

# Speech by Commissioner Phil Hogan at Forum Nueva Economía

Thursday 11<sup>th</sup> June 2015,

- Check Against Delivery –

## *(Introduction)*

- Minister Garcia Tejerina, Ladies and Gentlemen,
- ***Buenos Dias*** and good morning to you all. May I say what a pleasure it is to be with such a distinguished audience this morning, and may I personally thank Minister Garcia Tejerina for her kind introduction. ***Muchas Gracias!***
- Today, I hope to provide you with a number of perspectives on the current political and economic climate, and to highlight the work being done at European level to stimulate jobs, growth and prosperity throughout the 28 EU Member States.

- Though I am standing before you as EU Commissioner, my native country is Ireland, and before being nominated to this position I served as Minister in the current Irish Government which is overseeing the nation's economic recovery. So I believe we will understand each other when it comes to assessing how far Europe has come, and the challenges that still remain, on our shared journey to economic recovery.
- Specifically, I hope to provide a number of useful insights into the work being done at European Commission level which I believe will be of interest to you, including in my own portfolio of Agriculture & Rural Development.
- The new Commission led by Jean-Claude Juncker recently completed its first 6 months in office, with a strong focus on providing a dynamic European "added value" in confronting our biggest shared economic challenges. This means fostering and stabilising growth, and accelerating the vital job creation required across the continent.
- **These phrases will no doubt sound familiar to you, but this Commission is tackling these challenges with what I believe is an unprecedented clarity and unity of purpose.**

- **Among the signature priorities are:**
- An Ambitious Digital Single Market designed to create the conditions for a vibrant digital economy.
- The first steps towards a European Energy Union: ensuring energy supply security and further integrating national energy markets.
- A Fairer Approach to Taxation, including an Action Plan on efforts to combat tax evasion and tax fraud.
- A European Agenda on Migration: developing a new approach on legal migration to make the EU an attractive destination for talent and skills.
- Deeper Economic and Monetary Union: Continuing efforts to promote economic stability and attract investors to Europe.

- **The proposals announced in the Commission's Work Programme are chosen because they can make an immediate difference for jobs, growth and investment and can lead to concrete benefits for citizens in 2015.**
- To achieve these targets, the Commission's Work Programme focuses on a limited number of concrete new initiatives, which together amount to an **Investment Plan for Europe**. The aim is to support investments in infrastructure (meaning broadband, energy networks, and transport) but also in education, research and innovation, renewable energy and energy efficiency, as well as healthcare.
- Member States, including your own, recognise the massive potential of this plan. The Commission warmly welcomed the Spanish decision to contribute €1.5 billion to projects benefiting from finance by the European Fund for Strategic Investments (EFSI) - the core element of the Investment Plan for Europe. It should be noted that the EFSI will primarily finance infrastructure but will also provide finance for innovative SMEs.
- Likewise, we are encouraged by the agreement in January of this year for a Spanish SME Initiative.

- The SME Initiative brings an innovative approach to the delivery of European Structural and Investment Funds, combining them with EU Horizon 2020 funds and with EIB resources. This synergy allows the EIF to provide risk-sharing and capital relief to financial intermediaries for the greatly enhanced benefit of SMEs. Spain has contributed EUR 800 million to the vehicle, which will in total generate more than EUR 3 billion of SME financing.
- So how will it work? The main aim of the initiative is to provide more affordable access to finance for Spanish SMEs by lowering the interest rates charged by banks on their loans. At the same time, intermediary banks will reduce the risk on each SME loan, and the relevant cost of capital, by benefiting from a financial guarantee issued by the EIB Group.
- This will result in more SMEs benefiting from European resources on advantageous terms. We fully expect that this financial instrument will attract Spain's entrepreneurs, thus acting as a catalyst for private investment and job creation.
- One example is the EIB investment in Grifols - a global healthcare company focused on the development of life-saving plasma medicines, diagnostics systems, and hospital pharmacy products.

- An EIB loan of up to 100 Million EUR will be used to support investment in research and development by the company, for new plasma proteins to improve medical treatments for Alzheimer's disease and cardiovascular surgery, among other diseases.
- A second example is the Redexis gas transmission and distribution project, which will extend gas distribution networks in Spain in the 2015-2018 period.
- This vital investment includes the construction of new pipelines to reach unserved customers who currently rely on fuel oil and propane for heating and cooking purposes. This should have a significant regional impact, particularly in rural areas.
- The total estimated project cost of 325.6 Million Euro will receive an EIB loan of up to 160 Million Euro, and is expected to create around 60 new permanent jobs, with over 3 000 jobs being generated in the construction phase.

