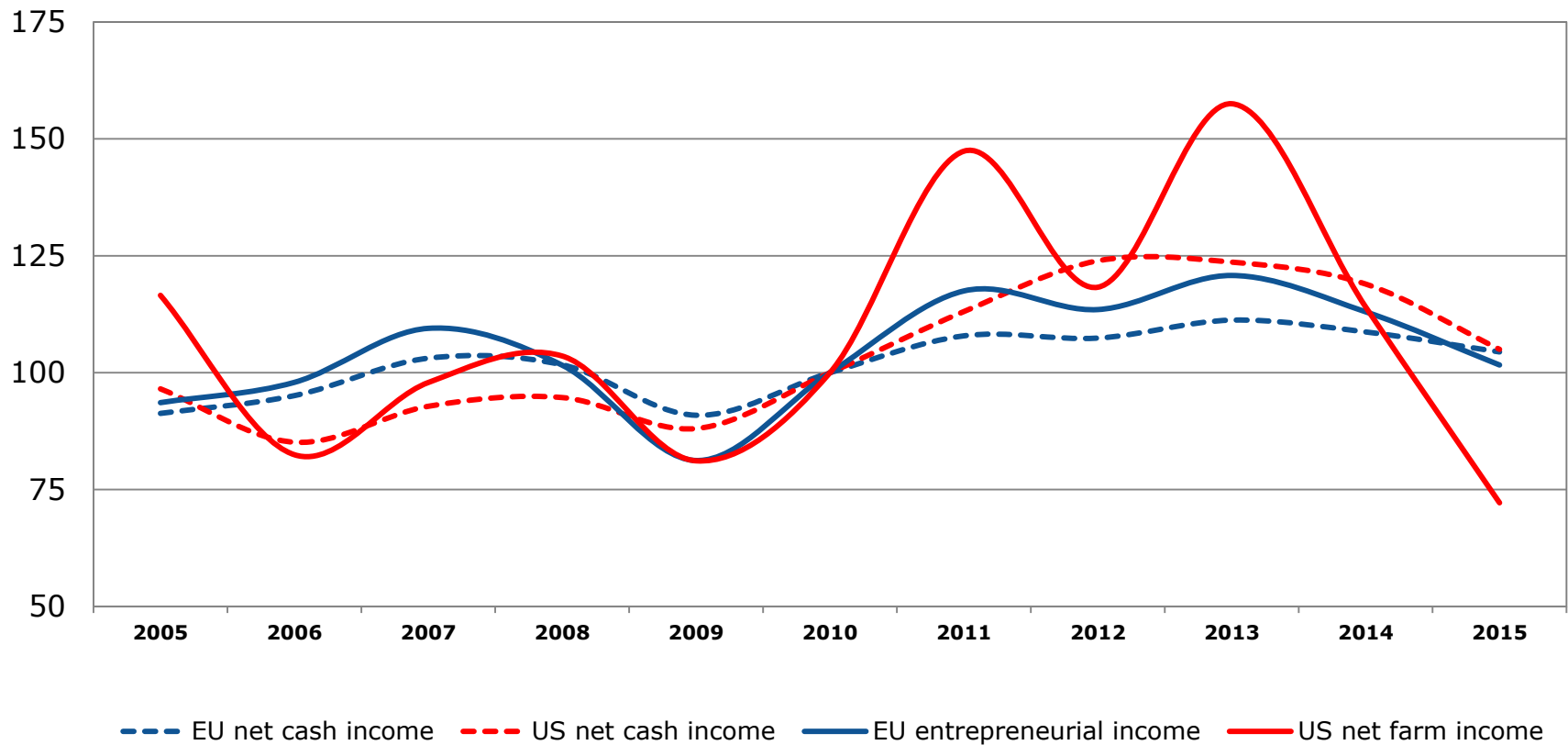
Source: COMEXT, GTA
Cartography: DG AGRI GIS-Team 04/2016

Map Projection World: Eckert III - Map Scale 1:110.000.000

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Note : The borders of the map does not necessarily represent
the official position of the EU. The map has only a statistical value.

