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ΣΕΙΡΑ ΕΡΕΥΝΑ ΚΑΙ ΤΕΚΜΗΡΙΩΣΗ  
RESEARCH AND DOCUMENTATION PAPERS  
DOSSIERS DE RECHERCHE ET DOCUMENTATION  
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DOSSIERS ONDERZOEK EN DOCUMENTATIE

Landbrugsserie nr.  
Reihe Landwirtschaftsfragen Nr.  
Αγροτική σειρά Αρ.  
Agriculture Series No.  
Série Agriculture n°  
Serie Agricoltura n.  
Landbouwsérie nr.

10



**Spaniens landbrug og udvidelsen**

**Die Landwirtschaft Spaniens und die Erweiterung der EG**

**Ισπανική Γεωργία και Διεύρυνση**

**Spanish agriculture and Enlargement**

**L'agriculture espagnole et l'élargissement de la Communauté**

**L'agricoltura spagnola e l'ampliamento**

**Spaanse Landbouw en toetreding**

Marts

März

Μάρτιος

1983

March

Mars

Marzo

Maart

SPANISH AGRICULTURE AND ENLARGEMENT

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## SPANISH AGRICULTURE AND ENLARGEMENT

The aim of this research document is to gather together information concerning Spanish agriculture and thus provide the Members of the European Parliament with facts and figures with which to follow closely the most sensitive stage of the accession negotiations. It is not appropriate for a document of this type to draw conclusions.

Agriculture makes a substantial contribution to Spain's economy, both in terms of production and employment. It accounts for approximately 8% of GDP (EEC = 4%). Spain's accession to the EEC will increase the agricultural population by 24%, but the total population by only 13.7%.

After Switzerland, Spain has the greatest area of uplands in Europe. About one fifth of the land is over 1,000 m above sea level and two fifths are between 500 and 1,000 m. On the basis of criteria used by the EEC about 50% of the country would be classed as Mediterranean agricultural land.

Utilisable agricultural area (UAA) represents about 55% of the total land area. About 75% of the agricultural land is arable land and most of the rest consists of dry land pastures. Although conditions for agriculture are generally difficult, in some regions the natural environment favours the production of vegetable products, particularly of the Mediterranean type such as fruit and vegetables, wine and olive oil.

Yields, both in terms of output per hectare and labour productivity, are low by North European standards. Apart from poor soil and irregular rainfall they are due to low farm capitalisation and the inefficient structure of land tenure - holdings in the north and east are too small, whereas those in the south are large and often inefficiently run. It is doubtful, however, whether increased capital input alone could increase output in the Meseta region.

## PRODUCTION

The natural conditions in Spain favour the production of crops (including cereals, fruit, vegetables, wine and olives), rather than livestock products: in 1980 they accounted for 56% of final agricultural production, compared to 38.3% for animal products. Spain's accession will thus have the greatest repercussions on the vegetable markets of the Community, whereas Spain itself is likely to encounter problems in its livestock sector. Although many products will be affected, it is intended in this report to focus attention on the four sectors in which the greatest impact is expected to be felt.

It can be seen in Table I that Spain will bring about a very considerable increase in the EEC's citrus fruit production. Spain is in fact one of the world's largest producers of citrus fruits and in 1980 accounted for 4.5% of the world's oranges, 12% of tangerines and 7% of lemons. It should become the largest producer in the Community, surpassing Italy which currently supplies almost all of EEC production. Nevertheless, it is estimated that an enlarged Community would remain less than self-sufficient for citrus fruits, except lemons.

Apples and pears are the most important non-citrus fruits grown in Spain in terms of production. Although they account for a much smaller proportion of EEC production than citrus fruit, an increase of 13% for apples and 17% for pears is nevertheless substantial as the EEC is already over 100% self-sufficient for both products (compared to about 50% for citrus fruits). Intervention in the EEC apple and pear market is already heavy, for example in 1979/80 467,950 tonnes of apples (6.8% of production) and 51,875 tonnes of pears (2.6% of production) were withdrawn from the market.

Spain accounts for approximately 28% of EEC vegetable production and after accession would be the second largest vegetable producer in the Community, being surpassed only by Italy. In 1980 vegetables accounted for 11.7% of Spain's final agricultural production, the most important products being tomatoes and onions.

TABLE I

Spanish Fruit and Vegetables Production

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>% of EEC production 1980</u>	<u>1981</u>
'000 tonnes					
Oranges	1,633	1,771	1,699	79	1,554
Mandarins	911	803	906	383	713
Lemons	248	347	336	40	475
Apples	1,072	1,162	931	13	1,064
Pears	450	477	437	17	520
Tomatoes	2,223	2,204	2,147	28	2,074
Olive oil	500	433	446	40	33,306
Wine ('000 hl)	29,461	48,205	42,402	23	260

SOURCE: Manual de estadística agraria 1982, published by Ministerio de Agricultura, Pesca y Alimentación

The existing Community produces about 780,000 tonnes of olive oil or half the world production of 1.5 m tonnes. With the accession of Spain Community production would rise to 1.25 m tonnes or about 83% of world production.

Spain is the world's second largest olive oil producer after Italy. In 1980, she accounted for 22% of world production (1979 - 29%), compared to 32% in Italy for the same year (1979 - 32%). Apart from Greece, which in 1980 produced 15% of world production, the other EEC countries are relatively unimportant in this sector. Spanish entry will therefore have a substantial effect on the EEC olive oil sector. This sector is already over 95% self sufficient and it is estimated that this will rise to more than 107% after Spanish accession.

