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Health Check of the CAP Reform

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

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[President, Ladies and Gentlemen],

It's a great pleasure to be able to speak to you today, now that we have the legal proposal for the Health Check of the 2003 CAP reform on the table.

It was some two years ago we first started the discussions that have lead up to the CAP Health Check.

Back then, we were all still in the "low-price" situation for farm prices, and energy and climate change were still building as priorities in Europe.

While some positive underlying trends in agricultural markets were already clear, with the events of recent months on global markets and in the global media we all have to address the inter-connected issues you have brought together in your forum today.

On the complex matter of the recent rise in food prices, the Commission has just adopted a Communication which I feel rather successfully puts all the elements on the table and gives the Commission's view on how we should move forward on several fronts to address the global challenges that it supposes.

Clearly this makes the key policy questions behind the Health Check all the more important than they were when they occurred to us two years ago.

How should we adjust our market instruments to meet new market conditions?

How can we improve the Single Payment Scheme?

How will we meet the new environmental challenges facing EU agriculture?

But let's first bring to mind what has been happening to the CAP, especially through the reforms of 2003 and subsequent years:

Through decoupled payments, we have continued to give farmers a certain level of income support but we offered them the chance to respond to market signals.

Through cross-compliance, we have made a clear link between these payments and societal demand for "public goods", such as high standards of environmental care.

Through adjustments to public intervention, we have promoted a more competitive farm sector, using our market instruments more and more as a safety net instead of a false market signal

And through rural development policy, we have been addressing the broader issues of the need to restructure the farm sector, care for the environment and foster dynamic rural areas.

Against this backdrop, if the adjustments we've been thinking of in the Health Check were important for the sector two years ago, they are all the more important in the current and the most likely future context of increased demand for food.

This is why I think it is the time to push further ahead in the direction which we have already taken.

We must clear away any remaining obstacles, which are hindering farmers' responses to market signals, and allow them to produce more, if that is what the market is demanding.

We must make our support systems more effective, efficient and simple – and more consistent with the spirit of greater competitiveness for EU agriculture.

And we must help the farm sector to meet the new challenges, identified as climate change, bio-energy, water management and bio-diversity.

In other words, the Health Check must make sure that the reformed CAP is really delivering what we need from it in the 21st century - for a European Union of 27 Member States, and in the wider world as it is now.

Given the focus of today's discussions, I'd like to begin my presentation of the Health Check proposals with our ideas for revision of the existing market instruments and increasing the responsiveness of farmers to market signals and growing demand.

It is becoming patently clear that the milk quota system is an outdated "straitjacket" for our dairy producers. But farmers know that the regime will last only until 2015 – and then the quotas will go.

It has always been a central element of the Health Check that, to give the best chance to the whole sector to supply emerging markets and adjust to an environment without quotas, we need to reduce gradually the milk production constraint.

Therefore, on top of the quota increase of 2 per cent already adopted by the Council from April 1st this year, I have proposed to raise quotas by a further 1 per cent annually from 2009 to 2013, inclusive.

That gradual lifting of quotas will be accompanied by adjustment of existing dairy market measures, which may be hindering or even irrelevant to market orientation. Here I am thinking of the proposal to make optional the Commission's intervention in the market for certain aids for butter and skimmed milk powder and abolition of private storage aid for cheese and disposal aid for butter.

And to make sure that this important transition phase is taking the dairy sector in the direction we want as smoothly as possible, we are also proposing that the "new Article 68 measures" be available to the milk sector in particularly disadvantaged regions, as well as engaging ourselves to make a report on progress by the end of June 2011.

Besides the milk quotas, the other main obstacle to production in the EU is the current compulsory arable set-aside instrument. It is totally out of date in an era of decoupled payments. Going one step further than the setting of set-aside at zero for the current campaign, and I propose to abolish it.

For the Commission, the only concern about removing set-aside for good has been recognition of the need to keep its environmental benefits. In addition to the existing possibilities within Rural Development policy to support voluntary environmental set-aside, we are proposing a further solution through new cross-compliance requirements concerning buffer strips along watercourses, as well as landscape features applied at Member State level.

To complete the easing up of the market instrument chapter, we are proposing various adjustments to make public intervention more streamlined, preserving its function as a genuine safety net for times of real crisis.

Cereals intervention will be based essentially around bread wheat, with a tendering system in operation at all times. Intervention for other coarse grains will be progressively set to zero and would come into operation only under special circumstances, while intervention for durum wheat and rice are considered no longer relevant.

