EU CROSS-COMPLIANCE NEWSLETTER

Issue 3: April 2004

This newsletter is part of a project that is funded by the Commission of the European Communities RTD programme Quality of Life and Management of Living Resources under project reference QLK5-CT-2002-02640. The content does not necessarily reflect the views of the Commission and in no way anticipates future Commission policy in this area.

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- Efficiency, effectiveness and administration of cross-compliance options

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Previous issues can be found on the IEEP website
http://www.ieep.org.uk/research/Cross Compliance/Project timetable and available documents.htm

The potential for environmental cross-compliance to advance agri-environmental objectives

The relationship between cross compliance measures (regulation) and agri-environment and other schemes (voluntary incentives) and the extent to which such measures can achieve EU environmental objectives, were explored in a workshop held in Roskilde, Denmark, November 24-25, 2003.This was the fourth in a series of workshops on cross compliance carried out under a European Commission Concerted Action project. A full report of the workshop can be found on the project website.

Countryside stewardship – objectives and policies

Countryside stewardship deals with the protection, maintenance and enhancement of the countryside and may be defined as public policy interventions targeted at farmers' decision-making and farming practices concerning these three dimensions. In this context, *Protection* means preventing undesirable changes to the state of the environment. Environmental protection is usually based on either legal measures or by incentives such as countryside stewardship schemes (agri-environmental measures). *Maintenance* refers to situations where valuable parts of the landscape are dependent on continuous management practices, for example grazing or hedgerow trimming. In a countryside policy context, maintenance is usually ensured through incentive instruments although maintenance requirements are found in some regulatory measures. Policies related to *enhancement* are usually incentives such as planting schemes, restoration schemes etc. When dealing with agricultural landscapes enhancement schemes are often assuming (explicitly or implicitly) the continuous operation of a subsequent protection measure or maintenance scheme.

Analysing countryside stewardship policies in 8 EC countries in 1995-96 Gatto and Maurizio (1999) found that the majority of policies have a principle objective of reducing negative impacts – mainly reducing fertilisers, pesticides, and livestock density (212 out of 351 polices). A substantial proportion (between a third and half of policies examined) also had wildlife and biodiversity, landscape and natural environment conservation as their objectives, although it is not completely clear what "conservation" means in relation to protection and maintenance.

A study of countryside stewardship schemes in operation under Reg. EC 2078/92 and similar Swiss schemes showed that almost all management agreements include requirements on pesticide use, mineral N-fertilizer, livestock density reduction, and permanent grassland measures, whereas other items were less frequently included in the agreements (Andersen et al. 1999).

Countryside stewardship and cross-compliance

Experiences with countryside stewardship and cross-compliance were reported in the German seminar report and in the EU cross-compliance Newsletter issue 1 and are not referred to in detail here. It appears that most Member States have used cross-compliance obligations relating to existing EU, national and/regional environmental legislation, and mainly in respect to fertiliser and pesticide use, whereas only a few countries have set standards going beyond legislation (England, Netherlands) or covering issues of landscape and biodiversity (England, Ireland).

A crucial question in the discussion of cross-compliance measures is where to draw the line between such measures and incentive schemes. It was argued during the Roskilde workshop that cross-compliance measures are mostly suited to avoid environmental costs. In contrast, benefits demanded by society - and with no functioning market mechanisms - are most efficiently obtained through incentive schemes. A critical factor in the distinction between costs and benefits may be the definition of a reference level identifying an "accepted" status quo (Figure 1).

Environmental costs in a countryside policy context refer either to impacts beyond what is acceptable at general level or to impacts caused by a concrete agricultural practice, which due to the specific local conditions are seen as unacceptable. However, both types of costs are dependent on human values, interpretations and objectives and may therefore change over time. Furthermore, they are fundamentally political and not always clearly defined – costs to some may be benefits to others.

Environmental benefits can be defined as environmental impacts considered by society to be positive beyond general and specific reference levels. Reductions of environmental impacts and resulting improvements of environmental quality in the aquatic environment beyond stated reference levels are examples of such benefits.

