

Speech by Commissioner Phil Hogan at CEJA General Assembly

- "Access to land and credit for young farmers in a bid to secure the future of the European farming sector"

19th July 2016, Brussels

- Check Against Delivery –

- President Jagoe, CEJA members,
- Thank you for inviting me to join you here today.
- I feel a strong connection to your organisation, partly because I want to see young farmers prioritised as much as possible within the CAP, and partly because of my own background.

- Some of you may know that I was the Chair of my local Macra na Feirme branch in University College Cork many years ago. Macra na Feirme is the Irish CEJA member, indeed Alan is a former president. **So I understand where you're coming from, and I think I also understand where you want to go.**
- This General Assembly falls at a very interesting time, following the decision by the UK to leave the EU.
- During the Brexit referendum campaign, I made visits to Northern Ireland, Wales, England and Scotland – all 4 corners of the UK.
- I took the opportunity to present the facts about EU membership and the CAP, outlining the benefits these bring to UK farmers, the wider agri-food sector, rural communities and society in general.
- Many farmers I met agreed that the CAP was a safe harbour – particularly older farmers. **But I was struck by the fact that some younger farmers were eager to leave the EU, because they thought it might improve their ability to make successful businesses and create jobs, as the elimination of direct payments might free up land for them to farm.**

- Naturally, I was disappointed to hear this, but it also brought home in a very real way the fact that the CAP must be fit for purpose, not just for this generation but for the next.
- So today, I'd like to skip the background description about the demographic difficulties in the European farming sector. You know all this already – you've heard it a thousand times.
- Today, instead, I'd like to get straight to the point and tell you **what the CAP is already doing for you, what it will do for you, and how it might be strengthened to do even more for you.** I am serious about doing everything I can, within the limits of what is legally and financially possible, to support you.
- It's clear that the challenge is all about access: access to finance, access to land and access to knowledge.

(Access to finance)

- Let's start with access to credit. This is a challenge for the agri-food sector in general, but it is particularly relevant for your generation, because you are the ones who are planning ahead and driving the changes we need to see in the sector.

- We're looking at a variety of options at Commission level to address this issue. And there are also excellent initiatives taking place at national level.
- **And we need these initiatives urgently.** Traditional lending institutions like banks have done a poor job, fundamentally failing to understanding the nature of the sector. **Agriculture is dynamic** and exposed to outside factors such as weather, disease and global markets. And banks have also failed to understand the enormous potential for growth and profitability in the sector.
- Thankfully, other players in the agri-food sector are taking the bull by the horns. In Ireland, the country Alan and I know best, I was honoured in March to launch the very innovative **MilkFlex** Fund.
- This lending instrument will offer flexible, competitively priced loans to milk suppliers in the Glanbia cooperative. Loan repayments will vary according to movements in milk price.

- To the best of my knowledge, this is the first European fund of its kind to offer farmers access to the type of finance they need: finance operated through non-traditional lending structures, helping to protect farm incomes from the impact of dairy market volatility.
- Milkflex is a completely new type of loan product, with a multi-partner, thinking-outside-the-box approach. **The key financial innovation is that the collateral is the milk cheque, not the farm or family home**, allowing new entrants to access finance even when leasing land.
- The markets will be watching this initiative closely and I hope they may serve as a catalyst for a new wave of similar products across Europe.
- **I am glad to see the European Investment Bank represented here today**, as it has taken a number of steps in the right direction, working with credit institutions, including Credit Agricole, which has drawn down €200 million to finance farming succession in France.

- These are positive examples. However, the job is far from finished, and I will only be satisfied when the European Investment Bank is fully on board with the concept of financial instruments tailored to the EU agri-food sector.
- **I urge you as members of this great organisation to lend your support to the EIB in the rollout of financial instruments for young farmers.**
- **Each member state has a board member on the EIB. Contact that person! Make your views known. We need a coalition of the willing to keep this ball rolling.**
- **For me it's straight-forward: investing in young farmers makes sense, from a policy and value for money point of view.**

(Access to land)

- Now let me turn to the second urgent priority area: access to land.
- On the macro level, the reformed CAP aims to encourage young people to set up or take over agricultural holdings.

- As you know, the 2013 Reform includes a mandatory top up for young farmers through the establishment of a national reserve. This is a welcome change, but it needs to be watched closely on the ground.
- It is notable that the amount allocated to young farmers decreased between 2015 and 2016 from 1.33% to 1.23% of total DP envelope – this is not a positive trend and we need to keep a close eye on this across Europe.
- The CAP and other EU policies are aware of the problem and contain provisions to address it. Under Rural Development, a specific priority area is dedicated to new entrants: *"Facilitating the entry of adequately skilled farmers into the agricultural sector and, in particular, generational renewal"*.
- Young farmers and other new entrants are eligible for specific support measures under this Focus Area but also for measures that target farmers in general.
- The following rural development measures are particularly relevant for young farmers:

- Business start-up aid is targeted to young farmers in order to facilitate starting their professional activities.
- Annual payments or one-off payments are available for holders of small farms who transfer permanently their holdings
- Advisory services and specific training can be tailored to the needs of young farmers.
- If the 2013 reform does not arrest the trend, we need to consider further measures, as business as usual will not work.
- Now let's look at our experience with retirement schemes, as they are also crucial to access to land.
- An early retirement scheme was first introduced into the Rural Development Framework in 1992 and discontinued at the end of the programming period 2007 – 2013. As times change, we have to face the reality that "early retirement" is no longer sustainable.

