THE AGRICULTURE OF THE CANARY ISLANDS

NOTE
This document was requested by the European Parliament Committee on Agriculture and Rural Development.

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Original: ES.  
Translations: DE, EL, EN, IT, PL, PT, RO.

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Manuscript completed in June 2011.  

This document is available on the Internet at:  
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Content:

This note has been drafted as a supporting document for the European Parliament Committee on Agriculture and Rural Development in its mission to the Canary Islands in August 2011. It comprises: 1) an introduction presenting the major physical data and certain historical references; 2) a special section on the political and economic framework of the Islands; and 3) a third section which examines agriculture in the Canary Islands in the framework of the European Union, its major sources of funding and the risk factors affecting its main products (involving the impact of the WTO banana panel and renewal of the agricultural protocol to the Association Agreement with Morocco in particular).
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1. INTRODUCTION

1.1 Physical data

The Canary Islands, with a total area of 7 447 km² (TABLE 1), form an Atlantic archipelago with seven main islands (from West to East) (MAP 1): El Hierro (268.7 km²), La Palma (708.3 km²), La Gomera (369.7 km²), Tenerife (2 034.3 km²), Gran Canaria (1 560.1 km²), Fuerteventura (1 659 km²) and Lanzarote (845.9 km²) (TABLE 1). These islands are accompanied by a number of smaller territories: the Chinijo Archipelago, which includes the islands of Alegranza, La Graciosa, Montaña Clara, Roque del Este and Roque del Oeste (all administratively attached to Lanzarote); and Isla de Lobos (attached to Fuerteventura).

This volcanic archipelago has very striking terrain, with high cliffs, ravines, mountains and volcanic areas (some of which are still active). Despite its small size, 32% of the land area is over 600 m high, with 21% over 1 000 m, and extremely high peaks on virtually all the islands: Teide on Tenerife (3 718 m, making it the highest mountain in Spain), Roque de los Muchachos on La Palma (2 426 m), Pico de las Nieves on Gran Canaria (1 949 m), Pico de Malpaso on El Hierro (1 500 m) and Garajonay on La Gomera (1 487 m).

The climate is subtropical marine, with an average temperature that ranges from 20° to 30°C throughout the year. There are significant local variations, however, according to altitude, proximity to the African coast and each island’s aspect (north or south). The presence of high foothills means that air masses condense and humidity is maintained, particularly in the north of the islands, to the benefit of the vegetation.

Rainfall differs considerably according to marine influence and relief. In mountain areas it reaches 700 mm per year, compared to 1 200 mm on some western islands such as La Palma. Rain is often torrential, with a significant impact on erosion. On the more eastern
islands (Fuerteventura and Lanzarote), however, where an arid semi-desert climate prevails, rainfall is scarce (100 mm/year on the coast and 300 mm inland).

**TABLE 1. BASIC INDICATORS BY ISLAND**

<table>
<thead>
<tr>
<th>CLASSIFICATION (NUTS - 3) AND TERRITORY (ISLAND)</th>
<th>AREA (km²) (2010)</th>
<th>POPULATION (2010)</th>
<th>DEMOGRAPHIC CHANGE 2001/07 (ANNUAL AVERAGE X 1 000 INHAB.)</th>
<th>NATURA 2000 AREAS</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU outermost region</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CANARIES</td>
<td>7 447.0</td>
<td>2 118 519</td>
<td></td>
<td>348 039 ha (100%)</td>
</tr>
<tr>
<td>Predominantly rural islands</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>El Hierro</td>
<td>268.7</td>
<td>10 960</td>
<td>9.14</td>
<td>8.21</td>
</tr>
<tr>
<td>Fuerteventura</td>
<td>1 659.0</td>
<td>103 492</td>
<td>55.39</td>
<td>63.55</td>
</tr>
<tr>
<td>La Gomera</td>
<td>369.7</td>
<td>22 776</td>
<td>21.13</td>
<td>20.63</td>
</tr>
<tr>
<td>Intermediate Islands</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>La Palma</td>
<td>708.3</td>
<td>87 324</td>
<td>6.97</td>
<td>6.30</td>
</tr>
<tr>
<td>Lanzarote</td>
<td>845.9</td>
<td>141 437</td>
<td>39.63</td>
<td>48.03</td>
</tr>
<tr>
<td>Predominantly urban islands</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gran Canaria</td>
<td>1 560.1</td>
<td>845 676</td>
<td>9.87</td>
<td>13.20</td>
</tr>
<tr>
<td>Tenerife</td>
<td>2 034.4</td>
<td>906 854</td>
<td>21.63</td>
<td>25.17</td>
</tr>
<tr>
<td>EU-27</td>
<td>4 325 272.00</td>
<td>499.7 M</td>
<td>2.9</td>
<td>3.6</td>
</tr>
</tbody>
</table>


In these circumstances, water resource management to satisfy the needs of the agricultural sector (the major water consumer) and a growing population is a significant challenge. The exploitation of underground aquifers predominates (using wells and galleries), though some islands (Gran Canaria, La Gomera) also have reservoirs that store rainwater. Localised irrigation in agriculture is very widespread and helps to preserve scarce water resources. Finally, desalination plants have been installed to ensure urban consumption. The two most arid islands (Fuerteventura and Lanzarote) are now in fact totally dependent on seawater. Desalination nevertheless has a downside in the archipelago’s high energy costs.

The great variety of microclimates, ranging from rainforest to semi-desert, gives rise to considerable bio- and landscape diversity, with many endemic fauna and flora. UNESCO has declared the whole of three islands (El Hierro, La Palma and Lanzarote) and part of Gran Canaria to be biosphere reserves. The Canary Islands Network for Naturally Protected Areas is made up of 146 zones whose environmental protection status varies greatly and can overlap or complement the status of other zones (MAP 2). The declaration of a site as protected in the Canary Islands network precedes that corresponding to other networks such as Natura 2000 or the Ramsar Convention (wetlands), and includes, besides the specific natural space to be safeguarded, an environmental protection area and a socio-economic impact area.

The principal protection category is the National Park, of which there are four in the Canary Islands, covering a total of 32 773 ha: Caldera de Taburiente on La Palma, Garajonay on La Gomera, Teide on Tenerife, and Timanfaya on Lanzarote. There are also three Nature Conservation Areas: Jandía, Pilancones and Las Nieves.
In Community terms, *half the land area* of the Islands (348,039 ha) is listed as a *Natura 2000* site (TABLE 1), accompanied by a *marine environment* of 184,348 ha. The Canary Islands is the Autonomous Community with the most territory in this Network, far exceeding Spain (27.1%) and the EU-27 (11%) (TABLE 1). The Canary Islands also have a *Ramsar Convention* wetland. It should be noted in addition that the Regional Government has declared the Canary Islands to be a *GMO-free zone*.

**MAP 2. CANARY ISLANDS NETWORK FOR NATURALLY PROTECTED AREAS**

![Map of the Canary Islands network for naturally protected areas](source)


Due to their special physical and economic characteristics, the Canary Islands have been recognised by the EU as an *outermost region* (see §2.3). Three islands (El Hierro, Fuerteventura and La Gomera) have also been classified as *predominantly rural* areas in accordance with OECD methodology adopted by the European Commission. Of these, two are *intermediate* (La Palma and Lanzarote), while another two (Gran Canaria and Tenerife) are classified as *predominantly urban* (TABLE 1). As a whole, 16.4% of the population of the Canary Islands lives in rural municipalities (less than 150 inhab./km²), which occupy 67% of the territory.

**1.2. Historical and cultural background**

The Canary Islands were formerly inhabited by the *guanches*, an ethnic group of Berber origin. The earliest encounters with Europeans took place in the 14th century, when the archipelago was first conquered by the Kingdom of Castile, which absorbed it fully in the 15th century after the indigenous population of the remaining island, Tenerife, was finally subdued. Since then the islands have been repopulated by successive waves of settlers and traders of European origin, giving rise to a marked process of ethnic and cultural
crossbreeding. Guanche cultural roots (still present today in place names, vocabulary, gastronomy and certain handicrafts, folklore and sports activities) were gradually outgrown by European cultural, linguistic and religious influences, essentially from Castile but also involving significant Portuguese, British, Flemish, French and Italian contributions, among many others. Once America was colonised, Latin American influences were added to those of European origin.

