

**Speech of Commissioner for Agriculture and Rural Development,
Phil Hogan at the Annual Congress of Spanish Cooperatives
(CCAÉ)**

February 26th 2015, Valencia

- Check Against Delivery -

- Dear Minister, Ladies and Gentlemen,
- It is a particular pleasure to be with you today to address the 7th Congress of Spanish Agri Food Cooperatives.
- When the European Parliament confirmed my appointment as Commissioner, I pledged to visit each and every EU member state in the early part of my mandate. To listen. To learn. To reflect. **And to draw on the wealth of wisdom among Europe's farming and agri co-operative community to ensure that agricultural policy in the European Commission is ambitious and efficient.**
- I have a Spanish adviser in my Cabinet – Cristina Rueda. I have a Spanish colleague in the Commission, Miguel Arias Canete who is always telling me about merits of Spanish agriculture and Spanish food. And so I was keen that Spain should be one of the first countries that I visit.
- I look forward very much to hearing the presentations here today, and then visiting Cansó and Anecoop later in the day.
- I stand before you as European Commissioner for Agriculture and Rural Development, but I am addressing you equally as a man born and bred on a family farm in the south of Ireland. **Like you, my heritage and roots run deep in the soil.**
- There are a number of marked differences between my home country and this part of Spain – I think it's fair to say that Spain wins the battle when it comes to sunshine (and football), but Ireland wins when it comes to rain (and rugby!)
- However, my aim today is not to talk about the differences between the different Member States of the EU, but to address the common challenges and opportunities

facing us as an EU agri-food sector, from farmers to co-operatives to consumers, in the global marketplace.

(Russian Ban)

- We cannot look at the current status of the Agri-food sector in Spain or in Europe without making reference to the Russia-Ukraine crisis. The **Russian ban** of EU fruit and vegetables imports is now ongoing for over 6 months. The Commission reacted rapidly to support the perishable products hit by the ban. Four Commission Delegated Regulations with temporary exceptional support measures covering the period from August until 30 June 2015 were adopted, including in the area of fruit and vegetables, which is so important for the Spanish agri co-op sector, as you all know.
- Added to that, the Commission announced a significant increase in the Promotion budget from €60m to €200m over the next four years. That way we can further help producers and associations in finding new alternative outlets. I want to pay tribute here to the dynamism of Spanish co-ops, who have already been active in opening and growing new markets, from the USA to Canada to the Far East..
- My priority in relation to the Russian ban, since coming in to office on the 1st of November, was to ensure European solidarity for producers and co-operatives affected by the Russian ban. I achieved this by ensuring that the Crisis Reserve of the Common Agriculture Policy was not activated, despite the need for exceptional measures.
- **It was and continues to be crucial to ensure that farmers and their co-operatives do not pay twice for a crisis which they did not cause – whether through loss of markets or through a reduction in direct payments, should the crisis reserve have been activated.**

(Food Security)

- **Food security is another global challenge which European agriculture is primed to tackle. I am keen to take the issue of right back to the top of the political agenda. The**

role of producers and co-operatives in delivering such an important public good cannot be understated.

- Food security is a bigger challenge than ever, with a global population expected to reach 9.6 billion people by 2050.
- World food systems will have to increase in efficiency and productivity to ensure that people have access to the food they need, in quantity and quality. We will have to do more with less: less water, less inputs, less energy.
- The EU has a responsibility to address the issue of food security given the huge global challenge to end poverty and to reduce the estimated 11% of the world population facing chronic food insecurity.
- Our goal is to ensure that EU agriculture continues to play a key role in satisfying world food demand and food security, by enhancing the overall competitiveness of our agri-food sector. We can achieve this by enabling economic operators to rely on policy consistency so they can confidently undertake long-term investment and take advantage of global demand increases.
- We can also promote innovation as a motor for high quality, added value production at all levels of the food chain, whilst preserving high EU standards and crucially we can ensure that EU measures remain compatible with development priorities and are non-trade distorting.

(Global Markets)

- Of course, when we talk of food security, we must highlight the importance of being open and ambitious about selling our high quality European product on the global marketplace.
- This is not only a moral obligation for the EU in the world order, it is also a huge commercial opportunity for EU producers and co-operatives, an opportunity which, as I said already, I am glad to see that Spanish co-operatives are already seizing with both hands!
- It is true that many of the statistics are favourable: in the context of growing world food demand, the agri-food sector is the 4th largest export sector in the EU, increasing the

value of its exports by 70% in the last 5 years - that is, faster than overall EU exports. This bodes very well for the continued growth of European agriculture.

