



Directorate-General for Agriculture and Rural Development (DG AGRI):

Study to assess the administrative burden on farms arising from the CAP

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Final report

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DISCLAIMER

This report is the result of a study to assess the administrative burden on farms arising from the CAP commissioned by DG Agriculture and Rural Development (DG AGRI) and carried out by Ramboll management. Although DG AGRI is satisfied with the quality of the study, neither DG AGRI nor the Commission can be held responsible for any statements, errors or inaccuracies contained within the report.

The study was carried out in five Member States which reflect to a considerable extent the different models of implementation of the 2003 CAP reform. It is based on discussion and interviews with a substantial number of farmers and their advisors. The method used in the framework of the study follows the EU Net Administrative Cost Model. The purpose of this method is to assess, express and compare administrative burden. However, the method used does not aim at producing statistically valid results.

The administrative burden for farmers as identified by the study is indicated in the report as amounts of money. These amounts express the amount of time spent and the amount of money paid (to advisors etc) by farmers to comply with the information obligations imposed by Community legislation. To this end, the amount of time spent was multiplied by the average wage in the Member State concerned and in the sector to derive the costs for the farmer. The resulting total cost per farm is therefore not an actual amount to be paid by the farmer.

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EXECUTIVE SUMMARY

This study for DG Agriculture and Rural Development (DG AGRI) aims at measuring the administrative burdens for farmers arising from the 2003 Common Agriculture Policy (CAP) reform. The study provides an assessment of the administrative costs for selected CAP-related measures, especially the Single Payment Scheme (SPS), in five selected Member States in 2006, and an outlook on further expected developments.

The methodological approach and design of the study is based on the elements of the EU Net Administrative Cost Model as set out in COM (2005) 518 final. Drawing on the experience of earlier studies, the methodological approach and design has been further developed, mainly to account for parallel steps and for the order of activities.

The findings in the report are based on a series of workshops and interviews with experts in the field, with farmers and with farm advisory services. The findings indicate the order of magnitude of the administrative burdens in the five selected Member States. However, it is not claimed that the findings are statistically reliable.

This report makes a cross-country comparison of existing administrative costs and tries to explain why the costs are different in the five Member States concerned. The report also presents an outlook on the administrative costs for the near future. In addition, filled Report Sheets that are part of the report are shown in a separate Annex.

Cost drivers

The analysis shows that a number of other factors than the selection and implementation of the model affect the administrative costs. The main cost drivers are:

- Approach and timing of transposition of the CAP regulations
- Public administration
- Business culture
- National, structural differences

It is therefore not possible to quantify or assess the precise importance of each of the cost drivers, but a qualitative assessment can be given based on information gathered under the study.

Transposition of the CAP regulations

The Single Payment Scheme system leaves great discretion to Member States in relation to implementation, and the Member States have been free to decide the timing within given limits.

The Single Payment Scheme is implemented by the Member States according to a "historical model", a "regional model" (flat rate), or a regional "hybrid" model (regional model with historic elements). Further, the regional model may be "static" or "dynamic".

The Member States were also free to choose whether to retain elements of partially coupled payments (ranging up to 100% of allocated ceiling expenditure within specific regimes) within the scope of the overall reforms agreed in 2003.

The sample of countries covers the variation in different implementation options, and hence the different administrative costs stemming from the chosen set-up as the different models may lead to different administrative costs.

Some member states have incorporated the new and/or changed clauses into the existing legislation. Other countries have enacted the regulations as issued by the Commission through national legislation. The number of legal acts used to transpose the 4 regulations therefore varies between 1 in Ireland and 13 in Italy, and the number of information obligations related to the CAP varies between 21 in Ireland and 107 in Italy, but there is no clear relation between number of legal acts and the number of information obligations. France has 7 legal acts and 43 information obligations but Germany has approximately the same number of information obligations (47), but only 2 legal acts. There is no clear relation between the number of information obligations and total cost per farmer.

The application for single payment and transfer of entitlements reveal great diversity across the five countries. In particular, the use of pre-printed application forms and the complexity of the application vary and this has an impact on the total administrative costs. In addition, the level of detail demanded by the authorities differs.

The difference in "maturity" in the countries and the timing of the implementation also affects the administrative costs. The reform was initiated in 2005 in Denmark, Germany, Italy, and Ireland, and farmers and their advisors had therefore acquired a good understanding of the system in 2006. France, on the other hand, decided to postpone the initiation of the reform until 2006. The study's focus on the administrative costs for the year 2006, and part of the measured differences are hence due to the different timings of the national implementations. There is thus a great deal of administrative activities for the farmers during the first year of the reform in connection with the establishment of payment entitlements and in connection with the timing of the implementation of specific schemes. This affects particularly France and Italy where a considerable part of the administrative costs can be categorised as establishment costs.

Public administration

Different extents of public sector involvement in the application process have a certain impact on the administrative costs for the farmers. In Italy, the existence and activity of the centres for agricultural assistance (CAA) plays an important role. They are a decentralized part of the public administration systems, funded by the Italian State and they carry out a full range of activities free of charge. In other countries, these activities are either carried out by the farmers themselves or paid for by the farmers. Without this arrangement, the administrative costs of Italian farmers would be much higher, but the study does not provide any basis for a quantification of this impact.

The public sector involvement also affects the administrative costs imposed on farmers by making different types of IT solutions and pre-filled forms available. This has a direct cost saving impact in France where the authorities have developed and distributed a checklist, and in Germany, where an electronic system to deal with transfers of entitlements saves time for the farmers. The parallel system in Denmark, which is not running satisfactorily, seems to have led to higher administrative costs for the farmers.

Business culture

National practices are reflected in the way in which farmers apply for the SPS and how they organise the process. In particular, the involvement of external assistance and the use of technical solutions may play a role. In Denmark, the main rule is that consultants assist the farmers intensively through the application for

single payment and other administrative tasks, whereas in France, no tradition for involving consultants exists.

As mentioned, the existence of technical solutions is important for the administrative costs, but the actual use the systems are of course just as important.

