

SPEECH

Commissioner Hogan speech to BIOFACH Conference

Nuremberg, February 11

(Intro – Organics as a driver for Growth and Jobs)

- Dear Minister(s), Dear Mr Mayor [Bürgermeister], **Ladies and Gentlemen,**
- It is a great pleasure for me to be here today, visiting what is the largest and best Organic Event in Europe, with an excellent mix of European and International producers, processors, and traders. It is a wonderful opportunity to reach out to people involved at all stages along the Organic value chain and to discuss and listen to how we can maximise the contribution of organics to jobs and growth, particularly in rural areas across Europe.
- I must admit that my knowledge of the organic sector was somewhat limited before I took office, but that is certainly changing. I am particularly impressed with the economic growth that the sector has shown in recent years – especially here in Germany – and I am delighted to be able to take a look around this fair in order to see for myself the dynamism of the organic sector.

- Despite the economic crisis, the organic sector has seen continued growth in recent years. This is because consumers like organics and trust the higher standards of organic production. It is thus incumbent on all of us, from producers to processors, and from traders to policymakers at local, national and European level, to work together to ensure that this trust is well deserved.
- One of the main political priorities of the new European Commission under President Jean-Claude Juncker is to see what we can do at European level to improve growth and jobs. One of my main messages as Commissioner for Agriculture & Rural Development is to underline the contribution that the agriculture sector - with the organic sector in the vanguard - can play in improving the situation. Indeed, **in terms of growth in recent years, as I mentioned already, the organic sector is certainly one of our star performers.** And I remain optimistic that this will continue in the coming years, but this will primarily depend on you – producers, processors and traders. And this is my main message to you today.

(Organics Key Figures)

- In fact, when we drill down into the statistics, we see that the outlook for organics is extremely positive.

- It is estimated that organic is the fastest growing sector of the food industry, with global revenues increasing from \$18 billion in 2000 to \$72 billion in 2013 – a fourfold increase in just over a decade.
- The EU organic market amounted to €22.2 billion euro in 2013, or about a third of the global total. It has seen an average of 6% growth year on year for the past 3 years.
- Furthermore, market growth in the US is estimated at 15% per year up to 2018. North America imports significant volumes of organic fruits, vegetables, meats, beans, seeds, also from the EU.
- Steady growth (+10%) is foreseen for other regions: for instance in Asia, which is the third largest market in the World, and also Latin America and Australasia.
- In relation to the Asian market for instance: production of organic crops is mainly destined for export markets and there is little organic food processing in the region. However, the growing middle class and growing consumer awareness is leading to a growth in the internal market for organic produce across the Far East: Japan, South Korea, Taiwan, Singapore and Hong Kong are the most dynamic since they are large

consumers, however in the main do not produce large quantities of organic foods domestically, so are more reliant on imports.

- An interesting case study is South Korea: The organic food market is anticipated to grow to \$6 billion by 2020, after an average growth rate of 50% from 2006 to 2011. In 2011, organic food represented 10% of the total agricultural food market. The main growth areas are organic milk, yogurt, cheese and other dairy products, baby food, organic packaged food and beverages.
- I am very pleased that we have recently concluded with South Korea a new equivalency agreement for the certification of processed organic products - will ease certification requirements for the export of processed products to a market with high growth potential.
- Back in the EU, in order to promote the development of the organic sector, successive reforms of the Common Agriculture Policy have sought to give more flexibility to farmers to ensure that they decide **what** they want to produce; and **how** they produce it; and how they want **to market** it; but based on market signals, rather than leaving the decision to someone sitting in a Brussels office. The latest round of reform has taken that still further, with more flexibility left now to Member States.

- For the organic sector, I am particularly optimistic that the additional flexibility for Member States (and regions) in managing their Rural Development plans will enable regional authorities to provide the support they deem fit for the organic sector.

(Organics Proposal)

- In addition to this, there is of course the question of the **Commission Proposal to revise EU organic rules**, which is very important, not only because it sets the regulatory framework, but also because it seeks to bolster consumer confidence, which is the base on which the sector's growth has been built. It is important that European consumers can be confident when they see the EU Organic logo that the produce in front of them is genuinely produced in a more sustainable way than conventional products – so that they remain willing to pay more for the product.
- You may be aware that the Commission as a whole undertakes a broader effort to ensure that we are not over-regulating any sector of the economy through its annual work programme. It is proposed that an agreement on the new organic rules should be reached by the middle of this year, otherwise the proposal risks

being withdrawn and replaced with a new initiative. It is a clear signal as to how seriously the new Juncker Commission views clear, simple, EU wide rules on Organics to be a part of our Jobs and Growth agenda, that this initiative has been identified for completion in such a short period of time. So, a new impetus has been given to reform, so that the sector can move forward with a greater sense of clarity and certainty.

