



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 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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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