National, structural differences

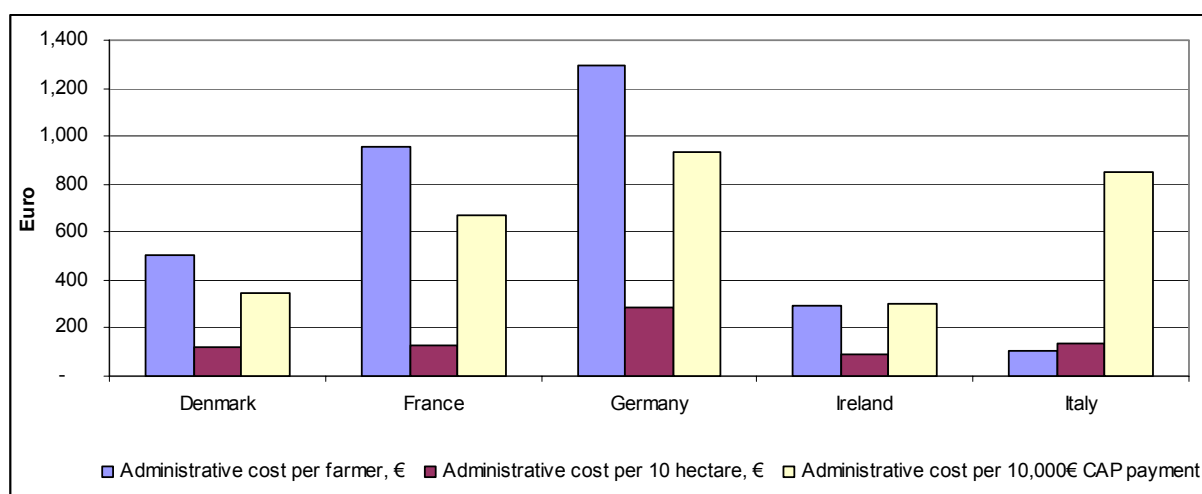
In some cases, regional aspects influence the level of farmers' administrative costs. This is the case in Germany and France, where farmers are affected by rules and administration from more than one region when they hold land or transfer land across regional borders.

National structural differences in particular affect the administrative costs per farmer in Italy, where the average farm size is approximately 8 ha, which is barely a fraction of the German average of approximately 46 ha and the average size of 74 ha in France. The majority of Italian farms are very small and characterised by less diversity in production, less changes, fewer transfers, etc. These factors contribute to keeping the total cost level per farmer relatively low in Italy, but the costs per ha farmland are still at the same level as in Denmark and France.

2006 - Administrative costs from the CAP

The CAP related administrative costs for farmers across the five countries are shown in the chart below. The administrative costs include both internal and external costs, but public sector costs are excluded, whether both when they are related to public administration of the system and when they relate to assistance to the farmers in connection with CAP related activities.

Figure 1: Farmers' administrative costs caused by the CAP requirements in 2006



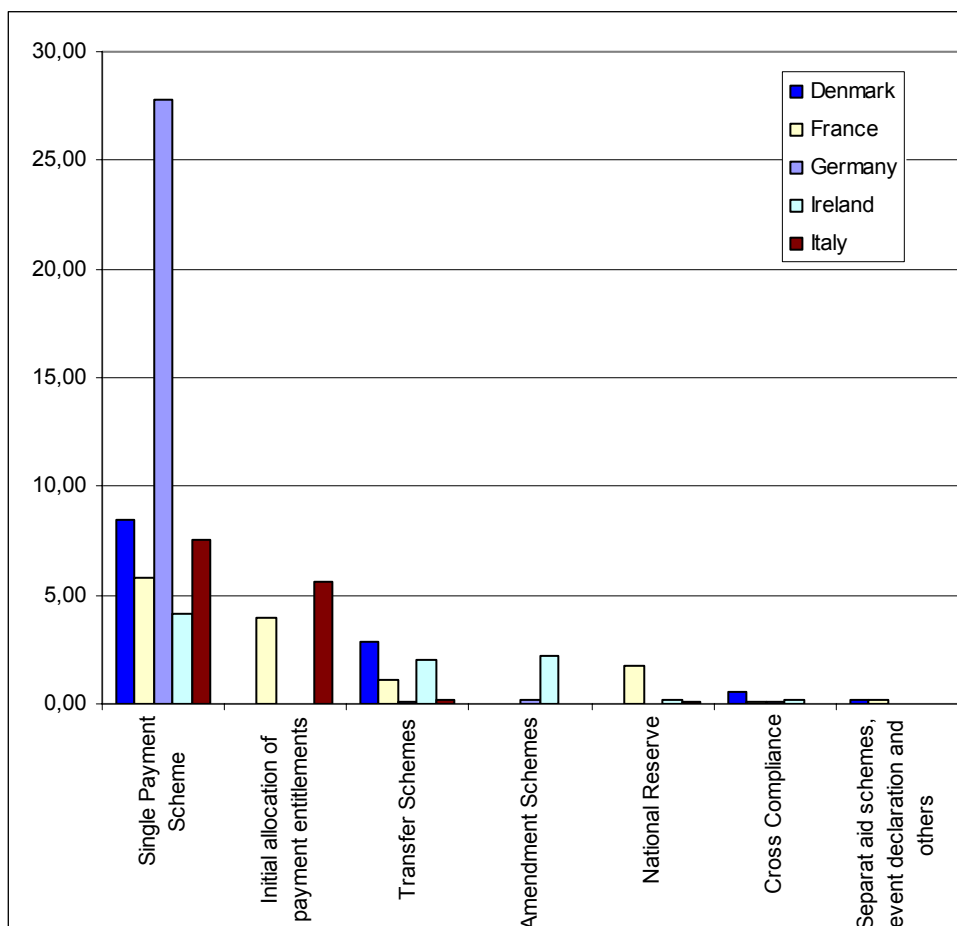
The variation in total costs across countries is partly explained by the different size of the agricultural sectors of the five countries. The costs are therefore estimated per farmer, per ha and as the percentage of total CAP payments in each of the countries.

The average administrative cost per farmer varies between €110 in Italy and €1,300 in Germany. The average farm size is 8 ha in Italy, but between 34 and 74 in the other four countries. As a result of this, the average administrative cost per ha varies less between the five countries. The total administrative costs constitute between 3.0 and 9.3% of the total CAP payments received by the five countries.

The importance of the various subject groups in the total picture of administrative costs in 2006 is illustrated in the chart below, where a breakdown of costs per ha

farmland is shown. This illustration shows that the single payment scheme is especially burdensome for the farmers. The one-off initial transfer of entitlements has also played a role in France and Italy in 2006, and in especially in France the transfer scheme and the national reserve has contributed to the administrative costs of farmers.

Figure 2: Farmers' administrative costs per ha by subject group and country, 2006



The total administrative costs are highest in Germany and lowest in Ireland, but a comparison across the five countries is affected by country specific factors like the Italian system of free assistance from a semi-public agency and by the relatively high one-off costs in Italy and France. In addition, well functioning IT solutions save time for the farmers in Germany.

It should also be noted that the administrative costs related to cross compliance included in the scope of the study are relatively low. This is mainly explained by the relatively small number of farmers that is subject to cross compliance controls. However, cross compliance obligations create quite some anxiety among farmers.

In **Denmark**, the administrative costs stems mainly from the application under the single payment scheme and from the costs related to transfers of entitlements. On a closer look, it appears that also the costs related to the single payment scheme stem mostly from transfers of land and entitlements as well. When the farm structure does not change, the administrative costs are limited. The situation in **Ireland** is more or less similar, with the exception of high costs related to amendments of

entitlements (a specific case in Ireland). The administrative costs in **Italy** are taken over to a large extent by public or semi-public agencies. The resulting direct costs for farmers are relatively low. The costs related to the allocation of entitlements are highest in Italy and France. This is explained by the fact that entitlements stemming from payments for tobacco and olive oil production were allocated in 2006 (Italy) and that **France** started the initial implementation of the single payments scheme in 2006. As in the other Member States, the costs related to the single payment scheme application are relatively high in **Germany**. It should be noted though that the different regions (Länder) use different application forms and that the situation differs within Germany. Despite the high number of transfers, Germany has been able to keep the burden related to the transfer of entitlements low through a web based administrative tool.

