

**Speech by Commissioner Phil Hogan at Plenary Session of the European Economic and Social Committee**

***- "Reform of the CAP: simplification and use of Financial Instruments"***

**Wednesday 1<sup>st</sup> July 2015**

- Check Against Delivery –

***(Introduction)***

- President Malosse, EESC Members, Ladies and Gentlemen,
- Many thanks for inviting me here today. This is my first opportunity to exchange views with you as European Commissioner for Agriculture and Rural Development, so it's a particular pleasure for me to be here.

- Since taking office 8 months ago today, I have made it my business to visit as many EU Member States as my schedule will allow; to listen and learn from Europe's farmers, co-operatives, agri-businesses and politicians alike. I have visited the Agriculture Committees in 12 National Parliaments and visited farms and agri-businesses throughout the EU.
- I believe this type of personal engagement is essential if my services and I are to do our best for Europe's hard-working farmers and agri-businesses, in all their diversity.
- This is even more important in the context of our 28 Member Union, where realities on the ground are more complex and nuanced, yet also more interlinked than ever before.
- **And that is also why I am very happy to be engaging directly with you today.** You are the eyes and ears of organised civil society and I look forward to hearing your views – today and in the coming months - on how we can maximise our agri-food sector's potential to boost growth, jobs and the overall development of our rural areas.

### *(Role of EU agriculture)*

- As you know, agriculture is a **key strategic sector** for our economy and our society: Farming involves 25 million people in the EU and helps to manage 50% of EU territory. The sector generates 7% of employment and an estimated 3.5 % of the EU's total value added.
- The agri-food sector is the 4th largest export motor in the EU: it increased the value of its exports by 70% in the last 5 years (which is faster than overall EU exports).
- And it is a fact that the experience of the economic crisis has demonstrated the resilience of the sector in times of great structural and economic difficulty.
- Agriculture provides a broader contribution to the overall economy due to its important overlaps with a variety of other sectors (ranging from fertilisers, to processing, to research & development).
- **But the agri-food sector is not just an economic mainstay of the present – it has massive potential to do even more in the future.**

- You are familiar with the international background: As global population growth continues to gather pace, the world will have to produce 60% more food by 2050.
- **These are the facts in terms of quantity, but there is also the question of quality.** We know that worldwide demand for high-quality food will continue to increase in the coming years, particularly in Asian and African emerging markets. **But Europe needs to be more present on these markets.**
- It is estimated that 150 million people will enter the global middle class every year until 2030. This massive growth in disposable income will result in significant changes to dietary patterns, as families demand better quality and more nutritious food on their tables.
- **And the EU agri-food sector is ready to meet this demand.** Our international reputation for high-quality food is first rate, so our challenge as policymakers is to **give our farmers and agri-businesses the tools and freedom to be all they can be.**

*(The CAP as a modern EU support framework)*

- European agriculture needs and deserves a thoroughly modern support system at European level, and our shared Common Agricultural Policy is the right model to make this happen.
- Five years ago we endeavoured to make the CAP fairer, more efficient, more effective, and more targeted –so that during this decade, farmers could:
  - take greater advantage of global market opportunities;
  - find sustainable solutions for food and drink production taking into account resource, environmental and climate constraints;
  - and contribute to the development of our rural areas by creating jobs, sustaining rural communities and producing public goods.
- We are now well on the way to achieving these goals. The CAP has become a far more outward-looking and market-oriented policy, and farmers and agri-businesses are facing the future with increasing ambition.

- This necessary reform process kicked off in 2010 with a wide-ranging public debate which was very much in line with one of the Commission's core policy design principles: listening and actively engaging with those whom have a "stake" in European policies.
- **The Commission is aware of, and grateful for, your active participation in this process from the outset. Today, I want to invite you to continue your engagement as the sector faces a new era of complex challenges and varied opportunities.**

*(Short and long term priorities)*

- **Now is the time to make sure that the CAP is doing its very best for European farmers, providing them with efficient and effective policies and supports, without ever losing sight of the long-term challenges.**
- This entails looking at the **short term** picture, in which we will have to **conclude the current round of Rural Development programming** in order to create innovative projects and investments boosting growth and jobs. I might add that in this regard the potential of **financial instruments** needs to be fully realised.

- We need to continue the **simplification** of the CAP in order to minimise administrative burden and costs for agricultural businesses, enabling them to make better use of their precious time and resources.
- Meanwhile, in the **medium to long term picture**, we need to continue to ambitiously pursue new markets for our high-quality EU product, while guaranteeing standards for our producers.
- We need to enhance the **sustainability** of production **at every level of the supply chain**, taking into account resource availability and environmental long term effects;
- And we must effectively support **research, innovation and knowledge transfer** in the sector, improving both competitiveness and sustainability.
- Allow me to elaborate on some of these challenges.

***(Financial instruments)***

- Within the **rural development policy**, financial instruments could be developed to help farmers make various types of investment – at low cost – through which they could better manage risk and prepare for the changes I have described.
- Through the rural development programmes up to 2020, around 50 billion euro is devoted to investments. However, only some 430 million Euro have been programmed so far for Financial Instruments.
- This means unrealised potential and missed opportunities for ambitious farmers across the EU who wish to access credit and invest in their businesses.
- In this regard, I would like to draw your attention to our excellent **co-operation with the European Investment Bank**, including the establishment of a work programme for the 2014-2016 period.



