



Opening statement

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SPEAKING NOTE

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Mihail Dumitru, Deputy Director-General, DG AGRI

Dear Minister,

Dear Ladies and Gentlemen, Dear Bruno, Colleagues, good morning.

On behalf of European Commission I am pleased to join Minister Maria do Céu Antunes to welcome all of you to this webinar today.

It is a pleasure to meet you again Minister this time dealing with Portuguese matters on not with the very challenging tasks of president of the Council you managed so successfully. In June, we achieved a political deal on the future CAP after three years of discussions and intense negotiations. Of course, both the European Parliament and the Council left their marks on the final product. But the key elements (strategic planning, new delivery model) of the original Commission proposal have also found their approval in the co-decision.

And I believe that this outcome is a good basis to making CAP fairer, greener, and flexible!

The new CAP offers the **right toolbox** to support the **twin digital and green transition**, to make farming both **more competitive and sustainable**. It will be a key instrument of change to make Europe's food systems fit for the future. And it will play a very important role in translating European Green Deal with its landmark Farm to Fork and Biodiversity strategies into action.

This twin transition has a cost and CAP and its budget should be used in the most efficient way and get the results. But also other policies, instruments and funds being them EU, national, regional or local should be used in complementarity and synergy.

While the start of the new period – **1 January 2023** – may seem far away, there is a lot of work to do until then.

First, we are working intensively to operationalise all aspects and details of the new CAP (secondary legislations, IT systems, financial management aspects, to communication to stakeholders, etc.) The MS working on the content of the CAP Strategic Plans. Proposals are currently under discussion.

The informal structured dialogue to support the Member States in the preparation of their CAP plans was launched in 2018, when we set

up in DG Agriculture and Rural Development dedicated country-specific multi-disciplinary teams called GeoHubs. We then issued recommendations to each MS based on a gap assessment for each specific objective. But work has to intensify to guarantee the official submission of the Plans by the end of this year.

Of course, the Commission has six months to assess the strategic plans after the Member States have handed them in. But I know from previous experience that the informal exchanges during this preparatory phase are key for smooth and timely approval process, because now it the time when strategic decision are taken and validated internally before submitting the Plan to Commission. We should make the best use of the remaining weeks.

I am confident Member States generally seem to progress well and next week Ministers will discuss in Luxembourg under Slovenian presidency progress made today and difficulties faced.

Let me now say a few words about **financial instruments**. MS are now at the moment when deciding the intervention strategy, the mix of interventions, the choice of instruments for the next five or more years. It's is true that we have a two year transition with additional funds from both the MFF and EURI which are programmed and

remains to be spent by 2025. It is therefore a key moment for political decision to consider the use of financial instruments and the mix of FI with grants.

The **rationale** for their use in agriculture and rural areas has only **gotten stronger**. First because the **needs** and second because the **advantages they offer**. The twin green and digital transition requires investments. We discuss a lot about investment gap and factors hindering access to finance. Farmers in the EU applying for loans often have to pay higher interest rates and provide collaterals. This results in a financing gap in agriculture that is much wider than in other sectors. **Young farmers and new entrants** are particularly affected. And the COVID crisis has not made things easier. For rural areas as well, many recent studies have highlighted investment gaps in infrastructure and services, also spelled out in the Commission's "**Long term vision for rural areas**" adopted in June.

Investments in agriculture and rural areas will be of primary importance if we want to successfully navigate the green as well as the digital transition and enable farmers and rural areas to seize the significant opportunities for sustainable economic growth that the

Green Deal offers. To be sure, there are a number of viable new green business models out there.

Take advanced bio-refineries, production of bio-fertilisers, protein feed, bioenergy, and bio-chemicals. They contribute the transition to a climate-neutral European economy and generate to new jobs in primary production. Moreover, farms can produce biogas from other sources of waste and residues, such as from the food and beverage industry, sewage, wastewater and municipal waste. And farm houses and barns are often perfect for placing solar panels.

But these opportunities require investments in innovative solutions, and digital and other technologies that can also help make farming more attractive for young people, improve the quality of life of farmers and rural communities, shorten the supply chain, open new markets, and support the development of rural businesses, thus helping to fight rural depopulation.

Financial instruments can help facilitate these and other much-needed green and digital investments be it in land-based carbon sinks, the bio-economy, new environmentally friendly machinery and buildings, water and energy savings, as well as cost savings.

Broadband, a key enabling infrastructure for agriculture and rural areas in general, can receive support as well.

Of course, also under the future CAP, **financial instruments will remain voluntary**. Member States can decide their type and design, and when to set them up based on assessment. However, we know from experience that this takes time. So I recommend that Member States that want to use them start with the preparations as early as possible.

The new legal framework facilitates their set-up and has conditions that makes financial instruments better fit because it has:

- introduced the option to finance stand-alone working capital,
- cut down eligibility rules,
- makes purchase of land by young farmers eligible - enhanced combination possibilities with grants, and
- facilitated the ex-ante work.

In addition, financial instruments can now support risk management, cooperation, and knowledge exchange and information.

These improvements can make a difference for financial instruments.

In the case of Portugal, the Commission recommendations in view of the CAP plans, published end of 2020, point to the need for further capital investments to strengthen business-oriented farm management and sustainable growth. Here the current financial instrument and its future continuation can play an important role.

With regard to the preparation of the Portuguese strategic plan, I would like to thank the Portuguese authorities for their good cooperation. We have already received their SWOT analyses, needs assessment, and intervention logic. But, as I already said, I expect these **bilateral exchanges to intensify** until the formal submission by the end of the year. I would like to encourage them to start sharing draft interventions with us as soon as possible. The more progress we make in clarifying questions and expectations on key issues already this year, the smoother and quicker the formal process will be in 2022.

So the coming weeks and months will be important for the future of agriculture and rural areas in Portugal. From the side of the Commission, we will make every effort we can to make this a success. And your active participation in this webinar will certainly also an important contribution in this important phase.

Thank you for your attention and I wish you a successful conference!