



# **SPS and CC introduction in Hungary**

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# **SPS introduction – state of play**

# Hungarian SPS model - basic decision points

- One-region approach: Hungary considered as **one region**
- Minimum size of holding: **1 ha**
- No differentiation between arable and grassland
- **Date of introduction: 2009.**

# Partial implementation

Based on the options provided for by the Council Regulation:

- 100% of suckler cow premium
- 50% of sheep premia
- 10% of special bovine premium based on Art. 69 of 1782/2003/EC

remain coupled to production, thus form no part of SPS.

# SPS model in New Member States

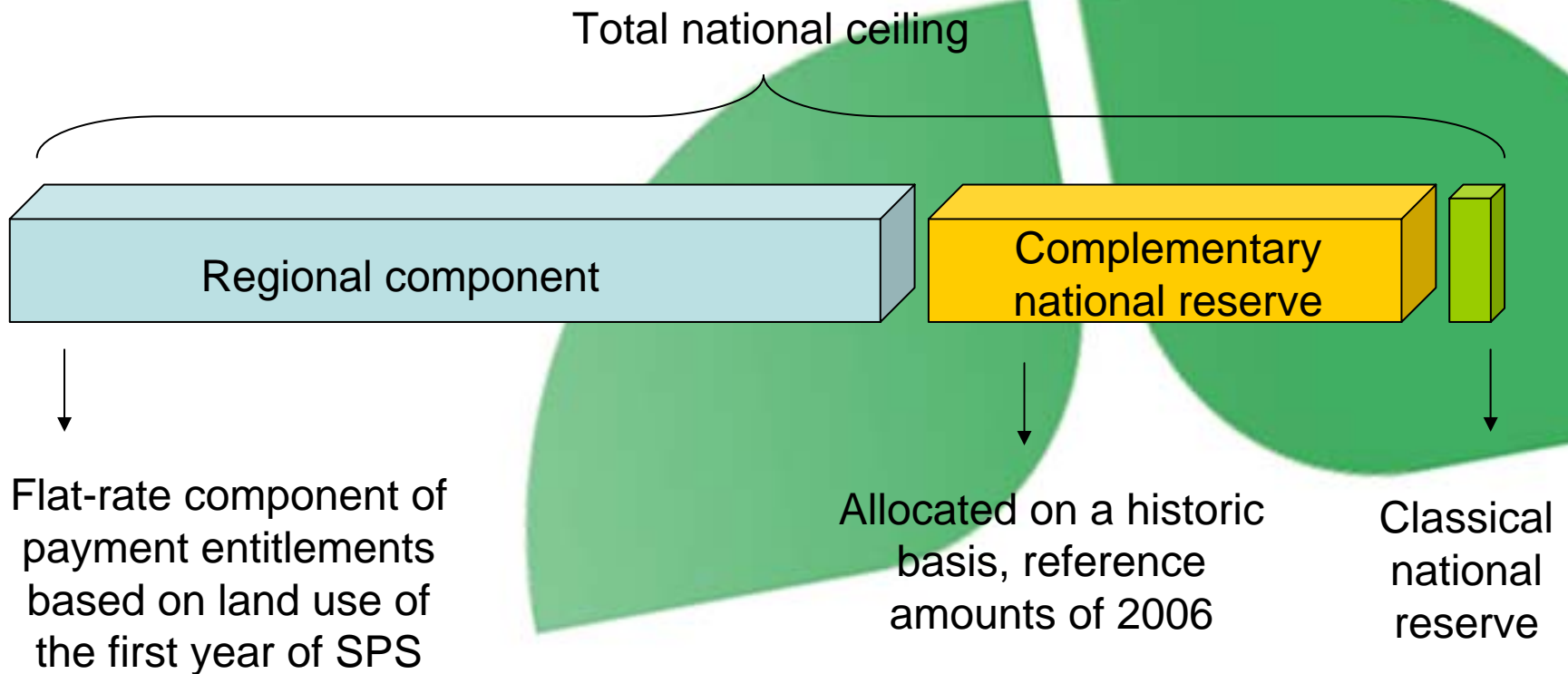
- Health Check Reg. 58 (1): „The new Member States shall apply the single payment scheme at regional level.”
- **However**, New Member States may define a national reserve, which they may use *„During the first year of application of the single payment scheme, the new Member States may use the national reserve for the purpose of allocating payment entitlements, in accordance with objective criteria and in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions for farmers in specific sectors placed in a special situation as a result of the transition to the single payment scheme. ”* (HC Reg. 57 (3))

