ALLIANCE ENVIRONNEMENT

Groupement Européen d'Intérêt Economique

EVALUATION OF THE APPLICATION OF CROSS COMPLIANCE AS FORESEEN UNDER REGULATION 1782/2003

PART II: REPLIES TO EVALUATION QUESTIONS

FINAL

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MEMBER STATE ABBREVIATIONS

AT	= AUSTRIA
BE (F)	= BELGIUM (FLANDERS)
BE (W)	= BELGIUM (WALLONIA)
CY	= CYPRUS
CZ	= CZECH REPUBLIC
DE	= GERMANY
DK	= DENMARK
EE	= ESTONIA
EL	= GREECE
ES	= SPAIN
FI	= FINLAND
FR	= FRANCE
HU	= HUNGARY
IE	= IRELAND
IT	= ITALY
LT	= LITHUANIA
LU	= LUXEMBOURG
LV	= LATVIA
MT	= MALTA
NL	= NETHERLANDS
PL	= POLAND
PT	= PORTUGAL
SE	= SWEDEN
SK	= SLOVAKIA
SL	= SLOVENIA
UK (E)	= UNITED KINGDOM (ENGLAND)
UK (S)	= UNITED KINGDOM (SCOTLAND)
UK (NI)	= UNITED KINGDOM (NORTHERN IRELAND)
UK (W)	= UNITED KINGDOM (WALES)

GLOSSARY OF TERMS AND ACRONYMS

AEM	Agri-environment measure
Annex III	Annex of Regulation 1782/2003 establishing SMRs
Annex IV	Annex of Regulation 1782/2003 establishing GAEC
Breach	A non-compliance with a control point
CAP	Common Agricultural Policy
CCA	Competent Control Authority
Control Point	Control Points to be checked during controls (administrative or on-the-spot-checks) concerning the farmers' obligations
EU	European Union
FAS	Farm Advisory System
Farmers' obligations	Concrete action to be undertaken at farm level to ensure compliance with SMR or GAEC
GAEC	Good Agricultural and Environmental Conditions as referred to in Article 5 of. Council Regulation (EC) No 1782/2003
GAEC issue	The issues as referred to in the left column of Annex IV of Council Regulation (EC) No 1782/2003
GAEC standard	The standards as referred to in the right column of Annex IV of. Council Regulation (EC) No 1782/2003
GFP	Good Farming Practice
IACS	Integrated Administration and Control System
MTR	Mid Term Review (of the CAP)
PA	Paying Agency
PP	Permanent Pasture
Regulation 1782/2003	Council Regulation (EC) No. 1782/2003 of 29th September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers

Regulation 796/2004	Commission Regulation (EC) No 796/2004 of 21st April 2004 laying down detailed rules for the implementation of cross-compliance, modulation and the integrated administration and control system provided for in of Council Regulation (EC) No 1782/2003 (O.J. L 141, 30/04/2004, p. 18).
SAC	Special Area of Conservation
SAPS	Single Area Payment Scheme
SCB	Specialised Control Body
SPA	Special Protection Area
SPS	Single Payment Scheme
SMR	Statutory Management Requirement: the provisions as derived from the application of the relevant articles of the legislations included in Annex III of. Council Regulation (EC) No 1782/2003

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EXECUTIVE SUMMARY

Introduction

Cross compliance was introduced as part of the 2003 reform of the Common Agricultural Policy (CAP) as a compulsory measure. As from the 1st January 2005, following Regulation 1782/2003, farmers benefiting from direct payments under the first pillar of the CAP may be subject to reduction or withdrawal of those payments in the case of non-compliance with certain standards in the areas of the environment, public, animal and plant health and animal welfare. This approach was extended from the 1st January 2007 to beneficiaries receiving aid with regard to eight measures under 'axis 2' of the second pillar of the CAP. In order to avoid any possible reduction in the total level of direct aid received under these aid schemes, farmers must comply with 19 Statutory Management Requirements (SMRs referred to in Annex III of Regulation 1782/2003)[1] and a number of minimum requirements for ensuring the 'good agricultural and environmental condition' (GAEC) of agricultural land, to be defined by the Member States on the basis of the framework given under Annex IV of Regulation 1782/2003.

The SMRs are based on pre-existing EU Directives and Regulations. Keeping agricultural land in GAEC concerns potentially new obligations that aim, inter alia, to prevent abandonment and severe under-management of land. Member States must also ensure that the extent of permanent pasture (as at a specified reference year) is maintained and that a comprehensive advisory system to support cross compliance is established (obligatory from 1st January 2007).

In short, cross compliance is a mechanism for promoting the sustainability of EU agriculture through the respect of mandatory standards by farmers receiving direct payments. It is a system of payment reductions accompanying existing obligations in Annex III rather than a new set of standards per se. Only Annex IV (those obligations not part of previous national legislation) and permanent pastures obligations are new requirements of the agriculture sector. These can be seen as safeguards to counter some potentially negative effects arising from the decoupling of payments (introduced by the 2003 CAP reform).

The evaluation study and methodology

The evaluation consists of two parts. Part I, Descriptive Report describes the implementation of cross compliance in the EU 25. Part II, Replies to Evaluation Questions, assesses the outcomes of cross compliance in the EU 25. The necessary information for the evaluation was collated by experts appointed by the evaluators in each of the 25 Member States of the EU and compiled into national reports. These reports provide the basis for the Part I and II reports.

[1] A transitional derogation (applicable until 31/12/2008) from the application of SMRs was granted to the new Member States applying the single area payment scheme (SAPS). All new Member States applying the SAPS (i.e. all new Member States except Malta and Slovenia) have made use of this derogation which applies to both the first and second pillars.

Results of the evaluation

Theme 1: Definitions of Good Agricultural and Environmental Conditions and Permanent Pasture Levels

Member States have defined wide-ranging obligations within the framework provided by Annex IV. Some Member States have considered certain Annex IV issues and standards as not relevant to national situations, and therefore have not defined corresponding obligations for farmers; others have defined additional obligations not directly drawn from Annex IV. Judging the effectiveness of cross compliance has to rely on a theoretical assessment of the appropriateness of the GAEC obligations established by Member States, since the policy has only been operational for two years. Although there is wide variation in GAEC obligations, a general conclusion can be reached (Question 1.1) that these obligations are mostly appropriate and likely to contribute to the intended effects (assuming farmers comply with them). Some Member States have made particular effort to design and target obligations to achieve real environmental benefit. However, in other cases, some obligations are considered to be so general that they are unlikely to achieve any real benefit.

A further objective of the cross compliance policy is to encourage the maintenance of existing permanent pasture because of the positive environmental benefits (Question 1.2). As a result of implementation by Member States of specific rules, the overall extent of permanent pasture at national level is likely to be maintained. The use of 'trigger levels' (levels of permanent pasture decline) to prompt remedial action is an effective approach, although in many Member States it seems unlikely that a decline is an immediate threat. This situation could change in future as a result of current higher arable crop prices or other market factors. When judging the effectiveness of the measure against the objective of providing positive environmental effects, we note that site-specific environmental considerations (such as botanical value) are not taken into account, as only the share of permanent grassland has to be maintained. Thus, the effects of the rules can be limited from a biodiversity point of view. However, permanent pasture of high environmental value can be protected through the GAEC standard 'protection of permanent pasture' (noted in many member States) or through other measures outside cross compliance, e.g. nature conservation legislation (noted in AT, DE, IT and UK(E)) and agri-environment measures.

The outcome of compliance with GAEC and permanent pasture obligations on farmers' incomes and costs of production is examined by Question 1.3. So far, in most Member States, the majority of GAEC obligations have either no, minor or moderate impacts on farm incomes and production costs. This is due to the fact that these obligations are either based on pre-existing national legislation or reflect good farming practice that is broadly complied with in practice. Where costs do arise these are mainly reported for: specific soil erosion obligations; maintenance, and especially restoration, of terraces; fire prevention and minimum land maintenance on marginal, sloping land under pressure from vegetation encroachment; or, when removal of cut vegetation is required. Costs are also reported for obligations requiring the establishment of buffer strips along watercourses or hedgerows, as these can result in the loss of cultivated land. However, the evidence base for the extent of costs is limited; few cost estimates have been carried out, with variable results.

So far, there appear to be hardly any on-farm costs for complying with the requirement to maintain the share of permanent pasture. However, in those Member

States that have imposed farm level obligations, additional to pre-existing legislation, additional costs for farmers can arise on areas with potential for cultivating arable crops.

Theme 2: Information, control and reduction system

Member States have put in place effective systems to inform farmers about their cross compliance obligations. Overall, information provision has contributed to increasing farmers' awareness about obligations with respect to SMRs, GAEC and permanent pasture (Question 2.1). However, awareness of some specific obligations could be improved in some Member States e.g. the Nitrates Directive, Birds Directive and soil erosion measures. In addition, when new obligations or modifications to the old ones have been introduced, the updating of handbooks or leaflets has proved to be incomplete or delayed in some Member States. While farmers' awareness of their obligations has been raised, their understanding of those obligations appears to be weak. This situation should be improved in the coming years through information provision and the newly introduced Farm Advisory System (FAS).

Question 2.2 examines the specific contributions of controls and reductions of direct payments to compliance by farmers with SMR, GAEC and permanent pasture obligations. All Member States have established workable systems for the control of cross compliance although some difficulties have been experienced. The organisational structure of these control systems appears to be largely an evolution of pre-existing control systems rather than the introduction of entirely new systems. The complexity of these systems varies across Member States from relatively centralised systems where the Paying Agency acts as the Competent Control Authority (CCA), predominant in the new Member States, to more decentralised systems that require co-ordination between the Paying Agency and specialised control bodies (agricultural, environmental, veterinary and food safety authorities). Cross compliance appears to have led to greater co-ordination between existing control bodies; such co-ordination would be enhanced by the establishment of protocols setting out the arrangements for controls and methods of communication between the different bodies.

The different approaches to controls have different strengths and weaknesses. Centralised systems require less co-ordination effort and are administratively less onerous but result in bundled controls and put greater onus on inspectors to be able to inspect a wide range of obligations. Some concerns have been expressed about the ability of inspectors to effectively carry out controls on what can often be wide ranging obligations. The training of inspectors appears to be of critical importance here. More decentralised systems relying more on specialised control bodies tend to ensure that specialists are responsible for inspecting obligations for which they have expertise but such systems require good communication and co-ordination between bodies and this can be administratively burdensome. The functioning of the central co-ordinating body appears to be of critical importance here. A balance needs to be struck between too few and too many CCAs, in order to deliver an effective system.
The Commission has recently proposed[2] a number of improvements to the cross compliance system, especially in relation to controls, for example, the harmonisation

[2] COM (2007) 147: Report from the Commission to the Council on the application of the system of cross compliance.

of control rates, advanced notice of on-the-spot checks and improved selection of the control sample. These proposals are supported by the conclusions of this evaluation. In addition, the evaluation provides evidence of the need to improve selection of the control sample and to develop a more consistent approach to risk analysis across the Member States.

Regarding payment reductions, the majority of Member States have developed an evaluation matrix or scoring system whereby each type of non-compliance or breach, as determined by the control body, is assigned a score or rating. These scores or ratings are then used to calculate the percentage reduction of payment, with a high level of variation among Member States. While all Member States have applied payment reductions, according to the cross compliance legislation, a number have taken more lenient approaches and made use of warning letters for minor, unintentional non-compliances (an approach not currently allowed under the legislation).

Data received by the Commission from 23 Member States on controls and reductions shows that on-the-spot checks (240,898 in total) were carried out on 4.92% of farmers affected by cross compliance in 2005. Payment reductions were applied to 11.9% of farmers subject to on-the-spot checks across the EU, the total reduction amounted to €9.84 million. In Member States applying full cross compliance (SMRs and GAEC), the main non-compliances related to: the identification and registration of cattle (71% of breaches); GAEC (13% of breaches); and, the Nitrates Directive (10% of breaches). This evaluation indicates that the main GAEC non-compliances were in relation to minimum level of maintenance, followed by soil erosion, soil organic matter and then soil structure. This may reflect the fact that, in general, the majority of obligations were defined in relation to minimum level of maintenance and soil erosion. It is not yet possible to say at this stage whether controls and reductions of payments are effective in terms of improving compliance with obligations due to a lack of time series data. However, the expectation of a wide range of stakeholders is that compliance with these obligations will be high as a result of controls and the threat of payment reductions.

Theme 3: Achievement of global objectives

Question 3.1 examines the extent to which the combination of different inputs to the cross compliance system and the different outcomes has promoted sustainable agriculture, a global objective of the policy. Overall, there appears to be some evidence to indicate that the combined effects of inputs and outcomes are likely to promote sustainable agriculture. However, the specific aspects of sustainable agriculture which appear to be promoted are rather variable depending on which component of policy implementation is considered e.g. GAEC definitions or information provision. Sustainable agriculture is also not likely to be uniformly promoted across the Member States given the number of component parts of cross compliance and the variations in implementation for each of these between the Member States.

Theme 4: Efficiency analysis

The efficiency of cross compliance is considered in two ways. First, the assessment considers whether cross compliance represents the least cost approach of ensuring compliance with predefined obligations (SMRs and GAEC obligations based on pre-

existing national legislation). Since such obligations existed pre cross compliance, the only costs that can be considered here are those that arise from the cross compliance system itself i.e. costs necessary to ensure compliance with obligations, and not the costs of farm level practices required to meet the obligation. Secondly, the assessment considers the costs and benefits of GAEC and permanent pasture obligations including the additional costs and benefits of the practices required to meet the new obligations as well as any costs at farm level necessary to ensure compliance. Questions 4.1 and 4.2 assess the available evidence for determining the efficiency of cross compliance.

There is evidence to suggest that the cross compliance system is having a positive effect in terms of ensuring compliance with obligations. The initial costs of these achievements (arising only from obligations newly introduced by cross compliance), both for farmers and the authorities, have been substantial in some instances although some of these costs may be considered as start-up costs which will reduce once the system is fully up and running. Costs and benefits of using cross compliance for enforcing obligations appear to vary widely between Member States and regions, and in those cases where compliance was already high the costs of the cross compliance system (those necessary to ensure compliance) are claimed to be high relative to the benefits secured. Some, albeit limited evidence indicates that cross compliance can have certain advantages compared to legal enforcement of obligations (administrative/legal costs), agri-environment schemes (budgetary costs), and advisory/information based approaches (levels of compliance).

In general, the costs of introduction of new obligations through GAEC appear broadly proportional to the intended effects. The costs and intended effects vary widely between Member States, depending on the overall approach adopted, the type and number of obligations set, and the degree to which these are demanding for farmers. The national reports provide little evidence of cases where GAEC is seen to impose high costs at the farm level for little or no benefit. There are examples where new GAEC obligations are seen as cost effective means of meeting environmental or agronomic objectives, for example in ensuring minimum levels of maintenance. Efficiency could be improved in those cases where GAEC obligations are imposed at national level but environmental problems are localised (e.g. obligations for soil erosion in several Member States).

For permanent pasture, the rules to ensure the maintenance of such land have had little effect to date at farm level and the costs have consequently been low. The national reports suggest that, in future, the costs are likely to be proportional to the intended effects in many Member States. However, the efficiency of the rules is questioned in those Member States where the environmental value of pastures is considered low, which can trigger extra costs on farmers with limited environmental benefits.

Theme 5: Other impacts

Since cross compliance does not result in widespread new on-farm costs for farmers, there is likely to be limited or no significant impact of cross compliance on competitiveness in the internal market (Question 5.1).

Question 5.2 examines the articulation and order of magnitude of other impacts of cross compliance. As regards farmers' understanding of sustainable farming systems, anecdotal evidence suggests that while farmers' awareness of their obligations has generally improved, in many Member States, farmers' understanding of those obligations, and of sustainable agriculture more generally, is less well developed; the newly introduced Farm Advisory System is likely to have a constructive role to play in this respect. Some national reports also refer to negative attitudes of farmers towards EU policy and to those responsible for cross compliance. In some cases, cross compliance has confronted farmers with pre-existing standards they were not aware of, whereas in other cases new GAEC standards have triggered negative reactions.

Cross compliance is intended to help the enforcement of specific EU legislation and contribute to underpinning the integrity of that legislation (see Question 5.3). Following the intervention logic of the policy, it seems justified to conclude that the inputs to cross compliance as applied in many Member States are contributing to underpinning the integrity of EU legislation.

Recommendations

1. Member States should be allowed to establish GAEC issues and standards going beyond the scope of the current framework, if these are relevant to national needs and priorities;

2. Where relevant, the application of farmers' obligations to address localised problems should be limited to the respective areas;

3. Where relevant, the rules for the maintenance of permanent pastures should better reflect site-specific environmental considerations, also taking into account the role of other more specific measures outside the cross compliance policy;

4. Regular monitoring of farmers' awareness against baselines could develop a more accurate understanding of farmers' awareness of cross compliance obligations, thus supporting targeted provision of information;

5. Beyond supporting the understanding of cross compliance obligations by farmers, the Farm Advisory System should be implemented in a manner that helps to enhance farmers' understanding of the purpose and rationale of cross compliance;

6. Shared knowledge and experiences among Member States in the areas of risk analysis and scoring system could increase the level of harmonisation in the application of controls and payment reductions throughout the EU.

RESUME

Introduction

La conditionnalité a été introduite comme élément de la réforme de 2003 de la Politique Agricole Commune (PAC) en tant que mesure obligatoire. Depuis le 1er janvier 2005, suite au Règlement 1782/2003, les agriculteurs bénéficiant de paiements directs sous le premier pilier de la PAC peuvent être sujets à une réduction ou une suppression de ces paiements en cas de non-respect de certaines normes en matière d'environnement, de santé publique, de santé des animaux et des végétaux et de bien-être animal. Cette approche a été étendue à partir du 1er janvier 2007 aux bénéficiaires percevant des aides sur la base de huit mesures de « l'axe 2 » du deuxième pilier de la PAC. De façon à éviter toute éventuelle réduction du montant total des aides directes perçues sous ces régimes d'aide, les agriculteurs doivent se conformer à 19 Exigences Réglementaires en Matière de Gestion (ERMG auxquelles il est fait référence dans l'Annexe III du Règlement 1782/2003)[3] et à un certain nombre d'exigences minimales pour garantir de « bonnes conditions agricoles et environnementales » (BCAE) pour les terres agricoles, qui doivent être définies par les Etats Membres sur la base du cadre fixé dans l'Annexe IV du Règlement 1782/2003.

Les ERMG sont établies sur la base de Directives et Règlements de l'UE préexistants. Le maintien des terres agricoles dans de BCAE concerne des obligations potentiellement nouvelles qui visent notamment à empêcher l'abandon et la sous-exploitation grave des terres. Les Etats Membres doivent aussi garantir que l'étendue de pâturages permanents (telle qu'à une année de référence spécifiée) est maintenue et qu'un système de conseil agricole est établi pour soutenir la conditionnalité (obligatoire depuis le 1er janvier 2007).

En résumé, la conditionnalité est un mécanisme pour promouvoir la durabilité de l'agriculture de l'UE par le respect de normes obligatoires par les agriculteurs percevant des paiements directs. C'est un système de réduction des paiements accompagnant des obligations existantes dans l'Annexe III plutôt qu'un nouvel ensemble de normes en tant que tel. Seules l'Annexe IV (ces obligations ne faisant pas partie d'une législation nationale antérieure) et les obligations relatives aux pâturages permanents sont de nouvelles exigences pour le secteur agricole. Celles-ci peuvent être considérées comme des garde-fous pour contrecarrer des effets potentiellement négatifs résultant du découplage des paiements (introduit par la réforme de 2003 de la PAC).

Etude d'évaluation et méthodologie

L'évaluation se compose de deux parties. La Partie I, Rapport Descriptif, décrit la mise en œuvre de la conditionnalité dans l'UE-25. La Partie II, Réponses aux Questions d'Evaluation, évalue les résultats de la conditionnalité dans l'UE-25.

[3] Une dérogation transitoire (applicable jusqu'au 31/12/2008) à l'application des ERMG a été accordée aux nouveaux Etats Membres qui appliquent le régime de paiement unique à la surface (RPUS). Tous les nouveaux Etats Membres qui appliquent le RPUS (c'est-à-dire tous les nouveaux Etats Membres sauf Malte et la Slovénie) ont fait usage de cette dérogation qui s'applique à la fois au premier et au deuxième pilier.

L'information nécessaire à l'évaluation a été recueillie par des experts mandatés par les évaluateurs dans chacun des 25 Etats Membres de l'UE et compilée en rapports nationaux. Ces rapports constituent la base pour les rapports des Parties I et II.

Résultats de l'évaluation

Thème 1 : Définitions des Bonnes Conditions Agricoles et Environnementales et des Niveaux de Pâturages Permanents

Les Etats Membres ont défini des obligations variées dans le cadre fourni par l'Annexe IV. Certains Etats Membres ont considéré que certains thèmes et normes de l'Annexe IV n'étaient pas appropriés à leur situation nationale et n'ont donc pas défini d'obligations correspondantes pour les agriculteurs ; d'autres ont défini des obligations supplémentaires non directement issues de l'Annexe IV. Juger l'efficacité de la conditionnalité doit reposer sur une évaluation théorique de l'adéquation des obligations BCAE établies par les Etats Membres, puisque cette politique n'est opérationnelle que depuis deux ans. Bien qu'il y ait de grandes différences dans les obligations BCAE, on peut conclure de façon générale (Question 1.1) que ces obligations sont majoritairement appropriées et susceptibles de contribuer aux effets recherchés (en partant du principe que les agriculteurs s'y conforment). Certains Etats Membres ont fait des efforts particuliers pour concevoir et cibler des obligations de façon à obtenir un réel bénéfice environnemental. Cependant, dans d'autres cas, certaines obligations sont considérées comme tellement générales qu'elles sont peu susceptibles d'aboutir à un quelconque bénéfice réel.

Un objectif supplémentaire de la politique de conditionnalité est d'encourager le maintien des pâturages permanents existants en raison des bénéfices environnementaux qu'ils présentent (Question 1.2). En conséquence de la mise en œuvre de règles spécifiques par les Etats Membres, l'étendue globale des pâturages permanents au niveau national sera probablement maintenue. L'utilisation de « niveaux de déclenchement » (niveaux de déclin des pâturages permanents) pour déclencher des mesures correctives est une approche efficace, bien que dans de nombreux Etats Membres il semble peu probable qu'un déclin est une menace imminente. La situation pourrait changer dans le futur en raison des prix des cultures arables actuellement plus élevés ou d'autres facteurs de marché. Lorsqu'on juge l'efficacité de la mesure selon l'objectif d'engendrer des effets environnementaux positifs, on note que des considérations environnementales spécifiques aux sites (telles que la valeur botanique) ne sont pas prises en compte, puisque seule la proportion de prairies permanentes doit être maintenue. Par conséquent, les effets des règles peuvent être limités du point de vue de la biodiversité. Cependant, les pâturages permanents à haute valeur environnementale peuvent être protégés grâce à la norme BCAE « protéger les pâturages permanents » (observée dans de nombreux Etats Membres) ou par d'autres mesures hors conditionnalité, par exemple la législation en matière de conservation de la nature (observée en AT, DE, IT et UK (E)) et les mesures agro-environnementales.

Les conséquences sur les revenus des agriculteurs et les coûts de production, de la conformité aux obligations BCAE et relatives aux pâturages permanents, sont examinées par la Question 1.3. Jusqu'à présent, dans la plupart des Etats Membres, la majorité des obligations BCAE n'a eu soit aucun impact soit des impacts mineurs ou modérés sur les revenus des exploitations et les coûts de production. Ceci est dû au

fait que ces obligations sont soit établies sur la base d'une législation nationale préexistante soit reflètent de bonnes pratiques d'exploitation qui sont généralement respectées dans les faits. Lorsque des coûts sont générés ils sont principalement signalés pour : des obligations spécifiques concernant l'érosion des sols ; l'entretien et particulièrement la restauration des terrasses; la prévention des incendies et l'entretien minimal des terres marginalisées, en pente, menacées d'envahissement par la végétation ; ou quand le ramassage de la végétation coupée est exigé. Des coûts sont aussi signalés pour les obligations nécessitant l'établissement de zones tampons le long des cours d'eau ou des haies, parce qu'elles peuvent conduire à une perte de terre cultivée. Cependant, les données probantes sur l'étendue des coûts sont limitées ; peu d'estimations de coûts ont été menées, avec des résultats variables.

Jusqu'à présent, la conformité à l'exigence du maintien de la part de pâturages permanents ne semble quasiment pas générer de coûts à l'exploitation. Cependant, dans les Etats Membres qui ont imposé des obligations au niveau des exploitations, en plus de la législation préexistante, des coûts additionnels peuvent être générés, pour les agriculteurs, dans les zones présentant un potentiel pour les cultures arables.

Thème 2 : Système d'information, de contrôle et de réduction

Les Etats Membres ont mis en place des systèmes efficaces pour informer les agriculteurs de leurs obligations en matière de conditionnalité. Globalement, l'information fournie a contribué à accroître la connaissance, par les agriculteurs, des obligations en termes d'EMRG, de BCAE et de pâturages permanents (Question 2.1). Cependant, dans certains Etats Membres, la connaissance de quelques obligations spécifiques pourrait être améliorée, par exemple la Directive Nitrates, la Directive Oiseaux et les mesures concernant l'érosion des sols. De plus, lorsque de nouvelles obligations ou des modifications d'anciennes obligations ont été introduites, dans certains Etats Membres, la mise à jour des manuels ou brochures s'est avérée incomplète ou retardée. Alors que la sensibilisation des agriculteurs à leurs obligations a été accrue, leur compréhension de ces obligations apparaît faible. Cette situation devrait être améliorée dans les années à venir par la fourniture d'information et le Système de Conseil Agricole (SCA) récemment introduit.

La Question 2.2 examine les contributions respectives des contrôles et des réductions des paiements directs au respect par les agriculteurs des obligations en termes d'ERMG, BCAE et de pâturages permanents. Tous les Etats Membres ont établi des systèmes opérationnels de contrôle de la conditionnalité bien que quelques difficultés aient été rencontrées. La structure organisationnelle de ces systèmes de contrôle apparaît largement être une évolution de systèmes de contrôle préexistants plutôt que l'introduction de systèmes entièrement nouveaux. La complexité de ces systèmes varie à travers les Etats Membres de systèmes relativement centralisés, où l'Organisme Payeur agit en tant qu'Autorité de Contrôle Compétente (ACC), systèmes prédominants dans les nouveaux Etats Membres, à des systèmes plus décentralisés qui requièrent de la coordination entre l'Organisme Payeur et les organismes de contrôle spécialisés (les autorités agricoles, environnementales, vétérinaires et de sécurité alimentaire). La conditionnalité semble avoir abouti à une plus grande coordination entre les organismes de contrôle existants ; une telle coordination serait accrue par l'établissement de protocoles définissant les arrangements pour les contrôles et les méthodes de communication entre les différents organismes.

Les différentes approches des contrôles ont des forces et faiblesses différentes. Les systèmes centralisés nécessitent moins d'effort de coordination et sont administrativement moins coûteux mais résultent en des contrôles groupés et une plus lourde charge pour les inspecteurs pour pouvoir inspecter une large gamme d'obligations. Des inquiétudes ont été exprimées concernant la capacité des inspecteurs à réaliser effectivement des contrôles sur ce qui peut souvent être des obligations variées. La formation des inspecteurs semble alors être d'une importance critique. Les systèmes plus décentralisés reposant plus sur des organismes de contrôle spécialisés tendent à garantir que des spécialistes sont responsables de l'inspection des obligations pour lesquelles ils ont de l'expertise mais de tels systèmes nécessitent une bonne communication et une bonne coordination entre les organismes et cela peut représenter une lourde charge administrative. Le fonctionnement de l'organisme central de coordination semble alors être d'une importance fondamentale. Un équilibre doit être trouvé entre trop peu et trop d'ACC de façon à établir un système efficace.

La Commission a récemment proposé un certain nombre d'améliorations au système de conditionnalité, particulièrement en ce qui concerne les contrôles, par exemple l'harmonisation des taux de contrôle, la notification préalable des contrôles sur place et l'amélioration de la sélection de l'échantillon de contrôle. Ces propositions sont étayées par les conclusions de cette évaluation. De plus, l'évaluation apporte la preuve du besoin d'améliorer la sélection de l'échantillon de contrôle et de développer une approche de l'analyse de risque plus cohérente à travers les Etats Membres.

En ce qui concerne les réductions de paiements, la majorité des Etats Membres a développé une matrice d'évaluation ou système de points par lequel des points ou une note sont attribués à chaque type de non-conformité ou d'irrégularité, tels que déterminés par l'organisme de contrôle. Ces points ou notes sont ensuite utilisés pour calculer le pourcentage de réduction des paiements, avec un haut niveau de variation entre Etats Membres. Alors que tous les Etats Membres ont appliqué des réductions de paiements, conformément à la législation sur la conditionnalité, un certain nombre ont adopté des approches plus indulgentes et ont fait usage de lettres d'avertissement pour des cas de non-conformité mineurs ou non-intentionnels (une approche actuellement non autorisée par la législation).

Les données de 23 Etats Membres, reçues par la Commission, sur les contrôles et réductions, montrent qu'en 2005, des contrôles sur place (240 898 au total) ont été effectués auprès de 4,92% des agriculteurs concernés par la conditionnalité. A travers l'UE, des réductions de paiements ont été appliquées à 11,9% des agriculteurs soumis à des contrôles sur place, le total des réductions s'élevant à 9,84 millions d'euros. Dans les Etats Membres appliquant la conditionnalité dans son ensemble (ERMG et BCAE), les principaux cas de non-conformité étaient relatifs : à l'identification et l'enregistrement des bovins (71% des irrégularités) ; aux BCAE (13% des irrégularités) ; et à la Directive Nitrates (10% des irrégularités). Cette évaluation indique que la plupart des cas de non-conformité relatifs aux BCAE étaient liés au niveau minimal d'entretien, suivi par l'érosion des sols, les matières organiques du sol et enfin la structure des sols. Ceci peut refléter le fait qu'en général la majorité des obligations définies porte sur le niveau minimal d'entretien et l'érosion des sols. A ce stade, il n'est pas encore possible de dire si les contrôles et réductions de paiements

sont efficaces pour améliorer la conformité aux obligations, en raison de l'absence de séries chronologiques de données. Cependant, diverses parties prenantes s'attendent à ce que la conformité à ces obligations soit élevée en raison des contrôles et de la menace de réductions de paiements.

Thème 3 : Réalisation des objectifs globaux

La Question 3.1 examine dans quelle mesure la combinaison des différentes ressources allouées au système de conditionnalité et des différents résultats a promu l'agriculture durable, un objectif global de cette politique. Globalement, il semble y avoir des éléments probants indiquant que les effets combinés des ressources et des résultats sont susceptibles de promouvoir l'agriculture durable. Cependant, les aspects spécifiques de l'agriculture durable qui semblent être promus sont plutôt variables en fonction de l'élément de mise en œuvre de la politique pris en considération, par exemple, les définitions des BCAE ou l'information fournie. L'agriculture durable est également peu susceptible d'être promue de façon uniforme à travers les Etats Membres étant donné le nombre d'éléments constituant la conditionnalité et les variations dans la mise en œuvre de chacun d'entre eux dans les Etats Membres.

Thème 4 : Analyse de l'efficience

L'efficience de la conditionnalité est considérée de deux façons. Premièrement, l'évaluation considère si la conditionnalité représente l'approche à moindre coût pour garantir la conformité aux obligations prédéfinies (obligations ERMG et BCAE fondées sur la législation nationale préexistante). Etant donné que ces obligations existaient avant la conditionnalité, les seuls coûts qui peuvent être pris en considération ici sont ceux engendrés par le système de conditionnalité lui-même, c'est-à-dire les coûts nécessaires pour assurer la conformité aux obligations, et non les coûts des pratiques requises au niveau de l'exploitation pour remplir ces obligations. Deuxièmement, l'évaluation considère les coûts et bénéfices des obligations BCAE et des obligations relatives aux pâturages permanents, y compris les coûts et bénéfices additionnels des pratiques requises pour remplir les nouvelles obligations, ainsi que les coûts nécessaires, au niveau de l'exploitation, pour assurer la conformité. Les Questions 4.1 et 4.2 évaluent les éléments probants disponibles pour déterminer l'efficience de la conditionnalité.

Des éléments probants suggèrent que le système de conditionnalité a un effet positif pour ce qui est d'assurer la conformité aux obligations. Les coûts initiaux de ces réalisations (engendrés uniquement par les obligations nouvellement introduites par la conditionnalité), à la fois pour les agriculteurs et les autorités, ont été substantiels dans quelques cas bien que certains de ces coûts puissent être considérés comme des coûts de démarrage qui diminueront une fois le système totalement opérationnel. Les coûts et bénéfices de l'utilisation de la conditionnalité pour faire appliquer les obligations semblent varier largement entre Etats Membres et régions, et dans les cas où la conformité était déjà élevée, les coûts du système de conditionnalité (ceux nécessaires pour assurer la conformité) sont déclarés comme étant élevés par rapport aux bénéfices obtenus. Quelques éléments, bien que limités, indiquent que la conditionnalité peut avoir des avantages par rapport à faire appliquer les obligations par la loi (coûts administratifs / de justice), par rapport aux programmes agro-environnementaux (coûts budgétaires) et aux approches fondées sur le conseil / l'information (niveaux de conformité).

En général, les coûts d'introduction de nouvelles obligations à travers les BCAE apparaissent globalement proportionnels aux effets recherchés. Les coûts et effets recherchés varient largement entre Etats Membres, en fonction de l'approche globale adoptée, du type et du nombre d'obligations définies et du degré d'exigence qu'elles représentent pour les agriculteurs. Les rapports nationaux apportent peu de preuves de cas où les BCAE sont perçues comme imposant des coûts élevés au niveau des exploitations pour peu ou pas de bénéfices. Il y a des exemples où les nouvelles obligations BCAE sont perçues comme des moyens rentables d'atteindre des objectifs environnementaux et agronomiques, par exemple en garantissant des niveaux minimaux d'entretien. L'efficience pourrait être améliorée dans les cas où les obligations BCAE sont imposées au niveau national alors que les problèmes environnementaux sont localisés (par exemple les obligations sur l'érosion des sols dans plusieurs Etats Membres).

Pour les pâturages permanents, les règles pour assurer le maintien de telles terres ont eu peu d'effet à date au niveau des exploitations et par conséquent les coûts ont été bas. Les rapports nationaux suggèrent que, dans le futur, dans de nombreux Etats Membres, les coûts sont susceptibles d'être proportionnels aux effets recherchés. Cependant, l'efficience des règles est remise en question dans les Etats Membres où la valeur environnementale des pâturages est considérée comme basse, ce qui peut générer des coûts supplémentaires pour les agriculteurs pour des bénéfices environnementaux limités.

Thème 5 : Autres impacts

Etant donné que la conditionnalité ne résulte pas, pour les agriculteurs, en de nouveaux coûts généralisés au niveau des exploitations, l'impact de la conditionnalité sur la compétitivité dans le marché interne est susceptible d'être limité ou non-significatif (Question 5.1).

La Question 5.2 examine l'articulation et l'ordre de grandeur des autres impacts de la conditionnalité. En ce qui concerne la compréhension par les agriculteurs des systèmes d'exploitation durable, des éléments anecdotiques suggèrent que la sensibilisation des agriculteurs à leurs obligations a généralement été améliorée; cependant, dans de nombreux Etats Membres, la compréhension par les agriculteurs de ces obligations et plus généralement de l'agriculture durable, est moins bien développée. Le Système de Conseil Agricole nouvellement introduit est susceptible d'avoir un rôle constructif à jouer à ce sujet. Certains rapports nationaux font également référence à des attitudes négatives des agriculteurs envers la politique de l'UE et ceux responsables de la conditionnalité. Dans certains cas, la conditionnalité a confronté les agriculteurs à des normes préexistantes dont ils n'avaient pas connaissance, alors que dans d'autres cas, de nouvelles normes BCAE ont déclenché des réactions négatives.

La conditionnalité vise à aider à l'application d'une législation spécifique de l'UE et à contribuer à sous-tendre l'intégrité de cette législation (voir Question 5.3). D'après la logique d'intervention de cette politique, il semble justifié de conclure que les ressources, telles qu'elles ont été allouées à la conditionnalité par de nombreux Etats Membres, contribuent à sous-tendre l'intégrité de la législation de l'UE.

Recommandations

1. Les Etats Membres devraient être autorisés à établir des thèmes et normes BCAE allant au-delà du champ du cadre actuel, si ceux-ci sont appropriés aux besoins et priorités nationaux ;

2. Lorsque c'est pertinent, la mise en application des obligations des agriculteurs pour traiter des problèmes locaux devrait être limitée aux zones concernées ;

3. Lorsque c'est approprié, les règles pour le maintien des pâturages permanents devraient mieux refléter les considérations environnementales spécifiques aux sites, prenant également en compte le rôle d'autres mesures plus spécifiques hors politique de conditionnalité ;

4. Un suivi régulier, à partir de points de référence, de la sensibilisation des agriculteurs, pourrait permettre une compréhension plus précise de la connaissance par les agriculteurs des obligations de la conditionnalité, permettant ainsi une information ciblée ;

5. En plus d'aider à la compréhension par les agriculteurs des obligations de la conditionnalité, le Système de Conseil Agricole devrait être mis en place de manière à contribuer à améliorer la compréhension par les agriculteurs de l'objet et des justifications de la conditionnalité ;

6. Le partage des connaissances et des expériences entre Etats Membres dans les domaines des analyses de risque et systèmes de points pourrait augmenter le niveau d'harmonisation de l'application des contrôles et des réductions de paiements à travers l'UE.

1 INTRODUCTION

The reform of the Common Agricultural Policy (CAP) in 2003 introduced a number of adjustments to agricultural support. A primary objective of this reform was to promote a more market orientated, sustainable agriculture, reflecting the concerns of European citizens. Cross compliance was introduced as part of the 2003 reform as a compulsory measure. As from the first of January 2005, following Regulation 1782/2003, farmers benefiting from direct payments under the first pillar of the CAP may be subject to reduction or withdrawal of those payments in the case of non-compliance with certain standards in the areas of the environment, public, animal and plant health and animal welfare. This approach was extended from the first of January 2007 to beneficiaries receiving aid with regard to eight measures under 'axis 2' of the second pillar of the CAP (Article 51 of Council Regulation 1698/2005).

1.1 Background to cross compliance: 1970s to 2000

The concept of cross compliance originated in the United States of America. It was used from the 1970s onwards in agriculture policy, to refer to conditions that farmers must meet in order to be eligible for assistance under government support schemes for agriculture, notably commodity 'programs'. In the US, farmers claiming support under one programme had to meet both the rules of that program and certain obligations of other federal programs: thus making a link 'across programmes' which gave rise to the term 'cross compliance'. The use of the term has been extended since then, both within the US and elsewhere, to refer to linkages between agricultural and environmental (and other) policies.

In Europe, the discussion about the relevance of cross compliance to EC agricultural policy began only in the late 1980s along with the growing commitment within the EC to integrating environmental considerations into agricultural policy. The 1992 reforms of the CAP under Commissioner MacSharry, with their greater focus on 'direct payments', further increased the potential relevance of cross compliance. The greater transparency of these payments prompted a debate about the wider purpose of agricultural support and the possibility of requiring farmers to meet higher environmental standards and to provide society with tangible social or environmental benefits in return for such payments. These ideas were part of an emerging view that production could no longer be the main goal of public support for agriculture. At the same time there was growing evidence that the level of compliance with a range of EU environmental standards was lower than in some other sectors and that environmental damage was arising. There was a concern that farmers were receiving public funds while failing to respect legislative requirements.

As part of the MacSharry reforms, elements of environmental cross compliance were introduced into the CAP. Member States were obliged to apply 'appropriate environmental conditions' to the management of compulsory set-aside in arable cropping, and were allowed to introduce environmental conditions on the direct payments offered as headage subsidies for beef cattle and sheep. The UK was one of the few Member States to apply conditions to livestock subsidies and threaten withdrawal of subsidy if the conditions were breached. This approach was used in the UK to address problems related to over grazing.

The Agenda 2000 agreement on reform of the CAP extended the use of cross compliance. Article 3 of the common rules (or 'horizontal') Regulation 1259/1999 applied to all direct payments under the European Agricultural Guidance and Guarantee Fund. It required Member States to take measures to ensure that agricultural activity within the scope of the common rules Regulation was compatible with 'environmental protection requirements'. But it gave Member States a number of options for meeting such requirements including:

- Support in return for agri-environment commitments
- General mandatory environmental requirements
- Specific environmental requirements constituting a condition for direct payments.

Member States were able to decide on the penalties that would be 'appropriate and proportionate to the seriousness of the ecological consequences of not observing' those measures, which could include withdrawal or cancellation of direct payments. Only a limited number of Member States set down conditions for direct payments including Denmark, France, Greece, the Netherlands and the UK. Whilst there appeared to be some progress in improving compliance with environmental legislation during this period, several measures, such as the Nitrates Directive, continued to cause concern.

1.2 The reform of the CAP (2003) and the introduction of compulsory cross compliance

Today, cross compliance must be seen within the context of wider sustainable development goals. The Council of the European Union, in its conclusions from the Göteborg Council on the European Union's Strategy for Sustainable Development in 2001, stressed the need for the EU to integrate environmental objectives into its internal policies and to improve the sustainable management of natural resources. The Agriculture Council underlined these requirements by stating that:

'*Farmers have the obligation to produce in accordance with good agricultural practices and environmental legislation, thus contributing to minimise the negative effects of production.*'

The Commission's first Communication in relation to the 2003 reform of the CAP[4] made several references to cross compliance. It stated that '*a number of adjustments are necessary to fully deliver Sustainable Agriculture and Rural Development*'. These included integrating food safety into the CAP through cross compliance and further steps in the field of environment to reinforce compliance, reduce negative pressures of support mechanisms, and strengthen the provision of services. It also stated that animal health and welfare concerns must be fully integrated within the CAP. The clearest statement as to the purpose of cross compliance was given as follows:

[4] Communication from the Commission to the Council and the European Parliament. Mid-Term Review of the Common Agricultural Policy. Brussels. COM (2002)

'Cross compliance will be applied as a whole farm approach with conditions attached to both used and unused agricultural land including the possibility, where Member States consider this necessary, to apply conditions to prevent the conversion of pasture land to arable land. On used and unused land, cross compliance will involve the respect of statutory management requirements and the obligation to maintain land in good agricultural condition. A whole farm approach follows directly from the logic of decoupling and will emphasise the main purpose of cross compliance: to support the implementation of environmental, food safety and animal health and welfare legislation. In the case of non-respect of cross compliance requirements, direct payments should be reduced while maintaining proportionality with respect to the risk or damage concerned'

Following the publication of specific CAP reform proposals and subsequent negotiations, EU farm ministers adopted a fundamental reform of the CAP on 26th June 2003. Cross compliance was introduced as a compulsory measure and its scope extended from its original environmental focus to one dealing with a wider range of public concerns. As from the first of January 2005, following Regulation 1782/2003, farmers benefiting from direct payments under the first pillar of the CAP may be subject to reduction or withdrawal of those payments in the case of non-compliance with certain standards in the areas of the environment, public, animal and plant health and animal welfare. This approach was extended from the first of January 2007 to eight measures under 'axis 2' of the second pillar of the CAP (Article. 51 of Council Regulation 1698/2005). In order to avoid any possible reduction in the total level of direct aid received under these aid schemes, farmers must comply with 19 Statutory Management Requirements (SMRs referred to in Annex III of Regulation 1782/2003)[5] and a number of minimum requirements for ensuring the 'good agricultural and environmental condition' (GAEC) of agricultural land, to be defined by the Member States on the basis of the framework given under Annex IV of Regulation 1782/2003.

The SMRs are based on pre-existing EU Directives and Regulations such as the Nitrates Directive. Keeping agricultural lands in GAEC is a new requirement which aims, inter alia, to prevent abandonment and severe under-management. Member States must also ensure that the extent of permanent pasture (as at the level of the reference year) is maintained and that a comprehensive advisory system to support cross compliance is established (obligatory from the first of January 2007).

