

**Opening Statement by Phil Hogan, EU Commissioner for Agriculture and Rural
Development at a joint meeting of the Oireachtas Joint Committees on
Agriculture, Food & the Marine and Rural and Community Development**

Leinster House, 26 April 2018

Chairman, members of the Oireachtas, it is a great pleasure for me to be back here in Leinster House and to have the opportunity to engage with the two joint committees this afternoon.

I am grateful for the invitation and the opportunity, which comes at a very important time for European and indeed Irish agriculture. Earlier this week, I participated in an interparliamentary committee meeting with the Agriculture and Rural Development committee of the European Parliament as well as representatives of the agriculture committees of the MS parliaments, including members of the Joint Oireachtas Committee on Agriculture, Food & the Marine.

Engaging with national parliaments is probably something of which we don't do enough. Just last week, I spoke in a debate in the European Parliament where, on behalf of the European Commission, I acknowledged that *"national Parliaments play an essential role in bringing the Union closer to its citizens, by both scrutinising the activity of their own government at European level and engaging with the European institutions."*

As public representatives, I expect that you will be busy in the coming months scrutinising the Commission's forthcoming legislative proposals for the future of the Common Agricultural Policy as well as the Commission's proposals for the next budgetary period.

Before moving to deal with those issues, I want to recognise immense hardship caused by the prolonged winter and the near rainfall levels on livestock and tillage farmers throughout the country. I am very conscious of the stress that this brought on farmers, both financial and emotional. Thankfully, the weather does seem to be improving and the images of animals going back out into the fields were very heartening and indeed very welcome.

As you are aware, the European Commission was requested to allow Irish tillage farmers to derogate from the crop diversification requirements of the CAP, the so-called "three-crop rule". My services evaluated the data provided by the Department of Agriculture, Food & the Marine and I was in a position to confirm very quickly that such a derogation is being granted to those tillage farmers, though the technical approval of the derogation will take a little longer.

However, farmers can sow their crops since April 11th on the basis of not requiring compliance with the three-crop rule.

My services are also in contact with the Department of Agriculture, Environment and Rural Affairs in Northern Ireland with regard to a similar derogation being granted north of the border and I expect that, as soon as the necessary supporting data has been provided and assessed, that I will be in a position to confirm that the derogation will also apply to tillage farmers in Northern Ireland.

This meeting comes at a very opportune time. Next week, the European Commission will adopt its proposal for the next MFF for the period 2020-2027. As you all know, budgetary or estimates exercises are rarely easy, especially for big-spending departments or, in my case, big-spending DGs.

The difficulty of this particular budgetary cycle is exacerbated by Brexit, which is blowing a €12 billion hole annually in the overall European budget. Meanwhile, another €12 billion is being demanded by many Member States to ensure delivery of policies such as security, migration and defence, all of which have grown in prominence in recent years.

Unlike, national governments, the European Union cannot run a deficit, so we are bound by budgetary constraints. Of course, Member States have the possibility to make up the shortfall by contributing a higher percentage of Gross National Index, a point made by the Joint Committee on Agriculture, Food & the Marine in last week's contribution on the Reform of the CAP.

I have made this point strongly to number of heads of state and agriculture ministers across the EU in recent months, including the prime ministers of Ireland, Hungary, Portugal, France, Slovenia and the Baltics, all of whom were receptive to my arguments.

I have also been offering a robust defence of the CAP and the value for money it delivers. I genuinely believe that the CAP has stood the test of time over the last half century, notably by adapting to meet new and emerging challenges, and I am convinced that it is something worth fighting for.

However, nobody here should be under any illusion about the extent of the challenge facing the CAP budget. In many quarters the CAP is viewed as the obvious target for cuts. A Commission discussion document published in February provided budget modelling based on different options – including a 15 per cent cut or a 30 per cent to the CAP budget.

We need to be realistic - in the absence of more money from member States, there will be a cut to the CAP budget, and there's no point trying to sugar-coat that fact. My job is to build the strongest possible coalition to resist the worst of these cuts, and achieve the best outcome in a difficult scenario.

In the interparliamentary meeting on Tuesday, I pointed out that *"ultimately, the key decision will not be made by the Commission at all, but rather by the Member States, whose leaders have to decide whether or not they are prepared to increase their contribution to the EU budget and, if so, by how much. It is this decision that will determine the extent to which the budget for the CAP can be protected."*

I suggested that, as members of the respective parliamentary committees of agriculture, we all share the same starting point, viz. that we want the policy to remain strong, well-funded and committed to supporting farmers' incomes while strengthening the fabric of rural areas and contributing significantly to a higher level of environmental and climate ambition. That being the case, I urged members of national parliaments to use their influence to encourage an increase in the GNI contributions.

