

Speech by Commissioner Phil Hogan at ICOS Annual Conference

3 November 2015, Dublin

- Check Against Delivery –

- President Keane, ICOS delegates, ladies and gentlemen, CEO O'Donohoe,
- It's a genuine pleasure to be here with you this morning. In my job as EU Commissioner, my work takes me across Europe to meet farmers and stakeholders from every part of the agri-food spectrum.

(Introduction)

- I regularly highlight the importance of farmers working together to improve their production methods, their bargaining power, and their innovative and export potential.

- And I can tell you that as an Irishman I'm proud to acknowledge the role of Irish co-ops in developing the European ideal of strong co-operatives driving the sector forward.
- Sir Horace Plunkett's visionary idealism is as relevant now as it was in the late 19th Century. And the principles he fought for remain strong in the 21st Century, though he might be surprised at some of the changes. I wonder how the great man would react if you told him that today's farmers can receive a message to a small device in their pocket telling them how well their grass is growing!
- The world-class Irish companies that grew from small co-operative beginnings are the envy of the agri-food sector. And I believe the future is bright for you.
- Most of you are familiar with my ambition: to make the CAP **the vehicle** for Europe's farmers, agribusinesses and rural entrepreneurs to thrive in the 21st century. And today I want to state the message, loud and clear, that Co-ops are vital stakeholders in making this ambition a reality.

- In September I officially opened one of your member organisations - Aurivo's - new headquarters in Sligo. I expect this fine facility will be a hub of job creation and entrepreneurial activity in the region.
- **In May I attended the European Association of Livestock Marts' Meeting in Athlone. The same month** I officially opened Glanbia Ingredients Ireland's newly-expanded butter plant in Ballyragget, while in March, I opened its new €185 million Nutritional Ingredients Plant at Belview. These events highlighted the great work being done by your members.
- I am therefore fully up to speed with your priorities and plans, not only through my own contact with you here in Ireland but also through your Brussels representative Conor Mulvihill. Conor is representing you with distinction and skill. And he's doing a mighty job playing full forward for the local GAA team in Brussels!

(Agrimarkets Package)

- Today I want to share with you my assessment of where we stand in European agriculture and rural development. I believe this is a time of great challenges, but also great opportunities.

- **We are vigilant in relation to the challenges.** Market difficulties and price pressures in recent months have been a cause of real concern for farmers, particularly in the dairy and livestock sectors. In response to the crisis, the Commission's recent €500 million aid package is a significant statement of intent to support European agriculture.
- It reflects the support of the Juncker Commission and that of the President himself. I would remind you that in his recent "State of the Union" speech, President Juncker described himself as a "strong supporter of the CAP". The aid package continues the tradition of the European Commission supporting producers.
- And we are not resting on our laurels. **I have taken the initiative to establish an 'agri-markets task force', which aims to monitor and future-proof a number of EU farming sectors. I am putting out a call for expressions of interest for candidates this week. And I hope to make an announcement on the Chair of the taskforce very soon. The task force will report within one year, and I look forward to discussing its findings with you and other stakeholders.**

- But I want to be clear on one thing: the era of quotas is over. And while the Commission will always be willing to consider temporary measures to support producers, we are now in a new era, with a more market-oriented CAP. **If we want EU agriculture to thrive in this century, we have to look forward, not backwards.**

(Context – global demand – new markets)

- **And looking forward means getting serious about trade.** This is the lifeblood of the Cooperative movement's success. And I believe there are clear reasons for strong optimism, when it comes to the trade and market prospects of European farmers.
- The context is favourable. Global demand continues to grow, and the EU is now the world's biggest trader of agri-food products with exports totalling €122 billion and imports of €104 billion.

- We have had an increasingly positive trade balance since 2010, and last year we maintained our good export performance even despite the Russian ban.
- I believe global markets will be hungry for our high-quality, safe products. It is estimated that 150 million people will enter the global middle class every year until 2030. This massive growth in disposable income will result in significant changes to dietary patterns, as families demand better quality and more nutritious food on their tables.
- **Irish and European farmers are well-placed to meet that demand.**
- **And I would like to take this opportunity to say that our meat products are among the very best in the world. My services and I have taken note of the recent WHO report, and we do not believe it will have any meaningful impact on sales of our high-quality, traceable meat products.**
- Opening up new markets will be a key priority in the coming years. We are optimistic about finding new markets for our products – perhaps within the EU, but also elsewhere in the world, such as the Far East.

