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THE AGRICULTURAL SECTOR IN SPAIN WITHIN THE CRISIS: MAIN ASPECTS.

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ABSTRACT

The economic crisis affecting the industrialized countries in recent years has been singular due to its intensity, complexity and the difficulties in overcoming it.

The purpose of this study is to analyze the evolution of the agricultural sector in Spain taking into account the difficult environment attributable to the crisis. The main purpose is a description of tendencies and to investigate how agricultural companies are facing the economic crisis. The idea is to emphasis the relevant actions taken by the companies which turn the sector into a notable exception and define strong and necessary strategies to achieve a successful future.

La crisis económica que ha afectado a los países industrializados en los últimos años ha sido singular por su intensidad, complejidad y por las dificultades para su superación.

El objeto de este estudio es analizar el desarrollo del sector agrícola español teniendo en cuenta el entorno nefasto debido a la crisis económica. El mayor propósito es describir las grandes tendencias así como observar y estudiar como dichas empresas están afrontando esta crisis. La idea es destacar y enfatizar las acciones relevantes emprendidas por las empresas que convierten este sector en una excepción notable y definir estrategias sólidas y necesarias para lograr un futuro con éxito.

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INTRODUCTION

Spain has been a traditionally agricultural country, being the main economic support until the decade of 1960 for the Spanish economy. Nowadays, Spain is the second country which has more cultivated land in Europe, after France, with almost 24.8 million hectares. The Spanish weather and the quality of the ground have been important factors that have positively influenced the agricultural development and they have conditioned the diversity of crops in our country, being those crops from tropical, warm and Mediterranean weather. Our country is the second country which produces more quantity of fruits and vegetables in Europe, after Italy. Also it is expected to increase in the following years as a result of the CAP reform; in fact, Europe is designing a new strategy to stimulate its own economic growth during the next decade.

However we don't have to forget that Spanish agriculture is facing some difficulties due to the economic and financial crisis, reflected for example in the rise in agricultural costs or in the pressure that market and distribution chains put on prices. Those prices have been increasing gradually. At the same time, the farmer's income has remained constant, the lack of liquidity or the low level of profitability has forced them on occasion to move or leave the production areas. However this sector seems to be one of the less impacted by the crisis effects.

Furthermore, after the building market crash, Agricultural activities are recovering a leading position in a more efficient way. In fact the transformation of the intensive agriculture (vegetables, green houses, etc...), with a capitalization coming from reinvestments, and the professionalism of the full-time farmers is significant.

Taking into consideration these factors, I will try to make a descriptive analysis of the current economic and financial Spanish environment and then focus on the agricultural sector in order to highlight its positive predispositions compared with the general trends of the economy.

The main purpose of this report is to point out the predominant strategies developed by the agricultural companies which consist in the optimization of the quality as well as food safety and the internationalization tactics. To illustrate this position, I realized a SWOT analysis of a company situated in Almeria as a representative example. The company´s activity consists in vegetables purchases and sales to national and international markets.

Afterwards, I also put attention to the operational framework at a European level which means having a look into the Common Agriculture Policy as a benchmark, in order to understand the intention of the European Commission, and direct effects into the sector.

To complete the interventionism approach, I made a brief review of the governmental measures which can influence the development of agricultural sector.

It appears clearly that all those political maneuvers are needed to reinforce the private initiative and enhance the growth potential of the whole operators.

SECTION 1: THE AGRICULTURAL SECTOR WITHIN THE CRISIS

I. FINANCIAL AND ECONOMICAL ENVIRONMENT

The 2008–2013 Spanish financial crisis began as part of the world Late-2000s financial crisis and continued as part of the European sovereign debt crisis, which has affected primarily the southern European states and Ireland. In Spain, the crisis was generated by long-term loans (commonly issued for 40 years), the building market crash, which included the bankruptcy of major companies.

As a consequence we can note down the following magnitudes:

-Spain is the Eurozone's 4th largest economy

-One in four people is unemployed

-House prices have dropped by 25% since 2008

-The banking sector is highly indebted.

-By 2012, one in four Spaniards were at risk of poverty or social exclusion.

- Spain has the highest unemployment rate in the EU. It is even higher than Greece (25%). The majority of young people are unemployed (52%)

- The collapsing property market and recession have forced some of Spain's banks to seek government help. Banks have 155.84bn euros of loans at risk of not being repaid. That is 9% of all loans. Small, weak banks have been saved through mergers: the number of banks has shrunk from 45 to 11.

- Total deficit: 8, 5 % GDP. Regional governments, hit by a mixture of the property bust, recession and overspending, are also struggling. Some of them have to ask the central government for help.

Some fundamental problems in the Spanish economy were already evident: There was Spain's huge trade deficit, the "loss of competitiveness against its main trading partners" and, also, as a part of the latter, an inflation rate which had been traditionally higher than those of its European partners, back then especially affected by house price increases of 150% from 1998 and a growing family indebtedness (115%) chiefly related to the Spanish Real Estate boom and rocketing oil prices and a particularly severe increase in unemployment, which rose to 29.16% by April 2013. As of October 2010, the Spanish economy has continued to contract, resulting in decreasing GDP and increasing inflation. From 2011 to 2012 alone, prices rose 3.5% as compared to 2% in the United States. The rise in prices, combined with the recently implemented austerity measures and extremely high unemployment, are heavily impacting the livelihood of Spanish citizens.

