

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

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The Council held a policy debate on voluntary modulation. On 10 July 2006, an **initial debate** took place in the Special Committee on Agriculture, where the delegations voiced their views on this proposal. Their main concerns related to: the lack of flexibility vis-à-vis the voluntary modulation scheme proposed by the Commission; the need for greater flexibility regarding the specific rates of modulation in a Member State depending on the different regions; the extension dates for notifying rates; and an exemption from the minimum EUR 5000 franchise. Some delegations also expressed their opposition to the need for compliance with the minimum spending rates per axis for these funds.

The **policy debate**, which was held on 18 July 2006, led to political guidance in order to allow the Special Committee on Agriculture to make progress on this issue with a view to formal adoption by the Council towards the end of 2006, pending the opinion of Parliament.

During the policy debate, several delegations stated their support for the Commission's proposal but called for greater flexibility on the chosen rate of voluntary modulation as well as voicing the possibility of an annual adjustment. In follow up to the discussion during the initial debate some delegations revisited the issue of applying different rates for regions in the same country. They also raised the matter of the two months deadline within which Member States need to notify the Commission of their chosen rates for modulation. A few delegations reiterated their wish for voluntary modulation to be exempted from the EUR 5000 franchise (a minimum threshold for direct payments below which compulsory modulation does not apply). The possibility that a distortion of competition among the Member States may result from the proposed scheme was also raised.

Commissioner Fischer-Boel reminded the Council of the decision to limit voluntary modulation to direct payments in the first pillar – direct payments and market expenditures – and indicated that the Commission had chosen to align the rules on *voluntary* modulation with those applicable to existing rules on *compulsory* modulation. Bearing this in mind the Commissioner stressed that the EUR 5000 franchise applicable to compulsory modulation would also apply to voluntary modulation, as well as the minimum spending rates per axis for rural development. As such, applying a regional application of voluntary modulation would be a departure from the compulsory modulation rules and would, furthermore, be difficult to manage.

On the request to adjust the modulation rate annually, Commissioner Fischer-Boel pointed out that modifying rates upwards or downwards would not be in the best interest of sound financial planning. She reminded the Member States that the provisions on voluntary modulation would be reviewed in the 2008 “Health Check” on CAP reform.