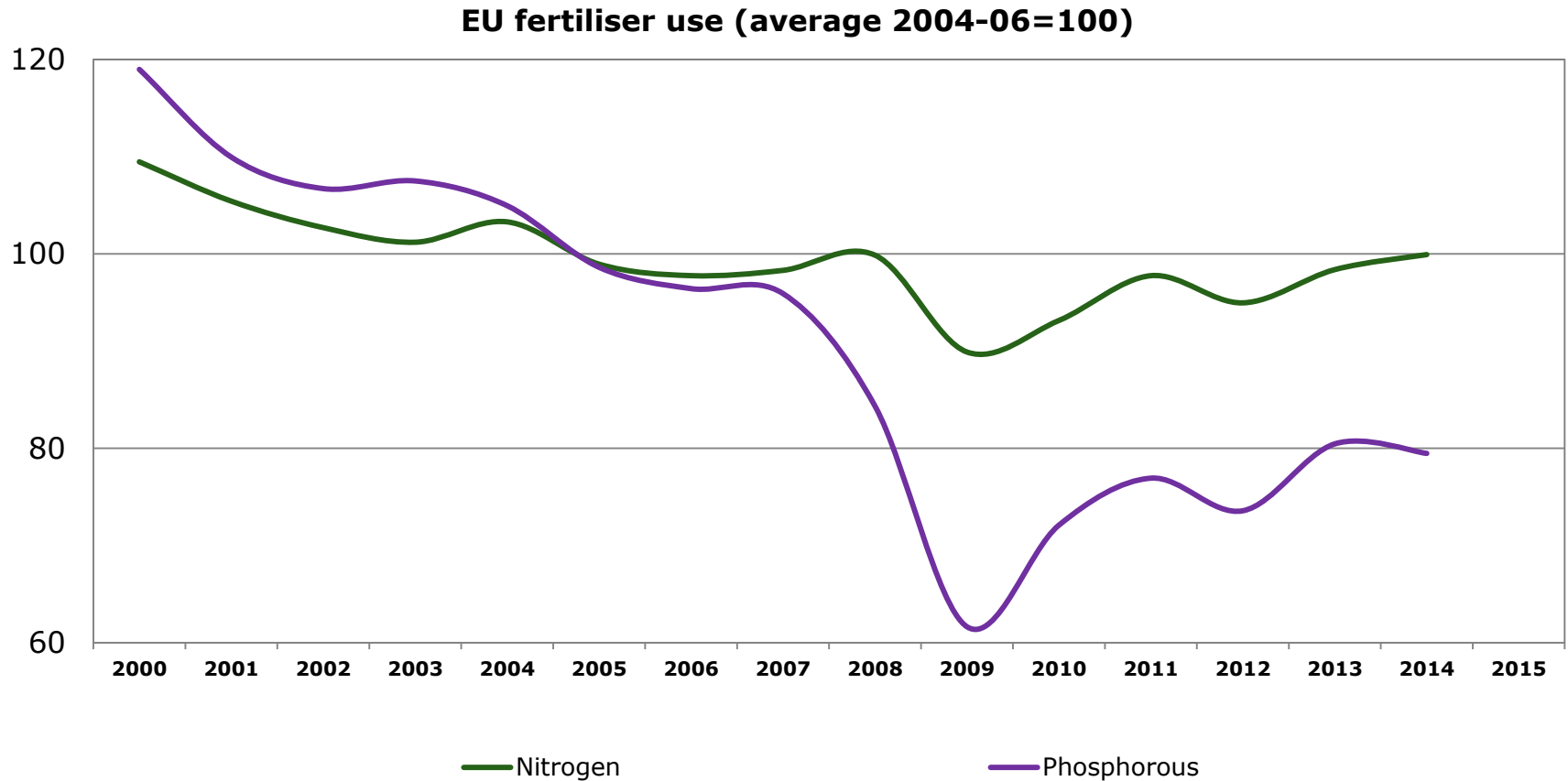
...while providing relative income stability...

EU and US nominal farm income (2010=100)



Source: AGRI calculations based on ESTAT and ERS/USDA data.

