

**Speech of Commissioner for Agriculture and Rural Development,
Phil Hogan to the Oxford Farming Conference**

Thursday 7th January, 2016

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Introduction

- President Raymond, Ladies and Gentlemen. It is an honour and pleasure to be with you here in Oxford today.
- As we are all keenly aware, the British people will vote on the UK's membership of a reformed European Union in a referendum soon. It is not for me to come here today to tell anyone how to vote. This is a decision for the British people.
- I wish to set out the facts of today's Common Agricultural Policy, as opposed to the 'straw man' beloved of so many critics, and to sketch some of my ideas for how we can continue to adapt and improve it. In doing so we shall see some of the ways in which British farmers benefit from your European Union membership.
- Along similar lines, I want to commend you President, and the NFU, for your recent publication entitled "EU Referendum - UK Farming's relationship with the EU".
- The document does not take a 'Yes' or a 'No' stance ahead of the conclusion of the negotiations. It serves to inform the debate with insights and answers and is a hugely welcome addition to any discussion among UK farmers and the agri-food industry in the run up to the referendum.

- Of course, I stand before you today as Commissioner for Agriculture and Rural Development - but I am also addressing you as a man born and bred on a family farm in Ireland's County Kilkenny. Like you, farming runs through my veins.
- As British farmers, you will of course be aware that the part of the EU you know best – the Common Agriculture Policy – has itself been extensively reformed over recent years. In fact, as you know, my honourable friend Owen Paterson participated in the last reform as UK Secretary of State for Agriculture.
- The 2013 CAP reform took a further step along the reform path started by my countryman Ray Mac Sharry back in 1992. We now have a market-oriented policy which means that farm businesses decide themselves what they want to produce on the basis of what they are good at and where they can get a good price, rather than looking to Brussels to see what support is available or being hemmed in by quotas.
- The CAP has become more liberal, more flexible, and more outward looking – more focused on trade on the global marketplace.
- I want to tell you a story that illustrates where the CAP is at on the global stage, and how the EU is a major player in advancing the interests of our farmers.
- The time is 3am on Saturday the 19th of December last, the venue is an international conference centre in Nairobi Kenya, for the World Trade Organisation Ministerial. 162 country delegations from around the world are present, grappling with a seemingly

endless and fraught negotiation, with the threat of collapse looming over all the attendees.

- However, an endgame emerges – 5 players at the table in a small, pokey room. The United States, China, Brazil, India... and the European Union, with the Kenyan chair also in attendance. In fact, the EU had two seats at the table, with both myself as Agriculture negotiator, and Trade Commissioner Cecilia Malmstrom present. No Japan – population 120m and a 1 trillion pound economy; no Canada, no Australia, no Turkey, no Switzerland, no Norway...no anyone else!
- When it comes down to the final roll of the dice, an aggressive plan to phase out export subsidies across the board emerges as the landing ground for the deal, something which is a key priority for the EU. We use our combined weight and power to push for a fair and level playing field for EU farmers on the global scale – Canada, for instance, will have to phase out export subsidies for their dairy sector. Likewise Switzerland for chocolates, India for sugar and Turkey for wheat flour. The US will have to reform its export credit and food aid programmes. Finally, countries will not be able to circumvent the new restrictions by funnelling subsidies through state trading enterprises.
- What this meant, in practical terms, was that the market orientation of the EU CAP will now be replicated, through painful reforms in other countries, across the world, over the coming years. A victory for EU farmers; a victory for the free trading British mindset. In fact, the deal was strongly welcomed by the British delegation in Nairobi, and I wish to express my thanks for their continued support during the difficult negotiation, which saw

many sleepless nights over the course of the week-long, ceaseless deal-making.

- This is a story about an EU which uses our combined weight to advance our interests – together. This is a story about robustly and pragmatically advancing our interests on the global stage, using our combined strength. Midsized powers from around the world do not have this luxury when it comes to the big negotiations – the EU does. The EU effectively pushed a British priority – free and fair trade in agriculture – the EU advanced British interests.
- Indeed, it is notable that a Brit has been at the tiller of the crucial EU Trade portfolio for 13 of the last 25 years. In the 1990s, Leon Brittan led GATT negotiations on behalf of the EU, and a decade later, Peter Mandelson did the same during the Doha round at the WTO. The deal we did in Nairobi only served to continue the work of Lords Brittan and Mandelson.

