

# 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?

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 experiences in Hungary during 2005 and 2006 have shown that GAEC requirements could be implemented to a relatively large extent. (These requirements should be complemented with others to be really comprehensive.) But as far as the SMRs are concerned, the inspectors responsible for the on-site investigations had to face the following problems:

For appropriate investigation a vast amount of checks were made. In Hungary, the obligatory limit of 5 % of on-site investigations were carried out, but for a more effective implementation of the requirements, the frequency of visits should be higher than the

current level (usually 1 visit/investigated farm/year). 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 investigators and local organizations (farming associations, national parks, environmental groups) should be enhanced in order to make those requirements more controllable.

There are notification obligations (e.g. related to endangered bird protection) which are difficult to control. At the moment, the fulfilment of these measures largely 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, economical 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 case 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 economical 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.
- For this purpose, however, fallow fields with limited grazing, mowing and cultivation, and no ploughing would be even better than set-aside.

Fallow fields are also very important biotops for weeds (besides other species) - the ‘culture-following plant species’ (in terms of Recommendation 44(1995) to the Bern Convention) -, which are increasingly endangered. In Poland there are no mechanisms for conservation of this part of biodiversity in the RDP. As a result, huge lost of these species can be expected.

### *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?

Although very small farms are mostly not competitive compared to mass production agricultural companies, but they are extremely important in maintaining rural landscapes. 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, even as low as they are obliged to are essential for them to stay in business and deliver environment 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?

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 'comparative' species. The fully decoupled support would make these environmentally and socially important farms even more vulnerable to market forces.

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 rural development payments should be stricter 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.