

ECONOMIC IMPACT ASSESSMENT CAUSED BY THE WITHDRAWAL OF ACTIVE SUBSTANCES ON KEY CPOPS IN PORTUGAL



EXECUTIVE SUMMARY

Green Deal targets can generate annual losses of 330 M€ of Agricultural Income in Portugal. The European Farm to Fork Strategy can seriously transform our Rural World.

A study conducted by AGRO. GES, an independent consultor, presents an extremely worrying scenario about the future of Portuguese Agriculture:

- 7% of all national agricultural revenue at risk;
- Losses of about 8% (200M€) in exports, at least;
- Corn for grain and Tomato for processing may lose economic viability;
- Land abandonment and more than 900 agricultural jobs at risk;
- Serious damage to important areas of the territory, with consequent social impact;
- Increased dependence on other countries and increased food insecurity.

INTRODUCTION

ANIPLA – Portuguese Crop Protection Association presents the conclusions of a study carried out by AGRO.GES on the Economic Impact of Withdrawal of a set of more than 80 active substances of Plant Protection in Portugal.

At the origin of the study is the intention assumed by the European Union in the framework of the Farm to Fork strategy, presented in the European Commission's Green Deal, to reduce the pesticides risk by 50% by the year 2030.

This political decision may, however, have strong impacts on the economy and the future of several agri-food European chain.



Concerned about the economic impact of such a measure in Portugal, ANIPLA asked AGRO.GES for a study to assess what will be the economic repercussions of this strategy in five key crops, considering only the mainland territory:

- Grapes for wine
- Olives for oil
- Pear Rocha
- Maize for grain
- Tomato for processing industry.

METHODOLOGY

The study covered several regions and different methods of production, of the selected crops. As a result of this analysis, 13 case studies were created, considered representative of each of the crops in their different production approaches. For each case study was defined a specific production technology, a phytosanitary protocol, and a crop account, allowing to estimate the economic results of the current situation.

A scenario of “arrival” for each of the case study was then created, where production technicians specialized in each crop and regions were consulted to define what would be the phytosanitary strategy, using only products that are not considered to be at risk of withdrawn. The productivity and price (quality production) implications were also considered.

RESULTS

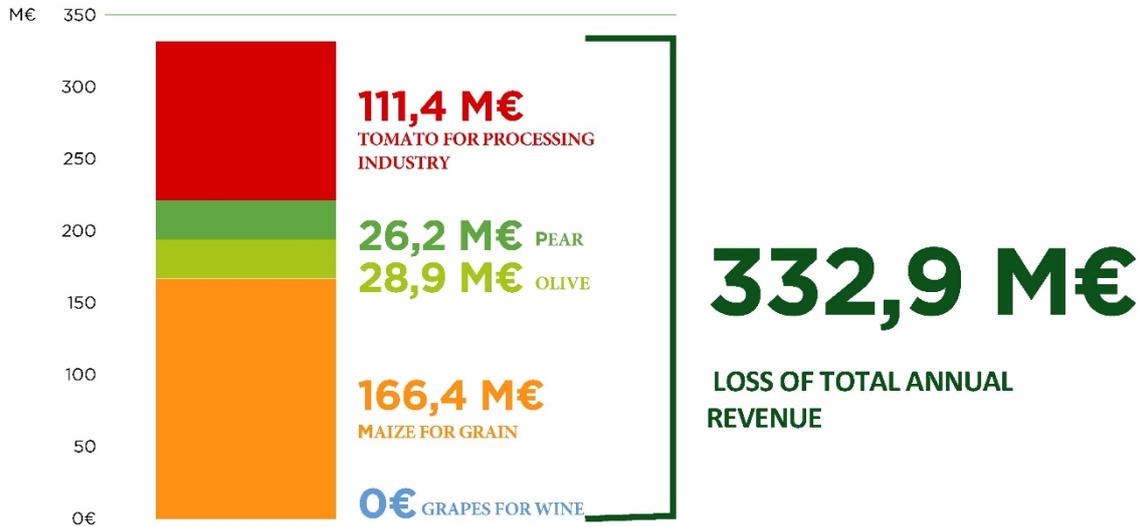
The work allows to estimate particularly important losses in all crops in analysis. Maize for grain and tomato for processing industry will lose economic viability, so shall be abandoned, while in the other crops relevant economic impacts are estimated.

The estimated value for gross profit (GP) loss is about 257 million euros per year.

