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The Health Check: a starting point of the end of the 'Old CAP'?¹

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During the last 15 years the CAP has undergone a radical reform process in response to changed economic and social framework conditions. In detail main drivers of CAP reforms include EU-enlargements (HENNING, 2008), increasing globalization of international trading regimes governed by common rules of the WTO and new demands of EU citizens focusing on a multifunctional agriculture providing public goods such as environmental protections or animal welfare.

In essence since 1992 reforms of the "old CAP" have followed a consistent path, where price and market policies are phased out being continuously replaced by decoupled direct transfers. A recent milestone in this process was the reform in 2003 introducing decoupled direct payments via the Single Payment Scheme (SPS) in most sectors of the first pillar of the CAP and strengthening rural development policy as its second pillar. This process continued with reforms of the sugar regime in 2006 and of the fruit and vegetable sector in 2007. Despite these remarkable political achievements it was already clear in 2003 that further reform steps are to follow. However, the direction of future CAP reforms has been heavily debated among member states, where a sharp disagreement between France and UK occurred. While France wanted to keep prevailing budget allocation in place until 2013, the end of the financing period, UK favored reallocation away from agriculture in favor of research, technology, science and development. In the end, it was agreed as a compromise that the CAP would continue receiving most of its funding as before but in 2007 the Health Check of the CAP would be started as a review procedure from which interim adjustments of the CAP could result, to reinforce the earlier reforms of decoupling and to leave sufficient time for formulating a new policy package to be implemented from 2013 onward (BUREAU et al., 2007).

In November 2007, the Commission circulated its "communication" to the Council and the European Parliament preparing for the "Health Check" of the CAP reform. The Health Check is not a fundamental CAP reform, but is conceptualized as a review procedure to detect further necessary steps to adapt the CAP to an evolving set of changed social and economic framework conditions over the period 2008-2013 (EUROPEAN COMMISSION, 2007). In particular, the Commission focused its "communication" on the following three major objectives:

Reforming Single Farm Payment

Unified payments

In its communication the Commission advises member states that contrary to Germany have not yet opted for a completely regionalized SFP, to adjust their SFP to a flatter rate via regionalized payment.

Full decoupling

Moreover, a full decoupling of payments is recommended, i.e. remaining coupled aid payments for arable crops should be abolished, whereas only in special cases, e.g. regions for which a specific agricultural production is economically and ecologically important, e.g. suckler cows in mountain regions, coupled payments might be continued under a revised § 69 of the regulation 1782/2003.

Progressive capping and cut-off limits

Furthermore, the Commission suggests a capping of SFP to large farms and an introduction of cut-off limits for small farms. In particular, the Commission suggests a progressive capping of 10% for SFP over 100 thousand €, 25% for SFP over 200 thousand € and 45% for SFP over 300 thousand €. On the other hand the Commission suggested the introduction of a cut-off limit for small farms to save administrative costs. At the moment the EU prescribed minimum is 0.3 ha to qualify for SFP. Money saved from capping and increased cut-off limits would stay within the member state based on the existing national envelope model.

Extend modulation

The Commission suggested extending modulation annually by 2 percent points from 5% in 2010 to 13% in 2013.

Simplifying cross compliance

To simplify administrative procedures and increase efficiency of cross compliance regulations the Commission proposes a review of the list of Statutory Management Requirements (SMR) set out in the current cross compliance regulation, and the criteria which define Good Agricultural and Environment Condition (GAEC). In particular, environmental and animal welfare rules should be reformulated, while other non-relevant measures should be abolished.

Market management

Originally market support instruments of the "old CAP", i.e. price support, market intervention and production quota, have been developed for the EC-6. As agricultural markets fundamentally changed and therefore the "reasons for which market support instruments were introduced are no longer valid", the Commission suggests abolishing production restrictions, i.e. compulsory set-aside and the milk quota system. Moreover, the Commission suggests phasing out market interventions for cereals and focusing intervention as a safety net solely on bread wheat.

¹ This editorial profited crucially from the excellent study "Reflection on the possibilities for the future development of the CAP" by BUREAU et al. (2007).

In particular, a soft landing strategy is suggested for the milk quota regime, i.e. a gradual quota increase as well as adjustments to intervention and a reduction of the super levy are considered. The Commission also stresses that additional measures might be needed to mitigate the expected negative impact of phasing out the quota regime in mountainous regions. In this regard the Commission also mentions corresponding adjustments of article 69 of regulation 1782/2003.