The Spanish banking system had been credited as one of the most solid and best equipped among all Western economies to cope with the worldwide liquidity crisis, thanks to the country's conservative banking rules and practices. Banks are required to have high capital provisions and demand various proofs and securities from intending borrowers. Nevertheless this practice was greatly relaxed during the housing bubble, a trend to which the regulator (Banco de España) turned a blind eye.

For more than three years, there has been a steady process of bank concentration. Spain had the densest bank-office net in Europe, a situation that has forced many dismissals of bank employees.

On 9 June 2012 Eurozone finance ministers agreed that Spanish banks would be provided with up to €100bn of rescue loans.

Spain suffered a severe setback in October 2008, when it saw its unemployment rate surging to 1996 levels. During the period October 2007 – October 2008 Spain had its unemployment rate climb 37%, exceeding by far the unemployment surge of past economic crises like 1993. In particular, during this particular month of October 2008, Spain suffered its worst unemployment rise ever recorded and, the country has suffered Europe's biggest unemployment crisis during the 2008 crisis.

Spain has a two-tiered work force, in which privileged labor gets wage increases as unprivileged labor is thrown out of work. The privileged two-thirds have ironclad permanent contracts" that shield them from the ravages of recession while the non-privileged, generally temporary workers, are dismissed. Rigid labor laws prevent wage reductions, encouraging dismissals instead. Dismissals are costly and companies are hesitant to hire new workers prompting many to seek jobs abroad. During the last decade, Spain's unit labor cost rose 40% relative to German unit labor cost changes making Spanish labor uncompetitive at the current wage scale.

Unemployment for those under 25 is nominally 50%. Spain's current generation is considered the most educated that the country has ever had, yet it faces the greatest rate of unemployment in Europe. Roughly 68% of young people are willing to leave the country to search for a job.

Trying to get Spain out if the highest unemployment rate in the European Union, was proven to be harder than expected.

The bailout for Spain has been estimated to not be enough to restore the economy. There is a serious debt in the country, and substantial cuts would have to be put in place to restore the economy at this point. The recession has been a concern for a while and shows no sign of lifting any time soon as Spain has yet to meet budget cuts and shows no sign of changing. Many youths are trying to leave Spain and find jobs elsewhere, creating a prominent problem for the future economy and job market. Rajoy recently proposed a new budget for 2013 that would be very different and would cut government spending by 8.9%. By April 2013, unemployment had risen to a record of 27% of the active population.

Large scale immigration continued throughout 2008 despite the severe unemployment crisis, but by 2011 the OECD confirmed that the total number of people leaving the country (Spaniards and non-Spaniards) had over taken the number of arrivals. Spain is now a net emigrant country.

II. ECONOMICAL AND GENERAL OVERVIEW OF THE AGRICULTURAL SECTOR

Now we are going to focus our analysis on the agriculture sector. As it has been pointed out by the Agricultural minister, the horticultural production grows satisfactory and related figures are encouraging.

According to the Report of the European Commission for 2012 “Agriculture in the EU, Statistical and Economic information”, the 2012 agricultural year in the EU was characterized by a stable real agricultural income.

Agricultural production:

In Spain, **the Agricultural income increase 2,4% from 2011 to 2012.**

EVOLUTIÓN OF AGRARIAN MACROMAGNITUDES 2008 - 2012
(Current values at basic prices Million Euros)

	2008	2009	2010	2011	2012	
A.- AGRARIAN PRODUCTION	**41.589,3**	**37.945,8**	**40.371,2**	**41.374,6**	**43.151,1**	+4%
VEGETAL PRODUCTION	**25.756,5**	**22.510,0**	**25.028,1**	**24.912,1**	**25.152,1**	-2%
1 Cereals	4.234,7	2.832,5	3.679,6	5.033,2	4.623,7	
2 Industrial plants	875,1	847,9	922,3	1.085,0	903,2	
3 Fodder Plants	742,9	1.920,1	1.971,7	2.053,6	2.248,9	
4 Vegetables	8.088,1	7.493,9	8.055,4	6.642,2	7.300,3	
5 Potato	488,9	404,9	585,8	512,3	521,7	
6 Fruits	7.025,2	6.568,2	6.967,3	6.608,0	6.003,0	
7 Wine	1.020,1	814,5	853,4	1.063,4	1.267,2	
8 Olive oil	2.180,1	1.518,4	1.862,2	1.783,4	2.133,9	
9 Others	1.101,4	109,6	130,4	131,0	150,2	
ANIMAL PRODUCTION	**14.161,6**	**13.911,4**	**13.797,4**	**14.875,3**	**16.362,2**	+15%
Meat and cattle	10.071,7	10.132,1	10.241,5	11.178,3	12.209,1	
1 Bovine	2.196,2	2.269,0	2.325,1	2.334,2	2.510,9	
2 Pig	4.663,3	4.641,9	4.926,8	5.420,4	6.062,8	
3 Equine	78,6	60,1	71,1	73,9	110,3	
4 Sheep	1.036,0	1.065,8	798,4	850,0	810,7	
5 Poultry	1.901,1	1.898,9	1.908,9	2.283,8	2.498,3	
6 Others	196,5	196,4	211,2	216,0	216,1	
Animal Products	4.089,9	3.779,3	3.555,9	3.697,0	4.153,1	
1 Milk	3.004,6	2.482,0	2.401,4	2.506,4	2.571,6	
2 eggs	990,2	1.109,5	939,3	964,0	1.324,3	
3 Others	95,1	187,8	215,2	226,6	257,2	
PRODUCTION of SERVICES	439,0	367,9	389,6	409,9	425,8	

