

Speech by Commissioner Phil Hogan at 2015 Michael Dillon Lecture

23 October 2015, Dublin

- Check Against Delivery –

- Many thanks Oonagh,

(Introduction)

- Ladies and gentlemen, thank you for inviting me here this evening. It is a real privilege to speak at an event honouring the great Michael Dillon, not just in my capacity as EU Agriculture Commissioner but equally as a son who grew up on a family farm in Tullaroan, County Kilkenny.
- Michael's presence on radio, television and print media made him a mainstay of rural life throughout the 1950s, '60s and '70s, and our house was no exception. "Mart and market" was essential viewing in the Hogan household!

- Michael's groundbreaking work transmitted important information to assist farmers and rural dwellers. But perhaps just as importantly, it highlighted to a wider – and often urban – audience the necessity of a thriving farming sector, and the value of strong rural communities to the overall well-being of the nation.
- The principles of food production are the same today as they were in "Cowjack's" heyday. Cows are still milked, the milk is still collected, and the dairy products derived from that milk are still exported.
- What has changed, however, is the sophistication and technology powering every stage of the process. The increases in efficiency, productivity and yields are phenomenal.
- And other realities have changed, too. In Michael's day, a young hurler might have a pint of milk with his dinner, and a pint of beer after the match, whereas today's generation are more likely to want a pint of post-match protein shake.

- Irish farmers and agri-businesses, such as tonight's sponsors Kerry Group, have met these changing realities head-on. They have led the way in terms of innovating, modernising and planning for the future.
- Michael Dillon understood the need to adapt and modernise. He knew that this holds true for the farmyard and field, but also for the national and European policies that support farmers in their vital work.
- This evening I wish to give you my perspective on where we are, and present you with my vision for where we are going, in our shared mission: **to ensure the supply of safe, sustainably produced, high-quality food for our citizens, while guaranteeing a sustainable livelihood for our farmers.**

(Current context: CAP Reform – Market Orientation - Agri-markets package)

- Let's start with the present. As you know, this is a challenging time for many farmers and agri-businesses. There has been pressure on prices in a number of sectors, particularly dairy and livestock.

- In response to these difficulties, the Commission's recent €500 million aid package represented a strong and decisive move. It reaffirmed our commitment to support European agriculture. It showed that we are willing to respond with all the tools at our disposal at any given moment in time, while safeguarding the market orientation of the CAP.
- It is my firm belief that the agri-food sector can do great things in this century. I believe the sector can be a real driver of jobs and growth, while at the same time playing a central part in addressing many societal challenges. Ireland has demonstrated that agriculture can be a mainstay of economic recovery.
- Irish farmers and agri-businesses have long understood that a high-quality food or drink product has huge global export potential. This is a mindset we are pushing hard to promote across Europe.

(Global context – Exports – Trade Agreements- Promotion)

- The context continues to be favourable: world demand for agricultural products will keep increasing, albeit with the usual temporary market ups and downs.
- At least 150 million people will be entering the global middle class every single year until 2030. This massive growth in disposable income will result in significant changes to dietary patterns.
- To give just one example: global demand for dairy products is projected to increase at an annual rate of 2%, and with the recent end of milk quotas, Ireland is well placed to meet some of that demand.
- The EU is currently the biggest exporter of agricultural products on the planet and, with the high quality and diversity of our products, we can do much more.
- The Russian embargo underlined the necessity to diversify our export outlets. But it also highlighted the great things we can achieve when we aggressively pursue new markets.

- These are the facts: we lost 5.2 billion in exports because of the Russia ban in the 12 months up to Summer 2015, but we gained 6.8 billion in exports elsewhere.
- **Access to new markets is therefore a top priority for me.** The Commission is ambitiously pursuing new trade agreements with Japan, Mexico and Vietnam, to name but a few. I also remain confident that we will secure a balanced and ambitious agreement with the US, though a clear timeline for this remains uncertain.
- However, whilst there is a tendency to focus on the final deal, I have found that the so called "technical" issue of lifting Sanitary and Phytosanitary barriers, or SPS, can have a far greater impact in the short and even medium term.
- Many other jurisdictions "wave the veterinary cert" at Europe, and do not treat the EU as a single, powerful entity. I am glad to report that this is changing, and I have worked closely with my colleague Commissioner Andriukaitis on this point.