Spain is, in most years, the world's third largest wine producer, after France and Italy. As can be seen in the table above, production fluctuates considerably from year to year (due to weather conditions) so

its share in the value of final agricultural production also changes: 4.1% in 1977 and 5.8% in 1980. In the same way Spanish wine production varies substantially in proportion to production in the EEC, for example in 1978 Spain accounted for 21% of EEC wine production; in 1979 this share rose to 33% and in 1980 it fell back again to 23%. Over a period of years Spanish production is estimated to have averaged  $\pm$  36 m hl. per annum.

The dairy sector in Spain is relatively small if we consider the size and population of the country. It can be classed along with the smaller producers of the Community; for example, its 1980 production of milk, 5.900 million litres, accounts for only about 5.5% of that produced in the EEC in the same year.

#### Yields

The poor soil and irregular rainfall in most parts of Spain result in low yields for many products in comparison with the EEC.

In the case of wine, for example, although Spain has the largest area under vines in the world - in 1980 this area was equivalent to 59% of that in the EEC - she accounts for only 23% of EEC production. Spanish yields for wine are between 40%-50% of those in France and are largely due to the poor soil (and therefore the low density of vines estimated to be 1,500 per hectare), inadequate technology and inadequate water supplies. The 1970 wine statute prohibited the irrigation of vines as a means of concentrating scarce water resources on other crops, with the result that only 3% of the land under vines is irrigated. This land is used not only for the production of wine, but also of table grapes and dried grapes.

Yields in the olive oil sector also tend to be low. Over 50% of production is estimated to be on truly marginal land, and only 16% of good land providing high yields. In addition, the nature of production is very fragmented: about 50% of the olive oil groves are under 5 hectares and account for just 14% of the total olive oil area, whereas 2% of the groves are over 100 hectares and account for 25% of the area. The result is great variations in yields: the average yield of the majority of small producers throughout the country is only about 30% of those on the new, more efficient plantations in the south.

In the dairy sector, average annual yields per cow in Spain for milk were 3.160 litres in 1980 compared to 4.073 in the EEC, that is, about 78% of the EEC level. These figures mask considerable regional differences.

In contrast, however, yields in the fruit and vegetable sector are relatively high and well up to EEC standards. In the case of citrus fruit, for example, all production is on irrigated land. 75% of vegetables are grown on irrigated land (almost 95% of tomatoes) and almost all apple and pear production is irrigated, resulting in high yields similar to those in the EEC.

### TRADE

Agricultural trade is a vital part of the Spanish economy. In 1979 agricultural exports accounted for 22% of Spanish total exports; by comparison agricultural products accounted for only 11.2% of EEC total exports (including intra-EEC trade). In terms of the proportion of agricultural exports in total exports, Spain ranks above France and Italy, but behind Ireland, Denmark and Holland. In the case of imports agricultural products accounted for 18% of total Spanish imports in 1979, compared to 14.8% in the EEC.

#### Exports

Citrus fruits are by far the most important agricultural exports in Spain. In 1980 they accounted for 19% of total agricultural exports in terms of value. Most of these exports go to the EEC which in 1980 accounted for 86% of Spanish orange exports, 88% of mandarins and 75% of lemons. The two largest markets are France and Germany.

Table II shows that although about one half of Spanish citrus fruit production is exported, the proportion of other fruits going to export is much smaller. The major non-citrus fruit exports are table grapes (which in 1980 brought in about 2.700 million ptas), followed by melons (1.900 million ptas) and peaches (1.300 million ptas). Apples and pears cannot be counted among Spain's major fruit exports, despite the large production. In fact, although imports are almost entirely absent for other

fruits; they do take place for apples (4,000 t in 1980) and pears (2,606 t in 1979 and 6,531 t in 1980). This situation is mainly attributable to the high level of consumption of non-citrus fruits in Spain, for example, in 1980 per capita consumption of fresh non-citrus fruits was 100 kg per annum; this can be compared to approximately 60 kg per annum in the EEC.

In view of these facts, it is unlikely that Spain's accession will cause immediate problems on the EEC apple and pear markets. It is only in the event of an expansion of Spanish production in the future that problems may arise in these two sectors.

TABLE II

Spanish Exports ('000 t)

	1978	1979	1980	1981	Export as % of 1980 production	% exported to EEC 1980
Oranges	880	999	820	766	48	86
Mandarins	571	647	511	587	56	88
Lemons	221	219	218	231	65	75
Apples	11	10	14		1.5	na
Pears	15	18	27	24	6	na
Table grapes	50	80	66	81	12	na
Peaches	20	13	15	19	4	na
Tomatoes	276	315	273	359	13	90
Onions	201	200	198	300	22	na
Wine	369	638	574	592		42
Olive oil	82	109	122	64	27	27

Source: Manual de estadística agraria 1982

The most important fresh vegetables exported by Spain are tomatoes: in 1980 they accounted for 54% of Spanish vegetable exports in terms of value. In the same year 90% of tomato exports went to the EEC market, of



which some 33% to the UK. Other vegetables which are exported in significant quantities are: onions, garlic, artichokes, paprikas, French beans, cucumbers and aubergines. In most cases 90% of exports go to the EEC.

Spain is the world's third largest wine exporter after Italy and France. In 1980 wine exports (including vermouth and aromatic wines) were worth 28.957 million ptas. 9.7% of agricultural exports and 2% of total exports. Wines from Jerez (sherry) account for just over 50% of wine exports, followed by various table wines, of which the most important are Rioja, Tarragona and Moriles-Montilla.

