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# GAIN Report

Global Agricultural Information Network

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**Date:** 5/24/2011

**GAIN Report Number:** NL1005

## **Netherlands**

**Post:** The Hague

### **Agricultural Economy and Policy Report - the Netherlands**

**Report Categories:**

Agricultural Situation

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**Report Highlights:**

This report gives an overview of the agricultural economy and policy situation in the Netherlands.

## **General Information:**

### **Agricultural Economy and Policy Report – Netherlands**

#### **1. General political situation and trends**

The Netherlands is a parliamentary democracy with a bicameral parliament and an independent judiciary. Queen Beatrix is the head of state. On October 14, 2010, the center-right minority government of Liberals (VVD) and Christian Democrats (CDA) headed by VVD Prime Minister Mark Rutte came into office. This government relies on support in parliament on the anti-Islam Freedom Party (PVV) of Geert Wilders. Its main goal is to put public finances in order through structural spending cuts that amount to €18 billion by 2015. Other priorities are curbing immigration and countering crime. The government is pro-American and pro-Atlanticist.

#### **2. Macroeconomic situation and trends**

Because of the country's strategic location on the North Sea and the Rhine, trade, exports and distribution are ingrained in the Dutch character. The Port of Rotterdam is among the most important sea ports in the world. Amsterdam Schiphol Airport occupies a similar position in Europe. Their geographic location and function as international hubs in Europe are major advantages. The ports of Rotterdam and Amsterdam have outstanding infrastructure and logistics services. The telecom facilities and the broadband Internet connections are among the best in the world. Another major factor is the presence of important clusters of companies and research institutes in the fields of chemicals, high-tech and innovative materials, food and flowers, life sciences and health, water management and maritime (offshore) engineering, the creative industry and financial services. The Dutch are business people. The population is highly educated, internationally oriented and largely multilingual.

The Netherlands has a population of 16.6 million people. Almost a quarter of the population is under 20 years of age and the life expectancy is 79.8 years. Mean population density is 487 inhabitants per square kilometer, making the Netherlands one of the most densely populated countries in the world. The Netherlands has some 7.4 million households, with 2.7 million people living alone. The average number of people living in a household is 2.2. Some 3.4 million inhabitants, or 20% of the population, have a non-native background. Of this group, 1.9 million have their roots in non-western countries. The majority of the latter are of Turkish origin, followed by people of Moroccan and Surinamese origin.

In February 2011, the Netherlands Bureau for Economic Policy Analysis (CPB) forecast that Dutch GDP will grow by 1.75 percent in 2011, in comparison to 1.7 percent in 2010. In 2012 the economy will continue the fragile growth by 1.5 percent. The export of goods, an essential element of the Dutch economy, recovered rapidly from the recession with a growth of 12.7 percent in 2010 after a dramatic

drop of 9.2 percent in 2009. However, recovery speed is expected to slow down to 7.25 percent in 2011 and 5.25 in 2012. Unemployment will gradually start to decrease from 4.5 percent in 2010 to 4.25 percent in 2011 and 4 percent in 2012. Inflation is expected to increase from 1.3 percent in 2010 to 2 percent in 2011 and 2012. Purchasing power has been impacted by the recent economic downfall and creeping inflation; the negative growth continues from -0.4 percent in 2010 to -0.75 percent in 2011 and 2012.

The Netherlands has been hit hard by the economic crisis, and recovering at European average speed from the crisis. According to figures published by Eurostat the 2010 growth in the Member States was on average 1.8 percent and in the Netherlands 1.7 percent. However, according to a forecast by Eurostat in 2011 and 2012 the Dutch economy will recover less quickly (1.5 and 1.7 percent) than the EU average (1.7 and 2 percent).

The Dutch financial sector was also hit hard by the crisis. As a consequence, the government was forced to nationalize the merged ABN Amro/Fortis Bank and provide financial support to other financial institutions including ING Bank and insurance company Aegon. The financial institutions have started to recover and are paying back their bailouts.

### **3. Agriculture in the economy**

The Netherlands is a geographically low-lying country, with about 27 percent of its area and 60 percent of its population located below sea level. Significant areas have been gained through land reclamation and preserved through an elaborate system of polders and dikes. The majority of the country is very flat, with the exception of foothills of the Ardennes in the far south-east and several low-hill ranges in the central parts created by ice-age glaciers.

The Netherlands has a total land surface of over 3.7 million ha. Some 52 percent of the land or 1.9 million hectare is farmland. This is 1.2 percent of the total farmland in the EU-27. Of the total farmland in the Netherlands 57 percent is used for the cultivation of arable and horticulture crops, 40 percent is permanent grassland and some 2 percent is used for permanent crops. The rural areas in the Netherlands are under considerable pressure from development. Finding a balanced assessment between the different functions of the rural areas, between agriculture, nature, business parks, housing and roads, is a political matter.

The gross added value of the total agri-complex in the Netherlands is an estimated 45 billion Euros, and roughly 10 percent of the national gross added value. The agri-complex can be divided into 1) a sector processing domestic raw materials from primary agriculture, such as dairy products and meat, 2) a sector processing raw materials from abroad and 3) gardening, forestry and farm services. The added values of the three subsectors are respectively 25.5, 15.3 and 4.2 billion Euros. As indicated, over a third of the agricultural complex is based on the import of foreign raw materials that are processed in the Netherlands. Knowledgeable traders, Europe's leading ports, a good distribution system, a competitive processing industry and efficient marketing systems make the Netherlands an attractive market for trading and processing agricultural products.