Finally, the administrative costs are affected by the differences in the chosen models and their implementation. This impact cannot be quantified on the basis of the results of this study because of the influence of other factors. It seems fair to conclude, however, that recoupling of direct aid in principle leads to a higher administrative cost than decoupling, as farmers in countries with recoupled models, have to submit more information. However, other factors (the national administrative culture, habits within the sector) are more important than the choice of model of the CAP Reform.

Outlook

The development of the administrative costs over the coming years will vary among countries. For countries like France and Italy, the high one-off costs in 2006 will lead to immediate reductions, and a general, gradual reduction is foreseen in all countries because of an increased familiarisation among farmers and their advisors and a general learning of rules and processes (the learning curve). The administrative costs may also change because of regulatory changes or as a result of possible changes in the administrative set-up and use of IT systems.

The key expected changes are related to the four mentioned groups of cost drivers: The transposition of the CAP regulations, public administration, business culture, and national, structural differences.

Transposition of the CAP regulations

The different transposition patterns will affect the development of farmers' administrative costs in various ways for a number of reasons. One-off costs related to the establishment period will thus reduce administrative costs by up to 30% in France and 40% in Italy.

Changes in the crops coupled may further lead to a reduction of time spent on calculating land in connection with the declaration form. The Fruit and Vegetable reform will simplify the application for single payment from January 2008, reduce the number of transfers, and thereby lead to a reduction of total costs.

The set-aside entitlements will be put on hold and save time spent on demarcation between entitlements related to land that has been set aside vs. land in use. This holds true for all EU countries. The 10-month rule related to the disposal period is likely to be abolished at EU level and this will facilitate the application for single payment as well as transfer of rights considerably.

Public administration

Submitting applications on-line is foreseen to be a growing trend in the following years. This is the case in Denmark, France, and several German Bundesländer where an IT solution is available, and an increasing use of this is expected. Ireland

is starting in 2007 and the Bundesländer that have not established an online solution for the single payment application are expected to do so in the near future.

A range of IT solutions is in the pipeline, and a planned IT solution in Denmark will ease transfer of entitlements. This may save the major part of the 25% of total administrative costs spent on this activity in 2006.

Better databases will improve data availability across regional and state levels as well as between different ministries in Italy and France, and new database will facilitate cross-compliance controls in France.

The public administration is likely to reduce administrative costs by improving pre-printed forms and increasing the use of preprint in Ireland and in the Bundesländer. In Ireland, a text message-service reminding the farmers of the applications via their cell phones is also planned.

A positive learning curve effect within the public administration is anticipated in the near future. The impact of this may be limited in the short term, but in the longer term, a positive effect will be seen in all countries.

Business culture

A positive learning curve effect provides a potential for a reduction of recurrent administrative costs over a period of a few years. The total savings on this account will be highest in Denmark and Ireland, where 14% of costs relate to familiarisation and training, and in France where these cost elements constitute 10%.

Structural differences

The learning curve will probably be steeper for large farms than for the smaller ones, which will lead to a slower reduction of administrative costs in countries and regions dominated by small farms.

SOMMAIRE EXÉCUTIF

Cette étude pour la DG de l'Agriculture et du Développement Rural (DG AGRI) vise à évaluer la pression administrative que fait peser la Réforme de la Politique Agricole Commune de 2003 (PAC) sur les exploitations agricoles. L'étude présente, pour l'année 2006, une évaluation des coûts administratifs dans des domaines choisis de la PAC, en particulier le Régime de Paiement Unique (DPU) dans 5 Etats membres de l'Union européenne. Elle propose également des perspectives de développements au-delà de l'année 2006.

La méthodologie adoptée dans le cadre de l'étude est celle du modèle du Coût Administratif Net de l'UE tel que présenté dans la Communication de la Commission COM (2005) 518 final. Un développement approfondi de cette méthodologie a été effectué afin de tirer profit de l'expérience acquise lors d'études antérieures, et de pouvoir mener en parallèle différentes étapes et activités de l'étude.

Les résultats présentés sont basés sur une série d'ateliers et d'entrevues menés avec des experts, des agriculteurs et des membres de services conseillant les agriculteurs. Ceux-ci donnent un ordre de grandeur de la charge administrative dans les cinq états membres sélectionnés.

Ce rapport contient une comparaison internationale des coûts administratifs existants et tente d'expliquer les différences observées. Le rapport présente également un aperçu des coûts administratifs attendus à courts termes. En outre, des fiches de rapport complétées sont annexées au rapport.

Facteurs de coûts

L'analyse montre qu'un certain nombre de facteurs autres que la sélection et la mise en œuvre du modèle affectent les coûts administratifs. Les principaux facteurs de coûts sont :

- La préparation et la planification de la transposition des règlements de la PAC
- L'administration publique
- L'approche culturelle
- Les différences structurelles, nationales

Il n'est donc pas possible de quantifier ou d'évaluer précisément l'importance de chaque facteur de coût, néanmoins, une évaluation qualitative peut être fondée sur les informations récoltées pendant l'étude.

La transposition des règlements de la PAC

Le Régime de Paiement Unique laisse aux Etats Membres une grande marge de manœuvre quant à sa mise en œuvre. Les Etats Membres sont notamment maîtres du calendrier dans la limite de l'échéance fixée.

Le Régime de Paiement Unique est mis en œuvre par les Etats Membres suivant un "modèle historique", un "modèle régional" (taux constant), ou un modèle régional "hybride" (modèle régional comprenant des éléments historiques). Le modèle régional peut être "statique" ou "dynamique".

Les Etats Membres ont également été laissés libres de retenir des paiements couplés partiels (pouvant aller jusqu'à 100% de la dépense plafond allouée au sein de régimes spécifiques) dans le cadre des réformes globales de 2003.

L'échantillon de pays couvre les différentes options possibles de mise en œuvre, et donc également les différents coûts administratifs, puisque ceux-ci découlent du format retenu. Chaque modèle génère des coûts administratifs différents.

Certains Etats Membres ont modifié des clauses ou incorporé de nouvelles clauses dans leur législation existante. D'autres pays ont intégré dans leur législation nationale les règlements tels que publiés par la Commission. Le nombre d'actes juridiques utilisés pour transposer les 4 règlements varie donc entre 1 en Irlande et 13 en Italie. Le nombre d'OI relatives à la PAC varie entre 21 en Irlande et 107 en Italie. La France a enregistré 7 actes juridiques et 43 OI. L'Allemagne est proche en termes de nombre d'OI et de coût total par agriculteur.