SECUNDARY ACTIVITIES NO AGRARIAN NO SEPARABLES	1.232,2	1.156,5	1.156,1	1.177,3	1.211,0	
B.- INTERMEDIATE CONSUMPTION	**18.741,8**	**16.992,3**	**18.005,1**	**19.972,4**	**21.247,8**	+13,4%
1 Seeds	807,2	768,2	764,0	803,2	844,4	
2 Energy and Lubricants	1.621,5	1.320,6	1.452,5	1.696,5	1.833,5	
3 Fertilizers	1.595,1	1.193,0	1.428,1	1.613,6	1.758,8	
4 Fitosanitary products	760,2	682,8	692,2	704,8	710,8	
5 Veterinary expenses	564,9	575,8	579,5	578,5	587,1	
6 Piensos	9.220,9	8.388,1	8.943,6	10.274,8	11.095,0	
7 Maintenance of material	1.402,0	1.432,6	1.443,2	1.448,9	1.476,5	
8 Building maintenance	474,9	481,2	493,2	511,6	513,5	
9 Agricultural services	439,0	368,0	389,6	410,3	425,8	
10 Financial intermediation services	421,0	469,0	397,0	375,0	352,1	
11 Other goods and services	1.435,1	1.313,0	1.422,2	1.555,2	1.650,3	
C=(A-B) GROSS ADDED VALUE	**22.847,5**	**20.953,5**	**22.366,1**	**21.402,2**	**21.903,3**	-4,1%
D.- DEPRECIATION	4.820,0	4.794,1	4.758,3	4.752,1	4.912,0	
E.- OTHER SUBSIDIES	5.223,8	5.189,3	6.081,1	5.814,2	6.008,9	
F.- OTROS TAXES	219,7	247,7	255,7	269,3	277,7	
G = (C-D+E-F) AGRARIAN INCOME	**23.031,6**	**21.101,0**	**23.433,2**	**22.195,0**	**22.722,5**	-1,3%

Fuente de información: Subdirección General de Estadística. Ministerio de Agricultura, Alimentación y Medio Ambiente

According to these data we can see that during the crisis years (2008-2012) the production has increased 4% meanwhile the Agricultural income suffered a 1% decrease which can be considered very low if we compared to another industries.

If we compare data from last year (2011), the negative figures turned into positive ones , we can see a slight recovery in the added value as well as Agricultural income (+2,4%).

Production increase has remained constant despite the crisis.

Regarding Level of Unemployment:

We will consider data from Andalusia region, due to its important Agricultural area.

We can see below that if we compare with other economic sectors , amount of unemployed persons is lower for the Agricultural sector and it represent 7% of the total in that region.

Fuente de información: Servicio Público de Empleo Estatal

UNEMPLOYMENT REGISTRED IN ANDALOUSIE AUGUST 2013

		TOTAL	LESS THAN 25 YEARS OLD	MORE THAN 25 YEARS OLD
	MALE	510.285	56.207	454.078
	FEMALE	536.198	54.973	481.225
TOTAL SECTORS	**BOTH SEX**	**1.046.483**	**111.180**	**935.303**
	MALE	46.119	5.408	40.711
	FEMALE	28.789	2.532	26.257
AGRICULTURE	**BOTH SEX**	**74.908**	**7.940**	**66.968**
	MALE	51.968	2.905	49.063
	FEMALE	32.748	1.187	31.561
INDUSTRY	**BOTH SEX**	**84.716**	**4.092**	**80.624**
	MALE	148.226	5.512	142.714
	FEMALE	19.873	677	19.196
CONSTRUCTION	**BOTH SEX**	**168.099**	**6.189**	**161.910**
	MALE	225.269	17.071	208.198
	FEMALE	364.500	23.766	340.734
SERVICES	**BOTH SEX**	**589.769**	**40.837**	**548.932**
	MALE	38.703	25.311	13.392
	FEMALE	90.288	26.811	63.477
UNEMPLOYED	**BOTH SEX**	**128.991**	**52.122**	**76.869**

A favorable Trade balance:

According to the Department of Agriculture , the trade balance of the Agrarian and Fishing Sector has continued improving in October 2012 compared with the same month of the previous year. These increase have remained constant during the last three years and in a special way in the last months, going on from-60 million Euros in October 2010 to 144 million Euros in October 2011, and to 491 million Euros in October 2012, a rise of 16% whereas the imports grow only 3 per cent.

