

THE APPLICATION OF THE CROSS COMPLIANCE IN DIRECT PAYMENTS TO FARMERS

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Abstract

This paper is a summary of the study on the optimization of cross compliance in direct payments to farmers in Romania by assessing the situation on the enforcement of cross compliance schemes and measures to support farmers during 2007-2013 and find the best implementation model for the next period. This has been used data and information from IACS database, audit reports and statistical reports on cross, managed by APIA. The analysis shows the existence of a large number of standards for good agricultural and environmental condition (GAEC) and the statutory management requirements (SMR) in continuous revision, difficult to understand by land surveyors and farmers have to comply. This led to a large number of nonconformities and sanctions to reduce payments to certain standards/requirements (approx. 23,029 cases of non-compliance, i.e. 25.86% of the farmers control and penalties totaling approx. 1,412,690 € for period analyzed), with a negative impact on the use of EU funds for agriculture. In response to the matters referred propose simplification of cross compliance, reducing the number of standards and mandatory requirements for farmers (from 13 standards GAEC and 18 requirements SMR currently to 7 standards GAEC and 13 requirements SMR in the new implementation) an effective system of management and control, and an action plan on informing farmers on cross compliance.

Key words: requirements, cross compliance, non-compliance, inspection bodies, standards

INTRODUCTION

Cross compliance is a key component of the Common Agricultural Policy (CAP) that provides the link between payments to farmers and environmental compliance, public health, animal and plant health, animal welfare and maintaining the land in good agricultural condition [1], [2].

Cross compliance rules aimed at farming the farmer and land areas that it manages and applies to the entire agricultural area of the farm, including land that is not eligible for payment and are not used in production [5].

Any farmer applying direct area payments, agri-environment payments, LFA support scheme and other support measures from EU funds and national budget must respect cross compliance rules. Failure results in the exclusion of the payment or payments in relation to the extent, severity, persistence, repetition and deliberate nature of failure [5].

Moreover, allocating all payments of the European financial package for direct payments to farmers for 2014-2020 will continue to be linked to compliance with the rules of cross compliance in accordance with

the regulations [11].

In this context, this research work aimed to study the optimization of cross compliance in direct payments to farmers in Romania by assessing the situation on the enforcement of cross compliance schemes and measures to support farmers during 2007-2013 and find the best implementation model for the next period.

MATERIALS AND METHODS

Identifying standards and requirements for each subject area cross compliance was based on analysis of European regulation on the financing, management and monitoring of the common agricultural policy and the national legislation [7], [9].

For a good documentation on the application of cross compliance rules and measures in support schemes for farmers, and other materials, the following methods were used in this study:

- Querying the database of the Integrated Administration and Control System (IACS), managed by the Agency for Payments and Intervention in Agriculture (APIA) regarding the application of direct payments in 2007-

2013 (number of claims, the demand for payment eligibility control, control surfaces, non-compliance and penalties);

- Analysis of documents reporting to the European Commission on the application of cross compliance rules on direct payments to farmers in 2007-2013 (control sample, non-compliances and sanctions reduction/exclusion of payment).

RESULTS AND DISCUSSIONS

This section presents the application of cross compliance rules on direct payments to farmers, the results of eligibility for direct payments, monitoring compliance and cross compliance penalties for the period 2007-2013, and a model for implementation of cross compliance rules period 2015-2020.

Table 1. Good agricultural and environmental conditions (GAEC) [4]

Objectives	Minimum standards
Preventing soil erosion	GAEC 1 – Minimum coverage of arable land in winter ($\geq 20\%$ of the arable farm) GAEC 2 - Work on arable land with a slope greater than 12% contour is GAEC 3 - Maintaining existing terraces on farmland on 1 January 2007
Maintaining soil organic matter	GAEC 4 - Rotation crops (sunflower not grown at the same site for more than 2 consecutive years) GAEC 5 - Ban on burning stubble and crop residues on arable land
Maintain soil structure	GAEC 6 - Prohibition on performing the work of plowing under excessive soil moisture
Ensure a minimum level of maintenance of land	GAEC 7 – Ensure a minimum level of maintenance of permanent grassland (pasture $\geq 0,3$ LU/ha and/or at least one mowing per year) GAEC 8 - Ban on permanent grassland vegetation burning GAEC 9 - Ban on felling lonely and/or groups of trees on agricultural land GAEC 10 - Removal of unwanted vegetation on agricultural land
Protection and management of water	GAEC 11 - Compliance with laws on the use of water for irrigation in agriculture GAEC 12 - Is prohibited to apply of fertilizers and plant protection strips protect the surface water, which is the minimum width of 1 m on land with a slope of up to 12% and 3 m on land with a slope greater 12% GAEC 13 - Is prohibited groundwater pollution by direct discharge or by downloading the field of products containing hazardous substances used in agriculture*)
Maintaining permanent grassland area	Maintain permanent grassland area at national level existing on 1 January 2007. The requirement is fulfilled by keeping the ratio of land under permanent grassland area and total agricultural area declared by farmers in 2007

