The 55 participants from 33 different regions who attended this technical meeting, organised by Aquitaine Regional Council and the CPMR, discussed the positions that could be jointly defended by the regions during 2008 on the European Union’s agriculture, food and rural development policies. (See list of participants - Annexe 3.)

Two key future events provide the backdrop for this reflection:
- The meeting of the CPMR Political Bureau on 27 June in Rhodes, at which a formal position on the Health Check of the CAP and how this policy will evolve in the longer term (from 2014) will be debated.
- A major event hosted in Nantes by Pays de la Loire Region, on 23 October, on “The CAP and the Regions, towards a convergence?”. Mariann Fischer-Boel, European Commissioner for Agriculture, and Michel Barnier, then President of the Agriculture Council under the French Presidency of the European Union, will take part in this seminar, which is being organised jointly with the Committee of the Regions.

The discussions and debates were based on:
- The “Points for discussion” paper prepared by CPMR and Aquitaine Regional Council (attached - Annexe 1)
- A PowerPoint presentation entitled “CAP and the Regions: a new deal?” (attached - Annexe 2)
- A presentation made by Mr Andreas Schneider, Adviser to the Committee on Agriculture and Rural Development, on the European Parliament’s position on the Health Check.

They mainly addressed the following points:
- Basic principles for an equitable CAP
- Direct aids: regionalisation, modulation, upper limits, degressivity
- First/second pillars/ territorial development for rural areas, possible ways in which the policy could evolve, division of tasks and complementarities between a reformed CAP and the future cohesion policy.

Summing-up the afternoon’s discussions, Ms Béatrice Gendreau, Vice-President of Aquitaine Regional Council, and Mr Xavier Gizard, Secretary General of CPMR, proposed during the next phases to focus on the following priorities:

**A common food policy**
How can we contribute to the CAP becoming not just an agricultural policy but a common food policy, dealing with food security, food safety, product quality, and the question of whether or not it is appropriate to develop non-food crops for the production of biofuels?
**Regional governance**

How can CAP instruments be adapted to take account of the specific features of each territory and give the regional authorities a key role? It is at the regional level that decisions should be made on:

- to a certain extent, the appropriate levels of modulation and upper limits of direct payments
- the synergies between the three pillars of a European agricultural and rural policy, i.e. sustainable agri-food production, support for production in disadvantaged areas, and territorial development through support for infrastructure and services to people and enterprises.

**Special consideration for disadvantaged areas**

With an increasingly decoupled first pillar, how can the CAP achieve the objective of keeping farming going in disadvantaged areas, in particular by providing support for quality products?

**Maintenance of market intervention instruments**

The EU must retain the possibility of intervening in the market and not give carte blanche to the WTO, which does not concern itself with the social or environmental aspects. (On this point, it was suggested that a meeting be organised at global level in 2009 between the regions and the WTO.)

**Setting-up of a drafting group**

On the basis of the above, CPMR and Aquitaine Regional Council will coordinate a meeting of the following regions, to draft a position paper to be examined by the CPMR Political Bureau in Rhodes on 27 June:

- Mecklenburg-Vorpommern, Germany
- Ostrobothnia, Finland
- Västra Götaland, Sweden
- Catalunya, Spain
- Régions du Grand Ouest, France
- Tuscany, Italy
Towards a CPMR contribution on the reform of the Common Agricultural Policy (CAP)

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Points for discussion at the meeting of 25 March 2008

This paper, which has been jointly prepared by Aquitaine Regional Council and the CPMR General Secretariat, is designed to aid the work of the working group coordinated and chaired by Aquitaine Region, which will meet in Brussels on 25 March. After this meeting, it will be updated with a view to producing a draft policy position paper for the CPMR Political Bureau to examine at its meeting on 27 June 2008 in Rhodes.

This policy position will provide the basis for the CPMR’s action during the second half of 2008:

- it will be sent to the EU institutions during the period when the Health Check will be finalised;
- it could if necessary be amended at the CPMR’s General Assembly in Bayonne in 2 and 3 October, in order to take account of any developments at EU level (informal council meeting of agriculture ministers in September, work of the European Parliament, etc.);
- it will provide discussion material for the seminar that the CPMR and the Committee of the Regions will organise in Nantes on 24 October, which will be attended by the French Minister for Agriculture, who will then be chairing the Agriculture Council, and the European Commission.

During this exercise, the CPMR would as far as possible like to avoid focusing on short-term scenarios in order to look ahead to the possible shape of a future Common Agricultural Policy that aims to develop:

- improved territorial distribution of aid allocated under what is now called the First Pillar of the CAP;
- a role for the regions in delivery that is commensurate with their responsibilities vis-à-vis citizens, whether they be rural people, farmers or employees in the agri-food industry, or “just” consumers of products or users of places and services.

