



The end of the Netherlands as a producer?

Tomato growers and pig farmers in the Netherlands are struggling; breeders and machinery manufacturers, on the other hand, are flourishing. Would the Netherlands be better off banking on technology and leaving bulk production to other countries? The LEI is pondering that scenario.

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KRIJN POPPE
Business Developer LEI Wageningen UR

‘Should we supply the whole world with milk powder or strengthen our position as an innovation laboratory?’

Bought any roses recently? The chances are they came from East Africa, not as in the past the Netherlands. Nine million roses are flown into Schiphol airport near Amsterdam every day. And the number will probably go up again next year. Meanwhile, the number of rose farms in the Netherlands is declining fast. In 2000 there were still 765 rose producers in the country; by 2014 more than 80 percent of them had stopped, leaving only 142. They cannot compete with East African countries where labour costs are low and the climate is perfect for growing roses. Bad news for Dutch business, you might think. But that does not seem to be the case. According to Statistics Netherlands (the central bureau for statistics), the rose export

business has suffered very little from the big drop in production. Most Kenyan roses are bought and sold through the flower auction in Aalsmeer near Amsterdam. Not much has changed for Dutch rose breeders either: they continue to dominate the world market. The rose trade is therefore the clearest example of the trend for the Netherlands to earn more and more of its money from the processing and throughput of foreign agricultural produce and from selling agricultural knowledge in the form of technology. Plant breeders, seed potato producers and machinery manufacturers earn more and more money abroad. Vegetable seed producers, for example, get about 70 percent of their turnover from abroad. So for them, Dutch farmers seem to be less and less important.

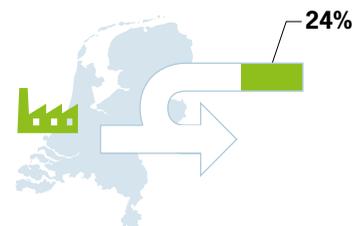
At the beginning of 2015 the agricultural economics institute LEI Wageningen UR organized a debate about the position of the Netherlands as a major agricultural producer. The institute posed the question of whether the Netherlands would be better off concentrating on the knowledge-intensive sector related to agriculture, and saying goodbye to the large-scale production of meat, eggs and potatoes. Several of the agricultural sectors in the Netherlands are struggling, argued Wageningen economist Krijn Poppe during the debate. Dutch greenhouse horticulture has been beset by problems for years. With its strong emphasis on the export of bulk goods, the Netherlands is extremely vulnerable to fluctuations in world trade. The Russian

THE NETHERLANDS AS A PRODUCER

Top ten exporters of agricultural products in 2014 (bn dollars)

US	174	
Netherlands	108	
Germany	100	
Brazil	84	
France	81	
China	73	
Canada	61	
Spain	53	
Belgium	49	
Italy	47	

Source: UN central database, Landbouw-Economisch Bericht 2015 and LEI



Re-exports

24% of agricultural exports are re-exports: products from elsewhere are processed and re-exported.

Exports

The Netherlands is the second biggest agricultural exporter in the world.



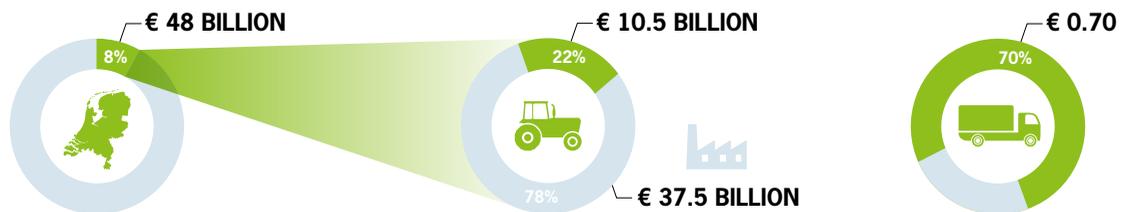
THEO BRUINSMA
Director special projects Marel