L'application des paiements uniques et le droit au transfert révèlent une grande diversité au sein des 5 pays. Plus précisément, l'utilisation de formulaires pré-imprimés et la complexité des formulaires varient, ce qui a un impact sur les coûts administratifs totaux. Le niveau de détail demandé par les autorités diffère également.

Les écarts de "maturité" entre les pays et le calendrier de mise en œuvre a également un impact sur les coûts administratifs. La réforme a été initiée en 2005 au Danemark, en Allemagne, en Italie et en Irlande, ce qui implique que les agriculteurs et leurs conseillers avaient pu acquérir une bonne compréhension du système en 2006. La France a agit différemment en décidant de repousser l'initiation à la réforme à 2006. L'étude se concentrant sur les coûts administratifs de l'année 2006, une partie des différences mesurées sont ainsi dues aux écarts temporels de mise en œuvre de la réforme entre les différents pays. On constate en effet une grande activité administrative de la part des agriculteurs durant la première année de la réforme, liée à l'établissement des droits au paiement et au calendrier de mise en œuvre des régimes spécifiques. Ce phénomène affecte particulièrement la France et l'Italie, où une part considérable des coûts administratifs est classée dans la même catégorie que les coûts d'établissement.

Administration publique

L'intervention du secteur public dans le processus de mise en œuvre peut avoir un impact sur les coûts supportés par les agriculteurs. En Italie, les centres d'assistance agricoles (CAA) jouent un rôle important. Occupant une place centrale dans le système administratif, ils ont été créés par l'Etat italien afin d'offrir un certain nombre de services gratuits aux agriculteurs. Dans d'autres pays, ces activités sont généralement menées par les agriculteurs eux-mêmes, ou alors confiées à un tiers moyennant rémunération. Sans les centres d'assistance agricoles, le coût administratif pour les agriculteurs italiens serait bien plus élevé. L'étude ne fournit cependant pas d'éléments pour la quantification de cet impact.

L'intervention du secteur public peut également impacter les coûts administratifs supportés par les agriculteurs, en mettant à leur disposition des solutions IT ou des formulaires pré-remplis. Cela peut avoir un effet direct de diminution des coûts, comme en France où les autorités ont développé et distribué des check-lists, ou en Allemagne, où un système électronique de gestion des transferts de droits de paiements permet aux agriculteurs d'économiser du temps. Un système similaire a été développé au Danemark, mais il ne fonctionne pas de manière satisfaisante et semble avoir entraîné une augmentation des coûts pour les agriculteurs.

Approche culturelle

Les pratiques nationales se reflètent dans la manière dont les agriculteurs font la demande de droits en paiement unique et organisent la procédure. En particulier, l'appel à une assistance extérieure et l'utilisation de solutions techniques peut jouer un rôle. Au Danemark, la règle veut que des consultants assistent les agriculteurs de manière intensive dans la mise en œuvre du paiement unique et

d'autres tâches administratives, alors qu'en France l'intervention de consultant ne fait pas partie de la culture.

Comme mentionné précédemment, l'existence de solutions techniques intervient de manière significative dans les coûts administratifs, mais l'utilisation effective des outils existants est bien entendu toute aussi importante.

Différences structurelles nationales

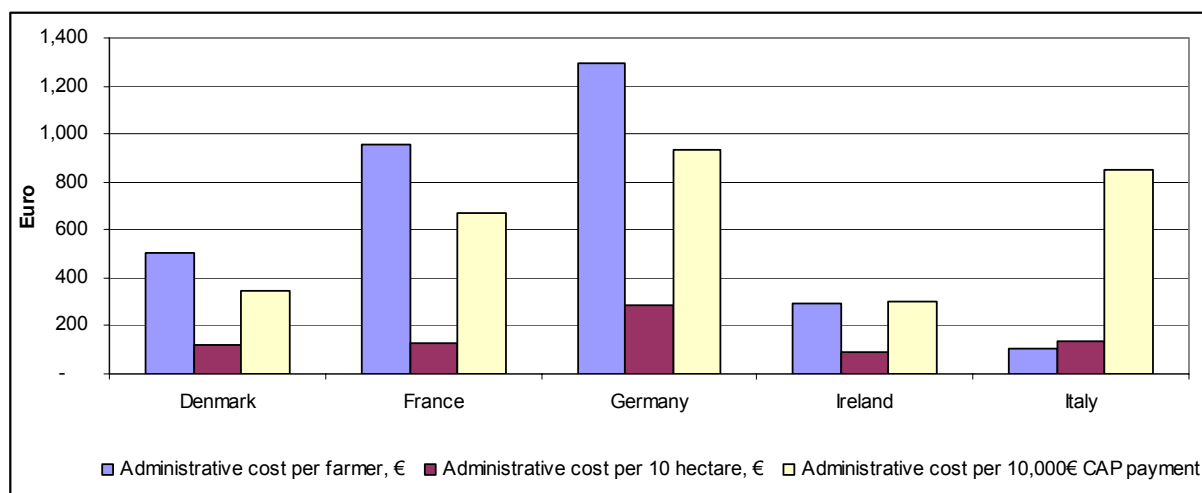
Dans certains cas, des particularités régionales influencent le niveau des coûts administratifs. C'est le cas de l'Allemagne et de la France, où les agriculteurs sont affectés par les règles et l'administration de plus d'une région, dans le cas où ils possèdent ou transfèrent des terres situées sur des territoires régionaux différents.

Les différences structurelles nationales affectent plus particulièrement les coûts supportés par les agriculteurs en Italie, où la taille moyenne des terres est approximativement de 8 ha, soit à peine une fraction de la taille moyenne des exploitations en Allemagne (46 ha) et en France (74 ha). La majorité des fermes italiennes sont donc très petites et sont caractérisées par une diversité de production moindre, des changements et des transferts moins fréquents etc. Ces facteurs contribuent à maintenir les coûts par exploitation à un niveau relativement bas en Italie, alors que les coûts par hectare de terres restent à un niveau comparable au Danemark et à la France.

2006 – Coûts administratifs de la PAC

Les coûts administratifs pour les exploitations agricoles dans les cinq pays de l'étude sont illustrés dans le diagramme ci-dessous. Ils incluent aussi bien des coûts internes qu'externes. Cependant, les coûts du secteur public sont exclus, tant les coûts du point de vue de l'administration publique du système que les coûts liés à l'assistance apportée par l'administration publique aux agriculteurs dans le cadre de leurs activités administratives.

