

Changes in Farming Policy: the 2008 Health Check of the CAP

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Topics

- 1. Why a CAP Reform is Again on Track?**
- 2. What is the 2008 *Health Check* About?**
- 3. Likely Outcomes to be Expected**
- 4. The *Health Check* and the debates on the CAP after 2013**

1. Why a CAP Reform is Again on Track? (a)

- The **formal** context
 - **Decision of the European Council** of December 2005 and May 2006 to a *Mid Term Review* of the implementation of the EU Financial Perspectives; and presentation of adjustment measures, if necessary (including the CAP, the British Rebate, etc.)
- The Commission's arguments
 - Simplification...
 - Improve re-distribution...
 - Better market orientation in order to take advantage of new opportunities
 - Respond to new challenges...

1. Why a CAP Reform is Again on Track? (b)

- The Budgetary Pressures: phasing-in of SFP in NMS; further enlargements (any pressures?!!!)
 - ...but **unspent money!**
- WTO pressures?...(*solved* in 2003...)
- A change in the **Political Preferences** of the EU leaders?
- The problems of *CAP Legitimacy* (EU 15#EU12)?:
 - 78% of FEAGA allowances going to direct payments and the **atrophy** of the 2nd Pillar...
 - A policy vulnerable to **public scrutiny**: 14% of EU15 farmers receiving 74% of CAP 1st Pillar Payments...
 - ...but no real redistribution (among MS) on the COM proposals

1. Why a CAP Reform is Again on Track? (c)

- The 2003 Reform *unfinished businesses...*
- From **total decoupling** **partial decoupling** (the Commission, the EP and the Council)
- Modulation and Second Pillar
 - *dynamic modulation*: 3% in 2006 to 20% from 2011 onwards, with 100% re-distribution (COM Towards Sustainable Farming, Jul.2002)
 - *Degressivity*: 1% in 2006 to 19% in 2012, with 1/3 re.distributed (long term) perspective for sustainable agriculture, Jan 2003)
 - *Obligatory modulation* of 3% to 5% from 2007 onwards, with 20% redistribution (final outcome)
- **Debates on how saving money**: capping, modulation, degressivity, co-financing, strenghtening the 2nd pilar....and the *budgetary discipline*
- **Conclusion**: the Commission wants to *finish* the 2003 CAP reform *business....*

2. What is the 2008 *Health Check* About? (a)

- **What has been said:** the 2008/2009 Health Check (“*..is not about further fundamental reform...*” (MFB, Wageningen University, 2007.02.02))
- Simplification...(<250 eur/ha...)
- Criteria for SPS allocation on a regional basis
- Full decoupling...(except for suckler cows)
Compulsory modulation (more 2% \times 4 years=+8%(+5%=13% in 2013))
- Supplementary modulation [+3%(100.000-200.000eur);+6% (200.000-300.000eur);9% (>300.000 eur)]

2. What is the 2008 *Health Check* About? (b)

- Weakening of market management instruments (durhum wheat, rice, pigmeat, feed cereals)
- Article 68 (ex-69...more flexible utilisation of the funds generated)
- *Soft landing* for the end of milk quotas (+1%x4 years), besides 2% more decided inn March 2008
- End of 10% compulsory set-aside and the aid to the energetic productions.

3. Likely Outcomes to be Expected

- Commission proposals will be *watered down* by the Council...as usual...
- **Modulation**: the argument against *changing the rules during the game* again...the problems of policy instability...
- **More decoupling**: a compromise on the time schedules for *phasing out* partial decoupling ...but *status quo* for suckler cows, sheep and goats)
- Article 68: *horizontal* measures versus sectoral *productive* measures and *risk reduction* schemes
- **SPS allocation criteria** and **redistribution** among farmers and regions (not among Member States)not much change....

4. The *Health Check* and the debates on the CAP after 2013 (a)

- The Main Questions... how to adopt a CAP able to:
 - Accomodate International (mainly WTO) Pressures?
 - Enlargement and Budgetary Pressures? (Turkey?!!!!)
 - Respect the Financial Discipline?
 - Adress *public legitimacy concerns*?
 - Be more equitable and decentralised
 - ...and ensure the survival and competitiveness of EU agriculture?

4. The *Health Check* and the debates on the CAP after 2013 (b)

- Lessons from the September 2008 Informal Council at Annecy, France...show **2 main views** for the CAP after 2013
- The *Liberal* view...in line of the CAP reforms since 1992, nordic countries, MFB, Dutch Paper...
 - Minimal or no market management tools
 - No distinction between pillars
 - Direct payments exclusively targeted towards specific societal goals
 - End of SPS as it stands

4. The *Health Check* and the debates on the CAP after 2013 (c)

- The *moderate* view...in line with French, German..ideas
 - Preserve market management tools (to respond to increasing price volatility, market unstability and sharp income variations)
 - Preserve the two pilars (2nd pilar keeping a structural policy vocation)
 - Preserve the SPS, with an increased dimension of productive and risk management tools co-financed under article 68)
 - Adress food safety, environment, animal welfare, sustainablyty and the European Model...
- The future of the Classic Fundaments of the CAP:
 - Market Unity vs National Flexibility
 - Community Preference vs Competitiveness in the Global Market
 - Financial Solidarity vs Budgetary Discipline...

4. The *Health Check* and the debates on the CAP after 2013 (d)

- **Some conclusions...**
- The 2008 HC will be **ended soon** in a somehow **neutral** position, but without compromising the two main views on the future of the CAP
- The discussions on the CAP after 2013 will start in a structured way **soon after** the end of the HC negotiations
- Likely food shortages and high food and raw materials prices **will change** the debate around the future of the CAP
- ...and (may be) the WTO negotiations (the balance with NTC, safeguard and *de minimis* clauses, contents of boxes...)

4. The *Health Check* and the debates on the CAP after 2013 (e)

- CAP **support re-distribution**: a *political impossibility*...unless a full budgetary reform is achieved...
- The **fate** seems to be that agricultural policies in Developed Countries will be..
 - Less and less economics...
 - More and more Politics...
 - Less Agriculture and less Common
- In any case...it would be **wise** for the EU Commission to sponsor fully structured independent **impact assessments** of the 2003 CAP reform effects across EU regions and farming systems...
 - Because the impacts of the SPS will be deeply distinct among regions
 - And the widely proclaimed political objectives of preserving farming all over the EU territory (...) may be at risk...