



**TRADE AND AGRICULTURE DIRECTORATE**

**THE ROLE OF AGRICULTURE AND  
FARM HOUSEHOLD DIVERSIFICATION**

**IN THE RURAL ECONOMY OF**

**SPAIN**

## ***Foreword***

This report reviews information on the role of agriculture and farm household diversification in the rural economy of Spain. It was prepared by Dalila Cervantes-Godoy of the OECD Secretariat.

It is one of 13 country reviews prepared under Output area 3.2.1: Agricultural policy reform (Item 3.2) of the programme of work and budget of the Committee for Agriculture for 2007-08.

Based on material compiled from the available literature, these country reviews address all or most of the topics listed below:

- Definitions and underlying concepts of “rural” as they exist at the national level.
- The availability of data pertaining to the share of agriculture and the agro-food sector in the economies of OECD countries at the national level and in rural areas and trends therein.
- The availability of data relating to the income situation of farm households and in particular the availability of information related to non-farming activities.
- The extent to which non-farming income-earning activities of farm households are farm based (*i.e* using farm resources as in the case of farm tourism) or rural based (located in rural areas).
- The extent to which the industries upstream and downstream from primary agriculture are located in rural areas.
- The strength of multiplier effects between farm/farm based and up/downstream industries and rural economies.

The information in these country reviews was used as background to the report "The role of agriculture and farm household diversification in the rural economy: evidence and initial policy implications" [TAD/CA/APM/WP(2009)1/FINAL], which was declassified by the Working Party on Agricultural Policies and Markets in February 2009.

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## **THE ROLE OF AGRICULTURE AND FARM HOUSEHOLD DIVERSIFICATION IN THE RURAL ECONOMY OF SPAIN**

Rural areas vary significantly across countries and within a country. Spain is not an exception, and Spanish regions have a wide range of differences related, for example, to climate, distribution of population, size and structure of agricultural holdings with the coexistence of huge and small farms in the south and predominantly small holdings in the north, and the type of agricultural products.

Stopping rural depopulation is the biggest challenge facing Spain. A large part of the country suffers from problems of depopulation due to poor living conditions resulting from few economic alternatives given the topography, climate or scarcity of water, among other causes. The primary sector (agriculture, hunting and forestry) still constitutes the main source for maintaining population and employment in rural areas. However, as in all rural economies of Europe, there is a growing importance in Spain on non-farm activities with rural and farm households more often engaged in several activities on and off the farm in order to diversify their income, although the share of diversification of economic activity in agricultural households is still low.

The National Statistics Institute of Spain (*Instituto Nacional de Estadística, INE*) classifies rural areas as those municipalities with less than 2 000 inhabitants; intermediate rural areas as those municipalities with between 2 001 and 10 000 inhabitants, and urban areas as those municipalities with more than 10 000 inhabitants. Rural and intermediate rural areas cover 94% of the Spanish territory and about 22% of the population live in these areas. About 50% of the total surface area of Spain is used as agricultural land (24.9 million hectares) and 16.7 million hectares are covered by forests. Concerning agricultural land, 35.3% is dedicated to crops and 14.2% to permanent grassland. Approximately 15% of agricultural land is irrigated and consumes about 75% of total Spanish water consumption.

Almost one million people are employed in agriculture. In 2005, it was estimated that there was a total of 1 073 409 agricultural holdings, with an average size of 23 hectares. This sector contributes about 3% to the national GDP.

### **Definition of rural areas in national statistics in Spain**

There is no common definition of rural areas in European Union (EU) member states. EU statistics use OECD methodology, which is based on population density, to define rural areas. This methodology identifies, first, as rural those local units (*e.g.* municipalities) with a population density below 150 inhabitants per square kilometre. Regions (*e.g.* NUTS 3 or NUTS 2) are then classified into one of three categories: a) Predominantly Rural region (PR): where more than 50% of the population is living in rural local units (with less than 150 inhabitants per km<sup>2</sup>); b) Intermediate region (IR): where 15% to 50% of the population lives in rural local units; and c) Predominantly Urban region (PU): where less than 15% of the population lives in rural local units.

The Nomenclature of Territorial Units for Statistics (NUTS) was established by Eurostat more than 30 years ago in order to provide a single uniform classification of territorial units for the production of regional statistics for the European Union. The NUTS classification has been used for Community legislation since 1988, but it was only in 2003, after three years of preparation, that a Regulation of the European Parliament and of the Council on the NUTS was adopted (EUROPA, 2008).

The NUTS is a three-level hierarchical classification that subdivides each Member State into a whole number of NUTS 1 regions, which in turn are subdivided into a whole number of NUTS 2 regions and so on. At the regional level the administrative structure of the Member States generally comprises two main

regional levels (*Länder* and *Kreise* in Germany, *régions* and *départements* in France, *Comunidades autonomas* and *provincias* in Spain, *regioni* and *provincia* in Italy, etc.). The grouping of comparable units at each NUTS level involves establishing, for each Member State, an additional regional level to the two main levels referred to above. This additional level corresponds to a less important or even non-existent administrative structure, and its classification level varies within the first 3 levels of the NUTS, depending entirely on the Member State: NUTS 1 for France, Italy, Greece, and Spain, NUTS 2 for Germany, NUTS 3 for Belgium, etc. The NUTS Regulation lays down the following minimum and maximum thresholds for the average size of the NUTS regions: NUTS 1, minimum 3 million, maximum 7 million. NUTS 2, minimum 800 000, maximum 3 million. NUTS 3, minimum 150 000, maximum 800 000 (EUROPA, 2008). Spain's classification of administrative units is shown in Table 1. A map of Spanish regions is presented in Figure 1.

**Table 1. Spain administrative units**

NUTS 1	NUTS 2	NUTS 3
Group of autonomous communities	Autonomous communities	Provinces + 2 cities*
7 regions or groups of autonomous communities: Noroeste Noreste Comunidad de Madrid Centro (E) Este Sur Canarias (ES)	17 autonomous communities <b>Noroeste:</b> Galicia, Principado de Asturias, Cantabria <b>Noreste:</b> País Vasco, Comunidad Foral de Navarra, La Rioja, Aragón <b>Centro:</b> Castilla-La Mancha, Castilla y León, Extremadura <b>Comunidad de Madrid:</b> Comunidad de Madrid <b>Este:</b> Baleares, Catalunya, Comunidad Valenciana <b>Sur:</b> Andalucía, Región de Murcia, Ceuta* y Melilla* <b>Canarias:</b> Canarias	50 provinces + Ceuta and Melilla: <b>Andalucía:</b> Almería, Cádiz, Córdoba, Granada, Huelva, Jaén, Málaga, Sevilla <b>Aragón:</b> Huesca, Teruel, Zaragoza <b>Baleares:</b> Baleares <b>Canarias:</b> Las Palmas, Santa Cruz de Tenerife <b>Cantabria:</b> Santander <b>Castilla-La Mancha:</b> Albacete, Ciudad Real, Cuenca, Guadalajara, Toledo <b>Castilla y León:</b> Ávila, Burgos, León, Palencia, Salamanca, Segovia, Soria, Valladolid, Zamora <b>Catalunya:</b> Barcelona, Girona, Lleida, Tarragona <b>Ceuta:</b> Ceuta* <b>Comunidad Foral de Navarra:</b> Navarra <b>Comunidad de Madrid:</b> Madrid <b>Comunidad Valenciana:</b> Alicante, Castellón, Valencia <b>Extremadura:</b> Badajoz, Cáceres <b>Galicia:</b> A Coruña, Lugo, Ourense, Pontevedra <b>La Rioja:</b> Logroño <b>Melilla:</b> Melilla* <b>País Vasco:</b> Álava, Guipúzcoa, Vizcaya <b>Principado de Asturias:</b> Oviedo <b>Región de Murcia:</b> Murcia

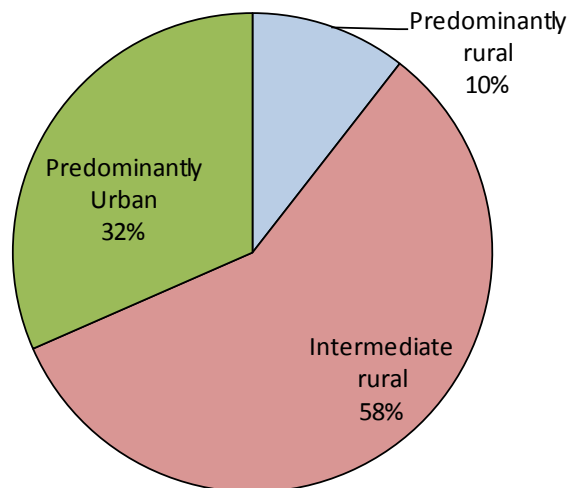
Source: European Commission, 2006.

