

Speech by Commissioner Phil Hogan at 3rd Madrid Food & Drink Summit

***- "EU Food & Drink Production – Future Perspectives
for Economic Opportunities"***

Thursday 11th June 2015,

- Check Against Delivery -

(Introduction)

- Ladies and Gentlemen, it is my great pleasure to be with you this afternoon.
- This is my second visit to Spain since becoming Commissioner, and I have been consistently impressed with the high quality of your food produce, and the high quality of your food systems.

- Indeed, the very existence of this annual summit reflects the central importance of the food and drink sectors to your culture, to your economy, and to both locals and visitors in Spain. The Food and Drink Summit represents a welcome opportunity for key players in the sector to come together, assessing the contemporary situation and exploring its challenges and opportunities.
- I am very pleased to be a part of this discussion today. It is clear to me that you have a very serious conviction you that the agri-food sector can be a real driver of economic growth and job creation in this country.
- This is precisely the type of attitude I am promoting as EU Commissioner, and today I hope to outline to you in some detail how these ambitions will be furthered.
- First of all, I like to remind knowledgeable audiences such as this one that I have a deep personal understanding of the sector, having been raised on a family farm in the south of Ireland. **It is therefore a question of personal conviction, as well my professional objective, to maximise the ability of the agri-food sector to contribute to economic growth and prosperity, in Spain and throughout the EU.**

(Context: Spanish food industry)

- Allow me to remind you, ladies and gentlemen, that the European Commission recognises the significance of the agri-food sector in Spain, and we also recognise the importance of Spain at European level as one of the biggest agri-food exporters among EU member states.
- We noted with interest that in 2014, Spain exported in total more than EUR 37 billion, while imports attained around 25 billion, resulting in a positive balance of EUR 12 billion. Trade balance is increasingly positive going back a decade or more. We believe you have excellent potential to build on these strengths, including in the food and drink sector.
- 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.**

- Also, significantly, Spain maintained a good export performance in 2014 even after the negative impact of the Russian ban.
- I will avail of this opportunity to remind you that the Commission acted swiftly and decisively when the Russia situation escalated. Four Delegated Regulations allowing for temporary exceptional support measures were adopted, covering the period from August until 30 June 2015, including in the area of fruit and vegetables, which is so vital for the Spanish agri-food sector.

(Promotion)

- You will also be aware that the Commission announced a significant increase in the Promotion budget from €60m to €200m over the next four years. We believe this will decisively assist producers and associations to find new alternative markets for their products.

- The EU co-financing rate will also increase. In future, 70% of the co-financing will come from the EU for campaigns presented by an organisation from one Member State, and 80% for so called "Multi-programmes" developed jointly by organisations from several Member States. EU co-funding is also 80% for campaigns targeting third countries, and 85% for crisis measures.
- We expect the proposed changes will also simplify the procedures and cut red tape for the selection and management of the campaigns. Selection will be done by the Commission, rather than in two phases as is currently the case
- We will have business-oriented campaigns, for a better return on investment: The list of products eligible is enlarged, particularly to processed agri-food products, such as pasta or bread; and the mention of the origin of products and brands will be allowed within certain limits.
- We will provide assistance to the various agri-food sectors to expand and diversify agricultural exports: with a yearly work programme of the Commission defining strategic priorities on internal and external markets, and identifying key markets on the basis of macroeconomic and legal analysis.

- This message should resonate in your country. Due to its high competitiveness, with a 40% share of total exports, Spain has for the last decade and more been a major actor and exporter in the fruit and vegetables sector, for both fresh and processed products.
- Furthermore, high-value added products, notably wines, olive oil, meat, processed products and GI's, also contribute to Spanish export performance and the trade surplus. For wines and olive oils, in particular, Spain ranks among the global leaders in the sector.

(Agri as a driver of growth & jobs)

- So there is a long-established tradition of a vibrant food and drink trade in your country. **And there is much more that can be done.**
- For my part, I am absolutely committed to using my mandate as Commissioner for Agriculture and Rural Development to make the greatest possible contribution to the ambition for growth, jobs and ultimately prosperity in rural areas across Europe.

- The first thing to be noted is that the global patterns are highly favourable to making this a reality: worldwide demand for high-quality food is set to increase steadily in the coming years, particularly in the emerging markets of Asia and Africa. Every year until 2030, more than 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, such as those produced right here in Spain.