New challenges: climate change, bioenergy and biodiversity

The Commission communication considers that agriculture faces new challenges in the area of climate change. On the one hand agriculture will have to contribute more to curbing greenhouse gases emissions. On the other hand agricultural production is directly influenced by climate change, i.e. extreme weather conditions, uncertain rainfall and changed soil conditions. Regarding bioenergy concrete commitments, i.e. a share of 10% of biofuel in total fuel usage and of 20% of renewable sources of energy in total energy demand, have been decided. Another challenge corresponds to stopping the destruction of biodiversity, which partly is implied by climate change and an increased water demand. Agriculture plays an important role in protecting biodiversity. The Commission discussed various opportunities to meet these new challenges. First, extending existing measures in the second pillar to provide incentives to adapt to climate change, i.e. applying better water management, environment-friendly production, bioenergy production and protection of biodiversity. Second, reforming cross compliance regulations to better focus on the reduction of climate change or a better water management (see above). Moreover, the Commission questions the effectiveness of energy crop subsidy of 45€/ha favoring an abolishment of the energy crop subsidy and a focus of future support on research and development of biofuels of the second generation, i.e. ethanol based biofuels.

Strengthening rural development

The extended modulation shifts EU-budget from first to second pillar and thereby strengthens rural development. However, the Commission is rather vague regarding the formulation of RD measures and leaves it generally open how various structural and regional funds and programs can be better coordinated to a consistent rural development approach.

Financial issues

At a first glance financial implications of the Health Check Proposal are rather moderate. Main implication is a shift of spending from the first to the second pillar induced by suggested "technical changes", i.e. modulation ceiling, etc., where the Commission clearly states that the budget savings should stay in the member states where they occur. However, given the fact that different financial rules apply to the first and second pillar, shifting resources between pillars is not as neutral as it appears, as some member states might have difficulties to draw down the EU funds due to lack of required national co-funding. Accordingly, national cost-benefit ratios of CAP significantly differ for first and second pillar policies. Therefore, the suggestion of the Commission to shift resources from the first to the second

pillar might in fact turn out as a rather radical proposal. In this regard BUREAU et al. (2007) discuss possible future options of the CAP financial system.

A critical assessment of the Commission's Health Check Proposal

Overall, the Health Check is clearly not to be seen as a fundamental reform, but as a preparatory action to a wide ranging review of the CAP identifying key points of the CAP to be adapted to an evolving set of circumstances in the long run, e.g. after 2013. Nevertheless, the Health Check has to be evaluated against long term trends of EU agriculture and resulting implications for the CAP. Thus, while there is little doubt that the old CAP with focus on market and price policy is no more relevant and adequate for enlarged EU-27 integrated in a globalized economy facing new challenges like climate change or environmental problems, the central question is how should a new CAP be designed to optimally deal with identified new challenges. In this regard the Commission's communication clearly missed an opportunity to draw a concrete picture of how it would design future CAP after 2013. In contrast, the suggestions of the Commission often correspond to quite technical adjustments and leave out most of the fundamental aspects of future CAP. In detail our criticism can be summarized in the following points.

Legitimization of farm support

The old CAP was clearly focused on a social and income policy, where applied market and price interventions decided at supranational EU-level are legitimized by stabilizing low farm incomes. However, right from the beginning CAP has been criticized as an ineffective and inefficient policy. Especially the transfer efficiency of price support was extremely poor. First price interventions are plagued by high deadweight costs. Secondly, the largest share of support reaches the wealthiest farmers making income distribution even less fair, and third a large part of support was spilled over to non-farmers via increased land prices. Although CAP-reforms shifting farm payments received from the market to direct payments significantly reduced deadweight costs and thus increased efficiency, transfer efficiency remains low, since direct payments are based on farm land, i.e. 60% of farmers receive less than 5% of total direct payments. Moreover, direct payments are passed to 'non-active' farmers via increased prices for land, quota or premium rights (ISERMEYER, 2003). In contrast to the old CAP biased redistribution is much more transparent under the new CAP. Thus, from a social policy perspective the new much more than the old CAP lacks a social legitimization. However, suggested capping might counteract lack of social legitimization of direct payments, but first calculations show that capping would only imply a total saving of 500 thousand € or 1.7% of total payments in 2005 (BUREAU et al. 2007). Additionally, all international institutions unanimously predict significant increase of agricultural prices within the next ten years. Of course, increasing world market prices imply a completely new economic environment of the CAP, which might deeply change the logic of the CAP (see HENNING et al. in this issue). Not only market intervention and trade policies as the central instruments of the old CAP become meaningless, but also direct transfers to farmers would lose their social legitimization. But, as