The number of farms continues to decline. Last year the Netherlands had just over 73,000 farms, 3 percent fewer than the previous year. This trend continues. The decline is mainly due to the decreasing number of small farms, whereas the number of large farms has increased considerably. Dairy farms make up the largest group, totaling 18,900, followed by farms with grazing stock, cows for slaughter, sheep and goats, which amounted to 16,800. The number of arable farms, producing mainly cereals, potatoes and sugar beets, is 11,100. There are 6,500 intensive livestock farms, i.e. farms with pigs or poultry. Some 13,400 businesses operate in the field vegetable and glasshouse sector. Finally, 6,300 businesses combine a number of branches of production. Over the last two decades, the number of farms has fallen by a third.

#### **4. Domestic agricultural policy overview**

Agriculture must deal with involvement from the national, provincial and municipal governments, and also from so-called semi-public organizations. There are also product boards for the different product sectors that are concerned with primary production as well as manufacturing, trade and logistics. In the 1950s the Netherlands was one of the six founding members of the European Communities, the predecessor of the European Union. The Netherlands is a member of the United Nations, as well as the Organization for Economic Cooperation and Development, the North Atlantic Treaty Organization, the International Monetary Fund and the World Trade Organization.

Dutch agricultural policy is driven by the EU's Common Agricultural Policy (CAP). However, most of the heavily supported crop sectors are of minor importance in the Netherlands, making the country a net payer to the CAP. Given the heavy reliance on trade in both directions, it is not surprising that the Dutch are generally in favor of free trade and the reduction in trade-distorting agricultural subsidies. However, in product areas such as dairy, beef, sugar and potatoes, the Dutch are more protectionist. A high population density and influential environmental lobbies contribute to a strong bias toward consumer and environmental protection in Dutch food policy development. The Dutch primary production sectors are pressured by the demand for land for housing, recreation, and nature areas, along with strict rules concerning environmental protection and animal welfare.

#### **5. Agricultural trade environment**

The Netherlands derives two-thirds of its GDP from merchandise trade, mainly through the seaports of Rotterdam and Amsterdam and Schiphol Airport, which serve as points of entry for many products entering the EU. The country had a positive trade balance in 2010 of \$54 billion. The Netherlands' imports for 2010 are valued at \$519 billion with products, in descending order of importance, coming from Germany, China, Belgium and the U.S. The Netherlands' exports for 2010 are valued at \$573 billion. The EU market is the biggest export market with Germany, Belgium and France accounting for almost 45 percent of Dutch exports. The U.S. is by far the largest non-EU export market.

Dutch agriculture is highly intensive and export focused. The Netherlands' positive balance for

agricultural trade in 2010 was \$23.5 billion. Agricultural imports from the U.S., after Brazil and Argentina the largest non-EU suppliers, totaled \$2.0 billion, with soybean, tobacco and tree nuts among the most important products. Total agricultural imports in 2010 were valued at \$50.8 billion. Plants, cheese and beer dominate the total exports of agricultural products (\$74.3 billion), while neighboring EU countries continue to be the main export markets. The U.S. is the largest non-EU export market, dominated by exports of beer and to a lesser extent cocoa powder and bulbs.

## **6. SPS and regulatory systems**

The Food and Drugs Law provides the Dutch regulatory framework for all food and non-food products. It is applicable to domestically produced and imported products.

The task of the Food and Consumer Product Safety Authority (VWA) is to protect human and animal health. It monitors food and consumer products to safeguard public health and animal health and welfare. The VWA is an independent agency in the Ministry of Economic Affairs, Agriculture and Innovation (ELI) and a delivery agency for the Ministry of Health, Welfare and Sport (WVS).

The Plant Protection Service (PD) is the body within the Dutch Ministry of Economic Affairs, Agriculture and Innovation that is responsible for the phytosanitary inspections on imported products. The VWA, PD along with the General Inspection Service (AID) have merged their activities.

## **7. Food security**

Besides emergency aid in prolonged crises, the Netherlands provides humanitarian assistance in acute crisis situations, such as flooding, volcanic eruptions, hurricanes or earthquakes, or in the aftermath of war or terrorist attacks.

Effective poverty reduction is a complex issue, involving many different actors. It also has political, social and cultural dimensions. The Netherlands considers good governance to also be a precondition for effective poverty reduction, sustainable development, and the fair distribution of wealth.

Supporting good governance means promoting democratization, strengthening local governance, reducing corruption, and encouraging the proper management of budgets.

The Netherlands participates in the NATO and EU anti-piracy missions off the Horn of Africa that aim to keep shipping routes safe. In the recent debate on assistance to countries in the Arab world, the Netherlands has urged the EU to open up markets for certain agricultural products.

## **8. USDA stakeholders**

APHIS has an office in the Netherlands which manages the phytosanitary pre-clearance program for flower bulbs for the U.S. market.

FAS Cooperators present:

- American Soybean Association
- Cranberries Marketing Committee
- Florida Department of Citrus
- SUSTA
- U.S. Wheat
- Wine Institute of California

Programs in the Netherlands:

The majority of the U.S. cooperators have programs for either the Netherlands specifically or for North West Europe or the EU as a region.