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Impact of Economic and Political Drivers on Grassland Use in the EU

The Future of Grassland

Global Forum for Food and Agriculture (GFFA)
International Green Week, Berlin

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Content

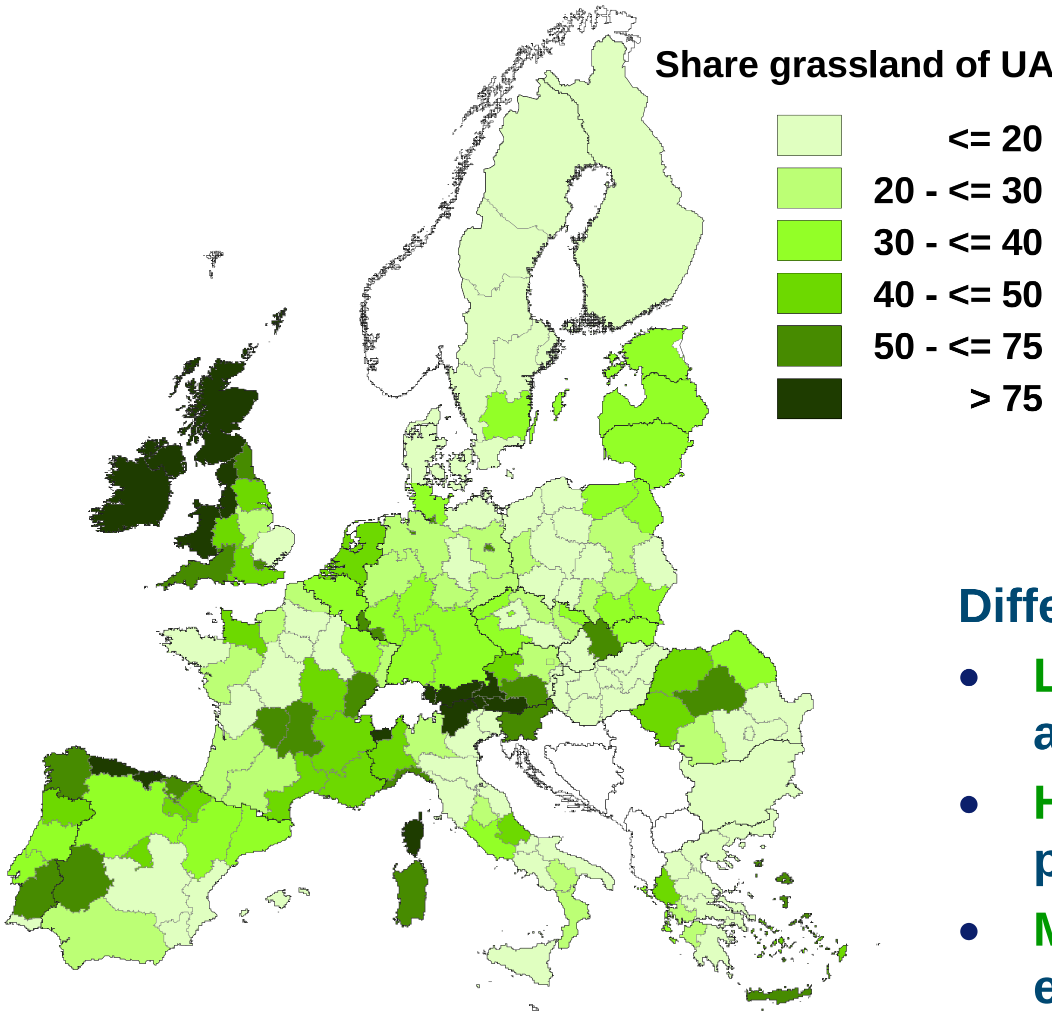
Content

Economic Importance of Grassland and Forage Crops (EU-27, 2007)

- 33% of UAA covered with permanent grassland
- Another 11% covered with forage crops (e.g. temporary grass, green maize)
- 25% of agricultural production value comes from dairy, beef, veal, sheep & goat meat
- 21% of agricultural labor force occupied in farms specialized in dairy, cattle or other grazing livestock

→ Grassland & Forage Crops are important !