*) GAEC 13 will apply from 1 January 2014

In Tables 1 and 2 are shown the cross compliance rules applicable to schemes and support measures for farmers, as follows:

- Good agricultural and environmental conditions (GAEC), including the obligation to maintain permanent grassland area nationally (Table 1);
- The statutory management requirements (SMR) on the environment, public health, animal and plant health (Table 2).

Table 2. Statutory management requirements (SMR)[5]

Areas	Objectives SMR *)
Environment	SMR 1 - Conservation of wild birds
	SMR 2 (becomes GAEC 13 in Table 1)
	SMR 3 - Soil protection - use of sewage sludge
	SMR 4 - Protection of waters against pollution caused by nitrates from agricultural sources
	SMR 5 - Conservation of natural habitats and of wild fauna and flora
Public health, animal health and plant health	SMR 6 - Identification and registration of pigs
	SMR 7 - Identification of bovine animals
	SMR 8 - Identification of sheep and goats
	SMR 9 - The use of plant protection products
	SMR 10 - Prohibition of use of substances having a hormonal or thyrostatic, beta-agonists
	SMR 11 - Food safety requirements
	SMR 12 - Prevention, control and eradication of transmissible spongiform encephalopathies
	SMR 13 - Setting Community measures for the control of foot and mouth disease
	SMR 14 - Measures to combat certain animal diseases, particularly swine vesicular disease
	SMR 15 – Control/eradication of bluetongue
	Animal welfare
SMR 17 - Standards for the protection of pigs	
SMR 18 - Farm animal protection	

*) For each SMR are set mandatory requirements for farmers in accordance with the law. Requirements are implemented gradually, based on an implementation schedule, as follows: SMR 1-8 apply in 2012, SMR 9-15 shall apply from 2014 and SMR 16 to 18 shall apply from the year 2016 [7].

Application of direct payments in 2007-2013 (control eligibility)

Table 3 presents the results of control eligibility for direct payments, checking of claims, determination of areas for which they were requested direct payments (SAPS PNDC) and penalties. Data analysis shows that the payment application 7.800.417 (applicants) with an area of 9.684.116 ha declared (annual average) and demand the payment of approx. 6.018.442.135 € were sanctions in the amount of 372.122.889 € as a result of checking areas declared by the farmers.

Table 3. Situation applying direct area payments in 2007-2013

Year of payment	Number of requests (thousands)	Declared area (thousands ha)	The amount of request (thousands €)	Sanctions payment (thousands €)
2007	1.241,7	9.703,9	609.521,8	147.552,2
2008	1.130,2	9.389,8	703.081,7	104.101,3
2009	1.118,3	9.720,8	741.385,1	38.431,1
2010	1.090,4	9.701,7	734.828,1	33.542,0
2011	1.083,5	9.741,4	889.300,7	12.868,1
2012	1.072,2	9.855,3	1.063.675,8	15.609,2
2013	1.040,3	9.942,4	1.235.631,3	20.096,5
Total	7.800,4	9.684,1	6.018.442,1	372.122,8

Source: Statistical reports - IACS database, APIA

Controls on cross compliance in 2007-2013

Table 4 presents the results of control of compliance by national rules of cross compliance farmers direct payments area.

Data analysis shows that the total number of farmers who have applied payments area (7.800.410) were selected for on-site a number of 89.064 farmers (1,14%). Add to this the 645.404 SAPS controls and other controls, in which were found some nonconformities on cross compliance.

Following field inspections were found a number of 23.029 cases of non-compliance (25,86% of the farmers control), of which 4.178 minor deviations unsanctioned (4,69%) and 18.839 penalty payment reduction (21,17%).

