

Speech by Commissioner Phil Hogan at Conference on "The Grand Challenges for Innovation in Agriculture", at the National Agriculture Fair of Portugal

9th June 2016, Santarem, Portugal

- Check Against Delivery –

(Introduction)

- Minister Capoulas Santos, President Machado, Director General Graziano de Silva, Secretary General Pessonen, assembled guests, Ladies and Gentlemen.
- I'm glad to be back again in Portugal – a country which I have visited on many occasions before. It is an honour and a great pleasure to visit the wonderful National Agricultural Fair here in Santarem. It brings together the vibrancy, the dynamism and the sheer colour of Portuguese rural life.
- I pay tribute to the organisers for putting on a great show! If the Portuguese football team is as well organised and as flamboyant in the upcoming European Football Championships, they will go all the way to Paris on the 10th of July!

- Of course, we are here today to reflect on the need to constantly innovate in the field of agriculture. We have heard excellent presentations on the social, technological, environmental and economic challenges of the here and now, and of the future.
- Agriculture has always been an innovative field of human endeavour. From drip irrigation to the tractor, we have always sought as a species to develop our lands to feed our growing populations.
- The future challenges facing agriculture will require us to continue to innovate. In the EU, we will need to monitor, evaluate and modernise our Common Agricultural Policy to meet these challenges.
- As the CAP is an economic, social and environmental policy, we need to ensure it is ready to meet the social, economic and environmental challenges facing rural areas across Europe as well as the world.

(Short term Challenges)

- There is no doubt but that we have some serious short term challenges affecting agriculture in the EU – we are going through a crisis in certain agricultural markets, in particular in dairy and pigmeat.

- As Commissioner for Agriculture and Rural Development, my primary concern is that our producers get a fair price for their product. For without a producer, you do not have a product.
- I will not go over in detail all of the 23 measures we have introduced at EU level to mitigate the worst effects of the crisis, but it is worth noting that we have faced a "perfect storm" in the dairy sector – the Russian ban, lower global demand and increased supply following the end of milk quotas.
- The average EU milk price now stands at a little over 27c per kg. This price is 13% lower than in April 2015, and 19% lower than the average of the last 5 years. In Portugal, it stands currently at 28c/kg, down 1c per kg on this time last year.
- As we are faced with the immediate challenge of both global and EU oversupply, I have invoked Article 222 of the Common Markets Organisation Regulation in order to empower producers to plan and control production.
- In the pigmeat sector, I am glad to note that a supply adjustment, coupled with a strong export performance, is seeing the price rebound strongly, with average prices up 10% in the last four weeks across the EU.
- Indeed, prices are up 19% in Portugal, bringing prices close to the level they were at this time last year.
- So, the immediate challenges facing EU agriculture are issues of price and volatility.

- Accordingly, I have convened an Agri-Markets Taskforce, a group of experts from across the EU, to look at possible solutions to these challenges.
- As the CAP has taken on a greater market orientation in recent years, we need to look seriously at **new tools to help mitigate risk**.
- Firstly, we need to consider greater use of mutual funds, insurance, financial instruments and other measures such as futures markets.
- Secondly, we also need to look at how we organise the market – we need to further encourage producers to come together to form producer organisations in order to negotiate a fair price for their product.
- Thirdly, we need to ensure that processors and retailers are not engaging in unfair trading practices at the expense of farmers. I'm glad to see that 20 member states have now brought in rules at national level to help strengthen the position of farmers in the food chain. Only this week, the European Parliament passed a resolution calling for action at EU level, which is to be welcomed.
- I have asked the Agri Markets Taskforce to look at all of these issues in detail and to report to me by year end with concrete suggestions.

- We also need to be offensive and outward looking as a sector. In light of the ongoing excellent export performance of EU agri-food products, we have to ask how we can best position our farmers to benefit from these huge trade opportunities?
- For this reason, I have mounted a **diplomatic offensive in 2016 to find new markets for our EU producers.**
- I have already led business delegations, including Portuguese wine and pigmeat producers, to Colombia and Mexico, China and Japan, and I will lead further delegations to the burgeoning markets of Vietnam and Indonesia later this year. Our EU agrifood exports are now more than €120bn per annum, with a 33% annual increase in exports to China alone.
- I was particularly glad, having visited the home of **Pera Rocha** in April last year, to be able to announce the opening of the Colombian market for this high quality produce ahead of my visit there in February.
- It is with a drive for exports, with a focus on quality and value added, that we can also help meet the short term challenge of securing good prices for our producers.

(Long Term Challenges)

- Of course, we must also cast our eyes over the horizon, beyond the immediate challenges affecting us in the agricultural markets. We need to consider how to meet the **long term challenges facing agriculture**.
- Agriculture is not just like any economic sector – it is also a social and environmental activity. Whereas our immediate challenges are economic, with the crisis on the agricultural markets front and centre, the long term challenges are social, economic and environmental.
- Economically, in the long-run we will have to ensure the right conditions are in place for agriculture to be able to continue its beneficial contribution to **growth and jobs in rural areas**.
- Environmentally, we need to ensure that agriculture continues to contribute to the **balanced and sustainable development of rural areas**.
- Socially, we must also continue to be **inclusive of the more disadvantaged and remote areas**.
- **We have the global, over-arching challenge of food security**, which is social, economic and environmental in nature.
- Nowadays in Europe, we take for granted the plentiful supply of cheap, high quality and traceable food. This was not always the case. Indeed, the CAP was originally designed to feed the starving populations of Europe in the post-war era. It has met that challenge with resounding success. In fact, the CAP has evolved to be an environmental and social policy, but we must not forget its core historic mission – to feed the populations of Europe.
- We cannot take for granted the daily supply of good quality food. That is why we will need the CAP now, and in the future. We also cannot take for granted the global food security challenge. Let me give you some stark figures to paint the picture of this long term challenge to humanity.