# National reserve

- Thus two kinds of national reserves are created:
  - „classical national reserve” (1):
    - as in EU-17
    - used in the whole period of SPS implementation
  - „complementary national reserve” (2):
    - in New Member States only
    - can be distributed among farmers in any way up to objective criteria and without discrimination
    - applied only in the first year of SPS implementation
    - In order to establish reference amounts for beneficiaries who would otherwise be disadvantaged by the transition from SAPS to SPS

# Hungarian SPS model

- A special kind of hybrid regional model





# Allocating reference amounts from the complementary national reserve

- Based on the reference year of 2006
  - „Historic basis” allocated to each farmer concerned
  - Payment amounts for various Complementary National Direct Payment (CNDP) schemes from 2006:
    - Tobacco
    - Rice
    - Arable crops
    - Suckler cow
    - Special male premium
    - Cattle extensification
    - Milk
    - Ewe
    - Ewe supplementary
- CNDP payment schemes.

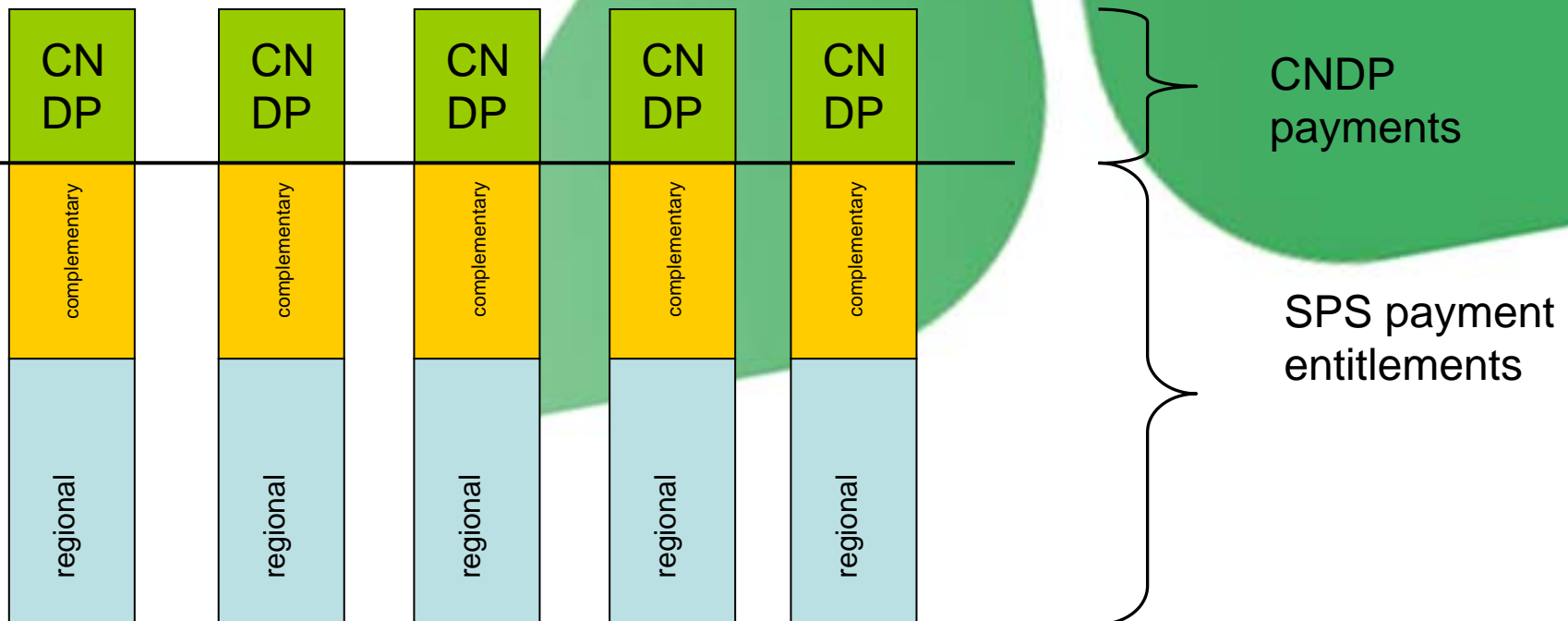


# New Member State issues 1. – phasing-in

- Phasing-in: gradual increase of national ceiling for direct payments
- Consequence: value of payment entitlements established in 2009 increases each year until it reaches its final level in 2013
- Two kinds of values are created:
  - „Face value”: the value of a payment entitlement in 2013 at 100%
  - „Actual value” the amount of support the payment entitlement gives rise to in the actual support year concerned (increases year-to-year)

# New Member State issues 2. – the system of CNDPs

- From the introduction of SPS there will be no sector-specific CNDP schemes with differentiated support amounts
- CNDP shall be a flat-rate supplement to SPS payment entitlements



# Allocation of payment entitlements and the paying out of SPS

## Entitlements (two components)

Complementary component:  
Based on individual payment  
amounts from reference year  
2006 for each farmer

National SPS ceiling  
(€)

Total determined area  
(ha)



R  
E  
G  
I  
O  
N  
A  
L

1. farmer



R  
E  
G  
I  
O  
N  
A  
L

2. farmer



R  
E  
G  
I  
O  
N  
A  
L

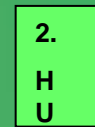
3. farmer

2013 face value (€)

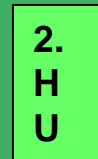
## Payments (Phase 1. and 2.)