The EEC accounted for 42% of Spain's wine exports in 1980, the main importers being the UK (16.9%) and the Netherlands (8.9%). Outside the EEC the main markets were the USSR (21.8%) and Switzerland (9.5%).

Spain is the world's primary olive oil exporter, although (as we can see in the table above) trade varies considerably from year to year, depending on the state of production, public stocks and internal demand. In 1980 exports were at a relatively high level and accounted for 5.7% of agricultural exports in terms of value.

Spanish olive oil exports go to over 104 countries. The EEC, however, is the largest market accounting for about 27% of Spanish exports in 1980 (48% in 1979). Italy is the main customer, (19% in 1980, 43% in 1979), mainly of crude Spanish olive oil, which is refined and mixed with local oils before it is re-exported. Markets outside the EEC include the USA and Canada (1980 - 10.47%, 1979 - 17.82%).

### Imports

Despite its success as an agricultural exporter, Spain runs a deficit on its trade in agricultural products: in 1980 agricultural exports were valued at 297.717 million ptas. compared to 348.485 for imports, that is a deficit of 50.768 million ptas. This situation is largely due to the unfavourable natural conditions for livestock production in Spain. As a result, policy in this sector has encouraged intensive production based on imported feedstuffs from the USA and Argentina. In 1980, for example, maize, sorghum and soya imports alone cost 118,934 million ptas, that is 34% of the value of agricultural imports<sup>1</sup>.

<sup>1</sup> Soya beans are also used to produce oils, exports of which fetched 14,638 million ptas in 1980

The inefficient structure of the dairy sector in Spain led the Government to introduce a policy of state trading agreements and relatively high customs duties in order to protect Spanish farmers from the more efficient producers in the EEC. For example, there is an import duty of 10.5% on fresh milk and in the case of meat the state controls imports with the result that there may be large fluctuations in the level of trade from one year to another (see Table III).

TABLE III

<u>SPANISH IMPORTS</u>				
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Maize	4,358,935	4,369,886	4,532,545	4,829,591
Soya beans	2,179,000	2,237,000	3,214,000	2,969,667
Beef	73,105	79,925	16,969	18,596
Pork	38,218	43,350	9,449	4,628
Fresh milk	1,880	6,023	8,826	10,754
Milk powder	13,936	87,775	52,782	33,821

Source. Manual de Estadística agraria 1982, Cuentas del Sector Agrario No. 7, Madrid 1982

Spain is a somewhat erratic importer of dairy products. For example, 172,764 t of fresh milk were imported in 1975, only 1,880 t in 1978 and 10754 t in 1981. Imports of cheese are more regular and in 1980 they accounted for 43% of the value of dairy imports. The other main imports are of milk powder, most of which is denatured for use in animal feed.

Dairy imports tend to come from the EEC; in particular fresh milk from France, condensed milk and cheese from the Netherlands.

PRICES

A. Vegetable products

Some of the most important products in Spain, both in terms of production and trade, are those in which the Community is already over 100% self sufficient, or approaching that figure. The accession of Spain, with its large exportable surpluses of fruit and vegetables, wine and olive oil, may lead to increased difficulties in these sectors. It can be seen from Tables IV and V that the situation is further complicated by the fact that production prices for these products tend to be much lower in Spain than in the EEC. Estimates have been made, which do not take into consideration the difference in quality of the products nor the devaluation of the peseta in December 1982. These estimates should not be taken as precise indicators. They merely show the approximate extent of the difference between Spanish and EEC prices.

TABLE IV

Fruit and Vegetables - relative prices in Spain

	<u>% of EEC prices 1980</u>
Apples	75
Cauliflower	75
Lettuce	20
Tomatoes (not protected)	60

TABLE V

Wine - relative prices in Spain

Red wine

Average production price in Spain	70
Average production price in EEC	87
EEC reference price	100

White wine

Average production price in Spain	50
Average production price in EEC	80
EEC reference price	100

Because Spain does not apply the same wine classification system as the EEC, it is difficult to compare wine prices exactly between the two. Nevertheless, taking similar qualities the figures above indicate price divergences generally. The percentages are based on EEC reference prices for 1980.

### Consequences

The higher prices for these products in the EEC, plus the prospect of the ending of tariff discrimination, are seen as favourable by Spanish producers who are likely to see an increase in their incomes after accession to the Community. However, against these undoubted advantages for Spanish producers, several reservations must be made: producer groups are much less developed in Spain than in the Community; the Spanish market, presently carefully protected, will be opened to tariff-free imports from the EEC and to imports from third countries, some of which will have preferential trading arrangements with the Community; and the proportion of Spanish produce eligible for marketing could be considerably reduced by the EEC classification system which is designed to prevent the marketing of low grade produce (grade III). At present, official quality norms, where they exist, are generally not rigorously applied in the Spanish internal market.

These price differences, combined with the lowering of tariffs and reference prices for some of Spain's vital exports, are obviously disquieting for many Community producers. This is particularly so for those producers who have hitherto been protected by quantitative restrictions on certain products during designated periods, normally at peak production time.

The prospects are also worrying for glasshouse producers in Northern Europe. The favourable climatic conditions in Spain permit open-air production of tomatoes, lettuce and cucumbers practically all year round, for example, Andalucian production is concentrated in the Winter and Spring (October-May). The result is that out of season tomatoes in Spain can be produced for about 20% of the cost of glasshouse produce. North European producers would obviously have difficulty in competing with vegetables produced in such conditions.