SECTION 2 : **INTERNAL AND EXTERNAL REACTIONS**

I. STRONG AGAINST THE CRISIS

Today the economic crisis is affecting the whole Spanish society. But it seems that the agricultural sector is managing to face the crisis better than the rest of activities. The main reasons are its exporting ability and its international dimension. These two aspects make agricultural sector less vulnerable because it does not depend only on the domestic market.

Professionals are working hard to improve profitability and competitiveness. The quality of the product is the most attractive feature that must be developed and promoted.

A. HIGH QUALITY STANDARDS (International regulation like IFS and BRC...)

Food safety continues to be a global concern. Demand for food safety is growing. Consumers and authorities increasingly demand that the food we eat should offer high levels of quality and security. German and French food trade associations, with the assistance of other international retailers, have responded by developing IFS (the International Food Standard). The aim of the standard is to focus the various requirements of retailers on one standard. . If a problem occurs, the source of error needs to be found quickly and the problem rectified. Demands are typically directed to the retail trade first, but responsibility now spreads through the entire food chain to include food producers, primary producers and transporters.

Benefits of the standard include enhanced transparency along the food chain and a reduced number of customer audits resulting in cost savings. Certification to IFS by an independent third-party helps suppliers demonstrate to retailers that their product safety, quality and legal obligations are fulfilled.

The structure of IFS corresponds to ISO 9001, but with a focus on food safety, HACCP, hygiene, the manufacturing process and business surroundings.

BRC's Global Standard for Food Safety: Developed by the BRC (the British Retail Consortium, a UK trade organization that represents the interests of the UK retailers), the BRC's Global Standard for Food Safety, was created to establish a standard for the supply of food products and to act as key piece of evidence for UK retailers. The standard is being adopted by food suppliers throughout the world and especially for those organizations supplying British retailers. Certification to the standard helps manufacturers, brand owners and retailers fulfill their legal obligations whilst ultimately safeguarding the consumer.

ISO 22000 - Food Safety Management System Standard: The International Organization for Standardization (ISO) has developed the ISO 22000 Food Safety Management Systems Standard. Officially called ISO 22000, Food safety management systems - Requirements for any organization in the food chain, ISO 22000 is an international standard and defines the requirements of a food safety management system covering all organizations in the food chain

HACCP: Hazard Analysis Critical Control Points (HACCP) is the main platform for international legislation and good manufacturing practices for all sectors of the food industry. HACCP also forms a key component of many certified compliance standards and is recognized as a main element of international trade in food products. HACCP is relevant to all sectors of the food industry, including primary producers, manufacturers, processors and food service operators who want to demonstrate their compliance with national or international food safety legislation requirements.

All these regulations will allow producers to shows their commitment to producing safe food, increases customers product safety and quality confidence   enhances food safety management system and ability to supply retailers through internationally recognized product assurance. For example concerning BRC it will achieves recognition and acceptance from the UK retailer community

Being certified to IFS or another regulation can raise company’s reputation, brand and image.

It is very important to implement in the companies the culture of the quality. It is more and more necessary to create in the firms, specific quality department with qualified employees who will optimize the quality management as a "must" in the food delivery channel.

Quality will play an important role in order to be more competitive against countries like Egypt, Morocco, and Turkey.

Currently in Spain there are about 1800 companies certified in IFS and 1300 in BRC. These figures are expected to grow faster due to the new market requirements and strong competitiveness.

B. EXPORT VOCATION

Food and agriculture sector is powerful in Spain. Companies are developing significant export ability.

Last summer the minister put the accent on the good economic results despite the crisis effect, thanks to exports. The efficient job of the professionals and a high level of exportation place the country in the 8th position in the export ranking. Sales amount to more than 86 Million Euros and 36 Million for export which represent 12.6% of the whole Spanish export, allowing a slight recovery of the trade balance (6000 million euros surplus).

It is very important to promote export and encourage the professional to keep developing their export vocation.

The Government, according to Arias Cañete, is stimulating mechanisms to promote the economic profitability of the farms like the improvement of the food chain and the integration of agricultural cooperatives. Another important objective for his department is to stimulate the strategic lines for the internationalization of the food-processing sector increasing the exports and supporting the distribution of our products in some "less exploited" markets.

As a community member, the priority of the Government is going to be working in the new CAP reform, adapting the new directives to our agro business diversity in a flexible way.

C. LOCAL AND PRACTICAL APPROACH

In order to illustrate the current situation of the agricultural sector we are going to realize a SWOT analyze of a local company located in Almeria: FRUTAS HORTISOL SL. The corporate purpose of this company is the purchase and sale of agricultural products as an intermediary. The main objective is to deliver the best product (quality/price) to their customers. The most important customers are supermarket chains from France and Germany. Purchase programs are defined on a weekly base.

Description of the company: **FRUTAS HORTISOL SL** has been created in 1997 by a former tomatoes producer. Today the company has a portfolio of clients from Spain, France, Germany, Holland, Poland, and Russia principally. The main goal is to satisfy demands of fruits and vegetables from each client, taking in account price and quality. The most important part of purchase is from Spain (Almeria and Murcia), but in summer purchases are done in Holland and Portugal basically.

The workforce is composed of the General Manager, 9 sales representatives and 2 administrative assistants.