1. farmer



2. farmer



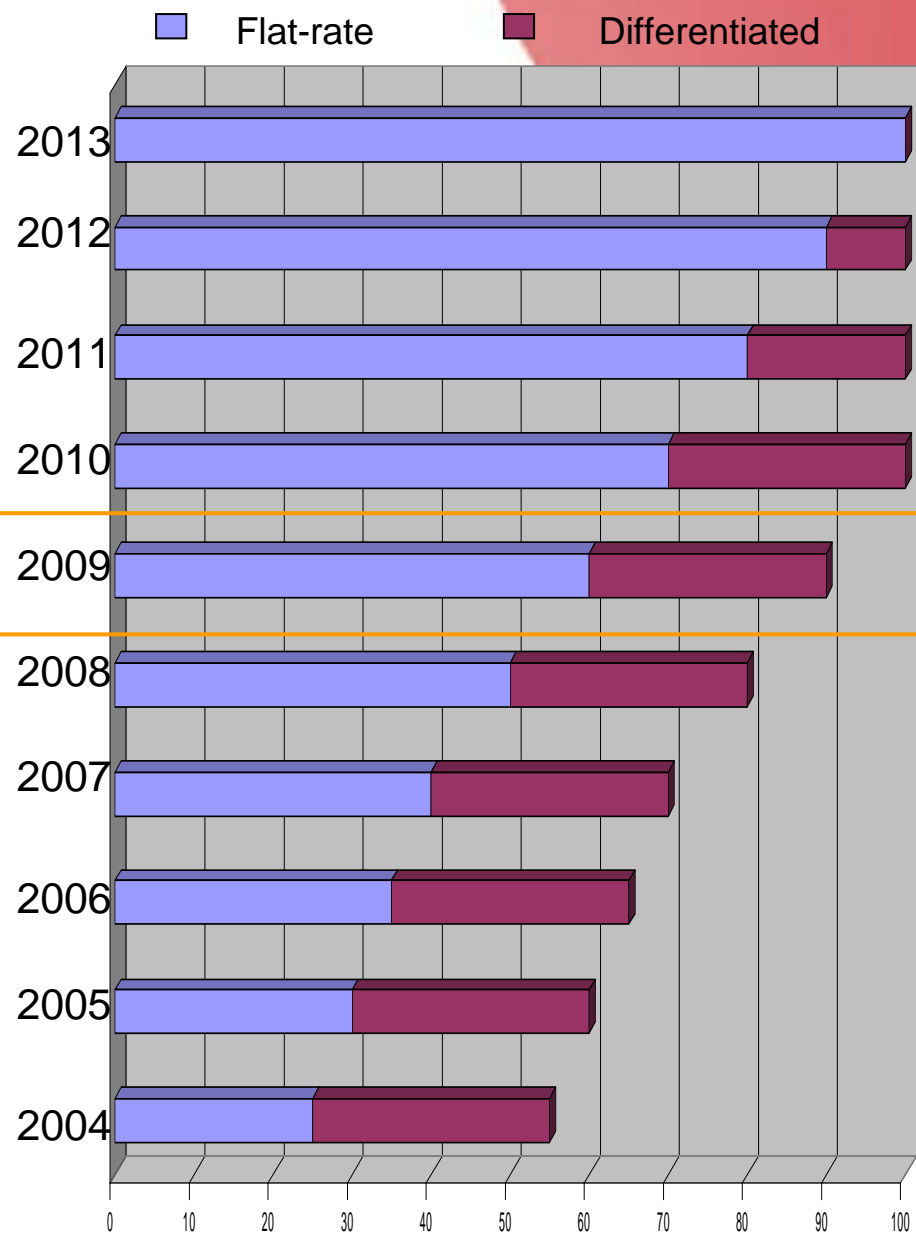
3. farmer

2009 actual value (€)

Regional part same for everyone,  
