

# CROSS COMPLIANCE NETWORK BULLETIN

A Forum for the Analysis of Environmental Cross Compliance

Autumn 2006

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## Introduction

This bulletin summarises the topics discussed at the first seminar held by the Cross Compliance Network research project. This seminar was held in Paris on 3 July 2006 and was attended by over 40 stakeholders, including representatives of the European Commission, national agricultural and environmental ministries, farming groups, environmental organisations, and cross compliance research experts from across Europe.

The four featured topics were:

1. The administrative arrangements for cross compliance;
2. The responsiveness of cross compliance measures to environmental pressures;
3. The relationship between cross compliance and agri-environment schemes;
4. The Farm Advisory System: A challenge for the implementation of cross compliance.

A background paper analysing cross compliance from a perspective of better regulation was also produced. All research papers are available from the project's website.

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## About this Bulletin

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The next issue of the Cross Compliance Network Bulletin will be produced in Winter/Spring 2007. If you have any comments please send them to Martin Farmer at the Institute for European Environmental Policy (IEEP). He can be contacted by email at [mfarmer@ieeplondon.org.uk](mailto:mfarmer@ieeplondon.org.uk) or by phone on +44 (0) 20 7340 2683.

This bulletin, along with all the outputs of this project, may be found on the project's website:

<http://www.ieep.org.uk/projectMiniSites/crosscompliance/index.php>

## About the Cross Compliance Network project

The Cross Compliance Network project aims to develop our understanding of environmental cross compliance. A consortium of nine universities and research institutions from a range of EU Member States is consolidating research to date, undertaking new original research, identifying future research needs and fostering a network of cross compliance stakeholders. The Network consists of hundreds of individuals involved in the design and implementation of cross compliance at both EU and Member State level. These individuals come from the European Commission, national agricultural and environmental ministries, farming groups, environmental organisations, certification bodies and research institutes and universities. The project began in December 2005 and will conclude in May 2007.

## Upcoming Events

The second seminar of the Cross Compliance Network will take place in Copenhagen on 17 November 2006. Papers and discussions will focus on the following topics:

- The possible impacts of decoupling and cross compliance on land management and the environment;
- The impact of cross compliance on land abandonment;
- The cost of cross compliance to administrations and the role of private certification;
- The costs of cross compliance to farm businesses.

In spring 2007, a third and final event will take place in Brussels. This event will draw on the outputs of the previous two seminars and aim to identify and assess proposals for future research on cross compliance.

## Commentary on Cross Compliance

### The 'Problem' of Cross Compliance

M. Bruno Vindel

Sub-director for Evaluation, Future Studies and Guidance,  
Ministry for Agriculture and Fisheries, France.

*This article presents the personal view of M. Vindel and does not represent the views of the French Ministry of Agriculture.*

We are, in France, as in the other Member States of the EU, confronted by the 'problem' of cross compliance. I use the word 'problem' on purpose. Whilst we share the overarching goal of cross compliance, I feel that the operational objectives of this policy tool are not totally clear to everyone. Therefore, whilst the French authorities are committed to implementing cross compliance, I think that the very concept is still subject to discussion and, perhaps, to misunderstanding.

It should be remembered that cross compliance is not a new policy tool. As the Institute for European Environmental Policy state in their paper 'Cross compliance: An example of better regulation?', cross compliance first appeared in the EU in the late 1980s and was introduced as an optional environmental measure for Member States. Then, in the Agenda 2000 package, it was reinforced, but continued to concentrate on environmental measures. With the 2003 CAP reform, perhaps a little too modestly called a 'Mid-Term Review', cross compliance was introduced as a compulsory measure and its scope extended beyond its original environmental focus to encompass a wider range of elements. As it stands in Regulation 1782/2003, cross compliance requires farmers to observe a given set of standards in the fields of environment, public health, plant health and animal health and welfare, in return for public payments under the Single Payment Scheme. In practice this means that farmers must comply with a total of 19 Statutory Management Requirements (SMRs) by 2007. In addition, farmers must comply with a set of standards aimed at ensuring 'good agricultural and environmental condition' (GAEC), the definition of which is largely left to Member States in the spirit of subsidiarity.

Two questions arise from the present state of affairs. My first question, and some initial thoughts on the answer, is as follows:

*Is cross compliance a necessary consequence (an offspring) of decoupling, the main element of the 2003 reform?*

Given that cross compliance pre-existed the 2003 reform, albeit in another form, it is certainly not a consequence of decoupling. However, from a policy point of view, things are not so clear cut. Cross compliance may well be seen as a means to legitimise the Single Payment received by farmers to wider society. It may also be seen as a tool to simultaneously avoid land abandonment and agronomic intensification. I associate land abandonment with soil

degradation: the environment should be protected now in order to prevent irreversible damage to the capacity of soils to produce agricultural goods in the future. Cross compliance could also mitigate the potential for agronomic intensification. With the Single Payment Scheme, farmers now receive public support without producing any goods; but they may also chose to intensify production and, if this is not done properly, this could harm the environment.

My second question, again with some initial thoughts on the answer, is as follows:

*Why is the EU design of cross compliance so intricate?*

I guess the answer, and please forgive the abruptness of my views, is that the present system is the result of a compromise between an initial, and more ambitious proposal from the Commission, and the resistance of a majority of Member States who sought to minimise constraints on farmers. In any case the main concern of Member States during the negotiations was decoupling.

I leave these considerations with you, and hope they can be of some use to our continued and shared debates on cross compliance.

I understand that the Cross Compliance Network is research oriented and aims to identify how the research agenda in Europe and in the Member States could support the design and implementation of cross compliance in the future. For a Member State like France, I hope the outcomes of the research conducted by the Network will be useful and complement our ongoing national studies and debates. In France, we are in the process of conducting an ex-ante evaluation exercise aimed at better defining our objectives for cross compliance. This work shall pave the way for future evaluations. At the start of 2006, we also held a workshop with INRA to discuss several technical research questions about the animal welfare rules, the measurement of the environmental impacts of cross compliance and the economic impacts of cross compliance on farm incomes. After these debates in France, it is my sense that cross compliance should not be considered only by specialists of the subject. A fruitful debate needs an inter-disciplinary approach that allows the cross-fertilisation of several disciplines and view points.