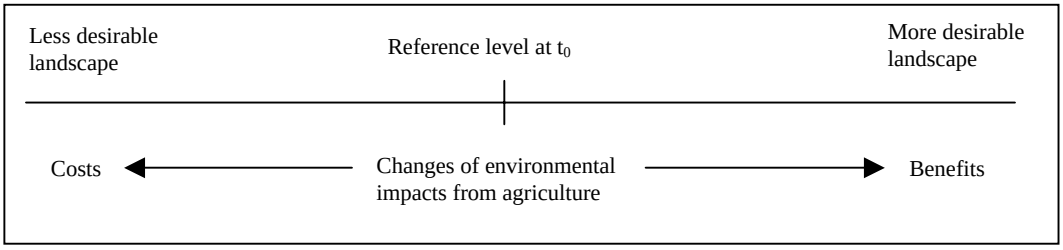

Figure 1: Environmental 'costs' and 'benefits' in a change situation (Partly from Bromley 1997, p.37)

The three dimensions of countryside stewardship: protection, maintenance and enhancement may be localised in relation to the reference level and thus be related to cost and benefits as shown in Figure 2. The protection dimension is related to costs and is thus a suitable objective to be regulated through cross-compliance measures. On the other hand, environmental enhancement - whether it is reductions of chemical input beyond the level of accepted impact, conversion of arable land to permanent grassland, or creation of new landscape elements - is properly best ensured through incentive schemes.

The third dimension concerning the maintenance of environmental assets, such as semi-natural grasslands or hedgerows- is more complicated. Both regulations and incentives can be appropriate to achieving this objective. One way to deal with the problem of maintenance, may be to combine direct payments with a requirement for participation in incentive schemes. This may be of particular relevance in areas of high ecological and landscape value where maintenance demands can be costly.

Despite these complications cross-compliance will, without doubt, improve the implementation of countryside stewardship policies, especially those relating to environmental protection. Furthermore, cross-compliance brings environmental considerations closer to the centre of agricultural policies thereby improving policy integration at a general level. It must also be seen as an advantage that cross-compliance prevents farmers from claiming economic support for actions, which are considered unacceptable. to the taxpayers who provide that support.

The downside of cross-compliance is of a more indirect and long-term nature. Linking long term objectives and processes, such as the protection and maintenance of Europe's biodiversity and landscapes, to essentially short-term and politically influenced agricultural payments may prove problematic in future.

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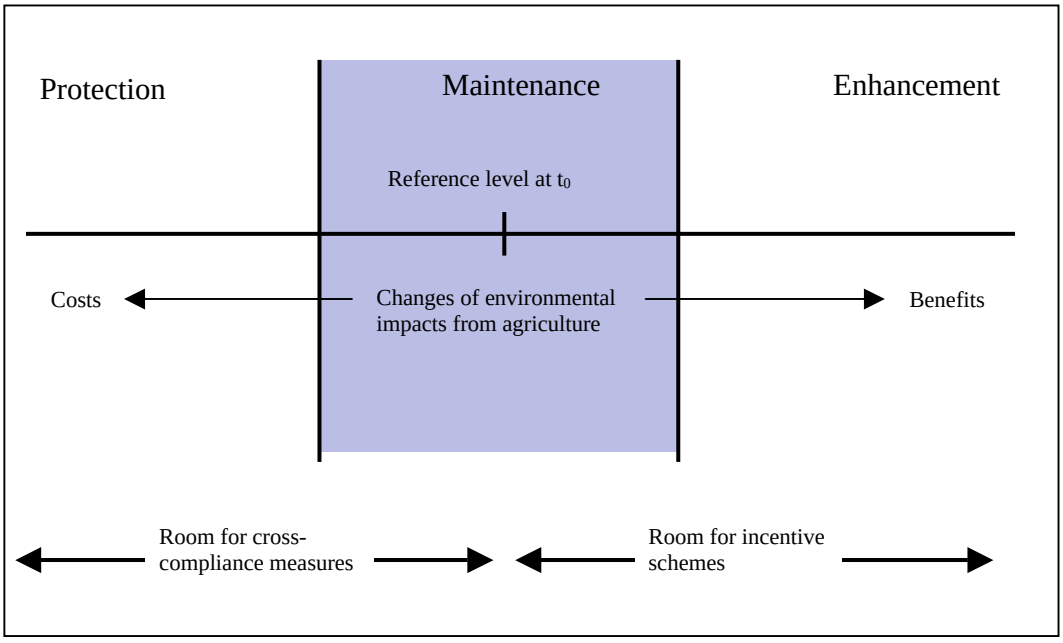

Figure 2. The three dimensions of countryside stewardship: protection, maintenance and enhancement in the context of a status quo reference level.

