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WORKING PARTY ON STRUCTURAL ADJUSTMENT AND TRADE POLICY

Exchange of Information on the Experience of all Contracting Parties with Regard to Structural Adjustment

Supplement

Reproduced in the Annex to this document is additional information provided by Spain on structural adjustment in the agricultural sector.

ANNEX

I. Spain's agricultural structure

1. The population of Spain at present numbers 37,883,863 inhabitants. So far it has shown a steady numerical increase, measured by the usual modern demographic standards. The fact that there has been a slow-down in the growth rate is attributable more to endogenous reasons (birth rate) than to exogenous factors (emigration).

2. This relatively small population is unevenly distributed over the national territory. While Spain's average population density is 74.5 inhabitants per sq. km., analysis of this figure reveals a process of urbanization, in parallel with industrialization, which has resulted in the formation of poles of urban and peripheral concentration. This intensifies the impact of that process and, as a collateral consequence, one can observe a phenomenon of soil impoverishment, which in some cases is irreversible.

3. Without entering into the refinements of the operative concept of labour "supply", the proportion of active population to total population has been declining, from 38 per cent in 1965 to 34.5 per cent in 1980, well below the average ratio of developed countries.

4. In the economic and social development undergone by Spanish society, agriculture has had a secondary rôle, at least as far as its participation as a sector and in employment is concerned.

5. As regards the agricultural sector, the 1960s saw the beginning of the extraction of labour from the countryside and of accelerated migration towards urban areas. The loss to the agricultural labour force was particularly pronounced (from 33 per cent (1965) to 20.9 per cent (1975) of the total labour force), most of these workers shifting to construction, services and emigration abroad. The rural areas are losing the younger and more vigorous elements of their active population.

6. Since 1975, the decline in the active population of the agricultural sector has continued, though more slowly, and this population is now estimated at 16.6 per cent of the country's total active population.

7. With the recession, the agricultural sector has not been able to avoid being affected by unemployment, though this has been less pronounced than in other sectors. It is no doubt the construction sector, which offered agricultural workers a relatively easy exodus, that is responsible for their difficulties. Agricultural unemployment is calculated at 5.3 per cent of the active rural population (data for 1980), as compared with the 12.5 per cent unemployment of the total active population.

8. Nevertheless, agricultural unemployment is particularly serious because this sector does not enjoy the benefits and levels of assistance available to the industrial and services sectors.

9. The human potential in the agricultural sector can be defined by the following characteristics:

- (1) Pronounced imbalance in regard to age. Spain's active agricultural population is declining and very old, 53 per cent being over fifty years of age. This raises various problems, including that of farm-ownership transfer.
- (2) Imbalance in regard to sex, greater than the average in other sectors, with men accounting for 73.37 per cent of the total active agricultural population.
- (3) The highest level of illiteracy and the lowest level of education.

10. In addition, the rural environment is very inadequately equipped in public services and durable consumer goods, while access to cultural information is limited. This situation of neglect acts as one more stimulus to rural exodus, notwithstanding the few opportunities available on the labour market in other sectors.

11. Farmers have suffered from inflation and are still suffering continual erosion of their purchasing power, since the prices obtained for their products have lagged behind the general upward trend in consumer prices. Agricultural production costs have climbed steeply because of the increase in wages and in prices of inputs, which has exceeded that recorded in other European countries. In addition, the high cost of borrowing is causing a retraction of the sector, with decapitalization and inadequate use of technology, thereby seriously affecting agricultural yield.

12. Because of the adverse natural conditions, the results of the production efforts of the agricultural population are uncertain. With Spain's geographical relief, in which 58 per cent of its territory is at an altitude of more than 600 metres, steep slopes make mechanization difficult and transport more expensive. Inadequate rainfall affects 80 per cent of the national territory, with irregularities resulting in disasters and with unseasonal frosts. Given these natural elements along with inappropriate cultivation methods, it is not surprising that 25 per cent of arable land is subject to serious erosion.

13. The chronic water shortage has traditionally been a cause of concern for the Government, which built large reservoirs and dams. This policy, implemented vigorously in the 1950s and 1960s, has slowed down considerably in the past decade, more particularly in the last five years, for the following reasons:

- (a) Marginal significance and doubtful profitability of potentially irrigable areas;
- (b) limits reached as regards available water resources.

Irrigation has mostly benefited areas under grass crops.

14. Approximately 27.5 million hectares are used for agriculture. This area is diminishing slowly but steadily at an annual cumulative rate of about 0.5 per cent, because of loss to scrub or forest land. Arable land accounts for 57 per cent of the total agricultural area in use and has increased slightly over the last decade at the expense of fallow and unoccupied land. There has also been a decline in meadow and pasture land, which accounts for 25 per cent of the total agricultural area. Permanent crops and plantations remain stable.

15. The relationship between the Spanish population and the land emerges as a production structure which is basically of a family character. According to available data, 95 per cent of farms have less than 50 hectares but such farms together barely account for more than 30 per cent of the agricultural land in use. Account must be taken of different situations from one region to another.