While we are dealing with the cereal complex, let me draw your attention to how we see the link between the crop sector and biofuels, so often brought into the debate over food scares, bioenergy and security. An important message lies behind the proposal to abolish the energy crop premium. There's no place for it now that we have a framework for our own renewable energy policy, of which biofuels are a part. We see the removing the energy crop premium and letting food and feed sector find

their own equilibrium as an important step in helping EU agriculture to respond once again to the market, which is ultimately determined by the demands of European citizens.

Finally, if we like it or not globalisation and trade liberalisation will lead to even more competition on our own agricultural markets as well as on world markets. In order to live up to this competition European agriculture has to play to its strengths and this is: quality, quality and again quality. Therefore, I am currently working on a "Quality Green Paper" which will address the full spectrum of quality issues, including the quality of baseline EU product, the operation of marketing standards, and high-value added PDO-PGI schemes.

Changes to the Single Payment Scheme also reflect a concern both for market-responsiveness and also for the right kind of security.

Farmers whose direct payments are not tied to production are farmers who can respond quickly and accurately to what the market needs.

This gives all the more reason to push ahead with full decoupling.

For example, keeping some arable payments partially coupled has brought no market benefits but has added red tape. In this sector and several others, it's time to simplify and phase in full decoupling.

On the other hand, there are regions where certain coupled payments are still, for the moment, the best way of avoiding serious economic, social or environmental problems. So we should allow a few exceptions in the suckler cow and sheep and goat sector to the rule of full decoupling.

Now a word on risk management.

Experience with decoupling is showing us already that the Single Payment Scheme, beyond its basic income support role, also helps to give farmers security for difficult times – under a scheme coupled to production, if the crop failed, exceptional justification had to be found to still make the payment to farmers. With decoupled direct payments, this problem does not arise - and farmers benefit from that certainty.

Yet there are still some concerns that, given the diversity of price and production risks in the EU, that something more needs to be done beyond the current possibilities under rural development and, of course, the continued existence of safety net intervention.

This is why, within the scope of the Single Payment Scheme, we have decided that, beyond the income stability that decoupled direct payments are providing to the farm sector, a further response is required to meet the calls for an enlarged European framework to operate in.

We have therefore proposed a new Article 68 which is more flexible than the former Article 69, but which also includes the possibility for Member States to use it to support risk management measures – crop insurance schemes for natural disasters, and mutual funds for crises linked to animal and plant disease.

Keeping with the theme of "responsiveness" of the Single Payment Scheme, we come to the central question of the model for SPS implementation. Listening to all the views expressed, we have decided that it's time to let some Member States change their chosen model of the scheme, if they wish. Large payment differences based on historical payment patterns may be hard to understand and justify in the long term. Therefore, we have proposed a number of changes which give Member States the chance to flatten out payment rates per entitlement, simplify the implementation rules and target better the payments to "active" farmers.

You could be forgiven for thinking that in my introduction I seemed to be suggesting that rising prices and demand were a "new challenge" for EU agriculture. Seeing things that way would effectively add yet more to the "new challenges" of climate change, water management, renewable energy and biodiversity, already identified in the Health Check Communication of November last year.

In the legal proposals, you will have noticed that as far as the rising prices and demand is concerned the response is more decoupling, abolition of compulsory set-aside and increase of milk quotas, all together pillar 1 measures, whereas for the other areas it's mainly through rural development policy that we believe the CAP can make the most targeted and effective response.

Yet to take further action in Rural Development, we need, quite simply, more money – and we all know that Rural Development funding for 2007 to 2013 is already allocated and that more won't come from outside the CAP budget.

These are the plain reasons why we have come forward with our proposals for increasing compulsory modulation, which have carefully considered how to strike the balance between the need for a substantial increase in Rural Development funding – some € 2.3 billion of EU money – and the need to spread the impact of the measure more evenly.

Within that clear political objective, we are proposing that new Member State farmers only enter the system when they are at comparable payment levels to their EU-15 counterparts; that the first € 5000 of payments are exempted; that farmers receiving above €100.000 will pay, step-wise, more into the system; and that all the money to be spent on the new challenges will be transferred to the Rural Development programmes of the Member State where it was generated

I believe this is not only a good response to public questions about the role of larger direct payments but that it spreads the financial transfers in a reasonable and acceptable way.

[President, Ladies and Gentlemen],

I began my presentation today describing the broader economic and political context for the CAP and I end on the same note.

I believe these "Health Check" proposals, however "technical" they may seem to some, are right for the moment.

My proposals will move us further along the road to a competitive, sustainable and responsive farming sector.

The proposals represent a balanced response to the broader challenges facing our agricultural sector which you are discussing today.

And, finally, I believe these proposals can be agreed upon within the timescale the French government has set within its presidency in the second semester of 2008.

You will not be surprised that I recommend these proposals to you and look forward to sharing the fruits of the debate!

Thank you.