

Extracts from EU Agriculture Commissioner Phil HOGAN Press conference on the State of play of European agricultural markets 26/08/2015

Ahead of the September 7 Extraordinary Agriculture Council to discuss the EU agriculture market situation, here is a summary of comments made by Commissioner Phil Hogan in his [press conference](#) last week (August 26). These are direct quotes, in some cases the response to different questions on the same subject have been put together.

Opening remarks

As you are aware, the Luxembourg Presidency has called a special meeting of the Council of Agricultural Ministers for Monday 7 September to discuss the situation on the EU Agricultural markets. It seems likely that there will be a meeting of the European Parliament Agriculture Committee the following day in Strasbourg.

I have been closely monitoring developments and prices and exports and difficulties in the various areas over the recent weeks. I think we all agree that there are difficulties, particularly in the dairy and pigmeat sectors. I am working with my officials in DG Agri to analyse market developments and to prepare a comprehensive response to the current situation, which I will outline to the Council and to Parliament on 7 and 8 September.

I have been receiving delegations and on the telephone to many of my colleagues in the College as well as in the Council of Agricultural Ministers. And this week I met the Lithuanian and Latvian Prime Ministers and Agriculture Ministers and that indicated how serious the situation is for those two countries. Later this week, I will meet the Irish and Austrian Agricultural Ministers. Next week, I will meet the President of the Council, Fernand Etgen, as well as the Spanish and French Ministers. I have spoken today to the UK Minister and I will be speaking later on to the German and Italian Ministers.

These meetings and contacts are very useful in getting a clearer picture and understanding of how the agricultural market difficulties are affecting the farmers and the food industry generally in the Member States.

It is certainly important to recognise that there are limitations on what the Commission can do in response. We can only use the tools available to the Commission within the limited resources that we have.

We all agree that we need to maintain the market orientation of the CAP which is recently agreed in 2013, what was agreed originally as far back as 1999. And I fully support this direction. So we have to be careful on whatever decisions we make at the Council on 7 September proposals that are made and that we ensure that we don't take measures in response to the current difficulties that will compromise the market orientation over our policy.

Extracts from the Q&A session:

Is this a crisis?

At a recent meeting of the Council of Agriculture ministers, the Presidency asked them to define what constitutes a crisis. Nobody came up with any particular definition at that particular time, even at a Council of Agriculture Ministers meeting. But we have an average price of 30 cent per litre in relation to milk for example. And that is a reasonable price to be paid, but there are Member States, where the producers are being paid considerably lower than that - particularly the Baltic States and the new Member States, but it has been extended to countries like Belgium as well. So each country is being affected one way or another by the fact that we have a global oversupply in particular products, particularly in the dairy sector. **We have a 2% global oversupply, we have a closed Russian market and we have difficulties in the demand from the Chinese market, so all of this constitutes a very difficult situation and challenges for the agricultural sector, particularly in the short term.**

We haven't anything like we had in 2009, but I am listening very carefully to what EU Agriculture Ministers will say in relation to what is pertaining to their own Member States, but I particularly feel that there is a major problem in the new Member States and in the Baltic states.

We do acknowledge that there are challenges in the short term and they need a short term response. Equally there are initiatives that we can take now to fast-track them. They can bring about a change in the medium term as well.

Why the market is where it is...?

I'm not blaming anybody in the sector for the way things are. The farming population in the European Union did not cause the foreign policy and security issues in relation to the Russian ban and agricultural products. There's a Ukraine crisis, there is a Greek crisis, there's a problem in the Chinese market as well at the moment. There's an oversupply in the global marketplace in relation to dairy products in particular. So you cannot expect that farmers of the European Union were able to anticipate all of those issues, but we did actually in 2014 produce 4.5% more milk production, at a time when some of these issues were emerging. So right across the European Union, farmers themselves probably contributed to the particular glut that we have in milk at the moment, worldwide, by a 4.5% increase – in addition to the 2% in the United States, the 2.6% in New Zealand and Australia. So, all of this comes together at a time when we have reduced demand in the Far East, particularly in China, and we have the Russian ban on dairy exports. Russians were the recipients of 10% of the world dairy products. They used to import 10% of the world's dairy products, of which Europe was the first port of call in relation to those products. So you can see already the impact particularly in countries that are closest to Russia.

Link to Russian ban...