- We are now seeing real results, including only this week, with the reopening of the Canadian market for beef. I believe there will be a number of other positive developments along this line in the coming months.
- In tandem with this, a new promotion policy will come into effect on December 1st. As well as increasing the budget significantly from €80 million to €110 million, we have simplified the system for operators to draw down the available funds. This should make a real difference. I will mount a diplomatic offensive in 2016, leading trade missions to Mexico and Colombia, China Japan as well as visiting the US, Singapore and Vietnam.
- We are adapting the policy to the demands of the modern world.

(Climate smart agri – Research- Precision farming)

- But agriculture and food production will also have to adapt to the new century's reality. The way we produce food and drink has to evolve. **Production must increase, while environmental and climate challenges must be met head-on. In other words, we have to produce more, using less.**

- As you know, the reformed CAP takes its "green" responsibilities very seriously, but we have to go further, and deeper.
- In December, world leaders will gather in Paris to seek a new global climate deal, and agriculture will be absolutely central to its success.
- We have to clearly outline some of the main features of agriculture when it comes to climate change mitigation.
- Firstly, in terms of agriculture's potential for emissions reductions through technological innovation, which is relatively low compared to other economic sectors, such as transport. However, great work is being done here in Ireland, notably through Beef Data and Genomics programme, which as you know is a climate measure under the Irish RDP.
- Secondly, its position alongside the question of land use, land use change and forestry, or LULUCF. Agriculture and LULUCF can be a major part of the solution, as forestry and the grass based model are together considered carbon sinks.

- Thirdly, we cannot ignore the issue of carbon leakage. Yes, our livestock herd produces emissions, but all the best science is telling us that we are amongst the most carbon efficient in the world in producing beef and dairy. By reducing herd sizes in Europe, we risk offshoring production to parts of the world that are less carbon efficient, and increasing overall global greenhouse gas emissions in the process.
- If we are serious about being genuine global leaders in smart and sustainable agriculture, we have to prioritise investment, innovation and collaboration. **I believe Europe, and Ireland, can and must rise to this challenge.**
- Areas like innovation in food processing and food technology; enhanced use of ICT to improve efficiencies; and improved collaborative networks between investors, researchers and farmers will turbo-charge these changes.
- New knowledge will help farmers produce more from less. Resource-efficient and smart production systems should capitalise on the specificities of local conditions and turn them into competitive advantages.

- Farmers, agri-businesses and policymakers are familiar with these possibilities, and many are well down the road of investing to exploit these opportunities.
- In order to strengthen the market orientation of the new CAP, it is vital that structures are put in place to transfer knowledge between farmers and food companies for best practice in producing the climate smart, environmentally friendly and sustainable food products which both consumer and climate strategies demand.
- There is thus an ongoing need for life-long learning and education, not just for young farmers, but for farmers and agri-entrepreneurs of all ages. This can only be delivered through strong farm advisory services –as is the case with Teagasc in Ireland.

(Investment/Credit/EIB/Financial Instruments)

- **Ireland can be a world leader in many of these fields, if current momentum is maintained and enhanced. And I know that the issue of sustainable investment and access to credit will be absolutely crucial.**

- Crucial to the development of our farm sectors.
- Crucial for long-term planning and future-proofing.
- Crucial to mitigating price volatility.
- And crucial for stimulating generational renewal, jobs and growth in rural areas.
- The 2015 report on Access to Finance for the Prepared Consumer Foods sector, highlights a key concern for many operators. This is the premium paid for finance by the Irish sector, above and beyond what competitors in other EU Member States are paying.
- This is a sector employing 20,000 people, many in rural areas. It has an annual output totalling €4bn, of which €2bn is exported. The sector plans to grow jobs to 28,000, grow output to almost €7bn and grow exports to €3.75bn by 2025.
- These are achievable targets and they are to be lauded. However, access to competitive finance will be crucial to driving this growth.