Figure 3: Coûts administratifs des fermiers liés aux exigences de la PAC en 2006



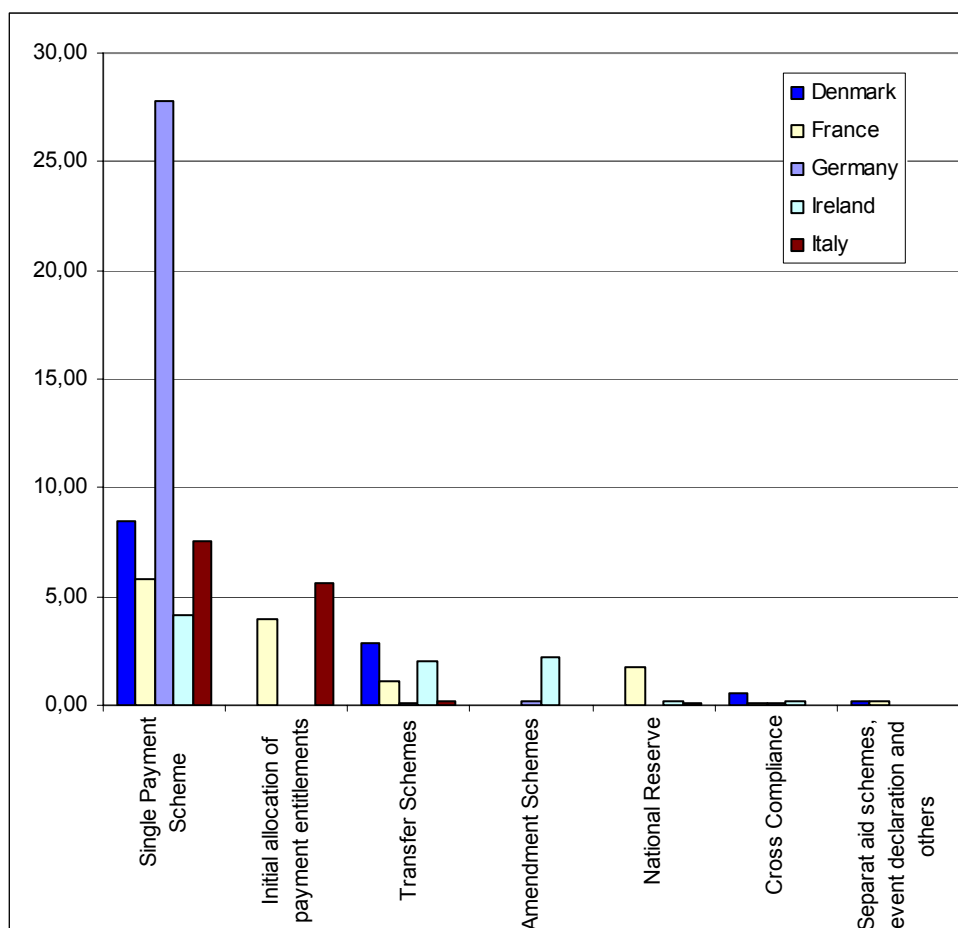
Sources: Section 3

La variation des coûts totaux entre les pays est en partie liée à la différence de taille du secteur agricole entre ces cinq pays. Les coûts sont donc estimés par exploitation agricole, par hectare et par pourcentage des paiements totaux de la PAC dans chacun des pays.

Le coût administratif moyen par exploitation agricole varie entre 110 € en Italie et 1.300 € en Allemagne. La taille moyenne d'une exploitation agricole est de 8 ha en Italie, tandis qu'elle est comprise entre 34 et 74ha dans les quatre autres pays étudiés. En conséquence, le coût administratif moyen par ha varie moins entre les cinq pays. Les coûts administratifs totaux représentent entre 3.0 et 9.3% de l'ensemble des paiements de la PAC reçus dans les cinq pays.

L'importance des différents "subject groups" dans les coûts administratifs globaux en 2006 est illustrée par le graphique ci-dessous, lequel montre la répartition des coûts par hectare d'exploitation. Ce schéma montre que le régime de paiement unique a un coût particulièrement élevé pour les agriculteurs. Le transfert de droit initial unique a également eu un impact important en France et en Italie en 2006, tout particulièrement en France où le transfert de droits et la réserve nationale ont largement contribué aux coûts administratifs supportés par les agriculteurs.

Figure 3: Les coûts administratifs pour les agriculteurs par ha et par "subject group" et pays, 2006



Les coûts administratifs totaux sont les plus élevés en Allemagne et les plus faibles en Irlande, mais la comparaison entre les cinq pays est affectée par les particularités de chaque pays, comme par exemple le système italien d'assistance gratuite offerte par une agence semi-publique, ou le niveau élevé des coûts uniques en Italie et en France. Parallèlement, les agriculteurs allemands bénéficient de solutions informatiques qui leur permettent de gagner du temps.

Il est à noter que les coûts administratifs liés à l'éco-conditionnalité entrant dans le champ de l'étude sont relativement faibles. Ceci s'explique surtout par le nombre relativement faible d'agriculteurs subissant aux contrôles. Cependant, les obligations liées à l'éco-conditionnalité provoquent l'anxiété parmi les agriculteurs.

Au Danemark, les coûts administratifs émanent essentiellement de la demande de paiement unique et des coûts relatifs aux transferts de droits. Plus particulièrement, il semble que les coûts émanant de la demande de paiement unique sont eux aussi liés à des transferts de terres et de droits. Les coûts restent limités lorsqu'il n'y a pas de modifications de la structure de l'exploitation. La situation est assez similaire en Irlande, avec une exception constatée pour l'ajout de droits qui génère des coûts administratifs élevés. Les coûts administratifs en Italie sont, dans une large mesure, pris en charge par des agences publiques et semi-publiques. Ainsi, les coûts directs résultants pour les agriculteurs sont relativement faibles. Les coûts relatifs à l'allocation des droits à paiement sont plus élevés en Italie et en France. Ceci s'explique par le fait qu'en 2006 l'Italie a alloué les droits relatifs à la production de tabac et d'huile d'olive et que c'est cette même année que la France a mis en place le système de paiement unique. Comme dans les autres états membres, les coûts liés à la demande de paiement unique sont relativement élevés en Allemagne. Il est remarquable que les différentes régions (Länder) utilisent des formulaires de demande différents et que la situation varie à l'intérieur du territoire. Malgré le nombre élevés de transferts, l'Allemagne a maintenu la charge liée aux transferts de droits à paiement à un niveau assez bas, par le biais d'un outil administratif en ligne.

Enfin, les coûts administratifs sont affectés par les différences entre les différents modèles choisis et leur implémentation. Cet impact ne peut être quantifié sur la base des résultats de cette étude à cause de l'influence d'autres facteurs. Cependant, il semble juste de conclure que le recouplage des aides directes mène à des coûts administratifs plus élevés, alors que les informations demandées dans le cadre de modèles recouplés sont plus nombreuses. Néanmoins, d'autres facteurs (culture administrative du pays, usages sectoriels) sont plus importants que le choix du modèle de réforme de la PAC.

Perspectives

L'évolution attendue des coûts administratifs pour les prochaines années varient selon les pays. Pour des pays comme la France et l'Italie, les coûts élevés et n'intervenant qu'au cours de l'année 2006 induiront par la suite des réductions immédiates. En outre, une réduction générale et progressive des coûts est prévue dans tous les pays en raison d'une familiarisation accrue des agriculteurs et conseillers avec les règles et processus mis en place (la courbe d'apprentissage). Les coûts administratifs peuvent également évoluer en raison des changements en matière de réglementation ou en raison des évolutions possibles de l'implémentation et de l'utilisation administratives de systèmes IT.

