



***The Health Check Proposals on the CAP:  
modifications related to rural development and the  
dairy market***

***- State of play after the Council political agreement  
of 20 November 2008 -***

Presentation to Advisory Group on Milk,

06/03/09,

DG Agri, G1, Consistency of Rural Development



## ***The Health Check identified :***

- ***climate change,***
- ***bio-energy,***
- ***water management,***
- ***biodiversity,***
- ***dairy accompanying measures***

***as crucial and new challenges for European agriculture.***

**→ Support for INNOVATION related to the priorities climate change, bio-energy, water management, biodiversity, may facilitate the strengthening of these priorities**

# Adressing the New Challenges



European Commission  
Agriculture and Rural Development

- ***As of 1 Jan. 2010 Member States shall provide support in their rural development programmes in accordance with their specific needs for types of operations referring to the new challenges***
- ***equal to the amounts from modulation.***
- ***New Annex II: Indicative (!) and non-exhaustive list of types of operations and potential effects related to the New Challenges***
  - Examples of types of operations for each of the new challenges
  - with reference to respective RD Article
  - and associated potential effect

## Annex II:

### ***Types of operations and potential effects, related to dairy restructuring***

Priority: Measures accompanying restructuring of the dairy sector

Types of operations	Articles and measures	Potential effects
Investment support related to dairy production	Article 26: modernisation of agricultural holdings	Improvement of the competitiveness of the dairy sector
Improvements in processing and marketing related to dairy	Article 28: adding value to agricultural and forestry products	Improvement of the competitiveness of the dairy sector

## Annex II:

### ***Types of operations and potential effects, related to dairy restructuring***

Innovation related to the dairy sector	Article 29: cooperation for development of new products, processes and technologies	Improvement of the competitiveness of the dairy sector
Grassland premia and extensive livestock production, organic production related to dairy production, permanent pasture premia in less favoured areas, grazing premia	Article 39: agri-environment payments	Enhancement of the positive environmental effects of the dairy sector

# Additional issue: Investment support for the modernisation of farms



**Issue:** In the implementing rules for rural development it is specified that investment support may be granted only up to the available quota rights.

**Member States request:** Abolish this restriction on investment support

**Presidency Compromise on Health Check:** The restriction of investment support under measure “121 Modernisation of Farms” in relation to the dairy sector will be abolished (Presidency Compromise, point 2.5).

**State of play:** This is currently under discussion with the Member States in the Committee on Rural Development, decision expected in March.



**Member States** will have to **revise their national strategy plans and their Rural Development Programms** and have to submit them to the Commission no later than **30 June 2009**

## ***Derogations for new Member States:***

- EU-10: will not have to modify their NSP and the deadlines to revise and submit their rural development programs will be 30 June 2012
- The rules for modulation will not apply to Bulgaria and Romania before 2013 at all.



## *Conclusions*

- ***Second pillar is strengthened with additional resources***
- ***Opportunity given to Member States for reinforcement of the new challenges***

# Additional funding through modulation (1/2)

- *More funding will be available to the Member States via an increase in **compulsory** and the introduction of **progressive modulation** in order to address these challenges, beginning in 2009 (available in RD: from 2010).*
- *An overall increase of the basic rate of **compulsory modulation** by 5 percentage points will be implemented in four steps (+2,+1,+1,+1%)*
- ***Progressive modulation**: additional reduction of 4 percentage points for farms receiving more than 300,000 € of direct payments p.a.*

Thresholds (in €)	2009	2010	2011	2012
1 to 5 000 (Franchise)	0%	0%	0%	0%
5 000 to 300 000	2%	3%	4%	5%
Above 300 000	6%	7%	8%	9%

## *Additional funding through modulation (2/2)*



**→ What does this mean in terms of additional funding for RD?**

***Increase in EAFRD funds EU is in total 3.241 billion for budget years 2010-2013 budgets.***

***2009: 479 million €***

***2010: 691 million €***

***2011: 912 million €***

***2012: 1159 million €***

**→ There is a higher Community co-financing on increased modulated funds which is limited to new challenges but also for the amounts from unspent funds from 1st pillar**

**– Standard rate: 75%**

**– Convergence regions: 90%**



## *Additional issue: Investment support for the modernisation of farms*



**Objective:** Abolition of the restriction of investment support under measure “121 Modernisation of Farms” in relation to the dairy sector (Presidency Compromise, point 2.5).

***In the implementing rules for rural development it was specified  
Paragraph 3 shall be replaced by the following:***

**"3. With the exception of the dairy sector, where a common market organisation, including direct support schemes financed by the European Agricultural Guarantee Fund (EAGF) places restrictions on production or limitations on Community support at the level of individual farmers, holdings or processing plants, no investment shall be supported under Regulation (EC) No 1698/2005 which would increase production beyond those restrictions or limitations."**