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## **Cross-compliance – statutory management requirements (Situation of the Czech Republic)**

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### **ABSTRACT**

Common Agricultural Policy of EU means to transform the system of farm subsidies in the European Union. The conditions of direct payments in the frame of the new system under the common agriculture policy reform are called "single payment scheme"(SPS). Statutory management requirements and rules of good agricultural and environmental conditions are called collectively as cross-compliance. Since January 1, 2009 complying with the system of complete cross-compliance rules will be the condition for claiming direct payments also in the Czech Republic. The system of cross-compliance will be applied not only in the case of direct payments, but also in the case of subsidies from European Agricultural Fund for Rural Development.

**Key words:** Common Agricultural Policy, Cross-Compliance, subsidies

### **IZVLEČEK**

#### **NAVZKRIŽNA SKLADNOST – S PREDPISI DOLOČENE ZAHTEVE**

Skupna kmetijska politika EU namerava preoblikovati sistem kmetijskih subvencij v Evropski uniji. Način direktnih plačil v okviru novega sistema skupne kmetijske politike se imenuje »shema enojnega plačila« (SEP). S predpisi določene zahteve in pravila ustreznih kmetijskih in okoljskih pogojev s skupnim izrazom imenujemo navzkrižna skladnost (Cross Compliance). Od prvega januarja 2009 bodo morali češki kmetje v celoti izpolnjevati zahteve vseh pravil navzkrižne skladnosti, da bodo lahko zahtevali direktna plačila. Sistem navzkrižne skladnosti ne bo uveden samo za zahteve direktnih plačil v kmetijstvu ampak tudi za podpore, ki jih financira Evropski kmetijski sklad za razvoj podeželja.

## **1 INTRODUCTION**

On 26 June 2003, ministers of agriculture from 15 EU Member States adopted a fundamental reform of the Common Agricultural Policy (CAP), which aims to transform the system of farm subsidies in the European Union. The new CAP will be geared especially towards consumers and taxpayers giving EU farmers free hand in

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production of individual commodities according to market demand and thereby the freedom to react on market trends.

In future, the vast majority of subventions and subsidies will be paid independently from the volume of production and sort of produced commodity (so-called “decoupling” – the break of the link between support payments and production).

Such a way of management could give rise to some unexpected results, such as abandonment of agricultural lands or omissions in maintaining countryside. For this reason European Union identified **statutory management requirements** - SMR (Article 4 and Annex III, Council Regulation (EC) No 1782/2003) and rules of **good agricultural and environmental conditions** - GAEC (Article 5 and Annex IV, Council Regulation (EC) No. 1782/2003). Complying with these principles became one of the basic requirements for meeting the conditions of direct payments in the frame of the new system under the common agriculture policy reform that is called “single payment scheme“(SPS). Statutory management requirements and rules of good agricultural and environmental conditions are called collectively as **cross-compliance**.

Until the date when the complete system of cross-compliance enter into force in the Czech Republic and other new acceding countries, which decided to implement a simplified system of direct payments (Single Area Payment Scheme - SAPS), transitional conditions for acquiring direct payments on single area of agricultural land were laid down. Transitional conditions represent a selection of good agricultural and environmental rules (GAEC). For the year 2005, and eventually 2006, GAEC are in the Czech Republic set out by the Government Regulation No 144/2005 Coll., about setting some rules for administering single payments on area of agricultural land for calendar years 2005 and 2006.

The system of cross-compliance will be applied not only in the case of direct payments, but also in the case of subsidies from European Agricultural Fund for Rural Development. According to the Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development, Article No 51, the system of cross-compliance for these subsidies will be applied in new acceding countries also from 1.1. 2009, just like the system of direct payments. According to Article No 36 of this Regulation support from EAFRD shall concern:

1. Measures targeting the sustainable use of agricultural land through:

- natural handicap payments to farmers in mountain areas;
- payments to farmers in areas with handicaps, other than mountain areas;
- Natura 2000 payments and payments linked to Directive 2000/60/EC;
- agri-environment payments;
- animal welfare payments.

2. Measures targeting the sustainable use of forestry land through:

- first afforestation of agricultural land;
- Natura 2000 payments;
- forest-environment payments.