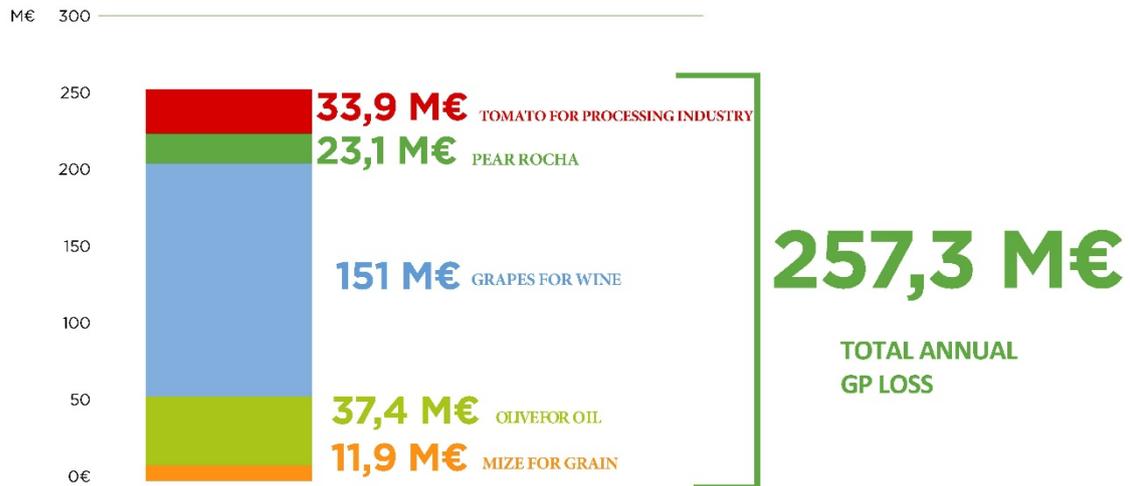
Considering only the revenue lost in these five crops, estimates point to an annual loss of around 332 million euros. These values represent losses of 9% of the Gross Value Added (GVA) of agriculture in 2020 and 7% of the total income generated by plant production in the same year, respectively.