Share of Grassland in the EU



- Different types of grassland (lowlands, marginal lands, hills, mountains)
- Weak statistical data base

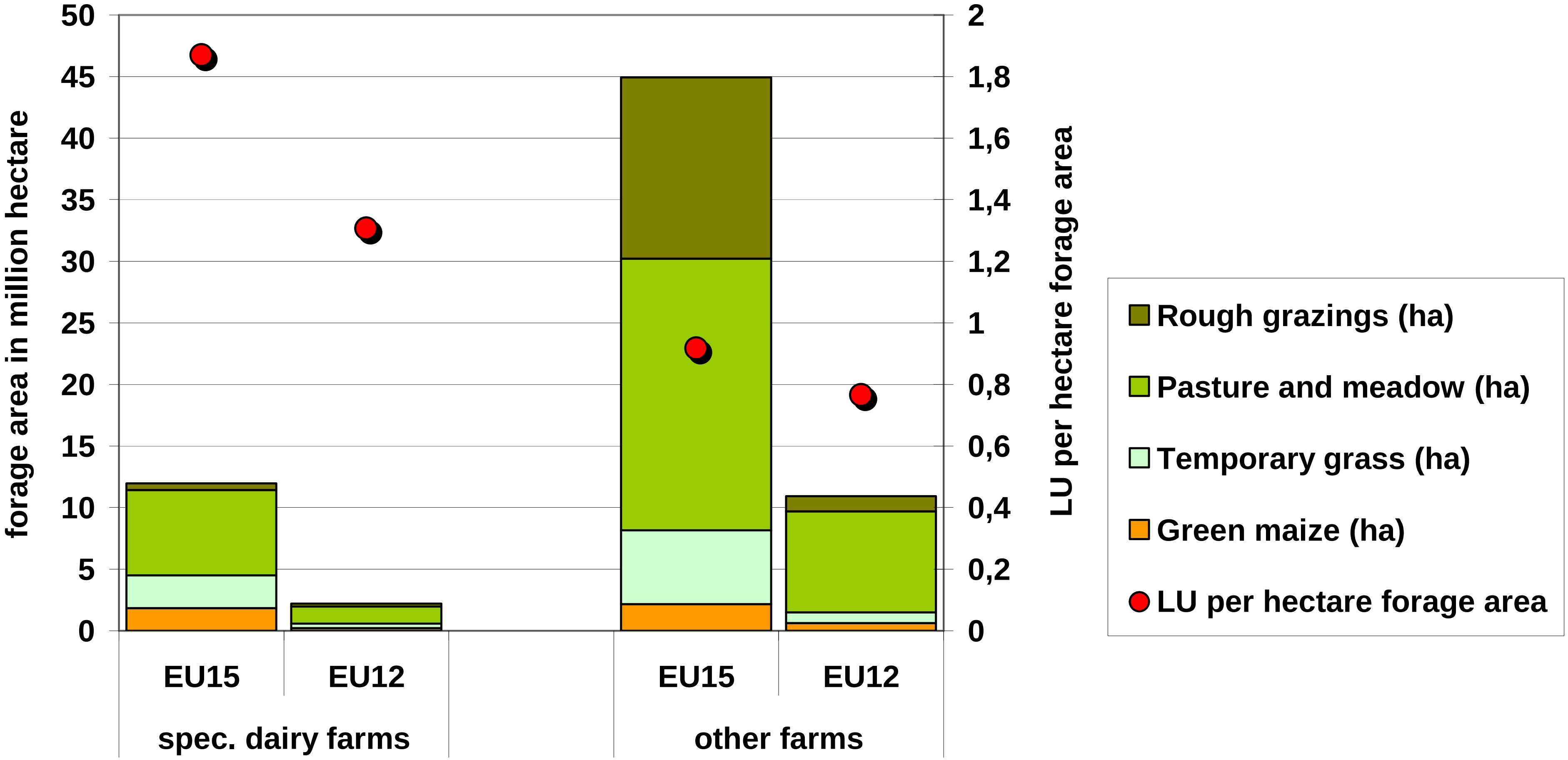
→ Fully reliable, long-term time series for EU-27 not available