Turnover: In 2011/2012, sales amount to 60 Million kilos of fruits and vegetables that is to say about 1.8 M€ (commissions)

In 2012/2013: sales amount to 62 Million Kilos, 1.9 M€

The SWOT analysis is going to give us an internal and external approach of the business focused on the strength/ weaknesses, and opportunities / threats. Thus, we will identify the organization´s current mission, goals and strategies within the crisis.

STRENGTHS:

- The company is present in all International fairs (fruit attraction in Madrid, fruit logistics in Berlin , World food in Moscow) according to the manager this is the most important tool they have to meet new clients face to face and establish relationships.

- The word-mouth: clients and potentials client exchange opinions. The company is well known in the sector due to its experience and business development.

- Experience: High level of market knowledge. They know exactly which kinds of products are consumed in each country and market segment.

- The company is financially and professionally consolidated (payment terms to suppliers 30 days, from clients: 45 days average but due to the crisis some delays can be observed). About 80 % of debts are covered by an insurance company.

- Quality guarantee: the company has the ISO certification 9001

- Offices are open space in order to facilitate communication and make it more effective between all employees.

- There is no real segmentation of job and the senior employees are able to do every kind of job if necessary.

- The success of the company is due to the leadership of the manager, professionalism, persistence and seriousness.

- Dynamic and proactive team (experienced, flexible and young staff)

- Very good relationship between clients and employees

- The company is located in the production place, proximity to suppliers is an important advantage: optimal control of the goods and quick access

- Large portfolio of customers and suppliers which allow the company to overcome its objectives.

- High satisfaction of growers and suppliers and consequent loyalties

WEAKNESSES:

- The general manager only speaks Spanish.

- A lot of information has to be processed manually so the probability of mistake is high. New software is being installed in order to optimize data control.

- The internet tool and website: Regarding new clients the company is less visible than the rivals, so opportunities can be lose in favor of the competitors.

- During the high season (from November to April) employees must be fully dedicated to their job (no work calendar), this situation can create tension and stress in the staff.

OPPORTUNITIES:

- The manager is a visionary and enjoys his job: high capacity to adapt to the market changes (new demand, new organization...)

- Everyone share the company core values. Motivation and involvement are the main purposes.

-Use of on line tools (for example: Google analytics) to offer products and services. As well as efficient tools like tablets for sales representative (photos, data processing)

-Possibility to hire qualified persons: due to the crisis circumstances and high level of unemployment (27%), 35% in Andalusia, we can say that companies have more possibilities to find human capital for a minor cost.

- Vertical integration strategy: Improve cost effectiveness thanks to diversification: purchasing directly from the greenhouses to the client, producing their own vegetables, giving logistic support through their own transport agency (backward and forward integration).

- Demand increase for ecological product: possibility to create a own brand or line for green products.

THREATS:

-Business model easy to imitate.

- Any change in the CAP could be prejudicial for the trade exchange and so for the company

- Increase in price of fuel can raise the price of the product for the final consumer.

-If we compare with another country like Holland, Spain is not competitive enough, for example the productivity for tomato is 7.66 kilos/m2 in Spain vs. 47,88 kilos/m2 in Holland. If the production cost increase it is very risky for the company.

- Delay in payment is a latent problem, the crisis makes it worse.

- Predominance of Idea that intermediary raises the price with unfair commissions…

- Trend to eliminate intermediary... Direct sale is more and more used from the cooperative to the client in order to reduce the value of goods. Cooperatives expand their services for customers and operate with their own commercial agents.

Conclusions:

We can observe that the key factor of this company is conquering new markets, as well as a significant adaptability to market changes in a professional way. The manager is a visionary; this is a very important advantage in order to be a first mover. As a result of the crisis the company has noticed a decrease of the domestic demand, a rise of transport costs due to fuel increase. Some payment delays have been registered, consequently the provision for bad debtors has augmented. In order to have the situation under control, an administrative assistant is in charge to call the clients every day to collect as more debts as possible. But as compensation, the company has strong and powerful customers in France, Germany, Poland, Russia, which allow it to maintain profitability and turnover growth. According to the manager “Innovate” is the key to success.

In appear clearly that the general idea is that companies must innovate and adapt their products or services to the constant evolution of the market. Moreover in a crisis context, to maintain competitiveness and leadership it is essential to find new customers, new lines, be international and we cannot forget that the quality of the product will really make the difference.

II. INTERNATIONALIZATION OF THE AGRICULTURAL SECTOR

Internationalization is a process of increasing involvement of enterprises in international markets. This is the purpose of many companies of this sector. Internationalization can be only an exchange of goods or a physical establishment in the destination market.

Spanish fruits and vegetables have an extraordinary international dimension, not only in the Europe Union, also takes part in other markets like American, Asian, Russian, the Unit Arabs Emirate…. The export capacity of our horticultural sector is very broad and diverse, due to the fact that our sector has strictly fulfilled two significant aspects: the quality and food safety. Fortunately, the industry has been gradually including during the last decades several aspects such as research and development, logistics, human resources, effective talent management…

We notice significant progress in all this aspect but maybe not enough in communication, marketing and promotion.

