




Opening statement

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SPEAKING POINTS

Dear Deputy-Minister Sekáč,

Dear Mr Lee, Mr Gouveia,

Dear Mrs Mihaľová

Dear distinguished guests, ladies and gentlemen, colleagues,

Allow me to welcome all of you to our 8th annual conference on financial instruments, agriculture and rural development, which this year will look into the resilience and sustainability of our agriculture.

It is a pleasure to be here in wonderful Prague, with the support of the Czech Presidency of the Council, and after 3 years of online experiences to finally have a major event where we can meet and discuss in person. Welcome also to all the participants joining remotely. Thank you for being with us today!

The new CAP from 2023

- The new CAP is a key instrument to make Europe's agricultural systems fit for future.
- We have high ambitions: we will have a greener, fairer and more effective policy, delivering results for farmers and citizens.
- A CAP that helps farmers' competitiveness, maintains some of the world's highest safety and environmental and climate standards, and contributes keeping rural communities vibrant.
- And, in the current changing and disruptive environment with high costs and inflationary pressures, and I will come back to that, combined with climate change and environmental concerns, our policy provides tools for building resilience of the agricultural sector and ensuring fair income for farmers and continuity of food production while taking care of environment and climate.
- **let me have a word about the most recent challenges for our agriculture.**
- In the last months we saw how our lives and economic environment drastically changed. When we all thought that the negative impacts from Covid-19 were about to go and the EU economy to move on a positive path of development, the unjustified and illegal Russian aggression against Ukraine began, a war at EU doors.

- These latest developments are now shaping the world and the economy, and have an impact on farmers' lives and businesses. They are causing high input and energy prices, reduced deliveries of some products worldwide, change of strategies and difficulties to predict the future.
- Increasing uncertainties as regards the energy supply affects our agricultural producers through higher costs and reduced profit margins.
- We are currently experiencing a global mineral fertiliser crisis, unprecedented since the 70s, and largely provoked by the surge of energy prices. As a consequence, the EU production of fertilisers was strongly reduced. The peak of gas prices led to an almost 150% increase of price of fertilisers in September compared to the year before.
- As a result, farmers have been delaying or reducing their purchase of these products, which could lead to lower yields for next year harvest and ultimately to higher food prices.
- Energy prices are hitting the more energy intensive agricultural sectors such as arable crops or production of vegetables in glasshouses, which need fuel for field works and heating power, or animal sectors that need electricity for operating farm equipment.
- To tackle this, already in March 2022, the Commission adopted measures to support farmers who face extra costs - an exceptional support package of EUR 500 million mobilising the crisis reserve. And a number of other measures have been taken as well.
- Just few days ago – on 9 November - the Commission adopted a communication on the availability and affordability of fertilizers.

Let me say few words about this.

- Domestically, and in short-term, we need to ensure that Member States can mobilise **financial tools** to mitigate the short-term economic difficulties of the fertiliser industry and of our farmers. They include:
 - The newly revised Temporary Crisis Framework for State aids of 28 October with new ceilings, up to EUR 250,000 for farmers and EUR 2,000,000 for other undertakings.
 - The windfall and solidarity levies of the energy package or the Recovery and Resilience funds that can contribute under certain conditions.
 - The use of the agricultural reserve, which may also be examined with Member States.
- **Other means** cover:
 - In case of gas rationing - Member States can give priority to the fertiliser industry for the continued and uninterrupted access to gas in their national emergency plans.
 - We can also temporarily compensate the EU drop in production by increased imports from reliable partners, as we have seen with higher imports of nitrogen fertilisers and ammonia from Egypt or Algeria, for instance.
 - The Commission's proposal to suspend Most Favoured Nation duties on urea and ammonia for the upcoming year is another way to mitigate in the short term fertiliser disruptions.
- A key way is also to **reduce the use of artificial** chemical fertilisers which is part of the European Commission's flagship Farm to Fork strategy.