**TABLE 2. CANARY ISLANDS, SPAIN AND THE EU-27: BASIC INDICATORS**

<table>
<thead>
<tr>
<th></th>
<th>CANARY ISLANDS</th>
<th>SPAIN</th>
<th>EU-27</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. TERRITORY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total area (km²) (2009)</td>
<td>7 447</td>
<td>505 365</td>
<td>4 325 272</td>
</tr>
<tr>
<td>Utilised Agricultural Area (UAA) (000 ha) (2007)</td>
<td>58.2</td>
<td>23 105</td>
<td>178 443</td>
</tr>
<tr>
<td><strong>2. DEMOGRAPHY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total population (1 000 inhab.) (2010)</td>
<td>2 118</td>
<td>47 021</td>
<td>499 700</td>
</tr>
<tr>
<td>Demographic density 2009 (inhab./km²)</td>
<td>284.5</td>
<td>93.1</td>
<td>115.5</td>
</tr>
<tr>
<td>Demographic growth 2000/2007 (annual average %)</td>
<td>2.4</td>
<td>1.6</td>
<td>0.4</td>
</tr>
<tr>
<td>% population aged 15-64 born outside the EU (2008)</td>
<td>16.28%</td>
<td>---</td>
<td>6.6%</td>
</tr>
<tr>
<td>% population aged 0-14 (2007)</td>
<td>15.6</td>
<td>14.6</td>
<td>15.8</td>
</tr>
<tr>
<td>% population over 65 (2007)</td>
<td>12.5</td>
<td>16.6</td>
<td>16.9</td>
</tr>
<tr>
<td>Child mortality 2006/2007 (per 1 000 births)</td>
<td>4.1</td>
<td>---</td>
<td>4.7</td>
</tr>
<tr>
<td>Female life expectancy 2007 (years)</td>
<td>83.6</td>
<td>---</td>
<td>82.0</td>
</tr>
<tr>
<td>Male life expectancy 2007 (years)</td>
<td>77.2</td>
<td>---</td>
<td>75.8</td>
</tr>
<tr>
<td><strong>3. ECONOMY</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP (€ million) (2008)</td>
<td>42 934</td>
<td>1 088 124</td>
<td>12 494 369</td>
</tr>
<tr>
<td>GDP per capita (€) (2008)</td>
<td>20 800</td>
<td>23 900</td>
<td>25 100</td>
</tr>
<tr>
<td>GDP per capita 2008 (PPP - PPS)</td>
<td>22 600</td>
<td>25 900</td>
<td>25 100</td>
</tr>
<tr>
<td>GDP per capita 2008 (EU-27 index = 100) (PPS)</td>
<td>90</td>
<td>103</td>
<td>100</td>
</tr>
<tr>
<td>GDP growth 2000/2007 (annual average %)</td>
<td>3.3</td>
<td>3.3</td>
<td>2.2</td>
</tr>
<tr>
<td>GDP per capita growth 2000/2007 in real terms (%)</td>
<td>0.83</td>
<td>---</td>
<td>1.80</td>
</tr>
<tr>
<td>R&amp;D expenditure as % of GDP (2007)</td>
<td>0.64</td>
<td>1.3</td>
<td>1.85</td>
</tr>
<tr>
<td>% of labour force in agriculture (2007)</td>
<td>3.2</td>
<td>4.3</td>
<td>5.6</td>
</tr>
<tr>
<td>% of labour force in industry (2007)</td>
<td>7.1</td>
<td>15.9</td>
<td>19.4</td>
</tr>
<tr>
<td>% of labour force in construction (2007)</td>
<td>12.5</td>
<td>11.9</td>
<td>8.2</td>
</tr>
<tr>
<td>% of labour force unemployed (2008)</td>
<td>17.4</td>
<td>11.3</td>
<td>7.0</td>
</tr>
<tr>
<td>Youth unemployment 2008 (% of labour force aged 15-24)</td>
<td>32.1</td>
<td>24.6</td>
<td>15.6</td>
</tr>
<tr>
<td>Human Development Index 2007 (0=low; 100=high)</td>
<td>52.4</td>
<td>---</td>
<td>62</td>
</tr>
</tbody>
</table>


It should be noted that Christopher Columbus began his first expedition to the Americas from the Canary Islands, which eventually became the transit base for routes to the New Continent. Cultural and trade relations between the islands and the New World thus intensified in both directions. Emigrants from the Canaries made a decisive contribution to the founding of the American colonies, and significant communities still exist in the Caribbean (Venezuela, Cuba, Porto Rico) and South America. In parallel, the return of descendants of Canary Islands emigrants ("Indians") or other settlers from the other side of the Atlantic led to the consolidation of American influences, particularly evident in language, architecture, music and certain traditional dishes. Currently, the Latin American foreign community is the second largest, after European residents.
In these circumstances, agricultural products as important to the colonisation of America as sugar and rum were taken to America from the archipelago’s sugarcane plantations. Conversely, products which are now traditional to the islands, such as potatoes, tomatoes and Havana cigars, originated in transatlantic trade. Trade with America, the European mainland and the British Isles, based essentially on raw materials exports, shaped the Canaries’ economy: sugarcane and rum in the early days, wine and cochineal later (1), and latterly, from the 19th century, tomatoes, bananas and fish.

Successive crises in agricultural exports and their replacement by new products have marked the archipelago’s economic evolution. The free trade system was established in the Canaries in the mid-19th century, giving rise to the special economic and fiscal rules the islands currently enjoy within Spain.

(1) A prickly pear insect producing a highly-valued natural dye for the textile industry until artificial colouring agents came to prominence.
2. POLITICAL AND ECONOMIC FRAMEWORK

2.1. A Spanish Autonomous Community with special characteristics

Since 1982 the Canary Islands have been an *Autonomous Community of the Kingdom of Spain* whose statute of autonomy was partially recast in 1996, giving it the rank of *historic nationality*. There are two capitals, *Las Palmas de Gran Canaria* (383 308 inhab.) and *Santa Cruz de Tenerife* (222 643 inhab.).

A new Regional Parliament and a new Regional Government were formed after the last elections in May 2011. The Canary Islands Parliament, with a total of 60 seats (\(^2\)), is composed of 21 members of the Partido Popular (PP), 21 members of the Coalición Canaria (CC), 15 members of the Partido Socialista Canario (PSOE) and three members of Nueva Canarias. The new Regional Government is formed by a coalition between the Coalición Canaria (nationalists) and the Socialist party, chaired by Paulino Rivero Baute (CC).

Two provinces form the Autonomous Community at administrative level: 1) the *Province of Santa Cruz de Tenerife*, in the west, with the islands of *El Hierro*, *La Palma*, *La Gomera* and *Tenerife*; and 2) the *Province of Las Palmas*, in the east, with the islands of *Gran Canaria*, *Fuerteventura*, *Lanzarote*, the *Chinijo Archipelago* and *Isla de Lobos*. Each main island in turn has a local governing body called the ‘cabildo insular’ [inter-island council], whose members are elected by universal suffrage.

With 2.1 million inhabitants in 2010 (TABLE 2.2), the archipelago is the eighth most populated Autonomous Community. Most of the population is concentrated in the two largest capital islands: Tenerife (43% of the total) and Gran Canaria (40%) (TABLE 1). Over 80% of the population is thus located on the two main islands, which are classified as predominantly urban areas, as stated above (§1.1).

Due to its small size, the archipelago has a high population density (284.5 inhab./km\(^2\)) which is three times higher than the Spanish average (93 inhab./km\(^2\)) and 2.5 times higher than the Community average (115.5 inhab./km\(^2\)) (TABLE 2.2). This density is greater in the two most heavily populated islands, Gran Canaria (542 inhab./km\(^2\)) and Tenerife (445.7 inhab./km\(^2\)). Of the Islands’ 87 municipalities, 48 have a density of over 150 inhab./km\(^2\) and are considered to be urban municipalities (MAP 3) in which 83% of the population is concentrated. The remainder are considered to be rural municipalities.

As has already been stated (§1.2), the history and geographical constraints of the Autonomous Community of the Canary Islands have left it with *special economic and fiscal rules*. Its specific fiscal features include the *Canary Islands Investment Reserve*, which reduces the corporate tax base. It also has a *Zona Especial Canaria* [Canary Islands Special Zone], making it a free zone in which businesses benefit from a considerable reduction in corporation tax.

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\(^2\) The Canary Islands Regional Parliament establishes a triple parity: equal seats between the Provinces, the two largest islands and large and small islands. This is intended to strike a balance between population and territory.
2.2. Spanish accession to the EC and the gradual integration of Canary Islands agriculture into the CAP

In 1986, Spanish accession to the European Communities led to heated controversy on the integration model to be applied to the archipelago, which opted at the time for a special scheme that would allow it to preserve its fiscal and trade status. This meant that it did not join the Customs Union or the Common Agricultural Policy (CAP), and that VAT was not applied. These arrangements were laid down in the Act of Accession (3).