In short, cross compliance is a mechanism for promoting the sustainability of EU agriculture through increasing the respect of mandatory standards by farmers receiving direct payments. It is a system of reduction of aid accompanying existing obligations in Annex III rather than a new set of standards per se. Only Annex IV (obligations not already part of national legislation) and the obligations with respect to permanent pastures are new requirements of the agriculture sector and these can be seen as safeguards to counter some potentially negative effects arising from

[5] A transitional derogation (applicable until 31/12/2008) from the application of SMRs was granted to the new Member States applying the single area payment scheme (SAPS). All new Member States applying the SAPS (i.e. all new Member States except Malta and Slovenia) have made use of this derogation which applies to both first and second pillar.

decoupling. Cross compliance has not been proposed as a tool for introducing substantive new obligations. Nor is it a rationale for decoupled payments which are based on other considerations.

1.3 The evaluation study and methodology

The outcomes of cross compliance in the EU 25 are the subject of this report (Part II of the evaluation study). This report accompanies *Part I: Descriptive Report* which describes the implementation of cross compliance in the EU 25. This Part II report provides answers to questions grouped by five Evaluation Themes; it considers the overall effectiveness and efficiency of the policy, draws conclusions on the outcomes of the policy and offers recommendations for future policy development.

The necessary information for the evaluation was collated by experts, appointed by the evaluators in each of the 25 Member States of the EU, and compiled into national reports. These reports provide the evidence base for this and the *Part I: Descriptive Report*.

Considerable efforts have been made to provide accurate and comprehensive information on the subject of cross compliance implementation, in order to assess the effects of the policy but this is a fast developing policy area. For example, the European Commission has provided clarification on a number of aspects of the policy during 2005 and 2006 and Member States have adapted implementation throughout the course of the data collection in response to these clarifications and their own experiences. Any inaccuracies are likely to be the result of this fast moving development of policy and its implementation. Where information is not known, this has been stated but this does not necessarily imply that no implementation has taken place or no effects of the policy occurred, rather that information could not be obtained at the time of undertaking the evaluation and the effects may not yet be obvious. As a result, the outcomes of cross compliance have been elaborated in terms of the *known* outcomes, based on limited evidence to date, and in terms of the *expected* outcomes, based on the likely effects of known policy implementation i.e. the inputs to the policy at Member State level.

1.4 The intervention logic of the policy

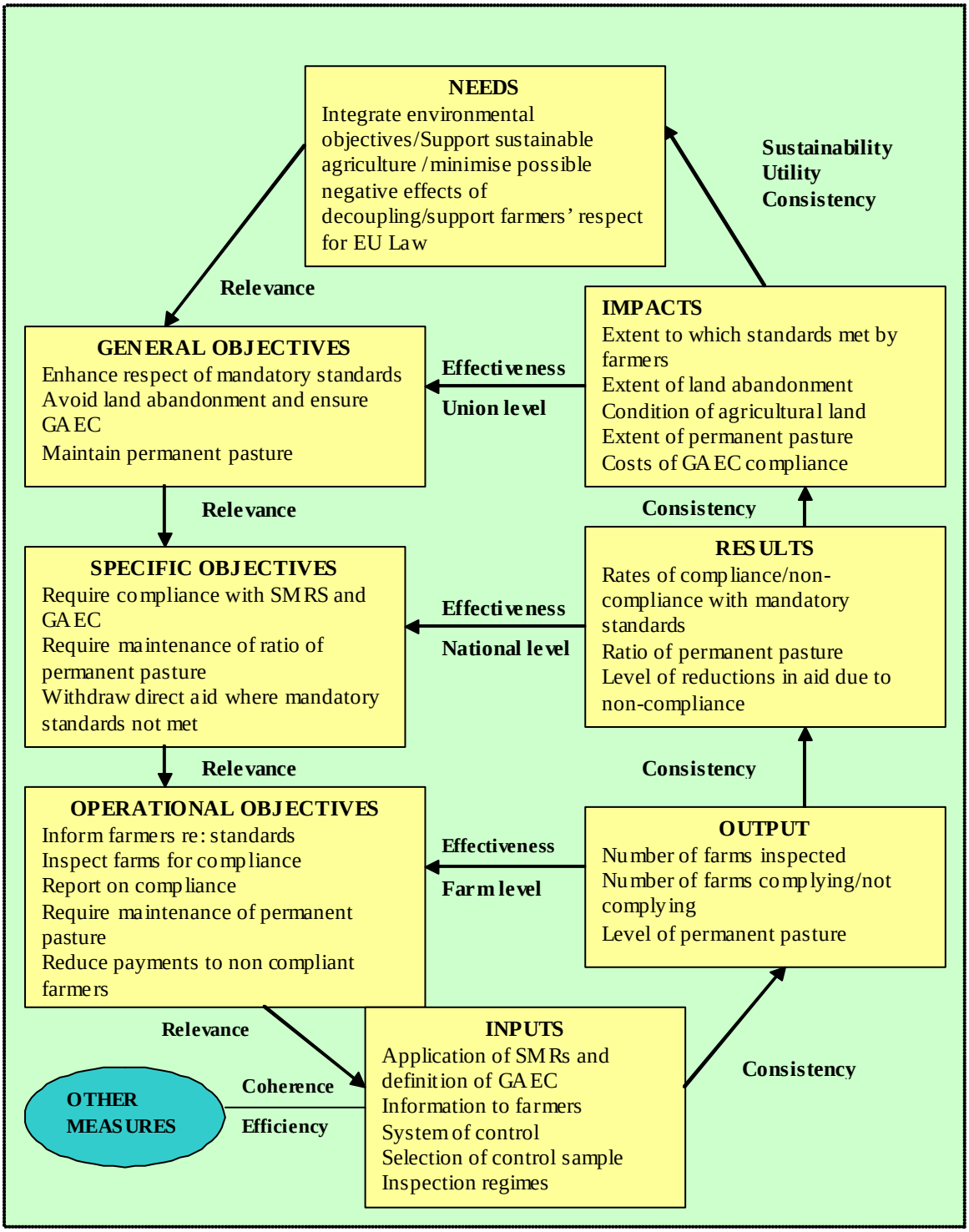
In order to guide the evaluation, the intervention logic of the policy was elaborated. A standard evaluation framework can be applied to cross compliance which considers **objectives, inputs and outcomes**. The *needs* of society are translated into *general objectives*; these are further refined into *specific objectives* and these, further, into *operational objectives*. The operational objectives indicate the goals and basis for *inputs*, i.e. implementation and resourcing of the measure. Along this axis, the emphasis changes from the Union level to the farm level.

The manner of implementation, e.g. administration and control, is reflected in the *outputs*. The outputs generate the *results* of the measure with measurable changes in the indicators contributing to achievement of the specific objectives. The results in turn give rise to the *impacts* of the measure contributing to the achievement of the general objectives. These impacts satisfy the needs of society and create benefits – the

utility – that should outweigh the costs incurred. Along this dimension, the emphasis changes from the farm level to the Union level.

This relationship between objectives, inputs and outcomes that forms the intervention logic for cross compliance is presented in Figure 1.1.

Figure 1.1 The objectives and outcomes of cross compliance



2 TYPOLOGY OF CROSS COMPLIANCE IMPLEMENTATION

2.1 Introduction

The evaluators were requested to define a typology of approaches to implementation of cross compliance by Member States and, if possible, to use this typology as an aid to structuring replies to the Evaluation Questions. *Part I: Descriptive Report* provides information on implementation and identifies differences and similarities between Member States in terms of cross compliance implementation. Seven key factors of implementation can be considered as follows:

1. the provisions of statutory management requirements (SMR) under cross compliance;
2. the definition of the good agricultural and environmental conditions (GAECs);
3. the provisions to maintain the ratio of permanent pastures;
4. the designation of competent control authorities;
5. the system of management and controls;
6. the system of reductions and exclusions of payments;
7. the provision of information to farmers.

It is the differences and similarities noted between Member States in relation to these factors of implementation that can be used, in theory, to develop an overall typology of implementation with regard to cross compliance. In developing the typology, '4. the designation of competent control authorities' and '5. the system of management and controls' have been combined into one overall heading since the two issues are related. This results in six factors of implementation to be considered in relation to the typology.

2.2 Factors of implementation of cross compliance

For each of the six factors of implementation, three different ***types*** of implementation approaches were identified. Member States were then assigned to one of these types based on an analysis of the approach to implementation taken by each Member State.

Identifying three different types of implementation approaches for each factor was not straightforward due to the complexity of the policy, the number of different aspects to be considered and the large variations in implementation. For example, in considering SMRs, each of the 15 SMRs applicable in 2006 gives rise to numerous and often different obligations for farmers across the Member States. Finding similarities in approach and grouping Member States accordingly was not always a simple process and obvious patterns did not always emerge. For this reason, the implementation types were mainly based on a small number of easily identifiable criteria against which obvious groupings of Member States could be identified. However, by doing this, the groupings were rather crude and did not necessarily reflect the full complexity of implementation approaches.

The provisions of statutory management requirements (SMR) under cross compliance

This factor focused on the overall approach to implementation of all 15 SMRs applicable in 2006. More specifically, it focused on the extent to which the 17 Member States that must currently apply SMRs have defined farmers' obligations in relation to all of the relevant articles of the legislation listed in Annex III of Regulation 1782/2003. Member States were allocated to one of three types depending on the frequency of omissions.

The definition of good agricultural and environmental conditions (GAEC)

The approach to defining GAEC is highly variable across the Member States. For each of the Annex IV 'Issues and Standards', Member States have defined many, different obligations which makes an overall comparison difficult. The criterion applied in the definition of this type was whether or not Member States had developed obligations in relation to a few, most or all of the four issues listed in Annex IV.

The provisions to maintain the ratio of permanent pastures

Member States have applied different rules to ensure the maintenance of permanent pasture. The main criterion applied in the definition of this type was the level of permanent pasture decline (the threshold) which must be noted in order to trigger farm level actions.

Competent control bodies and system of management and controls

The designation of competent control bodies and the system of management and controls are inter-related. Member States that applied the derogation to designate the Paying Agency as the competent control authority have, in general, more centralised systems of management and controls while those Member States that involved specialised control bodies tend, in general to have more decentralised systems of management and control, reflecting the greater number of bodies involved in controls.

The system of reductions of payments

All Member States appear to have developed a control matrix or scoring system by which to determine the level of payment reductions to be applied in cases of non-compliance. In addition, in the majority of cases, Member States follow closely the requirements of Regulations 1782/2003 and 796/2004 when applying payment reductions. There are, however, some notable differences in relation to whether Member States apply limited or more stringent payment reductions.

The provision of information to farmers

All Member States provided farmers with information regarding cross compliance standards that must be met. The range of media used to convey this information was variable e.g. handbooks, websites, training events, press releases etc. By using some forms of media e.g. websites or telephone helplines, some Member States ensured that information was constantly available to farmers and could be readily updated. The applicability of the information for farmers was also variable. These factors were considered when assigning Member States to one of three types. The Farm Advisory System was not considered.

2.3 Overall typology of implementation of cross compliance

Analysis of the six factors of implementation of cross compliance revealed that Member States tended to vary in type across the factors. In order to define an overall typology, it was necessary to assess whether Member States fell more commonly into one particular type than another.

Table 2.1 illustrates which type a Member State has been assigned to for each of the six factors and assigns an overall type for each Member State.

Three Member States (EL, LT, SE) are highlighted in the table since they are not more commonly assigned to one type than another and hence an overall typology is not obvious. For the purposes of this exercise, they are assigned to overall type 2. The results of this typology exercise are as follows:

Type 1	Type 2	Type 3
CY	AT	BE (W)
EE	BE (F)	DE
LV	CZ	FR
MT	DK	IE
SK	EL	LU
	ES	UK
	FI	
	HU	
	IT	
	LT	
	NL	
	PL	
	PT	
	SE	
	SI	

Table 2.1 Overall typology for EU 25

Country	Factor of implementation						Overall typology
	SMR	GAEC	PP	Control	Payment	Info	
AT	2	3	3	2	2	2	2
BE (F)	2	2	1	3	2	3	2
BE (W)	2	3	3	3	3	2	3
CY	-	3	1	1	1	2	1
CZ	-	2	2	1	2	1	2
DE	3	2	3	3	2	3	3
DK	2	1	3	3	2	2	2
EE	-	1	3	1	1	2	1
EL	1	3	2	3	2	1	2
ES	2	3	2	1	2	1	2
FI	2	3	3	2	1	2	2
FR	2	3	3	3	3	1	3
HU	-	1	2	3	2	2	2
IE	3	3	3	2	2	3	3
IT	2	3	1	2	2	3	2
LT	-	2	3	1	2	1	2
LU	2	2	3	3	1	3	3
LV	-	1	3	1	1	3	1
MT	1	3	1	2	1	1	1
NL	2	2	2	3	2	3	2
PL	-	2	2	1	1	2	2
PT	1	2	3	2	2	1	2
SE	2	2	3	3	1	1	2
SI	2	3	2	2	1	1	2
SK	-	2	1	2	1	1	1
UK	3	3	3	2	2	3	3

The three different types of cross compliance implementation can be summarised as follows:

Type 1

There are some exceptions that apply to this type[6] but, in general, Member States in this group tend to:

- have not defined farmers' obligations for all Articles of the legislation for at least five or more of the 15 SMRs. Omissions in obligations are numerous.
- have developed farmers' obligations for only one or two of the issues listed in Annex IV. Annex IV has been used as a framework for defining standards but not a definitive list that must be complied with. Member States in this group

[6] Member States may not fit the typology exactly but are likely to match at least three of the criteria listed in relation to this type.

have determined that only a few of the issues are relevant to the Member State. Obligations are most commonly defined in relation to 'Soil Erosion' and 'Minimum level of maintenance'.

- state that the maintenance of permanent pasture is not relevant as there is no permanent pasture, or no rules have been applied or no threshold level has been set.
- have generally designated the Paying Agency as the competent control authority and systems of management and control are relatively centralised. The Paying Agency selects the sample for control based on IACS data and generally employs its own inspectors to carry out controls on farm. Data on controls and control reports remain within the same organisation.
- issue warning letters for minor, negligent non-compliances or, where sanctions are applied, apply reductions at the lower end of the permissible levels (1-3%). Some Member States in this group have not provided information on payment reductions.
- use a limited range of media (1-3 different methods) to convey information to farmers. The use of websites and telephone helplines are less common in these Member States than others. There are concerns in some Member States regarding the applicability of the information e.g. it may be lacking in detail or too complicated for farmers to understand.

Type 2

There are some exceptions that apply to this type[7] but, in general, Member States in this group tend to:

- have mostly established farmers' obligations for the relevant Articles of the legislation for ten or more of the SMRs. Omissions in obligations are relatively few in number
- have developed farmers' obligations for at least three of the issues listed in Annex IV. Annex IV has been used as a framework for defining standards but not a definitive list that must be complied with. Member States in this group have determined that not all of the issues are relevant to the Member State. Obligations are most commonly defined in relation to 'Soil Erosion', 'Soil Organic Matter' and 'Minimum level of maintenance'.
- only require action by the farmer once a 10% decrease in permanent pasture has occurred. The action is usually that farmers who have converted permanent pasture to another land use must re-convert land to permanent pasture.
- have designated both the Paying Agency and specialised control bodies as competent control authorities and systems of management and control are more decentralised than for Type 1. There is usually some type of co-ordinating body in place to co-ordinate activities between the Paying Agency and the specialised control bodies and systems are in place for data transfer. Both the Paying Agency and the specialised control bodies select the control sample within their competencies.

[7] Member States may not fit the typology exactly but are likely to match at least three of the criteria listed in relation to this type.

- apply payment reductions of between 3 and 5% for negligent non-compliances. Payment reductions for intentional non-compliances are generally 20% although may rise to the maximum 100% in some circumstances.
- use an average number of different types of media (4-5 different methods) to convey information to farmers. The use of websites is relatively common. The information is generally applicable for farmers and comprehensive.

Type 3

There are some exceptions that apply to this type[8] but, in general, Member States in this group tend to:

- have established farmers' obligations for all Articles of the legislation for all 15 of the SMRs currently applicable. There are no omissions in obligations.
- have developed farmers' obligations for all of the issues listed in Annex IV. Annex IV has been used as a definitive list for defining obligations. Member States in this group have determined that all of the issues are relevant to the Member State.
- require farmers to seek authorisation for the conversion of permanent pasture once a 5% decline in permanent pasture has occurred and require the reconversion of previously converted permanent pasture once a 10% decline has occurred.
- have designated specialised control bodies as the competent control authorities and systems of management and control are relatively decentralised. There is usually some type of co-ordinating body in place to co-ordinate activities between the Paying Agency and the specialised control bodies and systems are in place for data transfer. The specialised control bodies select the control sample within their relevant competencies.
- apply more severe payment reductions (100%) immediately for intentional non-compliances or if inspections are refused.
- use a wide range of media (> five different methods) to communicate information to farmers. Continuous information sources such as websites are always used. The information provided to farmers is detailed, clear and comprehensive

2.4 Using the typology

The purpose of the typology was to provide a framework for presenting replies to the Evaluation Themes and Questions in the following sections of this report. In completing the analysis for these Themes and Questions, the overall typology was not found to be particularly helpful in organising responses to the various questions. This was because the requirements of the questions did not closely match the criteria used in the typology to group Member States. For example, Question 2.1 considers the extent to which information provided to farmers contributes to raising awareness of

[8] Member States may not fit the typology exactly but are likely to match at least three of the criteria listed in relation to this type.

their obligations and requires a detailed analysis of the nature of information provision by Member States. The typology meanwhile is based only on a rather basic criterion of the number of different types of information provision and hence is not particularly helpful in organising the analysis. The wide variation in implementation approaches to information provision across the Member States means that the typology does not really help to present the actual complexity of the situation. The typology has therefore not been used as a tool to help organise replies to the Evaluation Themes and Questions but it does provides an interesting snapshot of Member State approaches to the implementation of cross compliance.

3 THEME 1: DEFINITIONS OF GAEC AND PERMANENT PASTURE LEVELS

3.1 Introduction to Theme

In this section, the analysis considers farmers' obligations defined by Member States in order to respond to the issues and standards established in Annex IV of Regulation 1782/2003, as well as the rules according to Article 5 to maintain levels of permanent pasture. The focus is on the impact of these obligations on the different objectives of the policy and on farm incomes.

Q1.1: Taking into account the specific situations of Member States in terms of farming systems and environmental conditions, to what extent do the established definitions of GAEC contribute to achieving objectives of preventing:
Sub-question 1.1.1: soil erosion of agricultural lands?
Sub-question 1.1.2: reduction of soil organic matter of agricultural lands?
Sub-question 1.1.3: deterioration of soil structure of agricultural lands?
Sub-question 1.1.4: deterioration of habitats of agricultural lands?

3.2 Introduction to Q1.1

The analysis focuses on the definitions of farmers' obligations derived from GAEC standards for all 25 Member States. The main question is 'how far have obligations, defined with respect to standards, contributed to the objectives of preventing soil erosion, loss of soil organic matter, deterioration of soil structure and of habitats?' The first step encompasses a comparison of the established definitions of GAEC obligations related to the different sub-questions concerning coverage of issues, number and type of obligations and targeting of obligations to farm types or areas, identifying similarities and differences in Member States' approaches. Hence, the comprehensiveness and targeting of obligations can provide an indication of their *effectiveness.* In order to analyse the change provided by cross compliance in comparison to a counterfactual situation without this instrument, it is also necessary to consider if standards are new or were already mandatory before the introduction of cross compliance.

The evaluation then seeks to establish how far GAEC standards require real changes in farm management. Numbers of non-compliances connected to GAEC can provide some indication whether efforts are required to meet the obligations. Use is made of expert judgements in the national reports and case studies. Different approaches are related back to the specific situations of Member States in terms of farming systems and environmental conditions. This helps to understand how far GAEC obligations are targeted and adapted to these specific situations. Consideration is also given to whether GAEC obligations were targeted by agri-environmental measures or other, mandatory or non-mandatory interventions before 2005, although information in this respect has not been given in every national report. This step gives both insights into alternative instruments to cross compliance and into the importance given to environmental issues at Member State and regional level. The analysis explores whether policy makers and stakeholders attribute importance to the GAEC obligations, regarding specific objectives, especially in the case of "new" objectives,

or conflict of goals (agricultural vs. environmental conditions). Finally, it can be judged, where defined GAEC obligations effectively contribute to the conservation of the environment in relation to protecting soils from erosion, reduction of soil organic matter, deterioration of soil structure and deterioration of habitats of agricultural lands.

3.3 Analysis for Q1.1

For comparison of **GAEC definitions**, the information provided in the Descriptive Report has been used as point of departure. The main sources for additional information are the reports of the national experts, especially regarding information on GAEC breaches, judgements on the degree of GAEC targeting, information on the consultation process for cross compliance, environmental legislation related to GAEC standards, and protection/improvement effects expected by policy makers, stakeholders and experts. Additional information provided in case studies has been taken into account.

3.3.1 Soil conservation

Although soil degradation processes vary considerably from Member State to Member State, with different threats resulting in different degrees of severity, soil degradation is an issue all over the EU (COM (2006)231 final). Official objectives in terms of soil conservation at Member State level were not obtained. At EU level communications related to the Thematic Strategy for Soil Protection (COM (2006)231 final and (COM (2006)232 final) state that, among others, the overall objectives are to prevent further soil degradation and preserve soil functions. To address soil erosion, soil organic matter and soil compaction risk (three of eight identified soil degradation processes in the EU), areas have to be identified and measures to be taken in order to prevent further soil degradation by reducing the risk of it occurring and restoring degraded soils in order to preserve soil functions. Cross compliance is just one instrument to address these issues, and the decision about risk acceptability, level of ambition regarding the targets to be achieved and the choice of measures is left to the Member States.

3.3.2 Soil erosion

Comprehensiveness of GAEC definitions

Apart from EE and LV, all Member States have introduced farmers' obligations specifically aimed at minimising soil erosion. Thus, this issue has received great attention and is well covered. A wide variety of GAEC obligations has been defined. Considering the three standards for soil erosion defined in Annex IV, most of the obligations relate to **minimum land management reflecting** site-specific conditions and **minimum soil coverage**.

Obligations **for minimum land management** tend to be targeted at areas where soil erosion is most likely to occur. In some Member States (BE (F, W), CY, CZ, EL, ES, HU, LU, NL, PL, SK), slope criteria are specified (although not quantified in CY). In PT, control indicators relate to a national soil erosion index. Other obligations refer to ploughing along contours (CY, MT), grazing on common land (IE), and avoidance of soil erosion channels on sloping land (IT). In the UK, there is a range of obligations

aimed at minimising soil erosion reflecting site-specific conditions. This includes the Soil Protection Review in England, which has to be developed and updated by each farmer, and obligations relating to soil capping and wind erosion in Scotland. In NL, farmers must report significant levels of soil erosion and draw up a plan to deal with it. In a number of Member States, it is not permitted to grow row crops on soils prone to soil erosion (CZ, HU, NL, PL, SK).

A number of Member States have obligations for establishing **soil cover** on arable land, often over the winter period (DE, ES, IE, UK (E); in BE (F) depending on the crop). In UK (S, W) soil cover can be part of required post-harvest management. Standards for soil cover are specifically limited to land not in agricultural production or in set aside in AT, DK, FI, LT, and SE. In some Member States, there are obligations for grassed strips (BE (W), FI, FR), as well as obligations for minimum cover on all soil types prone to erosion (CY, EL, ES, NL, PL). In LU, farmers must choose a management option related to soil cover in order to prevent ditch erosion. In IE as well as in UK (NI), soil can be rough ploughed as an alternative to establishing a green cover over winter. In FI, there are several obligations related to minimum cover in NVZs.

Obligations concerning the **retention of terraces** exist in nine Member States, mostly requiring that terraces are not destroyed or removed. Whilst in ES and IT there is a requirement to *maintain them in good condition*. The obligation in CZ applies to a range of landscape features, which can contribute to minimising soil erosion.

In addition, a number of soil erosion obligations do not readily or only partially relate to the three main standards (CZ, EL, FI, FR, MT, NL, SL, SK, UK). These obligations are related to landscape features (CZ), irrigation (EL), cultivation of nitrogen binding crop species (FI), burning of crop residues (FR, SK), presence of erosion gullies (MT), obligation to implement specified anti-erosion plans and for green manuring (NL), general requirement to avoid soil erosion (SL), and a range of soil erosion management measures (UK).

Impacts of GAEC standards on soil erosion do not solely arise from the obligations named under this issue. Soil erosion is also addressed by **obligations mainly related to other GAEC issues**: Other obligations on soil protection are interlinked with the issue of soil erosion, as an appropriate soil organic matter benefits soil structure, and thus can contribute to prevent soil erosion, as well as all measures preventing deterioration of soil structure. Obligations related to arable stubble management might also result in better soil cover. Obligations such as avoidance of fine grading in CY, maintenance of an efficient surface water drainage system in IT and avoidance of heavy poaching in the UK could also impact on the issue of soil erosion. In EL and FR obligations related to soil organic matter are partly seen to contribute to prevention of erosion. Obligations related to a site-specific ban on conversion of permanent pasture on steep hills, which are not always named under this issue, can contribute to the prevention of erosion, such as in AT. Also in AT, tillage operations close to water bodies are banned, which reduces run-off. Concerning the issue of minimum level of maintenance, rules for cover of set-aside land as well as limitations on overgrazing or severe poaching are also likely to benefit erosion. Site-specific maintenance of permanent pasture (as in AT, CZ, EL and IT) will clearly prevent erosion on such sites.

Some Member States have taken a **more comprehensive approach** to this issue than others, when considering the number of obligations defined under the issue of soil erosion. While some Member States have introduced one obligation (DK, HU, LT, SE, SL, UK (NI, S), although the latter one with several sub-obligations), the majority have established two or three obligations, while others have at least four (EL, ES, FI, NL, UK (S)). Considering all GAEC standards with a strong link to soil erosion, Member States with most obligations with a strong relation to erosion are ES, EL and IT and the UK (in the latter case limits on overgrazing and severe poaching contribute), but also FI and NL. However, in FI the main target of obligations is the limitation of nutrient runoff, and in NL the standards, though very detailed, only apply in one province.

Targeting of defined GAEC obligations to the specific situations of Member States
The Mediterranean region is especially prone to erosion due to long dry periods followed by heavy bursts of erosive rain falling on steep hills with fragile soil. Thus the comprehensive approach of EL, ES and IT appears to reflect these problems. However soil erosion is also a problem in north-west and central Europe, but is not considered as serious by all Member States.

Regional targeting of obligations varies. Whereas in MT contour ploughing has always to be carried out, and in UK (E) each farmer needs to conduct a Soil Protection Review, nearly all requirements related to minimum land management have only to be complied with in **conditions which lead to high vulnerability** for soil erosion. The criteria of where obligations apply differ widely between the Member States. Whereas in NL rules apply already for slopes >2% (although only in one province), BE (W), EL and ES set some obligations for minimum land management for slopes >10%, and HU and LU for slopes of 12%. Such obligations are only valid on extremely steep slopes in CZ and SK with 12° (~ 21%) and PL with even 20° (~ 36%), thus being relevant only for limited areas of land.

Other obligations related to soil erosion, such as retaining terraces or providing soil cover often apply area wide. A horizontal requirement for soil cover or restrictions for soil management in winter apply in DE, IE, PT and UK. General obligations on soil cover on **land not in production** have been defined in AT, DK, ES, FI, LT (although black fallow is possible as well, thus not being effective for the prevention of erosion and rather directed at avoiding encroachment of unwanted vegetation), NL, SE. In several other Member States similar requirements exist, but under the issue of soil organic matter (NL) or minimum maintenance of land.

Soil management plans are a very targeted means of defining obligations adapted to local circumstances. Such plans are required to be implemented by every farmer in UK (E) and in NL in cases where they have been drawn up by the responsible authority.

Expected changes at farm level and impact of obligations
Obligations under the issue of soil erosion seem in nearly all cases not to be based on previously existing legislation. This is only the case for NL and SK. In addition, in DK and SE the only obligation is based on existing set-aide rules (in SE as well on the Nitrates Directive). In CZ some of the addressed landscape features have been

protected by nature conservation legislation. In EL rules for slopes have been part of GFP and thus applicable for farms in LFA, which already covers most slopes > 10%. In ES similar, but less detailed measures existed under GFP. In addition GAEC standards in MT, PL and PT were largely based on GFP.

No direct benefits of GAEC concerning soil erosion can be expected in EE and LV, where no obligations have been designed. Here soil erosion is not considered as a major issue, although experts see some need in LV.

Limited additional impact of cross compliance rules related to soil erosion can be expected in NL (only relevant in one province and already based on *previously existing legislation*), SK, DK and SE, as standards existed previously. In case of the latter two Member States, soil erosion is not a priority issue, and the obligations are rather directed at nutrient leaching. Still, a Danish expert stated that the GAEC obligations alone were not appropriate to address soil erosion. However, many of the SMRs and other parts of existing environmental regulations address the problem directly or indirectly in DK.

Due to a *very limited regional applicability* of obligations in some Member States the majority of farms will not be subject to any obligations directed explicitly at erosion - in NL and PL, in CZ (apart from maintenance of certain landscape elements), and SK (here apart from stubble burning) further management obligations are only valid on very steep slopes, although here they will certainly be beneficial. However, on much less steep slopes serious soil erosion can still occur, especially on vulnerable soil such as silt, and this is not being addressed by obligations defined under the issue of soil erosion. In the NL where erosion is only a regionally limited issue, this approach seems to be justified, even more as here already slopes >2% are considered. An expert in CZ considers the obligations will be beneficial, but not sufficient to address the problem; however, soil erosion is also targeted by agri-environment measures (AEM) and, as in PL, the ban on converting PP might also contribute to the prevention of erosion. In HU, where the only standard addresses steep hills, only little positive effect is expected. Low obligations exist in LT, where even black fallow on slopes is allowed. Leaving land roughly ploughed over winter (as allowed in IE and UK (NI) is also not a strong protection against erosion, but both consider erosion not to be a major problem.

Some obligations seem rather *easy to comply* with: presumably rather limited additional impact can be expected in DE, where the standard for soil cover normally requires no change in management. In FR, 5m grass strips along water courses are well accepted by farmers, easy to implement and to control and effectively prevent direct soil and nutrient runoff into water, although they are less suited to tackle erosion where it begins (a major problem seems to be ploughing and cultivating along the slope). Thus, obligations in FR are not considered to deal with erosion very effectively, although regional obligations concerning minimum maintenance of land might contribute to this issue, if soil cover in risky conditions is required.

Where terraces exist, and have not been addressed by previous legislation, cross compliance can contribute to their maintenance, especially in cases where they have to be kept in good condition, as in ES and IT. This might require some effort especially for small and traditional farmers. These two Member States are among the

ones with rather **ambitious approaches** to soil erosion, which reflects the high soil erosion risk in Mediterranean regions. In EL all GAEC obligations are said to have a soil erosion dimension to some degree and obligations are considered as appropriate and addressing all sources. However, these obligations are based on previously existing GFP, and the impact of cross compliance depends on how far these have been established practice before and how strictly they are enforced. In ES, which defines detailed requirements for soil cover and management, some limitations are criticised by experts in so far, that slopes < 10% are not addressed and parcels of less than 1 hectare or of complex shape are excluded from these requirements, which thus excludes large areas of olive groves in mountain areas that are especially susceptible to erosion.

Further obligations seen as effective include the temporary insertion of furrows in IT, which is a well established practice with relatively low implementation costs and horizontal prescriptions on contour ploughing in MT. In UK (S) medium-high level of environmental impact is expected especially in terms of soil quality and water quality. However some prescriptive conditions may lead to perverse effects e.g. additional field work to remove cap/crust may lead to compaction, channel wash and erosion. In UK (E) much will depend on how the Soil Protection Review is implemented in practice, but it has the potential to ensure appropriate management targeted to the local conditions.

Negative impacts can result from obligations defined under the minimum level of maintenance addressing encroachment of vegetation and minimum management of land in case they lead to clearing of vegetation (see below).

3.3.3 Reduction of soil organic matter

Comprehensiveness of GAEC definitions
All Member States except four have defined GAEC obligations to address soil organic matter. Thus, this issue has been fairly well covered within the EU 25.

Eight Member States have obligations relating to the two Annex IV obligations for **both crop rotations and arable stubble management** (CY, DE, EL, FR, IE, MT, SL, UK (S, W)). Nine Member States have GAEC obligations for maintaining soil organic matter through **crop rotations** (CY, DE, EL, FR, IE, LU, MT, SL, UK (S, W)). In EL, the crop rotation obligation initially required all farmers to cultivate grain legumes on 20% of the holding's arable land. However, this obligation has been temporarily suspended and is expected to be re-introduced in a more targeted form. In the UK, farmers' records are checked for use of organic materials in Scotland, and specifically for crop rotations in Wales. Specific percentages for a share of crops are only set in DE, EL (now suspended) FR, LU (only for farms with low manure input) and SI.

Apart from seven Member States (DK, EE, HU, LU, NL, SE, UK (NI)), all others have obligations specifically targeted at **arable stubble management**, the majority of them relating to prohibitions or restrictions on the burning of arable stubble and crop residues (AT, BE, CY, CZ, DE, EL, ES, FI, FR, IT, MT, PL, PT, SL, SK, UK (E,

W)). Often exceptions can be made e.g. due to phytosanitary reasons. In EL, farmers can choose arable stubble management options suited to local conditions. In ES, crop residues must be eliminated according to locally established rules. In IE, arable stubble management is only required where low levels of organic matter occur.

Eight Member States have attached **additional obligations** to this issue, such as soil testing or humus levels (in BE and DE, instead of complying with rules on crop rotation), rules for set aside land (in NL, PL and SE, the latter one are the same as for erosion) and on burning of further vegetation in UK (E, S). There were also restrictions on the storage and application of manure on land not in agricultural production (UK (E)).

Thus, whereas DK, EE, HU and UK (NI) have not defined any obligations, EL, MT and UK (E) seem, in particular, to put more emphasis on the issue of soil organic matter.

Soil organic matter is also affected by obligations mainly related to other issues, such as obligations for soil management named under the issue of soil erosion in the UK, site-specific bans on the conversion of PP and requirements for soil cover.

Targeting of defined GAEC obligations to the specific situations of Member States
Obligations under soil organic matter are not specifically targeted to **regional circumstances**, apart from EL and ES, where local conditions are taken into account when dealing with crop residues and in LU, where farms with low manure input are especially targeted. NL and SE only consider set-aside land, but both seem not to experience serious problems with soil organic matter (in any case, in SE stubble burning is regulated by legislation independently from cross compliance; in NL farmers are expected to take appropriate action because it is in their long-term self-interest, and awareness seems to be high). EL is planning to re-introduce a standard on crop rotation targeted to specific farms; having been very ambitious, this standard reflects, together with the two other obligations, the emphasis given in EL on soil protection.

In the four Member States where no obligations related to soil organic matter have been implemented, this issue seems not to be a serious national problem, thus no need has been seen to introduce GAEC obligations. These countries include DK (where as well burning of stubble has already been effectively regulated for a long time already), EE, and UK (NI) (where the control point for soil management may also address soil organic matter issues). Only in HU does soil organic matter seem to be a problem, but obligations have not been implemented.

Of the Member States having only defined one obligation (AT, BE (W), CZ, FI, IT, LT, LV, NL, PL, SE, UK (S), this approach seems to be sufficient for FI, LT, NL and SE. In those Member States there appears not to be major problems with the issue of soil organic matter. For CZ the obligation of not burning crop residues is seen as not sufficient to address the issue. In IT consideration was given to introducing a standard for crop rotation but in order to better address local diversity it was considered more appropriate to use incentives from Pillar II.

Expected changes at farm level and impact of obligations

No direct impacts on soil organic matter can be expected in the Member States not having implemented any obligations under this issue (DK, EE, HU and UK (NI)).

In most other cases obligations regarding soil organic matter seem to require rather **little change at farm level**. Obligations regarding arable stubble management were already regulated in some Member States before the introduction of cross compliance (AT, DE, in some French departments, PT, UK (E)), thus here they will hardly have any additional impact. In BE (W), where the measure is new, stubble burning is not a widespread practice, and in EL, ES, MT and PL it has been based on GFP. In ES it is expected, that the impact of the obligations will be very limited, although problems with low organic matter content often occur.

In none of the Member States have obligations regarding crop rotation been based on previously existing legislation, thus these obligations are new for farmers. Still, obligations for crop rotation are either formulated rather vaguely (e.g. IE, MT, UK (S, W)) or seem to be easy to comply with e.g. in FR and DE[9].

The crop rotation requirements in EL would have had **big impacts**, but because of high resulting costs for farmers, the obligation has been suspended. In case of a more targeted re-introduction this obligation is likely to require management changes on those farms where soil organic matter needs to be addressed. Changes due to requirements for arable stubble management are expected in some French departments, where stubble burning was a major reason for loss of soil organic matter, in IT, where historically most stubble burning takes place in the south of Italy and about 7% of farms are affected by the new requirement, and in PL and SK, where burning of grassland and stubble has been a widespread problem, which is now being addressed by GAEC. Thus in these cases cross compliance is likely to have positive impacts. In EL a significant impact is expected from harvest management obligations, which depend on local conditions. In the Mediterranean Member States reducing fire risk is another objective of obligations related to arable stubble management. In the UK (E), although considered as being suitable, it is estimated as unlikely that obligations bring significant additional improvements to soil organic matter with the possible exception of general benefits from the Soil Protection Review, required under the issue of erosion.

Another aspect of possible impacts of GAEC obligations has been reported in BE (W), where the requirements to analyse soil for carbon and acidity is expected to increase farmers' awareness about the quality of soil. Farmers then have the choice to apply measures for soil improvement. A high awareness is an important prerequisite for soil conservation, as this issue should be in the interest of each farmer, as is pointed out in the NL.

[9] In FR 85% of the UAA of a farm can still be planted with the same crops, or specialised systems with one crop on more than 95% of UAA must have winter cover; in DE up to 70% the UAA of a farm can still be cultivated with one crop; and if this requirements is not complied with either a humus balance can be calculated or soil test be taken, whereby the limit values to comply with when analysing soil are very low.

Some of the obligations under this issue seem designed to address different issues, such as nutrient leaching in case of buffer strips in FR, soil cover of land not in agricultural production in NL and SE, the obligation of UK (S) to incorporate manure within two weeks and restrictions on storage and application of manure in UK (E), which can even be counterproductive to increasing soil organic matter. Biodiversity issues and reducing of fire risk are also objectives attached to obligations dealing with limitations on burning in some Member States.

Although land use strongly influences soil organic matter, conversion of permanent pasture has not been explicitly linked to a standard under the issue of soil organic matter. Also, with regard to GHG emissions, ploughing of highly organic soils is extremely relevant, but the objective of GHG reduction is so far outside the scope of the present design of cross compliance.

3.3.4 Deterioration of soil structure

Comprehensiveness of GAEC definitions
14 Member states have not developed GAEC obligations, which specifically address the issue of maintenance of soil structure (BE (F), CZ, DE, DK, EE, HU, LT, LU, LV, NL, PL, PT, SE, SK). Thus, the issue of soil structure receives the least attention within GAEC.

Nine Member States have developed obligations relating to the standard for **appropriate machinery use** in order to maintain soil structure (AT, CY, EL, ES, FI, IE, MT, SI, UK), in most cases stating that machinery may not be used on waterlogged or frozen soils although derogations may be possible in some circumstances (AT, EL, ES, FI, IE, MT, SL, UK (E, NI, S)). In MT, farmers must also avoid unnecessary compaction with machinery at all times. In CY, the obligation states that ploughing should only be done in 'acceptable' conditions. In Slovenia, vehicle tracks must not exceed 20cm in depth. In the UK (W, S), farmers must avoid compaction due to poaching by livestock (an obligation covered as well by UK (NI) under another issue).

Four Member States have developed obligations to address soil structure other than through appropriate machinery use. In BE (W), farmers must test irrigated soils for deficiencies and take steps to address these where they occur. In CY, the fine grading of soils must be avoided. In FR, farmers must have proof of authorisation to extract water for use on irrigated crops. In IT, farmers must maintain drainage systems.

Two obligations for the issue of soil compaction have only been defined by MT.

Some other obligations developed for soil erosion and soil organic matter are considered by some Member States to have positive effects on soil structure as well (e.g. BE (F), DE, LU, PT, SE). This may also be the case in other Member States but has not been explicitly stated. Avoidance of overgrazing, flooding when irrigating, and restrictions on ploughing all have impacts on soil structure. Ensuring a high content of soil organic matter is also considered beneficial by some Member States to preventing the deterioration of soil structure.

Targeting of defined GAEC obligations to the specific situations of Member States
Obligations defined under the issue of soil structure are not targeted to specific farms or regions, unless the rules for irrigated land in FR are counted, but the main purpose of which seems not to be soil structure, but to further include a cross compliance rule that has shown to be effective to improve the enforcement of regulations related to water use.

In many Member States the issue of soil structure is not considered a major problem (DK, EL, EE, FI, IE, LV, NL, SE, SL, UK (S)). Soil structure is also considered to be addressed by obligations within other subjects (in DE, LU the obligations linked to soil organic matter are meant to cover the issue of soil structure at the same time). This is one reason why some Member States have not targeted this issue. NL and SE state that farmers are aware of the importance of soil structure and take actions without being forced to, thus a GAEC-standard was not considered to be necessary. Contrary, in CY, soil structure is said to be a serious issue, which is addressed by the obligations appropriately. In PL an obligation related to soil organic matter is considered as advisable.

Expected changes at farm level and impact of obligations
Although obligations related to soil structure seem not to have been previously regulated by legislation in any Member State, they are likely to have **little impact**, as many Member States have not defined specific obligations. The widely applied obligations related to appropriate machinery use might have some limited positive impacts. However, the requirements are difficult to control. MT aims to avoid unnecessary soil compaction at any time, but this requirement is considered difficult to enforce, although it has been part of GFP already.

Only SI defined an outcome-oriented obligation that enables a measurement (vehicle tracks must not exceed 20 cm). The FR obligation was already part of previous cross compliance rules, and should therefore already be a widespread practice; it is, in any case, only applicable for farmers with irrigated land.

Soil analysis as required in BE, especially with related advice, provides knowledge about soil fertility. It might **raise awareness** of farmers and encourage them to take preventive actions. Still, in BE (W) this is only required for irrigated soil. Severe poaching by livestock has to be avoided in parts of the UK, and this might as well induce farmers to address more attention to this problem.

If obligations that ensure an appropriate humus content of agricultural soils are defined under soil organic matter, this will positively influence soil structure, and thus the stability of soils.

3.3.5 Deterioration of agricultural habitats and landscape features

The objective to avoid deterioration of habitats is explicitly covered by SMRs, namely the Habitats and Birds Directives. Within GAEC this issue is mainly addressed by

obligations related to a minimum maintenance of land, which will be analysed in this chapter.

Comprehensiveness of GAEC definitions
All Member States have covered the issue of minimum level of maintenance. This issue has generally received great attention and some Member States have defined a very detailed set of eight to ten obligations (ES, IE, UK (E, S, W)). Comparably rather few obligations (2) have been included in CY, HU and SK.

There are five standards related to the GAEC issue minimum level of maintenance:

1. minimum livestock stocking rates and/or appropriate regimes
2. protection of permanent pasture
3. retention of landscape features including where appropriate the grubbing up of olive trees
4. avoiding encroachment of unwanted vegetation on agricultural land
5. maintenance of olive groves in good vegetative condition.

Both obligations related to (1) and (4) address the same objective, namely keeping land in a condition to be used as agricultural land at any time, with the possibility to prescribe the actual *utilisation* of land under (1). Obligations defined by some Member States under (2) are often related to the same objective i.e. avoiding encroachment of vegetation on permanent pasture. Obligations defined under (2) are considered here where they address the *management* of land, whereas obligations related to the maintenance of the *ratio* of PP are treated under Q.1.2. Member States have not always separated these obligations. Thus, all obligations related to a *minimum management* of land are discussed together.

