In Portugal, small and medium farmers feel abandoned by their government

Portugal, a member state of the European Union since 1986, currently faces serious economic difficulties, which started during the global financial crisis of 2008. In 2011, in order to counter its economic problems, the Portugese government sought a financial bailout from the European Union, the European Central Bank, and the International Monetary Fund (IMF). The bailout, among its conditions, required the country to implement austerity measures such as cuts to social spending, and it has negatively affected the welfare of many Portuguese citizens including small farmers. Small farms (those that own 5 hectares or less) constitute about 80%[1] of agricultural landholdings in Portugal and contribute significantly to the economy through employment creation and revenue generation.

Despite the crucial role that they play in the socio-economic fabric, small farms in Portugal continue to face abandonment by their government, whose policies, structured within the Common Agricultural Policy (CAP) framework, favour large farms and agribusinesses. The latter receive large amounts of European subsidies under the CAP[2] Pillar 1 - direct payments based on land size (allotted per hectare). These EU farming subsidies, which are not linked to production, have, moreover, encouraged 'land grabbing' as large-scale investors seek to pocket millions of euros in subsidies each year. In a report published in 2012[3], the international peasant movement, La Via Campesina, asserted that the EU's CAP "contributes directly to growing land inequality as it explicitly favours large landholdings, thus marginalising small farms and blocking the entry of prospective young farmers."

The CAP and other policies allow large agribusiness corporations to exploit Portuguese farmers through unfair pricing and to maintain a monopoly in marketing agricultural produce. Berta Santos, the president of AVIDOURO (the organization of small wine growers of Douro) indicated that the large corporations set or determine producer prices for agricultural produce, and this lopsided pricing system renders farming unprofitable and unattractive.

According to La Via Campesina member organisation Confederação Nacional da Agricultura (CNA), an association representing Portugese small to medium farmers, the biggest share of the subsidies paid in Portugal, about 70%, is received by only 5% of the farms. The remaining

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[1] Dos Santos, M.J and Carvalho, L (2014) Semi subsistence farms in Portugal: key concepts. A PowerPoint presented at the 20th Workshop APDR on Family and Regional Development, 27-28 April 2014. Fatima, Portugal.

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[1] The recently negotiated framework for the period from 2014-2020 does not offer any meaningful respite for small farms due to definition complexities of this category in the EU.

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[1] La Via Campesina (2012) International Conference of Peasants and Farmers: Stop land grabbing! http://viacampesina.org/downloads/pdf/en/mali-report-2012-en1.pdf.

30% is shared by the other 95% of farms, of which small and medium farms constitute the majority. Small and medium farmers, on the other hand, are heavily taxed. Due to the Portugese government's austerity measures, the budget allocated to agriculture has been cut. However, taxes and production costs continue to increase. More family farmers are experiencing distress – to such an extent that, in 2013, about 14,000 farmers applied to the government for social assistance.

Poverty levels in Portugal are worsening. In 2012, about 17.5% of the population was at risk of poverty. Confederação Nacional da Agricultura (CNA) continues to fight for recognition by policy makers of the importance of family farming, and it lobbies the government to support small and medium family farmers. The CNA also calls upon the government to establish remunerative prices that will allow small and medium farms to be viable.

La Via Campesina visits Douro small wine growers in solidarity with their struggle against exploitation by traders

On November 24th, 2014, following meetings of the LVC International Coordinating Committee (ICC) and the International Operative Secretariat (IOS), a La Via Campesina delegation, comprising 87 participants from 25 countries, visited vineyards owned by family farmers in the demarcated region of the Douro district.

This field visit was organized by CNA and guided by one of its member organisations, AVIDOURO, an association of small wine growers. The La Via Campesina delegation also went to Casa do Douro[4] (Douro House), an institution established 82 years ago in order to show solidarity and to defend fair terms of trade for the wine growers of the Douro Region.

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Casa do Douro is a public association, constituted in 1932, to which all grape growers must belong (compulsory registration). In 2007, its role was redefined to enhance its nature as an association, and to emphasize its role as a representative of the farmers and support them in production and economic activities.

