

Commissioner  
Phil Hogan  
Agriculture and Rural Development

## **Finnish proposals of simplification based on experiences on the first year of implementation of the new CAP rules**

**Dear Phil,**

Finland very much welcomes the Commission's efforts to simplify the CAP and is looking for meaningful changes that reduce administrative burden for both the farmers and the national administrations.

The implementation of the first year of the new CAP rules has shown the need for simplification. For us it is also obvious that in many support systems sanctions seem to be too severe and thus proportionality between the error and resulting penalty is needed. There are rules, which could be made more flexible and more practical without causing any significant risk to the Funds. Similar concerns were presented also in the Council Conclusions on simplification in May 2015.

In this letter we present the most important issues concerning greening, cross compliance, baseline of rural development and IACS that cause problems for the farmers and for the administration in Finland. In the Annexes to this letter you will find more detailed proposals for simplification as well as their justifications. Annex 1 consists of new or changed Finnish proposals on greening, cross compliance, the baseline of rural development and IACS. Annex 2 includes earlier proposals of greening and cross compliance made in February 2015 that are referred in this letter. We have proposed also amendments to the basic legal acts and do understand that it is not possible to implement them immediately.

### ***Greening***

Greening payment provides several environmental benefits. However, its requirements contain many details, which cause extra concern and bureaucracy for the farmers and for the administration. The first year of implementation has shown that especially the following two issues have been difficult for the farmers.

- 1) Permanent grassland: The rules of permanent grassland, especially the fear of reconversion obligation meant that about 48 000 hectares of grassland was ploughed in 2015 due to these rules (Maaseudun Tulevaisuus 1.7.2015, the research of Gallup Elintarviketieto). The fear that the status of their parcels will be changed to permanent grassland leads the farmers to plough their grassland areas more than what is necessary for normal agricultural practices. So, the rule of permanent grassland works against its original aim of maintaining grasslands and has negative impacts on environment and the economy of farms. Also for administration the requirement to follow-up grassland area causes lot of bureaucracy and extra costs.

The reconversion obligation constrains the farmers' right to decide on their own actions. Farmers perceive this as a violation of their legally protected rights. Because of this, in the future it may be difficult for livestock farms to find arable land they could lease as the lessors fear that the status of

the arable area they have leased may change into permanent grassland. All farmers are afraid that the value of their grassland area will decrease.

For these reasons we propose that at least an exemption for the reconversion obligation would be needed. The reconversion obligation should not be applied to farmers who within the preceding two years have converted production mainly based on grass production to another type of production on a long-term basis. The reconversion obligation should not either apply for agricultural areas which have been sold or leased on a long-term basis to a farmer who does not have production based on grass.

In the Finnish conditions and traditional agricultural practises the definition of permanent grassland would be more suitable if permanent grassland means land used to grow grasses or other herbaceous forage that has not been tilled for five years or more instead that it has not been included in the crop rotation of the holding for five years of more.

- 2) Crop diversification: The rules on cultivation period for crop diversification are burdensome for both the farmers and the administration and they should be deleted. The number of crops could be considered on the basis of the crops declared in the aid application. Crop diversification could be controlled via 100 % cross-checks and with normal on-the-spot checks, which would be done at the time when most of the eligibility criteria can be checked.

### ***Cross compliance***

At the moment there are far too many requirements in the system of cross compliance, which cause lot of bureaucracy for the farmers and for the administration. Therefore, the system of cross compliance should be analysed and only the most important, relevant and clear SMRs should be maintained. Such SMRs as SMR 4 (food safety) and SMR 6-8 (identification and registration of animals) could be deleted.

The system of cross compliance is not fair and equitable especially for farmers in different production sectors (animal husbandry/crop production). More requirements concern animal production than crop production. The sanctions relating to cross compliance are not proportionate. When, for example, farms with only few animals but hundreds of hectares of arable land have a non-compliance in animal-related cross compliance requirements the penalty is applied to all area-based payments as well (direct payments and rural development payments). And, vice versa, when there are just a few hectares and lot of animals and an error concerning the area-related cross compliance rules leads to a reduction of the animal related payments. Therefore, we proposed already in February 2015 that a non-compliance of the animal linked requirement should cause sanction only for animal-related voluntary coupled support and animal-related rural development support in those Member States where these aids are applied. And the area linked requirement should cause sanction only for area payments. Also the possibility to link the requirements of cross compliance only to direct payments under Pillar I should be analysed.

