

AGRA FOCUS

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Pigmeat Export Refunds

Export refunds for fresh & frozen pigmeat carcasses, cuts & bellies for all destinations, were introduced this month as a response to the current difficult market situation. This move follows continued high feed prices & low pork & piglet prices on the EU market despite last month's Private Storage initiative by the Commission.

[see p.13]

Health Check & Reactions p. 2-5 & p. 7

Initial Member State reactions to the Commission Communication on the Health Check are broadly positive, based on the positions outlined by EU Farm Ministers at this month's Farm Council, though concepts of compulsory modulation & degressive capping of direct aids remain the most divisive issues. EP *Rapporteur* Goepel has also presented a "progressive modulation" alternative concept

Unused CAP Funding for Galileo p. 20

EU Finance Ministers agreed this month that €1.6 billion originally foreseen for agriculture – but remains unused- will be utilised to fund Galileo - the European Satellite Navigation Program & the European Institute of Technology (EIT).

No Doha deal this year ! p. 37

WTO Director-General Pascal Lamy has conceded that there will be no political agreement on the Doha Development Round before the end of the year, with no revised text expected from Ag. Committee Chair Crawford Falconer by the end of January – at the earliest.

Wine Deal in December ? p.14

Council President Silva expressed his general satisfaction on the wine reform discussions at the Farm Council this month - confirming that Member States are happy to accept the "guiding principles" of the proposals. The end-game negotiations should secure a deal next month – with technicalities to be ironed out at the SCA.

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REVIEW

Health Check is last chance for changes before EU Budget Review

This month's Health Check Communication [pp.2-5] will provide no great surprises to those that follow the CAP closely. Even without the leaked draft of the document in September, all the elements in the paper had been mentioned by Commissioner Fischer Boel in the course of her speeches in the last 12 months or so. Apart from the concept of a 4x2% increase in the rate of compulsory modulation, there are no clear figures in the paper and relatively few concrete proposals – not at this stage of the debate – but the general direction of the initiative (and the formal legislative proposals due out in May 2008) is quite clear. The debate between now and March (when the texts are drafted) will merely serve as an indication of issues that have no chance of agreement, but also provide a forum for expanding concepts on which the Commission has itself not finalised a clear approach (e.g. Article 69, Risk Management and how to take account of Climate Change). It is clear that the exercise will not be as radical as the 2003 “Mid-Term Review” – or the 1992 Mac Sharry reforms – but is a logical extension of the reform process.

Initial reaction from Member States [see p.9] and stakeholders [see p.8] suggests that the concepts of further compulsory modulation and “degressive capping” are the most controversial issues in the package. Some have argued that it is not necessary to look at these questions in this exercise, claiming it could wait for the next reform [presumably in 2011ish] which will look more closely at the type of CAP required after 2013. To call for such a delay is ignoring the political reality, however. The writing is on the wall. Many EU leaders (and above all their Finance Ministers) are keen to reduce the CAP budget after 2013 in order to direct public money towards policies which are more obviously justified to the taxpayer. With the Budget Review starting at the end of 2008, the Health Check is the last chance to adjust the CAP to make it more acceptable. In that sense, the Commission is absolutely correct in addressing the issues which give the CAP a poor public perception – such as public intervention [which facilitated grain & butter mountains in the past], export refunds [perceived to impact negatively on farmers in developing countries], and the massive cheques being paid out to royalty and large rich landowners for “doing nothing” (e.g. set-aside). At the same stage, the suggestion that the *raison d'être* for the Single Farm Payment (also known as cross-compliance) could be adjusted to include climate change issues, water conservation, and maybe even food security is a significant step which EU Farm Ministers need to embrace in order to give themselves a much stronger hand for when the true battle for post-2013 funding gets under way.

In this period of consultation it is therefore important that other ideas are floated. This month's suggestion by MEP Lutz Goepel that the Commission should consider some form of “progressive modulation” [see p.7] is a good example. Although the model he proposes presumably seeks to shift too small a volume of funding to Rural Development, the concept of addressing the “large farmer” issue through a higher rate of compulsory modulation is an idea that the Commission should look at in detail.

So, as 2007 enters its final month, it is clear some political issues will not be resolved this year - the internal Commission divisions over GMOs [see p.39], the US Farm Bill [see p.37] and even the Doha Round talks [see p.40]. However, it would be wrong to suggest that December will be quiet. The December Farm Council will aim to finalise a wine reform agreement [see p.15], as well as a whole host of food dossiers. The Commission, too, will come forward with proposals for a 2% increase in dairy quotas [see p.6]. And on the broader front, environment experts and Ministers from around the world will meet in Bali to try to agree ways of tackling Climate Change post-Kyoto. It is a debate not totally irrelevant to the future direction (and justification) for the EU's Common Agricultural Policy.