Rural economy/food security

- This is highly relevant for food and farming here in the UK, for, as you know, the agri-food sector has never been more relevant. From 'The Archers' and 'Farming Today' to Real Ale and the 'Great British Bake-Off', food and rural communities are bound up with British life and identity.
- But their importance can also be measured in hard economic facts. Britain's rural economy is worth £200 billion a year. The whole

food chain employs one in eight people at work and contributes more than £100 billion to the economy per annum.

- In the face of many challenges, British agriculture has proven itself resilient. Food businesses actually expanded throughout the recent recession, creating more than 200,000 jobs over the past four years. The food and drink sector, of course, remains Britain's largest manufacturing industry, larger than the aerospace and automotive sectors put together.
- I remain adamant that the stability brought by the CAP has provided, and is providing, the foundation for economic growth and jobs in rural areas and all along the food chain. In particular, the policy is vital to farmers. And you don't need me to point out that without farmers you do not have a product to process or sell to final consumers.
- British agriculture is today experiencing a renaissance. I wholeheartedly agree with Liz Truss that the rural economy is undergoing a revolution, powered from below and making a difference in towns and villages across the country.
- This is fuelled by more demanding consumers, seeking guarantees of traceability and quality assurance. And here, we must not forget the historical mission of the CAP itself: to ensure the sufficient supply of safe and sustainably produced food at a quality which our consumers expect – despite the uncertainties which farmers face, such as weather, animal disease or market prices.
- This is essential for a nation that imports close to 40% of its food. And the British public agrees. A new Eurobarometer survey shows well over three fifths of all British citizens now believe that the

CAP is fulfilling its aims in securing food supply, and half think that financial aid to farmers should actually increase!

- This is a remarkable endorsement of the CAP and of British farmers: clearly, the more consumers care about the origin and quality of food, the bigger stake they have in the vitality of rural communities and our producers.

Simplification

- As I've said before, the British people's view of the CAP was set in concrete in the 1970's. The very mention of CAP conjures up for many people butter and beef mountains, wine lakes, high food prices, subsidised exports and so on and so on. But things have changed. The label on the tin might still say "CAP" but the contents are very different. Farmers have accepted and adapted to successive reforms and, in doing so, have had to grapple with new regulations.
- It is in the nature of things that new legislation is more complicated than it needs to be, and, for everybody's benefit, we need to make things simpler. This is one of my main objectives over the next few years — reducing administrative burdens while making sure that all interests are defended.
- I am aware that the greening measures introduced in the last round of CAP reform are not universally popular.

- Indeed I encouraged the British Government and stakeholders to make submissions to the simplification process. Having listened to your concerns, I announced in recent months:
 - increased flexibility in mapping requirements for EFAs;
 - an extension of the deadline for the aid applications;
 - and
 - more flexibility on eligibility conditions for voluntary coupled support.

- I have also announced some practical improvements for this year's applications, such as:
 - reducing the number of on-the-spot checks through better sampling methods;
 - an increased level of preventive preliminary cross checks,
 - and
 - the possibility of modifying parcel declarations for greening after submission.

- The next round of CAP simplification will see 200 existing EU regulations reduced to 40 or 50, cutting red tape for farmers, operators and national administrations alike.

- The NFU was correct recently when it pointed out that national "gold-plating" of EU legislation imposes an extra burden on British farmers and that, in the words of Deputy Director General Martin Haworth, "some of the most difficult regulations are national regulations." In this connection it's good to see that DEFRA has cut its own farm inspections by 34,000 a year and that almost a half of all inspections now allow farmers to earn recognition, saving them time and money.

- Unless member states play their part in this way, simplification in Brussels is nullified by bureaucracy in national capitals. It is always a good idea to check whether Brussels is the right target for criticism, and not London, Edinburgh, Cardiff or Belfast.

