

Speech by EU Commissioner Phil HOGAN at the

Conference "Agri 2015"

Leipzig, Thursday 23rd April 2015

Dear Ministers and state secretaries,

Dear farm union leaders,

Dear Mr Hemmerlin [Moderator]

Ladies and gentlemen, (Meine Damen und Herren)

It is a great pleasure to be with you today and to join such a distinguished panel of speakers. I'd particularly like to thank Peter Jahr for inviting me to this Conference here in Leipzig. Since my appointment as Commissioner, I have had a number of engagements with the Agriculture and Rural Development Committee of the European Parliament, whose members are very well informed on the issues of the day and Peter can certainly be numbered among those.

Having made a few visits to Germany already, I am particularly pleased to have the opportunity to visit this part of the country and to be able to engage with political and farm leaders in the Lander of Thuringia, Saxony and Saxony-Anhalt.

The theme of today's Forum is indeed very thought-provoking and perhaps it is worthwhile taking a minute to stand back and ask ourselves whether the 2013

reform of the Common Agricultural Policy has in fact created a "monster of bureaucracy".

I think it's an intriguing question and I suspect that many people would say that it has. However, I would say that it is very early to draw such definitive conclusions, given that the new rules for CAP Direct Payments only entered into force at the start of the year.

What I would say, however, is that most regulatory policies of which I am aware and of which I have had experience - whether as a member of my local municipality, as a member of the Irish Parliament, as a Member of the Government or as European Commissioner - can be simplified.

Before addressing issues relating to simplification, I would like to set the context within which the last reform was proposed, negotiated and finally agreed.

The 2013 Reform was the first time that a reform of the CAP was decided following the Lisbon Treaty and under the "co-decision" process. The significance of this is that Peter and his colleagues in the European Parliament participated as equal co-legislators with Agriculture Ministers. That gave your public representatives a direct input to the policy.

Contrast that with the previous big reform of the CAP in 2003. That agreement was essentially reached by putting the then 15 Ministers of Agriculture and the European Commissioner in a room and waiting for them to agree something.

This time, however, there process was complicated by the increase in the number of ministers from 15 to 28 at the end as well as the involvement of the European Parliament. Both Institutions came to their respective views on the

Commission's proposal before all three Institutions sat down together to negotiate an acceptable agreement, which was reached in 2013.

There are a couple of points that I think are worth acknowledging – firstly, I believe that the outcome of those negotiations is a better one for the involvement of the European Parliament though, secondly, the achievement of an acceptable agreement that satisfied the wide variety of interests and concerns of 28 Member States as well as the Members of the European Parliament, has added a greater complexity to the policy.

I say this only to make the point that because all three Institutions have a shared responsibility for the policy as it exists, so too do we all share a responsibility to do what we can to simplify it.

That brings me to my priority for 2015 – the simplification of the CAP. Both before and since my appointment as Commissioner, I have been hearing about the complexity of the new CAP and the increased administrative burden that it has placed on farmers, other beneficiaries and managing authorities. Given the potential that I believe that European agriculture has, I want to reduce the burden on farmers and allow them to do what they do best – produce high-quality food.

During the negotiations on the CAP, the most frequent refrain was a call from all sides for greater 'flexibility'. What was pointed out time and time again was that the other side of the 'flexibility' coin is 'complexity.' Responding to meet the specificities that apply in such diverse regions as Malta, Ireland, Northern Finland and the Azores, to say nothing of Dresden, Erfurt & Magdeburg, is a challenge and one that is not easily met.

As if to illustrate the point, it is worth recalling that the final regulation for common market rules is in fact one third longer than the proposal originally tabled by the Commission because of all the various additions introduced in the course of the negotiations.

This is, however, not an argument against co-decision and a desire to return to the pre-Lisbon days. Rather, it is simply a reflection of the new reality within we must all now operate. As I've said, I feel it is not alone very important but also entirely appropriate that elected members have a direct influence on the negotiations. It addresses an important democratic deficit that existed in the European policy-making process.

One of the major challenges faced in the course of the reform was how to define common rules with sufficient flexibility to take into account national or regional differences.

For Rural Development, we have managed this regional flexibility for some time, and this seems to work well. For the system of Direct Payments, because of the rebalancing of the financial envelopes between Member States and other changes, including greening, we have provided considerably more flexibility to national and regional administrations. And this is one of my key messages to you today.

If you feel that the reformed CAP is a monster of bureaucracy, the finger of responsibility cannot simply be pointed at Brussels. Flexibility has been provided and choices have been made by national and regional administrations across Europe and, for example, the frustrations being

experienced by German farmers may be just as appropriately directed at your federal or regional administrations.

Before getting down to the more concrete details of CAP Simplification, there is one other important consideration of which I should remind you. The CAP, which accounts for over one-third of the EU budget, is funded by European Taxpayers.

Because this is taxpayers' money, CAP spending is, as it should be, managed very carefully by the European Commission. Everything that we do in terms of budget management is monitored very closely by the European Court of Auditors and also by Peter Jahr's colleagues in the European Parliament's Budgetary Control Committee.

It is essential that the interests of the European taxpayer are protected and the integrity and credibility of the CAP is maintained. This is in all our interests. I want to protect the budget for the CAP and obviously so do you. It is, therefore, inevitable and indeed necessary, that there will always be a certain amount of bureaucracy linked to CAP Direct Payments in order that we can verify that the money is spent correctly.