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As a result, the provisions of the CAP did not apply in the Canary Islands at first, except for those of a socio-structural nature. Similarly, agricultural and fisheries products did not have free access to the rest of Community territory, since they were subject to tariff quotas and, in some cases, reference prices. The tariff dismantling envisaged for mainland Spanish products within the quotas approved and preestablished reference prices, where applicable, were applied. In parallel, certain levies on some Community products were maintained on a transitional basis (1993) (Arbitrio insular - tarifa especial) [dock dues – special tariff].

Meanwhile, non-application of the CAP meant that agricultural imports from the European Community continued to benefit from export refunds. Finally, the sector-specific regulations in force for tomatoes and cucumbers were retained for four years (1.1.1990) and the Spanish market was reserved for Canary Island bananas for 10 years (1.1.1996), provided a Common Organisation of the Market (non-existent at the time) was not set up for this product.

Nevertheless, political and social debate in the Canaries on the advisability of full integration into the Customs Union and the Common Agricultural Policy, fuelled by the agriculturally more important islands’ concerns regarding the future of their exports, did not abate. Various circumstances converged to support a revision of the integration model agreed in 1986:

- On the one hand, the adoption of the Single Act in 1987, with the consequent accomplishment of the internal market in 1992. This led in turn to the establishment of a COM for bananas in order to nullify fragmentation in the Community market according to origin ('dollar' bananas from Latin America; bananas from the ACP countries; and European production from Madeira, the DOM and the Canary Islands) (4).

- Likewise, the end in 1996 of the transition period for Spanish agriculture agreed in the Act of Accession and its possible curtailment due to the accomplishment of the internal market militated in favour of a revision of the integration arrangements for the Canaries.

- Thirdly, the speeding-up of CAP reforms encouraged greater integration of Canary Islands agriculture. This process of changes in mechanisms began in the mid-1980s and culminated in July 1991 with the presentation of a radical proposal for reform under which guarantee prices were gradually replaced by direct aid to producers (MacSharry Reform, 1992).

- Subsequently, a new round of GATT negotiations began in Punta del Este in 1986 with the aim of deregulating world agricultural trade and reducing public support for agricultural products.

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Finally, the integration arrangements were amended in 1991 (5), resulting in: the Islands’ gradual integration into the Customs Union (to be finalised in December 2000); the establishment of specific supply arrangements for agricultural products for consumption or processing in the archipelago, supplemented by a tax on the entry of goods (‘Arbitrio sobre la producción y sobre las importaciones’ - APIM – [tax on production and imports]); the application of reduced VAT (Impuesto General Indirecto Canario – IGIC [Canary Islands general indirect tax]); and finally, full integration of the agriculture of the Canary Islands into the CAP.

This new legal framework was consolidated in the same year as the Canary Islands were classified as an outermost region and the ‘Programme of options specific to the remote and insular nature of the Canary Islands’ (POSEICAN) was adopted as a result (6).

2.3. The Canaries, an outermost region in the European Union

The first European text on specific programmes in favour of the outermost regions was a 1987 European Parliament Resolution on the French Overseas Departments (DOM). Decision 89/687/EC of 22 December 1989 introduced the first programme in favour of the DOM, the true starting point of the POSEI. A further step was taken in 1991, when, in addition to updating the POSEIDOM, programmes were introduced for Madeira and the Azores (POSEIMA) and the Canary Islands (POSEICAN) (see footnote 6).

In 1999, the notion of ‘outermost region’ was enshrined in Article 299 of the Treaty of Amsterdam, with a specific reference to the Canary Islands. Finally, on signature of the Treaty of Lisbon, Articles 349 and 355 of the Treaty on the Functioning of the EU (TFEU) reiterated the Treaty of Amsterdam’s definition of ‘outermost region’ and its specific measures regarding the Customs Union, common trade policy, fiscal policy, free zones, common agricultural and fisheries polices, supply of raw materials and essential consumer goods, State aids and conditions of access to structural funds.

According to the Treaty, the concept of ‘outermost region’ is based on the special socio-economic situation of a particular region, exacerbated by its remoteness, insularity, small size, topography, climate and economic dependence on a few products, factors which severely restrain its development. The Canary Islands clearly fulfil these conditions:

- Geographically they are located in the Atlantic Ocean, 1 050 km from the Iberian peninsula and 3 054 km from Brussels, thus complying with the criteria of insularity and remoteness from their most representative markets, with the associated additional logistical and transport costs. Geographic fragmentation meanwhile gives rise to what has been called the ‘double insularity’ experienced by the non-capital islands compared to Tenerife and Gran Canaria, where administrative and economic activities are concentrated.

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The Canaries are also characterised by their limited utilised area, particularly for agriculture. This area is moreover at great risk of erosion (\(^7\)), a particularly serious issue in Fuerteventura and Gran Canaria, over 50% of whose territory is exposed to this phenomenon. Due to the difficult terrain, with steep slopes and extensive mountain and volcanic areas, only 7.26% of the area is arable land. Some 20.4% is classified as forest, 4.02% as meadow and pastureland and 0.43% as rivers and lakes, the remainder (67.89%) being classified as 'other uses'. As has been seen (§1.1), most of the territory is subject to environmental protection schemes.

- The lack of utilisable land is exacerbated by the scarcity of water for urban and agricultural use. It is no coincidence that the price of water in the Canary Islands is the highest in Spain (€1.74/m\(^3\)), compared to the national average of €1.08 in 2006). Consumption has nevertheless continued to rise. From 2000 to 2007, average household consumption (litres/inhab./day) increased by 10.8%, due essentially to tourism. Salinisation is also a relevant phenomenon.

- From a socio-demographic perspective the islands are marked, as has been seen, by their high population density (285 inhab./km\(^2\)) (§2.1.). This is compounded by high structural unemployment (28.5% of the labour force in 2011) and strong migratory pressure, facilitated by proximity to Africa: the island of Fuerteventura is a mere 95 km from the Saharan coast.

- The archipelago is also marked by its economic weakness due to high external dependence and a limited number of activities (tourism) and own-produced goods (agricultural exports). It should be noted in this respect that imports of goods in 2010 amounted to €14 104 million while exports totalled €3 189 million (TABLE 5), the deficit balance standing at €10 916 million (see §3.3).

- Finally, reference must be made to the specific natural risks affecting the archipelago, such as hurricane-force winds and forest fires. These are also sporadically accompanied by volcanic eruptions, the most recent occurring on La Palma in 1949 (Nambroque and San Juan) and 1971 (Teneguía).

**2.4. The economy of the Canary Islands: basic indicators**

In the 1960s, agriculture accounted for around 32% of regional GDP, compared to a mere 1.3% today (see §3.1). Due to this profound change the Canary Islands now have an essentially tertiary economy, with services sector GVA amounting to 83% of GDP (TABLE 3). The major component – tourism and related activities – continue throughout the year thanks to the excellent climate (§1.1). With slightly fewer than 10 million foreign visitors per year, this is the third-largest Spanish tourist region, behind only Catalonia and the Balearic Islands.

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\(^7\) Average annual soil losses in 2008 stood at 9.72 t/ha. Some 69.25% of the land area is affected by moderate erosion (0 to 10 t/ha per year), 21.86% by average erosion (from 10 to 25 t/ha per year), and 8.89% by high erosion (over 25 t/ha per year). Source: MARM 'Perfil Ambiental de España', 2009.
### TABLE 3. SECTORAL COMPOSITION OF CANARY ISLANDS GDP COMPARED TO SPANISH GDP

<table>
<thead>
<tr>
<th>2010 DATA (*) (£ MILLION)</th>
<th>CANARY ISLANDS</th>
<th>%</th>
<th>SPAIN</th>
<th>%</th>
<th>% CAN/SP</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL GROSS VALUE ADDED (GVA)</td>
<td>37 783.7</td>
<td>100</td>
<td>972 403.0</td>
<td>100</td>
<td>3.9%</td>
</tr>
<tr>
<td>Agriculture, livestock and fisheries GVA</td>
<td>489.0</td>
<td>1.3%</td>
<td>26 062.0</td>
<td>2.7%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Power sector GVA</td>
<td>1 040.1</td>
<td>2.8%</td>
<td>29 684.0</td>
<td>3.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Industrial sector GVA, including food, beverages and tobacco GVA</td>
<td>1 384.2</td>
<td>3.7%</td>
<td>122 132.0</td>
<td>12.6%</td>
<td>1.1%</td>
</tr>
<tr>
<td></td>
<td>594.9</td>
<td>1.6%</td>
<td>20 245.0</td>
<td>2.0%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Construction sector GVA</td>
<td>3 483.8</td>
<td>9.2%</td>
<td>97 791.0</td>
<td>10.0%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Services sector GVA</td>
<td>31 386.3</td>
<td>83.0%</td>
<td>696 734.0</td>
<td>71.7%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

(*) Data on sectoral composition of GDP calculated on the basis of each sector’s contribution to total GVA, without including the value of net tax on products. Provisional data for 2010.

