

# Speech of Commissioner for Agriculture and Rural Development, Phil Hogan at Irish Farmers Association 60<sup>th</sup> Anniversary,

6<sup>th</sup> January 2015, Dublin

- Checked Against Delivery -

## *(Introduction)*

- Ladies and Gentlemen, a chairde go léir,
- It is my honour to give the keynote address to the 60<sup>th</sup> Anniversary Celebration of the Irish Farmers' Association.
- Whereas I am here today in my role as European Commissioner for Agriculture and Rural Development, as a man born and bred into a farm family in Tullaroan, Co Kilkenny, as a former branch chair of Macra and as an elected representative for a rural constituency for 32 years, I am keenly aware and appreciative of the role of the Irish Farmers' Association as one of the pillars of rural Ireland.
- In fact, the IFA is one of the most successful movements, not just at Irish level, but in the whole of Europe.
- That role in representing the interests of farmers and rural people has been second to none over the past sixty years. In fact, the way it has *gently coaxed* national governments and EU institutions down the years could be held up as an example in how citizens can organise and unite to advance their common goals.

## *(Yesterday)*

- Looking back at the history of Irish agriculture from the foundation of the then NFA in 1955, it is impossible to view any of the big changes without seeing clearly the role of the IFA in shaping the big outcomes. We remember today all those who served as key officers at national and county level, from Juan

Greene to Eddie Downey, and those who are gone to plough their own furrow in a new and eternal place.

- The Ireland of the 1950s was a land of subsistence farming and mass emigration. To farm the land back then was an exercise of survival, with scant domestic demand for foodstuffs and weak export prospects as the then Government operated a policy of economic self-sufficiency. Ireland was effectively shut out of a Europe booming through post-war recovery and Marshall Plan dollars. It was in this context that the NFA became a voice, a voice to be reckoned with.
- The 1960s were a decade of Civil Rights movements across the Western World. The Farmers' Rights Campaign mounted by the IFA in 1966, led by Rickard Deasy, Jim Mullins and TJ Maher, captured the imagination not just of the Irish body politic, but of Europe as a whole. The campaign instigated a practice that we accept as normal and every day, but was then revolutionary – the practice of farm groups sitting down and setting out their priorities and concerns with politicians in an organised and effective manner. The tenacity of leadership ensured that politicians had to take note of a new and well-organised structure that was here to stay.
- The 1970s were about three letters and a big idea – the EEC. Yet again, the IFA were visionary in campaigning vigorously to deliver rural Ireland for the Yes side, by explaining the huge benefits EEC membership had for Irish agriculture. It is interesting that back then, the arguments in favour were predominantly about market access – the same arguments hold true today in respect of the global trade deals.
- Farm leaders knew that it was better to have several neighbours rather than one, in order to get assistance for the Irish farming cause in times of difficulty. Many moons ago, John Dillon said to me, "if you want to go fast, go alone, but if you want to go far, go together" and that's what the IFA is all about.
- EU membership has been of enormous benefit to Irish agriculture, whether in terms of providing market access to over

500 million people or providing vital income support worth some €1.2 billion annually to Irish farmers.

- From the beginning of Ireland's membership of the EU, the IFA has been a permanent and influential presence in Brussels, interacting with all the EU institutions. They seized the opportunity and sent Alan Dukes over to make the most for Irish farmers out of the new opportunities that were presented by EU membership. In subsequent years, the IFA has had outstanding representatives in Brussels in John Smith, Eugene Regan, Gerry Kiely, Michael Treacy and now Liam MacHale. These people gave a face to Irish farmers in Brussels and gave voice to Irish farmers' interests, where it matters.
- Former Presidents like TJ Maher, Paddy Lane and Alan Gillis went on to represent Ireland with distinction as Members of the European Parliament.
- With additional income in the 1970s, farmers could stand tall and stand out in dancehalls around the country once again! It was a time when real partnership emerged in family farming and farm women came into their own and asserted themselves as an integral part of the farm business. Their increased contribution has strengthened Irish farming over the decades.
- The 1980s were a torrid time for Irish agriculture. High interest rates, huge farm debt and significant problems with the banks. The IFA stood tall under Tom Clinton in that era to negotiate deals with the banks to save many farmers from going to the wall. Of course 1984 will forever be remembered as the year when milk quotas came into force. You will recall that the Taoiseach, Garret Fitzgerald, walked out of a European Council as the deal being offered to Ireland was not sufficient. As a result of his hard bargaining, Ireland got an almost 5% extra quota, when all other countries took less or at best stood still. That a man from Rathmines, who wouldn't know a cow from a bullock, engaged in such hard bargaining to the benefit of Irish agriculture, can in large part be attributed to the persuasion of the IFA at the time, led by Michael Berkery, Donie Cashman, Joe Rea and Con Lucey.

