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From: Presidency
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Subject: The Contribution of Agriculture to the EU Jobs and Growth Agenda

Delegations will find attached a document the Presidency intends to use as an orientation paper for the lunch debate during the next "AGRIFISH" Council on 13 July.

THE CONTRIBUTION OF AGRICULTURE TO THE EU JOBS AND GROWTH AGENDA

Rural areas cover about 90% of the Union territory, and about half its population lives in such areas. They will continue to play a key role for the sustainable economic development of the Union as a whole and ensuring territorial balance, while a viable agricultural sector can provide positive knock-on effects for the rural economy. But the fact that this role is evolving and that structural changes inevitably decrease the share of farming in the overall economy raises the broader question as to how the CAP can ensure that agriculture plays a more effective role in creating jobs and economic growth in rural areas. A few areas deserve a closer look:

Jobs and growth in the farming sector

EU farms provide jobs to more than 25 million persons. Ongoing structural changes have led to one-third of farmers leaving the sector since 2000. This trend will continue, although the speed of adjustment will be influenced by the fact that the EU still has a large number of very small holdings. Structural change leads to more competitive farm structures, thereby increasing the resource efficiency on-farm through better labour and land productivity which in turn has a positive employment effect on the processing sector.

However, the agricultural sector also acts as an employment buffer in the Member States that have been hardest hit by the economic crisis. The role of small and medium-size farms for employment should not be underestimated, especially as other employment opportunities are scarce in some rural areas. To make farming an attractive career choice, particularly for the young generation, access to the sector needs to be facilitated and generational renewal encouraged.

The CAP currently has a number of instruments aimed at addressing these issues: Direct Payments provide a vital degree of stability to farm revenues, playing a key role in enabling small and medium-sized farms to stay in business during difficult times. Payments for farming in areas of natural constraints support continued farming in marginal areas. In addition, direct payments dedicated to support young farmers, start-up aids, business development as well as investment aids under Rural Development help to improve the competitiveness of the sector. This (relative) predictability is positive not just for farmers, but for the whole EU food sector.

Jobs and growth in upstream and downstream sectors, including the agri-food chain

Agriculture has a positive spillover effect throughout the rural economy. Breakthroughs in genetics, big data, satellite imaging and remote sensing are showing huge potential for the food and farm sector and for the economy as a whole. Europe, for example, is a leader in automated farming machinery, i.e. automated milking or feeding installations. In Europe, there are 4 500 manufacturers with an annual turnover of €26 billion. A strong home market is a key factor in further developing this sector. Rural Development promotes a broader uptake of agri-tech via targeted investments, knowledge transfer actions and cooperation projects to develop new products, processes and technologies. Various instruments are available to support this. For example, the European Innovation Partnership (EIP-AGRI) has specifically been set up to play a key role in testing new techniques and tools on farms which will get more commercial value out of research. Moreover, Member States can use the rural development budget to develop financial instruments such as loans, guarantees and equity to fund needed investments in farms, infrastructure and innovation projects.

Boosting the local rural economy

The CAP can contribute to rural employment with job creation beyond the agricultural sector. Tourism and services have long been important in some areas; now increasingly there is a rise in other economic sectors, driven by pull factors such as quality of life, shorter commuting time, and the development of the digital society reducing dependence on location close to the customer base. There are additional opportunities for growth by promoting new innovative ways of addressing environmental and production challenges thereby enhancing synergies between environment and economy, increasing resource efficiency such as better water management, as well as quality of life.

This includes developing new markets for green technologies, goods and services. Services provided free of charge by farmers, such as landscape preservation and safeguarding the natural and cultural heritage are a pre-condition for tourism and leisure activities. Spending on agri-environmental measures from 2014-2020 is forecast to rise to €25 billion. Projects on climate action will include management contracts that reduce the GHG and/or ammonia emissions on 7% of total agricultural land, investments in climate-friendly livestock management as well as investments in sustainable renewable energy to the tune of €3.3 billion.

Competitiveness and trade

Fundamental reforms of the Common Agricultural Policy (CAP) have progressively allowed the EU agri-food sector to improve market orientation and gain international competitiveness, rebalancing from subsidised to non-subsidised exports of consumer-oriented goods.

The EU has increasingly become a key player on global agri-food markets. For many years, the EU has already been the leading importer, and since 2013, the largest exporter of agri-food products. Export markets now and ever more in the future represent an important outlet and the key driver for jobs and growth in the agri-food sector, a sector which is characterised by a huge number of small and medium enterprises. Agriculture and the food industry together produce a value added of €420 billion per year, the food supply chain including food retail and services employs 47 million people in the EU, and more than 7% of all EU exports come now from this sector. High value added products, among which wines, spirits, cheese, processed food and products with a geographical indication, contributed to that export performance and provided important job opportunities, including in some of the more remote areas of the Union. In the last few years exports have been growing at more than 6% a year, far more than the rate of economic growth in Europe.

Over the next decade, the agri-food sector has a significant potential to take advantage from the expanding market opportunities provided by fast-growing emerging economies in Asia, Africa and Latin America. Grasping these opportunities would allow the EU to capture part of the benefits of the global economic growth.

In this context, we invite delegations to reflect on the following questions:

- Is the current mix of instruments available in the CAP sufficient to boost economic activity and employment in rural areas?
- Looking to synergies beyond the CAP, what can be done to improve the coordination between different funding instruments for better impact in rural areas? For example:
 - How can we maximise the benefits from research and innovation?
 - What is the experience with smart specialisation and EIP-AGRI?
 - How do we improve the roll-out of high-speed broadband?
 - What can we do now to improve the awareness of new funding opportunities such as the EFSI for potential investors and rural project promoters?