I sincerely believe that the four topics discussed at the seminar are helping to bring about concrete and relevant

insights for us all, policy makers and implementers alike. In terms of the environmental relevance of rules under cross compliance I feel that much is needed in terms of indicators and the measurement of the environmental impacts. With respect to the relationship between cross compliance and rural development measures, such as agri-environment schemes, my sense is that we now have a much more coherent framework than before 2003, with cross compliance serving as a baseline for environmental performance. The administrative arrangements for cross compliance is a field that is sometimes despised, but critical, in my eyes, to understanding how cross compliance is operationalised and managed by the relevant institutions. The Farm Advisory System is another important field, which can condition the acceptance of cross compliance by farmers.

Each of these four topics is extremely relevant to answer key questions such as:

- Should cross compliance be more demanding in terms of the standards set?
- Are the administrative costs justified by the outcomes?
- Should sanctions be more dissuasive?
- Should more, or other, environmental issues be covered?

My last question leads me to make a suggestion to you. I ask you to try to look beyond 2013. I am suggesting that you attempt to think about a number of prospective scenarios: the integration of cross compliance with

agri-environmental measures under Pillar II of the CAP, the differentiation of cross compliance according to local territorial specificities and the modification of the standards set under cross compliance. These are just some of the questions and scenarios that we should all begin to consider in order to sufficiently critique and improve the impact of cross compliance in the future.

The farmer of this sheep flock in Devon, England will need to ensure that no overgrazing or unsuitable supplementary feeding occurs as part of the England GAEC standards.



Credit: Justin Bartley

## Insights into Cross Compliance

In this section, we present some insights from the research conducted to date by the Cross Compliance Network. For more in-depth discussion please see the full reports, available from the project website. We would welcome your feedback on any of the information or ideas presented. To do so, please contact the project co-ordinator.

### Overview of SMRs and GAEC standards in 9 Member States

A resource has been developed to enable the comparison of cross compliance standards. There are two spreadsheets, one for the Statutory Management Requirements, and one for standards relating to Good Agricultural and Environmental Condition. Information is available for the Czech Republic, Denmark, France, Germany, Greece, Italy, Lithuania, the Netherlands, and UK. These spreadsheets demonstrate the variable ways in which Member States have approached the design of cross compliance standards. The spreadsheets are available from the project website.

### Now available on the Cross Compliance Network project website:

- Overview of SMRs and GAEC standards in 9 Member States
- A full version of each research paper written for this study.
- The opportunity to register your details so that you can receive email notification of future bulletins and reports.
- Links to other cross compliance research projects.

Visit:

<http://www.ieep.org.uk/projectMiniSites/cross-compliance/index.php>

## Cross Compliance: An Example of Better Regulation?

Vicki Swales

Senior Fellow at the Institute for European Environmental Policy

### Overview

One of the often overlooked objectives of the Mid-Term Review of the CAP was simplification of legislation, reflecting a wide and long running EU debate about the regulation of businesses. There has been growing recognition in recent years of the need for 'better regulation' leading to the adoption by the European Commission of an 'Action Plan for Better Regulation'. Better regulation is defined as regulation which is relevant, effective, efficient and proportionate with regard to achieving its objectives. The overarching question asked in this paper is 'is cross compliance an example of better regulation?'

### Key insights

Cross compliance must be considered within the context of EU commitments to integrating environmental objectives into internal policies and improving the sustainable management of natural resources. Cross compliance, by serving to incorporate in the common market organisations basic standards for the environment, food safety, animal health and welfare and a requirement for land to be kept in good agricultural and environmental condition, is highly relevant, in principle, to these EU commitments. However, the relevance of the actual cross compliance standards applied by Member States to the environmental needs and problems to be addressed in each Member State is not always clear.

The effectiveness of cross compliance will be determined

by: the standards selected and their relationship with standards applied through other measures or initiatives; the way in which standards are communicated to farmers; and, the control and inspection regime. It is very early days in the implementation of cross compliance but it is already clear that Member States have selected a wide range of very different standards to apply, different methods of communicating with farmers and different inspection regimes from centralised systems to more devolved ones. Future assessments of cross compliance will need to consider whether some of these approaches are more effective than others.

The efficiency of cross compliance is a measure of the resources required to achieve the intended effects and the extent to which alternative approaches might achieve the same or better effects at less cost. Data on resources and costs is currently lacking but it is likely that a combination of both regulatory and non-regulatory approaches offers the most effective and efficient way of achieving environmental and other objectives on farmland.

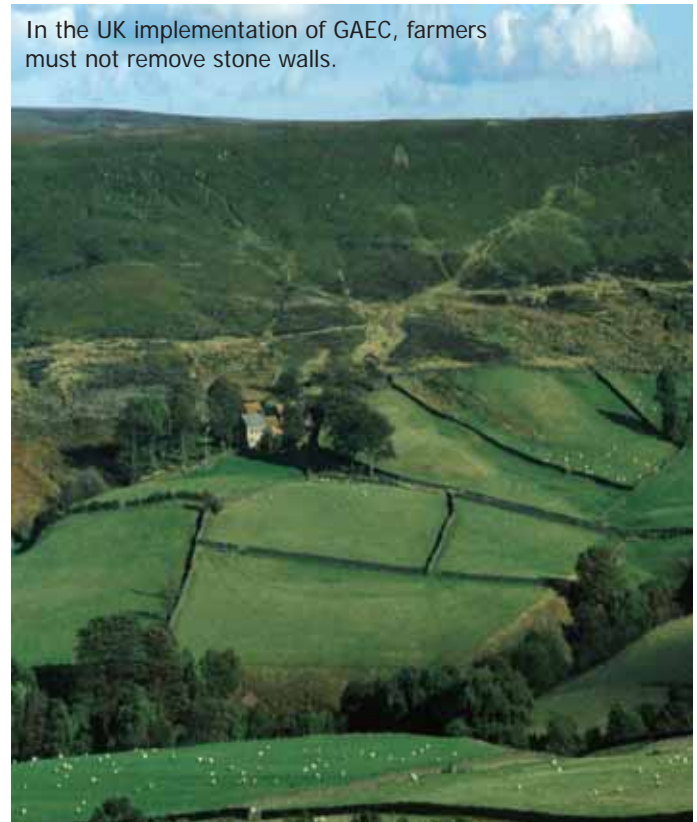
Proportionality is a question of whether the value of the public benefits derived from regulation is sufficient to warrant the burdens and costs imposed on individuals and businesses? Only when we understand whether cross compliance is relevant, effective and efficient can a judgement be made as to whether the policy is proportionate.