Global trade

- As I have already said, Britain has frequently advocated a free international trade system: ever since the Repeal of the Corn Laws in 1846, British agriculture has thrown open its farm gates to the world.
- In recent years, the UK food and drink sector has generated £24 billion of Gross Value Added every year to the British economy. This headline figure contains remarkable success stories: British beer exports exceeded 1 billion pints last year, up a sixth since 2010, boosting a sector which supports a quarter of a million rural jobs at home.
- And according to the CBI, there is scope for further growth of 40% in exports across the entire food and drink sector.
- Of course, Britain as part of the EU has a significant agricultural interest in many of the bilateral trade deals that the Union is currently negotiating. Since the USA ended restrictions of beef from certain EU member states in the past year, I am eager to see this measure extended to British farmers.
- A balanced and comprehensive TTIP deal will see significant benefits accrue to the British economy. For instance, the recently

agreed deal with Canada should benefit the UK economy by £1.3 billion per year.

- Trade promotion to third countries has become a major plank of EU policy. The UK is actively participating and is one of the chief beneficiaries, receiving almost 34 million pounds, mostly to finance the promotion of its dairy and quality meat products.
- Over the past 5 years, the EU has negotiated Free Trade Agreements with South Korea, Canada, Colombia, Singapore, Vietnam as well as a number of other countries.
- We are also negotiating a free trade deal with Japan which would be significantly beneficial for the meat, dairy, and spirits sectors; negotiations with China to offer further protection to geographical indicators such as Scotch Whisky are now quite advanced.

Closing remarks – British farmers outside the EU

- I was a teenager when Ireland and Britain joined what was then the Common Market. But I remember it was an easy choice for Irish farmers, although you in Britain were more circumspect. Your price support system was so different from the common agricultural policy of the time. Circumspect or not, you looked carefully at the options and came out in favour.
- Same thing two years later in the first referendum, perhaps because you now had more confidence that the CAP could adapt

to your requirements and that your farming could adapt to new conditions.

- And time has proved you right, hasn't it? The Common Agricultural Policy has gone on evolving, you've continued adapting, to the benefit of both. The facts that I've mentioned speak for themselves about the benefits of the CAP for British farmers. And these benefits are as relevant now as they were in 1973 and as they were in 1975.
- Insofar as trade is concerned, it is important to maintain a balanced view of the facts at hand. Europe is, and has always been, a vital market for British produce. Today, the UK exports more to Ireland than it does to China, Japan, Canada, Russia, Saudi Arabia and South Korea combined. The EU accounts for 60% of the UK's food exports.
- Look at the changes that have taken place — and have taken place smoothly, without crisis. The European Union has just completed a trade deal with Canada; it has ongoing negotiations with the US; it has opened trade negotiations with Australia and New Zealand. The Union is engaging with what we might call the Anglosphere, which is a natural market for you in Britain. You can expect to benefit from this more than other member states.
- You'll no doubt be asking yourselves how well British agriculture would do outside the European Union, just as you did in 1973 and 1975. I have heard talk of Norwegian or Swiss models for Britain. Interesting. Even on a generous estimate of how much public money flows into British agriculture, Swiss and Norwegian farmers get significantly more.

- I will leave you with some further questions relating to a potential Brexit: How would Britain with a population of 60 million fare in negotiating with countries like China, with a population 1.3 billion? In the EU it punches at a weight of 500 million, almost twice the size of the US. It could take the UK years to negotiate deals with Korea, Canada and so on – deals the EU has already successfully negotiated.
- The CAP is a legally binding contract between the EU and farmers up to 2020, under the Multiannual Financial Framework. The CAP heading cannot be cut by the Commission or any Government during this period. However, outside the EU, agricultural spending would be subject to the same annual review by the British Treasury as any other Department – can farmers compete with doctors, nurses and schools in such a review? This is especially relevant in light of the fact that the DEFRA budget is already down a third since 2010, whilst other Departments such as Health, Education, Defence and Overseas Aid are ring-fenced from cuts.
- Outside the EU, Britain would still want access to the Union's internal market. But it comes at a price — ask Switzerland and Norway. Would the British Exchequer be prepared to pay a price that fully guaranteed your access for agricultural products? Would it expect farmers to pay part of the access-fee through higher taxes?
- You wrestled with similar questions in 1973 and 1975 and made a judgement. I know that you are wrestling with such questions

again. I hope you find the answers that will be right for you. For today. And for tomorrow. To encourage you, I leave you with some words by Winston Churchill on Britain's place in Europe:

- "To resist vested interests and short-termism ... to have the courage to think ahead and be able to project and shape change". "That" he said "is what leadership is about."

Thank you.