**Sources:** Instituto Canario de Estadística (ISTAC), Contabilidad Regional de España and own figures

Industry has little economic weight and contributes less than 4% to regional GDP, well below mainland levels (TABLE 3). In this context, the *agri-food industry* has a relevant position with 43% of regional GVA, i.e. 1.6% of Canary Islands GDP (TABLE 3) and 29.6% of the total population employed in industry (TABLE 4 - IV).

The *power subsector* is also of some importance (2.8% of GDP) (TABLE 3), based essentially on oil refining. Most electric power is from thermal sources, but the gradual development of *renewable energies*, exploiting the favourable climate, should be noted. In order to respond to ever-increasing electricity consumption (4.2 MW/inhab. in 2008) and with no capacity to produce hydroelectric power, *wind energy* (now with 142 MW of installed power) and *solar energy* (95 MW) are becoming established. In total, renewable energies currently account for 277 MW of installed power, still well below its theoretical growth capacity. Geothermal energy associated with volcanic activity may also be developed in the future.

Construction, which is very closely linked to the development of tourism, is the second largest sector, accounting for 9.2% of GDP in 2010 (TABLE 3). It has therefore maintained its relevance despite the major slump in the sector brought about by the current economic crisis. The collapse in domestic consumption and the decline in tourism due to the crisis have combined to burst the real estate bubble in Spain in general and in the Canary Islands in particular. In this context, the deterioration in building, which employed some 12.5% of the labour force in 2007 prior to the crisis (TABLE 1.3), has contributed strongly to the sharp increase in the region’s traditionally already very high unemployment. In 2008, the archipelago’s unemployed population amounted to 17.4% of the labour force (TABLE 2.3). According to the most recent data published, regional unemployment represented 28.5% of the labour force in the first quarter of 2011.
The high demographic growth of the Canary Islands (2.4% per annum from 2000 to 2007), much greater than the figure for Spain (1.6%) or the EU-27 (0.4%) (TABLE 2.2), also contributes to this structural unemployment and explains why youth unemployment is twice the EU average (TABLE 2.3). Although the fertility rate has been falling and the percentage of children under the age of 14 is now similar to the European level (15.6%) (TABLE 2.2), the overall population pyramid is younger than that of mainland Spain and most of Europe. This is exacerbated by the recent surge in immigration: in 2008 some 16.28% of the population of the Canary Islands aged from 15 to 64 was born outside the EU (a figure that contrasts with the 6.6% recorded in the EU-27 as a whole) (TABLE 2.2). Around 250,000 foreign nationals currently live in the archipelago, half of whom are of European origin while the other half come from Latin America and Africa.

Migration flows from African countries have been particularly significant in recent years, particularly on the islands closest to Africa (Fuerteventura and Lanzarote). TABLE 1 shows net migration balances and changes in the total population of the Islands compared to the EU: while from 2001 to 2007 the EU-27 recorded an average migration balance of 2.6 per 1,000 inhabitants, Fuerteventura recorded a rate of 55.39, compared to 39.63 in Lanzarote, 21.63 in Tenerife and 21.13 in La Gomera. The total population of each island has increased significantly and was well above the Community average in this period (TABLE 1).
3. AGRICULTURE AND THE FOOD SECTOR IN THE CANARY ISLANDS

3.1. The economic, environmental and territorial role of agriculture in the Canary Islands

The primary sector is relatively important to the archipelago’s GDP: with a GVA of €489 million, it is equivalent to a mere 1.3%, similar to agriculture in the EU-27 (1.1%), but below the total for Spain (2.7%) (TABLE 3). The insignificant weight of agri-food compared to other economic sectors (particularly services) (TABLE 3) does not prevent it from playing a relevant role in the region’s socio-economic balance:

- It accounts for one fifth of exports from the Canary Islands (TABLE 5 - I.1), the main products being bananas, fruit and vegetables, fisheries products, tobacco and flowers and plants.

- It employs 24 500 out of a total of 771 200 workers for the economy of the Canary Islands as a whole (3.1%) (data for the final quarter of 2010 - TABLE 4 - I), and is particularly important on islands such as El Hierro, La Palma and La Gomera. At a time of crisis such as the present, it should be noted that the agricultural sector involves highly labour-intensive activities which have a marked capacity to absorb a proportion of the poorly qualified labour force which is now unemployed due to the slump in construction.

- A further 10 832 employees in the food, beverages and tobacco sector (TABLE 4 - IV), equivalent to 29.6% of the total employed in the industry in the Canary Islands, must be added to the number directly employed in the primary sector.

- Agriculture also makes it possible to maintain a basic rural fabric in a region with significant disequilibria, some inland areas of which are undergoing rapid depopulation. It is therefore a basic pillar of a rural environment covering 3 865 km² with a population of 196 164 people (\(^8\)).

- It generates a broad series of related activities ranging from the packaging of agricultural products to the loading and unloading of ships in ports. As yet, specialisation in fresh produce has not allowed major fruit and vegetable processing industries to consolidate. However, the food, beverages and tobacco subsector has an economic weight which is greater than the weight of agriculture per se (1.6%). It is geared towards supplying the Canary Islands market and each island in particular and has a turnover of €1 668.7 million (TABLE 4 - IV), representing 22.2% of the total regional industrial sector. The dairy industry (turnover of €294.8 million in 2008), spring water and non-alcoholic beverages (€293.5 million) and bread and flour confectionery (€201.27 million) are particularly important. Other relatively important activities are egg classification and packaging, meat product handling and storage and vinicultural products.

- Finally, agriculture effectively protects what is an extremely interesting ecological environment (see §1.1) which is marked by scarcity of natural resources (land and

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\(^8\) Data on municipalities classified as rural (population of less than 30 000 inhab. and density of less than 100 inhab./km²) by Law 45/2007 on the sustainable development of the rural environment.
water), serious salinisation problems, erosion (see §2.3) and strong demographic pressure, exacerbated by tourism and migration flows from Africa (see §2.4).

### 3.2. Structural profile of agriculture in the Canary Islands

The principal feature of agriculture in the Canary Islands is **lack of water and land** suitable for cultivation. The latter represents a mere 7.6% of the total area, which is why the hectarage of arable land in the Canary Islands is the most expensive in Spain.

Such production factor constraints are nevertheless offset by certain climatic advantages which allow tropical and subtropical products to be cultivated and a broad range of ‘out-of-season’ fruit and vegetables to be exported to external markets (§3.3). Thus, at the expense of great human effort, 40% of the UAA is now under irrigation (23 384 ha), 76.1% of which is localised irrigation, thereby taking full advantage of scarce water resources.

The Canary Islands have 14 416 agricultural holdings (TABLE 4 - I). These are generally small: 4 ha of UAA (the lowest level in Europe) and an average of 18.2 livestock units (9) (TABLE 4 - I). By contrast, their economic size is greater, with 33 ESU per holding (10), more than twice the Spanish average (15.6). This high economic profitability makes it possible to sustain an average of 2.2 AWU (11) per holding (TABLE 4 - I).

In addition to the statistical averages, however, agriculture in the Canary Islands is characterised by its **dual nature**: a highly specialised export agriculture subsector (fruit, vegetables, plants and flowers) accounting for 67% of agricultural GVA coexists with an agriculture geared towards domestic supply (wine, livestock products) which plays an important social and environmental role. This duality in production has **structural** consequences. Some 85% of holdings are less than five ha in size, and 55% of these are made up of fewer than eight ESU. The greater part of agricultural production for the Canary Islands market comes from these marginal holdings. At the other extreme, the greater part of exports come from holdings of over 50 ha or large greenhouses. This same segment includes 5% of holdings of over 40 ESU.