It is impossible to be unaware that the European Commission published a Health Check on 20 November 2007 that is presented as being a preparatory action for the budget reform that must take place in 2008-2009. This Health Check is evidently more than just a technical adjustment exercise, and its proposals constitute a blueprint for the future CAP. This contribution by the CRPM thus focuses both on the Health Check and the long term.

Some explanations on how the CAP has evolved since 2003 are given in the appendix to this paper.
1 – THE FOUNDATIONS FOR A CPMR REFLECTION ON AGRICULTURAL AND RURAL ISSUES

1.1 – From the global to the regional level: producing while balancing territories’ assets

1.1.1 – Feeding Europe – helping to feed the world – food security and safety

We are familiar with the fundamental changes in the agricultural economy at global level. Demand for agricultural commodities is growing faster than supply, which increases the strategic importance of European agriculture. Agriculture is not like any other industry. The CAP must guarantee a safe and stable supply of foodstuffs for European consumers that have been produced in compliance with the strictest security and sustainability standards. Owing to the CAP, the EU must also assume responsibilities by helping to meet global demand, which for demographic reasons will continue to grow until 2050.

The CPMR urges that great care should be taken to ensure that nothing jeopardises the European agricultural model or Europe’s food security. A new phase of CAP reform is desirable, though it should be brought about gradually.

1.1.2 – A CAP First Pillar that is balanced between regions and territories

In 2007, the CPMR conducted an analysis of the regional breakdown of funds spent under the First Pillar, concerning both direct payments and market price support. The map overleaf shows the extremely wide variety of degrees of dependence from one region to another within the CPMR network. It emphasises farms’ very high degree of dependence on the First Pillar in a large number of regions from northern and western Europe. Without the First Pillar, the majority of these territories’ farms would quite simply be bankrupt.

The CPMR evidently does not take this to mean that there is a need for total standardisation of First Pillar support from one region to another or from one production sector to another. But it does emphasise the need to anticipate the territorial consequences of changes to the First Pillar, such as those proposed in the Health Check. With forward-study exercises like Scenar 2020, the Commission is limiting itself too much to sectoral and macro-economic assessments, whereas territorial scenarios should also be developed.

The map overleaf also highlights how little support the First Pillar gives to Mediterranean farming. Naturally the reforms of the wine-growing and fruit and vegetable sectors should partly help to rectify this situation for the benefit of farmers in these sectors, but as country budgets will remain constant, they will not bring about an overall decrease in the discrimination affecting Mediterranean agriculture.
Economic dependence with regard to overall support from the 1st pillar in 2004

Total support from the 1st pillar in the GOS market support and direct payments

130-180 (6)  40-60 (12)
100-130 (11)  20-40 (18)
80-100 (13)   0-20 (7)
60-80 (12)    No data

Sources: FADN data, processed by CPMR
1.2 -Rurality/Agriculture, the Second Pillar of the EU’s CAP/regional policies: setting the objectives and making consequent changes to community instruments

1.2.1 – Using the CAP to pay farmers for their production activity

As stated below, the CPMR’s member regions continue to believe in the need for a Common Agricultural Policy focused on the production of food products. This should be one of the objectives of the CAP’s First Pillar. It should support farmers as economic actors.

1.2.2 – Using the CAP to protect ecosystems and maintain landscapes, soil and water resources in a sustainable manner

Bearing in mind the key role farmers play in tending the countryside and the environmental quality of rural areas, the CAP must continue to play the societal role fulfilled by Axis 2 of the current Second Pillar. The CPMR considers that thought should be given to the status of this type of support: is it not a hectare-related grant, as direct payments (the entitlement to a Single Farm Payment – SFP) are? How can farmers be paid for this task? How can a contractual relationship between society and farmers be brought about in practice? They keep the land in a good agricultural and environmental state, in accordance with the principle of cross-compliance, but go further than this because they also contribute to the overall maintenance of territory and landscapes.

The principle of (national or regional) co-financing required for such payments currently prevails, because they are financed by the Second Pillar. In practice this benefits the “rich” regions, which can more easily provide co-funding. After 2013, should the funding of these environmental amenities not be transferred from the Second Pillar to a reformed First Pillar?

1.2.3 – Using the CAP to promote competitiveness in the agricultural and agri-food sectors

Aside from providing direct support for generating farmers’ incomes, the CAP must also concern itself with the survival and development of agri-food industries that are either higher up or lower down in the agricultural production chain. This means balancing a productive system that ensures regular supply with a competitive processing industry to guarantee the future of farming activities, particularly in vulnerable territories (cheese production in mountain areas for example).