...and some positive environmental externalities

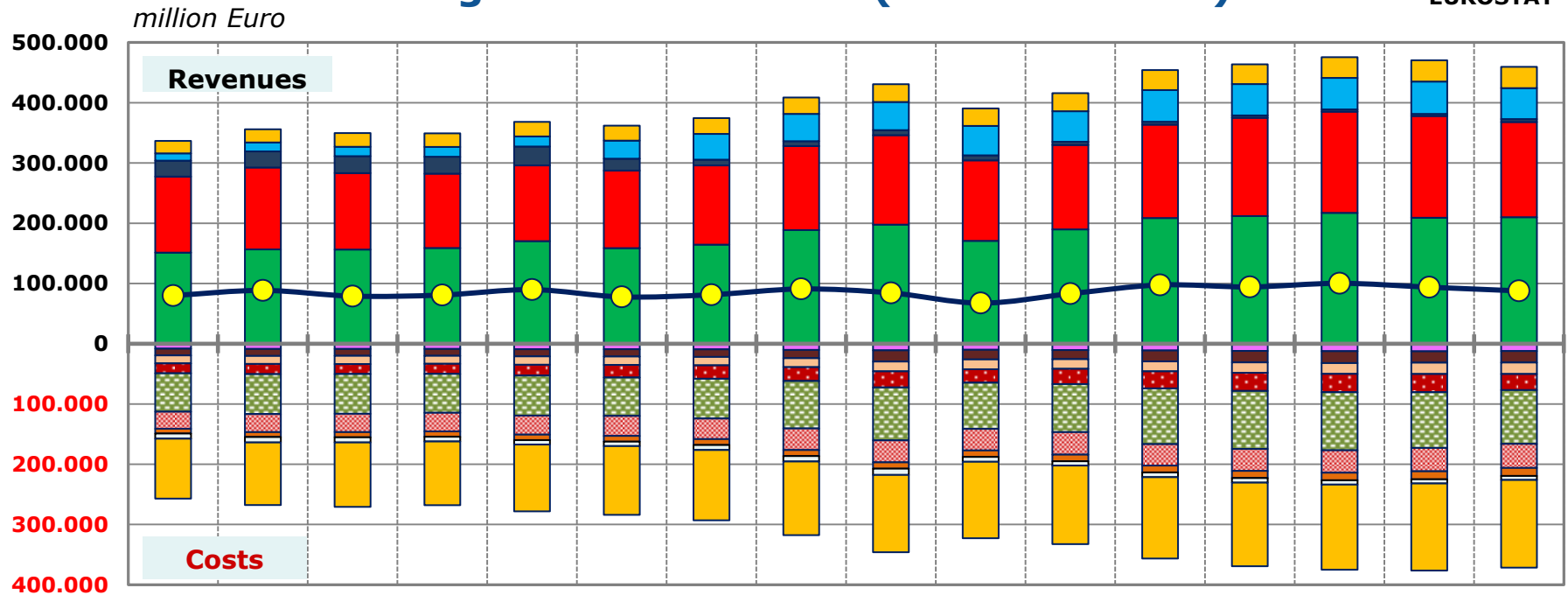


Source: AGRI calculations based on ESTAT data.

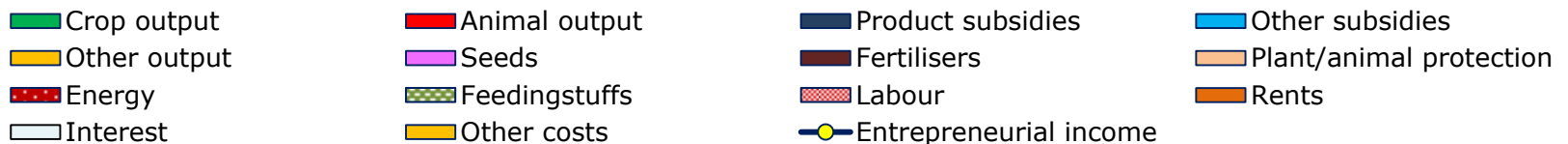
The evolution of EU farm income indicates challenges...