## Research Questions

Key questions set out in this paper are:

- Are the cross compliance standards enforced by Member States relevant to the main environmental and other needs of the EU territory?
- How do cross compliance standards relate to standards applied through other measures or initiatives? Is there an integrated approach?
- What are the best communication tools to help farmers understand the requirements of cross compliance and meet the necessary standards?
- Is cross compliance effectively controlled and enforced such that there is improved compliance with the requirements of EU legislation and other standards applied?
- Does cross compliance represent an efficient use of resources to meet environmental and other objectives or are other instruments or measures more efficient?
- Is the policy proportionate to the value of the public benefits derived?

Only if cross compliance can demonstrate that it is relevant, effective, efficient and proportionate, can it be judged to be an example of better regulation.



## The Administrative Arrangements for Cross Compliance

Heike Nitsch and Bernhard Osterburg  
Institute for Rural Studies at the Federal Agricultural  
Research Centre, Germany

### Overview

Drawing on evidence provided by the partner organisations of the Cross Compliance Network, this paper looks at some basic differences in the institutional settings of cross compliance. Evidence is also provided on the experiences of several Member States with the Statutory Management Requirements for the nitrates and birds Directives. Several questions are also raised to enable researchers to identify 'good administrative practice' in relation to cross compliance.

### Key insights

#### *Design of Cross Compliance standards*

In nearly all cases the Ministry of Agriculture (MoA), or equivalent, was responsible for the design of cross compliance. Co-operation between the MoA and the Ministry in charge of the Environment was required, mainly for the SMRs relating to the birds and habitats Directives and standards for GAEC. In all the countries examined, other stakeholders including farming and environmental lobby groups were consulted. The framework for cross compliance standards were set at the national level, although it is clear that not all standards are valid across the entire farmed area. For example, some standards only affect Natura 2000 areas or Nitrate Vulnerable Zones. In some cases, standards have been adapted to regional circum-

stances.

#### *Control Procedures*

Most of the Member States examined opted for a central and integrated system of risk assessment where controls for all environmental requirements are combined. This procedure appears to limit the administrative burden of the authorities involved. However, this approach may mean that the farms most at risk of not complying with a single standard, or the farms situated in environmentally sensitive areas where non-compliance could result in more severe environmental impacts, are not adequately targeted by the inspection regime.

The criteria used for risk assessment, according to the information available, seem to be insufficiently targeted at environmental issues. This could be because a considerable part of the control sample is selected randomly and according to farm size. The use of environmental risk assessment for the systematic control of cross compliance appears relatively well developed in England and in France, where the nitrogen load of catchment areas or livestock densities are considered in the assessment process. The control of some standards is less meaningful in certain cases. For example, the SMRs concerning the

habitats and birds Directives are less relevant to farms without land in Natura 2000 areas.

### *Sanctions*

The EU requirements do not leave much scope for calculating sanctions in different ways. England seems to be one exception, where it is possible to issue a warning letter instead of a financial penalty for non-compliance in certain minor cases. Rating matrices exist as uniform guidelines for controllers in many Member States.

For the five environmental SMRs, most breaches in 2005, in the Member States examined, have been for the SMRs relating to the nitrates Directive. In comparison, few non-compliance incidents were recorded for the SMRs relating to the birds and habitats Directives.

### *Experiences of Member States*

Cross compliance appears to have resulted in increased bureaucratic effort for a number of Member States. Despite this, there is evidence to show that there is better enforcement of mandatory standards through cross compliance because of the additional systematic controls, the threat of potentially high sanctions and improved awareness of the standards among farmers. The introduction of cross compliance seems to have prompted an acceleration of the implementation of some EU environmental Directives in some Member States.

Cross compliance controls that are correct from a formal point of view may hide the low efficiency of a number of systematic controls based on indirect indicators such as records of fertiliser and manure applications. This is because the details of breaches and their relevance to environmental objectives are not monitored in detail. The impact of the selection of control indicators, risk assessment, and the timing of controls, as well as the role of specialised control bodies, need to be analysed in order to assess the scope for improving the efficiency and effectiveness of the controls in place.

### **Research Questions**

In this final section we raise some key questions that we feel need to be addressed in the future in order to better understand the implementation of administrative arrangements for cross compliance.

In our first question we ask, how is an effective risk assessment conducted? A systematic approach to the control of many of the cross compliance requirements is new and there is often little relevant experience within the bodies responsible. Detailed information is needed to assess which farms are targeted and how each single cross compliance standard is considered. Further information about the relative importance of each criterion within a risk assessment is also needed.

Although it is an EU requirement for checks to occur on at least one per cent of all farmers submitting aid applications, it is apparent that not all cross compliance standards are relevant to all farms. We ask whether farms that have been selected for on-the-spot controls should be checked for all cross compliance standards, although

some of these standards might not be relevant.

Thirdly, we seek further understanding about the extent to which specialised control bodies should be involved in the control procedures. The involvement of specialised authorities at a lower administrative level would take into account their knowledge of regional conditions and might lead to a risk assessment that focuses more strongly on environmental issues. Further clarification about the relationship between cross compliance controls and controls performed independent of cross compliance by specialised authorities is needed. More exchanges between those involved about their experiences are needed.