The only sector that is taking the hit financially arising from a foreign policy and security decision by Russia has been the agricultural sector and the fact that President Putin has decided to extend those particular measures for a further year has accentuated the problem enormously. Over the last year, we were able to cope reasonably well even though it was the initial year of this agricultural ban. We were able to target some support measures, particularly to the country's that were worst affected. But now it is, for the second year, we are anticipating that this particular problem will spread to other particular Member States, which it is and farmers around the EU are feeling the effects of that. We want to retain the competitive advantage that we have built up particularly through food quality. And the farm to fork initiatives that have been taken over the years have now been largely engrained in the agricultural sector, where they are now seen as very positive quality and competitive advantages in the Far East market in particular where there is a growing middle class population. Inevitably there is going to be structural reform in each Member State. We see that already where there is a reduction directly in the number of farmers. That is why we bring in rural development measures and voluntary coupled support in order to maintain as many farmers as we possibly can in production.

In some Member States, we can implement programmes of consolidation and structural reform, trying to bring more young people into the system more quickly - through partnerships, tax incentives and through direct assistance for young farmers, as we are doing now under this new Common Agricultural Policy.

Expectations for September 7

I'm hopeful that we will be able to make some announcements on 7 September. There will be some short-term measures to deal with the short-term challenges that we have at the moment, but also I'm looking towards the medium and long-term as well, in terms of structural measures that we should be able to take. So Ministers have various different views depending on the regions of the European Union that they're from and that's understandable. That's why we've given a lot of flexibility in the latest CAP reform to Member States to be able to take local action themselves through voluntary coupled support or the rural development programme. So we've got to build on

those measures to see what other short-term and medium term measures are required so that we don't have this crisis on a regular basis and we're able to deal with this not just in the short term, but also in the medium term.

How much funding will be available ?

You must remember that we are distributing €56 billion already annually to farmers and the food sector in the European Union and that's the European contribution. The Member States, in many co-financing arrangements, are allocating money as well. So between our rural development programmes and our direct payments, there is considerable investment by European taxpayers in this essential industry, to provide good quality food for the people of Europe and also [to address] our moral obligation in a competitive European agricultural sense to feed the population of the world with our partners. So I can assure you that the targeted measures that we will be looking at will be very much focused on where the greatest problems are. The greatest problems I think are well known to be largely in the Baltic States and in the new Member States. And therefore they need to have the European agriculture showing the same solidarity with their farmers, at a time when through no fault of their own there are the people that are badly hit by a foreign policy and security decision by President Putin.

On the end of milk quotas...

First of all, milk quotas have gone and they have gone forever. And secondly, I said at that time that the abolition of milk quotas that would be short-term price volatility in 2015 and we are seeing that. But the medium and long term prospects for the milk and dairy sector are quite good. We have a growing middle class population in the Far East which is going to be the major source of our market opportunities. 150 million people going into the middle income brackets each year for the next 30, 40 years and that is our opportunity as a competitive EU agricultural sector to exploit that potential for our food sector. So I do. I am optimistic about the future, but of course we are trying to deal with the short term price volatility that we predicted at the time would happen.

Origin labelling...

The Commission has carried out two reports in relation to country of origin labelling and it's come down against it on the grounds of additional costs to businesses and on the grounds of subsidiarity.

On public intervention and private storage aid...

We are extending the safety net for our intervention [to the end of September 2016]. We have also extended the measures in relation to fruit and vegetables. This came about following a review that we did arising from the decision of President Putin to continue the ban on agricultural production which he announced some weeks ago. So we are providing the safety net at the particular reference price that is well known 21 cent a litre in relation to milk, and the safety net has actually been triggered by some Member States in recent weeks, particularly in relation to skim milk powder. But the co-legislators decided in 2013 that they wish to continue with the policy that must be a market orientation policy for the CAP. So, even though I have ruled nothing out, I would be reluctant to enter into new proposals that would damage the prospects of our market orientation and that would drive producers towards putting product into intervention rather than seeking new market opportunities. I will give a comprehensive response [to requests relating to changing the rules for public intervention] on September 7, based on our analysis that we have carried out in relation to market intervention.

On the dairy supply chain...

We have a number of issues that we are looking at in the milk package for example, this affects dairy farmers in terms of how we can bring forward some of the measures that were anticipated in the CAP reform of 2013, so you're quite correct that there is not just a short term price issue, there are structural reforms required in many of our Member States. On the food chain, for example, there are

a lot of complaints from producers about the continuous squeezing of price and the margins of profitability from the processors and retail side, so I'm working with Commissioner Bieńkowska to see what we can do there in order to learn from the experience that we see in the UK and in Spain, and which is about to be implemented in Lithuania, in terms of legislation that will actually maintain our competitiveness and overcome and not damage in anyway the competition rules, but equally be able to ensure that there will be fairness in the food chain that respects the need to maintain the producer in business.

Because if you don't have a producer, you won't have a product; and if you don't have a product, you won't be able to have the value added for the employment opportunities that President Juncker is so anxious to ensure that all sectors contribute to. So we are looking at structural reforms as well, not just a price volatility and these supply chain initiatives will be articulated in some responses we'll be giving to those concerns on 7 September.

...

