

## **Citizens' summary on the 'Health Check' of the Common Agricultural Policy**

### **Why does the CAP need a 'Health Check'?**

The CAP reforms which began in 2003 contained a number of review clauses for the years 2007-2008. These are the basis of the Health Check.

A Health Check does not imply that the policy is sick, but is an opportunity to build on the reforms: to improve the way the policy operates based on the experience gathered since 2003 and to make it fit for the new challenges and opportunities before us.

It is not a major reform, but an effort to streamline and modernise the CAP.

The reforms begun in 2003 have largely broken the link between subsidy and production – so-called "decoupling".

Farmers are free to take their decisions in response to market signals, they are required to respect strict environmental and animal welfare standards, and the infamous food mountains are a thing of the past.

The reform has also strengthened Rural Development policy. This seeks to bolster the economic, environmental and social well-being of the rural areas of the EU, which cover 90 percent of its territory.

So the process starts from the basis of a modernised and widely reformed CAP, which is a very long way from the popular caricature.

But this does not mean that we can rest on our laurels. The Health Check presents a perfect opportunity to take the policy review further.

### **The timing of the proposals and when they would take effect**

The Communication is designed to kick off a wide-ranging six-month consultation.

In essence, it will ask three main questions:

How to make the direct aid system more effective and simpler; how to make market support instruments, originally conceived for a Community of Six, relevant in the world we live in now; and how to confront new challenges, from climate change, to biofuels, water management and the protection of biodiversity.

Next spring, the Commission will return with legislative proposals, and we hope ministers will agree to changes by the end of 2008, which could come into effect immediately.

Of course, the Health Check cannot be viewed in isolation from the planned review of the European Union budget.

However, the financial review will deal with the period after 2013, while the Health Check is about policy adjustments covering the years 2009 to 2013. And of course the Health Check will point the way to the future, even if it does not prejudge the results of the budget review.

### **The proposals in detail**

First of all, we need to look at ways to make the system of direct payments to farmers simpler and more efficient.

This means increasing the rate of decoupling in those countries which opted in a number of farm sectors to maintain the link between subsidy and production.

The Commission wants to discuss the idea of reducing payments to the very big farmers who benefit from economies of scale, once they reach a certain level. In doing this, we will naturally have to differentiate between multiple-owner farms with many workers and single-owner farms with just a few.

We also want to look at increasing the amount of land a farmer has to own before he qualifies for EU support from the current level of 0.3 hectares.

We must also take a good look at the standards farmers are obliged to respect to receive their financial support from Brussels.

This could mean stripping out unnecessary obligations, but also adding new ones to deal with new challenges like improving water management and mitigating climate change.

We will also focus on the remaining market support tools from the early days of the CAP.

We believe that intervention – the public buying of surplus production - must revert to its original purpose as a real safety net, particularly as market prices today are in such good shape.

Set-aside was introduced in the late 1980s to limit production, but is now obsolete.

We believe strongly that it should go, but need to find new ways of preserving the environmental benefits it has brought.

Milk quotas are already programmed to expire in 2015, but we need to ensure a soft landing for the dairy sector. We believe this should mean a gradual increase in quotas between now and then.

Of course we must also examine measures to help dairy farmers in those regions of the EU – like mountain areas – which depend heavily on dairy production.

The CAP in 2007 faces new challenges: managing risk, fighting climate change, managing water more effectively, making the most of the opportunities offered by bioenergy and preserving biodiversity.

Meeting these challenges will cost money. And the best way of meeting them is through Rural Development policy.

That is why we are proposing increasing the transfer of direct payments into the Rural Development budget.

Currently, 5 percent of direct aid is channeled into Rural Development policy. We want to increase this to 13 percent by 2013.

### **Why at EU level?**

Managing agricultural policy at EU level ensures a level playing field for farmers across the EU.

It keeps a lid on spending and ensures that the CAP's new priorities are respected in all Member States.

We must keep building the strength and competitiveness of EU farming.

Our agri-food sector provides 19 million jobs and global demand for food is growing on a daily basis.

The policy ensures the highest standards of environmental care through farming and forestry, and related activities.

Rural Development policy helps develop the economic and social fabric of our rural areas.

And the CAP and Rural Development policy have a vital role to play in confronting new challenges like climate change, water management, making the best use of bioenergy and protecting biodiversity.