- With the population of the world expected to be more than 9.3 billion by 2050, it is estimated that an annual growth rate in world agricultural production of at least 1.7 per cent will be needed between now and then to feed the growing global population.
- This has to be seen in the context of the challenge posed by climate change and the fact that only 13 to 18 per cent of the land on the planet is regarded as naturally highly fertile.
- And it's not only about producing calories.
- EU citizens want assurance about the safety and quality of their food supply, paying more attention to **sustainability** aspects. This is also true of the growing global middle class.
- Around 40% of the EU's land is farmed. Agriculture and food production are fully dependent on natural resources and farming greatly influences environment and climate.
- **A sufficient supply of good quality water, the preservation of healthy and functional soils, the availability of pollinators and so on, are all vital for the continuity of the agriculture sector.**
- It is worth noting that farmers themselves are the sector most exposed to climate change and need to be protected.
- Southern EU Member States, such as Portugal, will face increasing challenges in your agriculture sector due to climate change, such as increasing local temperatures and extended dry spells.
- **There is no way around the fact that we will have to produce more, using less.**
- This is where innovation will play a key role: through precision farming, through greater use of big data, but more importantly, through knowledge transfer from the laboratory to the farmyard, will we become more efficient, more productive and more sustainable.

- All regions of the globe have to take their responsibilities to tackle these challenges, but I'm glad to say today that Europe is in the lead.
- Another global challenge is the implementation of the historic agreements at global level which have been concluded in the last year.
- The Sustainable Development Goals and the Paris Climate agreement of 2015 now provide a global framework within which we all have to deliver.
- They also show us that challenges for agriculture are central to **general societal developments, both in Europe and beyond.**
- In developing countries, rural poverty is a major root cause of irregular **migration** – resulting more than ever in direct challenges here on our shores in Europe.

(Solutions)

- So, faced with these long term challenges, what do we need to do? We need to be innovative and responsive to the evolving needs of agriculture and society as a whole, on the local, national, European and global level.
- From an overall perspective we need to ensure efficient, effective and coherent policies which deliver both at EU level, and in cooperation with our international partners.
- In developing countries, it will be crucial to facilitate EU investments in the agri-food sector to create income, jobs and growth in rural areas, stemming the flow of migrants to our shores.

- For the Common Agricultural Policy in particular, it means providing the conditions for producing sufficient and adequate food in a sustainable way.
- We need to continue the trend towards **market orientation while supporting farmers to manage their own risks.**
- We should continue to exploit the emerging opportunities of global trade, including fair and balanced trade agreements, gradually removing distorting policies to the benefit of our farmers and those in the developing world.
- We need to develop a **knowledge-based response** to climate change and the broader sustainability challenges. We should make innovation the key to achieving sustainable productivity growth, stimulating climate-smart agriculture, and focusing on “public goods” in the design of policy tools.
- **We need to reinforce the links between agriculture and the rest of the economy. Amongst millennials, rural areas are increasingly becoming a focus of positive lifestyle choices, such as healthy eating and physical activity. We need to strengthen this rural-urban alliance.**
- Linking agriculture to the rest of the economy also means we need to **improve the functioning of the food supply chain.**
- We will achieve this by paying more attention to market transparency and the transmission of prices, and finding the best ways for food chain actors to organise themselves cooperatively.
- We need to **stimulate a “generational shift”** in human and physical capital. To achieve this, we need to continue our support to young farmers, but we also need to take a fresh look at how

we can support those farmers who are "young at heart," who may wish to hand over their farms to the next generation.

- **We need to look at generational renewal from both perspectives as part of a modernised CAP.**

(Conclusion)

- Minister, Ladies and Gentlemen,
- We have heard high quality contributions today as to how to meet the challenges of agriculture in the future. Agriculture has always been an innovative sector. And it will need to be more so than ever now and in the future, faced with the growing global demand for food.
- However, to meet these great challenges, **we need to focus on the farmer – we need to put the farmer first.** The farmer represents our "boots on the ground" for making our societal goals a reality.
- He or she cannot do that without our assistance or without a modernised CAP as a platform for action.
- The farmer is by nature an innovator. However, without stability, without an outlook for a fair price for his product, he cannot be innovative. Accordingly, a modernised CAP needs to focus on risk mitigation.
- Indeed, **addressing uncertainties and fostering competitiveness** are key to securing farm **income** and its stability and thus to **keep farming in place** in the EU.

- Keeping people on the land does so much more than simply maintain food production, as it creates positive spill-overs in other economic sectors, such as tourism, and creates virtuous circles in rural communities.
- Innovation is key to producing more, using less. Sustainability will be central to this drive. Our farmers will need to be given our full support to meet this goal on our behalf.
- We are going through tough times, but we must look forward with hope to the future. I want to conclude by saying I will continue to work fearlessly on the side of the farmer. I will leave you with this final thought: we delegate the important task of feeding our families to these men and women – where would we be without them? Let us support them now and in the future to meet the major challenges ahead.

Obrigado.