All Member States, apart from CZ and NL, have set obligations in relation to a **minimum management of land** (in the sense of minimum requirements to mow or graze or to avoid encroachment of unwanted vegetation), as to secure the potential use of agricultural land was one major objective for the introduction of GAEC. General obligations to remove unwanted vegetation on any agricultural land have been set by AT, BE (F, W), CY, EL, EE, ES, FI, HU, IE, LT, LU, LV, MT, PL, PT, SL, UK (E, S). Rules for the management of PP exist in EL, ES, FI, FR, IE, LT, LU, LV, PL, SE, SK, UK (E, NI, S, W), and obligations specifically addressed at land currently not under agricultural production have been defined by BE (F, W), DE, DK, EE, FR, IT, LU, PL, PT, SK, UK (E). In the case of PT this means only the management of grass strips around set-aside land.

There are differences in the management requirements covered by these obligations. An obligation to *graze* grassland or to *cut and remove* growing vegetation in any case (compared to *mulching*), only exists in AT (on at least 50% of a farmers' land), EL, IE, LU, LT, PL, SE, UK (W, S) (regional rules might apply in FR and IT). In other Member States, where minimum stocking densities might be prescribed, removal of vegetation is alternatively possible as well by other means, if such stocking densities cannot be met (e.g. ES).

The frequency of this management varies between yearly (AT, BE (W), DE, EE, FI, IE, IT, LT, LU, LV, PL, SE, SL), two years (in DK it has been reduced from five

years from 2007 onwards) to every five years (UK (E)), but has not been specified in BE (F), EL, FR and SK. Wildlife friendly cutting of vegetation on set-aside land (leaving escape routes or a defined period where cutting is banned) are prescribed in BE (W), DE, DK, FI, IE, IT, PT and UK.

13 Member States do not have obligations specifically aimed at **retaining landscape features**. AT, CY, CZ, DE, EL, ES, FI, IT, IE, MT, SE and UK have defined obligations, which protect a range of landscape features including unproductive natural habitats on farms and man-made structures. Many of these obligations are based on previously existing national legislation, although there are some exceptions. Most Member States merely ban the removal or damage of defined landscape features, such as hedges, whereas the UK, in particular, has detailed obligations for the management of hedges and field boundaries. IE has obligations for the maintenance of external farm boundaries on livestock farms as well as burning regulations in tended to protect hedges and ditches. In EL and ES only terrain structures such as terraces and natural banks are affected, thus rather targeting erosion than the conservation of habitats.

Three Mediterranean Member States have established obligations, which require the maintenance of olive groves in good vegetative condition (ES, IT, MT).

Ten Member States have developed **additional obligations** which do not readily relate to the five standards for minimum level of maintenance. These include buffer strips along watercourses in AT and in UK (E) as well along hedges (such strips have also been addressed under erosion in FI and FR). In BE (F), non-agricultural profit-making activities must not take place on agricultural land (also in UK (E, W) non-farm vehicular use is not allowed on set-aside land). In France, there are rules for the diversity of crop cultivations, which can also be considered under the issue of soil organic matter. In LT, farmers must ensure that soil moisture levels are maintained. In the UK, there are rules for public rights of way (E), protection of Sites of Special Scientific Interest (E, S, W), Heather and grass burning (E, NI, S, W), and compliance with Environmental Impact Assessment (EIA) regulations (E, NI, S, W).

In some Member States other issues such as waste disposal and storage of fertiliser and pesticides have been addressed by GAEC (ES, MT, PT), or incorporation of manure in CZ, apparently reflecting a need for action in this respect.

Obligations included under other issues might also contribute to avoid a deterioration of habitats, such as obligations to maintain terraces and other landscape features (as in CZ). Rules on burning of vegetation in UK (E, S) target not only erosion but also biodiversity. Greening of set-aside land is also an obligation in several Member States under issues related to soil protection.

Targeting of defined GAEC obligations to the specific situations of Member States
Most Member States consider obligations related to minimum maintenance of land to be important in keeping agricultural land open and to **prevent abandonment or undermanagement,** especially of marginal land. In NL and LU abandonment of land is not considered a problem, as land is too valuable. Thus, consequently, NL has not defined any obligation related to this issue. All other Member States, apart from CZ, have obligations related to a minimum management of land (see above), although IE

reported no problems regarding minimum level of maintenance, in BE the danger of land abandonment is weak and in HU land abandonment has greatly decreased due to SAPS.

In several Member States obligations defined under this issue are exclusively targeted at keeping agricultural land open, avoiding the spread of weeds, or land becoming unsuitable for agricultural land use (HU, LT, LU, LV – as here main issue - PL, SE, SL, SK). This concerns mainly Member States in Central Europe, where land abandonment is a serious problem. Although the decline of landscape features has been mentioned in the Slovak report, this matter has not been addressed under GAEC. In SE open habitats are considered as important compared to large areas covered by forest.

A further objective expressed by Member States is the **conservation of habitats/maintenance according to nature conservation (**AT, CY, CZ, DE, DK, ES, HU, LU, NL, PL, PT, SE, SK, UK (E, W). This objective is addressed by obligations concerning landscape elements, but also by obligations connected to maintenance of land (where management in line with nature conservation is resulting, e.g. through wildlife friendly cutting, appropriate grazing management, which prevails in Member States with a high importance of grazing such as EL, ES, IE, UK) or management in target areas adapted to local circumstances (UK), In CZ, the conversion of permanent pasture is prohibited. This can help to preserve areas with HNV grassland, although does not necessarily ensure adequate management.

Besides combating non-desirable plant growth, some Member States named **other objectives** such as fire prevention, decreasing pollution and addressing water use, which explains the use of other obligations, especially in ES, MT, PT. Maximum stocking densities also address intensification, as well as degradation of habitats and soils.

In addition to cross compliance **other instruments** are considered to address the matter of deterioration of habitats. In many Member States valuable landscape features and habitats are protected by **nature conservation legislation**. Such legislation has been cited as a reason not to include the same obligations into GAEC (e.g. stated by BE (F), NL, SE). However, many other Member States have included a ban on conversion or damage of landscape elements (many of them already protected) into GAEC (e.g. AT, CZ, DE, IE, MT, UK). In EL and ES the maintenance of terrain structures was included within GFP. **Rules for management of mandatory set-aside** land are also the basis for GAEC obligations for minimum maintenance of land in BE (F) and concerning soil cover of set-aside and non-cultivated land in DK. Keeping agricultural land open was regulated by BE (W), FI, SE, as well as combating certain unwanted vegetation (BE (W), EE, MT and UK (E)). Ploughing of PP has been banned by legislation in EL, the other obligations have been based on existing GFP. Besides BE (W) and SE, especially the UK have transposed many mandatory obligations into GAEC (e.g. besides rules on landscape features and noxious weeds, legislation regulating management of designated areas and the application EIA for semi-natural areas). Specific management of habitats is often left to agri-environment schemes which can be better targeted to local conditions. The importance of Pillar II measures for land management (especially of marginal land) was mentioned by interviewees in AT, CY, CZ, DE, NL, SE. LFA-payments are also seen to contribute

to continuing management of marginal land. Well-working and widely used agri-environment schemes are still a main means of targeted nature conservation in AT, DE, IE and NL, and thus their GAEC obligations are not meant to be very ambitious in this respect.

Although in many Member States exemptions from management requirements are possible and agri-environment schemes or prescriptions stemming from nature conservation schemes take precedence over obligations, **regional targeting** seems to happen to a very limited extent with GAEC obligations. Whereas some obligations are related to different land use (PP, arable land, set-aside), they hardly address local or regional conditions. There are some exceptions:

- EL, ES, FR, IT explicitly state, that obligations (e.g. stocking densities) can be adapted to local or regional prescriptions.

- In the UK "Sites of Special Scientific Interest" (SSSIs) and uncultivated land, rough grazing or semi-natural grassland are specifically targeted by separate obligations, thus farmers have to comply with specific management requirements in these areas. An Environmental impact Assessment (EIA) is required for management changes on certain land considered as valuable for nature conservation, assessing the local conditions.

- NL defines specified dates for re-seeding PP on sandy, clay and peat soils

Expected changes at farm level and impact of obligations

Little impact of obligations related to a minimum level of maintenance can be expected in NL, where important issues of nature conservation are regulated by legislation and under-management of land is not a problem.

In other Member States some obligations have been based on previously existing rules (see above), and here the additional impact of cross compliance will probably be limited to the additional enforcement system, but depend on how established the different requirements were before. In the UK, increasing the enforcement of existing legislation is seen as a key objective of cross compliance by administrations. In EL and ES obligations have been based on GFP.

In ES obligations are not seen as very demanding, as many exceptions, e.g. on the removal of landscape features and the ploughing of PP, are expected to be given. As well the rules for irrigation only apply to very few farmers, receiving water from certain over-exploited aquifers.

The following expected **beneficial impacts** can be identified:

- In many Member States obligations are seen as sufficient to **keep land open**, and thus address a key objective, especially in Central Europe (e.g. LT, LV). This alone can be beneficial for biodiversity especially in areas with a high share of forest. Obligations on maintaining the share of PP are also likely to address this objective, although they are not site-specific in most cases (see Q

1.2). Other measures are likely to have impacts on the abandonment of land, such as AEM and LFA-payments; in the new Member States SAPS has lessened the threat of land abandonment (e.g. in CY, CZ, HU). The impact of cross compliance cannot be seen separately.

- Where rules on the maintenance of **landscape elements** exist, they can contribute to preserving existing and recorded features, but will not increase their quantity nor improve their quality since this is not an objective of the policy. A notable exception in this respect is the requirement for the creation of buffer strips along hedges in UK (E), which will undoubtedly have positive impacts. As well in UK (E) appropriate management of hedges is required. Buffer strips along water courses can also contribute to maintenance of habitats, although their main objective is to limit nutrient runoff.

- Rules on the **maintenance of set-aside land** (greening and management), are likely to benefit soil, landscape, habitats and biodiversity preservation

- Obligations connected to limiting **pollution,** existing in several Member States, are not directly linked to a minimum maintenance of land, but are likely to contribute indirectly to avoid a deterioration of habitats.

- Obligations imposing **grazing regimes** can have an important impact on maintenance of grassland habitats. Limitations on overgrazing prevent degradation through intensification, avoidance of undergrazing aims at ensuring extensive management. Still, the impact of the latter will depend on how far exceptions are possible and whether vegetation may be cleared by other means.

- **Wildlife friendly procedures** when cutting vegetation on set-aside land or hedges can benefit farmland birds.

- Rules on **managing target areas** in the UK are expected to contribute to the maintenance of habitats. GAEC for Environmental Impact Assessment is seen as an effective measure to prevent a deterioration of environmentally sensitive areas.

Still, several **limitations and even contradictions** exist:

- It has been mentioned in several reports that cross compliance alone cannot (and is not meant to) secure the appropriate land management needed to meet nature conservation objectives. **Appropriate management,** especially of marginal land, is often not ensured. Maintaining valuable agricultural habitats has often not been addressed, although the importance of such habitats has been mentioned (e.g. HNV grassland in CZ, landscape elements in LU and SK). In DK the obligations are not seen as appropriate to secure the quality of semi-natural grassland, but obligations mainly address the problem of nitrogen leaching to the aquatic environment which is also a national priority. Problems with implementation of obligations for minimum management of pasture have been highlighted in ES and EL, especially in more marginal upland areas as

these are often community owned and thus management at farm level is not possible.

- Obligations related to minimum maintenance of land might contradict other objectives, such as to protect biodiversity or to prevent erosion. If obligations addressing **encroachment of unwanted vegetation** are applied in an inflexible way this could lead to increased use of chemical plant protection products and hinder any kind of micro-succession, where it might be beneficial for biodiversity, instead of regular mulching of land not in agricultural production any more. Clearing of vegetation (even to black fallow) could contribute to increased erosion (e.g. EE, LT); in ES obligations allow ploughing and burning as methods for controlling scrub encroachment, both of which can be damaging to the natural values of grasslands; alternatively, anti-erosion measures in PT could result in shrub invasion, the removal of which is costly.

- Although an important objective of GAEC obligations is to prevent abandonment of land, this might not ensure continued management of marginal land. In cases where the effort for minimum maintenance is high, farmers might exclude such plots from their registered land, if specific management is not supported by other means such as AEM.

- Concerns have also been expressed, that cross compliance may **impact on the willingness of farmers to participate in voluntary nature conservation** activities, such as the creation of landscape elements. (DE, NL).

- Rules on maintaining existing landscape features can be understood by farmers as an **"incentive" to remove landscape elements** before they become relevant (AT, DE).

3.4 Conclusions to Q1.1

Concerning **comprehensiveness**, all Member States have covered the issue of minimum level of maintenance (this issue has more standards than other issues and might be expected to have more obligations defined than other issues). Soil erosion and soil organic matter also appear to be priorities. Soil structure is the issue which has received least attention. However, the issues are interlinked, and many obligations impact on other issues. The detail of coverage differs widely between the Member States, often reflecting different priorities. Additionally, the potential to use other instruments to address relevant issues appears to influence the choice of GAEC obligations. Where certain farming practices are already covered in existing legislation or established AEM, this has led some Member States to exclude certain obligations from cross compliance (e.g. importance of AEM in AT and DE; mandatory rules on nature conservation or stubble burning e.g. in DK and NL; in IT consideration was given to introducing a standard for crop rotation but in order to better address local diversity it was considered more appropriate to use incentives from Pillar II). Specific management of habitats is often left to agri-environment schemes. However, some Member States have chosen to include existing legislation into GAEC (e.g. UK) in order to improve enforcement.

Overall, the **effectiveness of GAEC** can considered to be moderate, as obligations are largely based on already existing obligations (legislation or established GFP), have a very limited regional applicability (especially in the case of soil erosion when only very steep hills are affected by obligations) or do not require significant changes in farming practice. However, awareness by farmers of their obligations is expected to have increased which may lead to improved compliance. There was anecdotal evidence that in some cases inclusion of legislation in GAEC has made it easier to enforce through additional controls, the impact of which could not be assessed here. Where no obligations have been defined for single issues in different Member States, no effect will result. Some obligations have the potential to result in considerable effects, among them soil protection measures in EL, IT and MT, the prohibition of stubble burning, where it has been a widespread practice but not regulated previous to cross compliance, and the mandatory Soil Protection Review in UK (E). Obligations concerning minimum maintenance of land seem to be suited to keep agricultural land free from unwanted vegetation.

The **main, expected impacts** of the GAEC obligations as defined by the Member States are summarised as follows:

- Prevention of **soil erosion** is an important objective in many Member states and is reflected in a considerable number of obligations defined especially by the Mediterranean Member States, but also by others. Examples of obligations with potentially high impact are those requiring farmers to keep terraces in good working order (ES, IT). These two Member States are among the ones with rather *ambitious approaches* to soil erosion, in order to address national priorities. Examples for effective obligations under the issue of soil erosion can also be found e.g. in EL where all GAEC obligations have a soil erosion dimension to some degree. Further obligations seen as effective include the temporary insertion of furrows in IT and horizontal prescriptions on contour ploughing in MT. In UK (S) medium-high level of environmental impact is expected especially in terms of soil quality and water quality. The UK (E) favoured an approach very much targeted to local conditions, but much will depend on how the Soil Protection Review is implemented in practice. In the NL obligations seem to effectively address soil erosion in defined vulnerable areas. However, as obligations are often *based on previously existing GFP*, the additional impact of cross compliance will depend on how far these have been established practice before and how strictly they are enforced. Broad exceptions have been criticised in ES. Due to a very *limited regional applicability* of obligations in some Member States the majority of farms will not be subject to management obligations directed explicitly at erosion (e.g. NL, PL, CZ, SK) although where they introduce measures to address this issue, benefits can be expected. In EE and LV no obligations have been defined.
- Obligations regarding **soil organic matter** seem in most cases to require rather few changes at farm level, due to the fact that stubble management had already been part of GFP. Examples of obligations with potentially high impact are ambitious crop rotation obligations in EL, which have been suspended, but might be re-introduced in a more targeted way; also, in EL, harvest management obligations are expected to be beneficial. Rules on

stubble burning are seen as positive, where it was previously applied practice (some regions in FR, Southern IT, PL, SK). The English Soil Protection Review should result in benefits as well for soil organic matter. In the Mediterranean Member States reduced fire risk is considered a positive side effect of stubble burning restrictions. No direct impacts on soil organic matter can be expected in the Member States not having implemented any obligations under this issue (DK, EE, HU and UK (NI)).

- Concerning **soil structure**, this issue has received least attention. No impacts can be expected in the 14 Member States that have not developed GAEC obligations for soil structure. The widely applied obligations related to appropriate machinery use might have very limited impacts; they seek to regulate a widespread practice, which is difficult to control. Only SL defined an outcome-oriented obligation that enables a measurement.
- In many Member States obligations related to a **minimum level of maintenance** are considered as sufficient to keep land open, which is the topic most obligations under this issue focus on and which address a key objective, especially relevant in Central Europe. Rules on the maintenance of landscape elements can contribute to preserving existing features although in the UK (E), the requirement for hedge management and the obligation to create buffer strips along hedges in UK (E), introduces new landscape features. Obligations concerning maintenance of set-aside land, on wildlife friendly cutting and on grazing regimes have been identified as likely to have positive effects on the maintenance of habitats. Rules on managing designated areas and requirements to carry out EIA in the UK are expected to contribute to the maintenance of valuable habitats. Little impact of obligations can be expected in NL, where important issues of nature conservation are regulated by legislation and under-management of land is not a problem. Where obligations are based on previously existing rules, the additional impact of cross compliance will probably be limited to the additional enforcement system. In ES, obligations are not seen as very demanding, as many exceptions are allowed. In some cases obligations have been defined that do not directly address the standards covered by Annex IV of Regulation (EC) 1782/2003, thus they do not contribute to the declared objectives of GAEC but seek to address **other priorities** in different Member States (e.g. regulating irrigation, reducing fire risk, or limiting pollution).

Consideration was given briefly in the analysis as to whether obligations were selected according to national priorities. In many cases no official national priorities could be identified (e.g. FR, NL) or stakeholders identified different needs. In many Member States most of the national priorities within the scope of the GAEC-issues have been considered to be appropriately addressed by GAEC obligations, sometimes only with a focus on certain issues. In NL this led to the fact, that no obligations have been defined for some issues and standards, as they are not seen as necessary. Some Member States have stated that they did not start with national priorities but rather developed obligations in response to the EU requirements in the first place and kept close to GFP or existing legislation. Many Member States took care not to impose too many changes on farmers and to limit the burden on the administration. Still, many obligations have been **targeted with respect to the Member States specific conditions.**

The Mediterranean region is especially prone to *soil erosion*. Thus the comprehensive approach notably of EL, ES, IT and MT appears to reflect these problems. In addition, the soil management plans required in England represent a targeted means of defining obligations adapted to local circumstances. In other Member States soil erosion is seen as less problematic, and thus fewer obligations have been defined. Most requirements related to minimum land management are targeted to conditions, which lead to high vulnerability for soil erosion (e.g. winter cover; rules for management on slopes). For other Member States (e.g. DK, FI, SE) the main target of obligations is the limitation of nutrient runoff, and some obligations were defined in this respect. However, in several Member States experts see shortcomings concerning effective erosion protection through cross compliance.

EL, MT and UK (E) seem to put comparatively more emphasis on the issue of *soil organic matter*. Obligations under soil organic matter are not specifically targeted to regional circumstances, apart from EL and ES, where local conditions are taken into account when dealing with crop residues and in LU, where farms with low manure input are especially targeted. NL and SE only consider set-aside land, but both seem not to experience serious problems with soil organic matter. EL is planning to re-introduce a standard on crop rotation targeted to specific farms; having been very ambitious, this standard reflects, together with the two other obligations, the emphasis given in EL on soil protection. Most Northern European countries do not see the issue of soil organic matter as a major problem. In the four Member States where no obligations related to soil organic matter have been implemented, this issue seems not to be a serious national problem, thus no need has been seen to introduce GAEC obligations (DK, EE, UK (NI). Stubble burning has already been banned by legislation. Only in HU does soil organic matter seem to be a problem, but obligations have not been implemented. For many Member States having only defined one obligation, this approach seems to be sufficient. Some examples have been highlighted where obligations have been considered by experts to be insufficient (e.g. CZ, ES).

In many Member States the issue of *soil structure* is not considered a major problem or also considered to be addressed by obligations within other subjects. This is one reason why some Member States have not targeted this issue. NL and SE state that farmers are aware of the importance of soil structure and take actions without being forced to, thus a GAEC-standard was not considered to be necessary. On the contrary, in CY, soil structure is said to be a serious issue, which is appropriately addressed by the obligations. Obligations defined under the issue of soil structure are not targeted to specific farms or regions, unless the rules for irrigated land in FR are counted.

Most Member States consider obligations related to *minimum maintenance of land* to be important in keeping agricultural land open and to prevent abandonment or under-management, especially of marginal land. Land abandonment is a key issue in many Member States of Central Europe, but highly influenced by other measures of the CAP (e.g. decoupling, measures within Pillar II). In these countries – as well as in SE with large areas covered by forest - obligations defined under this issue are often exclusively targeted at keeping agricultural land open and suitable for agricultural use. In NL and LU abandonment of land is not considered a problem, as land is too valuable. Thus, consequently, NL has not defined an obligation related to this issue. Three Mediterranean Member States have established obligations which require the

maintenance of olive groves in good vegetative condition, an obligation not relevant in other Member States. A further objective expressed by many Member States is the conservation of habitats/maintenance according to nature conservation, and has been addressed by obligations concerning landscape elements, although only by some Member States, and also by obligations connected to maintenance of land. The UK has transposed many mandatory obligations into GAEC. In some Member States other issues (e.g. waste disposal and storage of fertiliser and pesticides; incorporation of manure) have been addressed by GAEC-obligations, apparently reflecting a need for action in this respect.

Some obligations have been shown to have clear **limitations** and can even contradict each other or oppose national priorities (such as nature conservation). Problems with implementation of obligations for minimum management of pasture have been highlighted in ES and EL, especially in more marginal upland as these are often community owned and thus control at farm level is not possible. Inflexible rules to prevent the encroachment of vegetation can lead to increased use of plant protection products and to the removal of vegetation, with adverse effects on biodiversity and soil protection. Alternatively, anti-erosion measures in PT could result in shrub invasion, the removal of which is costly. Additional fieldwork to remove cap/crust may lead to compaction, channel wash and erosion. Restrictions on storage and application of manure named under GAEC for soil organic matter in UK (E) can be counterproductive to increasing soil organic matter although beneficial for pollution prevention. Also, it has been mentioned that farmers might be more reluctant to engage in voluntary nature conservation programmes or to include certain habitats or landscape features into their farm. On marginal land in particular, where maintenance costs are high, cross compliance alone is unlikely to ensure appropriate management; this is likely to be dependent on additional incentives for farmers.

It was widely acknowledged, that cross compliance can set area-wide obligations but targeting to regions and specific conditions is difficult and has to be complemented by other instruments. Regarding minimum maintenance of land, cross compliance clearly shows limitations regarding targeting of obligations to local conditions (more than for soil erosion, as there the steepness of hills can provide threshold values). Examples for obligations that try to target different conditions are the Soil Protection Review and rules for designated areas and Environmental impact Assessments in the UK (E). In IT, regions may introduce derogations or specifications from the national rules for every GAEC standard. Also, in EL, ES and FR, local management rules for soil protection and minimum maintenance of land are relevant.

Q1.2: To what extent do the rules applied by Member States in compliance with the provisions of Article 5 of Regulation 1782/2003 contribute to maintaining land under permanent pasture (PP) (reference year 2003) and how far did this contribute to achieving environmental and agronomic objectives?

3.5 Introduction to Q1.2

The analysis is based on the reports of the national experts of all 25 Member States and on the Descriptive Report. The way in which Member States have implemented Article 5 of Regulation 1782/2003 (Article 5.1: GAEC according to annex IV and 5.2:

land under permanent pasture should remain PP) and Articles 3 and 4 of Regulation 796/2004 (describing the provisions for maintaining the required share at regional or national level) have been assessed. The rules governing the protection of permanent pasture (PP) by adequate *management* are considered under Q1.1. Q1.2 concerns itself with the established rules for the *maintenance of the area* of PP and thus also considers GAEC standards that restrict the conversion of PP. Trends of the area and the share of PP in the past and changes expected in future are analysed. Specific objectives of maintaining PP (considering which type of grassland, which location) are explored including ecological and agronomic objectives.

Finally, a judgement is made on the effectiveness of the cross compliance rules in maintaining PP maintenance and the extent to which they reflect different, particular objectives at Member State level.

3.6 Analysis for Q1.2

3.6.1 Coherence and completeness of PP rules implemented by Member States

Degree of consistency and completeness of Member States PP rules compared to EU requirements

In most Member States, the rules established for maintaining the area of PP at or above a threshold level follow the rules as provided by Article 5 of Regulation 1782/2003 and Articles 3 and 4 of Regulation 796/2004[10]. Nearly all Member States focus on maintaining the share of PP at national level, although a few exceptions exist:

- National level: AT, BE (W), CZ, DK, EE, ES, FI, FR, HU, IE, LT, LV, LU, NL, PL, PT, SE, SI, UK
- Regional level (NUTS1): DE
- Farm level: BE (F), EL, PL

BE (F), PL and EL oblige farmers to retain the share of PP at farm level. In PL it is also stated that, if the national share of PP is falling below 10% farmers can be obliged to reconvert land to PP; reductions of direct payments in case of non-compliance with obligation connected to PP will only be applied in PL from 2007 on. Following the national reports, obligations to ensure the maintenance of PP have not been established by the authorities in CY and MT, where officials assert that they

[10] Article 3 of Regulation 796/2004 states that the Member States shall ensure the maintenance of the ratio of land under permanent pasture in relation to the total agricultural area. This obligation can apply at a national or regional level. Paragraph 2 states that the ratio shall not decrease by more than 10% relative to the ratio of the reference year of 2003. Article 4 of the same Regulation enables Member States, at national or regional level, to place obligations on farmers applying for aid under any of the direct payment schemes listed in Annex I of Regulation 1782/2003 not to convert land under permanent pasture without prior authorisation or to re-convert land into permanent pasture where farmers have converted permanent pasture into land for other uses.

have no PP and therefore regard the rules as irrelevant. IT and SI have yet to define rules concerning the maintenance of the share of PP.

Member States define different 'trigger levels' (levels of permanent pasture decline), to prompt various remedial action (see Table 3.1).

Apart from CY, IT, MT and SK, all Member States require re-conversion of land to PP at the latest when the ratio of PP decreases by 10% at the national (in DE regional) level or PP has to be maintained at farm level. In the case of CZ, EL, ES, NL and UK (NI) the action to be taken is not yet specified. In the event of the national area falling below the limits in ES, the authorities in the regions that have experienced the decline may establish obligations for individual farmers. Which area of PP is to be re-established has not been specified by any Member State so far. In DE and FI, farmers who have converted PP within the last two years are affected, in FR, UK (E, S) this period is three years, but is seems that farmers can then chose, where to recreate PP.

Article 5 of Regulation 1782/2003 states that area under PP should remain PP and Article 3 of Regulation 796/2004 that the Member States shall ensure the maintenance of the ratio of land under PP in relation to the total agricultural area, which if understood literally could mean, that no plot of PP may be converted to other uses. But this is not how the majority of Member States have understood these paragraphs. In fact most Member States intend to take action in accordance with Paragraph 2 of Article 3 of Regulation 796/2004, which states that the ratio of permanent pasture should not decrease by more than 10% relative to the ratio of the reference year, by taking action when this percentage has been reached. This can be seen as the minimum EU requirement. Such an approach, which just fulfils the requirement but without defining further obligations within cross compliance concerning the maintenance of the area of PP, is taken by NL (where the share of PP has been stable so far and is not considered to be an issue) and HU. In this latter case, a decrease in PP has been noticeable and gives reason for concern with the overall approach seeming rather weak. In most cases, Member States introduce precautionary measures before a 10% reduction, mainly at 5% (e.g. require authorisation for conversion; although in England and Northern Ireland the actions to be taken are not yet specified). AT and FR have stated that action will be taken before a 10% decline is reached but have not defined a level for such action to be implemented.

Table 3.1 Trigger levels for permanent pasture obligations in EU Member States (based on National Reports)

	Degree of decline of PP and required actions				
Member State	**0%**	**% not defined**	**5%**	**7.5%**	**10%**
AT		Authorisation			Reconversion
BE (F)	Keep existing share of PP at farm level				
BE (W)			Authorisation	Prohibition of further conversion, otherwise reconversion	
CY	-	-	-	-	-
CZ	Ploughing allowed only every 5 years for renewal				Reconversion
DE			Authorisation		Reconversion [11]
DK			Authorisation		Reconversion
EL	Conversion only in case of environmental. or archaeological need				Unspecified action
EE			Authorisation		Reconversion
ES	Ploughing only allowed for renewal				Unspecified action
FI			Authorisation		Reconversion
FR		Unspecified action			Reconversion
HU			Information		Reconversion
IE			Authorisation		Reconversion
IT	Ploughing only allowed for renewal, not in Natura 2000				
LT			Authorisation		Reconversion
LU			Authorisation		Reconversion
LV		Conversion only for exceptions	Reconversion		
MT	-	-	-	-	-
NL					Unspecified action
PL	Keep existing share of PP at farm level				Reconversion
PT	Conversion only for olive groves, permanent or irrigated crops, forestry infra-structure[12]; authorisation required		Conversion only into olive groves and forestry		Reconversion

[11] Länder at NUTS1 may require reconversion in cases of decline by 8%

[12] Exchanges between plots at farm level allowed.

Table 3.1 (continued) Trigger levels for permanent pasture obligations in EU Member States (based on National Reports)

	Degree of decline of PP and required actions				
Member State	**0%**	**Member State**	**0%**	**Member State**	**0%**
SE			Authorisation		Reconversion
SL				Reconversion (8%)	
SK	Permission for ploughing needed				
UK (E)			Unspecified action		Reconversion
UK (NI)			Unspecified action		
UK (S)			Authorisation		Reconversion
UK (W)			Authorisation		Reconversion

Some Member States have defined obligations with respect to the maintenance of PP that are stricter than in most other Member States:

- BE (F), PL and EL oblige farmers to retain the share of PP at farm level (in BE (F) and PL the existing share of PP at farm level has to be maintained, in EL, so far, unspecified action has to be taken if the share decreases by more than 10%)
- Few countries limit the conversion of any PP. PT requires an authorisation for conversion for specified land use, but exchanging areas of PP on farm level is allowed. In EL, ploughing of PP must be officially approved and is only allowed in case of an ecological or archaeological need. CZ states, that it is forbidden to convert registered PP into arable land at all (although modification of these requirements is expected); in ES land use change of PP is banned under GAEC and ploughing only allowed for regeneration. Also, in IT ploughing is only allowed for pasture regeneration. In SK farmers have to seek authorisation for conversion of PP, but a percentage of decline of PP, where further action is being taken, has not been defined. In case the share of PP decreases in LV (any decrease under 5%) a conversion into arable land is only possible under exceptional circumstances, but this includes farms considerably reducing their livestock numbers or switching to crop farming altogether.
- Concerning reconversion of PP, stricter trigger levels are set by LV (5%) and SL (8%).
- Some countries additionally included limitations on certain types of grassland or in certain locations through GAEC (AT along water courses and, as in LU, on steep hills, UK of semi-natural grassland and in designated areas; as well in NL slopes >18% must be permanently covered by grass, although in the latter case only very little area is concerned). Such a standard does not address the *share* of PP, but its *location*, which is important from an environmental point of view.

Effectiveness of PP rules

The question of how far the rules for maintaining PP contribute to achieving environmental and agronomic objectives needs clarification in terms of which objectives should be considered, as the EU Regulations do not provide specific information on objectives[13].

When asked if the rules for maintaining the area of PP at or above a threshold level are regarded as having an environmental or agronomic objective, respondents in the majority of Member States stated that the objective was environmental. Environmental benefits that are mentioned include biodiversity, soil and water conservation. There are a number of deviations from this common position. In the UK (E) the perceived objective is to satisfy EU legislative requirements, that is, to say basically ensuring that the share of permanent pasture does not decrease by more than 10%. In SE, the rules are seen to respond to cultural heritage in addition to environmental concerns.

Evidence was collected of the observed trends in the level of PP since 2003. In 11 Member States (CZ, DK, EE, ES, FI, EL, LUX, NL, PT, SL and SE) and the region of BE (W) the area of PP has increased in recent years. Small decreases in PP have been observed in AT, BE (F), DE, HU and LT. In IT, meadows and pasture have decreased during the last 20 years. No significant changes are reported from IE, PL and UK (S). In ES the share of PP was underrepresented in 2003 due to inaccurate aid applications, leading to the impression of an increase in the area of PP. No information was available in FR, LV, SK and the rest of the UK. In ten Member States the reference year is only 2005, thus the period for observation is too short yet; in other Member States a decline of PP seems not to be an issue due to reasons beyond cross compliance (e.g. in CZ most grassland suitable for arable production had already been converted before the introduction of cross compliance and the remaining grassland is eligible for LFA payments, which constitutes an incentive for its maintenance).

When considering environmental questions, in most Member States a differentiation is made between general PP and grassland as valuable habitats for biodiversity, although the rules to maintain the share of PP do not consider different qualities of PP. In several countries the majority of the PP is said to be of limited value for biodiversity (e.g. BE, CZ, DE, NL, UK (E)), but in every Member States certain types of PP are seen as very valuable habitats for biodiversity, which are situated mainly on marginal land and dependent on extensive agricultural management. Even if a reduction of the share of PP is not seen as a problem, such valuable habitats are under threat or expected to decrease further mainly due to abandonment or afforestation of marginal grassland; intensification seems to be a secondary driver only. The most valuable habitats are often protected by nature protection legislation.

A reduction of any type of PP is not a concern in some Member States where there is already a very high share of PP such as IE and the UK (in the latter, valuable habitats are protected by several regulations)[14]. Also in NL (remaining valuable PP is

[13] Reg. 1782/2003, preamble (4) “Since permanent pasture has a positive environmental effect,...”

[14] In England and Wales a conversion of PP into arable land may even be considered as beneficial in areas where it results in greater landscape and habitat diversity.

protected by nature conservation legislation and additional incentives are set by the Nitrates Directive to report the existence of PP, which is expected to have a positive impact on the amount of PP), LU and SL. In EL, the area of PP is expected to increase.

Assessed effects of PP rules on maintenance at site / local / regional / national level
Nearly all Member States calculate the decrease of PP at **national level**, and this share is decisive for any action to be taken. Only in DE is the share of PP at NUTS1 level relevant. BE (F), PL and EL state that the share of PP has to be maintained at **farm level**. BE (F), EL and PL did not define limits in addition at the national level for action. In AT, maintenance of the share of PP at farm level is required by all participants of AEM, which affects the vast majority of farms, but is not an obligation under cross compliance.

Site specific limitations for the conversion of PP hardly exist under cross compliance. A general ban on ploughing PP or conversion only in exceptional circumstances exists in CZ, EL, ES and IT. If strictly applied, these obligations ensure plot-specific maintenance of the area of PP; this is also the case for PP in certain locations in AT (along water courses and on steep hills), LU (hills >12% with minimum length of 50m) and the UK (E)(EIA-rules); PT requires an official authorisation, but as an exchange of PP with other land at farm level is allowed, site-specific maintenance is not secured. In Natura 2000 areas, PP might be maintained through SMRs where non-deterioration rules are applied.

Related obligations based on national/regional legislation in place previous to CC
Cross compliance requirements to maintain the share of PP are generally not based on existing legislation (AT[15], BE , CZ[16], DE, DK, EE, EL, FI, FR, HU, IE, IT, LV, NL[17], PL, PT, SE, SL, UK). No statement could be obtained for ES, LT, LU and SK. In EL, the ban to convert PP back to agricultural land unless an ecological or archaeological need was established was previously part of GFP.

There are other rules governing the conversion of PP in a number of Member States: For example, in several Member States national nature conservation law may restrict the conversion of PP in designated areas. Certain types of grassland or PP within designated areas (e.g. Natura 2000 areas, SSSIs) are protected by nature conservation law (or water protection e.g. in DE) in AT, BE, DE, IT, NL and the UK (compliance with rules for SSSIs being a GAEC standard in the UK). In the UK, any change to semi-natural grassland is subject to an EIA (GAEC-standard based on existing legislation, specifically intended to prevent the loss of ecologically valuable pasture

[15] although as a precondition for the participation in the Austrian agri-environment program ÖPUL – where more than 90% of farmers participate, they must already comply with the requirement to maintain permanent pasture at farm level, thus this practice was "business as usual" already.

[16] existing national legislation has been amended to reflect the need for maintenance of minimum permanent pasture levels

[17] only the GAEC-requirement to cover slopes >18° permanently with grass has been already mandatory before in the region, where this control point applies

into other uses). In AT, some of the Federal Provinces have their own regulations for PPs especially in mountain areas (e.g. the protection of PPs from the expansion of forests), which have not been transposed into cross compliance. In NL obligations related to the Nitrates Directive (and as part of SMRs) allow the conversion of PP only in specific periods on certain soil types and/or certain crops. Also, farmers who want to qualify for a derogation from the limit for the application of organic nitrogen must have and retain 70% grassland in their total agricultural area. In SE, besides the cross compliance standard for maintenance of PP, any conversion to forest must be announced to the responsible administration according to national legislation.

3.6.2 Impact of cross compliance rules on farm management

Most Member States do not require actions at farm level unless a certain decrease of the share of PP occurs compared to the reference year (at least 5%). Such a decrease has not yet been reached anywhere so far at a national (in Germany NUTS1) level. In addition, Member States, which have not defined a specific trigger level and thus have not take any action yet (AT, FR). As a result most farmers have not had to change their management.

In cases where obligations at farm level apply even if no decrease of PP has been established *and* where these obligations have not been subject to already existing legislation before cross compliance, farmers are affected by these obligations. Examples for such a situation are AT and to a much lesser extent LU, as in the latter case far fewer farms are affected (no conversion of certain types of grassland), BE (F) and PL (share of PP at farm level not to be changed), CZ, EL, ES, IT and PT (ploughing only allowed under certain circumstances). The restrictions for BE (F), CZ, EL, ES, IT and PL seem to have the biggest impact on farmers and clearly inhibit another use of PP, a fact that has been criticised by Belgian farmers for not being consistent with the general principle of decoupling, and considering that a significant area of PP has the potential to be used as arable land.

No clear regulations exist in case of substantial PP losses due to abandonment, succession or afforestation, when no payment entitlements are activated on the respective land, as cross compliance rules for reconversion are valid for conversion into arable land only. Another issue is the conversion of forest or shrub land into PP by illegal means, e.g. fires, mentioned in the case study for EL, which is not explicitly addressed by the PP rules. However, the case study for EL refers to the opportunity for implementing an integrated management system for abandoned land, semi-grazing and wilderness area.

3.7 Conclusions to Q1.2

In most Member States, precautionary or complementary measures are in place in order to prevent decreases in the ratio of PP to arable land. Different threshold values are linked to warnings, restrictions or an obligation for reconversion. So far, no significant decline in the share of PP could be observed under cross compliance and no Member State has reported deductions of direct payments due to non-compliance with rules concerning the maintenance of the share of PP yet.

IT and SK seem not to have fully implemented obligations for the maintenance of the ratio of PP. CY and MT state that PP does not exist. Although IT has not defined any trigger level, a GAEC standard exists that allows tilling of PP only for the purpose of pasture maintenance and thus in fact ensures that the area of PP is maintained. SK merely requires farmers to obtain a permit or permission for ploughing of PP, but no indication is given regarding how restrictive such permissions can be. Also, BE (F) and PL do not define a trigger level for action but aim to maintain the existing ratio of PP at farm level. In the other Member States action at farm level will be taken at the latest when a decrease of 10% is reached (mostly at the national level, in DE at NUTS1, in EL at farm level), although actions are not always specified yet. Thus the obligations in place do ensure, apart from in the case of SK, that the ratio of PP does not decrease by more than by 10% (Paragraph 2 Article 3 of Regulation 796/2004 according to which the ratio shall not decrease by more than 10% relative to the ratio of the reference year). Without any other limitations on the conversion of PP, a calculation of a trigger level at national level can ensure that the national share of PP is not decreasing significantly (i.e. more than by 10%), but cannot avoid, that PP may decline very unequally over this area, or that farmers consider the rules as an incentive to plough before it becomes restricted. Thus, this standard cannot stop a massive decline of PP in one region as long as PP might be created in another. This is different where the share of PP has to be maintained at farm level, or where further limitations exist e.g. a total ban to convert PP as in CZ.

Although not explicitly formulated as an objective, concern about a decrease of valuable PP in terms of biodiversity has been expressed by many Member States. It seems that besides maintaining the share of PP, maintaining environmentally important PP is also considered necessary. As such valuable PP is predominantly situated on marginal sites it is often in danger of abandonment, and a continuation of its management may rely on additional incentives. Site-specific environmental considerations are hardly taken into account in the rules, as only the share of permanent grassland has to be maintained but not its location, and the decision of which land to convert or re-convert mainly depends on the farmer. In some areas, even a slight decrease of PP could have negative effects on the environment. Very valuable PP might be protected by nature conservation legislation and other rules (e.g. in the UK the EIA regulations). But PP outside these rules is not addressed, and cross compliance does not take any effect on its protection, unless conversion has to be authorised or additional limitations exist under cross compliance, which is the case only in few Member States. Thus, from a biodiversity point of view the rules on PP are of very limited benefit. Conversely, it has been stated in UK (E) and UK (W) that conversion of PP into arable land where it can be beneficial for biodiversity might be impeded slightly by the rules to maintain the share of PP. Also, afforestation can be a threat to marginal grassland and is not addressed by cross compliance obligations (afforestation may take place on grassland, as long as it is “compatible with the environment”). In IT, the main purpose of the cross compliance rules is soil protection, but while PP has to be maintained in its location, ploughing is allowed for the purpose of regeneration of PP, which weakens the effectiveness of this rather strict obligation.

In the majority of Member States obligations at farm level only come into effect once a considerable share of PP has already been converted, with afforestation not even being considered. Thus, the cross compliance obligations in most cases merely act as a safeguard against a possible strong decline in the future, but it seems unlikely that such a decline is an immediate threat. In countries, where PP is increasing or other measures are in place, effectively contributing to the maintenance of the area of PP, a "weaker" approach seems to be justifiable. Such an approach can include having defined a single trigger level for action at 10% or not having specified any concrete action in case a trigger level is reached but monitoring the development of PP and being ready to intervene in response to a decrease of pasture land. However, a future driver for conversion of PP might be the cultivation of maize and short rotation coppice for energy purposes (evidence for such a development is already visible in AT and DE and farmers in BE (F) are requesting to be allowed to produce energy crops on PP). In this scenario the cross compliance obligations might have an effect. Positive impacts may also arise from systematic monitoring of land use changes through IACS data enabling competent authorities to better control grassland conversion within designated areas.

Q1.3: To what extent do the given definitions of GAEC and the established rules concerning permanent pasture levels affect farmers' incomes and costs of production?

3.8 Introduction to Q1.3

The focus of this question is on the *impacts* of GAEC obligations and PP rules on incomes and "cost of production". In other words: are there "additional" impacts of GAEC/PP restrictions on farm management and what cost and income effects can be attributed to these impacts? Impacts on income are limited to *new* obligations; obligations existing prior to the establishment of cross compliance are out of consideration in terms of impacts on income or production costs. The following analysis is based on the documents of the responses of the national experts (financial impacts of GAEC and PP rules) and on case studies (sections on GAEC and PP).