In order to be more competitive it is very important to release and point out the quality and virtues of our products; it is also important to build professional and dynamic teams with talented persons. So in order to maximize profitability and job management, it is important to focus on the Human resources and communication.

A. BETTER FORMATION / INFORMATION

Companies need more and more qualified persons with high knowledge in languages, quality regulations or food security.

One of the main objectives must be to promote and to stimulate the personal growth of the workers, stimulating them and encouraging them to be creative and to take part directly and indirectly in the positive evolution of the companies.

Training plans must be put in place and the use of tools like Balance Score Card will help to support staff development.

The formation / information are the perfect binomial to be able to manage effectively any food-processing company. In spite of the crisis, the 'power' of the information is vital in the food-processing world where so many decisions have to be taken every day. From a managerial perspective, we can say that it is necessary in any managerial equipment to hire persons with a high degree of formation, as well as to bet for having effective departments of communication that allow an ideal commercial positioning in the international markets.

So the sector of the fruits and vegetables has to face many challenges, one of them is the unit of the offer, but it is not the only one. The disloyal competition of third countries is a serious threat, since countries like Morocco or Egypt, enter with total freedom and without any type of controls on the markets of the whole world, without paying National Health Service, the wages are negligible and the cost of the water is zero, we realize that it is very difficult to compete with these countries. We understand that, the only way of being able to face them on the market is across the QUALITY of our fruits and vegetable.

B. NEW MARKETS ENTRIES

In order to face the economic crisis, it is necessary to develop and reinforce the internationalization process. The main reasons which motivate the internationalization are:

- need to grow

- diversify the risk (if problem in the domestic market)
- Stretch out the life cycle of goods
- satisfy new demand
- be more competitive , improve the brand and image

Nevertheless firms could find different kinds of obstacles:

- financial (credit, exchange rate..)

-Commercial (lack of information, lack of awareness of the new market, lack of economic or human means..)

- Logistic (distance)

- Cultural and linguistic

- Local regulations, policies….

The main destination is EU-27 for fresh products (90%), meat (78%), fish (69%) and wine (61%). Outside EU-27 the principal destination are as follows:

Principal sector	Destination no EU for export > 20 M€
Fruits and vegetables	Russia, Suiza, Noruega, EEUU, Brasil, Argelia, Marruecos
Fish and conserves	Japón, China, Hong Kong, Ecuador, Seychelles, Tailandia, Mauricio,EEUU, Rusia, Costa de Marfil
Meat	Rusia, Japón, Hong Kong, Andorra, Corea del Sur, Benín, China
Olive oil	EEUU, Australia, Japón, Brasil, Rusia, China, México
Wine	EEUU, Suiza, Canadá, Japón, Rusia, China, México, Noruega

C. INTERNATIONAL MARKETING STRATEGY

We can observe a deficiency in this area. A lot of companies don´t have their own Marketing and communication department, companies use to contract external agencies and as a consequence campaigns are still an “extraordinary” tool, instead of usual.

Recently, professionals from the sector were claiming a strategy of international marketing to promote the internationalization of our fruits and vegetables.

They ask for quality and promotion campaigns based on the brand “España".

The following actions are demanded:

- Provide meeting points for the principal European Chains
- Support commercial inverse mission (from abroad to Spain: visiting producers, plants...)
- Promote Spanish products abroad
- Be present in International fairs
- Support websites; develop ecommerce platforms and on-line sales.
- Drive commercial agreement to open new markets

It is fundamental to carry out actions like this, which allow a better positioning in the international markets. This kind of actions will permit consumers to have a more extensive knowledge of the advantages of our products.

III. EXTERNAL POLICIES

The range of measures adopted by the EU (subsidies, trade barriers, tariff...) could be considered as a palliative to the crisis because they are complementary incomes for growers and contribute to the development of rural areas. These measures allow mitigating the effects of the crisis.

A. The Common Agricultural Policy

The Common Agricultural Policy (CAP) is the agricultural policy of the European Union. Its main objectives are to ensure fair standard of living farmers, provide a stable and safe food supply at affordable prices for consumers and a balanced development of rural areas throughout the EU.

The CAP's budget is spent in 3 different ways:

Income support for farmers – who receive direct payments, provided they live up to strict standards for food safety, environmental protection and animal health and welfare. These payments are fully financed by the EU, and account for 70% of the CAP budget.

Rural development – measures to help farmers modernize their farms and become more competitive while protecting the environment, and to keep rural communities thriving. These payments are part financed by the member countries, and account for some 20% of the CAP's budget.

Market support – for example, when bad weather destabilizes markets… These payments account for less than 10% of the CAP budget.

The 2003 reform has introduced the Single Payment Scheme (SPS) or as it is known as well the Single Farm Payment (SFP).

Each country can choose if the payment will be established at the farm level or at the regional level. Farmers receiving the SFP have the flexibility to produce any commodity on their land except fruit, vegetables and table potatoes. In addition, they are obliged to keep their land in good agricultural and environmental condition (cross-compliance).[23] Farmers have to respect environmental, food safety, phytosanitary and animal welfare standards. This is a penalty measure, if farmers do not respect these standards, their payment will be reduced.