Figure 1. Map of Spain



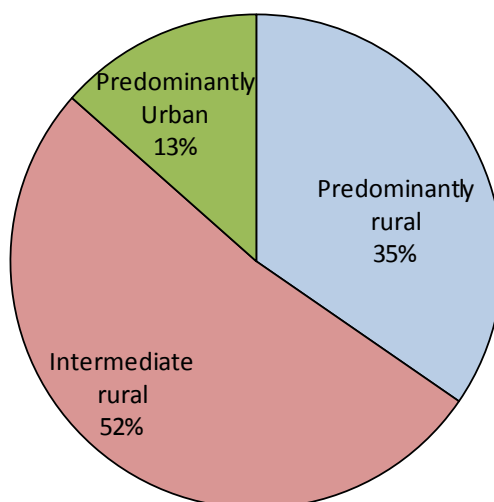
At NUTS 2 level (autonomous community level), 10% of autonomous communities in Spain are considered predominantly rural, 58% of which are considered intermediately rural and 32% predominantly urban (Figure 2). These numbers change when the NUTS 3 level is considered (provincial level): 35% of the provinces fall into predominantly rural classification, 52% of which are considered intermediately rural and 13% classified as predominantly urban (Figure 3) (See Annex Tables 5 and 6 for more details).

Figure 2. OECD designation of rural areas at the NUTS 2 level in Spain, 2003



Source: European Commission, 2006.

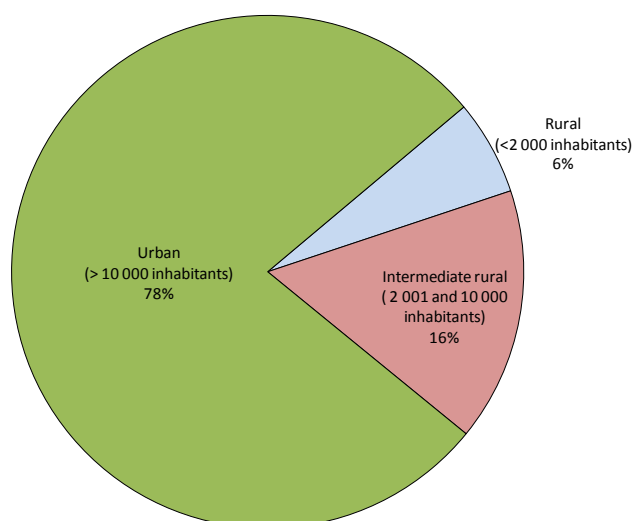
**Figure 3. OECD designation of rural areas at the NUTS 3 level in Spain, 2003**



Source: European Commission, 2006.

The National Statistics Institute of Spain (*Instituto Nacional de Estadística, INE*) does not use the OECD density criteria to define its rural areas, but rather classifies as rural areas those municipalities with less than 2 000 inhabitants, as intermediate rural areas municipalities with between 2 001 and 10 000 inhabitants, and urban areas as municipalities with more than 10 000 inhabitants. Using INE's rural definition, the rural population accounted for 6% of the total national population, intermediate rural and urban population for 16% and 78% respectively in 2007 (Figure 4).

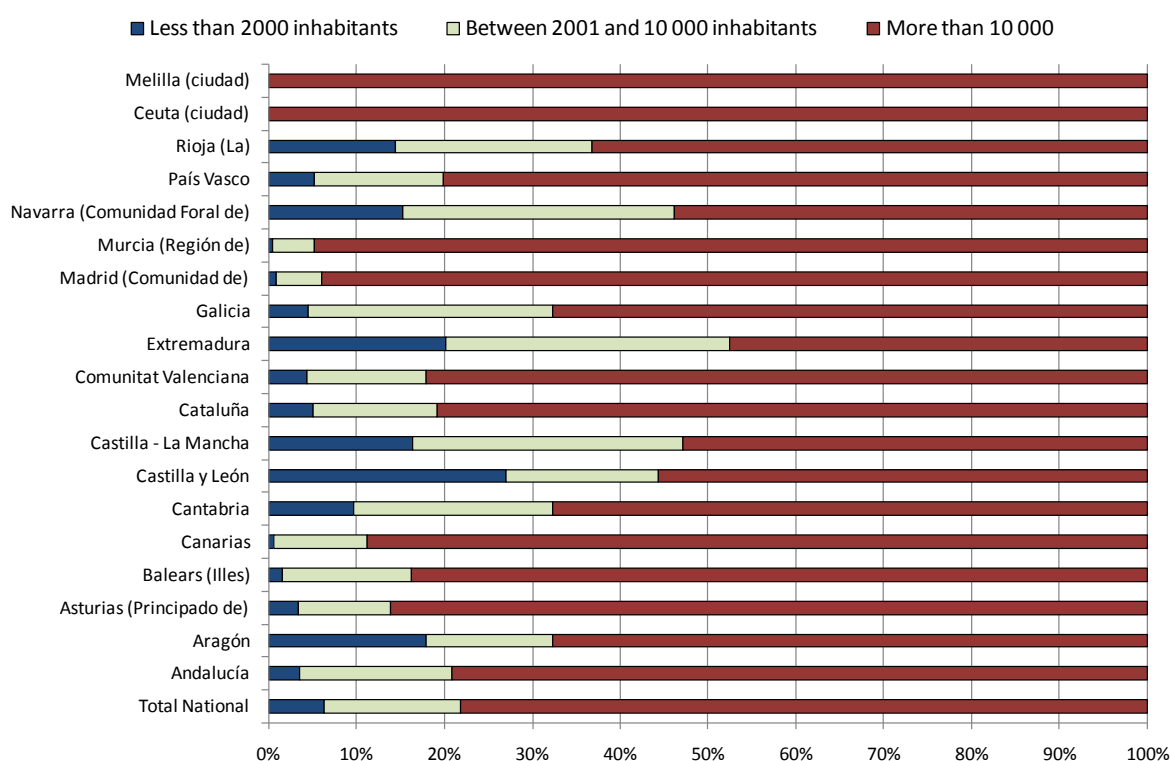
**Figure 4. INE's national rural population, 2007**



Source: INE (2007), *Población por comunidades autónomas y tamaño de municipios*.

Figure 5 shows the share of rural and intermediate rural populations in the administrative classification of Autonomous Communities. The Autonomous Communities with a higher percentage of rural population were, in 2007, Castilla y León, Extremadura, Aragón, and Castilla La Mancha, with 27%, 20%, 18% and 16% respectively. Combining the intermediate rural and rural populations, the figures for the same Autonomous Communities are 44%, 52%, 32%, and 47% respectively.

**Figure 5. Population by Autonomous Community, 2007**

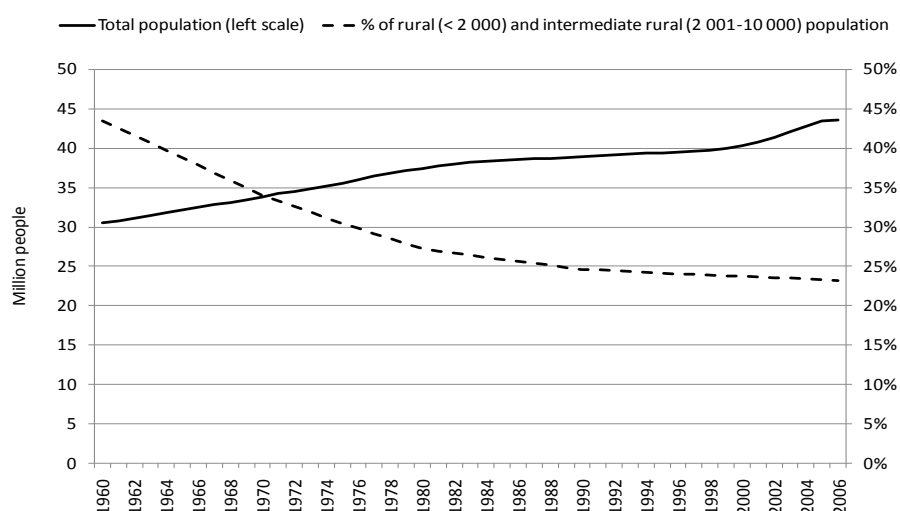


Source: INE (2007), *Población por comunidades autónomas y tamaño de municipios*.

While total population has increased over the last 50 years at a modest pace, from 30 million in 1960 to 45 million in 2006, rural and intermediate rural population has decreased considerably from 43% in 1960 to 23% in 2006 (Figure 6).



**Figure 6. Evolution of rural and intermediate rural population in Spain, 1960-2006**



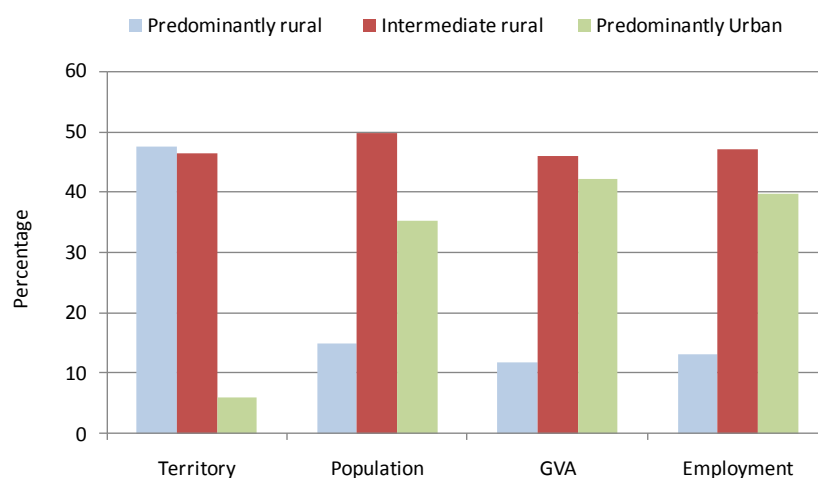
Source: World Bank, 2007.