- This will be possible if we organise the transition until 2030 relying on a certain number of levers of action we have:
 - There is an important potential in **optimising fertilisation** and reducing nutrient losses. This can be a win-win for farmers as it lowers their production costs.
 - The **role of the CAP Strategic plans** in this context is also to be noted. They can ensure a more efficient use such as optimising fertilisation and reducing nutrient losses, improving soil fertility.
 - All the approved and submitted CAP Strategic Plans contain interventions of different nature that address nutrient efficiency and soil fertility.
 - This can consist in more precision farming, agro-ecology or organic farming, more leguminous crops in crop rotations, wider adoption of nutrient management plans, further implementation of the Farm Sustainability tool for nutrients.
- Beyond reduction of use, we need to ensure **the strategic autonomy** of our agri-food chain. This implies we switch the production of mineral fertilisers from a fossil fuel-based model to one based on renewable energy, in particular for nitrogen fertilisers produced from green and low carbon hydrogen.
- Upscaling industrial infrastructures requires significant investments and here the Commission is facilitating the process with the newly established European Hydrogen Bank, which will invest 3 billion euros into kick-starting a hydrogen market in EU and set up the regulatory environment.

The CAP Strategic Plans and their approval process

- As I mentioned at the beginning, the new **CAP policy will soon start** and the CAP strategic plans are the main tool to implement the support of farmers under the CAP.
- Where we are with their approval?
- **MS sent their Plans** to the Commission end of 2021 and beginning of the year; the Commission examined them and by 25 May 2022 it sent observation letters to all Member States.
- This was followed by an **intensive structured dialogue** aiming to agree on the revision of the CAP Strategic Plans.
- On our side, we had to ensure that the Plans **do not only comply** with the legal framework, but also that they are **ambitious** in delivering on the multiple objectives and in the context of the present difficult economic situation.
- I must say that Member States engaged seriously in this phase, which led to reaching a mutual agreement and successfully closing down several waves of CAP Plans.

- Until now 15 CAP Plans have been approved. [Denmark, Finland, France, Ireland, Poland, Portugal, Spain, Austria, Luxembourg, Croatia, Sweden, Slovenia, Hungary, Estonia, Latvia].
- The other Plans [BE with 2 CSPs, BG, CY, CZ, DE, EL, IT, LT, MT, NL, RO and SK] are being processed.
- There were, of course, **important discussions** with the Member States. On our side, **we insisted on many aspects**, the strategic approach, need of ambition in some areas, the green architecture, having reliable result indicators, better targeting of direct payments instruments, among other elements, these are just some aspects which were not easy to negotiate.

Content of the CAP Plans

- The Plans contribute to tackle many challenges, from reducing the dependency on fossil fuels to the green architecture to better targeting of direct payments, to organic farming.
- Let me however focus to a few specific aspects:

As regards reducing the dependency on fossil fuels, and based on the CAP Plans, we can already see that more than half of the Member States have chosen to reinforce the CAP support for the deployment of the bio-economy and renewable energy in rural areas. Result indicators were increased.

- In the area of organic farming, in view of achieving at EU level the 25% Green Deal target by 2030, 21 CAP Plans have set national values, of which 19 aim to increase the national coverage of organic farming by 2030 in comparison with the level in 2020 by at least 25% in proportional terms. Importantly, 9 Member States aim to at least double it.
- Similarly to the past period, MS have placed importance on the investments in the sector and with a total public support amounting to EUR 31 billion (EAFRD is EUR 18 bn).
- In the context of the CAP 'green architecture'. Most Member States have proposed several eco-schemes, each of which is relatively specific to a given objective. This is one of the most significant new elements in the new CAP and will be funding a wide range of environment- and climate-friendly practices, on top of the RD ones.

