

Common agricultural policy CAP: direct support schemes and support schemes for farmers, as regards set aside for year 2008 (derog. Regulation (EC) No 1782/2003)

2007/0194(CNS) - 13/09/2007 - Legislative proposal

PURPOSE: to encourage farmers to produce additional quantities of cereals to ease market tensions.

PROPOSED ACT: Council Regulation.

BACKGROUND: following a trend of over-production in the mid-1980's, the set-aside scheme was introduced to limit the production of cereals in the EU. Initially voluntary, set aside was made obligatory in 1992, and requires farmers to set aside a defined percentage of their declared areas in order to be eligible for direct payments. The current area under obligatory set-aside amounts to 3.8 million hectares.

For the sake of simplifying the regulatory environment, the rate of obligatory set-aside was set permanently at 10 % in 2003 ([Regulation \(EC\) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy](#)). Farmers from the new Member States, who have opted for the Single Area Payment Scheme (SAPS), are exempted from the obligation of set-aside (Poland, Czech Republic, Slovak Republic, Hungary, Lithuania, Latvia, Estonia and Cyprus).

Set aside is a measure that seeks to discourage the over-production of agricultural goods. However, the 2006 cereal harvest yielded a historically low crop resulting in a considerably decreased intervention stock – down from 14 million tons to 2.5 million tons (mostly composed of maize held in Hungary). The 2007 European harvest is expected to be similarly bad. Dry and unusually hot weather in April damaged yield potential whilst other countries (Romania and Bulgaria in particular) suffered from historical droughts. Thus the preliminary forecast for the 2007 harvest remain close to that of 2006 leading to a further reduction in the EU of private cereal stocks by the end of the 2007/2008 marketing year.

At a global level, closing stocks in 2007/2008 are expected to fall to their lowest level in 28 years, at 111 million tons, including only 31 million tons in the five major exporters. Exceptionally high prices are likely to persist due to a combination of bad harvests in important cereal producing countries as well as growing demand for cereals. Further, the strong development of the bio-ethanol industry in the United States is having a snowball effect on the price of other cereals.

CONTENT: the purpose of this proposal, therefore is to allow for a derogation of the 10% set aside scheme as provided for in Regulation (EC) No 1782/2003. A 0 % set-aside rate should encourage EU farmers to produce an additional quantity of about 10 to 17 million tons in 2008, which could contribute to easing market tension. The proposal concerns autumn 2007 and spring 2008 sowings only. A decision on a permanent basis would require a global grain policy review and an analysis on how and by which means the EU can address the positive environmental side effects of set aside, which will be conducted during the CAP health-check review.

The expected increase in production for 2008 arising from a 0% set aside, combined with the return to trend yields for the harvest in general, would help re-establish a more balanced situation and ensure the supply of food and feed within the EU. Private stocks could thus be replenished. Taking account of the current tight market as well as foreseeable developments, the proposal, under normal climatic conditions,

should not lead to an over production of cereal nor should it lead to extra intervention stocks. It is not expected to increase budgetary expenditure in 2009 and 2010.