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SPAIN, THE EUROPEAN COMMUNITY, AND PRODUCER GROUPS

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Spain has traditionally been an agricultural producer of some import and rapid agricultural development of the past two decades has placed it among world and European leaders in the production and trade of some commodities. Currently, Spain is the largest olive oil producer in the world, the largest exporter of oranges in the world, has the largest vineyard in the world, is the largest broiler producer in Western Europe, has the largest irrigated agricultural area in Western Europe, and is second only to Italy in the production of horticultural crops. These facts and the apparent great potential for increased production has frightened many European Community (EC) farmers, particularly the French, when the prospects of an enlarged Community including Spain are contemplated. Their sense of Spain's potential is heightened, no doubt, by the fact that EC agricultural area will increase by 30 percent with Spanish accession.

Spain faces severe physical constraints to increasing agricultural production, however, as it is plagued by soil that is only half as rich in plant nutrients as French soil, suffers from a dearth of rainfall that leaves 90 percent of the national territory water deficient, and has topographical problems that, because of altitude and rugged terrain, accelerate erosion while impeding mechanization (7). In addition to these difficult physical problems, there are at least six major problem areas that must, of necessity, be adequately addressed by Spanish agriculture in order to effectively compete with the current EC member countries. They include the following:

1) Irrigation. Over 13 percent of Spain's arable land is irrigated which accounts for over 60 percent of production (1). In order to compete they must continue to irrigate. The question is how much, where, and at what cost for which crops.

2) Land fragmentation and land reform. On the average there are over 12 plots of land per landholding (1). This does not allow for economies of scale in production or credit use. Underutilized land on large estates must also be exploited more efficiently.

3) Political decentralization. A political crisis centers around the pace and extent of granting regional autonomy. Spain consists of a series of varying microclimates and human cultures, with different customs and even language. The question is whether a national agricultural policy will be possible after decentralization.

4) Unemployment, investment, and productivity. All three of these are closely related although unemployment is the most politically volatile in the countryside. Agricultural productivity and investment are very low compared to the EC (1).

5) Technological innovation. Spain benefitted during the last two decades from large transfers of technology from the industrialized world. Now it will have to fund and provide for agronomic research specific to its needs. Spain's track record in funding such work is abysmal compared to the EC.

6) Institutional organization in agriculture. Many management problems fit under this umbrella, but the most crucial in terms of competing in the EC is the formation of effective producer groups.

In order to compete within the EC under the Common Agricultural Policy (CAP) the existence of effectively functioning producer groups could be as important as any of the other factors cited above. Producer groups in the EC have obtained considerable operational and political prominence and are indispensable to the operation of the CAP and the fund for structural improvements. These groups are arranged around specific commodities and obtain their importance through the following functions:

1) Regulation of commodity markets. Producer groups, by controlling the quantity and quality of goods that flow to the market, ultimately control prices and, consequently, their own incomes within reasonable limits. This control includes disease inspection, grading, processing, and compliance with complicated CAP regulations.

2) Financial capacity. Producer groups apply for and distribute subsidies for structural aids, export restitutions, deficiency payments, and other rebates allowed in the CAP. They can also qualify for loans as a legal entity.

3) Political lobby. Producer groups lobby in Brussels on their own behalf and can be a force in domestic politics. They can serve as an operating base for political action locally, regionally, nationally, and internationally to further their own interests.

4) Marketing organization. Producer groups provide a base for large scale marketing that can include vertical and horizontal integration, central buying organizations, and manipulation of pricing systems (9).

This last point has become much more important recently as large grocery chains and vertically integrated organizations can control a product from the exporter to the retail shelf. As an example, Spanish oranges are sent from Valencia directly to the supermarket shelf in the Netherlands with the price in Dutch guilders stamped on them.

In all fairness to Spain it must be pointed out that all ten of the current EC countries had a tradition of forming groups of associations around commodities for purposes of self-protection and/or self promotion before joining the EC. Since joining the EC, these groups have become considerably more sophisticated because of experience in dealing with the CAP. In addition, they have had access to the EC's larger markets, they have improved marketing methods, and their technical proficiency in production and processing of products is much improved (4). Unfortunately for Spain, all of the current EC members have a substantial head start in this potentially crucial area.

Although there is a dearth of producer groups in Spain currently, those that exist do not have sufficient structure to control the market as they only provide 10 to 13 percent of total agricultural products (1). Compared to the EC producer groups, Spanish groups are: 1) too small to be efficient; 2) inadequately financed; 3) lacking in internal discipline; 4) local without effective regional or national affiliation; 5) poorly equipped technically to control sanitary conditions and comply with phytosanitary regulations (9). There are two products groups in Spain that would especially benefit from the formation of producer groups in Spain. These are fruits and vegetables and livestock/livestock products.

