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Global Agricultural Information Network

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Report Highlights:

The United States exported almost \$3 billion of agricultural, fish and forest products to the Netherlands in 2016, a 10.5 percent increase from 2015. The Netherlands is the largest export market for U.S. agricultural products in Europe and the ninth largest destination globally. For the first seven months of 2017, Dutch imports from the United States are up five percent due mainly to an increase in grain and oilseed imports. This report highlights the current political, economic and trade situation as it relates to agriculture, fish and forest products.

The Netherlands is a small country in Western Europe, bordering Germany to the east, Belgium to the south, and the North Sea to the northeast. The largest and most important cities in the Netherlands are Amsterdam, The Hague, Rotterdam and Utrecht, together referred to as the Randstad. Amsterdam is the country's capital, while The Hague holds the Dutch seat of government and parliament. The Netherlands' name literally means "Low Country", influenced by its low land and flat geography, with only half of its land exceeding one meter above sea level.

1. General political situation and trends

The Netherlands is a parliamentary democracy with a constitutional monarchy. King Willem-Alexander has been the Head of State since 2013 although the political powers of the monarch are largely ceremonial. The Kingdom includes the Caribbean islands of Aruba, Curacao, and Sint Maarten, which are independent except in foreign policy and defense.

The Formation of a New Government

Parliamentary elections took place in March 2017 and a new Dutch government was formed in October 2017 after 208 days of long and difficult negotiations. In the end, four parties were required to form a majority coalition (76 seats out of 150) in Parliament. Political fragmentation has now become the norm in the Netherlands as one party cannot claim a majority; despite this, the governing direction has remained relatively stable.

Prime Minister Mark Rutte from the center-right People's Party for Freedom and Democracy (VVD) will lead his third (and expanded) cabinet called the Rutte III government. Joining him will be the conservative, center-right Christian Democratic Appeal (CDA), the liberal, pro-European D66 and the conservative Euro-skeptical Christian Union (CU). Although the Party for Freedom (PVV) led by Geert Wilders won the second largest number of seats, leaders of the VVD, CDA and D66 refused to form a coalition with this anti-immigrant, anti-European Union (EU) Dutch nationalist party.

The new cabinet will include 16 ministers including three new ones and eight junior ministers (called state secretaries). Notably, there will be a new Ministry of Agriculture, Nature, and Food Quality. There will also be four ministers "without portfolio" even though they are given political responsibility for a policy area, for example Minister for Development Cooperation and Foreign Trade at the Ministry of Foreign Affairs. Although climate change issues will be handled by the newly named Ministry of Economic Affairs and Climate Policy, other parts of the environmental portfolio, such as hazardous substances, biocides, crop protection outside of agriculture, air quality, circular economy, traffic emissions, and fuels, will reside with the Ministry of Infrastructure, Public Works, and Water Management.

The coalition government has released a statement regarding the policy priorities they wish to implement during their four-year term. Apart from a number of economic reforms, they plan to propose an ambitious national climate and energy policy that will reduce CO₂ emissions by 49 percent, create more wind farms at sea, and close all coal plants by 2030. Within the agriculture sector, the new government hopes to spur innovation and entrepreneurship to improve sustainability, food security, food safety and animal welfare. Given the slim majority, it remains to be seen if the government will be able to follow through on these plans. The next election, if the current government remains through the four-year term, will be held in 2021.

U.S.-Netherlands Shared Policy Objectives

The United States and the Netherlands share similar positions on many important issues and work together bilaterally and multilaterally in such institutions as the World Trade Organization (WTO), the Organization for Economic Cooperation and Development (OECD), and the United Nations. The two countries share a liberal economic outlook - free markets with limited government intervention - and the Dutch government was one of the most vocal supporters of the proposed U.S.-EU Transatlantic Trade and Investment Partnership.

2. Macroeconomic situation and trends

The Netherlands is the world's seventeenth largest economy and the sixth largest in the European Union (fifth largest in the Eurozone), with a nominal GDP of over €700 billion in 2017¹. The Netherlands is a major transportation hub and benefits significantly from global and European trade. It ranks consistently in the top ten of global foreign direct investment (FDI) rankings, both as a recipient and provider of foreign direct investment.