complementary part may differ

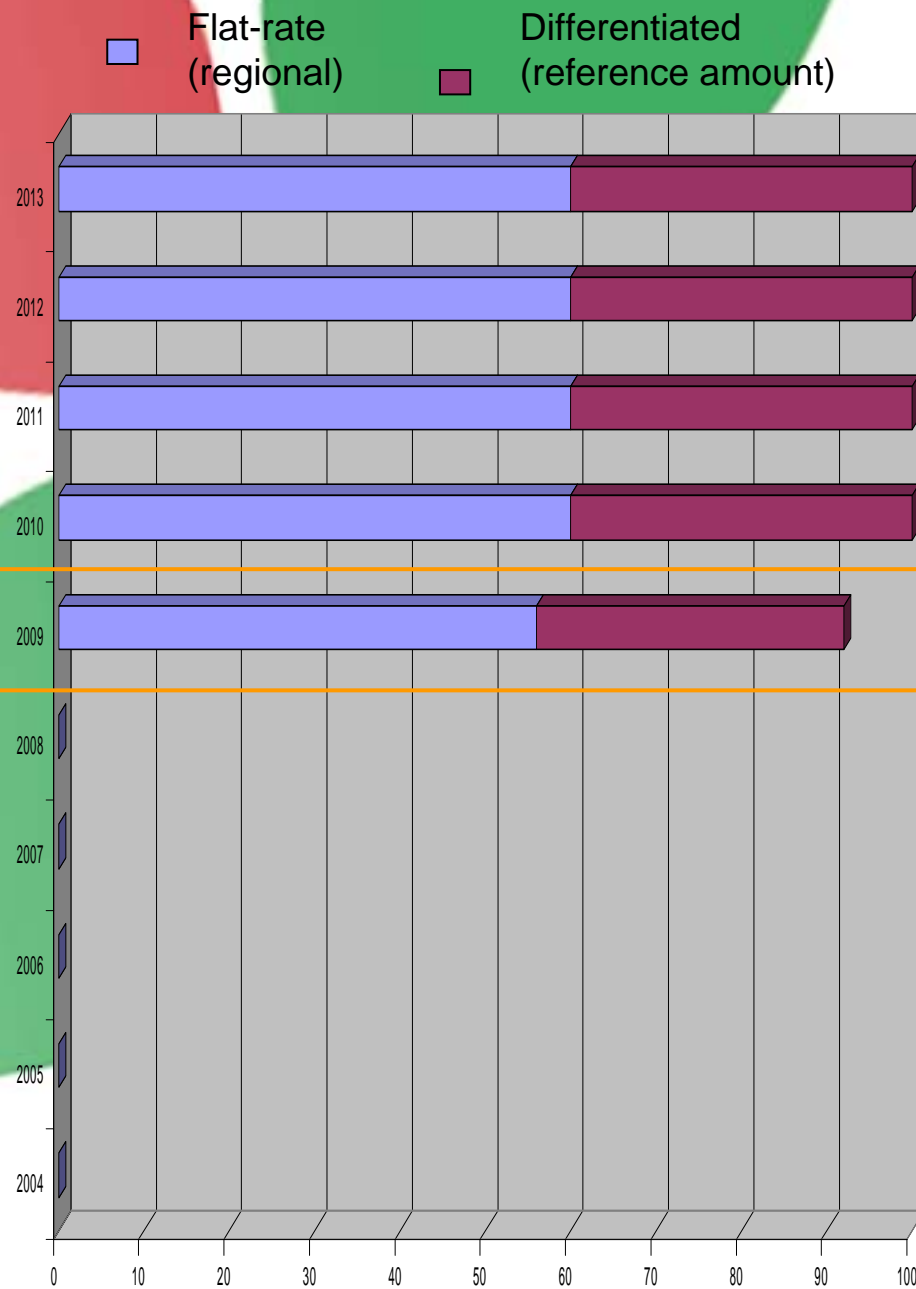
First Community-financed,  
then national funds are paid