- In broader terms, the Commission's Investment Plan seeks to improve the business environment through a number of other critical steps:
- Removing significant regulatory and non-regulatory barriers across all the important sectors of infrastructure including: energy, telecoms, digital and transport, as well as barriers in services and product markets.
- Developing national long-term investment plans
- Providing technical assistance to help develop sound investment projects.
- Carrying out value for money assessments to identify the most efficient solutions for structuring projects.
- And promoting innovative financial instruments to catalyse private investments in projects of EU significance.
- **One of the operational mottos of the new Commission is "to be bigger on the big things and smaller on the smaller things".**

- Being bigger on the big things means many things: addressing how Europe is perceived; flexibility and adaptability of its labour force, prioritising efficiency and innovation and allowing companies to choose their own methods for achieving this instead of micromanaging.
- President Juncker has rightly described small business as the "backbone of the economy". It is crucial that the right recognition be given to the businesses that help sustain the economy and for this we need measures that will support growth and innovation on one the hand, and reduce bureaucracy and red tape on the other.
- Other key initiatives include the move towards a connected digital single market, creating a European Energy Union, and of particular interest to investors and money-managers is the development of the Capital Markets Union.
- This Commission intends to decisively reduce the fragmentation of financial markets; diversify financial sources; ease the flow of funds across borders; and streamline access to finance for businesses, including – but certainly not limited to! – agri-businesses.

- These moves will incentivise the key players on both sides of the investment equation: entrepreneurs and SMEs on the one side, and investors and fund managers on the other side.
- As regards specific industries, we know the integration of a pan-European technology and telecoms market is needed. It is important to allow businesses in these areas to grow with more liberty from a regulatory perspective and with renewed motivation from the prospect of investment.

***(Agri and food: Importance for jobs)***

- For my part, I am absolutely committed to using my time as Commissioner for Agriculture and Rural Development to make the greatest possible contribution to the quest for growth, jobs and ultimately prosperity in rural areas across Europe.
- This means focusing my energies and resources on the areas that can make a real difference, and in that light, these are the messages I wish to convey to you today:

- Firstly, I am working hard to promote the agri-food sector as an attractive career prospect for ambitious and entrepreneurial Europeans, particularly in the eyes of our younger working citizens. The reformed CAP provides a number of incentives to encourage young and new farmers to enter the sector, while our committed pursuit of new markets should open new opportunities for business and profitability, further enhancing the sector's attractiveness.
- Secondly, I am pursuing a simplification agenda which is 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.
- Thirdly, as you are aware, the recent CAP reform includes measures to improve cooperation through the food chain. More targeted measures exist for certain sectors (such as joint selling agreements through Producer Organisations and contractual requirements for milk) while there is also a 'crisis derogation' in case of severe market imbalance.

- The new CAP also contains measures which add value to agricultural products. The Rural Development Programme can finance the integration of the various steps in the food chain, through processing, short supply chains, quality schemes and so on.
- We will continue to work at European level to deliver effective implementation of these measures. But it also remains essential that all relevant parties (food chain actors and regulators alike) continue to develop mechanisms to enhance the functioning of the food chain.
- At this point I would again like to salute Minister Garcia Tejerina and her predecessor for their work in strengthening the food chain here in Spain.
- I also salute all the businesses which have signed up to the voluntary code of good practices for food related contractual relations. I would urge all other relevant businesses to do so in order to maintain this important momentum.
- **Fourthly, I am highlighting to the business community that investing in the agri-food sector is an increasingly attractive and decisively rewarding prospect.**

- Let me explain why. First and foremost, the global context is favourable: worldwide demand for high-quality food will increase steadily in the coming years, particularly in the emerging markets of Asia and Africa. Each year until 2030, at least 150 million people will be entering the global middle class. This massive growth in disposable income will result in significant changes to dietary patterns, with a consequent rise in demand for high-quality traceable foods.
- **And the agricultural player which will move fastest to meet this demand is the one which prioritises investment, innovation and collaboration. I believe Europe, and Spain, can and must rise to this challenge.**
- Areas like innovation in food processing and food technology; enhanced use of ICT to improve efficiencies; and improved collaborative networks between investors, researchers and farmers will turbo-charge these exciting changes.

