



European  
Commission

# PORTUGAL

## CAP IN YOUR COUNTRY

The **Common Agricultural Policy (CAP)** is Europe's answer to the need for a decent standard of living for 22 million farmers and agricultural workers and a stable, varied and safe food supply for its 500 million citizens. As a common policy for all 28 EU countries, the CAP strengthens the competitiveness and sustainability of EU agriculture by providing Direct Payments aimed at stabilising farm revenues and finances projects responding to country-specific needs through national (or regional) Rural Development Programmes, which also cover the wider rural economy.

The CAP also provides a range of market measures, including tools to address market difficulties, and other additional elements such as quality logos or promotion for EU farm products, which complete CAP action to support farmers. The CAP budget fixed for the period from 2014-2020 provides a total of EUR 408.31 billion in EU funds with EUR 308.73 billion intended for Direct Payments and market measures (the so-called First Pillar) and EUR 99.58 billion for Rural Development (the so-called Second Pillar).

## PORTUGAL



- covers an area of **89 089 km<sup>2</sup>** of which **47% is agricultural land** and 39% is forest.
- has a total population is **10 million** of which 34% lives in rural areas.
- comprises not only mainland Portugal, but also the islands of the Azores, where the dairy sector is very important, and Madeira, where farming is seen as an important element for supporting tourism.
- has a **very diverse agriculture due to different soil**, climate and landscape characteristics, dominated by small farm structures.
- faces challenges in terms of rural depopulation and an ageing population.

# INVESTING

## in Portugal's agriculture 2014-2020



In the period to 2020, the CAP is going to invest more than **EUR 8 billion**<sup>1</sup> in Portugal's farming sector and rural areas. Key political priorities have been fined at European level such as: jobs and growth, sustainability, modernisation, innovation and quality. At the same time, Portugal has flexibility to adapt both direct payments and rural development programmes to its specific needs.

### Fairer and greener direct payments

The new direct payments are to be distributed in a fairer way between Member States, and between farmers within the same Member State, putting an end to allocations on the basis of "historical references", which has seen considerable differences in the amounts paid per hectare from one farm to the next. Given the difficulties of such redistribution, Member States also have more flexibility to take into account specific sectors in particular regions. The total budget available for Portuguese farmers in the form of direct payments is over **EUR 4 billion**.

A key change in the new CAP is the application of new '[Greening](#)' rules, in order to highlight the benefits farmers provide to society as a whole on issues such as climate change, biodiversity loss and soil quality. Under this system, 30% of the Direct Payment envelope, paid per hectare, is linked to three environmentally-friendly farming practices: crop diversification,

maintaining permanent grassland and conserving 5% of areas of ecological interest or measures considered to have at least equivalent environmental benefit.

The [Basic Payment Scheme \(BPS\)](#) (previously called the Single Payment Scheme) continues to be in force in Portugal and there will be a marked convergence in payments per hectare by 2019, reducing the considerable variations per hectare that applied because of the previous historical reference system. In this context, the Portuguese authorities have decided to earmark roughly 20% of the direct payments envelope for voluntary coupled support – 20.8% in 2015, falling gradually to 19.6% in 2020 – higher than any other EU Member State except Malta. These payments target suckler cows, dairy cows, sheep & goats, rice and tomatoes for processing. At the same time, to achieve a fairer distribution of support, the Portuguese authorities apply the standard rate of modulation – a 5% reduction in payments above EUR 150 000 to individual beneficiaries – and have introduced the **Small Farmers Scheme**. Under this scheme, small farmers benefit from a flat-rate simplified system of support, with a lump-sum payment of EUR 500 and much simpler administration, such as exemption from greening rules.

Other changes introduced in the 2013 CAP reform include stricter rules on active farmers eligible for direct payments and a new 25% aid supplement for **young farmers** for the first 5 years, in addition to already existing installation grants.



<sup>1</sup> Total allocation of Direct Payments and Rural Development for the period 2014-2020 (in current prices).