# 1. case: SAPS until 2013



%, az EU-15 viszonylatában (EU-s + nemzeti forrás)

# 2. case: SPS from 2009



%, az EU-15 viszonylatában (EU-s + nemzeti forrás)

# SAPS vs SPS

- If staying in SAPS until 2013, Hungary gradually loses the possibility to grant CNDP payments, thus loses the policy tool to prioritize certain favored sectors (mainly animal husbandry)
- If switching to SPS, Hungary can continue to prioritize animal husbandry through handing out reference amounts based on 2006
- Consequently, the introduction of SPS is in favor of Hungarian farmers, and Italian farmers working in Hungary as well

# Problems concerning SPS introduction

- Council Regulation on SPS introduction was originally designed for EU-15
- Rules on transition from SAPS to SPS are less detailed
- Details on the exact possibilities for allocating payment entitlements are unclear, sometimes missing
- This situation has led to some internal legal and political debates, hindering SPS introduction (In Hungary, the situation gave rise to a Constitutional Court procedure, practically halting the introduction process)



# **Introduction of cross-compliance**



# Cross-compliance introduction

- Good Agricultural and Environmental Conditions already implemented from 2004
- Statutory Management Requirements introduced in New Member States from 2009 on in the fields of:
  - Environmental protection, animal identification (2009)
  - Public, plant and animal health (2011)
  - Animal welfare (2013)

# Competent Control Authorities involved

- Agricultural and Rural Development Agency (Paying Agency)
  - All GAEC standards
  - Natura 2000 controls (habitat and wild bird directive)
- Central Agricultural Office
  - SMRs related to the protection of soil and waters (groundwater, nitrates, sewage sludge)
  - SMRs related to animal identification (Identification and Registry System)
  - SMRs related to animal health (hormone ban and animal diseases)
  - SMRs related to animal welfare
  - SMR on plant protection
  - SMR on food safety

# Organizational pros and cons

- Advantages:
  - Single Paying Agency in Hungary
  - Creation of Central Agricultural Office on 01/01/2007 (merger of numerous agricultural authorities)
  - Good previous work experience and cooperation with Central Agricultural Office in on-the-spot control tasks
  - All controls performed by authorities belonging to the Agricultural Ministry
- Disadvantages:
  - Central Agricultural Office as a new organization (possible lack of uniform procedures, differing controls systems, various IT support solutions)

