EURACTIV

AGRICULTURAL TRADE

SPECIAL REPORT | 20 - 24 FEB 2017
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EFEAGRO veinticinco 1990-2015

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Food exports: A Spanish success story

Spain exports most agricultural products to France, Italy and Portugal. [ih/Flickr]

Exports from Spain's outward-looking food industry are booming. Since the economic crisis began in 2008, Spanish food exporters have seen six years of growth, expanding the sector by 60%. EURACTIV's partner EFEAgro reports.

Spanish food producers sold more than €25.4 billion of food and drinks abroad in 2015, of which almost 70% – some €17.5bn-worth – went to other European Union countries. With the EU's total food exports valuing €98bn each year, the bloc has become something of a global "pantry". It is the world's largest exporter of food and drinks, with a market share of nearly 18%.

According to the latest data from the organisation Food Drink Europe, in the third quarter of 2016 alone the EU exported €26bn of food and drink to third countries, of which the five most important subsectors were meat, spirits, wine, sweets and dairy. In the same period, the EU imported food and drink worth €17.8bn.

In Spain, while the final 2016 figures are unavailable, all signs point to a continuation of this growth path, according to data from the Spanish Food and Drink Industry Federation (FIAB).

FIAB Director-General Mauricio Quevedo told Efeagro that this sector "is now more international than ever" and boasts "a privileged and globally recognised position, ranking as the sixth-biggest export sector of the European Union and tenth today worldwide".

The meat industry and its derivatives, oils and drinks are the main products exported, according to the figures provided by FIAB.

INTRA-COMMUNITY TRADE

France (representing 17% of all revenue generated), Italy (13%) and Portugal (12%) are the biggest buyers of Spanish exports to the EU, with UK (7%) and Germany (6%) some way behind.

The sector's rapid growth has been reflected by an increase in the number of companies exporting Spanish products. Over the period 2009-2015, the export sector grew by 33%, to

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12,700 companies.

"On the one hand, this increase, which started years ago, shows the commitment to internationalisation that the sector has adopted to cope with the fall in domestic demand, and secondly, the capacity and competitiveness it takes to trade in international markets," a FIAB report said.

The figures place Spain as the sixth exporting country across the EU with 7.6% of the total, half that of Germany and the Netherlands, which top the list. However, it is the driver of growth.

The Brussels-based lobby Food Drink Europe, which defends the interests of the EU agro-food industry, says in its 2016 report on trends, that the sector is "the largest contributor to the European economy, ahead of other manufacturing areas such as the automotive sector".

In addition, it is also the largest employer, with about 4.25m jobs. In Spain, agriculture provides employment to around half a million people.

The report gives special importance to innovation, and puts the food and beverage manufacturers among industrial sectors that investment engaged in this chapter.

A DECADE OF GROWTH

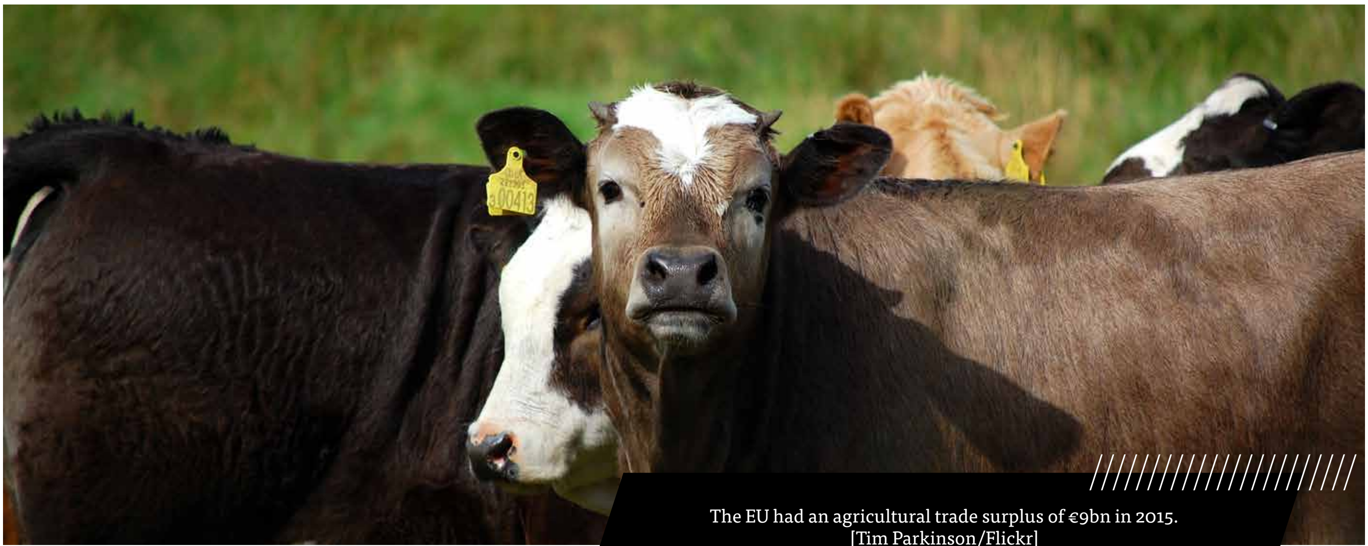
EU exports of food and drink "have almost doubled during the last decade" and in 2015 exceeded €98bn.