BUREAU et al. (2007) correctly point out the new condition would provide justification for new governmental interventions, i.e. boosting agricultural prices encourage overexploitation of agricultural land implying negative externalities on the environment and nature which conflict with other demands of society and therefore demand more rigorous environmental programs and land use policies.

Overall, it is certainly true to conclude that within the new CAP single farm payments are no more legitimized as compensation for realized price cuts, but much more as a compensation for the provision of specific public goods by farmers such as environmental services, therefore suggested unified payments are justified as there are good reasons to assume that environmental protection as well as other ethical goods are produced with constant or even increasing returns to scale. Thus, large farms provide high amounts of public goods and accordingly should receive high compensations. However, suggested modulation contradicts this logic, as it cuts increasingly compensation for large farms, while increasing cut-off limits definitely reduce significantly administrative costs which make sense from a welfare economic perspective.² Nevertheless, shifting budget from the first to the second pillar is generally in line with orientation of the new CAP towards new demands of the society.

International trade conflicts

Beyond its ineffectiveness and inefficiency the old CAP was plagued by another negative side effect of market and price intervention, i.e. international trade conflicts due to decreased world market prices induced by CAP. Although price support has been significantly cut for most sectors, price support is still significant for some sectors, e.g. beef, milk, sugar as well as fruits and vegetable as well as biofuel (ethanol). Overall, even in 2006 price support still represented almost 50% of total transfers to producers according to OECD calculation. Institutionally, international trade conflicts are basically regulated within WTO. Thus, new CAP definitely has to comply with existing as well as future WTO agreements. However, even if no further WTO agreement will be reached, further bilateral agreements regulating international trade especially with growth areas like Asia, Russia or Latin America can be expected (see BUREAU et al., 2007). However, since a possible WTO agreement has already been anticipated in the 2003 reform, even a large cut in the AMS ceiling, e.g. up to 70%, would not trigger large CAP reforms. Nevertheless, large cuts in the maximum AMS, as suggested in the so-called Falconer proposal, would probably imply that the EU has to adapt its price and market policy (see BROCKMEIER et al. in this issue) and, particularly, cannot apply partial decoupling to maintain production in specific areas, which puts a constraint on future reforms of the milk or beef market. Thus, international trade arrangements, especially future WTO agreements certainly remain important political factors influencing also the new future CAP. At this point the communication of the Commission is salient.

Complying with new demands from society

Poor environmental record

Although compared to other sectors overall pollution due to agriculture is limited, for specific types of pollution, e.g. water pollution or destruction of biodiversity, agriculture is the main source. Without doubt the old CAP encouraged a higher usage of fertilizer, pesticides as well as higher livestock intensities implying negative externalities on the environment. Moreover, ill-defined direct payments have encouraged the reduction of permanent grassland and irrigation of arable crops (BUREAU et al., 2007; HENNING et al., 2004). Regarding environmental issues still a lot of unsolved problems remain to be solved by the new CAP. Although various environmental schemes have been implemented since the reform process has been started in 1992, the impact of these schemes can be critically discussed. Especially environmental schemes that appeal to most farmers are measures that are less ambitious, i.e. do not imply real restrictions on farmers and hence can be better understood as rents (DUPRAZ and PECH, 2007, or BARBUT and BASCHET, 2005). Regarding biodiversity it is difficult for many measures to reveal a positive impact (VAN HUYLENBROECK and WHITBY, 1999; KLEIN and SUTHERLAND, 2003). The same applies for cross compliance conditions for which it is also difficult to evaluate whether these measures have a positive impact on environment-friendly agricultural production. In contrast to evaluation of price and market policy of the old CAP, comprehensive evaluation of environmental measures is also a methodological challenge for agricultural economists, where innovative applicable methods are needed (see contribution of FRANCKSEN and LATATCZ-LOHMANN as well as HENNING and MICHALEK in this issue). For example, program participation is often systematically biased creating windfall payments, e.g. payments for extensive production for farms which produce anyway less extensive due to natural conditions, or specific program targets are simultaneously influenced by other factors, e.g. fertilizer consumption reduced in the 2000s, but this might be much more the impact of increased oil prices than of environmental measures (BUREAU et al., 2007). Thus, adequate evaluation methods should be able to construct a correct baseline scenario, i.e. a situation that would have resulted without the program, to correctly measure the impact of specific environmental schemes (see HENNING and MICHALEK and FRANCKSEN and LATATCZ-LOHMANN in this issue).

