

WORKING DOCUMENT

COPA-COGECA'S PROPOSALS ON SIMPLIFYING DIRECT PAYMENTS AND GREENING

Introduction

Under the current Common Agricultural Policy (CAP), direct payments are vital for European farmers and agri-cooperatives, not only to accomplish economic viability, but also to achieve environmental and social sustainability. European farmers and agri-cooperatives are therefore willing to make the best use of the opportunities provided by the new direct payment schemes and are committed to successfully implementing the CAP reform, in respect of its objectives.

Even though the regulations apply from 1st January 2015, farmers started preparing for the change some months beforehand, at the time of their sowing plans or rental contract decisions. Initial experience with implementing the new rules has revealed that they are proving to be complex and burdensome for farmers. In some cases, there is even the risk that implementation may achieve the opposite of the desired effect.

Rendering the legislation more comprehensible for those who have to apply it can prevent frustration, facilitate implementation and improve compliance with the rules. Besides, red tape takes time away from farmers' core activity and influences their business decisions. If we are to make the European agricultural sector more competitive and sustainable, reducing the administrative burden is one essential prerequisite.

Copa-Cogeca therefore warmly welcomes simplification as a key priority of Commissioner Hogan for 2015 and looks forward to the results of the screening of agricultural legislation. Furthermore, Copa-Cogeca is willing to contribute to the simplification exercise with concrete proposals (please see below).

Principles for the simplification exercise

1. By nature, targeted policies with multiple and ambitious objectives, such as agricultural and rural development policies, bring with them a certain amount of complexity. Moreover, agriculture is the only sector that has a truly common European policy and the CAP has made an important and successful contribution to the construction of Europe. **Simplification should respect the objectives of the CAP and take the diversity of European agriculture into account.**
2. **Subsidiarity** The Member States/regions could be granted more flexibility regarding the details of implementation and controls, as long as this does not distort the level playing field across the EU and does not endanger the 'common' nature and funding of the CAP.
3. **Stability** A reliable EU policy framework, especially at times when there are uncertainties on the markets is fundamental for farmers to be able to plan ahead. Consequently, Copa-Cogeca agrees that the simplification exercise that is to be carried out in 2015 should not change the political compromise, but should concentrate on elements that can be amended under the current policy framework.

In the long run however, we should reflect on the challenges facing European farmers and cooperatives and how the CAP can take these into account. In the end, it is essential to have a CAP that moves agriculture in the direction of jobs and growth, and that also considers the environment and climate change.

Preliminary proposals on simplifying direct payments and greening, including the Horizontal Regulation (not an exhaustive list)

❖ Immediate action

The most urgent problems that farmers across the EU are facing when implementing the new CAP are the gaps in the rules and the lack of clarity. This particularly concerns greening. Information relayed to producers has been slow to emerge, incomplete and sometimes inconsistent. Consequently, we have many reasons to believe that the risk of unintentional errors will be high in the first year of the reform, which will lead to reductions and even withdrawals of the green payment.

Given these exceptional circumstances, the European Commission should be more tolerant in 2015, so that there are no deductions to the green payment where the errors relate to delayed or retrospective guidance provided by the competent authority. In addition, a change in focus of the inspection system, away from investigation and enforcement through a penalty-driven regime into guidance and support visits in the first instance, is required. This would help farmers to implement greening correctly and deliver the desired environmental benefits. For this purpose, the European Commission must quickly work together with the European Court of Auditors and the Member State authorities.

❖ Short-term action

In the wait for more detailed information on the implementation of the CAP, Copa-Cogeca has identified the need for technical simplification in the following areas:

- Direct payments must target active farmers. However, the current regulatory framework is not satisfactory and will require additional complex administration. Because of this, there is a risk that farmers involved in agricultural production will be excluded and, contradictorily, those not involved in agricultural production may be included.
- It appears that there is a legislative gap concerning transfers of entitlements without land in cases other than inheritance (e.g. retirement of the farmer).
- Greening:
 - The conditions underpinning crop diversification should be clarified, such as the derogation with the 30 ha threshold for arable land in Art. 44.3 (a) and (b) of Regulation 1307/2013. There should also be greater flexibility on the requirements for controls, such as the control periods and the types of evidence accepted (other than crops growing or residues) if the crop is no longer present.
 - Mapping, locating and calculating the size of crops and Ecological Focus Areas (EFA) should be facilitated. For example, when reporting the intention of establishing catch crops for the purpose of EFA by submitting the number of hectares, it should be possible not to indicate the exact location in the LPIS. This would also avoid over-declaration.
 - Different management requirements for different EFAs (e.g. buffer strips, strips of land along forest edges, field margins) should be streamlined.
 - The level of details on EFA management requirements (e.g. catch crops) and criteria (e.g. hedges, trees and trees in line) should be simplified/left to the Member States.
 - Due to the expected administrative burden, some national administrations are activating a limited number of EFA types, which restricts the options available to farmers and could potentially affect the environmental results.
 - Evaluate the impact of conversion and weighting factors on farmers' decisions on the use of certain EFAs and streamline and harmonise whenever possible.
 - The five-year definition of permanent grassland is creating problems for the classification of temporary grassland as arable land or permanent grassland. It should be possible to maintain the status of temporary grassland (classified as arable land) even if the farmer decides to use this land for five years and more continuously as grassland. This would avoid farmers ploughing up their land just to avoid it becoming permanent grassland.
 - The current rules stipulating that fallow land covered by grass for five years or more can sometimes be used for EFAs and sometimes not create confusion.

- The increasing amount of information requested will make the aid application more complex for farmers, in particular in 2015 due to the extremely short period of time available to them. The following changes would remove some of the administrative burden:
 - As a minimum, it should be possible to correct errors as part of the application process, even after the deadline for changes to the application.
 - Align the reference areas of the LPIS with the moment of the application, so that retrospective correction is avoided.
 - Set tolerance limits for measuring the maximum eligible area per reference parcel (2% tolerance does not sufficiently take the high level of fragmentation of parcels into account).
 - Increase the tolerance of over-declaration of areas from 0.1 ha to 0.5 ha.
 - Allow Member States to decide on the level of detail (two decimal places) when identifying the agricultural parcels on the holding in order to better adapt the accuracy to the methods used by the Member States.
- We are extremely worried that the number and extent of controls will increase as a consequence of the numerous direct aid schemes, the need to ensure that all eligibility conditions for greening are controlled at the appropriate moment and the higher control rate until all potential EFAs are mapped. Without weakening the sound financial management of the CAP, it should be possible to:
 - Check all greening requirements that can possibly be controlled at that moment during one inspection only.
 - Notify farmers of inspections on direct payments, cross-compliance and rural development at least fourteen days prior to On The Spot Checks (OTSC).
 - Apply a risk-based approach to controls on *all* payment schemes, so that the control rate can be reduced (or increased) according to the farmers' records.
 - Increase transparency along the whole inspection process. For example, checklists must be easily accessible by the farmer.
- Greater tolerance
 - The whole sanctioning system of greening, including reduction of payments and administrative penalties, should be revised, since even minor infringements will result in disproportionately large reductions of direct payments.
 - An appropriate level of tolerance should be introduced for "*force majeure* and exceptional circumstances", including adverse climatic conditions, as well as for minor infringements.
 - There is an urgent need to simplify the checkpoints of cross-compliance and render the sanction regime more proportionate.
 - The scope of the early warning system should be extended to cover *all* obligations under payment schemes.
- Greening rules and associated control procedures should not delay timely payments to beneficiaries.

❖ **Medium/long-term action**

- The Commission's evaluation of experience gained in the first year of application should take the overall implementation of greening obligations into account, and not exclusively EFAs. In addition to investigating the administrative burden caused by the application of greening, how the situation affects the level playing field and the impact on the EU's production potential, the evaluation should also analyse why some options are not used (e.g. certain types of EFAs, equivalent measures, etc.) and what are the most frequent difficulties encountered by farmers.
- Any evaluation of the environmental benefits should sufficiently take the long-term benefits into account. Moreover, the overall environmental situation on agricultural land should be assessed, as opposed to the short-term benefits provided by greening alone (for instance, further improvements in areas with high biodiversity is much more difficult to achieve through greening than improvements in areas with a lack of biodiversity).

- Once sufficient experience and data on the implementation of the new direct payment schemes are available, the Commission should evaluate the effectiveness of the measures in achieving the policy objectives and consider whether the costs/benefits of these measures are proportionate. The aim of this evaluation should be to better deliver environmental objectives, taking the economic viability of agriculture and the need for jobs and growth into account.
 - Finally, the aforementioned list of suggestions to cut red tape should not be taken to be exhaustive. We will update and revise this list as farmers become more experienced with the new rules. Therefore, we welcome continual dialogue and engagement with the European Institutions in order to follow up on our ideas and achieve simplification.
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