



Agricultural Outlook Conference Speech by Phil Hogan, Commissioner for Agriculture & Rural Development

Brussels, 1 December 2015

Introduction

Secretary Vilsack, distinguished guests, ladies and gentlemen, I am very pleased that so many of you have been able to join us this morning. After the problems that we have seen in the past couple of weeks, I'm pleased to see that we are getting back to business as usual. I'm particularly pleased that Secretary Vilsack is also with us and I very much look forward to hearing what he has to say about the prospects for the agri-food sector and, of course, his view on the conditions for success in the ongoing TTIP negotiations.

This conference comes one year into my mandate as Commissioner and I want to use this opportunity to look forward to the rest of that mandate and beyond. I want to give you my analysis of the challenges ahead and my vision for a strategy for EU agriculture, and I want to outline the role that our Common Agricultural Policy can play in addressing these issues.

The CAP

The CAP is a story of a dynamic partnership between citizens, farmers and Europe which has moved with the times. It has brought Europe from a time of food shortage, where the emphasis was on producing **quantity**, to addressing challenges posed by the concerns of consumers and taxpayers – more **quality**, addressing **food safety issues**, taking into account **animal welfare conditions**, providing **traceability**, and more and more to take account of issues linked to the **environment** and the public goods that farmers provide to society by looking after the countryside. At the same time it has expanded its scope to cover the **broader rural economy**. In my view, the evolution of the CAP shows that the policy can adapt to meet the challenges and the expectations not only of farmers, but of all EU citizens.

But enough of the past, this is the Outlook conference and I want to look to the future and to demonstrate that the CAP remains the appropriate answer to meet the challenges of food security, environment, climate issues and wider societal goals, including jobs and growth, healthy living and thriving rural communities. In order for this to happen, the policy needs to be “fit for purpose”.

Citizens' Priorities and expectations

Let me start by putting things in perspective. The global and European economies have gone through a crisis in recent years. Millions of people lost their jobs as consumption dropped and economies plunged into recession. The Commission's Winter Economic Forecast suggests that “*GDP growth in the EU remains sluggish.*” These are conditions that make job creation difficult, though since mid-2013, the improvement in labour market conditions has been evident in falling unemployment rates and increasing employment growth in both the EU and the euro area. The agri-food sector has been more resilient than most. In fact, in countries such as Ireland and Spain and Portugal, it has been a real motor for economic recovery.

Through the Common Agricultural Policy, the EU is driving a key strategic sector for the European economy and for European society. Latest figures confirm that farming employs 22 million people in the EU and, together with the food sector, provides 44 million jobs, many of which are located in rural and peripheral regions where there are few alternative employment prospects. This illustrates the enormous contribution that the agri-food sector can make to the jobs, growth and investment agenda which is a core element of President **Juncker's** political guidelines for this Commission.

Through the CAP, the viability of thousands of rural communities has been maintained. Keeping people on the land does so much more than simply maintain food production. It ensures that small shops, schools and other businesses remain viable, not least because farmers very often reinvest in the locality in which they live.

In the coming years, it is estimated that Member States and regions will use their Rural Development Programmes to support 60 000 non-agricultural start-ups. Local development strategies under LEADER will also contribute to rural job creation. Much of this will be underpinned by investment in the provision of improved technology services and infrastructure, including rural broadband, to 19 million

rural dwellers.

Furthermore, EU citizens have also made it clear they have high expectations about a wide range of societal issues such as the safety and quality of their food supply, the preservation of their countryside and their natural resources, thriving rural communities, lifestyle and consumer choices, including animal welfare, and about fundamental choices on global issues such as climate and food security. It is the responsibility of the CAP to fulfil these expectations. The contribution of the CAP to these economic, social and environmental issues shows that it is a policy not just for farmers but for 'all the people of Europe'.

Food Security

In addition to the issues that impact directly on EU citizens, many of the challenges that we face are more global in nature. One such challenge is that of food security.