## Olive oil

It is estimated that the price received by Spanish olive oil producers in 1980 was about 67% of the EEC intervention price. In addition to the intervention price which EEC producers receive, a direct aid is paid to bridge the gap between the producer selling price (just above the intervention price) and the producer target price (set to give producers a reasonable return).

## Consequences

### (1) Community producers

Whereas over 80% of Spanish fruit and vegetable exports already reach the Community market and any problems in this sector are likely to result from lower, more competitive prices rather than large increases in the quantities exported (at least in the short term), the situation in the olive oil and wine sectors is more complex. European producers in these sectors will have to face not only the much lower prices of Spanish products but also possible large increases in imports, if Spanish exports were to be diverted to the Community from outside markets. Such a possible development is obviously worrying for Community producers of wine and olive oil.

### (2) Cost for EAGGF

In view of the fact that the EEC wine sector has been over 100% self sufficient since 1979 and that expenditure on wine from the Guarantee Section alone amounted to 459 million ECU in 1981, Spanish accession with an annual production of 35,000 - 40,000 hl will put considerable pressure on the financing of this sector.

The present market support structure in the olive oil sector has resulted in substantial expenditure by the Community. In 1978 (the year the régime was consolidated) expenditure totalled 182.1 million ECU, in 1979 388.2 million, in 1980 317.9 million, and in 1981 442.7 million, that is respectively 2.1, 3.7, 2.8, and 4.0% of the total expenditure borne by the

the Guarantee Section of EAGGF. This amount is considerable when it is noted that olive oil represents just 1.4% of final agricultural production in the EEC. Community aid in this sector, equivalent to 28% of the value of olive oil production, is one of the highest levels of support under the Common Agricultural Policy. Spain's accession will increase even further expenditure in this sector.

Olive oil is subject to competition from other edible vegetable oils and in the Community there has been increasing consumption of these oils. There is no exclusive Community preference for olive oil and imports of competing products are not restricted. Seed can be imported (without import duty) the oil sold in the Community at prices approximating to world market prices. At present the price ratio in the EC between olive oil and other vegetable oils is 2.7:1. The Commission has proposed that this ratio be reduced to 2:1 by a combination of aid to producers and consumers. Expenditure after Spanish accession will depend on the extent to which this policy is adopted.

#### B. Animal products

In contrast to the low price levels for Mediterranean products in Spain, prices for animal products tend to be higher than in the EEC. Estimations based on statistics from the Spanish Ministry of Agriculture and EEC Eurostat revealed the following price differences for milk in 1980:

Average production price in Spain	ECU/100 kg:	21.18
Average production price in EEC 9	ECU/100 kg:	19.90

These price differences do not at first appear very great, but it must be remembered that Spain's protectionist policy in the dairy sector is designed to safeguard Spanish farmers from the more efficient producers in the Community.

Although the level of self sufficiency is quite high for dairy products - almost 100% for milk and 87% for cheese - these figures may be proved misleading if we look at the level of consumption more carefully. The consumption pattern of dairy products in Spain is in fact very different from

that in the EEC. Whereas 65% of milk production in Spain is used for human liquid consumption, the highest such level in the EEC is 50% for the UK. Spanish per capita consumption of butter is only 0.5 kg p.a. compared to an EEC average of 5 kg. In the case of cheese Spanish consumption is 4.1 kg p.a. compared to an EEC average of 12 kg.

If we consider that the low level of consumption of dairy products (except milk) in Spain is partly a result of the protective trading measures, then it is reasonable to suppose that their elimination after Spain's accession to the Community will lead to an increase in consumption once a wide variety of lower priced products enters the Spanish market freely.

Any increase in imports from the EEC may lead to difficulties in the Spanish dairy industry. If rectifying measures are not taken, many farmers may not be able to compete with the more efficient producers of the Community (especially if an increase in prices of feedstuffs due to the application of Community preference has to be taken into account) and may be forced out of business. In regions such as Galicia and Norte, where the agricultural population is 40% of the active population and where milk and dairy products account for about 70% of agricultural production, the social consequences of such a situation would be serious.

#### FARM STRUCTURE IN SPAIN

A comparison with farm structures in the EEC shows that the proportion of small farms in Spain is greater than in most EEC countries. According to the 1972 census (the most recent available), Spain has some 860,000 holdings of less than 1 hectare accounting for about one third of all holdings and occupying 2.3% of the usable agricultural area (UAA). Of all holdings over 1 ha. 57% are between 1 and 5 ha. compared to 40% in the EEC (Nine). Farms between 1 and 5 ha. occupy 8% of total UAA, while farms of over 50 ha. account for 4% of holdings over 1 ha. and occupy 35% of total UAA.

