





Preparing for the “Health Check” of the CAP reform

*Agricultural Policy Analysis and Perspectives
DG for Agriculture and Rural Development
European Commission*



The “Health Check” Communication



- **What is the scope of the Health Check?**
 - Group together a series of review clauses of the 2003 CAP reform
 - Propose adjustments that do not constitute a fundamental reform
 - Fine-tune the 2003 reform during the 2009-2012 period
 - Contribute to the discussion on future priorities in the field of agriculture
- **How does the “Health Check” relate to the Budget Review?**
 - Commission outlines its approach on the Budget Review
 - The “Health” Check constitutes a preparatory action within this framework
- **What next steps?**
 - Propose public dialogue with stakeholders
 - Finalise on-going impact analysis of alternative options
 - Submit appropriate proposals in the spring of 2008

Assessing the CAP today

- **A radically reformed policy**
 - Support mainly decoupled, and subject to cross-compliance
 - Role of intervention mechanisms significantly reduced
 - Strengthening of Rural Development with funds and policy instruments
- **A better performing policy**
 - Market imbalances and public stocks more of a (rare) exception
 - Competitiveness improved and agricultural trade role transformed
 - Better value for money with improved transfer efficiency
- **Further improvements to be addressed in the “Health Check”**
 - HC Communication aims to address three main policy questions
 - How to simplify the Single Payment Scheme (SPS)?
 - How to adjust to new market opportunities?
 - How to respond to new challenges?

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Simplifying the Single Payment Scheme

- **Single Payment Scheme simplification**
 - Allow MS to move towards a more flat rate decoupled support
 - Introduce simplification measures resulting from implementation experience
 - Consider whether to extend SPS to 2012
 - Complete the shift to decoupling to the largest possible extent
 - Retain coupled support only where regional/environmental costs are excessive
- **Examine scope of cross-compliance**
 - Qualify relevance of Statutory Management Requirement (SMR) provisions
 - Examine provisions in list of Good Agricultural Environmental Conditions (GAEC)
- **Upper and lower payment limitations**
 - Upper limit a perceived equity issue – are high payments justified?
 - Lower limit a farmer-by-default issue – administrative costs often exceed payment
 - In both cases, any savings stay within MS to address new challenges

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Direct payment Issues

- **Single Payment Scheme**
 - Which rules to simplify (number of entitlements, national reserve restrictions)?
 - How and to which extent to move towards a flatter rate (national/regional level)?
 - How do equity considerations impact on asset (land) values?
- **Partially coupled support**
 - How to assess impact of full decoupling? Which aids to fully decouple?
- **Scope of cross-compliance**
 - What criteria to apply when evaluating scope of cross-compliance?
 - Should we adapt existing scope to address new challenges?
- **Upper and lower payment limitations**
 - Why, how and to which extent to limit high payments?
 - How to account for difference in large farm structure?
 - How to define the limit of a low payment without affecting real farmers?

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Grasping new market opportunities

- **Adjust cereal intervention**
 - Limit intervention only to one cereal - bread wheat
 - Extend maize model (restricting intervention quantities to zero) to all feed grains
- **Abolish mandatory set-aside**
 - Abolish set-aside so that supply can expand to meet growing demand
 - Identify measures that retain/enhance environmental benefits of set-aside
- **Phase-out dairy quotas**
 - Prepare the soft-landing of quota abolition through gradual quota increases
 - Consider any adjustments in other market instruments based on impact analysis
 - Propose measures mitigating the negative impact on specific regions
- **Evaluate other supply control/production linked mechanisms**
 - Identify list of measures that could shift to the Single Payment Scheme
 - Examine whether valid cases exist for retaining/modifying existing specific support

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Market issues

- **Cereal intervention**
 - What impact on cereal prices from limiting intervention to bread wheat?
 - How to retain and apply the safety-net role of intervention?
- **Set-aside**
 - What impact on supply from abolishing mandatory set-aside?
 - How are environmental benefits affected, and how can they be preserved?
- **Dairy quota issues**
 - What level of annual quota increase guarantees a soft-landing?
 - Is there a need to adjust other market mechanisms, and which?
 - What measures (e.g. Art 69) could mitigate potential impact in specific regions?
- **Other supply control/production linked mechanisms**
 - What objectives do these measures achieve today?
 - Is there a more efficient way of achieving the same objectives, and how?

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Meeting new challenges

- **Why the need to face new challenges?**
 - Climate change imposes both mitigation and adaptation challenges on agriculture
 - Implications are linked to bio-energy demand, water scarcity, risk management
- **How to face new challenges?**
 - Examine whether existing instruments contribute to meeting objectives on:
 - *renewable energies, the environmental benefits of set-aside, water management*
- **How to manage risks?**
 - Price-related risks best addressed by existing 1st pillar measures
 - Production-related risks (weather, animal disease) need more targeted approach
- **The need to strengthen Rural Development**
 - Needs for RD funds clearly increase with new challenges
 - RD funds were reduced with respect to what was initially foreseen
 - Increase in modulation only available way to meet new needs

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Rural Development issues

- **What instruments are available?**
 - What RD measures linked to new challenges are used by MS and to which extent?
 - Are there areas where new measures are needed, and which ones?
- **How to implement measures addressing new challenges?**
 - Is there a need to better target measures meeting new challenges, and how?
 - What are the implications for current RD priorities?
- **What types of risks to manage?**
 - What are the costs of an EU-wide scheme? Do they justify potential benefits?
 - Are all natural disaster/animal disease risks of same intensity in all regions/sectors?
 - Are new instruments needed to meet such risks? Which could they be?
- **Rural Development funding**
 - Is the proposed level of modulation sufficient to meet new demands?
 - How to best target additional funds to meet new challenges?



For further information

- CAP Health Check
http://ec.europa.eu/agriculture/healthcheck/index_en.htm
- EU agriculture and CAP reform
http://ec.europa.eu/agriculture/index_en.htm
- Economic Analysis and Evaluation
http://ec.europa.eu/agriculture/analysis/index_en.htm
- Agricultural Policy Analysis and Perspectives
http://ec.europa.eu/agriculture/analysis/perspec/index_en.htm