A reformed Second Pillar must accord a high degree of priority to supporting these industries, evidently in coordination with the First Pillar: what is the point of a having a creamery if total decoupling has led to the disappearance of a territory’s herd?

1.2.4 – Territorial cohesion policy for the development of rural areas

In their contribution to the Health Check in January 2008, COPA and COGECA, the organisations that represent the farming profession at European level, point out that farmers fulfil a “role as the principal driving force for the development of rural areas throughout the EU.” While the CPMR agrees with COPA and COGECA on some of their analysis and observations, it disagrees on this point. Farmers do of course occupy the land, but the constant decline in their numbers in demographic terms means they cannot be considered as the “principal driving force”.

The issue of development in rural areas, towards greater innovation and quality of services for all the inhabitants and economic stakeholders, goes far beyond just the framework of agricultural development. The CPMR is currently developing an analysis according to which rural development must become a priority for EU regional policies. After 2013, we consider that all regions must be covered by a territorial excellence objective, which would have a priority focusing on rural development.

The mechanisms of regional policy governance, which can of course be improved upon but already give the regions scope for manoeuvre and significant responsibilities, would thus be applied to rural territorial development. Besides being commonsense, such a reorganisation would have the advantage of removing the current grey area in which the EAFRD and the ERDF intervene simultaneously, in the field of Axis 3.
of the EAFRD (improvement of the quality of life and diversification of the economy) and of the LEADER programme. This would probably lead to an improvement in the services offered to rural people and increased attractiveness of these territories for people and businesses.

Conclusion on points 1.2.1 to 1.2.4

- The First Pillar of the future CAP should focus on “sustainable production”; it should continue to be exempt from the need for co-financing; it should use a new form of contract with farmers; it should be financed by a reformed EAGF (Regulation 1782/2003).

- The Second Pillar, co-financed, should support agricultural and agri-food industry development: competitiveness of farms, processing industries, product quality, compensation for natural disadvantages, maintenance and improvement of environmental assets (including those linked to climate change) when they exceed an individual context and concern territories “managed” by farmers or groups of farmers; it should be financed by a reformed EAFRD.

- Cohesion policy should support rural territorial development in all of the EU’s regions, and financed by a reformed ERDF.

1.3 - Governance of the development of agriculture and the agri-food industry: giving regions resources that are commensurate with their responsibilities

Extract from a recent publication by the Groupe Saint Germain, an agricultural think tank: “On the basis of the new issues – those related to the environment, food and energy – European strategy should thus incorporate the principle of subsidiarity in each country towards the regions, which constitutes the right level of management for agricultural policy. A pragmatic plan based on regionalisation would be a good position based on the issues: environment, quality, energy, techniques, occupations … while not forgetting the whole cultural dimension of food – from the basic ingredient to the processed product.”

As an organisation representing the regions, the CPMR lobbies for their involvement in EU policies, especially when these have an impact on the territory, which is evidently the case with agricultural and rural policies. Aside from this position of principle, which is legitimised by the progress made in the Reform Treaty, the following arguments underpin this approach:

- Even though the CAP is determined at EU level, it none the less has a local impact: the regional level is best placed to avoid a mismatch between big objectives and local implementation.

- If the respective fields of intervention of the First and Second Pillar evolve in 2013 in a way similar to that proposed above, it will also be necessary to provide for the organisation of coordinated delivery at the appropriate territorial level: support for the agri-food sectors, disadvantaged areas, quality policies that are partly based on geographical criteria, a bigger role for farmers in spatial management, etc. In decentralised member states, the regions are in practice already organising these different aspects. It would be worthwhile to gather information on these experiences and evaluate them in order to learn the lessons in order to organise future regional agricultural governance.

- It is also at the regional level that efforts should be undertaken to promote complementarity between a rethought agricultural development policy (reformed Second Pillar) and regional policy applied to rural areas (ERDF).

- The CPMR supports the roll-out of a regionalised model for calculating SFP entitlements, although it wants Article 59 of Regulation 1782/2003 to be revised, which would make it possible to ensure greater equity in sub-regional implementation: see point 2.1.

- The current EARDF Regulation (Articles 6 and 7) lets the member states organise the partnership with regions regarding the preparation and implementation of rural development plans as they think fit. This regulation must be urgently revised in order to ensure its conformity with the Treaty, and the mid-term
review of rural development programmes will provide an opportunity to put the new provisions into practice.