TABLE VI

Division of farms by region and size <sup>(1)</sup>

	Numero delle aziende totale in		di cui in % per classe di grandezza				
	1.000	%	1a < 5 ha	5a < 10 ha	10a < 20 ha	20a < 50 ha	> 50 ha
SPAGNA:	1.709,7	100,0	57,0	18,5	12,0	8,2	4,3
Galizia	205,4	12,0	87,7	10,1	1,9	0,2	0,1
Norte	118,6	6,9	74,7	18,7	4,5	2,8	0,3
Ebro	159,6	9,3	42,2	22,4	17,7	12,1	5,6
Nordeste	148,1	8,7	53,5	23,2	14,7	7,0	1,6
Duero	247,5	14,5	37,6	20,9	18,4	15,6	7,6
Centro	199,8	11,7	40,0	20,1	17,1	14,1	8,7
Levante	197,9	11,6	70,7	16,2	7,6	3,8	1,7
Extremadura	102,2	6,0	46,3	22,1	14,7	10,3	6,6
Andalusia Or.	197,1	11,5	62,6	17,8	10,4	6,1	3,1
Andalusia Oc.	110,2	6,5	50,5	19,3	13,5	10,1	7,6
Canarie	23,4	1,4	86,8	8,5	3,0	1,3	0,4

(1) Pasture land not included

Source: Censo Agrario 1972

This unequal distribution of agricultural property also exists on a regional basis. It can be seen in Table VI that large holdings (latifundia) predominate in the centre and the south, while small holdings (minifundia) predominate in the north. According to the 1972 census, 87.7% of farms in Galicia were between 1 and 5 ha. while only 0.1% were over 50 ha. By contrast, only 50.5% of farms in Western Andalusia were under 5 ha., while 7.6% were over 50 ha. Small farms can also be seen to predominate in the fruit growing area around Valencia in the Levante region.

Structure of agricultural production

The strong regional contrasts in climate and topography in Spain result in a considerable variation in the structure of final agricultural production. As can be seen from Table VIII, livestock products form an important part of agriculture in the northern regions, although areas that can be characterised as dependant on dairy production are restricted to Galicia and the North Atlantic Coast. Livestock farming in these provinces



## STRUCTURING OF UNDERTAKINGS REGION BY REGION

	TOTAL UNDERTAKINGS	PROPORTION OF UNDERTAKINGS 0-10 ha	PROPORTION OF UNDERTAKINGS 10-100 ha	PROPORTION OF UNDERTAKINGS 100-1000 ha	PROPORTION OF UNDERTAKINGS ABOVE 1000 ha	TOTAL PLOTS	NUMBER OF PLOTS PER UNDERTAKING	PLOTS/AREA ha
Spanien	2.558.814	76 %	19,9 %	2,16 %	0,2 %	27.056.943	10,76	1,69
Galizien	385.553	90 %	9,8 %	0,16 %	0,06 %	7.289.175	18,92	0,33
Norte	179.029	86 %	11,8 %	0,67 %	0,10 %	1.544.229	8,7	1,29
Ebro	204.214	64 %	30,8 %	3,0 %	0,40 %	2.379.719	11,84	2,46
Nordeste	195.198	73,1 %	23,2 %	2,3 %	0,10 %	735.149	3,81	4,28
Alt-Kastilien u. Leon (Duero)	315.519	57,8 %	35,1 %	3,4 %	0,30 %	8.074.036	26,48	1,07
Neu-Kastilien (Centro)	250.195	58,5 %	34,0 %	4,2 %	0,40 %	3.249.407	13,38	2,45
Levante	374.323	90 %	8,6 %	0,8 %	0,07 %	1.509.955	4,06	1,92
Extremadura	132.782	66,1 %	24,7 %	4,7 %	0,35 %	688.147	5,40	5,67
Andalus (orient)	275.929	80,8 %	16 %	1,7 %	0,13 %	882.922	3,24	4,51
Andalus (occident)	144.523	68,1 %	23,2 %	4,8 %	0,32 %	379.033	2,70	11,18

N.B.: UNDERTAKINGS WITHOUT A SURROUNDING LAND AREA HAVE NOT BEEN INCLUDED IN THE TABLE - RURAL CENSUS 1972

is dependant on natural pastures and in general is pursued under unfavourable structural conditions. Elsewhere in Spain, the bulk of production is carried out either in extensive farms or in large modern installations where production is based more on concentrate feeding.

TABLE VIII

PROPORTION OF MAIN PRODUCT GROUPS IN FINAL  
AGRICULTURAL PRODUCTION  
1980 (%)

Regiones	Cereales	Tubérculos consumo humano	Industriales herbáceos	Hortalizas	Frutas (incluso cítricos)	Vino y subproductos	Aceite y subproductos	Carne y ganado	Leche	Huevos	Otros productos	Producción final agraria
Galicia	1,3	10,7	—	5,3	1,7	6,5	—	32,7	24,4	5,1	12,3	100,0
Norte (excepto País Vasco)	0,1	5,8	—	3,9	1,8	0,2	—	28,9	47,5	4,4	7,4	100,0
País Vasco	4,6	5,4	1,3	11,6	1,5	5,7	—	23,7	23,1	8,4	14,7	100,0
Ebro	23,9	2,9	1,3	10,1	7,9	5,1	0,5	31,5	3,2	2,5	11,1	100,0
Cataluña	7,1	1,6	—	7,9	15,7	2,3	1,2	50,7	4,7	5,0	6,6	100,0
Baleares	1,6	4,5	0,1	25,0	14,8	0,5	0,1	28,3	13,9	3,2	8,0	100,0
Duero	29,1	3,6	8,4	3,2	1,3	1,8	0,1	25,5	11,8	4,7	10,5	100,0
Centro	18,8	2,0	3,8	10,2	1,5	20,6	2,1	20,8	5,9	4,0	10,3	100,0
Levante	2,3	2,2	1,5	21,6	36,4	4,0	1,0	19,6	1,4	2,2	7,8	100,0
Extremadura	18,0	1,1	9,1	10,6	6,8	6,1	3,4	25,1	7,6	1,2	11,0	100,0
Andalucía Oriental	6,5	3,3	3,9	28,8	10,7	0,8	20,8	10,4	3,6	2,2	9,0	100,0
Andalucía Occidental	21,2	1,3	17,8	6,7	4,1	9,1	9,4	11,7	5,2	2,4	11,1	100,0
Canarias	0,3	5,4	0,2	29,3	35,2	1,6	—	3,7	8,5	6,2	9,6	100,0
ESPAÑA	12,3	3,3	4,6	11,7	10,7	5,8	3,6	25,3	9,2	3,6	9,9	100,0

Source: Cuentas del sector agrario No. 7, Madrid 1982.

