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# Policy of Subsidies as a Guarantee for Livestock Production in Spanish Mediterranean Regions

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**Résumé.** La Politique Agricole Commune de l'Union Européenne basée sur le soutien des prix agricoles, dans le but de maintenir les revenus des agriculteurs, a conduit à une situation insoutenable. Cela est dû à l'accroissement continu des excédents agricoles et du coût, très élevé, de leur financement. En 1992, la PAC a été réformée avec l'objectif d'octroyer les aides directement aux exploitations plutôt que de soutenir les prix comme avant. Dans les pays méditerranéens, cette nouvelle politique aura une répercussion très particulière, dans la mesure où les conditions naturelles sont plus difficiles pour la production agricole, et en conséquence, la compétitivité et la rentabilité des exploitations agricoles sont plus faibles. Dans le secteur de l'élevage du bétail en Espagne, une partie très importante des exploitations ne pourraient pas survivre sans les aides communautaires. Ceci conduit à une forte dépendance par rapport aux subventions rendant le secteur de l'élevage moins attractif et moins professionnel. Ainsi, la dépendance à la politique des aides augmente et la politique de subvention conditionne totalement la production alimentaire dans plusieurs zones, surtout dans les zones défavorisées, comme les montagnes de l'intérieur de l'Espagne où la productivité de la terre est moins élevée.

**Mots clés.** PAC – Elevage extensif – Zones de montagne méditerranéennes – Subventions.

**Abstract.** European Union agricultural policy, based on Community agricultural price support and seeking to bring farmers' incomes into line with other productive sectors, has led to an unsustainable state of affairs, caused by the agricultural surpluses generated and the high costs involved in funding. In response to this situation, the CAP was reformed in 1992, aiming to couple aids with farm upkeep rather than with price support, as was the case previously. This policy affects Mediterranean countries especially, where natural conditions are less favourable to agricultural production and, therefore, farm holdings are less competitive and profitable. In this paper, an analysis is made of the situation of the stock farming sector in a Mediterranean country, such as Spain, and it is shown that very many stock farms would be unable to survive without the aids that they receive. This leads to serious problems of dependence on subsidies, making the stock farming sector unattractive and unprofessional, and aggravates the problems of uncompetitive farms. As a result, dependence on aids continues in an upward trend and the subsidy policy fully conditions food production in many areas, especially less favoured areas, such as inland mountain areas, where land productivity is lower.

**Keywords.** CAP – Extensive livestock – Mediterranean mountain areas – Subsidies.

## I – Introduction

Spain's joining of the European Community in 1986 meant that the systems of agricultural production had to be adapted to European Community mechanisms. These were based on strong support for agricultural income by means of a policy of mainly price subsidies, which, owing to the generation of agricultural surpluses, gradually is switching over to a system of direct grants to farms as of the early 80s. This system is being implemented mostly as a short-term measure in face of the deregulation of the world markets, a process which will rule out current policy of guaranteed prices that push up Community agricultural prices way above those on the world market. It is obvious, therefore, that we are witnessing a major process of change in agricultural holdings throughout the European Union and particularly in the stock farming sector, which is becoming increasingly dependent, as far as farm profitability is concerned, on the direct grants received. These changes are more prominent in the Mediterranean regions, where the stock farming sector is not as competitive as in northern European countries and where dependency on subsidies is much higher. The implications of this process of change have been analysed by selecting a definite study area, the province of Avila—a less favoured, mountainous area, like many other

Mediterranean areas, where the main agricultural land use is extensive stock farming and where the policy of subsidies to support this activity is having a very considerable impact on the structure of production and on the social organization.

## II – Evolution of the Stock Farming Sector in Spain

The evolution of the Spanish stock farming sector over the last 60 years has been marked by the same ups and downs as the Spanish economy as a whole, that is, by a lengthy delay in the process modernizing the structures of production, as compared with other Western European countries, induced by the effects of the Spanish Civil War (1936-39), followed by a long period of dictatorship (1939-75). As economic power was concentrated in very few hands, enabling the State Administration to establish strict control (Sobrino *et al.*, 1981), there was no need to improve the competitiveness of the Spanish agricultural economy and particularly, our concern, the stock farming economy, which did not start to be modernized until the 60s and mid-70s, when a major process of intensification of production took place over a very short period of time. This being the case, it is perfectly explicable that traditional extensive stock-farming was dominant until the early 60s, although there had been a downward trend in its economic share of agricultural production as a whole as of the Civil War, as a consequence of the increase in arable land to the detriment of grazing land, owing to a shortage of foodstuffs and an attempt to meet the basic needs of the population. The stock farming sector began to specialize and productivity increased as of the 60s, when there was a profound change in the structure of the sector. The pig and poultry farming industries expanded significantly to become the major sectors. This increase was founded on the trend towards integration in the fodder industry, making it highly dependent on foreign markets for the purchase of raw materials (maize and soya) needed for the manufacture of such fodder, leading to a clearly unbalanced stock farming model (Rodríguez-Zuñiga, and Soria, 1986). At the same time, there was a sharp fall in extensive stock farming up until 1986. In this year, Spain's joining of the European Communities, with the relevant integration into the Common Agricultural Policy (CAP) mechanisms, stabilized the situation, and animal numbers of species farmed under an extensive system, as is the case of sheep and goats, actually grew. There is a clear predominance of monogastric animal production in Spain today and bonds between ruminant production and the land are much laxer than in other European Union countries. However, owing to the implementation of the European Union policy of subsidies, a sharp increase is taking place in the number of livestock farmed extensively, while the model of production is very much dependent on the subsidies granted. In sum, the Spanish stock farming model, which is perfectly applicable to other Mediterranean regions, can be typified as follows:

- it is a model depending on subsidies received in the case of extensive stock farming and on import of raw materials in the case of intensive stock farming;
- it is an unbalanced model, because it is very weakly associated with the land factor, while very dependent on the capital factor;
- it is a model very often "thrown out" by changes in agricultural policies.

*Table 1* shows the evolution of livestock numbers in Spain over the last 60 years (in thousand head).

There was a sharp increase in the numbers of sheep and goats as of 1986, after the favourable prospects opened up by Spain's entry into the European Communities, although the latter has fallen sharply again. On the other hand, there has been a downward trend in cattle since 1989, owing to the recession in the dairy sector, which has led to the closure of many farms. It is also evident that the pig and poultry sectors are maintaining their hegemony in Spanish meat production.

## III – Policy of Subsidies

As pointed out earlier, an important feature of the stock farming sector, and particularly extensive stock farming, in Spain is its dependence on the policy of subsidies maintained by the CAP. This point is also applicable to a great many Mediterranean regions. Apart from the price subsidies received by the agricul-

tural sector in the Community as a whole and generally in all developed countries, the specific purpose of this paper is to analyse the direct grants received by stock farms. In the case of sheep and goats, the grants received, unquestionably the largest in the extensive stock-farming industry, are owed to the "compensation for loss of income" between the average price received by meat producers and the base price established by the European Union. In the case of cattle, it is a lump-sum grant per head, which was received only for dairy cows until 1993 and will also be awarded for beef cattle as of 1994, thereby swelling subsidies very considerably. Apart from these grants for less favoured and mountainous areas, there are other types of subsidies, such as national and regional "compensatory allowances for mountain areas", aids for extensifying production (1992 CAP Reform) and supplementary premiums for sheep and goats in less favoured areas. Mountain areas are especially important in the Mediterranean countries, as shown in *Table 2*.

The grants package for stock farming as a whole is so large that it generates almost complete dependency, especially in certain stock farming sectors, and is the principal incentive for continuing extensive stock farming today in most Mediterranean countries. *Table 3* shows the evolution of subsidies received by stock farmers per head of cattle since 1986, the year in which Spain joined the European Communities.

The package of grants to stock farmers may amount to as much as 100% of earned income in low output areas in the case of sheep and between 40% and 60%, in the case of goats. For cattle, where there is about to be a huge increase in this type of grants, they may amount to from 60% to 70% of income, again in less favoured, low productivity areas.

#### **IV – Less Favoured Mediterranean Areas: The Case of the Province of Avila**

The Common Agricultural Policy, and particularly the present system of subsidies, is especially important in the less favoured Mediterranean areas, among these the mountain regions. In the particular case of the mountain area of the province of Avila, chosen for study, the natural constraints on profitable agricultural production mean that dependence on the subsidies awarded is much higher than in other more productive areas of northern Europe. It is important to bear in mind that the European Union as a whole is faced with a serious problem of rural desertion, much more acute in the Mediterranean areas, making it a priority objective to maintain population numbers in these areas despite the economic cost involved. Spain has a greater problem as population density is much lower than in other European Union countries, and population densities in many less favoured areas are as low as 10 inhabitants/km<sup>2</sup>, as is the case of the mountain area of the province of Avila analysed here. The problem of desertion, an issue first raised in the European Community as of 1975 and in Spain as of 1982 (*Mountain Farming Act*) has led to the introduction of a series of grants to assist in maintaining the population in these less favoured areas and, lately, to an in-depth analysis of the problem and to the establishment of policies designed to encourage Rural Development. The policy of subsidies to assist the stock farming industry as a basic pillar of the economy in less favoured areas has so far failed to produce the desired fruits, at least in Spain, as the process of depopulation and ageing of the population has continued and only the tourist industry has been able to keep up sufficient economic activity to stop the population leaving these areas. The stock farming sector is unlikely to be a large-scale food supplier in the Mediterranean countries in the future. Therefore, the need for sizable economic diversification and the establishment of livestock production based on the sale of quality and high value added products that would make it viable to continue some stock farming activities in these areas in the future, is now being raised. The role of raw material supplier for industry would be reserved for intensive stock farmers, generally based close to industry and in highly productive areas. Even if there were to be a change in current approaches, it is difficult to imagine that extensive stock farms would ever be economically viable without a policy of subsidies, and the maintenance of such grants, at least in the short term, as a social cost for providing a decent standard of living for the population in these Mediterranean regions, would appear to be inevitable.