A further question concerns whether the number of breaches identified in the risk and random samples are nationally representative. Data about the variation in the proportion of breaches between the random and risk based samples would enable the competent control authority to assess the adequacy of the risk assessment selection mechanism.

We would also like to better understand the actual environmental impact of common cross compliance breaches. In order to be able to evaluate the environmental impacts of cross compliance we need to assess the way in which control standards and sanctions affect the environment. There is also a need to improve understanding of cases of non-compliance. For example, is non-compliance occurring in areas of particularly high nature value, or is non-compliance more disperse? And are there differences between farming sectors? Knowledge of this kind would perhaps enable the geographic targeting of inspections to particularly environmentally vulnerable areas.

More information about the correspondence between the control and advice bodies would be useful. Cross compliance involves a strong separation of control and advice. But there needs to be communication between control bodies and advisory bodies so that advice can be targeted at the most problematic cross compliance standards and the farmers most in need of help. The aim of the enforcement body ought to be to ensure future compliance, rather than to make repeated sanctions.

We would also like to open a debate about how the efficiency of cross compliance can be increased. Cross compliance is a complex system, which suggests it is administratively costly. If the number of breaches is relatively low, are these administrative costs proportional to the benefits derived? It is essential to approach the subject of transaction costs and for researchers to search out examples of 'best administrative practice'.

Finally, the fear of cross compliance sanctions might influence the attractiveness of certain sites, such as Natura 2000 areas, for farming. This might then have an adverse effect on the willingness of farmers to participate in voluntary programmes that involve additional management requirements. When evaluating the environmental impact and overall administrative effectiveness of cross compliance, such experiences need to be taken into account.

## The Responsiveness of Cross Compliance Standards to Environmental Pressures

Dimitris Dimopoulos and Yannis Fermantzis from the Hellenic Ministry of Rural Development and Food  
George Vlahos, Agricultural University of Athens  
with Martin Farmer, Institute for European Environmental Policy.

### Overview

This paper examines the degree to which cross compliance standards can be thought of as responses to existing environmental concerns. To do this, the Statutory Management Requirements for the nitrates Directive and the birds Directive and the relevant GAEC standards are examined. Information was collected from the nine partner organisations of the Cross Compliance Network in order to identify the main environmental pressures related to farming. An expert assessment was also made as to the suitability of the cross compliance standards for addressing these pressures. In this summary we concentrate on the examples of the nitrates Directive and the GAEC standards.

### Key insights

#### *The response of cross compliance SMRs to nitrate pollution*

Member States need to implement Statutory Management Requirements for the nitrates Directive and are relatively free to define the exact standards farmers need to comply with. For most of the Member States examined in this report, action plans for NVZs existed long before the establishment of cross compliance. However, the association between cross compliance and direct payments strengthens a farmer's motivation to comply with the measures defined in the action plan. Our examination of the SMRs shows that the common base for all the Member States investigated is the existence of nutrient management protocols that determine maximum limits for the application of manure and inorganic fertilisers. The general rule in Greece, Germany, England, and France is that livestock manure can be applied up to 170 Kg of N per Ha, although there are divergences from this general rule. In Denmark, given that the most severe pressure in terms of nitrate pollution is exerted by livestock farming, the majority of cross compliance standards are focused on manure storage, animal housing and manure spreading methods. A range of horizontal measures have also been applied to prevent direct entry of nitrates into water form. In Greece, Denmark and Germany farmers are obliged to avoid the application of manure or artificial fertilisers in specific areas, such as near watercourses, in areas with high slopes, and on flooded or frozen ground. The application of manure and artificial fertilisers is also prohibited during specific periods.

#### *The suitability of cross compliance SMRs for tackling nitrate pollution*

The suitability of the cross compliance SMRs in tackling nitrate pollution is largely dependent on national transposition of the nitrates Directive. However, as we can see

from the report on administrative arrangements for cross compliance, a small proportion of farmers have breached the SMRs relating to the nitrates Directive. We have also observed that there are cases where cross compliance standards are either not clearly defined or farmers are not fully informed about their obligations.

#### *The response of cross compliance GAEC to environmental pressures*

All Member States covered by this study, except Lithuania, have established cross compliance standards that cover all Annex IV issues. It seems that Member States prefer to use the Annex IV 'issue', rather than 'standard' as the base for establishing GAEC standards.

As Annex IV is soil dominated, the most common GAEC standards are those relating to soil protection and minimum level of maintenance. These measures are employed by all the Member States studied in order to establish management rules concerning cultivated land, grassland or set aside areas. The main idea is to achieve a minimum level of plant cover on these areas and at the same time prevent the encroachment of scrub, weeds and other unwanted vegetation. Some other soil protection GAEC standards include: the prohibition of the burning of stubbles and other crop residuals; the use of an annual crop rotation pattern; and the requirement for steep slopes to be contour-ploughed.

Some GAEC standards offer multiple benefits to the environment. For example, a requirement to undertake crop rotation can have positive effects on soil organic matter, soil fertility and biodiversity.

The horizontal character of GAEC in some Member States is more rigid than in others. An example is the grazing density limits in Greece. This measure sets the same maximum and minimum stocking limits for all livestock farmers regardless of production sector. The Greek administration has no interest in the type of animals grazing the land, but only in maintaining a maximum and minimum number of livestock units per hectare.

France, Germany and arguably England have established standards that seem to go beyond the compulsory requirements of Annex IV of Reg. 1782/03. Farmers in France, for example, are obliged to request authorisation prior to withdrawing water for irrigation purposes.

#### *The suitability of cross compliance GAEC for tackling Annex IV Issues*

It appears that the strategic decision by the EU to allow Member States the freedom to adjust cross compliance

measures to regional or national conditions was, in essence, correct. It appears that the diverse environmental pressures in different countries need to be approached differently through GAEC. This clearly portrays the complexity of the underlying relationships between environment and agriculture and the delicate role that policy making has to play in order to maintain the equilibrium between the environmental and social needs of the agricultural sector.

