



CAP Reform and Implications for West Midlands Agriculture and Land Use

1. Purpose of the Paper

To provide headlines from the CAP Reform Study and discuss implications for agriculture and land use in the West Midlands.

2. Timing

6th December 2007.

3. Recommendation

The RAF is asked to note the information presented today and comment is welcomed.

4. Background

The West Midlands receives in the region of £200m pa in CAP sourced payments largely to farmers. These payments are intended to provide market support, ensure a level playing field between European farmers, provide cheap, safe food to the consumer and to support environmental and broader societal functions provided by farms and farming. Support is targeted in a number of ways:

1. Basic support in the form of the Single Farm Payment (SFP) goes to all farmers based on historic entitlements. These payments are now “de-coupled” from the farming enterprise itself, so previous problems of over-stocking to increase subsidy payments are no longer a feature.
2. A range of specific measures related to farming operation and constraints, such as Set Aside, Less Favoured Area payments, etc..
3. Payments for management of environmental features and habitats are provided through direct payments through the environmental stewardship scheme.
4. Economic and social development project related support. By far the smallest element (less than 5%).

In order to continue to qualify for support through the main CAP mechanisms, particularly the SFP, farmers are required to follow codes of practice in basic farming practices, husbandry and animal welfare standards. This is known as “Cross-compliance”.

The Reform Agenda

The CAP has been through a range of reforms over the past 15 years which have changed its focus from a set of production support measures into a far more sophisticated policy; these are summarised in the West Midlands report (attached). The most recent set of suggested reforms is summarised in a paper published recently by the Commission, also attached. The newly proposed reforms are intended to look at:

- how to make the Single Payment Scheme more effective, efficient and simple?
Focusing on:
 - Cross compliance
 - Partial coupling
 - Upper and lower limits on payments
- how to render market support instruments, originally conceived for a Community of six Member States, still relevant in a more and more globalised world and an EU of twenty-seven? Focusing on:
 - Market interventions
 - Cereals interventions
 - Abolition of set aside
 - Soft landing for the dairy sector
- how to master new challenges, from climate change to growth in biofuels and water management and ongoing ones such as biodiversity by adapting to the new risks and opportunities? Focusing on:
 - Risk management
 - Climate change
 - Strengthening the 2nd pillar of the CAP, moving to higher levels of compulsory modulation.

Current and Future reforms

This will by no means be the end of the reform process and the UK government, amongst others, have a stated policy of significantly reducing the overall budget impact of the CAP. Whilst it should be noted that this is at least in part a negotiating stance with regard to those nations who are much more committed to the central aims of the CAP, such as France & Germany, that the CAP is under constant negotiation and is affected by political and market volatility.

5. Next Steps

An event will be arranged by AWM under the auspices of the new RDPE programme early in the new year when ADAS will present the detailed West Midlands report. At the same time we will ask regional partners to consider the findings in the context of the new reforms, and crucially what West Midlands should look for through these reforms. This should then be reflected in the focus of the RDPE activity in the region and the sort of influence we might wish to wield, for instance in setting the agenda for the European Rural Group for our participation in the PURPLE network.

6. Contact Details

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