## V – The Case of the Stock Farming Economy in the Mountain Area of the Province of Avila

There has been a definite decline in the relative share of livestock output in economic activity as a whole over recent years, but stock farming still has a very important role in the economy of the mountain area of the province of Avila today, as can be seen from the 1993 data shown in *Table 4*.

Roughly 30% to 40% of the population lives off stock farming in one way or another, although this activity is predominantly only part time, as can be deduced from the number of cattle farms, cattle raising being the least time-consuming system of production. There is a downward trend in almost all the stock farming sectors, especially, as regards the number of farms, where there are about half the number today than there were in the early 80s. The CAP policy of subsidies has meant that the numbers of sheep and goats have not fallen significantly in the Mediterranean regions as a whole, in comparison with the number of farms. The dairy farming sector, hit by milk surpluses<sup>1</sup> and not eligible for subsidies like other sectors, has shrunk most and has gone from being the major source of income and the biggest employer in many mountain areas to being a very marginal sector in a clear process of decline, revealing the importance of subsidies in making livestock farms viable today. The beef cattle sector is the main stock farming activity in the area studied, because it is a part-time activity and is largely a supplement for revenue from other activities or earned income. The short-term trend is a continuous decline in the number of stock farms, since over 70% of owners are now aged over 55 years (Agricultural Census, 1989), although the fall in the number of animals will be lower. The main victim will be dairy cattle, where there is effectively a gradual decline both in the number of farms and in the number of head of cattle, and sheep farms, owing to reluctance on the part of the labour force to perform this kind of work. The mountain area in the province of Avila is going to become, and in many areas this change has already taken place, a services area, highly dependent on tourism, a circumstance that can be deduced from many other mountain Mediterranean areas, where the importance of agricultural activities that cannot compete with the agriculture of other European Union regions and third countries is falling.

## VI – Conclusions

The main conclusions on the current state and trends in the stock farming sector in the Spanish Mediterranean areas, which may be also be extended to many other Mediterranean areas, are as follows:

- ❑ the natural constraints of the Mediterranean areas on the profitability of stock farms mean that these areas are almost entirely dependent on subsidies to maintain economic activity;
- ❑ social problems, like rural depopulation, are the main agricultural policy objective, and subsidies for less favoured areas can, therefore, be classed as a social cost;
- ❑ the continuous increase in the subsidies received has significantly discouraged production and has led to inefficient stock farming, which might be classed as the main negative effect of the grants policy in effect;
- ❑ substantial changes must be made to the present system in the medium to long term, as it is counter-productive even from the social viewpoint: there is a need to alter the economic structure of less favoured areas, where the services sector will play a greater role, acting as a catalyst of extensive rural development in these areas, and where the stock farming sector will trade in its current role as an unprocessed raw material supplier in an attempt to foster quality production and sell value-added products as a viable system for maintaining stock farming activities in the mountain Mediterranean regions.

### Note

1. Surpluses felt, though not generated by the Mediterranean countries, as average self-sufficiency in Spain, Italy and Greece is 60%, whereas it is over 130% in northern European countries.

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**Table 1. Numbers of the main Spanish livestock species (x 1000)**

Year	Cattle	Sheep	Goats	Pigs	Horses
1929	3,660	19,370	4,525	4,773	2,758
1939	3,739	21,779	6,692	6,942	2,477
1950	3,110	16,334	4,135	2,668	2,463
1955	2,742	15,933	3,097	2,793	2,252
1960	3,640	17,644	3,300	6,032	1,183
1970	4,282	17,005	2,551	7,621	1,183
1980	4,495	14,180	1,977	11,263	629
1986	4,954	17,894	2,925	15,783	559
1989	5,307	22,739	3,780	16,381	387
1992	4,975	24,615	2,836	18,260	350

Source: *Estructura Económica de España*, Tamames, 1990, and *Anuarios de Estadística Agraria*, Ministry of Agriculture, Fisheries and Food.

**Table 2. Mountain areas in the European Union**

Country	Mountain areas (thousand ha)	Proportion of UAA (%)
Germany	351	2.9
France	4,241	14.0
Italy	5,164	31.2
Greece	4,978	53.8
Spain	5,937	21.7
Portugal	854	26.4

Source: *La política socioestructural en zonas de agricultura de montaña en España y en la CEE*, MAPA, 1987.

**Table 3. Subsidies received per species (Ptas/head)**

Year	Sheep	Goats	Cattle
1986	1,060	742	600
1987	2,566	1,796	3,000
1988	2,327	1,628	3,200
1989	1,993	1,395	6,200
1990	3,665	2,565	6,200
1991	3,719	2,603	6,200
1992	4,253	3,276	7,700
1993	4,500	3,530	7,600
1994	5,000	4,000	19,000

Source: SENFA. Oral presentation.

**Table 4. Figures for the major stock farms in the mountain area of the province of Avila, 1993**

	Beef cattle	Dairy cattle	Sheep	Goats
Number of farms	2,700	1,000	900	850
Head	64,000	12,000	120,000	45,000
Head/farm	23.7	12	133	53

Source: Castilla-León Autonomous Government (Avila).