Now let me turn then to the question about **CAP Simplification**. As I said in my EP Hearing, the one thing that about CAP simplification is that it is not simple. Nonetheless, I still decided to make simplification a top priority for my work programme in 2015.

We must find the balance between improving the work of farmers without diminishing the operational effectiveness of the CAP as a whole and, at the same time, maintain a predictable and clear regulatory policy framework for

farmers. This is most important for me because it influences competitiveness and contributes to the key objective of driving growth, jobs and investment of EU agriculture. In Europe, we have a vibrant and dynamic agri-food sector, with enormous potential for growth. The cornerstone on which that sector is built is our high-quality agricultural production.

My approach to simplification is inclusive and pragmatic. I want to focus on the current policy framework and involve stakeholders. This is not a process which will be dictated by the Commission. Rather, I want practitioners to give me the benefit of their experience. At the end of the day, it is you - the beneficiaries - and the managing authorities who have most to gain from this process.

That said, DG Agri is not simply sitting back waiting for ideas and suggestions. Already, my services are making very good progress on a comprehensive screening all the existing legislation to identify areas where adjustments and improvements are feasible. As I'm sure you're aware, I have asked for contributions from Member States, European Parliamentarians and stakeholders about what we could change.

I have received specific simplification proposals from the German Federal Government in reply to my invitation to contribute to the process and 14 proposals from the German Farmers Associations.

All of these proposals, including those made by the Germany and other Member States, by MEPs and stakeholders are currently being examined by my services. Perhaps the challenge which simplification presents is best illustrated by the fact that the proposals made to me to date exceed 1000 pages !

The very constructive work of the Council and Parliament is continuing and, having regard to the submissions made, I propose to come forward with more detailed simplification and subsidiarity proposals later this year.

I am very pleased that the Latvian Presidency proposes to put the Simplification of the CAP is on the agenda of the next Council meeting of EU Agriculture Ministers on May 11 and I look forward to a further constructive engagement with Christian Schmidt and his Council colleagues.

At this early stage, I have identified 3 basic principles that we should follow

- 1) Respect the basic political decisions of the 2013 reform;
- 2) Avoid any weakening of the sound financial management of taxpayers' money; and
- 3) give priority to the areas causing most concerns for farmers.

On the specific elements linked to the **Direct Payments system**, and what we call the Basic Payment Scheme, I must pay tribute to Germany as it is one of the few Member States that decided not to use all the options which are permitted by the CAP legal framework. Germany is, for instance, the only Member State which decided not to introduce Voluntary Coupled Support Schemes. While there may be different views about this decision, it does make it easier to implement the reformed payment system and should help in reducing the administrative burden. I am particularly anxious that the different experiences from Member States and their impact on the complexity are brought forward and discussed at EU level.

Perhaps one of the areas of CAP reform that generates most comment is the **Greening aspect** of the CAP. So, let me say a few words about it.

Because this is a new element of the CAP, it is inevitable that there are many new rules and administrative requirements than for some other aspects of the CAP. And because it is new, past experience suggests that there will be a number of teething problems.

However, our main priority now must be the efficient implementation of the process – bearing in mind that the precise implementation is, to a large degree, dependent on a number of choices made by the individual Member States, or the *Länder*. I am listening very carefully to what I hear around the EU and at events such as this one today. But what I would also say is that I had been hearing criticisms of the burden imposed by greening before it was introduced.

The new policy is now in place for just four months and I want to hear the real experiences of farmers with real evidence of the burden imposed. While whatever burden is imposed is one issue, we must also look at the greening in terms of the objectives which it sets out to achieve and consider whether it is meeting those objectives.

As you are aware, I am obliged to review the Ecological Focus Areas after their first year of operation and to present a report to the Council and Parliament by March 2017. While this is just one, though a hugely important, element of the greening aspect of the CAP, it is important to note that it will be based on the evidence of a full year. In the same way, with regard to the other elements of greening, it seems sensible to me that we should gather the experience and data from a full year and base our conclusions on that experience and data.

I intend that the experiences of Member States in 2015 will make a key contribution to our simplification proposals.

Chairman, I am conscious that you have assembled a very distinguished panel of contributors to today's debate and I am equally conscious that many or all of them have more direct experience of the implementation of the new CAP, albeit just four months into the new regime.

While these are the main points I wanted to make about the CAP simplification process, I would, before concluding like to say something about the **importance of agriculture** and the agri-food sector across Europe.

This sector, in which we all have a stake, has enormous potential to create growth and jobs across the EU, especially in rural areas. In the country I know best, agriculture and the agri-food sector has played a crucial role in stimulating economic recovery in Ireland, and I am convinced that the economic, environmental and social importance of the sector will be crucial for recovery at EU level.

I would like to underline that the CAP is about more than just Direct Payments. The 2013 reform has built on previous reforms and made the CAP more market-oriented. This is the future of European agriculture and of the food industry across the EU as we identify and exploit new market opportunities and ensure that the sector realises its full potential.

With that, I would like to bring my initial contribution to a conclusion. I look forward to our panel discussion and just as I want to thank you for listening to me, let me assure you that I am here very much to listen to and learn from you.

Thank you.