## 2 SITUATION IN THE CZECH REPUBLIC

Since the Czech Republic in compliance with European legislation decided to prolong the period of using SAPS until the year 2008, single payment scheme with all consequential measures will be established from 1. 1. 2009. **From this date, complying with the system of complete cross-compliance rules will be the condition for claiming direct payments also in the Czech Republic.**

As mentioned the system of Cross-compliance consists of two aspects:

Firstly it is in compliance with 19 European laws – 5 Regulations that are directly applicable and 15 Directives covering areas of environment, food safety, animal welfare and phytosanitary issues. These **statutory management requirements** represent a set of legal regulations (Community law), which are being in force for a longer time (19 legal regulations according to Annex III Council Regulation (EC) No 1782/2003). Cross-compliance constitutes a guarantee that farmers strictly follow these legal regulations in using subsidies. After 31.12.2008 Member States applying SAPS will have to directly switch to SPS and apply all the statutory management requirements en bloc.

As the second aspect of the cross-compliance system there is a requirement on farmers to maintain their lands in **good agricultural and environmental conditions** (GAEC) in order to acquire SAP or SAPS subsidies. Member States were allowed to define content, indicators, and minimal level of compliance with good agricultural and environmental conditions on their national level. The Czech Republic, together with other new Member States applying SAPS, has established good agricultural and environmental conditions from the year 2004 and its following became a basic condition for using of direct payments for farmers.

In 2005, Czech Republic extended good agricultural and environmental conditions in comparison to 2004 (see Government Regulation No 144/2005 Coll.). Contemporary, several measures are applied:

- preservation of landscape elements, especially field margins, platforms, wind-breaks, grass-covered valley-lines, field-paths using natural slope and respecting contour lines, eventually following drains, water flows or water bodies;
- exclusion of growing of wide-row crops – maize, potatoes, beet, broad beans, soya, and sunflowers – on soil areas, or eventually their parts, with average slope more than 12 degrees;
- defraying of liquid farmyard manures into the soil at latest 24 hours after their application on soil areas with average slope more than 3 degrees;
- exclusion of change from grassland to arable land on managed field plots;
- non-burning of plant residues on field plots, or eventually their parts, after the harvest of cereals, oilseeds, and legumes which were grown there.

## 3 SANCTIONING

According to Common Agriculture policy reform from June 2003 farmers are going to obtain direct payments form European Union only under the condition they meet the requirements of EU legal regulations. There is an innovation in a sanction system

- in the case of non-compliance sanctions will be inflicted directly in the frame of direct payments. This enables until now unusual principle of multiple sanctioning. Controls of meeting requirements for direct payments will be carried out on 1 per cent of all farmers selected on the basis of risk analysis. The competent authorities for the control of cross-compliance are the Specialized Control Bodies that bear the responsibility to carry out the control under particular national legislative. The Paying Agency (PA) by Ministry of Agriculture of the Czech Republic is the only one competent authority bearing responsibility for applying sanctions that are cutting back direct payments in individual cases. Sanctions for non-compliance are applicable up to the whole amount of direct payments. In the case of **negligence** the reduction of the overall amount of direct payment constitutes maximum 5 per cent, in the case of repeated non-compliance the reduction can reach 15 per cent. **Intentional non-compliance** will result in reduction by 20 per cent of the overall amount of direct payments at minimal level.

From 2009, when the Czech Republic switch from SAPS to SPS, meeting the statutory management requirements will represent essential condition for obtaining direct payments also for Czech farmers. Until this date they should therefore get acquainted with these requirements (with possible help from Advisory Service provided by the Ministry of Agriculture), do maximum for meeting these requirements and thereby precede problems with sanctioning.

By reason of preparation for the application of cross-compliance gradual implementing of statutory management requirements is suitable. By gradual implementation the threat of possible reductions or exclusion from direct payments entitlement for farmers can be eliminated. "Testing period" will be useful especially for Specialized Control Bodies to test their standard control mechanisms (including subsequent transmission of control results) in connection with payment of subsidies according to Commission Regulation 796/2004. This should precede possible system insufficiencies on time.