- The 1990s were all about one big name and one big reform – MacSharry. It was a difficult time for farmers and EU policymakers as both sides grappled to come up with a system to end the practice of butter mountains and wine lakes whilst compensating farmers for their loss of income.
- Ray MacSharry squared that circle with the introduction of direct payments. He was a man who brought in real reforms as a Minister in Ireland, which paved the way for the Celtic Tiger. He brought in real reforms at EU level, which now has paved the way for the EU to become the largest player in the global agri-food market. History remembers him as a Commissioner who delivered reform without fear or favour. He did so because they were the right decisions for the EU and for Ireland at the time.
- The 2000s were about the big trade negotiations, particularly in relation to Brazilian beef. If there is one thing I have learned from the IFA's landmark victory in preventing Brazilian beef flooding EU markets, it is the value of a sustained, informed campaign and the value of highlighting the quality and traceability of our Irish and EU product. My fellow countyman John Bryan was at the forefront of that campaign, alongside Michael Treacy, Michael Berkery, Kevin Kinsella and Pdraig Walshe.
- Anniversaries are about remembering the past. Allow me to take you back once again to the origins of the IFA. Let's think about what things were like 60 years ago when the IFA was founded (I would have to use my imagination here since I was not yet born at that date!). Ireland was not yet a member of the then European Economic Community. **Irish agriculture had roughly three times more farmers than today, the share of agricultural land was 5% higher than today, while cattle, sheep numbers are 50% to 80% more today than back then.**
- But the most dramatic transformation is elsewhere. **Back then at home, one hectare of land produced on average 3 tonnes of wheat, which in world markets would generate enough hard currency to purchase 105 barrels of crude oil. Today,**

**the same hectare of land produces almost 9 tonnes of wheat, yet it only purchases 40 barrels of crude oil, even at today's collapsed oil prices. This is just one way of reflecting the links between energy and agriculture.**

- The above examples tell their own story. Agriculture today is a totally different sector than when the IFA was first set up. It is even a different sector than when you celebrated your 50<sup>th</sup> anniversary 10 years ago. Then, Ireland's agriculture was just coming out of the Foot and Mouth crisis which caused significant damage to our farm sector.
- Just yesterday, 2015 got off to a great start, with the announcement of the re-opening of the US market for Irish beef after a long hiatus. John Donnelly and Tom Parlon were at the helm during the BSE crisis. Together, they worked to steer the ship through those dark days when BSE was a front page news story across the world. No doubt they are delighted that their hard work is now rewarded and the United States is open for beef business.
- The value of this to Irish agriculture cannot be understated. With the euro at a 9 year low against the dollar and with grass fed beef already enjoying a premium in all cuts, the possibilities for growing exports and revenues are enormous. The US is an 11 million beef tonne market so Ireland will be first out in securing market share in the high value market segments. With our cultural links to the US, it is not hard to dream up an alluring marketing campaign to attract the 40 million Irish Americans and more besides back to eating Irish beef.

***(Today)***

- In the current era, the IFA has as relevant a role to play as ever before. The economic crisis in Ireland inspired us all to reconsider what we do best in Ireland. We have got back to basics and the economic recovery has been driven by exports. The agri-food sector, one of our few real indigenous industries, has contributed more than any other to the recovery. **In 2013**

**alone, 61,000 new jobs were created in Ireland – agriculture, forestry and fisheries contributed 30% or almost 27,000 jobs.**