2 – INITIAL APPLICATION OF THESE PRINCIPLES: RESPONSE TO THE HEALTH CHECK

The following elements are presented using the same structure and headings as the Health Check. However, not all of the chapters of the Health Check are covered, only those that merit an interregional position and correspond to the CPMR’s fields of work. Drawing on the principles outlined above, the analysis and proposals are designed to be set within the context of the debate on the post-2013 CAP.

“2.1 – Simplifying the Single Payment Scheme”

The current systems adopted by the member states were only introduced from 2005/2006, and the arrangements chosen (with or without prior consultation of the regions) vary from one state to another, and sometimes even from one region to another within particular countries (the UK for example). The CPMR does not understand what would justify radically modifying a system that has recently been introduced before having undertaken a serious assessment of it.

Before 2013, the CPMR proposes:

- that the Commission develops its knowledge of the advantages and drawbacks of the various systems concerning: their impact on the sectors, regions, categories of farmers, with particular attention given to territorial equity.
- that, in collaboration with their regions, those states that so wish adjust their models between 2010 and 2013, by drawing on the work of the Commission and all the experts that have already worked on these issues. As already demonstrated in the study published by the CPMR in September 2007 (Europe’s Peripheral Maritime Regions and Changes to the CAP - Elements of analysis and discussion concerning the First Pillar), the 2003 reform already gives interested states the possibility to establish direct support equalisation mechanisms to promote interregional and subregional cohesion.

After 2013, the CPMR considers that the key issue is to make the SFP system fairer, although not necessarily simpler. This is undoubtedly the top priority for European citizens, as it is the second biggest item in EU budget.

The tools have already been available since 2003. They now have to be fine-tuned and above all improved in terms of governance, in order to promote equity.

Regarding governance, the following principles must be respected and introduced into legislation (Regulation No. 1782/2003):

- consultation of the regions on the choice of model: this consultation should become compulsory, whereas certain states only consult farmers’ unions.
- this consultation must be undertaken on the basis of a comprehensive presentation on the impact of each of the options.

Regarding equity, the CPMR is in favour of mutualising direct support through the setting of payments at regional level. This system has been in place since the Luxembourg reform, when five member states opted for the SFP calculation based on the regionalised model. Regionalisation of the calculation of the unitary value of the direct payment part of SFPs is undoubtedly the system with the biggest redistributive effect, in comparison to individual historical references. Indeed, within regions themselves, this system promotes the redistribution of direct support between farmers. Those that in the past have had a single payment amount per hectare lower than the regional average, or even none at all (because they do not have any “eligible” hectares) thus benefit from a readjustment in their favour. Regionalisation could furthermore be called a “green” system, because it promotes environmentally-friendly extensive farming to the detriment of intensive farms which put pressure on the environment.
However, this system would be difficult to introduce in regions with a wide range of agricultural production systems because it would lead to extensive redistribution of support among different categories of farmers. This is why the CPMR is arguing that Article 59 of Regulation No. 1782/2003 should be revised, as this would help to introduce more equity in its subregional application.

Furthermore, the setting of a payment at regional level (indeed no more than at national level) does not break the link between the amount of decoupled direct payments received by a farm and its size in hectares; the biggest units still receive the biggest grants. This criticism is particularly valid because, since the 2003 reform, farmers are not obliged to produce something in order to access decoupled payments, whether they have a very large farm or not. The introduction of degressivity is undoubtedly a valid option here (see below).

2.3 Partially coupled support

The CPMR entirely shares the Health Check’s analysis which states that “Whether, to which extent, and until when partially coupled support should remain should be seen in a clearly regional context. The Commission proposes a case-by-case analysis to identify the potential risks from a move into full decoupling and the possible alternatives.”

Such an approach will safeguard the future of agriculture and processing industries in vulnerable areas. It also appears in the chapter of the Health Check devoted to preparing the “soft landing” of the dairy quota expiry.

The CPMR understands that when the Commission talks of a “clearly regional context”, it is committing itself to ensuring regional authorities’ participation in the selection of the best options.

2.4 Upper and lower limits in support levels

Regarding the lower support limit, the Commission is proposing to avoid situations where recipients receive such small payments that they are lower than the administrative cost of managing them. The CPMR considers this analysis to be commonsense as long as it is really implemented “in such a way that would not affect real farmers.”

Regarding the upper support limit, the Commission is not proposing the introduction of ceilings, but the gradual reduction in support levels as the overall payments made increase (degressivity). For example, this reduction is 45% for payments exceeding the €300,000 limit. It adds to the effects of compulsory modulation (13% less for all farms between now and 2013 – see point 4.3.). The European Parliament (Goepel report) is for its part proposing a much lower degree of degressivity (called “progressive modulation”), with a view to having a less negative effect on large farms.