We have made some significant headway with a number of Member States, but a number of countries which are net contributors to the EU budget such as the Netherlands, Denmark, Sweden and Austria are still saying "no". I have been to all four countries personally to make the case at the highest level. Beginning with the Commission's proposal next week, we are now entering a decisive phase.

And to those that question the need for a well-funded CAP, my answer is very clear – we should continue to support farmers' incomes. Indeed, that is the role and duty of the CAP, as outlined in the founding treaties. Those Treaty objectives remain as relevant today as ever they did and will be reflected in the Commission's legislative proposals.

Let me recall what was said in the Commission's Communication, in which we were very clear that income support remains fundamental. The Communication states clearly that *"direct payments partially fill the gap between agricultural income and income in other economic sectors. They provide an important income safety net, ensuring there is agricultural activity in all parts of the Union including in areas with natural constraints (which also receive income payments under Rural Development Policy) with the various economic, environmental and social associated benefits, including the delivery of public goods. Therefore, direct payments remain an essential part of the CAP in line with its EU Treaty obligations."*

Guaranteeing a fair level of direct payments for farmers to support their work is, in my view, not alone essential and not alone for the benefit of farmers, but for the benefit of the wider society. Not alone are farmers the producers and providers of our food, but they are the custodians of our countryside and the frontline in the protection of the rural environment and our 'boots on the ground' in fighting the climate challenge.

My priority is protecting the European and Irish small and medium-sized farmer who remains the backbone of Europe's food production and rural communities. I have been making the case throughout Europe that this is about equity and fairness for our farmers, who provide our citizens with so many public goods.

Pure economists including some from Ireland believe that direct payments should be abolished because we have enough food now in the EU to feed our people. I disagree. The bottom line is farmers' incomes must continue to be supported – particularly small and medium-sized farmers. This is role and duty of CAP. If we expect farmers to make bigger contribution to climate challenge and other societal goals, they must be rewarded.

As you are all well aware, the Commission is continuing its work on the preparation of the legislative proposals for the next iteration of the Common Agricultural Policy. In this respect, we are being guided in our work by the Commission's Communication on the *Future of Food and Farming*, published last November, and reflecting on the views expressed on that Communication, by Members of the European Parliament, the Council of Ministers, various national parliaments and other stakeholders. It is in this context that the political contribution from the Joint Committee on Agriculture, Food and the Marine is another welcome contribution to our preparatory work.

We want to present a proposal which is workable and broadly acceptable, particularly if we are to achieve the overall goals of simplification and modernisation.

As you know, a central feature of the Commission's proposal is a greater focus on subsidiarity, with Member States taking greater responsibility for their decisions. This approach is consistent with the Commission's overall objective of subsidiarity and having decisions impacting on citizens taken closer to those citizens.

As public representatives, I'm sure you are familiar with the frustrations of farmers trying to apply a 'one-size-fits-all' solution, which is designed to be applicable from the Inishowen peninsula to the Greek islands or from Sleat Head to Lapland.

Well, we have decided to address that challenge by allowing Member States to decide how best to meet EU-wide objectives. In our forthcoming legislative proposals, we will set down the EU-level specific objectives, limited to nine or ten.

Member States will have discretion to decide on the appropriate measures to meet those objectives, having regard to their own specific circumstances, whether that is in terms of farming practices or climate or other conditions. In Ireland's case, these measures will have to be included in Ireland's CAP Strategic Plans, which will be subject to approval by the Commission and the achievement of those measures will be assessed by reference to indicators which will be set by the Commission.

Some of you, at least, will be aware that the existing Commission approval process for Rural Development Programmes can be lengthy, cumbersome and very frustrating. We are determined, as part of our commitment to greater simplification, to make the new approval process more straightforward and efficient.

Nonetheless, I appreciate that you, as public representatives, may be understandably concerned about any delay in the approval process for the timely flow of direct payments, which will now be covered by the plans, continue to flow. In order to ensure an uninterrupted flow of such payments, we will include a specific provision in the legislation to allow for partial approval of Member States' plans to allow the necessary provisions to allow the uninterrupted flow of payments, even where the Commission is in dialogue with that Member State in relation to other aspects of the plan, which cannot be approved at that time.

At the beginning of my presentation, I referred to the dreadful weather conditions under which farmers have been trying to operate through these last few months. These conditions have added to the costs of farming and it won't be easy for many of those farmers to recover those costs.

Farmers deserve a fair price for their produce and should have their position in the food supply chain protected. The issue of farmers' position in the food chain is not a new one but finally, after talking about it for years, the Commission has finally delivered on my commitment to do something about it.

Earlier this month, the Commission published a proposal to outlaw a number of Unfair Trading Practices across Europe. These proposals are targeted not just at farmers and SMEs, but at tackling the broader food waste crisis across Europe. Buyers will have to become smarter and more responsive to consumer demands, when they can no longer load the risk – and cost – of food waste on producers.