3.9 Analysis for Q1.3

The focus of Q1.3 is on additional cost and revenue foregone compared to a situation without GAEC obligations. Therefore, answers to the question in Q1.1 and Q1.2 assessing whether GAEC obligations are additional to the existing legal framework (or beyond requirements before 2005) are helpful. The reference situation for evaluating impacts of GAEC definitions and PP rules on farmers' incomes and costs of production is the situation from 2005 onwards (after implementing the 2003 reform including decoupling), considering legal requirements corresponding to GAEC and PP rules. Several national experts report difficulties to separate the impacts of decoupling, or in the new Member States the introduction of direct payments, respectively, and the introduction of cross compliance. As the introduction of compulsory cross compliance was just one element of the CAP reform in 2003 no reference level exists for a situation with decoupled direct payments but without cross compliance.

Costs can arise in different ways e.g. production costs (the cost of additional operations to comply with GAEC e.g. sowing a cover crop), revenues forgone (the opportunity costs arising from being prevented from doing something or being required to farm in certain ways) and transaction costs (the time involved in searching for information, reading guidance, completing forms, keeping records, participating in inspections etc). Transaction costs are discussed in more detail under Theme 4. Cost and income foregone should be calculated for the cheapest option of adaptation, considering the variance in affected areas and farm structures. Revenues foregone can refer to actual activities restricted through GAEC obligations, or to restrictions of future options of land use, e.g. conversion of PP into arable land. The latter can be altered through changing framework conditions, e.g. options for biomass production for renewable energy. GAEC obligations are regarded as beneficial in many cases, at least in the long run, e.g. in case of prevention of erosion or maintenance of soil fertility, however a conflict arises when present values of soil maintenance do not pay off the additional effort at current interest rates. In this case GAEC obligations prevent over exploitation of soils although under market conditions conservation might be economically unviable, forcing farmers for paying for more sustainable soil management.

Furthermore, as part of the changed agricultural policy framework, agri-environmental payments may have changed or are expected to be adapted to the new baseline defined by GAEC obligations and PP rules. These changes may also affect farm incomes where voluntary agri-environmental measures are replaced by obligatory cross compliance rules. These changes are inseparably linked to the introduction of cross compliance and, from the farmers point of view, might be considered as additional loss of income due to “agri-environmental payments foregone”. Future options of land use, restricted due to GAEC or PP rules, not only reflect market opportunities, but also possibilities to receive support. This is true, for example, for arable land in HU due to a national direct payment top-up for arable land putting PP into a disadvantage. Also most renewable energy options are economically viable due to public interventions such as tax exemptions, feed-in tariffs, obligatory fuel blending or the like. Thus, part of the opportunity cost of not converting PP into arable land can be defined as “subsidies foregone”.

Scandinavian countries (SE, FI) mentioned explicitly the “psychological cost” to farmers arising from a lack of trust by the authorities, increased control and payment reductions after introduction of cross compliance. Although these costs are not monetised and thus can not be easily included into an overall picture of financial impacts and of an increased respect of standards, the social costs of strengthening a command and control approach have to be considered. In other Member States, authorities also were aware of these conflicts, and several have kept cross compliance obligations rather low in order to allow for continuation of AEM support schemes (AT, DE, NL, for example). In EL, the crop rotation standard has been suspended due to high cost (minimum share of leguminous plants in rotation).

NL (case study): *"Until 2018 the landscape quality of 400,000 hectares agricultural land should be improved by planting and restoring landscape elements on 40,000 hectares of that area. A bottleneck to the realisation of this ambition is that farmers fear that voluntary planted new landscape elements will be legally protected, while agri-environment payments will erode (together with farm prices) and eventually stop." (…) "The Ministry of LNV does not protect (valuable) landscape elements with cross compliance. It is believed that protection policy is effective enough. And it is expected that additional protection with cross compliance would be counterproductive for national ambitions with regard to landscape development based on voluntary participation of farmers."*

At this stage of cross compliance implementation, only estimates of the financial impacts could be provided from the national experts, mainly based on statements of experts and farmers. However, such estimates should be treated with caution since these may have a tendency to over-estimate costs. Only in a few cases are explicit cost calculations available from impact assessments for new GAEC restrictions.

For assessing the overall impacts of GAEC obligations, the area and number of farms where GAEC obligations impose real restrictions or require significant changes in farming practice is critical information. It is on such farms that Q1.3 is of real relevance. Also, on affected farms the impact can differ greatly. Little quantitative information has been provided on the area and number of farms affected and the resulting severity of financial impacts. Further, in some cases yearly costs are reported in Euro per hectare, in others Euro per farm, or in relation to direct payments. Also estimates of national totals are reported, leaving scope for interpretation about the distribution between affected farms.

Member States have a considerable influence on the cost implied when defining the obligations. The degree of slopes beyond which additional erosion control requirements have been defined for arable land vary considerably between Member States (see box), with corresponding impacts on the area and number of farms affected. In NL, "most GAEC obligations are focusing on soil erosion, whereas this is only relevant for a small part of the country".

Examples of GAEC obligations – arable land beyond defined inclination requiring additional erosion control:

BE (W): Rules apply for arable parcels considered at risk of soil erosion. (More than 50% of a parcel's surface must have a higher slope equal to or greater than 10%). Restrictions for ploughing and root crops.

CZ: Exclusion of growing of crops prone to soil erosion on slopes greater than 12 degrees (~21%).

EL: Green cover must be maintained during the wet period on parcels with a slope greater than 10%; on parcels with a slope greater than 10%, ploughing should be on the level, diagonally, or appropriate uncultivated buffer strips should be created.

ES: Minimum land management rules for permanent crops Vines, olives, nuts - no tillage when average slope of parcel is >15%; arable – no tillage when average slope of parcel is >10%.

HU: Cultivation of row crops (namely potatoes) is not allowed on agricultural parcels with slope higher than 12%.

NL: Steep slopes of more than 18 % must be covered by grass at all times; farmers must follow specified rules. (a) (e.g. no row crops on slopes > 2%, after harvest management, water-restraining provision on the underside of arable parcels)

PL: On the arable land located on slopes with a gradient exceeding 20 degrees (~36%), the following rules apply:1. When cultivating perennial plants, plant cover must be maintained or mulching should take place between rows. 2. Plants that require ridges along the slope must not be grown, and fallow land must not be managed as black fallow 3. When cultivating perennial plants, terrace farming is recommended.

SK: Arable crops should not be cultivated on slopes over 12° (~21%) except for perennial fodder crops, grass cultivated on arable land and crops with rows no wider than 16cm. If the average slope of the field is between 7° to 12°, then tillage should be done in a way to avoid gully erosion.

3.9.1 Financial impact of GAEC obligations

Cost information concerning GAEC obligations (data from National Reports and case studies):

- **No information** / no clear statement: LU, PL;
- Obligations introduced into GAEC existed pre-cross compliance, or are normal practice and thus cause **no additional cost**: AT (GAEC obligations established through legislation and ÖPUL (AEM)); CZ (cost not systematically followed, but probably very small); DK (rules to manage set-aside on arable land similar to GAEC); FR (stubble burning, water meter to be installed); DE (most obligations have no significant management cost apart from TC); NL (farms not affected by erosion control requirements); ES (water meter for irrigation); SE (rules for fallow land previously in force); UK (S) (some conditions are likely to be cost neutral as already carried out in many cases, e.g. compliance with Muirburn Code, some may reduce cost, e.g. appropriate machinery use, overgrazing already applied in LFA/AEM); UK (E) (GAEC 2 Post harvest management of land after combinable crops, GAEC 4 Burning of crop residues, GAEC 4 Burning of crop residues reinforce the Crop Residues (Burning) Regulations, GAEC 5 Environmental Impact Assessment (EIA) is based on previous legislation, GAEC 6 Sites of Special Scientific Interest (SSSIs) reinforce pre-exiting legislation, GAEC 7 Scheduled monuments reinforce existing, GAEC 8 Public rights of way - farmers are already expected to comply with these rules under the Highways Act 1980, GAEC 9 Overgrazing and unsuitable supplementary feeding on natural and semi-natural grassland - for beef and sheep farmers, and those claiming LFA or agri-environment payments there should be minimal cost impact as the controls already applied to them, GAEC 10 Heather and grass burning based on pre-existing legislation, GAEC 11 Control of weeds based on legislation); UK (W) (landscape elements to be protected against livestock – requirement in AEM);

- New GAEC obligations beyond pre-existing legislation, but only with **minor** impacts on income: BE (F); BE (W) (soil organic matter, soil structure); FI (max. 20% nitrogen binding species, plant cover of uncultivated fields, wildlife-friendly cutting, ban on stubble burning, no use of heavy machinery on wet fields, maintenances of tress, bushes, patches of rocks); FR (crop rotation/diversity; minimum maintenance); EL (no notable impact on farmer incomes and production cost); HU (no significant impact); IE (GAECs do not impose significant cost); IT (temporary channelling on sloping ground); UK (E) (GAEC 1 Soil Protection Review, GAEC 12 Eligible land which is not in agricultural production, GAEC 13 Stone walls, GAEC 15 Hedgerows, GAECs 16 and 17);
- New GAEC obligations beyond pre-existing legislation, with **moderate** impacts on income: BE (W) (minimum maintenance level, but seen as "legitimate obligation" attached to direct payments); CY (removal of unwanted vegetation, mulching; crop rotation restrictions for potato production); DE (in case crop rotation obligations are not fulfilled, soil testing is required); HU (restriction on growing sunflowers on steep slopes); IE (green cover over winter period, pressures on agricultural contractors due to time period restrictions); SK (farmers report increased cost for environmental measures not further specified); SL (additional operating cost and changing techniques, previously compensated with AEM); UK (W) (small number of dairy farms may be affected by controls on grazing habitats, maize near to water courses, cutting grassland instead of grazing);
- New GAEC obligations beyond pre-existing legislation, with **considerable** impacts on income: BE (W) (soil erosion requirements, such as seeding of grass bands and area lost for this purpose); DK (maintenance of uncultivated grassland, with removal of cut-off, 600 DKK per hectare; 2-meter-strips along lakes and watercourses); EE (minimum maintenance of PP and arable land); FI (cutting of uncultivated fields and green fallows, cutting/weed control of open and stubble fields, prevent wild oats from spreading); FR (establishment of 3% minimum environmental surface due to loss of used area – in case no existing landscape elements can be accounted for); DE (minimum maintenance on marginal area with high inclination); IT (according to estimates, considerable cost especially for maintenance of surface water drainage, maintenance of PP and olive groves, green cover on uncultivated land); LV (mowing and removing grass, maintenance of drainage); LT (harvesting and removing grass on uncultivated land); NL (farms affected by erosion control requirements); PT (fire prevention; steppe land on sloped area not anymore allowed to be ploughed, causing problems to maintain the land open and free of unwanted vegetation); ES (former AEM replaced by GAEC, e.g. ground cover in olives groves; requirement to maintain terraces and to rebuild them if they are in bad condition may cause large labour cost for traditional land use in uplands); UK (E) (GAEC 3 Waterlogged soils, if farmers are unable to harvest the crop and the crop deteriorates, GAEC 14 Protection of hedgerows and watercourses (2 m margins); UK (S) (erosion caused by livestock and overgrazing);
- Limit on extending uncultivated land to the whole farm land, causing **additional cost of maintaining marginal land in production, and minimum livestock stocking rates**: AT (mulching only allowed on 50% of eligible land); IT (maintenance of PP of marginal sites prone to be

abandoned); UK (S) (avoiding undergrazing causing cost to farmers who could increase gross margin when abandoning livestock);

- Reference to considerable **transaction cost** due to GAEC obligations: BE (W) (acquisition of information related to soil erosion issues; FR (registering all operations, especially a new obligation for crop farmers); DE (efforts involved through getting familiar with cross compliance and taking advice, high effort to register landscape elements); IE (checking, greater use of advisors; ES (understanding complex obligations); UK (W).

Table 3.2 Quantitative estimates of additional cost due to GAEC obligations

Member States	GAEC Standard	Estimated cost
UK (E)	Soil protection review	€2.1-2.8 per hectare
	2m margins to protect hedges and watercourses	€9.8 per 100m of margin, 0.5% of total farm costs or 2-3% of single payment (e.g. €700 p.a. for 150 hectares cereal farm with 50% of its margins against sensitive habitats.
	Establishing a green cover crop	€70 per hectare, but less for natural regeneration
	Mean overall annual cost of GAEC for arable farm	€10.5-12 per hectare
UK (W)	Soil Management Plans	30 hours of farmer time to prepare, 2 hours per year to update, £17,000 per year annually for all farms in Wales
LV	Overall cost of GAEC (farmer estimates)	€0-80 per hectare
EL	Soil erosion, minimum cover for plots with 10%+ inclination	€50 per hectare
	Soil organic matter, ploughing and mulching	€50 per hectare
	Prevention of scrub encroachment	3-5 man days per hectare per 3 years
	Landscape features	€10 per sq m of terrace, 3-5 man days per hectare per year for blocked ditches and waterways
IT	National costs: Soil erosion	€28 million per year
	Soil organic matter	€17 million per year
	Maintenance efficient drainage system	€238 million per year
	Protection of permanent pasture	€417 million per year
	Maintenance of green cover on abandoned land	€107 million per year
	Maintenance of terraces	€55 million per year
NL	Total costs of GAEC	€0-100 per hectare
DK	Remove trees and scrub from permanent pasture	600 DKK per hectare (€80 per hectare)
PT	Fire prevention strips	€75 per hectare
	Cut 25% vegetation and incorporate residues	€45 per hectare

Sources: National reports: UK (E) and UK (W) Regulatory Impact Assessments; EL – Data provided by interviewed inspectors and officials; IT - De Roest, K., Corradini, E. (2006). Ecocondizionalità, è salato il conto per gli agricoltori, Agricoltura, n. 50.; NL - dr. R.A. Jongeneel (interviewee, LEI).
NB: Figures for Italy are total, annual figures based on estimates and appear very high in comparison to other national figures suggesting the figures should be interpreted with some caution.

3.9.2 Financial impacts of permanent pasture rules

Regarding the impacts of permanent pasture (PP) rules, it has to be stated that until now in no Member State or region has the share of PP in relation to all eligible arable and PP land decreased to such a degree that actions at farms level have been implemented. Thus, no costs at farm level have been caused so far by the 10% PP threshold level of Regulation 1782/2003, Article 5.2.

Cost information concerning PP (from National Reports):

- No answer/no information: LU, LV, SK, LT, UK (NI, S, W), ES (seems not to have significant impact), DE (opportunity cost cannot be determined yet);
- No cost expected for farmers (yet): AT (restriction on PP conversion under AEM with very high participation), DK, BE (W) (little time since implementation), EL (no financial impacts are foreseen because permanent pastures increase), IE, HU (no cost as threshold not reached yet), PT, SL, SE (area not interesting for crop production, nor for afforestation), NL (apart from controls), FR (no evidence for cost yet);
- Little/moderate: PL, CZ (locally, there were probably some small opportunity costs of not being able to plough permanent pasture; however, these alternative costs were most likely limited, since the proportion of arable land is already very high in CZ, and most of the land suitable and competitive in current arable land production has been ploughed-up already), FI, EE (indirectly if it hinders land use change to more favourable crops), IT (most worries about the new constraint seem to be present in the Northern Italy where arable lands enter into competition with hay meadows in crop rotation. In Central and Southern Italy the decoupling process seem to have led to an increase of permanent pastures, so any additional costs should be afforded by the farmers.), UK (E) (minimal cost for reporting and administration);
- BE (F): The preservation of PP has an impact on farm costs for a number of farmers who are willing to change their land use, in particular because they sold part of their livestock to achieve environmental goals (reducing manure surplus). The duty to preserve PP reduces their possibilities to focus on the market with their cropping plan.

3.10 Conclusions to Q1.3

In most Member States the majority of GAEC obligations have either no, minor or moderate impacts on farm incomes and production cost. This is due to the fact that GAEC obligations are based on pre-existing legislation or reflect good farming practice which is broadly complied with in practice. In two cases, we found evidence that obligations that were previously paid for through agri-environment schemes have been included in GAEC and agri-environment measures revised (e.g. basic subsidy option in AT, ground cover in olives groves in ES)[18]. Where this occurs, this represents a loss of income to those farmers previously receiving payments through

[18] Due to the fact that only few programs for the EAFRD had been notified at the time the national reports were produced, it was not possible to assess how far cross compliance has impacted on the design and the calculation of payments for other AEM.

agri-environment schemes. Also, costs for the farming sector as a whole appear rather limited because only some farmers are affected by specific GAEC obligations, e.g. for erosion control (low share of steep land) or minimum maintenance (when little uncultivated land is anticipated). Thus, where normal farming practice continues, no major costs will arise due to GAEC obligations. However, on those farms which are affected by obligations higher costs may arise for single farms or on single plots (e.g. plots on steep hills with management requirements concerning erosion; maintenance of surface water drainage in IT; requirement to keep terraces in good order in ES and IT). Furthermore, several national commentators judged minimum maintenance requirements as "legitimate obligations" attached to direct payments and questioned the acceptability of the reference situation of decoupled direct area payments *without* minimum maintenance requirements.

Significant costs are reported for specific erosion obligations, maintenance and especially restoration of terraces, fire prevention and minimum land maintenance on marginal, sloped land with high pressure of encroachment, or when removal of cut vegetation is required. For the UK, soil structure issues (limiting harvest operation on wet soils) and overgrazing may also give rise to costs. Due to the higher share of marginal land and anticipated decrease of the cattle, sheep and goat livestock herds, considerable minimum land maintenance costs are predicted especially in Mediterranean countries. Some concerns have been raised that ambitious and competing obligations for erosion control and removal of unwanted vegetation could fail to ensure that marginal land is maintained in good agricultural and environmental condition in some circumstances (PT), although no evidence of such an impact has been found yet. Extensive grazing, conversion into forest or "managed wilderness" might be options for some of the areas with highest maintenance cost. The question arises whether there is scope for cheaper maintenance options, e.g. "semi-grazing" and removal of unwanted vegetation not in every year (which requires the release of rigid application of encroachment/unwanted vegetation criteria). Also, PP rules become questionable when PP loss is mainly due to afforestation and abandonment, and not due to conversion into arable land. These rules should be evaluated in case of significant PP losses, analysing the causes of PP loss in a gross land use change analysis (the new GIS-based IACS allows for that land use monitoring at low additional cost).

Another type of GAEC obligation is the establishment of buffer strips along water courses or hedge rows, causing significant cost due to loss of cultivated land. While in FR each farm has to provide 3% of eligible land, even including pre-existing landscape elements, thus limiting additional cost, in UK (E) financial impacts can considerably vary dependent on hedge density, as 2m buffer strips are prescribed for all plots adjacent to hedges. In FR farmers broadly accept the respective GAEC obligation as it has improvement effects, increasing landscape amenities and environmental quality.

So far there appear to be hardly any on-farm costs for complying with the requirement to maintain the share of PP. Some Member States limit the conversion of PP before any threshold is reached (see Q 1.2, e.g. BE (F), CZ, EL, ES, IT, PL, PT). Where this requirement is not based on already existing legislation and there is PP on areas with potential for arable crops, considerable additional costs for farmers can arise (reported for BE (F), north of IT and PL). For some countries no information on costs resulting

from rules for PP was available at all, in most others no or very little costs for farmers are expected. In most Member States there are no obligations at farm level before a certain percentage of decrease has been reached, which seems not to have been the case so far. In several countries the share of PP has remained stable or has even increased. Thus there are no new costs involved for farmers. In cases where the conversion of PP would be restricted this can lead to indirect costs from not being able to switch production to other uses. In case a reconversion might be required later on, this will clearly involve costs for farmers for ploughing and re-seeding costs as well as potential opportunity costs in some cases. However, until now the share of PP is far from decreasing in all Member States.

3.11 Overall Conclusions to Theme 1

A wide variation exists between Member States in terms of defined obligations for GAEC. There are some variations in terms of the level at which a decline in the ratio of permanent pasture triggers a response by the Member State. GAEC standards seek to avoid the abandonment of agricultural land and ensure that land (cultivated or not) is maintained in good agricultural and environmental condition with objectives for soil protection and a minimum level of maintenance of land. Specific conditions in Member States are often reflected in the chosen obligations and some Member States have made particular effort to design and target obligations to achieve real environmental benefit. For example the Mediterranean Member States have put more emphasis on soil protection than most other countries and the UK (E) have placed emphasis on standards for a minimum maintenance of land. In some cases obligations were not directly drawn from Annex IV, thus they do not contribute to the declared objectives of GAEC but aim at other priorities in different Member States (e.g. regulating irrigation, reducing fire risk, limiting pollution). Some Member States have not defined obligations where there were not considered to be any problems or these were already addressed by other instruments such as legislation or agri-environment measures (AEM).

Many GAEC obligations are oriented at existing legislation or established practices. Most GAEC obligations do not appear to require substantive changes in farming practices. Thus, concerning overall effectiveness, only limited additional effect on the environment for the majority of GAEC obligations is expected; rather, GAEC is likely to help maintain the status quo. For such GAEC obligations, only minor or moderate effects on farm incomes and production costs are anticipated.

For some GAEC obligations, significant effects on the environment and costs can be expected, e.g. specific management obligations linked to erosion, restoration of terraces, fire prevention and minimum land maintenance on marginal, sloped land with high pressure of encroachment, or when removal of cut-off vegetation is required. Some obligations related to harvest management are expected to have positive impacts; especially a ban on stubble burning where is was previously a widespread practice. The effect of a mandatory Soil Protection Review in UK (E) will depend on how it is implemented in practice.

The issues of soil organic matter and soil structure are not considered to be a major problem to be addressed by cross compliance in many mainly Northern European countries, thus in most cases defined obligations seem to be sufficient, although rather

few changes at farm level are required. Some examples have been highlighted where obligations have been considered to be insufficient.

Obligations defined under the issue of a minimum level of maintenance are considered by most Member States as sufficient to keep land open, which addresses a key objective, especially in Central Europe. Where rules on the maintenance of landscape elements exist, they can contribute to preserving existing features. An obligation, which is likely to go beyond the protection of features and provide additional benefits, is the requirement for the creation of buffer strips along hedges in UK (E). Rules on maintenance of set-aside land, on wildlife friendly cutting and on grazing regimes have been identified as likely to have positive effects on the maintenance of habitats. Rules on managing designated areas and requirements to carry out EIA in the UK are expected to contribute to the maintenance of valuable habitats.

Regarding minimum maintenance of land, cross compliance shows limitations to adapt obligations to local conditions (more than for soil erosion, as there the steepness of hills can provide threshold values), although it is acknowledged that targeting to regions and specific conditions is difficult and has to be complemented by other instruments. Examples for obligations that try to target different conditions are the Soil Protection Review and rules for designated areas and Environmental impact Assessments in the UK. As well in IT regions may introduce derogations or specifications from the national rules for every GAEC standard. As well in EL, ES and FR local management rules for soil protection and minimum maintenance of land are relevant.

Conflicting situations between objectives can occur especially concerning encroachment of vegetation, which can result in increased use of plant protection products and removal of vegetation with adverse effects on biodiversity and soil protection. Also, on marginal land with high maintenance costs, cross compliance has its limitations. Due to higher share of marginal land and anticipated decrease of the cattle, sheep and goat livestock herd, considerable minimum land maintenance cost are predicted especially in Mediterranean countries. Erosion control efforts, focussed on by many of these countries, and minimum maintenance can result in some costs.

Rules to maintain the ratio of PP are generally not based on previously existing legislation. In nearly all Member States, precautionary or complementary measures are in place in order to prevent decreases in the ratio of PP to arable land. Different threshold values (e.g. decrease of the ratio of PP by 5 or 10%) are linked to warnings, restrictions on conversion, or obligations for reconversion. In cases where the conversion of PP would be restricted this can lead to indirect costs arising from not being able to switch production to other uses. Where reconversion might be required later on, this will clearly involve costs for farmers for ploughing and re-seeding costs as well as potential opportunity costs in some cases. However, until now the share of PP is far from decreasing to such a degree in all Member States.

Without any other limitations on the conversion of PP a calculation of a trigger level at national level can ensure that the national share of PP is not decreasing significantly (i.e. more than by 10%). However, such levels cannot prevent: PP from declining very unequally over this area; PP of high biodiversity quality being converted (if it is not

protected by other means); or that farmers consider the rules as an incentive to plough before it becomes restricted. The loss of PP due to afforestation is also not addressed by the rules. Thus, this standard cannot stop a massive decline of PP in one region as long as PP might be created in another. This is different where the share of PP has to be maintained at farm level or where further limitations exist e.g. a total ban to convert PP. Where these requirements are not based on already existing legislation and there is PP on areas with potential for arable crops, additional costs for farmers can arise. However, such obligations can help to address soil erosion or protect biodiversity associated with PP.

4 THEME 2: INFORMATION, CONTROL AND REDUCTION SYSTEM

4.1 Introduction to Theme

Effective communication to the farmers, systematic controls and the reduction of direct payments are expected to contribute to the implementation of EU legislation in all Member States. Farmers' awareness of cross compliance obligations is a necessary condition for effective observance of those obligations. Information should be provided to guarantee a sufficient knowledge of the obligations and of the rationale of the new regulations. However, to ensure the enforcement of the statutory obligations an efficient control and sanction system has to be implemented and the efficiency of such a system has to be perceived by the farmers. A reasonable balance between information and control-sanctions should guarantee a cost-effective implementation of the already established EU legislation (SMR) and of the new requirements (GAEC and permanent pasture).

Question 2.1: To what extent does the information provided to farmers receiving direct payments contribute to awareness raising of their obligations with respect to GAEC, SMRs, and maintaining of permanent pasture? To what extent is this information complete for, and applicable by, farmers?

4.2 Introduction to Q2.1

The following analysis first of all reports on farmers' awareness of cross compliance, on the basis of the National Reports and the Case Studies provided by the experts. Several tools are used by Member States in delivering information to farmers, but their presence does not mean that farmers' awareness of cross compliance automatically increases. An overview of the tools used by the Member States is presented, focusing on all available quantitative indicators and qualitative issues in order to express, in the next section, judgements on the degree of completeness, accessibility and applicability of the information provided.

Delivery methods for information can take various forms, according to the preference expressed by the provider for a specific course of action to be taken by the farmer. Following the approach chosen in most of the scientific literature, "information" can be distinguished from "advice", where the first term is linked more to the general overview on cross compliance requirements (including the basic information to be provided to farmers as required by Regulation 1782/2003), while the second term refers to guidance tailored to the need of an individual farmer. Several information tools can be used. Brochures, booklets, handbooks to farmers, web sites and media, such as articles in specialised newspapers are all tools belonging to the "information" field, while training courses, information meetings, telephone helplines and on-farm visits are the typical "advice" tools used by the Farm Advisory Systems. It should be noted that a clear distinction between information and advice cannot always be made.

4.3 Analysis for Q2.1

4.3.1 Farmers' awareness of cross compliance obligations

With the exception of UK (E), no Member State has undertaken formal studies to determine farmers' awareness of cross compliance obligations and little literature exists on this matter. However, National Reports and Case Studies report opinions and views on this topic drawn from interviews with stakeholders who have frequent relationships with farmers and, sometime, from interviews with farmers themselves.

In UK (E), annuals surveys on cross compliance are carried out. According to these reports, the information and advice provided seems to have helped general farmer understanding of cross compliance, showing that awareness of the term “cross compliance” increasing from 43% to 97% between 2004 and 2005. Momenta (the body contracted by Defra to give information to farmers) received 120% more queries than anticipated which is another indication that farmers are seeking and receiving the advice they need in order to become cross compliant. The survey in 2005 showed that over 94% of farmers were aware of the 2m-margin requirement, with over 95% aware of the hedgerow cutting dates. According to the survey results of 2006, 75% of farmers say that their awareness of cross compliance issues increased, whilst 98% of farmers claimed that fully or partially understood the regulations. Only 2.2% of farmers said that they did not understand their obligations under cross compliance. However, despite these perceptions, the RPA inspection data shows cross compliance breaches were found on 42% of farms inspected.

In Member States where no formal studies exist, national reports and case studies provide some insights. Many interviewees stated that the awareness of cross compliance among farmers has increased during the time (BE (W), CY, DE, DK, EL, IE, IT, LV, NL, PL, SE, UK (E)) and that awareness was helped by the information/advice initiatives on the cross compliance obligations implemented by the Member States (BE (W), CY, DE, DK, EL, NL, UK (E)).

In some cases, farmers seem to be more aware of obligations arising from legislation that has been in force for some time, as these do not pose new significant problems for implementation. This appears to be particularly the case for SMRs related to Natura 2000 areas (BE (W)) and identification and registration of animals (DK, IE, IT). In some Member States (DE, IT, LT, LU, LV, PL, UK (E)) a high level of awareness of GAECs is also highlighted. This is probably because many practices were already applied in the Good Agricultural Practices and/or in Agri-environmental Schemes.

On the other hand, in some Member States specific obligations are noted as difficult for farmers to understand. In PT this is the case for the birds directive and rules for permanent pastures. In UK (E) the annual surveys and the opinions of the responsible authorities indicate that farmers’ awareness in relation to the nitrates directive, the cattle identification and registration (SMR 7 and 8, especially when they refer to sheep) even though they are not new, and the GAEC obligations relating to soil

protection and the use of 2 m margins in GAEC 14 to protect hedgerows and watercourses, could be improved.

Some Member States (BE (W), DE, PT) indicate a need to improve the current knowledge of farmers about their obligations. Better knowledge of the specific control points that are assessed by cross compliance inspectors could improve farmers' awareness of rules to be applied.

Some Member States (IT, SK) highlighted greater knowledge of cross compliance by livestock farmers, probably because many obligations apply to their farms and because they are concerned about the Nitrates Directive. In AT organic farmers are the most aware, as they were already applying many of the cross compliance obligations. Farm size also seems to play a role in awareness. On large farms there appears to be greater awareness of cross compliance (CZ, DE, ES, IT, SK), probably because of their high professionalism and/or because they are closely involved in farmers organizations; whereas small farms appear to have lower awareness. For the latter farms, this could be linked to the low amount of SPS they receive which does not have a strong strategic importance to the farm. Finally, the age of farmers (elderly farmers), often associated with a low level of education, has been indicated as a factor in low awareness (IT, PT). Younger farmers seem to have fewer difficulties in understanding cross compliance and are reported in some cases to be more likely to appreciate the positive economic and agronomic effects it could have on farm management.

Of the numerous tools used to deliver information to farmers, in some Member States (HU, FR, IE, IT, NL, PT) written tools are less appreciated by farmers who are not so used to reading/understanding printed information and to net surfing. Even though materials are often judged to be clear, they are also seen as too voluminous or complicated. Farmers appear to need a thorough explanation of obligations, so that in some Member States (AT, BE (W), DK, EL, FR, IT, PT) training events and a direct interaction with technicians have been used to good effect. The Farm Advisory Systems (FAS) will probably act in the same way.

No information is available about awareness levels with respect to rules for maintaining permanent pasture.

4.3.2 Overview of the tools

Printed materials, such as *handbooks, leaflets and brochures*, are used in all Member States. They are delivered to all applicants of SPS/SAPS or to farmers in receipt of payments (UK (E)). In some cases, the handbooks are not specific to cross compliance, but refer to SPS or SAPS with a dedicated section for cross compliance. Even though exhaustive data was not available, the delivery methods for these materials can be summarized as follows, taking into account that sometimes several options are utilized by the same Member State:

- postal mail and/or at the moment of SFP application (AT, BE (W), DE, EE, EL, MT, UK (E));

- information meetings (AT);
- downloadable from internet (BE (W), CZ, DE, EE, EL, ES, IT, LU, LV, UK (E));
- at producers organizations, such as farmers unions and cooperative (EL, ES, IT);
- at administrations (EL, IT, LT);
- distributed through farming press (IT).

Information in handbooks is usually focused on a general presentation of cross compliance, with details on obligations, objectives, and control and penalties systems. In some cases the handbooks, or more often brochures, provide an environmental/health presentation (EL, IT, NL, SI, UK (E)). Some materials also describe technical solutions (AT, BE (W), DE, DK, IT, SI).

Newspapers and *periodical farming news* are in use in some Member States but not EE, EL, ES, FR, HU, LT, LU, SE, SK, UK (NI) and UK (S). Little quantitative data exists on the distribution/readership of such media. In BE (W), about five press releases are issued every year. In SL a professional farm newspaper was delivered to all SPS beneficiaries and contained about 30 articles on cross compliance. In UK (W) specific articles on cross compliance are written and delivered to all known farmers once a month.

Almost all Member States (except for LT, UK (S) and UK (W)) have one or more *websites* providing information on cross compliance. DE and IT, due to their federalism, have many Länder/regional sites; in IT there are also two national sites (one from the Ministry of Agriculture and one from the Paying Agency). Two sites are also present in DK, PL, PT, and UK (E). Generally the sites belong to the Ministries of Agriculture (or other sector administration) and refer to agriculture and CAP in general, with some pages specific on cross compliance. According to circumstances, sites contain general information on cross compliance, FAQ (Bavaria (DE) and EL), booklets/guidelines to be downloaded (see the section on handbooks) and checklists (DE and Veneto (IT)). In AT special sites for animal diseases, sewage sludge and plant protection products are in place. The number and frequency of visits to web pages is not known. Hence, an assessment of the effectiveness of this tool cannot be made.

Almost all Member States (except for MT) organize *training courses, workshops, seminars and information meetings* to inform farmers about cross compliance. In CY 270 meetings were organized from the beginning of the cross compliance application. In EL, 120 workshops on the CAP reform (therefore not only on cross compliance) took place. In LV there were more than 40,000 consultations from the start of cross compliance and about 800 training courses. NL organized 40 information meetings in 2005. Between 2003 and 2004 PL managed 65,000 meetings on SAPS (also with information on GAEC obligations). In Slovenia about 53,600 consultations were conducted involving about the 80% of farmers. Formal training courses, rather than simple information events, were held in CY, EE (on Agri-environment schemes), EL (on CAP reform), FR, HU, IT, LT, LV, PT, SK (on CAP and Agri-environment schemes) and UK (NI).

Some Member States have established *help desks at local offices* (AT, CY, ES, HU,

IT, PT) and/or *internet/e-mail helpline* (BE (F), MT, SI) and/or *telephone helpline* (Bavaria (DE), IE, LU, MT, NL, SE, SI, UK (E)) to give information and advice on cross compliance.

Some Member States use *maps* to help farmers identify fields located on land with specific requirements. For example, in FI farmers with fields in NATURA 2000 sites or ground water protection areas have received a map of these areas, attached to aid application material. A similar procedure is also in use in HU for a GAEC standard (prohibition of the cultivation of row crops on fields with slope higher than 12%), in UK (E) and in CZ for nitrate vulnerable zones (CIFAS, 2006b).

Advisory tools, such as the organisation of small groups on specific topics are organized in AT (for intensive farms), BE (F), in IT (at regional level) and UK (E) (farm walks). One–to-one advice will be utilised in some FAS (AT, BE (F), CY, CZ, DE, DK, EE, EL, HU, IT, NL, PL, SK and UK (E), UK (S) and UK (W)). Overall, the current use and extent of such tools is not known. In CZ and PL, advice is tailored to the application of CAP payments in general, with some detail on cross compliance obligations. In DE it varies from Länder to Länder, but generally it relates to the overall farm management systems, including cross compliance requirements, other legislative obligations, quality and, sometime, environmental management. In DK the advice is especially provided for constructing field and manure plans. The FAS is likely to have a significant role in helping farmers' awareness and understanding of cross compliance.

4.3.3 Judgments on information systems

Considering the main tools for information/advice delivery used the degree of completeness, accessibility and applicability has been analysed, in order to evaluate the overall effectiveness of the provided information.

Completeness

Different views on the completeness of the information provided was apparent between the representatives of the administrations (Ministries, Payment Agencies, etc.) and stakeholders (farmers, farm organisations, NGOs, farm advisory groups, etc.) that were interviewed. In general, the administrations declared they provide all information in a clear and comprehensible way. Whereas, farmers organisations and farmers often felt that the information provided was not adequate and/or unclear. However, there are some exceptions. In HU, SI and SK all the interviews declared that farmers did not seem to be sufficiently informed of cross compliance. For SK, this was because a regular system providing information on cross compliance had not yet been established. In PT representatives of the paying agency and inspectors thought that information was insufficient and did not allow farmers to develop knowledge of the cross compliance requirements. LV, NL and PL were exceptions, as at least some of the interviewed stakeholders (all the interviewees in the case of Latvia) declared that the information was complete and clear. Overall, accepting some notable problems, the information provided can be judged as complete.

The *kind of issues generally addressed* by the tools was partially discussed in the previous section. In general, it seems that technical solutions are only presented in a

few Member States; the information provided tends to focus mostly on the legal basis of cross compliance, on the requirements to be applied and on control and sanction procedures. Technical solutions are more likely to be provided by the FAS when it is fully operative.

Some *differences in the information delivery mechanisms* can be highlighted with respect to particular SMRs, GAECs or for permanent pastures rules. Regarding SMRs, specific or additional information are provided for Wild birds and Habitats Directives (AT, BE (W), ES, FI, UK (E)), Sewage sludge Directive (AT), Nitrate Directive (CY, DE, IE, SI), Identification and registration of animals Directives (AT, CY, DE, FI), Restrictions on the use of plant protection products (AT, CY), General food law (UK (NI)), and Directives on animal diseases (AT, ES, FI). Additional information is also given for GAEC related to soil erosion/management (BE (W), UK (E)), soil organic matter (DE) and set aside (UK (E)).

With regard to the *reference to environmental/health problems* in the tools, in some cases information has not been comprehensive in term of the environmental and other benefits that the obligations will provide (CY, CZ, DE, EE, ES, HU, LV, NL, SE, UK (S)). In other cases, the connection of the cross compliance to the quality of the environment is clearly explained (FI, EI, IT, LU, SI, UK (NI)). The impact of cross compliance on public health is explained only in a few cases (EL, EI, SI). This may mean that the perception of this issue is low.

A key point for the completeness of the information should be their *constant update* (at least when new obligations or modifications to the old ones are introduced). But, at least for written materials, it seems that only a few Member States (DE, FI, FR, IE, LU, MT, SE, UK (E), UK (S), UK (NI)) have done this so far. Sometimes the updating of handbooks and leaflets is incomplete or takes place only after some delays.

Among *media used* to spread information/advice on cross compliance, in some Member States private organisations (especially, farmers unions and producer associations and cooperatives) seem to play a key role, both with a formal involvement, i.e. supporting the delivering of official materials (EL, ES, IT, PT), and/or informal involvement (more often). In the latter case, these organizations directly provide farmers with information, through helpdesks, publications and organization of meetings, seminars etc. (CZ, FR, IT, PT, SK). Sometimes, they also organize training/advice on cross compliance to their customers/members (AT, DE, DK, IT). In some cases (DE, DK, EL, IT), also extension services (private or public, within or outside the FAS) play a significant role.

Information does not seem to be differentiated for particular *types of farm* or sectors, but rather is presented uniformly to all farm types and sectors.

<u>Accessibility and applicability</u>

All SPS applicants/beneficiaries receive some kind of written material, facilitating *access* to information. Where local authorities are responsible for the cross compliance implementation, there have been many initiatives, both at national and local level, to increase accessibility to information. Regarding handbooks and leaflets it is difficult though to ascertain if they have actually reached farmers. In EL some

cooperatives claimed that guidelines never reached their location and were not disseminated. However, this was estimated to be an extremely small proportion (less than 1%) of the farming population in receipt of single payments. For web based information, low access to internet in rural areas, as indicated in PT, appears to be a problem.

In most Member States the information provided to farmers seems generally to be clear, even though the level of detail and the subjectivity on certain issues appears to create some problems in terms of its *readability*. In some cases (IE, ES), the written materials use language that is too technical, legalistic and complicated for farmers and does not seem to be practical (few examples or scenarios are provided). This can make the interpretation of the regulations by farmers more difficult. For example, in ES chemicals are named with their scientific names and not with the commercial products containing them. Interviewees in FR and FI alluded to difficulties for livestock farmers in understanding the obligations. Interviewees made some comments on the readability of specific information provided for permanent pasture rules. In DE, FI, LV, PT, SE, UK (E), UK (NI), UK (S) such information seems clear. However, some stakeholders in LV consider that the consequences of these rules at farm level could be better explained, FI pointed out that some confusion among farmers can arise because of several rules and PT underlined a need for more specific explanation. Some interviewees in EE, FR and PT considered the permanent pasture requirements to be unclear; in particular, FR experts stated that the effects at farm level of the decrease of permanent pasture could be better explained.

A *feedback mechanism* to review the information provided seems to have been applied only in NL. The initial information provided by the Ministry of Agriculture to farmers was a simple list of SMRs and GAECs, easily readable and concise. But farmers themselves expressed a greater need for more information (by letter, by questions asked at the help desk, etc.). In 2006 the Ministry printed a more detailed information brochure, with background information about the need for changes in the CAP support system, explanation and advice about all relevant obligations coming into force starting 2007 and the consequences of being controlled i.e. a possible reduction of payment.

No particular *conditions seem to be required for using information tools at farm level*, apart from a proper educational level and a web connection for the internet tools. However, information on this topic is limited. A few Member States (DE, EL, UK (E) refer to the considerable *amount of time* farmers *need to spend* to get information on cross compliance but no precise quantification was provided. Regarding the *costs for using information tools at farm level* the written materials are usually free of charge. However, quantification for all tools is not possible due to data limitations to date.

4.4 Conclusions to Q2.1

Overall, the information on cross compliance seems rather complete, clear and accessible. Usually, all farmers in receipt of direct aid have received at least basic information. However, in some Member States or regions the level of farmers' awareness of cross compliance requirements needs to be improved. The poor knowledge of cross compliance obligations among smallholders could be a

consequence of a too limited sharing of its motivations, goals and technical implications. There appears to be a significant difference between having information on cross compliance and understanding it. Even though farmers know what the obligations are, they do not necessarily know how and why to apply them. Direct advice e.g. through the FAS is likely to make a significant contribution to improving understanding of cross compliance, for those farmers who will receive advice.

Over time, the emerging demand among farmers for detailed information will have to be taken into account, especially to ensure a constant update. However, on the other hand, some farmers complain that there is too much information, and it can be time-consuming to get full insight into all necessary obligations.

There are no studies available, apart from UK (E), demonstrating that farmers' awareness about cross compliance requirements has increased because of the provision of information. As a result, it is too early to make a full judgement on the actual influence of the information. However, most experts and stakeholders interviewed consider that awareness of cross compliance has increased since its introduction.

Q2.2: To what extent do controls and reductions of payments contribute to compliance by farmers with the statutory obligations referred to or established by Regulation 1782/2003? Make a distinction between the effects of the controls and the effects of the reductions of payments, and detail the answer to this question with respect to:

Sub-question 2.2.1: SMRs?
Sub-question 2.2.2: GAEC?
Sub-question 2.2.3: Level of permanent pasture?

4.5 Introduction to Q2.2

Cross compliance controls are crucial to guarantee a satisfactory implementation of the obligations. The control process and reductions of payments are the most important factors affecting compliance along with the cost incurred by the farmer to comply. Control procedures (risk analysis, definition of critical issues for inspection and inspection methods) must be effective if high compliance levels are to be achieved. Control systems in place pre-cross compliance may have an influence on the nature of the controls introduced for cross compliance.

Clearly the incentive for compliance depends on the existence of the income support payment, since the sanction for non compliance takes the form of total or partial withdrawal of the income payment, and on the likelihood of the farmers to be inspected. However, the awareness of rules and social motivation to comply with reasonable and fair rules will also influence compliance.

Quantitative evidence of the effectiveness of the control and sanction system comes from the data on farm inspections. Some figures regarding the number of inspections and breaches - the latter distinguished between sanctioned and non-sanctioned farms - by each obligation in 2005 are available for most Member States in the National

Reports. The relative indexes of breaching may be a measure of the difficulties in implementing such a standard, although other factors may be relevant, such as the ease of checking and verifying the standard. The degree of representativeness of the control results is discussed, taking into account that the sample selection is based both on a random and risk-based approach in most of the Member States. The presence of risk analysis criteria do not allow the direct extrapolation of the sample results to all farms affected by cross compliance, unless a weighting procedure based on the risk criteria parameters is used.

