

# Speech by Commissioner Phil Hogan at ICMSA AGM

**27<sup>th</sup> November 2015, Limerick**

- Check Against Delivery –

- President Comer, General Secretary Enright, Ladies and Gentlemen,
- Many thanks for inviting me here today. As EU Commissioner, but equally as a proud Irishman, I am always pleased to meet with Ireland's farming and agri-food organisations. You have been highly influential in the negotiation of successive CAP reforms, including the most recent one in 2013. Your reputation is strong throughout Europe.
- Today I will outline the work I am doing, including a number of policy priorities which I believe will be of particular interest to you.

- I am also looking forward to hearing more about the work you are doing. Your founding principles - to organise creamery milk suppliers throughout Ireland and to safeguard their interests, particularly in the matter of milk prices – are as relevant today as they were in 1950.
- Our shared mission, as I see it, is **to ensure the supply of safe, sustainably produced, high-quality food for our citizens, while guaranteeing a sustainable livelihood for our producers.**
- **I believe strongly in this mission. I believe we can and must do more to get the message across to European citizens. And above all, I believe the CAP is the right vehicle to deliver on this ambition.**
- I want farmers and agri-businesses to face the future with real ambition. And I am developing policies and plans to underpin that ambition. But we must not lose sight of the challenges in the present. This year has been difficult for many farmers and agri-businesses, particularly the dairy sector.

- **With the end of milk quotas in April, with 2% global oversupply, with a closed Russian market and with declining demand from the Chinese market, dairy producers have experienced a very difficult situation, particularly in the short term.**
- **Irish milk prices dropped substantially in 2015, reflecting the depressed world market situation.** The latest TEAGASC economic report is predicting an average national VAT inclusive milk price of 30c /lite for 2015.

***(Agrimarkets Package)***

- In response to difficulties in the dairy and pigmeat sectors, I negotiated and delivered a €500 million aid package. This represented a strong and decisive move on behalf of the EU Commission, and reaffirmed our commitment to support European agriculture. It showed that we are willing to respond with all the tools at our disposal at any given moment in time, while safeguarding the market orientation of the CAP.
- **Dairy and pig farmers in Ireland received €13.7 million in aid.**

- Even though the milk quota was eliminated in 2015, it left one parting shot in the form of an Irish superlevy bill of 69 Million Euro. This is equivalent to almost 4000 euro for the average Irish dairy farmer, but many farms as we know will face a much larger bill.
- Earlier in the year, I put arrangements in place to give farmers the option to discharge this obligation over a 3 year period, to reduce the immediate impact of the fine on their cashflow.
- This week we published a regulation to reimburse €410 million to European farmers by not having to activate the Crisis Reserve in 2015. This move will see approximately €13 million returned to Irish farmers. This is a repeat of what I did last year.
- These actions reflect 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.

- **And we are not resting on our laurels. I have taken the initiative to establish an ‘agri-markets task force’, which aims to monitor and future-proof a number of EU farming sectors. A call for expressions of interest for candidates was launched earlier this month.**
- **And I hope to make an announcement on the Chair of the taskforce very soon.**
- **I view this as a vital stage in the drive to combat market volatility. I will elaborate on this point in a moment.**

***(Simplification)***

- **I also want to remind you that simplification remains one of my absolute priorities. I want to make life and work more efficient, not just for farmers, but 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.**

- **And last week I presented an expanded package of simplification measures to the Council of EU Agriculture Ministers.**
- This package included a reduction in the rate of on the spot inspections in certain circumstances, increased flexibility in respect of inspection under the IACS, and proposed changes in relation to the amendment of national and regional Rural Development programmes.
- I am also introducing management rules for a system of collective claims under the second pillar, specifically in relation to agri-environmental and climate measures. This should be combined with a system of real-time notification of activities leading towards a more result oriented agri-environmental and climate measure.
- It will allow farmers to come together to deliver public goods more effectively and efficiently than they otherwise could by acting alone. This is in the interests of the farmers themselves, and of course, in the interests of our environment and climate as a whole.

- The fourth simplifying measure in this package will provide farmers with further possibilities to modify their declaration regarding the use of agricultural parcels for the purpose of greening. This is a practical proposal which will have a positive impact on farmers who may need to adapt their cultivation plan during the growing season.
- Most of these measures will be applicable as from Claim Year 2016.
- **I know Minister Coveney fully subscribes to my proposals and he has stated his desire to reduce the number of inspections.** Ireland has moved faster than most EU Member States by embracing new processes and improving delivery.
- We need all farmers to apply for BPS and other schemes online to allow for early pre-checks on all claims. **I welcome the fact that Ireland is moving towards a system of 100% online application.**

- I do not see simplification as a one off, big bang measure, but rather an ongoing process. Accordingly, I intend that the process will continue next year and beyond with further opportunities for simplification being identified and implemented.
- 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.
- I believe these measures will make a real difference to farmers. And they are needed, because farmers are themselves expected to make a real difference in a number of areas.
- First and foremost, consumers rely on you to produce the safe, high-quality food they need to feed their families.

- But equally because you have a vital role to play in addressing many of our shared societal challenges. As you know, the 2013 reform maintained a substantial CAP budget, but it also placed a far greater responsibility on the agri-food sector to assist in the fight against climate change.