Of these sales, 72% occurred between member states and the remaining 28% went to third countries, a "growing" percentage thanks to improvements in markets considered "key", according to Food Drink Europe's data.

The United States is the main destination market, worth €17.bn, followed by China (€8.1bn), Switzerland (€5.6bn), Japan (€4.7bn) and Russia (€3.9bn).

According to the organisation, exports to China, Brazil, South Korea and other emerging markets have increased significantly in recent years.

The European Union, an agri-food world power



The EU had an agricultural trade surplus of €9bn in 2015. [Tim Parkinson/Flickr]

The food industry accounts for seven out of every €100 of trade between the European Union and the rest of the world. EURACTIV's partner EFEAgro reports.

While that number may seem small compared to the business generated by trade in the automotive or energy industries, the agri-food sector is of particular importance to the EU economy and, more importantly, the economy of millions of families.

EU exports of agricultural and food products to third countries – not including fish and fisheries products – valued more than €123.2 billion in 2015, while imports stood at around €114.1bn. This data from Eurostat, the EU's official statistics office, shows that the EU has an agricultural trade surplus of more than €9bn.

The official statistics show how internal EU trade remains a key pillar of the bloc's food economy, although the trend is to seek out and consolidate third country markets.

Javier Sierra, the director of Food and Gastronomy at the Spanish Institute for Foreign Trade (ICEX), told Efeagro that the EU continues to be the world leader in food exports, after overtaking the United States in 2013.

For Sierra, this is the result of the EU's continued support for the food sector, through promotion, budget increases and the opening up of "new and interesting" commercial opportunities.

Not to mention that an important part of this success is down to the "rigorous" production standards and quality controls EU food producers are bound by, along with the consolidation of trade relations with China, which is already the second most important export destination.

THE TRADE FIGURES

A look at the EU's trade balance for agri-food products (excluding the fishing and drinks industries) reveals some interesting data, according to the International Trade Centre (ITC).

For example, the EU sells much more cereal, flour, starch and milk products than it buys. The total agricultural trade surplus for 2015 was €9bn, with milk, dairy and egg products alone accounting for more than €8.5bn.

On the opposite side of the balance sheet stands the fruit and vegetable sector, with a trade deficit of some €18.054bn, followed by coffee and tea, with minus €8.064bn. The EU depends

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heavily on the international market for these subsectors.

It is also worth highlighting the surplus in live animals, meat and offal (€8.113bn) and cereals (€4.056bn), while in the seeds and oleaginous fruits subsector (including soy) has a deficit of €7.89bn.

Leaving aside the trade balance, the sectors that move the highest volumes of money, either in imports or exports (both within and outside the EU) are meat, milk and dairy products, fruits and vegetables and cereals.

According to Eurostat, the fruit and vegetable sector stands out for the volumes of money its imports move around within the EU: of the €64bn-worth of imports, 67% (€42.88bn) is generated by transactions between EU countries.

Meat and edible offal exports are the most striking in this regard. EU countries exported €38bn-worth of products, of which 88% (€33.44) stayed within the bloc.

Seventy-six percent of the EU's €42bn export trade in milk and dairy products, eggs and honey also stayed inside the bloc in 2015.

Exports of cereals, a staple of human and animal diets, accounted for €22.6bn, 58% of which (€13.1bn) was generated by trade between EU countries.

TRADE FLOWS BY CONTINENT

The study of trade flows between the EU and the other continents also uncovers some striking facts.

The EU exported €1.7bn of milk, dairy products and eggs to America in 2015 and around €4.4bn-worth of cereals to Africa. In both cases, the EU had a large trade surplus.

In Asia, the bloc sold meat and offal worth €5.4bn, with a surplus of more than €5bn. In Oceania, on the other hand, the EU's meat exports of €336m left a trade deficit of €1.135bn.

TOTAL EXPORTS IN MAJOR EU COUNTRIES

By country, and only in the sub-sectors of meat, milk, dairy, eggs and fruits and vegetables, German exports valued €23.6bn in 2015 (both inside and outside the EU); France exported around €13bn of goods; the UK, some €12.8bn; and Italy €10bn.

