



European Commission
Agriculture and Rural Development



Health check of the Common Agricultural Policy

DG AGRI- Agricultural Policy Forum for South- Eastern European Countries

8 October 2009



How has CAP evolved?

- 1992 reform:
 - Move from price support to direct payments
- Agenda 2000:
 - Further cuts to support prices
 - Increase in direct payments
 - Rural development becomes a policy of its own
- 2003 reform:
 - Decoupling of direct payments
 - Direct payments linked to cross compliance
 - Introduction of modulation



Political Compromise and legal texts on the CAP Health Check

- Commission proposal (including impact assessment) presented on 20 May 2008 – Council, Parliament, stakeholders in 27 MS
- Political compromise in the Council the 20 November 2008
- Applicable from 2009 with some transition measures
- Formal Council adoption on 19 January 2009
- JO L 30, 31 Jan 2009 :
 - R. 72/2009: modifications to the single CMO
 - R. 73/2009: new Regulation for all direct payments
 - R. 74/2009: modifications to the rural development Regulation



Health check - Context

The Health check - a review of the CAP in the light of

- what we have today,
- our experience about how it is working
- a changing environment, and
- what we want in the future

Further improvements to be addressed

- 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, water scarcity,, adaptation of dairy sector)
- Improve response to existing challenges (e.g. biodiversity)



Health check - Context

The CAP is a modern policy

- Support is now mainly decoupled (87%), and subject to cross-compliance
- Role of intervention mechanisms has been significantly reduced and the responsibility of the farmer increased
- Rural Development policy is strengthened with more funds

and 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



Main ideas of the health check

The objectives are reflected in three main ideas driving the HC

1. “Healthy elements and measures” should be maintained and when appropriate reinforced, e.g. decoupling, simplification
2. “Less healthy elements” should be adjusted and improved, e.g. adjusting support distribution under SPS, reducing the role of market instruments
3. Strengthening the response towards new and on-going challenges (climate change, bio-energy, water scarcity, biodiversity) through more funds and targeting of measures



Direct payments

Improving the single payment scheme

- **Adjusting the distribution** of support under the SPS:
 - Objective and non-discriminatory criteria of e.g. environmental or geographical character might be more relevant than past level of production.
 - A more equitable distribution of aid: an additional modulation of 4% of amounts exceeding 300.000€ per farmer
- **Further simplification** obtained through e.g. abolishment of
 - set aside
 - restrictions linked to payment entitlements from the national reserve and of
 - the requirement of 80% use of entitlements before transfer



European Commission
Agriculture and Rural Development

Direct payments

Further decoupling

- Simplifies life for administration and farmers
- Increases efficiency of payments
- At a speed which allows adaptation by the specific sectors:
 - 2010: arable crops, durum wheat, olive oil, hops
 - 2012 at the latest: a large number of schemes except the sheep and goat premia and suckler cow support which may remain coupled
- Abolishment of the support for energy crops from 2010



Direct payments

*Articles 68 - 72 Addressing new challenges
and need for specific support measures*

- Addresses
 - Environmental issues
 - Improving quality and marketing
 - Consequences of phasing out the milk quotas and decoupling in sensitive sectors
 - The importance of an effective risk management
- General budget limitations:
 - Maximum 10% of the national ceilings
 - Maximum 3.5% for coupled measures



Market measures

Less policy intervention (safety net) for increased market orientation

- Phasing out of production restrictions
 - Increase of milk quotas by 1% annually in 5 years from 2009 and adapt the correction of fat
 - Abolishment of set aside obligation
- Reducing intervention
 - The scope of intervention is reduced:
 - Deletion for pig-meat
 - zero-ceiling for barley, sorghum, rice & durum wheat
 - Bread wheat intervention remains with no quantitative limits but tendering system starts from 3 million tons
- Specific support schemes
 - Decoupling of processing aid for dried fodder and starch potato within transitional periods

=> Allow farmers to grasp new market opportunities



Rural Development

Strengthening the actions to address new and on-going challenges

- Why?
 - Climate change imposes both mitigation and adaptation challenges on agriculture
 - Consequences of reducing the market measures
- Implications are linked to
 - water management, biodiversity, renewable energy
 - innovation
 - accompanying measures in the dairy sector
- Adjustment of programs to target these challenges as from 2010
- EU co-funding increased to 75% and 90% in convergence region
- Rural Development budget increased through additional, progressive modulation



Key horizontal trends

Targeting challenges through

- Increased market orientation (milk quota, set aside and decoupling)
- Specific measures and risk management
- Strengthening of Rural Development measures

While simplifying where possible

- Rules for the single payment scheme
- Further decoupling
- Abolishment of set aside



The debate on post 2013 CAP objectives, structure and instruments

- Agriculture is still a strategic sector in Europe
 - Food Security and safety
 - Diversity of the EU agriculture is be a key element
 - Agricultural activities should be maintained in all regions

- The issues on the discussion will probably not differ fundamentally from the HC debate:
 - Decoupled direct payments are the most efficient means of supporting farmer's income
 - European farms need to be market-oriented, safety nets are required
 - Rural development objectives remain relevant beyond 2013: modernisation, public goods, new challenges (climate change)