*Three products* occupy the majority of the growing area (TABLE 4 - II): **vineyards** (18 932 ha), which are particularly important due to the large number of smallholdings involved; **bananas** (with 9 113 ha, mostly in Tenerife and La Palma), with an expanding output amounting to 420 700 tonnes in 2010 with a value equivalent to almost a quarter of final agricultural output (FAO); and **potatoes**, of little export significance but occupying 4 134 ha.

Other economically significant plant products are: **tomatoes** (concentrated in Gran Canaria, Tenerife and Fuerteventura, occupying 1 819 ha in greenhouses and producing 119 800 tonnes in 2010, worth the equivalent of 9% of FAO, albeit decreasing); **flowers and ornamental plants** (711 ha), expanding strongly and now representing 7% of Canary Islands FAO; and **cucumbers, peppers and green beans**, all occupying a small area but with a significant weight in exports.

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9 Livestock Units (LU) are equivalent to the number of head of cattle on a holding multiplied by a factor that varies for each species and type. They consequently combine a variety of livestock in a single indicator.

10 ESU: Economic Size Unit (1 ESU = €1 200 standard gross margin).

11 AWU: Annual work units. 1 AWU is equivalent to the work of one person, full time, for one year (1 826 hours).
Livestock products include goats in particular (milk and meat), with 305 320 head (equivalent to 10.5% of the Spanish total), and egg-producing poultry (2.2 million units, representing 5.2% of the Spanish total) (TABLE 4 - III).

As regards food quality policy, the Canary Islands have 14 foods and beverages with Protected Designation of Origin (PDO) or Protected Geographical Indication (PGI), which include: 'Queso Majorero', 'Queso de Guía', 'Ronmiel' and the wines 'Tacoronte-Acentejo' and 'Lanzarote'. The latest classifications, from mid-2011 and still transitional, correspond to 'Papas Antiguas de Canarias’ (PDO) and ‘Plátano de Canarias’ (PGI). In addition, 5 009 ha are given over to organic farming (TABLE 4 - II).

### TABLE 4. AGRI-FOOD SECTOR IN THE CANARY ISLANDS: BASIC STRUCTURAL DATA

<table>
<thead>
<tr>
<th>I. HOLDINGS (2010)</th>
<th>Total number of holdings</th>
<th>Average UAA (ha) per holding</th>
<th>Average Livestock Units (LU)</th>
<th>Average AWU per holding</th>
<th>Average ESU per holding</th>
<th>Total agricultural workers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14 416</td>
<td>4.0</td>
<td>18.2</td>
<td>2.2</td>
<td>33.4</td>
<td>24 500</td>
</tr>
<tr>
<td></td>
<td>18 932</td>
<td>9 113</td>
<td>4 134</td>
<td>6 545</td>
<td>1 819</td>
<td>5 009</td>
</tr>
<tr>
<td>III. LIVESTOCK (Head) (2010)</td>
<td>Egg-producing poultry</td>
<td>Meat-producing poultry</td>
<td>Goats</td>
<td>Sheep</td>
<td>Pigs</td>
<td>Cows (suckler and dairy)</td>
</tr>
<tr>
<td></td>
<td>2 279 128</td>
<td>1 448 411</td>
<td>305 320</td>
<td>88 128</td>
<td>68 877</td>
<td>18 890</td>
</tr>
<tr>
<td>IV. FOOD, BEVERAGES AND TOBACCO (2009)</td>
<td>Total persons employed</td>
<td>% of industrial employed</td>
<td>% variation of employed 2009/2008</td>
<td>Turnover (€ million)</td>
<td>% turnover of industrial total</td>
<td>% variation 2009/2008</td>
</tr>
<tr>
<td></td>
<td>10 832</td>
<td>29.6%</td>
<td>-1.9%</td>
<td>1 668.7</td>
<td>22.2%</td>
<td>-3.7%</td>
</tr>
</tbody>
</table>

Explanatory notes: **UAA**: Utilised Agricultural Area; **AWU**: Annual Working Units; **ESU**: Economic Size Unit (see definitions in footnotes 9 to 11).

Sources: MARM (Anuario de estadística Agraria 2009), INE (Encuesta Industrial de Empresas) and own figures.
3.3. The agri-food trade

Trade in agricultural and food products is particularly relevant for the Canary Islands due to their insular nature and poor capacity to guarantee supplies to the resident or seasonal population. Meanwhile, the already mentioned duality of agricultural production in the archipelago (§3.2) is reflected in trade relations: traditional export sectors coexist with others geared towards domestic consumption which are subject to strong external competition because of the special tax and trade arrangements in place for the Canaries. Finally, the archipelago’s significant agricultural imports are further processed by a substantial part of the agri-food industry in the Canary Islands (§3.1). As a result, the agricultural and food trade balance is heavily in deficit (€2 179 million in 2010) (TABLE 5), with a coverage rate (exports/imports) of only 23.5%.

Most agri-food trade is with mainland Spain (70.5%) (TABLES 5 - I.1 and II.1.). The EU-27 (excluding Spain) is the second trading partner, taking 20.7% of agricultural exports and contributing 17.4% of imports (TABLE 5 - I.1 and II.1). Due to its proximity, Africa is the third trading partner, though it lags well behind the first two.

*Agri-food exports* are responsible for 21% of total exports, clear evidence of the dynamism of an agriculture which, as has been seen (§3.1), accounts for a mere 1.3% of regional GDP. *Fruit* (including bananas) is the leading sector in external sales and was worth €223.2 million in 2010 (equivalent to a third of agri-food exports and 7% of total Canary Islands external sales) (TABLE 5 - I.1). This is followed by *fisheries products*, *manufactured tobacco* (€129.6 million) and *vegetables* (€87.4 million) (TABLE 5 - I.1).

It should be noted that *tobacco industry* exports depend on imports of tobacco leaf. Something similar occurs with exports of *frozen and preserved fish*, which exploit the fact that the Canary Islands is the base for many fleets that operate off the African coast under a variety of flags.

In line with the Canaries’ strong specialisation in fresh fruit and vegetables, the major agricultural exports are *bananas*, *tomatoes*, *cucumbers* and *peppers*. Virtually all fruit goes to Spain (TABLE 5 - I.1), due to the traditional trade flows established with the national reserve for bananas (§2.2). In the remaining tariff headings, mainland Spain occupies the leading position in Canary Islands export agriculture. The other *principal destination countries by agricultural and food headings* are (2010 data):

- *Vegetables* (Heading 07), United Kingdom and the Netherlands (with sales of €44 million and €31 million respectively);

- *Fisheries products* (Heading 03), Italy (€11.7 million), the Netherlands (€6.1 million), Nigeria (€4 million), France, the United States and Cape Verde (€1 million each);
### TABLE 5. AGRI-FOOD EXTERNAL TRADE COMPARED TO TOTAL CANARY ISLANDS TRADE AND BALANCES (2010, € 000)