Table 4. Compliance control 2007-2013

Year of payment	Applicants	Farmers control		Non-compliances	
	number	number	%	number	%
2007	1.241.751	17.379	1.40	3542	20,38
2008	1.096.214	12.110	1.10	5896	48,69
2009	1.109.875	10.556	0.95	1581	14,98
2010	1.089.149	11.098	1.02	946	8,52
2011	1.086.792	11.615	1.07	1874	16,13
2012	1.072.267	10.732	1.00	2806	26,15
2013	1.104.369	15.574	0.95	6384	40,99
Total	7.800.417	89.064	1.14	23029	25,12

Source: Statistical reports - IACS database, APIA

Table 5 Non-compliances and sanctions 2007-2013

Year of payment	Non-compliances				
	Total number	minor deviations number	%	sanctions number	%
2007	3.542	0	0	3.542	20,38
2008	5.896	4.077	33,67	1.819	15,02
2009	1.581	54	0,51	1.512	14,32
2010	946	0	0	946	8,52
2011	1.874	8	0,07	1.870	16,10
2012	2.806	27	0,25	2.779	25,89
2013	6.384	12	0,11	6.371	60,77
Total	23.029	4.178	4,69	18.839	21,17

Source: Statistical reports - IACS database, APIA

Table 5 presents the minor deviations (without penalty) and penalties in relation to the lack of conformity.

Sanctions to reduce payments were set according to the type and causes of failure behind it, according to the procedures in force, as follows:

- 18.648 cases of negligent failure in one area (80,98% of total departures), of which 6.425 farmers penalized by 1%, 1.847 farmers penalized by 3% and 10.376 farmers penalized by 5% of payment entitlements;
- 29 cases of non-compliance by the negligence of the farmers in several areas, sanctioned by 1-5% of payment rights (0,13%);
- 115 cases of repeated non-compliance of farmers negligence, sanctioned by 3-15% of payment rights (0,50% of total deviations);
- 63 cases of non-compliance intentional, farmers sanctioned to more than 15% of payment rights (0,27% of total deviations).

Regarding developments in the non-compliances and sanctions in the period under review is a slight decrease in their in 2009-2010, compared to baseline (2008), followed by their visible growth until 2013 (fig. 1)

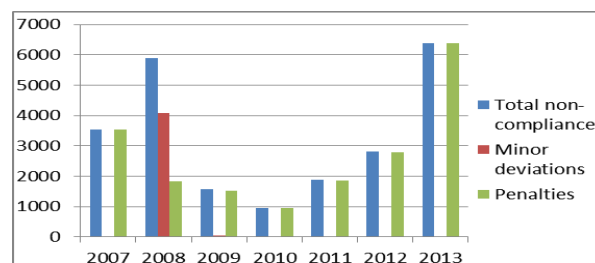


Fig. 1. Developments of non-compliances and sanctions in 2007-2013

Table 6 presents the situation nonconformities categories of rules on cross compliance. There is an increased rate of non-compliance for GAEC (71,37% of total non-compliances) versus 28,34% for SMR.

Table 6. Situation nonconformities categories of standards and requirements

Specification	Total period 2007-2013			
	Farmers control	Non-compliances	% of control	% of non-compliance
GAEC	83.973	16.436	19,57	71,37
SMR	26.306	6.526	24,81	28,34
CM	12.150	67	0,55	0,29
Total rules	89.064	23.029	25,86	-

Significant deviations were recorded for the following standards and requirements: 8.169 deviations for GAEC 1 (10,16%), 4.027 deviations GAEC 2 (7,84%), 2.200 deviations GAEC 10 (2,67%), 1.292 deviations GAEC 7 (2,60%), 2.465 deviations for SMR 4 (11,62%), 1.620 deviations SMR 7 (6,16%), 1.367 deviations SMR 6 (5,20%) and 804 cases deviation for RMS 8 (3,06%). Percentage deviations for each standard is determined by comparing them to control the number of farmers.

The rate for cross compliance

The rate reduction payments under cross compliance for the period, is 1.412.690 €, of which 999.975 € for a total of 13.384 farmers were penalized for direct payments (0,14% of the payment applications controlled or 71% of the total amount of penalties) and 412.715 € for 5.467 farmers penalized if support measures for agri-environment and LFA (0,06% of the payment claims under control and 29% of the total amount of penalties).

The rate applied to farmers, the categories of cross compliance standards and requirements are as follows: 1.008.237 € (12.266 farmers) for non-GAEC, 400.356 € (6.526 farmers) for non-SMR and 4.097 € (59 farmers) for non-CM.