The CPMR member regions should have a debate on this issue before trying to develop a joint position. The impact is very different from one region to another, depending on farm structure, the degree of production intensiveness and therefore labour-intensiveness, etc.

The CPMR could for example propose research into a system, that would be optional for the member states (further to consultation with the regions), which would limit the extent of degressivity for labour-intensive farms. There is also a need for criteria based on the relationship between the direct payment received by a farm and the number of agricultural work units.

Article 69. To promote equity, transparency and consistency, the CPMR would like the amounts skimmed off by the degressivity effect applied until 2013 to remain at the disposal of the member state concerned, so that it can be redistributed to other farms and producers, using Article 69 of Regulation No. 1782/2003. During this period, in the framework of current legislation, the use of Article 69 should be strengthened in order to help redirect support from the First Pillar to higher quality and more
environmentally-friendly farming. Article 69 in fact gives interested member states scope to allocate an “additional payment” to “types of farming which are important for the protection or enhancement of the environment or for improving quality”, up to 10% of the overall SFP budget. Article 69 should also be used during the current period in order to help farms in disadvantaged areas, notably those affected by the ultimate removal of milk quotas. It is the only instrument that can currently allow the allocation of payments to all types of agriculture, in countries that have opted for the purely historical model.

“3.3 Set aside: abolish supply-management, strengthen environmental benefits”

The CPMR believes that the CAP should give greater consideration to the environmental benefits dealt with in this section, but, in contrast to the Health Check, considers that these aspects should come under a reformed, “greener” First Pillar rather than under rural development: see point 1.2.2 of this note.

“3.4 Preparing the ‘soft landing’ of the dairy quota expiry”

The CPMR approves of the Commission’s wish to “propose measures that would mitigate the expected negative impact in specific regions.” It recognises that mountainous regions must be given particular consideration, but believes that criteria other than relief and climate should be taken into account. Island regions and outermost regions are among those that “are expected to face difficulties in keeping a minimum level of production,” and whose processing industries are therefore likely to be weakened, although they are not the only ones. A more detailed approach therefore ought to be implemented.

“4.1 Managing risk”

The CPMR does not question the need to improve EU instruments for managing market risks or those related to climate variations, which are made necessary due to the reduction in the level of products’ price guarantees. Farmers must have a safety net. However, on this point it agrees with COPA and COGECA that, “This is a question of the EU’s food and energy strategy and security,” and not at all a rural development matter.

“4.2 Climate change, bio-energy, water management and biodiversity”

The Commission’s proposals in this area are still unclear. They aim to tackle issues related in particular to the EU’s international commitments on climate change. Here again, the Commission believes that the solution lies in “the strengthening of existing RD measures.”

To tackle these legitimate concerns, the CPMR believes that the new measures to be adopted should be divided into three categories:

- those that come under the heading of farming activities, which could be integrated into a reformed First Pillar;
- those that concern territories “managed” by farmers or groups of farmers, which would be eligible under a reformed Second Pillar;
- those that more generally come under the heading of public action, which are concerned with services to local people, and—as far as it can be considered that they provide community added value—would thus be eligible under EU regional policies.

“4.3 Strengthening the Second Pillar” and increasing compulsory modulation

The Commission is proposing to increase existing compulsory modulation by 8% over the 2010-2013 period. For farmers, the amount of direct support they receive per hectare would therefore decrease by
13% in total between 2005 and 2013 (5% as a result of the 2003 reform, on top of the extra 8%). This will be coupled with implementation of degressivity for those that receive over €100,000 in direct payments. This is how the Commission wants to increase the budget of the Second Pillar, which it wants to use for new purposes (which, as indicated above, do not come under the field traditionally attributed to rural development).

However, the Commission does not mention the consequent need to find more national and regional co-finance, which is scarce, as everyone knows. (This is already a major constraint preventing progress on the 2007-2013 rural development plans).

**The CPMR has doubts about whether this 8% increase is justified. The meeting of 25 March will provide an opportunity for an internal debate on the subject.**

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**PROVISIONAL CONCLUSIONS**

This document is a working paper which obviously does not commit the CPMR at this stage. It aims to instigate and develop the work of the meeting of 25 March in Brussels.

The authors are aware that certain analyses and proposals go beyond what “CPMR culture” has produced on these subjects over the last fifteen years. Furthermore, certain important aspects should be developed further, such as quality issues, which are crucial for the peripheral regions that produce the majority of “typical products” linked to the notions of “locally grown/produce” and geographic origin.