Different trends:

- **Lowlands:** arable land expanding at the expense of pasture
- **Hilly and mountainous regions:** pasture expanding
- **Marginal land, mountains:** forests expanding (pasture = transition)

Source: EUROSTAT, Farm Structural Survey 2007

Who is Using what Type of Forage?
Specialized dairy farms vs. other farms with grazing livestock



Specialized dairy farms have 66% of EU-27 dairy cows, but only 16% of EU-27 permanent grassland

Content

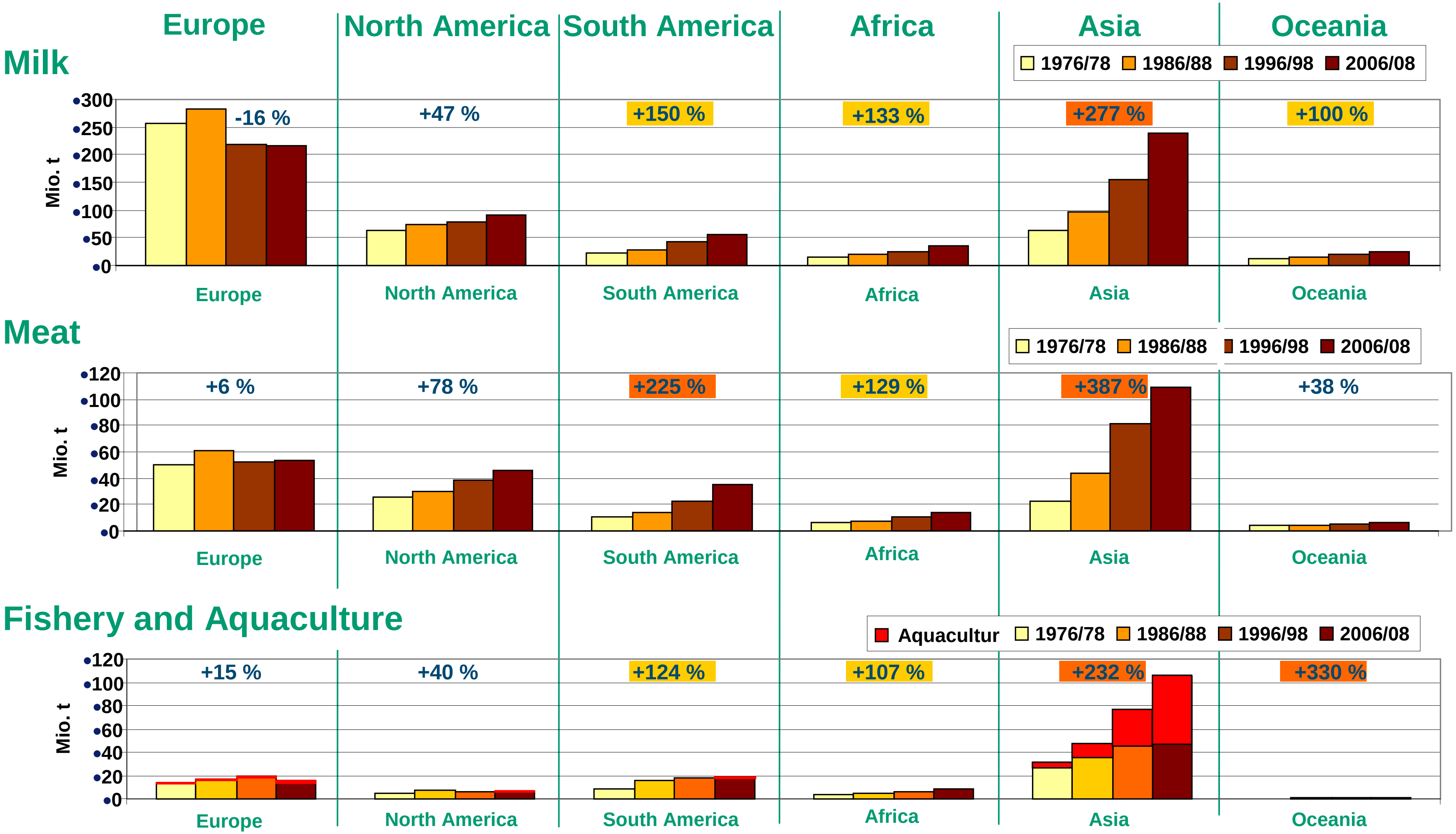
1 Grassland in the EU-27: Spatial Distribution, Development over Time, Grassland Use