Meanwhile, according to the Ministry of Agriculture and Fisheries, Food and Environment (Mapama), Spain's agricultural exports (including fishing) reached a total value of €44.1bn in 2015.

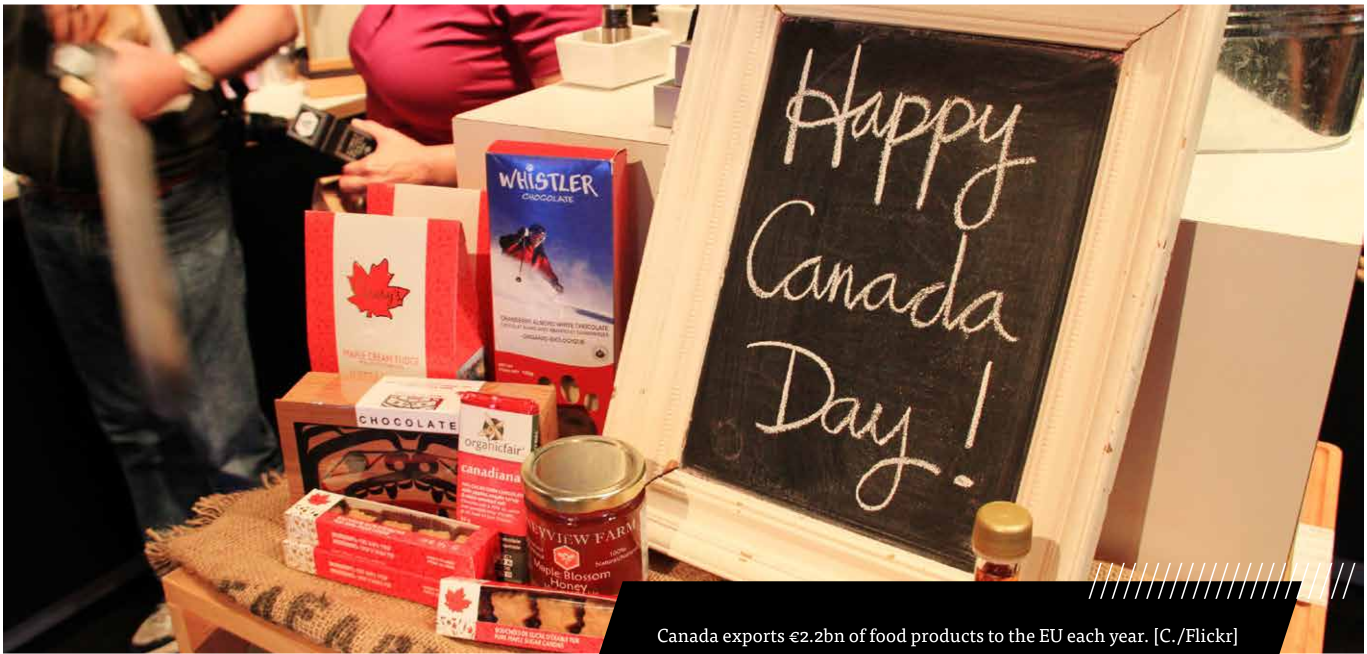
This included meat and offal exports worth €3.91bn, with a positive trade balance. Fruit and vegetable exports totalled €13.6bn, also with a positive balance, while the sale of cereals and oilseeds brought in €966m, a clear trade deficit. In milk and dairy products, honey and eggs, Spanish exports exceeded €1.7bn.

Sierra stressed that it is essential for Spain to promote the "unique" nature of its varied and high-quality product range in order to consolidate its position in the international agri-food market.

The country hopes to do this by encouraging institutional collaboration and promoting gastro-tourism.

Quality, high food safety standards and competitiveness will ensure that Spain and the rest of the EU continue to lead the global food market.

Spanish food exporters on edge over resurgence of protectionism



Canada exports €2.2bn of food products to the EU each year. [C./Flickr]

Influenced by events like Brexit and protectionist moves by US President Donald Trump, the EU's trade in food is going through a period of change. EURACTIV's partner EFEAgro reports.

After enduring recent challenges such as the Russian embargo, EU food exporters now face an uncertain future, with lingering doubts over the euro-dollar exchange rate and the future of the pound.

Trump took charge of the White House one month ago and already his promises to defend US borders and put "America First" are becoming a reality. On 23 January, the US president signed an executive order removing the country from the Trans-Pacific Partnership (TPP) free trade agreement (FTA), which includes eleven other nations.

SEARCH FOR NEW MARKETS

For now, the Transatlantic Trade and Investment Partnership (TTIP), the FTA under negotiation between the US and the EU since 2013, is languishing at the bottom of Donald Trump's list of priorities. The negotiations have sparked great controversy within the agri-food industry and animosity between governments and political parties.

