

CROP PRODUCTION CAPACITY IN EUROPE

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Summary

The tumultuous decade of the 1990s has continued to have a large impact on the agricultures of Eastern Europe and the countries of the former Soviet Union. These countries continue to struggle with creating the necessary institutions and policies to develop market economies that provide appropriate market signals between consumers and producers.

Western European agriculture continues to be dominated by the Common Agricultural Policy of the 15 member states of the European Union. Many of the nations of Eastern Europe have been adopting the mechanisms of the CAP and will likely attain higher levels of productivity thus enhancing their likelihood of becoming net exporters of agricultural products. To date the agricultural economies of the FSU have not adopted well to the chaotic conditions created by a lack of institutions and trained farm operators to deal with the new market conditions.

Overall it appears that the former Soviet Union will be a net importer for the next few years while Eastern Europe as a whole could become a net exporter of agricultural goods within the next decade. Western Europe should continue to be a major player in the export markets of most major commodities. In the aggregate Europe would be a net exporter to the world.

1. Introduction

European agriculture in the past few decades has been marked by a pronounced reliance on government involvement to ensure a higher return to farmers than would have taken place under market conditions. In Western Europe, policies have encouraged maximum capacity in land committed to agricultural use, leading to surplus production and high exports.

In Eastern Europe, where countries had been under the influence of the former Soviet Union (FSU), and in the FSU, expanded area and higher yields led to greater production but yields were still not as high as in Western Europe before the 1990's and have fallen since then.

High consumption encouraged by high food subsidies in the East kept it from being a major exporter. Consumers in Eastern Europe and the FSU were subsidized through food price controls and subsidies while consumers in Western Europe enjoyed high incomes that allowed them to consume adequate diets although at relatively high prices.

Aging populations throughout Europe, and a low population growth rate due to low birth rates, have contributed to slow growth in food demand that is likely to continue into the foreseeable future. Europe as a whole is likely to be a net agricultural exporter in the next decade although such an outcome will depend on the ability of the FSU to increase its production capacity to former or higher levels.

2. Europe in the Aggregate

From Spain to Ukraine there is a vast array of diverse agronomic and political conditions under which agricultural production is pursued. In spite of the diversity, area harvested has remained remarkably steady (with the exception of the FSU) while yields have varied substantially giving rise to fluctuations in production, particularly in Eastern Europe and in the FSU (see Figures 1 and 2).

Western European production has been climbing steadily throughout the last 40 years, from 92 million in 1961 mt to 217 million mt in 2000 (see Figure 3) through rising yields—from 2.24 metric tons per hectare (mt/ha) in 1961 to 5.63 mt/ha in 2000.

The yield increase has been largely a result of the Common Agricultural Policy (CAP) of the European Union (EU), which has provided farmers with prices traditionally higher than world prices and generous additional payments.

The recent fall in yields in Eastern Europe—from 3.74 mt/ha in 1991 to 2.8 mt/ha in 2000—resulted largely from a withdrawal of subsidies for inputs such as fertilizer, pesticides, and credit to farms after the policy changes that accompanied political turmoil in the early 1990s.

Yields in the FSU also fell from 1.96 mt/ha in 1992 to 1.58 mt/ha in 2000 for much the same reasons as in Eastern Europe.

