



European Commission  
Agriculture and Rural Development



## *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”***
  - Make the Single Payment Scheme more effective, efficient and simple
  - Adapt market instruments to meet new market opportunities
  - Better respond to new challenges (climate change, biofuels, water scarcity)
  - Improve response to existing challenges (biodiversity)



## *The “Health Check” policy questions*

- ***How to simplify the Single Payment Scheme (SPS)?***
  - Allow MS to move towards a more flat rate support
  - Qualify the scope of cross-compliance
  - Further shift partially coupled support to full decoupling
  - Introduce payment limitations
  
- ***How to adjust to new market opportunities?***
  - Remove last elements of supply control mechanisms
    - *mandatory set-aside*
    - *dairy quotas (with a gradual phase-out)*
    - *special Common Market Organisations (CMO)*
  - Identify regions or sectors where more targeted policies are needed
  
- ***How to respond to new challenges?***
  - Identify and strengthen relevant Rural Development policy instruments
  - Strengthen Rural Development funds with increased modulation
  - Clarify needs and effective policy instruments for risk management



## *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 SAPS 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



## *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



## *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 1<sup>st</sup> 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



## *For further information*

- CAP Health Check  
[http://ec.europa.eu/agriculture/healthcheck/index\\_en.htm](http://ec.europa.eu/agriculture/healthcheck/index_en.htm)
- EU agriculture and CAP reform  
[http://ec.europa.eu/agriculture/index\\_en.htm](http://ec.europa.eu/agriculture/index_en.htm)
- Economic Analysis and Evaluation  
[http://ec.europa.eu/agriculture/analysis/index\\_en.htm](http://ec.europa.eu/agriculture/analysis/index_en.htm)
- Agricultural Policy Analysis and Perspectives  
[http://ec.europa.eu/agriculture/analysis/perspec/index\\_en.htm](http://ec.europa.eu/agriculture/analysis/perspec/index_en.htm)