According to INE (2005), the number of rural households (those localities with less than 10 000 inhabitants) in 2005 was around 3.7 million and comprised 10.7 million people, an average of 3 people per household. The number of farm households where the head of the family is a qualified agricultural worker, whether or not he owns the exploitation, was 342 381, comprising 1.2 million people, making for an average of 3.6 people per household. For the purpose of this report, the definition of predominantly rural, intermediate rural and predominantly urban is based on the OECD categorisation used by the European Union, unless otherwise stated.

### **Importance of rural areas in the national economy**

Considering NUTS 3 category (provincial level), predominantly rural and intermediately rural territory account for 94% of national territory (47% each); only 6% of the territory is categorised as predominantly urban land. In the same fashion, predominantly rural population accounts for 15%, while 50% is considered intermediate rural and the remaining 35% is categorised as predominantly urban. Regarding Gross Value Added (GVA), around 12% comes from predominantly rural areas, 46% in intermediately rural and 42% predominantly urban regions. Employment follows the same pattern as GVA, where 13% of the employment is predominantly rural, 47% is intermediately rural, and 40% is considered predominantly urban (Figure 7).

**Figure 7. Share of rural areas in territory, population GVA, and employment 2002-2003\***



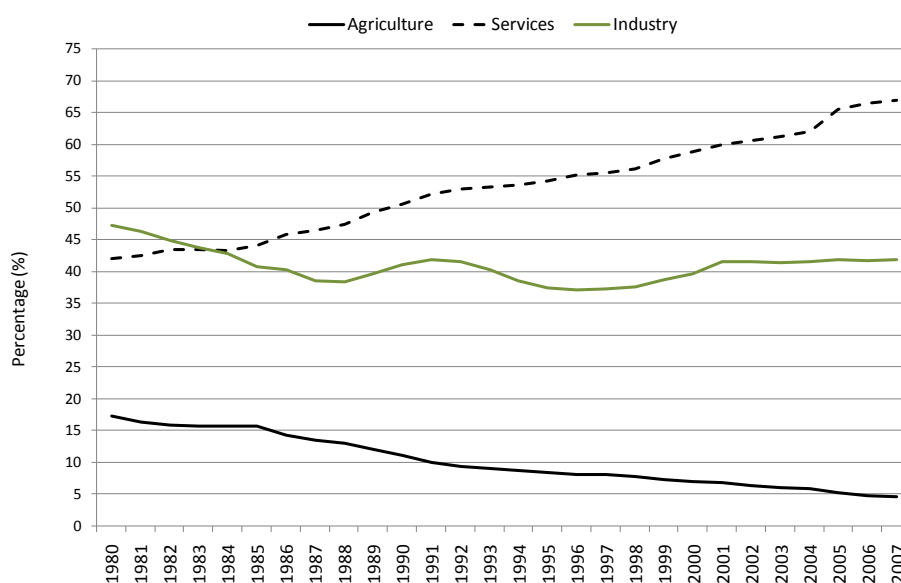
\* 2002 for GVA and employment; 2003 for territory and population. NUTS 3.

Source: European Commission, 2006.

## Role of agriculture in rural areas

The economic importance of the agricultural sector at the national level has diminished over the years. Agricultural share in total employment decreased from 17.2% in 1980 to 4.5% in 2007. The opposite trend is observed in services where its share in national employment has increased from 45% in 1980 to 66% in 2007. Industry sector contribution to employment has been relatively constant over the same period (Figure 8).

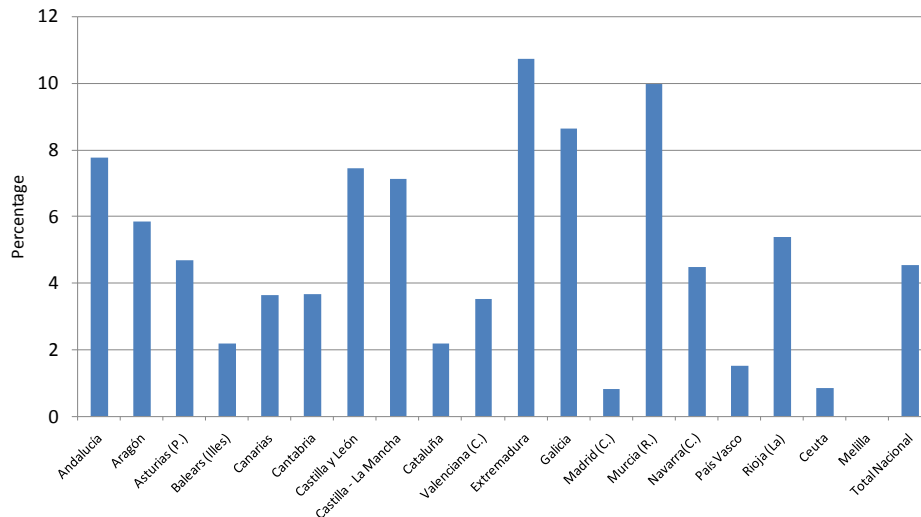
**Figure 8. Share of national employment by sector, 1980-2007**



Source: INE (2007), *Encuesta de Población Activa*.

The share of agriculture employment varies across autonomous communities. Extremadura and Murcia present the highest share of agriculture employment, 11% and 10% respectively; while Madrid and País Vasco present the lowest with 1% and 1.5% respectively, without considering the cities of Ceuta and Melilla that have practically no agriculture employment (Figure 9).

**Figure 9. Agriculture share of employment by autonomous community, 2007**

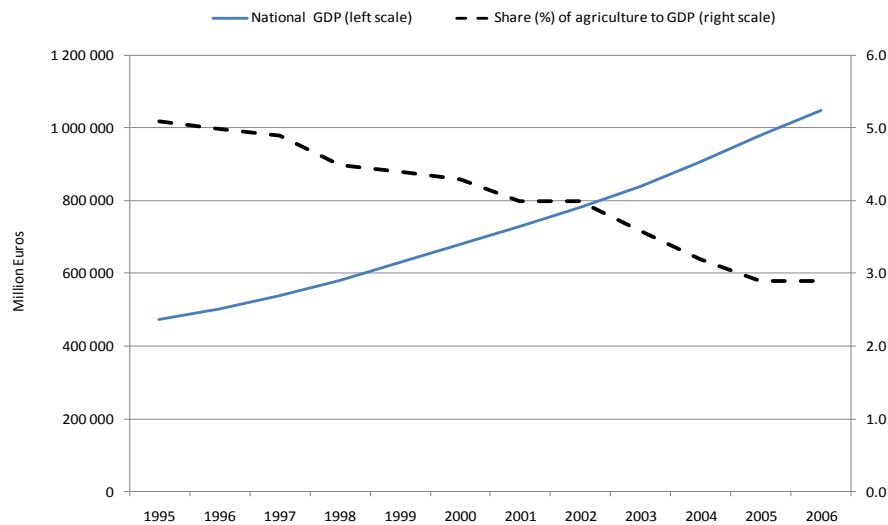


Source: INE (2007), *Encuesta de Población Activa*.

Stopping rural depopulation is the biggest challenge for Spain. A large part of the country suffers from problems of depopulation due to poor living conditions that result from the topography, climate or the scarcity of water, among other causes. The primary sector (agriculture, hunting and forestry) continue to be the main source for maintaining population and employment in the rural areas (EUROPA, 2008).

In terms of GDP, agriculture has also seen its share diminish over time at the national level; while total national GDP has grown rapidly in the last ten years, agriculture share of GDP decreased from 5.1% in 1995 to 2.9% in 2007 (Figure 10).

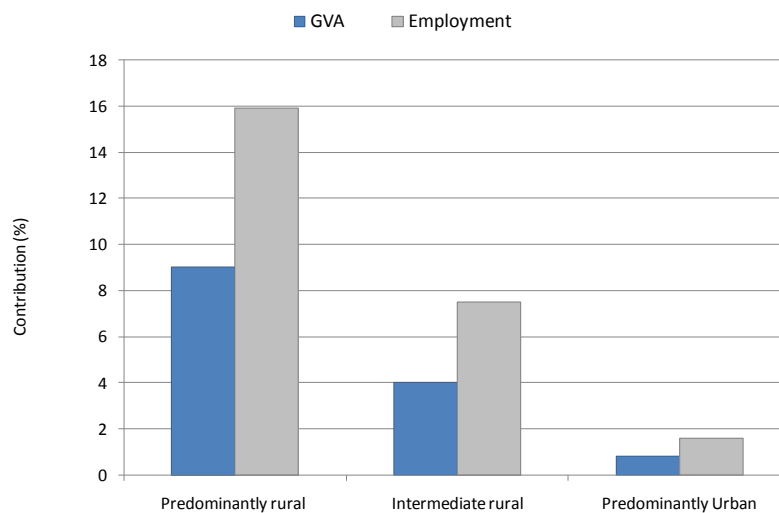
**Figure 10. Agriculture' contribution to national GDP, 1995-2006**



Source: INE (2007), *Contabilidad Nacional Trimestral*.