The framework set by Annex IV and the environmental pressures and prevailing production system of each country or, can explain, to some degree, the selection of GAEC standards made by Member States. It is noteworthy GAEC standards were designed without any prior environmental assessment. The main concerns of many administrations were to a) comply with the new Community legislation, b) not "endanger" existing agri-environmental measures and c) keep the main "players" happy. The combination of these three factors led to the establishment of GAEC standards based more on political negotiations and less on scientific evidence. However, a reasonably rigorous assessment of proposed GAEC standards has occurred in England.

Some Member States have used cross compliance to compensate for gaps in their existing national legislation. Other Member States already had a legislative framework in place and merely adopted that framework for cross compliance. This resulted in some Member States incorporating measures within their GAEC framework that possibly went beyond the scope and philosophy of Annex IV of Reg. 1782/03. In other cases this meant that some Member States experienced difficulties with establishing verifiable standards, particularly for the SMRs related to Natura 2000 sites.

### Research questions<sup>1</sup>

Our research has shown the difficulty of looking at the adequacy of cross compliance in responding to environmental pressures. This is partly because we are at a relatively early stage of implementation and there has not been much time to witness the environmental impact that cross compliance standards have had. This leads us to raise a number of questions for future research that may help us understand how well cross compliance is responding to the environmental pressures exerted on agricultural land in the EU.

Firstly, we need to understand whether the SMRs and GAEC standards selected by Member States relate to clearly identified environmental needs. We may also consider how well suited the GAEC standards and SMRs are to the generally accepted principles of sustainable agriculture. We also need to undertake a critique of the design of GAEC standards. This could include an analysis of how simple or complex the standards are, how ambitious standards are in trying to meet environmental objectives and the extent to which derogations are made available to particular regions or smaller farms.

As only those farms claiming the single payment need to abide by cross compliance, information on the number of farms and the area of land in receipt of the Single

Payment is needed. Nevertheless farmers need to comply with legislation irrespective of cross compliance. This leads us to ask whether we are able to explore the counter-factual? i.e. we should investigate what the environmental pressures on agricultural land would be like without cross compliance.

The suitability of the standards in dealing with environmental pressures is partly dependent on the design of both the control system and the Farm Advisory System. We may wish to investigate how farms are selected for inspection, including those which pose the greatest risk to the environment, the extent to which compliance with standards can be accurately verified, the timing of inspections, the expertise of and co-ordination between control bodies. In addition, the availability of information on the number and severity of breaches could indicate whether compliance has improved and/or whether there has been better enforcement of the rules. If farmers are complying, we can assume that cross compliance is resulting in environmental benefits. However, we are aware that there may be a lack of baseline (pre-2005) data on which to base a judgement. The way in which cross compliance standards are communicated to farmers can also affect how well GAEC standards or SMRs alleviate environmental pressures. We may wish to examine how well the standards are understood by farmers and whether the level of compliance improves as a result of increased awareness.

We must remember that cross compliance standards cannot respond to environmental pressures on their own. We may therefore wish to consider the impact of decoupling, the relationship of cross compliance with rural development measures, the role of farm household decision making and the adequacy of the environmental legislation the SMRs are based on in tackling environmental issues.



Credit: Jiri Moravec

The tagging of farm animals forms part of the animal identification SMRs, as demonstrated by this goat in the Czech Republic.

<sup>1</sup> The arguments in this section are largely based on the presentation of Martin Farmer, Research Officer at IEEP, to the Joint Research Centre in June 2006. This presentation may be downloaded from: [http://agrifish.jrc.it/marspac/meetings/2006-06-26\\_Ispra/2006-06-26\\_Ispra.htm](http://agrifish.jrc.it/marspac/meetings/2006-06-26_Ispra/2006-06-26_Ispra.htm)



## The Relationship Between Cross Compliance and Agri-Environment Schemes

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### Overview

The introduction of mandatory environmental cross compliance has implications for the design of agri-environment schemes. It seems that cross compliance is directly dealing with issues that have traditionally been part of agri-environment schemes. Cross compliance may therefore change the baseline of agri-environment payments as well as the objectives and obligations attached to those payments. This paper clarifies some of the relationships between cross compliance and agri-environment policy objectives. This is achieved by looking at the SMRs established for the nitrates Directive, the birds Directive and the standards set for Good Agricultural and Environmental Condition in nine Member States.

