

**Speech by Commissioner Phil Hogan at the Informal Council of Agriculture
Ministers, Luxembourg, 15th September 2015**

Introduction

President of the Council, Fernand, and Ministers, I am very pleased to be here today to contribute to this debate. I'm sorry that I couldn't be with you in Brussels last Monday and I want to thank the many of you who conveyed your best wishes to me.

I want also to thank Vice President Jyrki Katainen for stepping in at such notice and for presenting the Commission's €500 million support package, which reflects our commitment to provide immediate and significant help to farmers.

I don't intend to repeat everything that Vice President Katainen said last week, but I would like to focus on a few particularly important elements of the package and to elaborate a little further on those points.

The Commission listened very carefully to the contributions of Ministers at last week's Council and, indeed, many of you have written to me since last week's Council. We have taken careful note of both your reactions to the Commission's package.

My Services have provided additional detail at the meetings of the Special Committee on Agriculture, both last Friday and again yesterday. Not alone have we listened to your comments, but we have responded positively to many of your requests.

I am confident that the further clarifications I can provide today will provide reassurance that the Commission's package meets the farmers' requirements.

What is also important is that you look at this package as a whole. The difficulties being experienced throughout the EU differ in emphasis from Member State to Member State and so the package is constructed in such a way that it responds to those different challenges and, at the same time, provides Member States with the maximum flexibility to tailor aid to their particular needs.

This package is a significant statement of support by the Commission for European agriculture. It reflects in a very concrete way the comment of President Juncker in his State of the Union speech last week, when he described himself as a "strong supporter of the CAP." I am sure that it won't have escaped your attention that the focus of that speech was of course on the enormous refugee crisis facing Europe. In view of the huge challenges facing the EU, both economic and social, a package of €500 million represents a decisive and robust response to the current market difficulties.

This is, as the Vice-President said, new money from within the margins and is provided without recourse to the crisis reserve. I must stress, however, exceptional nature of this package. We will not have the benefit anymore of the proceeds of the superlevy to fund any similar comprehensive support packages.

Private Storage Aid

One of the key aims of the Commission's package is to stabilise the markets in an effective manner and, therefore, the first area on which I want to focus is private storage aid. Last week, we said that we would introduce a new and improved private storage scheme for skimmed milk powder and cheese and a new private storage scheme for pigmeat.

What is clear to us from your interventions last week and our engagement since the Council is that we have a shared ambition to ensure that the new schemes provide real market stability by withdrawing a sufficient volume of product from the market and for a sufficient period of time to allow the market to recover.

I have decided, therefore, to increase the aid rate for skimmed milk powder by over 100 per cent and fix the storage period for a year. This approach responds to your specific requests. I trust that you will agree that the Commission is acting to stabilise the markets in the most effective way, both by increasing the attractiveness of the scheme and keeping product off the market long enough to allow a recovery.

Learning from the experience of the last PSA for cheese, the new scheme for cheese will provide for a total amount of 100 000 tonnes to be broken down by Member State, based in their respective cheese production. I am aware that this is not a measure that will be used by all Member State and **I am proposing, therefore, that any unused allocations will be available for redistribution after three months to those MS which wish to make greater use of the scheme.**

Originally, it was foreseen that the new scheme for pigmeat would be a 'classical PSA scheme'. However, I have listened to your concerns about the continuing effects of the Russian ban, including the unjustified ban on some products on SPS grounds.

It is indeed a matter of great concern that EU producers should also be subject to arbitrary and unjustified additional barriers, which add to the burden of the Russian political embargo. Commissioner Andriukaitis has already responded to your call by committing himself to do as much as possible to resume trade on the products hit by the SPS ban. However, we need to see real change in Russian attitudes first.

I have also heard your arguments to ensure the success of the scheme by including some of the low-value cuts. **In this light, the scheme will be extended to fresh lard, responding to the proposal that some of the so-called 'fifth-quarter cuts' should be included.**

I am confident that the modifications made to these new schemes, particularly in terms of the levels of aid provided and the inclusion of lard in the pigmeat scheme will ensure that they are sufficiently attractive to be effective and ensure the desired market stabilisation objective.

Targeted Aid

We identified the need to address the cash-flow difficulties farmers are facing as another key focus of our response. Last week, Vice President Katainen said that, in recognition of those cash-flow difficulties, *"the Commission will propose that the most significant part of the comprehensive package will be provided to all MS in envelopes"*.

We have now confirmed the amount to be available for these MS envelopes will be **€420 million** and you have been informed of your respective allocations.

Vice President Katainen also said that *"in determining the distribution of this aid, we will ensure that it is fairly distributed, targeted and effective, having particular regard to those MS and those farmers which have been most affected by the market developments. The Commission's intention is to provide maximum discretion to Member States to reflect their specific situations."*

We have been faithful to that commitment in the calculation of the envelopes. Reflecting the significant drop in dairy prices over the past year which has affected all EU producers, the vast majority of the total amount - 80 per cent - is allocated on the basis of MS milk quotas in the last quota year.

In recognition of the particular factors and even a combination of such factors, the remaining 20 per cent is allocated on the basis of criteria that ensures additional assistance for farmers in those Member States which have been particularly hit by the fall in pigmeat prices, the impact of the Russian ban, very low milk prices and this summer's drought.

