

Voluntary modulation of direct payments under the common agricultural policy (CAP)

2006/0083(CNS) - 29/07/2009 - Follow-up document

The present report has been prepared pursuant to Article 7 of Council Regulation (EC) No 378/2007, which provides that before 31 December 2008, the Commission shall submit to the European Parliament and to the Council a report on the application of voluntary modulation, accompanied, if needed, by appropriate proposals.

In the meantime, the [Health Check of the Common Agricultural Policy \(CAP\)](#) has responded to the need to increase funding for rural development by **increasing the rate of compulsory modulation**. The Member States applying voluntary modulation will gradually replace voluntary modulation by compulsory modulation, thus better aligning modulation rates across the EU.

Main conclusions: the report concludes that voluntary modulation has either been used for a short period (UK) or still has not been implemented as expected under the rural development programmes (Portugal). It is therefore very early to draw any firm conclusions on the impact of voluntary modulation on the economic situation of farms and their competitive position. Other factors (e.g. rising commodity prices, rising input prices, the credit crunch, etc.) have had probably a greater impact on total income from farming than voluntary modulation.

As regard other impacts, it should be noted that, in the UK, a wide range of environmental benefits is expected, mainly through agro-environmental measures where a significant increase in agri-environmental agreements has been observed.

Lastly, the Health Check of the Common Agricultural Policy (CAP) has responded to the need to increase funding for rural development by increasing the rate of compulsory modulation. The Member States applying voluntary modulation will gradually replace voluntary modulation by compulsory modulation, thus better aligning modulation rates across the EU. Therefore, there is no need to come forward with appropriate proposals as suggested in Article 7 of Regulation (EC) No 378/2007.