Les changements clés attendus en termes de coûts sont liés aux quatre facteurs de coûts suivants : la transposition des règlements de la PAC, l'administration publique, l'approche culturelle, et les différences structurelles nationales.

La transposition des règlements de la PAC

Les différents modèles de transposition affecteront le développement des coûts administratifs des exploitations agricoles pour diverses raisons. Les coûts uniques et liés à la mise en place de la réforme permettront une réduction de 30% des coûts administratifs en France et de 40% en Italie.

Les changements attendus au niveau des récoltes couplées pourraient entraîner une diminution du temps passé à calculer la surface agricole dans le formulaire Déclaration de surface. La réforme des fruits et légumes devraient, elle, simplifier

la demande de paiement à partir de janvier 2008, réduire le nombre de transferts, et induire par conséquent une diminution générale des coûts administratifs. Ceci concernera en particulier les exploitations agricoles en Italie.

Les droits liés à la jachère devraient être suspendus ce qui permettrait de ne plus faire de distinctions entre les droits liés à la terre mise en jachère et les droits liés à la terre cultivée. Cette disposition devrait avoir des implications dans l'ensemble des Etats membres de l'Union européenne. La règle des 10 mois de détention des terres devrait également être supprimée au niveau européen et ainsi faciliter les demandes de paiement unique aussi bien que les droits au transfert.

Administration publique

La soumission en ligne de formulaires devrait augmenter au cours des prochaines années. C'est le cas au Danemark, en France, et dans plusieurs Länder allemands où un système IT est disponible et devrait être utilisé de manière croissante. L'Irlande démarre en 2007 et les Länder où aucun système en ligne n'existe encore prévoient quant à eux d'en implanter un dans un futur proche.

Un ensemble de solutions IT sont en cours de réalisation, et une solution IT est programmée au Danemark afin de simplifier les transferts. Cela devrait permettre de réduire majoritairement les 25% de coûts administratifs totaux liés à cette activité en 2006.

Des bases de données perfectionnées devraient permettre d'améliorer le transfert et la disponibilité des données entre les régions et l'Etat central ainsi qu'entre les différents ministères, en particulier en Italie et en France. De plus, une nouvelle base de données devrait faciliter les contrôles liés à la conditionnalité en France.

L'administration publique devrait également réduire les coûts administratifs en améliorant les formulaires pré-imprimés déjà disponibles et en augmentant le recours à ce type de formulaires, notamment en Irlande et dans les Länder allemands. En Irlande, un service d'envoi rappels sous forme de messages textes sur les téléphones cellulaires des agriculteurs est programmé.

Enfin, une courbe d'apprentissage positive est attendue au sein de l'administration publique. Son impact sera limité à court terme, mais à long terme, des effets positifs devraient être perceptibles dans l'ensemble des pays.

Approche culturelle

Une courbe d'apprentissage positive permet d'envisager une potentielle réduction des coûts administratifs pendant quelques années. Les gains les plus importants attendus sont au Danemark et en Irlande, où 14% des coûts sont liés aux activités de familiarisation et de formation ; et en France où ces mêmes activités représentent 10% des coûts.

Différences structurelles

La courbe d'apprentissage devrait être plus raide pour les grandes exploitations agricoles que pour les petites exploitations, ce qui entraînera une diminution plus lente des coûts administratifs dans les pays et régions où les petites exploitations dominent.

SECTION ONE: Introduction

In cooperation with Common Agriculture Policy (CAP) experts and national specialists on farmers' compliance with CAP-related regulation, Ramboll Management has conducted a study on behalf of DG Agriculture and Rural Development (DG AGRI) to assess the administrative costs on farms arising from the CAP.

The objective of the study has been to measure the administrative costs for farmers resulting from CAP-related measures introduced by the 2003 CAP reform, in particular the single payment scheme. The aim of the study is therefore not to consider the benefits of the regulation, nor is costs incurred in the public sector or in households discussed.

The study provides two main outputs:

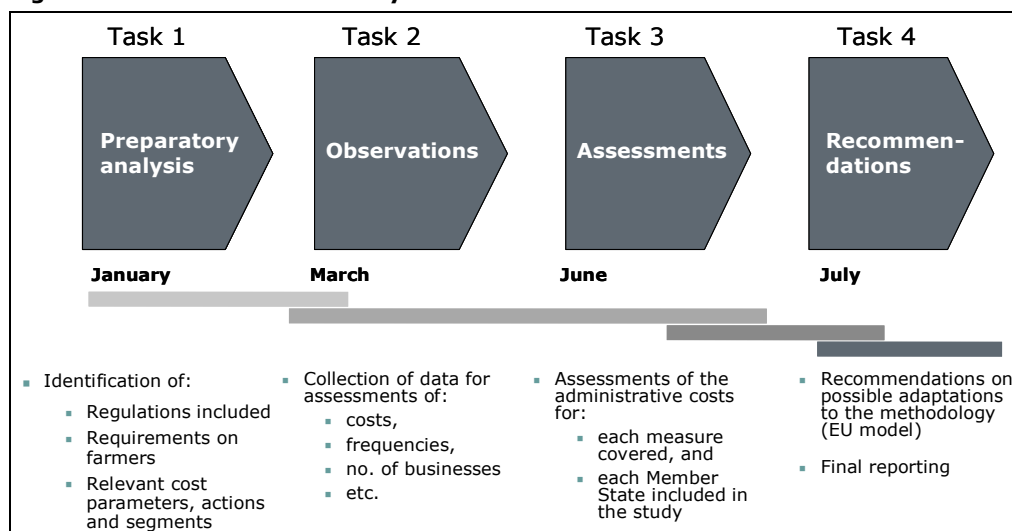
- an assessment of the administrative costs for selected CAP-related measures, especially the Single Payment Scheme (SPS), in each of the 5 selected Member States in 2006, and
- an outlook on further expected developments of farmers' administrative costs arising from the Single Payment Scheme

The methodological approach and design of the study has been based on the elements of the EU Net Administrative Cost Model as set out in COM (2005) 518 final. The strength of this methodology is its ability to point out the most costly areas of the regulation and thereby costs reduction potentials. The method specifically does not aim at producing statistically valid results, and therefore estimates of administrative costs obtained throughout this study are indicative.

Drawing on the experience of similar studies conducted by Rambøll Management's, the methodological approach and design has been further developed to take the necessity to conduct parallel activities into account. Compared to the elements of the EU Net Administrative Cost Model, the chosen design thus rearranges some of the steps in the measurement process, as the output of some steps provide input to others. The chosen approach has thus been designed to account both for the parallel activities as well as for the order of the activities.

The figure below shows how the four main tasks of the study and the main activities of each task have been organised.