Considering the limited data on the results of pre-existing control and sanction systems, a more qualitative assessment has been carried out. Interviews with advisors, union officers, people working in producers associations and officers of the control bodies - all reported in the National Reports and Case Studies – are used to analyse the level of compliance, trying to differentiate between the likelihood of control visits and the effect of payments reductions.

Other aspects of the control system are examined with regard to the organisation of the system of control and reduction of payments in order to highlight any possible differences with the pre-established systems and/or to evaluate the effectiveness of the new cross compliance system. The sample selection, the type of on-the-farm inspections, the payment reduction system are among the factors that may have some influence on farmers' compliance. The coordination between different specialised control bodies and the National Paying Agencies is likely to be a crucial aspect in making the control system more effective.

To summarise, the following three different aspects are considered to analyse the contribution of the control-sanction system to compliance by farmers with the statutory obligations: a) the national design of the organisational structure in order to compare the contribution of the new control-sanction system with the previous one; b) the effects of the controls at farm level to assess the farmers' perception and the frequency and degree of infringements; c) the effectiveness of the operative procedures to carry out controls and apply payment reductions. We have sought to distinguish the effects of the controls on farmers' behaviour from the impacts deriving from the threat to be sanctioned, although such differentiation does not always result very clearly from the answers of the interviewees and experts.

4.6 Analysis for Q2.2

4.6.1 Organisational structure

The analysis conducted in the *Part I: Descriptive Report* shows that many Member States have made use of the derogation allowing the Paying Agency to act as a competent control authority (CCA). In a few Member States, the PA is the only CCA; mainly new Member States which currently only need to control GAEC. The majority of Member States use a combination of both the Paying Agency and specialised control bodies (agricultural, environmental, veterinary and food safety authorities) to control cross compliance, with different tasks assigned to the parts. Cross compliance has resulted in the need for greater co-ordination between existing control bodies and

the designation of an overall co-ordinating authority charged with ensuring the integrated system works.

Strengths and weaknesses in the new approach can be found. On the positive side of the new integrated approach, some reports (DE, NL, IT, UK) stated that a more systematic control system: allows for better coordination between specialised bodies and the paying agencies; results in common guidelines for the enforcement system aimed at ensuring equal treatment of farms; and, helps to limit the number of farm visits from inspectors. On the negative side, the Paying Agency has to coordinate the inspections from other CCAs and process the control reports received for each inspection. This has led to a significant increased administrative burden. The large number of obligations can also make it difficult for inspectors to remember all the relevant information whilst carrying out an inspection (UK). In controls realised by specialised bodies the inspection visits are carried out by different specialists, with specific risk criteria not always well suited to the new cross compliance system (DE, IT, NL, UK).

The coordination difficulties seem to increase when the federal/regional structure of the Member State leads to a multiplicity of Paying Agencies, such as in DE where some inconsistencies on the monitoring systems were found among Länder. However in other cases (IT) the level of coordination among different Regional Paying Agencies seems sufficient to establish common operative procedures and to guarantee an equal treatment to all the farmers.

The choice between a fully integrated system and a specialised agency based system does not seem simple as the statutory requirements are quite different in terms of farming practice (from soil management to hormone growth, from plant protection products usage to animal identification) and of controlled issue (environmental, human and animal health). A trade off exists between two different approaches. On the one hand, a more systematic bundling of controls based on one or few control bodies needs less coordination among different control bodies but it generates a very complex-rigid system with those responsible for controls not always having sufficient detailed knowledge of the wide ranging obligations. On the other hand, a specialised-flexible control based on different control bodies guarantees more appropriate operative control procedures but within a fragmented system and it needs more coordination efforts.

Summarising the results of cross-comparison among Member States made in the Descriptive Report the following structure of the control system can be outlined. The controls are carried out on at least 1% of all farmers submitting aid applications, for each competent control authority, as requested by the Regulations. Many Member States select the control sample using both a random and risk-based approach, with the randomly selected proportion generally below 25% of the sample. Only a few Member States rely entirely on a risk-based approach. The risk criteria are quite different among Member States. The operative procedures for inspections starts immediately after the submission of the aid applications, and the sample selection can be carried out only after May or June. Due to this delay, the first months of the cultivation period are outside the control period. The time taken for inspections depends very much on farm size and the obligations to be checked. The range is quite large (from 1 hour to 1 week or more), however in most Member States the average

time is less than a day. Not all the Member States give prior notice of an inspection to a farmer. A checklist of control points is the most common guide for inspections which usually take the form of visual field checks and administrative checks of records and paperwork. Most Member States have developed a scoring system whereby each type of non-compliance, as determined by the control body, is assigned a score or rating, taking account of the severity, extent and permanence of the non-compliance. This system should allow for clear evidence of the linkage between the nature of the infringements and the given reduction of payments.

Checking for all obligations across the entire farm can be very time-consuming even on farms which are considered low-risk and where no breaches are found. The current procedure provides a complete report for each controlled farm, in some cases quite lengthy. A possible option to overcome the problem of excessive and useless administrative burdens could be for inspectors to 'report by exemption' (UK). This would mean that only non-compliances were reported rather than providing information on every obligation that is checked.

According to National Reports, the organisational structure of the control systems seems to be more an evolution of some pre-existing systems rather than a brand new system. The experience gained by the Paying Agency to control the direct aid applications has been transferred to the monitoring of GAEC, although the more relevant agronomic and/or environmental characteristics of the requirements have raised some discussion on the interpretation of the obligations, as pointed out in the next paragraph.

The difference between European obligations and national obligations has been raised in DE and NL as a sensitive topic. Sometimes the national obligations go beyond, or are more stringent than the European ones. Where specialised legislation is already controlled systematically, cross compliance is actually an additional control, which does not necessarily add any value. Specialised authorities controlling national legislation independently through on-the-spot checks are obliged to report non-compliances, which are relevant for cross compliance. These so called "cross checks" are becoming an integral part of the system of implementing cross compliance but they result in additional administrative effort and costs in the evaluation and reporting of the non-compliances to the paying agency. On the other hand, the chance to integrate the controls in a more stringent way has been seen positively in UK (E), although the specialised bodies have had to undertake some internal restructuring to ensure that paper work is correct.

4.6.2 Data on infringements and payment reductions

Data on infringements and payment reductions was only available for 2005 at the time of initial data collection..

The data presented in Table 4.1 , Table 4.2 , and Table 4.3 are not all meaningful due to the way in which data is collated and presented by Member States. Additional data

has recently been made available by the Commission[19]. The latter data shows that, in Member States applying full cross compliance[20], most (71%) detected instances of non-compliance related to the identification and registration of cattle, while the remaining cases mainly concern the GAEC (13%) and the Nitrates Directive (10%). Data from this evaluation suggests GAEC non-compliances mostly relate to minimum level of maintenance obligations and in many cases these were the most common type of GAEC breaches. This may reflect that obligations were most numerous in relation to this GAEC issue than for other GAEC issues.

Commission data reveals that most payment reductions (68% overall – up to 98% in some Member States) were applied at the minimum level of 1% of direct payments. Some 14% were applied at the 3% level and 12% at a 5% level.

To have a complete picture of the impact of the new control-sanction system, the comparison with checks results made before 2005 should be carried out. Unfortunately, the data from previous checks is not available in a form, which would allow a meaningful comparison to be made with the cross compliance inspection data; in most cases data are not available at all. Information regarding compliance rates pre-cross compliance is limited; hence the evaluation can only be based on some qualitative judgment deriving from the interviews.

[19] COM (2007) 147 final. Report from the Commission to the Council on the application of the system of cross compliance

[20] In order not to distort the figures, Member States only applying GAEC are not included.

Table 4.1 SMR breaches for the year 2005

Member State		No. of farm inspections	No. of breaches
AT	Austria		1,675
BE	Belgium (only Flanders)	1,209	90
CY	Cyprus		
CZ	Czech Republic		
DE	Germany		4,486
DK	Denmark		
EE	Estonia (2006)		
EL	Greece	1,459	578
ES	Spain		744
FI	Finland	1,842	787
FR	France	23,216	9,765
HU	Hungary		
IE	Ireland		1,330
IT	Italy	6,000	137
LT	Lithuania		
LU	Luxembourg	207	97
LV	Latvia		
MT	Malta	49	5
NL	Netherlands	1,209	90
PL	Poland		
PT	Portugal	12,744	2,737
SE	Sweden	6,388	1,358
SI	Slovenia	1,359	633
SK	Slovakia		
UK	United Kingdom (only England)	1,203	104
	EU25*	56,885	17,125
	EU15	55,477	8,996
	EU10	1,408	638

Sources: National Reports
* Excluding AT, DE, IE

Table 4.2 GAEC breaches for the year 2005

Member State		No. of farm inspections	No. of breaches
AT	Austria	1,499	299
BE	Belgium	648	28
CY	Cyprus (parcels of land inspected)	35,752	383
CZ	Czech Republic	1,125	486
DE	Germany	4,772	95
DK	Denmark		
EE	Estonia (2006)	1,357	414
EL	Greece	4,784	1,191
ES	Spain		376
FI	Finland	492	11
FR	France	4,110	303
HU	Hungary	14,936	659
IE	Ireland	1,437	2
IT	Italy	10,225	497
LT	Lithuania		
LU	Luxembourg	21	1
LV	Latvia		
MT	Malta	399	51
NL	Netherlands	335	0
PL	Poland		
PT	Portugal	1,922	187
SE	Sweden	4,246	1,240
SI	Slovenia	1,359	1
SK	Slovakia		
UK	United Kingdom	2,939	78
	EU25*	92,358	5,926
	EU15	37,430	3,556
	EU10	54,928	1,994

Sources: National Reports
* Excluding ES

Table 4.3 Payment Reductions for year 2005

Member State	No. of non-compliant farms	Percentage of non-compliant farms	No penalty (warning letter)	1-2%	3-4%	5-10%	15-20%	>20%
Austria	166	27.7%	81	2	81	0	0	2
Belgium	476	18.0%	154	152	55	115	0	0
Cyprus								
Czech Republic	197	13.5%	0	0	0	197	0	
Germany	4,591		28	3,175	720	658	5	5
Denmark	546		0	160	320	53	12	1
Estonia (2006)	342	25.2%	0	13	34	105	30	160
Greece	1,760		535	816	390	14	0	5
Spain	867	1.7%	190	565	92	14	5	1
Finland	308	31.9%	0	125	118	63	2	0
France	10,285	37.0%	6,987	3,252	12	13	19	2
Hungary	659	4.4%	0	0	659	0	0	0
Ireland	1,332		0	561	257	489	4	21
Italy	407	4.0%	0	406	1	0	0	0
Lithuania								
Luxembourg	79		0	23	49	7	0	0
Latvia								
Malta		12.5%						
Netherlands	90	7.4%	1	89				
Poland								
Portugal	2,900	23.0%	0	1,708	836	356	0	0
Sweden	1,575		0	509	320	698	34	14
Slovenia		46.7%						
Slovakia								
United Kingdom	1,593		485	932	136	5	24	11
EU25	28,173		8,461	12,488	4,080	2,787	135	222
EU15	26,975		8,461	12,475	3,387	2,485	105	62
EU10	1,198		0	13	693	302	30	160
EU25	100%		30%	44%	14%	10%	0%	1%
EU15	100%		31%	46%	13%	9%	0%	0%
EU10	100%		0%	1%	58%	25%	3%	13%

Sources: National Reports.

NB: Reductions of 2% and 4% can be applied (even though not technically allowed by the Regulations) as a result of multiple non-compliances which result in payment reductions being added i.e. 1% reduction + 1% reduction = 2% reduction.

4.6.3 Possibility of being inspected

In general, farmers appear to be aware of the new control system implemented by cross compliance in most Member States and the prospect of being inspected seems to encourage farmers to comply with the statutory obligations. However, it is unusual for information on the cross compliance control results to be published: only Reports from DE, LV, SK and UK explicitly stated that agricultural specialised press have given some details of the results of the new control/sanction system. Only three Member States (BE, DK and EL) do not show clear evidence of the control awareness, however in BE farmers seem more sensitive to the threat of sanctions and in DK a small farmer survey show that 40% of the farmers have changed certain parts of their farming practice in order to better comply with environmental legislation. The case study for EL seems more pessimistic on the improvement of awareness of obligations due to the low readiness of farmers for changes in controls and checks and taking into account the educational level of the farming population and the low level of information at farmer and farmers' group level. This is likely to have an influence on compliance rates although this could not be verified. In IT, the threat of inspections is considered by the authorities to lead to compliance. A more open mind attitude was reported by FI, where the acceptability of the rules appears to make the difference: if the obligations are widely accepted and evaluated against their rationale, relevance and importance, they are normally accepted. The possibility of being inspected appears to have a weaker role in influencing the degree of compliance.

According to the perceptions of representatives of the national agricultural Ministries, of Paying Agencies and non-governmental stakeholders, systematic controls implemented through cross compliance have improved the performance of already existing control systems. Although control results before and after cross compliance are not fully comparable, the improvement of the control system has been explicitly cited in some Reports (DE, ES, FR, IT, PL, UK). These comments generally refer to SMR legislation that was in force before 2005. Previously there was no systematic control procedure for all SMRs as each body responsible for enforcing the underlying legislation developed its own control system according to its own risk criteria, where those existed. Only NL argues that where compliance levels, resulting from regular enforcement of statutory obligations, were already quite high or nearly 100%, few additional benefits from cross compliance can be expected arising from the possibility of being inspected.

The general judgement may be different if single SMRs are to be taken into account. In the field of animal identification and registration and of other animal/human health obligations the past experience was sufficiently good in most Member States. It seems there is no evidence of increased compliance, rather than a more integrated approach in the control procedures.

The effectiveness of controls is also linked to the type of inspector who has to carry out the checks. A major difference with inspections made by specialised bodies is that a cross compliance inspector is likely to be more of a generalist than a specialist because of all possible obligations to be checked and the need to restrict the control time (IT, NL, UK). Education and training of the cross compliance inspectors is therefore important and seems likely to influence the effectiveness of controls. The training of inspectors is an issue covered by most Member States. However, it has

been reported that not all inspectors are familiar with all issues covered by the controls (DE, EL, HU, SE), due to the high number of different topics to be controlled. Some worries were expressed about the outcomes of controls that might depend on the mood of inspectors (DE, EL) and the available time to conduct a fair and detailed inspection (UK). Some farmers' representatives argue for a more cooperative approach, taking into account the need for advice and warning by the farmers. Some such attempts were made in UK (E) where inspectors spend part of the time explaining farmer's obligations under the legislation as well as giving advice. In PT, farmers threatened with having payments reduced have also been given advice about how to meet their obligations.

4.6.4 Reduction of payments

The threat of payment reductions appears to contribute to improved compliance with obligations, more so than the perception of being controlled. Almost all the respondents from different organisations are quite explicit in stating that farmers' awareness of the possibility of having payments reduced is high. Controls are perceived as more sensitive now than previously, because direct aid is now linked to the respect of obligations. Farmers seem not to see major differences between cross compliance controls and those of the previous period, but definitely understand that direct payments are now linked to the results of the new controls.

Cross compliance is perceived by many farmers and their advisors in particular as an instrument of deterrence (enforcing obligations through controls and payment reductions) and not one that encourages a co-operative approach where farmers are forming voluntary associations to improve their environmental performances (DE, IE, SE, UK). It is common to hear from farmers' representatives that the focus on control and sanctions shows a lack of trust in farmers' management so requiring them to justify all their actions. In that sense, cross compliance seems to rather reinforce the frustration of many farmers towards a number of enforcement mechanisms. Prior to the introduction of cross compliance obligations in the field of environment, animal health etc. were not experienced by farmers as part of the CAP. They arose from separate pre-existing measures, many in force for several years. Cross-compliance has raised the awareness of these obligations and established a new link to payments under the CAP. In this sense it has changed perceptions of the CAP and its environmental dimension in parts of the farming community.

Most Member States have reduced direct payments of farmers who intentionally do not comply with legal requirements. However, where minor breaches occur for the first time, the introduction of a warning in case of a first non-compliance is favoured (DE, UK). Even in the case of negligent breaches which can be rectified, farmers should have 'time to rectify' (UK). Many stakeholders think that inspections should be carried out with common sense and that inspectors may be overly strict and may not be reasonable in their interpretation of the obligations (NL, UK). A too rigid and formal control system allows little opportunity for inspectors to let local conditions play a role in the inspection report, and the consequent calculation of the sanction (NL). Considering the situation of small farms with poorly skilled farmers, sometimes inspectors observe, with regret, that they have to report infractions that, according to them, are very difficult for some farmers to fully comply with (EL, PT).

The obligations regarding animal identification and registration - which show a relatively high percentage of non-compliance - are presented as one of the most appropriate examples of excessive diligence in the system of checks (DE, IT, SE, UK). The high percentage of infringements may indicate that the requirements are strict and so result in many farmers being penalised. In these cases the 'time to rectify' procedure would be appreciated at farm level.

To overcome the problem of minor breaches, a change in the inspection notification is suggested. In some Member States farmers are not notified in advance of a planned visit or the 48-hours announcement is considered insufficient to allow organisation of the daily work (IE, UK). Apart from the organisational aspects - which are important when the checks require more than a day - a more extended notice period would enable farmers to rectify matters promptly and might provide encouragement to farmers to comply.

The fairness of the sanction in relation to the size of breaches is also a matter of discussion particularly amongst farmers. Most farmers' representatives complain about payment reductions resulting from cross compliance which are not perceived as proportionate, as they depend on the size of direct payments a single farmer receives. However, the criteria established by EC Regulation 796/2004 to assess the degree of non-compliance in relation to the “severity”, “extent”, “permanence”, “repetition” and “intentionality”, of the infringements should result in a fair treatment of all farms. According to comments in farmers’ newspapers, controls and sanctions are not perceived as being targeted and proportionate, and thus as unjust, as direct payments are distributed unevenly and requirements differ considerably depending on farm type (e.g. an infringement of SMRs 6-8 would concern livestock management but could result in reduction of payments arising from entitlements on arable land). The possibility for minor non-compliances to result in disproportionately high sanctions on larger farms as payment reductions are applied as a proportion of the whole Single Payment was raised in some reports (UK). However, these objections do not take into account the "whole farm approach" on which the cross compliance system is based Payment reductions are intended to be proportional to the importance of the actual infringements, irrespective of the degree of specialisation of the farm in question or of the overall amount of direct payments received by individual farmers who are found to be in breach of relevant obligations.

The application of a double sanction on farms is another relevant issue of debate, raised mainly in Member States where the control and sanction system for SMRs is already working (DE, NL). The application of both an administrative penalty and a deduction of direct payments in cases of a breach of EU obligations implemented in national legislation has been criticised. Again, the most frequent complaint concerns the identification and registration of animals, which is one of the few statutory requirements widely implemented by Member States. However, it must be acknowledged that administrative penalties ensuing from failure to comply with national measures implementing EU legislation (including those in Annex III of Regulation 1782/2003) apply independently from cross compliance. They are different in nature from the linkage between direct payments and compliance with statutory standards, which underpins the cross compliance mechanism.

Although there is no clear rationale for opting out of cross compliance by deciding not to apply for support under the SPS or SAPS, some farmers have said that they intend to do so, and there are anecdotal reports that it has happened.

It is difficult to judge the scale of such concerns or the extent to which farmers genuinely have taken action of this kind hoping to avoid cross compliance. The argument for doing so is generally weak as statutory obligations apply whether or not a farmer receives direct payments. The cross compliance system has drawn attention to the scale of these measures on some farms, but opting out of the support schemes will not remove the obligations. In principle the authorities responsible for these measures should inspect for compliance on all farms irrespective of whether they receive direct payments. Farmers who opt out of the SPS or the SAPS would not be subject to inspections for non-statutory GAEC standards but that would be the only advantage – assuming that Member States are applying cross compliance in the correct way.

Nonetheless there have been some anecdotal reports in a minority of Member States to suggest that some farmers may choose to opt out of the Single Payment Scheme (SPS) or the
Single Area Payment Scheme (SAPS) as a result of the introduction of a more systematic approach to enforcing statutory legislation associated with cross compliance. In LV it was reported that some farmers had had negative experiences related to the reduction of payments and application of fines and that this had induced a number of farmers to opt out of SAPS in order to avoid cross compliance controls. In DE and IE it was reported that some mixed farms and small enterprises may be unable to comply with all of the requirements subject to cross compliance, with the impact generally greater on more specialised farms. In ES it was reported that some older farmers might choose to give up certain agricultural activities rather than make new investments in order to meet obligations subject to cross compliance. In SK there have been reports that some farmers are considering opting out of the Single Area Payment Scheme as it is perceived that controls for statutory standards may be less stringent for those farmers not subject to cross compliance.

It should be noted that in practice cross compliance sanctions in most Member States have, thus far, largely resulted in payment reductions or warning letters rather than statutory fines, i.e. the net effect on income has been neutral in the worst case. As a result, it would appear that the incentives for farmers to opt out of the SPS or SAPS should be low. Nevertheless, there is still a perception in some areas that opting out of the SPS or SAPS could reduce the likelihood of being inspected for statutory obligations

4.7 Conclusions to Q2.1

The organisational structure of the control systems represents an evolution, in most cases, of pre-existing systems rather than the introduction of brand new systems. The majority of Member States use a combination of both the Paying Agency and specialised control bodies (agricultural, environmental, veterinary and food safety authorities) to control cross compliance, with different tasks assigned to the different bodies. Cross compliance has resulted in the need for greater co-ordination between existing control bodies and the designation of an overall co-ordinating authority charged with ensuring the system works. A trade off appears to exist between the choice of either one control body which can perform a more systematic bundled control requiring less coordination but lacking sufficient detailed knowledge of the large number of obligations or the alternative of deploying a number of specialised bodies which should secure more appropriate operative control procedures but requires more coordination efforts within a fragmented system.

From the available data, obligations arising from some SMRs (SMR 4 and SMR 7) and some GAEC issues (minimum level of maintenance) are more likely to have been breached in 2005 than others. The majority of payment reductions have been applied at a level of 1%.

Farmers are aware of the new control system implemented by the cross compliance in most Member States and the prospect of being inspected seems to encourage farmers to comply with the statutory obligations. According to the perceptions of representatives of the national agricultural ministries, of Paying Agencies and non-governmental stakeholders, systematic controls implemented through cross-compliance have improved the performance of already existing control systems. Although control results before and after cross compliance are not fully comparable, the improvement of the control system has been explicitly cited many times.

The role of the inspector is crucial in many respects and the training of the inspectors is an issue being addressed by most Member States. Even when the training is in place, it has been reported that not all inspectors are familiar with all issues covered by the controls, due to the high number of different topics to be controlled. Some worries were also expressed about the outcomes of controls that might depend on the expertise of inspectors and the available time to conduct a fair and detailed inspection. A more co-operative approach, taking into account the need for advice and warning could be considered.

The threat of payment reductions seems likely to encourage improved compliance with obligations, even more so than the perception of being controlled. There is a general consensus that farmers' awareness of the risk of having their CAP payments reduced is high. Controls are perceived as more sensitive now than previously, because the direct payments are now linked to the respect of all these rules. There is a common feeling that the focus on control and payment reductions illustrates a lack trust by administrators of farmers' management and in some cases discourages co-operative approaches such as voluntary participation in environmental improvement programmes by farmers. For this reason, where minor breaches occur for the first time, the introduction of a warning letter is favoured by some Member States.

In principle there is no rationale for opting out of SPS or SAPS payments in an effort to avoid compliance with obligations in statutory legislation, since these apply irrespective of cross compliance. Cross compliance penalties will not exceed the value of the direct payments in any circumstances. Nonetheless, anecdotal reports suggest that in some areas farmers have considered or may consider in future opting out of the Single Payment Scheme or the Single Area Payment Scheme hoping to minimise the possibility of being inspected for statutory requirements. These reports also suggest that abandonment of certain types of farming could occur if farmers are unable to comply with legislation subject to cross compliance and which farmers would still need to comply with regardless of participation in the SPS or SAPS. However, it should be stressed that although these possibilities have been reported in a few Member States, clear evidence of such effects has not been cited.

No differences were observable in the effects of controls and payment reductions between SMRs and GAEC (sub-questions 2.2.1 and 2.2.2). Controls and reductions of payments appear to have encouraged compliance with both types of cross compliance obligations. Since no Member States have yet applied farm level cross compliance obligations regarding permanent pasture, controls and reductions of payments cannot yet be considered to have had any affect on permanent pasture (sub-question 2.2.3).

4.8 Overall conclusions to Theme 2

It is too early to say if communication to farmers, systematic controls and payment reductions will increase farmers' compliance with statutory requirements. The analysis is supported by evidence of only one full year of implementation and it seems that all the stakeholders (from the grass-roots farmer to the scientific expert) are dealing with a new context. In most Member States, perhaps for the first time, farmers have a very comprehensive and detailed framework of rules to be complied with. There is however a general consensus that awareness of cross compliance has increased since its introduction and it is expected that this will result in improved levels of compliance, although there is currently limited evidence to substantiate this.

The information provided to farmers on cross compliance seems rather complete, clear and accessible. However, the poor knowledge of cross compliance among smallholders could be a consequence of a too limited sharing of its motivations, goals and technical requirements. Differences remain between having information on cross compliance and understanding it. Even though farmers know what the obligations are, they do not necessarily know how and why to apply them. The Farm Advisory System is likely to be important in future in building farmers' understanding of cross compliance obligations.

Farmers are aware of the new control system implemented by cross compliance and the prospect of being inspected seems to encourage farmers to comply with the statutory obligations (both SMRs and GAEC). Although control results before and after cross compliance are not fully comparable, the improvement of the control system has been explicitly cited many times.

The threat of payment reductions is likely to contribute to improved compliance with SMR and GAEC obligations, more so than the possibility of being controlled. There is a general consensus that farmers' awareness of the threat of payment reductions is high. However there is a common feeling - mainly at farmers' and advisors' level - that the focus on control and sanctions shows a lack of trust by administrators of farmers' management and forces them to justify all their actions. By generating such negative attitudes, cross compliance may discourage co-operative approaches between farmers and authorities. For this reason, where minor breaches occur for the first time, the introduction of a warning letter is generally favoured.

5 THEME 3: ACHIEVEMENT OF GLOBAL OBJECTIVES

5.1 Introduction to Theme

Regulation 1782/2003 is the legal basis for cross compliance. Paragraph 24 of the preamble states:

'To promote more market orientated and sustainable agriculture […] it is therefore appropriate to make the single farm payment conditional upon cross compliance with environmental, food safety, animal health and welfare, as well as the maintenance of the farm in good agricultural and environmental condition.'

A key objective of the cross compliance policy therefore is the promotion of sustainable agriculture. The way in which this is to be achieved is explained in Paragraph 2:

'The full payment of direct aid should be linked to compliance with rules relating to agricultural land, agricultural production and activity. Those rules should serve to incorporate in the common market organisations basic obligations for the environment, food safety, animal health and welfare and good agricultural and environmental condition…'

Theme 3 concerns the effectiveness of cross compliance in promoting the achievement of the global objectives of the policy, in this case, the objective of sustainable agriculture. More specifically, it seeks to understand the degree to which the objective of sustainable agriculture (in relation to specific criteria) has been encouraged by making it a requirement for farmers in receipt of direct aid to adhere to certain obligations at farm level (Statutory Management Requirements and Good Agricultural and Environmental Condition).

Impact on sustainable agriculture

Question 3.1: To what extent has sustainable agriculture been promoted by making the single farm payment conditional upon cross compliance with Statutory Management Requirements and Good Agricultural and Environmental Conditions?

5.2 Introduction to Q3.1

The first step in the analysis is to understand how cross compliance is intended, from a theoretical perspective, to contribute to sustainable agriculture. This requires an understanding of the intervention logic of the policy.

The intervention logic of the policy is that farmers in receipt of direct aid must comply, at farm level, with requirements designed to promote sustainable agriculture, i.e. the requirements within the scope of cross compliance. To achieve this, Member

States must provide *inputs* i.e. implementation and resourcing of the measure in order to achieve the desired *outcomes*. In order to come to an overall judgement regarding the effectiveness of cross compliance in promoting sustainable agriculture, it is necessary to consider both the effectiveness of the different components of the policy and their combined effects. A pre-condition for this analysis is a clear definition of the term 'sustainable agriculture' against which to judge effectiveness of the policy (see Section 5.3.1 - 'Defining Sustainable Agriculture').

The key inputs that can be analysed, and judged in terms of their effectiveness, are:

- the requirements and obligations (application of SMRs and definition of GAEC), as defined by Member States, that farmers must comply with;
- the system of providing information to farmers;
- the system of controls and inspections.

The key outcomes that can be analysed are:

- the rates of compliance/non-compliance with cross compliance requirements and obligations;
- levels of reduction in aid due to non-compliance.

The analysis of the key inputs and outcomes of cross compliance is described in the following text.

The analysis of SMRs focuses on the definition of obligations established by Member States and compares these to the requirements of the Annex III legislation. Attention focuses on the completeness of the obligations and the extent to which there are omissions. Omissions in obligations would reduce the effectiveness of the policy since farmers cannot be controlled for non-existent obligations. Of the 19 SMRS, only SMRs 1-15[21] can be analysed here as SMRs 16-19 only came into force from 1 January 2007 and information about these was not available during the research period of this evaluation. Information on omissions in obligations is provided in the national reports and descriptive report forming part of this evaluation. The interviews with officials responsible for defining SMRs in the Member States also provide insights into the decision making process for establishing obligations.

The analysis of GAEC focuses on the obligations defined by Member States within the framework established by Annex IV. The extent to which the obligations constitute farm level actions likely to promote sustainable agriculture is considered. This requires a judgement of the relationship between a control point as defined and its intended effect, based on current knowledge of farming practices and their impacts. For example, a control point imposing restrictions on spreading manure or fertilisers close to watercourses could be considered an appropriate measure to protect water from agricultural pollution. Evidence for the anticipated impacts in relation to

[21] This actually includes 16 Directives and Regulations applied as SMRs in 2006 due there being SMR 8 and SMR 8a. SMR 8a was added to the original list of 19 SMRs in Annex III of Regulation 1782/2003 in 2004 by EC Regulation 21/2004.

sustainable agriculture of application of these obligations is presented where available. National data reports, case studies and interviews with experts and stakeholders conducted for this evaluation provide information on the design and selection of obligations by Member States.

The rules established to maintain the extent of permanent pasture are reviewed based on information provided in national reports and case studies. Where available, data on the extent of permanent pasture for the period 2003-2005 is presented. This data, together with the views of interviewees, is used to determine if permanent pasture has been maintained. The extent to which the rules target any environmentally important permanent pasture is also considered.

Farmers' knowledge and understanding of cross compliance requirements will influence how effectively the policy promotes sustainable agriculture. If farmers' knowledge of the policy and its requirements are good, the more effective the policy is likely to be than if their knowledge is incomplete or poor. Farmers' knowledge is a function of the effectiveness of information provision and advice systems that support the cross compliance policy. Theme 2, Q 2.1 provides evidence on the effectiveness of information provided to farmers while the results of Task 2.5 provide additional insights into farm advisory systems. The number of farmers receiving information/advice, the format of that information/advice, the nature of the providers/advisors, and the frequency of information/advice are relevant indicators in relation to this issue.

The effectiveness of cross compliance in promoting sustainable agriculture is also a function of the control systems put in place by Member States. Analysis of the systems themselves provides some indication of the extent to which they are likely to ensure compliance with obligations. Relevant factors include the bodies carrying out controls and payment reductions and the organisation between them, the degree to which risk-assessment is used in providing the sample for controls and the nature of the bodies carrying out controls. National data reports, case studies and interviews with experts and stakeholders provide information on control systems and expert opinion on their likely effectiveness in ensuring compliance with obligations.

Compliance rates are an important indicator of the effectiveness of the policy. For cross compliance to promote sustainable agriculture to the maximum extent, all farmers in receipt of direct aid should be in compliance with obligations designed to promote sustainable agriculture. The number of compliant/non-compliant farmers is therefore an indicator of the effectiveness of the policy. Changes in the number of compliant/non-compliant farmers over time indicate whether the effectiveness of the policy is increasing or decreasing in terms of promoting sustainable agriculture. Data on compliance rates is assessed although, given the recent introduction of the policy, comprehensive data only exists for the first year of implementation (2005). Hence, a key indicator of effectiveness, that of improvements in compliance from one year to the next, is not yet available. For 2005 data, it is possible to determine whether rates of compliance are lower or higher in relation to some farmers' obligations than others. This allows some insights into whether any specific aspects of sustainable agriculture are more or less likely to be promoted by the policy than others. Data is drawn from national reports and case studies and supplemented with expert interviews e.g. of inspectors and other officials in control bodies. Stakeholder opinion, drawn from

interviews, on the extent to which cross compliance is expected to lead to improvements in compliance over time also contributes to the analysis.

The intervention logic of the policy is that applying payment reductions for non-compliances acts as an incentive to farmers to comply with obligations in future and hence contribute to the effectiveness of the policy. Data from 2005 is available from national reports completed for this evaluation although not complete for all Member States. Data on levels of reduction of aid for 2006 are not yet available and hence no time series analysis can be undertaken. The key question as to whether reductions in payments are effective in increasing compliance rates over time cannot therefore be answered at this stage. From the data available, it is also difficult to ascertain clearly which farmers' obligations have resulted in the greatest number of non-compliances and hence reductions in payments. Some, albeit limited, analysis of this data is carried out. Interviews carried out with officials from Paying Agencies provide some insights into the effectiveness of payment reductions as do stakeholder interviews with, for example, farmers' representatives and NGOs.

Overall, the effectiveness of cross compliance in promoting sustainable agriculture is the result of the combined effect of the inputs which in turn lead to certain outcomes. At this early stage of policy implementation, much more is known about the inputs to the policy than the outcomes of the policy. The inputs can be described and assessed and their *expected, combined* effects in terms of promoting sustainable agriculture can be judged. The combined effect of cross compliance inputs is an important consideration. Cross compliance is likely to make the greatest contribution to promoting sustainable agriculture where comprehensive and appropriate obligations are defined, these obligations are effectively communicated to farmers and, control systems are put in place that encourage farmers to comply with the established obligations. Weaknesses in any of these areas are likely to compromise the overall effectiveness of implementation and the ability of the measure to promote sustainable agriculture. Evidence of the actual outcomes of the cross compliance measure is rather limited at this early stage of implementation but relevant data is presented where available. This data is confined to the results of cross compliance implementation as indicated above i.e. rates of compliance/non-compliance and levels of reduction of payments. It is not possible to determine the actual impacts of cross compliance in relation to indicators such as the condition of agricultural land or extent of land abandonment due to the lack of monitoring data and insufficient time having elapsed since the start of the policy for such impacts to become apparent. In both cases, conclusions are drawn using the expert judgement of the evaluators, based on available data and the views and opinions of national experts and stakeholders interviewed during the data gathering phase.

5.3 Analysis for Q3.1

5.3.1 Defining sustainable agriculture

'Sustainable agriculture' is a global objective of the cross compliance policy. For the purposes of this evaluation, it is necessary to be clear as to what assessment criteria are being used to judge the contribution of cross compliance to meeting this objective. Such assessment criteria can be defined within the meaning of Regulation 1782/2003

and derived from Articles 3, 4 and 5 of Regulation 1782/2003 and the issues covered by Annexes III and IV.

Article 3 sets out the main requirements of the policy, namely, that farmers receiving payments shall respect SMRs and GAEC and that the competent national authorities will provide farmers with lists of these.

Article 4 states that SMRs shall be established by Community legislation in the areas of: public, animal and plant health; environment; animal welfare. The acts listed in Annex III apply within the framework of Regulation 1782/2003 and, in the case of Directives, as implemented by the Member States.

Article 5 states that all agricultural land, especially land which is no longer used for production, should be maintained in good agricultural and environmental condition as defined at national or regional level on the basis of the framework presented in Annex IV. The definition of GAEC has to take account of the characteristics of the areas concerned e.g. in relation to soil and climatic conditions, farming systems, land use etc and should be without prejudice to obligations of good farming practice as applied through Regulation 1257/1999. Member States must also ensure that land which was under permanent pasture at the date provided for the area aid applications for 2003 is maintained under permanent pasture.

The selection of Community legislation included in Annex III and the framework provided by Annex IV therefore delimits the environmental and other issues on which cross compliance might be expected to have an impact and determines the assessment criteria that should be applied. Hence, in considering the extent to which cross compliance promotes sustainable agriculture, it is more precise to consider the extent to which cross compliance promotes some specific issues or aspects of sustainable agriculture (Table 5.1).

More specifically, Annex III defines relevant articles of the 19 Directives and Regulations for which farmers' obligations[22] must be established while Annex IV provides a framework of issues and obligations on which national or regional definitions of good agricultural and environmental condition must be based.

[22] Actions to be undertaken at farm level

Table 5.1 Assessment criteria for sustainable agriculture drawn from Regulation 1782/2003

Assessment criteria	Link to Regulation 1782/2003
The protection of waters (both groundwater and surface waters) from pollution by nitrates and certain other dangerous substances.	Annex III, SMRs 2 and 4
The protection of the environment, and in particular soil, when sewage sludge is used in agriculture.	Annex III, SMR 3
The protection of soils (prevention of soil erosion, maintenance of soil organic matter and soil structure).	Annex IV, GAEC
The conservation of wild birds, natural habitats and wild flora and fauna and a minimum level of maintenance of habitats (avoiding deterioration).	Annex III, SMRs 1 and 5 Annex IV, GAEC
Food safety and traceability and consumer/public protection.	Annex III, SMRs 6-8a, 9, 10, 11, 12, 13, 14, 15
The protection of plant health.	Annex III, SMR 9
Animal health and welfare (including ensuring against the spread of animal diseases).	Annex III, SMRs 6-8a, 10, 12, 13, 14, 15 (16-18 not covered by this evaluation)
The maintenance of permanent pasture.	GAEC, Article 5, Paragraph 2

5.3.2 Obligations that farmers must comply with

SMRs

SMRs are based on pre-existing EU legislation which all farmers must comply with irrespective of whether they receive direct aids. Cross compliance is, potentially, a mechanism to improve compliance with that legislation at farm level. It seeks to achieve this, in the first step of the intervention logic, by requiring Member States to establish SMRs (based on specific articles of 19 pieces of legislation). SMRs currently apply only to those Member States applying the Single Farm Payment (EU 15 plus Malta and Slovenia). In addition, at the time of collating data for this evaluation, only SMRs 1-15 were in force. For cross compliance to have the maximum effect in terms of promoting sustainable agriculture, Member States must

define farmers' obligations for all articles of all legislation listed in Annex III. If the list of obligations is incomplete in some circumstances i.e. there are omissions in obligations, this would reduce the effectiveness of the policy since farmers cannot be controlled for compliance with non-existent obligations.

Based on data and analysis presented in *Part I: Descriptive Report* of this evaluation, only a small number of Member States (DE, IE and UK) have established obligations for all relevant articles of all the legislation listed in Annex III i.e. for all SMRs in effect in 2005 and 2006. In these countries, all aspects of sustainable agriculture have been addressed through the definition of SMR obligations. In the majority of Member States (AT, BE (F & W), DK, FI, FR, IT, LU, NL, SE and SI), obligations have been established for most articles of at least ten or more of the SMRs. In a small number of Member States (EL, ES, MT and PT), there are omissions in obligations in relation to some articles of at least five or more SMRs. The SMRs that were most likely to have omissions in terms of farmers' obligations being defined were SMRs 1, 2, 5, 6-8a, 11 and 12 in 2005/6.

The aspect of sustainable agriculture, which is least well promoted by cross compliance (judged by omissions in farmers' obligations in the greatest number of Member States), is that of 'food safety and traceability and consumer/public protection'. In relation to the specific SMRs that contribute to this aspect of sustainable agriculture, SMR 11 on food law records the greatest number of Member States, which have not defined obligations for all relevant articles of the legislation. Some 12 Member States (AT, BE, DK, EL, ES, FR, IT, LU, MT, NL, PT, SI) have some omissions in obligations for SMR 11. For SMR 12, a total of seven Member States (BE (F), ES, FI, IT, MT, PT, SI) have some omissions in obligations. For SMRs 6-8a, a total of six Member States (AT, EL, ES, LU, MT, SE) have some omissions in obligations. Fewer omissions are noted for SMR 10, a total of four Member States (EL, ES, MT and PT) and for SMRs 13-15, a total of four Member States (EL, ES, MT and PT).

The aspects of sustainable agriculture which are next least well promoted by cross compliance are those of 'the conservation of wild birds, natural habitats and wild flora and fauna' and 'the protection of waters (both groundwater and surface waters) from pollution by nitrates and certain other dangerous substances'. There are omissions in farmers' obligations in six Member States (BE (F, W), DK, EL, ES, NL, SE) for SMR 5 (Habitats Directive) and omissions in farmers' obligations in five Member States (BE (F), EL, ES, IT, NL) for SMR 1 (Birds Directive). Regarding the protection of water, the main omissions in obligations relate to SMR 2 on groundwater where five Member States (DK, FI, FR, LU, PT) have some omissions in obligations.

The aspect of sustainable agriculture, which is best promoted in relation to SMR obligations, is 'the protection of the environment, and in particular soil, when sewage sludge is used in agriculture'. Here, there are no omissions in obligations in any of the 17 Member States that apply SMR 3. 'The protection of plant health' is also well promoted with only one Member State (SE) having some omissions in obligations. 'The protection of waters from pollution by nitrates' is also relatively well promoted by SMRs with only two Member States (IT and SE) having some omissions in farmers' obligations.

The extent to which established SMR obligations are likely, if complied with, to contribute to sustainable agriculture is more difficult to judge in the absence of any environmental monitoring of, for example, soil or water quality. A good proxy is to look at the degree to which farmers' obligations are similar or harmonised across Member States. Harmonisation of obligations suggests two things; first, Member States, in defining obligations, appear to have followed closely the requirements of the legislation thereby potentially strengthening compliance with it; and secondly, that that there are certain accepted good farming practices which apply widely across EU agriculture and, if followed, are likely to yield benefits in relation to sustainable agriculture. Farmers' obligations are most harmonised in relation to SMRs 3, 4, 6-8a, 9, 12 and 13-15. In the context of sustainable agriculture, it can be concluded that the most consistent approaches have been applied in relation to the following issues:

- the protection of waters (both groundwater and surface waters) from pollution by nitrates and certain other dangerous substances;
- food safety and traceability and consumer/public protection;
- the protection of plant health;
- animal health and welfare (including ensuring against the spread of animal diseases).

Farmers' obligations are least harmonised in relation to SMRs 1, 2, 5 and 11. This suggests the least consistent approaches have been applied in relation to:

- the conservation of wild birds, natural habitats and wild flora and fauna;

but also in relation to some aspects of:

- the protection of waters from pollution by nitrates and certain other dangerous substances (mainly in relation to groundwater, SMR 2);
- food safety and traceability and consumer/public protection (mainly in relation to food law, SMR 11).

GAECs

Annex IV of Regulation 1782/2003 establishes the framework for the definition of GAEC obligations in Member States. In relation to sustainable agriculture, there are two main aspects to which GAEC can be expected to contribute:

- the protection of soils (prevention of soil erosion, maintenance of soil organic matter and soil structure);
- a minimum level of maintenance and avoiding the deterioration of habitats.

Based on information presented in *Part I: Descriptive Report* of this evaluation, Member States have most frequently defined farmers' obligations in relation to a minimum level of maintenance, soil erosion and the maintenance of soil organic matter (in that order of priority) and have least frequently defined farmers' obligations in relation to soil structure. See Table 5.2 for a summary of the GAEC obligations for which farmers' obligations have been defined by Member States. Question 1.1 also provides relevant analysis.