Maintaining permanent grassland area nationally

Obligation to maintain permanent grassland area at national level meet by maintaining the ratio of permanent grassland and land area for total agricultural area declared by farmers on 1 January 2007 (reference ratio) [4]. The ratio of permanent grassland area and total agricultural area declared by farmers is determined annually and compared with the reference value ratio.

In Table 7 is shown the situation of land area ratio of permanent grassland (SPP) and the total agricultural area (village) declared by farmers in 2007-2013.

From the analysis we find a decrease by 1.85 units (8,50%) of the reference value ratio during 2007-2010, followed by its increase by 2.28 units (11,30%) in 2011-2013. Where reference reduction ratio reaches 10%, the

competent authority shall establish measures to maintain and/or reestablishment of permanent grassland areas at individual level [8].

Table 7. Situation report permanent grassland

Year of payment	Agricultural area (ha)	Grassland area (ha)	Report grassland (%)	Deviation (+/- %)
2007	9.411.557	2.029.603	21,57	100
2008	9.394.140	2.011.191	21,41	-0,74
2009	9.706.945	2.030.704	20,92	-3,11
2010	9.631.098	1.899.414	19,72	-8,50
2011	9.769.906	2.389.817	24,45	+13,35
2012	9.894.771	2.359.620	23,84	+10,52
2013	9.980.397	2.395.944	24,00	+11,31

Source: Statistical reports - IACS database, APIA

The 8,50% reduction of the reference ratio recorded in 2010 was a warning to the competent authority of a possible breach of the duty of maintaining permanent grassland area. In these circumstances, the competent authority has adopted legal measures to maintain permanent grassland area nationwide.

In Fig. 2 is shown the evolution of the annual report on permanent grassland, calculated by APIA period, compared to the reference ratio.

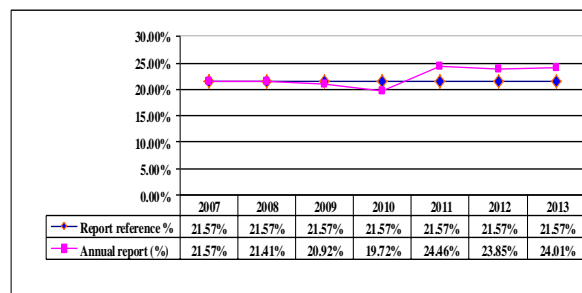


Fig. 2 Evolution of permanent grassland in 2007-2013

Management and control of cross compliance

Management schemes and support measures for farmers, and control eligibility, cross compliance and modulation payment is made through the integrated administration and control system (IACS), managed by APIA.

Some elements of management and control system, such as IACS database, the database of the national system for the identification and registration of animals (SNIA), the national register of holdings (RNE) or register

farmers are not compatible and do not work unit, which creates difficulties in managing support schemes and default control payment eligibility and conditionality.

Monitoring of compliance by farmers to cross compliance rules (administrative and field) is conducted by APIA and the National Sanitary Veterinary and Food Safety Authority (NSVFSA), as a specialized body control, control activities are coordinated by APIA, under a delegation agreement concluded between the two authorities [5].

However, APIA face great difficulties in working with NSVFSA and control system applied in the present, does not ensure effective control on cross compliance rules.

Currently, cross compliance control sample is approx. 1,14% of the farmers who applied for payment under each support schemes and is included in the sample to control eligibility. Selection of the control sample is performed by risk analysis and random under the procedures manual prepared by the APIA.

For control efficiency of the control sample is recommended to increase to over 3%, and to reduce administrative costs is advisable to take into account the indicators of control of existing monitoring systems in the field.

Finding nonconformities, determining and applying sanctions is based on procedures developed by APIA under legislation [6], [8]. Audits carried out on cross compliance recommends increasing penalties to reduce payments above the minimum thresh old of 1% under EU law, which currently Romanian authorities apply it excessively.

Model of implementation of cross compliance rules during 2015-2020

Cross compliance rules applicable to schemes and support measures to farmers in the period 2015-2020 (Table 8) covers the following areas [9]:

- Environment, climate change and good agricultural land;
- Public health, animal and plant health;
- Animal welfare.

The new implementation brings some improvements to the system of cross compliance and eliminates some of the

problems in this area, as mentioned below Table 8.