EU agricultural income (nominal terms)

Source:
EUROSTAT



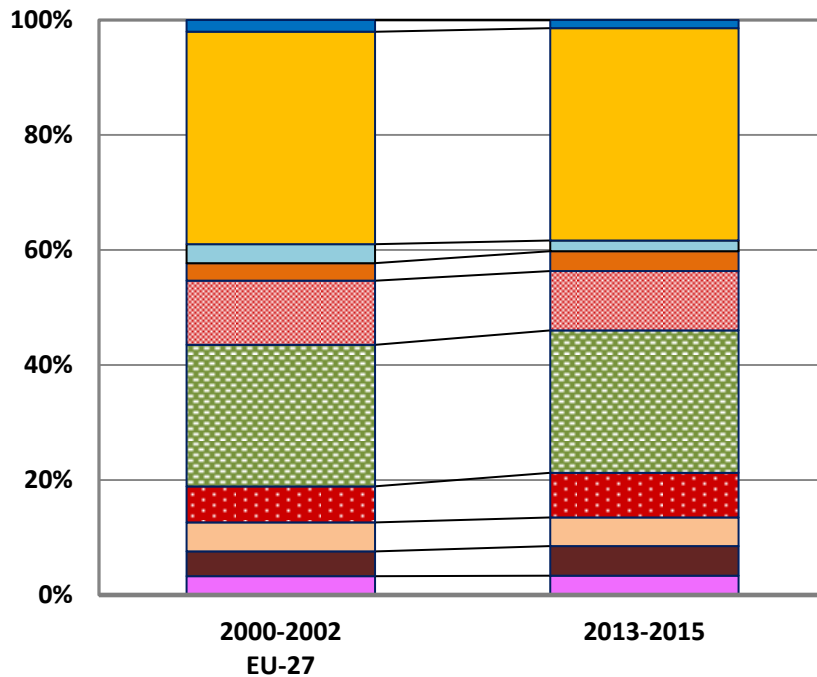
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015



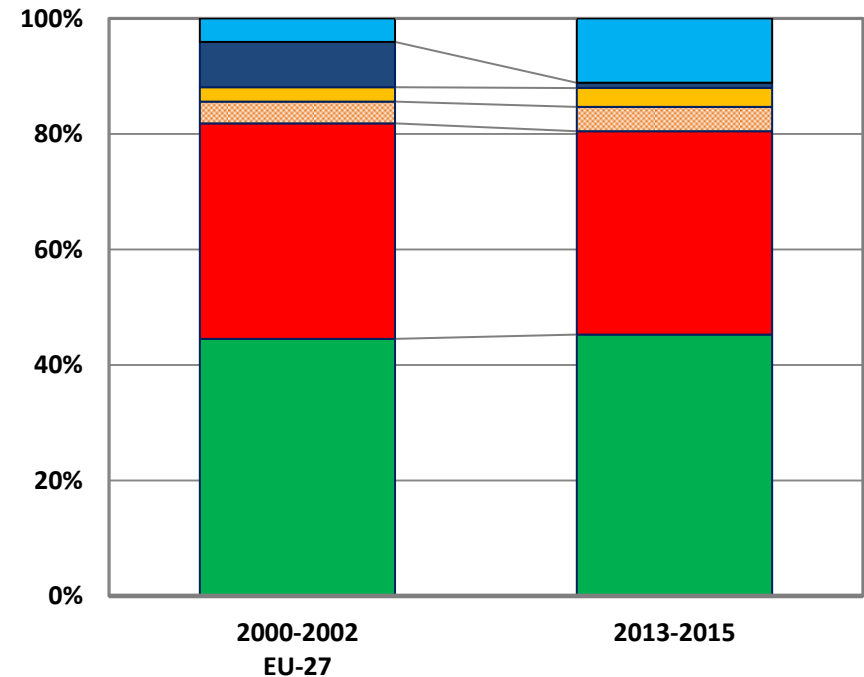
Source: AGRI calculations based on ESTAT data.