According to a recent Eurobarometer survey, 70 per cent of Europeans believe that the EU is fulfilling its role in securing the food supply in the EU. The principal instrument through which this is done is the CAP. Food security can only be achieved as long as farming remains viable. To this end, the provisions of the Treaty relating to ensuring a fair standard of living for farmers remains perfectly valid today. We must support our producers using all the instruments at our disposal, including direct supports, market safety net where necessary and rural development programmes. This allows us to be competitive while also maintaining the innovative values of European farming, including the family farm model. As I've said repeatedly, without the producer, we don't have the product which is essential if we are to address the issue of food security.

The world's population today is 7.3 billion and is projected to rise to 10 billion in the year 2056. Indeed, this very day, the global population will increase by 84,500 people.

In addition to population growth, we see clear evidence of changing dietary habits as disposable incomes increase, with the so-called 'middle class' expected to more than double in size from 2 billion today to close to 5 billion in 2030. Rapid growth in China, India, Indonesia, Vietnam, Thailand, and Malaysia will cause Asia's share of these emerging markets to more than double from its current 30 per cent.

Furthermore and notwithstanding the significant progress made in recent years, more than 800 million people still suffer from chronic hunger in the world today. We can and we must do better. At the same time, the challenge is becoming more difficult. It is estimated that that an additional \$267 billion per year will be needed for investment in rural and urban areas and in social protection to eradicate world hunger sustainably by 2030.

Clearly the increase in food demand worldwide, driven by this combination of population growth, increasing income per capita and world hunger presents a real test of food security on a planetary scale. The FAO has projected the necessity of a 60 per cent increase of agricultural production by 2050, compared to 2007. But this is compounded by the vast challenges arising from climate change and pressures on our natural resources. We not only have to produce more, but we must also produce better.

Climate/Environment

We are all aware of the effects of climate change and the increasing acceptance that something really has to be done to address those effects. As we speak, the 2015 Paris Climate Conference, or COP 21, will, for the first time in over 20 years of UN negotiations, aim to achieve a legally binding and universal agreement on climate, with the aim of keeping global warming below 2°C.

The European Union is a committed leader in the area of climate action and, in October 2014, EU leaders agreed upon a greenhouse gas emissions reduction target of at least 40 per cent by 2030 compared to 1990. This is a central part of the EU's contribution to the new global climate deal which, hopefully, will be adopted in Paris. I am working very closely with Commissioner **Arias Canete** and that close collaboration will intensify post-Paris.

Agricultural emissions account for 10 per cent of total greenhouse gas emissions in the EU. Let me be very clear - agriculture and forestry must make their fair contribution to delivering the EU's ambitious pledge to reduce greenhouse gas emissions. But we are already making progress. EU agricultural emissions have declined by 24 per cent since 1990.

Moreover, the farming sector is already contributing a growing share of the EU's total output of renewable energy, with 10 per cent provided in 2012, thus complementing the 47 per cent provided from forestry.

The CAP is already playing a crucially important role in combatting the effects of climate change. This year, some €16.3 billion of the CAP budget will be climate relevant, which includes the greening practices, ensuring, amongst others, the maintenance of permanent grassland in Europe as an

important carbon sink. But this also covers funding under Rural Development to support farm modernisation to cut energy consumption, improve fertiliser use efficiency and further reduce greenhouse gas emissions.

Over the full programming period 2014-2020, it is expected that €2.7 billion will be invested in renewable energy production and a further €2.8 billion in energy efficiency. Meanwhile, 4.1 million hectares of agricultural and forest land will be under management contracts to conserve or sequester carbon and 5.1 million hectares of agricultural land is expected to be under management contracts to reduce greenhouse gas and/or ammonia emissions.

The new CAP, applicable for the first time this year, has a distinct environmental dimension to it with the introduction of a specific greening payment - accounting for 30 per cent of the farmer's basic payment - thereby acknowledging the environmental public goods that farmers provide. Indeed, farmers have made major efforts this year to make greening of the CAP work on the ground and I wholeheartedly applaud them for that. In addition to this, Rural Development Programmes will provide more than €16 billion between now and 2020 to commit an area the size of Germany and Bulgaria combined into agri-environment-climate action contracts.