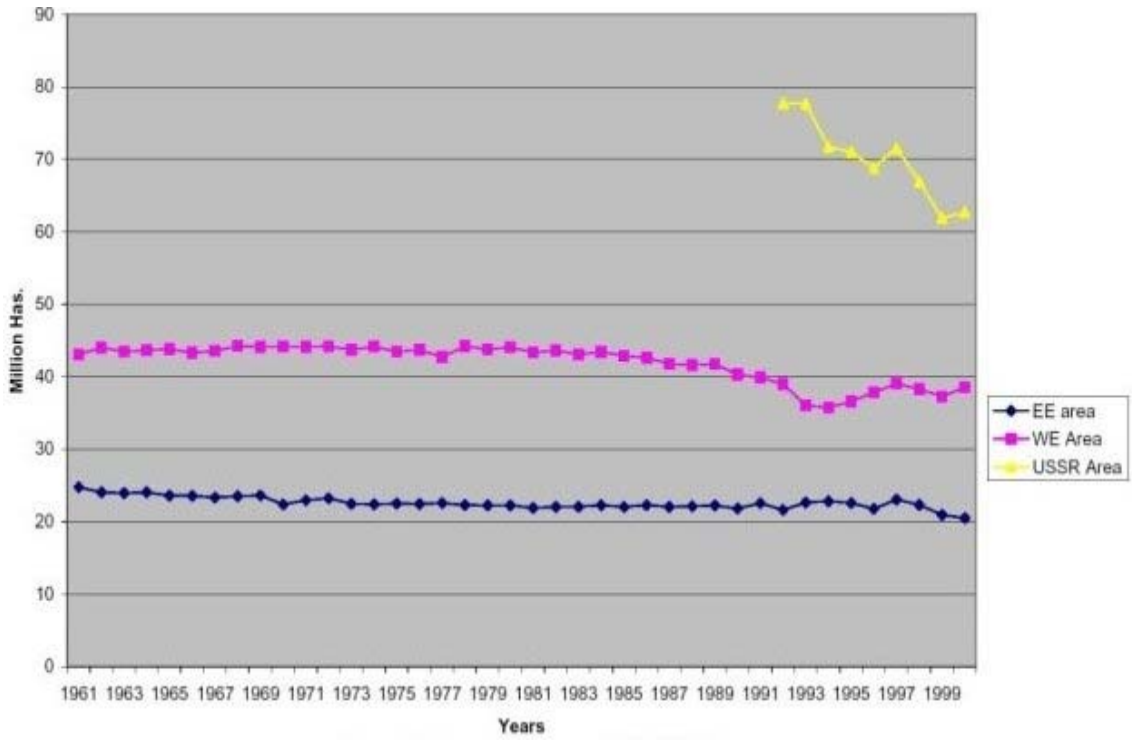


Figure 1. European crop area, 1961 to 2000.

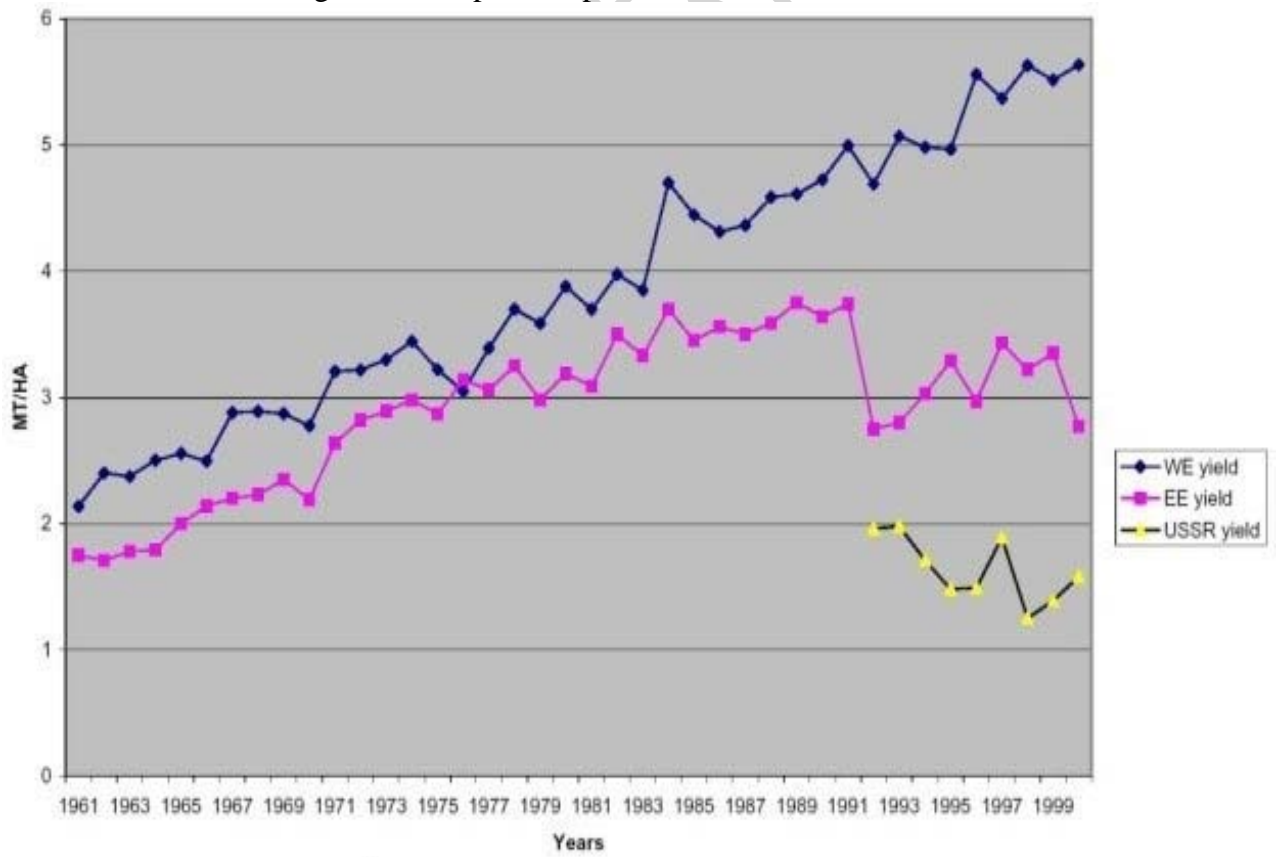


Figure 2. European crop yields, 1961 to 2000.