Overall, an analysis of GAEC obligations suggests that certain farming practices are being applied more widely than others across the EU and that GAEC is likely to promote certain specific aspects of sustainable agriculture more than others. These aspects are soil erosion and a minimum level of maintenance and avoiding the deterioration of habitats. However, the variation across Member States, in terms of which GAEC issues and obligations are given greatest priority and the differences in the definition of farmers' obligations, appears to reflect the requirements of the legislation which states that GAEC should take into account: 'the specific characteristics of the areas concerned, including soil and climatic condition, existing farming systems, land use, crop rotation, farming practices and farming structures'. Irrespective of this, there is a notable degree of harmonisation of many obligations suggesting that certain farming practices are widely applicable and accepted as being appropriate to address particular environmental problems.

Table 5.2 GAEC obligations for which obligations have been defined – EU 25

GAEC Standard	Member State																								
	AT	BE (F)	BE (W)	CY	CZ	DE	DK	EE	EL	ES	FI	FR	HU	IE	IT	LT	LU	LV	MT	NL	PL	PT	SE	SI	SK	UK
SE																										
MSC	✓	✓	✓	✓		✓	✓		✓	✓	✓	✓		✓		✓	✓			✓	✓	✓	✓			✓
MLM		✓	✓	✓	✓	✓			✓	✓	✓		✓	✓	✓		✓		✓	✓	✓	✓			✓	✓
RT	✓			✓		✓	✓		✓	✓					✓		✓				✓					
Other					✓				✓		✓	✓							✓	✓				✓	✓	✓
SOM																										
CR				✓		✓			✓					✓			✓		✓					✓		✓
ASM	✓	✓	✓	✓	✓	✓			✓	✓	✓	✓			✓	✓		✓	✓		✓	✓		✓	✓	✓
Other		✓										✓					✓			✓	✓		✓		✓	
SS																										
AMU	✓			✓					✓	✓	✓			✓					✓					✓		✓
Other			✓	✓								✓			✓											
MLM.																										
MSR		✓				✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
PPP			✓		✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓		✓	✓		✓		✓	✓
RLF	✓			✓	✓	✓			✓	✓	✓			✓	✓				✓				✓			✓
EUV	✓	✓	✓	✓			✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓		✓	✓	✓	✓	✓	✓
MOG										✓					✓				✓							
Other	✓	✓			✓		✓			✓		✓						✓	✓			✓				✓
Total No.	**7**	**7**	**6**	**9**	**6**	**8**	**6**	**3**	**11**	**11**	**8**	**9**	**3**	**8**	**8**	**5**	**8**	**5**	**9**	**6**	**8**	**6**	**6**	**6**	**7**	**11**

Key: SE = Soil Erosion; MSC = Minimum Soil Cover; MLM = Minimum Land Management; RT = Retain Terraces; SOM = Soil Organic Matter; CR = Crop Rotation; ASM = Arable Stubble Management; SS = Soil Structure; AMU = Appropriate Machinery Use; MLM = Minimum Level of Maintenance; MSR = Minimum Stocking Rate; PPP = Protection of permanent pasture; RLF = Retention of landscape features; EUV = Encroachment of unwanted vegetation; MOG = Maintenance of olive groves

Maintenance of permanent pasture

Paragraph 4 of the preamble to Regulation 1782/2003 states:

'Since permanent pasture has a positive environmental effect, it is appropriate to adopt measures to encourage the maintenance of existing permanent pasture to avoid a massive conversion into arable land.'

The positive environmental effects referred to could relate to:

- the biodiversity value of species rich grasslands and pastures;
- the landscape value of flowering hay meadows and other pastures;
- preventing erosion in areas where soils are vulnerable to erosion;
- preventing water pollution by reducing nutrient leaching.

But not all permanent pasture is, for example, of biodiversity or landscape value and conversion to arable land would not be environmentally deleterious in all circumstances. The extent to which rules for maintaining permanent pasture contribute to the global objective of sustainable agriculture is therefore a question of which permanent pasture is maintained, rather than just whether the overall area of permanent pasture is maintained at national level. For example, if a farmer ploughs up an area of species rich grassland of high biodiversity value and is later required to re-establish permanent pasture, a decline in area will be avoided but the biodiversity value of that pasture will already have been lost and cannot be fully re-created.

Question 1.2 indicates that while the overall extent of permanent pasture is likely to be maintained as a result of cross compliance rules, there are some concerns that permanent pasture of high environmental value could still decline. Where this occurs, and is not prevented by cross compliance rules, sustainable agriculture will be less well promoted than it might be.

The provision of information to farmers

In order to be able to comply with cross compliance obligations, farmers must have sufficient knowledge and understanding of those obligations. Limited or partial knowledge or understanding is likely to reduce compliance rates and hence reduce the effectiveness of the policy in promoting sustainable agriculture. Question 2.1 concludes that information provision has led to improved awareness of cross compliance obligations but that farmers' understanding of those obligations is currently weak. The FAS is considered likely to improve understanding over time. If this is the case, the extent to which cross compliance promotes sustainable agriculture may also improve accordingly. At this stage, is not possible to comment on whether some aspects of sustainable agriculture e.g. protection of soils or protection of water are likely to be more or less promoted than others by current systems of information provision due to lack of detailed information about the nature of the information provided.

Cross compliance control systems

In order to promote sustainable agriculture to the maximum extent, control systems must be effective in detecting non-compliances. Such non-compliances must then, in turn, lead to payment reductions, which create a greater incentive to farmers to comply with their obligations in future. The effectiveness of control systems is determined by a number of factors including the bodies responsible for controls, the ability of inspectors to assess farms against defined obligations and the selection of farms for control (risk assessment).

Member State's approaches to control systems are described at Chapter 5 of *Part I: Descriptive Report* and a rather variable approach to control systems is apparent across the Member States. Question 2.2 concludes that, in general, the control systems in place do detect non-compliances and lead to payment reductions. Many officials and stakeholders interviewed in case studies for this evaluation expressed the view that cross compliance, by forcing more systematic inspections and controls, would, over time, lead to improved compliance with obligations. Farmers and their representatives in particular, while appearing to resent the cross compliance system, recognise the risk of being inspected and of facing payment reductions, and claim that they are careful to meet their obligations under this policy. If these views are correct and cross compliance controls do contribute, over time, to improved compliance with obligations then cross compliance could be judged to be promoting sustainable agriculture, assuming other inputs to the policy are also effective.

Compliance rates

Data on cross compliance breaches was, at the time of producing *Part I: Descriptive Report* only available for 2005 and was, in many cases, incomplete or difficult to interpret. As a result, there is no data on changes in compliance rates over time; a key indicator of the effectiveness of the policy. It is possible however, to determine which of the cross compliance obligations were mostly commonly breached in 2005. This gives some indication of which aspects of sustainable agriculture might be best promoted by cross compliance, assuming that detected non-compliances in one year lead to improved compliance rates the following year, following the intervention logic of the policy. This may not be the case however and non-compliances could indicate those aspects of sustainable agriculture that are most difficult for farmers to achieve now and may remain so in future.

The most common breaches across those Member States defining obligations were in relation to SMRs 6, 7, 8 and 8a (aspects of 'food safety and traceability and consumer/public protection' and some aspects of 'animal health and welfare'). The next most common breaches were in relation to SMR 4 ('protection of waters from pollution by nitrates'). The next most common breaches in 2005 were in relation to: 'the conservation of wild birds, natural habitats and wild flora and fauna'; 'the protection of groundwaters from pollution'; and, the protection of the environment, in particular soil, when sewage sludge is used in agriculture'.

Data on non-compliances with GAEC obligations is rather less reliable due to the huge variation between Member States in terms of the type and number of inspections carried out. In 2005, most non-compliances for GAEC obligations were in relation to

'a minimum level of maintenance of habitats (avoiding deterioration)' and 'the protection of soils (prevention of erosion)'. It is notable that these are the two issues for which the greatest number of Member States defined obligations and hence most breaches might be expected to relate to these issues.

Payment reductions

Data on payment reductions was also rather incomplete at the time of preparing *Part I: Descriptive Report* and available only for 2005. Based on the available data (Table 7.4), the majority of payment reductions applied constituted 1% of direct aid and were for minor, negligent non-compliances. In the absence of any time series data for cross compliance breaches and payment reductions, it is not possible to make any judgements as to the effectiveness of payment reductions in promoting sustainable agriculture. However, as noted above (see section on *cross compliance control systems*), many farmers and their representatives interviewed for case studies referred to the possibility of payment reductions being an influence on their behaviour.

The combined effect of inputs and outcomes in promoting sustainable agriculture at EU level

The overall effectiveness of cross compliance in promoting sustainable agriculture can be determined by considering the combined effects of the inputs i.e. the implementation of the policy by Member States and the outcomes e.g. compliance rates and payment reductions. Given the relatively short period of time over which the policy has been applied, much more is known about the inputs to the policy than its outcomes. At this stage therefore, the judgement as to the effectiveness of cross compliance in promoting sustainable agriculture has to be founded more on the likely effects of the inputs than on actual evidence of outcomes of the policy. In due course, time series data on compliance rates and the payment reductions applied should give much better insights as to the effectiveness of the policy with regard to meeting its global objective.

The intervention logic of the policy assumes that the combined effect of defining farmers' obligations, communicating those obligations to farmers and inspecting farms for compliance with those obligations, should lead to compliance with those obligations at farm level. Non-compliance should lead to payment reductions which, in turn, should act as an incentive to farmers to comply with obligations in future. In this way, the global objective of sustainable agriculture can be met.

Taking each of the criteria for sustainable agriculture (as presented in Table 3.1) in turn, the combined effects of inputs and outcomes can be considered in order to determine how well each criterion is promoted. Based on the available data, some inputs and outcomes give greater insight into which aspects of sustainable agriculture are likely to be being promoted by cross compliance. The main input that is helpful to the analysis is the obligations defined by Member States and the main output is that of compliance rates. Regarding the latter, some caution must be applied since data is available only for 2005. This data only gives a snapshot in time of which obligations – and hence which aspects of sustainable agriculture - were generally less well complied with across the EU in a given year. The data does not provide evidence of

how serious these breaches were nor how many farmers were found to be non-compliant.

Other inputs and outputs are less helpful to this analysis. Regarding provision of information, there is some evidence that information is sometimes underprovided or too complicated and that farmers do not always understand their obligations based on the information they have been given. Where this occurs, the effectiveness of the policy in promoting sustainable agriculture in general is likely to be weakened. However, based on the available data it is not possible to say whether specific aspects of sustainable agriculture are less well promoted than others by weaknesses in information provision. Equally, while there appear to be some concerns regarding control systems, which may weaken the effectiveness of the policy in terms of promoting sustainable agriculture, there is no evidence to determine whether some current control systems are more or less likely to promote certain aspects of sustainable agriculture than others. Information on payment reductions is also not helpful in this regard.

Focusing on obligations defined by Member States and compliance rates, the following judgements, regarding which aspects of sustainable agriculture are best promoted, can be made:

<u>The protection of waters (both groundwater and surface waters) from pollution by nitrates and certain other dangerous substances</u>
This issue is generally well targeted by cross compliance with most Member States having comprehensively defined obligations for relevant articles of both SMRs 2 and 4. The protection of water is not an objective of Annex IV although some obligations defined by Member States are likely to contribute to the protection of water e.g. 2m margins in UK (E). However, breaches of SMR 4 were recorded in 13 Member States and breaches of SMR 2 in seven Member States in 2005 indicating that some farmers were failing to meet their obligations.

<u>The protection of the environment, and in particular soil, when sewage sludge is used in agriculture</u>
This issue is strongly targeted by cross compliance at EU level. All 17 Member States defined obligations in relation to SMR 3 and only four Member States recorded breaches in 2005.

<u>The protection of soils (prevention of soil erosion, maintenance of soil organic matter and soil structure)</u>
This issue, particularly soil erosion, was strongly targeted in 17 out of 25 Member States through the definition of obligations but breaches of these obligations were recorded by eight Member States in 2005 suggesting some farmers were not taking action which would help to protect soils from erosion. Maintenance of soil organic matter was also well targeted in 18 Member States through the definition of obligations with only six of these recording breaches in 2005. Soil structure was less targeted with only nine Member States having defined obligations and breaches recorded in three of these in 2005.

The conservation of wild birds, natural habitats and wild flora and fauna and a minimum level of maintenance of habitats (avoiding deterioration)

This aspect of sustainable agriculture is less well by cross compliance than some other aspects. For both SMRs 1 and 5, almost a third of Member States applying SMRs did not comprehensively define obligations. Breaches were recorded in 2005 in eight Member States for SMR 1 and/or 5. GAEC obligations were very commonly used to promote a minimum level of maintenance of habitats; the most common issue for which obligations were defined. But breaches were also quite common and were recorded in 14 Member States in 2005.

Food safety and traceability and consumer/public protection

SMRs 6-8a, 10, 11, 12 and 13-15 contribute to this aspect of sustainable agriculture. In most Member States, obligations were generally well defined for these SMRs except for SMR 11 where omissions were notable. Data on breaches is only available for SMRs 6-8a for 2005 since the other SMRs did not come into force until 2006. The most common breaches in 2005, for all SMRs in force, were recorded for SMRs 6-8a; 14 Member States recorded breaches and these were most common both as a proportion of inspections relative to other SMRs and in terms of the number of breaches per SMR. Animal identification and registration therefore appears to be a significant issue in relation to food safety and traceability and consumer/public protection. If compliance rates improve over time, cross compliance could make a positive contribution to promoting this aspect of sustainable agriculture.

The protection of plant health

There is limited evidence on which to base any judgement as to whether this issue is well targeted or not. However, only 1 Member State did not comprehensively define obligations for SMR 9. No data is available on breaches since this SMR did not come into force until 2006.

Animal health and welfare (including ensuring against the spread of animal diseases)

Several SMRs (SMRs 10, 12, 13-15) relevant to 'food safety and traceability and consumer/public protection' (see above), are also relevant here in relation to animal health. The issue of animal welfare cannot be commented on since SMRs only came into force in 2007. Obligations for SMRs 10, 12 and 13-15 were generally well defined in 2006 with only a minority of Member States not having defined obligations for all of the relevant articles. No data was available for breaches. It is not possible to make any sound judgement on how well this aspect of sustainable agriculture is promoted by cross compliance.

The maintenance of permanent pasture

Overall, the majority of Member States appear to have taken the necessary steps to ensure rules are in place to ensure the maintenance of permanent pasture at national level. Some four Member States do not appear to have applied any rules but of these, only 1 Member State (IT) appears to be experiencing a decline in permanent pasture in some regions. The application of such rules in most Member States will generally contribute to the promotion of sustainable agriculture at national and EU level. It is possible however that by not specifying which permanent pasture has to be maintained, some permanent pasture of high nature and/or landscape value could be lost even though the overall extent of permanent pasture is maintained. Where this

occurs, cross compliance may fail to prevent activities e.g. ploughing of permanent pasture, which run counter to the objective of sustainable agriculture.

5.4 Overall Conclusions to Theme 3

The intervention logic of the policy assumes that the combined effect of defining farmers' obligations, communicating those obligations to farmers and inspecting farms for compliance with those obligations, should lead to compliance with those obligations at farm level. Non-compliance should lead to payment reductions that, in turn, should act as an incentive to farmers to comply with obligations in future. In this way, the global objective of sustainable agriculture can be met at national level and at EU level.

The analysis has revealed that much more is currently known about the way in which Member States have applied the policy – the inputs (definition of obligations, provision of information and control systems) – than the effects of the policy – the outcomes (compliance rates and payment reductions applied). Judgements can be made therefore as to the *likely* effects of the policy in promoting sustainable agriculture, following the logic of intervention, but actual evidence is limited. The variability in application of the policy across the Member States and between different aspects of implementation within Member States also makes it difficult to draw any overall conclusions. For example, some Member States have implemented the policy in relation to some inputs in ways that are likely to promote sustainable agriculture but not in others. The combined effect of policy implementation on sustainable agriculture is therefore difficult to judge. More founded judgments can be made if each step in the intervention logic is examined in turn.

Regarding SMRs, the aspects of sustainable agriculture that seem best promoted by cross compliance are: 'the protection of the environment, and in particular soil, when sewage sludge is used in agriculture'; 'the protection of plant health'; and, 'the protection of waters from pollution by nitrates'. The aspects of sustainable agriculture that seem least well promoted by cross compliance are: 'food safety and traceability and consumer/public protection' (especially in relation to SMR 11); 'the conservation of wild birds, natural habitats and wild flora and fauna;' and, 'the protection of groundwaters from pollution by certain other dangerous substances'.

The analysis of GAEC obligations suggests that certain farming practices are being encouraged more widely than others across the EU and that GAEC is likely to promote certain specific aspects of sustainable agriculture more than others. These aspects are soil erosion and a minimum level of maintenance and avoiding the deterioration of habitats.

Permanent pasture rules are likely to ensure the overall maintenance of permanent pasture at EU level and, in most Member States, at national level and thereby help to promote sustainable agriculture. However, the policy, by not requiring Member States to take a targeted approach to the maintenance of permanent pasture may not be able to prevent the loss of some permanent pasture of high nature or landscape value in some locations.

The majority of Member States provide adequate information to farmers. However, case studies reveal that even in Member States where a comprehensive approach is taken to the provision of information, the extent of farmers' knowledge and understanding of their obligations can be less than complete. The situation appears worse in some Member States where structural issues and the approach to information provision combine to result in a situation where farmers' knowledge and understanding of their obligations is inadequate. In these cases, the ability of some farmers to comply with these obligations may be compromised and the effectiveness of the policy in promoting sustainable agriculture may be weaker than where farmers' knowledge and understanding of their obligations is complete. Based on the data available, it is not possible to say whether certain aspects of sustainable agriculture are less well promoted by information provision than others.

Any judgement of the effectiveness of control systems in promoting sustainable agriculture, by improving compliance with obligations, is rather hampered by a lack of evidence. However, many officials and stakeholders interviewed in case studies for this evaluation expressed the view that cross compliance, by forcing more systematic inspections and controls, will, over time, lead to improved compliance with obligations. If this is the case, control systems are likely, in combination with other aspects of the policy, to promote sustainable agriculture.

Data on compliance rates and payment reductions is too limited to allow any firm conclusions to be drawn. However, non-compliance rates for 2005 suggest that certain obligations were more likely to be breached by farmers across all Member States than others. The most common breaches across those Member States defining obligations were in relation to 'food safety and traceability and consumer/public protection' and some aspects of 'animal health and welfare'. The next most common breaches were in relation to 'protection of waters from pollution by nitrates'. The next most common breaches in 2005 were in relation to: 'the conservation of wild birds, natural habitats and wild flora and fauna'; 'the protection of groundwaters from pollution'; and, the protection of the environment, in particular soil, when sewage sludge is used in agriculture'.

Overall, there appears to be some evidence to indicate that the combined effects of cross compliance inputs and outcomes are likely to promote sustainable agriculture as a global objective. The specific aspects of sustainable agriculture which appear to be promoted are rather variable depending on which component of policy implementation is considered.

6 THEME 4: EFFICIENCY ANALYSIS

6.1 Introduction to Theme

Theme 4 deals with the efficiency of cross-compliance in:

- Improving compliance with given and newly established obligations (Question 4.1).
- Setting and enforcing new obligations with respect to GAEC and rules for permanent pasture (Question 4.2).

As Annex III obligations existed prior to the establishment of cross-compliance, the theme requires an analysis only of the efficiency of cross-compliance as a mechanism to improve compliance with the obligations, not the obligations themselves. This is different for Annex IV obligations, which came into existence as a very result of introducing cross-compliance. With respect to these obligations, the evaluation project analyses both the efficiency of setting the obligations and the efficiency of the mechanism ensuring compliance with those obligations.

Question Q4.1 is therefore concerned with the efficiency of cross-compliance as a mechanism ensuring compliance with SMRs, GAEC and rules for permanent pasture (i.e. assessing the least cost approach of ensuring compliance with those obligations)**.**

In contrast, Question 4.2 covers the efficiency of setting obligations with respect to GAEC and rules for permanent pasture (i.e. assessing the costs and benefits attributable to the standard itself).

Q4.1: How efficient is cross compliance in contributing to achieving compliance with statutory obligations?

6.2 Introduction to Q4.1

The key terms of the question are ***efficiency*** and the ***compliance with statutory obligations*****.**

Question 4.1 is concerned with compliance with statutory obligations, and covers SMRs, GAEC and rules for permanent pasture. It is concerned with the role of cross compliance in contributing to compliance with these obligations rather than the setting of obligations themselves.

In answering this question, it is necessary to define what is meant by *efficiency*. While effectiveness is concerned with the degree to which a policy meets its stated objectives, efficiency is concerned with the extent to which this is achieved at least cost. It requires an assessment of the costs incurred in meeting the policy objectives and an assessment of how economically the resources used have been converted into

effects[23]. The most efficient outcome is therefore the one that achieves the best relationship between resources employed and results achieved in pursuing a given objective through an intervention.

Different types or levels of intervention are likely to produce different levels of effect, with both costs and results being variable. The best relationship between outputs and resource inputs can be defined in different ways, for example:

- The intervention that involves the lowest cost per unit of result achieved;
- The intervention that achieves a given level of result at least cost; or
- The intervention that achieves the greatest level of result for a given level of cost.

To assess efficiency it is necessary to consider all of the financial and human resources involved, considering all relevant actors (the Commission, Member States and regional authorities, farmers and third parties), since a solution, which reduces costs to one party at the expense of others, will not necessarily be efficient.

Under this question the costs and benefits of cross compliance relate not to the benefits of compliance with the obligations themselves, but to the extent that cross compliance has contributed to the achievement of these obligations, and the extra costs of using cross compliance to secure this level of compliance. These costs and benefits can then be compared with those that can be achieved or expected using alternative approaches.

It is important to recognise that efficiency cannot be assessed reliably without reference to alternative interventions (actual and potential) and their results. Even if it appears that a particular result has been achieved at reasonable cost, it cannot, strictly speaking, be proven to be efficient unless it is possible to assess the costs and results achievable through alternative interventions. Data limitations mean that such an assessment needs to be qualitative rather than quantitative.

6.3 Analysis for Q4.1

The answer to this question has considered the following key judgement criteria:

1. The extent to which the application of cross compliance (delivering information to farmers, carrying out inspections and applying payment reductions) has contributed to achieving compliance with statutory obligations;
2. The overall costs of application of cross compliance in achieving compliance with statutory obligations;
3. The alternative interventions that are, or could be, applied in seeking to achieve compliance with statutory obligations;
4. The costs and results of other existing and potential interventions;
5. A comparison of the costs and results of compliance with these alternative interventions.

[23] European Commission (2004) Evaluating EU Activities – A Practical Guide for Commission Services. http://ec.europa.eu/budget/evaluation/pdf/pub_eval_activities_full_en.PDF

This question focuses on assessing the efficiency of the mechanism ensuring compliance with obligations rather than the efficiency of setting those obligations. Hence the focus of the cost assessment is the administrative and enforcement costs rather than the costs of any changes in farming practice required to meet the obligations.

Effectiveness of Cross Compliance in Achieving Compliance with Statutory Obligations

There is some evidence of the effectiveness of cross compliance in helping to achieve compliance with statutory obligations. However, the amount of firm evidence available at this stage is limited because of a lack of baseline data on rates of compliance, a shortage of monitoring information, and the relatively short timescales since cross compliance was introduced. Only over time will data on levels of breaches of statutory obligations enable the effects of cross compliance on levels of compliance to be assessed. Therefore, most evidence about the effectiveness of cross compliance is based on observations about farmers' awareness and behaviour, rather than changes in measured rates of compliance.

In some Member States, cross compliance is already seen to be an effective mechanism for increasing compliance with existing obligations. Whereas legal action to enforce legislation may be a time consuming, expensive and cumbersome process, the imposition of financial penalties through cross compliance may in some instances be relatively simpler to operate.

In UK (E), cross compliance is seen to be a relatively cost effective way to enforce existing regulations. For example, there is evidence that it has helped local authorities to enforce Rights of Way legislation cost-effectively. It is possible that cross compliance may be particularly effective in encouraging compliance with obligations such as this, which are readily visible to the authorities and the wider public, since breaches of obligations may be evident even without the need for inspections.

In DK, a recent new masters thesis investigated how cross compliance affects the motivations of farmers to comply with environmental regulation. In the thesis, a survey of 158 farmers found that 40% have changed certain parts of their farming practice in order to better comply with environmental legislation[24].

Cross compliance is seen as having raised awareness of statutory obligations in several Member States (AT, BE (F), FR, IT, PL, SE, SL, UK (E)), even where these should already be understood, although limited evidence to date to indicate what impact this has had on levels of compliance. Some of the national reports (e.g. AT, UK (E)) comment that cross compliance can have benefits as a convenient and

24 Mikkelsen, J. & M. Høst (2006): Implementation of cross compliance: Evaluation of how cross compliance affects the farmers motivations for compliance with environmental regulation. Master's degree thesis, Urban and Rural Studies, Centre for Forest, Landscape and Planning, KVL.

accessible means of promoting an awareness of the combined obligations facing farmers on a range of issues. These obligations may have previously been seen as fragmented and difficult to follow.

National reports for AT, BE (F), DE, EE, ES, IE, SE, SL, UK (E) commented that cross compliance has raised concerns among farmers about the risk of loss of payments, and may be seen as imposing higher sanctions than previously, and that this has had an added incentive effect compared to earlier approaches. In AT, there is evidence that cross compliance has brought a more systematic system of controls and inspections for existing obligations.

In other Member States (ES, IE, IT) there is little direct evidence of the effect of cross compliance on compliance with obligations, although the response of farmers in complaining about costs suggests that the measures are seen as requiring changes in practice.

In IT, the national report suggests that the application of cross compliance also had the effect of obliging national and regional public authorities to accelerate the administrative procedures for the implementation of the Nitrates Directive and of the two Directives regarding the Natura 2000 sites. Because of the great delays of previous years, temporary substitutive GAEC obligations were foreseen for these Directives in the course of 2005 and 2006.

In some Member States (e.g. UK (S)) concerns have been expressed about the ability of the system to detect breaches of obligations, and the effect of this on levels of compliance. In NL, the national report suggested that benefits may be limited since cross compliance is based mostly on existing obligations and introduces few new requirements, while compliance rates for existing obligations are already often high.

In SL, the burden of compliance is seen as a significant disincentive for some farmers, especially small farmers, to apply for the Single Farm Payment.

It appears that cross compliance has mostly had an impact on compliance with SMRs and GAEC to date, since, with the exception of BE (F), EL and PL the permanent pasture rules have yet to be imposed at the farm level.

Costs of Using Cross Compliance in Achieving Compliance with Statutory Obligations

Using cross compliance to achieve compliance with statutory obligations imposes costs on both farmers and administrative authorities. Administrative costs are incurred both by the authorities, in administering the system of cross compliance, and by farmers, in complying with the administrative requirements of the cross compliance system.

Public Administrative Costs

Many of the costs of using cross compliance as a means to achieve compliance with statutory obligations are borne by the national and regional authorities in the Member States. These costs include:

- The costs of efforts to define obligations and establish systems of control;
- The costs of providing information to farmers;
- The costs of operating advisory services;
- The costs of processing applications;
- The costs of undertaking inspections;
- The costs of dealing with appeals and disputes.

It is important to note that other means of enforcing statutory obligations may also impose similar types of costs, requiring the provision of information and advice, conducting inspections and resolving disputes.

It is clear from the national reports that most Member States have incurred substantial costs in establishing and administering the system of cross compliance, though no overall estimate of these costs is available for any of the Member States. In general the initial establishment of the cross compliance system and the initial provision of information to farmers imposed greatest costs on Member States and regional administrations, and this is expected to be followed by lower annual administrative costs once the system is running smoothly.

In DK, there are 7.5 full time equivalent staff involved in administering cross compliance at a salary cost of approximately 3,200,000 DKK (€430,000) in 2006. The handbook on the Single Payment Scheme (which also contains information on cross compliance) incurred 329,346 DKK (€44,000) in printing costs in 2006, excluding postage. A separate handbook on cross compliance will be published in 2008, at a similar printing cost to the Single Payment Scheme handbook[25].

Most Member States have incurred substantial costs in developing and providing information to farmers in the form of documents, handbooks, newsletters, workshops and events, websites and press releases. Many Member States provide regular newsletters to update farmers on latest cross compliance developments. The systems used to disseminate information vary in their form and regularity. For example, in UK (E), Defra estimates that each farmer will receive CC information approximately once every three months, while in EL information is distributed annually.

Estimates of the cost of information provision[26] include:

- NL - The costs to the authorities of information provision have been put at €1 million, in addition to staff time. The staff time input is estimated at about two full-time equivalents over the years 2005 and 2006.
- BE (F) - The total cost of distribution of brochures to 27,000 farmers was €33,438 in 2006. In addition, a number of staff had a part time input into information provision, including development of press releases (ten people), running evening workshops, website development (3 people), and preparing displays and information panels (3 people).

[25] Source: National report for Denmark

[26] Source: National reports

- AT - The budget for the information campaign was €400,000 in 2005 and €130,000 in 2006.

However, in HU budgetary difficulties have meant that there has been no serious or costly preparation for cross compliance during 2007, while in SK no general system for providing information on cross compliance has yet been developed.

In NL, a significant administrative effort was involved in aligning national legislation with the SMR obligations, to ensure that the national approach was harmonised with the EU wide system of cross compliance. In EL, the application of GAECs was found to be easier and smoother for the central administration, inspection and control bodies and the farming population compared to SMRs.

Inspection Costs

Inspection of farms is an essential part of the enforcement of statutory obligations. It takes time and imposes costs on both the authorities and farmers. Inspections often involve several government agencies (e.g. environmental and veterinary specialists as well as payment agencies), increasing the administrative complexity of the task. In assessing the costs of enforcing statutory obligations, it is important to note that, even in the absence of cross compliance, there would be a need for some form of inspection procedure. The effect of cross compliance has been to introduce a more systematic system of inspection and control in many Member States, often adding to costs.

Estimates of the average length of time taken by inspections given in the national reports vary widely by Member States:

- DE (Bavaria) – Approx 1.5 days (3 to 3.5 inspections per inspector per week);
- DE (Hesse) – 0.5 days, or 1 day for large or remote farms;
- EL – 2 days;
- NL – 20-30 hours by General Inspection Service, more by specialist inspectors;
- UK (E) – 36 hours (5 days);
- UK (W) – 3-4 days.

The amount of time taken varies with the breadth of the inspection. For example, UK (E) and NL inspections employ an integrated approach involving a wide variety of obligations[27].

The costs of inspection to both the authorities and to farmers can be expected to vary in relation to the time taken.

In UK (E), the Rural Payments Agency (RPA) employs about 200 inspectors who are involved in conducting single payment scheme and cross compliance inspections in addition to other CAP scheme inspections. In addition, the Environment Agency (EA) has approximately 150 officers involved in cross compliance inspections in addition to other CAP schemes inspections. The Veterinary Medicines Directorate

[27] Nitsch and Osterburg (2006) *The Efficiency of Cross Compliance Controls*. Cross Compliance Network Newsletter. Winter 2006/07

(VMD) and State Veterinary Service (SVS) also have personnel involved in on-the-spot controls. RPA estimates that an average inspection takes 36 working hours in total (about a week). This is expected to increase in the future as more obligations are introduced. This figure does not include time spent by EA, VMD and SVS, although this will be less. The RPA estimates that checking the SMRs on animal identification, plant protection products, food and feed law, and prevention and control of TSEs take up 24 hours of the total inspection process. SMRs are given more emphasis over GAEC in terms of inspection time due to statutory obligations. On average livestock farms take significantly longer to inspect than arable farms due to additional and time-consuming SMR obligations. Smaller livestock farms take less time to inspect than larger livestock farms on average. Big arable farms can be quicker to inspect than small livestock farms, but this will depend on the farm. Farms chosen at random tend to take a similar amount of time to inspect as those chosen according to risk factors. Farm type is the most important factor in terms of inspection time.

The mean cost of an annual inspection of field margins to check with cross compliance obligations is estimated at €2.8-4.0 per hectare in UK (E)[28].

In FR, the national reporter commented that farmers see little difference between the controls required by cross compliance and those of the previous system, but that they now clearly understand that their payments are linked to the results of these checks. Similarly, the system is not seen as imposing extra costs on control bodies, but requires different bodies to work together across different domains of competence. The national report commented that no recruitment was necessary to enable the authorities to carry out cross compliance controls, but that training was given to control officers.

In AT, the additional effort required of farmers by controls is considered to be low, especially since cross compliance controls are combined with other control procedures.

In EL, a full inspection takes two days, though usually the authorities prioritise certain obligations based on the farm's activities to reduce the time required. GAECs are considered easy to inspect relative to SMRs, because guidelines are clear and obligations are evident.

Farm Administrative Costs

The national reports identify various costs imposed by cross compliance in encouraging farms to meet statutory obligations. These include:

- For all farms, the cost of time involved in understanding the requirements of cross compliance;
- For some farms, the costs of obtaining professional advice;
- For all farms, the time and cost involved in preparing documentation and keeping records;

[28] Wills and Manley (2006) *Costing Cross Compliance*. RICS Research, www.rics.org

- For inspected farms, the time and cost (particularly opportunity costs) of accompanying inspectors during their visits;
- For many farms, the psychological costs of anxiety and stress caused by the imposition of cross compliance.

It is difficult to value these costs, and no monetary estimates are available in the national reports. However, the EL national report estimated that administration of cross compliance results in time inputs of 18,100 days by farmers annually, with applications and inspection taking up most time. This represents an annual average of only 0.15 days per farm per year, based on an assumption that SFP applications take an average of 1 day per farm and that only one tenth of this time is accounted for by cross compliance requirements.

Several of the national reports (e.g. AT, BE (F, W), DE, DK, EL, ES, FI, IE, LU, NL, PT, SE) comment that, while most of the requirements of cross compliance (especially SMRs) are not additional and therefore should not impose substantial additional costs on farm businesses, the administrative effort involved in the application of cross compliance does impose significant additional effort and time requirements on farmers. In most cases, these costs are not quantified and comments tend to be based on views expressed by interviewees in the Member States in question (including the authorities and/or farmers and their representatives). Such comments often do not distinguish between the additional costs involved in compliance with the statutory obligations themselves, and those which are additional costs specific to the application of cross compliance. However, the national reports of IT and SL suggested that these costs are not great, because farmers are generally used to demonstrating compliance with the obligations in question.

In SE, it is estimated that farmers spend an average of 5 hours per year each in gathering information about cross compliance requirements, including reading relevant sections of the 46 page cross compliance brochure.

In NL, the perception of the Ministry of Agriculture is that the cost-effectiveness of the cross compliance control system is low on those obligations where compliance levels are high. The bureaucratic effort of cross compliance imposes significant costs, which, for some obligations, are disproportionate to the marginal benefits.

In DE, the national report suggests that, while farmers perceive the costs of cross compliance to be high, they may find it difficult to distinguish between the costs of cross compliance itself and those of the obligations it is seeking to enforce. Indeed, the authorities consider that cross compliance imposes few additional costs in promoting compliance with existing standards. Farmers have expressed disapproval over the issue of multiple controls for similar obligations (e.g. through cross compliance, quality assurance schemes, specialised legislation), which often require the same information on several occasions. This suggests that there may be opportunities to improve the efficiency of the system by integrating cross compliance better with other measures. Similar concerns about multiple controls were raised in SK. Some national reports (e.g. LU) commented that cross compliance was seen as adding to an already onerous set of controls and reporting requirements for farmers, and that this was adding to tiredness and dissatisfaction among the farming community.

Some national reports suggest that administrative costs vary significantly between farms, according to farm size, structure and operations. According to the national report for FR, the most significant work is considered to come from a new obligation to register all farm operations. This is already common practice for livestock farmers but may bring more work for arable farmers (e.g. registering industrial contracts). In IT, the costs of compliance are generally considered to be low, because the obligations were generally in force before cross compliance was introduced, and most farms have experience of demonstrating compliance with them. There has been a higher burden on small farms, particularly less professional farms not used to keeping detailed records. In DE, farmers and NGOs are critical of disproportionate costs on livestock farmers, due to the number of livestock related SMRs.

Costs of demonstrating compliance appear to be highest for SMRs, because of the number and complexity of the obligations. Particular SMRs are identified as giving rise to high administrative costs. These include identification and registration of animals (DE, FI, PT, SE UK (E)), food and feed law (BE (F), SE, UK (E)), nitrates (FI, UK (E)), sewage sludge (FI) and animal welfare SMRs (FI, PT). However, the net effect of cross compliance on costs is unclear, as alternative systems of achieving compliance with these obligations would also impose costs in terms of the need for documentation and demonstration of compliance.

GAEC imposes similar requirements in terms of understanding requirements, applications, documentation and record keeping, inspections, appeals and psychological costs. Some national reports (e.g. CY, HU, PL) suggest that these costs are considered high among the farming community. Certain GAEC obligations impose particularly high administrative costs (e.g. registration of landscape features in AT and DE).

Costs of compliance have been low for the permanent pasture rules, which have not required action at the farm level to date in most Member States, though farmers may have spent some time in understanding the rules. Should restrictions be imposed on the conversion of permanent pasture in future, this will result in administrative costs in declaring intended changes of use, keeping records and where necessary making applications and appeals.

Potential Alternative Approaches to Achieving Compliance with Statutory Obligations

The potential alternative approaches to cross compliance are somewhat different for SMRs, GAEC and the permanent pasture rules.

For SMRs, which are already part of EU and national legislation, the obvious alternative approach involves the legal enforcement of obligations by the national or regional authorities. This is required of Member States whether or not cross compliance is in place.

Legal enforcement is also an option for those GAEC obligations which are already part of national legislation (e.g. soil erosion laws and prevention of stubble burning in

some Member States). Where GAEC obligations are not part of national legislation, alternative approaches might involve the development of new legislation or incentive approaches such as agri-environment schemes and LFA measures. Regulatory approaches may be more suited to the prevention of damaging activities (e.g. practices causing soil erosion or removing landscape features) while incentive measures are better suited to promoting particular management practices (e.g. maintenance of land in agricultural condition).

The protection of permanent pasture could alternatively be achieved through legislation (e.g. requiring authorisation of conversion of permanent pasture, or using nature conservation designations to protect ecologically valuable pasture) or incentive measures (e.g. using agri-environment schemes and LFA measures to encourage maintenance and positive management).

Another alternative approach to promoting compliance would be to rely on the provision of information and advice to farmers, without additional penalties or enforcement measures.

Efficiency of Cross Compliance in Promoting Compliance

Many Member States have already used alternative approaches to encourage compliance with the statutory obligations that are included in cross compliance. EU legislation requires the enforcement of SMRs, while many GAEC obligations are already incorporated in national legislation. Practices required by other GAEC obligations and measures to encourage the maintenance and favourable management of permanent pasture are already supported to some extent through agri-environment schemes and LFA measures. It is therefore helpful to examine the extent to which cross compliance has increased compliance with statutory obligations, and to consider the additional costs incurred in doing so.

Available evidence from Member States suggests that in most cases cross compliance is expected to have a significant effect on compliance with SMRs and GAEC obligations, by raising farmer awareness, increasing the perceived penalty of non-compliance, and introducing more integrated and systematic control procedures. At the same time, cross compliance is seen to have resulted in significant extra costs for both farmers and the authorities in most Member States.

The permanent pasture rules have had little or no effect to date on the enforcement of obligations, but have also incurred few costs, except for the costs of defining rules and control systems at the national/regional level.

Without better information about the costs and benefits of cross compliance compared to alternatives, it is not possible to say definitively whether cross compliance has been efficient in the way that it has deployed resources in promoting compliance with statutory obligations. For example, there is insufficient information to assess whether similar effects could be achieved at lower cost by deploying similar resources in the legal enforcement of statutory obligations.

Nevertheless, it is possible to make some comments about the efficiency of cross compliance as an enforcement mechanism:

- The national reports provide some examples of where cross compliance appears to be an efficient means of enforcing obligations compared to legal enforcement. The example of the use of GAEC to enforce rights of way legislation in England is notable. It is unclear whether such examples are widespread, though it is evident that cross compliance provides an additional enforcement mechanism that can be used to enforce a range of statutory obligations. Obligations may be efficiently enforced by a simple threat to notify the payments agency of any case of non-compliance, potentially removing the need for costly legal action.

- However, there are also examples from Member States (e.g. NL, SE) where the costs of using cross compliance to increase compliance with statutory obligations are seen by many to be disproportionate to the marginal benefits. This is particularly true of those obligations where compliance is already high.

- The costs and benefits of using cross compliance to increase compliance with statutory obligations both appear to vary widely between Member States and regions. A number of variables affect costs, such as the amount of time and effort devoted to providing information to farmers, and to conducting inspections. These are also likely to impact on the effectiveness of cross compliance in raising compliance with obligations.

- It is clear that cross compliance has focused the minds of farmers on statutory obligations in many member states, and that the fear of payment reductions from non-compliance is a major driving factor. Again, it is difficult to comment on whether an equal effect could be achieved by other means. However, it is highly probable that any alternative means of influencing the awareness and behaviour of such large numbers of farmers would also impose significant administrative costs for both farmers and the authorities.

- The role of cross compliance in bringing together different statutory obligations is likely to have enhanced efficiency, by making it easier for farmers to gain the information required, and by promoting joint approaches to regulation and control. However, in some parts of the EU, there has been criticism about multiple controls, with cross compliance poorly integrated with other control measures and adding to duplication of effort.

- Cross compliance clearly imposes significantly higher costs than approaches which rely merely on the provision of information and advice about obligations. However, it seems unlikely that the latter would have the same effect on compliance without the threat of additional penalties.

- Cross compliance is likely to incur lower budgetary costs than agri-environment and other incentive schemes in encouraging the protection of landscape features and permanent pasture. Using cross compliance to enforce minimum standards enables the agri-environment programme to promote positive management of land and landscape features.

6.4 Conclusions from Q4.1

Evidence suggests that cross compliance is playing, or will play in future, a significant role in increasing compliance with existing statutory requirements. It would be surprising if significant progress could be made in this way without costs being incurred, and available evidence suggests that the administrative costs to farmers and the authorities of increasing compliance are not insignificant (although cost estimates are limited and sometimes confuse administrative costs with the costs of meeting the obligations themselves). With limited evidence about the actual costs of cross compliance, and the costs of alternative policies to increase compliance with statutory obligations, it is difficult to draw definitive overall conclusions about the efficiency of the policy. However, there is some evidence that cross compliance can be an efficient means of increasing compliance with statutory standards, and little evidence to suggest that it is not efficient.

Q4.2: To what extent are the costs at farm level (financial and human resources) deriving from the application of cross compliance proportional to the intended effects?

6.5 Introduction to Q4.2

This question focuses on assessing the efficiency of standard setting (GAEC and rules for permanent pasture). As SMRs are pre-existing obligations that are taken as given, their costs and benefits are beyond the scope of this evaluation, and they do not need to be considered by this question.

The question focuses on the farm level, and requires an analysis of the costs imposed on farms relative to the expected benefits of the application of cross compliance. Key terms are *costs*, *farm level*, *proportional* and *intended effects.*

The question requires an assessment of the overall *costs* of cross compliance, including financial and human resource costs. At the *farm level*, these may include:

- Effects on production costs – e.g. the cost of additional operations required to comply with GAEC, such as sowing a cover crop;
- Effects on revenues – e.g. the opportunity costs of not ploughing permanent pasture;
- The costs of understanding requirements and demonstrating compliance – e.g. the time involved in reading guidance, keeping records and participating in inspections. This may mainly involve additional time (with resultant opportunity costs in terms of alternative productive uses of this time), but there may also be direct financial costs (e.g. for obtaining advice). The focus here is on the overall costs of achieving compliance, rather than the costs specific to the application of cross compliance, dealt with by Question 4.1.

Proportionality is an aspect of efficiency, which refers to the extent to which the benefits achieved are proportionate to the costs. This can be assessed by examining the overall extent and distribution of benefits and by considering whether they are significant and widespread relative to the costs incurred. Where a policy imposes significant and widespread costs in pursuit of insignificant or localised benefits it is unlikely to be efficient.

