

CEEweb Contributions to the Commission's CAP Health Check Consultation

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Cross Compliance

By creating a link between CAP payments and the respect of existing legislation related to the environment, public, animal and plant health and animal welfare, and of good agricultural and environmental conditions (GAEC), cross-compliance aims to contribute to the development of sustainable agriculture and to render the CAP more compatible with the expectations of the society.

- What would be the potential outcome of maintaining the cross-compliance at its existing standards?
- What impacts do you see emerging with the possible addition/deletion of certain legal requirements or GAEC standards?

The environmental and thus social benefits of cross compliance measures contribute to the successful approach of tackling new challenges, for example through higher resilience to climate change. Their current extent and level should be considered as a basis for further improvement and development. As environmental load of human activities increase, these requirements should be stiffened in order to protect the ecosystem functioning of agricultural lands. Stagnancy is not an option in this case.

All in all, the cross-compliance system contributes to the maintenance of ecosystem services in agricultural lands, for which farmers shall be remunerated by the society. The future reform of the CAP shall go into that direction.

In CEE countries (e.g. Poland, Romania and Hungary) cross-compliance measures are not fully binding. Farmers receiving EU subsidies under the Single Area Payment Scheme (SAPS) should meet certain criteria, the Good Agricultural and Environmental Conditions (GAEC). These are basic requirements (limitations of cultivation methods, weed control obligations, soil conservation) and may vary to a certain extent in different countries. The Statutory Management Requirements (SMRs) applying to the rural development measures (e.g. LFA, HNV and Natura 2000 sites in Hungary) are much more detailed and contain many elements of the full cross-compliance (Council Regulation (EC) 1782/2003). The area covered by SMRs in CEE countries should increase significantly in the near future.

The experiences in Hungary during 2005 and 2006 have shown that GAEC requirements are implemented to a relatively large extent. In order to have a more complete effect on the majority of lands, these requirements should be widened and complemented with others.

As far as the SMRs are concerned, appropriate investigation is a must. The effective implementation of requirements is necessary in order to gain the maximum environmental benefits. The frequency of visits should be as high as possible, therefore many requirements which need to be monitored in a particular period of the year could be enhanced (e.g. prohibition of winter grazing, special mechanical mowing for the protection of wild animals).

To be properly monitored many requirements need special local knowledge from the investigators (e.g. prohibition of cutting out shrubs or special individual trees or protecting local natural and landscape values). Cooperation between the official investigators and local organizations (farming associations, national parks, environmental groups) should be enhanced in order to make those requirements more controllable. On the basis of cooperation agreements, organizations with special local knowledge could contribute to the better implementation and control of certain requirements. With the help of this cooperation, notification obligations (e.g. related to endangered bird protection) which are difficult to control could be enhanced. At the moment, the fulfilment of these measures usually depends on the good intentions of farmers.

On the whole, the **CEEweb** particularly would like to see:

- Full cross compliance (SMRs) implementation in CEE countries as soon as possible, especially enforcing the requirements for habitat and species protection, and at the same time
- more effective and cooperative enforcement of cross compliance regulations (GAEC and SMRs) both in pillar 1 and pillar 2.
- More flexible and controllable requirements for implementation of cultivation measures, mowing methods, presence of trees and shrubs, and small pools, and
- integration of small landscape elements into GAEC measures and generally widen the GAEC measures (applicable to SAPS for the time being).

Set-aside

Set-aside as a mandatory obligation for cereal support was introduced as a supply control measure at a time when downward pressures on cereal prices were present. Nowadays market developments rather point to the need for supply growth. In addition, the introduction of the SPS and the consequent possibility of transferring set-aside entitlements significantly diminished the efficiency of the measure in limiting supply. On the other hand, environmental benefits have been associated with set-aside, and therefore its potential abolition has raised questions about the impact on such benefits.

- Do you consider that abolition of set-aside in the current context of market and policy developments is appropriate?
- What measures do you consider appropriate in order to maintain environmental benefits associated with set-aside?

The Commission argues that set-aside was not meant to be an environmental but purely a market regulation measure, which happened to have a few positive side-effects to nature and therefore the abolition of it would be simply applying the 'right tool for the right job' approach.

In most CEE countries, economic decline accompanying the change of political system had similarly positive side-effects – with less intensive agricultural production - to the environment. Less cultivation, less fertilizer and pesticide use resulted in better soil and ground water conditions and consequently better habitats for wildlife. These benefits were not meant to be intentional, either.

CEEweb is determined that in both cases the positive environmental effects should be preserved, irrespectively of the indirect causes of them. The set-aside system should be maintained for the following reasons:

- Set-aside fields are especially important for invertebrates, birds and small mammals. In intensively cultivated agricultural areas, these plots of 'spontaneous' vegetation with the essentially minimal level of cultivation offer the possibility of existence for many endangered species.
- Set-aside fields would be promising biodiversity 'reservoirs' for the more and more intensively cultivated CEE agricultural lands (as the inevitable result of the continuous economic growth in this region). In CEE countries it would make common sense to prevent the same problems of intensification so typical of the present EU 15.

When applying the set-aside measures local conditions (needs of species, migration routes, etc.) shall be taken into account, when, where and how the set-aside shall be realised. Such measures could significantly contribute to the environmental benefits. The national advisory system could play a role in this, even if obligatory measures are not put in place.