2 Dairy and Beef Production in a Liberalized World: Will EU Regions Stay Competitive?

3 The Role of Politics: How Grassland is affected by the CAP and by other Policies

4 Summary

Livestock Production by World Region



Source: FAOSTAT, own calculations.

Global Analysis of Beef Production Systems

I. Pasture

Pasture based systems
Southern hemisphere, partly IE, UK

II. Silage

Silage / grain / soy systems
Intensive production in Europe + China, indoor housing of bulls

III. Feedlot

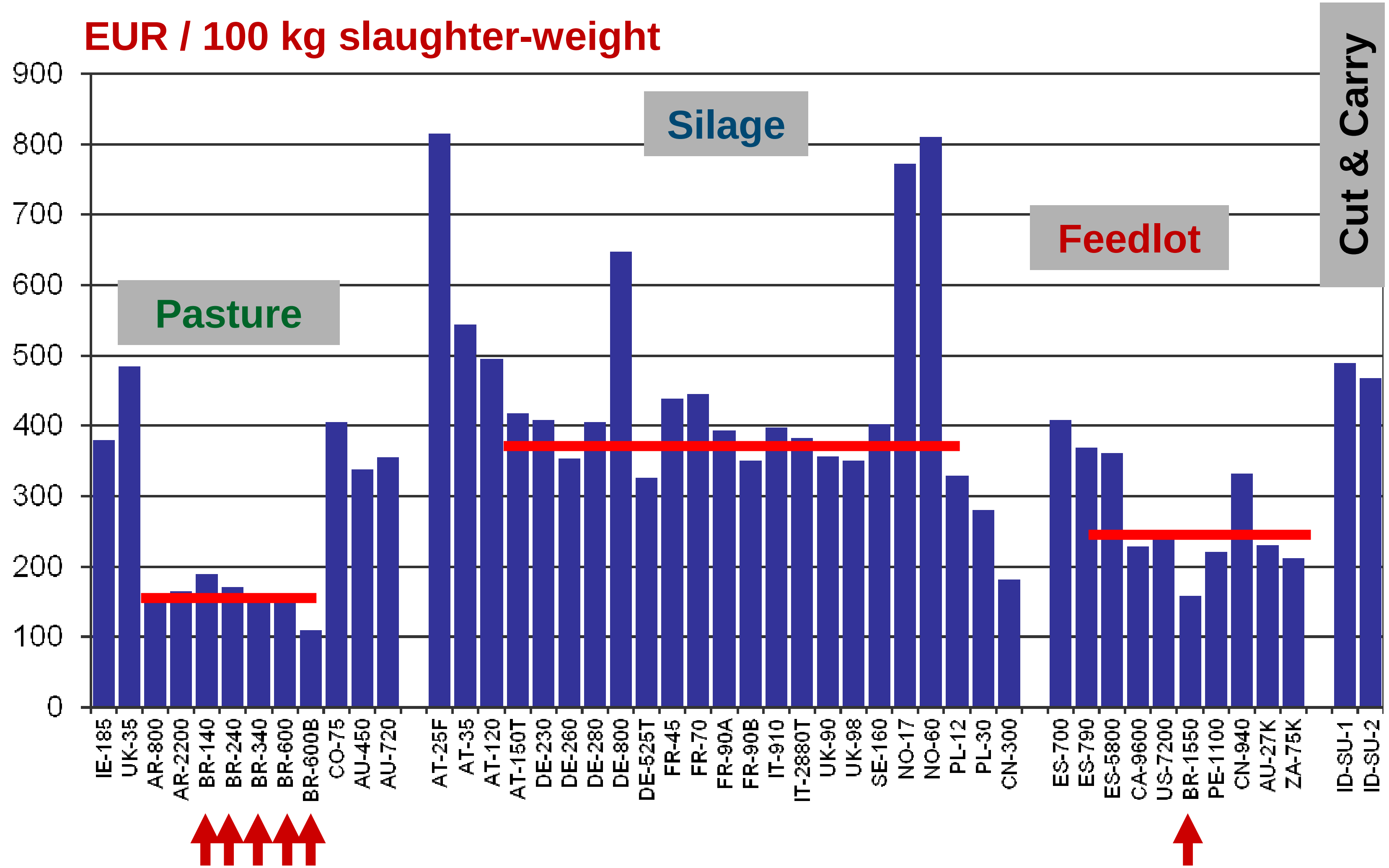
Maize / grain / hay in feedlots
esp. in USA, CAN, AUS, Spain, feedstuffs from external sources