Farmers feel also that the sanctions are not fair because non-compliance of certain requirements of cross compliance causes double sanctions because a similar requirement, such as the requirements of ID, is included for example in coupled aid, payment of animal welfare and/or agri-environmental payment. This should be changed.

### **The baseline of rural development**

The link between the certain requirements of cross compliance and the baseline of agri-environmental payment, payment of organic farming and payment of animal welfare is a very complicated issue that should be simplified. This link should be deleted in the controls. At the moment the link causes lot of extra on-the-spot

controls. The rule of cross compliance says that 1% of the beneficiaries have to be checked via on-the-spot controls. However, because the certain requirements of cross compliance are in the baseline of rural development - where 5% of the farms have to be checked - 5% of these certain requirements of cross compliance are checked in the controls of rural development. This means unnecessary costs for the administration.

### **Control and penalty system concerning animal related supports**

Concerning the possibilities to make the penalty system more proportional our main concern relates to the penalties, which follow late entries to the computerized database for animals and penalties due to minor non-compliances concerning the location of animals within the holding. The original rationale of information and entries included in the computerized database (BSE crisis) no longer requires such a strict penalty regime as it once did. There is an urgent need for a more proportionate solution. In the current economic situation these severe penalties imposed on animal farms have disastrous consequences for the farms. We understand that the penalty system has to include deterrent element and be dissuasive, i.e. be a little bit stricter in cases where the farm is controlled based on risk or random sampling, where there is possibility that the farm is not controlled every year. But when it is question about entries to the computerized database for animals no deterrent element is needed, because each and every non-compliance can immediately be seen from the database.

In the same way as the Commission is proposing a different threshold concerning the degree of administrative penalties for short production cycle species (DS/EGDP/2015/08 Working Document REV2 Article 31(2) last subparagraph), there should be a provision allowing the Member States to determine a different threshold to make the system more proportionate for bovine, ovine and caprine animals.

Contrary to area payment penalties, where we have a low threshold before reductions and penalties, direct animal support systems (VCS) or animal-related support measures have no threshold in this sense. Today livestock herds are increasing in size and there is an urgent need for this kind of threshold. According to Articles 64(7)(b) and 77(8)(b) of Regulation (EU) No 1306/2013 this kind of threshold could be established by the Commission also for the VCS system.

### **Control and penalty system concerning area related supports**

Concerning area-related supports and measures our main concern is constant re-measurement of areas that have been measured earlier and small differences between measurements depending on the devices or procedures used or even the person doing the measurement.

We propose approach where we have as stable as possible maximum eligible area (MEA) of reference parcels in the land parcel identification system (LPIS) by harmonizing the provisions and guidelines concerning LPIS based on the on-the-spot measurement and other updating of the LPIS and approval concerning this in the interpretations of the Commission audit missions. The 2% margin rule is important because it recognizes the need to keep the maximum eligible area of reference parcels in the LPIS as stable as possible. However, in Member States like Finland, where the average size of reference parcels is small and they are irregular in size, the 2% margin is too low and therefore it should be raised to 3%.

Small over-declaration of area is usually caused by a mistake, not because of fraud. The benefit for farmer for such an over-declaration is minor, however the penalty and administrative work are considerable. To make the penalty system more proportionate the area in Article 18(6) of Regulation (EU) No 640/2014 that causes no reductions nor penalties should be at least 0,50 ha instead of 0,10 ha. Farm sizes are growing all the time and the old limit is not reflecting the current farm size anymore.

Finally, I would like to remind you of our request regarding the simplified cost options under Rural Development programmes, especially the lump sum payments. In our view the provisions defined in Article 67 of the General Regulation (EU) N:o 1303/2013 for all the ESI Funds should be applied also for the projects funded under the Rural Development Regulation (EU) N:o 1305/2013. Currently under Rural Development Fund there are additional requirements that do not apply to the projects funded under the other ESI Funds.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'K. Tiilikainen', written in a cursive style.

Kimmo Tiilikainen  
Minister of Agriculture and the Environment