References:

Andersen, E., Primdahl, J., Oñate, J.J., Peco, B., Cummings, C., Aguine, J. Schramek, J., Knickel, K. (1999): Environmental effects of Agri-environmental Measures Implemented under Reg. 2078/92. In Schramek, J., Biehl, D., Buller, H., Wilson, G. (Eds.): Implementation and Effectiveness Effects of Agri-environmental Schemes Established under Regulation 2078/92, Final Consolidated Report. Project Fair 1, CT95-274, vol.1, pp.135-162.

Gatto P. and Merlo M. (1999): The economic nature of stewardship: complementarity and trade-offs with food and fibre production. In Huylenbroeck, G.V. and Whitby, M. (eds.): Countryside Stewardship: Farmers, Policies and Markets. Pergamon, Amsterdam.

Bromley, D. (1997): Environmental Benefits of Agriculture: Concepts. In OECD (ed.): Environmental Benefits From Agriculture: Issues and Policies, pp. 35-53. OECD Proceedings, OECD.

The cross-compliance seminar in the Netherlands explored the theme of private certification schemes and how they might help in the implementation of cross-compliance. This theme is continued in the article below.

Private certification schemes and their role in implementing cross compliance in Greece

It is a significant challenge to design cross compliance measures in a country such as Greece due to the intrinsic characteristics of its agriculture. These characteristics include large numbers of farmers / small holders, fragmented properties and a wide range of crops.

The Greek environment is equally diverse with a wide range of habitats and species, many of which are product of traditional farming systems or associated with specific farming practices. Greek agriculture, and its inherent diversity, has therefore the potential to benefit the environment but it also poses threats. Cross-compliance will have an important role to play in future in minimizing the impacts of farming on the environment, as farmers adapt their businesses to the CAP reforms as a whole.

There are two important questions to be asked in relation to cross-compliance:

1. What should the priority for preventative/protective measures be for any given environment? And in particular, should these measures be generic, common to all farmers, or tailor made?
2. How should farmers' compliance with these measures be assessed?

The first question can be answered through a proper environmental analysis, in the context of an "Initial Review", as described in ISO 14001[1]. In defining the preventative/protective measures, it can be easily shown that nothing but a site-specific risk analysis can provide accurate data on environmental issues and their impacts. This is because the variation among sites within the same region is much higher than the variation among regions. In addition, there exist generic attributes such as geography, e.g. coastal vs upland sites, etc. Conversely, for some crops like olives, after millenniums of husbandry in the area no significantly different cropping systems are present, apart from organic.

So, for most crops, with the exception of grapevines, analysis is restricted to the specific conditions of each site in contrast to a general pattern analysis, uniform across all the country.

In relation to the second question, farmers' compliance is significantly influenced by the nature of the rules, i.e. if they are easy to conform with, or by how radically farmers need to change their habits. Using the example of olives, by examining the outcome of a test analysis of about 3700 olive groves in all Greece, the principle in non-intensive olive culture could be stated as: **"what is good for the environment is good for most farmers**". This principle applies not only to Greek olive groves but also to crops such as winegrapes and wheat and to a much lesser extent to sugar beet, cotton and maize.

Olive harvest- Source: FAO mediabase www.fao.org

The impacts identified most commonly for olive groves are:

1. Soil erosion

1 The ISO 14000 family of standards on environmental management was developed to provide a practical toolbox to assist in the implementation of actions supportive to sustainable development. ISO 14001 is a framework for an Environmental Management System (EMS), ie a structured approach to addressing the environmental bottom line.

2. Spray drift (due to small-holding, variability of adjacent crops)
3. Dependence on fungicides due to excessive relative humidity of the air
4. Deterioration of ecological balance (beneficial fauna populations) by insecticide sprays and biodiversity decrease
5. Decrease of water absorption by soil (compaction, hard pan, hence increase of water run-off)
6. Exhaustion of water reservoirs and salinisation.
7. Contamination of soil by residual herbicides.

