

**Opening Remarks by Phil Hogan, EU Commissioner for Agriculture
and Rural Development on the occasion of the Structured Dialogue
with COMAGRI - 24 May 2016**

Introduction

Mr Chairman, honourable members of the Committee on Agriculture and Rural Development, I am pleased to be back this afternoon for my second structured dialogue.

This format provides a valuable opportunity for a constructive exchange of views, particularly in relation to the Commission's Work Programme for 2017.

It is almost a year to the day since we had our first structured dialogue and since then a lot has happened and, as we all know, it has been a very difficult year for many farmers, particularly those in the dairy and pigmeat sectors, on whom the ongoing markets' crisis is weighing heavily.

While the markets' situation and the poor prices being received by farmers has naturally and understandably been the main focus of people's attention, it is far from the only area of activity with which I and my services have been engaged.

I welcome these opportunities to discuss the agricultural markets crisis with you. Later this week there will be an opportunity for a further exchange of views specifically in relation to the dairy sector on the basis of an Oral Question that I will answer in the Plenary Session.

Dairy Market

While time does not permit me to give an overview of all of the commodities, I will, for the purpose of my opening statement, focus on the dairy and pigmeat sectors, which have been very much the focus of the Commission's extensive efforts to support farmers.

The essential issue in the dairy sector is that global supply continues to outpace demand putting further downward pressure on dairy product prices both in the EU as well as on the world market.

Experts in the Milk Market Observatory acknowledged again in their last meeting the weak market sentiment. There is an urgent need for an improvement in the balance between supply and demand and, as opportunities for increased demand are limited, the focus must increasingly come on the supply side.

Milk collection grew by 5.6 per cent in the first 2 months of 2016 compared to 2015.

Within the Union, the largest increases in volume terms were reported in the Netherlands (+ 330,000 tonnes), Germany (+ 300,000 tonnes), Poland (+140,000 tonnes) and Ireland (+ 110,000 tonnes). We anticipate that the increase in March will be close to 5 per cent.

Without in any way wishing to take from the gravity of the situation, I would point out that the performance of dairy exports in the first quarter of 2016 does give some cause for confidence. In that period, we have seen total exports expressed in milk equivalent increased by 10 per cent, with particularly strong increases in butteroil (+123 per cent), cheese (+14 per cent) and whey powder (+4 per cent).

The EU has increased cheese exports to all top 10 destinations up to February 2016, including to the US by 9 per cent, while double digit growth in import data from China confirms its recovery.

Pigmeat Market

In relation to the EU pigmeat market, the loss of the Russian market has had a huge impact. Nonetheless, the first months of 2016 show the first signs of production reduction (with a 2.4 per cent decrease in the number of pigs slaughtered in January 2016).

The EU pig carcass price remained stable in April. Indeed the EU average price has surpassed the €130 /tonne level for the first time this year. And all of this at a time when around 60 per cent of meat put in private storage in January has been put back on the market.

While the loss of the Russian market left the market under pressure last year, we achieved a significant change in export patterns, with new markets emerging to replace the lost Russian market.

This trend continued in January and February 2016, as EU pigmeat exports increased by 26 per cent in volume and 19 per cent in value compared to February 2015.

EU Response

By now, you are familiar with the Commission's substantial response to the crisis in the agricultural markets.

Last September, the Commission announced a €500 million solidarity package, of which €420 million was allocated to Member States in the form of a targeted aid scheme. Member States have until the end of next month (35 days from today) to spend this money. As of the end of last month, Member States had reported spending only €235.7 million or 56 per cent of the total money allocated.

As many as eight Member States had failed to spend any of the money allocated, while fifteen had spent more than 90 per cent of the money allocated to them.

Secondly, I would like to refer to the issue of intervention levels. The 109 000 tonnes ceiling for buying-in of skimmed milk powder at fixed price was reached on 31 March and a tender was operated on 19 April. The maximum buying-in price was fixed at the level of the intervention price and some 27 000 tonnes were additionally bought into intervention. On 20 April, buying-in at fixed price resumed under a doubled ceiling (218 000 tonnes) with a rapid increase in the uptake, in view of which the Commission will propose a further increase in the ceilings.

The final measure about which I want to say something is the decision to activate, for the first time, Article 222 of the CMO, which allows for farmers to enter into voluntary agreements on planning milk production. We have endeavoured to ensure that the measures have the widest possible application and we now estimate that 85 per cent of EU milk production could potentially be covered by such agreements and, therefore, subject to planned milk production. The measure is in place for a period of six months (to 13 October 2016) and may be extended for a further six-month period.

This is, of course, a voluntary instrument and its use ultimately depends on producers and their participation in the agreements that are possible. I have already met COPA-COGECA and the European Milk Board to discuss and encourage its use and I will meet COPA-COGECA again next week to further discuss the possibilities.

In that regard, I want to commend you, Mr Chairman, for the organisation of tomorrow evening's hearing on the use of this instrument. I hope that those who participate will get a better understanding of the measure and its potential, which I believe should not be underestimated.

