

Speech by Commissioner Phil Hogan at Committee of the Regions Plenary Session

13th October 2015, Brussels

- Check Against Delivery –

(Introduction)

- **President, Members of the Committee, Ladies and Gentlemen,**
- Many thanks for inviting me here today. This is my first exchange of views with you and I am grateful for the opportunity.
- Since being appointed Commissioner, I have visited numerous regions of the EU and met with local and regional elected officials as well as agri-food stakeholders.

- European Agriculture is at its core about family enterprises, local communities, and regional diversity.
- The role of the Committee of the Regions is therefore very important in relaying to Brussels policymakers what's happening at local and regional level. As you are aware, I firmly believe European agriculture can play a central role to drive growth, job creation and the overall sustainable development of our rural areas. But we will only achieve these goals if regions take ownership of the policies behind them, so I look forward to hearing your views in this regard.
- I am also looking forward to discussing with you my ongoing work on simplification as well as the current situation in agricultural markets. As you know, market difficulties and price pressures in recent months have been a cause of real concern for farmers, particularly in the dairy and pigmeat sectors.
- In response to these difficulties, the Commission earlier this month announced a €500 million aid package. This is a significant statement of support by the Commission for European agriculture. I am happy to provide further detail on the package later in our exchange, if you would like me to do so.

(Role of EU agriculture)

- Like you, I believe agri-food is a **key strategic sector** for our economy and our society: There are 25 million farmers in our 28 Member States, and the food industry is the largest employer in the EU, providing 47 million jobs.
- And I believe we can build on this platform. The agri-food sector and rural areas can make an even greater contribution to job creation. To make this happen, we must have the right policy mix at European level, but we must also provide Member States and regions with the flexibility to tailor policies to fit their specific needs and potential.
- The international context is favourable. World food demand is growing, and if we exploit the opportunities at global level in a smart and strategic way, EU farmers are well placed to meet this demand with their safe, sustainable, high-quality product.
- The agri-food sector is the 4th largest export sector in EU: it increased the value of its exports by 70% in the last 5 years, which is faster than overall EU exports.

- The current economic crisis has proven the high resilience of the agricultural sector, not only in maintaining jobs and economic performance, but in continuing to provide a broader contribution to the economy due to linkages with other sectors. These range from fertilisers to processing to research & development, and beyond.

(The CAP as modern EU support framework)

- Given this unquestionable economic importance, European agriculture needs and deserves a modern support framework, and the reformed CAP is making a real difference in many areas. But we need to do more, and faster, if we are to truly empower the sector to *be all it can be* in the 21st Century.
- Five years ago we endeavoured to make the CAP fairer, more efficient and more effective, giving farmers the tools to:
 - take advantage of global market opportunities through a stronger market orientation;
 - find sustainable solutions to increase production while respecting resource, environmental and climate constraints;

- and contribute to the holistic development of our rural areas by creating jobs and supporting local communities.
- These changes have led to improvements across the board, and I look forward to hearing more from you about what works and does not work in specific regions.

(Short and long term priorities)

- We must work together to ensure that all the opportunities contained in the new CAP are fully realised. Regions have a real and meaningful role to play, and I urge you to take on this responsibility with ambition and vigour.
- In the **short term** we will have to:
- **Conclude national and regional Rural Development Programmes** in order to promote innovative projects and investment for job creation and growth; in this regard, the potential of **financial instruments** needs to be developed further.

- We will have to intensify the **simplification** agenda in order to minimise administrative burden and costs for farmers and agri-businesses, enabling them to make better use of their time and resources. I will elaborate on this later.
- Meanwhile, in the **medium to long term** we will have to:
- Continue to ambitiously pursue opportunities on global markets.
- Enhance the **sustainability** of production **at each level of the supply chain**, taking into account resource availability and environmental impacts.
- And effectively support **research, innovation and knowledge transfer** to make the sector more sustainable and competitive.

(Simplification)

- Let me come back to the question of simplification. This is a vital dimension of my work, and something that comes up regularly in conversation with farmers and producers. Like you, I believe we can do more to reduce administrative burden.

- **I want to make the CAP simpler for our hard-working farmers.**
And I believe we must take every possible step to allow farmers achieve their full business and job-creating potential.
- My thanks to the Committee for your Opinion on Simplification, which I was grateful to receive earlier this year.
- **Allow me to give you an overview of the actions taken so far:**
- An internal screening of the CAP was carried out to assess measures with simplification and subsidiarity potential.
- Member States, the European Parliament and stakeholders were invited to come up with ideas and proposals. This resulted in over **800 pages of proposals**.
- We are currently assessing these contributions together with all proposals received on the basis of the **three guiding principles** for the current simplification exercise, namely that any actions should:
 - **Respect the policy framework** of the 2013 reform;
 - Concentrate on **what benefits farmers** and other beneficiaries;

- And not jeopardize the **sound financial management** of CAP expenditure.
- The results of the internal screening and the proposals by Member States, Regions and stakeholders are being integrated into simplification packages and planned actions.
- These are all at the level of Delegated Act, Implementing Act, or guidelines.
- The First package has seen the **adoption of 2 Regulations** providing a one month extension of the deadline for **aid applications** and more flexibility in **eligibility conditions for voluntary coupled support for animals**.
- The Second package contains **6 changes to direct payment guidelines**, in particular with regards to the EFA layer, LPIS, adjacent EFAs, compensation of EFA in case of wrong declarations and permanent grassland. These changes are applicable already in claim year 2015.
- **And there is more to come.**

- A Third package will provide for Simplification on **integrated administration and control system (IACS), the young farmers' scheme, and voluntary coupled support** at the level of Delegated Act and Implementing Act. Discussions with Member States have already begun, and adoption should take place this autumn, with the aim of being in place for claim year 2016 or at the latest by claim year 2017.
- A Fourth package, scheduled for spring 2016, will review **greening** and **cross compliance** and present proposals for simplification.
- On **market measures**, our aim is not only to drastically reduce the number and complexity of Commission level rules to the new CMO Regulation, but also to ensure real simplification for farmers and operators alike.
- Several simplification packages on the CMO will follow in the coming months, including on public intervention, private storage, Member State notifications, licenses, fruit and vegetables.

