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Summary

- The government continues to provide support for sectors particularly affected by the pandemic, such as wine, Iberian pork and floriculture. Total direct agricultural aid made available to assist national/regional primary industries since the start of the pandemic is estimated at around €250 million.
- Pressing pandemic-related concerns include crew relief for Spanish distant-water fishing fleets and, in the meat sector, mitigation of reputational risk resulting from various recent clusters in Spanish meat processing plants and abattoirs.
- In response to pre-pandemic protest by parts of the agriculture sector earlier this year, government priorities are focused on a reform of the existing food chain law and maintenance of a strong post-2020 CAP for Spain.
- The reform will include measures against unfair trading practices relating to imports, and we will monitor this.
- Farmer malaise has come to the fore again in recent weeks, with protests taking part in the southern port city of Algeciras against the “indiscriminate” entry into the EU market of third-country agricultural imports in possible breach of FTA obligations and further demonstrations planned in August.

Report

Spanish Minister for Agriculture, Fisheries and Food Luis Planas had a challenging start to his second term. In January and February 2020, thousands of Spanish farmers took to the streets to vent their frustration over low farm incomes, rising production costs, and precarious working conditions. Mostly peaceful, the protests mirrored elements of concern in farming communities in the European Union’s largest producing nations, such as declining CAP-funded government subsidies, increasing environmental regulation which producers claimed would further undermine their livelihoods, and growing public criticism of agricultural practices.

2 Other concerns included calls for stricter controls on third-country imports (e.g. citrus fruit, tomatoes, peppers, green beans, and honey) from markets like South Africa, Morocco, and China which allegedly do not always respect the environmental and phytosanitary rules imposed by the EU. Unrest increased over the financial repercussions of the retaliatory tariff increases introduced by the Trump administration on a wide range of EU agricultural goods including wine, virgin olive oil, table olives, pork, and cheese, which Spain exports in large quantities to the US (its biggest non-EU destination for agricultural exports and sixth market worldwide). A 5% rise in the minimum wage (now set at €1,108 per month) imposed in January, just over a year after an unprecedented 22% increase in minimum pay, further impacted.

3 Core demands from farmers included banning the supermarket practice of selling at a loss; definition of a “fair price” for perishable product; imposition of exemplary penalties on those engaging in abusive commercial practices; mandatory labelling of origin for fresh and processed products; and greater regulation and promotion of direct sales channels for these goods.

4 Convened by the major Spanish farming groups, the demonstrations drew sympathy from various ministers, including Planas himself. He did not go as far as some colleagues such as Deputy Prime Minister Pablo Iglesias or Labour Minister

Yolanda Díaz – both of whom actively encouraged farmers to continue their protests – but pledged to explore appropriate measures. The government established an agricultural dialogue roundtable and Planas held talks with farm organizations, especially affected sectors and the main agri-food industry representatives, with a view to bridging differences and finding a coordinated solution to the crisis.

5 By late February, the government had committed to increasing the budget allocation for the agricultural insurance system (a key tool for producers in the event of output losses stemming from extreme weather events). It also proposed a review of the law governing farming organizations to strengthen their bargaining power, promised to fight hard for a strong outcome in the post-2020 CAP negotiations, and confirmed plans to undertake a comprehensive reform of the existing food chain law, with Planas explicitly acknowledging the need for greater transparency and balance. A decree reflecting several of the farmers' requests was passed.

Covid-19 impact and response

6 In March, as the pandemic took hold, the primary sector was among a handful of industries declared "essential" and permitted to operate without restrictions. Spain's agri-food chain responded well throughout the three-month state of alarm, guaranteeing security of food supplies. This was possible in large part thanks to cooperation between the various actors in the chain - the agricultural, fishing, food processing, and distribution industries. The Spanish farming and fishing community has received broad public recognition for their efforts in this regard.

7 The effects of the pandemic have been uneven across the different sectors. Industries with greater dependence on the hospitality industry such as wine, flowers, sheep meat, dairy, and pork and beef for certain high-end products, suffered more than others due to the closure of the sector. Other sectors like horticulture have emerged relatively unscathed and occasionally flourished despite the challenging operating environment.

8 In addition to previously reported measures, the government also relaxed administrative requirements in certain areas, extending the CAP application payment deadline and the closing date for requests for national agricultural insurance, and increasing operational flexibility in sector-specific schemes such as Spain's five-year wine National Support Programme (NSP) to allow quicker disbursement of funds. Emergency legislation was introduced to promote the temporary recruitment of foreign seasonal agricultural workers and protect fruit and vegetable harvests throughout and beyond the lockdown, and prolonged at least until 30 September.

9 Spain has also worked within the EU to ensure that different measures adopted by the European Commission to support member states' agricultural and food sectors trickled down to hard hit industries at home. Spanish winegrowers, dairy, sheep meat and beef farmers are all benefitting to varying degrees from private storage aid (PSA). Unspent rural development funds typically managed by the regions are also being used to compensate farmers and small agri-food businesses.

10 Both the central government and regional administrations have stepped in where EU assistance did not reach or was deemed insufficient, most recently coinciding with Spain's lockdown exit on 22 June. Then, Planas announced the launch of an additional €25 million relief package to assist the flower (€10 million) and Iberian pork (€10 million) sectors and to promote Spanish foods internationally (€5 million). A €90.5 million emergency support scheme for the wine sector composed of crisis distillation, PSA, and green (environmental) harvesting measures was also adopted last month, with funding to come entirely from Spain's existing NSP and to be rolled out soon. These latest packages bring the total amount of direct agricultural support made available for national/regional primary industries to around €250 million since the start of the pandemic.