Javier Guevara, the director of food and gastronomy at the Spanish Institute for Foreign Trade (ICEX), said, "The commercial prospects for European food products remain positive," although there are still "obstacles" to overcome.

Among them are the Russian embargo on EU food imports, "uncertainties" surrounding relations with the US and the "Brexit effect" on the EU economy, Guevara told EFE

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Given this, he said the bloc should "keep searching for new markets in Asia, Latin America and Africa". The new opportunities such efforts could open up would alleviate exporters' current difficulties, which the expert dismissed as "temporary".

CHALLENGE AND OPPORTUNITY

Meanwhile, cooperatives and agricultural organisations say they expect more changes in the near future.

"This can be a challenge or an opportunity," said the director of international relations for the Spanish Agri-food Cooperative, Gabriel Trenzado. In his view, the most important thing is to understand the free trade agreements "as a whole" and for the European Union "not to sign them too hastily".

For now, he added, the Spanish agri-food cooperatives have not seen any "immediate" effects from these decisions and trade remains "very fluid" with the United States. Although "Trump has proved he will do what he said".

The director of international relations at Spain's Association of Young Farmers (ASAJA), Ignacio Lopez, said farmers should remain alert before TTIP is officially stopped, because "we do not yet know where the EU negotiators will go next".

He is particularly concerned about the EU's intention to relaunch the Mercosur FTA talks. The standards of agricultural production in this group of South American countries are far lower than those in Europe, and he worries this could harm EU farmers.

HUGE UNCERTAINTY

The Secretary-General of the Spanish Farmers and Ranchers Organisations (COAG), Miguel Blanco, stressed that all these changes are generating "huge uncertainty" in the sector in terms of production and market orientations.

He believes that while "TTIP is harmful at all levels", especially in terms of quality and food security, it would be worse "if we adopted Donald Trump's standards".

Spain's Union of Small Farmers (UPA) insists on its "firm opposition" to TTIP, which the organisation believes would use agriculture and livestock as tradeable currency. But it acknowledged that "its final cancellation, like with other treaties that affect the economy of the entire planet, is neither a cause for celebration nor tranquility".

For the UPA, Trump's support for other leaders, such as Russian President Vladimir Putin, who has "done so much damage to Spanish agriculture with his embargo", raises fears that the US "may consider this kind of protectionism in its policy catalogue".

EU-CANADA TRADE AGREEMENT

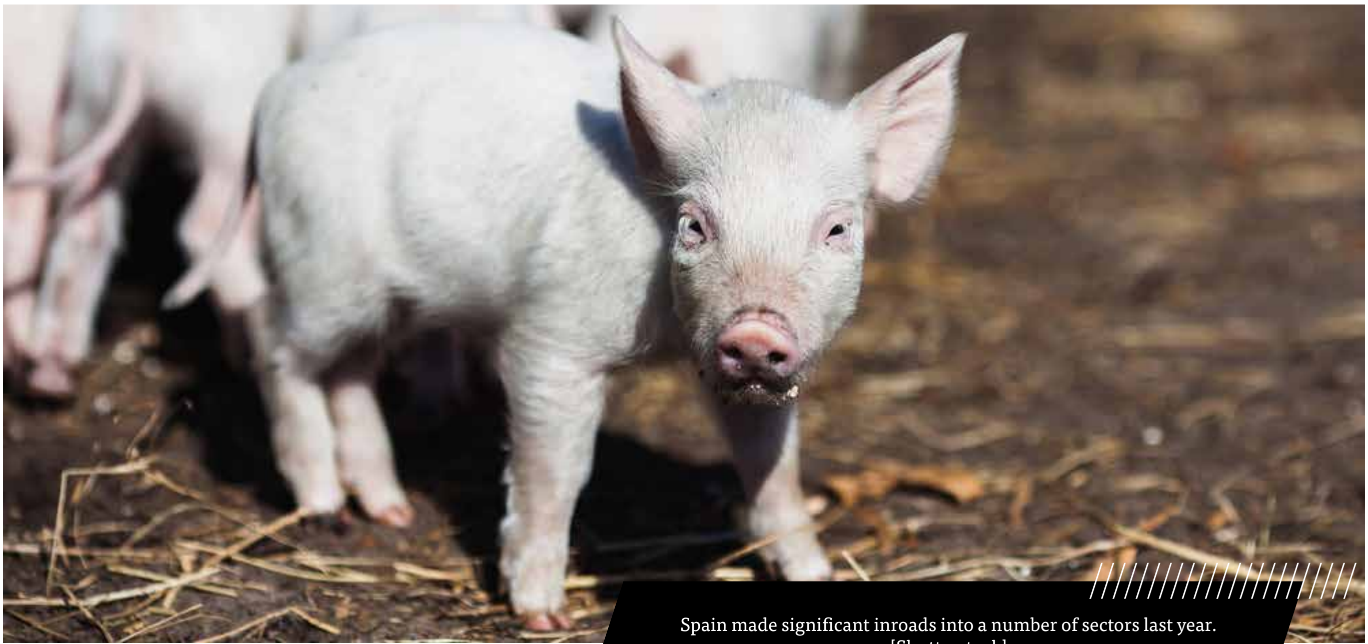
As the fog of uncertainty thickens around TTIP and the EU sets off down the path towards Brexit, the bloc is beginning to turn to other markets, such as Canada. The European Parliament last week (15 February) approved a landmark FTA between the EU and Canada (CETA) with a large majority of 408 votes to 254, with 33 abstentions.