IV. Cut & Carry

Green-grass + hay feeding
small households in developing countries (e.g. IN, ID, partly CN)

Agri benchmark: Turn Pictures & Stories into Figures

→ **Beef Production Costs** (different locations and production systems)



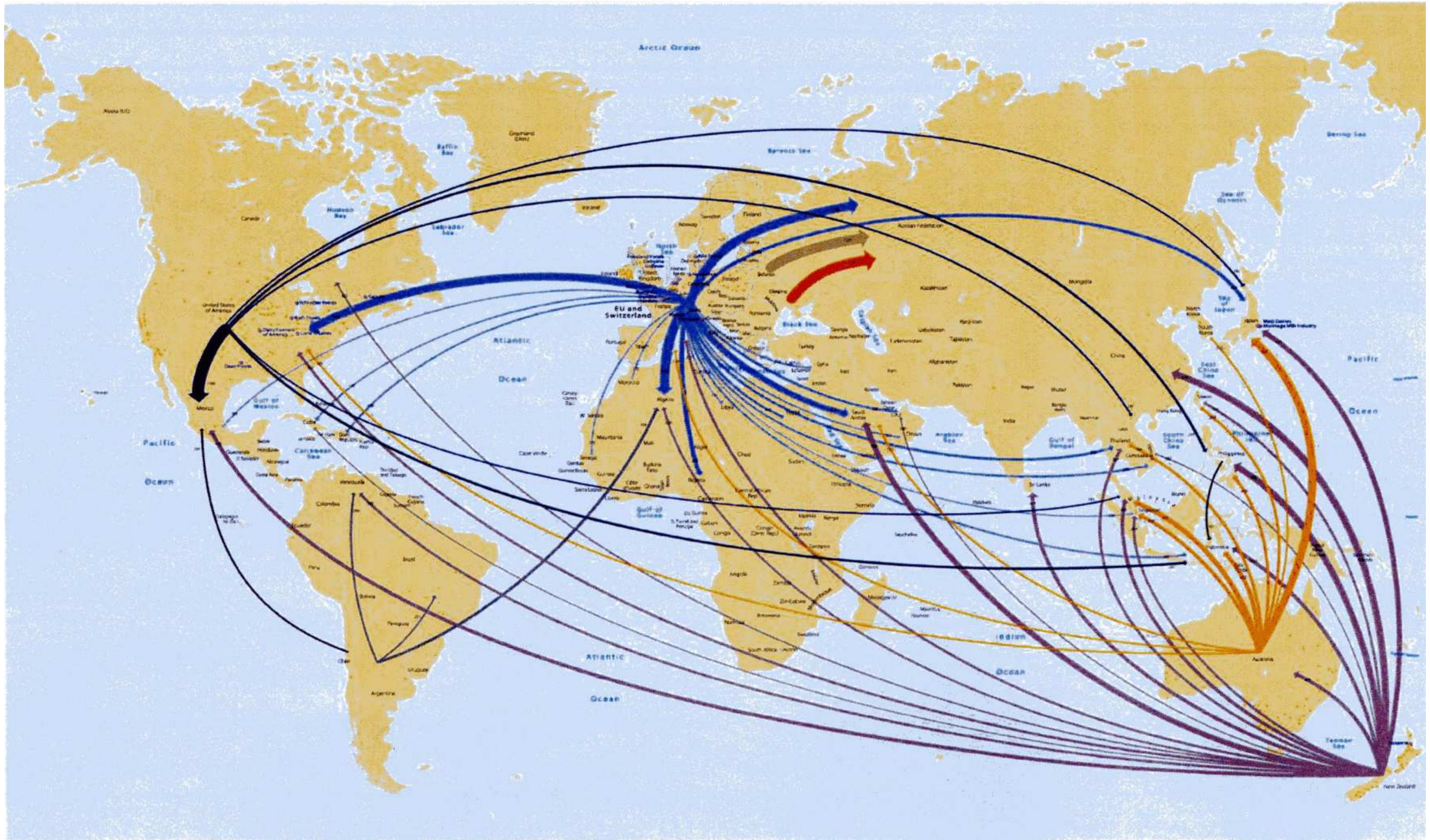
Evolution of Beef Production Costs in Brazil