- A number of such networks already exist, and I am pleased to report that I am working with EU Research, Science and Innovation Commissioner Moedas to assess the numerous possibilities for collaboration across our respective portfolios.
- **There is more work to be done, however, particularly in engaging the ICT and digital industry to fully embrace these new opportunities and engage with the agri-food sector.** Enhanced ICT, through for example dedicated hardware and software, can drive productivity increases and economic growth in agri-food businesses.
- We need to establish other forums bringing together the Agri-food and ICT industries. This will result in common opportunities being identified, key collaborations being established, and finally new products and apps being developed to improve efficiencies and make work in the sector "smarter". **This is what we mean by "precision farming" – harnessing ICT to enable farmers to do their work more smartly, and more efficiently.**

- New hardware and software systems can improve agriculture in a great variety of ways. New 'smart-agri' production systems will use advanced ICT at every stage in the food chain: on the farm, in processing and in retailing.
- As machinery and equipment become 'smarter' and better 'connected,' they will improve the efficiency of agricultural inputs and outputs. There will also be mass data-gathering capability, a vital innovation which holds enormous potential for the sector. By increasing the presence of sensors throughout the value chain, large volumes of data can be collected - this data can improve decision-making at all points in the food chain. Some estimates indicate that employing sensor data could raise yields by 10 to 20 percent.
- The core of "sustainable intensification" will be the smarter and more efficient use of all resources, i.e improved management of the land and what goes into it, based on better information. This is where the importance of sensors and smart machinery comes into play.

- **We are entering the era of Big Data for Precision Farming, and the European and Spanish Agri-food sectors must position themselves to make the most of the coming changes.**
- This will mean farmers and retailers using mobile technology for improved data-gathering and record-keeping, sensors on farms for pesticide control, nutrient and water management and many other transformative efficiencies. New technologies will also assist in managing animal and animal DNA management. With enhanced robotics technology we may well see farms where self-driving tractors and harvesters free up the farmer to concentrate on other tasks.
- It should also be noted that the rollout of fast broadband across Europe, supported in many cases by Rural Development Programmes, will speed up this process.
- So innovation and collaboration will continue to drive **agri-food as a valuable growth sector in the coming years, allowing it to be a key jobs and income creator.**

- **Europe recognises this fact, and has acted accordingly, putting its money where its mouth is to support entrepreneurship, innovation and collaboration in the sector.**
- **I have been working with the European Investment Bank to tailor a dedicated agricultural Fund offering affordable finance over a 15-20 year horizon to farmers wishing to upgrade and expand their production. Productivity and sustainability cannot be achieved without investment. This will be particularly relevant for young farmers, and specific sectors such as dairy.**
- There is also €3.6bn available at EU level between now and 2020 to fund synergies between Agriculture and Research, via Horizon 2020. Research projects which have benefitted from EU funding include the LIBERATION project, which is developing farm management practices that enable ecological intensification.
- Other examples include the EU-financed consortium called BIOCOPAC which has developed lining for metal cans made from tomato skins, or the NOSHAN consortium which is working on how to turn food waste into feed for animals.

- The European Innovation Partnership for "Agricultural Productivity and Sustainability", or "EIP-AGRI" is a major policy and networking initiative designed to speed up innovation on the ground.
- At both European and national level, it is increasingly recognised at all levels of decision-making that agriculture is of critical strategic importance, with huge potential returns both commercially and economically – ultimately in the form of bringing jobs, growth and prosperity to rural areas.
- And I expect Spain to be at the vanguard of this "agri-food and agri-tech revolution".
- Spain's agri-food sector is already a key contributor to economic growth. Your country ranks in 6th place at EU level for exports to global markets, exporting over €8.6 billion euro in 2013, more than 140% or almost one and a half times what it exported a mere 10 years ago. **And there is much more potential to be developed in the agri-food industry, through innovative business, smart entrepreneurship, and the development of new markets.**

- Allow me to address the latter point by highlighting the work I am doing with my EU Commission colleagues in the area of trade.
- As you know, the statistics are positive: with growing world food demand, the agri-food sector is the 4th largest export sector in the EU, increasing the value of its exports in the last 5 years by 70% - which is faster than overall EU exports. Our strategy to take advantage of this opportunity must be twofold: we must continue to pursue new markets on the one hand, and guarantee the protection for high value EU products around the world on the other.
- The EU has significant agriculture interests in many of the trade deals currently being negotiated, including with Japan, Vietnam, and in the Transatlantic Trade and Investment Partnership (or TTIP). When it comes to EU negotiations with the USA, I will be proactive in promoting the opening of this important market to high quality EU product, in particular our world-renowned GIs.

- However, I will not compromise on EU food quality or traceability standards and I am conscious that several sectors may need specific consideration, in particular due to the more stringent rules we have in Europe.
- I am keen to seek further protection for the geographical indications and designations of origin when negotiating bilateral agreements, and I am very aware how important these are for the Spanish agri-food sector.
- **Ladies and gentlemen, I am happy to be here today to deliver the message that the agri-food sector has clear and undeniable growth potential, and this will only be achieved by harnessing investment, research and innovation, and the development of new markets.**
- And on the wider macro-economic level, I hope I have impressed upon you the many dynamic steps the European Commission is taking to provide new supports, new opportunities and a new hope for European citizens.

- Thank you for your attention and I look forward to hearing your thoughts.