

Speech by Commissioner Phil Hogan at French Senate

Thursday 8th October 2015,

- Check Against Delivery –

(Introduction)

- Messieurs les Présidents, Senators,
- Many thanks *et merci infiniment* for inviting me to speak before you today.
- Thank you to the presidents for your opening remarks. The issues you have raised and the concerns you have expressed featured prominently in recent discussions, culminating in the €500 million aid package for European farmers. I will elaborate on this point in a moment, but let me begin by underlining how much I appreciate this opportunity to have a thorough discussion with you today.

(Introduction)

- President Juncker has emphasised the value of meaningful engagement between National Parliaments and EU Institutions for the healthy and efficient democratic functioning of the EU.
- As you know, I met Minister Le Foll earlier this week in Paris, and I would like to thank him for a frank and useful exchange.
- On a more profound level, let me also acknowledge the colossal role France has played in creating, shaping and defining our shared European Common Agricultural Policy. This is a country which truly values family farms, and their contribution not only to rural communities, but to the overall well-being of the nation.

(Market situation and Package)

- My own farming background has contributed to my firm conviction that rural areas and family farms must remain cornerstones of our economic development. Like you, the future of our agricultural sector matters a great deal to me. And these are challenging times for the sector.

- Market difficulties and price pressures in recent months have been a cause of real concern for farmers, particularly in the dairy and livestock sectors. In response to the crisis, the recent €500 million aid package is a significant commitment by the Commission to support European agriculture.
- It reflects the support of the Juncker Commission and that of the President himself. I would remind you that in his recent "State of the Union" speech, President Juncker described himself as a "strong supporter of the CAP". The aid package continues the tradition of the European Commission supporting producers.
- The first challenge I faced as Commissioner was the impact of the Russian ban on EU producers. You will recall that the proposed response at that time was to use the 'crisis reserve' and the use of farmers' own money. I succeeded in having that proposal reversed.
- Since then, I have been vigilant as to potential issues in all agricultural markets. In a further response to the Russian ban, I extended support measures for the fruit and veg as well as the dairy sectors. I introduced a new Aids to Private Storage scheme for pigmeat in February of this year, which served to stabilise the

market at a difficult time. This amounted to €160 million measures to address market instability.

- In March, on the occasion of the end of milk quotas, the economic analysis admitted the possibility that there would be volatility in the short term, notwithstanding the positive long term trends for dairy, in the context of the expanding global middle class.
- You have to recognise, when it comes to a €500m package which is being implemented now as we speak, that this counts as rapid and forceful action. The Commission worked hard over the summer once the first signs of severe issues in the markets emerged, and my €500 million package is a rapid, decisive and unprecedented response to aid farmers across Europe who are experiencing difficulties. It contains a series of actions including targeted aid, market measures and moves to address structural issues in agricultural markets.
- The €420 million in targeted aid can leverage up to a further €420 million in national top-ups, bringing the total package close to €1bn euros in extra aid to farmers, over and above the €42 billion in direct payments disbursed each year, every year to farmers.

- This package provides a welcome cashflow boost to farmers in a time of low prices. The possibility to advance the disbursement of direct payments will also provide an additional cashflow boost.
- **In view of the huge challenges facing the EU as a whole at this time - both economic and social - a package of this size represents a decisive and robust response to current difficulties.** And, crucially, it is only one part of a multi-pronged approach to stabilise agri-food markets in the short, medium and long term.
- Cashflow is the immediate priority for farmers in the current price environment. Aside from allowing direct payments to be advanced, the Commission has devoted €420 million in Member State for distribution to farmers. We have allowed Member States to decide how to target the aid – you are best placed to determine local conditions and the needs of your farmers.
- Also, I want to underline that this is fresh money, and that it will not require the mobilisation of the "crisis reserve" on this occasion either, to avoid farmers themselves funding the aid package.