Table 8. Cross compliance rules applicable to the period from 2015-2020 [9]

Specific objectives	Requirements and standards *)
Domain: Environment, climate change, good agricultural land	
Water	SMR 1 - Protection of waters against pollution caused by nitrates from agricultural sources
	GAEC 1 - Establish / maintain buffer zones along watercourses
	GAEC 2 - The procedures for obtaining authorizations for the use of water for irrigation in agriculture
	GAEC 3 - Protection of groundwater against pollution caused by hazardous substances used in agriculture (prohibition of direct discharges to groundwater and discharge on the ground)
Sol and carbon stock	GAEC 4 - Minimum soil cover
	GAEC 5 Minimum land management reflecting site-specific conditions to limit erosion
	GAEC 6 - Maintaining the level of soil organic matter, including arable stubble burn ban, except for phytosanitary reasons
Biodiversity	SMR 2 - Conservation of wild birds
	SMR 3 - Conservation of natural habitats and of wild fauna and flora
Landscape, minimum maintenance	GAEC 7 - Retention of landscape features (hedges, ponds, ditches, trees isolated or in groups, field margins and terraces) with measures to avoid invasive species and pests
Domain: Public, animal and plant health	
Food safety	SMR 4 - Principles and requirements of food law and procedures in matters of food safety
	SMR 5 - Prohibition of use of certain substances having a hormonal or thyrostatic and β -agonist substances
Identification and registration of animals	SMR 6 - Identification and registration of pigs
	SMR 7 - Identification and registration of bovine animals
	SMR 8 - Identification and registration of sheep and goats
Animal diseases	SMR 9 - Prevention, control and eradication of certain transmissible spongiform encephalopathies
Plant protection	SMR 10 - Marketing and use of plant protection products
Domain: Animal welfare	
Animal welfare	SMR 11 - Minimum standards for the protection of calves
	SMR 12 - Minimum standards for the protection of pigs
	SMR 13 - Farm animal protection
Maintaining permanent grassland	The requirement is fulfilled by keeping the ratio of land under permanent grassland area and total agricultural area declared by farmers in 2007

*) For each SMR are set mandatory requirements for farmers in accordance with the legislation in force (European regulations/directives/national legislation).

The main problemes arising from the implementaion of cross compliance system and the measures to eliminate them are the following ones:

- reducing the number of standards and requirements by eliminating those who do not

meet the purpose for which it was introduced, based on a cost-benefit analysis;

- to review and define standards on specific areas to cover several objectives of the CAP, but not lead to increased administrative costs and unnecessary expenses for farmers;
- requirements will be applied in relation to the size and type of farm, except farmers participating in the payment scheme for small farmers and small scale farms where the risk is low;
- using existing monitoring and control systems in the area, involving several specialized bodies in order to enhance feasibility of controls and elimination decisions/sanctions erroneous;
- using risk analysis systems and information on the level of compliance in order to reduce the control sample and the number of farm inspections.

The new implementation is considering the establishment of an agricultural advisory system for farmers to provide information, instruction and advising them on cross compliance.

Also, field inspection will ensure a minimum level of advice to farmers, thus providing some guidelines on compliance with conditionality.

CONCLUSIONS

The main causes that led to failure by farmers to cross compliance obligations and sanctions to reduce payments are:

- large number of GAEC standards and requirements applicable SMR support schemes for farmers and their ongoing review, even during a campaign payments;
- inadequate information to farmers on cross compliance obligations, the lack of a functional FAS;
- low rate controls on land (approx. 1% of applicants) and low level of penalties (1-5% of the payment entitlements) for breaches of standards / requirements;
- a negative perception of farmers towards conditionality payment system and even neglect some of the farmers.

Currently, informing farmers about cross

compliance rules is realized by APIA, which has jurisdiction in the matter and Agricultural Chambers, who are unable to meet the need for information and advice in this area [10].

Reducing the number of standards and mandatory requirements (from 13 standards GAEC and 18 requirements SMR, currently, 7 standards GAEC and 13 requirements SMR in the new implementation), their formulation in an explicit manner, the involvement of the competent authorities control activities, and appropriate information to farmers (farm advisory system), the basic elements for optimization the cross compliance system. Also, even if the obligation to maintain permanent grassland area at national level is met, so far, it must designate an authority responsible for supervising the statistical point of view of those areas that report, as appropriate, the competent authority significant reduction in the risk of permanent grassland area.

The implementation of cross compliance can lead to the achievement of at least two important objectives of the CAP, and development of sustainable agriculture and increasing the credibility of the CAP in relation to the expectations of the community in general [3].

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