Figure 4: Main tasks of the study



In connection with the analysis of the administrative costs, we have also looked into other relevant studies¹, but their foci have been different and in all cases, the levels of detail have been insufficient to enable a comparison of the results.

¹ In particular, three studies have been looked into: the Danish assessments of administrative costs in food, agriculture and fisheries from May 2006, The German "Zusatzfrage – Bürokratie" from 2007, and the "Administrative Burdens in European Agriculture: An evidence base, 2007.

SECTION TWO: Cross country analysis

1. What parameters have an impact on the different cost levels in the Member States?

The following section presents a comparison and an overall analysis of the administrative costs on farmers resulting from the CAP and the variation herein across the five countries included in the study. The section highlights the main drivers of the resources spent on administration, and the total administrative costs induced by the CAP on the farmers. The study does not attempt to assess the total administrative costs imposed on all 27 EU Member States. The assessments of the administrative costs presented below thus only apply to the five Member States selected by DG AGRI for this study.

1.1. Farmers' administrative costs arising from the CAP requirements

The table below shows the farmers' total administrative cost of complying with the CAP requirements in each of the five countries. The administrative costs are assessed in absolute terms for the year 2006, and in the table, they are related to the parameters: acreage, number of farms, and total annual SPS-payments.

The table also shows the number of farmers, applying for SPS in 2006 as well as their acreage, total CAP payments, and the total internal and external time spent per farmer.

Table 1: Farmers' administrative costs caused by the CAP requirements in 2006

	Denmark	France	Germany	Ireland	Italy**
Total administrative costs (1000 €)	31,218	381,724	480,369	37,505	198,951
Number of farmers applying for SPS in 2006	61,600	400,000	370,200	127,500	1,854,900
Administrative costs per farmer, €	507	954	1,298	294	107
Number of hectares (1,000 ha)	2,603	29,600	17,000	4,300	14,700
Administrative costs per hectare, €	12	13	28	9	14
Total SPS payments to farmers, billion €*	0.909	5.718	5.146	1.260	2.346
Adm. costs, share of total CAP payments	3.4%	6.7%	9.3%	3.0%	8.5%
Total internal time per farmer, minutes	158.8	1,699.1	1,565.8	265.4	238.0
Total external time per farmer, minutes	233.8	-***	107.9	73.0	-**
Total time per farmer, minutes	392.8	1,699.1	1,673.7	338.0	238.0
Average ha per farm	42	74	46	34	8
Wage rate, owner of a complex/large farm (€/hour)	52.5	50.6	49.4	45.2	40.4
Wage rate, owner of a simple farm (€/hour)	35.0	33.7	32.9	30.1	27.0
Wage rate, external advisor (€/hour)	100.0	96.4	94.0	86.0	77.0

Sources: Section 3

* Figures on SPS-payments have been provided by DG AGRI and cover the year 2005, except for France, where the total SPS payments cover the year 2006

** The administrative costs for Italian farmers do not include any costs for external assistance from semi-public agencies, which is given free of charge.

*** The data collection and analysis in France has shown that external advisors is not used to a significant extent. In France, public as well as private organizations, such as the Chambers of Agriculture or Rural Economic Centres, assist the farmers in filling and submitting their applications or by training them on specific concepts. Although these structures exist, outsourcing is not fully applied, as is the case in other countries. For these reasons, no external costs have been assessed for French farmers.

The cost estimates include all the administrative costs imposed on farmers, whether this covers costs for external assistance or internal costs related to resources spent by the farmer. However, the estimates do not include the value of time spent by the public sector, whether this concerns public administration of the system or assistance to the farmers in connection with CAP related activities. In Italy such assistance is provided free of charge to the farmers from public and semi-public organisations. Such support reduces the administrative costs for the farmers and limits the comparability across countries

The total administrative costs vary from app. €31 million in Denmark to €480 million in France. A considerable part of the differences is explained by the different size of the agricultural sectors in the five countries. A comparison is therefore made of the administrative cost per farmer, per ha, and of the costs as percentage shares of total CAP payments in each of the countries.

The average administrative cost per farmer varies significantly between the five countries. The average administrative cost per farmer is only €110 in Italy, whereas in Germany the average cost per farmer is €1,300. The costs per farmer are also relatively high in France. Part of this difference may be due to different farm sizes. As it is seen from the table, the average farm size is 8 ha in Italy, but between 34 and 74 in the other four countries, and the average administrative cost per ha actually varies less between the five countries. The costs per ha farmland are highest at €29 in Germany, whereas in the four other countries the costs vary between €9 and €14.

The total administrative costs constitute between 3.0 and 9.3% of the total CAP payments received by the five countries. In Ireland and Denmark, the costs are relatively low, about 3% of total payments, whereas in Germany and Italy the costs constitute about 9%.

Further, the table shows the span in the internal time spent by the farmer ranging from 160 minutes in Denmark to 1,700 minutes in France. The differences are mainly explained by the different practises and traditions regarding the use of external assistance. This is also reflected in the figures showing the average amount of services provided by external advisors, which is relatively high in Denmark and non-existent in France.

1.2. Cost drivers

It is evident from the above that a number of factors potentially affect the differences in the administrative costs across countries. The main identified cost drivers affecting the administrative costs can be categorised as follows:

- Approach and timing of transposition of the CAP regulations
- Public administration
- Business culture
- National, structural differences

As mentioned, the objective of the study has been to assess the administrative costs for selected CAP-related measures, and it has not been the intention to analyse why the administrative costs vary among countries. However, in connection with the data collection, and in particular in connection with workshops held across countries and in each of the five countries, different aspects of these cost drivers have been identified. It is not possible to quantify or to assess the precise importance of each of the cost drivers, but a qualitative assessment is given below as a basis for an assessment of their importance for the differences in assessed administrative costs across countries.

1.2.1. Transposition of the CAP regulations

The SPS system came into operation on 1 January 2005, and has to be initiated by the Member States (EU-15) by 2007 at the latest. A unique feature of the system is that it leaves discretion to Member States when implementing the new legislation. The Member States have been able to select different ways and timing of implementation.

Choice of model

The Single Payment Scheme is implemented by the Member States according to a "historical model", a "regional model", or a regional "hybrid" model (regional model with historic elements). Further, the regional model may be "static" or "dynamic".

Basic (historic) approach: each farmer is granted entitlements corresponding to the payments he received during the reference period (reference amounts) and the number of ha he was farming during the reference period and which gave right to direct payments in the reference period.

Regional (flat rate) approach: reference amounts are not calculated at individual farmer level but at regional level - the sum of the payments received by the farmers in the region concerned during the reference period. Regional reference amounts are then divided by the number of eligible ha declared by the farmers of the region in the year of SPS introduction, in order to establish the value of a single entitlement in that region. Finally, each farmer receives a number of (flat rate) entitlements equal to the number of eligible ha declared in the year of SPS introduction. This approach entails some redistribution of payments between farmers.