(Trade)

- **This is why I am ambitiously pursuing new markets for our high-quality traceable European products.** 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 am proactively promoting the opening of this important market to dairy products, fruit and vegetables and other high quality EU product, in particular our world-renowned GIs. However, I will not compromise on EU food quality or traceability standards.

- Allow me to assure you that this important principle will be adhered to by all the European Commissioners involved and will be fully reflected in our negotiations with the US.
- **EU food and drink standards and sensitive sectors will not be sacrificed on the altar of any trade deal.** I am fully aware to the need to consider carefully specific sectors when considering liberalisation with trade partners, in particular when they have to respects stringent production rules in the EU; I have made it clear to our American counterparts that a vital part of our quality-based approach is our GI origin products, which represent 30% of EU agri-food exports to the U.S, worth some €3.4 billion. GIs are a key driver in creating and supporting jobs in the rural areas where they come from, for farmers and small to medium sized enterprises, in the food, drink and tourism industries. GIs are about rural intellectual property, and rewarding quality in and for rural areas.
- I am also seeking further and more robust protection for GIs via the ongoing modernisation of the Free Trade Agreement with Mexico.

- **I know you will agree with my assessment that our GI regime can be considered one of our success stories, and Spain has been and will remain at the heart of that story.**

(Competitiveness & Simplification)

- I am also doing my all to enable the agri-food sector to become more competitive. From the European point of view, one key step in making this happen is by providing **simplification** to the agricultural sector.
- **This is why I have made the simplification of our shared European food and agriculture policies a top priority for my work programme in 2015.** I believe we must take every possible step to allow farmers and agri-businesses to achieve their full business and job-creating potential.
- Simpler rules will make for greater competitiveness, improving the work of farmers and agri-businesses without diminishing the operational effectiveness of the CAP as a whole.

- Earlier this year I already launched a comprehensive screening exercise of the entire CAP to identify which sections may need simplifying and which, in line with the subsidiarity principle, should be better left to the Member States.
- I want to minimise the red tape which is limiting the potential of the agri-food sector as a whole. It is currently governed by about 200 different regulations - I have set a target to my services of reducing that to 50.
- As you may be aware, 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.

(Food Chain)

- Also, I believe that a number of improvements in the operation of the food chain will serve these ambitious goals. As you are aware, the recent CAP reform includes a number measures to improve cooperation through the chain. 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.
- Good work is already happening with a view to strengthening the food chain here in Spain. I commend 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 continue this important momentum.

- **Ladies and gentlemen, there is a growing awareness in Europe that investing in the agri-food sector is an increasingly attractive and decisively rewarding prospect.**
- For existing business operators in the sector, the Commission is encouraging a renewed emphasis on research and innovation to improve efficiency, sustainability and quality.
- **And we are doing so not just with policies but with funding. Europe is putting its money where its mouth is to back entrepreneurship, innovation and collaboration in the sector. We expect that targeted investments, allied to the can-do attitude of the European agri-food sector, will lead to significant increases in productivity and efficiency in the coming years.**
- There is €3.6bn available at EU level between now and 2020 to fund synergies between Agriculture and Research, via Horizon 2020 and the European Innovation Partnership for "Agricultural Productivity and Sustainability", or "EIP-AGRI". The EIP-AGRI is a major policy and networking initiative designed to speed up innovation on the ground.

- Concrete innovation projects can also be funded under the Rural Development Programmes, in other words they can be co-financed under the new Common Agricultural Policy.
- At European level, the EIP AGRI will promote networking between science and practice and provide innovative solutions benefiting the agricultural sector and the food chain as a whole.
- Also, in order to support the significant investment which will be required for farmers and agri-businesses to facilitate these changes, I have been working with the European Investment Bank to tailor a Fund offering affordable finance over a 15-20 year horizon to farmers wishing to upgrade and expand their production.
- It is vital that we create the right enabling environment to bring the private sector fully into this equation: our ambitions cannot be achieved without adequate investment.

(Conclusion: Opportunities in the Agri-food sector)

- Ladies and gentlemen, it is increasingly recognised at all levels of European and national decision-making that agriculture is of critical strategic importance to economic recovery, with huge potential returns both commercially and economically.
- From the EU point of view, my commitment is to provide policy consistency to our innovating agri-food operators, so that you can confidently undertake long-term investment and take advantage of global demand increases, promoting innovation as a motor for quality and added value.
- **The agri-food players which will move fastest to meet this demand are the ones which prioritise investment, innovation and collaboration. I believe Europe, and Spain, can and must rise to this challenge.**
- **Thank you very much – muchas gracias! – for your attention.**