Canada is an important market for the European Union. In 2015, the country spent a total of €3.42 billion on EU agri-food products, while the EU imported around €2.2bn-worth of Canadian products.

Canada is the ninth-biggest destination for EU agri-food exports outside its own borders, a list topped by the US, followed by China and Switzerland. The categories of products most exported by the EU to the Canadian market are wine, vermouth, cider and vinegar, liqueurs and spirits, and chocolates, confectionery and ice cream, according to the European Commission.

European agri-food exporters, and in particular those in Spain, who have consistently driven the sector onwards even in the midst of the economic crisis, are holding their breath to see how this period of international political uncertainty will affect them in the long term.

Spanish oil, wine, meat and horticultural products: Four success stories



Spain made significant inroads into a number of sectors last year. [Shutterstock]

Spain's agricultural sector has used exports as a way to escape from financial crisis and it has emerged as a real engine of the economy since 2008. Growth continues unabated and numerous records have been broken. EURACTIV's partner EFEagro reports.

According to official data for 2016, Spain exported goods worth €254.53 billion, 17% of which were food, drink and tobacco.

Spain's ministry for the economy reported that the biggest sales were made in the fruit, vegetable and legumes sub-sectors (particularly to Germany and the United Kingdom, as well as Austria and the Netherlands). Meat products also did well in China, Portugal, South Korea and Italy.

Spanish exports of meat products, particularly to China and Japan, and oil and fat products, to the United States, Italy and Portugal, saw the most significant growth.

Of the €43 billion in sales, nearly €17 billion came from fruit, vegetables and legumes. More than €6 billion was made in the sale of meat products, €4.2 billion from oil and fats, and more than €3.8 billion from drinks. Spain exported about €2.5 billion worth of wine.

And experts believe there is still room to grow. The director of food and gastronomy at the Institute of Foreign Trade (Icex), Javier Serra, highlighted that Poland, the Czech Republic and Sweden "grow in importance every year, thanks mainly to the performance of horticultural and meat products".

"Europe is our main customer, but China stands out in terms of buying wine, olive oil and meat products, while the US is a key buyer of wine and olive oil," Serra explained.

In terms of Europe's involvement, he said that "the European Union's

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policies regarding food products is an ongoing effort to support the sector, both in terms of its promotion efforts and search for new and interesting commercial opportunities". Diversification of exports and markets is key to this, he added.

In Serra's opinion, "the strict production standards and quality controls" of the EU are determining factors and "ensure a favourable outlook in a world that is more and more conscious of the importance of food health and security".

In Spain's case, Germany, the UK and, to a lesser extent, Austria and the Netherlands are the main destinations of its fruit, vegetable and legume exports. China, Portugal, South Korea and Italy are the final port of call for its meat products.

For Serra, Spain has been the main engine for European agri-food exports: "China places second in the ranking of destinations for food products from the EU and its worth more than €10 billion."

President of the Spain's Interprofessional Society of Olive Oil Pedro Barato highlighted the success his sector had in China in 2016, where it saw sales increase by 21% compared with 2015. In the US too, Spain exported 130,000 tonnes, cornering 41% of the market. Sales increased by 52% compared with 2015.

"In both cases, growth is still happening," Barato insisted, adding that Brazil, Australia and France are important markets where Spanish products have become more popular.

Barato added that 63% of olive oil produced in 2015 and 2016 was earmarked for export (about 868,000 tonnes).

There was also an export surplus in the wine trade. Barato's oenophilic counterpart, Ángel Villafranca, explained that his industry had produced about 40 million hectolitres and that only 10 million's worth of that had been consumed domestically.

However, he added that the challenge now is to "increase its value". Villafranca said that "we've cornered the international market in terms of volume but now it's time to attach value to that through our designations of origin and protected geographical indications".

He added that "if we do our job right and defend no just the price, then we can win the market" in the US, South-east Asia and the Eastern European countries.