Intended effects is also an important term. It requires an assessment of the scale, extent and significance of the problems that cross compliance is seeking to address, to facilitate a comparison with the costs incurred. It recognises that the actual benefits of cross compliance may take some time to materialise.

6.6 Analysis for Q4.2

The answer to this question has considered the following key judgement criteria:

1. The overall costs of meeting obligations set by GAEC and permanent pasture rules, (taking account of compliance, production and opportunity costs);
2. The scale and extent of the problems (or potential problems) being addressed by GAEC and permanent pasture measures;
3. The extent to which cross compliance can be expected to address these problems, and hence its intended effects;
4. A comparison of the relative scale and extent of the costs incurred with the scale and extent of the intended benefits of the policy in addressing the problems identified. This needs to take account of:
    - Scale – is the overall value of the intended effects likely to be proportional to the costs?
    - Distribution – is the distribution of intended effects proportional to that of the costs (since the latter can be expected to be widespread)?

Cross compliance has a role to play in addressing potential risks (such as under-management of land) as well as dealing with current trends and problems (e.g. observed cases of soil erosion). Reference to intended effects needs to take account of the ability of the policy to avoid or mitigate these risks as well as to address identified problems.

GAEC

Types of Costs
The farm level costs imposed by GAEC include:

- Operational Costs – such as the cost of sowing a cover crop to prevent soil erosion, or undertaking minimum levels of maintenance to avoid scrub encroachment. These include both financial costs (e.g. labour costs and materials) and the costs of the farmer's own time.
- Opportunity Costs – such as the income foregone from not removing landscape features.

- Administrative Costs – such as the costs of understanding requirements and taking appropriate advice. These may include the farmers own time and the cost of employing advisors or consultants.

Level of Costs

This question is concerned with the additional farm costs of complying with new obligations introduced by GAEC, rather than the use of cross compliance to promote compliance with existing obligations (e.g. national legislation).

Key determinants of costs include:

- The number of GAEC standards introduced, which varies widely by Member States;
- The extent to which GAEC imposes new and additional obligations on farmers, rather than seeking to enforce existing obligations.
- The extent to which Member States are using GAEC to increase obligations of environmental management, rather than as a minimum requirement with which most farmers should be capable of complying easily.
- The number of farms and areas of farmland affected by the various GAEC obligations.

The costs imposed by GAEC obligations vary by Member States. Some have taken an ambitious approach to raising environmental performance, with significant impacts on costs, while others have taken a simpler, lower cost approach focusing on the enforcement of minimum obligations and the enforcement of good agricultural practice.

AT, BE (F) and DE are examples where many of the GAEC obligations were either common practice or part of existing legislation, and therefore impose few additional costs on farmers.

In contrast, countries such as IT, PT and UK (E) have introduced a number of GAEC obligations designed to improve environmental performance significantly, with significant effects on farm costs.

Examples of measures identified by the national reports as having significant impacts on costs include requirements to:

- Introduce grass margins to protect watercourses, which results in financial, managerial and opportunity costs (DK, FI, UK (E);
- Maintain otherwise abandoned land in agricultural condition (CY, DK, EE, IT, LT, PT);
- Register and/or maintain landscape features (AT, DE, EL, ES, FR);
- Restrict cultivation on slopes (EL, HU, NL).

These measures generally require farmers to undertake operations that may not otherwise be financially viable, or restrict certain operations to avoid damage to soils.

In contrast, a number of GAEC obligations are seen to introduce little or no additional cost. Soil GAECs in particular are often regarded as representing good agricultural

practice, and therefore imposing few additional costs, or indeed yielding agronomic benefits, to farmers.

There are relatively few examples in the national reports where these costs have been quantified (see Section 1.9.1, Question 1.3).

In some countries (ES, SL) some measures for which farmers were previously compensated through agri-environment measures are now addressed through GAEC. An example is measures designed to combat soil erosion in ES, such as establishing ground cover in olive groves on slopes. This suggests cross compliance may help to free up resources for positive environmental improvements.

Some of the national reports (e.g. CZ, FI, SE, PT, UK) suggest that GAEC has imposed significant managerial and administrative costs on farm businesses. This is particularly true of time intensive activities such as the development of soil management plans in the UK and the registration of landscape features in AT and DE.

Intended Effects
The scale of intended effects of the GAEC rules depends on:

- The scale of. the problem being addressed by GAEC;
- The extent to which the GAEC obligations address this problem effectively.

The national reports indicate that not all of the GAECs being implemented are seen to be addressing problems that are considered to be significant in the Member States in question. For example:

- Soil erosion is not seen to be a significant problem in IE, LU, UK (S);
- Soil organic matter is not seen to be a significant problem in DE, IE, LT, LU, UK (S);
- Soil structure is not seen to be a significant problem in DE, EL, IE, LT, LU, LV, UK (S);
- Minimum level of maintenance is not seen to be a significant issue in IE, LU.

In some Member States, notably Ireland and Luxembourg, the national reports indicate that none of the issues for which GAEC obligations have been introduced appear to represent significant environmental concerns or priorities. Instead, it appears that GAEC obligations have been introduced to meet the requirements of the EU regulation and to ensure that farmers can continue to receive CAP payments.

Some GAECs address problems that are significant yet relatively localised in their extent. For example soil erosion is a significant but relatively localised problem in some Member States (NL, UK (E, NI)) while being more widespread in others. It could be questioned whether the imposition of obligations for all farms is necessarily the most effective means of addressing problems that are localised in their distribution, though careful design of the rules may help to ensure that they impact only on farms for which the obligations are relevant. In PT, the GAEC erosion standard has been criticised as failing to distinguish between different soil types.

Some GAECs are considered inadequate to deal with the problems they are seeking to address. For example:

- The soil structure standard is seen as weak and inadequate as it deals only with irrigated land (FR);
- GAEC obligations on maintenance of landscape features are considered too weak to achieve adequate levels of protection (UK (NI)) and inadequate to promote favourable management (AT, CZ);
- GAEC obligations are generally seen as inadequate and focus on ease of monitoring rather than environmental priorities (HU). For example, the soil erosion GAEC is considered too limited and inadequate to address the problem;
- Obligations for landscape features and minimum level of maintenance are seen as inadequate to address environmental priorities (EE).

For some issues, such as maintenance of semi-natural habitats and landscape features, it is widely recognised that GAEC needs to be accompanied by measures capable of promoting favourable management regimes, such as agri-environment measures.

There are some examples in the national reports where GAEC is believed to have introduced perverse effects, and actually contributed to environmental damage. For example, in AT, there is concern that the need to register landscape features could have resulted in their removal prior to the rules coming into force. In HU, GAEC for minimum maintenance has promoted chemical weed control, with adverse effects on pollution and wildlife.

GAEC obligations have been criticised in DE for lacking ambition and generating low levels of benefit, and in PT for being too general in their approach and insufficiently targeted to local conditions.

However, most national reports indicate that most Member States have one or more GAECs that are dealing with a problem that is considered to be significant, and are considered well suited to addressing that problem effectively.

In some Member States, GAEC is seen as playing an important role in addressing national environmental priorities, such as:

- GAEC soil erosion obligations are seen as playing a significant role in addressing a national priority issue (ES, SL);
- Overgrazing conditions and controls on heather and grass burning are contributing to restoration of special sites to favourable nature conservation status (UK (E, W));
- GAEC requiring grass margins is seen as having an important role to play in protection of watercourses (AT, FR, UK (E));
- Minimum maintenance requirements are seen to be addressing problems of widespread land abandonment (LT, LV, SL);
- GAEC soil obligations mainly deal with threat of nitrate leaking to the aquatic environment, which is a national priority (DK).

Comparison of Costs and Intended Effects

In most cases, the national reports suggest that the costs of implementing GAEC are broadly proportional to the intended effects. Those GAEC obligations which impose high costs on farmers are generally seen to be capable of delivering significant benefits, while those GAEC obligations which are seen as likely to deliver limited benefits also tend to have relatively low costs. This is not to say that the benefits of GAEC necessarily outweigh the costs – such a judgement is impossible without being able to value the costs and benefits of GAEC in similar terms. However, it is possible to conclude that in most cases the benefits of GAEC are broadly of a similar order of magnitude to the costs incurred.

The national reports provide only one example where the costs and potential benefits of GAEC are both valued in money terms. For UK (E), the cost of completing a soil protection review is estimated at an average of £2 per hectare, suggesting an overall one-off national cost of £17.5 million. By comparison, the annual financial costs of soil erosion problems are put at £8 million per year on farm and £20-25 million per year off farm. This suggests that, if the soil protection review has a positive effect in reducing soil erosion problems (as well as addressing wider soil management issues), then the benefits are likely to be proportional to (and could easily exceed) the identified costs.

There are several examples of GAEC requiring practices which were previously supported under agri-environment schemes (e.g. grass margins in several Member States, measures to tackle erosion in olive groves in ES, various measures in SL) This implies that the authorities in the Member States in question see them as being sufficiently valuable to have paid incentives to farmers to cover the costs of undertaking these practices, lending further support to the suggestion that the costs and proportional to the intended effects. However, a key difference between cross compliance and the agri-environment programme is that the former applies to all farmers claiming the single payment, whereas the latter are voluntary schemes which farmers can take up if the payment exceeds the farm costs. Therefore the fact that some obligations were formerly rewarded through agri-environment schemes should not be taken to imply that the benefits exceed the costs for all farmers.

GAEC can help to enhance the overall efficiency of agricultural support in these cases, by defining minimum obligations and freeing up resources for agri-environmental schemes to deliver more targeted environmental improvements.

Some of the national evaluators commented that GAEC is seen as a cost effective way of addressing key environmental and agronomic issues. For example, in LT, it is seen as a relatively cost effective way of returning abandoned land to agricultural use and tackling soil erosion problems.

In some cases where GAEC is seen to impose significant costs, this may be because it is addressing practices, which create significant environmental problems, again suggesting that the costs are proportionate to intended effects. For example, in PT and HU, restrictions on cropping on slopes are seen to impose high costs, but may be addressing questionable farming practices.

In EL, GAEC is seen as the single greatest success of cross-compliance, helping to raise farmers' awareness of environmental priorities, address significant environmental concerns, and to promote good farming practice at reasonable cost.

There are, however, some examples where the costs may be disproportionate to the intended effects. For example, GAEC measures are not seen to be addressing significant problems in IE and LU, but appear to have been introduced mainly to meet the perceived requirements of EU legislation. Although the costs of implementing such GAEC measures are relatively low, it could be questioned whether any significant benefit is likely to result when cross compliance is applied in such circumstances.

In other cases, GAEC imposes national rules to address localised problems (e.g. soil erosion in several Member States). Though the main costs of the obligations are likely to be felt in the areas where the problems occur, these obligations may add to the overall volume and complexity of the requirements facing farmers nationally. In some cases, the national reports question whether these issues are best addressed by national obligations rather than more local approaches.

Permanent Pasture

Types of Cost
The permanent pasture rules may be expected to affect farm costs in two main ways:

- **Opportunity costs** may arise if farmers are prevented from converting permanent pasture to alternative, more financially attractive land uses, as a result of the application of the permanent pasture rules at the Member States/regional level. These costs can be measured in terms of the difference between the net income received from the management of land as permanent pasture and that which could be achieved from the alternative, higher value land use.

- **Financial and human resource costs** may arise if farms are required by the Member States/regional authorities to notify intended changes of use, or ultimately to convert land back to permanent pasture as a result of exceeding the 10% limit on the loss of permanent pasture. In the first instance the major cost relates to farmers' time in notifying proposed changes to the authorities, record keeping and making appeals, as well as the costs of any advice required. If reconversion is required, the major cost will be the cost of re-sowing pasture, including seed and labour costs, as well as any costs of reorganising the farm enterprise.

Because the onus of ensuring compliance with the rules is on the Member State rather than the individual farm, it is the Member States/regional authorities that incur most of the costs of administration, record keeping and compliance, and individual farms are not expected to face significant costs until such time as remedial action is required to limit or reverse the conversion of permanent pasture. Farms may face some costs in terms of the time taken to understand the national rules, but these are unlikely to be

substantial compared to other aspects of cross compliance which require active compliance with defined obligations.

Costs Recorded to Date

The national reports indicate that, to date, BE (F) and PL are the only regions where the Permanent Pasture rules have had the effect of imposing significant costs at the farm level. Of the others, only LT has recorded a change in the proportion of permanent pasture which is large enough to require enforcement of the rules. LT, however, is compliant because its absolute area of permanent pasture has been maintained. Therefore, no limits on the conversion of permanent pasture have been introduced and no land has had to be converted back to permanent pasture.

As a result, to date the farm level costs of the permanent pasture rules are effectively close to zero for all Member States/regions except BE (F) and PL. The only costs incurred by farms relate to the time taken to understand the rules and their possible future implications, and the provision of any information to the authorities about their permanent pasture area (which normally requires no additional effort on top of overall cross compliance requirements).

BE (F) requires all farmers to maintain their overall area of Permanent Pasture at that of the reference year, 2003. As a result, farmers are prevented from increasing the net area of arable land on their holding, and may face opportunity costs as a result. The national report indicates that this has particular impacts on farmers that wish to reduce their numbers of livestock, for example to reduce their manure surplus. The duty to preserve permanent pasture levels is seen to be contrary to the goals of the mid term CAP reforms, which were intended to encourage farmers to be more market focused. Permanent Pasture rules are also applied at the farm level in PL (where the authorities note that they are likely to impose some costs on farmers) and EL (where there are no costs to date since the area of pasture is increasing, and farm level restrictions apply only following a 10% reduction).

The national reports indicate that most other Member States (UK, DE, LT, FR, LU, AT, HU, BE (W), CZ, DK, ES, FI, IE, IT, SL, SK, CY, MT) identified no additional costs to date. The only exceptions were:

- PT – farmers reported that the rules had involved extra time inputs and paperwork;
- NL – no significant costs, but small extra effort involved in notification of area under permanent pasture.

Future Costs

Future levels of farm costs depend on the likelihood that the permanent pasture rules will be enforced. If they are, they will certainly give rise to opportunity costs, and potentially financial costs by requiring land to be converted back to permanent pasture. This depends on the suitability of permanent pasture in the Member States/region concerned for conversion to arable land and alternative uses, as well as future economic conditions (including cereal prices, meat prices and costs).

The national reports presented mixed opinions about the likelihood of the permanent pasture rules imposing future constraints and therefore costs:

- The risk of significant conversion of permanent pasture is seen as being high in EE, HU and PL, suggesting that the rules could impose costs on farmers at some point in the future.

- In many Member States, including UK (E), DE, FR, LU, NL, BE (W), CZ, DK, ES, IT, SK, FI there is no indication yet that significant conversion of permanent pasture can be expected, although such a change can not be ruled out in future (e.g. if there is a major change in economic conditions, such as the prices of cereals and energy crops).

- The prospect of significant conversion of permanent pasture is seen as being low in AT, SE, IE, SL, PT, EL, UK (S) and consequently the rules are not expected to result in any significant future costs.

- LT reports problems in maintaining the permanent pasture ratio, because of an increase in the area of arable land. This may result in significant opportunity costs if farmers are prevented from converting permanent pasture when it is profitable to do so.

- In BE (F) and PL, the rules are particularly restrictive by preventing changes in permanent pasture at the individual farm level. These differ from other Member States where some loss of permanent pasture can occur if it is either within specified percentage limits or is compensated for by gains elsewhere. The rules currently impose opportunity costs on any farm wishing to convert permanent pasture for specific reasons, and will impose heavier costs in future if there is a shift in the relative economics of arable and livestock farming.

We may conclude that the future costs of compliance with the Permanent Pasture rules are highly uncertain, and likely to vary significantly by Member States, but that they could be significant.

Intended Effects
The scale of the intended effects of the permanent pasture rules depend on the:

- Value of permanent pasture;
- Risk of conversion of permanent pasture;
- Effectiveness of the rules in preventing this loss, compared to existing measures.

The national reports give varying accounts of the extent to which protection of permanent pasture is seen as a priority, yielding benefits within the Member States. The majority of reports emphasise environmental rather than agronomic objectives as being the key reason to protect permanent pasture. However, while permanent pasture is seen as providing widespread environmental benefits in some Member States, others stress that only certain areas of permanent pasture (e.g. semi-natural and extensively managed pastures) provide these benefits:

- Permanent pasture is seen as providing widespread benefits in AT, CZ, EE, ES, FR, IE, IT, LT, LU, LV, PL, SE, SK, SL and therefore to justify

widespread protection measures. These benefits include a variety of landscape, biodiversity and agronomic benefits, and prevention of erosion and water pollution.

- Only a relatively small proportion of permanent pasture is seen to be environmentally beneficial in BE, DE, HU, NL and UK.
- Permanent pasture is scarce but valuable where it occurs in DK and FI.
- Permanent pasture is absent from CY and MT.

In the second group of countries, more targeted protection measures (that protect specific areas of high value pasture) may be more appropriate than rules protecting permanent pasture irrespective of its quality and location. In the UK, for example, grasslands of high environmental value are already protected by nature conservation designations and EIA regulations, and their management is promoted through agri-environment schemes. In the Netherlands almost all (semi-)natural pastures are integrated in and part of the Ecologic Main Framework (EHS) and the designated Natura2000 areas. In practice this means that the conversion of permanent pasture in designated areas is already forbidden from a biodiversity point of view (Nature Conservation Act). In Austria nearly all permanent pasture is protected and managed through agri-environment schemes.

The previous section highlighted that in certain Member States the risk of conversion of permanent pasture is seen as low and, therefore, that the rules are not expected to yield significant benefits (or impose significant costs). Indeed, several Member States identified that conversion was not the main threat facing permanent pasture. Other threats to permanent pasture and its environmental benefits include:

- Abandonment, particularly of higher natural value, less productive grassland (DE, DK, ES, PT);
- Afforestation (ES, PT);
- Intensification (UK NI);
- Inappropriate management (EL, UK (NI)).

The UK (E, W) considered that conversion of intensively managed permanent pasture to arable land would actually be environmentally beneficial in areas where it dominated the landscape, in order to enhance landscape and habitat diversity.

Comparison of Costs and Intended Effects

To date, the permanent pasture rules have had little identified effect in protecting permanent pasture, and little effect on farm costs. The extent to which the costs of the measures are proportional to their intended effects therefore relies on an assessment of their expected future costs and benefits. This is a somewhat speculative exercise, and there is little firm information on which to base it.

It is clear that the expected costs and effects of the permanent pasture rules vary widely across the EU. It is possible to distinguish between the following groups of Member States:

- Those where the rules are seen as relevant and could yield significant benefits in protecting permanent pasture, which is seen as being both valuable and at risk of conversion to other uses (AT, CZ, EE, ES, FR, IT, LT, LU, LV, PL,

SK). In these Member States, the farm costs will also be significant, since application of the rules will exert opportunity costs (and possibly reconversion costs) on farm businesses. The relative scale of the costs and benefits of these countries is not clear, though there is no indication from the national reports that the scale of the costs will be disproportionate to the intended effects.

- Those where permanent pasture is limited in extent but considered valuable, and worth protecting, where it occurs. Costs and benefits are therefore expected to be relatively small and localised (DK, FI). The costs may be proportionate to the intended effects.

- Those where the rules are expected to have little effect because they are unlikely to require any action (AT, SE, IE, SL, PT, EL, UK (S)). In these Member States, the benefits and farm level costs are both expected to be low, though they may exceed zero.

- Those where the rules could impose extra costs on farmers with little or no identified benefit (BE, DE, HU, NL, UK (E, W)). These are countries in which there is some risk that the rules prevent the conversion of permanent pasture, at a cost to the farmer, but where there is no identified benefit, because low value pasture is protected (with high value pastures protected by other, existing, more targeted measures). In these Member States, the potential costs of the measures appear to be disproportionate to the benefits. In BE (F), opportunity costs are already being experienced by farmers.

- Those where permanent pasture is absent and no costs or benefits are expected (CY, MT)

An overall conclusion is that the costs of the permanent pasture measures appear to be in proportion to the benefits in most Member States, but to be disproportionate in some cases. The costs are more likely to be proportionate to the benefits in those Member States where permanent pasture is considered to be of relatively uniform value and to deliver widespread, rather than localised benefits. The main concerns are that the rules:

- Do not recognise that permanent pasture is of variable quality and value, and that only a proportion of it is considered to be worth protecting in some Member States;

- Are less targeted than other measures aimed at protecting and managing particular areas of high value permanent pasture (e.g. nature conservation designations, agri-environment schemes, EIA regulations);

- Focus on the risk of conversion of permanent pasture, and do not address the main threats in some Member States (abandonment, intensification and inappropriate management).

6.7 Conclusions from Q4.2

The evidence suggests that, in general, the costs of introduction of new obligations through GAEC are broadly proportional to the intended effects. The costs and intended effects vary widely between Member States, depending on the overall approach adopted, the type and number of obligations set, and the degree to which these are demanding for farmers. In general, the highest costs are experienced in those countries where the highest effects are intended, and the lowest costs in those Member States where obligations are least demanding. The national reports provide little evidence of cases where GAEC is seen to impose high costs at the farm level for little or no benefit. There are examples where new GAEC obligations are seen as cost effective means of meeting environmental or agronomic objectives, for example in ensuring minimum levels of maintenance. Efficiency could be improved in those cases where GAEC obligations are imposed at national level but environmental problems are localised (e.g. obligations for soil erosion in several Member States).

For permanent pasture, the rules have had little effect to date and the costs at farm level have consequently been low. The national reports suggest that, in future, the costs are likely to be proportional to the intended effects in many Member States. In these Member States, permanent pasture is seen to have broad and relatively uniform value in environmental and agronomic terms, and is therefore considered worthy of widespread protection. However, in at least five Member States, there is concern that the rules will impose extra costs on farmers with little or no benefit. In these cases permanent pasture is regarded as often having low value, because it has been heavily "improved" for agricultural purposes, while environmentally valuable pasture is more limited in extent and requires more targeted measures to protect it (and to promote favourable management). A further concern is that the rules focus on conversion of pasture and do not address other threats such as improvement, inappropriate management and abandonment, which are often of greater concern. The failure of the rules to recognise the variability of the value of permanent pasture, as well as to promote favourable management, suggest that, in certain Member States at least, the costs imposed by the rules could be disproportionate to the effects.

6.8 Overall Conclusions to Theme 4

This theme has examined the efficiency of cross-compliance, firstly improving compliance with given and newly established obligations, and secondly in setting and enforcing new obligations with respect to GAEC and rules for permanent pasture.

Cross compliance is playing, or is likely to play in future, a significant role in helping to enforce statutory obligations set out in SMRs and GAEC, including both existing obligations and new ones (in the case of GAEC). It has had little effect with regard to permanent pasture to date, as the rules have yet to be applied at the farm level in most Member States. The available evidence suggests that cross compliance has had a major effect in helping to raise farmers' awareness of obligations, in raising concerns about the penalties of non-compliance, and in introducing more systematic inspection and control procedures. The costs of these achievements, both for farmers and the authorities, have also been substantial, at least in the initial phases of establishing the policy but might be expected to decline over time.

There are certain instances where cross compliance is seen to have been more efficient than other means of enforcing obligations. The costs and benefits of using cross compliance in this way appear to vary between Member States, and in some cases it is argued that the bureaucratic and administrative costs appear to be high relative to the benefits secured. However, in enforcing minimum obligations it can have certain advantages compared to legal enforcement of obligations (administrative/legal costs), agri-environment schemes (budgetary costs), and advisory/information based approaches (levels of compliance).

The evidence suggests that the costs of new obligations introduced through GAEC are broadly proportional to the intended effects in most cases, although variations in approach between Member States mean that both the costs and intended effects vary widely. The evaluation found only a very few cases where GAEC is seen to impose high costs at the farm level for little or no benefit. For permanent pasture, the rules have had little effect to date and the costs at farm level have consequently been low. The national reports suggest that, in future, the costs are likely to be proportional to the intended effects in many Member States, particularly those where permanent pasture is seen to have broad and relatively uniform value in environmental and agronomic terms. However, in at least five Member States, there is concern that the rules will impose extra costs on farmers with little or no benefit. In these cases environmentally valuable permanent pasture is limited in extent and requires more targeted measures to protect it (and to promote favourable management). A further concern is that the rules focus on conversion of pasture and do not address other threats such as improvement, inappropriate management and abandonment, which are often of greater concern. The failure of the rules to recognise the variability of the value of permanent pasture, as well as to promote favourable management, suggest that, in certain Member States at least, the costs imposed by the rules could be disproportionate to the effects.

The ability to draw overall conclusions about the efficiency of cross compliance is limited by the relatively short timescales since its introduction, and the shortage of firm data on costs and benefits. Nevertheless, the national reports allow us to draw some overall conclusions about efficiency.

7 THEME 5: OTHER IMPACTS

7.1 Introduction to Theme

The main impacts of cross compliance can be expected to arise within the framework of the intervention logic and are identified in the answers to previous themes, for example, impacts on farmers' incomes and costs of production and impacts in relation to sustainable agriculture. Theme 5 focuses on other impacts that might arise as a result of the application of the cross compliance policy.

Question 5.1 considers whether cross compliance, as implemented by Member States, results in differences in the treatment of farmers among Member States and seeks to understand whether any identified differences affect competitiveness in the internal market. Differences might arise, for example, from the obligations farmers have to meet, as defined by the Member States. If the obligations faced by farmers in some Member States are more stringent or demanding than obligations faced by farmers in other Member States, to the extent that these obligations increase production or other costs, some impacts on competitiveness might be anticipated.

Question 5.2 considers whether there are other impacts of cross compliance, for example, whether the policy encourages negative attitudes towards EU policies or increases the awareness of farmers on environmental issues. The question seeks to understand what other impacts are articulated and the expected order of magnitude of any such impacts.

Question 5.3 considers the extent to which cross compliance contributes to underpinning the integrity of EU legislation. This requires an understanding of whether the whole cross compliance system, both in terms of how that system is implemented by Member States and the impacts of that system, helps to support the implementation and enforcement of certain environmental, public, animal and plant health and animal welfare legislation.

Answers to these questions are based on the information collated at Member State level for the purposes of this evaluation and which is presented in *Part I: Descriptive Report* and its Annexes and Annexes to this report. As well as literature reviews and web searches, interviews were carried out with representatives of bodies responsible for the implementation of cross compliance and with stakeholders such as farmers, environmental and other NGOs and advisory bodies. The answers are largely qualitative in nature. Many of the questions contained within this Theme do not lend themselves to quantitative analysis and where they do, there is little quantitative data available at this juncture given the short period of time over which the cross compliance policy has been applied. Several questions draw on the replies to earlier Themes.

Differences in treatment of farmers and effects on competitiveness in the internal market

Question 5.1: To what extent does cross compliance result in differences in the treatment of farmers among Member States? To what extent do these differences affect competitiveness in the internal market?

7.2 Introduction to Q5.1

Question 5.1 seeks to understand whether, and to what degree, cross compliance may result in differences in the treatment of farmers by Member States. The second part of the question is concerned with the degree to which any such variation in dealing with farmers has impacts on the ability and performance of a firm or sub-sector (in this case farms) to sell and supply goods and/or services in a given market (competitiveness), in this case the internal market of the EU.

Differences in the methods of dealing with farmers can arise from:

- Differences in defining GAEC or applying rules for permanent pasture;
- Differences in the mechanisms ensuring compliance with obligations (SMRs, GAEC and permanent pasture) i.e. control and inspection regimes, the process for applying payment reductions.

These differences may give rise to different on-farm costs. Costs can arise in a number of ways:

- Transaction costs e.g. completing documentation, time spent with inspectors;
- Production costs e.g. management of uncultivated land, additional costs related to, for example, soil management or crop rotations;
- Opportunity costs of (restricted) activity e.g. not being allowed to plough permanent pasture or remove landscape features.

If some farm businesses face higher costs than other farm businesses in order to meet the requirements of cross compliance e.g. due to higher or more stringent requirements being placed on farms, then those farm businesses may be at a competitive disadvantage compared to farm businesses facing lower costs. In the case of cross compliance, the only legitimate costs that can be considered are those which arise as a direct result of the application of the policy i.e. new and additional costs. Costs associated with meeting the requirements of pre-existing EU or national legislation are not costs of cross compliance but rather costs associated with the legislation itself since farmers are required to comply with this legislation irrespective of cross compliance.

The question requires a three step approach:

1) Within the framework of Annex IV, Member States appear to have taken different approaches to the definition of GAEC. Some Member States have established very few obligations with limited requirements while others have established many obligations with significant requirements. A number of Member States have defined 'other' obligations that do not relate specifically to any of the issues or obligations listed in Annex IV. A comparative analysis of obligations across Member States, compiled in national reports and the descriptive report, can be made in order to identify the degree of variation that occurs and hence differences in the treatment of farmers. Similarly, examination of the established rules for permanent pasture should reveal similarities and differences between Member States. The replies to Questions 1.1 and 1.2, based in information contained in national reports and the descriptive report, are relevant here. The analysis reflects the fact that differences in obligations can arise due to Member States 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 farming structure' as required by Article 5 of Regulation 1782/2003.

2) A comparative analysis of the control and inspection regimes and processes for applying payment reductions, among the Member States, is undertaken. National reports and the descriptive report provide the necessary information for this comparative analysis in addition to the reply to Q2.2. Differences may arise in relation to, for example, the number of inspections (depending on which control bodies) are used, the length of inspections, administrative obligations on farmers e.g. providing records or paperwork etc or the severity of payment reductions for different non-compliances. A list of the main approaches to implementation mechanisms is established. This should reveal differences and similarities in the treatment of farmers across the Member States.

3) Determining the extent to which any differences identified by the steps above affect competitiveness in the internal market is likely to prove challenging. This requires identifying where the system of cross compliance imposes new and additional costs on farmers i.e. costs that did not have to be met pre-cross compliance. Costs of particular interest are on-farm costs arising from the definition of GAEC and the rules for permanent pasture and on-farm costs that may arise as a result of the control and inspection regimes or the way payment reductions are applied. Very few estimates of the impacts of cross compliance on farm costs has been undertaken to date and it is beyond the resources of this evaluation to provide such data. Any data which does exist is not easily comparable across Member States due to inconsistency in approaches to cost calculations. National data reports and case studies provide some relevant data e.g. from Regulatory Impact Assessments, national studies and industry estimates, in addition to the reply to Q 1.3. A comprehensive, EU wide analysis of the extent to which differences in cross compliance affect competitiveness in the internal market is not possible. Some examples of costs can be provided however and an indication given of where and how possible affects on competitiveness may arise.

Overall, it is likely that firmer conclusions can be drawn on the first part of this evaluation question than on the second due to lack of data. In other words, it may be possible to identify variation in the treatment of farmers across Member States but difficult to determine the effect of such variation on competitiveness.

7.3 Analysis for Q5.1

7.3.1 Differences in defining GAEC and applying rules for permanent pasture

Question 1.1 provides a detailed analysis of GAEC obligations and permanent pasture rules across the EU 25. Additional analysis is undertaken in reply to Question 3.1. Both analyses highlight that there are substantive differences in farmers' obligations as defined by Member States but also many similarities and, in some cases, the obligations – as defined – are rather harmonised. For example, 16 Member States have defined an obligation, which prohibits or restricts the burning of arable stubbles and crop residues. Differences in obligations for farmers can be seen to arise as a result of different environmental priorities having been targeted by Member States and as a result of different environmental and agronomic factors. It is clear that some farm types in some locations within Member States are treated differently than some others, due to the targeting of obligations. It is also clear that obligations can be different for farmers from Member State to Member State. However, judging the magnitude of these differences and the extent to which they require farmers to undertake activities that may have cost implications (and to quantify these costs) is rather difficult. Such judgements would best be provided by farm level analysis determining the nature and burden of obligations for similar farm types and size in different Member States. Such data collection and analysis has not been possible within the framework of this evaluation.

7.3.2 Differences in implementation mechanisms ensuring compliance with obligations

Replies to Questions 2.1, 2.2 and 3.1 provide evidence of differences across Member States in mechanisms ensuring compliance with obligations, including methods of information provision, the selection of farms for controls and control processes. Although all Member States provide farmers with information regarding their obligations, the effectiveness of information provision appears to vary both within and across Member States in terms of how it helps to raise farmers' awareness of those obligations. Control systems are also rather variable between Member States and give rise to differences in the treatment of farmers. Organisational structures are different, as are methods of risk assessment, the manner, timing and length of farm inspections and the way in which payment reductions are applied. The effects of these differences on, for example, farmers in ES compared to farmers in DE are, as in relation to obligations, impossible to judge without additional data and analysis at farm level.

7.3.3 The impacts of differences on farm costs and hence on competitiveness in the internal market

The reply to Question 1.3 provides some evidence of the impact of cross compliance on farm costs across the Member States. Limited data and analysis means that such cost assessments are rather limited, may not have been undertaken according to a common methodology, and as a result will not provide comparable results. In some Member States cost estimates have been calculated on a unit basis e.g. per hectare or per hour while other costs have been estimated for a particular obligation for the farming industry as a whole. Since these cost estimates are not comparable, it is not

possible to draw any firm conclusions as to the extent to which differences in the treatment of farmers affects competitiveness in the internal market. Farm level data collection and analysis, across Member States, as referred to above, would be required in order to be able to arrive at any firm conclusions on this issue. However, the available data on farm costs indicates that, for the most part, on-farm costs arising from cross compliance are rather limited. Only in a few cases, are any substantive costs identified, for example, in some Member States in relation to specific GAEC obligations, which affect farm incomes or give rise to production costs. Significant cost are reported, for example, for specific erosion obligations, maintenance and especially restoration of terraces, fire prevention and minimum land maintenance on marginal, sloping land with high pressure of encroachment, or when removal of vegetation is required, in some Member States. So far there appear to be hardly any costs for farmers for complying with the requirement to maintain the share of permanent pasture. In some Member States there appear to be some substantive transaction costs arising from GAEC obligations. For example, the effort required in FR to register all farming operations or in DE to register landscape features. Where such substantive costs arise, these may have impacts on competitiveness in the internal market.

7.4 Conclusions to Q5.1

The lack of any farm level data, which can be compared across Member States, means that Q 5.1 cannot, in its entirety, be answered satisfactorily. In relation to the first part of the question, there is some evidence to suggest that there are some differences in the treatment of farmers among Member States. These differences can arise from the way in which farmers' obligations are defined and from the related cross compliance systems implemented by Member States. The extent to which these differences give rise to cost effects is important in understanding the effects of cross compliance on competitiveness. Evidence of the associated farm level costs of cross compliance is limited and does not allow an effective comparison of costs across Member States. However, the available data on farm costs indicates that, for the most part, on-farm costs arising from cross compliance are rather limited. Only in a few cases, are any substantive costs identified, for example, in some Member States in relation to specific GAEC obligations, which affect farm incomes or give rise to production costs. On the basis that cross compliance does not result in widespread new on-farm costs for farmers, we conclude there is likely to be limited or no significant impact of cross compliance on competitiveness in the internal market.

Other impacts of cross compliance

Question 5.2: What is the articulation and order of magnitude of other impacts of cross compliance (e.g. awareness raising of farmers on sustainable and environmentally friendly farming systems, improved perceptions of the CAP by European citizens, negative attitudes towards EU policies)?

7.5 Introduction to Q5.2

The main objectives of cross compliance are to promote sustainable agriculture and contribute to the integration of the environment in agricultural policy, and hence the

main impacts would be expected in relation to these objectives. It is likely however that cross compliance may have other positive effects such as raising the environmental awareness of farmers. The policy may also have negative effects such as encouraging negative attitudes towards EU policy or encouraging anti-regulation sentiments. Understanding the broader impacts of cross compliance is the rationale behind this question.

The question can be divided into two parts. The first part requires developing an understanding of the different views expressed (articulation) about the impacts of cross compliance. These views are drawn from a range of different stakeholders including farmers and their representatives, NGOs, industry bodies, the public. The second part seeks to determine the likely scale or size (order of magnitude) of the other impacts of cross compliance. Quantifying other impacts of cross compliance is difficult due to a lack of available data and a more qualitative approach has been adopted to answering this question.

The first step in the methodology is to identify the range of other impacts of cross compliance on which views have been expressed by different stakeholders including public administrations, farmers and their representatives, NGOs (e.g. environment, consumer, animal welfare groups), industry bodies (e.g. food sector) and others. The main sources for these views are literature reviews, press releases and other media and the interviews conducted with stakeholders at national level during completion of national reports and case studies. National surveys e.g. those of farmer attitudes to cross compliance are also drawn on, where available. These views are reviewed to identify the possible range of other impacts of cross compliance and summarised. Where feasible, changes in views over time are identified. For example, views on the impacts of cross compliance might be expected to have changed over the period of the development of cross compliance proposals (2003/4) to actual implementation (2005/6). The analysis includes establishing which possible other impacts of cross compliance are most commonly cited by stakeholders.

It is anticipated that it is not possible to quantify the order of magnitude or scale of the other impacts of cross compliance and that a qualitative approach has to be relied on. Interviews with stakeholders provide opinions on the scale of the other impacts such as the extent to which cross compliance has raised the awareness of farmers on sustainable farming. Farmers' surveys, where they have been carried out, may also provide evidence. Any repeat surveys are particularly helpful in indicating whether, for example, farmer awareness has changed over time. The results of Q 2.1 are also relevant here.

7.6 Analysis for Q5.2

Interviews with representatives of national administrations and with a range of stakeholders in all Member States have highlighted a number of 'other' effects of cross compliance, beyond those anticipated in relation to the objectives of the policy. These are reported here as opinions and perspectives rather than established facts supported by evidence.
They can be summarised as follows:

- An increase in understanding of environmental, public, animal and plant health and animal welfare issues and problems;
- The creation of insecurity and anxiety among farmers as to their ability to comply with obligations and avoid payment reductions;
- An increase in farmers seeking information and advice about environmental and other obligations[29];
- The generation of negative attitudes amongst farmers towards the cross compliance policy itself and those responsible for the policy;
- Reported action or possible action by a small number of farmers in the hope of avoiding compliance controls which have come to their attention as a result of the introduction of cross compliance 26. In some extreme cases compliance costs are reported to be such as to lead some farmers to consider withdrawing from certain farming activities. This was noted in a few Member States.

While the anecdotal evidence for almost all Member States is that the information provided to farmers receiving direct payments has raised awareness of their obligations in the context of cross compliance (see reply to Q2.1), there is only very limited, anecdotal evidence that cross compliance has raised farmers' awareness of sustainable and environmentally friendly farming systems more generally. That there is increased awareness of such issues is view held by some interviewees in both IT and PL but there is no evidence provided to substantiate these views and no indication of how widespread the increase in awareness is among farmers in those countries. More commonly reported is that while farmers' awareness of their obligations appears to have increased as a result of information provision, some farmers in some countries (BE (W), CZ, DK, EL, ES, FR, HU, IT, PT, SK, SL, UK) appear not to understand those obligations very well. In HU it is commented that many farmers cannot read and few have access to the internet, resulting in poor understanding of cross compliance obligations. In IT, older farmers appear to have a weaker understanding of their obligations than younger farmers.

Poor understanding of cross compliance obligations can be seen to be linked to the observations in many of the same Member States of insecurity and anxiety among farmers as to their ability to comply with obligations and avoid payment reductions. The extent to which such insecurities and anxieties exist is not known. However, administrations and farmers' organisations in a number of Member States (DE, DK, HU, SE and UK (S)) comment that the number of farmers seeking information and advice about cross compliance obligations, in addition to the information they have been provided with, is notable. This suggests that, as a result of cross compliance, farmers might be making additional effort to understand environmental and other obligations.

The most commonly reported other impact of cross compliance is the generation of negative attitudes towards the cross compliance policy itself and those responsible for

[29] Farmers still have legal obligations to comply with all relevant statutory requirements whether they receive direct payments or not. If the requirements of the national legislation which underpins the SMRs or other statutory requirements included in GAEC become more stringent all farmers will have legal obligations to meet them, not just those subject to cross compliance.

the policy. Such attitudes are reported in AT, DE, FI, FR, HU, IE, IT, LU, LV, NL, SE, UK, mainly by farmers' representatives but also by inspectors and advisory bodies that have contact with farmers. According to farmers' representatives, many farmers feel 'controlled', 'harassed' and see cross compliance as a 'bureaucratic monster' and unnecessary. In DE and SE, various interviewees stated that the command and control approach of cross compliance is counter-productive and actually puts farmers off engaging in more collaborative approaches with authorities, and NGOs in some cases, on environmental and other issues. A farmers' representative in SE stated that cross compliance is resulting in a strong aversion to environmental legislation and policy as sanctions are seen as disproportionate to the effect of the non-compliance. In other Member States, negative sentiments towards cross compliance are less obvious. In BE (F), a representative of the Ministry of Agriculture said that farmers generally accept payments are bound to conditions and have not reacted negatively to cross compliance. In DK, farmers' representatives state that farmers accept the policy and are anxious to comply in order to avoid payment reductions. In SK, it is reported that farmers accept cross compliance due to the 'power' of the authorities.

In all Member States, interviewees were asked whether cross compliance has had any impact on public perceptions of the CAP. In all Member States except IE, the general view is that public perception of the CAP is low, this has been the situation for many years, and cross compliance has not done anything to change public perception. These issues are, in general, poorly covered in the national media and have relatively little public resonance.

In a few Member States, a small number of other impacts or effects of cross compliance are recorded. In ES, interviewees commented that for smaller holdings, especially those in livestock production, the obligations require considerable investments in equipment such as waste-storage tanks. In these cases, there is a view that farmers may decide it is better to bear the economic penalties resulting from non-compliance. Older farmers, in particular, are seen as likely to choose to give up farming or certain activities rather than make new investments. In SE, environmental NGOs have expressed the view that cross compliance rules are counter-productive, impairing the environmental situation. One reason for this is that the rules make farmers more reluctant to keep livestock and the decline of grazing animals is considered a serious threat to the maintenance of semi-natural pastures and biodiversity.

7.7 Conclusions to Q5.2

The identification of 'other' impacts of cross compliance is based on views expressed by interviewees. In all cases, these views are reported as opinion rather than fact. There is no firm evidence available to corroborate these views and no evidence base on which to judge the magnitude of other impacts beyond indicating whether certain issues appear to be widespread or not. It is only possible therefore to give a general overview of the possible other impacts of cross compliance as expressed by stakeholders and an indication of how widespread these impacts might be.

The main 'other impacts' identified and their extent can be summarised as follows:

- An increase in understanding of environmental, public, animal and plant health and animal welfare issues and problems: a view held in only two Member States;
- The creation of insecurity and anxiety among farmers as to their ability to comply with obligations and avoid payment reductions: a view held by a range of respondents in almost half of all Member States;
- An increase in farmers seeking information and advice about environmental and other obligations: noted in five Member States[30];
- The generation of negative attitudes among farmers towards the cross compliance policy itself and those responsible for the policy: a view held by a range of stakeholders, especially farmers but also administrations and some NGOs, in almost all Member States;
- Reported action or possible action by a small number of farmers in the hope of avoiding compliance controls which have come to their attention as a result of the introduction of cross compliance 26. In some extreme cases compliance costs are reported to be such as to lead some farmers to consider withdrawing from certain farming activities. This was noted in a few Member States.

All stakeholders interviewed were asked if they thought cross compliance had changed public perceptions of the CAP. Almost universally, respondents said that there was very low public perception of the CAP, this had been the case for some years and cross compliance had done nothing to change public perceptions.

Underpinning the integrity of EU legislation

Question 5.3: To what extent does cross compliance contribute to underpinning the integrity of EU legislation?

7.8 Introduction to Q5.3

In its first Communication in relation to the Mid Term Review of the CAP[31], the Commission made several references to cross compliance. It was emphasised that the main purpose of cross compliance was:

'… to support the implementation of environmental, food safety and animal health and welfare legislation.'

Question 5.3 considers the degree to which cross compliance contributes to supporting the integrity of EU legislation (as derived from Annex III). The question follows the intervention logic of the policy. Underpinning the integrity of EU

[30] Farmers still have legal obligations to comply with all relevant statutory requirements whether they receive direct payments or not. If the requirements of the national legislation which underpins the SMRs or other statutory requirements included in GAEC become more stringent all farmers will have legal obligations to meet them, not just those subject to cross compliance.