- While much of the international focus Ireland receives is its status as a European technology hub, Ireland's domestic economy is rooted in agriculture. **Irish food and drink exports have increased by 40 per cent over the past four years. The sector is now the largest indigenous industry in Ireland employing 167,000 people.**
- **I believe the scale of the agri-food sector in Ireland and across the EU is both large and under- appreciated. Across the EU the sector employs 46 million people and exports are now in excess of 110 billion euro.**
- In current affairs, anyone reading the news is bombarded with discussions about political winners and losers from the turmoil in the world energy market. But where does the collapse of the crude oil price leave agriculture at home and in the EU? Once more, farmers are faced with volatile markets that are driven by events that are beyond farmers' control. And, as is usually the case, when it rains it pours! The dollar is up, so commodity prices go down. The weather is good, the harvest is very good, so agricultural prices go down. World demand stumbles a bit, prices see further downward pressure.
- But Irish, and by extension European agriculture is a dynamic sector that has proven its resilience and capacity to adapt to the new global context. We only need to look at trade statistics as an example. **Despite a high euro, despite higher production costs, despite all the reasons you can think of that would make European agriculture look less competitive than others, agri-food trade has been a persistently good story for the last half decade or more.** In the case of Irish agriculture, the trade figures are healthy for both our EU partners and for global markets; for EU agriculture as a whole, Europe has

become the largest exporter of agricultural produce in the world – a stunning achievement for a continent that always seemed at risk of being flooded with cheap imports in the past.

- To explain this paradox we have to look at the strengths of Irish and European Agriculture. Our comparative advantage is the high quality and high value added of our product, the diversity of our agriculture and the accompanying recognition in the eyes of consumers around the world that European produce is second to none. Irish milk, Irish beef, Irish lamb and many other Irish products are now seen as delicacies, as highly desirable food produce on the tables of the aspirational middle classes from Brussels to Bahrain and from Shanghai to Chicago.
- Of course, this export success is a relatively recent situation. The successive reforms of the CAP which, despite initial concerns, allowed the gradual but steady transformation of EU agriculture. As I mentioned already, the MacSharry reforms moved us away from wine lakes and butter mountains towards a market-oriented CAP, with the reforms to Direct Payments providing Farmers with a steady flow of cash, cushioning them somewhat but yet at the same time allowing them to better adjust to the signals they received from the market.

### *(Input Costs)*

- However, the success of the market-led reforms of the CAP does not mean we should not cease to be vigilant at all times and at all stages along the supply chain, from feed and fertiliser to the processors and retailers.
- How is it that, even though the Brent crude oil price has fallen by in excess of 45% since June 2014, with gas following a broadly similar path, yet I read over Christmas that Irish fertiliser prices are going to increase by 7% in 2015?
- **I am not happy about this.**
- *I will raise this with my colleague, the Commissioner for Competition, Margrethe Vestager, who will not hesitate to investigate any instances of potential activity which breaches*

*competition rules. It is important that input costs reduce in line with the general fall in energy prices.*

- Just like on the retail side of the equation it is clearly obvious that highly concentrated input suppliers have real pricing power and are using that power. It looks to me that the margins being extracted are far higher than can be justified particularly considering the current benign backdrop on energy prices that I have just mentioned.
- **The present Supply Chain Initiative at EU level unfortunately still does not cover all relevant actors. I will not hesitate to call for changes so that farmers are not put out of business arising from the squeeze on their margin of profitability. All players in the food chain should realise that it is imperative that producers get a decent return for their raw material. Without producers none of the downstream businesses would even exist.**

*(Tomorrow)*

- When it comes to the future, EU agriculture finds itself once more at a crossroads. With a new reform of the Common Agricultural Policy (CAP) behind us and its implementation challenges ahead, the focus of a fragmented public debate is often placed on the minor detail, and not on the big picture.
- Yet the "big picture" is one of persistent economic, environmental and social challenges in a rapidly changing economic and geopolitical environment. Policy and trade reforms have increased market orientation.
- The EU population will not grow much if at all over the next decades. Whereas we plan for real GDP recovery and growth in the EU economy, the nature of EU demographics mean we will have to earn our keep on the global market place. Prospects, in other words, for growth in demand in the EU are unlikely.
- Compare that with the rest of the world. World demand for agricultural products will keep increasing; the global population will increase by 760 million over the next 10 years alone, all of

which will come from Asia and Africa, creating opportunities for exporters and favourable market prospects that European agriculture can and must exploit. **The EU, which is in constant competition with the US for the rank of top exporter of agricultural products on the planet, is distinguished, as I mentioned already, by our potential to add value and diversity on what is exported from the broader food industry, thus providing us with the unique opportunity to satisfy a growing demand for food when it comes to quantity, quality, nutrition and sustainability.**