The importance of primary sector (agriculture, fishing, and forestry) at provincial level (NUTS 3 level) can be seen in Figure 11, where primary sector accounts on average for 9% of total GVA and 16% of total employment in predominantly rural areas. Its importance is diminishing towards less rural areas; this is, in intermediate rural areas, the primary sector accounts on average 4% of total GVA and 7.5% of total employment. In the case of predominantly urban areas, the primary sector accounts for only 0.8% of the GVA and 1.6% of total employment.

**Figure 11. Share of primary sector in GVA and employment in rural and non-rural areas, 2002**



Source: European Commission, 2006.

Of the total national territory (50.5 million hectares) agricultural land (cropland and grassland) accounts for almost 50% or 24.5 million hectares, followed by forest with 33.2% of total territory and grassland with 14% (Table 2).

**Table 2. Spain's land use, 2005**

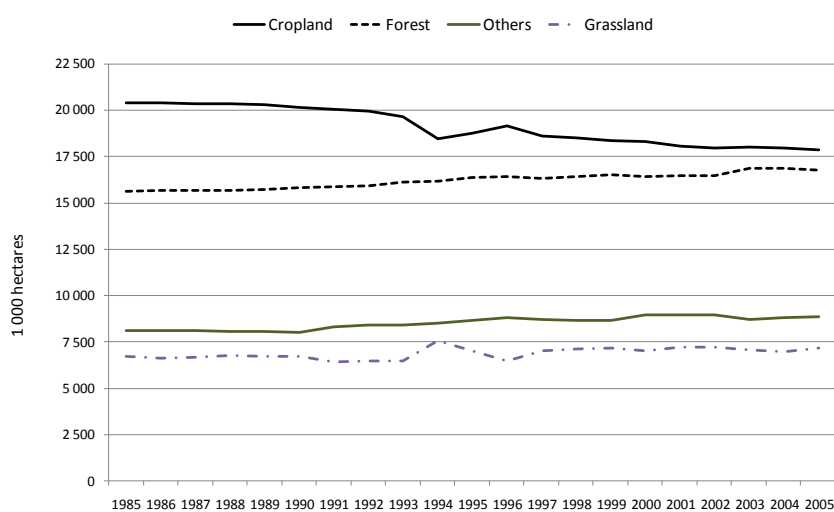
<b>Type of use</b>	<b>1000 hectares</b>	<b>Percentage</b>
Total Cropland	17 844.2	35.3%
<i>Cropland non-perennial crops</i>	9 413.4	18.6%
<i>Non-cultivated cropland</i>	3 499.6	6.9%
<i>Cropland perennial crops</i>	4 931.1	9.8%
Total Forest Land	16 789.7	33.2%
<i>Timber-yielding forest</i>	7 634.4	15.1%
<i>Scrubland</i>	4 987.2	9.9%
<i>Other type of forest vegetation</i>	4 168.1	8.2%
Total Grassland	7 168.6	14.2%
<i>Natural meadows</i>	1 410.3	2.8%
<i>Grassland</i>	5 758.3	11.4%
Other land	8 734.4	17.3%
<i>Non-cultivated pastures</i>	4 479.6	8.9%
<i>Unproductive land<sup>a</sup></i>	1 363.8	2.7%
<i>Non-agricultural land<sup>b</sup></i>	2 263.5	4.5%
<i>Water bodies</i>	627.5	1.2%
Total national	50 536.8	100%

a) Includes arid areas. b) Human settlements, roads, constructions, industrial zones, etc.

Source: MAPA (2006a), *Anuario de estadística agroalimentaria 2006*.

The area dedicated to agriculture has diminished slightly in the last 44 years, from 66% in 1961 to 58% in 2005. Over the past 20 years, cropland has remained more or less constant with a slight downwards tendency from 20.5 million hectares in 1985 to 17.8 million in 2005. Forestry land has barely increased from 15.6 million hectares in 1985 to 16.7 million hectares in 2005. Grassland and others remain more or less constant with an upward tendency (Figure 12). Around 15% of agricultural land is irrigated and consumes around 75% of total Spanish water consumption (EUROPA, 2008).

**Figure 12. Evolution of the land use, 1985-2005**

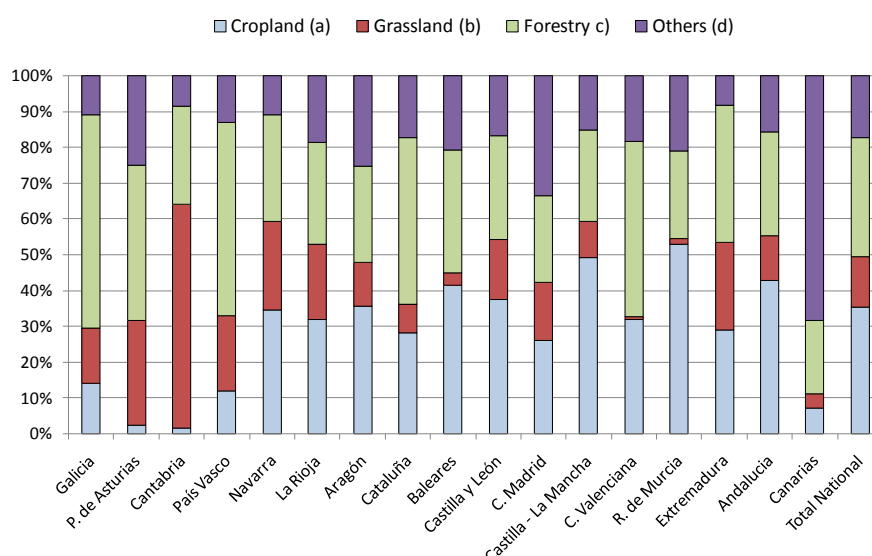


Others includes human settlements, roads, infrastructure, water bodies, unproductive land, non-agricultural land, etc

Source: INE (1999), Censo agrario and INE, 2005. *Encuesta sobre la estructura de las explotaciones agrícolas 2005*.

The diversity of the autonomous communities is reflected in the relative share of cropland, grassland, forestry and other land uses (Figure 13). The share of land use varies by autonomous community; for instance, Cantabria's share of cropland is almost non-existing but more than 60% of its land is covered by grassland, the opposite case is Murcia with an insignificant land use in grassland and with more than 50% of its land used for crops and 20% as forest.

**Figure 13. Share of agriculture in land use by autonomous community, 2005**



a) Cropland includes seasonal and perennial crops, irrigated and non-irrigated land, and non-cultivated crop-land area.

b) Grassland includes natural meadows, useful and non-useful grassland, pastures, etc.

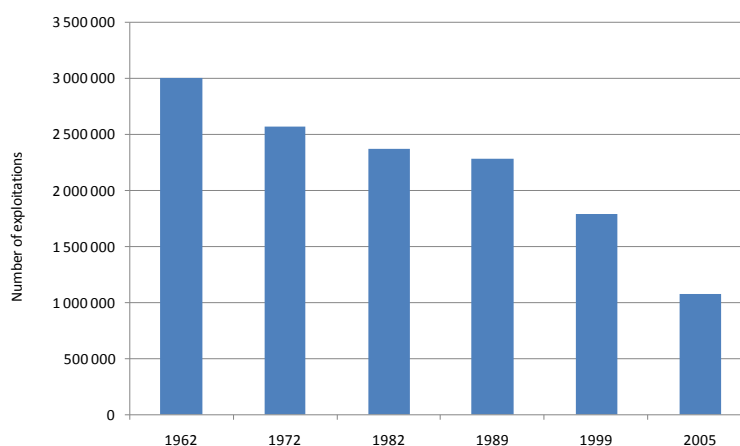
c) Forest includes timber-yielding vegetation, scrubland, other type of vegetation (e.g. eucalypts, *Quercus* species -oaks, cork oak, and Portuguese oak), etc.

d) Others include human settlements, roads, infrastructure, water bodies, unproductive land, non-agricultural land, etc.

Source: MAPA (2006a), *Anuario de estadística agroalimentaria 2006*.

The number of agricultural exploitations has decreased over the last 40 years from around 3 million in 1962 to 1 million in 2005 (Figure 14). This suggests the significant land concentration that Spain has faced.