- **As for Rural Development**, once the programming process is completed the focus will be on better implementation at Member State and Regional level, including a better uptake of simplified cost options, e-governance, and financial instruments.
- **Let me now come back to your opinion.** I would like to thank the Committee of the Regions, and in particular the Rapporteur Cllr Buchanan, for taking the initiative to draft up a comprehensive submission. It is a valuable contribution to the simplification agenda.
- Many of your suggestions would require amendments to the Basic Acts. These suggestions are very valuable and I will certainly take them into consideration for the future discussion on the CAP post 2020. However, as they touch on the current political framework, I cannot translate them in short term simplification actions for the current exercise.
- Now, I would like to refer to some of the **main points in your opinion:**

- As you point out, one of the distinctive features of the new CAP is the increase of flexibility available to Member States and increased regionalisation.
- The Commission is of the view that flexibility is a tool that can deliver on simplification, if used responsibly. **Simplification really is a joint responsibility.**
- Our assessment, however, shows that Member State choices in the area of direct payments and rural development tend to complicate the CAP more than necessary for farmers and other beneficiaries. This is a clear example of the so-called "goldplating" of EU rules.
- On your concern regarding the consistency between pillars of the CAP, the Commission is aware that both pillars aim for similar objectives; however let me remind you that the measures available in pillar II are complementary to the ones available in pillar I which only sets the minimum objectives.
- The Commission does, however, share your view that overlaps between the two pillars should be avoided and we will work to streamline the legal framework.

(Making EU agriculture more sustainable)

- Ladies and Gentlemen,
- Agriculture is confronted with the long term challenge of meeting the growing global demand for food while ensuring overall sustainability.
- In a nutshell, agriculture needs to produce more with less impact on our natural resources.
- In line with the principle of policy consistency – a key foundation of the Juncker Commission- the CAP is working together with other EU policies to offer solutions in this regard:
- **Both pillars of the CAP** support measures which aim to ensure sustainable agricultural practices and the production of public goods; in addition the Farm Advisory System (FAS) aims to help farmers meet EU rules for environment, public and animal health and animal welfare.

- The EU Research programme **Horizon 2020** promotes a knowledge-based agriculture and the European Innovation Partnership (**EIP**) for Agricultural productivity and Sustainability is bridging the communication gap between farmers, researchers and agri-business and facilitating the transfer of research results to economic operators and deployment of new technologies.
- Agriculture is involved in the renewed effort to build a resource-efficient, circular economy and is working towards a revised – more ambitious – policy package on the **Circular Economy** that the Commission aims to present before the end of 2015.
- The Commission is also supporting Member States and stakeholders in their efforts to **reduce food waste** by helping to remove obstacles and by promoting the sharing of best practices and the transfer of knowledge and experience.

- The optimised use of resources in the EU, including in the agricultural sector, should bring economic, social, and environmental benefits, should lead to the creation of jobs and economic value, should lead to increased access to raw materials, and should help to avoid pollution and slow resource depletion.

(Food Chain)

- In the current dynamic global context, agriculture and the food chain need to adapt. President Juncker put it best in his recent State of the Union address to the European Parliament in Strasbourg, *"there is something wrong in a market when the price of a litre of milk is less than the price of a litre of water"*.
- He has called on European and national competition authorities to take a close look into the structure of the market and mentioned the retail stage in particular. It has been a key priority for me since my nomination as Commissioner, I support this action on the President's part and I assure you I will give these questions my fullest attention.

- The Commission is conducting an in-depth analysis of the whole food chain, which will focus on market structure as well as the resulting market behaviour and its impacts from farm gates to retailers' shelves. With this in mind, we are setting up a high level group on improving agricultural markets. I intend to announce details on this in the coming weeks. The results of all this work will help us evaluate suitable proposals as soon as possible.
- I would like to conclude on a positive note. Today I wish to deliver the message that **farmers and agri-businesses in Europe's regions can face the future with real confidence and ambition.** The EU is now the world's biggest trader of agri-food products with exports totalling €122 billion and imports of €104 billion. We have had an increasingly positive trade balance since 2010, and last year we maintained our good export performance even despite the Russian ban.
- **High value added products, in particular our famed regional origin products, have contributed strongly to that trade surplus.**

- This bodes well for the future, and I believe there are great opportunities for our farmers and agri-businesses on global markets.

(Conclusion)

- Ladies and Gentlemen,
- Today I have given you an overview of how current as well as future policy instruments can maintain the CAP as a generator of jobs and growth in the 21st Century.
- You, as representatives of local and regional authorities have a key role to play in relaying to us in Brussels what communities are experiencing at local level, especially in terms of reducing administrative burdens and embracing innovation.
- You can help to bridge what is often perceived as the "gap" between "Brussels and the rest of the EU" by channelling information, sharing your observations and helping us to make informed decisions.

- I therefore hope that today's exchange will be the first of many fruitful and focused discussions, and I re-iterate my invitation to share your views on simplification and other CAP measures.
- Thank you for your attention.