16. The physical and economic dimensions of farms are determined in part by the existence of small-holdings and in part by ecological drawbacks; that is why the restructuring needed to raise productivity and secure adequate competitiveness has been hampered or delayed.

17. The production means used do not exceed 36 per cent of final output. Despite having risen considerably, gross added value per agricultural worker is one of the lowest in Europe.

18. Notwithstanding the ecological, structural and economic constraints in this sector, the last decade has brought better results. One may mention some of the general trends in agricultural output:

- (a) Agrarian output is greater than livestock production, but in recent years the latter has increased at a much higher cumulative annual rate of 2.4 per cent.

The following points are worth noting:

- a relative decline in leguminous vegetables, potatoes, eggs and wool;
- relative stability in grains, fruit, horticultural products, wine, olive oil and industrial crops (in particular sugar beet, cotton and tobacco);
- a relative increase in meat and cow's milk.

- (b) Forestry production has contracted slightly.
- (c) The share of agriculture in GDP has declined progressively, from 16 per cent in 1964 to 6.31 per cent in 1980. This can be seen from the following table:

Year	Agriculture, livestock, forestry and hunting %	Industry and construction %	Services %
1964	16.39	38.27	44.80
1973	10.02	40.20	48.94
1980	6.31	35.84	56.72

- (d) Agrarian output in real terms has grown over the period 1976-1981 at a cumulative annual rate of 1.8 per cent, reflecting a low-productivity trend which is consistent with the general sluggishness of the Spanish economy in recent years. Even so, agricultural expansion is not keeping pace with Spain's production activity as a whole.

II. Structural policy

19. With respect to agriculture's existing structure, the State's rôle in the process of agricultural modernization has been limited to that of a factor of encouragement and guidance. Reconversion and restructuring of producing sectors as well as of commercial and industrial structures has been hampered by the shortage of public financial resources.

20. The legal and social reform initiated during the Second Republic was followed by a period of technical reform from 1936 to 1970 consisting of irrigation projects, parcelling of land and other improvements.

21. In 1971, the entities responsible for implementing this policy - the National Land Settlement Institute (created in 1939), the National Plot-Concentration Service and the rural development services - which were engaged in the promotion of group farming - were merged into the National Institute for Agricultural Reform and Development (IRYDA).

22. The Institute starts from the basic premise that agricultural land must respond to the needs of the national community. Guidelines are established in the form of regional plans to be implemented in depressed areas, in areas where large estates predominate, and in areas where the infrastructure is seriously inadequate.

23. Up to now the Spanish farmer has looked forward more to a price-support policy on a season-by-season basis than to a longer-term policy.

24. In 1979 the Spanish Government stated clearly that the objectives of its agricultural policy were those prevailing in Europe.

The problem at present presents the following characteristics:

- (a) immobility as regards agricultural land;
- (b) shortcomings in agricultural financing mechanisms;
- (c) inadequacy of the agro-foodstuffs system;
- (d) desertification and erosion;
- (e) inadequate exploitation of farms capable of improvement.

25. In this connection, a legislative programme has been in course of preparation since 1979, but is not yet entirely completed. It has the following objectives:

- increased agricultural productivity;
- modernization of farms;
- special attention for depressed areas;
- improvement of farmers' standard of living;
- encouragement of farmer groupings;
- restructuring and/or reconversion in sectors encountering technical difficulties with crop substitution.

26. In general, the guidelines establish incentives for private enterprise to co-operate in structural reform. Structural adjustment to date has resulted mostly from autonomous action by farmers faced by an unfavourable market situation who were not prepared to wait for administrative intervention.

III. Aspects relevant to third countries

27. Our agricultural trade balance is chronically in deficit. Although imports and exports are rising, the share of agriculture in total trade has continued to decline. Whereas in 1963 agricultural products accounted for 57.5 per cent of our exports, their share was less than 22 per cent in 1979. On the import side too, their share is declining.

<u>Imports</u>				<u>Exports</u>		
Year	Total (A)	Agricultural products (B)	B/A 100	Total (A)	Agricultural products (B)	B/A 100
1963	117,310	31,502	26.9	44,134	25,367	57.5
1968	246,547	55,685	22.6	111,244	44,132	39.7
1973	561,543	126,978	22.6	302,670	92,211	30.1
1979	1,704,022	300,925	17.7	1,221,441	261,944	21.4

28. There has been a significant change in our major agricultural imports: in the past few years, purchases of grains and other products intended for animal feed have increased in relation to the total. Our livestock production largely depends on these imports. Also noteworthy are substantial purchases of bovine meat, coffee and raw tobacco.

29. There has been some diversification in the areas of destination of our exports, with a decline in sales (in percentage terms) to major regional groupings and an increase in those to the "rest of the world". Our most important products are still rice, citrus fruit, wine, olive oil, vegetable preserves and almonds.

Spain's foreign trade in agricultural products is being liberalized as much as possible. At the same time, appreciable efforts are being made to adjust the structures, quality levels and timing of our production.