We are all well aware of the loss of natural habitat and reduced biodiversity and the impact that this is having on many species, not least in the reduced numbers of native bird species. We have a collective responsibility to arrest this decline and all of us - policy makers, farmers, environmentalists - must work together to achieve this. Indeed I wonder why I distinguish between these categories of people as if they were mutually exclusive when I know many farmers who are amongst the most passionate environmentalists around. Both Commissioner Vella and I are certain of the positive role which farmers play in contributing hugely to the maintenance of the rural environment and we have a shared ambition to ensure that this continues.

Let me underline that this continued effort is essential as environmental challenges may not be kicked in the long grass. That is why a green CAP will not be as short as the life of a mayfly, but is here to stay and will require continued commitment from all of us.

Today is not the day to start reviewing the CAP, but you all know that I am committed to reviewing one aspect of how we deliver on greening - the Environmental Focus Areas - next year. In this context, we intend to launch a new public consultation very soon. While I can't and wouldn't prejudge the outcome of that review, I would like this review to look at more than just the EFAs. In my view, we need to look at the wider greening measures and ask ourselves the question whether they are delivering on their intended environmental objectives or whether there are ways to deliver these objectives in a way that is efficient but with less red tape.

That we have been able to maintain production levels, while also addressing important environmental and climate issues is largely down to developments in technology and innovation. This is the way of the future. Through Horizon 2020, investment in research and innovation in food, agriculture and forestry has doubled to reach €3.6 billion for the period 2014-2020. Climate-smart agriculture is also one of the key topics for the almost 3 000 innovations projects which are expected to be supported through the Rural Development budget.

For example, smart farming using cameras, sensors and other forms of technology are being tested to improve irrigation efficiency or reduce the use of pesticides on farms. Precision farmers are able to make the best use of chemical inputs, contributing to soil and groundwater protection while increasing production efficiency. The quality of products is improved, energy consumption is reduced significantly, and the farmers make savings in their input costs.

The agricultural innovation system needs to be strengthened and further developed to realise its massive potential. One of the new tools for the period 2014-2020 is the European Innovation Partnership on "Agricultural Productivity and Sustainability", which will boost innovation through networking and collective work.

I want to acknowledge the excellent collaboration and support I have received from Commissioner Moedas in terms of encouraging greater investment in research and innovation in agriculture and food production. This investment is critical to ensure that we remove barriers to innovation, deliver research from universities and institutes to the farm gate and the rural economy and make it easier for the public and private sectors to work together to make innovation happen for all our benefit as we enter the era of 'precision farming'.

Market Orientation/Trade

I talked earlier about such issues as food security and the economic contribution that agriculture and food production provide to the EU. Of course, all of this assumes that we can trade the product we produce. I have previously described international trade as the "third pillar" of the CAP and it is for this reason that I place such importance on the market orientation of the CAP.

Of course, we can only be market orientated if we are competitive and the CAP is more than playing its part in increasing competitiveness, notably through RDPs which are supporting 360 000 farm modernisation projects, which will help to increase output and efficiency, thus improving competitiveness and improving the prospects for access to new markets.

Twenty years of reform have made the EU farm sector competitive in world markets. As global demand continues to grow, the EU has become the world's biggest trader of agri-food products, with exports totalling €122 billion and imports of €104 billion. The agri-food sector is the fourth largest export motor in the EU and, despite economic recession, has increased the value of its exports by 70 per cent in the last 5 years and exports are growing at 9 per cent a year.