According to Berta Santos, the government has changed the statutes of Douro House, from a Public-law Association to a Private-law Association; this will open the way to the privatization of the institution, and of its assets, and make it subservient to the big wine houses.

Portugal has been a traditional wine producer (among the top 15 countries at the global level) and exporter (among the top 10 countries at the global level) for centuries. It produces just under 3% of global wine and just under 4% of the total wine exports. The country has 11 demarcated wine regions, the Demarcated Douro Region (DDR) being the oldest. Established in the mid-eighteenth century, DDR is located in the north of Portugal and is known for its leading wine, the famous Porto wine. This region, recently classified as an evolving cultural landscape of outstanding beauty and a World Heritage site by UNESCO, occupies an area of 250,000 hectares, 18% of which is under vines - the mainstay of its economy. The region's skewed landholding structure reflects the dual agrarian structure at the national level. It has a total of approximately 39,000 farmers growing grapes on about 45,000 hectares, with an average land size of one hectare per farm. The small and medium size vineyard owners belong mostly to wine cooperatives.

Two types of wines are produced in the Douro, i.e. Porto wine and still wines (quality wines produced in a specified region, regional wine and table wine). About half of the land under wine production is reserved for Porto wine, while the remainder is for other wines. The quantity of wine to be produced is decided every year by the Instituto de Vinhos do Douro e Porto (IVDP), an inter-professional association, which brings together producers and traders of the Douro. For 2014, the amount allowed was 105 thousand barrels. This association not only regulates production but also the entire wine value chain.

Most of the Porto wine produced is exported and it generates the bulk of Portugese export revenue. Despite constituting an average of about 26% of Portuguese wine exports between 2005 and 2008, Porto wine brought in over half of total export revenue. The price of Porto wine averaged €4.20 per litre between 2005 and 2008, while other wines averaged €1.15 per litre. Thus, most wine growers prefer to begin by meeting their production quota for Porto wine before producing other wines.

Casa do Douro is not authorized to export the expensive and high quality Porto wine directly. João Dinis, a CNA leader accompanying the LVC delegation during the field visit, said that the wine merchants, dominated by the British since the beginning of wine trading in the 18th century, continue to hold their monopoly over export markets. Currently, the Douro region is dominated by about five big "export" houses recognized by, and protected under, Portuguese law.

Even though most farmers continue the tradition passed on by their ancestors, the younger generation, due to the prevailing hardships, is emigrating in search of better employment – a situation that is making it difficult for this tradition to be sustained. Income from wine has dropped by over 40%, although production costs remain high.

Market imperfections: unfair prices and dominance of large wine producers-merchants

The unfair exploitation of family vineyard owners dates back centuries to the time when British merchants monopolized the wine trade and local farmers were limited to growing the grapes. That structure remains to this day and continues to operate to the disadvantage of small vineyard owners. The few wine merchant houses, just like a cartel, determine or set prices paid to producers. Over the years prices have been declining. These few wine houses, such as the Douro Boys members (Quinta do Vallado, Niepoort, Quinta do Crasto, Quinta Vale D. Maria and Quinta do Vale Meao) have invested heavily in innovation and are able to keep production and transaction costs low. According to CNA, in 2000, about 1,300 euros were paid for a barrel (550 litres) of wine; in 2014, only 700 euros were paid for the same quantity. These prices do not cover the cost of production, thus making it difficult for growers to fully utilize their land, to repay loans or to purchase inputs, most of which are not produced locally in Douro. Some growers who have decided to produce and market wine through forming cooperatives have faced stiff competition from the big five wine houses such that most of them have been forced to go out of business. Again, Portuguese policies favour the big wine houses.

