

Speech by Commissioner Phil Hogan at launch of Agri-Food Strategy Group report

23 October 2015, Dublin

- Check Against Delivery –

- Professor Monaghan, Agri-Food Strategy Group Members, Ladies and Gentlemen,
- Many thanks for inviting me to attend this momentous occasion. It is a privilege to launch the Group's Report here today. As EU Commissioner, I am always encouraged when Member States take the initiative to prepare their farmers and agri-food sectors for the 21st Century.
- And I am of course particularly pleased when "the country I know best" is leading the way!

- This is a time of great change in the sector, with both challenges and opportunities appearing from all angles. Those who prepare themselves best today, will reap the benefits tomorrow.
- This future-proofing ethos is a foundation stone of my work as EU Agriculture Commissioner. And I know that the same ethos underpins this report, and indeed all the work done by the Agri-Food Strategy Group.
- Many of your core themes - from financial sustainability to food chain integration, from environmental resilience to research and innovation – overlap with my own ambitions for the reformed CAP.
- Today I want to deliver the message that our work can and should proceed in tandem. **We can learn from each other and support each other's goals where appropriate.**

(EU measures aimed at improved farm productivity)

- As you know, the reformed and market-oriented CAP offers a range of instruments to support the competitiveness and sustainability of farmers and agri-food businesses in Ireland and across Europe.
- In fact, the EU Rural development policy anticipates several *Key Strategic Directions* identified here today, to help farmers respond to market and environmental opportunities. The 52 billion euro investment package for 2014-2020 represents an ambitious plan to modernise Europe's agri-food sector, enhancing productivity, organisation and competitiveness.
- Investment in physical assets alone will account for some 36 billion Euro across the EU, and supports for processing, marketing, and product development will benefit both primary producers and the food industry as a whole.
- Supports incentivising co-operation will help to empower farmers within the food chain, enhancing quality assurance and business development to satisfy consumers at home and abroad.

- **This is a sector which must innovate constantly in order to meet emerging trends in consumption and production.** EU policies offer many opportunities for the food sector to stimulate innovation and ensure continued growth. Under the Rural Development Policy, pilot projects can now be financed to encourage experimentation while minimizing risk.
- I would like to highlight in particular the exciting opportunities afforded to the agri-food sector by new information and communication technologies.
- A Focus Group on Precision Farming established earlier this year is currently exploring innovative applications of digital technology in farm management and production. Under Europe's largest ever research and innovation programme, Horizon 2020, around 40 million Euro will be allocated to robotics, smart farming, and the Internet of Things.

(Financial sustainability)

- Of course, sustainable sources of finance will be absolutely essential if farmers are to invest, innovate and expand while effectively managing the risks they face.

- Together with the European Investment Bank, we are currently developing tailor-made financial instruments that reflect farmers' needs throughout the business cycle. Indeed, a guarantee scheme for agriculture is already up and running.
- We aim to develop an EAFRD Loan Fund in order to further extend finance to farmers. And we have also launched *fi-compass*, a technical assistance platform helping Member States to establish financial instruments with farmers specifically in mind. **I have encouraged Irish authorities to assess all options open to them.**
- Delivering on these priorities means **improving the economic performance of farms and the wider food industry by developing new ways to do more with less.**
- Reducing the consumption of water, electricity and other resources is a key means of limiting costs and thus improving farm viability. Similarly, extracting economic value from waste products has significant potential for improving farmer's balance sheets.

- The Juncker plan, a European Fund for Strategic Investments, has already targeted the agri-food sector, as the union's largest employer, for significant investment support. Two such projects already approved by the European Investment Bank have seen support worth 275 million euro for bio-production in Finland and a further 200 million guarantee fund for small-to-medium sized agricultural enterprises in Germany.
- New financial instruments must be tailored to meet the specific demands of the agri-food sector. For farmers facing increased volatility, it is absolutely essential that, for example, financial products are developed linked directly to the price of milk. This would see farmers who have drawn down loans repay more when prices are high, and less when prices are low – mitigating volatility.
- My colleague, Commissioner Hill, recently launched the Capital Markets Union project, to increase non-bank lending to the EU economy at lower rates, comparable to those in the US – this should also benefit the agri-food sector.