Diversifying the market is an objective that is shared by fruit and vegetable exporters, with 60% of their products going abroad. According to the president of the sector's export federation (Fepex), José María Pozancos, the "priority" is to work on diversification, to expediate the lifting of phytosanitary barriers, accelerate innovation and improve crisis management instruments.

Eurostat figures for 2015 show that Europe exported €3.53 trillion from that sector to third countries and that internal EU trade totalled €24 billion.

In terms of meat products, the EU was the main destination, with sales topping €35 billion. Exports only hit €8.5 billion.

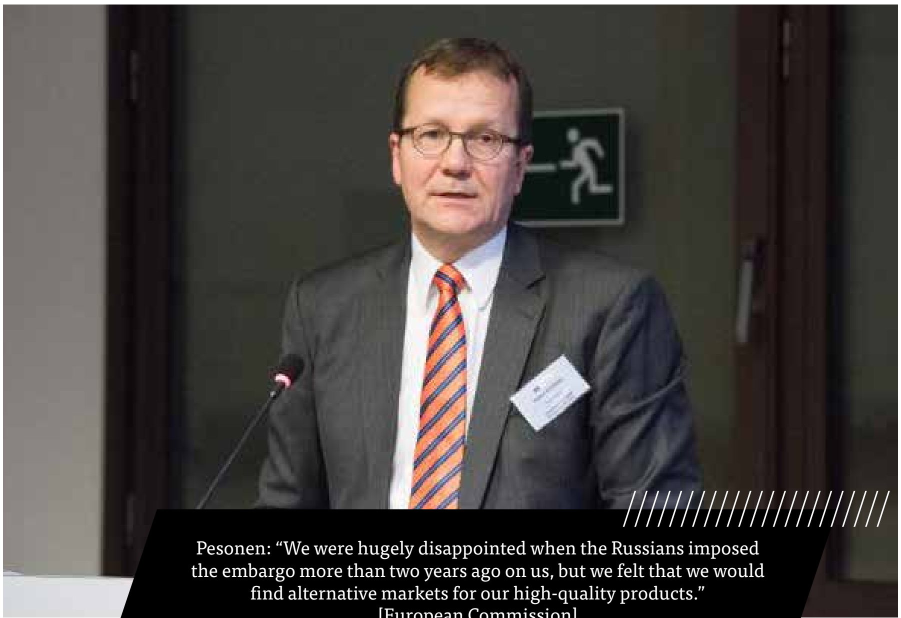
The Spanish beef producers association (Asoprovac) chief, Javier López, said that more than 25% of the 633,792 tonnes of meat produced in 2015 went to Portugal, France, Algeria and Hong Kong. Around 175,000 heads of cattle were sold, with Libya and Lebanon the main customers (60% of sales).

Spanish pork sales, according to Eurostat, surpassed those of Germany, with 28.4 million pigs sold, but the Bundesrepublik still leads the meat sector. Spain ranked second to the UK in sheep sales and second to Greece in terms of goats.

Pig meat producers said that China had emerged as the number one client with 20% of sales earmarked for export. France remained its prime customer in terms of value, with €759 million traded.

INTERVIEW

Copa-Cogeca: New export markets did not increase EU farmers' income



Pesonen: "We were hugely disappointed when the Russians imposed the embargo more than two years ago on us, but we felt that we would find alternative markets for our high-quality products." [European Commission]

The EU found new niche markets to balance the losses of the Russian embargo but this has not translated into increased income for farmers, Pekka Pesonen told EURACTIV.com.

Pekka Pesonen is the secretary-general of Copa-Cogeca, the association of European farmers and agri-cooperatives.

He spoke with EURACTIV.com's Sarantis Michalopoulos.

Do you fear that the rise of the extreme-right across Europe could have a direct impact on agricultural trade?

First of all, it is in everybody's interest to ensure that these common policies, in agriculture in particular, actually perform. That is the starting point because we still sell most of our products to European consumers. So those added values that our citizens want need to be remunerated, need to be paid by the consumer, and primarily in the EU.

That's the starting point. We need to develop a policy line that actually delivers, and on this, we agree with all other stakeholders in the EU value chain and NGOs and everybody because we see the risks of the populist movement affecting European Union common policies. They must deliver better and that is a fact.

Second, when we take a look at the trade I would like to underline the importance of the growth factor because, as we know, the European population is stagnating. We don't have an increasing number of people here. We are losing our general global market share in many sectors, almost all sectors, because of the general population development. It's about an ageing population; it's about investment; everything. And in this respect, this is why we are so interested in agriculture, in exports, because we know we can deliver niche-value, high-quality European product that consumers are interested in.