We are aware that this paper requires a great deal with regard to studies that need to be conducted in the future in order to anticipate the territorial and regional implications of the various possible scenarios concerning the CAP’s future development. These requests for studies should be organised and argued for, which would then make it possible to propose them to the European Commission, and perhaps to involve other partners in our efforts. The Committee of the Regions, for example, wanted to be the co-organiser of the seminar in the Autumn of 2008, when all of these issues will be debated in the presence of the President of the Agriculture Council and the European Commissioner. It could also be involved in these research efforts.

We want these studies because we believe that the European Commission’s proposals are not based on detailed knowledge of their foreseeable impact. Naturally the Commission has done research, notably in the framework of Scenar 2020 forward-study exercises, but it is solely of a macro-economic and sectoral nature.

The CPMR’s Scientific Council brings together experts of international renown in these fields and it will be able to make its contribution to this necessary body of work, notably as far as methodological aspects are concerned.

We are furthermore rather sceptical about the recurring reference to the desire to simplify the CAP in order to respond to so-called demand from citizens. It is evident that a CAP that is adapted to the territories will have sophisticated instruments and modes of delivery. Europe is lucky to have a wide variety of regional agriculture, which itself gives rise to agri-food products of a quality envied by the world over. Europe thus deserves an agriculture policy that has a menu of support measures commensurate with the excellent flavour of its products.

This cannot be achieved without having a genuine strategy, which the Health Check lacks, in particular as far as rural development is concerned. The Health Check is not a mere adaptation exercise as the Commission sometimes presents it as being. It brings into play the future of certain categories of population, or at least their living conditions. It must thus be based on irrefutable arguments.

Those proposals that are selected by the working group on 25 March should subsequently be rewritten in legal terms as proposals on the future development of EU legislation: in the short term in 2008/2009, and in the medium term in the framework of the budget review.
APPENDIX

SOME EXPLANATIONS ON HOW THE CAP EVOLVED BETWEEN THE LUXEMBOURG AGREEMENT AND THE HEALTH CHECK

The Luxembourg Agreement – June 2003

The 2003 reform took place in anticipation of a later agreement at the Doha Round of negotiations. It featured a decrease in institutional prices, mainly in the dairy, rice and sugar sectors, the introduction of a scheme to bring about decoupling of farm income support measures (with strengthened cross-compliance) and the compulsory implementation of a modulation system (transfer of funds to rural development).

Under the terms of this agreement, part of the support from the First Pillar is made available as an entitlement to a Single Farm Payment (SFP) per hectare. This is calculated on the basis of direct aid received during the 2000-2002 reference period, on a national basis.

These payments are for the most part decoupled, in other words they are granted to farmers however much they produce, under the condition that the land is maintained in a good agricultural and environmental state.

These general principles nevertheless leave the member states wide scope for manoeuvre:

- possibility for partial decoupling of support, in order to maintain the link between support and production,
- SFP calculation methods, with a wide range of possible systems, from the historical SFP (farms receive a decoupled SFP corresponding to the total amount of non-coupled support they received before the reform, divided by the number of admissible hectares), to the system already applied in the ten new member states (a set decoupled amount per hectare, which is equal to the national amount divided by the number of eligible hectares in the country concerned). Regionalisation is one of the possible options. (The CPMR’s technical paper of September 2007 on “Europe’s Peripheral Maritime Regions and Changes to the CAP - Elements of analysis and discussion concerning the First Pillar”, describes the different options used in different countries. It also shows how this flexibility could be used to promote “equitable regionalisation”).

Lastly, the 2003 reform introduces compulsory modulation, in other words a 5% reduction in SFPs during the 2007-2013 period, with the corresponding amount being used to increase the Second Pillar of the CAP (rural development).

(This short overview is of course incomplete and it does not mention the more technical aspects – no less important – such as voluntary modulation, which are being introduced in current programming, or Article 69 of Regulation No. 1782/2003).

The CAP Health Check – November 2007

Depending on the member states concerned, the Luxembourg Agreement was implemented between 2005 and 2006. Without waiting for any evaluation of the new systems, the Commission published a Communication aimed at “Preparing for the Health Check of the CAP Reform” on 20 November 2007.

This took place against the favourable background of price rises for certain basic products (cereals, milk, etc.) and the assertion of an increasing political desire to take into account new challenges in the field of the environment and climate change, as well as new requirements concerning food quality and safety, with the emergence of new products, notably organic ones.

There is also an increasingly lively debate on the CAP’s proportionate share of EU budget expenditure and the great unfairness of the support provided (especially following a widely-noted report by the European Court of Auditors).