Food safety and ethical demands

Society's demand for safer products and also more traceability has been taken into account by future CAP. Basically, this will be done via tighter regulations of food and agricultural production. Accordingly, tighter regulations imply higher production costs, which due to informational asymmetries might not be fully compensated at the market and thus reduce international competitiveness of EU agribusiness. Therefore, additional governmental interventions might be justified in this area, too. Moreover, BUREAU et al. (2007) pointed out that higher food safety standards might also conflict with other society demands, e.g. demand for organic food, as organic farm products face difficulties to comply with increasingly stringent mycotoxin standards. Moreover, high EU food safety standards might also conflict

² In 2005 roughly 60% of total farms receive SFP below 1 250 € amounting together to less than 5% of total payments (BUREAU et al., 2007).

with WTO agreements, e.g. an effective execution of the preference of EU citizens against genetically modified organisms might imply import restrictions which do not comply with WTO rules. However, these issues have to be solved in an open political discourse and translated into a consistent political framework to which agriculture then can adapt.

Climate change

Climate change is a major policy concern of all countries of the world. Accordingly it also ranges high on the EU-agenda. Regarding agriculture it is on the one hand important how climate change influenced agricultural production, i.e. average yields as well as frequency of natural disaster implying changed farm management, land use and location of production. On the one hand agriculture can contribute to reduce greenhouse emission reducing its own emission via changed production technologies as well as via supply of renewable energy. According to the set EU-target of a 10% share of biofuels in total fuel consumption in 2020, roughly 70% of total arable land would have to be used for production of biofuel. Obviously, this target can only be in line with the statement of the Commission that production of food and feeding stuff will remain the major task of EU-agriculture if large imports of biofuels are assumed (RUDLOFF et al., 2008). Accordingly, the Commission suggested to examine if the 45 €/ha payment for energy crop production is still cost-efficient. This seems quite conceivable, since first this payment obviously contradicts comparative advantages of EU-agriculture which clearly can be observed for food and feeding stuff production (ISERMEYER, 2006). Secondly, these payments conflict with conservation programs by drawing more land into production of arable crops and in fact are much more motivated by supporting farmers than by contributing to the solution of global warming (BAMIERE et al., 2007).

Rural development

One of the largest deficits in the present reform debate can be observed for the organization of rural development policies (RUDLOFF et al., 2008). Although significant additional financial resources have been shifted towards rural development policy in the second pillar, it remains unclear how various structural and regional policies can be coordinated. Here BUREAU et al. (2007) concluded that a comprehensive rural development strategy including a coordination of regional development funds is missing. The Commission's Health Check Proposal makes no difference in this regard. On the contrary, compared to the EAFRD reform of 2005 the current proposal on rural development is even a step back as it does not refer any more to any harmonization of Regional Policy Funds, but focuses on some areas and agricultural sectors which may be affected by changes of the first pillar, e.g. negative impacts of an abolishment of quota on dairy farmers in mountainous regions. A prerequisite of a cohesive conception of rural development policy is a comprehensive evaluation of different rural development policy programs, which in turn demands innovative evaluation techniques as discussed by HENNING and MICHAŁEK in this issue.

Institutional design of the new CAP

Another interesting aspect that has not been touched by the Commission corresponds to the question how political competences and financial burdens are distributed across

different policy levels within the EU, i.e. local, national and supranational level (see BUREAU et al., 2007). An obvious benchmark for an optimal financial and institutional design of the CAP can be derived from classical fiscal federalism literature (see TIEBOUT, 1956; OATES, 1972). Understanding policy as the provision of various public goods, the optimal distribution of competences and financial burden corresponds to the nature of the public good being a local, national or global public good according to the spatial distribution of benefits. While the old CAP dominated by market and price policy clearly had to be located at the supranational level, second pillar policies of the new CAP, i.e. environmental and rural development, often correspond to the provision of local or national public goods and hence both financial and political competences in most cases would be better located at the local or national level than at the supranational level. However, to avoid pork barrel policies it is important that both political competences and financial burden are local at the same level (see HENNING, 2005).