CAP is an integrated system of measures which works by maintaining commodity price levels within the EU and by subsidizing production.

- Import levies are applied to specified goods imported into the EU.

- Import quotas are used as a means of restricting the amount of food being imported into the EU.

- Direct subsidies are paid to farmers.

- Production quotas and 'set-aside' payments were introduced in an effort to prevent overproduction of some foods.

The CAP also aims to promote legislative harmonization within the Community. Differing laws in member countries can create problems for anyone seeking to trade between countries.

B. NEW CAP

The European Parliament, the EU Council of Ministers and the European Commission have reached an agreement on reforming the common agricultural policy (CAP) post 2013.

"I am delighted with this agreement which gives the Common Agricultural Policy a new direction, taking better account of society's expectations as expressed during the public debate in spring 2010. This agreement will lead to far-reaching changes: making direct payments fairer and greener, strengthening the position of farmers within the food production chain and making the CAP more efficient and more transparent. These decisions represent the EU's strong response to the challenges of food safety, climate change, growth and jobs in rural areas. The CAP will play a key part in achieving the overall objective of promoting smart, sustainable and inclusive growth", said Dacian Cioloş, European Commissioner for Agriculture and Rural Development.

Agriculture is changing rapidly due to globalization and technological innovation. The reform of the Common Agricultural Policy (CAP) will take place by 2013 in order to be in place as from 1st January 2014.

This reform aims to prepare European farmers for the challenges of increasingly open markets and international competition, so that they can continue to feed Europe and the world.

One of the CAP's aims is to keep effective competition on the markets for agricultural products to ensure reasonable food prices for consumers. The European Commission's competition department works to ensure that all legislative proposals contribute to making agricultural markets more competitive, and will not have anti-competitive effects that could harm market operators and ultimately, consumers.

The Competition department also enforces the competition rules that prohibit restrictive agreements and abusive conduct by dominant companies on agricultural markets, in parallel with national competition authorities. The Commission has also adopted a number of merger decisions relating to mergers in the agricultural sector.

<u>This new CAP aims to be fairer:</u>

- Optimize the distribution of the CAP budget
- Young farmers will be strongly encouraged to set up business
- Additional aids to less-favored areas

<u>A CAP which enhances the position of farmers in the food production chain</u>

- Professional and inter professional organizations will be promoted

<u>A greener CAP:</u> rural development programs and Agro-environmental measures will be stepped up to complement greening practices.

<u>A more efficient and transparent CAP:</u> Details of all CAP aid will be made public; the amount of funding to support research, innovation and knowledge-sharing will be doubled.

C. GOVERNEMENTAL MEASURES AGAINST THE CRISIS

There are several kinds of measures that could be taken by the government to protect domestic economy from competitors or another kind of threatens.

Import duties: decrease importation on the benefit of the domestic production

Customs formality, quotas, licenses, phytosanitary regulations… aim at controlling and managing international trade exchange.

Fiscal regulations: allow companies to save money and motivate investment (like free depreciation for example).

Subsidies: stimulate and encourage the production as well as specific activities like R&D.

According to the current crisis government has been pushed by the EU to cut government spending, the Spanish government has begun implementing austerity measures to slow the increase in the government deficit. For example, it has announced that it was cutting a monthly subsidy for the long-term unemployed. Spain also cut public wages by 5 percent, froze salaries and pensions in 2011, cut a government benefit for new mothers, and raised the retirement age from 65 to 67.

D. COORDINATION BETWEEN ORGANISMS AND INSTITUTIONS

Chambers of commerce, ICEX and other local organisms gives information and patterns to expand businesses abroad or indication about subsidies or other kind of allowances.

Some administrative barriers must be eliminated in order to facilitate the private initiative. The duplicity of tasks or the excessive and slow bureaucracy, discourage the professionals of the sector and cause inefficiency. It should be also necessary to standardize criteria and protocols of actions in order to make it easier for the applicants. A major coordination between the different administrations involved is required. It is true that Internet facilitates processes and doings but some people prefer a direct contact and personal treatment.

Regarding promotions campaigns, quality policies, the collaboration and coordination between official organisms is needed. Policies of quality and promotion must be based on the brand "España" as a common identification.

Differing laws in member countries can create problems for anyone seeking to trade between countries. Examples are regulations on permitted preservatives or food coloring, labeling regulations…. The processes of removing all hidden legislative barriers to trade still need to be completed.

From a company’s point of view, a concentration of the offer seems to be a good alternative but a difficult mission. There have been some intends but without success. Taking into account the globalization process which characterizes the commercialization of fruits and vegetable, the concentration of the offer is a necessity to reduce production and logistic cost and consequently be more competitive. It is very important for actors to work all together in a same direction and to have the same objectives, to be able to defend efficiently their products, to be strong against competitors.

IV. TRENDS AND PERSPECTIVES

Back to agriculture: As an example, the city of El Ejido has given approval for installation of greenhouses in areas previously authorized for urban developments. This reverses the trend established in the years of the housing bubble, in which agricultural areas inexorably lost their ground against the voracity construction. At that moment, the great value of land for construction imposed to vegetable growing unassumable opportunity costs and pressure for the conversion of agricultural land into building land, especially in coastal areas of touristic expectation, was terribly strong.