LOSS OF ANNUAL REVENUE BY CULTURE AND TOTAL

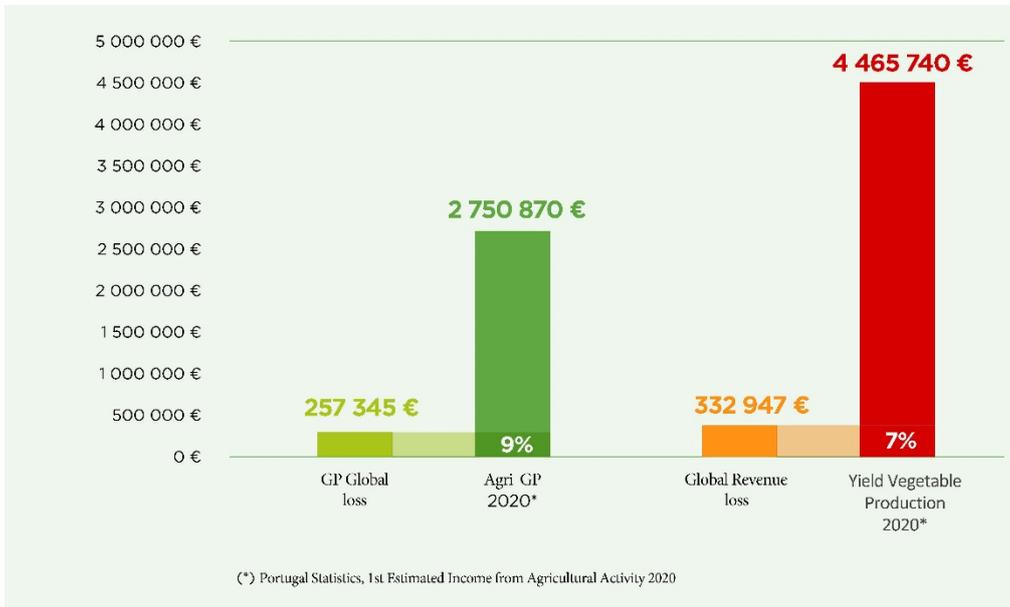


ANNUAL GP LOSS BY CULTURE AND TOTAL

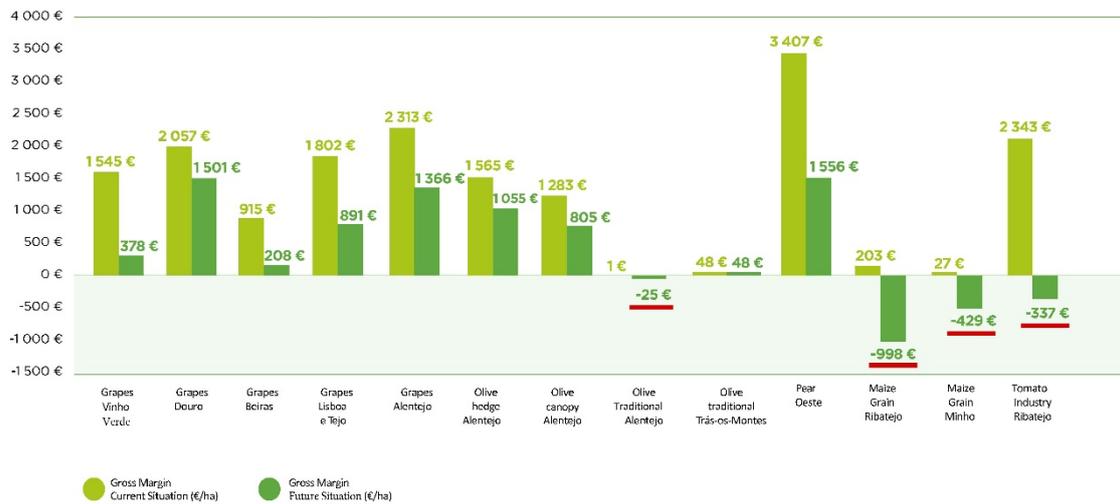




COMPARISON OF GP LOSSES AND GLOBAL REVENUE IN NATIONAL VALUES

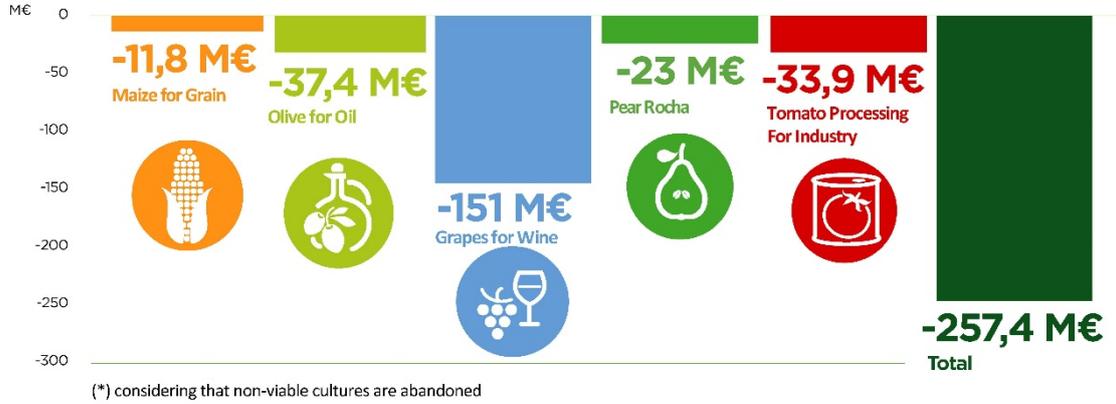


COMPARISON OF THE IMPACT IN GP FOR THE VARIOUS CASE STUDIES IN €/HA



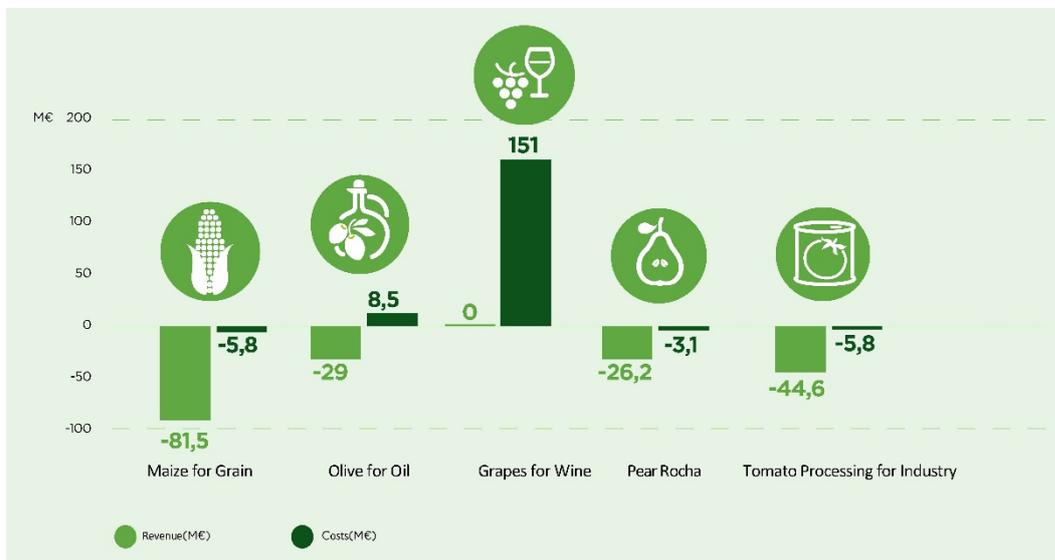


SCENARIO OF VARIATION OF GP, IN NATIONAL TERMS, FOR THE VARIOUS CROPS (*)



It should be noted that the economic impact of 257 M € loss in GP results from the sum of the three crops that remain in production, grapes, olives, and pear, and, in addition from the total gross profit currently generated by the two crops that are no longer viable, and therefore cease to exist.

SCENARIO OF VARIATION OF REVENUES AND COSTS, IN NATIONAL TERMS, FOR THE 5 CROPS (*)



* assuming that crop producers who lose economic viability maintain their production, there is a combined effect through revenue losses and increased costs.



It should be noted that, in the Pear, maize and tomato crops, a cost reduction is estimated. This result is not due to the reduction of the costs of applying crop protection products, but rather due to the lack of alternatives to those that are withdrawn, resulting in significant losses in production.

Particularly in the case of vineyards for wine production, losses occur not by loss of productivity, since that there are alternative products for crop protection that are not considered at risk of withdrawal market, but because of the extremely high costs of this alternatives. The alternatives costs and, in some cases, the increase in application needs, is thus responsible for the increase in costs and drop in profitability.