- This year's announcement of an equivalency agreement with South Korea is one such example. Talks are also ongoing with Japan and Vietnam, which I believe could lead to significant opportunities for sector.
- Now that the Trans Pacific Partnership agreement between Asia and the US is over the line, I believe there's a real opportunity for a Free Trade Agreement with Japan. This would generate huge prospects for the beef and grain sectors.
- **My commitment is to help operators find new markets.** That is why I have scheduled a number of visits to third countries for 2016, where important opportunities exist to open doors for new exports.
- I am planning to start this "diplomatic offensive" with a trade mission to Mexico and Colombia in February 2016. Both countries have rapidly growing economies and therefore offer optimal prospects for our trade export.

- The removal of obstacles to trade as well as the identification of untapped potential in important agricultural sectors will be at the centre of the visit.
- In addition to political exchanges, an important aspect of my visit will be facilitating exchange and agreements between European and Mexican and Colombian businesses active in the agri-food sector.
- For this reason I wish to be accompanied by a delegation of approximately 30 senior European executives representing key sectors in the EU trade with the two countries. If you believe some of your members may be suitable for such a mission, do not hesitate to let me know. **You can also check out my Facebook or twitter for details on how to apply!**
- Finding new markets is one step on the journey. Another crucial step is finding new and better ways to allow farmers and agribusinesses to invest for the future.

(Price volatility – EIB – FI)

- There is no doubt that volatility has increased in recent years and appears to be a feature of the market which will continue for the foreseeable future.
- Dr. Michael Keane of University College Cork summed up dairy volatility perfectly with the following example.
- Over the last eight years wholesale skim milk powder prices in the EU have varied from a peak month of over 3,800 euro per tonne in 2007 to a low of less than 1,650 euro per tonne in 2009, then rising to 3,300 euro per tonne in early 2014 and falling to under 1,700 euro per tonne in mid-2015.
- **This dramatic price variation, when combined with similar variation in prices for other dairy products, has resulted in farm gate milk prices at EU level varying with equal magnitude.**
- Meanwhile, feed and fertiliser are key inputs for farmers and their prices do not move with milk prices. But prices of inputs are also volatile.
- This pattern presents problems for all dairy farmers as they cannot plan cash flow with reasonable certainty. This also affects the level of debt which can be raised and serviced.

- This has a knock on impact on the level of on farm investments to support a growth agenda.
- I believe farmers and their families need a level of certainty on their income throughout the volatility cycle to give them confidence to make investment decisions.
- These investments are a crucial determinant for agricultural productivity and production.
- Policy makers and industry can create the tools to facilitate this certainty, otherwise our agricultural sector will not realise its growth potential.
- Minimal tools are currently available to farmers to hedge price volatility.
- Farm earnings and cash flow are highly sensitive to price movements.
- This is amplified where debt is in place and we need to see capital repayments flexed to ensure the impact on farm earnings is minimised.

- A memorandum of understanding was signed between the EIB and DG AGRI in July 2014. I want to leverage the Bank for the benefit of farmers and industry. This is the biggest private bank in the world, owned by the 28 EU Member States and it has a key role to play.
- A 'coalition of the willing' now needs to fully throw its weight behind the proposal, applying pressure on the EIB to deliver for the agri-food sector – Europe's biggest employer.
- Similar models can be developed for the pigmeat industry, forestry (so important to Ireland from a carbon abatement perspective) fruit and veg, and other sectors.
- Key industry stakeholders like yourselves can play a vital role in this process, contacting decisionmakers and influencers at home and abroad.
- **We can't wait any longer. This makes sense. It will bolster the sector. And above all, it will create jobs, growth and wealth.**

- For example, I hope that European dairy farmers will soon be able to make use of volatility-proofed loans. The opportunity and importance to make progress on such a tool has been one of the themes of our engagement with the European Investment Bank.
- We are still a long way off, and of course the EIB needs to do its own assessments diligently, but I believe that some modification or variation of the following characteristics could ultimately prove to be workable:
 - No 1- loan terms of up to 15 years
 - No 2 – very low interest rates
 - No 3 –monthly milk cheque as security
 - No 4 -loan repayments that can flex up and down to reflect milk price movements
- The dairy sector is viewed positively by banks as the default rates are very low.

