

Speech by Commissioner Phil Hogan at "DEVCO Days"

- *"Presentation on the CAP to Heads of Delegation"*

4th March 2016, Brussels

- Check Against Delivery –

(Introduction)

- Esteemed Heads of Delegation, Ladies and gentlemen,
- I'm very glad to have the opportunity to engage with you this morning. I hope that my colleagues and I can contribute to deepening your understanding of the reformed CAP. I also hope that this knowledge will serve you well in your day jobs.

- The main message I want to deliver today is a simple one: **the CAP has changed to reflect a changing world, and I firmly believe it has evolved for the better. It is a policy for all of society, and not just for farmers.**
- I am well aware that in the past – and most probably in the present – your delegations have had to deal with negative local opinions of the policy. And from a developing world point of view, it has to be said that some of this was understandable.
- But to quote a poet from the country I know best, the policy has "changed, changed utterly".
- **Today I want to show you that the reformed CAP has a positive story to tell, both at home and in the developing world.** I will provide you with an overview of why this is the case, and I'll be happy to answer any further questions you may have afterwards.

(Reformed CAP)

- The objectives of the CAP are fixed by the EU Treaties and have not changed since 1958.

- **The policy, however, has changed tremendously.** Traditionally, the CAP was a very inward-looking and protectionist policy.
- It built a protective wall around European farmers, guaranteeing their livelihoods but disconnecting the sector from the outside world to quite a large extent.
- Today, the CAP continues to guarantee a decent livelihood for our farmers and agri-businesses, and can be summarised in **three key aims:**
 - Viable food production contributing to food security;
 - The sustainable use of resources;
 - And balanced territorial development of our rural areas.

(Market Orientation)

- **But the policy has also become far more outward-looking and is truly plugged into the global economy.** It is about providing public goods – ranging from environmental, to healthy living, to exports and jobs and of course, feeding a growing world population.

- This means that European farmers and agri-businesses are competing on international markets to sell our high-quality food and drink products. **And, crucially, it means a more global outlook and a more nuanced understanding of the policy's impact on other parts of the world.**
- From the development point of view, it is now clearly understood that a number of EU Policies – including the CAP - have a real role to play in improving global food security and feeding the planet in a sustainable way.
- The new CAP has a far stronger **market orientation**, which means fewer market-intervention measures. **This in turn means fewer production and trade distorting effects - a message which I believe will be well received in your delegation countries.**

(Pillar One – Direct Payments)

- Support to farmers is now provided mainly through **direct income payments** that are not linked to what farmers produce. This allows them to take their production decisions on the basis of market signals.

- Support is paid on a per hectare basis on the condition that farmers also deliver environment benefits through specific agricultural practices. **We call this process the "greening" of the CAP.**
- This means that agriculture can now be viewed as a central contributor to Europe's climate and environmental goals.
- Market measures are only used in the case of difficulties or in times of crisis. Market support is set at levels that are below normal market conditions. This has resulted in the elimination of EU surpluses and brought the EU market in line with world prices for many products.
- As you all know, world markets are volatile at the moment and European dairy and pig meat farmers are feeling the brunt of this as we speak. The current difficult situation underlines the importance of direct support and market safety net policies.

(Pillar Two – Rural Development)

- "Rural Development Programmes" represent the second pillar of the CAP. They function differently from market measures and direct support.

- Rural Development funding allows Member States and regions to develop their rural areas and communities in a sustainable and holistic way.
- Here, too, we have a good story to tell. I was recently in Colombia, where I learned that they are interested in developing rural development programmes as a key part of their post-conflict era.
- **They are looking to the EU for guidance, given our long experience of developing sustainable rural development strategies. And we are ready and willing to share this best practice with other third countries.**

(Trade – WTO)

- Through Pillars One and Two, the CAP achieves a variety of goals at home and abroad. I also want to address an often heard misconception about today's agricultural policy. **The EU has completely stopped paying any export subsidies since the summer of 2013.**

- With the December 2015 WTO agreement that I negotiated together with Commissioner Malmström, the use of export refunds by the EU is over.
- Indeed, the EU was a driving force behind this Nairobi agreement to eliminate all export subsidies.
- All this points to one clear message: **the European Union as a protected agricultural island in the world economy is long behind us.**
- Today, the Union is the largest importer and the largest exporter of agricultural products. Benefitting from a very diversified agriculture, the EU is now a net exporter of food and drink products: annual exports are worth over EUR 120 billion.
- **And let me recall again, this is happening without any export refunds.**
- Our exports are mostly high value added food products for final consumption.
- This differs considerably from the agri-food export profile of the US, which has a higher share of commodities and intermediate products than the EU.

(Trade with Developing Countries)

- At the same time the **EU is very open to trade with agricultural products from developing countries.**
- We believe this can kick-start a virtuous dynamic of economic development in these countries.
- Indeed, the value of imports has been increasing impressively in recent years, both from low-income and lower-middle income countries eligible for the GSP regime, and from Least Developed Countries eligible for duty-free, quota-free market access under the "Everything But Arms" provisions.
- **And the stats don't lie: the value of EU agri-food imports from these groups of developing countries is higher than the value of imports by the US, Canada, Japan, Russia and China combined!**
- To further enhance the growth of trade, we are negotiating many bilateral **trade agreements** which have to be balanced and bring about new opportunities for both sides.