As for olives, the effect is clearly different between modern olive orchards, irrigated and exploited in hedges or canopies, and the traditional ones, more robust and less productive, if in the case of the latter the impact is zero (or reduced) in the case of modern olive orchards the impact is both by increasing operating costs and by reducing the quantity and value of production.

In short, from the five studied crops, it can be concluded that, if the active substances considered at risk were removed, today, the two annual crops, maize, and tomato for industry, would probably disappear and the three crops based on permanent crops would remain viable, but with significant losses.

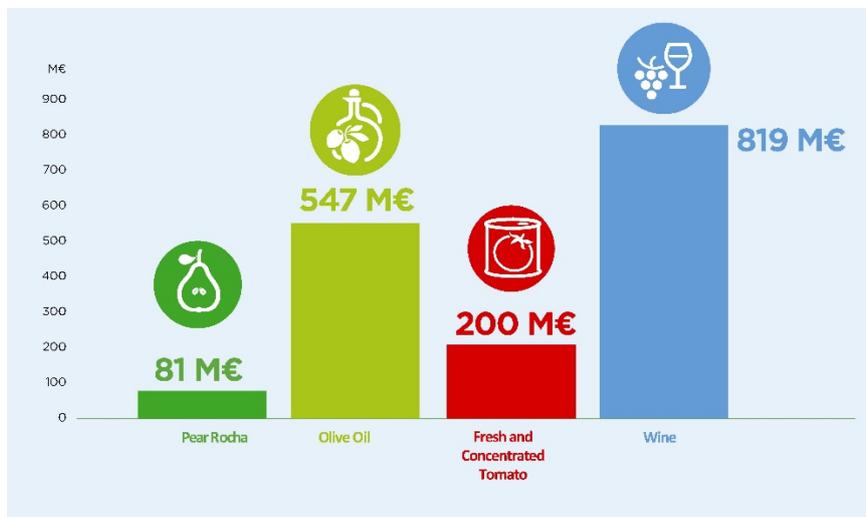
The national agricultural economy loses considerable value in areas that are clearly important for the trade balance, creating a greater dependence on external food supply. On the other hand, desertification of the territory with the agriculture abandonment, constitutes a social and environmental threat in the face of the climate and forest fires challenges.

Another important impact will be on food security level, due to less autonomy of national production and consequent dependence on third parties to supply us with food, we will be even further away from self-sufficiency.

Considering the devastating effect on maize and tomato, it can be assumed that in the case of tomato, the export value generated from products based on this crop would be totally lost, accounting for about 200 million euros.



EXPORTS VALUES OF PRODUCTS ORIGINATED FROM STUDY TARGET CULTURES



The work done, with factual data, is essential to understand and to establish the strategy as a response to expected economic difficulties for these approximately 652 thousand hectares currently occupied with three crops that generate wealth, employment, and food.