The Economic Outlook is Bright

In September 2017, the Netherlands Bureau for Economic Policy Analysis (CPB) stated that “the economic outlook remains bright, although the pace of growth is expected to be moderate.” The Dutch economy is strong and expanding. Per capita GDP was €41,259 in 2016. GDP is forecast to grow by 3.3 percent in 2017 and 2.5 percent in 2018. Exports and household consumption are the main contributors to economic growth. Exports, traditionally a large contributor to economic growth in the Netherlands are projected to grow by 4.9 and 4.5 percent in 2017 and 2018, respectively. The primary industrial sectors within the Dutch economy are electronics, chemical industry, automobile industries, shipping, agriculture, horticulture, service industries, banking and the media.

Rising global oil prices pushed inflation up slightly in the first half of 2017. EIU forecasts a gradual upward trend over the coming years, driven by higher prices of services and non-industrial goods, but for inflation to remain below 2 percent. Due to net immigration and unemployed returning to the labor force, unemployment has fallen dramatically from a peak of 9.5 percent three years ago. It dipped below 5 percent in July 2017 for the first time since 2011 and is forecast to hover around 5.5 percent in 2017 and 2018. The decline has been concentrated in the older age groups, with youth unemployment unchanged at 12 percent. Annual food price inflation has increased steadily over the past year, partly owing to higher manufacturer input costs. The official retirement age is rising gradually, from just over 65 at present to 67 by 2021, after which it will be determined by life expectancy. This has helped put public finances on a sustainable path.

Demographic Trends

In 2016, the Dutch population passed 17 million with roughly half the population living in one of four major cities: Amsterdam, Rotterdam, The Hague and Utrecht. The Dutch population is growing, mainly due to immigration, largely from Indonesia, Turkey, Morocco, and Suriname. Mean population density is 487 inhabitants per square kilometer, making the Netherlands one of the most densely populated countries in the world. The three main demographic developments in the Netherlands are: graying of the Dutch population, more ethnic diversity, and a decline in average household size.

Impact of Brexit

Economists predict few EU countries stand to lose as much from Brexit as the Netherlands. The Dutch economy is heavily dependent on trade with the United Kingdom (UK), a net importer and the third largest destination for Dutch food and agricultural products after Germany and Belgium. The negative effects of Brexit include decreased trade, higher tariffs, and new non-tariff barriers such as increased customs controls. These outcomes are expected to lead to higher import inflation, less private sector investment, and lower household disposable income and purchasing power.

In 2016, the Netherlands exported \$8.2 billion, representing almost 10 percent of total Dutch agricultural, forest and fishery exports. Because the Netherlands exports more domestic production than other European Member States, they are more vulnerable to external shocks. After the Russian embargo, the Netherlands struggled to find alternative markets for products. Few realize that today the Netherlands exports ten times more agricultural products to the UK, making Brexit a serious threat to Dutch agriculture.

The primary products Netherlands exports to the UK are poultry (chicken cuts), potatoes, live plants and cut flowers, tomatoes, pork and beverages. Dutch fishermen are also concerned about losing access to UK waters where currently 60 percent of their production is caught. The Netherlands has set up a dedicated Brexit information desk to help companies concerned about the fallout.

3. Agriculture in the economy

The Netherlands is a small, densely populated country with few natural resources, and agriculture represents a small portion of overall GDP – 1.6 percent in 2016ⁱⁱ. Agribusiness is one of the driving forces behind the Dutch economy, accounting for 17.5 percent of total Dutch exports.

Fewer and Larger Land Holdings

Dutch agriculture is highly mechanized and technologically sophisticated. Farming is large-scale and intensive, and the yields per hectare are highⁱⁱⁱ. There were 55,000 farms in 2016 with an average size of 80 acres.^{iv} Similar to most European countries, the Netherlands is following the general trend towards fewer and larger agricultural land holdings. A highly mechanized agricultural sector employs only about two percent of the labor force but provides large surpluses for the food-processing industry and for exports. Under pressure from the government and consumers to use more sustainable agricultural methods, farmers are heavily focused on new technologies and improved farming techniques.

