

Cross-compliance

The 2003 CAP reform and cross-compliance

The June 2003 agreement to reform the CAP introduces major changes to the way it operates and to farmers' responsibilities.

In future, direct aids to farmers will be made mainly via one '*Single Payment Scheme*' (SPS) payment per year, replacing most existing direct aids. Some production-linked payments may also be maintained where necessary to avoid production abandonment. This shift in the emphasis of CAP support towards direct aids to farmers, and away from price support, is accompanied by clearer obligations on farmers to manage their farms in sustainable ways. '*Cross-compliance*' links direct payments to farmers to their respect of environmental and other requirements set at EU and national levels.

New emphasis on cross-compliance in the reformed CAP

Farmers must in any case comply with all legislation affecting their businesses. The significance of cross-compliance is that farmers' receipt of direct aids depends on their doing so. Cross-compliance is not a new concept but it has been voluntary for Member States until now and applied only to environmental standards.

Cross-compliance is now compulsory. All farmers receiving direct payments (even when they are not yet part of the SPS) will be subject to cross-compliance. And it has been extended beyond compliance with environmental rules, to include new requirements regarding public, animal and plant health, animal welfare, and the maintenance of all agricultural land in good agricultural and environmental condition.

The two strands to cross-compliance

Farmers do not have to produce in order to receive SPS and/or other direct payments. But they must respect cross compliance standards in two ways:

- ***Good agricultural and environmental condition***: All farmers claiming direct payments, whether or not they actually produce from their land, must abide by standards to be established by the Member States¹. This new requirement is a consequence of the introduction of the SPS and is intended to avoid the abandonment of agricultural land (and its environmental consequences)
- ***Statutory management requirements***: Farmers must respect other cross compliance standards called statutory management requirements set-up in accordance with 19 EU Directives and Regulations² relating to the protection of environment; public, animal and plant health; animal welfare

Failure by farmers to respect these conditions can result in deductions from, or complete cancellation of, direct payments.

¹ Under headings set out in Annex IV of Council Regulation N° 1782/2003, covering such matters as soil protection.

² Listed in Annex III of Regulation N° 1782/2003

Application of cross-compliance

As the main administrators of the CAP Member States play the leading role in applying cross-compliance. Their responsibilities include establishing the definition of good agricultural and environmental condition for their agricultural circumstances (at national or regional level), taking into account the specific characteristics of the areas concerned, including soil and climatic condition, existing farming systems, land use, crop rotation, farming practices, and farm structures. Member States must inform farmers of the definition, provide them with the list of statutory management requirements, and set up management, controls and sanctions systems for all cross-compliance.

Control of cross-compliance requirements will be carried out on the basis of the already existing IACS (Integrated Administration and Control System for direct payments). But, because cross-compliance involves other agencies (for example with responsibility for public or animal health or phytosanitary matters) Member States must ensure adequate coordination between them. A minimum of 1 % of farms should be spot-checked each year.

Good agricultural and environmental condition is an obligatory minimum requirement for all farmers to attain. It should not be confused with the higher standards ('good agricultural practices') involved in voluntary agri-environment schemes (within rural development measures), where farmers may receive a payment for providing environmental services which go beyond basic mandatory legal standards.

Penalties

Where the statutory management requirements, or good agricultural and environmental condition, are not complied with by the farmer concerned, the total amount of direct payments to be granted in the calendar year in which the non-compliance occurs will be reduced or cancelled.

Penalty rates vary according to the severity of the non-compliance, ranging from 1 % to 15 % in the case of negligence, to at least 15 % where intentional non-compliance is involved. Penalties are cumulative so that, if a farmer does not comply on several areas of land, or fails repeatedly to comply, he could be penalized several times. In this way the penalties can be severe.

Use of funds collected

Amounts of direct payments resulting from such penalties revert to the EU (though Member States may retain up to 25 % of amounts deducted). These amounts can be used at the discretion of Member States, and by the EU, as additional means to fund CAP measures.

Farm Advisory System

A system of farm audits - the '*Farm advisory system*' - is being gradually introduced from 2005. . The system provides a service for farmers, as they will receive information on how standards and good practices can be applied in the production process. The system should help farmers to comply with cross-compliance standards.

Until the end of 2006, Member States may opt to operate farm advisory systems. From 2007 Member States will be obliged to introduce the system. The participation of farmers is voluntary at first. In 2010, the Council will decide, on the basis of a Commission report, whether to make the advisory system compulsory for some categories of farmers.

Cross-compliance in the new Member States

In those new states applying the '*Single Area Payment Scheme*' (SAPS), which is available only to the new Member States, only the good agricultural and environmental condition and requirements on permanent pastures are mandatory. In the other new Member States, where the SPS or other CAP direct payments are operated, cross-compliance applies fully.

Maintenance of permanent pasture (making a distinction with cross-compliance)

The 2003 reform obliges Member States to ensure that their area of permanent pasture (the ratio compared to total agricultural land) does not reduce as a result of the reform³. If there is a decrease, national authorities may impose measures to stop the decline (e.g. prior authorisation for ploughing; obligation to return arable land to pasture).

This is aimed at maintaining the EU's ecologically valuable pasture areas, and is distinct from cross-compliance: the obligation is primarily on Member States to maintain the existing permanent pasture area, and not on individual farmers to retain a particular pasture area on their farms. Only in the case where the national/regional share of permanent pasture is decreasing significantly, the concerned Member State shall take measures at the individual farm level, i.e. by obliging farmers to maintain the share of permanent pasture on their holding (or to restore it in the worst cases).

Member States have flexibility in how they satisfy the permanent pasture requirement. The requirement does not apply to land under permanent pasture to be afforested, if such afforestation is compatible with the environment.

Conclusions

Strengthened cross-compliance is a strong move in favour of environmentally-sustainable agriculture, and a response to other societal demands (e.g. relating to animal welfare, food safety etc). It also underlines the international non trade-distorting nature of the EU's direct payments to farmers. The good agricultural and environmental condition requirement should ensure good land management across the EU. Cross-compliance requirements will be reviewed by end-2007.

Main EU Regulations (with Official Journal references)

Council Regulation N° 1782 of 29 September 2003	(OJ L 270, 21.10.2003)
Commission Regulation N° 795 of 21 April 2004	(OJ L 141, 30.04.2004)
Commission Regulation N° 796 of 21 April 2004	(OJ L 141, 30.04.2004)
Commission Regulation N° 1973 of 29 October 2004	(OJ L 345, 20.11.2004)

³ Member States must ensure that the ratio does not decrease by more than 10 % relative to the reference ratio in 2003.

Useful web site

Directorate-General for Agriculture and Rural Development of the European Commission:

http://europa.eu.int/comm/agriculture/index_en.htm