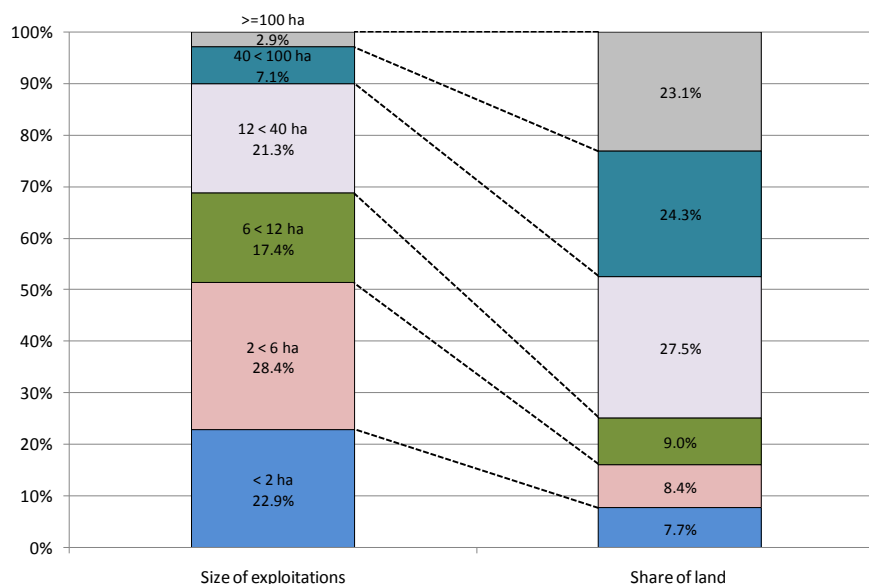
**Figure 14. Evolution of number of agricultural exploitations in Spain, several years**



Source: MAPA (2006c), *Anuario y Anexos 1999-2004*.

In this respect, Figure 15 clearly shows the land concentration issue; for instance, 2.9% of total exploitations have more than 100 hectares and possesses 23% of total land area employed in agriculture and forestry. At the other extreme, 23% of total exploitations have less than 2 hectares and cover only 7.7% of total agricultural land. The average size of the agricultural holdings is 23 hectares.

**Figure 15. Size of exploitations and their land share, 2005**



Source: INE (2005), *Encuesta sobre la estructura de las explotaciones agrícolas 2005*.

Table 3 shows the number of agricultural exploitations in each autonomous community, Andalucía, Castilla - La Mancha, Castilla y León and Cataluña are the ones that present the greater number of large farms ( $\geq 100$  hectares), with 8 955, 3 373, 3 371, and 3 243 respectively. On the other hand, Galicia and Castilla – La Mancha present the larger number of small farms ( $< 2$  hectares) with 38 901 and 38 459 respectively. Other communities that also present a large number of small farms are Andalucía, Extremadura, C. Valenciana, and Castilla y León, among others.



**Table 3. Number of agricultural exploitation by autonomous community, 2005**

Autonomous community	< 2 ha	2 < 6 ha	6 < 12 ha	12 < 40 ha	40 < 100 ha	>=100 ha	Total number of exploitations
Galicia	38 901	26 615	9 994	11 721	3 774	846	91 851
P. de Asturias	15 681	7 453	3 266	3 629	821	82	30 932
Cantabria	5 039	2 754	1 306	2 460	791	146	12 496
País Vasco	9 715	4 870	2 710	3 175	1 087	221	21 778
Navarra	4 206	4 541	2 893	3 333	1 776	706	17 455
La Rioja	2 320	2 689	2 113	3 382	1 032	249	11 785
Aragón	10 555	11 566	8 256	13 638	5 189	2 140	51 344
Cataluña	12 709	14 696	8 500	12 539	5 790	3 243	57 477
Baleares	3 325	4 588	2 329	2 104	786	221	13 353
Castilla y León	20 268	18 440	16 674	29 125	12 327	3 371	100 205
Madrid	2 760	1 863	1 543	1 743	661	237	8 807
Castilla-La Mancha	38 459	38 783	20 972	25 380	8 335	3 373	135 302
C. Valenciana	21 236	53 076	33 591	27 912	5 419	1 810	143 044
R. de Murcia	6 772	10 088	6 076	6 811	2 231	1 611	33 589
Extremadura	25 627	16 881	7 895	12 691	6 083	2 462	71 639
Andalucía	27 034	82 952	55 655	63 527	18 500	8 955	256 623
Canarias	1 056	3 408	2 931	5 694	1 700	926	15 715
Ceuta y Melilla	-	4	2	6	2	-	14
Spain	245 663	305 267	186 706	228 870	76 304	30 599	1 073 409

Source: INE (2005), *Encuesta sobre la estructura de las explotaciones agrícolas 2005*.

Family farms in Spain is defined as those exploitations in which the goods and rights that constitute the physical assets or means of production, are executed by one or more members of a family unit, whom also administer productive decisions and works in the exploitation. In Spain, farm family constitutes the most frequent model of entrepreneurial agricultural activity (Table 4).

**Table 4. Characteristics of family farms in Spain**

Type of family exploitation	% of total agricultural exploitations				
	Number of exploitations	Area	Livestock units	Employment	Gross margin
Fw >= 50% Tw	85.3%	54.6%	64.2%	71.1%	60.01%
Fw>=90% Tw	73.0%	43.7%	55.3%	59.8%	45.9%

Fw= Family workforce Tw=Total workforce in the exploitation..

Source: MAPA (2006b), *Encuestas de Estructura, 1997*.

## Role of agri-food industries in rural areas

The agri-food industry in Spain is one of the most important sectors, economically and socially, and has a preponderant role in Spanish industry as a whole. Table 5 shows the importance of the agri-food industry in the total national industry. It accounts for 13.4% of total employment, almost 17% of business sales, 13% of value added, 20% of raw material consumption and 12% of investment in fixed capital formation.

**Table 5. Main indicators of the agri-food industry, 2001**

Indicators	National Industry	Agri-food Industry	
		Value	Share in total industry
Employment	2 691 707	362 126	13.45
Net business sales (thousand euros)	369 970 844	62 423 455	16.87
Net value added (thousand euros)	116 598 157	14 948 753	12.82
Raw material consumption (thousand euros)	187 003 396	36 594 301	19.57
Fixed capital formation	22 871 368	2 698 167	11.80

*Source: MAPA (2006b), Libro blanco de la agricultura y el desarrollo rural.*

The most important component of the agri-food industry is the rural element, which is dominated by food products, beverages, meat industry, and the milk industry. Although the agri-food industry is prevalent on basically all of the rural territory, its distribution is not homogeneous and does not parallel the percentages of rural population. These variations are due to available resources in the region, as well as corporate strategies and other purely economic factors. Production in the agri-food industry is predominantly rural, (in localities with less than 10 000 inhabitants) while supply chains and marketing are mainly urban activities. Around 52% of the agri-food firms are located in municipalities with less than 10 000 inhabitants and 37% in municipalities with less than 5 000. The importance of the agri-food industry for Spain is due to the fact that it provides close to 400 000 jobs, 32% of which are rural which is equivalent to 18% of all industrial rural jobs and 3.7% of the work that is generated in rural areas (MAPA, 2006b).

Amongst the autonomous communities, Cataluña and Andalucía are the two regions which are the most important in the agri-food industry sector, generating more than 35% of employment and business sales (Table 6). Two factors are determinant: their proximity to raw materials and to the areas of consumption. Regarding the importance of the agri-food industry within the totality of the industry in each community, it is evident that the role increases in predominantly agricultural communities (Extremadura, Andalucía and Murcia), whereas in more industrialised communities the role of the agri-food sector is smaller (e.g. Madrid, and País Vasco).

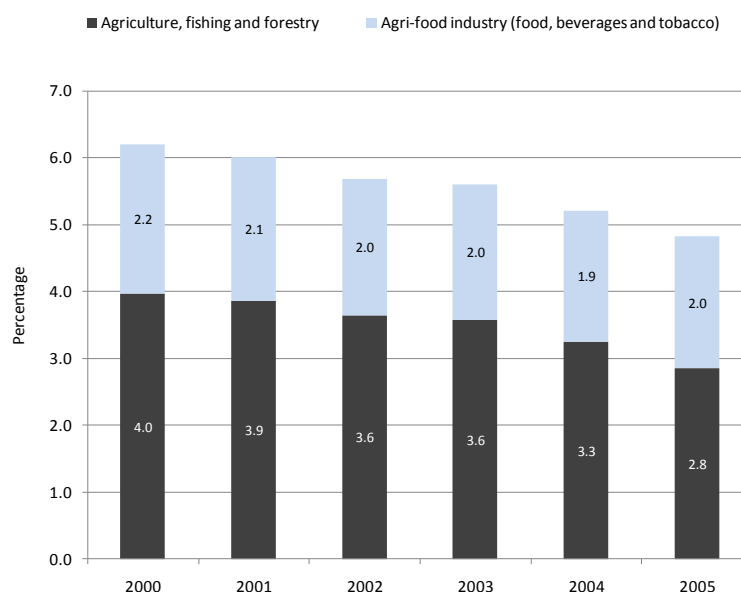
**Table 6. Main indicators of the agri-food industry by autonomous community, 2001**