***(Climate Change)***

- A new international agreement on climate change should be reached in Paris before the end of the year. The Commission is working towards an ambitious and comprehensive outcome, leading us on a path to limit global warming to a maximum of 2 degrees. In parallel, the Commission is currently preparing the development of the domestic legal framework for climate change for the period from 2021 to 2030.
- These processes will have important implications for the agriculture sector. Emissions from agriculture, making up some 10% of the entire emissions in the EU, will also have to be reduced. As you know, in Ireland, the share of emissions from agriculture is even higher.

- Nevertheless, we must also remember that global food demand is increasing. European agriculture has already achieved a very high level of greenhouse gas efficiency, and we produce food with a much smaller carbon footprint than many other regions of the world. The European contribution to food security will be crucial, and it is in our common interest to maintain the production base while avoiding the leakages that may harm the rural economy and increase emissions worldwide.
- The EU is already taking important measures to ensure the sustainable intensification of agriculture, **to make sure we produce more, using less**. For 2015, we expect the CAP budget to contribute 16,3 billion Euro toward climate action.
- In tandem with this, our investment in research and innovation in the agriculture, forestry and food sectors has doubled, reaching 3.6 billion Euro for the 2014 to 2020 period. Climate smart agriculture is also one of the key topics for the almost 3000 innovation projects, which are expected to receive funding from the Rural Development budget.

***(Credit)***

- Many farmers and agri-food producers will need to invest to meet these future challenges. And I am fully aware that there is currently a **market failure** in terms of farmers' access to suitable credit and financial instruments tailored to the agri-food sector.
- **ICMSA has been to the forefront in highlighting the fact that average interest rates for Irish SMEs – and I view farms and agri-businesses as SMEs - are over 200 basis points above the Eurozone average.**
- Volatility has increased in recent years, through **price variation for dairy products, as well as increased input costs.**
- This pattern presents problems for all dairy farmers as they cannot plan cash flow with reasonable certainty. This also affects the level of debt which can be raised and serviced.
- I believe farmers and their families need a level of certainty on their income throughout the volatility cycle to give them confidence to make investment decisions.

- These investments are a crucial determinant for agricultural productivity and production.
- Policy makers and industry can create the tools to facilitate this certainty, otherwise our agricultural sector will not realise its growth potential.
- Minimal tools are currently available to farmers to hedge price volatility.
- Farm earnings and cash flow are highly sensitive to price movements.
- This is amplified where debt is in place and we need to see capital repayments flexed to ensure the impact on farm earnings is minimised.
- I am working hard to find a solution at European level. A memorandum of understanding has been signed between the EIB and my department. I want to leverage the Bank for the benefit of farmers and industry. This is the biggest private bank in the world, owned by the 28 EU Member States and it has a key role to play.

- Remember that more than half of our dairy farmers are over 55 years of age. Only 6 percent of EU farmers are aged below 35 and the figure is falling. We need to provide these tools to drive vital generational renewal.
- Any risk management tools for the EU dairy sector must take on board the challenging features associated with milk production against a background of ongoing volatility.
- In other words: Bespoke solutions are necessary and desirable.
- **I want to make it clear to you that this issue of access to finance remains an absolute priority for me, as it has been from day one of my mandate. My ambition, and my approach to achieving this ambition, has not changed.**
- I have had numerous meetings over the course of 2015 with key leaders at the EIB. Indeed I met with them only last month. I have submitted my proposal for a volatility-based, flexible financial instrument tailored to the agri-food sector. And I will continue to pursue this objective with vigour and determination.

- **Measures to promote Financial Instruments can also be included in national rural development programmes. If requested, I will not hesitate to modify and change the Irish rural development programme if it means better access to finance and better credit terms.**

***(Food Chain)***

- I'd now like to turn to the food chain. I don't need to tell you that there is a job of work to be done, on multiple levels, if this difficulty is to be resolved.
- Too many EU Member States are faced with the issue of farmers being forced by market developments to sell at lower and lower prices. We need to do our utmost to strengthen their position in the food chain.
- This will happen through collective bargaining, through forming Producer Organisations and, possibly, through appropriate EU-level regulation. For instance, we are looking with interest at what is done in Spain, the UK, Latvia and elsewhere.

- 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.
- 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 fairness and sustainability in the food chain.
- Any medium-term solution for stable agricultural markets will require strong action. 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.

- 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 – probably in the first quarter of next year.
- MEPs have just voted to approve their opinion on Unfair Trading practises. Mairead McGuinness drafted this document, which calls for further legislative initiatives to be taken by the Commission. The adoption of the report by the EP is foreseen spring 2016.
- And I would remind you again that the **agri-markets task force' will be up and running in early 2016, and will report to me within 10 months. I look forward to discussing its findings with you and other stakeholders.**

## ***(Conclusion)***

- Ladies and gentlemen, this is a time of transition and evolution in the agricultural sector, not only in Ireland and Europe but globally.
- The farmers and agri-businesses who adapt fastest and most efficiently in the present, will be best placed to take advantage of growing demand in the future.
- 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.
- **Irish and European farmers are well-placed to meet that demand.**
- My pledge to you is that the CAP will continue to adapt and improve to provide the policy foundation you need. I look forward to hearing your ideas and proposals. Thank you for inviting me here today.