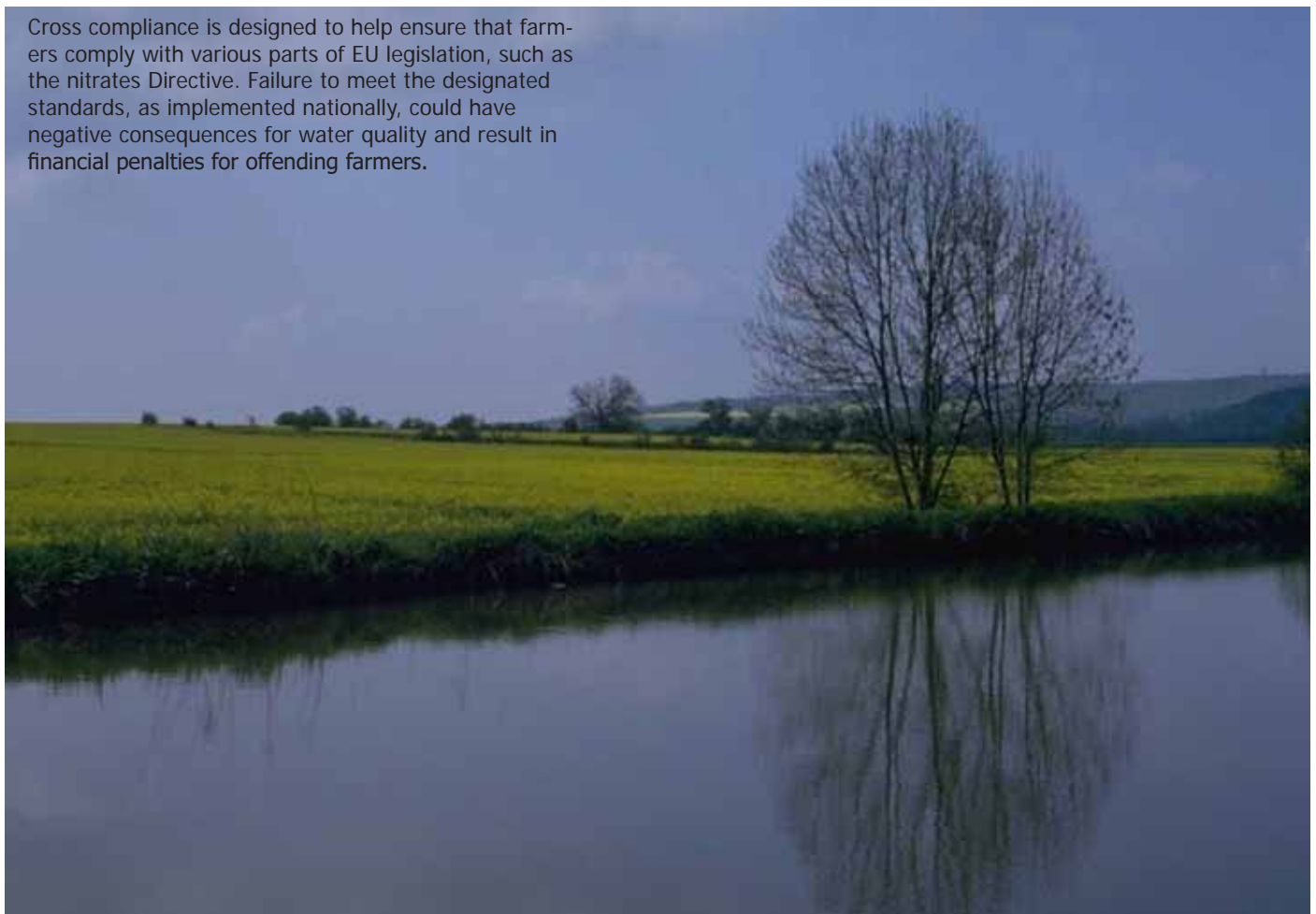
### Key insights

Agri-environment schemes, as applied under the rural development programme, and cross compliance standards are, to a certain degree, complementary in terms of the environmental issues addressed and the type of requirements applied. A certain degree of overlap between cross compliance standards and agri-environment schemes is desirable if agri-environment schemes are to focus on environmentally sensitive areas or site specific environmental issues, and cross compliance on more general

environmental problems.

Our analysis shows that, in a number of cases, very similar requirements are used in both cross compliance and agri-environment schemes. Some substantial overlaps exist with the requirements aimed at reducing nitrogen pollution from agriculture. Some overlaps in requirements also exist for the protection of permanent grassland and maintaining an open agricultural landscape. The cross compliance requirements for permanent grassland are, in most of the case study countries, minimum requirements, with more demanding requirements left to agri-environment schemes. In most cases, site specific and detailed management requirements are the preserve of agri-environment schemes and are needed to protect biodiversity on permanent grassland in the longer term. Our comparison of the environmental issues dealt with by cross compliance and agri-environment schemes also shows that the restoration and establishment of new landscape elements and features is almost exclusively dealt with by agri-environment schemes. There are, however, several examples of GAEC standards that require the farmer to undertake some form of active management.

Cross compliance is designed to help ensure that farmers comply with various parts of EU legislation, such as the nitrates Directive. Failure to meet the designated standards, as implemented nationally, could have negative consequences for water quality and result in financial penalties for offending farmers.



It seems clear that the introduction of cross compliance standards and decoupling has changed, or will change, the framework for agri-environment scheme design for permanent grassland. This is because, in the past, a large number of agri-environment schemes have focused on the maintenance of permanent grasslands and the prevention of their abandonment. It may be the case that options for grassland management under agri-environment schemes need to become more demanding. This may result in a lower uptake of the scheme with the result that farmland containing important habitats and species are not managed appropriately.

Our thoughts need to account for the fact that there is no clear definition in the text of Regulation 1782/2003 as to what the minimum requirements for GAEC should be, other than that the standards must be established without prejudice to agri-environmental measures applied above the reference level of good agricultural practice. There is very little clarification of the meaning of 'good agricultural and environmental condition' or the relative importance of 'good agricultural condition' and 'good environmental condition.' The Regulation establishes a very broad and loosely defined framework for Member States to implement GAEC. This may result in Member States placing an emphasis on either good agricultural condition or good environmental condition, paying attention mainly to land taken out of production and designing requirements which fit very general environmental problems over wide areas.

From the evidence collected, we have encountered few examples of cross compliance standards and agri-environment schemes being designed in an integrated way. There appears to be no common approach to the way agri-environment schemes are being designed for the post-2007 period following the introduction of cross compliance in 2005 (although, please note that this article was written before Member States published their rural development plans for 2007-2013). However, we encountered several examples of cross compliance standards designed in a way that keeps the baseline for entry into agri-environment schemes intact.

In this context we can imagine two scenarios for the future development of cross compliance standards and agri-environment schemes. One possible scenario would be that cross compliance is implemented at the minimum possible level by Member States in order to make implementation simple and control routines relatively easy to undertake. In this situation we could assume that environmental cross compliance remains a top-down policy, closely related to direct payments. We might also foresee that a close relationship with agri-environmental schemes will not develop and no long-term environmental policy integration will evolve as a consequence of cross compliance. If, or when, direct payments come to an end, cross compliance could conclude without having provided any lasting impacts on policy practice. Another rather different scenario is where the connection between cross compliance and agri-environment schemes is enhanced through integrated policies. In this way, cross compliance could gradually contribute to the development of new kinds of agri-environmental policies. Such policies may

cover the protection, enhancement and maintenance of the agricultural environment.

Neither of the two scenarios is unrealistic. The first one may turn out to be the result of a pragmatic approach to cross compliance by Member States under pressure to conform to EU legislative requirements. The second scenario may develop as a consequence of bottom-up demands for a well managed farmed environment and an attractive, wildlife rich, rural landscape. In the beginning, this could be supported by cross compliance and the rural development plan for 2007-2013, and later evolve into a separate and relatively autonomous policy domain.

