

**Speech by Commissioner Phil Hogan at "German Farmers' Day" (*Deutsche Bauerntag*), Conference of the German Farmers' Association (*Deutscher Bauernverband*)**

**- "Securing the future, strengthening the farmers"**

**Hannover, Germany**

**30<sup>th</sup> June 2016**

- Check Against Delivery –

- Minister Schmidt, President Rukwied, Bishop Meister, Ladies and gentlemen,

- Thank you for inviting me here today. Engaging directly with sectoral experts such as your selves is one of the most important aspects of my job. Your insights help to shape and improve our shared Common Agricultural Policy.
- Indeed, I understand you have already had some excellent in-depth discussions during this conference. I look forward to hearing your ideas.
- In normal circumstances we would be placing an exclusive focus on agriculture and rural matters at an important conference such as this one, **but I think you will agree these are not normal circumstances.**

***(Brexit)***

- **The UK's decision to leave the EU has overshadowed all other events**, and if you'll allow me I think it is appropriate to say a brief word about it.
- The response of the European Commission has been one of **respect and regret**. We have also made it clear that we want a rapid outcome to negotiations.

- Farmers know better than anyone that you need stability and certainty to plan for the future. Indeed this is one of the founding principles of the Common Agricultural Policy.
- My colleagues and I have therefore called for a swift and decisive negotiation, in the interests of both sides. It's essential that we set in train the essential steps to bring clarity and stability to the situation as quickly as possible.
- These are unprecedented times for the European Union. I want to assure you that the leaders of the European Institutions and Member States are working night and day to bring order to the changed political landscape.
- For my part, my responsibilities to the farmers and rural communities of our great Union continue unabated. I must emphasise that this includes the farmers and rural communities of the UK, until the next steps have been agreed.

### ***(Market Situation)***

- Even before the UK referendum, it has been a challenging time for our European agri-food sector. The past two years have provided a difficult and complex market situation.
- Moving the CAP towards a stronger market orientation has allowed us to operate in competitive global markets. This presents many opportunities – a point I will describe in further detail later - but it also ensures a more complex trading environment, with a greater exposure to volatility.
- Maintaining the connection between our European agriculture system and the global market is necessary if we are to preserve and protect our sustainable, high-quality European agriculture for the coming years.
- That being said, I fully acknowledge that farmers are feeling the pressure at the moment, and I have never diluted or compromised my belief that the farmer must come first.
- **The European Commission remains firmly on the side of the producer.**

- This is why the Commission took strong and swift action to deal with the present crisis, using **all the tools** at our disposal.
- **At the Commission, there is a clear understanding that without the producer, there is no product. And without good quality products that are sustainably produced, we will not protect rural jobs or stimulate rural growth.**
- I am satisfied that the Commission has reacted with appropriate decisiveness and speed to deal with this current crisis. **We have deployed over €1 billion since the crisis began.**
- In March, we announced an additional package of exceptional measures to complement the €500 million solidarity package from last September.
- As part of the measures that will be introduced, we set up a Meat Market Observatory to cover beef and pigmeat.
- Additionally, we introduced additional flexibility for state aid, introduced more funding for promotional campaigns, and assess alternative loan schemes for farmers.

- All of this shows the Commission's determination to play its full role in assisting European farmers. And I would point out that the measures have had a tangible, measurable positive impact, notably in the pigmeat sector.
- The fruit and vegetable sector, meanwhile, has still not fully recovered from the Russia ban. The situation for certain fruits and vegetables remains difficult, in particular for apples where current high volumes of stock are putting additional pressure on the market.
- Alternative markets were found but they do not fully compensate for the loss of Russian market. The Commission fully supports the sector in the goal of finding suitable alternative markets, **but this takes time.**
- Apple prices remain very low and below historical levels in Poland. This has had a significant impact on the other producer Member States.
- The Commission therefore extended the current exceptional support measures. We will prolong the support scheme to 30 June 2017, unless the ban is waived in the meantime.

- Since the beginning of the Russian ban, and even though Germany does not apply the scheme, the total aid requested amounts to €291 Million, corresponding to 1,16 million tons of fruit and vegetables.
- It is important to note that only 42 % of the allocated quantities were effectively used by Member States.

### ***(Dairy market)***

- In the dairy sector I am the first to acknowledge that serious difficulties remain.
- The most recent price information available from the Milk Market Observatory shows that the average milk price in the EU in June was 27,4 c/kg, which is still very low.
- The situation is, of course, not confined to Europe. Global supply continues to outpace demand which is putting pressure on dairy in Europe and across the world market.
- Experts in the Milk Market Observatory have stated that *"some improvement in market sentiment was perceptible against the*

*background of slowed down milk production in the coming months and global demand remains healthy."*

- However, they acknowledged that market fundamentals have not really changed and that rebalancing supply and demand remains necessary.
- Despite my commitment to identifying new markets – I will say more on this later- and some encouraging export data, opportunities for increased demand are limited. **Accordingly, more focus must come on the supply side.**
- An in-depth discussion on this point took place this Monday in the Agricultural Council and I can assure you that all Ministers are well aware of the enormous difficulties for milk sector.
- **I remain in constant communication with all EU Agriculture Ministers, including Minister Schmidt, and we are currently assessing what additional measures may potentially be taken. I am happy to hear any specific suggestions you have in this regard.**

- ***But let me be outspoken on one thing: a reintroduction of the milk quota, also on a temporary basis, is politically not an option and legally not possible.***

***(Exports/New Markets)***

- Our work to stabilise markets in the short term goes hand in hand with my commitment to find new export outlets in the medium term.
- Thanks to a more and more market oriented CAP, our agri-food exports are worth over €120 billion annually today, making the **EU a leading player globally.**
- To maintain and strengthen this position, I have made it my priority to ambitiously pursue new global markets, and significant progress has been made. **I believe this will serve ambitious German farmers well.**

***(Promotion)***

- Earlier this year, the first calls for the new EU promotion campaign were published, with some €111 million available under the 2016 budget, including €30 million for the milk and pigmeat sectors. This is designed to stimulate internal demand within the EU as well as seeking out new opportunities worldwide.
- There has been enormous interest from the sector to participate in the new promotion scheme; overall more than 200 proposals were submitted from 25 Member States.
- Unfortunately there has been limited interest from Germany with only 3 proposals to date, and a rather modest number of programmes during the previous regime, certainly in view of the size of your agricultural sector.
- I strongly encourage you to look more closely at possibilities offered by the promotion policy.