Implementation of statutory management requirements will be realized in two phases - the first phase will occur in 2007, the second in 2008. It is necessary to ensure full functionality of meeting standards of statutory management requirements before the year 2009 – this means before the transition to full scheme of direct payments according to SPS.

#### **4 PROPOSAL ON CROSS-COMPLIANCE IMPLEMENTATION IN THE CZECH REPUBLIC**

Proposed time-schedule should ensure, that Czech Republic would be prepared for application of cross-compliance in the regime of direct payments according to SPS. "Testing period" of cross-compliance (hereinafter as C-C) will serve especially for these purposes:

- 1) preparation of Specialized Control Bodies for carrying out control activities resulting from C-C requirements;
- 2) data transmission among Specialized Control Bodies and State Agricultural Intervention Fund with the participation of Coordination Body;

- 3) pre-acquaintance of farmers with C-C requirements and their preparation for meeting its conditions from 1.1. 2009

Such a two-step system will enable to implement regulations and directives gradually and with regard to complexity and controllability of particular duties. Principles of implementation will progress from less complex to more complex and from less capital-intensive to more capital-intensive.

Another effective measure for meeting C-C requirements will be also using of advisory services, whose implementation becomes compulsory from 1.1.2007. Accredited private advisors acting in the frame of support programmes of the Ministry of Agriculture are acquainted in detail with European law requirements in areas of environment, food safety, animal welfare or phytosanitary issues. Another form of preparation measure consists in educational and publication activities together with using of Regional information agencies for agriculture and rural development, which are going to contribute to the transmission of information in every region.

Proposal of time-schedule for Cross-Compliance implementation in the Czech republic:

#### **Year 2006**

- risk-analysis preparation and selection for control testing, preparation of the common regime of good agricultural and environmental conditions (GAEC) implementation for purposes of the plan of rural development in the Czech Republic (EAFRD) and direct payments;
- elaboration of methodology for evaluating importance and extent of the C-C requirements infraction in compliance with Commission Regulation 796/2004;
- preparation of control procedures according to C-C, including control letters, for particular Specialized Control Bodies;
- preparation of software for administration of C-C controls in 2007 according to proposed schema;

#### **Year 2007**

- implementation of agricultural advisory system;
- elaboration of methodology for evaluating importance and extent of the C-C requirements infraction in compliance with Commission Regulation 796/2004;
- preparation of software for administration of C-C controls in 2008 according to proposed schema.

By reason of gradual implementation of duties according to the principle “from the less complex to the more complex” we recommend for the year 2007 implementation of that directives which refer to notification of diseases. Three directives belong to this group:

- Council Directive 85/511/EEC of 18 November 1985 introducing Community measures for the control of foot-and-mouth disease (OJ L 315, 26.11.1985, p. 11);
- Council Directive 92/119/EEC of 17 December 1992 introducing general Community measures for the control of certain animal diseases and specific measures relating to swine vesicular disease (OJ L 62, 15.3.1993, p. 69);

- Council Directive 2000/75/EC of 20 November 2000 laying down specific provisions for the control and eradication of bluetongue (OJ L 327, 22.12.2000, p. 74).

We recommend also implementing of two directives referring to environment – from this group these directives appear as the least complex:

- Council Directive 86/278/EEC of 12 June 1986 on the protection of the environment, and in particular of the soil, when sewage sludge issued in agriculture (OJ L 181, 4.7.1986, p. 6);
- Council Directive 91/676/EEC of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources (OJ L 375, 31.12.1991, p. 1).

The last area, which should be controlled, is the area of public health, animal and plant welfare, covered by:

- Council Directive 91/414/EEC of 15 July 1991 concerning the placing of plant protection products on the market (OJ L 230, 19.8.1991, p. 1).

### **Year 2008**

- implementation of the second level of the “testing period”;
- establishing of a feedback – elaboration of an evaluation report on the first level of 2007 “testing period”;
- elaboration of final version of the methodology for evaluating importance and extent of the C-C requirements infraction in compliance with Commission Regulation 796/2004 with regard to full application of the sanctions after 1. 1. 2009;
- final preparation and control of software for administration of C-C controls in the Czech Republic in the frame of full application of C-C standards in 2009 according to proposed schema.

