

SPEECH | 30 April 2020

Speech by Commissioner Wojciechowski on exceptional measures to support the agricultural and food sectors

Speech by Commissioner Wojciechowski at the European Parliament Committee on Agriculture and Rural Development

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Thank you Chairman, Members of the European Parliament, for giving me the opportunity to present to you and discuss with you the Commission's recent package of exceptional measures to support the agricultural and food sector.

I repeatedly said, and will continue to do so - this is a time for collaboration and swift action, but also for measured initiatives that target those sectors that experience problems. You have rightly called for action, as have the Member States: we can only overcome this challenge together.

Let me underline to you that our agri-food sectors have proven resilient to the crisis. Looking at the market updates, you will see that many of our sectors are able to stand their ground during the crisis, while others are not and some are hit very hard.

The measures that I announced on Wednesday last week aim to stabilise markets. While acting swiftly, we still took the necessary time to reflect and to find the most appropriate measures for providing stability to future prices and production and therefore to stabilise food supplies and food security. The measures I suggest support the most affected agri-food sectors by addressing already observed disturbances as well as future risks. In a nutshell, the measures consist of:

- Private storage aid for the dairy and the meat sectors;
- Much greater flexibility in the operational programmes, in particular fruit and vegetables and wine, to allow more spending;
- Allowing farmers to take joint action in derogation from the competition rules in the sectors of milk, potatoes and flower;

Proposals for more flexibility in rural development (to provide support to farms and SMEs in crisis) are in the adoption process. The application will depend on the swift approval by the co-legislators.

1. Private storage aid for the dairy and meat sector

Dairy sector

The milk sector is facing serious disruption, creating cash flow problems for farmers. The movement restrictions and shortage of labour, the closure of food outlets (restaurants, cancellation of events) and milk exports are affected by logistical challenges all contribute to this situation. I therefore proposed the following actions:

- to grant private storage aid for skimmed milk powder, butter and certain types of cheese.

This measure will remove pressure from the market by taking a certain volume of dairy products off the market for the time of the storage period, i.e.:

- a minimum of 90 days and a maximum 180 days for skimmed milk powder and butter
- minimum of 60 days and a maximum period of 180 days for cheeses

The measure has been well received by Member States as well as by stakeholders, including COPA/COGECA who I met with last week. Nonetheless, I accept that not all demands, including from some members of this committee could be met. Private storage schemes are operated at EU level and the same conditions for access to the scheme must be granted to applicants in all Member States.

Some of you have made other suggestions and a detailed written reply will come to you.

Meat sector

The beef sector was already fragile before Covid-19. The closure of the food service sector has had a very big impact on the higher quality cuts, i.e. the hindquarters, the steaks and thus the most valuable part of the carcass. Sheep meat relies highly on out of home consumption.

The Commission proposes to grant private storage aid for some beef, sheep and goat meat products, in particular for beef hindquarters, containing the "steak" part of the carcass and carcasses of sheep and goat. This scheme will allow the temporary withdrawal of products from the market for:

- a storage period of 90, 120 or 150 days for both meat categories

Let me underline that private storage aid for beef is foreseen as a standard market measure but has not been practiced so far. Private storage aid for sheep and goat has not been practiced for the last 20 years. This is a measure of the innovation we are showing in finding solutions to address the problems faced by the sector.

2. Flexibility in the operation of market programmes for fruit and vegetables, wine, table olives and olive oil and apiculture sectors

Fruit and vegetables sectors

Exceptional difficulties in certain fruit and vegetables sectors have been encountered in all Member States with the planning, management and execution of operational programmes of recognised producer organisations and associations of producer organisations.

- Producer organisations experience financial difficulties and cash-flow problems, caused by the disruption of their supply chain and closure of certain outlets at the wholesale level and in the hospitality sector and difficulties in harvesting due to shortage of workforce.
- All of this affect producer organisations' capacity to implement operational programmes not only in 2020, but for subsequent years. Likewise their ability to introduce measures targeting the market effects of this crisis is reduced.

The wine sector

The wine sector was already significantly impacted by the US sanctions. It is confronted with the same COVID-19 related problems as the fruit and vegetables sector:

- The closure of restaurants and bars, of specialised retail stores, the standstill of tourism, the cancellation of social gatherings are all impacting very heavily on the EU's internal consumption of wine.
- EU wine exports are affected. The main export destinations in the US and Asia are harder to access. Labour shortages and logistical difficulties are adding to an already difficult situation.
- Beneficiaries of Union support to the wine sector have difficulty to carry out their approved operations.