Autonomous community	Employment		Business sales		Value added		Raw material consumption		Fixed capital formation	
	No. people	%	1 000 Euros	%	1 000 Euros	%	1 000 Euros	%	1 000 Euros	%
Andalucía	52 577	14.52	9 011 639	14.44	1 963 383	13.13	5 706 147	15.59	265 797	9.85
Aragón	11 232	3.10	2 186 736	3.50	403 057	2.70	1 504 166	4.11	106 483	3.95
P. de Asturias	7 714	2.13	1 361 975	2.18	286 691	1.92	747 437	2.04	66 236	2.45
Balears (Illes)	5 690	1.57	601 154	0.96	165 380	1.11	344 891	0.94	29 935	1.11
Canarias	11 269	3.11	1 130 302	1.81	418 697	2.80	498 150	1.36	68 223	2.53
Cantabria	5 711	1.58	721 540	1.16	176 919	1.18	383 932	1.05	24 125	0.89
Castilla-La Mancha	29 595	8.17	5 421 283	8.68	1 303 193	8.72	3 368 910	9.21	269 256	9.98
Castilla y León	20 208	5.58	4 255 574	6.82	930 504	6.22	2 767 517	7.56	207 470	7.69
Cataluña	75 667	20.90	14 827 937	23.75	3 575 378	23.92	8 740 559	23.89	579 262	21.47
C. Valenciana	31 339	8.65	4 785 746	7.67	1 163 318	7.78	2 680 036	7.32	247 164	9.16
Extremadura	9 419	2.60	1 294 777	2.07	281 804	1.89	901 435	2.46	102 751	3.81
Galicia	27 188	7.51	4 389 655	7.03	877 828	5.87	2 579 370	7.05	186 568	6.91
Madrid	24 095	6.65	3 969 531	6.36	1 193 184	7.98	1 892 320	5.17	126 005	4.67
R. de Murcia	18 941	5.23	2 848 523	4.56	635 242	4.25	1 610 248	4.40	109 500	4.06
Navarra	10 601	2.93	1 644 274	2.63	398 081	2.66	897 940	2.45	95 808	3.55
País Vasco	14 479	4.00	2 496 735	4.00	691 984	4.63	1 264 835	3.46	129 544	4.80
La Rioja	6 402	1.77	1 476 076	2.36	484 110	3.24	706 410	1.93	84 040	3.11
Spain	362 126	100	62 423 455	100	14 948 753	100	36 594 301	100	2 698 167	100

Source: MAPA (2006b), *Libro blanco de la agricultura y el desarrollo rural*.

There is a high prevalence of small size firms. Thus, 97% of the agri-food firms generate less than 50 jobs, the majority of which are included in the group of those with less than ten employees (82%, with a noticeable number of firms without wage earner employees). The largest enterprises (more than 200 employees) only represent 0.72% of the total number of firms in this sector. The average size of the firm within the agri-food industry is 15 workers, which is below the average for the whole Spanish industrial sector, 16 workers (Juste-Carreón and Gómez-García, 2005). Lastly, at the national level, the contribution of the agri-food industry is relatively modest with around 2% in the last six years (Figure 16).

**Figure 16. Agriculture and agri-food industry share of national's GDP**



Source: INE (2005), *Cuentas económicas*.

### Diversification of activities by farm households in rural areas

In the rural economies of Europe, there is a growing importance on non-farm activities. Spain is not an exception and the role of agriculture in income generation activities is decreasing. As a consequence, farm households are not considered anymore as a mono-activity or dependent on one source of income. Nowadays, these households depend on both farm and non-farm incomes. Rural and farm households are engaged in several activities inside and outside the farm in order to diversify their income. For instance, the number of holdings carrying out non-farm activities is increasing in Spain. According to INE, in 2005 the total number of these holdings was 36 342 (Table 7). Although, this is still relatively small compared to the total number of agricultural exploitations equivalent to one million, the overall trend of income diversification is increasing and these activities can contribute an important part to rural household income.

**Table 7. Diversification of rural areas, 2005**

Activities	Number of holdings
Tourism (accommodation, restaurants, recreational activities)	4 598
Handicraft	354
Processing of agricultural products (meat processing, cheese and wine making)	15 014
Sawmill	130
Aquaculture	78
Renewable energy production (wind, biogas, wood)	270
Others	15 898
<b>Total</b>	<b>36 342</b>

Source: INE (2005), *Encuesta sobre la estructura de las explotaciones agrícolas 2005*.

There are few studies that measure the contribution of non-farm activities in total farm household income or rural household income. One by García Sanz (2002) presents a comparative analysis between rural and urban income composition. Agriculture sector represents 15.9% of total rural income, while services and industry represent 44.8% and 39.3% respectively. Agriculture has a smaller participation in urban income with a share of 2.4%, services and industry sectors contribute with 63.5% and 34.1% respectively (Table 8). In terms of gender, in both rural and urban incomes men contribute more than 85%. By economic situation and main source categories, it is significant that the level of income received by pensions is around 28% in rural incomes and 21.5% in urban incomes. It is also important to note that self-employed people account for 25.1% of employment in rural areas, significantly higher than the 14.1% in the case of urban areas.

**Table 8. Composition of rural and urban incomes, 2000**

Percentage		
Type of composition	Rural	Urban
<b>By sector</b>		
Agriculture	15.9%	2.4%
Industry	39.3%	34.1%
Services	44.8%	63.5%
Total	100%	100%
<b>By gender</b>		
Men	88.3%	85.7%
Women	11.7%	14.3%
Total	100%	100%
<b>By economic situation</b>		
Employed	62.1%	68.4%
Unemployed	3.6%	2.8%
Retired	28.1%	21.5%
Non-economic activity	3.8%	4.7%
Others	1.9%	2.6%
Total	100%	100%
<b>By main source</b>		
Employee	44.6%	61.1%
Self-employed	25.1%	14.1%
Investment income	1.0%	1.1%
Pensions	28.2%	21.6%
Employment insurance	1.6%	1.5%
Other subsidies	0.5%	0.6%
Total	100%	100%

Source: García Sanz, 2002, from INE, 2000.

Other activities that have grown rapidly and that can be considered as part of income diversification are organic agriculture and rural tourism. The former presents an important development as shown in Table 9, where the number of organic exploitations (crop production, livestock, aquaculture, forestry, etc.) increased from 7 782 in 1998 to 19 211 in 2006. The evolution of land devoted to organic agriculture

increased substantially from 270 000 hectares in 1998 to almost a million in 2006 (Figure 17). Rural tourism is described in the next section.

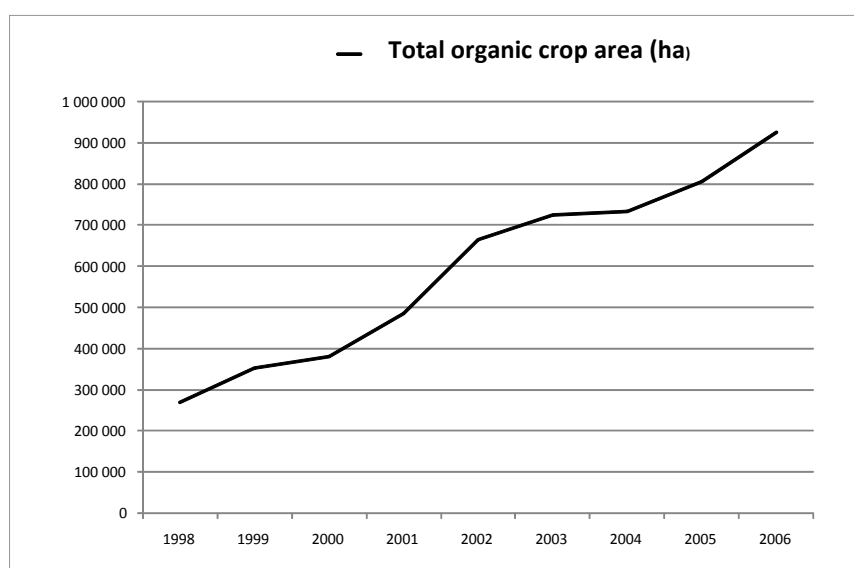
**Table 9. Number of organic hectares and operations**

	<b>Number of organic operators</b>	<b>Number of hectares</b>
1998	7 782	269 465
1999	12 341	352 164
2000	14 060	380 920
2001	16 521	485 079
2002	17 751	665 055
2003	18 505	725 254
2004	17 688	733 182
2005	17 509	807 569
2006	19 211	926 390

Years 1998-2000 from Eurostat, 2008. Years 2001-2006 from INE.

Source: INE (2006), *Agricultura y Ganadería Ecológica*; Eurostat, 2008.

**Figure 17. Evolution of organic agriculture, hectares**



Years 1998-2000 from Eurostat, 2008. Years 2001-2006 from INE.

Source: INE (2006), *Agricultura y Ganadería Ecológica*; Eurostat, 2008.