In this year we recommend to implement all remaining C-C requirements, which were not established during testing period 2007. It concerns i.a. directives and regulations referring to obligations concerning identification and registration of animals:

- Council Directive 92/102/EEC of 27 November 1992 on identification and registration of animals (OJ L 355, 5.12.1992, p. 32)
- Commission Regulation (EC) No 2629/97 of 29 December 1997 laying down detailed rules for the implementation of Council Regulation (EC) No 820/97 as regards eartags, holding registers and passports in the framework of the system for the identification and registration of bovine animals (OJ L 354, 30.12.1997, p. 19)
- Regulation (EC) No 1760/2000 of the European Parliament and of the Council of 17 July 2000 establishing a system for the identification and registration of bovine animals and regarding the labelling of beef and beef products and repealing Council Regulation (EC) No 820/97 (OJ L 204, 11.8.2000, p. 1)
- Council Regulation (EC) No 21/2004 of 17 December 2003 establishing a system for the identification and registration of ovine and caprine animals and amending Regulation (EC) No 1782/2003 and Directives 92/102/EEC and 64/432/EEC (OJ L 005, 9.1.2004, p.8).

As another legal regulations to implement there will be two regulations and one directive concerning public health and animal health:

- Council Directive 96/22/EC of 29 April 1996 concerning the prohibition on the use in stockfarming of certain substances having a hormonal or thyrostatic action and of beta-agonists, and repealing Directives 81/602/EEC, 88/146/EEC and 88/299/EEC
- Regulation (EC) No 178/2002 of the European Parliament and of the Council of 28 January 2002 laying down the general principles and requirements of food law, establishing the European Food Safety Authority and laying down procedures in matters of food safety
- Regulation (EC) No 999/2001 of the European Parliament and of the Council of 22 May 2001 laying down rules for the prevention, control and eradication of certain transmissible spongiform encephalopathies.

The third group for the year 2008 contains three environmental directives:

- Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds
- Council Directive 80/68/EEC of 17 December 1979 on the protection of groundwater against pollution caused by certain dangerous substances
- Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild flora and fauna.

In the last group there are directives concerning treating animals:

- Council Directive 91/629/EEC of 19 November 1991 laying down minimum standards for the protection of calves
- Council Directive 91/630/EEC of 19 November 1991 laying down minimum standards for the protection of pigs
- Council Directive 98/58/EC of 20 July 1998 concerning the protection of animals kept for farming purposes.

#### **Year 2009**

- final implementation of the functional system of cross-compliance for all the applicants for direct payments;
- establishing of a feedback – elaboration of an evaluation report on the 2008 “testing period” in order to use actual experiences.

## **5 CONTROLL SYSTEM**

All this rules and conditions in frame of Cross-Compliance are under control of Ministry of Agriculture and in some cases Ministry of Environment of the Czech Republic through a few control institutions:

- Central Institute for Supervising and Testing in Agriculture
- State Veterinary Administration of the Czech Republic
- State Phytosanitary Administration
- Czech Agriculture and Food Inspection
- The Czech Environmental Inspectorate.

All these control institutions collect data and supporting documents for the Paying Agency (PA) by Ministry of Agriculture of the Czech Republic. This agency is responsible for applying sanctions and final direct payments for the farmers.

## **6 CONCLUSION**

- In new acceding member countries of EU (including the Czech Republic) was decided to implement a simplified system of direct payments (Single Area Payment Scheme - SAPS).
- Transitional conditions for acquiring direct payments on single area of agricultural land were laid down.
- For the year 2005, and eventually 2006, good agricultural and environmental conditions are in the Czech Republic set out by the Government Regulation No 144/2005 Coll., about setting some rules for administering single payments on area of agricultural land for calendar years 2005 and 2006.
- The system of cross-compliance for these subsidies will be applied in new acceding countries also from 1. 1. 2009, just like the system of direct payments.

## **7 REFERENCES**

Council Regulation (EC) No. 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers – Consolidated Text; CONSLEG: 2003R1782-01/05/2004; 101 p.

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