(1) value of currency ↑, (2) opportunity costs ↑ ➡ high-input system

agri benchmark
beef conference, Brasilia 2008

With high product prices, feedlots are gaining ground in Brazil

Global Trade with Dairy Products, 2006



Status: NZ, EU in the lead, AU, AR, US, UA following with great distance
Trend: EU is loosing, NZ and AU are winning market shares

Liberalization: Who could take EU Market Shares?

India, China, Thailand etc.:
- Production cost 50% below EU
- But : small farms, strong increase in consumption

→ For the time being, no serious competitors for EU

New Zealand, Australia, Argentina:
- Production cost 50% below EU, dairy exporter
- But: AU draught problems, AR policy problems, NZ limited expansion potential

→ Only NZ expanding, absorbed by Asian market

USA:
- Costs like in big EU farms
- Industrialization - No quota
- But: Challenged by bioenergy

→ Observe carefully!

Content

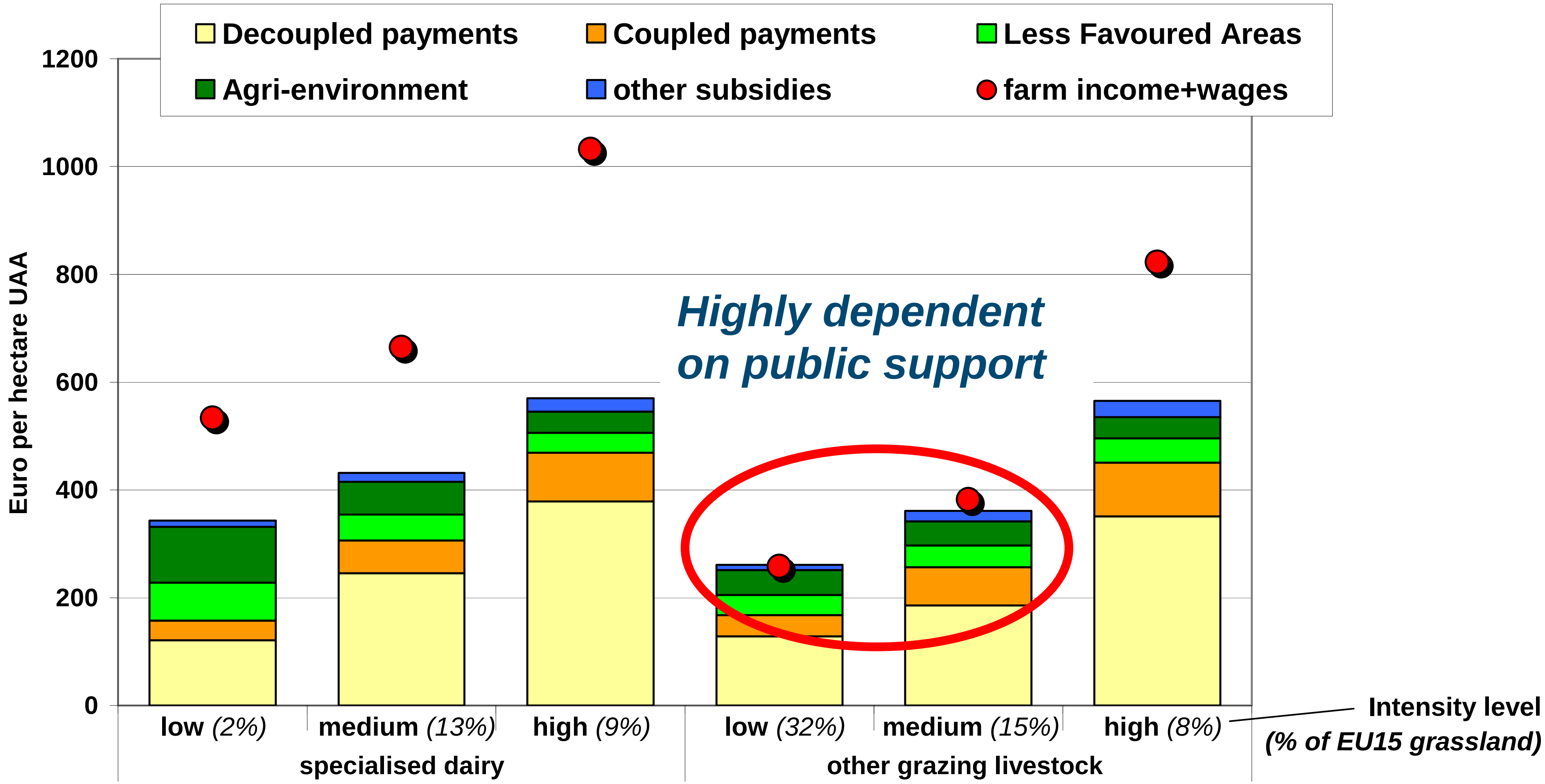
Evolution of the CAP („the big picture“, 1990-2020)

- **Stepwise reduction of price support**
  regards: intervention prices, import tariffs, export subsidies

- **Compensation through direct payments**
  at first coupled; then gradually decoupled and shifted from farm-specific to regional flat-rate (exeption: suckler cows, sheep);
  with cross compliance requirements for maintenance of grassland
  from 2014, maintaining all grassland is precondition for payments

- **Continuation of targeted policies in 2nd pillar of CAP**
  investment aid, agri-environmental measures, payments for farms in less favored areas, rural development policies

Support payments in dairy and other grazing livestock farms, EU15 (2006)



Source: EU Farm Accountancy Data Network, INLB-EU-GD AGRI/A.3 (2006).

Summary

- Grassland and forage crops are important for EU agriculture
- Specialized dairy farms: high stocking rate, more maize
- For grassland, “other cattle” is more important than “dairy”
- Long-term downward trend of grassland shares in most regions
- All figures show strong interregional differences within EU-27
- Liberalization: probably no severe threat to EU dairy production
- More doubts regarding competitiveness of EU beef production
- Most CAP payments are decoupled, exceptions: suckler cows, sheep
- CAP 2nd pillar: big potential to support grassland, regional differences
- Bioenergy: “additional pressure” – more grassland ploughed?

Thank you for your interest

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