[31] Communication from the Commission to the Council and the European Parliament. Mid Term Review of the Common Agricultural Policy. Brussels. COM (2002)

legislation can be seen as a global objective of the policy. From this global objective, a general objective of 'enhancing respect of mandatory obligations' can be elaborated. A specific objective would be 'to require compliance with the provisions of the relevant articles of the legislation specified in Annex III. The operational objective can be presented as, 'to inform farmers of their cross compliance obligations'. In order to meet these objectives, Member States must provide inputs such as systems of information provision and systems for control. Both the effectiveness and efficiency of these inputs can be examined. The outputs of the policy can be measured in terms of indicators such as the number of farms complying or not complying with obligations leading to results such as the level of reductions in aid due to non-compliance. The impacts of the policy will be the extent to which obligations are met by farmers and this extent will determine how well the objective to underpin the integrity of EU legislation is achieved.

Regarding EU legislation, the question is focused on the regulations and directives listed in Annex III of Regulation 1782/2003 since the issues and obligations covered by Annex IV and the permanent pasture requirements are not derived from existing legislation. The scope of this question therefore covers only the EU 15 plus Malta and Slovenia since the other eight new Member States do not yet apply SMRs.

Cross compliance should help to improve the implementation of EU legislation on two levels. First, at Member State level by:

- requiring Member States to define farmers' obligations in relation to specific articles of legislation listed in Annex III;
- requiring Member States to provide information to farmers about SMRs and their obligations in relation to these;
- requiring Member States to put in place effective systems of control and inspections for SMRs and report non-compliances;
- requiring Member States to apply reductions in payments for non-compliance.

These aspects represent inputs to the policy. Secondly, cross compliance should help to improve the implementation of EU legislation at farm level by:

- raising farmers' awareness of their obligations in relation to cross compliance;
- promoting improved compliance with SMRs by reducing the direct payments of those farmers who are non-compliant.

These aspects represent the outputs and results of the policy.

A general, qualitative approach has been taken to answering this evaluation question. The answer is based partly on logical reasoning and partly on synthesising information obtained in answering the other evaluation questions i.e. questions on the effectiveness and efficiency of the policy.

The first part of the analysis focuses on the extent to which implementation of the policy, by Member States, has contributed to underpinning the integrity of EU legislation. Answers to questions 1.1, 1.2, 2.1, 2.2, and 5.1 provide relevant information. The extent to which Member States have undertaken implementation effectively is reviewed based on answers to previous evaluation questions. The degree

of effectiveness and efficiency of implementation (identified by previous questions) determine the extent to which the integrity of legislation is underpinned or not. If there is evidence of incomplete information being provided to farmers, ineffective systems of control and inspections being established or a reluctance to apply sanctions for non-compliances, this would suggest the extent to which the integrity of legislation is underpinned is limited or weaker than it might be. Evidence of effective implementation would demonstrate the converse. The efficiency of implementation can also be considered to help understand whether there are more cost effective ways of underpinning the integrity of EU legislation.

The second part of the analysis moves from Member State implementation to the effects of the policy at farm level. Of interest here, is the extent to which farmers understanding of their obligations in relation to EU legislation has changed as a result of cross compliance and the extent to which compliance with EU legislation has changed. Evidence of positive changes i.e. increased awareness and improved compliance, would indicate that the policy has helped to underpin the integrity of EU legislation. The degree of change indicates the extent to which the integrity of the legislation is being underpinned. As discussed in earlier evaluation questions, evidence of such changes is likely to be limited due to a lack of available data. For example, there is likely to be only one years' data (2005) on compliance/non-compliance rates preventing any time series analysis. Expert opinion and the views of stakeholders obtained through interviews conducted for this evaluation therefore form the basis of evidence on which judgements can be made (as presented in earlier evaluation questions). Questions 2.1 and 2.2.1 are particularly relevant here.

The overall judgement on the extent to which cross compliance has contributed to underpinning the integrity of EU legislation can be formed from the combined results of both parts of the analysis i.e. the effectiveness and efficiency of Member State implementation and the effectiveness of the policy at farm level.

7.9 Analysis for Q5.3

7.9.1 Implementation of the policy by Member States

The first part of the analysis in the reply to Question 3.1 indicates that not all Member States have defined farmers' obligations in relation to all relevant articles of the legislation listed in Annex III. Since farmers can only be expected to comply with obligations that have been defined, omissions in the definition of obligations are an indicator that the integrity of the EU legislation has not been fully underpinned in all cases. The Member States where the integrity of the legislation is most poorly underpinned are EL, ES, MT and PT, where obligations for some articles of at least five or more SMRs have not been defined. The SMRs for which omissions in farmers obligations are most commonly recorded are SMRs 11, 12, 5 and 6-8a. The integrity of the legislation represented by these SMRs is least well underpinned by cross compliance at present.

Information presented at Section 2.3 in *Part I: Descriptive Report* indicates that the introduction of cross compliance required a number of Member States to introduce new national legislation in order to be able to define farmers' obligations. For most

Member States and for most SMRs, the actions required at farm level were already established and based on previously existing national legislation. Revisions to legislation or the introduction of new legislation occurred in EL, ES, FI, FR, IE and UK (NI). New national legislation was mainly introduced in relation to SMRs 1, 4, 5 and 6-8a. In IE, for example, all farmers' obligations were based on previously existing national legislation except for SMR 4 - the Nitrates Directive. Regulations for preventing nitrate pollution of water were only introduced in IE in 2006 by Statutory Instrument No. 378. In these Member States, it can be argued that cross compliance has made a positive contribution to underpinning the integrity of EU legislation by improving implementation of the legislation itself.

The reply to Question 2.1 indicates that, in general, positive efforts have been made to provide information to farmers to ensure that they have sufficient knowledge of their obligations in relation to EU legislation. A wide range of information tools is used and information is generally accessible and regularly updated. However, some problems are highlighted. While administrations mostly consider information provided is clear and understandable, farmers and farmers' organisations frequently comment that information is not adequate and/or unclear. While it is difficult to say with any accuracy how wide a problem this is, it appears there could be some improvements made regarding information provision in some Member States. Where information provision is poor or problematic, it can be expected that this impacts negatively on the overall efforts to underpin the integrity of EU legislation.

Evidence of the extent to which control systems have contributed to underpinning the integrity of EU legislation is provided in the replies to Questions 2.2 and 3.1. Cross compliance appears to have encouraged the evolution of pre-existing control systems rather than led to the introduction of completely new ones. In general, the administrations responsible for controls consider cross compliance has led to more systematic and co-ordinated controls than previously. For example, in UK (E), cross compliance is seen positively for having encouraged the integration of controls. This, in turn, is likely to contribute to underpinning the integrity of EU legislation by ensuring systematic inspections of farms against defined obligations. There are some differing views however. A few Member States (DE and NL) report that specialised legislation was already controlled systematically pre-cross compliance and hence cross compliance represents only additional controls of little added value. The true test of whether controls and inspections are effective in this regard would be evidence of improved compliance by farmers over time, but there is insufficient data at this point in time to demonstrate whether this is the case or not. Other aspects of control systems may contribute to underpinning the integrity of EU legislation. There is some evidence (Q2.2 and 3.1), that the level of knowledge of inspectors may have a bearing on the effectiveness of controls and hence this question of integrity. Some concerns are raised (DE, EL, NL, UK (E)) of inspectors not always being knowledgeable in all the fields they are inspecting for and of facing difficulties given the large numbers of obligations to inspect in a control visit. Equally, the process of risk assessment, to select farms for inspection, may influence the extent to which the integrity of the legislation is underpinned. For example, ES and FI include the criteria of a farm being in a Natura 2000 area in their risk assessment procedure. By doing so, the integrity of the Birds and Habitats Directives may be specifically underpinned by cross compliance. However, relatively little information is available on risk assessment processes and it is not possible to comment further on this issue.

The way in which payment reductions are applied will also be a contributory factor in the overall effectiveness of the policy. Q2.2 provides evidence that farmers are very aware of the possibility of payment reductions in cases of non-compliance and there is a widely held view that this will, over time, improve compliance rates. However, this 'command and control' approach is perceived by some as counter-productive, reducing farmers' willingness to co-operate with authorities and generating negative attitudes towards legislation and those responsible for it. Some Member States have taken a more lenient approach to applying sanctions than others, in some cases adopting approaches in contradiction of Regulation 1782/2003. For example, a number of Member States have issued warning letters for minor, unintentional non-compliances. The impact of this on compliance with EU legislation can be viewed two ways. On the one hand, it can be argued that by not applying sanctions, as specified by Regulation 1782/2003, some Member States are weakening the cross compliance system and the extent to which the integrity of legislation is underpinned, especially if farmers ignore warning letters and take no action. On the other hand, a more lenient approach in the first instance might actually yield positive effects and be a greater incentive for farmers to comply with EU legislation if they feel less 'controlled' by authorities. There is no evidence to be able to say which of these is true at this stage but it is clear that a number of Member States would prefer a system of warning letters for minor non-compliances.

The efficiency of cross compliance can also be taken account of when considering the question of the integrity of EU legislation. In an ideal situation, cross compliance should represent the least cost option to achieve the objective of underpinning the integrity of EU legislation. The reply to Q4.1 offers some evidence regarding the overall efficiency of cross compliance in achieving its objectives but identifies the difficulties of drawing any firm conclusions due to lack of data. However, there are clear instances where cross compliance is seen to have been more efficient than other means of enforcing obligations. The costs and benefits of using cross compliance in this way appear to vary between Member States, and in some cases it is argued that the bureaucratic and compliance costs appear to be high relative to the benefits secured. Little evidence is available about the efficiency of cross compliance relative to alternative approaches. However, in enforcing minimum obligations, cross compliance can have certain advantages compared to legal enforcement of obligations (administrative/legal costs), agri-environment schemes (budgetary costs), and advisory/information-based approaches (levels of compliance).

7.9.2 The outputs of cross compliance at farm level

Evidence of the outputs of cross compliance is rather limited at this point in time. Of particular interest here is the extent to which farmers' understanding of their obligations in relation to EU legislation has improved and the extent to which the sanctions improve compliance rates. Regarding the former, Q2.1 concludes that in some Member States or regions the level of farmers' understanding of cross compliance needs to be improved. The poor knowledge of cross compliance among smallholders may be a consequence of a too limited sharing of its motivations, goals and technical and political credibility. A significant difference remains between having information about cross compliance and understanding it. Even though farmers know what their obligations are, they do not necessarily know how and why

to apply them. This indicates there may be cases where the integrity of the EU legislation is less well underpinned than it might be by the information provided to farmers, and that certain improvements could be made. It is not possible to say for certain which aspects of the EU legislation are less well served by the information systems in place. However, there is a link with omissions in defining obligations since, presumably, where obligations are not defined there will be no associated information provision. In these cases, even though the legislation itself requires farmers to comply, irrespective of cross compliance requirements, the actual implementation of the cross compliance system, as regards information provision, does nothing to reinforce compliance.

Data on compliance rates and payment reductions is rather inconclusive. In 2005, non-compliances were notable in relation to some specific SMRs, as discussed at Q3.1. These SMRs are: 6-8a, 4, 1, 5, 2 and 3. Without any subsequent years' data it is not clear what this tells us about the integrity of specific EU legislation being underpinned by cross compliance. Following the intervention logic of the policy however, improvements in the compliance rates for these SMRs might be anticipated in future unless there are inherent difficulties in complying with this legislation.

7.10 Conclusions to Q5.3

Overall, following the intervention logic of the policy, most Member States have taken appropriate action to define farmers' obligations, provide farmers with information about those obligations and put in place control systems capable of inspecting farms against those obligations and detecting non-compliances. Corresponding systems to make payment reductions for non-compliances are in place. The outputs of this policy implementation are a perceived increase in farmers' awareness of their obligations although not necessarily an improvement in their understanding of them or ability to comply with those obligations. Other outputs include a range of detected non-compliances in relation to SMRs, with some SMRs appearing to be breached more widely across Member States than others. In general, it seems justified to conclude therefore that the inputs to cross compliance, as applied in many Member States, are contributing to underpinning the integrity of EU legislation. However, there are some examples where greater efforts could be made by Member States to improve that contribution. Farmers obligations could be more comprehensively and clearly defined, information provision strengthened and controls and inspections enhanced e.g. through improved risk assessment methods. Improvements in compliance are widely anticipated over time and, if realised, would further strengthen this conclusion. For the most part, the cross compliance system appears to be relatively efficient in terms of overall costs and when compared to alternative means of achieving the same policy objectives.

7.11 Overall conclusions to Theme 5

Theme 5 is concerned with the 'other impacts' of cross compliance i.e. impacts not addressed by other Themes and which potentially arise outside the intervention logic, and hence the specific objectives, of the policy. Such impacts might be considered as unforeseen or incidental to intended impacts. Three specific questions were presented for consideration. Q 5.1 sought to establish whether cross compliance results in differences in the treatment of farmers among Member States and whether any such

differences affect competitiveness in the internal market. Q5.2 sought to establish the articulation and magnitude of other impacts of cross compliance. Q5.3 sought to establish the extent to which cross compliance contributes to underpinning the integrity of EU legislation.

Q5.1 is only partially answered to any degree of satisfaction due to a lack of a) farm level data and analysis and b) the ability to compare any available data across Member States. There is some evidence of the different treatment of farmers, in the context of cross compliance, both within and between Member States. These differences mainly arise in relation to the definition of farmers' obligations for GAEC and permanent pasture rules and in the implementation systems adopted by administrations. Many similarities are also observable in these areas. Evidence of the impacts of obligations and cross compliance systems - such as inspections - on farm costs is rather limited and where it does exist cannot be compared satisfactorily across Member States. Costs are of interest since they are a major factor determining the competitiveness of farm enterprises. Evidence of the associated farm level costs of cross compliance is limited and does not allow an effective comparison of costs across Member States. However, the available data on farm costs indicates that, for the most part, on-farm costs arising from cross compliance are rather limited. Only in a few cases, are any substantive costs identified, for example, in some Member States in relation to specific GAEC obligations, which affect farm incomes or give rise to production costs. On the basis that cross compliance does not result in widespread new on-farm costs for farmers, we conclude there is likely to be limited or no significant impact of cross compliance on competitiveness in the internal market.

Q5.2 is answered in a rather qualitative way drawing on views expressed by interviewees during the data collection phase of this evaluation. A range of other impacts of cross compliance has been identified but not all of these seem to be widespread or significant. Two of the most significant impacts appear to be: the generation of negative attitudes among farmers towards the cross compliance policy itself and those responsible for the policy (a view held by a range of stakeholders, especially farmers but also administrations and NGOs, in almost all Member States); and, the creation of insecurity and anxiety among farmers as to their ability to comply with obligations and avoid payment reductions (a view held by a range of respondents in almost half of all Member States). These are clearly rather negative impacts of cross compliance although are perhaps not that surprising given that cross compliance is a regulatory approach to influencing farmer behaviour. As a result, farmers feel they are being 'told' what to do and 'threatened' with payment reductions if they fail to do what they are told. 'Other' positive impacts of cross compliance are rather limited and confined to very few Member States where some respondents consider cross compliance has increased understanding of environmental and other issues and led to some farmers actively seeking out information about cross compliance obligations rather than waiting to be presented with such information.

Overall, Q5.3 concludes that cross compliance has contributed to underpinning the integrity of EU legislation. This has been achieved in various ways from encouraging Member States to introduce new national legislation to ensure EU legislation is effectively applied, to encouraging Member States to adopt more systematic and co-ordinated controls and ensure that cases of non-compliance with legislation are detected. There appears to be scope for Member States to improve implementation of

cross compliance to further underpin the integrity of EU legislation but it is clear that a positive start has been made in this regard.

8 CONCLUSIONS AND RECOMMENDATIONS

8.1 Introduction

The reform of the Common Agricultural Policy (CAP) in 2003 introduced a number of adjustments to agricultural support. A primary objective of this change in policy was to promote a more market orientated, sustainable agriculture, reflecting the concerns of European citizens.

Cross compliance was introduced as part of the 2003 reform as a compulsory measure. As from the 1st January 2005, following Regulation 1782/2003, farmers benefiting from direct payments under the first pillar of the CAP may be subject to reduction or withdrawal of those payments in the case of non-compliance with certain standards in the areas of the environment, public, animal and plant health and animal welfare. This approach was extended from the 1st January 2007 to beneficiaries receiving aid with regard to eight measures under 'axis 2' of the second pillar of the CAP (Article 51 of Council Regulation 1698/2005). In order to avoid any possible reduction in the total level of direct aid received under these aid schemes, farmers must comply with 19 Statutory Management Requirements (SMRs referred to in Annex III of Regulation 1782/2003)[32] and a number of minimum requirements for ensuring the 'good agricultural and environmental condition' (GAEC) of agricultural land, to be defined by the Member States on the basis of the framework given under Annex IV of Regulation 1782/2003. An implementing Regulation – Regulation 796/2004 – sets down more detailed rules for some aspects of implementation of cross compliance.

In short, cross compliance is a mechanism for promoting the sustainability of EU agriculture through the respect of mandatory standards by farmers receiving direct payments. It is a system of control and payment reductions accompanying existing obligations in Annex III rather than a new set of standards per se. Only Annex IV (those obligations not part of previous national legislation) and the obligations with respect to permanent pastures are new requirements of the agriculture sector and these can be seen as safeguards to counter some potentially negative effects arising from the decoupling of payments (introduced by the 2003 reform). Cross compliance was not proposed as a tool for introducing substantive new obligations. Nor is it a rationale for decoupled payments, which are based on other considerations.

The intervention logic of the policy is that farmers in receipt of direct aid must comply, at farm level, with requirements designed to meet the objectives of the policy. To achieve this, Member States must provide *inputs*, i.e. implementation and resourcing of the measure, in order to achieve desired *outcomes*, i.e. compliance with requirements, which, in turn, contribute to promoting objectives such as sustainable

[32] A transitional derogation (applicable until 31/12/2008) from the application of SMRs was granted to the new Member States applying the single area payment scheme (SAPS). All new Member States applying the SAPS (i.e. all new Member States except Malta and Slovenia) have made use of this derogation which applies to both first and second pillar.

agriculture. The use of inputs in order to achieve desired outcomes should represent an efficient or cost-effective use of public funds.

This evaluation, which takes the form of a mid-term evaluation, has assessed the effectiveness of the inputs to cross compliance, the outcomes to date and considered the overall efficiency of the measure. The evaluators were presented with five evaluation Themes and specific evaluation questions to answer. The preceding chapters present the comprehensive results and analysis for these Themes and questions. What follows here is an overall synthesis of the main conclusions of the evaluation based on the answers presented earlier.

8.2 Inputs to cross compliance

The key inputs to cross compliance that can be analysed, and judged in terms of their effectiveness, are:

- The requirements and obligations (application of SMRs, definition of GAEC and permanent pasture rules), as defined by Member States, that farmers must comply with;
- The system of providing information to farmers;
- The system of controls and reductions of payments.

8.2.1 Farmer's obligations as defined by Member States

The analysis of SMRs focused on the definition of farmers' obligations[33] established by Member States and compared these to the requirements of the Annex III legislation. Attention focused on the completeness of the obligations i.e. whether all the specified Articles of the legislation in Annex III had been defined in terms of farmers' obligations or whether there were omissions. Question 3.1 shows that only three Member States (DE, IE and UK) have comprehensively defined farmers' obligations for all Articles of all Annex III legislation while in the remaining Member States, some omissions occur. Certain SMRs are more likely to have not been fully implemented than others – SMRs 1, 2, 5, 6-8a, 11 and 12. Of these, SMR 11 on food law records the greatest number of Member States that have not defined obligations for all relevant articles of the legislation. A Commission Working Document[34] may, latterly, have led to some improvements in relation to this SMR. SMR 3, relating to the use of sewage sludge in agriculture, is the only SMR to have been fully implemented by all 17 Member States applying SMRs. These various omissions suggest there is scope for improvement in implementation of SMRs by the majority of Member States. They also indicate that some aspects of the global objectives of the policy e.g. sustainable agriculture are less likely to have been promoted by cross compliance than others (see section 'Outcomes of cross compliance).

[33] actions to be undertaken at farm level aiming to ensure compliance with SMR

[34] DS/2006/16-final. Working Document: Guidance Document of the Commission Services 'on the hygiene provisions relevant for cross compliance'. Management Committee for Direct Payments.

Annex IV establishes a framework in which Member States must define GAEC obligations. The wide variation in GAEC obligations[35] established suggests Member States have taken account of the characteristics of the areas where GAEC applies including soil and climatic condition, existing farming systems, land use, crop rotation, farming practices and farm structures, as guided by Regulation 1782/2003. Question 1.1 concludes that in many Member States most of the national environmental priorities (within the scope of the GAEC issues) have been appropriately addressed by GAEC obligations. However, some Member States, when defining GAEC, did not start with national priorities but rather defined obligations in response to Regulation 1782/2003 and used existing legislation or Good Farming Practice requirements as the starting point. Many Member States appear to have made choices in order to not impose too many changes on farmers and to limit the burden of administration. In some Member States, management practices included in agri-environment schemes appear to have been taken into consideration when defining GAEC obligations i.e. some Member States have been conscious to avoid any overlap between the two policy measures. Some GAEC issues and standards are more commonly used to define farmers' obligations than others. All Member States have defined obligations in relation to 'minimum level of maintenance'. 'Soil erosion' and 'soil organic matter' also appear to be priorities in the majority of Member States; only two Member States have not defined any soil erosion obligations and only three Member States have not defined soil organic matter obligations. 'Soil structure' is the issue that has received least attention with only 12 out of 25 Member States having defined relevant obligations.

A number of Member States (17 in total) have defined GAEC obligations that do not derive from any of the standards specified in Annex IV. Some examples are, obligations relating to irrigation and water extraction (EL, FR), testing of arable soils for carbon content and acidity (BE (F)), avoiding the fine grading of soils (CY), retaining 2m margins from boundary features (UK (E)) and maintaining rights of way (UK (E)). These 'other' obligations suggest that Member States have used cross compliance to respond to certain environmental issues not strictly covered by the cross compliance legislation. We recommend that Member States should be allowed to establish GAEC issues and standards going beyond the scope of the current framework, if these better reflect national priorities and needs.

In compliance with Article 5 (2) of Regulation 1782/2003 and Articles 3 and 4 of Regulation 796/2004, most Member States have introduced rules to maintain the extent of permanent pasture. CY and MT have not established rules as officials in these two countries say there is no permanent pasture and the rules are irrelevant and IT and SK seem not to have fully implemented obligations. There are some variations in the rules applied, mainly in relation to the level at which a decline in the ratio of permanent pasture to agricultural area triggers a response by the Member State. The legislation states that the ratio of permanent pasture shall not decrease by more than 10% relative to the ratio of the reference year at national or regional level. In order to prevent decreases in permanent pasture, Member States can place obligations on farmers to restrict or prevent the conversion of permanent pasture into other land uses or to require the reconversion of land into permanent pasture. Some Member States

[35] Actions to be undertaken at farm level aiming to ensure compliance with GAEC

appear to have taken a more precautionary approach than others defining trigger levels for a reconversion of land into permanent pasture of less than 10% e.g. 5% in BE (W) and 8% in SI. Such an approach may be beneficial in giving Member States time to develop and communicate obligations to farmers before the need for action becomes urgent. There is however little evidence of any significant declines in permanent pasture taking place in any Member State at national or regional level and hence the EU requirements appear to be entirely precautionary at this stage. But given current arable crop prices and the increasing market for biofuels, incentives to plough permanent pasture may increase in future.

8.2.2 The system of providing information to farmers

In compliance with the legislation, all Member States provide farmers with information on their cross compliance obligations. A wide range of methods is used to convey this information including handbooks, websites, telephone helplines, events and the farming media. Overall, the information on cross compliance seems to be mostly complete, clear and accessible. Usually, all farmers in receipt of direct payments have received at least basic information. However, some Member States have taken a more comprehensive approach to the provision of information than others and, in some cases, the approach to providing information or the information itself has been criticised by farmers or their representatives. Criticisms vary from not enough information being provided (NL, PT) to information being too lengthy and sometimes unclear (DE, EL, ES, FR, IE). However, poor knowledge of cross compliance requirements does not always appear to be solely a case of administrative failure regarding the provision of information. In PT, (as in other Member States with a highly fragmented structure of holdings and a relatively high percentage of small farms), the problem is considered a much broader one. Poor education and high levels of illiteracy among farmers, an ageing farming population, insufficient provision of and access to extension services and very limited internet access in rural areas, are all implicated in the poor knowledge of farmers about cross compliance. In order to be effective, information needs to be current and up-dated as appropriate. Not all Member States appear to be making efforts to up-date cross compliance information or, where they do up-date information, do so with delays i.e. there is a time-lag between new obligations or revisions of obligations coming into force and the communication of these to farmers. Member States need to strike an appropriate balance between information which is comprehensive but not overly lengthy and which is sufficiently detailed but not overly technical or complicated. Information needs to be kept up to date and any revisions or additions made with minimal delay from the time when changes in obligations come into force.

8.2.3 Systems of control and payment reductions

All Member States have established workable systems for the control of cross compliance although some difficulties have been experienced. The organisational structure of these control systems appears to be largely an evolution of pre-existing control systems rather than the introduction of entirely new systems. The complexity of these systems varies across Member States from relatively centralised systems where the Paying Agency acts as the Competent Control Authority (predominant in the new Member States) to more decentralised systems that require co-ordination between the Paying Agency and specialised control bodies (agricultural, environmental, veterinary and food safety authorities). Cross compliance appears to

have led to greater co-ordination between existing control bodies, facilitated by the requirement for Member States to designate an overall co-ordinating body or authority charged with ensuring the system works. Such co-ordination would be enhanced by the establishment of protocols setting out the arrangements for controls and methods of communication between the different bodies.

The different approaches to controls have different strengths and weaknesses. Centralised systems relying on fewer control authorities require less co-ordination effort and are administratively less onerous but result in bundled controls and put greater onus on inspectors to be able to inspect a wide range of obligations. Some concerns have been expressed in some Member States about the ability of inspectors to effectively carry out controls on what can often be wide ranging obligations. The training of inspectors appears to be of critical importance here. More decentralised systems, relying more on specialised control bodies, tend to ensure that specialists are responsible for inspecting obligations for which they have expertise but such systems require good communication and co-ordination between bodies and this can be administratively burdensome. The central co-ordinating body appears to be of critical importance here. A balance needs to be struck between too few and too many CCAs, in order to deliver an effective system.

The Commission has recently proposed[36] a number of improvements to the cross compliance system, especially in relation to controls, for example, the harmonisation of control rates, advanced notice of on-the-spot checks and improved selection of the control sample. These proposals are largely supported by the conclusions of this evaluation. In addition, the evaluation provides evidence of the need to improve selection of the control sample and to develop a more consistent approach to risk analysis across the Member States. We recommend that Member States share knowledge and experiences in relation to this issue.

Regarding payment reductions, the majority of Member States have developed an evaluation matrix or scoring system whereby each type of non-compliance or breach, as determined by the control body, is assigned a score or rating. Information was not complete for all Member States and the exact criteria used in the matrices or scoring systems was not always available. However, in general, as required by the legislation, such scoring systems appear to take account of the severity, extent and permanence of the non-compliance, although these terms are open to some interpretation. In addition, non-compliances are judged in terms of whether they arise from negligence, repeated negligence or are intentional. These scores or ratings are then used to calculate the percentage reduction of payment. Given the variability in approaches, and the potential for farmers to be treated differently across Member States in relation to payment reductions, we recommend that Member States share knowledge and experiences in relation to this issue. While all Member States have applied payment reductions, according to the cross compliance legislation, a number have taken more lenient approaches and made use of warning letters for minor, unintentional non-compliances (an approach not currently allowed under the legislation). The

[36] COM (2007) 147 final. Report from the Commission to the Council on the application of the system of cross compliance (under Article 8 of Council Regulation (EC) No 1782/2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers).

Commission appears to accept the need for such an approach and is proposing to exempt minor non-compliances in future. It seems likely that many Member States would take advantage of this possibility.

8.2.4 Overall conclusions on inputs

Overall, this evaluation concludes that most Member States have provided sufficient inputs to the cross compliance policy to develop workable and potentially effective systems. However, there is scope for improvement in some quarters, for example, in defining SMR obligations and providing information to farmers. There is clearly an opportunity for Member States to share knowledge and experiences of cross compliance implementation and to learn from each other. The Commission has, in the first years of policy implementation, provided helpful guidance to Member States on a number of issues and opportunities to provide further guidance in future are likely. These inputs to the policy are expected, in the framework of the intervention logic, to lead to various outcomes (outputs, results and impacts) such as promoting sustainable agriculture by encouraging compliance with farm level obligations. It is these issues that are considered next.

8.3 Outcomes of cross compliance

The outcomes of cross compliance can be considered in two ways:

- Known outcomes to date (based on (limited) quantitative data and qualitative evidence);
- Expected outcomes of the policy, based on the inputs provided to date, and the likelihood of cross compliance objectives being met.

8.3.1 Known outcomes of cross compliance

The key outcome of cross compliance which is of interest is the extent to which cross compliance has increased compliance with obligations, both new and existing. Since data on compliance rates is, so far, limited, the extent to which cross compliance has increased farmers' awareness of their obligations and the degree to which they have been influenced by, and responded to, control systems must be taken into consideration. Cross compliance controls and detection of breaches are an output of the system which contributes to the overall outcomes, in terms of meeting the objectives of the policy. The impacts of cross compliance on farmers' incomes and costs of production and hence on competitiveness in the internal market are also considered, as are other impacts such as those on farmers' attitudes to the policy.

Information provided to farmers about cross compliance is generally considered by stakeholders to have contributed to increasing farmers' awareness about obligations with respect to SMRs, GAEC and permanent pasture, as illustrated by Question 2.1. However, there are indications in some Member States and in relation to some specific obligations e.g. the Nitrates Directive, Birds Directive and soil erosion measures that awareness could be significantly improved. The evidence for farmers' awareness is largely anecdotal with only one Member State (UK (E)) having carried out a repeat farmer survey (2004, 2005 and 2006) which monitors farmers' awareness against a baseline. We recommend that such monitoring surveys are introduced by other Member States to develop a more accurate understanding of farmers' awareness of cross compliance obligations and used to inform future information provision and

the Farm Advisory System. Question 5.2 examines whether cross compliance has raised farmers' understanding of sustainable and environmentally friendly farming systems more generally. Anecdotal evidence suggests that while farmers' awareness of their obligations has generally improved, in many Member States, farmers' understanding of those obligations, and of sustainable agriculture more generally, is less well developed. The newly introduced Farm Advisory System is likely to have a constructive role to play in improving understanding and we recommend it be implemented in such a way as to help enhance farmers' understanding of the purpose and rationale of cross compliance.

Data received by the Commission from 23 Member States on controls and reductions shows that on-the-spot checks (240,898 in total) were carried out on 4.92% of farmers affected by cross compliance in 2005. Payment reductions were applied for 11.9% of farmers subject to on-the-spot checks and across the EU, the total reduction amounted to €9.84 million. In Member States applying full cross compliance (i.e. not Member States applying only GAEC), the main non-compliances related to the identification and registration of cattle (71% of breaches), GAEC (13% of breaches) and the Nitrates Directive (10% of breaches). The results of this evaluation indicate that the main GAEC non-compliances recorded were in relation to minimum level of maintenance, followed by soil erosion, soil organic matter and then soil structure. This may reflect the fact that, in general, more obligations were defined in relation to minimum level of maintenance and soil erosion than for other GAEC issues and hence non-compliances were more likely to be detected in these areas. Overall, these results indicate that some obligations arising from some EU legislation and some aspects of GAEC experienced higher rates of non-compliance than others. However, given the early days of implementation of the policy and lack of time series data, it is not yet possible to say whether controls and reductions of payments are effective overall in terms of improving compliance with obligations. Time series data will be critical in assessing the effectiveness of the policy in future. The intervention logic would suggest that compliance with these obligations should improve over time, since the application of payment reductions should provide an incentive for improved compliance in future.

Cross compliance has introduced rules to prevent an overall decline in the extent of permanent pasture. In many Member States, it seems unlikely that such a decline is an immediate threat (permanent pasture levels are increasing in some Member States), as indicated by Question 1.2. Obligations are therefore acting as a safeguard against a possible decline in future.

Impacts on farmers' incomes and costs of production are not a desired outcome of the policy but rather an effect of it. They can be seen as a direct consequence of the inputs required of farmers to meet the established obligations. The outcome of GAEC and permanent pasture obligations on farmers' incomes and costs of production is examined by Question 1.3. So far, in most Member States, the majority of GAEC obligations have either no, minor or moderate impacts on farm incomes and production costs. This is due to the fact that these obligations are either based on pre-existing national legislation or reflect good farming practice that is broadly complied with in practice. Where costs do arise these are mainly reported for specific soil erosion obligations, maintenance and especially restoration of terraces, fire prevention and minimum land maintenance on marginal, sloping land with high pressure of

encroachment, or when removal of cut vegetation is required. Costs are also reported for obligations requiring the establishment of buffer strips along watercourses or hedgerows, as these can result in the loss of cultivated land. Some national studies identify some significant costs of cross compliance but the validity of some of these studies is called into question as a result of costs of meeting existing EU or national legislation being wrongly attributed to the cross compliance policy. Overall, the evidence base for costs is limited; few cost estimates have been carried out and where they have, the results are rather limited. So far, there appear to be hardly any on-farm costs for complying with the requirement to maintain the share of permanent pasture as few Member States have yet imposed farm level obligations. However, in those Member States which have imposed farm level obligations not based on pre-existing legislation, additional costs for farmers can arise in areas with potential for arable crops.

Since cross compliance does not result in widespread new on-farm costs for farmers, there is likely to be limited or no significant impact of cross compliance on competitiveness in the internal market (Question 5.1). Competitiveness effects would occur if some farm businesses faced higher costs than other farm businesses in order to meet the requirements of cross compliance. While there is some evidence that some farmers in some Member States are facing new costs as a result of cross compliance, these costs do not appear to be of such magnitude or so widespread that they are likely to have an effect on competitiveness.

A negative outcome of cross compliance appears to be the generation of negative attitudes towards the cross compliance policy itself and those responsible for the policy. Such attitudes are reported in a number of Member States, mainly by farmers' representatives but also by inspectors and advisory bodies that have contact with farmers. Some interviewees stated that the command and control approach of cross compliance is counter-productive and actually puts farmers off engaging in more collaborative approaches with authorities (even extending to NGOs) on environmental and other issues. For example, in SE, a farmers' representative stated that cross compliance is resulting in a strong aversion to environmental legislation and policy as sanctions are seen as disproportionate to the effect of the non-compliance. However, in other Member States, the policy is generally accepted and farmers have not reacted negatively to the policy. These differences may arise from the different nature of relationships between authorities and farmers (either positive or negative) that existed pre-cross compliance. Improving farmers' understanding of the purposes and aims of cross compliance and communicating the positive results of the policy may help to combat negative attitudes where they occur.

8.3.2 Expected outcomes of cross compliance

Cross compliance is a new policy in the early stages of implementation; the known outcomes of the policy are therefore rather limited and based only on two years worth of data. The intervention logic of the policy establishes that certain inputs to the policy should, theoretically, lead to desired outcomes and to the overall objectives of the policy being met. It is possible therefore to consider the expected outcomes of cross compliance based on knowledge of the inputs to the policy to date.

The definition of farmers' obligations in relation to SMRs, GAEC and permanent pasture is a critical component determining the overall effectiveness of the policy. Cross compliance is intended to help the enforcement of specific EU legislation and contribute to underpinning the integrity of that legislation. For the most part, there is evidence to suggest this is being achieved. An area where improvements could be made is in relation to the definition of obligations for SMRs. Not all Member States have defined farmers' obligations for all articles of the legislation listed in Annex III. SMRs 1, 2, 5, 6-8a, 11 and 12 are those SMRs where omissions are most frequently observed and where the outcomes of the policy are likely to be less than otherwise intended. In order to maximise the effectiveness of cross compliance in future, all Member States should define farmers' obligations for all articles of the legislation listed in Annex IIII.

Cross compliance seeks to avoid the abandonment of agricultural land and ensure that land (cultivated or not) is maintained in good agricultural and environmental condition. To this end, Member States have defined wide-ranging obligations within the framework provided by Annex IV. Judging the effectiveness of cross compliance must rely on a theoretical assessment of the appropriateness of GAEC obligations. Although there is wide variation in GAEC obligations, reflecting pre-existing national agricultural and environmental conditions, priorities and national legislation, a general conclusion can be reached (see Question 1.1) that these obligations are mostly appropriate and likely to contribute to the intended effects e.g. protecting soils from erosion or securing a minimum level of maintenance (assuming farmers comply with them). Some Member States have made particular effort to design and target obligations to achieve real environmental benefit. However, it should be noted that in some Member States some obligations are considered by some stakeholders to be so general that they are unlikely to achieve any real benefits. We recommend that, where relevant, the application of farmers' obligations intended to address localised problems should be limited to those areas only. Overall, it is clear that Member States have taken different approaches to defining GAEC obligations and that some have been more ambitious than others. The extent to which environmental and other objectives can be achieved through attaching conditions to Pillar I payments compared to making incentive type payments under Pillar II appears to have been debate that took place in many Member States and led to different choices being made.

A further objective of the cross compliance policy is to encourage the maintenance of existing permanent pasture because it has a positive environmental effect. As a result of the implementation by Member States of specific rules following Article 5 (2) of Regulation 1782/2003, the overall extent of permanent pasture at national level is likely to be maintained. The use of 'trigger levels' (levels of permanent pasture decline), to prompt remedial action is an effective approach. However, concerns have been expressed by some stakeholders, in some Member States about a possible decrease in permanent pasture of high environmental value. Many Member States apply obligations for the management of permanent pasture under the GAEC standard 'protection of permanent pasture' but rather fewer Member States specifically target such obligations at permanent pasture of high environmental value. Other measures outside the cross compliance policy e.g. nature conservation legislation and rural development measures, can be used to protect permanent pasture of high environmental value as witnessed in a few Member States such as AT, DE, IT and

UK (E). We recommend that, where relevant, the rules for maintenance of permanent pasture should better reflect site-specific environmental considerations whilst taking into account the role of other more specific measures outside the cross compliance policy.

The results of this evaluation demonstrate an emerging consensus among many stakeholders across the EU (administrators, farmers' representatives, inspectors, advisors and NGOs) that the cross compliance system will, over time, be effective in ensuring compliance with the defined obligations, and thereby contribute to meeting the objectives of the policy, due to:

- greater awareness by farmers of their obligations as a result of information provision;
- improved understanding of obligations by farmers as a result of the introduction of the Farm Advisory System;
- more systematic control and enforcement of obligations;
- the threat of payment reductions encouraging farmers to comply.

Question 3.1 examines the extent to which the combination of different inputs to the cross compliance system and the different outcomes has promoted sustainable agriculture, a global objective of the policy. Overall, there appears to be some evidence to indicate that the combined effects of cross compliance inputs and outcomes, as discussed above, are likely to promote sustainable agriculture as a global objective. However, the specific aspects of sustainable agriculture which appear to be promoted, for example, the protection of waters from pollution or food safety and traceability and consumer/public protection, are rather variable depending on which component of policy implementation is considered e.g. GAEC definitions or information provision. Sustainable agriculture is also not likely to be uniformly promoted across the Member States given the number of component parts of cross compliance and the variations in implementation for each of these between the Member States.

8.3.3 Overall conclusions on outcomes

Overall, the expected outcomes of the policy are rather positive with the first few years of cross compliance implementation generally conceived as making progress towards achieving the objectives of the policy. This is not to say that the policy objectives will be met to the maximum extent possible or that there is no scope for improvement; numerous ways have been highlighted, in answers to the Evaluation Questions, in which Member States could ensure more effective implementation of the policy in the coming years.

8.4 Efficiency of cross compliance

The efficiency of cross compliance is considered in two ways. First, the assessment considers whether cross compliance represents the least cost approach of ensuring compliance with predefined obligations (SMRs and those GAEC obligations that are based on pre-existing national legislation). Since such obligations existed pre cross compliance, the only costs that can be considered here are those that arise from the cross compliance system itself e.g. costs necessary to ensure compliance with obligations, and not the costs of farm level practices required to meet the obligation, since these are not new costs. Secondly, the assessment considers the costs and

benefits of GAEC and permanent pasture obligations including the additional costs and benefits of the practices required to meet the new obligations as well as any costs necessary to ensure compliance. Questions 4.1 and 4.2 assess the available evidence for determining the efficiency of cross compliance.

Evidence for both the known and expected outcomes of cross compliance indicates it is making, or likely to make, a significant contribution to ensuring compliance with obligations. The initial costs of these achievements (arising only from obligations newly introduced by cross compliance and administrative costs), both for farmers and the authorities, have been substantial in some cases although some of these costs may be considered as start-up costs which will reduce once the system is fully up and running. Even though costs are not negligible, there are instances where cross compliance is considered to have been more efficient than other means of enforcing obligations. But the costs and benefits of using cross compliance in this way appear to vary between Member States, and in some cases it is argued that the costs of the cross compliance system (those necessary to ensure compliance) appear to be high relative to the benefits secured. Overall, the evidence base to judge the efficiency of cross compliance relative to alternative approaches is limited. However, in enforcing minimum obligations cross compliance can have certain advantages compared to legal enforcement of obligations (administrative/legal costs), agri-environment schemes (budgetary costs), and advisory/information based approaches (levels of compliance).

The evidence suggests that, in general, the costs of introduction of new obligations through GAEC are broadly proportional to the intended effects. The costs and intended effects vary widely between Member States, depending on the overall approach adopted, the type and number of obligations set, and the degree to which these are demanding for farmers. In general, the highest costs are experienced in those countries where the highest effects are intended, and the lowest costs in those Member States where obligations are least demanding. The national reports provide little evidence of cases where GAEC is seen to impose high costs at the farm level for little or no benefit. There are examples where new GAEC obligations are seen as cost effective means of meeting environmental or agronomic objectives, for example in ensuring minimum levels of maintenance. Efficiency could be improved in those cases where GAEC obligations are imposed at national level but environmental problems are localised (e.g. obligations for soil erosion in several Member States).

For permanent pasture, the rules have had little effect to date in most Member States and the costs at farm level have consequently been low. The national reports suggest that, in future, the costs are likely to be proportional to the intended effects in many Member States. In many Member States, permanent pasture is seen to have broad and relatively uniform value in environmental and agronomic terms, and is therefore worthy of maintenance. However, in a few Member States, there is concern that the rules will impose extra costs on farmers with little or no benefit. In these cases permanent pasture is regarded as often having low value, because it has been heavily "improved" for agricultural purposes, while environmentally valuable pasture is more limited in extent and requires more targeted measures to protect it (and to promote favourable management). In certain Member States at least, the costs imposed by the rules could be disproportionate to the effects.

8.5 Recommendations

The following recommendations are drawn from the replies to the Evaluation Questions and the overall conclusions of the study:

1. Member States should be allowed to establish GAEC issues and standards going beyond the scope of the current framework, if these are relevant to national needs and priorities;

2. Where relevant, the application of farmers' obligations needed to address localised problems should be limited to those respective areas;

3. Where relevant, the rules for the maintenance of permanent pastures should better reflect site-specific environmental considerations, also taking into account the role of other more specific measures outside the cross compliance policy;

4. Regular monitoring of farmers' awareness against baselines could develop a more accurate understanding of farmers' awareness of cross compliance obligations, thus supporting targeted provision of information;

5. Beyond supporting the understanding of cross compliance obligations by farmers, the Farm Advisory System should be implemented in a manner that helps to enhance farmers' understanding of the purpose and rationale of cross compliance;

6. Shared knowledge and experiences among Member States in the areas of risk analysis and scoring system could increase the level of harmonisation in the application of controls and payment reductions throughout the EU.