<table>
<thead>
<tr>
<th>GEOGRAPHIC AREA OF DESTINATION OR ORIGIN</th>
<th>TOTAL</th>
<th>SPAIN</th>
<th>EU-27 (EXCL SPAIN)</th>
<th>AFRICA</th>
<th>OTHER AREAS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. TOTAL EXPORTS</strong> (100%)</td>
<td>3 189 117</td>
<td>1 335 278</td>
<td>885 788</td>
<td>187 165</td>
<td>780 886</td>
</tr>
<tr>
<td><strong>II. TOTAL IMPORTS</strong> (100%)</td>
<td>14 104 928</td>
<td>9 463 716</td>
<td>2 014 034</td>
<td>1 092 992</td>
<td>1 534 186</td>
</tr>
<tr>
<td><strong>TOTAL TRADE BALANCE (I-II)</strong></td>
<td>-10 915 811</td>
<td>-8 128 438</td>
<td>-1 128 246</td>
<td>-905 827</td>
<td>-753 300</td>
</tr>
<tr>
<td><strong>AGRICULTURAL AND FOOD BALANCE (I.1 - II.1)</strong></td>
<td>-2 179 733</td>
<td>-1 535 089</td>
<td>-357 169</td>
<td>-13 984</td>
<td>-273 490</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>GEOGRAPHIC AREA OF DESTINATION OR ORIGIN</strong></th>
<th><strong>TOTAL</strong></th>
<th><strong>SPAIN</strong></th>
<th><strong>EU-27 (EXCL SPAIN)</strong></th>
<th><strong>AFRICA</strong></th>
<th><strong>OTHER AREAS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I.1. Total agri-food exports (</strong>), including:**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08. Fruit (including bananas) (4.8%)</td>
<td>223 211.4</td>
<td>221 922.6</td>
<td>321.7 (0.1%)</td>
<td>966.8 (0.5%)</td>
<td>0.3 (0.0%)</td>
</tr>
<tr>
<td>03. Fishery products (7.0%)</td>
<td>154 546.9</td>
<td>94 248.6</td>
<td>25 659.5 (16.6%)</td>
<td>18 693.7 (12.1%)</td>
<td>15 945.1 (10.3%)</td>
</tr>
<tr>
<td>24. Tobacco (4.0%)</td>
<td>129 597.9</td>
<td>114 107.9</td>
<td>10 770.5 (8.3%)</td>
<td>106.4 (0.1%)</td>
<td>4 613.1 (3.6%)</td>
</tr>
<tr>
<td>07. Vegetables (2.7%)</td>
<td>87 452.0</td>
<td>10 971.0</td>
<td>76 183.3 (87.2%)</td>
<td>207.4 (0.2%)</td>
<td>90.3 (0.0%)</td>
</tr>
<tr>
<td>22. Beverages (0.7%)</td>
<td>21 704.7</td>
<td>10 629.4</td>
<td>7 932.0 (36.5%)</td>
<td>934.6 (4.3%)</td>
<td>2 208.7 (10.2%)</td>
</tr>
<tr>
<td>06. Live plants (0.5%)</td>
<td>14 634.5</td>
<td>5 384.0</td>
<td>7 424.8 (50.7%)</td>
<td>500.5 (3.4%)</td>
<td>1 325.2 (9.1%)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>GEOGRAPHIC AREA OF DESTINATION OR ORIGIN</strong></th>
<th><strong>TOTAL</strong></th>
<th><strong>SPAIN</strong></th>
<th><strong>EU-27 (EXCL SPAIN)</strong></th>
<th><strong>AFRICA</strong></th>
<th><strong>OTHER AREAS</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>II.1. Total agri-food imports (</strong>), including:**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16. Meat and fish preparations (3.0%)</td>
<td>422 451.3</td>
<td>391 555.0</td>
<td>24 210.1 (5.7%)</td>
<td>589.5 (0.1%)</td>
<td>6 096.7 (1.5%)</td>
</tr>
<tr>
<td>02. Meats (2.3%)</td>
<td>322 871.1</td>
<td>174 262.5</td>
<td>20 839.3 (6.5%)</td>
<td>8.5 (0.0%)</td>
<td>127 760.8 (39.5%)</td>
</tr>
<tr>
<td>22. Beverages (2.3%)</td>
<td>319 969.4</td>
<td>262 698.9</td>
<td>51 507.5 (16.0%)</td>
<td>2 664.9 (1.0%)</td>
<td>3 098.1 (1.0%)</td>
</tr>
<tr>
<td>04. Dairy products (1.9%)</td>
<td>275 711.3</td>
<td>178 121.2</td>
<td>97 437.9 (35%)</td>
<td>0.00 (0.0%)</td>
<td>152.2 (0.0%)</td>
</tr>
</tbody>
</table>

| **TOTAL TRADE BALANCE (I-II)**                 | -10 915 811 | -8 128 438 | -1 128 246 | -905 827 | -753 300 |
| **AGRICULTURAL AND FOOD BALANCE (I.1 - II.1)** | -2 179 733 | -1 535 089 | -357 169 | -13 984 | -273 490 |

(*') Agri-food trade: Headings 01 to 24 of the tariff nomenclature

**Source:** Instituto Canario de Estadística (ISTAC) and own figures
- **Live plants** (Heading 06), the Netherlands (€3.9 million) and Germany (€2.3 million);

- **Processed cereal-based foods** (Heading 19), the Netherlands (€1.4 million); and

- **Diverse animal products** (excluding dairy and meat products) (Heading 05), Germany (€1 million).

**Agricultural and food imports** are equivalent to 20.2% of external trade (TABLE 5 - II.1). The leading import heading covers **meat and fish preparations** (equivalent to 14% of agricultural and food purchases and 3% of the total imported by the Canary Islands), mostly from Spain. These are followed by **meats** (11.3% of agri-food imports and 2.3% of the total from the exterior), **beverages** (11.2% of agri-food flows and 2.3% of the total imported) and **dairy products** (9.6% of agri-food imports and 1.9% of the total imported).

As with exports, Spain is the Canary Islands’ leading supplier of agri-foodstuffs (70.5% of the total) (TABLE 5 - II.1). Apart from mainland Spain, the **principal countries of origin of agricultural and food imports** are (2010 data):

- **Meats** (Heading 02), Brazil (purchases of €70.2 million) and the Netherlands (€8.9 million); it should be noted with respect to this heading that total imports from the EU-27 are exceeded by purchases from third countries;

- **Fisheries products** (Heading 03), China (€44 million), the Netherlands (€20.1 million) and the United Kingdom (€13.9 million);

- **Dairy products** (Heading 04), the Netherlands (€34.6 million) and Germany (€33.6 million);

- **Vegetables** (Heading 07), the United Kingdom (€25.5 million); and

- **Beverages** (Heading 22), the United Kingdom (€22.8 million).

### 3.4. Agriculture in the Canary Islands and the European Union

The Community framework for agriculture in the Canary Islands is based on two schemes (TABLE 6):

- the **programme of options specific to the remote and insular nature of the outermost regions** (POSEI), which provides the Canary Islands with annual funding under the EAGF of €268.4 million (§3.4.1);

- the **Canary Islands Rural Development Programme 2007/2013**, under the EAFRD [European Agricultural Fund for Rural Development] in cooperation with the national and Autonomous Community authorities, which provided €19.3 million in 2010 (§3.4.2).

These specific programmes are supplemented by measures that contribute indirectly to agriculture and rural development in the Canary Islands under **Cohesion Policy** (particularly under the European Regional Development Fund - ERDF (§3.4.3).
3.4.1. POSEICAN

The Canary Islands have been part of the POSEI since 1992 (§2.3). The first POSEICAN was implemented through Regulation (EC) No 1601/92 (OJ L 173 of 27.6.1992). The specific measures in favour of Canary Islands agriculture were continued in Regulation (EC) No 1454/2001 (OJ L 198 of 21.7.2001), which brought the POSEIDOM, POSEIMA and POSEICAN programmes existing at the time together in a single text.

Phase 3 of the agricultural policies for agricultural products from the outermost regions, formalised by Council Regulation (EC) No 247/2006 (OJ L 42 of 14.2.2006) (12) and Commission Regulation (EC) No 793/2006 (OJ L 145 of 31.5.2006), is currently in progress. The principal innovation in the 2006 reform of the POSEI was the introduction of multiannual programming, to be defined and managed by the internal authorities, in the same way as the rural development programmes in force. The Community Programme for agricultural products from the Canary Islands (13) was adopted on this basis through the Commission Decisions of 25 March and 29 September 2010. This programme involves three major sections:

a) The specific supply arrangements for the Canary Islands

The objective of this scheme is to compensate for the additional costs involved in maintaining supplies resulting from the remote and insular nature of the Canary Islands. An annual forecast supply balance and a register of beneficiaries are defined in order to implement this scheme. Two types of instruments are used to compensate for additional costs: 1) import quotas for certain agricultural products from third countries; and 2) aid for the supply of stored Community products. In 2010, this aid amounted to €72.7 million (TABLE 6).

### TABLE 6. EUROPEAN UNION AID TO AGRICULTURE IN THE CANARY ISLANDS (2010)

<table>
<thead>
<tr>
<th>DIRECT AID 2010 (€ MILLION)</th>
<th>CANARY ISLANDS</th>
<th>SPAIN</th>
<th>% CAN/SP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total paid from the EAGF (*)</td>
<td>268 400</td>
<td>6 426 400</td>
<td>4.18%</td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total POSEICAN aid:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>including:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Supply arrangements</td>
<td>72 700</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>- Aid for vegetable production</td>
<td>34 600</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>- Aid for banana production</td>
<td>141 100</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>- Aid for animal production</td>
<td>20 000</td>
<td>--</td>
<td>--</td>
</tr>
<tr>
<td>Rural development programmes (**))</td>
<td>19 300</td>
<td>1 562 500</td>
<td>1.24%</td>
</tr>
</tbody>
</table>


(**) For the rural development programmes of the Canary Islands and Spain: EAFRD + national expenditure + Autonomous Community expenditure

Source: Fondo Español de Garantía Agraria (FEGA)

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12 A proposal to recast Regulation (EC) No 247/2006 to include adaptation to the provisions of the Treaty of Lisbon in terms of delegated and implementing acts is pending (COM(2010) 498 of 24 September 2010).

b) Measures for local products

The Programme’s second major section involves measures for sustaining and developing local agricultural products. These include three types of instrument:

- **Area-based aid for plant production**, with an annual financial allocation of €34.6 million under the EAGF (TABLE 6). The principal action involves aid for the marketing of fruit and vegetables for the local and external markets (€13.8 and €10.1 million respectively).