Food Processing Drives the Dutch Economy

The food processing industry, valued at over \$70 billion, accounts for almost five percent of Dutch GDP and six percent of total employment in the Netherlands. Eight out of the 25 largest Dutch companies are food processing businesses. Last year this sector grew by five percent with the largest increase among smaller companies. This sector depends on a stable supply of bulk and intermediate products from other EU member states and also third countries. Almost a fifth of U.S. agricultural exports to the EU are imported by Dutch traders. Meat, dairy, and fresh produce continue to be leading subsectors. The Netherlands is a small country geographically but EU traders and importers are here.

The Netherlands itself is a price-sensitive market. It has the cheapest food products in Northwest Europe. Even though a large amount of U.S. food and agricultural products are being imported into the Netherlands, with Dutch traders being the first buyer, the products are mostly re-exported to other Member States. The most important food and agricultural export products are potatoes, onions, vegetables, and fruit.^v

4. Domestic agricultural policy overview

Dutch agricultural policy is driven by the EU's Common Agricultural Policy (CAP); although, most of the heavily supported crop sectors are of minor importance for the Dutch, making the country a net payer to the CAP. Given the Dutch agricultural sector is benefitting from global trade in both directions, it is not surprising the Netherlands is generally in favor of free trade and the reduction of trade-distorting agricultural subsidies. However, in product areas such as dairy, swine, and poultry, the Dutch are more protectionists. Furthermore, a high population density and influential environmental lobbies contribute to a strong bias toward consumer and environmental protection in Dutch food policy development.

Agricultural Policy Priorities

The policy priorities of the 2017 Coalition Agreement are innovation, entrepreneurship, sustainability, food security, food safety, animal welfare, and nature protection. One of the key priorities is the restructuring of the intensive livestock sector and reduction of greenhouse gas emissions. At the EU level, the Dutch government will advocate for CAP reform after 2020, with reduction of direct income support and more emphasis for innovation, sustainability, food security, and food safety. Specific attention is focused on resolving the misbalance between breeders' patent rights and farmers' rights, and the application of innovative plant breeding technologies.

Position on Biotechnology

The Dutch government and the private agricultural sector have a pragmatic approach towards the import of genetically engineered (GE) products. However, cumbersome regulations and the threat of protests by environmental groups prevent trials and commercial cultivation of GE crops.^{vi}

Position on Sustainability

The Dutch government is expected to remain active in developing production standards for agricultural, forestry, and fishery commodities. With the goal of making agricultural commodity trade more sustainable, the government funded the development of the Roundtable for Sustainable Palm Oil (RSPO) and the Roundtable for Responsible Soy (RTRS). The Dutch government is actively advocating for adoption of these programs in the countries of origin and other EU markets. The Dutch Government is also advocating for strict sustainability requirements for biomass at the EU level.

Dutch Agricultural Imports from the United States Growing

Total agricultural imports for 2016 were \$59.1 billion, with half coming from other EU countries. Top agricultural imports from the world include soybean products, cocoa beans, palm oil, fruit, and beef. Dutch imports from non-EU countries are led by Brazil (6.3 percent) and the United States (5.0 percent). Total agricultural imports from the United States for 2016 were at \$2.9 billion and growing, with primary products being soybeans, food preparations, tree nuts, meat and fats and oils. The Netherlands is the ninth largest and EU's largest importer of U.S. agricultural, forestry, and fishery products. During

the first seven months of 2017, Dutch imports from the United States rose five percent, mainly due to increased imports of corn and corn oil, sunflower seeds, peanuts, vegetable seeds, and orange juice.