# Project approach

**Project Steering Committee**  
(headed by the State Secretary)

**Operative Project Committee**  
(headed by the President of the Paying Agency)

**Group 1: Paying Agency**  
(responsible for  
sampling,  
partly controls,  
sanctioning)

**Group 2:  
Control Authority**  
(responsible for  
most of the controls)

**Group 3: Ministry**  
(responsible for  
legal basis,  
communication  
with farmers)

**Workgroup 1:  
Nature protection**  
(SMRs 1, 5)

**Workgroup 2:  
Soil and plant  
protection**  
(SMRs 2, 3, 4, 9)

**Workgroup 3:  
Animal  
identification**  
(SMRs 6, 7, 8)

**Workgroup 4:  
Animal  
health and welfare**  
(SMRs 10-18)

# Cross compliance project

- Joint project between the Paying Agency and Competent Control Authority
- Funded by E-Government Operative Program
- Main project elements:
  - Integrated Master Data Management (unified system for partner registration, identification of agricultural land, animals and holdings)
  - Integrated control sampling procedures
  - Development of control support IT tools for the Central Agricultural Office
- The introduction of cross compliance, and the implementation of the project grants a possibility to build a single unified agricultural control body, whose procedures are fully harmonized and at certain fields are integrated with those of the Paying Agency

# Determination of the CC control sample

- Minimal control rate: 1% (separately for direct payments, certain rural development measures, and wine sector payments)
- Increased control rate for cattle identification (10%) and sheep/goat identification (3%)
- Minimum control rate reached at the level of groups of requirements:
  - GAEC + SMR 1, 5 (Natura 2000 requirements)
  - SMR 2,3,4 (groundwater, sewage sludge, nitrate directives)
  - SMR 6,7,8 (cattle, sheep/goat, pig identification)
- Harmonization of sampling procedures for cross-compliance and other control tasks of the Competent Control Authority
- Utilization of a high-performance risk analysis IT tool (data-mining techniques)

# Cross compliance controls

- To be performed mainly by the Central Agricultural Office, partly by the Paying Agency
- The simplification and deregulation of certain CC relevant national rules were performed (soil and plant protection rules)
- The determination of the detailed list of standards and requirements was completed
- The elaboration of the control documentation was performed (control reports, instructions for the controllers)
- Detailed orders of procedures have been put in place
- Utilization of LPIS and control support tools (i.e. GPS)
- Training to be given to controllers



# Cross compliance sanctions

- Based on the control report's findings on the extent, severity, permanence of the non-compliance determined

Severity			Extent		Permanence		
Mild	Intermediate	Severe	On-farm	Out-of-farm	Immediately rectifiable	Easily rectifiable	Long-lasting or permanent
1	3	5	1	5	1	3	5

# Cross compliance sanctions

Combinations			SMR/GAEC sanction
1	1	1	1%
1	1	3	
1	3	3	3%
1	1	5	
1	3	5	
1	5	5	
3	3	5	
3	5	5	5%
5	5	5	

# Information campaign



- Cross-compliance manual: approximately a 40-page color print to be given out to all farmers concerned, containing detailed information on all requirements and standards
- Cross-compliance brochure: leaflet on the most important questions and answers on cross compliance
- Series of articles published in the most important agricultural newspapers and periodicals (for six months in 2008)
- Series of presentations, lectures and discussions with all important stakeholders (farmers, agricultural advisors, agricultural authorities and chamber)
- Detailed information accessible on the websites of the organizations involved

# Problems concerning the introduction of cross compliance

- National authorities find themselves in a special situation during the introduction of cross compliance
- They have to comply with EU legislation and the expectations of the Commission
- On the other hand, they have to comply with the wishes of the farmers to put in place an executable system for them
- Compliance with both sides is necessary!



Thank you for your kind  
attention!