- **Aid to banana producers**, totalling €141.1 million per annum, by far the leading section of Community financial support for the Canary Islands (TABLE 6). The direct support measures for bananas traditionally coming under the CAP have been an integral part of the POSEI since 2006 (Regulation (EC) No 2013/2006, OJ L 384 of 29.12.2006). This has made it possible to maintain the flat-rate aid according to historical references and to exclude it from the process of full decoupling from production that has been applied to CAP aid as

**FIGURE 1. POSEI LOGO FOR PROMOTING AGRICULTURAL PRODUCTS FROM THE CANARY ISLANDS**

a whole since 2003 \(^{(14)}\). In exchange for recovering this aid, a maximum expenditure ceiling is imposed and beneficiaries are required to join producers’ organisations and to undertake to achieve given production volumes.

- **Aid for animal production**, with an annual financial allocation of €20 million under the EAGF (TABLE 6). The principal measures in this area involve aid to the sheep and goat sector (€7.1 million per annum) and the consumption of locally produced cows’ milk (€5.5 million).

### c) Accompanying measures

The final section of the POSEI contains a variety of actions, including the following in particular: a **special logo** allowing consumers to identify agricultural products from the Canary Islands (FIGURE 1); a series of **derogations** and **exemptions** from the general rules relating to rural development, **State aid** \(^{(15)}\), and particular sector-specific regulations included in the single COM (wine, milk, livestock and tobacco).

### TABLE 7. CANARY ISLANDS RURAL DEVELOPMENT PROGRAMME
FINANCIAL PLAN (2007-2013)

<table>
<thead>
<tr>
<th>AXIS</th>
<th>Total public expenditure (I+II+III )</th>
<th>% axis of total</th>
<th>I. EAFRD contribution</th>
<th>% of total axis expenditure</th>
<th>II. State Administration contribution</th>
<th>III. Government of Canary Islands contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Axis 1. Increase in competitiveness</td>
<td>210 681 844</td>
<td>62.9</td>
<td>74 062 154</td>
<td>35.1</td>
<td>54 735 240</td>
<td>81 884 450</td>
</tr>
<tr>
<td>Axis 2. Improving the environment and the countryside in the Canary Islands</td>
<td>63 867 356</td>
<td>19.0</td>
<td>47 958 748</td>
<td>75.1</td>
<td>7 954 304</td>
<td>7 954 304</td>
</tr>
<tr>
<td>Axis 3. Quality of life and diversification of the rural economy</td>
<td>37 214 640</td>
<td>11.1</td>
<td>16 746 588</td>
<td>45.0</td>
<td>10 010 738</td>
<td>10 457 314</td>
</tr>
<tr>
<td>Axis 4. LEADER</td>
<td>18 233 079</td>
<td>5.5</td>
<td>15 498 117</td>
<td>85.0</td>
<td>1 367 481</td>
<td>1 367 481</td>
</tr>
<tr>
<td>Technical assistance</td>
<td>4 858 485</td>
<td>1.5</td>
<td>3 199 798</td>
<td>65.8</td>
<td>212 237</td>
<td>1 446 450</td>
</tr>
<tr>
<td>TOTAL</td>
<td>334 855 404</td>
<td>100</td>
<td>157 465 405</td>
<td>47.0</td>
<td>74 280 000</td>
<td>103 109 999</td>
</tr>
</tbody>
</table>

**Source:** Rural Development Programme for the Canary Islands 2007/2013, updated in 2009 following implementation of the EERP (European Economic Recovery Plan) and the CAP Health Check.

### 3.4.2. Rural Development Programme 2007/2013

The Autonomous Community of the Canary Islands is included in the Regional Competitiveness and Employment objective of EU Cohesion Policy under the phasing-in system. This system includes the regions under **Objective 1** in the period from 2000 to 2006 which are not covered by the new ‘convergence objective’ for the period from 2007 to

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\(^{(14)}\) A possibility already considered in Article 70 of Regulation (EC) No 1782/2003 for agricultural products as a whole from the outermost regions.

\(^{(15)}\) Regulation (EC) No 247/2006 allows additional financing to be awarded to local plant and animal products under regional funds by way of **State aid**. The Canary Islands have programmed additional financing of €38.1 million per annum for plant products and €8.3 million for animal products.
2013. This involves a reduction in the level of cofinancing by the structural funds as a whole (including the EAFRD).

In this framework, the second major Community programme for agriculture in the Canary Islands is the *Rural Development Programme (RDP) 2007-2013*. The programme’s total public expenditure amounts to €334.8 million, with an average cofinancing under the EAFRD of 47% (TABLE 7) (16). The remainder is divided between the general State administration and the Regional Government.

The programme’s priority Axis is Axis 1, which brings together the measures for improving the *competitiveness of agriculture and forestry*, equivalent to 63% of total expenditure, even though it receives the smallest contribution from the EAFRD (35.1% of total expenditure). Its principal action involves support for modernising agricultural holdings, followed by measures for adding value to agricultural products.

The second Axis, devoted to *improving the environment and the countryside in the Canary Islands*, is the one that receives the greatest EAFRD cofinancing (75.1%). This is the second highest priority of the Government of the Canary Islands, with 19% of total expenditure (TABLE 7). The most important measures in this Axis are agri-environment payments.

Axis 3, for *quality of life in rural areas and diversification of the rural economy*, is also the third axis in financial terms, with 11.1% of total expenditure and an EAFRD contribution of 45% (TABLE 7). The most representative measure is conservation of the rural heritage.

Finally, the *LEADER Community initiative* for local development is equivalent to 1.5% of total expenditure, with 85% EAFRD cofinancing (TABLE 7). A Local Action Group (LAG) has been formed on each main island to run the measures (17).

### 3.4.3. Cohesion policy

In addition to POSEICAN and EAFRD action, the ERDF applies its investments in infrastructure to shape the economy of the Canary Islands as a whole, with indirect effects on the export capacity of agriculture and on developing the rural sector. As part of the phasing-in system for the period from 2007 to 2013, this fund allocates €112.4 million to the archipelago. This amount is supplemented by a contribution from the multiregional programmes for Spain and the specific measures under the *European Social Fund* (ESF), which are smaller in amount.

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16 This budget includes the measures resulting from the European Economic Recovery Plan (EERP) 2009-2013, equivalent to €1.9 million total expenditure, €1.6 million of which corresponded to the EAFRD.

17 Based on the 2007 *Law on the Sustainable Development of the Rural Environment*, Spain has a *Sustainable Rural Development Programme* in parallel to the RDPs submitted to the Commission. The Central Ministry and the Autonomous Communities must sign a general Protocol detailing the means of administrative cooperation required to implement the programme. The Canary Islands signed the respective Protocol in 2010. According to Sustainable Rural Development Programme 2010-2014 forecasts, the Canary Islands will have a total budget of €113.5 million (to be financed in equal proportions by the State and the Region). The State contribution represents 4.4% of the total envisaged for Spain as a whole.
3.5. Institutional risk factors affecting the future of agriculture in the Canary Islands

3.5.1. The new multiannual financial framework 2014-2020

In institutional terms the main unknown quantity for the future of agriculture in the Canary Islands is budgetary in nature. What effect the new multiannual financial framework 2014-2020 will have on programmes for the outermost regions and on the EAFRD as a source of Community financing for a new RDP remains to be seen. The great impact the economic crisis has had on the Canaries (currently with an unemployment rate of 28.5%) and on the market problems affecting the major agricultural exports (see §3.6) has a significant influence on the maintenance of the Community financial effort expended on the archipelago. The 2020 Strategy that will mark a new programming period should form part of a specific response to the difficult socio-economic situation prevailing in the outermost regions in general and the Canary Islands in particular.

3.5.2. CAP and POSEI reforms with a view to their implementation from 2014 to 2020

Apart from the financing available from 2014 to 2020, it is important to establish how these reforms will affect the changes in focus and content that will be applied to the new POSEI and the new post-2013 rural development policy.