- **When it comes to EU negotiations with the USA, I will ensure that EU food quality standards are protected in the interests of our consumers.** EU farming practices related to traceability will not be put aside for the conclusion of any export deal and I can assure you that this view is one that is held more widely in the Commission and will be fully reflected in the Commission's negotiations with the US.
- Demand in Asia for dairy products is expected to keep growing, while no additional supply to cover this need can be found either in Asia or in Oceania for that matter, which is much closer to us as a region. **It is hard to find a sector with more promising prospects than dairy in the future. The recent price declines, from very high levels, are as expected. There will be volatility in light of quota abolition and the 5.5% increase in production which we saw in 2014, but this will be a short term issue. So, let us not talk ourselves into a crisis!** I will spend most of my time in 2015 exploring with Member States new market opportunities and am confident of many successes.
- It has become evident that European agriculture is more and more affected by developments in world agricultural markets, which makes it more vulnerable to external shocks. This is accentuated by European agriculture's fragmented structure compared to the downstream sectors, by high production costs (e.g. for land, labour and energy) and by a producer income level which remains on average significantly below the rest of the economy. In addition, the scarcity and degradation of

natural resources will continue to constrain production, and climate change will add additional limitations and risk, with increased societal expectations about the role of agriculture in delivering public goods such as cultural landscapes, preservation of the countryside and so on – all of this will put pressure on the sector to adjust to face these new realities.

- However, we should also exploit the potential of the agricultural sector, improve the delivery of the policy, and contribute to the on-going debate about EU governance.
- We must recall the historical mission of the CAP itself: it came about to serve a Europe after World War II where food security and the threat of widespread hunger and malnutrition were clear and present dangers. This mission of delivering food security for EU citizens and contributing to global food security must be highlighted now more than ever, in a world of rapidly increasing population and diminishing natural resources. This public good – food security – is of utmost importance in justifying the existence of the CAP to certain sectors who would otherwise question public expenditure in such an important area.

*(Conclusion – future vision for Agriculture)*

- Ladies and Gentlemen
- When we look towards the future, we need to elaborate a long-term strategy that encourages the agri-food sector to exploit emerging opportunities whilst minimising the costs of necessary adjustments. To exploit these opportunities the agricultural sector needs to have a clear focus in the longer term and the big picture. We need to build upon our successes of yesterday and today to build a strong and sustainable farm sector for tomorrow. **But we also need to develop a strategy that will break with the weaknesses of the past. To achieve this, pursuing some clear long-term priorities will be crucial. We need to:**
  - **consolidate agriculture's market orientation and enhance its competitiveness and productivity;**

- **we need to equip farmers with the expertise and knowledge to address EU agriculture's multiple challenges;**
  - **we need to inject new vitality in rural areas by increasing the impact of agriculture's direct and indirect links with the upstream and downstream food-related sectors, from inputs and food to tourism and research;**
  - **we need to strengthen the sector's role in the food chain in light of market concentration in the food processing and retail end;**
  - **and we need to contribute to the renewal of agriculture by encouraging young farmers to get involved.**
- Mr President, the IFA was founded in an era of agricultural expansion – at a time when James Dillon advocated a policy of "one more cow, one more sow and one more acre under the plough." He did so for the purpose of generating exports and thereby wealth and jobs for our country. Today, 60 years on, we are expanding again. But this time, we are in an era where Ireland is part of a global market.
  - Irish farmers can stand tall in this global market place as being at the forefront of a "race to the top" in terms of appreciation of high quality food.
  - This is my vision for Irish and EU agriculture for the coming years. I congratulate the IFA on 60 successful years in existence and I invite you to join with me in driving Irish and EU agriculture forward towards 2050 and beyond, a world of over 9 billion mouths to feed, a world where Ireland, the food island will continue to play a central role in feeding the world.

**Go raibh mile maith agaibh agus Athbhliain faoi mhaise daoibh go leir!**