Most of the corrective measures for the above environmental impacts would bring a short or long term benefit to most farmers, either with a financial impact or not. Farmers are willing to cooperate more if they see a long-term plan for improvement of their crops, their status and their village especially when improvements in the farmed environment are measurable. Strong resistance is expected only regarding the measures for the use of the rotavator, to avoid soil erosion. Experience has shown that in order to convert farmers to more benign land practices all is needed is information and education.

In addition, the answer to the second question has to take into account the importance of harmonization of a large variety of parameters, in order to ensure an equally fair approach to all farmers in all areas, and across a range of environments.

The above answers show that in order to tackle the issue of cross compliance properly and fairly in Greece, one cannot rely solely on the public sector whose resources have been over-exhausted during the last years. Instead, a flexible bespoke private scheme could be used to help design cross compliance and determine the resources needed to implement it. A key issue is the type of recommendations to be transmitted to farmers, and hence the feasibility of verifying compliance for each of the recommendations. The private certifications schemes are accustomed to adjusting their approach to the risk of non-compliance associated with different types of requirements. So, their experience could be of immense help in trying to establish cross compliance in Greece.

RodaxAgro, a private consulting company, uses a dynamic site-specific system for close-up environmental management applied to olive culture as opposed to a one-off procedure with 'pre-fixed-decisions and rules'. This means that the environmental risk assessment is repeated and reviewed as farmers start to comply with instructions. A dynamic approach may result in changes on the relative importance of significant environmental aspects and impacts as well as their interrelationship. In addition, the initial superficial analysis may be deepened as time goes by.

The opportunity for the application of this system was provided by the development of Good Agricultural Practice rules for olive groves, in the context of Regulation 1334/2002[2]. This provides support to olive-growers organizations in order to create codes of Good Olive Husbandry Practice specific for olive growing and the local environment of each organization[3].

This system has been in progress since October 2003. It is estimated that about 1500 farmers with 10.000 groves participate across Greece (22 areas). The Environmental Management System ISO 14001 is the baseline for the system.

The key elements of this approach are as follows:

1. A basic element is the employment of a technical consultant per cluster of c. 50 farmers. The role of a technical consultant has already been recognized as mandatory for AGRO 2-1, which is the Greek "national" standard for agriculture,

2 Commission Regulation (EC) No 1334/2002 of 23 July 2002 laying down detailed rules for the application of Council Regulation (EC) No 1638/98 as regards the work programmes of operators organisations in the olive sector for the marketing years 2002/03 and 2003/04 Official Journal L 195 , 24/07/2002 P. 0016 - 0021

3 The project is via Elaiourgiki, and it is called K.OR.E.P which is the Greek acronym equivalent of **C**odes of **G**ood **O**live **C**ulture **P**ractice".

originated from the fusion between ISO 14000 and ISO 9000

2. The consultant is responsible for collecting data on those aspects of the farm vulnerable to environmental damage and assessing environmental impacts of the farming system and practices. This is aided by software and a specifically designed questionnaire. A risk assessment exercise is carried out based on the most important of approximately 50 "environmental impacts" that have been found as most common in Greek olive groves. The consultants have also to consult with local environmental groups and other interested parties. This enables them to produce Good Agricultural Practice instructions for each site, in a "continuous improvement" regime (another element of AGRO 2-1 / ISO 14001 element). All legal requirements applicable in the area are mandatory parts of the GAP and they are included in the instructions.
3. The procedure used consist of the following steps:
    a. Step 1: The consultant visits a farmer and his land, collecting information from the farmer (interview) and making a visual assessment of the land and feeding the information in the questionnaire.
    b. Step 2: After gathering all the required information, using the questionnaire as a checklist, the consultant carries out a risk assessment for each possible environmental impact, which results in a priority list of impacts. The corrective actions are the "cross-compliance requirements" specific for the given site.
    c. Step 3: The consultant gives written instructions to the farmers and trains them on the corrective actions needed to prevent and correct the environmental impacts identified. Implementation of the instructions is recorded.
4. The consultant *monitors the conformance* of the farmer with the instructions and assesses the importance of deviations using a scale for assigning bonus points. If a farmer achieves a score higher than the limit (to be set by the Greek Ministry of Agriculture) they will be classed as "compliant". Each consultant inspects farmers of different clusters than the one he deals with in 3 above to ensure independence and neutrality.
5. Harmonization is addressed by a guidance document for the environmental questionnaire. Also, an internal control system is used to supervise the integrity of the implementation carried out by different consultants in different areas.
6. The entire management system is audited at quarterly intervals.
7. Cost-wise, the system has two phases. The first phase (year 1) is expensive, as there is a certain amount of data on the environment to be collected and analyzed. The second phase (year 2 onwards) builds on the results of the first year work. Once the technical consultant has established a good understanding of his area, he can enlarge the number of farmers he can serve, thereby reducing his cost to an acceptable level.
8. The system is primarily designed to serve Good Agricultural Practice rules for cross compliance purposes. However, it is equally able to serve market requirements, such as private schemes certifiable by third parties. Seven Certification bodies have been accredited so far in Greece for system certifications in primary agriculture.

