



## Opening statement

**Janusz Wojciechowski**, European Commissioner  
for Agriculture and Rural Development

 #ficompass



Dear Minister Livanos, Dear Vice-President Kettel Thomsen, Dear Mr Pofferi,

Distinguished guests, ladies and gentlemen, colleagues,

Allow me to welcome all of you to our conference today.

I can see there are more than 200 attending; I am pleased to see so many, and I thank you all for joining!

I would also like to thank the chair of COMAGRI in the European Parliament, Mr Norbert Lins, and the Slovenian Minister for Agriculture, Forestry and Food, Joze Podgorsek, for their support on today's subject of financial instruments.

If I may, I would like to begin with a small story, which I think demonstrates how important good financing can be for farmers.

In Poland, many years ago, there was a crash involving a train and a motor car.

In the crash, the car was damaged, and one of the passengers was injured.

The case was brought before the state, and the man who owned the car was awarded compensation, which he used to buy a small farm.

That man, ladies and gentlemen, was my grandfather, and that farm is my family farm, which my brother still runs to this day.

If that incident happened today, I don't think my grandfather would have received compensation – in fact, it might have been the other way around!

So it is good that, today, farmers have financial instruments to help them with their investments!

#### **[Financial instruments – short intro]**

- Because whether in our days or those of our grandparents, farmers need accessible financing with good conditions.

- That is the basis for our “financial instruments” of the CAP, which we have been promoting now for only 7 years.

In 2015, nobody expected that we would achieve so much, in such a short period:

- Back then, ‘financial instruments’ was just a phrase that we talked about; since then, it has evolved to **€848 million** in programmed public money, of which **€645 million** is in the EAFRD.
- In 2015, only a few ex-ante assessments took place; since then, 32 financial instruments are up and running across 11 Member States; the most recent example being Lithuania, who just launched their first financial instrument a few days ago.
- The list of success stories is long, and you will hear more from Director Michelini later.
- But let me say that I am grateful to everyone, from those in my services to those in managing authorities, who have contributed to the development of financial instruments in the CAP.

## **CAP reform**

They have become more and more a significant part of our Common Agricultural Policy, and this path will continue with our reform.

- This reform comes at an important point for agriculture. We have to find new ways to deliver on the expectations of society, and achieve much more on the ground with our farmers.
- With the new CAP, we must bring solutions to many challenges:
  - to fight climate change, and sustainably manage our natural resources,
  - to contribute to food security, and to maintain the EU’s position as a world leader in international food trade,
  - to provide a fairer distribution of the CAP budget,
  - to support farmers in times of crisis,

- and to help ensure that agriculture is attractive for young people, and that rural areas are thriving.
- In short, we have a policy that is expected to deliver on many fronts, and to do it amid the ongoing effects of the Covid-19 pandemic.

### **On the timeline:**

- So where do we currently stand on the new policy?
- The new CAP will enter into force on the 1<sup>st</sup> of January, 2023:
  - The **basic acts** are to be adopted and published in early December this year.
  - At the same time, the work on the **secondary legislation** is advancing. We are proceeding as fast as possible, but we can only adopt this secondary legislation after Council and Parliament adopt the basic acts.
- I am confident that Parliament, Council and Commission remain fully committed to having the full legal framework formally adopted and published in time.
- As a next step, the Member States need to send their CAP Strategic Plans to the Commission before the end of this year. The Commission will then have 6 months to approve them.
- The Commission is already engaged in fruitful cooperation with all countries and we are helping them to clarify important points.
- The schedule for submission, assessment and approval of the CAP Plans is challenging; but it is necessary, and I am confident that it is achievable.

### **On the policy:**

- I am also confident that, when implemented, the new CAP will be **effective**.

- It is in the hands of Member States to prepare **ambitious plans** that follow a **strategic approach**, focused on **performance and delivery**.
- By doing this, they can achieve long-lasting results for our farmers and our citizens.
- I am aware that there are concerns on how the transition to more sustainable practices may have an impact on the competitiveness of our farms.
- But from a business point of view, continuing with ‘business as usual’ is simply not an option. It would undermine the health of our ecosystem, which is the basis for all production and profit.
- Let me recall that biodiversity loss and ecosystem degradation are one of the biggest threats facing humanity in the next decades, with farmers at the frontline of this threat.
- The CAP Plans therefore firmly support our farmers as step up to environmental and climate ambitions.
- The Commission has therefore invited Member States to indicate how they will contribute to the relevant Green Deal targets to be achieved by 2030: in the areas of
  - pesticides and antimicrobials reduction,
  - the expansion of organic agriculture,
  - the reduction of nutrient losses,
  - and the development of broadband coverage and landscape features.
- If CAP plans tackle the underlying causes of the problems at national level, and use the CAP resources wisely, we should be in a good position to arrive at a sufficient level of contributions.

## **CAP Budget 2021-2027 and its distribution**

So, what resources do we have to achieve these goals?

