

EU Member States in Agri-food World Markets

Current Competitive Position and Perspectives

**Report for the Policy Department B Structural and
Cohesion Policies – European Parliament**



José María García Álvarez-Coque
Universitat Politècnica de València



Structure of the Presentation

- 1. Background**
- 2. Trade Performance**
- 3. Prospective survey**
- 4. Competitiveness factors**
- 5. Case studies**
- 6. Conclusions and recommendations**

1. Background

The EU, a leading agri-food actor:

- 87% exports are added value products.
- But elements of fragility persist.

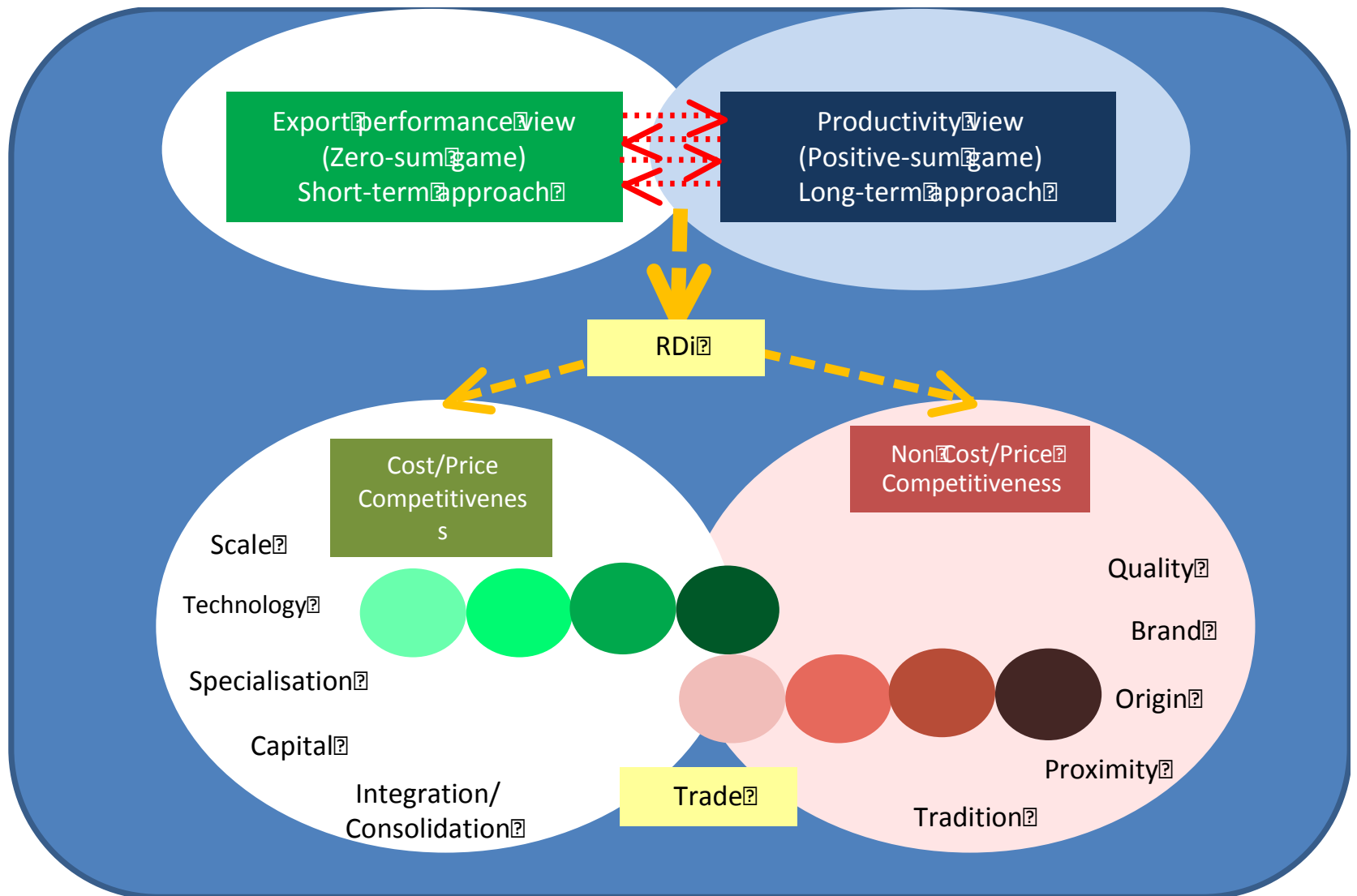
A group of experts

- JM. Garcia, M. Petit, Z. Kristová, T. Heckelei, K. Arovuori, P. Pyykkönen, Fabian Capitanio, Raúl Compés-López, Victor Martínez-Gómez.
- Examined the EU competitiveness in world markets.