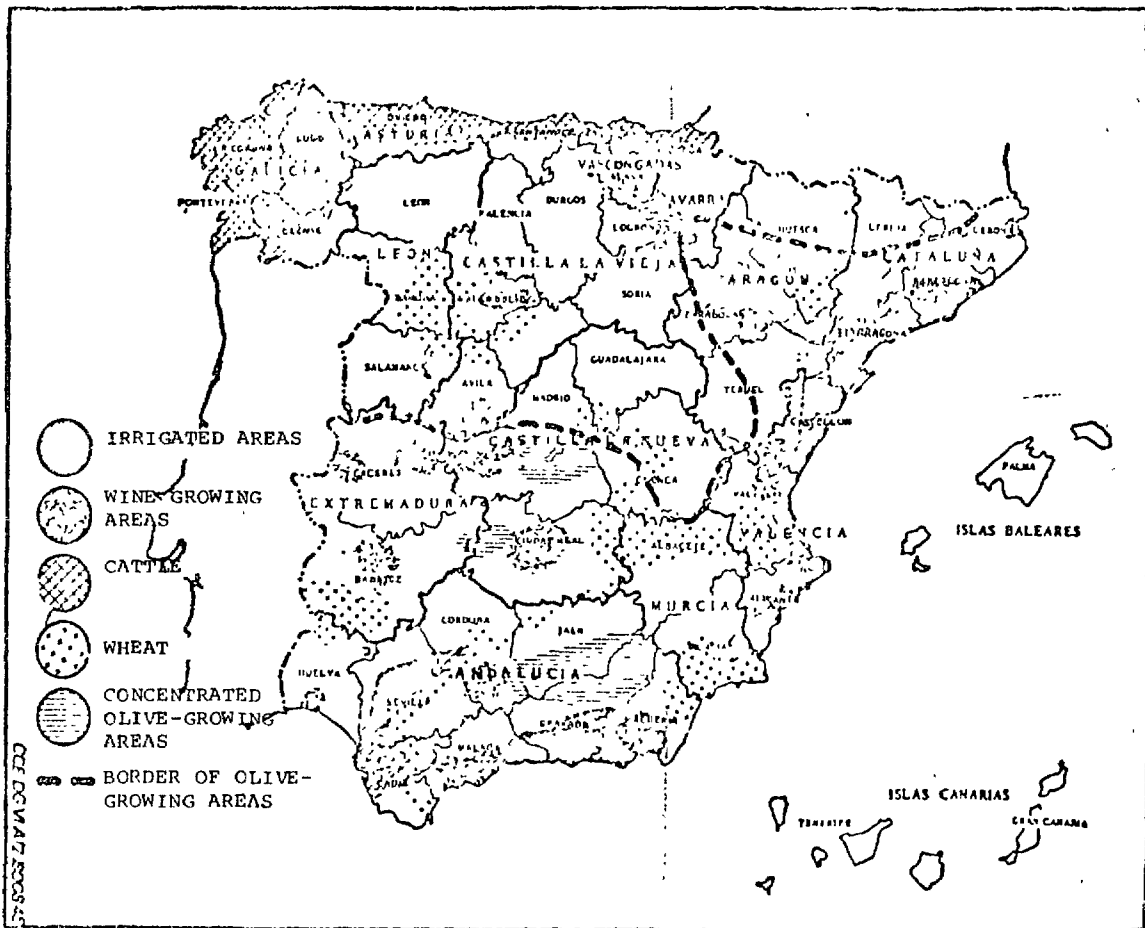
Fruit and vegetables: production is important in several regions, the most notable being Levante and the Canary island. Most citrus fruits and table grapes, plus a substantial proportion of onion production, are centered around Valencia in the Levante region. The largest pear and apple producing areas are to be found in Lerida in the north east, as well as around Valencia. Tomatoes are grown along the Mediterranean coast, in particular in the provinces of Murcia and Almeria, and the Canary islands. The production of tomatoes for processing is important in Extremadura in the West, the northern provinces of Navarra and Logrono, and along the Mediterranean coast as far south as Murcia.

By far the most important olive growing provinces are Jaen, Cordoba and Seville in Andalucia. The rural economy of Jaen is particularly dependant on this sector; 60% of the crop area is under olives and 50% of final agricultural production is accounted for by olives and their by-products.

Wine production, which is more significant than olive production, as can be seen from Table VIII, is highly localised in two regions, Centro and Western Andalucia.

Apart from Ebro in the north, cereals production is generally concentrated inland over large areas of the centre of the country, for example in Duero, Western Andalucia and Extremadura.

SPAIN  
Principal Areas of Agricultural Production



Spain's agricultural policy

The modernisation of agriculture is so important to Spain that it is a principle laid down in Article 130 of the Spanish Constitution of 29 December 1978. Furthermore, Spain already has a very active structural policy.

Interest rebates are granted in respect of certain development projects proposed by farmers, up to a level of 40% for the mechanisation of farms and 70% for irrigation.