While the long term prospects are good, for the reasons I mentioned earlier, this won't happen by itself. To open those markets and invest in those markets we need an active trade policy. The increase in jobs and growth in the agrifood sector is a priority for me and the Juncker Commission. Together with my colleague Commissioner Cecilia Malmstrom, we are negotiating a series of Free Trade Agreements to achieve this. On top of recent agreements with Colombia and Peru, Ukraine, Canada, South Africa and Vietnam, we are negotiating with Japan and of course the USA, Mercosur, Philippines, Mexico and others. In all our agreements we aim to slash tariffs on our goods, dismantle non-tariff barriers in sectors like meat, dairy, wines and spirits, and get high protection for our geographical indications. Next year I will launch a diplomatic offensive across the emerging economies to improve our trade. I will begin in Mexico and Colombia in February and follow with trade missions to Japan and China in April.

Since Secretary Vilsack is here let me say a few words on TTIP. A good, balanced agreement is an EU priority. The gains for each of us can be enormous. But we all know that agriculture is a real challenge as the US is very competitive in sectors where we have higher costs. Now, I am convinced we can get a balanced outcome that will have the support of Europe's farm sector. But to achieve that balance, and to get the weight of the farm groups, Member States and the European Parliament behind TTIP, Europe will need some gains too. We will need real access for our dairy sector, which faces tariff peaks and sanitary barriers. In addition we will need protection in the US of our GI's, including different wine terms. I think this is all doable in 2016. But we need to start negotiating these things now.

My international agenda goes further than reducing barriers and negotiating FTA's. I said earlier that the Common Agricultural Policy has a role to play in increasing food security. This is a global challenge, closely linked to human security and development. Tom and I are working hard in the G20 on this. At Europe's borders and in Africa we face large populations who will continue to depend on agriculture for a living. We owe it to them to pursue policies that will help their trade and development, and policies that will encourage private sector investment in the rural areas and in the agri-food sector.

And we need to act now. We are confronted today with an unprecedented challenge of mass migration - on a scale we have not seen for seventy years. While we grapple with its consequences, we need to look also at its causes. At Valletta two weeks ago 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

The Common Agricultural Policy has served Europe and its people well for over 50 years and I believe that today it continues to serve a very different Europe in a very different way. Just as the challenges facing the farmers and the people of Europe over the last half-century have changed and evolved, so too has the CAP in responding to those challenges. I am convinced that the Common Agricultural Policy is the answer for the EU to meet the existing and emerging challenges. And I know that I am not alone in that conviction. In virtually no Member State do more than 10 per cent of the population consider that agriculture and rural areas are unimportant. Across the EU, 94 per cent consider such areas to be very important or fairly important. Indeed, the proportion of EU citizens who see agriculture and rural areas as "very important for their future" has been increasing steadily in recent years, from 46 per cent in 2009 to 53 per cent in 2013 and 62 per cent in 2015.

As I said at the outset, I want to ensure that the CAP continues to be 'fit-for-purpose'. That requires that we reduce its complexity. It is for this reason that I have placed the simplification of the CAP at the top of my political agenda for 2015 and I am pleased that good progress has already been made this year and this will continue through 2016.

I am conscious of the need to ensure that we have a policy that is delivering in a cost-effective way for the benefit of all of our society. The CAP is the only EU policy that is fully integrated and funded from the EU budget and I want to ensure that it continues to be central, mainstream European policy that delivers for all EU citizens on objectives related to the environment, climate action, food safety, health,

energy and research and innovation.

The CAP is, in my view, as relevant today a policy instrument as at any time since its establishment. In terms of the challenges of the future, some of which we've looked at today, I believe that the CAP will continue to be an effective instrument of delivery for European farmers and other citizens.

In order to maximise the potential of the CAP, we must set our priorities and be clear about our objectives. The discussions at this conference today and tomorrow will help us to better identify what lies ahead for the European agricultural sector.

I am confident that the deliberations at this conference will demonstrate the continued relevance of the CAP in addressing issues that impact on so many people, both inside and outside the EU, particularly in relation to food security, climate action and migration. What I hope we will also agree on is that we have a living CAP – one that has and is continuing to evolve to meet ever-changing challenges and one that would now be more accurately named the Common Agricultural and Food Policy.

Thank you.

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