- ***I understand that the organic proposal has triggered fears among stakeholders and among farmers in particular.***
- I have heard these concerns and understand the sensitive issues, and I commit here once again to take a fresh look at those aspects of the proposal. It is essential that we start to discuss those issues with the co-legislators, ie the Member State Ministers and the European Parliament.
- While several details of the proposal remain controversial, I believe that we all agree on the overall goal of the reform: Organic agriculture has always been a sector committed to high standards and it needs to stay that way. Anything we do is meant to support the sector and strengthen organic agriculture.
- I am pleased that the proposal is still on the table. What we need is to work together to turn it into something that really brings the organic sector as a whole forward, from farmer to processor to retailer to end consumer.

(Organics proposal – risk of inaction)

- We must not, for one second, rest on our laurels and take it for granted that the high standards which are a hallmark of organics can be maintained forever. Recent cases of fraud in the organic supply chain demonstrate how fragile a thing public confidence and public trust are in issues such as certification and traceability. Just like in all high quality sectors, we are only one high profile scandal away from undermining public confidence. I repeat - we cannot take this for granted – as public confidence is the foundation stone of the organic sector's success.
- A lot of work has been undertaken in the last few months on this proposal: last December, the Council of Ministers adopted a set of political guidelines for the organic review. This is an important step ahead and a sign of substantial progress on this file. Now we need to continue our discussions in a constructive spirit.
- The European Parliament is also working on its own report and amendments to the Commission's proposal. I look forward to **working rapidly and very closely with the rapporteur, Martin Häusling MEP, and the shadow rapporteurs, and with the Latvian Presidency** to ensure a successful result during the first half of this year.
- I am hearing loud and clear the concerns of the sector regarding issues, such as mixed farms and control of small retailers, and I am

willing to look into it, especially if it helps the work of the Council and the Parliament in improving the text of the current proposal, and thus contributes reaching agreement in the first half of this year. I welcome active feedback from both the Council on the Parliament on proposals for how they can improve the text, and I will be there every step of the way to facilitate agreement.

- Everyone agrees that the current legal framework needs improvement. I am sure all of you would share the view that there is a need to simplify rules, to reduce the administrative and regulatory burden, to harmonise the rules at EU level and to better control imports and ensure a level playing field for EU producers vis-à-vis their counterparts in third countries, among others.

Failure to move forward would probably mean a further delay of up to five years in improving the regulatory framework of a dynamic and growing sector – we must ask ourselves, therefore, whether we can afford to wait, to stand idly by and let the complex rules choke further development?

(Global Markets)

- But we are also working on other issues in the Commission to help the organic sector, in particular in the international arena. As I mentioned earlier, as from February 1st we have a new equivalency agreement with South Korea for the certification of processed organic products. Producers who are certified in the EU are

automatically covered on the Korean market and vice versa. Our hope is that this will make life easier for all of you - growers, processors, traders.

- Let me just add that this is the 7th such agreement – with similar deals already in place for countries such as Switzerland, USA, Japan, Tunisia and Canada. Talks are ongoing with a number of other countries, such as Turkey, Mexico and Chile.
- Let me end by just repeating my commitment to the organic sector, and underline my optimism that - whether you are a grower, processor, trader, or merely a consumer – the investment , growth and jobs in the EU organic sector will continue to go from strength to strength in the coming years
- The EU has seen huge success on global markets with our high quality "Geographical Indicators" regime – which is responsible for a large proportion of EU agri-food exports in terms of value. There is no reason why the EU organic sector cannot enjoy similar success in the coming years. It is my goal, as EU Commissioner for Agriculture and Rural Development, for organics to become not just a high quality product class for the domestic market, but as a driver for the EU's global excellence and competitiveness.
- By **working together** we can deliver a legal framework that will bring more **growth and jobs** to Europe's rural areas and to Europe's SMEs.

- The Commission has been constructive in the decision-making process, is listening to all stakeholders and counts on the support of the organic sector as a whole in our shared goal of delivering the best, the simplest, the fairest and the most efficient possible legislative framework for a dynamic and growing part of the European agri-food sector.
- DANKE SCHOEN!/THANK YOU