Beyond pure welfare economics: political economy of future CAP

So far we have followed the standard approach in agricultural economics analyzing future CAP options basically from a welfare economic perspective. However, it is well known that maximizing society's welfare is not the incentive of politicians. Hence, although welfare economics is certainly a useful benchmark for CAP analyses, it is not a relevant approach to forecast future CAP developments. From a political economy perspective we have to take the logic of political decision-making into account to understand policy processes observed in reality. Please note that already for the old CAP it was never a problem to come up with commonly accepted consistent welfare maximizing policy designs. On the contrary, the major challenge of agricultural economists was much more to understand why observed CAP does not follow policy advices of welfare economists. From a political economy perspective the CAP mainly functions as redistribution device among social groups and member states (HENNING, 2005), where asymmetric allocated gains from EU integration are redistributed from consumer and tax payers to farmers and from rich western to eastern member states. From a pure welfare economic perspective also the new CAP remains an inefficient redistribution mechanism, though inefficiency has been significantly decreased for the new when compared to the old CAP (HENNING, 2005). Moreover, without these redistributions via CAP EU-integration might not have taken place, therefore seemingly inefficient CAP might be Pareto efficient from a broader political economy perspective. Nevertheless, under the new economic and political framework conditions also the political economy logic of the CAP has changed, and it is an interesting question to what extent the new CAP will turn out to be a politically stable redistribution device in the long run.

Overall, we conclude that the Health Check Proposal of the Commission certainly goes in the right direction, but it is not a concrete reform proposal and leaves out some important area of future CAP. To understand how new political and economic framework conditions shape the logic of future CAP comprehensive economic and political economy analyses are needed.

Modeling the new CAP: a methodological challenge for agricultural economists

Modeling the new CAP is definitely also a methodological challenge for agricultural economists for several reasons. First, in contrast to price and market policies modeling second pillar policies, direct transfers as well as the impact of climate changes demands spatially and by farm type disaggregated models taking specific regional natural conditions as well as specific farm characteristics explicitly into account. In particular partial equilibrium models being a simple and elegant tool for welfare economic analysis of price policies are no more sufficient. Instead, on the one hand more complex micro-macro linked models are needed which incorporate economic and biophysical sub-modules, which are able to model farm reaction on a disaggregated spatial and farm-type level and simultaneously aggregate individual farm reactions at the macro level. Furthermore, to integrate international trade these models ideally additionally incorporate a model of the global economy.

Second, in contrast to price and market policies most of the RD policies as well as environmental policies cannot easily be integrated into classical micro economic models. This follows partly from the fact that specific relations between economic and biophysical variables as well as specific economic, informational and social interactions among relevant actors are not fully understood, yet Thus, both to understand and to evaluate the impact of these measures innovative approaches are needed. In this context especially non-parametric econometric estimation techniques seem to be helpful, as these techniques do not need to make specific assumptions regarding functional relations of relevant variables.

Third, to understand the political economy logic especially the impact of changed economic and political framework conditions on CAP outcomes, integrated political-economy equilibrium models are needed. These models ideally incorporate economic and political decision-making models to allow quantitative analysis of policy outcomes under various economic and institutional framework conditions.

Contributions in this issue

This issue includes a selection of papers that take up the challenge to analyze future CAP by applying new modeling approaches.

In particular, the paper of BANSE, HELMING and MEIJL uses a linked economic and biophysical model to analyze impact of various policy options on EU-agriculture under future economic and demographic conditions. At the top level an economic model is linked with the biophysical model IMAGE. The economic model corresponds to a composite three stage model, where a general equilibrium model LEITAP is applied to model the global economy including international trade. LEITAP is linked to a partial equilibrium model focused on the EU agricultural sector ESIM. At a third stage ESIM is linked to the regionally disaggregated partial equilibrium model CAPRI to model policy implications at the regional (NUTS 2) level.

The BROCKMEIER and PELIKAN paper uses an extended version of the general equilibrium model GTAP to analyze the impact of possible future WTO commitments on welfare in the EU as well as all other countries. Methodologi-

cally extensions include disaggregated modeling of the EU agricultural sector including modeling of decoupled direct payments as well as the EU agricultural financial system.