Ongoing concerns

11 The most pressing Covid-related concern continues to be crew relief for Spanish distant-water fishing fleets. Government and industry are intensifying efforts to facilitate the replacement of hundreds of Spanish crew members who have not been relieved due to difficulties in sending and collecting fishing crews to/from airports of third countries where travel restrictions remain in place. Special arrangements have been negotiated with several countries including Seychelles, Mauritania, Senegal, and Côte d'Ivoire, allowing ship owners to organize privately chartered flights to fly in replacement crews and repatriate stranded sailors. However, crew replacements are still pending in at least ten other jurisdictions.

12 The emergence of Covid clusters in several meat processing plants and abattoirs in Catalonia, Valencia, and Aragón last month (and trends of rising infections elsewhere in Europe) has put meat industries back in the spotlight. Within the private sector, the Spanish Meat Business Association FECIC has recently signed an agreement with the British risk consulting firm Aon and the leading Spanish certification body AENOR to put in place the first certifiable Covid-19 protocol for the domestic meat industry to ensure business compliance with the required national and international health and safety standards.

Short-term priorities

13 Government efforts are currently focused mainly in two areas: (1) a reform of the food chain law, picking up on the work initiated in February interrupted by the lockdown; and (2) the maintenance of a strong, well-funded post-2020 Common Agricultural Policy (CAP).

14 According to Planas, reform is the best recognition the government can provide for a “modern and competitive” chain that “performed excellently” during the lockdown but is not devoid of shortcomings. Proposed legislation seeks to correct some structural imbalances, while transposing into national law EU Directive 2019/33 on unfair trading practices (UTPs) in business-to-business relationships in the agricultural and food supply chain. In doing so, it aims to create more effective conditions for small- and medium-sized enterprises, enhance legal certainty, and prevent UTPs in the sector.

15 The bill includes measures against UTPs, such as requiring commercial operations over €2,500 to be formalized through a legally-binding written contract. Similarly, with a view to protecting national operators, imported products will need to comply with the provisions on trading practices stipulated in the bill. [Comment: we are mindful that this could have impacts for New Zealand exporters into Spain, and will monitor the progress of the bill closely]. The future law will cover business relationships between suppliers and buyers when one of the two is based in the EU, meaning that it will no longer be necessary – as has been the case thus far – for both parties to be established in EU territory in order for the law to apply. This will protect Spanish producers in an industry where sectors such as wine, olive oil, fruits and vegetables, pork, and sheep meat are particularly export-oriented.

16 Spain’s Food Information and Control Agency AICA will be responsible for the monitoring mechanism to verify compliance and, where necessary, initiate sanctions proceedings. The bill, characterized by Planas as “transformational” and a “significant step forward” for the country’s primary sector, will likely be submitted to Parliament after the summer recess.

17 Another immediate priority is CAP negotiations. Planas expressed broad satisfaction with the outcome of the EU Council where European leaders struck a €1.82 trillion deal, noting that the government had met its objective of maintaining a level of CAP funding for the Spanish farming sector comparable to the 2014-2020 period. Planas estimated that approximately 700,000 farmers will receive over €50 billion during the 2021-2027 period under the proposed new CAP budget – €47.5 billion in CAP payments, €2.5 billion in additional central and regional government funds, and extra financing for agricultural and environmental projects which has yet to be defined through the €750 billion EU recovery fund and via Spain’s national investment and reform plan.

18 Farming groups have, however, been critical of the deal, anticipating cuts of between 10 and 12% in the future CAP budget which they claim could see Spanish farmers lose up to €5 billion over the next seven-year period. Important agricultural regions such as Andalusia, governed by the opposition conservative PP party, have also questioned Planas’s optimism, lashing out against what they see as a “huge injustice” and a blow to Spanish agriculture. Planas has downplayed this criticism, attributing the discrepancy in figures to the different calculation methods used by the farming unions, which are not based on current prices. [Comment: the official EU Council conclusions do in fact point to a reduction in the future CAP budget for the EU as a whole – circa €40 billion, or 10%, in line with industry forecasts.]

19 Beyond the clash over the numbers, the government and the regions will need to forge a consensus on the new eligibility criteria and on implementation of Spain’s future national strategic plan, a central component in the next CAP. Key issues likely to shape the debate will include the Small Farmers Scheme (SFS), the definition of “genuine farmer”, basic income support, redistributive payments, eco-schemes and organic farming. Planas has already given some hints of where the government’s preferences lie. These include among others a “genuine farmer” definition based on farming income as a percentage (20-30% - of total income), annual payments of €200-250 per hectare for small farms 6-10 hectares, a new Basic

Income Support for Sustainability Scheme (BISS) that accounts for a comparatively larger share of the total CAP budget (60%) than what it currently represents (56%), and strong promotion of eco-schemes building on Spain's rich geographic diversity.

Assessment

20 Although the lockdown placed Spanish farmers' immediate demands on hold, long-time grumbles have not disappeared. Small protests have resurfaced in southern Spain, backed by the major farm groups, and more demonstrations are planned in the weeks ahead. Farmers are again railing against what they perceive to be "unfair competition" resulting from the "indiscriminate importation" of third-country agricultural commodities which are non-compliant with EU standards, and which they allege may breach the different FTAs the EU has in place in areas such as quotas or product origin and quality.

21 Specific demands include real and effective control over imports, strict regulatory compliance with FTA terms, and that the conclusion of any future FTAs be made conditional on the conduct of a prior impact assessment for Spanish/EU agriculture and compliance with the principles of reciprocity and Community preference. Incidents of protectionist sentiment in Spain have, however, thus far been mostly anecdotal.

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