## Supporting agriculture in the outermost regions

In addition to the Direct Payments, the Azores and Madeira receive additional CAP support measures under a system to help maintain farming in the outermost regions of the EU, the so-called [POSEI scheme](#). This additional support – amounting to EUR 106 million a year for the two Portuguese islands – is aimed at mitigating the additional costs for the supply of agricultural products as food or for processing and as measures to support local agricultural production.



### Farmers at the heart of the food supply chain

To improve the balance of the food supply chain in Portugal, EU instruments and measures (such as [Producer Organisations](#) support) help farmers to get better organised and to market their products better. Fruit & vegetables is a sector, where this type of structure is seen to be particularly useful, with funds for operational programmes available proportional to the value of sales.

Moreover, the **EU organic logo** helps consumers choose food produced in a sustainable way.

## Supporting key priorities for Portugal's rural development

With a total contribution of more than EUR 4 billion for measures benefiting its rural areas, the [2014-2020 Rural Development Programmes for Portugal](#) focus on the following priorities:

-  Improving competitiveness of the agricultural sector,
-  Preserving ecosystems and an efficient use of natural resources,
-  Creating conditions for the economic and social regeneration of rural areas.

The new RDPs also aim to **reduce the deficit in the Portuguese agricultural trade balance** by e.g. increasing production and exports. The proposed redistribution of the financial envelope between the three RDPs (one for mainland Portugal, respectively one for Azores and Madeira) - to be complemented by national funding - is as follows: EUR 3.5 billion for mainland Portugal, EUR 295 million for Azores and EUR 179 million for Madeira.



# KEY ACHIEVEMENTS



Between 2007 and 2013, more than **EUR 8.4 billion<sup>2</sup>** of CAP funding was invested in Portugal's farming sector and rural areas with the objective of stabilising farmers' income, modernising and increasing the sustainability of Portuguese farms and securing the supply of safe, affordable and quality food for its citizens.

## Portuguese farmers benefit from direct payments

In recent years, CAP direct payments have been a key safety net - particularly important in Portugal where the agricultural sector provides 10.5% of jobs. In 2014 Portuguese farmers received **EUR 635 million** on **direct payments**, benefitting some **173 310 farmers/farm businesses**, 86% of which received a payment below EUR 5 000. Moreover, in 2014, Portugal received **more than EUR 101 million on market measures**, primarily in the wine sector and for elements of the POSEI programme.

## Fostering growth and jobs in Portugal's rural areas

The injection of **EUR 4 billion** of public resources into the farming and forestry sector has had important multiplier effects, and played a **key role in attenuating the effects of the current economic crisis** in Portugal. The evolution of the Portuguese agri-food industry has been positive, with an increase in output and much higher exports than in other economic sectors.

In concrete terms, since 2007 Rural Development funds have helped Portugal to:

- Set up more than **5 000 young farmers**, generating a total investment (public and private) of more than EUR 1.1 billion, and more than 9 000 new jobs,
- Create more than **34 000 new jobs**, both in agriculture and in other sectors,
- Increase the **irrigated surface** in Alentejo by more than 120 000 ha, as well as substantially increased the **storage capacity** and the use of more efficient **water management** technologies,
- Support the island of **Madeira to restore its agricultural and forestry potential** after several devastating natural disasters.

Rural Development funds have also encouraged the evolution of a **more sustainable model of agriculture**:

- More than **2 100 farmers** received support for **organic farming**.
- Close to **10 000 farmers** were supported to use **certified environmentally-friendly farming methods**.
- More than **1 500 farmers** availed of measures for the **extensification of animal production in Azores**.



## Example of a Rural Development project supported by the CAP Alqueva dam - SUBSYSTEM PEDRÓGÃO (EDIA – Public enterprise)

This irrigation project, located on the right bank of the river Guadiana, foresees the construction of a hydro-agricultural infrastructure, which will benefit 3 377 ha (415 farms and 537 farmers). Following on from the Alqueva dam (constructed with the help of other EU funding in the last two programming periods) and other irrigation investments funded through the Rural Development programme, this project is one of many which have helped transform farming in this region from low yield, low quality arable production to an expanding, diverse range of quality products. This project is expected to support irrigation for olive trees, citrus, apple fruits, vine, vegetables and several annual crops. In addition to agriculture, a range of other Rural Development projects have helped open other new opportunities linked to the dam and the reservoir (e.g. agri-tourism, water sports), creating growth and jobs for the wider rural economy. Total cost: EUR 26 million (EU contribution: EUR 19.5 million)