Fruits and Vegetables

Spain produces many fruits, vegetables, and nuts in abundance and exports some in large quantities: these commodities alone account for over 25 percent of domestic agricultural production and over 50 percent of current agricultural exports (8). Principal crops are olives and olive oil, oranges, grapes and wine, potatoes, tomatoes and almonds. Producer groups are most prominent in horticultural crops and account for 81 percent of the total number of groups in the country but they control far less of the market than that required for market regulation (1).

Producer groups are particularly important with these crops because of:

1) Seasonality. Quotas and day-to-day monitoring of markets and production is required to enter the right market at the right time. This requires coordination from planting to transportation.

2) Quality control. Control of phytosanitary and physical conditions in terms of production, harvesting, grading, processing and delivery. This must be done to conform to tastes of consumers in the EC member countries.

3) Volatility of fresh markets. The trend in the EC is toward long term contracts for processed fruits and vegetables. This will tend to destabilize the fresh fruit and vegetable market in Spain and will require greater control of production in terms of timing for smoothing out the marketing channel. It will also require producer groups in processed fruits and vegetables to negotiate successfully with EC groups on long term contracts.

Perhaps the most difficult of these three, and the one which actually affects all these areas of concern, is the volatility of fresh markets. Coordination of production and marketing is imperative in order to stabilize the market. Effective producer groups provide the best hope for such detailed and widespread cooperation.

Livestock and Livestock Products

The "mountain" of butter stockpiled in the EC from time to time is a direct result of the CAP and, to some degree, to the ability of producer groups to lobby for high producer prices and take advantage of CAP regulations. The producer groups in livestock are highly developed in the EC and are very poorly developed in Spain. This area is crucial for all EC member countries and particularly so for Spain as it will be quite vulnerable to competition from the EC after enlargement. The development of effective producer groups in this sector is especially important because of:

1) Sanitation and disease control. This is true for all livestock but particularly for swine because of African Swine Fever and for poultry because they are vulnerable to diseases that tend to affect the entire flock.

2) Financing capacity. Large scale planned investments are initially required for starting up a livestock operation. This is especially true for beef production and producer groups are the most likely vehicle by which individual farmers can qualify for large loans.

3) Quality control. In order for Spain to export livestock and/or livestock products to the EC it is imperative that it send products that are preferred by the consumers. Tastes differ from one country to another and even within countries there are taste variations. These include cuts of meat, color of meat, age of cheese, containerization, etc. Producer groups can enforce standards for its members and determine market requirements.

Spain is in a particularly difficult situation with respect to livestock and livestock products when faced with EC enlargement. Restructuring of the dairy and beef industries is imperative and consumption levels of swine and poultry are already at or near peak capacity. Some EC producers are generally more efficient and anticipate exporting to Spain, particularly dairy products and beef. This would add a double burden on Spain--to restructure a struggling sector while facing new competitive circumstances with experienced producers.

Spanish producers must come together in order to meet these challenges. The most logical course would be to investigate EC producer groups and adapt the most useful methods for Spanish purposes. The most likely candidate country is France which produces Mediterranean products and is particularly adept at exploiting the advantages of the CAP in livestock/livestock products and fruits and vegetables. Spain and France also share much history and Spanish cultural ties with France are very close.

The government of Spain recognizes the need for producer groups not only to confront EC competition but also for input into policy decisions at the Ministry of Agriculture. The Ministry of Agriculture has supported various organizations that could fill the functional role of producer groups and has even attempted, and continues to attempt, to form these groups. Over

$2.3 million was spent in 1978 by the Ministry of Agriculture for purposes of forming Agricultural Producer Groups (Agrupaciones de Productores Agricolas) (6). The results have not been encouraging, however, and much more is required.

In summary, Spain must have effective, organized producer groups, particularly in the fruits and vegetables and livestock/livestock products sectors. Lack of such groups would severely handicap Spain's ability to compete effectively as an EC member. Current efforts by the Spanish government are insufficient to close the gap between highly organized sophisticated EC producer groups and the poorly organized and outnumbered Spanish groups. Private producer organizations in Spain must be apprised of the possibility of major problems in the EC if the current situation continues. The task is an extremely difficult one with results that, although not apparent to all, are necessary for the survival of many.

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