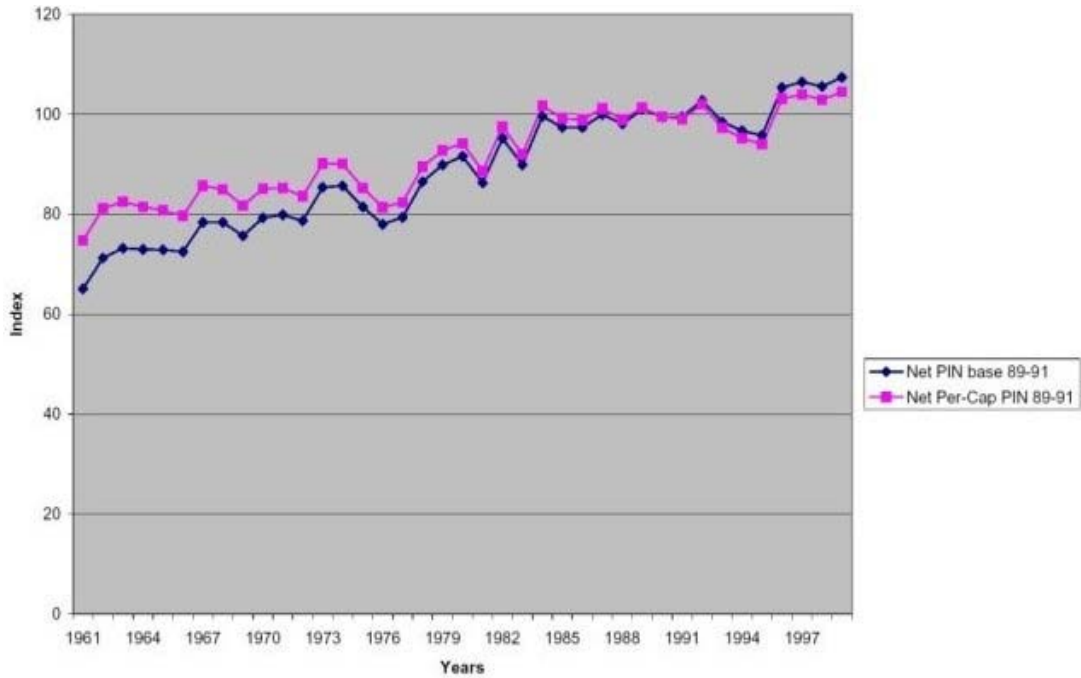


Figure 3. European Agricultural Production, 1961 to 1999.

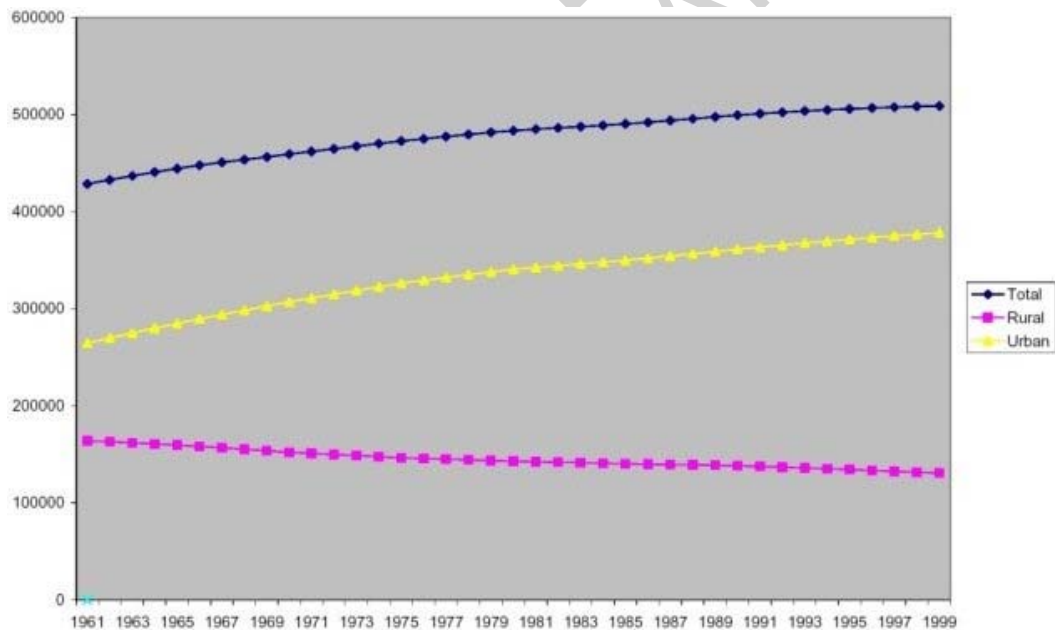


Figure 4. European total, urban and rural population, 1961 to 1999.