CONCLUSIONS

From the analysis of the study results, it is concluded that Portuguese agriculture faces a serious competitiveness threat and, consequently, a significant impact both at the economic and social levels, and even at the environmental level due to the exponential risk of abandoning agricultural activity.

Isolated, or in various combinations, the active substances in question present themselves on the market in many plant protection products authorized to protect the crops under analysis. Their withdrawal will lead to a low, or practically null, level of control of several phytosanitary problems, due to the absence of available solutions that constitutes this scenario.

In general, the impact of the withdrawal of these active substances compromises the viability of some of the target crops.

It should also be noted that the present study does not assess the downstream impact on the agri-food industry or the price level to the consumer, does not assess the impact of climate change, nor of new pests and diseases, but easily it is understood that the impacts would be extremely significant.



ANIPLA POSITION

Europe has some of the most stringent authorization procedures in the world for crop protection products, which makes it possible to provide food with high standard of safety and quality. Good agricultural practices, such as IPM, remind us how it is possible to ensure the safe food supply and the ecosystems preservation and regulation. Science, research, and technological innovation evolve strikes every day in providing sustainable and environmentally responsible alternatives.

It is easy to understand from the work carried out, whose results are presented, that Green Deal strategies presented by the European Commission should consider studies like this one, in regarding the establishment of goals, to mitigate irreversible risks, with a direct impact on production and food prices, that compromise its accessibility, contribute to social imbalances and to the increase of hunger in the world.

We recognize the society concerns and the Commission's will, and we are available to dialogue on additional good practices measures that allow a reduction in the crop protection products use, without compromising production - with a realistic goal, based on data and scientific criteria. The search for more and better solutions by the Industry (ex: biopesticides, biotechnology and precision agriculture), safeguarding the response and adaptation to the growing environmental, human, and animal safety requirements, are clear in the latest State of the Environment Report, which reveals a significant trend towards a reduction in the crop protection products use. It should be noted that, between 2007 and 2017, for example, the CPP sales per unit of Agricultural Area in Portugal registered a decrease of 49% to a value of 2.3 kg per hectare, without compromising the quantity, quality, or price of food.

This reduction resulted, to a great extent, from the scientific evolution promoted by the CP Industry towards the reduction of the amounts of active substances necessary to achieve the same effect. This is the path that the industry will continue to take and for that it is essential to make the necessary time available, so that serious phytosanitary problems do not arise.

The growing consumption of consumers is part of farmers concerns, which optimize their production methods every day, so as not to overload the soil. For this reason, we understand that political approaches must be ambitious and coherent, but above all, facilitating. They must guarantee the climate change mitigation and the biodiversity improvement, while ensuring the European agriculture viability and a resilient safe and sustainable food supply for all. These are not mutually exclusive goals and can be achieved with a balanced and science-based approach. Which means that the work of science, together with a collective dialogue in favor of mitigating climate change, are the key to achieving objectives that support the environmental preservation.



Speak about sustainable agriculture means having the ability to look at the whole and not just for the part. We cannot speak about biodiversity without understanding agriculture as a promoter of that same purpose. It is necessary to optimize tools, encourage and support producers, invest in training, and develop alternatives to protect and promote biodiversity and, for this, ANIPLA defends that innovation must be an essential part of the solution. Preserving cannot and should not mean eliminating what helps us to defend and save crops, particularly when we are witnessing an increase in the severity of new pests, diseases and weeds that threaten Portuguese agriculture and public health itself, many of them resulting from the climate changes and globalization.

Imposing unrealistic targets on national producers, that do not consider the specificities of each Member State (“one size fits all” in the EU) is threatening our daily diet, as well as the safety of what we eat. Imposing goals that exclude from the beginning, the rigorous role of science is to send Portuguese agriculture and all citizens an invoice that we will never be able to pay.

The demands on agriculture, placed through the European strategies of the Green Deal, will have a direct effect on Society and all consumers. The current reality with the challenges we find ourselves facing, from the climate change (Portugal is one of the most vulnerable countries), to health and social issues, have a direct impact on our day-by-day life. Now more than ever, the farmers activity’s importance is clear, one, that in uncertain times, gives us the tranquility of knowing that the availability of safe and affordable food is guaranteed. However, with the current threats to agricultural production - poorly founded demands of EU strategies, new pests and diseases emerging in our crops, the lack of phytosanitary solutions (which helps to produce more and better) - it is most likely that agriculture will weaken, food will become scarce, prices will rise, land will be abandoned, deserting the rural world, giving away tranquility to serious and profound concerns.

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