‘We want to be based somewhere where we are forced to innovate’

boycott of European fruit and vegetables hits the market gardeners of the Westland district, near Rotterdam, in their wallets. Not because they exported especially large quantities of tomatoes and cucumbers to Moscow but because even a small surplus of tomatoes and cucumbers has a big impact on the price. So a small change on the global market can have serious consequences for horticulturists, who already have to work with small profit margins. Another example can be found in the pig farming sector. For decades, the Netherlands, along with Denmark, was western Europe’s biggest pig producer. The Germans, British and Italians ate more pork than they produced and Dutch pig farmers benefitted

from that by supplying them with cheap pork. Now German pig farmers have upped their production and Dutch pig farmers are in trouble. According to the Rabobank one in five of them are in financial difficulties. Poppe: ‘People often point to the Dutch role in the world food supply in 2050. The demand for food will grow and the Netherlands has an opportunity to play a role in meeting that demand. The question is what is the best way for us to do that? By supplying the whole world with milk powder or by strengthening our position as an innovation laboratory?’ In that future scenario Dutch agriculture would primarily be a showcase for knowledge-intensive companies such as livestock

breeders, plant breeders and manufacturers of greenhouses and machinery. LTO director Thijs Cuijpers was in the audience at the start of this year when Poppe gave his talk. He does not see much future in the idea. ‘Of course it is good that people are thinking about the future but I see no reason to write off the Netherlands as a producer country,’ he says now. ‘On the contrary. All those knowledge-intensive companies in the agriculture sector came about precisely because we have innovative farms. It is a myth that you can separate the two. The milking robot is a Dutch invention. It wouldn’t have been invented here if we hadn’t had highly productive dairy farms. Production and innovation go hand in hand.’ Ruud Huirne, director of Food & Agri Nederland at the Rabobank and professor by special appointment at Wageningen University, agrees with Cuijpers. ‘I don’t see any future in that story about the end of the Netherlands as a producer country. Without a strong home base the knowledge-intensive sector will disappear abroad.’ Agriculture-related industries are under threat already, he says. ‘Last year animal feed manufacturer Nutreco was in danger of being taken over by a foreign company. Intervet, the veterinary >



Revenue

The added value of the agricultural sector for the Netherlands is 48 billion euros, including supply, processing and distribution. That is 8% of Dutch earnings from all the sectors put together.

Proportion of primary production

Primary agricultural production generates 22% of the added value (10.5 bn). The rest comes from supply, processing and distribution, including that of raw materials from abroad.

Revenue from export

About 70 cents (70%) of every euro of added value in the agri sector comes from income from export.



THIJS CUIJPERS
Director LTO Netherlands

‘Production and innovation go hand in hand’



PETRA BERKHOUT
Researcher LEI Wageningen UR

‘The financial clout of those who are left is very decisive’

pharmaceutical company, has practically left already. A weakened home market won't improve our position, it seems to me.'

But what about the rose sector? Does that not prove that the Netherlands can play a central role without large-scale production? Huirne: 'It seems that way for now, but I don't know how long it will stay that way. And I can think of a counterexample. Turkey production has completely disappeared from the Netherlands, and with it the relevant knowledge. There is no one left in Wageningen who knows anything about it. Knowledge follows production. As the turkey disappeared, so too did the courses and research on the subject. I would predict that the same thing will happen in the chicken sector if it shrinks a lot. The knowledge-intensive sector is fine, but those companies just follow the production.'

WORLD MARKET LEADER

One company which owes its growth to the Dutch poultry sector is Marel, a world market leader in the production of slaughter lines for chickens, ducks and turkeys. Theo Bruinsma is special projects director at the company and chair of the association of Dutch manufacturers of machinery for the food industry. The Netherlands is the world market leader in the production of slaughter lines for chickens. Bruinsma: 'We sell 97 percent of our slaughter lines outside the Netherlands. We only have one competitor, who is based in Holland too. Between us we account for 90 percent of the world market.'

The Icelandic parent company Marel took over the slaughter line production section of the Dutch machinery manufacturer Stork. According to Bruinsma, Stork ended up in the chicken sector by chance in the 1960s. The company had two main branches in Amsterdam and Hengelo. In search of a new location with qualified staff, it opened a branch in Boxmeer in the province of Brabant. 'There we got more and more orders from the Plukon and Hendrix chicken slaughterhouses. That wasn't a market Stork went looking for but with the grow-

ing poultry industry in the region the orders just started coming in.'