There are legislative provisions providing for social security benefits to encourage older farmers to retire. According to studies carried out by the IRYDA (Institute for Agricultural Reorganisation and Development), neither these provisions nor the future application of EC Directive 160/72 would have any great effect on Spanish farmers.

The Government seeks to provide information through such bodies as the IRYDA (referred to above), the Institute for Applied Research (INRA) and regional institutes.

If the 1972 directives are renewed in their present form in 1984, there should not be any great difficulty in applying them in Spain since the administrative structure exists to do so. It is not clear, however, that the directives on cessation of farming and modernisation of farms would have any great impact since it would be difficult in many cases to fulfil the requirements of these directives.

Spanish law already contains provisions regarding producers' organisations (Law 52/1974) and their participation in marketing in the relevant sectors of production.

In addition to the general measures to encourage marketing, there are also support measures for the development of agri-foodstuffs industries in the socio-economically underdeveloped rural areas.

Regulation 355/77, which remains in force until the end of 1984, will be of considerable importance for the marketing of Spanish produce.

#### Development possibilities for Spanish agriculture

In any analysis of Spanish agriculture from the standpoint of Spain's accession to the Community, and its implications for the Community itself, account must be taken of the development potential of Spanish production.

Development possibilities are determined primarily by two factors, which should be mentioned here:

a - Incentives for production provided by the cap.

The increase in prices for agricultural products covered by common market organisations and the various guarantee systems will act as an incentive to producers. This would probably mean an increase in production in sectors where the situation is already regarded as critical, with two results: a possibly uncontrollable rise in intervention costs and a threat to Community producers of sensitive products.

b - The effects of modernisation processes such as irrigation.

Spanish agricultural yields are currently relatively low by comparison with average Community yields.

Over the last ten years, however, major efforts have been made towards general reorganisation and, in particular, wider use of irrigation.

In 1980 the total irrigated area was 3 million hectares, 10.7% of the utilised agricultural area (UAA). It is estimated that the irrigated area increased by 45,000 ha. per annum in the period 1975-80.

At present, rice and citrus fruits are cultivated entirely on irrigated land, as are flowers, apples, pears and peaches. 50% of early potatoes and sugar beet and 75% of vegetables are grown on irrigated land. There is virtually no irrigation of vineyards. The possibility of further irrigation clearly depends on water resources; the profitability of Spanish agriculture could change considerably if more land was irrigated.

By way of example, Table IX shows the percentage increase in yield per hectare obtained by growing certain crops on irrigated rather than non-irrigated land.

TABLE IX

<u>Crop</u>	<u>%</u>
Wheat	238
Barley	174
Potatoes	158
Cotton	300
Maize	243
Tomatoes (protected)	596
Tomatoes (not protected)	357

These facts and figures will add to the information available to Members of the European Parliament, thus ensuring greater clarity and transparency of the debate on enlargement in accordance with the wish expressed by the Commission in its 'inventory' of 12 November 1982<sup>1</sup>.

#### TRADE WITH THIRD COUNTRIES

##### (a) The effect on Spain herself

Spain is heavily reliant on world markets (USA and Argentina) for large amounts of maize and oilseeds which are essential for its cattle industry. Because this sector has traditionally been subject to very low import tariffs<sup>2</sup>, the application of the principle of Community preference is likely to have far-reaching effects. In 1979/80, for example, Spain imported 4.5 million tonnes of maize at a cost of about 99 ECU/tonne. The EEC threshold price for the same year, however, was almost twice this amount.

The gradual adoption of the Common Agricultural Policy will, very likely, induce Spain to reduce its dependency on world markets and meet some of its needs from domestic production. In the short and medium term, however, domestic production on any considerable scale is unlikely. Transitional arrangements will undoubtedly take into consideration the increased costs for the Spanish livestock industry arising from membership.

Imports of dairy products into Spain have traditionally been carefully controlled. The introduction of free trade with the Community is likely to lead to increased imports causing problems in the Spanish milk sector.

##### (b) The effect on relations with third countries

United States: In the period 1976-78 the Spanish market accounted for 5.7% of US maize exports. If Spanish accession were to result in a reduction of these exports, this development would be contested by the US which is already highly critical of the operation of the CAP.

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<sup>1</sup> COM (82) 757

<sup>2</sup> Varies according to country of origin: EEC 13%; EFTA: 10.4%; GATT: 0%

(c) Mediterranean countries

The Community has signed trade and aid agreements with a number of Mediterranean countries. In general, imports of agricultural products such as fruit and vegetables are granted preferential treatment.

Following the enlargement of the Community, some of these existing preferential imports from Mediterranean countries are likely to lose their place to Spanish products. At the same time, the Spanish economy will presumably be able to offer these countries only very limited outlets. The countries<sup>1</sup> which will suffer the greatest losses in agriculture are:

Morocco

The agricultural sector is very important for the national economy of this country.

In 1981 agriculture accounted for almost 18% of the gross national product. In the same year those employed in agriculture made up 60% of the active workforce.

In 1980 28% of Morocco's export earnings came from agricultural products. The importance of the European Community as an importer of agricultural products from Morocco can be seen from the fact that, in 1981, 35% of Morocco's total exports to the Community consisted of agricultural exports. Over 50% of its total exports consist of Mediterranean fruit and vegetables. The most important products, tomatoes and citrus fruits, also belong to the groups most at risk, since they are available on the market at the same times as the Spanish products.