Green Investments

- As part of the **environmental architecture**, the so-called “green investments” complement the environment and climate related area-based interventions under the first and second pillars.
- In the new CAP plans about EUR 3.4 billion are planned for productive green investments
- **Examples:** investments in the production of renewable energy and energy efficiency, including biofuels and bio-methane produced from sustainable biomass sources, reduced energy consumption, equipment for lower use of fertilizers, and so on.
- In this context, we would expect that some Member States will also set-up ‘green’ type of financial instruments supporting ‘green investments’.
- We already have one excellent example in Alter’Na (France, Nouvelle-Aquitaine region), but more are needed.
- The possibilities under InvestEU and with the EIB/EIF in this field should also be taken into account and given a thought.

Risk management

- Unfortunately, changes in climate and environment have become too strong for farmers to deal with on their own.
- Climate change events have tripled in number since 1980s and catastrophic adverse weather conditions (CAT) - drought, frost and flooding account for more than 50% of the total economic losses.
- At the same time, we all know that farmers **face difficulties** to find the appropriate products on the insurance market, which is why almost all member States will support insurance premiums in the new Cap Plans.
- For now, 7 MS are planning support to mutual funds of one or another type (IT, FR, PL, LT, HU, BG, RO) with total public support reaching some EUR 4,7 billion (of which EUR 2,8 billion are EAFRD).

Financial instruments

- And now let me move to financial instruments
- Financial instruments are getting even more important in an environment where the economy needs to change, inflation is rising, interest rates are reaching levels we have long forgotten.

- **Before the pandemic**, the lack of bank financing for EU agriculture was up to EUR 49 billion. Nowadays, in view of what is happening, it probably has increased significantly.
- Soon we will find out more as we are launching a new **survey** with fi-compass to re-estimate the financial gap.
- (We also need to support and motivate our farmers to invest in green and environmentally-friendly practices, in new marketing strategies based on quality, in new technologies and innovations. The list is long and the options for having an attractive and well targeted financial instrument under the CAP Plans are there.)

Looking at FIs in Cap Plans

- We have made such a **significant progress** over the last years.
- If we look at the **CAP Strategic Plans**, we now have 12 Member States programming financial instruments from the offset in their CAP strategic plans The EAFRD budget that is programmed is EUR 615 million, and the total public amount is of close to € 1 billion
- This is a great achievement, about 3 times higher than the beginning of the past period.
- I would like to **encourage all Member States** that have not yet planned financial instruments under their new CAP Strategic Plans to consider their setting up.
- I know that some Member States have national schemes in place and this is excellent.
- Possibilities under the EAFRD are many, have been simplified. For instance, counter-guarantees and equity products, which are much riskier and where using EAFRD resources may prove beneficial, are areas to be yet discovered.
- We can help with fi-compass with targeted coaching, survey results, analyses, workshops. Just let us know.
- And, together with the EIB and EIF, we are ready to support all Member States willing to re-think their approach towards financial instruments in their CAP Plans
- Our current FIs will run until 2025, so we will also have a smooth transition between the two programming periods, without the need to break support and leave farmers without additional financing at preferential conditions.
- In terms of current implementation of our, I can say that:
 - By the end of 2021 we have **31 operational FIs in 12 MS**, with a **total public budget of EUR 860 million**, out of which EUR 656 million came from the EAFRD.

- The **payments** made to final recipients or set aside guarantees for disbursed loans **amounted to € 289** million, that generated EUR 951 million paid to or to the benefit of final recipients, almost 3 times more.
- **8501 final recipients** (99.8% of which is SME) were supported in form of a loan or a guarantee. The share of the agricultural activities from the financing was 90%, which indicates further increase for the benefit of the primary agricultural producers.

Today's seminar

- Today, we will talk about Member States' investment strategies, income support for farmers, risk management actions and financial instruments support.
- We will understand better how Member States, through their new CAP Strategic Plans, will strengthen the resilience of the agriculture sector and will contribute to its sustainable development.
- At the same time, the EIB Group will tell us how it can help further our farm society.

Concluding remarks

Dear ladies and gentlemen,

There is a lot of substance today in the conference.

I will stop here, and I wish you a very nice day and a fruitful discussion.