- The Dairy Industry rightly point out that producers with no land, who wish to use leased land to start up or expand, lack collateral for use as security. This approach would enable new entrants to use land held by retirees, or held by others who do not wish to pledge their land as security or do not wish to sell the land.
- Remember that more than half of our dairy farmers are over 55 years of age. Only 6 percent of EU farmers are aged below 35 and the figure is falling. We need to provide these tools to drive vital generational renewal.
- Any risk management tools for the EU dairy sector must take on board the challenging features associated with milk production against a background of ongoing volatility.
- In other words: Bespoke solutions are necessary and desirable.
- **I want to make it clear to you that this issue of access to finance remains an absolute priority for me, as it has been from day one of my mandate. My ambition, and my approach to achieving this ambition, has not changed.**

- I have had numerous meetings over the course of 2015 with key leaders at the EIB, who fully understand the need for these measures. Indeed I met with them only last week.
- While we continue to stand ready to provide input, in particular regarding the unique characteristics of the dairy sector, as well as on the Common Agricultural Policy and its effects, I firmly see the ball in the EIB's court.

(Food Chain)

- I'd now like to turn to the food chain. I don't need to tell you that there is a job of work to be done, on multiple levels, if this difficulty is to be resolved.
- Too many EU Member States are faced with the issue of farmers being forced by market developments to sell at lower and lower prices. We need to do our utmost to strengthen their position in the food chain.
- This will happen through collective bargaining, through forming Producer Organisations and, why not, through appropriate EU-level regulation. For instance, we are looking with interest at what is done in Spain, the UK, Latvia and elsewhere.

- Indeed, in the UK, some supermarkets have increased the price paid for milk to reflect the situation affecting farmers on the ground – this is progress.
- At EU level, President Juncker acknowledged in his recent State of the Union speech that this issue needs to be addressed. His comments were not accidental and they recognised the importance of this issue in agriculture. I was glad of this recognition as I have made it one of my top priorities.
- My services are now working closely with those of Commissioners Vestager and Bienkowska to advance the issue of fairness and sustainability in the food chain.
- Any medium-term solution for stable agricultural markets will require strong action. As President Juncker put it in his recent State of the Union address, *"there is something wrong in a market when the price of a litre of milk is less than the price of a litre of water"*.
- He has called on European and national competition authorities to take a close look into the structure of the market and mentioned the retail stage in particular.

- The Commission is conducting an in-depth analysis of the whole food chain, which will focus on market structure as well as the resulting market behaviour and its impacts from farm gates to retailers' shelves. The results of all this work should help us evaluate appropriate proposals as soon as possible – probably in the first quarter of next year.

(Conclusion)

- Ladies and gentlemen, I hope I have given you a sense of where we are, a sense of what's at stake, and a sense of where we need to go.
- **My mission, as I see it, is to ensure the supply of safe, sustainably produced, high-quality food for our citizens, while guaranteeing a sustainable livelihood for our farmers and agri-businesses.**
- And the bedrock and foundation of this mission is the CAP. The CAP will undoubtedly evolve to meet a changing world, at home and abroad.

- The policy has a market orientation, but also a social orientation, an environmental orientation and a cultural orientation. I am very proud of the CAP and I will continue to defend it.
- I know you share this ambition, and I view organisations like ICOS as being vital allies in making these ambitions a reality.
- There is also great potential for the development of co-op enterprises in new sectors such as fruit and vegetables, broadband and forestry, to name but a few. These will deliver vibrancy, sustainability and wealth to rural communities in the 21st century
- **The Co-operative movement is not afraid of change – it embraces it. And drives it!**
- **The Co-operative movement is never slow to innovate – it adapts quickly and efficiently.**
- **The Co-operative movement does not view market orientation as a problem – it views it as a solution.**

- I look forward to working with you in the coming weeks and months.
- Thank you for your attention.