If you do not have a farmer, you will not have the product. And therefore you won't have the value added in terms of the jobs. The agri-food sector is the largest employment sector in the EU, with 46 million people. Maybe we should accentuate more the value added nature of the employment opportunities.

Using the proceeds of the superlevy to support the sector...

First of all, I am legally not able to put receipts from the superlevy directly into a fund for the dairy sector. Secondly, we don't yet know how much it is. So far, we are using 440 million EURO in our budget arithmetic for the draft 2016 budget. But nevertheless we will be able to use, I expect, some of those resources as we have been using them since the introduction of this particular ban by the Russian authorities on agricultural products.

So far, since the Russian ban was introduced, we have proposed measures worth roughly €250 million EURO – for the dairy and the fruit & vegetables sectors to help stabilise markets, and have generally been the source of very important support for farmers and the food sector at this vulnerable time.

So, we are [already] providing resources. [If we are to provide more], the question where they come from will be determined by the College of Commissioners. The fact that there will be additional support available financially through the superlevy is probably going to help my argument in order to have more short-term measures brought into effect to deal with these issues that we have just been speaking about.

On potential new markets through trade agreements...

In relation to markets, I have certainly been very proactive in the last couple of months with my colleague Commissioner Malmström in trying to conclude negotiations in the EU-Vietnam deal and that was concluded at the end of July. It doesn't come into effect for a while, but nevertheless it sends a signal that we are going to be opening up new market opportunities in Vietnam. I am meeting the Mexican ambassador this afternoon to try and open up additional potential in upgrading our free trade agreement with Mexico starting in 2016; and we're hoping that we will be able to conclude negotiations with Japan, particularly for dairy products and pig meat, where we have good opportunities there with Japan and we expect that we'll be able to conclude negotiations with Japan early in 2016.

On Promotion measures...

In addition to that, we are allocating additional promotional monies for Member States to be able to take whatever advantage they can with new programs. 41 programmes have been agreed in recent months for new opportunities in third countries for various market opportunities for pig meat and beef and dairy products. They will obviously take a bit of time to take effect, but I am hoping that they will eventually have an impact on the type of production levels that we have and on the over-

supply that we have at the moment, not just in Europe, but indeed in the Oceania and indeed in the United States of America.

On the EU-Vietnam trade deal...

It is understandable that farmers generally look at the threats rather than the opportunities. But equally in any trade negotiations there is a two-way street. There is an opportunity for more products to be exported, and if you look at the dairy sector in the agreement that we have done in Vietnam, we have eliminated all tariffs of access to 90 million population in Vietnam.

I think that the reasonable outcome that we got on rice certainly is not going to in any way damage the market situation at the moment (in Italy or indeed in Spain).

What about small farmers...?

I agree with you that there is a challenge when you have small producers and trying to cope with market turbulence arising from the Russian ban. That's why we have significant support being given to Member States to draw up programs in relation to bringing more collective bargaining, supply-chain initiatives, producer organisations being established, developing longer contracts with buyers, rather than the short-term contracts. So there is a lot we can do here in my view, which will take a bit of time, but these are part of the medium-term initiatives that we are proposing and analysing to see how we can actually accelerate some of those particular programmes and give additional support in order to meet the objectives that you rightly pointed out.

The farmers demonstration and increasing the intervention price...

I think that the farmers' organisations themselves, particularly Copa Cogeca, are very much supportive of the market orientation of our policy that was agreed in 2013. I would find it difficult that they would roll back on that now that they were so recently in favour of it, because of some short-term volatility that we have in the market place. We recognise that there are challenges and volatility at the moment. We are trying to work together to see if we can find short-term and medium-term solutions. But we also need to protect what the co-legislators have already agreed, which is to drive the CAP towards a more market orientation. That we get away from the issues of butter mountains and wine lakes that we have had. We dealt with them in the past, which was a high cost to be borne by the European tax payer. We are over that particular phase of our development in my view in terms of reform of our policy and we are moving on now to get the maximum amount of market opportunities for high quality European production.

So you will not give support to Member States in western Europe?

First of all, I did not say that I was not going to give any assistance to any other Member State apart from the Baltic States and the new Member States. I just merely stated the obvious. If you get the information from the [Milk Market Observatory](#), it is very plain for you to see who is actually getting a very poor average price for their product. I wanted to emphasise that in the new Member States and the Baltic in particular, they are now producing milk at less than the cost of production.

For the pigmeat sector...

I have already opened up aid for private storage for the pigmeat sector this year in response to a very difficult market situation. That cost €17 million. 60 000 t of pigmeat was withdrawn from the market. And I was disappointed that the price adjustment that was forecast by the producers in the Member States did not come to pass. So, we have to look carefully at the experience of that occasion if we are going to take further measures in the pigmeat sector.