- The EU budget for 2021-27 includes a total of €386.6 billion for the CAP [in current prices].
- For **rural development**, through which financial instruments can be set up, the total allocation amounts to almost €96 billion. This includes €8 billion from Next Generation EU, as additional envelopes for 2021 and 2022 to help address the challenges posed by the COVID-19 pandemic.
- The reformed CAP offers a number of tools that can direct these funds towards the pursuit of social, economic and environmental sustainability in agriculture and rural areas.
- The first pillar of the CAP has an allocation of €291.1 billion, of which €270 billion will be for **direct payments** to farmers, representing 70% of the CAP.
  - The current distribution of direct payments clearly shows that professional family farms receive the bulk of the direct payments;
  - In the new CAP, Member States will have to design an intervention strategy to address the specific redistributive needs.
- Increasing payments to smaller farms in this context is key:
  - the Complementary Redistributive Income Support tool will dedicate at least 10% of the direct payments budget to this objective, and
  - the Small Farmer payment will also be an optional for Member States.
- This support can be combined with financial instruments, grants under rural development, or national support, to allow small farmers overcome the current difficult times.

## **The role of financial instruments in future CAP**

- And as we are here to discuss the success and challenges of using financial instruments, I would like to outline their role in the new CAP.
- I have already outlined the opportunities for our farmers and the challenges and expectations that our agricultural sector is facing. The CAP budget cannot address all the financial needs that come with these opportunities; our challenges and expectations are much higher than the CAP budget.
- And this is why we have to make sure that all possible sources of financing are efficiently and fully utilised to close that gap.
- In this context, financial instruments come into play.
- They are not the solution to all financial problems, but they can be the facilitator to set up the investments we need to better meet society's expectations of farming.
- Let me recall that before the pandemic, the gap of bank financing for agriculture was estimated up to €49 billion. Nowadays, with the new and ambitious objectives we have under the Green Deal, it is potentially much higher.
- Already, the financial markets often do not reflect the specific requirements of agriculture - farmers receive access to generic products, under basic conditions, with demanding collateral and short maturity of the loans, and they are charged with comparatively high interest rates.
- Often, farmers also get more refusals when they apply for loans (between a quarter and a third of those applying for loans do not get approved).
- All of these market deficiencies can be addressed if the right public response is taken – and financial instruments are a possible way forward.
- By using financial instruments in their CAP Strategic Plans, Member States may remove obstacles to investments, and provide

farmers, including start-ups, with the lending conditions they need.

- I support those of you who have decided to continue their current financial instruments into the future. And I strongly encourage those of you who are not yet considering financial instruments, to do so, and invest into this policy tool.
- This is why we made financial instruments even more attractive in the new CAP:
  - stand-alone working capital financing is possible under all relevant strategic objectives.
  - eligibility rules are simplified,
  - and, importantly, we have eliminated the restriction for purchase of land by young farmers.
- I firmly believe that financial instruments can make a big contribution to the success of CAP Strategic Plans, by stimulating strong investments in the sustainability of our farms and rural areas.

### **Financial instruments, Investments and Climate change**

- Moreover, if we are to meet the environmental objectives of the European Green Deal, it is vital that we re-orient capital flows and investments towards environmentally sustainable projects and activities.
- Turning to financial instruments, there are a number of sustainable and profitable business opportunities that can be supported:
  - Take bio-refineries, the production of bio-fertilisers, protein feed, bioenergy, and bio-chemicals. They contribute to the transition to a climate-neutral European economy and generate new jobs in primary production.
  - The making of biogas from other sources of waste and residues, such as from the food and beverage industry, sewage, is another opportunity.



- It is clear that we will need investments in these and other areas if we want to enable rural areas to seize opportunities for sustainable economic growth.
  - Investments in innovative solutions and new technologies.
  - Investments to help rural SMEs start or develop their activities.
  - Investments that can help to improve the quality of life in rural communities, make it more attractive for young people, shorten supply chains, and open new markets, thus helping also the fight against rural depopulation.
- Unfortunately, just like the agricultural sector, rural areas suffer from a significant lack of finance; projects are often unable to attract investors or funding although they are economically viable.
- And it is here where **financial instruments** under the Rural Development Policy can step in and help.
- They can facilitate green and digital investments through lower interest rates, longer repayment periods, or free guarantees, for example.
- Their advantage is that, once they have been re-paid, they remain for the Member State and can be re-used to support new investments, through the same or different financial instruments.
- So I think it is clear that financial instruments are a strong tool to be considered, when budgets are limited and demands are high.

### **The 2021 EU Agricultural Outlook conference**

- Before finishing, let me do some advertising.
- As some of you may know, the EU Agricultural Outlook conference will take place online, on 9 and 10 December.
- The theme of this year is ‘Fit for 2030 – resilient EU agri-food systems and rural areas’.

- The conference will examine the future of the global agricultural markets in 2030.
- And it will be a great opportunity to highlight the role of farmers in resilient and sustainable food systems. This is key for all European citizens in the medium and long term.
- I warmly invite you to sign up for the conference and to follow it online.

### **Concluding remarks**

Ladies and gentlemen,

I would like to thank all of you for your participation and interest today.

By working together, using financial instruments and all possible tools, we can reach the targets and objectives necessary to secure the future of our food and farming.

With this, I wish you a very nice day and a fruitful discussion.

Thank you.