

## **Speaking Points for Commissioner Hogan at COMAGRI**

**7 March 2016, Strasbourg**

### Introduction

Chairman, honourable members, I am pleased to be here tonight at this meeting of COMAGRI and to have this opportunity to engage with you in relation to the ongoing crisis in the European agricultural markets.

Of course, we have discussed this issue previously and that, in itself, is an indication of how long-lasting and how profound this crisis is. Before I address myself to some of the specifics of the current situation and the response to date and the further response that might be forthcoming from the Commission, I want to make a few general remarks.

- I fully accept the depth of the crisis that exists and I share the concerns of farmers. Moreover, I have never questioned the seriousness of the situation, as evidenced by the range of measures that the Commission has introduced over the past eighteen months or so;
- my assessment of the current situation is that, unfortunately, it is likely to be with us for some time to come.

Therefore, the Commission, working together with the Council and Parliament, is committed to taking all appropriate steps to alleviate the situation and the pressure on our farmers, within the parameters I have set and about which I will say a little more; and

- finally, we are experiencing an increasing market imbalance, particularly in the dairy and pigmeat sectors which is weighing very heavily on the market. There are, of course, pressures in other sectors, including a difficult situation for certain vegetables in southern Europe.

### Background

I wish to make a few points to help set the scene. I don't believe that there is any useful purpose to be served tonight by engaging in a lengthy analysis of the market or by recalling the long list of measures introduced in response to market developments.

I think, though, that we can all agree that despite our efforts, the market is in a very difficult place and has not recovered as quickly as either we thought or would have liked.

It is also worthwhile pointing out that, like every other sector of the economy, the agri-food sector is not immune to macro-economic developments.

Demand is weak across a range of commodities, which is having a negative knock-on effect. Oil prices are back to \$30/barrel, down 70 per cent in the last year and a half.

This weakness is impacting negatively on the buying power of many of the EU's existing or potential trading partners.

Meanwhile, growth in the Chinese market has been slowing noticeably and seems likely to slow down further next year. And, we continue to experience the impact of the Russian ban, which has closed out EU products from what was a very important market, particularly for certain Member States and products, for which it is a challenge to find alternative markets.

### Response to Date

Since the beginning of last year, the Commission has, on several occasions, intervened to support producers, mobilising more than €1 billion in support measures. I would also make the point that this was done without recourse to the crisis reserve, which of course is farmers' own money. Indeed, over the past two years, approximately €900 million of their own money has been returned to farmers.

In response to an escalation in the crisis in the dairy and pigmeat sectors last summer, the Commission acted within a matter of weeks to put in place a €500 million solidarity package, of which €420 million was provided in the form of direct, targeted aid given to Member States to be distributed in the way they considered most efficient to help farmers. Some of these amounts have not been given out yet, so it is important to bear in mind that there are resources out there yet to be used. To date, just ten of the 28 MS have implemented measures from the targeted aid allocations.

One important point I would make is that last year we had the benefit of access to the final year's proceeds from the milk superlevy. That possibility no longer exists and that raises more starkly the possibility of having to activate the crisis reserve. This is a road that I would prefer to avoid, as the money is effectively farmers' own money. I have invited the Council and tonight I invite you too to consider how any proposals that would require increased spending would be funded and, specifically, whether the crisis reserve should be activated to provide such funding.

Indeed just this morning, the Presidency of the Council specifically asked MS if they would *"be prepared to support the use of the crisis reserve to finance"* measures which would require additional funding from the EU budget.

## Next Steps

At the Council in February, we had a comprehensive discussion with MS on the market situation. On that occasion, I recalled the Commission's response and I asked Ministers to propose the measures which they believe could be put in place now.

As legislators, you are well aware that the Commission can act only within the legal constraints determined by the co-legislators, which you agreed to in the CAP Reform in 2013. I have, therefore, asked MS to make their proposals within three key parameters;

- they should respect the limits of the tools available in the CAP;
- they must have regard to the financial resources available; and
- any new measures should command a broad consensus.