With the housing bubble burst and construction activity reduced to a minimum, the income generating capacity of these areas is reduced to zero. Whereupon the resolution of the municipality of El Ejido – at the heart of Spanish Almeria, the largest area under greenhouse vegetable crop in the world - returns to farming areas that would otherwise be unable to generate any income.

Spain still remains in a difficult financial and economic position. However, the Spanish government and the EU are working hard to ensure its recovery and stability. The food is one of the most important industries of Spain and the exportation continue having, in spite of the recession, good results, but all the companies must make great efforts to offer goods and services with the best guaranties of quality which mean be certified in international systems above mentioned like IFS and BRC . Organizations must be well structured and moderns in order to be strong, competitive and capable to cross borders. Such processes are in addition a good way of escape for professionals of the sector (formation, new position...)

Nevertheless it is essential that government do its best to promote the brand "España" and give a large support to the private initiative.

According to the agricultural minister , Arias Cañete, the Government, , is stimulating mechanisms to promote the economic profitability of the agricultural areas, like the improvement of the position of agrarian cooperative and farming in the food chain. Another objective of the department is to stimulate the strategic lines for the internationalization of the sector, that is to say increasing the exports and improving the distribution of our products in less exploited markets.

A big limitation for the national government is that they can´t take own decisions and act independently. The biggest part of decision and actions must be approved by European Commission or in line with European regulations. For that reason it is important that Spain maintains a strong position in the Europe Union and defend its own interest.

We can expect three notable direction of the rural development:

- To a smart growth: Supporting innovation and skills, green technologies and research
- To a sustainable growth: Increasing resource efficiency to maintain the food, feed and renewables production base and provide environmental public goods.
- To inclusive growth by unlocking local potential, diversifying rural economies and developing local markets and jobs.

Regarding the economical actors (cooperatives, companies...) we can notice a principal direction:

- “larger” entities through association, join venture. The “family business “is disappearing and crops become more and more specific and industrial.

The Spanish government not only adopted a royal decree that regulates the food chains but also a royal decree that encourage cooperatives and other agricultural and horticultural organizations to merge.

Dutch trade organizations were the model for the Spanish overhead to take steps. Where three Dutch trade organizations had total sales of 22 billion Euro, 4,000 Spanish cooperatives (with over 1.2 million members) had a total turnover of only 19 billion Euro. The largest Spanish cooperative has a turnover of 1.0 billion Euros, while the largest European cooperation would generate 9.5 billion Euro.

According to the Spanish government Spanish cooperatives will be better supported with this new legislation and are enabled to be more competitive in economic and commercial dimension and can also strengthen their position internationally. According to the government the fragmented Spanish sector causes that even the best structured cooperatives are not profitable. Therefore they call for vertical and horizontal integration of cooperatives at national level and better adapting to Spanish and export markets. Not only the farmers, but also the related industries should take advantage in the rural areas.

Thus, the fundamental question for the future of Spanish agro business sector is to develop ability for innovation, profitability and return on investments, maximizing quality of products and services. Professionals must be open minded and understand what external markets are demanding. On the other hand government must support them in a pragmatic, economically and politically feasible manner. This collaboration is essential to build up a strong and powerful sector.

CONCLUSION

To enhance the strength of the agrarian sector, it is important to increase economic incomes in order to motivate younger people to join it.

But first of all, people must recover confidence and self-esteem. Spain is irrefutably a global agribusiness power but the crisis has damaged the general image of the country.

The current restructuration and recapitalization of the banking system should improve financial system stability which is needed to restore confidence and boost the economy.

It is also very important to spread abroad the image of a strong country with high production level, food safety and professionalism. These 3 factors will make the different and put Spain in a leader position compare with its major competitors (Turkey, Holland, Morocco).

To my opinion the tendency to have larger gathered organizations could be risky because this kind of organization need to sale high volume of products which only can be supported by supermarket chains. These chains impose prices, consumption habits, quality standards, packaging… which suppose profitability loss due to the tight margin and low power of negotiation.

Regarding small organizations in order to be competitive they should focus on special line of product like organic, certificate of origin…

And in order to compensate the domestic demand slowdown, the key is to be international, innovate and find new markets.

The topic of this report is very large; my aim has been more descriptive than analytical. In order to be more precise and pragmatic, it should have been interesting and necessary to carry on a survey to collect motivations, criticisms and also worries and expectations from various companies and institutions. It is difficult from a “theoretical” approach to define clear tendencies and viewpoints. Nevertheless I think that to draw up clear positions, the first step is to understand the economic situation as well as the legal and political framework as a mandatory guideline.

What I can assert is that professionals must look at the future with optimism. I think that we are now in the last lap of the crisis and companies are aware of the new exigency of international markets which is basically to obtain products of higher quality.

This increase of the quality cannot be realized without a strong incorporation of technology from the starting point (variety selection) up to the whole industrial processing as well as the commercialization of goods. For these reasons it is essential to develop the global concept of quality. To work in that direction, communication and coordination between all the actors of the food chain are very important to create a real competitive advantage which allows them to erase the crisis effects efficiently.

El Ejido, “the plastic sea”

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