This Health Check is presented by the European Commission as being a preparatory activity prior to the budget reform that should take place in 2008-2009. Following the opinions of the European Parliament and Council in the spring of 2008, some amendments to the three CAP regulations will be proposed by the European Commission on 27 May 2008. The Commission’s objective is to have these adopted by the EU’s French Presidency at the end of 2008, but this is an ambitious objective bearing in mind the nature of the proposals made.
Although Commissioner Fischer Boel asserts that this exercise should not be perceived as a new reform, it effectively is one as the suggestions now made by the Commission to launch the debate prepare the ground for the future CAP that will be negotiated for after 2013.

The Commission’s main proposal has three strands: how can the single payment scheme (SFS) be made more effective and simple? How can support instruments be made more appropriate in an increasingly global world and 27-member EU? And lastly, how can new challenges be met, from climate change to the development of biofuel and water management, by adapting to new risks and new opportunities?

The proposals on the SFS go much further than simple technical adjustments, as they plan to raise compulsory modulation from 5% to 13%, thus increasing the Second Pillar budget by the same amount. The following options are just as radical:

- Do away with past references: abandon payments calculated on the basis of past production levels and regionalisation of support
- Total decoupling of support for arable crops: the European Commission considers that support that is partially coupled to production is less and less justified, especially concerning arable crops. However, support could be maintained in certain areas where production is small overall (such as suckler cows in extensive beef producing regions)
- A lower limit for payments, and a “degressivity” mechanism: reduction in support – on top of that related to modulation – for farms receiving a single payment higher than €100,000. The savings achieved could be used by the member states to “respond to new challenges”, still under the First Pillar, and under Article 69 of Regulation No. 1782/2003.

Besides the regionalisation of SPS entitlements, the Health Check is proposing other ways of taking account of the regional level: a case-by-case study of regional situations to identify the level of decoupling necessary to maintain farming activities, as well as a regional approach to the removal of dairy quotas.

**Second Pillar: the weakest link in the reforms**

As an adjustable variable in the negotiations on the 2007-2013 financial perspectives, the Second Pillar of the CAP is being cut, and it no longer has a sufficient budget to meet its four objectives, which are: to improve the competitiveness of farming and forestry, to improve the environment and rural areas, to improve the quality of life and diversify the economy in rural areas, and to support the LEADER Programme. The projects it finances through the EAFRD are struggling to get running in certain countries, because – other than in exceptional circumstances – they must be co-financed using national and regional funds.

It is true that the increase of modulation (from 5 to 13%) would of course make it possible to increase the EAFRD budget by €2 billion – this is the Commission’s argument for increasing modulation. However, it does not resolve the issue of the lack of co-finance. Furthermore, the CPMR has on various occasions demonstrated that the governance of the Second Pillar is ill-adapted for dealing with the issues: in accordance with the principle of subsidiarity, the involvement of the regions in programming is in reality left to the discretion of each member state, in contrast to ERDF programming, for example.

Generally speaking, other than providing purely agricultural support, the Second Pillar does not constitute a really collaborative and strategic development instrument for rural territories, and the Health Check does not move in this direction. Its development is ultimately only referred to as a means of coping with risk management, climate change, bioenergy, water management and biodiversity.
ANNEX 2

CAP AND THE REGIONS: A NEW DEAL?

BRUSSELS
25 March 2008


RETRO-PLANNING
UNTIL 23 OCTOBER 2008

- 27 June 2008 – Rhodes: CPMR draft position paper discussed by the Political Bureau
  - Principles
  - Response to the Health Check (HC)
- 2 October – Aquitaine: Position adopted by the General Assembly
- 23 October – Pays de la Loire: Regions to debate with the Commissioner and President of the Council
  - joint CPMR/CoR event
- An accompanying technical agenda to be built, starting 25 March

HUGE DIFFERENCES BETWEEN MEMBER REGIONS ...

• CAP must feed Europe with diversified, safe and high quality products
• CAP must play a role in maintaining employment in rural areas for farmers and food processing industries
• CAP must ensure correct and balanced revenues amongst farmers
• CAP must contribute to sustainable development, preserving the countryside, restricting climate change and maintaining biodiversity

• CAP First Pillar must be more balanced between regions and territories

Share of global support resulting from the First Pillar by Annual Work Unit in 2004
• **CAP First Pillar** must be balanced between territories: more regionalisation enables more intra-regional equity.

• But even if more geographically balanced, CAP is not supposed to become a territorial policy as such: from 2014 onwards, improving territorial rural excellence is a mission for EU regional policy (Seville declaration).

**Towards a New Agricultural/Rural Policy Architecture?**

• **Future CAP 1st pillar** to support sustainable production:
  - at the level of individual farms
  - to remunerate friendly use of land, sustainable water management, maintaining biodiversity
  - simply cross compliance, or more constraints, with more support?