### Research needs and questions

Further knowledge about the links between cross compliance and agri-environment is needed. There is a need to develop concepts and models to demonstrate the relationships between cross compliance and agri-environment schemes. We also seek to further our understanding of the role of cross compliance and agri-environment schemes in maintaining public goods. For example, we might ask how effective the new cross compliance standards are in maintaining extensive agricultural practices. One further area for discussion is the use of cross compliance and agri-environment schemes to achieve environmental policy integration. We would like to investigate to what degree, and in what ways, cross compliance and agri-environment schemes contribute to the achievement of environmental policy objectives.



Cross compliance GAEC standards may influence the management of environmentally sensitive habitats, such as these extensively grazed dehesas in Extremadura, Spain.

## The Farm Advisory System: A Challenge for the Implementation of Cross Compliance

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### Overview

This report reviews the progress that a number of Member States have made with setting up a Farm Advisory System (FAS). Member States are legally bound to establish a FAS by January 2007. The FAS needs to deal, as a minimum, with cross compliance Statutory Management Requirements and standards for Good Agricultural and Environmental Condition. Priority can be given, if necessary, to farmers who receive more than €15,000 per year in direct payments, and participation by the farmer is voluntary. This paper improves our understanding of the intended structure of the Farm Advisory Systems, the scope of the advisory system in terms of topic coverage and delivery methods, and also looks at funding issues. Information was primarily gathered by asking research partners within the Cross Compliance Network for an update of the 14 key topics analysed in a study carried out by the Department for Environment, Food and Rural Affairs (Defra) of England in 2005<sup>2</sup>.

### Key insights

In the framework of EU and national legislation, farmers need advice and information in order to make decisions regarding the management of their farms. We can distinguish several typologies of information and advice delivery. These typologies range from the most general reporting of facts (information) to guidance tailored to the needs of an individual farmer (advice). The latter requires additional effort to ensure suitable advice is delivered to the farmer. Both the needs of farmers, in terms of the information required, and of the needs of public authorities in achieving policy goals, need to be taken into account in a balanced way when a FAS is designed.

The following criteria affect information provision<sup>3</sup>:

- access to, and the ease of use, of available information sources;
- the effectiveness of sources in communicating information to users;
- the coordination between and integration of information sources;
- the targeting of information to different user typologies;
- the way the content and format of advice is matched to the nature of decisions that may be taken;
- the number of options presented to the decision-maker;
- the extent to which the advice includes an assessment of costs and benefits;
- the provision of continuing support during the implementation process.

### Structure of the proposed Farm Advisory Systems

Most Member States are planning to base the FAS on an existing system. Greece intends to introduce a new system. Private organisations dominate the delivery of advice in Austria, Belgium, the Czech Republic, Denmark,

Finland, the Netherlands, Poland, Scotland, Spain and Sweden. Both private and public bodies are involved in England, France, Ireland, Italy, and Latvia. France probably has the highest diversity of organisations involved with the responsibility split between state institutions, farmers' organisations, NGOs and private advisers. In Germany the situation varies between Laender. The current system of farm advice is mainly run by government or other public organisations in Lithuania.

The certification systems for advisers appear similar across Member States. The advisor's certification is likely to be based on their experience, their education and a minimum level of specific training. In the Veneto Region in Italy, for example, advisers must attend a course for a minimum of 20 hours if they do not have sufficient experience with cross compliance.

In all Member States, the advice and control systems need to remain separate, as required by Regulation 1782/2003. However, private advice bodies are obliged to disclose information if irregularities are found during their activities. In some countries, there are arguments for using the results of the control process to target those farmers in need of advice at a macro level. For example, if breaches of a particular SMR or GAEC standard occur more often than expected, advice could be tailored to better inform farmers about what is needed to comply with the problematic SMR or GAEC standard. Valuable advice time is therefore not spent on those standards which farmers understand and are complying with. However, the scope to adopt such an approach is limited by the confidentiality rules present in Regulation 1782/2003.

### *The scope of the Farm Advisory Systems*

Many Member States, including the Czech Republic, England in the UK, France, Germany, Italy and Lithuania, are planning to provide cross compliance advice as part of a wider system of advice involving, as the case may be, agronomic, technical and business issues. The Farm Advisory System will only cover cross compliance in Denmark and the Netherlands.

Generally, Member States are planning to include all aspects of cross compliance as part of their Farm Advisory System. However, some Member States may focus the Farm Advisory System on the SMRs and GAEC standards that cause more concern to farmers in their respective countries. In England more attention has been given to the GAEC standards for soil protection and habitat maintenance. In the Netherlands farmers may be able to obtain advice only on those cross compliance standards they want to be helped with.

### *Methods of service delivery*

The main methods that Member States will use to deliver

the advisory services can be classified as follows:

- one-to-one on farm;
- one-to-one by phone;
- small group advice on specific topics;
- training courses, workshops, seminars and information meetings;
- internet-based tools;
- booklets and brochures;
- newspapers, farm news periodicals and radio broadcasts.

A checklist is used in the Czech Republic, Denmark, England, Germany and the Veneto Region. These are intended for use either as self-assessment tools for the farmer, or as a base for delivering face-to-face advice for the adviser. Checklists are a relatively cheap method of cross compliance advice provision and are particularly useful during the diagnostic phase of advice.

Advice will be provided to small groups in Denmark, England, France, Germany and Italy. Training courses, workshops, seminars, booklets, brochures and newspapers are used in all Member States. Newspapers are used in Austria, Estonia and Spain. Internet-based tools are already seen to be an important approach in England, Germany, the Netherlands and Veneto Region. The internet tools developed in England currently appear the most advanced, where a separate internet portal has been established to deliver advice specifically on cross compliance (<http://www.crosscompliance.org.uk>).

