

**Speech by Phil Hogan, Commissioner for Agriculture and Rural
Development at the Extraordinary Meeting of COMAGRI, Strasbourg 18
January 2016**

Introduction

Chairman, members of the committee, I want to thank you for scheduling this extraordinary meeting of COMAGRI this evening, which gives me an opportunity to outline to you the progress that has been made on the simplification of the Common Agricultural Policy and to announce to the latest package of measures, which are aimed at the farmers.

I also want to take the opportunity this evening to update the committee on the outcome of the WTO Ministerial Meeting in Nairobi immediately before Christmas, at which a significant breakthrough was made in relation to export competition.

Background to simplification

In his Mission letter to me in November 2014, President Juncker asked me to review the potential for further simplification in the areas of direct payments and in particular as regards greening, rural development, quality policy and the fruit and vegetables scheme.

In my confirmation hearing before this Committee in October 2014, I made a commitment that, if confirmed as the new Commissioner, to comprehensively screen the Common Agricultural Policy legislation to see what can be simplified - without putting into question the effectiveness of the policy, nor its sound financial management.

I indicated at that time and I still hold to the belief that cutting the administrative burden cannot just be positive for both farmers and national authorities: but can also reduce errors in the way EU money is spent.

For all of these reasons, I identified simplification as my priority for 2015 and I am confident that significant progress has been made and the potential for further progress remains. I attach great importance to lightening the burden for European farmers.

Simplification is a shared responsibility of the EU institutions, Member States and stakeholders. The need for simplification of the CAP arises directly from its complexity, which reflects the degree of flexibility that was provided to MS to address different conditions and specificities that apply across the territory of the EU. That said, an overview provided by my Services shows that the Member States do not use all of the simplification elements that were provided in the CAP.

My three guiding principles for the simplification exercise were to ensure that any actions should

- respect the policy framework of the 2013 reform;
- concentrate on what benefits farmers and other beneficiaries; and
- not jeopardise the sound financial management of CAP expenditure.

Simplification Measures Taken in 2015

After a year during which the simplification of the CAP was a priority, I think it is useful to reflect and recall the progress that has been made to date and, in particular, to focus on a series of concrete actions which have been or are in the process of being implemented.

In the first half of 2015, my services have screened the entire agricultural acquis on simplification potential. I also asked stakeholders, Member States and of course you, to help me out with concrete examples of what could be done better. I want farmers to have a fair deal: access to EU support with as little burden as possible, in a way that enhances the great qualities of EU farmers and farming. We've gone through each simplification proposal put forward by Member States, MEPs and stakeholders. There has also been strong interest from the European Economic and Social Committee and the Committee of the Regions in this topic.

I am pleased to say that since then, we've been working relentlessly to provide as much relief we can, as soon as we can. The results of the internal screening and the proposals MS/stakeholders are being integrated in simplification packages/planned actions.

As you are aware, the current exercise only aims at simplifications that can be carried out at the level of DA/IA. Indeed, at this stage, as I've indicated to you previously, in order to be effective and immediately operational, simplification must target those areas where the Commission can act, and at the same time ensure stability for farmers who are just now beginning to implement the new rules.

As early as March last year, and without having had the opportunity to complete the assessment of the hundreds of pages of proposals received, I decided on and the Commission subsequently adopted 2 Regulations:

- (i) one-month extension of the deadline for the aid applications
- (ii) more flexibility with regard the eligibility conditions for voluntary coupled support for animals.

These changes responded to concerns expressed by some of you and from a number of Member States and reflected the responsibility which the Commission is willing to take to take concrete action in a timely way and to ensure that farmers are not the ones to suffer the consequences of delays on the part of national or regional

administrations, which were faced with the particular challenge of the first year of implementation of the CAP.

Furthermore in May, I made 6 concrete changes to the direct payment guidelines in particular with regard to the EFA layer, LPIS, adjacent EFAs, compensation of EFA in case of wrong declarations and permanent grassland. These changes were applied with effect from claim year 2015 and should ease the lives of both farmers and national administrations

On November 30 the Commission adopted an amendment of the Direct Payments Delegated Act which is expected to enter into force in the end of this month.

This amendment changes the Young Farmers' Scheme (YFS) to give discretion to Member States on the eligibility of legal bodies controlled jointly by young and other farmers.

It also introduces three changes to the Voluntary Coupled Support (VCS) scheme

- in terms of modulated unit rates of aid within single VCS measures;
- the possibility for MS to transfer funds between VCS measures; and
- the streamlining of MS' notifications.

In December last, the Commission adopted an implementing act introducing five changes to the IACS system which constitute a significant simplification for farmers and national administrations alike:

- the introduction of preventive preliminary cross checks as part of the application process;
- the adaptation of the conditions to reduce the level of on-the-spot checks for 2016;
- an increase in the efficiency of the samples selection;
- the introduction of management rules for a system of collective claims under 2nd pillar; and
- further possibilities to modify declarations as regards the use of agricultural parcels for the purpose of greening.