Particular attention will have to be paid to the impact on the Canaries of implementation of the integrated territorial approach between the Structural Funds set out in the Communication from the Commission of 17 November 2010 on the CAP post 2013 (COM(2010) 672).

In this context, note should be taken of the low levels of implementation of the credits assigned to rural development in the Canary Islands, reflected in the December 2010 RDP interim assessment report and confirmed by the June 2011 Monitoring Committee. The average degree of implementation of the Canary Islands RDP currently stands at around 15%, though Axis 3 (diversification) is below 6% and Axis 4 (LEADER) has yet to open. There is therefore an identified risk of loss of EAFRD funds in 2011 if the Canary Islands authorities do not ensure a rapid improvement in payment declarations (18). More significantly, however, these implementation issues set a dangerous precedent for the new 2014-2020 programming period, which will include an efficiency reserve fuelled by unimplemented EAFRD funds to be reallocated to the internal authorities that have shown signs of greater management capacity.

Another factor that may affect future POSEI programmes is their enhanced coordination of instruments with other common policies such as the neighbourhood, cooperation and development policies (under the responsibility of the EDF – European Development Fund) or transport infrastructure policy (Marco Polo Programme).

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3.5.3. The WTO banana panel

The Canary Islands, with an annual production of some 420,000 tonnes, are one of the world’s leading banana producers. Virtually all this output is absorbed by the Spanish market, which held a monopoly on supply (‘national reserve’) until the COM was established in 1993 (see §2.2).

The EU is the principal world consumer and importer of bananas. Some 72% of the bananas marketed come from Latin America (principally Ecuador and Colombia), around 17% come from the African, Caribbean and Pacific countries (ACP) (Cameroon, Côte d’Ivoire, Dominican Republic, etc.), while the remainder (11%) are produced in the EU itself (Canary Islands, Azores, Madeira, French Overseas Territories and, to a lesser extent, Greece and Cyprus).

In January 2006, the EU established a new tariff scheme for bananas, with a single customs tariff of €176/tonne on imports from third countries (essentially Latin America) which benefited from the WTO most-favoured-nation clause (19). Bananas from ACP countries continued to enter Community territory freely as part of the trade preferences recognised by the EU to those countries. Complementing the new tariff scheme, the system of aid for European banana producers, which was subsequently incorporated into the POSEI (3.4.1), was amended in December 2006.

Ecuador filed an appeal with the WTO on the grounds that the import scheme established by the EU was contrary to the prevailing trade rules and infringed the ‘most-favoured-nation’ principle by discriminating against bananas according to origin. In 2008, the panel set up in favour of Ecuador and the countries that had seconded it (including the United States). Difficult negotiations ensued between the European Commission and the claimant countries, leading to the signing of an agreement in Geneva in December 2009 which brought an end to the dispute. This was ratified by the European Parliament’s plenary session in February 2011, in line with the proposals of the Committee on International Trade (INTA) (20).

The compromise establishes that the EU will gradually reduce the customs tariffs imposed on Latin American bananas from €176/tonne to €114/tonne. In principle the implementation period will conclude in 2017, or in 2019 at the latest. An initial tariff reduction will apply immediately after signature of the agreement for an amount of €28/tonne (putting the tariff at €148). In return, the Latin American countries undertook to withdraw their claims and refrain from demanding new cuts in the Doha Round talks. Indirectly, the Geneva agreement undermined the preferential treatment applied to ACP bananas, though they will continue to enter the EU free of duties and quotas.

The European Parliament Resolution of February 2011 which gave its consent to the agreement nevertheless recognised the impact this will have on the income of Community producers. It therefore asked for the aid package for producers in the outermost regions to be adapted under the POSEI.

Year 2 of the application of the tariff reduction agreement is currently in progress. It is reasonable to believe that as this is being implemented and as market prices fall, the financial statement in the POSEI will have to be increased. POSEI aid for bananas has in

fact become a key instrument for sustaining banana producers’ income. In the Canary Islands, POSEICAN aid (TABLE 6) currently represents half the sector’s total income.

Negotiations on this issue have already begun between the Commission and the Governments of Spain, France and Portugal. On a supplementary basis the application of national aids for transport, already provided for in the general rules on subsidies for the carriage of goods from the Canary Islands to the mainland, are also being negotiated for Canary Islands products.

### 3.5.4. Renewal of the agricultural protocol to the Association Agreement with Morocco

A final institutional factor raising concerns for Canary Islands agriculture is the renewal of the **agricultural protocol to the Association Agreement** between the EC and their Member States and the Kingdom of Morocco. In December 2010, the Council of Ministers of the EU ratified the new agricultural protocol proposed by the Commission (COM(2010) 485, 16 September 2010). According to the provisions of the Treaty of Lisbon, however, the last word lies with the European Parliament (‘reasoned opinion’ procedure). Parliament is expected to formalise its opinion in July 2011, once the three reports drawn up by the Parliamentary committees responsible for the matter are adopted: the Committees on Agriculture and Rural Development, Fisheries and International Trade.

The protocol provides for virtually complete liberalisation in relation to fruit and vegetables from Morocco, except for six products which are subject to quotas: tomatoes, courgettes, cucumbers, garlic, clementines and strawberries. The other products are subject to a total exemption from ad valorem customs duties, and the entry price level for virtually all stone fruits, table grapes and citrus fruits is reduced by 30%. The six quotas for products considered to be sensitive are increased substantially. The greatest concession is made for tomatoes, rising from a basic quota of 185 000 tonnes to 257 000 tonnes in 2013. The **additional quota** is around 28 000 tonnes.

The agriculture sector in the Canary Islands, particularly tomato producers, has argued strongly against the protocol. They claim that the low entry prices established, coinciding production schedules, lack of reciprocity in production conditions required of Morocco and, finally, insufficient border customs controls, will lead to greater concentration of production in an already imbalanced market and a parallel devaluation of domestic prices at source.

It is argued in support of the claim that from 1995, when the first Association Agreement with Morocco was signed, until the present, there has been a continued fall in the tomato-growing area, half the respective holdings have disappeared and production fell from 450 000 t to a mere 126 000 t in 2009 and 119 800 t in 2010 (\(^21\)).

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\(^{21}\) At the sector’s request, the internal public authorities have established certain specific measures in support of the production of greenhouse tomatoes in order to counteract these negative trends. These are put into effect within the RDP by means of state aid, i.e. without EAFRD cofinancing. Responsibility for the respective budget is divided in equal parts (50%) between the Central Ministry and the Government of the Canary Islands. In July 2010, the Ministry transferred the first €10.4 million for this line to the Canary Islands. A further €3.5 million was forwarded in December 2010. It takes the form of aid for modernising and improving the energy efficiency of greenhouses and covers a maximum of 75% of the total investment. Meanwhile, with a view to improving the management of the Community market, a **Hispano-French tomato contact group** has been set up under the 1997 Hispano-French Joint Committee on Fruit and Vegetables.
3.6. Agricultural markets: the difficult situation of the tomato and banana sectors

Export vegetables from the Canary Islands have recently suffered the effects of the E. coli crisis in central Europe. This has exacerbated the already delicate situation heralded by the production, export and price figures for the current year, 2011.

It should not be forgotten that the principal export vegetable is the tomato, and that before the crisis this sector had already posted a drop in production to accompany those in the two previous years, although the area remained the same (1 500 ha) (§3.5.4). Something similar occurred in the winegrape sector, which has been declining in recent years (16 600 t in 2009; 11 700 t in 2010). In the livestock sector, the slaughter of bovines has been falling, while the slaughter of pigs and in particular goats has been rising. It should be noted that 25% of the goats slaughtered in Spain are slaughtered in the Canary Islands.

As regards agricultural prices for 2011, the relative increase in potato prices should be noted. In contrast, banana prices fell dramatically at the beginning of the year due to the continued increase in supply (359 000 t in 2009, 420 700 t in 2010) and the saturation of the mainland market because of Latin American imports. This led to the destruction of part of the harvest in order to restore balance in the market and raise prices. The previous year's trend thus continued; following an overproduction of 40 000 tonnes, 38 000 tonnes had to be destroyed and a certain quantity of bananas had to be sold at cost price. Prices appear to have been stabilising in recent months, however.

Against this background, the banana sector has insisted that POSEI aid must be brought up to date, as put into effect by the European Parliament plenary session in February last (§3.5.3), to compensate for the tariff concessions adopted for third-country banana producers and to ensure the viability of Canary Islands plantations.
The agriculture of the Canary Islands

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