- France will receive a targeted aid envelope of almost 63 million Euro – a significant figure in the current economic climate. You have the option to supplement this by providing an additional national top-up to the same value.
- But aid targeted to farmers is not the only action in the support package. We are intervening to stabilise the markets with robust and effective instruments.
- Recent price difficulties in the dairy sector are linked to global factors. Demand in the Chinese market has slowed significantly, affecting not just Europe, but also Australia, New Zealand and North America. This is clearly a global issue, with overproduction in all regions, and is not a problem confined to European dairy producers.
- **I believe the Commission's strong response to the recent situation will stabilise markets in the short-term, restoring confidence to the sector.**
- We are taking measures that allow us to directly act in the market. I have proposed a new and enhanced Private Storage scheme for SMP and cheese. This represents an immediate and significant market measure.

- There will be an increase in the aid rate for skimmed milk powder by over 100%, and the storage period will be fixed for a year. This is better for the farmer and operator on two grounds – firstly, it takes product off the market quickly and for a sufficient length of time to allow the market to recover. Secondly, it covers not only the operating costs, but also the financing cost of putting product in storage versus taking a price for it now on the marketplace.
- With medium term forecasts positive, and the global dairy auction price trending upwards (indeed significantly since August), this is a potential win-win for producers and operators, and a far more effective measure than others which **have been debated, such as raising the intervention price.**
- **I believe it is fair to farmers to explain why a majority of EU Member States did not consider this an appropriate solution. At a time when there is a clear market imbalance, increasing the price paid for public intervention would do nothing to restore market balance but would instead create an artificial outlet for EU dairy products.**

- It would distort the competitiveness of EU milk production and reverse the market orientation of the CAP, which has been reaffirmed on several occasions. I am also concerned that the very existence of EU public stocks would simply push market prices down further, thus deepening and prolonging the current difficult situation. Furthermore, the legislative process in the European Parliament would have taken at least a year to change the reference price for intervention.
- Learning from the experience of the last PSA scheme for cheese, the new scheme will provide for a total amount of 100 000 tonnes to be broken down by Member State, based on their respective cheese production. This will be of real benefit to French producers, who will have 20% of the share, and the possibility to benefit further from unused quantities.
- I am also committed to increased promotion of our high-quality European products. A new promotion policy will come into effect on 1 December next and, apart from increasing the budget significantly from €80 million to €110 million, will also make it easier for operators to draw down the available funds.

- As regards pigmeat, there are many factors at play. On the whole, the market for pigmeat remains under pressure, not least because of the Russian embargo. I will come back to our reaction to the import ban by Russia, but as regards pigmeat we are also willing to act in the market at the right time, with a new private storage scheme which will be extended for the first time to fresh lard. This will be an important intervention in the marketplace for the direct benefit of pigmeat producers.
- Let me come back to the Russian embargo. I am fully aware of your concerns in this matter – and I have shared them from the start. This is why the Commission moved with speed and authority in 2014 to support European farmers in the wake of the Russia ban, including fruit, vegetable, dairy and pigmeat producers, and opted to renew these measures in August of this year.
- I am also committed to opening other third country markets, and will personally lead trade missions to that effect in the coming months. I am a market-orientated Commissioner for Agriculture and acting in line with the policy agreed and the legislation approved in 2013 by the Council of Ministers and the European Parliament.

- So please rest assured that I am using all instruments at our disposal to counter the effects of such unjustified and politically motivated measures.
- It is worth noting that the latest export figures for EU food products show that the sector is growing significantly. This is also reflected in the performance of French agri-food exports. In 2014, France exported almost € 21 billion of agri-food products to extra-EU countries, which represents over one third of its total agricultural exports. Overall, agri-food trade generated a positive trade balance of almost € 12 billion.
- It is a matter of great concern that EU producers should also be subject to arbitrary and unjustified additional sanitary barriers for pigmeat products. My colleague Commissioner Andriukaitis is responding to your concerns by committing to do everything possible to resume trade on the products hit by the SPS ban. However we will need to see a real change in attitude on the Russian side first.

- I mentioned earlier that this is a time of multiple challenges for the EU, in particular as regards the huge difficulties presented by the refugee crisis. In this context we are establishing a vehicle to provide EU dairy products for refugees, and discussions are underway with the appropriate international organisations to make this happen. The package of measures amounts to EUR 30 million in aid, primarily in the distribution of dairy products via humanitarian aid assistance in third countries.
- This is an exceptional and one-off measure, which is of course more than justified given the current humanitarian crisis.
- I appreciate that some recent comments attributed to me have generated a debate about the profitability and competitiveness of our farm holdings.
- What I said last week was that, "if you produce below the cost of production for a considerable period of time, you are going to have problems" in the marketplace. However, our EU agriculture is not just about markets and competitiveness.