Simplification package on administrative penalties

In the same spirit, this evening I am announcing to you a simplification package in the field of administrative penalties that is currently in the pipeline. While farmers accept the principle of administrative penalties, I know that and indeed understand why they are often infuriated by their nature.

This package will be a strong response to this issue that produces sometimes negative attitudes towards the CAP direct payments that should be seen as transparent and fair. It consists of three important elements:

- 1. Preliminary checks of aid applications**
- 2. A simplified system of administrative penalties**
- 3. A "yellow card" system for first offenders**

Preliminary checks of aid applications

The legal basis for the **preliminary checks** have recently been published and hence, allow national administrations to identify problems with farmers' applications so that, during a period of up to 35 days after the final date of submission, farmers will be allowed to make corrections to their aid applications without the application of any penalties.

Let me stress the importance of these changes. They will have a direct effect on farmers, sending a clear message that our interest is not to catch farmers out as it were, but ensure that public money is well spent. Farmers, I know, fully support that goal.

I believe that these preventive preliminary checks as part of the aid application process will make the lives of farmers easier and even more important they will reduce significantly the number of errors and consequently of cases where administrative penalties would need to be applied.

A simplified system of administrative penalties

The second element of this package is my proposal to **simplify the system of administrative penalties for direct payments.**

With the new CAP, farmers feel themselves faced with new and complex rules and consequently they worry that unintentional mistakes might lead to the application of penalties and thus the loss of part of their income support. In recognition of this understandable concern, I have decided that the current system should be improved by making it more proportionate and understandable.

Moreover, with the improved technology concerning area measurement which is nowadays broadly available for farmers together with the provided pre-established information by the administration and the introduction of the preliminary checks the correct declaration of areas by farmers is better ensured.

Therefore, I consider it justifiable to lighten the administrative penalty for the direct payment schemes where the administration and control system is proven to be effective and the probability of detection of over-declaration is higher.

Whereas the current system for the calculation of penalties is based on different categories that can result in penalties of sometime more than double that which is over-declared, I have replaced the different categories by a simple penalty, which is 1.5 times the area over-declared. This reduced level of penalties will apply from 2016.

Small over-declarations that are up to 3 per cent of the area declared or 2 hectares will continue not to be penalised.

A "yellow card" system for first offenders

In addition to this simplified and more proportionate system of administrative penalties I will also introduce **a system of "yellow cards."**

For a first offender, where the over-declaration is minor (below 10 per cent of the area declared) the administrative penalty will be reduced by 50 per cent.

Farmers having received a yellow card will be registered and where appropriate will be subject to an on-the-spot control inspection the following year.

Example of changes made to penalties system

I will give you an example to illustrate the changes announced this evening. Take a small farm holding of 10 hectares. Under the current system, if this farmer declares 11 hectares, he hits the 10 per cent threshold and the penalty system enters into force. What happens is the following:

- His payment **reduced to** the actual *10 hectares to which he is entitled*;
- He is **penalised twice** the difference. Therefore, as it is a 10 per cent over-declaration i.e. *2 hectares*, he would be **paid for only** 8 hectares of his holding.

Under the new system, before the yellow card kicks in, that same farmer would be penalised for only 1.5 hectares, i.e. he would receive a payment of 8.5 hectares. However, with the yellow card system, the penalty would be halved if he is a first offender, to three quarters of a hectare (.75ha). This means he would receive a payment for 9.25 hectares – a significant improvement for what might be a relatively minor, first time error, such as accidentally including the farmyard in the aid application.

Summary

I am sure that you will agree that the clear focus of this package of proposals is on the farmer and easing the burden of farmers. Everywhere I go, I hear about the administrative burden which farmers face and the pressure associated with ensuring that all of the administrative requirements are fully complied with. As the representatives of those farmers, I'm sure that you too hear the same concerns expressed.

As important as it is that the rules of the schemes are implemented and that public funds are protected, I also want to ensure that farmers are able to farm without an excessively onerous burden, especially one that they find threatening in terms of their payments.

I hope that you will agree therefore that, all in all, this package that I have announced will contribute to that goal and should also reduce the frequency of errors and introduce a more proportionate and transparent penalty system.

I'm sure there will be those who will ask whether I am going soft on the penalty system. I can assure them and you that this is absolutely not the case.

A package of changes such as I have announced this evening goes in parallel with an administration and control system which is effective and where the probability of detection of over-declaration is higher.

I am glad to say this is the case for the Basic Payment scheme, the Single Area Payment Scheme and ancillary schemes such as the redistributive payment, the young farmers scheme and the small farmers scheme.

Future Steps

Later this year, I intend to assess the implementation of the **greening** rules after their first year of application and, as mentioned in the REFIT part of the Commission Work Programme, come with concrete proposals where appropriate. To this end, I launched a twelve-week public consultation in December last. When the results of that consultation have been analysed, I look forward to discussing them with you at the appropriate time. Based on this review, I expect to present a package of changes to Delegated and Implementing Acts before summer 2016 and I anticipate that changes should become applicable as of claim year 2017.