(Food chain Integration)

- I also believe we need to take stronger action to empower smaller players throughout the food chain. From producer to consumer, the food chain is today increasingly characterised by concentration downstream and a reduction in the number of contractual alternatives for farmers and smaller players. These factors contribute to abuses of bargaining power.
- **The bottom line is this: income for the farmer has to remain the priority. I have been forthright in my comments since taking up this post, that without a producer, you do not have a product.**
- As one example, the current conditions on the dairy markets illustrate the vulnerability of producers within the sector. Retailers and processors haven taken advantage of oversupply to pushes prices further down. Lately, Milk has been used as a "loss leader".
- The recent CAP reform includes measures to increase farmer bargaining power by enhancing producer organisation and cooperation throughout the food chain.

- More targeted measures exist for certain sectors as well as a 'crisis derogation' in cases of severe market imbalance. The CAP now aims to help farmers improve contractual relations and get better returns by adding value to agricultural products.
- The integration of production and processing, shorter supply chains, and quality schemes supported by Rural Development Programmes all aim to enhance the position of farmers within the food chain.
- **But the reality is that farmers themselves remain the weakest link in the chain.**
- Although we have put in place, as part of the recent milk package, measures to improve their position, the **provisions on contractualisation are still not being fully exploited.**
- Indeed, the same measures available for the dairy sector could also be helpfully extended to other sectors which face similarly challenging market conditions. But it is essential that all involved - food chain actors and regulators alike – can work together to tackle these practices.

- The High Level Forum on the Better Functioning of the Food Supply Chain has provided a valuable framework for discussing these issues, and will continue to do so with new members under a fresh mandate. I have called for the inclusion of upstream actors, such as fertiliser manufacturers, in the ongoing food chain discussion.
- A case in point is the Code of Good Trading Practices adopted throughout the food chain in 2011, and now delivered through the EU level Supply Chain Initiative scheme.
- **Yet the enforcement of this voluntary scheme needs to be improved so that it covers the entire food chain.** Farmers and meat processors did not join the SCI because they considered that it did not guarantee confidentiality of complaints and did not contain sanctions.
- The Commission will issue a report on the state of play of the work on unfair practices in EU Member States at the beginning of 2016, and an evaluation of the SCI will also be a part of this work.

- Furthermore, I am looking forward to the European Parliament's report on unfair trading practices in the food supply chain, and I must commend the important contribution of European Parliament Vice President Mairead McGuinness MEP to this valuable report.
- But I also believe the food chain can be addressed within the CAP. I have therefore taken the initiative to set up an "Agri-Markets Task Force" with high level representatives from the agricultural sector and beyond. The Task Force will focus on rules to strengthen the position of the farmers in the supply chain. It will become operative soon and I expect it to deliver a report in about one year's time.

(Environmental resilience)

- As the greening measures of the recent CAP reforms illustrate, we are also committed to supporting climate smart agriculture in the context of environmental sustainability. I want to pay tribute to the work being carried out on Climate Smart Agriculture by Tom Arnold and the IIEA in the current period. It is a timely and quality contribution to the debate.

- Demand for agricultural products is growing, including food, feed, energy, and renewable raw materials. At the same time, resource efficiency and the environmental footprint of agricultural production must be enhanced. **There is a need for sustainable intensification, producing more from less.**
- Significant progress has been made in the area of climate action. Currently, agriculture contributes to 10% of the total EU's greenhouse gas emissions. These emissions have declined by 24% since 1990, while total output of agricultural production has continued. There continues to be potential to decouple greenhouse gas emissions from production by improving the emission intensity per unit of output.
- Historically, the main drivers of this favourable trend have been improvements in fertiliser efficiency and animal productivity. The lowest hanging fruits have already been picked, and future efficiency gains will probably be more difficult to obtain. Yet there are undoubtedly some existing technologies that can be better utilised.
- The CAP has significantly enhanced action in favour of climate and the environment. In 2015, it is estimated that 16.3 billion EUR of the CAP budget will be climate relevant.