5. Agricultural trade environment

Despite its small size, the Netherlands is the second largest exporter of agricultural, forestry, and fishery products in the world after the United States. The country is a major inbound and outbound transshipment hub and food processing center for northwestern Europe. The Netherlands is expected to remain the largest export market for U.S. agricultural products to the EU. Due to its large and sophisticated food processing industry, the Netherlands increasingly depends on stable supplies of bulk and intermediate products. The United States will face increasingly significant competition from other EU Member States and countries with bilateral trade agreements, such as Canada. The Netherlands would like ambitious trade deals with Mercosur and Japan.

Total agricultural imports were \$59.1 billion for 2016 and estimated at \$59.5 billion for 2017. Almost half of all imports come from other EU countries, with Germany and Belgium accounting for over 25 percent. Top agricultural imports from the world include cocoa beans, palm oil, soybeans and soybean products, corn, food preparations, grapes, and beef. Dutch imports from non-EU countries are led by Brazil (5.4 percent) and the United States (5.2 percent). Total agricultural imports from the United States for 2016 were \$2.9 billion and are estimated at \$3.0 billion for 2017. The primary products imported from the United States are soybeans, food preparations, beef, almonds, corn oil, and vegetable seeds.^{vii}

U.S.-EU Transatlantic Trade and Investment Partnership (T-TIP)

With the Dutch economy heavily focused on international trade and as a hub for transportation and logistics, the government was supportive of the U.S.-EU Transatlantic Trade and Investment Partnership (TTIP). There was, however, a vocal minority of free-trade opponents holding an increasingly firm grip on public debate and media that often portrayed the negotiations negatively. Concerning food and agriculture, opposition tended to focus on stories about chlorinated chicken and hormone-laden beef, claiming Europeans would have to accept lax U.S. food safety standards. Consumers feared that large multinationals would have the ability to set regulatory standards without public input and that Brussels would negotiate away their national rights. The Dutch government has been more proactive in promoting the EU-Canada Comprehensive Economic and Trade Agreement (CETA).

The High Quality Beef Quota

The Netherlands has been the main entry point for imports of U.S. beef through the High Quality Beef Quota (HQBQ). Dutch importers distribute U.S. beef to consumers throughout Europe. Although they also import beef from other countries, mostly Latin America, the Dutch would like to purchase more U.S. beef and are often frustrated by the limitations of the HQBQ.

Dutch Veal Exports to the United States

Since February 2016, after a suspension of 19 years, the Dutch beef and veal sector is once again eligible to export to the United States. The government estimates the long-term potential of the U.S. market for Dutch veal at about \$100 million, a volume of 10,000 metric tons.

Biotechnology and Plant Innovation

The Dutch government and the private agricultural sector have a pragmatic approach towards the import of genetically engineered (GE) products. However, cumbersome regulations and the threat of protests by environmental groups prevent trials and commercial cultivation of GE crops. The Netherlands has pushed for changes in EU and international patent laws that would assure biological material is freely available for development of new varieties. The Dutch government recently put forward a proposal to exempt innovative plant breeding techniques from being considered as genetically modified organisms^{viii}.

Wood Pellets and the Dutch Sustainability Criteria

Pellets could play a large role in helping the Dutch achieve their renewable energy target of 14 percent of total energy consumption by 2020. The Dutch Energy Accord of September 2013 adopted strict sustainability criteria for biomass, such as forest level certification, information on greenhouse gas (GHG) emissions, carbon debt, and indirect land use changes (ILUC). These strict conditions may make it difficult for Dutch buyers to implement long term contracts with pellet producers.

Animal Welfare

In February 2016, the Netherlands, Germany, Denmark, and Sweden jointly presented a plan for an EU animal welfare platform at the Agriculture and Fisheries Council. The plan enables the exchange of experience and best practices in order to improve animal welfare standards and legislation. The new Cabinet will advocate for further limitation of live animal transport.

6. SPS and regulatory systems

The regulatory framework for all food and non-food products is the Dutch Food and Drugs Law. The requirements in this law are based on EU harmonized Regulations and Directives. With the exception of antimicrobial treatment methods for poultry, the Dutch government has been supporting initiatives based on science rather than domestic interests. Due to the high volume of international trade the Dutch are often the first to face new food safety challenges, and frequently ahead of the food safety policies in the EU.