- However, in order to facilitate generational renewal, apart from helping the young get started, we have to look seriously at how to provide incentives for the "young at heart" to pass on the baton to the next generation.
- This can only take place in a context that offers incentives, stability and certainty for more experienced farmers. Indeed, there are huge possibilities for synergies across generations, with junior-senior farm partnerships, leasing and so on offering new ways to renew the pool of farming talent across Europe.
- **But we still need to do more, and we need to find solutions faster.** The reality is that land is a popular commodity not only amongst farmers and new entrants. It is also considered a low risk area for investment for capital funds and private investors, which drives up prices in certain areas.
- So expanding farms to a reasonable economic size can be difficult, due to low land availability and high land prices.
- EU financial support covers only a small part of the costs for new entrants to set-up. Other factors at national level can complicate matters further, such as fiscal law, heritage law, and social law.

- **I acknowledge that we need to make things happen faster. Therefore, I am currently conducting a thorough survey of best practice in generational renewal across Europe. I hope to be ready with this in 2017 and I will engage directly with you to see what further steps can be taken.**
- Let me mention a few other areas of interest, ladies and gentlemen. First of all, as the future guardians of our sector, I must remind you that we cannot lose sight of the environmental dimension in our work.
- Stark reality informs us that our land banks are finite. So we still face the fundamental challenge of how to increase production while respecting our natural resources – in other words, how to produce more, using less.
- In order to achieve this “sustainable intensification” we must harness the power of innovation to address various issues, including land management, pest management, nutrient management, rotational grazing and soil conservation, crop diversity and water conservation.

- **Younger farmers tend to be more resource efficient, which is yet another reason why we need to get more of your forward-thinking, ambitious generation to work the land.**
- I believe further training opportunities and new forums for collaboration will be the key. As you seek to embrace innovation on your farms and in your agri-businesses, it is vital that you have the tools and confidence to reach out to new partners.

(Access to Knowledge)

- Access to knowledge is fundamental. Young farmers need to know which investments will improve the economic and environmental performance of their agricultural holdings. You need quick access to best practice in the latest technological developments as well as new production methods.
- Pillar II supports knowledge transfer activities which include trainings, demonstration activities, farm visits and exchanges for a more practical-oriented learning process.

- Besides the exchanges schemes supported by the EAFRD, young farmers can also participate in the initiative "Erasmus for Young Entrepreneurs" and take part in "Leonardo Da Vinci programmes" aiming to contribute to their professional and personal development.
- **I know you feel more needs to be done at European level to improve these opportunities, and I will listen closely to any proposals you have.**
- Under rural development, farmers may also receive investment support to purchase precision farming machinery, sensors and ICT tools. In addition support is available for training, demonstration and advice.
- On the developmental side, Rural Development also supports practical innovation projects under the European Innovation Partnership. We expect to fund a total of 2 900 projects in the 2014-2020 period which will help transfer practical innovation from the science lab to the farmyard.
- The introduction of ICT would be an obvious area of action, and we would like to urge young progressive farmers to be part of or start up such projects.

- We are also keen to see farmers participate more actively in research projects under Horizon 2020. Farmers possess the on-farm knowledge which is a crucial component in developing research-based, readily applicable solutions. I also know that your ambition won't end at the farm gate.
- **My hope for young farmers across Europe is that they will contribute to every aspect of rural life, and be leading lights in their communities.**
- And I'm acutely aware that connecting you to each other and to the outside world with high-speed broadband will be a vital step to achieving this.
- Improving connectivity for rural and remote regions will be a critical step to keeping jobs, families and communities in local areas. This is why I have placed the prioritisation of high speed broadband for rural areas as an important policy objective for my mandate. I am working closely with the Commissioner for Regional Development Corina Cretu to deliver a good result.
- One final thought. It is notable that in the 21st century, we see the continued trend towards specialisation in the professional world.

- As technology develops, the working world becomes more complex and specialised. Professions of old have splintered into numerous subsets of specialisation. Some professions have virtually disappeared. **Now let's reflect on the most important profession of all – the profession that puts food on our table three times a day, every day: the profession of farming.**
- To be a farmer in this day and age, you need to be a Renaissance man or woman. You are agronomists. You are entrepreneurs. You are engineers. You are marketing experts. You are finance and accounting experts. You are bureaucratic experts. You are ICT professionals adept at using the latest techniques in precision farming. And you are pillars of your rural communities. This is an exceptional profession, requiring exceptional people such as yourselves.
- **Today I call on you, the Young Farmers of Europe, to bring this exceptional expertise to the table once again. Under Alan, I urge you to come together and prepare your position, with your unique insights and experience on the ground, as to how we can improve the lot for young farmers and stimulate generational renewal in European farming.**

- **Bring radical and creative ideas to the table, for you are a generation of disruptive innovators.**
- Ladies and gentlemen, let me restate once again my commitment to you, and your generation. I believe strongly that you are the answer to so many of the questions challenging our sector in the present day. And I look forward to working with you to develop the solutions.
- Thank you.