## Adding value with Quality schemes

Through the [Quality Policy of the CAP](#), of the CAP, the EU provides a number of measures to help producers build on the high quality reputation of European products to sustain competitiveness and profitability. A key tool in this is the register of more than 1 300 protected food names which are classified as a Protected Designation of Origin (PDO), a Protected Geographical Indication (PGI) or a Traditional Speciality Guaranteed (TSG). The production of these registered quality products contributes to diversity, development and growth in the rural areas where they are produced and protect local knowledge, skills and jobs.



At present Portugal has registered 133 products, of which [64 as PDO](#) (for example Carne da Charneca and Azeites do Ribatejo) and [69 as PGI](#) (such as Morcela de Assar de Portalegre and Pastel de Chaves).

## Responding to new market difficulties

Following the prolongation of the Russian ban on the EU agricultural imports and the specific conditions on the dairy and pig meat market in 2015, the European Commission adopted in October 2015 a [support package worth EUR 500 million](#) to back those farmers affected most by the current difficulties. A total budget of EUR 420 million was made available for national envelopes to support livestock sectors, based on historical production and trade with Russia, with Member States given flexibility to decide how to target this support. The remainder of this emergency budget is being used for other short and medium term measures such as the provision of private storage aid for certain products and to promote the expansion of export markets. Under this new package, Portuguese farmers will receive almost EUR 4.8 million which will be distributed solely to the dairy sector.

In spite of the Russian ban, global EU agri-food exports to third countries have performed well, increasing by EUR 6.8 billion in the first 12 months after the ban, relative to the EUR 5.2 billion drop in trade with Russia compared to the same period of the previous year, with further subsequent gains. Major gains have been achieved in exports to the USA, China, Switzerland and other key Asian markets such as Hong Kong and South Korea.

**What do the Portuguese think of the CAP?**

According to the most recent Eurobarometer published in January 2016, **77% of the Portuguese think that the European Union ensures that agricultural products are of good quality, healthy and safe.** In terms of the role of agriculture, the poll indicated that the Portuguese believe that the main responsibilities are to supply the population with a variety of quality products (49%) and to maintain economic activity and employment in rural areas (37%).

[Read the Eurobarometer "Europeans, Agriculture and the CAP".](#)

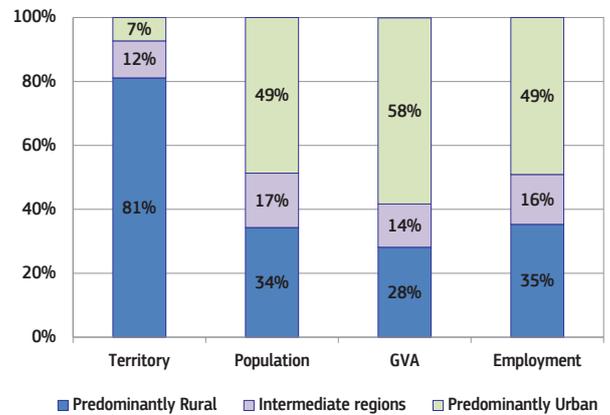


# PORTUGUESE AGRICULTURE AT A GLANCE

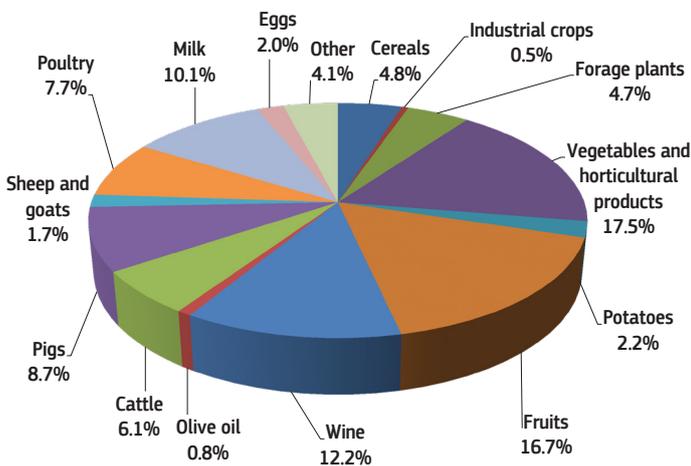
## Portuguese agricultural is characterised by:

- **small-sized farms** (72.3% of holdings are less than 5 hectares);
- **relatively old farmers** (only 2.5% of Portuguese farmers are under 35 years old, compared to 5.9% in EU-28);
- a contribution to the Portuguese **economy** with 2.3% of the total GVA (EU-28: 1.6%) and to employment with 8.6% of total **employment** (4.7% in EU-28).

## Importance of rural areas

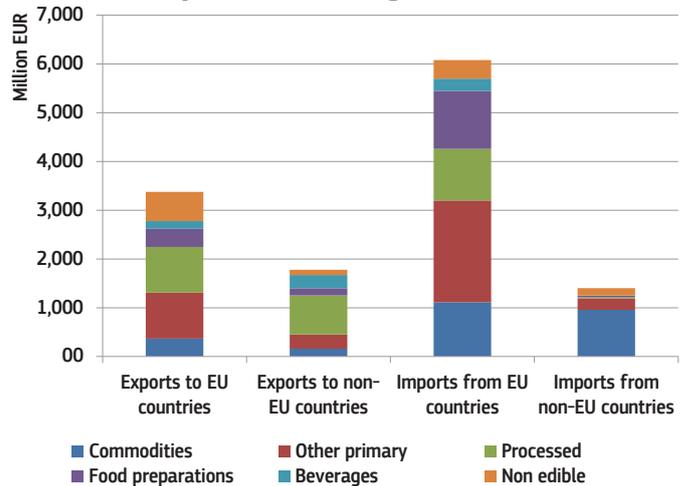


## A very diversified production

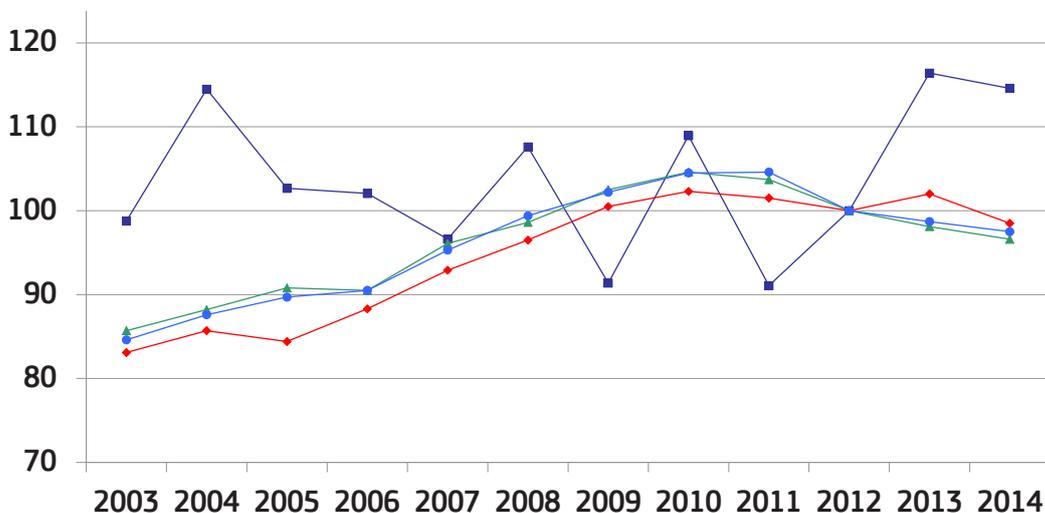


Output components (2013-2015 average); values at constant producer prices

## Agricultural trade with EU Member States is highly important for Portugal (2014 data)



## Farmer's income is more volatile than wages and salaries in other sectors of the economy



- Agricultural income
- ▲ Wages and salary index - Industry
- ◆ Wages and salary index - Construction
- Wages and salary index - Services