## Rural tourism

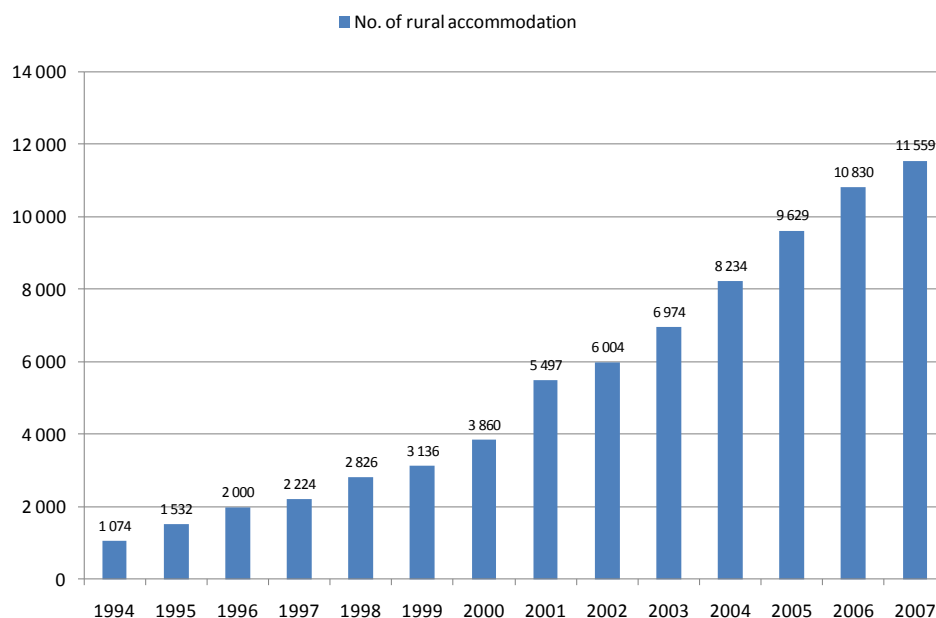
Rural tourism is not a new social phenomenon in Spain. In the last century, the upper classes were accustomed to visit and rest in rural areas. Furthermore, people who had migrated to urban areas would return to their villages during holiday periods. In the 1960s, the Spanish government had a policy of subsidizing the refurbishment of houses in rural areas which offered tourist accommodation. This was a way of improving the quality of rural buildings and maintaining the cultural heritage, as well providing new sources of income for rural families (Cànoves, Villarino, & Herrera, 2006). However, this activity has become significantly more important in terms of numbers of nights and income generated since the early 1980s. It is concentrated in the north of Spain, both in the mountainous regions and those areas where the

rural and agrarian component is important, and in regions that are seen from the point of view of the major Spanish urban areas (the origin of the demand) as being attractive for their rural and cultural heritage (Caballé, 1999).

In some European countries, farm tourism encompasses a wide range of activities, including accommodation, leisure activities such as open days, guided tours, and tea rooms. In Spain, however, farm recreation is almost nonexistent. Most farm tourism activities can be labelled as accommodation activities, the most common being bed and breakfast, guest houses, and self-catering (Caballé, 1999).

Figure 18 shows the evolution of rural accommodations in the last 14 years, which presents a substantially growth. For example, the number of rural accommodations in 1994 was around 1 000; by 2007 that number had increased to 11 500. The number of farm accommodations is included in these statistics and policies which promote rural accommodation also implicitly cover farm accommodation.

**Figure 18. The evolution of rural accommodation**



Source: Cànoves *et al.* (2006) for years 1994-2000. INE (2007), *Hostelería y Turismo* for years 2001-2007.

Rural tourism has been one of the activities that has most benefited local development in rural areas. The 1990s marked a big increase in this type of establishment, thanks to the EU funds, and today there are more than 11 000 rural tourism establishments. Between 1995 and 2001, 32.4% of the LEADER (see Annex 1 for more details) funds were directed towards rural tourism, equivalent to EUR 441.6 million. In the case of PRODER (a group of programmes for the rural development), between 1996 and 2001, 23.2% of the funds, or EUR 183.4 million were invested (Cànoves, Villarino, & Herrera, 2006). Some results of these initiatives are found in Table 10 where the number of rural accommodation is presented by autonomous community. As was mentioned above, the concentration of rural tourism is in the northern part of the country, therefore, not surprisingly, communities like Castilla y León, Cataluña, and Asturias, are those with the greatest number of rural accommodations, with the exception Andalucía that is located in southern part of the country. As the rural economy has evolved, rural tourism has increased in importance and agriculture has started to become a multifunctional space; however, as rural tourism has been the main

diversification driver, its potential is limited since it seems in many regions it seems to have reached its peak.

**Table 10. Rural accommodation as part of rural tourism by autonomous community**

<b>Autonomous Community</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Andalucía	285	328	380	481	935	1 032	1 135
Aragón	634	621	639	641	693	729	766
Asturias (Principado de)	451	500	565	724	857	958	1 024
Balears (Illes)	91	104	109	136	147	148	142
Canarias	414	383	538	630	685	766	740
Cantabria	190	209	241	272	292	326	350
Castilla y León	828	1 005	1 188	1 445	1 716	2 055	2 263
Castilla-La Mancha	352	441	500	568	644	736	860
Cataluña	640	679	789	1 025	1 119	1 331	1 397
Comunitat Valenciana	264	321	419	604	707	789	824
Extremadura	104	105	166	184	228	318	370
Galicia	282	340	395	429	453	478	474
Madrid (C. de)	65	79	88	103	115	152	173
Murcia (Región de)	237	244	270	286	269	225	235
Navarra (C. Foral de)	408	399	415	413	456	457	448
País Vasco	195	187	208	227	241	252	276
Rioja (La)	57	59	65	66	72	76	82
Ceuta y Melilla	-	-	-	-	-	-	-
Spain	5 497	6 004	6 974	8 234	9 629	10 830	11 559

Source: INE (2007), *Hostelería y Turismo*.

### **Multiplier effects of agriculture and other rural activities**

Few studies were found regarding the multiplier effect of agriculture in Spain. Llop *et al.* (2002) present a comparison of Cataluña and Extremadura where the process of income distribution was investigated in the Catalan and Extremadura economy using the Social Accounting Matrix (SAM) approach. The exogenous components in this model were the government, investment flows and international trade. The endogenous components were those concerned with the production activities, private sector and branches of activity. The distribution among activities evaluates the changes in the relative position of the productive sectors when each of them receives a unitary exogenous injection. Table 11 shows how the multipliers of income generation among the productive sectors when a unitary exogenous injection takes place in both autonomous communities.



**Table 11. Multiplier effects in Cataluña and Extremadura**

<b>Branch of production</b>	<b>Extremadura</b>	<b>Cataluña</b>
Labour factor	3.7	3.55
Capital factor	4.58	4.7
Private sector	3.58	3.70
<b>Agriculture and fishing</b>	<b>4.79</b>	<b>2.99</b>
Energy	4.19	3.42
Minerals	1.48	1.55
Non-metal minerals	2.59	4.29
Chemistry	1.33	2.89
Metals	2.16	3.08
Transport material	1.05	2.9
<b>Food and beverages industry</b>	<b>3.33</b>	<b>3.39</b>
Textile	1.51	3.33
Paper	2.18	3.40
Other industries	3.05	3.36
Construction	4.57	4.79
Commerce	4.67	4.96
Transportation	4.56	4.62
Finance	5.07	4.95
Private services	5.01	4.78
Public services	4.71	4.78

*Source: Llop et al., 2002.*

The Llop *et al.* (2002) results suggest that the Catalan economy presents a greater capacity of expansion in the services sector, particularly in commerce and finance, with almost 5 monetary units of income generation for each exogenous monetary unit that those services receive. The same situation is observed in the economy of Extremadura, where the service sector presents the greater effect of distribution, in particular the finance services with 5.07 monetary units.

Regarding the agricultural sector, it is important to note that Extremadura has a greater multiplier effect than Cataluña, and this multiplier for agriculture is higher than that of certain services such as commerce and transportation. That is, for each monetary unit that agriculture receives, it generates 4.79 monetary units in Extremadura versus 2.99 in Cataluña. This shows the importance of the agricultural sector in Extremadura and its capacity for income generation. The food and beverage industry is practically the same in both communities, with 3.33 for Extremadura and 3.39 for Cataluña.

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## **Annex 1.**

### **The LEADER Programme**

Rural development policies were few in Spain and have been mainly developed on the basis of the European LEADER programme. The LEADER (an acronym in French of “*Liaison Entre Activités du Développement de l’Economie Rural*”) or Community Initiative is one of the better known European rural development programmes and was conceived as an integrated and endogenous economic development approach. The programme aims at motivating local actors to carry out innovative multisectoral projects capable of valorising and exploiting local resources and improving the competitiveness of rural areas. The LEADER Initiative for rural development began in 1991 with LEADER I, continued from 1994-1999 with LEADER II, and with LEADER + from 2000-2006. The initiative has been implemented across the EU in both lagging and leading rural regions. This programme has always had a complementary character within the Policy of Cohesion or regional development of the EU, but has stood out because of its territorial approach focusing on small areas and its limited endowment of public financial resources. There are three main elements characterising the implementation of the LEADER method: 1) a “territory” or LEADER area, 2) an integrated “strategy” relying on an endogenous approach and innovative actions, and 3) a “local action group” (LAG) characterised by decentralised financing, cooperation and partnerships between public and private stakeholders (OECD, 2004).

In many ways, LEADER has been a very significant intervention in Spain. Before LEADER, rural development policy was almost completely unknown in Spain and, for this reason alone, LEADER represented a new force in rural affairs. The invitation to form territorial collaborations was also novel and local actors were quick to perceive it as an important political tool to tackle both the problems of rural areas and the challenges presented by the new roles being assigned to the rural world. Furthermore, LEADER has subsequently produced material, local impacts through its ability to generate investment in development projects (Esparcia Pérez, 2000).