A more ordered, well governed food supply chain, in the context of a market oriented Common Agricultural Policy, is in the interests of all actors in the chain, not least consumers. The next phase will come later this year, when it is my intention to bring forward improvements to market transparency.

The Commission's proposal is in the form of a Directive, which recognises that many Member States already have UTP rules in place. In our view, it would not be proportionate to remove their systems in one fell swoop. Under the Directive Member States will remain free to complement the Directive with their own national measures. In legal terms it is a minimum harmonisation approach. As Minister Michael Creed said at the April Council of Ministers' meeting, the purpose of the legislation is to complement, not replace existing well-functioning legislation.

That said, I look forward to the early transposition of the legislation in Ireland and I count on you, as members of the Oireachtas, to ensure that the legislation serves its purpose to strengthen the position of Irish farmers in the food supply chain.

Ireland is an exporting country and agri-food exports play a hugely important part in the country's economic performance. Last year, the Irish food and drink sector recorded the eighth consecutive year of export growth. For the year as a whole it is estimated that the value of food and drink exports increased by 13 per cent, (€1.5 billion) to €12.6 billion – representing growth of almost 60 per cent or €4.7 billion since 2010.

Exports to the UK rose by an estimated 7 per cent to some €4.4 billion despite the ongoing weakness of sterling. However, Bord Bia figures suggest that the share of exports to the UK has continued to fall despite the topline growth figure; the market share for exports to the UK is now estimated at 35 per cent – down two points on last year.

Meanwhile, exports to other EU countries have risen to over €4 billion accelerating last year's growth rate, in line with Bord Bia's Market Diversification Strategy.

Brexit presents an existential challenge to Ireland and the Irish agri-food sector in particular, given the traditional dependence on the UK as our biggest and closest market. Despite the UK's departure from the EU, it will obviously continue to be Ireland's closest and, in all likelihood, largest market, at least for some time to come.

However, the diversification strategy is essential if the sector is to be protected from the worst effects of the Brexit, given that we have no idea yet what kind of a future relationship will exist either between the EU and the UK or on the island of Ireland.

For my part, I am continuing my economic offensive to identify and access new and emerging markets. The EU is the best food address in the world, and our agri-food exports continued to grow in 2017. Our most recent figures showed monthly exports at a record level of €11.5 billion, adding up to a 12-month value of more than €130 billion – the highest ever.

I have been travelling the world to find new markets for our products, most recently to Saudi Arabia and Iran in 2017. In May, I will make my 4th official visit to China, bringing with me a business delegation of agri-food operators, including many from Ireland.

This is particularly fortuitous timing given the recent decision by China to lift the restrictions on beef imports from a number of Irish operators, for which I would like to congratulate all involved. I have had a number of face-to-face meetings with the Chinese Ambassador to the EU on this issue and I am delighted with the positive result.

While the United States continues its increasingly isolationist and protectionist attitude, Europe is moving ahead with its ambitious international trade agenda. Just last Saturday, Commissioner Malmstrom and I concluded a new trade agreement with Mexico.

The EU is Mexico's third biggest trading partner, and Mexico, with 128 million people, is the EU's second biggest trading partner in Latin America after Brazil. The EU exports of goods to Mexico are worth €38 billion (2017), with further €10 billion-worth of exports in services (2016). Given the challenge presented by Brexit, it is worth making the point that the population of Mexico is almost twice that of Mexico.

I am certain that this deal is very positive for our agri-food sector, creating new export opportunities for our high-quality food and drink products, which in turn will create support more jobs and growth, particularly in rural areas. It is already encouraging to see the positive reaction to this deal from the Irish dairy and whiskey representative organisations.

At a time when we have very substantial stocks of skimmed milk powder in public intervention in the EU, the deal secures a very significant volume of duty-free milk powder exports in one of the largest markets, starting with 30 000 tonnes from the entry into force, rising to 50 000 tonnes after 5 years. Milk powder is currently taxed at up to 50 per cent.

Likewise, sales of Irish whiskey in Mexico grew 20.5 per cent between 2012 and 2016, with a staggering 103.4 per cent growth in 2016. The new EU-Mexico FTA comes at just the right time to support even greater export growth and I'm confident that there will be many such new opportunities in the coming months and agri-business needs to be ready to take full advantage.

There are many issues that one could cover in this statement and I'm sure that there are many questions that you wish to ask. The purpose of this statement was to address some of the issues on which we are working to update you on important developments for European and Irish agriculture, notably in terms of the MFF, the reform of the CAP, the EU's trade policy, our proposals to tackle UTPs. It is far from an exhaustive list and, as you'll have noted, I only touched briefly on Brexit, about which we could spend the day talking, without necessarily coming to any definitive conclusions.

Thank you once again for the invitation to be here today and for the opportunity of this engagement.

~Ends.