- In 2016 I'm also undertaking a **Diplomatic Offensive** to intensify and create new relationships with third countries for our mutual benefit. I recently visited Mexico and Colombia. Later this year, I will also visit China, Japan, Vietnam and Indonesia with a business delegation.
- To realise and magnify this impact, the link with the European Development Fund and EU Member States under the EU Aid for Trade strategy is of key importance.
- Investments in ports or roads, for example, are essential elements, as are responsible agribusiness investments. By this we mean investments which avoid land grabbing; pay a decent return to farmers and recognise their central role in food value chains.
- In this regard, EU and African leaders committed at the November 2015 Valletta Summit to facilitate agribusiness investment and so contribute to a "rural transformation" in African agriculture embracing private investment and access to functioning markets.

- **It should be noted that this should have a real impact on our ongoing migration crisis.** Investing in the agri-food sector will tackle the root causes of migration by stimulating job creation.
- I and my services and those of Commissioner Mimica are going to do all in our power to stimulate this rural transformation in Africa to create stable jobs and long term futures for its growing population.
- **Broadly speaking, we can therefore today say with confidence that the CAP is a "development friendly" policy, in line with the EU's Policy Coherence for Development commitments.**
- The EU also has an important role to play in sharing innovations, good farming techniques and sustainable practices with other regions of the world.

(Role of CAP in EU Climate Action)

- In addition, the European Union is a committed leader in the area of climate action, and the CAP is a central part of this work.

- We were central to the successful closure of the COP21 Climate Change Conference. Implementing the **Paris Agreement** on the ground will be difficult but it is a commitment that the EU embraces.
- Moreover, the farming sector is already contributing a growing share of the EU's total output of renewable energy, with almost 10 % provided in 2012. In the same year, forestry contributed with 47%. This is very promising for the years ahead.

(EU Research & Innovation)

- Outside the CAP, a number of **EU research programmes** will contribute to promoting agricultural research and innovation in order to allow the farm sector to adapt to new trends and to become more resource efficient.
- 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".

- Concrete innovation projects can be funded under the Rural Development Programmes also.
- In Horizon 2020 there are also possibilities for third country participation. An example of a specific cooperation between the EU and some developing countries is the support that will be made available in 2018 for the EU-Africa Partnership on food and Nutrition Security and Sustainable Agriculture (FNSSA).

(Food Security – Supporting Agriculture in Developing Countries)

- More broadly speaking, the EU has put the target of food and nutrition security through sustainable agriculture at the centre of its support programmes in developing countries.
- It is the focal sector of EU assistance in 60 developing countries, particularly in Africa.
- Our support goes to developing value chains, and providing market access for small holders to local, national and regional markets.
- We also make sure that our trade policies do not harm development.

- To give you just one example, the Economic Partnership Agreements finalised in 2014 – free trade agreements – were carefully crafted to allow our partner countries to protect sensitive agricultural products from liberalisation, either by excluding them or by allowing robust safeguards that can be used to guard against import surges.
- In addition, we agreed with our African partners to set up enhanced dialogues on agriculture and food security, and to be transparent as regards our respective domestic support to the farming sector.
- Therefore, the EU supports sustainable farming practices in developing countries, focusing on smallholder agriculture and women farmers, the formation of farmers' organisations, the supply and marketing chain, and responsible private agribusiness investment.
- CAP funding has also been made available to address the ongoing migrant crisis. Last September, as part of our Solidarity Package, some €30 million was devoted to ensuring that EU milk be made available for the nutritional needs of refugees, in particular those displaced in difficult conditions in our neighbouring countries.

- And I would remind you that at Valletta Summit in late 2015, European and African heads of state agreed that we need to tackle the root causes of migration by stimulating job creation and private sector investment in the agri-food sector in Africa.
- I and my services and those of Commissioner Mimica are going to do all in our power to stimulate that rural transformation in Africa to create stable jobs and long term futures for its growing population.

(Conclusion)

- In conclusion, ladies and gentlemen, the Common Agricultural Policy will continue to adapt and meet the challenges of the day.
- In the present economy, the pressures of volatile markets are challenging farmers. This is a shared challenge affecting both EU and developing country farmers. It is important that we work you're your delegation countries to develop global solutions.

- At the Commission, together with EU Member States and Members of the European Parliament, we are assessing what the best course of action is, in light of persisting low prices. It is clear that a market oriented approach remains a corner stone of that thinking, however.
- In parallel we will continue our efforts to develop mutually beneficial trade relations, boosting agricultural research and innovation and meeting our commitments in terms of our development agenda and the fight against the climate change.
- I hope I have shown you how the changed CAP is indeed a development friendly policy. And I hope you will convey that message to key stakeholders in your delegation countries.
- Thank you.