You might think the idea of moving away from the Netherlands as a producer country and concentrating efforts in the knowledge-intensive sector would suit Bruinsma because Marel and the other machinery manufacturers he represents would benefit from it. But this is not the case. 'I do not see any advantages for us in a shrinking sector in the Netherlands.'

So there is not much support for the end of the Netherlands as a major producer.



PHOTO CORBIS

For decades, the Netherlands was western Europe's biggest pig producer. Now many Dutch pig farmers are in trouble.



RUUD HUIRNE

Director Food & Agri Netherlands at the Rabobank and professor by special appointment at Wageningen University

‘Knowledge-intensive companies follow the production side’

But Poppe is not proposing to chase all farmers and horticulturists out of the country. He is only suggesting giving a less prominent role to production. ‘I can imagine that in negotiations about trade treaties the Netherlands could more readily accept agreements that are detrimental to the pig farmers, for example, if they were offset by favourable agreements on intellectual property. Or that the Netherlands would accept stricter environmental regulations that are disadvantageous to livestock farmers if it is clear that they promote innovation. And we could make even more effort to attract research labs to our country.’ Environmental measures to stimulate innovation are all very well, responds Ruud Huirne, but you must treat farmers fairly. ‘You can’t do things that cause the farmers to fall behind the foreign competition without offering them a viable business model. If you impose stricter standards, they have to be able to recoup their investments through their products. Now farmers often get landed with the costs without there being any benefits to offset them.’ Does it really make any difference to Marel exactly how many chickens are slaughtered in the Netherlands? The current figure is about 550 million per year. What would Marel do if that number were halved? Bruinsma: ‘We don’t have to be among the biggest poultry producers, but we do want to be among the most innovative. If new animal-friendly farming methods produce chickens that weigh a couple of hundred

grams more, that has big implications for our designs. We want to be based somewhere where we are forced to innovate.’ Petra Berkhout, an economist at the LEI, wrote a report this year on the question of what size the primary sector needs to be to prevent agriculture-related companies from disappearing from the Netherlands. ‘To be honest we couldn’t really work it out. It is hard to predict.’ Berkhout suspects that the farmers’ financial position may be more important than the number of farmers, chickens, pigs or greenhouses. Chicken farmers who cannot stay afloat are not innovative; tomato growers who are afraid of the next sanction do not build new greenhouses. ‘The financial clout of those who are left is a key factor.’

IN DESPAIR

Machinery manufacturer Theo Bruinsma, who grew up on a farm himself, is not impressed by Poppe’s suggestions. ‘I am inclined to argue for more protection for poultry farmers, not less. I know quite a few chicken farmers who are in despair. They are doing their level best and working correctly, and yet they are still always in the dock. The way people see our sector is quite crude. Our image is dominated by the animal rights movement, which thinks everything we do is terrible. When actually we really are doing some good things here in the Netherlands.’ His own company is affected by this too. The company is privately proud of their

new slaughter lines using gas sedation, which has been proven to be more humane than the old method. These slaughter lines cleanly kill thousands of chickens per hour and divide them efficiently into the cuts that consumers the world over want to buy. Not much of a chicken is wasted. ‘But we cannot communicate that proudly. The sector has become too disconnected from the general public and that is partly our own fault. People no longer know how their food is produced and we leave the industry’s image in the hands of the animal rights movement.’ And yet the Dutch animal welfare political party and campaigners for animal welfare are good for his company, says Bruinsma. ‘The animal welfare party is part of an ecosystem that forces us to innovate. Just like the squatters in the 1980s, who didn’t build any houses but did play a useful role in the debate about housing. We do need some opposition in the debate. For us it is important for the whole ecosystem to stay in place. The Netherlands has a lot of players very close together in a small area: Wageningen UR, critical consumers, innovative poultry farmers, high-tech companies. Together we form an incubator for new ideas. How many chickens the Netherlands produces itself is not the crucial factor: that is the ecosystem as a whole. As long as that stays healthy there is a big chance that the next innovation will come from the Netherlands and that we’ll stay here.’ ■