Large wine houses dominate both the domestic and export wine markets in Portugal. For instance, in 2009, the share of the four largest firms (wine houses) in domestic sales was 85%, of which the largest wine house had 62%.[5] For the Porto wine market, between 1991

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[7] Anderson and Nelgen (2011) cited by Anderson, K (2013). Is Georgia the next 'new' wine-exporting country? Robert Mondavi Institute (RMI)-Centre for Wine Economics (CWE) Working Paper number 1301, January 2013.

and 2006 the four biggest traders increased their share from 49% to 67%, and the share of the eight biggest traders increased from 73% to 84%.[6] In this scenario of increased market concentration, it is easy to see why individual farmers and farmers' cooperatives have difficulty in marketing their wine. The transactional costs are too high. Berta Santos said that only a few cooperatives in the Douro district (about three) have managed to remain viable in the face of such harsh market imperfections.

To make matters worse, the large wine merchants delay payment for the wine that they have purchased, thus making it difficult for growers to continue farming. AVIDOURO representatives said that there are cases of farmers who have sold their wine but have not been paid for years. Because of this situation, the quantities of wine produced by small vineyards, which rely on expensive human labour, have declined as vineyard owners abandon their farms. In exceptional cases, some farmers in the district have committed suicide following bankruptcy.

Land concentration on the increase- small growers are gradually being pushed out

Big wine producers are buying land, pushing out the small to medium scale producers. For instance, the five members of the Douro Boys project, which started in 2002, namely Quinta do Vallado, Niepoort, Quinta do Crasto, Quinta Vale D. Maria and Quinta do Vale Meao, have significantly increased the sizes of their vineyards (Box 1) and have built wine house "empires" with global reputations.[7]

Box 1: Land concentration: the case of Douro Boys

Quinta do Vallado
At the start of the Douro Boys project, Quinta do Vallado had 63 hectares under vineyards. By 2011, that area had increased to 105 hectares and production of bottled wines had increased by 300%.

Niepoort
Established in 1842 and functioning as a classic port wine shipper till 1987, Niepoort started its own vineyards, Quinta do Carril and Quinta de Nápoles, with 25 hectares of old and newly-planted vineyards. When the Douro Boys project started, Niepoort had about 42 hectares of vineyards. By 2010 that area had increased to 70 hectares.

Quinta do Crasto
Its origin dates back to 1615. At the start of Douro Boys, Quinta do Crasto had 70 hectares of vineyards and these have now increased to 230 hectares. Quinta do Crasto has invested in modernizing the vineyards. The production of bottled wines has increased by 200%.

Quinta Vale D. Maria
Started in 1995, purchased its first vineyards, Quinta de Vale de Mina and Quinta do Vale Dona Maria, in 1996. When the Douro Boys project started, Quinta Vale D. Maria had 15 hectares of vineyards; it now has 40 hectares. The production of bottled wines increased by 200%.

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[7] Rebelo, J and Caldas, J (2011). The Douro Wine Region: A Cluster Approach. American Association of Wine Economists (AAWE) Working Paper No. 83. www.wine-economics.org, May 2011.

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[7] Muhr, D and Rebelo, J (2011). Innovation in Wine SMEs: The Portuguese Douro Boys. American Association of Wine Economists (AAWE) Working Paper No. 84. www.wine-economics.org, June 2011.

Quinta do Vale Meão
Dates back to 1877 with a family owning about 270 hectares of land. The business, Quinta do Vale Meão, started in 1998 and launched its first wines in 1999. When the Douro Boys project started, the Quinta had 50 hectares of vineyards. Today, Quinta do Vale Meão cultivates 81 hectares. The production of bottled wines has increased by 200%.

At Qt Sr Da Graca, a vineyard owner, Luísa Valente, told of an interesting case demonstrating government support for big corporations in the wine industry. Some years ago, the large corporations dominating the wine export marketing bought land outside of the zone officially designated for the production of Porto wine. The government, however, through its statutory instruments, expanded the zone in such a way as to include the newly purchased areas - thereby allowing Porto wine to be produced there.

Thus, the agrarian structure of DDR is skewed. About 35% (15,956 ha) of the DDR area is owned by about 810 farmers (2%) whose vineyards/farm size is above 8 hectares, with an average farm size of 19.7 hectares. Most of these farms belong to producers/bottlers and traders of Porto wine.[8] About 60.1% (23,743) of vineyard owners have landholdings of less than 0.5 hectares and together occupy about 9.3% of the total area; 28.3% (11,162) of vineyard owners hold between 0.5 and 2.0 hectares and their land constitutes about 25% of the area.