- Spain's agri-food sector is an important contributor to that growth. The figures speak for themselves – Spain ranks in 6th place when 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 only 10 years ago.
- The EU has significant agriculture interests in many of the bilateral trade deals currently being negotiated, including in the Transatlantic Trade and Investment Partnership. When it comes to EU negotiations with the USA, I will be proactive in promoting the opening of this important market to high quality EU product. However, I will not compromise on EU food quality or traceability standards. I can assure you that this principle will be upheld across the Commission and will be fully reflected in our negotiations with the US.
- As you know, growing exports is not just about formal trade deals. There are many ongoing Sanitary and Phytosanitary issues with third countries which act as technical barriers to trade. With hard work and active engagement with third country authorities, these barriers can be lifted, even in the short term.
- In order to achieve significant and tangible results in a reasonably short time frame, the Commission has established a limited number of priority issues, on which its efforts and action to improve market access for EU exports should concentrate. To this aim, a wide range of consultations between the Commission, Member States and representatives of the agri-food industry were launched and a list of key priorities were agreed.
- The Commission will now seek to mobilise support, at all levels, to see fruit and vegetables market access prioritised to Indonesia, Brazil, Chile, Mexico and Vietnam. Some concrete results have already been achieved. For example, the US and Canada recently opened to imports of EU apples and pears.

(Simplification)

- But let me return now to the Common Agriculture Policy, and what it means to farmers and co-operatives in their daily lives. While I will robustly defend the importance and value of the CAP, I will listen closely to constructive feedback regarding its implementation. **I believe that improvement is possible in many areas, which is why I**

have made simplification a top priority for my work programme in 2015. We must take every possible step to allow farmers achieve their full business and job-creating potential.

- Simpler rules will make for greater competitiveness, but achieving simplification will not necessarily be simple! We must be pragmatic and flexible in our approach, targeting changes that will improve the work of farmers without diminishing the operational effectiveness of the CAP as a whole.
- I have 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 cut through 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.
- I will listen closely to the farmers and co-operatives of Europe as they deliver feedback on the implementation of the new CAP measures. You, the main players, are best placed to let policymakers know what works well, and what could work better.

(CAP Reform – more than just Direct payments)

- Coming back to the broader role of the CAP, I want to underline that there is more to the policy than the system of Direct Payments. While the Direct Payments cover all farmers, the system of **market measures**, including, as I mentioned earlier, our reformed promotion policy, and the options available under the **Rural Development Programmes** are the elements that provide the more flexible tools to help you to pursue your ambitions, whether individually or as cooperatives.

(Innovation)

- Earlier I mentioned the importance of producing more in the coming years. However, given the limited scope for expanding our agricultural area in Europe and the additional pressure on production caused by sustainability concerns and the unpredictability caused by climate change, **the fundamental challenge we face is not only how to produce more, but how to produce better.**

- In this context, I want to stress that **innovation in agriculture** is a key priority in my mandate as Commissioner, and indeed a key priority for the new European Commission as a whole. Agriculture and Rural Development are part of the Jobs, Growth, Investment and Competitiveness priority at the heart of the Juncker Commission.
- Agriculture has always been an innovative sector. But we need to innovate more, and innovate faster, if we are to achieve our goals.
- The new CAP and other EU strategies will play a leading role in making this a reality. Many CAP provisions aim to encourage young innovators to see the agri-food sector as an attractive, high tech and rewarding career. Innovative agricultural practices will also protect natural resources, biodiversity, landscape, soil and water, and increase the environmental and climate benefits that agriculture provides.
- The Commission has put the tools in place for the 2014-2020 period to be a truly innovative era. The European Innovation Partnership, and the European research and innovation programme Horizon 2020, provide numerous vehicles for forward-thinking producers and co-operatives to develop cutting-edge methods – also by bringing farmers, processors and researchers closer together and by accelerating the technological transfer from the laboratory to the field.
- I am also working to improve **access to finance** for farmers and agri co-operatives, particularly young farmers, as they start their career in agriculture. We are working on this in close cooperation with the European Investment Bank. I have engaged in very productive discussions with the EIB with a view to rolling out a multi-billion package of financial instruments targeted at agriculture and rural development. This should see a significant increase in the financial firepower for cooperatives in the agri-food sector in terms of investment, growth and job creation.

(Cooperatives)

- I don't have to tell you about the advantages of operating through cooperatives, in terms of marketing, finding new markets, and negotiating prices to name just 3 examples.
- This is something that was acknowledged during the CAP reform negotiations, and there are new elements in the CAP specific to cooperatives.

- Promoting producer cooperation in all agricultural sectors with the objective of improving competitiveness and strengthening the position of producers within the supply chain was a key objective of the CAP reform.
- As a result, the new market rules [CMO Regulation] offer a modernised framework of rules for producer organisations applicable to all agricultural sectors.
- This includes the introduction of certain instruments previously limited to certain sectors, such as the extension of rules. It also provides for the possibility of collective negotiation in certain sectors.
- Cooperatives can benefit from the measures relating to Producer Organisation (POs) in these rules, by requesting recognition as a PO.