New efforts were taken for the rural development of Spain, and in December, 2007 a new Law (Ley para el desarrollo sostenible del medio rural) was passed that aimed the enhancement of the rural areas, through several objectives: 1) Keep and enlarge the economic foundations of rural areas by preserving competitive and multifunctional activities, and by the incorporation of activities that promote the diversification and sustainable development. 2) Improve the living standards of rural areas and their inhabitants by providing basic public services in order to promote equal opportunities, particularly for vulnerable people. 3) Preserve and recover the patrimony, natural and cultural resources of rural areas, through public and private actions (MAPA, 2008b).

## Annex 2.

### Background tables

Annex Table 1. Rural population using INE's definition, 2007

Autonomous communities and cities*	Rural areas (< 2000 inhabitants)	Intermediate areas (2001-10000 inhabitants)	Urban (>10000 Inhabitants)	Total
Andalucía	276 281 (3%)	1 397 885 (17%)	6 385 295 (79%)	8 059 461
Aragón	232 214 (18%)	186 938 (14%)	877 503 (68%)	1 296 655
Asturias (Principado de)	36 393 (3%)	111 698 (10%)	926 771 (86%)	1 074 862
Balears (Illes)	16 338 (2%)	151 532 (15%)	862 780 (84%)	1 030 650
Canarias	10 903 (1%)	216 947 (11%)	1 798 101 (89%)	2 025 951
Cantabria	54 901 (10%)	129 991 (23%)	387 932 (68%)	572 824
Castilla y León	684 147 (27%)	437 163 (17%)	1 407 107 (56%)	2 528 417
Castilla - La Mancha	324 921 (16%)	606 326 (31%)	1 046 057 (53%)	1 977 304
Cataluña	361 346 (5%)	1 025 003 (14%)	5 824 159 (81%)	7 210 508
Comunidad Valenciana	212 805 (4%)	660 060 (14%)	4 012 164 (82%)	4 885 029
Extremadura	218 792 (20%)	353 023 (32%)	518 175 (48%)	1 089 990
Galicia	123 669 (4%)	772 160 (28%)	1 876 704 (68%)	2 772 533
Madrid (Comunidad de)	54 547 (1%)	311 131 (5%)	5 716 011 (94%)	6 081 689
Murcia (Región de)	5 607 (0.4%)	66 942 (5%)	1 319 568 (94.6%)	1 392 117
Navarra (Comunidad Foral de)	92 072 (15%)	187 420 (31%)	326 384 (54%)	605 876
País Vasco	110 023 (5%)	316 257 (15%)	1 715 580 (80%)	2 141 860
Rioja (La)	44 314 (14%)	69 475 (22%)	195 179 (63%)	308 968
Ciudad autónoma de Ceuta*	-	-	76 603 (100%)	76 603
Ciudad autónoma de Melilla*	-	-	69 440 (100%)	69 440
	2 859 273	6 999 951	35 341 513	45 200 737
Spain	(6%)	(16%)	(78%)	(100%)

Source: INE (2007), *Población por comunidades autónomas y tamaño de municipios*.

**Annex Table 2. Land use by autonomous community, hectares, 2005**

<b>Autonomous community</b>	<b>Cropland<sup>a</sup></b>	<b>Grassland<sup>b</sup></b>	<b>Forest<sup>c</sup></b>	<b>Others<sup>d</sup></b>
Castilla- La Mancha	3 895 181	808 755	2 010 773	1 208 007
Andalucía	3 744 092	1 079 544	2 547 949	1 365 467
Castilla y León	3 530 700	1 589 978	2 716 731	1 583 110
Aragón	1 703 993	577 510	1 285 620	1 202 931
Extremadura	1 208 611	1 015 330	1 598 000	341 500
Cataluña	899 654	263 990	1 490 139	551 997
C. Valenciana	741 037	21 284	1 136 776	426 879
R. de Murcia	600 148	17 339	276 406	237 845
Galicia	416 011	457 226	1 761 652	322 953
Navarra	358 765	257 184	310 601	112 583
C. Madrid	208 522	131 988	193 849	268 433
Baleares	204 455	17 283	170 072	102 392
La Rioja	160 084	106 677	142 640	93 987
País Vasco	86 679	152 461	390 949	94 983
Canarias	53 224	29 926	151 942	509 558
P. de Asturias	24 691	309 963	459 919	265 786
Cantabria	8 345	332 129	145 720	45 940
Spain (50 536 848 )	17 844 192 (35%)	7 168 567 (14%)	16 789 738 (33%)	8 734 351 (17%)

a) Cropland includes seasonal and perennial crops, irrigated and non-irrigated land, and non-cultivated crop-land area.

b) Grassland includes natural meadows, useful and non-useful grassland, pastures, etc.

c) Forest includes timber-yielding vegetation, scrubland, other type of vegetation (e.g. eucalypts, *Quercus* species -oaks, cork oak, and Portuguese oak), etc.

d) Others include human settlements, roads, infrastructure, water bodies, unproductive land, non-agricultural land, etc.

Source: MAPA (2006a), *Anuario de estadística agroalimentaria 2006*.

**Annex Table 3. Evolution of the occupied EAP according to sector of activity**

Year	TOTAL	Agricultural Sector			Industry		Construction	Services
		Total	Agriculture, livestock and forestry	Fisheries	General	Agri-food		
1996	12 871.5	1 079.1	1 016.2	62.9	2 592.8	392.8	1 228.1	7 971.5
1997	13 345.6	1 079.6	1 021.1	58.4	2 697.3	386.9	1 305.8	8 262.9
1998	13 904.2	1 084.5	1 026.5	57.9	2 858.3	408.0	1 385.3	8 576.1
1999	14 689.7	1 048.7	989.5	59.2	2 957.9	404.0	1 572.2	9 110.9
2000	15 505.8	1 028.7	964.6	64.1	3 082.4	420.2	1 722.7	9 672.0
2001	16 146.2	1 045.2	981.8	63.4	3 176.7	436.8	1 876.2	10 048.1
2002	16 630.2	995.4	940.7	54.8	3 190.7	441.0	1 980.1	10 464.0
2003	17 295.9	991.0	942.9	48.1	3 200.8	451.5	2 101.6	11 002.5
2004	17 970.7	988.9	937.6	51.4	3 210.9	455.9	2 253.2	11 517.7
2005	18 973.1	1 000.7	940.6	60.0	3 279.9	490.7	2 357.2	12 335.3
2006	19 747.7	944.3	893.0	51.3	3 292.1	496.9	2 542.9	12 968.4

Thousands of people 16 years and older, annual mean.

Source: MAPA (2006a), *Anuario de estadística agroalimentaria 2006*.

**Annex Table 4. Components of production in the forestry sector (current value in millions of Euros)**

Year	Forestry production	Wood production	Fire wood production	Other forestry products	Forestry services production
1995	881.8	658.4	50.8	167.5	5.2
1996	819.1	585.0	47.5	181.2	5.4
1997	878.5	621.3	34.4	216.4	6.4
1998	984.1	654.3	51.2	261.0	17.6
1999	923.4	668.3	35.0	202.9	11.6
2000	899.4	627.8	38.7	217.3	11.2
2001	840.0	614.8	22.5	187.4	10.6
2002	903.2	664.2	28.4	192.3	11.4
2003	1 017.9	748.7	32.6	216.7	12.3

Source: MAPA (2006a), *Anuario de estadística agroalimentaria 2006*.

**Annex Table 5. Classification at NUTS 2 level (19 Autonomous Communities)**

	<b>Predominantly Rural (PR)</b>	<b>Intermediate Rural (IR)</b>	<b>Predominantly Urban (PU)</b>
1	Castilla- La Mancha	Galicia	País Vasco
2	Extremadura	Principado de Asturias	Comunidad de Madrid
3		Cantabria	Cataluña
4		Comunidad de Navarra	Comunidad Valenciana
5		La Rioja	Ceuta
6		Aragón	Melilla
7		Castilla y León	
8		Baleares	
9		Andalucía	
10		Región de Murcia	
11		Canarias	

Source: European Commission, 2006.

**Annex Table 6. Classification at NUTS 3 levels (50 provinces + 2 cities)**

	<b>Predominantly Rural (PR)</b>	<b>Intermediate Rural (IR)</b>	<b>Predominantly Urban (PU)</b>
1	Lugo	La Coruña	Guipúzcoa
2	Orense	Pontevedra	Vizcaya
3	Huesca	Asturias	Madrid
4	Teruel	Cantabria	Barcelona
5	Avila	Álava	Valencia
6	Palencia	Navarra	Ceuta
7	Segovia	La Rioja	Melilla
8	Soria	Zaragoza	
9	Zamora	Burgos	
10	Albacete	León	
11	Ciudad Real	Salamanca	
12	Cuenca	Valladolid	
13	Toledo	Guadalajara	
14	Badajoz	Gerona	
15	Cáceres	Tarragona	
16	Lérida	Alicante	
17	Córdoba	Castellón de la Plana	
18	Jaén	Baleares	
19		Almería	
20		Cádiz	
21		Granada	
22		Huelva	
23		Málaga	
24		Sevilla	
25		Murcia	
26		Las Palmas	
27		Santa Cruz de Tenerife	

Source: European Commission, 2006.