



**COUNCIL OF
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NOTE

from: General Secretariat
to: delegations
Subject: CAP health check
– Information from the Presidency

Delegations will find attached an information note from the Presidency on the above subject. It will be examined by the Environment Council under "Other business" at its meeting on 20 and 21 October 2008.

CAP health check**Information note**

The CAP health check was launched by the Commission communication of 20 November 2007. Its purpose is to enable an adjustment of the CAP resulting from the 2003 reform. In its communication, the Commission analyses the main developments since the reforms approved in 2003/2004 and in particular the introduction of decoupled product support and of a cross-compliance system which makes payments conditional on compliance with environmental, health and animal welfare requirements. It identifies the main challenges the CAP will have to face in coming years and points up three major issues: the effectiveness of the Single Payment Scheme, the role of market support instruments and the response to new and existing challenges regarding risk management, climate change, renewable energy, water management and biodiversity. It also discusses the advisability of abolishing compulsory set aside while insisting on the need to preserve its environmental benefits in the future.

The proposals for Regulations relating to the health check, adopted by the Commission on 20 May 2008, provide for:

- adjustments to the direct support scheme under the first pillar of the CAP, financed by the European Agricultural Guarantee Fund (EAGF), with respect to:
 - continuation of the decoupling of support;
 - the possibility to adjust decoupled support levels per hectare;
 - the possibility to grant specific support for production methods which are favourable to the environment, for sectors in difficulty located in vulnerable areas and for risk management;
- the abolition or modification of certain market management instruments and the definitive abolition of compulsory set aside;

- the strengthening of the rural development policy, the second pillar of the CAP financed by the European Agricultural Fund for Rural Development (EAFRD), in response to new challenges (climate change, water management, renewable energy and biodiversity):
 - through a 5 to 13 % increase in the modulation rates of direct support (first pillar), with the corresponding amounts being transferred to the rural development budget (second pillar).

These draft Regulations pave the way for increased consideration of environmental aspects in the CAP, in particular with respect to two points:

- the increase in the financial resources of the rural development policy to provide a better response to the "new challenges" identified by the Commission;
- the inclusion of water management in the cross-compliance criteria for support under the first pillar.

The European Parliament adopted a Resolution on the Commission communication on 12 March 2008. The Resolution refers to the European Parliament's attachment to the European agricultural model and points out that the 2003 CAP reform was a success. It warns against the risks involved in reviewing the multiannual financial perspective and calls for greater administrative simplification of the CAP. The European Parliament also has significant reservations about increasing the modulation rate and referred to a risk of renationalisation of the CAP.

The French Presidency has undertaken to work on this issue in close collaboration with the European Parliament. The European Parliament will vote on the CAP health check in plenary session on 19 November.

On 7 October, the European Parliament's Committee on Agriculture and Rural Development voted in favour of a lower transfer of funds towards national rural development programmes than provided for in the Commission proposal (modulation rate of 7 % by 2013 instead of 13 %). It accepted an increase of 1 % of milk quotas in 2009 and 2010 but called for an evaluation of the state of the milk market by the Commission in 2010. The Member States would be able to use up to 15 % of their Community fund allocation to support production methods which are favourable to the environment and sectors in difficulty and to contribute to insurance and mutual fund systems. Lastly, support decoupling would not cover as many sectors as proposed by the Commission and several market management mechanisms which the Commission had suggested abolishing would be maintained.

The Council is continuing intensive discussions within the Special Committee on Agriculture (SCA) and the High-Level Group on the following main issues:

- the increase in rural development funds and adjustment of the Single Payment Scheme;
- the gradual abolition of milk quotas by 2014 and accompanying measures to ensure the sector's future;
- cross-compliance;
- market regulation mechanisms.

The Presidency's aim is to secure political agreement at the Agriculture and Fisheries Council meeting to be held from 17 to 19 November 2008.