- However, our EU agriculture is not just about markets and competitiveness. It is about much more than that. The Common Agricultural Policy reflects this reality.
- The CAP is about food security. The CAP is about maintaining the land in a good environmental condition. The CAP is about maintaining the cultural heritage of Europe – it sustains the family farm model and promotes our fine food and drink produce the world over.
- That is why the EU taxpayer contributes €42 billion per year to the CAP to compensate farmers for delivering on these public goods, of which French farmers receive over €7.5 bn in direct payments per year, every year, **including €1 billion in Voluntary Coupled Support, mostly for the livestock sector.**
- The €500 million package is in addition to this figure, and is an exceptional measure to reflect the exceptional market situation.
- Yes we have a market orientation in the CAP, but we also have a social orientation, an environmental orientation and a cultural orientation. I am very proud of the CAP and I will continue to defend it.

- With regard to the issue of farmers selling below the cost of production, we need to do our utmost to strengthen their position in the food chain. This will happen through collective bargaining by forming Producer Organisations and through strong regulation, such as what is occurring already in Spain and the UK. Indeed, in the UK, some supermarkets have increased the price paid for milk to reflect the situation affecting farmers on the ground – this is progress.
- I am pleased to note that the French Minister supports this approach and spoke recently about reviewing contractual relations in pigmeat.
- At EU level, President Juncker acknowledged in his recent State of the Union speech that this issue needs to be addressed. His comments were not accidental and they recognised the importance of this issue in agriculture. I was glad of this recognition as I have made it one of my top priorities. My services are now working closely with those of Commissioners Vestager and Bienkowska to advance the issue of a balanced food chain.

(Food Chain)

- Beyond these immediate measures, any medium-term solution for stable agricultural markets will require action to address imbalances in the food chain. As President Juncker put it in his recent State of the Union address, *"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. This has been a key priority for me since my nomination as Commissioner, and I assure you I am giving 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. The results of all this work should help us evaluate appropriate proposals as soon as possible.

- I believe we have a lot to learn from experiences in various EU Member States. I understand France is looking closely at contractual relations and I look forward to the insights the French experience can offer to shine a light on problems in the food chain and taking action to restore balance.
- French dairy farmers are rightly and correctly asking questions regarding fairness to the producer in the context of all the food chain actors.

(Juncker Fund)

- Structural improvements and additional investments are also necessary in a number of areas, and EU funds exist to support these changes. The European Fund for Strategic Investments (EFSI) can support projects linked to infrastructure, research and SMEs, some of which could boost investments in rural areas.
- Rural broadband rollout, rural tourism or bio-economy are other sectors where EFSI could provide support.

- Projects must be bankable, they should be able to attract private investors and generate sufficient profits to pay back EFSI resources.
- I am following this topic closely with Vice President Katainen and we will increase our efforts to inform stakeholders and Member States of the opportunities available under EFSI for agriculture and rural development.

(Exports/New Markets/GIs)

- **Let me re-emphasise that in this time of crisis, we stand with farmers and we want to do everything in our power to safeguard their livelihoods and the future of European family farms.**
- Increasing export opportunities will be another vital step toward securing the future for our producers. 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.

- France remains the EU export leader in many sectors, including butter, SMP and whey powder, and is the EU's second highest exporter of cheese.
- **Furthermore, high value added products, like France's world-famous wines and cheeses, have contributed strongly to the EU trade surplus.**
- Ambitiously pursuing new markets for our high-quality EU produce remains one of my top priorities. With growing world food demand, the agri-food sector is today the 4th largest export sector in the EU, providing 47 million jobs for EU citizens.
- 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 of high value EU products around the world on the other.**
- **I believe France's world-renowned products are particularly well placed to become an even greater global success story.** Conscientious consumers throughout the world recognise the quality and value of our European food traditions and the fact that they form such an integral part of our identities. **The French concept of "terroir" is at the very heart of this principle.**