For both the fruit and vegetables and wine sectors, the Commission will adapt its current legal framework to provide more tools. The Commission's measures will respond to the management and practical difficulties experienced by beneficiaries and national administrations. It will enable them to better target existing resources to address the consequences of the COVID-19 outbreak. **These adaptations will make funds available for measures to tackle the Covid-19 situation. Funds that would otherwise have been lost to our wine growers and fruit and vegetable producers.**

I will not name all, but only some of the key elements for fruits and vegetables for the year 2020:

- flexibility for producer organisations in the management of their operational programmes, including the possibility to suspend or amend these programmes;
- flexibility for Member States to amend their national strategies, including a derogation from maximum percentages of the operational fund which may be spent on individual measures of types of action. This will allow producer organisations to redirect the operational fund to measures and actions addressing the market effects of the Covid-19;
- possibility to use more than one third of the expenditure under the operational programme for crisis prevention and management measures to address the market disturbance;
- possible non-recovery of eligible aids received, including for environmental actions or in cases where operational programmes end in the year 2020;
- softening of administrative penalties in case of irregularities, including flexibility on deadlines for such irregularities;

The key elements for the wine sector are:

- inclusion of 2 new measures under the support programmes in the wine sector: crisis distillation and aid to crisis storage;
- flexibility in the deadlines for green harvesting and possibility to carry it out on part of the holding only;
- increase in the Union's financing rate for all measures;
- possibility for beneficiaries to change their operations without prior approval and to change the objectives of their operations. There is also the possibility for Member States to change their support programmes in the wine sector more than twice in 2020 so that the choice and target of the measures can best address the COVID-19 crisis;
- prolongation of the validity of planting authorisations that expire in 2020 and of the deadline for the grubbing up of vines under the scheme of anticipated replanting if the deadline expires in 2020.
- possibility to give up planting authorisation which expire in 2020 without incurring the penalty.

Your Chairman, Norbert Lins, has also transmitted the Committee's concerns with regard to the origin of and the level of support for crisis distillation, private storage and green harvesting measures. There is no time to enter into all the details but, just let me reassure you, our proposal ensures that a beneficiary can receive both aid to crisis storage and aid to crisis distillation for different batches of wine.

There is more flexibility also for the **apiculture programmes and school schemes**.

3. Market stabilisations measures by farmers in the milk, potatoes and flowers sectors

For the milk, potatoes and flower sectors, the Commission will allow certain derogations from EU competition rules, for a limited period of **6 months**. These sectors have been particularly hard hit by the crisis, flowers saw more than 80% drop in demand, potatoes cannot be processed, we already spoke about milk already.

We will allow farmers and their associations to collectively take certain market stabilisation measures needed to address the severe market imbalance. Market operators have called for these measures but they need legal security to do so. The proposed measures allow farmers to find joint solutions.

These measures include production planning for all sectors (the only measure allowed for milk), but for some of the sectors, where such measures are needed, market withdrawal, joint promotion or storage are also allowed. Farmers can decide, whether all or only some of the measures serve their needs.

The use of these measures will be communicated to the competent authorities of the Member States, including competition authorities, and to the European Commission. We will monitor these markets closely.

4. Financing

You all know that the budgetary situation is tight. I am confident that the package sends the right message to the sector and shows that the Commission continues to support our farmers and the food sector.

To conclude, the measures proposed will help the market and they have been generally very well received by both Member States and stakeholders. Member States, for example, have given positive opinions in their votes on all the implementing regulations proposed by the Commission.

They will help our farmers and the agri-food sector to continue to operate effectively in putting food on our citizens tables and ensuring food security. Our CAP has proven to be very resilient in this crisis. We should recognise this success and build on it for the future.

I am here today to listen carefully to you and to understand your views. Let me be clear: I will continue to do everything in my power to support farmers, their income and their ability to maintain our food security.

This is the second agricultural package which I propose and discuss with you. We are not shy using the legal instruments which you as the co-legislator have given us so as to tackle a crisis. They are good and effective tools.

The new package showed that we react to market's needs in a way that is both swift and targeted and based on a sound analysis on the market situation.

Thank you.