  Which contract between the “society” and the farmer?

• **Future CAP second pillar** to support:
  - at the level of individual farms: economic efficiency, quality production, compensation of natural disadvantages, production of bio-energy
  - at a wider level (food processing chains, groups of farmers on territories): agro-food industry development, water management, agro-environmental measures
• Cohesion policy to support rural territorial development: a specific earmarked strand inside a territorial excellence objective
  To finance public infrastructure for economic development (transport, environment ...), support for human capital, knowledge capital, business development, innovation, services to the population in sparsely populated areas ...;

• The most appropriate level to avoid a mismatch between big objectives and local implementation
• The relevant level to organise complementarities between cohesion policy and CAP first and second pillars, which they already do in certain Member States (Italy)
• Which means that Regions should have a say in 3 fields:
  - Regionalisation of direct payments
  - Rural development programmes at regional level
  - Real subsidiarity in regional policy implementation

• But the Regions need visibility to play this role:
  a detailed knowledge of the foreseeable impact of all possible evolution scenarios of the first pillar

• Going into more depth than the overall impact assessment

• A role for the Committee of the Regions?
SOME PRIORITY TOPICS FOR THE REGIONS: to be discussed today

- **GREENING THE CAP**: going further than cross compliance? A role for a renovated 1st pillar (new forms of contract between “the society” and the farmer)? Changes to the second pillar agro-environmental measures? Promote new instruments at individual or territorial/collective level?
- **DIRECT PAYMENTS**: regionalisation, modulation, capping, degressivity, can we reach common positions?
- **RURAL DEVELOPMENT**: second pillar/regional policy, how to better argue the “Seville declaration” and apply it?

APPLYING THIS TO THE HEALTH CHECK

- Agreement on the principles introduced in the CPMR/Aquitaine draft paper?
- How to prepare precise introductions/modifications in:
  - EARDF Regulation: Articles 6 (partnership), 7 (subsidiarity), …
  - Regulation 1782/2003: Articles 58/59 (regional allocation, regionalisation of the SPS), 69 (specific support), …

CAP AND THE REGIONS: A NEW DEAL?

UP TO US!
## TECHNICAL MEETING
### COMMON AGRICULTURAL POLICY
#### 25 MARCH 2008 – 14.00 / 18.00

## LIST OF PARTICIPANTS

### FINLAND/SUOMI

- M. Henrik INGO, Representative, Ostrobothnia
- Mme Christel LILJESTROM, President of Regional Council of Itä-Uusimaa, President of the Baltic Sea Commission
- Mme Tuula LOIKKANEN, Head of Office, Regions of Itä-Uusimaa and Päijät-Häme
- M. Paavo MYLLYMÄKI, Specialist, Regional Council of South West Finland

### FRANCE

- Mme Martine ALLAIS, Déléguée Permanente à Bruxelles, Conseil Régional de Bretagne
- M. Justin AMIOT, Chargé de Mission à Bruxelles, Conseil Régional Pays de la Loire
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- M. Daniel BARILLOT, Directeur Général Adjoint des Services, Conseil Régional Poitou-Charentes
- Mme Nathalie BETEILLES, Chargée de Mission à Bruxelles, Collectivité Territoriale de Corse
- M. Vincent CARON, Chef de Projet à Bruxelles, Conseil Régional de Haute-Normandie
- Mme Eve CHEVILLARD, Chargée de Mission, Conseil Régional Languedoc-Roussillon
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- Mme Audrey DUQUENNE, Représentation Midi-Pyrénées à Bruxelles
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- Mme Béatrice GENDREAU, Vice-Présidente du Conseil Régional d’Aquitaine
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- M. Jean-Marc LARDIER, Chef du Service Agriculture, Conseil Régional Nord-Pas-de-Calais
- M. Jean-Paul SIMIER, Directeur de l’Agriculture, Conseil Régional de Bretagne
- M. Thierry MAZET, Conseil Régional d’Aquitaine
- Mme Laurianne Schlaeppi, Directrice de l’Espace Interrégional Européen Bretagne
- M. Stéphane VICTOR, Chargé de Mission à Bruxelles, Conseil Régional de Basse-Normandie

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M. Athanassios GOUMAS, Director, Representation of Greek Local Authorities

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Mme Maria José RODRIGUEZ, Chef d’unité des Affaires Européennes, Principauté des Asturies
M. Pedro SALAS PARRA, Director General Acción Exterior, Gobierno de Aragón
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Mme M. Sol CALZADO, Junta de Andalucia
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