The Presidency imposed a deadline of 25 February for MS to make their proposals. In all, more than 100 individual initiatives were proposed and the Presidency has helpfully categorised them as follows:

- the extension or reactivation of existing measures, e.g. private storage;
- flexibility in the implementation of the current regulatory framework, e.g. the recovery of penalties;
- the acceleration of previously launched initiatives, e.g. addressing unfair trading practices in the food supply chain;

- preparatory or supporting actions, e.g. setting-up new monitoring agencies; and
- new measures, e.g. providing support to producers who voluntarily reduce their milk production.

Given the wide range of measures and initiatives proposed and having regard to the different sectors involved, some of them can be described as short-term, while others are of a more structural nature and more long-term in their implementation.

My Services have been assessing and analysing the proposals made by reference to the three parameters set down in February. I haven't yet had a full report on today's meeting of the Special Committee on Agriculture, but I hope that it will have made some useful progress and will contribute to a constructive meeting of the Council next Monday at which we can make further progress towards helping European farmers through this very difficult period.

### Initial Reaction

Clearly, some of the ideas proposed are not altogether new and I can, therefore, give some initial response to them. One such idea is for the development of an export credit tool to support exporters and encourage exports of EU agri-food products.

Currently, export credit schemes exist in 14 Member States, though perhaps not specifically for agricultural products.

I regard the proposal as one that is very interesting. One would, for example, have to consider how such an instrument would be financed and, in this regard, I consider this as something that could be very well suited to the involvement of the EIB.

Another suggestion made is that there could be closer market monitoring of those sectors other than dairy (which is covered by the MMO). Again, this is something I am prepared to consider, not least given the unpredictable nature of the markets and the need for farmers and operators to have the best possible information available.

I am convinced that third-country trade is an essential element in restoring balance to the market. Further to that end, we are significantly increasing the promotion budget and, a little over a month ago, we launched a call for promotion projects, with a particular focus on third-country markets.

€111 million is available for co-funded projects, with EU support of up to 70 per cent. This includes a specific €30 million envelope for dairy and pigmeat, as proposed in last September's solidarity package.

In addition to the solidarity package, the vote to be taken by the European Parliament tomorrow clears the way for an investment of €250 million per year or €1.5 billion over six years on the school schemes. The increased budget for milk will increase demand, while also building healthy eating habits for the future.

The final specific proposal about which I want to say something is the intervention price, which it has been proposed should be increased. I have been consistent in my position on such a proposal and I am unchanged in my views. I am implementing the Common Agricultural Policy that the legislators chose for the European Union, a policy which as far back as 12 October 2011 was described by the Commission as being designed to provide *"a more effective policy for a more competitive and sustainable agriculture"*.

Therefore, I regard an increase in intervention prices as a fundamental change in the direction of the policy direction of the CAP. But there's more, and it has to do with the current crisis.

Given that we all accept that the dairy market is out of balance, it must also follow that an increase in the intervention price would do nothing to discourage production in those Member States which have seen a very significant increase in production following the abolition in quotas.

On the contrary, an increase in the intervention price would serve only to provide those and other producers with an additional outlet for their produce, thus potentially encouraging a further increase in production.

For all those reasons, I do not believe that an increase in the intervention price for milk is an appropriate instrument and I will not be proposing any such increase.

### Medium-Term Measures

While there is an understandable emphasis on the need for immediate or short-term measures, there is also a need to address other longer-term, structural problems. It was with some of these in mind that I established the Agri Markets Task Force, under the chairmanship of Cees Veerman.

The mandate for the Task Force is to discuss relevant issues, such as market transparency, access for farmers to financial instruments and futures markets to hedge price risks, options for arranging contractual relations within the chain and legal possibilities for organising farmers' collective actions. All of this is with a view to improving the position of farmers in the food chain.

At one stage or another, most if not all of these issues have been raised by members of this committee. The Veerman Group is an opportunity to progress these issues and I would strongly encourage you to engage proactively with the group and I'm sure that Mr Veerman and his colleagues would be only too happy to have the benefit of your experiences, based on your day-to-day contacts with your constituents.

One other issue which I know is of considerable interest to this committee is the Milk Package, which came into force in 2012. As you know, the review of the milk package was due in 2018 but, in light of the continuing difficulties in the sector, I am bringing that review forward. I have further reflected on the need for an early analysis, and intend that the review will be presented even earlier, in the autumn of this year. Together, we will have to decide whether to extend the milk package beyond 2020, in order to ensure that its benefits are fully exploited for the benefit of dairy producers.