HENNING, STRUVE and BROCKMEIER derive a Computable General Political Economy Equilibrium Model (CGPE) incorporating a non-cooperative legislative bargaining model into a general equilibrium model. Based on their specified model they simulate the quantitative impact of various economic, political and institutional factors on future CAP outcome.

KREINS and GÖMANN use a spatially disaggregated mathematical programming model, RAUMIS, to analyze the impact of various agricultural and energy policy options on land use, farm income and regional production patterns in German agriculture. In particular, their analysis is focused on the impact of the abolishment of the milk quota on regional farm income and production patterns.

The HENSELER, WIRSIG, KRIMLY and DABBERT paper uses a case study of the Danube river to analyze the impact of climate change on land use, production patterns and farm income. In particular, they use an integrated approach linking a regionally disaggregated positive mathematical programming model ACRE with a specific agro-climate simulation model ROIMPEL to analyze the relative impact of climate change in comparison to a change in the CAP.

Compared to the other papers the remaining two contributions of FRANCKSEN and LATACZ-LOHMANN as well as of HENNING and MICHAŁEK are more methodologically focused.

The FRANCKSEN and LATACZ-LOHMANN paper derives an innovative measurement of environmental efficiency of individual farms based on a modified non-parametric DEA approach. Given the importance of agri-environmental policy under the new CAP consistent quantitative measurement of environmental efficiency at the farm level is an important input for an efficient and effective policy formulation in this area.

The HENNING and MICHAŁEK paper discusses different micro-econometric evaluation techniques and applies these to ex-post evaluation of different rural development programs. Comprehensive ex-post evaluation is an important tool for policy learning especially in the field of new second pillar policies, e.g. RD policy programs. This has been clearly noticed by the Commission. Accordingly, evaluation is obligatory for all second pillar policies. However, up to now applicable comprehensive evaluation techniques are missing, thus in this regard the HENNING and MICHAŁEK paper contributes not only to the theory and methodology of policy evaluation, but potentially also to a more effective policy formulation under the new CAP.

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The response of the European Parliament to the Commission's Health Check communication

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In response to the communication from the Commission, the European Parliament, through its rapporteur L. Goepel, drafted a report to counter the proposals of the Commission. In principle the rapporteur agreed with the direction of the Commission's proposal. However, as the Health Check does not constitute a reform of the CAP as such, but rather an exercise to continue and finish the reform mandate of 2003, a more visionary proposal is needed in order to set the direction of the CAP for the period after 2013. This direction should encompass the main elements of the CAP, such as direct payments, a reform of the CMOs, simplification and cross compliance, safety net, modulation and degressivity and new challenges. With regards to the budget of the CAP little attention has been paid to this, as it is fixed until 2013.

The Parliament has made detailed proposals of how to address the various elements of the CAP within this Health Check.

Direct payments

It is clear to the Parliament that direct payments remain vitally necessary in the future as a basic income guarantee in the event of market failures and as a compensation for Europe's environmental, animal welfare protection, food safety, traceability and social standards, which are extremely high in international comparison.

In addition, the Parliament advocates (and hence supports the Commission) a separation of direct payments from historical reference values. Payments based on historical values

are not justifiable anymore and a movement towards a flatter and/or an area-based regional or national single premium should be envisaged, potentially on a voluntary basis.

The Parliament also supports the Commission in its proposals for decoupling and underlines that a further decoupling is pivotal. Full decoupling is especially important for plant products, because it has essentially proved its worth, given the increased effect on income and greater autonomy in decision-making on the part of farmers and the associated simplification of the CAP. Moreover, the Parliament could also envisage a faster pace of full decoupling than 2013.

Animal production on the other hand, still needs to be partly coupled to ensure continuation of animal production, especially in mountainous and disadvantaged areas. This is in particular true for milk production, which is a key sector in many disadvantaged and mountainous regions.

Also, a regional model is more difficult to apply to livestock farming, because farms with none or only a small area of agricultural land would be severely disadvantaged. This is also the case in many regions within the EU with extensive farming, as this is based on collective use of commonly held grazing land, which belongs to communities.

Another aspect related to direct payments and covered by the Parliament is the issue of Article 69. The Parliament supports an increased use (on a voluntary basis) of this article (up to 12%) and it could also envisage a further increase in this over the coming years, or that this instrument is used more decisively in the run-up to the 2013