The task of the Netherlands Food and Consumer Product Safety Authority (NVWA) is to protect both human and animal health. The NVWA is an independent agency in the Ministry of Economic Affairs and a delivery agency for the Ministry of Health, Welfare and Sport. The Authority controls the whole production chain, from raw materials and processing aids to end products and consumption. As the Dutch are traders, the NVWA does its best to facilitate trade and minimize detentions. It has expressed frustration regarding some of the EU certification requirements and has been an alias on simplifying certification.

On July 22, 2017, the NVWA detected the insecticide Fipronil in samples taken at seven Dutch egg farms. The levels found were above the Maximum Residue Limit (MRL) of 0.005 mg/kg (Regulation 396/2005/EC). Above this level, eggs are not allowed to be put on the market. The Dutch Parliament criticized the limited inspection oversight of the NVWA, which resulted in a structural budget increase of Euro 20 million for the organization.

7. Food security

Food security is a priority theme of Dutch development cooperation policy. The Netherlands focuses on working towards an increase in sustainably produced food and better access to nutritious food and making markets more efficient by removing barriers to national, regional and world trade. They also focus on investing in a better business climate so that the private sector can play an ever greater role in solving food security problems and contributing to worldwide research into agriculture, nutrition and management of natural resources, both by means of funding and the active participation of Dutch research institutions.

8. USDA Footprint

USDA - Animal Plant Health Inspection Service (APHIS) - Preclearance and Offshore Programs – located in the Netherlands is an area office for Europe, Africa and the Middle East. Core business for this office is eight preclearance programs in eight different countries for: flower bulbs, tubers, perennials, rhizomes, citrus, clementine, grapes, apples and pears. The preclearance program allows inspected shipments from serviced countries to enter the U.S. directly without being inspected after arrival at the point of entry speeding up delivery to customers. Official work plans are established bilaterally and agreed on by both importing and exporting countries and specify the phytosanitary measures; requirements, treatments, role players, responsibilities, work procedures and documentation intended to prevent the movement of quarantine pests while facilitating trade of plants products.

Preclearance programs allow the U.S. to keep pests out by rejecting lots in the country of origin that exceed stated pest tolerance levels. To support the area, USDA-APHIS maintains an office in Hillegom (near Schiphol Airport) fully funded by the industry and prorated between the eight different programs.

All preclearance activity is full cost recovery. The Dutch preclearance program is the oldest, running over 60 years. The latest addition to the programs is the French Apple and Pear program which started in 2014.

Agricultural Research Service (ARS) - ARS has over 60 cooperative research programs with universities in Wageningen, Utrecht, Nijmegen, Rotterdam and Enschede. There are also cooperative research programs with the private industry such as Dutch seed companies. ARS staff travels to the Netherlands frequently. Projects range from water management to plant, animal disease and nutrition research.

The majority of the U.S. cooperators have programs for Europe as a region and some for the Netherlands specifically.

U.S. cooperators with a representative in the Netherlands:

- Southern U.S. Trade Association
- U.S. Wheat
- Wine Institute of California

ⁱ Economist Intelligence Unit (EIU), *Netherlands Country Report*, 2017

ⁱⁱ CIA World Factbook, Netherlands, 2016 estimate.

ⁱⁱⁱ Factsheet on 2014-2020 Rural Development Programme for the Netherlands, European Commission.

^{iv} Statistics Netherlands (CBS), Agricultural Production, January 31, 2017.

^v FAS The Hague, Netherlands, [The Dutch Food Processing Ingredients Report](#), December 16, 2016, GAIN Report Number NL6038.

^{vi} FAS The Hague, Netherlands, [Agricultural Biotechnology Annual](#), October, 6, 2017, GAIN Report Number NL 7031

^{vii} FAS The Hague, Netherlands [Exporter Guide](#), September 20, 2017, GAIN Report Number NL7026

^{viii} FAS The Hague, Netherlands, [Dutch Proposal to Legislate NBTs](#), September 29, 2017, GAIN Report Number NL7030.