- Assessed the scope and influence of policies.



Competitiveness refers to

“ability of firms or nations to offer quality products at competitive prices and to provide adequate returns on the resources employed”

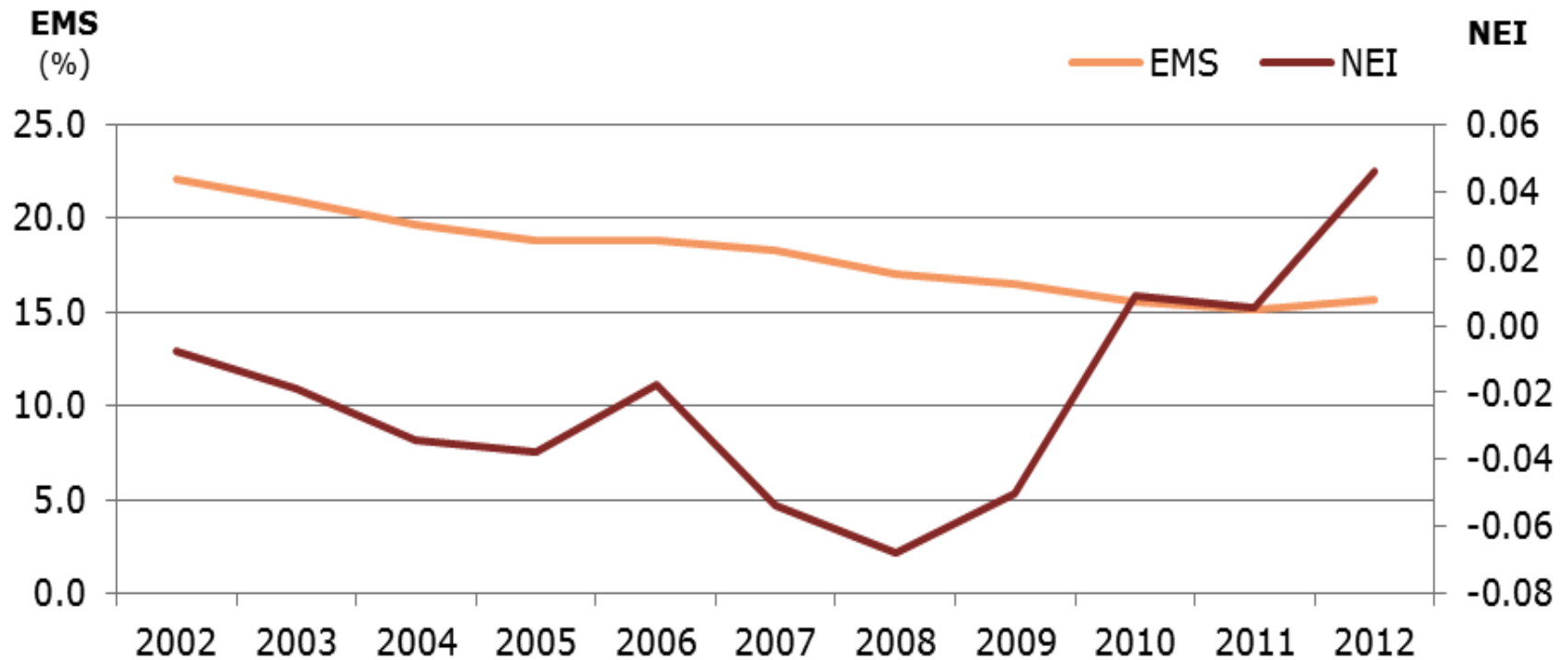


Methods

- **Standard indicators** of trade performance
- A **prospective online survey** targeting a large group of stakeholders and complemented with in-depth interviews.
 - **158 respondents**
 - 19 Member States
 - Research (34 %), farming organisations (28 %), public officers (18 %) processors (15 %), inter-professional organisations (5 %), retailers (4 %) and wholesalers (4 %).
- Case studies following a **food chain approach**

2. Trade performance

Export market share (EMS) and Net Export Indicator (NEI)



Source: Comext, WITS, authors

A quite diverse picture in the EU-28. Since 2002....