After Spain and Israel, Morocco is the next most important supplier of citrus fruits to the Community and it is actually its second most important supplier of tomatoes, after Spain.

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<sup>1</sup> Commission of the European Communities, Communication from the Commission to the Council on a Mediterranean policy for the enlarged Community (COM(82) 353 final) of 24 June 1983

### Tunisia:

Agriculture is an important sector in Tunisia's economy. In 1980 it accounted for 14% of the gross national product. Approximately 33% of all workers are employed in this sector at present. Along with citrus fruits, olive oil makes up more than 50% of the country's agricultural exports and over 10% of its total exports. This product is the main source of income for about 20% of the population.

The European Community is a major outlet for Tunisia's agricultural products. In 1976 agricultural exports made up 71% of its total exports to the Community, citrus fruits accounting for 83.4% and olive oil, 90%.

A comparison of Tunisian olive-oil exports with the corresponding figures for Spain shows that both countries lead the field of olive-oil exporting countries by a wide margin. In 1979 Spain's share of world trade in olive oil was 36.3% and Tunisia's, 26.7%.

### Israel

Agriculture is of less importance to Israel's economy than in the case of these two countries.

It accounted for 5% of the gross domestic product in 1976. In the same year those employed in this sector made up 7% of the active work-force.

Exports are concentrated mainly on sensitive Mediterranean products. Citrus fruits, fruit juice and flowers make up nearly 50% of agricultural exports and 16% of total exports.

In trade with the European Community a continual (value) increase in Israeli agricultural exports may be observed within the framework of the free trade and cooperation agreement, although the share of these products in Israel's total exports to the Community has dropped, while that of manufactured goods has increased. In 1981 agricultural exports made up 30% of total exports to the Community.



Unlike Morocco and Tunisia, Israel has a larger range of agricultural export products. For example, grapefruit and fruit juices form a high proportion of its exports and these are not in direct competition with Spanish products.

The other Mediterranean countries including the Mashreq countries, Yugoslavia and Turkey are less dependent on Mediterranean products which are sensitive. Algeria exports mainly petroleum products and is not likely to suffer from stiffer Spanish competition.

The Community of Twelve would remain an indispensable outlet for exports of Mediterranean countries. Any attempt by the Community to abolish or restrict these exports could have serious and undesirable repercussions. Action by the Community in this field must be taken in conjunction with the new Member States and the Mediterranean countries themselves and should be designed to reduce rather than stimulate conflicts of interest.

Mediterranean produce has a limited export market, which is slow to expand. Surpluses are difficult to sell on world markets and, by the nature of the produce, can make little contribution to the fight against world hunger. This emphasises the need to prevent permanent surpluses. It also demonstrates the paramount importance of the Community market for all the countries of the Mediterranean basin. The Commission has suggested that Community action must be developed in three ways:

- (a) Consolidation of imports from the Mediterranean partner countries, permitting products covered by the agreements continued access to Community markets.
- (b) Development of complementary agriculture policies in the Community and the partner countries. Firstly, the Community must control its own production trends to avoid damage to the partner countries. Secondly, it must do all in its power to coordinate the timing of the production and the marketing of Mediterranean produce.
- (c) Persuasion of non-Community Mediterranean countries to improve their trade balances, not by ceaselessly increasing exports but by reducing their dependence on food imports, as far as technical conditions and

the labour market allows. It is therefore a question of helping these countries to develop agricultural potential where there is a shortfall at present, as well as of encouraging them to continue with the reconversion of the sectors in surplus.

Such a conversion would not be easy, and it could only be undertaken with considerable financial aid from the Community.

#### FINAL REMARKS

The aim of this research document is to gather together information concerning Spanish agriculture and thus provide the Members of the European Parliament with facts and figures with which to follow closely the most sensitive stage of the accession negotiations. It is clearly not appropriate for a document of this type to draw conclusions; nonetheless, it may offer some final considerations.

Agriculture is a key area in the negotiations. In making an overall assessment of the economic impact of enlargement the following aspects have to be taken into consideration:

- positive factors, such as the abolition of refunds on exports to Spain and the application of levies to Spanish imports from third countries;
- negative factors, such as various market interventions in Spain, refunds on Spanish exports to third countries, and the abolition of levies payable in the existing Community on imports from Spain.

Concerning relations between the Community and countries of the Mediterranean Basin, all the agreements should be revised in accordance with the Declaration of the Council of 25 January 1983 to permit a more thorough examination of difficulties which could arise as a result of enlargement, and in order to ensure a smooth transition in the relations between the new Community of Twelve and countries of the Mediterranean Basin.

In addition, the amount to be set aside by the Community to cover the income losses of certain European producers must also be taken into account. Quantification of these factors should provide an overall figure representing the cost of accession in budgetary terms.

During the European Parliament's debate on the Sutra and Duoro reports<sup>1</sup> in November 1982, Vice-President Natali, the Commissioner responsible for enlargement, stated that if the 1981 Budget were taken as a basis but calculated as if the Community was already composed of Twelve Member States, the cost of enlargement would be between 850 and 1,400 million ECU, i.e. between 4 and 6% of the budget of the enlarged Community.

During the final stage of negotiations a detailed analysis of the foreseeable cost of accession seems necessary, even if the political advantages of accession are not quantifiable.

Further efforts in this area would be sure to aid understanding of the problems involved and thereby hasten the negotiations so that Europe may reach agreement with Spain on Enlargement.

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<sup>1</sup> Sutra de Germa report, Doc. 1-785/82  
Duoro report, Doc. 1-658/82