- The EU has significant agriculture interests in many of the trade deals currently being negotiated, including with Japan, Vietnam, Mexico, and in the Transatlantic Trade and Investment Partnership (or TTIP).
- When it comes to EU negotiations with the USA, **I wish to assure you that I will be proactive in promoting the opening of this important market to high quality EU products, in particular our origin products. I will also remain vigilant in protecting EU standards, and I can tell you that this principle will be followed in all negotiations. I believe a balanced deal will deliver real benefits for EU agriculture and society as a whole. And I assure you that nothing less than a truly balanced outcome will be accepted.**

(Simplification)

- Another vital dimension to my work, which comes up regularly in conversation with farmers and producers, is the pressing need to reduce administrative burden.

- **I want to make the CAP simpler for our hard-working farmers. I believe that improvement is possible in a number of areas, which is why I have made simplification a top priority.**
- I believe we must take every possible step to allow farmers achieve their full business and job-creating potential.
- I thank the members of the Senate for your input to my simplification agenda, which I was grateful to receive in June of this year.
- The proposals cover a wide range of areas but focus in particular on greening and rural development.
- I have listened to farmers and provided greater flexibility for certain elements of greening, by modifying Commission guidelines. I look forward to proposing a series of packages of amendments to the delegated and implementing acts in the coming months. The first of these could be applicable as from claim year 2016.
- And we will continue to vigorously assess **greening**. Let me remind you of my commitment to review Ecological Focus Areas rules after the first year of application. And I will not limit myself

to this; if there are other greening related aspects that can be simplified, I will do so.

(Young Farmers)

- **However, these changes will not matter unless we also attract young people to work in the sector. I want ambitious young Europeans to view the agri-food sector as a rewarding and profitable career choice. I want to the Commissioner that is ambitious for young farmers during my mandate.**
- **I want French farmers to maintain and improve the traditions of their families and regions.**
- **Young farmers are the guarantors of the future, bringing essential new energy and ideas to the sector. However, you are well aware that young farmers face various difficulties, especially in terms of access to land and credit.** The attractions of lifestyles in towns and cities can also discourage young people from entering into rural-based career paths. **Only six per cent of EU farmers are aged below 35, and the figure is falling.**

(CAP Measures for Young Farmers)

- I know that supporting young farmers has been a specific priority for France, increasing options for training, advisory services, investments and other measures. According to current Commission information, France has set the highest target for start-up support to young farmers: nearly 40,000 young farmers (about 7.5% of agricultural holdings) will receive support for setting-up during the coming years.
- Young farmers need finance to modernise their holdings. For this reason, I have been working closely with the European Investment Bank on financial instruments for agriculture. It comes under the umbrella of the Rural Development Programmes, and French regions are leading in this field.
- Languedoc Rousillon has included financial instruments in its RDP – this is to be welcomed. In a similar vein, the EIB is working with credit institutions, including Credit Agricole, which has drawn down €200 million to finance farming succession in France.

(Conclusion)

- Senators, I am mindful of the fact that French policymakers have played a central role in the development of the CAP, at every stage of the policy's evolution. Today, I urge you to maintain this focus. In a time of economic difficulty and a growing spectrum of external pressures, we must work together to maintain the visibility and prominence of our shared European food policies.
- **We must not allow ourselves to forget the historical mission of the CAP: to ensure the supply of safe, sustainably produced, high-quality food for European citizens, while guaranteeing a sustainable livelihood for European farmers.** The *raison d'être* of the CAP is more relevant now than ever as we are confronted by rapidly increasing global population growth, evolving consumer patterns, as well as diminishing natural resources, and political instability in neighbouring regions.
- We must not allow these principles to be taken for granted. **Producing food is the primary role of farmers and the delivery of**

high-quality traceable food should be seen as a public good. My primary role is to defend the farmer.

- **If we do not have a producer, we do not have a product to sustain the 47 million jobs that depend on agriculture in the EU.**
- Agriculture is humankind's primary occupation – the only economic activity which can be truly said to nourish the world. Our challenge is to support our farmers, and the rural communities they live in, so that they may thrive in the 21st Century.
- **Merci infiniment de votre attention.**