- The expertise and commitment of the Bank can assist Member States with the development of Financial Instruments for agriculture - **easing access to credit for farmers and providing better loan conditions is vital if we are serious about freeing the sector to be all it can be.**
- I am therefore **urging Member States to carefully assess their options for developing these instruments, in cooperation with the EIB. There is no time to waste.**
- While the approval of national and regional Rural Development Programmes is still progressing, a shift towards using Financial Instruments should be envisaged through first programme modifications, preferably even this year.
- In order to foster the use of Financial Instruments and spread awareness among Member States, we will make strong use of the dedicated technical platform, the *fi-compass* and, following a first event in Dublin in June, there will be three further dedicated events in Vienna, Riga and Barcelona in October and November of this year.

- There is the also the possibility of using **Financial Instruments under Horizon 2020**, managed by the European Investment Bank, in to push research and innovation. This approach provides further opportunities to stimulate science-based approaches and innovation in the sector.
- Finally, I would like to draw your attention to the **Investment Plan for Europe** (which is delivered through the European Fund for Strategic Investments). This will also be open to supporting agricultural, forestry and agri-food infrastructure – though with its own particular rules and mechanisms.
- I would like to encourage stakeholders in the area of farming, agri-business, forestry, and rural development to prepare potential projects taking advantage of these possibilities.
- **Without investment, we cannot make these changes happen.**

***(Simplification)***

- As mentioned earlier, I am also vigorously pursuing a simplification programme designed to make life and work more efficient for all players in the agri-food sector.

- I have already presented **several concrete actions for simplifying the system of direct payments to farmers, which do not** require changing the EU Basic Act legislative rules. I will present a further package of simplification measures later this year.
- The first "fruits" of this simplification are now being harvested.
- At the beginning of this year we started an internal screening of the CAP and received over 800 pages of proposals from Member States, MEPs and stakeholders.
- In the May Council I already presented a set of 6 concrete actions which I intend to implement at the level of guidelines in 2015, and I will be coming forward with a package of amendments to the delegated and implementing acts after the summer break.
- This package will cover important aspects of the direct payments system such as **young farmers and coupled support**, and I will be urging Member States and the European Parliament to back these changes so that they become applicable as early as possible.

- We will also continue our work on **greening**. Let me remind you of the Commission's commitment to review the Ecological Focus Area rules after the first year of application. And I will not limit myself to review only EFA rules - if there are other greening related aspects that can be simplified, I will do so. I intend to present my proposals on this point early in 2016, to be applicable by the end of claim year 2017.
- We will keep the process open and listen to any suggestion which serves the goal of reducing burden and costs for our agri-food sector.
- I told you earlier that my intention is to make this exercise as inclusive and participatory as possible.
- **In this context I would also like to encourage you, as representatives of organised civil society, to draft an exploratory opinion on simplification,** which can feed into the process culminating at the end of this year. I know your expertise and know-how will be of great value, and I look forward to receiving your constructive and practical input.

*(Making EU agriculture more sustainable)*

- Ladies and Gentlemen, all these changes are underpinned by the main long-term challenge facing the sector: how can we meet the growing demand for food while ensuring sustainability?
- In a nutshell, our modern European agriculture has to produce more while at the same time making less of an impact on our natural resources. This is no small challenge, and the CAP is working together with other EU policies to offer solutions in this regard:
- **Both pillars of the CAP** support measures which aim at ensuring 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 the deployment of new technologies.

- Agriculture is involved in the renewed push for a resource-efficient, circular economy and is working towards a revised – more ambitious – policy package on the **Circular Economy** that we aim 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 our shared resources, including in the agricultural sector, should and must spur the creation of jobs and economic growth while also enhancing environmental benefits and slowing resource depletion.

***(Research, innovations and knowledge transfer)***

- **To achieve these changes, the sector needs to innovate more, and innovate better.**
- The **opportunities** stemming from innovative ideas, technologies and agricultural practices are not only laying the ground for new services and business models, but also offering potential solutions for sustainability.

- Indeed, research and improved technologies on the ground must be **drivers for improved economic and ecological performance at the same time.**
- Expanding the use of **Precision Agriculture** technologies to a wider spread of regions and farms in Europe can lead to both significant productivity increases and significant reductions in environmental impact and food safety risks.
- Again, it will be crucial to ambitiously back new research, leading to improved farming methods and technologies, via Horizon 2020, the European Innovation Partnership and the Farm Advisory Services. Together, these strands constitute an **ever more closely coordinated EU support system for research and innovation for the benefit of our agri-food sector.**

***(Conclusion)***

- Ladies and Gentlemen,
- Agriculture is of paramount importance for the future of the EU and its rural areas.

- At this critical juncture, we need to make the best possible use of the instruments we have in order to exploit their full potential for growth, jobs and investments.
- You, as representatives of organised civil society, have a key role to play.
- **You can help to bridge what is often perceived as the "gap" between "Brussels and the rest of the world" by channelling information, sharing your observations and helping us to make informed decisions.**
- I can therefore only hope that today's exchange will be the first of many fruitful cooperation exercises. **We need to engage with every constituent group of the EESC- employers, workers and other interests, because the work we are doing on a daily basis in Agriculture and Rural Development impacts every part of the chain.**
- Our aim is to create a more inclusive society – a society where rural areas are vibrant motors of growth and where there is no rural-urban divide!



- **Allow me therefore to re-iterate my invitation to share your views, in particular on simplification and the other subjects I have touched upon today.**
- Many thanks for inviting me to be with you, and I look forward to deepening this engagement over the course of my mandate.