***(Trade Missions/Diplomatic Offensive)***

- Throughout 2016 I will lead a number of trade missions to boost exports and promote top-quality European produce across the globe. In February I went to Colombia and Mexico, In April I was

in China and Japan, and I will go to Indonesia and Vietnam in the autumn.

- In each mission, I have been joined by a high-level delegation of representatives from EU agricultural and food businesses, including from Germany. They meet their third country counterparts, and begin to forge the relationships that grow our mutual trade.
- Indeed, German companies are among the active participants in these missions – 4 companies accompanied me in the mission to Colombia and Mexico, and 4 more visited China and Japan. They represented a range of sectors, including dairy, meat, grains, fruits and vegetables, wine and chocolate.
- Invitations for Indonesia and Vietnam will be launched very soon, and I encourage any interested organisations to apply.
- It is also vital to recall that the opening up of new markets will benefit producers of all sizes. I never cease to be amazed by the innovation and capacity of our family farmers. They remain the backbone of our European agri-food sector and reaching out to these new markets will benefit them strongly.

- I would also like to address another area where progress needs to be made, in order for our sector to make its full contribution to sustainable economic growth. **We need to do more to strengthen our European food chain, particularly the position of farmers.**

***(Food Chain)***

- The food chain employs 47 million people across Europe, many of them in rural areas – that is an impressive number and farmers represent an important share of this number.
- A well-functioning food chain is central to sustainable farming sector. The distribution of the value added along the chain must be fair, particularly as it relates to the incomes and livelihoods of farmers.
- **A balance of bargaining power along the food chain is a priority.**
- Farmers are often the weakest link of the chain and their bargaining power must be reinforced. I welcome further initiatives taken by farmers to set up cooperatives and Producer Organisations. **I would remind you that specific supports are contained within the CAP for this purpose.**

- The existence of Unfair Trading Practices disrupts the functioning of the food chain and the greatest price is paid by smaller enterprises and by farmers.
- A voluntary process known as the Supply Chain Initiative has been established and the outcome so far is positive. I'm convinced that there is further potential for a deeper dialogue between all operators on the chain and I am grateful that the German farmers' organisations plays its role in this dialogue . I know that this is not an easy undertaking but an important one.
- The functioning of the food chain has also been intensively discussed by Members of the European Parliament, and rightly so! This is an important issue of concern to many citizens.
- A report on the functioning of the food chain was adopted recently. I find the conclusions of the report - where it calls for further legislative measures to be taken to tackle Unfair Trading Practises - interesting. **The Commission is now carefully analysing the report.**
- In January 2016 an Agricultural Markets Task Force was set up at my initiative. The Task Force is discussing how to improve the

situation for farmers in the food chain. The Task Force is led by the former Dutch Minister for Agriculture, Cees Veerman. The members of the Task Force are senior experts in their policy area.

- The Task Force was asked to present a final report with its findings which may include concrete recommendations for policy and legislative initiatives. The report is due before the end of 2016 and the indications are that the Group is making good progress and that it is working effectively.
- I await the outcome of its deliberations with great interest and I look forward to following up concretely the recommendations. A well-functioning food chain is the basis for an economically sustainable farming sector!

***(Simplification)***

- Finally, a quick word on the simplification of the CAP:
- As you know, this has been a political priority for me since I began my mandate. I have sought to reduce administrative burden and costs both for farmers and administrations, while also increasing the efficiency of the policy.

- Many measures have already been taken or are in progress. I welcome the active engagement of German farmers to date and we remain open for discussion.
- **When it comes to the greening of the CAP,** the extensive stakeholder consultation is now leading to action.
- On the basis of the 3300 replies received, my services have just come forward with a Working Document.
- I presented the first outcomes to Mr Schmidt and other EU Agricultural Ministers during the Council last Monday.
- My services presented the outcome in an expert group earlier this week as well as according regulatory proposals to identify and adjust certain technical elements. Our aim is to have these adopted in the second half of 2016, in order to be applicable, if possible, from claim year 2017.
- The main issues and the potential way forward are the following:
- Better specification and clarification of what is required from farmers and national administrations, especially as regards landscape features.

- Removal of burdensome technical requirements without lowering the environmental benefits.
- Providing more flexibility or alternatives where this increases the environmental and climate benefit of the greening.
- And additional harmonisation of some requirements and conditions.
- More fundamental changes concern the basic act which cannot be dealt with in this exercise. I am happy to discuss any of these matters further with you.

***(Conclusion)***

- In conclusion, ladies and gentlemen, I believe it is our duty as guardians of the agri-food sector to look at both the present and the future with the right blend of optimism and clarity.
- I am grateful for your continuing commitment, in this forum and others, to doing exactly that.

- I will meet the Ministers of the German Länder and Minister Schmidt on July 15<sup>th</sup> to discuss these matters further.
- Thank you for your attention. *Danke Schön.*