...especially in the EU's farm cost and revenue structure

Cost Structure



Revenue Structure



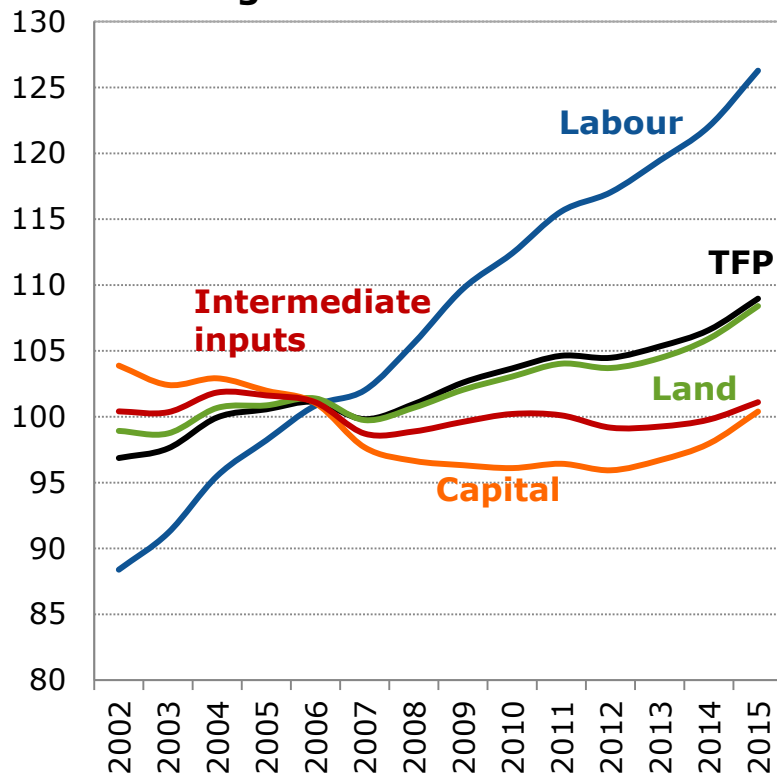
- Taxes
- Interest
- Labour
- Energy
- Fertilisers
- Other costs
- Rents
- Feedingstuffs
- Plant/animal protection
- Seeds

- Other subsidies
- Product subsidies
- Non-agricultural secondary
- Animal output
- Crop output
- Agricultural services output

Source: AGRI calculations based on ESTAT data.

EU agricultural productivity grows slowly but steadily...

Overall and partial productivity growth in the EU



3-year moving average (2005=100)

- Productivity growth is key to meet the challenge of feeding more people, better, in a resource constrained world
- Annual TFP growth in the EU 0.8%
 - *Labour productivity gains are due to labour outflow...*
 - *...substituted by capital prior to economic crisis*
 - *...but now growing without increasing capital inflow*
- EU-N13 show higher growth but from lower level

The "take away" messages

The main impact of CAP reform on structural change was on competitiveness

- *The narrowing of the gap between EU and world prices was part of the policy design...*
- *...and the relative stability of farm income the result of strong income support...*
- *...but the improvement in agro-food trade is indicative of long-term strengths in EU value-added*

Addressing productivity challenges becomes increasingly knowledge-driven

- *Best farm practices spread fast with precision farming, but a knowledge gap exists*
- *Up-stream, down-stream and horizontal linkages are potentially growth- and job-enhancing*
- *Technology and innovation will determine net employment and environmental effect*

Main challenge for future policy reform will come where bottlenecks exist

- *Land remains a constraining factor for EU agriculture – and this will only get more difficult*
- *Input use challenges reflect the global deterioration of the terms of trade for agriculture*
- *Climate action is key to bring policy coherence and perspective to sustainability in agriculture*

➤ ***Investment and generational renewal are the key in addressing these challenges***

Reports and data available at:

http://ec.europa.eu/agriculture/index_en.htm

http://ec.europa.eu/agriculture/markets-and-prices/index_en.htm

http://ec.europa.eu/agriculture/policy-perspectives/index_en.htm

http://ec.europa.eu/agriculture/trade-analysis/index_en.htm

Thank you for your attention!