I said earlier that current difficulties have impacted more on some than on others and I believe that we must show solidarity with those most badly affected. President Juncker acknowledged last week that the sanctions which the EU has quite properly and justifiably imposed on Russia have had *"repercussions on important sectors, like farming."*

Reflecting this, the distribution key used to calculate the national envelopes is designed to be fair and, in a spirit of solidarity, to provide a top-up for those Member States most affected by those further negative circumstances which many of you have raised, including the fall in pigmeat prices, the summer drought and the ongoing impact of the Russian ban.

At last week's meeting and since, many of you raised the issue of how the targeted aid can be used. While the original intention was to focus the aid for the benefit of dairy producers, I have listened very carefully to what you said about providing maximum flexibility.

I am sensitive to your arguments to allow MS to determine the best means to address the specific needs of their respective farmers. While there are some legal constraints as to the purposes for which this aid can be used, I am prepared to respond positively to your request for such flexibility. **I am ready to allow Member States the maximum flexibility to target aid for appropriate measures to address the negative market impact on farmers, including those farmers impacted by falling dairy and pigmeat prices or which have been affected by drought.** You are best placed to identify and address the specific needs and challenges of your farmers. I trust that this will be a big help to many of you.

State Aid

While am I fully convinced of the adequacy of the package, I have also listened to the arguments made by some of you that given the current difficult situation, it might be useful if Member States could provide national aid to support your farmers. Such a facility could be particularly helpful to address cashflow issues.

I am also conscious that some of you have already had recourse to state aid provisions under de minimis rules, and that there is little room for manoeuvre left to provide further legitimate state aid to farmers.

For this reason, **I am prepared to consider allowing Member States to provide complementary national aid to increase support to the measures taken under the targeted aid envelopes. My Services are available to engage with interested Member States in relation to the details of such a measure, including the level of national aid which can be provided.**

Advance Payments

The second element of our aim to address farmers' cashflow difficulties is to allow MS to advance direct payments up to 70 per cent from 16 October. Vice President Katainen indicated that the Commission will consider providing some flexibility to release the advance payments as early as possible.

The existing flexibilities have been explained to you but many of you regard them as inadequate to make the advance payments. The Commission has reflected on this, and in response to the call from a number of Member States for further flexibility, **I will now propose that Member States may pay 70 per cent of advances after the administrative controls have been completed and without the need to complete the on-the-spot checks.**

This derogation is a significant concession, bearing in mind the possible financial risk and is proposed as an absolutely exceptional measure and it is at the absolute limit of the flexibility that the Commission can offer in the context of protecting the EU budget.

I expect that you will see it as a measure of my commitment to satisfy the concerns you expressed at last week's Council and since.

Refugee Crisis

I have recalled earlier that President Juncker has focused his State of the Union speech to the refugee crisis facing the EU today. In identifying appropriate measures for the benefit of farmers, we cannot ignore the impact of this unprecedented humanitarian challenge, and we must see how our actions to stabilise the market can contribute to our solidary efforts.

For this reason, I intend to ensure that a measure of around €30 million will be devoted to ensuring that EU milk will be made available for the nutritional needs of refugees, in particular those displaced in difficult conditions in our neighbouring countries.

In this regard I want to knowledge the commitment of Vice President Georgieva to this cause.

Food Chain/supply chain

Before concluding, I want to say a few words about the food chain. As President Juncker put it so eloquently last week, *"there is something wrong in a market when the price of a litre of milk is less than the price of a litre of water"*.

He has called on European and national competition authorities to take a close look into the structure of the market and mentioned the retail stage in particular.

This coincides with our in-depth look at the whole food chain, already announced by VP Katainen last week, which will also focus on market structure as well as the resulting market behaviour and its impacts from farm gates to retailers' shelves. The results of all this work will help us table any necessary proposals as soon as possible.

The Vice President also confirmed the establishment of a new dedicated High Level Group (HLG) to focus in a number of specific and clearly defined issues. This includes credits for farmers and financial and risk hedging instruments, such as futures markets for agricultural products.

It is also my intention to work to rapidly conclude the proposal to improve the scheme for school fruits and school milk.

Vice President Katainen also highlighted that additional funding will be provided for the promotion of dairy products and pigmeat. The new promotion

policy, which enters into force on 1 December 2015, will make it easier to access funding for promotion.

Conclusion

I appreciate the Presidency's acknowledgement that the *"Commission has been quick to respond by putting together a package of measures worth €500 million of new money."* It is a comprehensive, decisive and robust support package for all 28 Member States and in the words of President Juncker is *"a €500 million solidarity package for farmers."* The President also said that without farmers, Europe would not survive and he gave a commitment that we would not leave farmers out in the cold. The Commission's package delivers on that commitment.

The Commission is moving quickly now to implement this package of measures with draft implementing and delegated acts published this week. Discussions on some of these measures will also begin this week. I believe that our shared objective is to get this money flowing as quickly as possible and I urge you, therefore, to support that shared objective by ensuring that these measures are implemented without delay.

I hope today that I have met the Presidency's objective of *"confirming the main components of the package and addressing the main concerns of delegations."*

In return, I hope that you will accept the Presidency's invitation *"to join in supporting this package as a response to the difficult situation faced by the agriculture sectors."*

Ends