- Greening is limiting monocultures, enhancing biodiversity on Ecological Focus Areas and improving carbon sequestration on grasslands.
- Under rural development policy, investment support and farm modernisation will also cut energy consumption, improve fertiliser efficiency and reduce emissions.
- Research and innovation will be absolutely essential to make all these changes happen. We have to increase our level of knowledge and allow farmers to better use existing knowledge.
- The EU is investing strongly in a knowledge-based agriculture. With Horizon 2020 our budget for research and innovation in food, agriculture, forestry and marine have doubled, reaching 3.6 billion EUR for the 2014 to 2020 period. Climate change is an important priority within Horizon 2020, and will be a particular focus in an upcoming project on "sustainable food security".
- The European Innovation Partnership on agricultural productivity and sustainability is yet another initiative to promote innovation on the ground.

- Its winning strategy is to bring partners from research, agricultural practice, the advisory sector, NGOs and the industry together in 'operational groups' to work on common innovative projects funded.
- I am delighted that a majority of Member States will see the roll out of at least 2000 pilot projects under the auspices of the EIB right across Europe.
- It is essential that we are strategic in the way we design research and innovation. This is why I had the great pleasure to launch a long-term strategy for European agriculture research and innovation last week in Milan. We presented a discussion paper that recognises climate change to be among the most important challenges ahead.

(Enhanced Agri-Food Education & Training)

- Yet high-level, long-term strategies such as those already discussed must also be matched with efforts to enhance the intellectual resources of farmers in the here and now. In the era of a knowledge based economy, adequate education and access to information can make a huge difference in the agri-food sector.

- Rural development funds will provide opportunities for upskilling, including training, coaching, and demonstration, to upwards of 3.7 million EU citizens over the next 5 years, a third of whom will benefit from the expertise of professional advisors.
- To improve technical awareness, innovations will also have a role to play. Few people are aware of the scale on which ICT developments are already having a major impact on the way farmers produce.
- In a dynamic global context this trend will only grow stronger: our farmers need to continuously integrate technological advances and new knowledge in their production and business models.
- As policy makers we cannot force innovation to happen. But we can make sure that the conditions are right for innovation to thrive. I believe we are on the right path in agriculture:
- We have given a boost to agricultural research funds under Horizon 2020

- We have created the European Innovation Partnership for agriculture to help the farm sector tapping into research-based knowledge
- And we will support more than 2 000 practical innovation projects under the EIP where farmers and researchers will work together.

(Conclusion)

- Working in unison, I am confident that these policy initiatives will make a real difference across Europe.
- And I am equally confident that the Irish approach of planning for tomorrow, today, will ensure that this proud agricultural nation continues to thrive in the 21st Century.
- As mentioned, many of the issues identified by the Agri-Food Strategy Group strongly overlap with my own reform agenda. This includes the need to promote producer groups, incentivise food chain collaboration and adopt food production models that are both sustainable and competitive.

- I also share the belief that in order to drive innovation, emphasis must be placed upon developing new organizational structures that will enhance entrepreneurship and competitiveness through public-private partnerships and intra-sector collaboration.
- In this regard, I personally look forward to continuing my engagement with you, and I relish the prospect of seeing European and Irish agriculture grow better as it grows bigger.
- I salute you for your foresight and hard work, and on that note:
- It is my great pleasure to declare your comprehensive report officially launched, and I wish to repeat that my door is always open if you have ideas you think can be developed at European level.
- Thank you for inviting me here today.