Therefore, the key factor, the key term for us is that when we go for trade agreements with the third parties, is that it should be trade based on goals, not free trade agreement by definition, because even our trade

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partners don't want this. This is about trade based on rules, fair rules. And that is why we are so interested especially in the Canadian agreement (CETA), the possible United States agreement (TTIP) and the Japanese agreement. We want to be equal partners especially when it comes to food safety. There is some potential there. And we strongly believe that the Canadian agreement is a good start. It is not a perfect agreement all round; we definitely see some risks when it comes to certain meats, particularly beef and pork.

And what about the geographical implications of these deals?

The geographical implications are one of the biggest issues that the European Commission managed to get into the agreement [CETA]. This is the first time that we have managed to have geographical implications as such recognised by our major trading partners. Of course, it is not a perfect match.

Does this set a precedent for TTIP?

Yes. And of course, the Americans disagree. But, sorry, if a big part of the American population comes from Europe, of course, they bring their traditions with them. But is it fair that they should milk the European traditions dry in their market when we have the genuine products here? So they have to accept that we want some protection for original Greek, Spanish, Italian and even Swedish or Finnish products.

Of course, culturally, this is variable among the EU member states. But then, as a whole, we see that we have a good package on the table, but we also have to ensure the proper implementation of this package. And by this, I mean that we really need to make sure that those standards are respected and, for instance, that market access is organised in such a way as not to cause major market disruption.

This should be the case in the European beef market, for example. And this is what the European Commission has recognised. And we are going to push the Commission to take this into account because allowing access to the European beef market for 50,000 tonnes from Canada is a considerable risk. The market for high-quality EU beef is roughly one million tonnes, so this Canadian competition will account for about 5% of the market.

And European-owned beef production accounts or only two-thirds of this total, roughly 600-650,000 tonnes. The new imports of high-quality Canadian beef will actually represent closer to 10% of the European-owned high-quality beef market. Clearly, it needs to be managed. We do not simply live happy ever after once we have the agreement. We have to make sure that it is properly implemented and monitored.

If TTIP comes to nothing, is there any talk of making sectoral deals in the EU farming sector?

If we take a look at the horizontal standards across the sectors and our European ways of organising our agricultural production, our objectives and goals are best served by a horizontal global agreement. So, it would be more difficult to make a sectoral agreement. Of course, we have seen some developments in the past, but they have been hindered by the fact that we don't have a collective global agreement on trade. We do see some good examples; I am not saying it is completely useless. But in general we can say that it would be better served if we had an overview of all the European and American production models, or those of whoever wants to deal with us, and then we decide on the basis of that.

This goes so far that we actually favour a multilateral trade agreement because we feel that it would be better for European agriculture in general if we have higher safety standards. We would talk about security and certain issues that are very dear to European consumers, such as animal welfare, environmental concerns, etc. They would most probably be better served with a multilateral agreement than a bilateral one. And the more narrow your aim, for example going for sectoral agreements, the more complicated this becomes.

How do you evaluate the Commission's efforts to open up to niche markets for agricultural exports?

We were hugely disappointed when the Russians imposed the embargo more than two years ago, but we felt that we would find alternative markets for our high-quality products. And this is to a large extent what happened. Unfortunately, because this was such a sudden move, and of course you can't just suddenly find new markets for all your products, it has taken more time. And certainly, the benefits coming all the way down to farm level have not been what we were hoping for.

So, we have seen a very strong growth in our exports despite the Russian embargo. We haven't seen any major decline in our exports. The big question mark for farmers is why recent developments have not delivered results all the way to farm level. We have to trade, we have to export and to continue exporting, but those larger export markets came at a price. In order to open these markets, we had to cut prices, and the pinch has of course been felt most acutely by farmers. That is why agricultural income fell in 2016 compared to 2015, which was already a difficult year.

The same trend applies to EU

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agricultural income: while exports have continued to grow, imports have remained stable, yet the surplus has stayed in the range of €14-16 billion per year. We are a net exporter in the agri-food sector, which means that we make a huge contribution to the overall EU trade balance sheet. For instance, in France, their national exports have been huge and they have developed favourably. Agriculture comes second to the aircraft industry.

This is also reflected at the European level. And we are happy to see some specific selling points in our products. Southern European exports have been popular in third countries because of their special characteristics. I think once we get into new markets we have to ensure that some of those gains also come back to farmers. After all, farmers are the first producers of food.

On a political level, there is a rapprochement between Washington and Moscow which could potentially result in lifting sanctions against Russia. Do you see this as a "window of opportunity" for the EU farming sector?

We have been majorly disappointed that the European agricultural sector is paying for international politics. However, of course, this is linked with the wider political situation now, especially with the Crimean situation in eastern Ukraine and internal relations between EU member states, as well as with the Russian government and the US. Of course, during the US election campaign, there were some high-profile statements, but it seems now that there is a continuation of the political commitment to the EU and NATO, so we would expect that politically there wouldn't be much of a change because these are sensitive issues for everybody, not least Russia.