- I remain to be convinced whether our banking sector is fit for purpose in delivering competitive rates of finance to this sector and to the on-farm sector.
- In many cases there is a gap up to 170 basis points between what is charged in Ireland and in other EU member states. This is not sustainable. It is for this reason that I have been working with the European Investment Bank and the National Treasury Management Fund to draw down cheaper finance.
- For farmers facing increased volatility, it is absolutely essential that, for example, financial products are developed linked directly to the price of milk. This would see farmers who have drawn down loans repay more when prices are high, and less when prices are low – mitigating volatility.
- I support the calls for a specific fund to be established under the Irish Strategic Investment Fund to address this issue, which will otherwise affect our competitiveness.
- My colleague, Commissioner Hill, recently launched the Capital Markets Union project, to increase non-bank lending to the EU economy to lower rates comparable to those in the US – this should also benefit the agri-food sector.

(Food Chain)

- I want to emphasise one important point, which sometimes gets lost in the CAP's shifting policy priorities. **The bottom line is this: income for the farmer has to remain the priority.** I have been forthright in my comments since taking up this post, that without a producer, you do not have a product.
- I am fully committed to pursuing a fair deal for producers in the food chain. Good examples are already in operation in Spain and the UK, and other countries can learn from this. I will work with my colleagues at Commission level to closely assess what action might be taken at European level.
- Yes, we must acknowledge that in this day and age, the consumer is king.
- But in the drive to keep costs down for consumers, are we as a society merely externalising these costs? What purpose does food which is virtually free actually serve? You can buy a half a kilo of sausages for only €2; a whole chicken for €3.

- This has reduced some products to the level of commodity. As a result, food waste levels are rising rapidly across Europe - around 100 million tonnes every year today, rising to 120 million tonnes by 2020.
- This is creating an enormous external cost on the environment, on water systems, on the climate and on producers, who are forced to produce through an ever more intensive, industrialised model.
- This cost is also felt by our family farms, which, lest we forget, are enshrined in our Common Agricultural Policy.
- As a society, not just as an agricultural community, we need to have a serious conversation about these trends. I am glad to see that issues such as food waste, food security and a fair slice of the cake for producers are now emerging at the centre of political discourse.
- President Juncker, in his recent State of the Union speech, hit the nail on the head when he said "there is something rotten in the milk sector in Europe when the price of a litre of water is more than the price of a litre of milk".

- Thus, I want to deepen this debate – it's not just about the percentage of profitability across the food chain:
- It is about externalising costs on society as a whole.
- It is about reducing food waste.
- And it is about the excessive commoditising of the most important product in our lives – food.
- Without good quality food, we create negative externalities such as obesity and other dietary illnesses, food waste and a denuded landscape. This is not the right way to go, and the Commission, starting from President Juncker down, is putting this front and centre for our priorities in the coming years.

(Conclusion)

- Ladies and gentlemen, I hope I have given you a sense of the direction we need to follow. I believe Irish and European agriculture will need to continue adapting in order to thrive in the 21st century.

- The CAP will undoubtedly evolve to meet a changing world, at home and abroad. But the bedrock and foundation of the policy remains the same: to ensure the sufficient supply of safe and sustainably produced food, while guaranteeing a decent living for farmers and the rural communities they live in.
- We have a market orientation in the CAP, but we also have a social orientation, an environmental orientation and a cultural orientation. I am very proud of the CAP and I will continue to defend it.
- This message cannot be repeated often enough, and we cannot allow these principles to be taken for granted. Everyone with a stake in this mission has a part to play. I was heartened by Agri Aware's current CAP awareness campaign, which I helped to launch in Dublin earlier this year. This aims to improve the image and understanding of farming and the food industry among the general public.
- And the agri journalists here this evening have an equally important role to play. I encourage you to continue honouring Michael Dillon's legacy by reporting the facts, but also by reminding people wherever possible how central the agri-food sector is to all our lives, and to the quality of those same lives.

- **Keep agriculture and food high on the agenda, because that's where it needs to be. You can inform, and even inspire! And you have an ally and supporter in me.**
- Thank you very much.