With regards to **markets**, the Commission is coming forward with a comprehensive set of revised delegated and implementing acts. This review is done following the very thorough consultation of experts and stakeholders.

The first instalment will see the adoption in early 2016 of a set of delegated and implementing acts simplifying Commission level rules and aligning them with the Lisbon Treaty with regard to *public*

intervention and private storage, import and export licences and producer organisations.

These will have a positive impact on administrative burden for operators. Less red tape, streamlined rules will allow farmers and businesses to concentrate on what they do best.

Finally, in Rural Development the Commission will adopt in early 2016 an implementing act to simplify information obligations for smaller beneficiaries and programming rules for financial instruments.

Conclusion on Simplification

Chairman, I am grateful for and appreciate the support which this Committee and individual MEPs have shown for the simplification agenda which I have been and continue to pursue. It is not, as I have said repeatedly, a once-off exercise. Rather, it is an ongoing and rolling process with the single aim of reducing the burden on public administrations and, more importantly, our farmers.

I look forward to your continued support for and constructive approach to my proposals, particularly those which require your approval to changes to Delegated Acts. I appreciate that some of the legal texts may be complex or difficult to read.

In any such cases, let me assure you that the Services of DG AGRI are available to engage with you and to tease out any issues that may require further explanation.

While I fully respect the position of the EP and indeed the Council to take any position it chooses to take in respect of any of the proposals the Commission makes, I hope that any such decisions are taken on the basis of the full information being available to the other institutions and I am anxious to ensure that such full information is always available to you as part of your deliberations.

Outcome of Nairobi WTO Ministerial Meeting

Chairman, I mentioned at the outset that I wanted to update the committee on the outcome of the 10th WTO Ministerial Meeting, which took place in Nairobi in December.

In addition to this evening's debrief, I am writing to you Chairman with some more technical details.

As is so often the case at such meetings, agricultural issues were once again at the heart of discussions and formed part of the core of the outcome, described as "historic" by the WTO Director-general Azevêdo.

The agriculture package reached at the meeting comprises four Ministerial Decisions:

- on export competition;
- on cotton;
- on public stockholding for food security purposes; and

- on the Special Safeguard Mechanism.

The Export competition decision is obviously the most significant outcome on agriculture, with the elimination of all forms of export subsidies and disciplines on other potentially trade-distorting export measures.

Specifically, this involves the elimination of all forms of export subsidies delivers important benefits. It sets a definitive end-date for their use by developed members - including 2 EU neighbours, Switzerland, Norway – as well as by developing countries where their use has been growing.

Then, and for the first time in WTO history, our trade partners (and competitors) that support billions of euros of trade through Export Credits will be subject to rules. Notably, these rules will limit US policy options for the next Farm Bill after 2018.

Rules on international food aid will have an effect in restraining US agencies that offload agricultural stocks on poor countries in the guise of in-kind food aid programmes.

Countries will have to ensure that state enterprises involved in agricultural exports do not provide hidden subsidies and binding rules on transparency will require countries to come clean about all these kind of export subsidies and other measures.

The outcome of the meeting is an excellent deal for EU farmers and for the European agri-food industry. I believe that for a number of reasons

- it eliminates export subsidies and regulates other potentially trade-distorting export measures;
- because the EU is not using exports subsidies and equivalent measures, we therefore need to do no more than we currently do. On the contrary, many of our competitors will need to change their laws and practices;
- the deal will thus allow the playing field to be levelled for EU farmers and the food-industry.

We also achieved an important objective in ensuring that we achieved a balanced outcome on agriculture for the EU. This is all the more so if we consider that the residual value of export subsidies as a negotiating chip had become marginal. In return, the EU secured important outcomes on other areas of export competition (export credit, food aid and state trading enterprise).

It is worth noting that this outcome was achieved as a result of significant EU leadership in the run-up to Nairobi as well as during the conference. We succeeded in reaching a comprehensive outcome covering all four aspects of export competition, thus responding to our offensive interests.

In that respect, I want to acknowledge the vitally important role played by my colleague, Commissioner Cecilia Malmstrom and her team, as well as my officials in DG AGRI, both in the preparation for and during the course of the meeting. All of those involved had contributed an enormous effort in the preparation for the meeting and it is a reflection of their hard work and commitment that such a successful outcome was achieved.

To conclude on this issue, I would like to emphasise the fact that the Nairobi outcome is also an endorsement of our CAP reforms and market-oriented agricultural policy which has strengthened the EU credibility and position in multilateral trade negotiations.

Conclusion

Chairman, I would like to reiterate my appreciation for having the opportunity to make this presentation to the committee this evening. I know that it may have been a long presentation, but I think it is important that you have a comprehensive overview of these two issues, both of which are of great importance.

I look forward to future similar opportunities as the simplification agenda progresses. I know that there may be issues of clarification that you would like to pursue or other topical issues that you would like to discuss and I look forward to as constructive an engagement as usual.

Thank you.