- Better performance in Baltic States, Luxembourg, Poland, Portugal and Romania.
- Greatest declines in Denmark, Hungary and Slovenia.

Sector performance:

- Better performance in meat (**pork**), **fruit and vegetables, cereals**.
- Less optimistic in **milling** industry, **oilseeds, sugar** and **fats and oils**.
- In **milk** and dairy, competitiveness of the EU-28 has been deteriorating over time.
- EU: world's leader in **drinks**. **Wine** exports recovering.

3. Prospective survey

Optimistic views.....

- Quality and growth potential of the EU agri-food economy.

Less optimistic views...

- Weak ability of the EU agri-food sector to increase employment.
- Trade balance will be negative in significant sectors.
- Foreign demand is only part of the solution.

Performance is expected to improve in

- Sectors that have been most affected by the crisis.
- Export-oriented Mediterranean sectors
- Grain exports.

4. Competitiveness factors

Agricultural productivity gap

- Weak farm structures
- Limited scope for crop yield increase

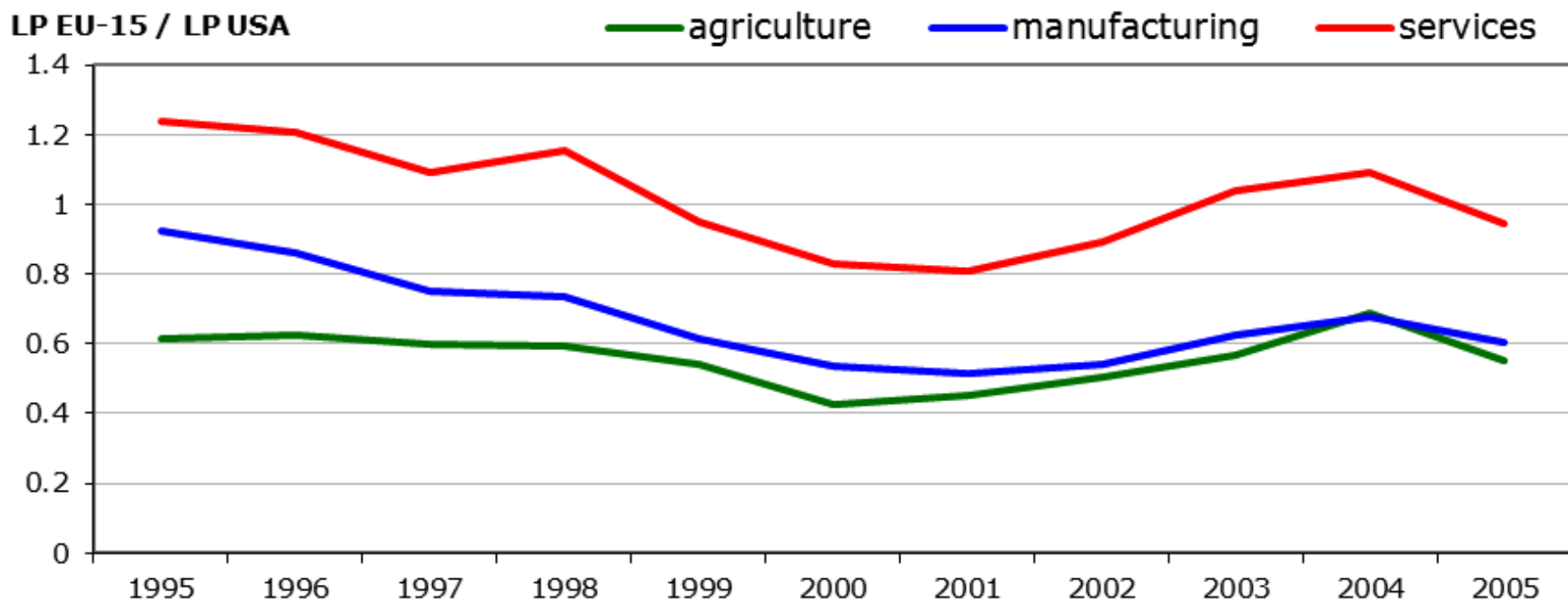
Coordination in the value chain

- Producer Organisations' limited negotiating power.
- Need for strengthening management capacities in POs.
- Possible conflict between competition rules and POs

Innovation

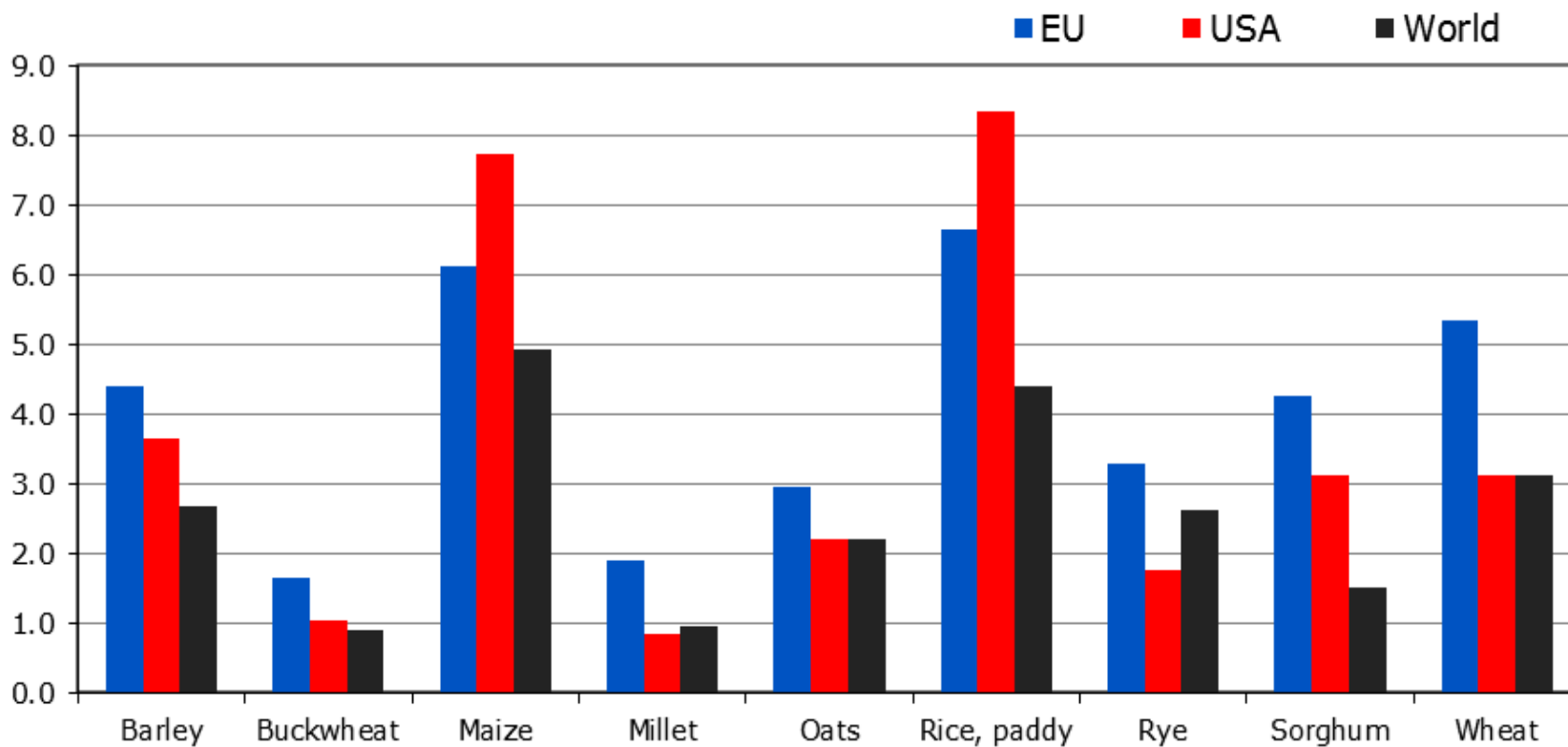
- Recent EU policy focus on the innovation potential of the agri-food sector.
- Faster knowledge exchange is needed.