Simplification

I said at the outset that, while much of the focus of attention has been on the markets' situation over the past year, it has been far from the whole story.

From the beginning of my mandate, I have prioritised the simplification of the CAP.

You are aware that a number of simplification proposals were put into effect in 2015 – voluntary coupled support, direct payments concerning EFAs, young farmers, IACS and producer organisations. These have brought significant simplification both for farmers and for national administrations.

In 2016, we are continuing this important work. An amendment of the IACS Delegated Act was adopted on 4 May. This proposes a reduction in the administrative penalties as well as the introduction of the "*Yellow card*" system for first offenders in case of small over-declarations. Publication and entry into force are expected during the summer break, following the scrutiny period, and will be applicable for the payments to be made in respect of claim year 2016. I count on your support during this step of the procedure.

A public consultation on the first year of application of greening has also been just concluded, with more than 3 300 replies, of which 80 per cent came from farmers.

On the basis of this information, the Commission will come forward before the end of June 2016 with a Working Document, providing a first assessment of certain impacts of greening, in particular on the level-playing field and the production potential.

The review will be accompanied by suggestions for the simplification of the green direct payments. The purpose is to identify and adjust certain technical elements set in delegated and implementing Regulations. While the removal of such burdensome technical requirements is obviously desirable, we must also ensure that we do not lower the environmental benefits provided through the greening measures.

Indeed, we will aim to provide more clarity in terms of what is required from farmers and managing authorities, while also providing more flexibility where this increases the environmental and climate benefit from greening

My services are also pursuing an ambitious simplification agenda in the context of the elaboration of the new delegated and implementing acts aligning the Commission level rules to the new CMO Regulation.

At the start of the process, there were more than 250 Commission implementing regulations with a legal base in the CMO Regulation, of which about 60 were obsolete. By the end of the process, we expect to reduce this to around 20 delegated and 20 implementing regulations.

Finally, as regards rural development, an amendment to the implementing act was adopted on 28 April and is already in force. This simplifies publicity obligations in particular for smaller farmers and reduces the programming requirement for Financial Instruments, thus reducing the burden for national administrations.

On the basis of DG AGRI's work programme, I am confident that we will continue to make simplification proposals up to at least the end of the year in relation to delegated and implementing acts.

International Trade

Chairman, I am very conscious of the keen interest with which members of this Committee follow developments on EU trade negotiations.

Unfortunately, the last round of negotiations on TTIP in April did not bring any breakthrough and confirmed the lack of progress on EU interests both on agricultural and non-agricultural issues.

On agricultural issues in particular, the US continues to question the EU's negotiating objectives on Geographical Indications and need for any provisions in TTIP while also refusing to discuss wine and to address the elimination of the use of 17 wine semi-generic names by US producers.

There is also a growing frustration on both sides on SPS matters. Without going into the specifics of the issues involved, I want to stress that the EU remains very ambitious and wants to agree a genuine WTO SPS-plus chapter in TTIP, as per the Council mandate.

It is clearly not in the EU's interest to accept a TTIP-light for the sake of wrapping it up under the Obama Presidency. We must prioritise substance over speed.

At a time when EU agriculture is experiencing a serious crisis in a number of sectors, while also engaging in other ambitious trade agreements, it is essential to take into account the interests of EU agriculture in TTIP.

By now, you are aware that the Commission decided to amend the offer presented to Mercosur on 11 May. The final offer does not include proposals on two products under quota: beef and ethanol.

The European Commission's decision has been to maintain the level of ambition envisaged in the offer to Mercosur, which we see as the basis for further engagement.

Further work lies ahead, with a stocktaking meeting with Mercosur foreseen in July. While the Commission remains committed to the Mercosur process, I want to assure you that I am determined to defend and promote the EU's interests in those negotiations, which are crucial for European agriculture.

Organics

The inter-institutional process on organics is now well underway and I welcome the commitment made by the NL Presidency to achieve sufficient progress in this key policy area to reach an agreement by the end of June 2016.

While I have to admit some frustration at the rate of progress, I want to reiterate the Commission's commitment to be creative in trying to bridge the gap between the Council and EP. We have been flexible, exploring solutions in all areas (scope, production rules, objectives, principles, exceptions and trade).

I welcome the recent agreement of all three institutions to accelerate the frequency of trilogues between now and the end of the NL Presidency.

We all know that there are now a small number of important issues outstanding and I would ask all of those involved to redouble their efforts over the next month or so to deliver an agreement which can be acceptable to all three institutions.

Closing Remarks

Chairman, I appreciate that the members are interested in a wide range of issues, as evidenced by the questions submitted. In the limited time available to me, I have been able only to focus on a relatively small number of such issues and I have chosen to focus principally on those which are topical and, I suspect, of most interest to your members.

I look forward now to engaging with the members of the Committee, to answering your questions and to dealing with some of the issues that I have not covered in my opening remarks.

Thank you.