(New Promotion Policy)

- I have already briefly mentioned it, but I would like to draw your attention again to our **new promotion policy**, which is designed to help the sector's professionals to find new markets, consolidate existing ones, and promote the high standards of EU agricultural products to consumers in Europe and around the world.
- Before giving details, let me just mentioned that we have widened the scope of eligibility for promotion schemes. If a cooperative is recognised as a producer organisation by the MS, it will be eligible within the future promotion regime.
- With the new system:
- We are going to increase the budget available for promotion: from EUR 60 million per year today to EUR 200 million as of 2019. The EU co-financing rate is also increased. 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 programs developed jointly by organisations from several Member States. EU co-funding is also 80% for campaigns targeting third countries, and 85% for crisis measures.
- The changes should 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 (first Member State and then the European

Commission). The management of campaigns developed jointly by organisations from several Member States will be made by the Commission.

- We will have business-oriented campaigns, for a better return on investment: As well as including Producer Organisations as potential beneficiaries, 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 help 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.

(Position in food chain)

- Another key strength of cooperatives is the issue of bargaining power, and the position of the producer in the food supply chain. But even for cooperatives, we see there are difficulties – and I have signalled on several occasions that I take this issue particularly seriously.
- We need to make sure that unfair practices don't further weaken their ability to produce raw materials and that we have a solid base for the entire food chain.
- The recent CAP reform includes measures to increase producer *bargaining power* by enhancing producer organisation and cooperation through the food chain. More targeted measures exist for certain sectors (joint selling agreements through POs; contractual requirements for milk, etc) as well as a 'crisis derogation' in case of severe market imbalance.
- The CAP also contains measures which should help farmers increase the *number of contractual relations* or get better returns by adding 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 on the effective implementation of these measures under the CAP. But unfair practices can happen across the food chain. It is essential that all involved (food chain actors and regulators alike) work together to tackle these practices.

- At this point I would like to pay tribute to the work done by Minister Garcia Tejerina and by her predecessor and my good friend and colleague Commissioner Arias Canete in strengthening the position of producers and co-operatives in the food chain.
- The Spanish Law on the Food Chain, which is 2 years in force this past week, sets contractual rules for contracts above a certain value, in which one party is an SME or is economically dependent. A Code of good practices is also recommended for food related contractual relations.
- The law also imposes financial sanctions up to €1M, to be enforced by the state/regional administrations and sets up a Food Chain Observatory, with a supervisory function.
- There are moves afoot along similar lines in other EU member states. Earlier in the week I attended the Annual Conference of the National Farmers' Union of England and Wales. There I heard feedback on the new office of the Groceries Code Adjudicator, a watchdog designed to ensure fairness between suppliers and retailers. The Adjudicator has the power to impose fines of up to 1% of turnover. Whereas it is a new office and too soon to comment on its functioning, it is a huge step in the right direction. The Spanish and British models could thus act as examples for action in other EU member states and possibly at EU level.
- In this vein, the Commission will make an assessment of existing national and EU work streams on unfair practices at the end of 2015. Following this thorough assessment, I will discuss with my fellow Commissioners involved in this work on options to deal with unfair practices. I am committed to this process, which needs to show results after years of discussions.

(Rural Development Programmes)

- Finally, having mentioned elements of the Rural Development Programmes in passing, let me just say something more specific about the so-called 2nd pillar of the CAP. Building on the success of the previous programming period, there are a number of interesting new elements – such as on innovation elements, reinforced advisory services, and new measures to help establish short supply chains and local markets – but the concept of co-funded, multi-annual projects managed at national or regional level is the same as ever.

- The key point of the Rural Development Programmes is that, whereas the Direct payments system basically covers everybody, each individual producer can decide the extent to which they buy into Rural Development measures – whether this is agri-environmental schemes, individual capital investments, or generating other forms of activity and /or revenue beyond the farm gate.
- The Spanish national framework programme has already been agreed, and we are working towards the approval of the different regional schemes for Spain – all of which should be approved by the summer.

(Conclusion – future vision for Agriculture)

- Minister, Ladies and Gentlemen,
- Let me conclude by confirming to you here in Spain what they have been saying in Ireland for a good few years - and what I am telling everyone in Brussels. The agri-food sector, based on a strong, organised, vibrant and diverse co-operative model, has the potential to be a major driver in our economic recovery.
- In Europe, we have not only excellent production conditions, but we also have excellent farmers, and we have an agri-food sector with tradition, quality, know-how, and innovative ideas. The co-operative model is central to this. Market forecasts show that there will be a rise in consumer demand in the years ahead, in particular for high value-added products, and the EU has the potential to respond to this additional demand.
- Through the CAP, we are not only providing a major direct investment in the sector, but, as I have tried to show this morning, the CAP is also providing the tools to help farmers and agri-cooperatives in their own efforts to unlock their potential.