For the environmental purpose, however, fallow fields with limited grazing, mowing and cultivation, and no ploughing would be even better than set-aside. On these fields – among others - the 'culture-following plant species' (in terms of Recommendation 44(1995) to the Bern Convention) -, could settle and exist. The designation of these special areas should be done similarly to Natura 2000 sites in order to use the most suitable plots for this purpose.

Upper and lower limits in support levels

The implementation of the SPS added to the already existing questions about the justification of large payments to a small number of recipients, new questions about the justification of small payments to a sometimes large number of recipients. Minimum thresholds in the level of payment to at least guarantee that they cover their administrative costs and are granted to real farmers have also been suggested.

- In the context that a large number of farmers receive significantly low amount of payments, in many cases even below the administrative costs, what potential impacts do you see in the option of adopting a minimum level in payments?

Very small farms are usually the most important income sources in many rural areas in CEE countries. They are also vital to rural development objectives as they are extremely important in maintaining rural landscapes. Even though they are not competitive under the current (flawed) market conditions, this is because of the large externalities produced by the large scale intensive production, while at the same time the environmental benefits (mosaic land structure, less mechanisation, lower natural resource input into the production) and social benefits (providing livelihood and keeping the rural population) of small farms are not recognised. In this context, these small farms should have the same chance in applying for EU support, regardless of their actual size, which is also based on the principle of equal chances. Thus **CEEweb** supports to maintain direct payments to them.

This issue is especially important in the new MSs. For instance in some regions of Poland, Romania and Hungary the traditional landscape is almost fully shaped by such farms. (In Hungary in 2005 more than 15.000 applications (7,3 % of total SAPS applications) came from farmers owning less than 1 ha.) The mosaic patterns of agricultural fields with a wide range of crops and related vegetation (hedges, shrubs, alleys) enhance the quality of habitats for a vast amount of species. Those regions are vital to stop biodiversity loss, a paramount objective for the EU.

In the Romanian, Hungarian and Polish (especially in South Poland) agricultural land structure, and to a certain extent in every CEE country, there are a lot of farms between 0,3 and 1 ha. (Farms between 1 and 10 ha are numerous in this region and are also very important in this context, but they are not affected by the Commission's proposal.) These farms may not be operating as full time businesses, but in their approach, without doubt they work as 'real' farms. And looking at the biodiversity benefits, it's hard to compare the related 'administrative costs' to them. Direct payments are essential for them to stay in business and deliver environmental benefits in the future.

Partially coupled support

The extent of recent reforms renders partially coupled support less relevant from the point of view of producers, as more sectors are integrated into the SPS. On the other hand, partially coupled support may retain some relevance, at least for the time being, in certain regions where the level of production is small overall, but important economically or environmentally.

- Should decoupling be applied in full extent to all sectors? Would there be specific impacts with this option?
- Are there any sectors where targeted, partially coupled support should remain and which problems do you consider this support to mitigate?

The opinion of **CEEweb** is that generally full decoupling is necessary with the exception of some special, unfavourable sectors. For example, targeted, partially coupled support should be maintained for animal husbandry in mountainous areas, and in some special regions for animal husbandry for traditional and therefore less 'competitive' species. With the help of this production-related incentive, more cattle of local breeds could be maintained, the operation of

these farms could be upheld and consequently, the environmental and social benefits (income diversity) of this traditional production could be preserved. Otherwise, the fully decoupled support would make these farms even more vulnerable to market forces because of the lower income.

Nevertheless, in other large scale and competitive sectors fully decoupled payments are needed.

Strengthening rural development

In the scope of responding more efficient to the current societal expectations, modulation has been proved a useful policy instrument through which a percentage reduction is applied to farmer direct payments (Pillar1) transferring accordingly the budgetary resources released to rural development measures (Pillar 2). However, in the context of the cut in the expected Rural Development support following the 2005 decision on the Financial Perspectives, the constraints that Member States are facing in the realisation of Pillar II objectives, in the current budgetary period, present an obstacle to this development

- Do you think the proposed increase in modulation will help in achieving RD objectives, especially those linked to new challenges?
- How do you think the extra funds should be allocated to better respond to those new challenges?

The proposed compulsory modulation of 2 % per year between 2010-2013 (overall increase of 8 %, from 5 to 13 %) is less than what was proposed in 2002 (20 %). Rural development measures, if correctly implemented, are much more targeted than simple direct payments. In order to have the best value for EU payments, at least the originally proposed 20 % modulation is necessary.

The implementation of higher rural development payments should be linked to really stricter regulations than those of the single area payments. For example in Poland most of the rural development money is spent to LFA areas implemented in a method very close to direct payments.

Extra funds shall be allocated to provide bigger support for the implementation of the Natura 2000 Network. The Natura 2000 network was designated according to the Birds and Habitats Directives, the main and most important pieces of EU legislation to halt biodiversity decline. Today, the sites included in the network in the 27 EU Member States cover an area bigger than two times Germany, and the network is still growing.

A big part of this huge network is agricultural land where special conservation management is required and the farmers need compensation for income lost because of restrictions. The situation in the new member states shows that generally very low support will be given for Natura 2000 management between 2007-13. For example in Hungary, the support for Natura 2000 grasslands is 38 EUR/ha/year. There are no Natura 2000 payments for other land use types, such as arable land, wetlands or forests and it is uncertain at the moment if these payments will start in the coming years. In Poland, there are no extra Natura 2000 payments issued yet, only the agri-environmental payments are somewhat increased when the area is

included in the Natura 2000 network. Therefore extra funds might be allocated to make a more active management and higher Natura 2000 payments possible.