

THE CAP "HEALTH CHECK" PROPOSALS

This paper gives a brief summary of the key issues arising from the CAP Health Check proposals published on 20 November 2007. .

The CAP Health Check document contains proposals to:

- **Simplify the Single Payment Scheme (SPS), including allowing Member States to move to a flatter rate payment:** Arguing that the model based on historic receipts will be difficult to justify in the long term, it is proposed that Member States are given the **option** to move towards a “flatter rate” of support from 2009-2013.
- **Adapt the scope of Cross-Compliance:** It is proposed that Statutory Management Requirements (SMR) should be revised by excluding provisions which are not directly relevant to the stated objectives of cross-compliance. Furthermore, where appropriate SMRs and Good Agricultural and Environmental Conditions (GAEC) should be examined and, where appropriate, amended in order to improve the achievement of the objectives of cross-compliance.
- **Decouple remaining partially coupled support:** Full decoupling was introduced in Northern Ireland in 2005. However, some Member States made use of options to retain coupled payments in the cereal and livestock sectors. The proposals suggest that the 25% coupling option for cereals should be removed and that any other remaining coupled support should be reconsidered. Some regions may be permitted to retain some coupled support, at least for the time being, where there is strong evidence of negative economic and environmental impacts from a move to full decoupling.
- **Create upper and lower limits in SPS support levels:** The proposals suggest introducing a mechanism for reducing direct support to large farms in order to address public perceptions about the distribution of CAP payments. At the lower end of the scale, it is suggested that a minimum payment could be set, or that the minimum eligible area could be raised. The savings made through imposing upper and lower limits would stay within the Member State.

- **Reduce cereal intervention to a safety-net level:** The proposals suggest maintaining cereal intervention for just a single cereal type (bread wheat), which could provide an appropriate safety-net support, whilst allowing other cereals to find their natural price level
- **Abolish compulsory set-aside:** It is proposed that the cereal set-aside mechanism should be permanently abolished. It is also suggested that Rural Development options should be adjusted to allow for support to be paid for the environmental benefits previously supplied by set-aside, such as, protecting riparian strips, measures to mitigate climate change and its effects, biodiversity corridors and afforestation
- **Create a “soft landing” with respect to dairy quota elimination:** The proposals conclude that a gradual quota increase before the ending of the quota regime in 2014/15 would provide the best “soft landing” for the dairy sector. On-going analysis will enable the appropriate level of quota increase to be identified and whether additional adjustments in other dairy policy instruments, such as intervention or the super levy, would help smooth the adjustment process
- **Introduce the provision for risk management measures:** The proposals suggest that as long as intervention continues to act as a safety-net, an EU-wide solution to risk management (based on a “one-size fits-all” approach) is inappropriate. However, the paper suggests allowing Member States, regions or even producer groups to use the new Rural Development funds from modulation to establish risk management measures – as long as they meet “Green Box” criteria. (i.e. not linked to production or trade distorting).
- **Introducing measures to deal with climate change, bio-energy & water management:** The text identifies these issues as major new challenges and looks at ways in which the CAP can be adjusted to tackle these challenges. One possibility would be to include climate change and better water management objectives within revised cross-compliance requirements. Another possibility would be to strengthen existing Rural Development measures to provide incentives for climate change mitigation and adaptation, better water management, providing environmental services and biodiversity protection.
- **Strengthening the 2nd Pillar by increasing compulsory modulation:** The proposals call for an increase in compulsory modulation, suggesting a 2% annual increase in EU budget years 2010 to 2013

(calendar years 2009 – 2012), i.e. from the current rate of 5% to 13% (there is no mention of the future of voluntary modulation in the text, but the EU Commissioner for Agriculture has spoken of her expectation that Voluntary Modulation would be reduced accordingly). The proposals state that the current distribution mechanism for these funds among Member States needs to be respected. At present, the distribution mechanism in place means that only 80% of modulation monies deducted from farmers in the UK are retained for rural development spending in the UK.