I'm not an expert on international politics, but we certainly hope that we would be able to lift the Russian embargo, or the Russian federal government would lift them. It seems that they also have some internal justification for themselves, that maybe they are using the embargo to build up their own production capabilities. But then we are quite confident that Europe's high-quality products will once again find their place in the market. From our perspective, we don't see any reason why these sanctions shouldn't be lifted. But then this is very much linked to international politics.

What should the post-2020 Common Agricultural Policy look like in order to be competitive, environmentally sustainable and profitable for farmers all at the same time?

It's very difficult. Some of the drivers that come to mind: the first is that when you take a look at agricultural income, how much the direct payments and CAP support actually represent in the amount of money that the farmers receive, once the cost of external labour, financing and credit is deducted, we are quite dependent on support, and that has to be taken into account. We do not like this because we would very much prefer to be producing for the market and getting our revenue from the happy consumer rather than the reluctant taxpayer.

But this is the reality. It has been going on for the last 15-20 years. We have become more dependent (on support systems). This is a huge disadvantage to the farming sector itself. Of course, we have a large number of part-time farmers; that needs to be taken into account. We also know that the CAP is a matter of compromise between member states and quite a lot of these decisions are based on EU financing.

And, as you probably know, the last round of negotiations ended in a fairly differentiated CAP implementation at national level. We can justifiably say that we have an EU-28 Common Agricultural Policy: the CAP implemented in 28 different ways. It's a real challenge for us. I think the biggest single issue we need to address is market volatility. But then the question is how to effectively organise this at European level, to make sure that farmers are interested in using, for example, the Commission's proposed risk-management tools?

So we have a huge task ahead to make sure that farmers become more resilient to market volatility, while maintaining our sustainable production methods and, in some cases, the very important social fabric that the farming community and farmers provide to their rural communities. I think we all agree that European farming can never be completely industrialised, but the sheer fact is, how can we ensure that the relatively small size of an average farm in Europe can provide sustainable income opportunities for a farming family? And I think this is the crucial element.

We see some opportunities in, let's say, strengthening the farmer's position in the food chain, getting more revenue from the market, setting up cooperatives and joining forces with other farmers who are too small to have any individual market impact from a farm, and we see some opportunities in promoting European high-quality products. This is why, like I said, we are so interested in promoting our high-quality products to international farmers.

How do you see the precision farming practices in the new CAP? Is there any room for them?

Well, we see precision farming as a combination of various technology and economic factors, as well as

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consumers. When we talk about precision farming, we are most productive and most efficient if we also look into which specific market we are producing for, so the product specifications can use natural resources efficiently. So that is probably the true nature of precision farming. It's like targeting the farming and the cultivation processes already taking into account the market demands and consumer preferences. We need investment.

That's why we have been so actively promoting starting a European fund for strategic investment. It's available for the farming sector, especially in Central and Eastern European countries where infrastructure is lagging behind, but also in member states where we see clear bottlenecks in, say, stocking storage capacity for crops. Typically, in protein crops, we are too much at the mercy of market fluctuations. We also need to improve our resilience.

Precision farming can also include water management, like drip irrigation. It also pays to make sure that we have proper analysis in place, for instance, on what edible crops we need. We have to have a sufficient toolbox available for, let's say, plant protection products. We have to have infrastructure available so that, for instance, when we have a good haul of protein crops, we have a proper market.

So precision farming, from our perspective, is very much starting from the marketplace, using our imports and natural resources efficiently, but then also using our resources downstream in the most effective manner.

How do you see the Commission's proposal for the use of renewable energies in the transport sector after 2020?

Well, first of all, you can't climb the tree from the top. You have to start somewhere. And especially when it comes to those targets for the transport sector, on the sustainability of the transport sector as a whole, we have to ensure that we play our part. We certainly see some opportunities there. We have some investments in place. We can deliver. We talk about millions of tonnes of raw material or the biofuels that we produce and, to a large extent, this provides a co-product to the agricultural sector, especially when it comes to oilseeds and crop-based biofuels. These provide protein-rich co-product for animal feed, which is hugely important for us because we can actually source that from European outsources cultivated in accordance with European Union common agriculture policy.

This is hugely important, and it seems the Commission has pushed that aside. We bring in millions and millions of tonnes of perfectly good raw protein material for feed, and we feel that these should also be taken into account. And of course we have nothing against the second generation advanced biofuels; we are very happy with the advances there. But then the reality is that, for the foreseeable future, we are still quite dependent on liquid fuel, and you can't reach for those sustainability targets if you don't have the biofuels available. 3.8% in total is an understatement from our perspective.

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