All three regions of Europe have reduced their crop area. Western Europe cropland use dropped by 10% from 1961-2000 because of encroachment by urban growth and because of land set-aside measures. Eastern European crop area fell by 17% from 1961-2000 mostly due to movement out of marginal land during the reforms of the early 1990's when subsidies for crops were discontinued. In the FSU, large amounts of land were taken out of production (about 15 million hectares, a drop of nearly 19%) from

1992-2000 because of low prices for crops and high prices for inputs. With less area in crops and falling yields, the FSU suffered a 35% decline in production from 1992-2000. Eastern European production decreased by about 4.5% from 1992-2000 but increased by 31% over a longer time period (1961-2000) because of increased yields. Western European production increased by 135% from 1961-2000 and by nearly 19% from 1992-2000.

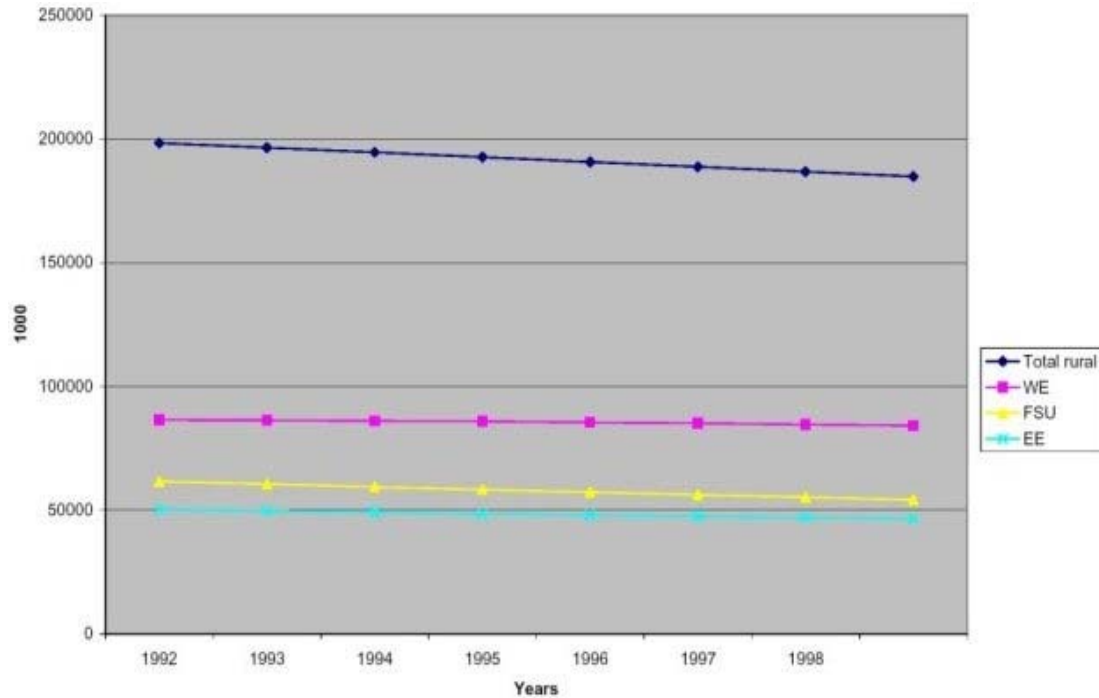


Figure 5. European rural population, 1992 to 1999.

The critical question to be answered in Europe in terms of crop production is the extent to which yields in Eastern Europe and in the FSU can recover to former levels, or increase beyond them, to more closely approximate yields in Western Europe. Population growth is relatively slow in Europe (see Figure 4) and crop area is bounded by agroclimatic conditions, particularly in the far north-eastern portion of Europe where the growing season is short. These three regions will likely have different growth patterns in crop yields and in the composition of agricultural production over the next decade because of: 1) enlargement of the EU to include most of Eastern Europe, 2) the development of agricultural policy and agriculture in the FSU, and 3) population movements from rural to urban areas (see Figure 5.)

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Biographical Sketches

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