I, for one, believe that many of the instruments available have not been fully used and, for example, see potential in the greater use of Producer Organisations to strengthen the marketing power of farmers in the food chain.

## International Trade Agreements

I know that many of you are following events in relation to TTIP very carefully. I deliberately said 'events' rather than 'progress' because we have seen very little progress. Frankly, the rate of progress in the negotiations has been very disappointing and, with every week that passes, the prospects reduce that there can be a conclusion of those negotiations before the end of President Obama's administration.

For the sake of clarity, let me repeat what I have been saying since I became Commissioner:

- there will be no deal that diminishes European food standards;
- a deal in 2016, focused solely on tariffs, would be a bad deal – we must insist on a balanced and comprehensive deal and one that is favourable for European agriculture;
- we cannot have a deal that aggravates an already difficult market situation – I want to stress that our sensitive sectors will not be subject to full market liberalisation;
- any final deal must protect our GIs – we must resist an approach that pushes us towards greater tariff liberalisation, without better protection for our GIs.

Let me also reassure you that, given the concerns that many of you quite rightly and quite understandably have, you are in a position of enormous strength.

Even if the European Commission concludes an agreement with the US, that deal must be approved by all 28 MS and by the Members of this House. You should not underestimate the power that lies in your own hands.

Of course, we are also negotiating with the Mercosur bloc of countries and progress is being made in these negotiations. The EU remains committed to the process and trade ministers have recently decided to exchange offers.

I know that many of you have concerns, particularly in relation to sensitive products such as beef, poultry and sugar, and I understand exactly why. I am determined to defend and promote the EU's interests, which are crucial for European agriculture.

Given the competitive advantage which the Mercosur countries enjoy over Europe, we must be very vigilant with regard to developments, particularly for our sensitive sectors. Given the potential consequences for the economic impact on agriculture, I ask for your support in managing that economic impact on agriculture.

### Russia

A further international issue which concerns us all is the Russian situation and the lack of access to the Russian market. By now we all know the reasons why the market is closed.

I want to assure you that we are continuing our efforts to try to ensure a rapid resumption of trade and contacts are continuing. As an indication of our commitment, President Juncker has written to President Putin in an effort to regularise trade between the EU and Russia, but very little has happened.

In terms of the SPS ban, Commissioner Andriukaitis has tried to engage the Russians and the Commission has sent several letters suggesting that the Russians submit acceptable proposals. Unfortunately, these offers have not been taken-up. While I share the frustration of Members of this House, I can tell you that the failure to break the deadlock is not due to any lack of effort on the EU side. We have and will continue to support every effort to normalise trade relations. I welcome any efforts or intervention which Members of this House could make to facilitate a resumption of trade in those products covered by the SPS ban.

We also expect a ruling by the WTO panel on the unjustified sanitary ban in April. I am confident that the panel will support the European Union position.

## Conclusion

Honourable Members, we are experiencing a deep and profound crisis which, in the short-term shows little sign of improving. Notwithstanding the measures taken to date, the recovery in prices that we all hoped for has not materialised. I have listened very carefully to the concerns of Member States and Members of this House and I am determined that the Commission will play its full role in assisting European farmers, using all of the tools available to me and the Commission.

Tonight's debate is another useful opportunity for a constructive exchange of views on the current market situation, the prospects for the future and the most appropriate course of action that the EU can pursue. The European Commission has not been found wanting in its response over the last eighteen months to a very difficult situation and we will not be found wanting in the future.

While I am committed to using all of the tools available, I would point out that the toolbox is limited and one has to look at the issue of resources in the context of the many other challenges facing the European Union and individual Member States. Tonight is also an opportunity for the members of this committee to suggest the measures which you consider are appropriate to the current situation.

In doing so, I would remind you of the three parameters that I have set down and I would ask you specifically to reflect on the question that was put to Member States earlier today, when they were asked for their attitude to activating the crisis reserve.

I look forward to your contributions and to responding to them at the conclusion of the debate.

Thank you.

Ends.