#### *Funding Issues*

Generally, Member States plan to involve as many farmers as possible. Germany, Denmark, and the Netherlands intend to cover all farmers and Lithuania and the Czech Republic about two-thirds of the farming population. Some Member States, including England, Greece, Italy and the Netherlands are aware that the matter will depend on the available budget. Some Member States, such as France, Italy and the Czech Republic therefore plan to prioritise the delivery of advice to farmers receiving over €15,000 per year in direct payments, in accordance with the EU Regulation. However, the demand could

still be larger than the available funding. Lithuania will prioritise farms which receive direct payments in excess of €12,000. The possibility of targeting specific groups, such as farms which have breached the cross compliance requirements, is under consideration. Italy has also sought to prioritise farms and accounts for their location in a Nitrate Vulnerable Zone and/or Natura 2000 areas. It may also be a concern that, if farmers fall below the €15,000 direct payments threshold, some farmers may not receive the advice they need. This could particularly affect smaller farms with important habitat features from a biodiversity perspective.

Several Member States have introduced a system in which farmers can hire private advisers. The associated costs are partly covered by public funds through rural development plans, which may cover up to 80% of the cost. The remaining amount needs to be paid by the farmer.

#### **Research questions**

The information presented on the Farm Advisory Systems is incomplete as the implementation process is, for now, ongoing. However we can express some thoughts about the likely success and effectiveness of the system in order to help future programme design, management and impact assessment. An improved level of integration between research, advice and training should help to increase human capital with respect to cross compliance. It is not yet possible to evaluate programme design. Although it is difficult to establish effective indicators for measuring the success of any Farm Advisory System, it is important to clearly identify programme goals and to base goals on an evaluation process conducted before programme implementation. This evaluation should help to identify the feasibility of the proposed actions and seek out the most appropriate beneficiaries of the advisory services. As a result of the monitoring activity, ongoing evaluation can provide learning opportunities to identify areas for improvement. This evaluation activity will be important when the European Commission comes to submit its report on the application of the Farm Advisory System, due to be completed by the end of 2010.



Credit: Paolo Bazzoffi

Italian farmers will need to respect the national GAEC standards for the retention of terraces.

<sup>2</sup> Wood, K (2005): Report on findings of a survey of member states, investigating plans to implement the EU requirement for a Farm Advisory System, Department for Environment Food and Rural Affairs (DEFRA), London.

<sup>3</sup> Garforth, C., B. Angell, et al. (2003): Improving farmers' access to advice on land management: lessons from case studies in developed countries, Agricultural Research & Extension Network Network Paper n. 125.

## Other research on cross compliance

There are a number of other projects investigating various aspects of cross compliance in terms of both policy design and impacts arising from implementation. If you know of any other studies please email the Project Co-ordinator (contact details on page one).

Title: Cross Compliance Indicators in the Context of the Farm Advisory System (CIFAS)  
Co-ordinator: European Environment Agency  
Duration: 2005–2007  
Weblink: <http://www.ewindows.eu.org/cifas/fo1089552>

CIFAS is a two-year study (2005-2006) co-ordinated by the European Environment Agency (EEA) under the guidance of a steering group composed of DG Agriculture, DG Environment and the Joint Research Centre of the European Commission. The general aims of the project are to help the design of the Farm Advisory Systems, to contribute to the development of suitable advisory tools and to develop 'farm level indicators' related to cross compliance standards in the area of the environment. Stakeholder meetings have taken place regularly throughout the project.

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Title: Facilitating the CAP reform: Compliance and competitiveness of European agriculture  
Co-ordinator: LEI  
Duration: 2005-2007  
Weblink: <http://www.cross-compliance-fp6.eu/>

The primary focus of the project is to investigate the added value that results from introducing cross compliance as a tool to improve compliance with existing standards. A second focus is an investigation of the cost implications and competition effects of compliance with EU standards on the world market, in the specific context of cross compliance.

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Title: JRC MARS PAC Workshops on GAEC  
Co-ordinator: JRC  
Duration: ongoing  
Weblink: <http://agrifish.jrc.it/marspac/GAEC/default.htm>

The MARS PAC mission of the Joint Research Centre aims to provide scientific support and technical guidelines to DG Agriculture and Member States for the sound implementation and management of the EU Common Agriculture Policy. A recent focus of work has been GAEC and the Farm Advisory System. Workshops occur at regular intervals.

Title: Environmental Policy Integration in the Agricultural Sector: negotiating and implementing cross compliance rules in the European multi-level governance system  
Co-ordinator: Meri Juntti, The Centre for Social and Economic Research on the Global Environment (CSERGE)  
Duration: 2004-2007  
Weblink: <http://www.uea.ac.uk/env/cserge/research/55.htm>

This project analyses the process of decision-making and implementation of the cross compliance rules that integrate environmental, animal welfare and food safety standards to the Common Agricultural Policy in the EU. Drawing from theories of Environmental Policy Integration (EPI) and of policy change in the agricultural sector, it adopts a discourse oriented research approach based on three case studies. A paper called 'Riding the green wave in the European agricultural sector? A discourse analysis of the new cross compliance mechanism' is now available to download.

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Title: Defra CAP Observatory Programme  
Co-ordinator: Defra  
Duration: 2005-2008  
Weblink: <http://www.defra.gov.uk/farm/policy/observatory/index.htm>  
The aim of the Programme is to monitor, and where possible anticipate changes in agriculture and at farm level arising from CAP reform and other key drivers, and to assess the consequent implications for the environment. A number of outputs are available on the Defra website.

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Title: Environmental Cross Compliance  
Co-ordinator: OECD  
Duration: ongoing, to be finalised by mid-2007.  
The aim of the project is to further understanding about the concept, implementation and evaluation of environmental cross compliance approaches. This will partly be achieved through case studies on environmental cross compliance in England, Germany, Italy, Norway, Switzerland and the United States. A workshop is planned to take place towards the end of 2007 to bring together expertise and experiences in OECD countries. The study's conclusions will assess the implications for policy design. Please contact Dimitris Diakosavvas for further information (Dimitris.DIAKOSAVVAS@oecd.org).