In addition, it should be noted that most private land owners in the district are not farmers and they do not reside on their farms but rather in cities. Their land is used by traditional family farmers, who eventually cease farming due to old age. This land is then abandoned and remains unfarmed. Most of the children of the small wine growers are leaving the district in search of better economic opportunities elsewhere.

Minimum social service provision

The current economic crisis in Portugal has led to a decline in public support services to the farming areas of Douro. Health and education services have been, and continue to be, shut down. This situation has forced farmers to enroll their children in urban schools that are located far from their farms, thus placing an added burden on them – a burden that falls mainly upon women, who, besides working on the farm, have to spend time commuting between home and school. This social problem makes family farming more unattractive, especially to the young generation, thus threatening the destruction of a tradition that has been passed on over generations, and leaving an open field for big corporations to do as they please.

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[7] Rebelo, J and Caldas, J (2011). The Douro Wine Region: A Cluster Approach. American Association of Wine Economists (AAWE) Working Paper No. 83. www.wine-economics.org.

Labour relations are gender biased and unemployment worsens

The mountainous topography of the Douro dictates that vine owners rely mainly on human labour, instead of machinery, to carry out most of the farming activities (harvesting, pruning etc). Hence their labour costs are relatively high. Because of the depressed prices paid to wine producers, most farm labourers are failing to find employment. In cases where jobs do exist, vineyard owners prefer to hire women as, despite the fact that they do the same work as men in the vineyards, women are paid less. According to AVIDOURO, a woman earns 4€/hour, a man earns 6€/hour. This has led to a worsening in the living conditions of women and children in the area, and there are cases of families who do not have enough money to pay for their electricity, children's school books etc.

Due to wine growers' low incomes and low employment opportunities for farm labourers, there is now increased seasonal migration of labour. Douro has lost 40% of its population over the last four decades, and those who remain are mainly the aging. At the national level, the population at risk of poverty was above 20% in 2011 and 2012, and the unemployment rate, as of March 2014, was at 15.2%. Unemployment began to increase in 2000 but is now decreasing due to massive emigration.[9]

Lobbying, struggles and campaigns

However, CNA has not surrendered the fight but continues to press for reforms in the current policies that are destroying family farming in Portugal. It is lobbying the government to increase support for small and medium farmers, particularly by reducing taxes and setting fair prices for agricultural produce. Small farmers from the Demarcated Region of Douro are also continuing to fight against unfavourable government policies as well as against the exploitative practices of the export houses.

La Via Campesina attends CNA Congress

On November 23rd, the day before the field visit, CNA held its congress in Penafiel, which was attended by over 300 farmers from the region and over 2,000 small and medium scale farmers from other parts of Portugal. The congress adopted several motions in favour of the struggle for agricultural and marketing policies that would allow farmers to live with dignity from their work. The congress also adopted the "Statute of Family Farming in Portugal" and the "Charter of Portuguese Family Farming". These documents define family farming and set out the specific rights of family farmers, in order to outline a set of guarantees and rights enabling the work of family farmers to be valued, so that farmers will be "compensated" for their good

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[9] http://en.wikipedia.org/wiki/Economy_of_Portugal#cite_note-84 .

quality produce as well as for the public goods and services that they provide to society. The government representative present at the congress, in addition to highlighting areas where gains have been made in promoting small farmers, promised to continue to work towards addressing other outstanding issues.

La Via Campesina delegates attended the congress, and the International Coordinating Committee members took turns to offer their solidarity for the struggles of Portugal farmers. In recognition of the role LVC is playing in the struggles of small farmers, CNA presented a special medal, which was received by Elizabeth Mpofu, LVC General Coordinator, on behalf of the movement. The participation of Via Campesina in the CNA Congress was experienced by all with great symbolism and intensity, and it was an important demonstration of resistance, solidarity and hope of small farmers worldwide.

La Via Campesina News team