Labour productivity gap between the US and the EU-15



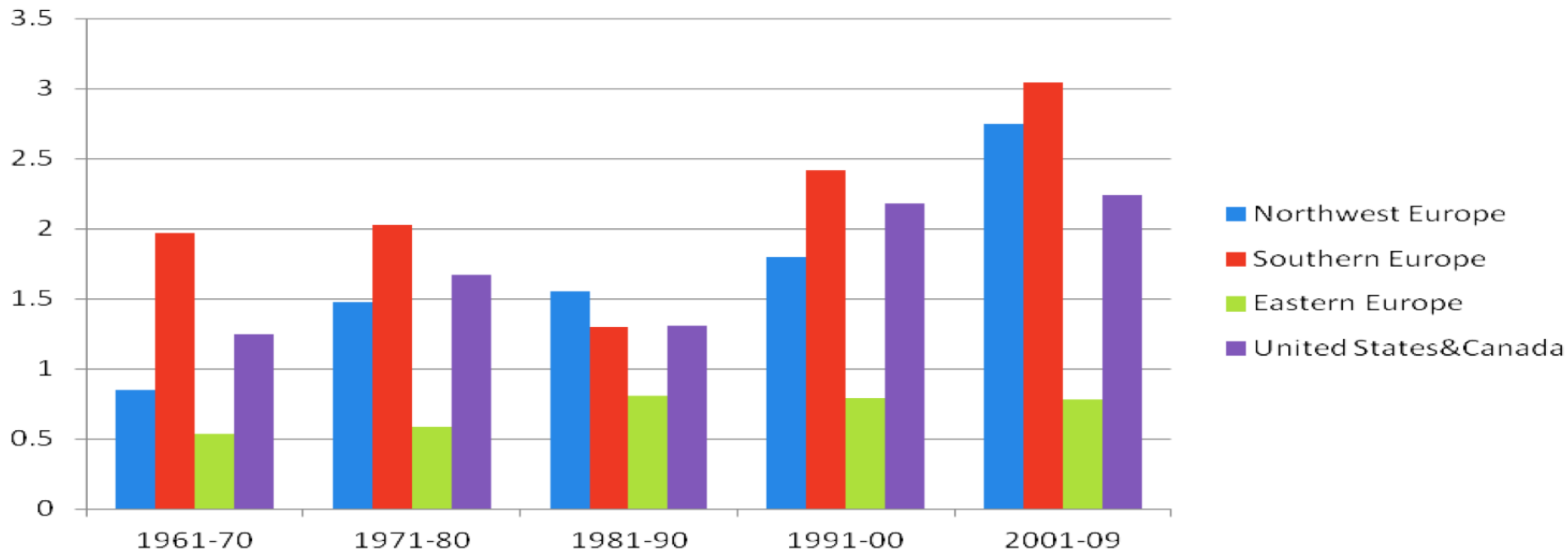
Source: KLEMS Database, 2014

Cereal yields in 2012



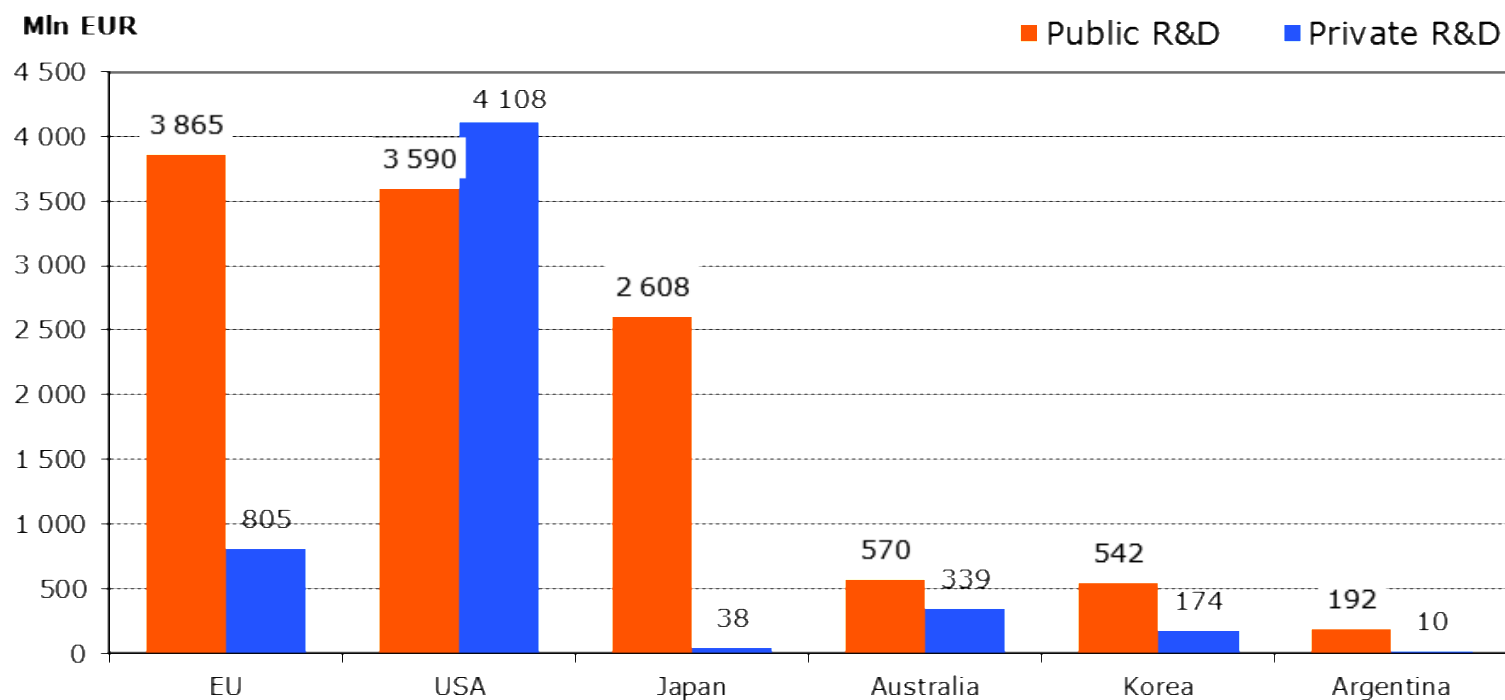
Source: FAOSTAT

Annual Agricultural Total Factor Productivity growth (%)



Source: USDA (2014)

Agricultural R&D expenditure (EUR million)



Source: OECD (2014), Eurostat (2014)

5. Case studies

Competitiveness issues

- Cereals: rising demand and price volatility
- Dairy products: increasing demand and market power.
- Beef: low profitability, Mercosur challenge
- Fruit and vegetables: market power, operational programmes, crises prevention.
- Olive oil: demand in no traditional markets, standard harmonisation.
- Wine: Competition between “old” and “new” worlds, regulatory burden.

The role of policies

Pillar I

- Impact of direct payments on productivity is ambiguous.

Pillar II

- Great potential to promote sustainability, competitiveness and innovation.
- 2014-2020 budget raises concerns on policy effectiveness.

Trade policies

- Significant impact on chain performance.
- Bilateral agreements, a practical road-map.
- Risk that the TTIP will shift standards towards the 'least common denominator'.

Sustainability and climate challenges

- raise innovation opportunities rather than threats.

6. Conclusions and recommendations

- Fair performance but not balanced within the EU. A challenge for the single market.
- Need for effective and non-burdensome regulations.
- Social, territorial cohesion and sustainability should contribute to agri-food competitiveness.
- Attention to domestic market!
- Trade policy, a strategy to level the playing field in the world setting.
- Keep EU leadership in WTO: TRIP.
- Pillar II, lost opportunity?
- New R&D&I partnerships open opportunities for public and private stakeholders.



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