This last element of third party involvement is of crucial importance, as it allows private Certification Bodies audit according to a recognized system ie, system certifications such as ISO 9000, ISO 14000 or Agro 2-1. They can handle a system, which is capable of segregating the farmers according to their conformance to rules.

Management system certification has a great advantage over individual farmer certification. In the case of management systems, the inspections of all (100%!) participating farmers take place continuously, by trained personnel. The whole system is under an internal audit regime and management review. Therefore, the assessment of the farmers' compliance to any given set of requirements can be executed by a third party, through the audit of a structured system. It can be verified further, by sample inspections of farmers to ensure that the internal inspection system is credible. This approach gives much more confidence to a third party auditor, than a mere

"sampling of individual farmers" once per year.

Whatever the route chosen, the advantage of formal certification, private or public, is that it operates under the harmonized European rules applicable to accreditation. These rules are EN 45011 for Product Certification and EN 45012 for Management System Certification. All accreditation bodies participate in a Multi Lateral Agreement scheme (MLA), which is part of the International Accreditation Forum. In this respect a globally regulated and recognized approach is a good background on which to build multiple compliance.

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Olive grove near Epidaurus, whose owner participates in K.O.R.E.P Source: G Michaelopoulos

Reflections on cross-compliance

In January, members of the Concerted Action project team met with members of the European Commission Advisory Group to discuss the cross compliance research. It was encouraging to hear that the research is considered to be both valuable and timely in helping to develop a common understanding among Member States of new cross compliance legislation.

The importance of cross compliance as a key policy tool to help enforce existing EU legislation, such as the Nitrates Directive, and its implementation at Member State level was a theme of the meeting. For the first time, Member States will be required to demonstrate to the Commission that they have control systems in place at farm level to ensure environmental and other standards are met, and legislation enforced. Member States which use inappropriate or ineffective systems of control and enforcement will be exposing themselves to higher risk of disallowance in relation to CAP funding than ever before. This emphasis on control and enforcement makes cross compliance a particularly powerful policy tool. The need for improved control systems may well lead initially to higher costs for Member States. However, such costs need to be off-set against environmental and other improvements likely to accrue and the reduced costs from no longer controlling CAP market regimes as a result of the decoupling of payments.

The Commission is aware that implementing cross compliance is not without its difficulties and any new system takes time to settle down. The Concerted Action workshops have been particularly valuable in providing a forum for discussion of issues such as defining verifiable standards, the role of the private sector in implementing cross compliance and the relationship of cross compliance with incentive schemes operated under the Rural Development Regulation. The results of all the workshops will, at the end of the project, be brought together in a simple, useable report. In the meantime, the website will continue to chart the progress of discussions on this fast-evolving subject.

Field hedges could be object of cross compliance. Source: IEEP photo database.

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Future meetings

A meeting entitled 'Cross-compliance in CEECs' will be held in Prague on 20-21 September 2004. It will focus on issues particularly relevant to CEE Accession Countries, and in particular implementation of Annex IV of the revised Common Rules Regulation (on Good Agricultural and Environmental Condition). If wish to register your interest in attending or submitting a paper to present at this meeting please contact the organiser:
Lenka Camrova
Contact: camrova@ireas.cz

Relevant publications

Dr. Paul Godison (2003) *The Likely Impact of CAP-Reform on EU Positions in Cancun- A discussion paper* AGRITRADE http://agritrade.cta.int/goodison-cap4.pdf

European Environment Agency (2004) Agriculture and the environment in the EU accession countries- Implications of applying the EU common agricultural policy. EEA, Copenhagen http://reports.eea.eu.int/environmental_issue_report_2004_37/en