Mixed models: Member States, in justified cases, may apply different systems of calculation in different regions of their territory. They may also calculate SPS payments using a part-historic/part-flat rate approach. Such 'hybrid' systems can further vary over the period between first application of the SPS and full implementation, giving rise to **dynamic** as well as to **static** hybrid systems. 'Dynamic hybrid' systems can act as a vehicle to transit from the basic (historic) to the regional (flat) rate approach.

Source: http://ec.europa.eu/agriculture/capreform/infosheets/pay_en.pdf

More specifically, when implementing the reform, the EU 15 Member States were able to choose:

- to adopt a regional (flat rate), historic, or mixed/hybrid model for allocating individual reference amounts to farmers,
- to retain elements of partially coupled payments (ranging up to 100% of allocated ceiling expenditure within specific regimes) within the scope of the overall reforms agreed in 2003.

The five countries selected by DG AGRI to be included in the study are chosen to assess the impact of the different implementation options on the administrative costs imposed on farmers.

Table 2: The five models of implementation

Historic			Regional	
Use of re-coupling options				
Maximum	Some	None	Static-hybrid	Dynamic-hybrid
France	Italy	Ireland	Denmark	Germany

The different models chosen by the individual countries may thus result in different national practises and requirements, and thus differing levels and composition of administrative costs.

1.2.2. National legal set-up

Analyses of the national legislation have shown great variation in how the five Member States have chosen to transpose and implement the four CAP regulations covered by this study. Certain countries have chosen an approach where they have incorporated the new and/or changed legislation into the existing legislation, as is the case in Denmark. Other countries have chosen an approach where the regulations are enacted as issued by the Commission through the Member States legislation related to the common market, as is the case in Ireland.

The table below shows a total count of the number of legal acts used to transpose the 4 regulations, the number of information obligations (IOs) identified in the study, and the total cost per farmer and per ha.

Table 3: Legal acts and information obligations

	Denmark	France	Germany	Ireland	Italy**
Legal acts*	7	7	2	1	13
Number of information obligations	57	43	47	21	107
Administrative costs per farmer, €	507	954	1298	294	107
Number of hectares (1,000 ha)	2,603	29,600	17,000	4,300	14,700

* The count of legal acts only include the acts that contain information obligations

** The administrative costs for Italian farmers do not include any costs for external assistance

As the table shows, the number of legal acts varies between the countries, from 1 in Ireland to 13 in Italy. The differences are to some extent reflected in the number of information obligations, with Ireland having the lowest number and Italy the highest number of information obligations. Yet it is equally clear that there is no clear relation between number of legal acts and number of information obligations. To illustrate, France has 7 legal acts and 43 information obligations. Germany has approximately the same number of information obligations (47), but only 2 legal acts.

There is also no clear relation between the number of information obligations and total administrative cost per farmer. Ireland has by far the lowest number of information obligations and relatively low administrative costs per farmer. Denmark, France and Germany have very similar numbers of information obligations, between 43 and 57, but as shown in the table, the administrative costs per farmer vary considerably between these countries. A comparison of numbers of information obligations with the administrative costs per ha gives an even more blurred picture. This indicates that it is too simple just to look at the number of information obligations, which the farmers must meet, to understand the administrative costs. It is thus necessary to examine the contents of the obligations and other cost drivers as well.

Layout and content of forms

Comparing the two main forms – application for single payment and transfer of entitlements – across the five countries reveal great diversity.

First, the use of pre-printed forms for single application differs among countries. In both Denmark and Ireland, the SPS application is prewritten and if no changes have occurred in the past year and the information is correct, the farmer needs only confirm and return the form.

Second, the complexity of the implementation model has an impact on the total administrative costs. Complexity typically involves relatively higher time consumption due to documentation in connection with changes, such as crop rotation or transfers.

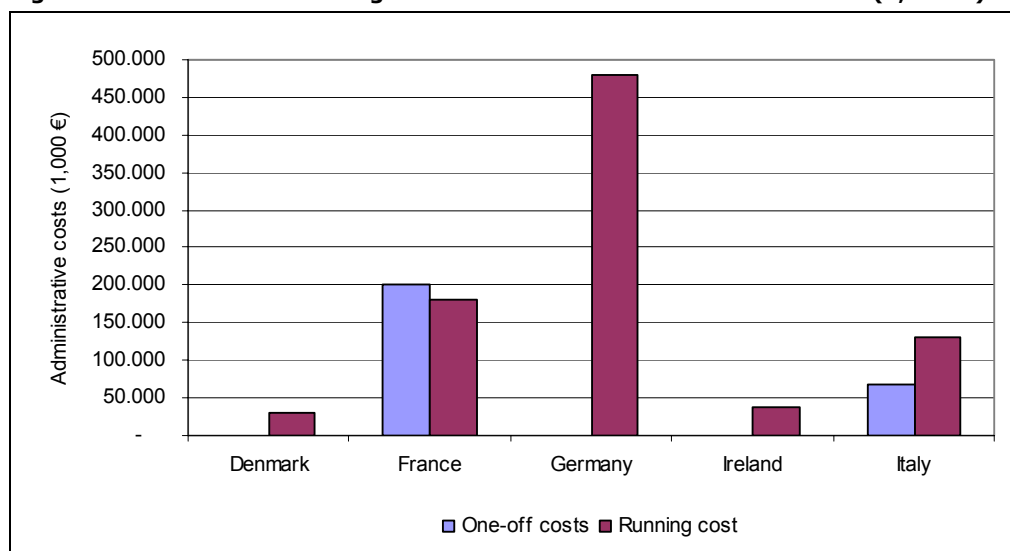
Furthermore, there is a notable disparity in the level of detail demanded by the authorities. In Germany, France, and Italy, when transferring rights, the farmer only has to indicate the number of ha, he wishes to transfer. However, in Ireland the farmer has to submit detailed information about the transferred land.

Timing

The EU 15 Member States could choose to initiate reforms in 2005, 2006, or 2007 and to de-couple dairy payments in 2005, 2006, or 2007. There is therefore a difference in "maturity" in the countries as to the implementation phase and the experience with the SPS. This means that the timing of implementation must be kept in mind when comparing the administrative costs among countries. For some of the countries, much of the preparatory work took place in 2004 and farmers and their advisors had acquired a relatively good understanding of the system in 2006.

The reform was initiated in 2005 in Denmark, Germany, Italy, and Ireland, but France decided to postpone the initiation of the reform until 2006. Since the study was set out to cover the year 2006, the five countries were at different stages in the reform period during the assessment. During the first year of the reform, the payment entitlements are established, and this process generates a great deal of administrative activities for the farmers. As an example, the French data includes administrative costs related to the establishment amounting to approximately €117 million. The figure below shows the administrative costs related to requirements in force only in 2006 (one-off costs) and the administrative costs imposed on farmers for requirements that occur on a recurring basis (recurring costs):

Figure 5: One-off and recurring administrative costs for the 5 countries (1,000 €)*



* The administrative costs for Italian farmers do not include any costs for external assistance

In Italy, the main part of the distribution of the payment entitlements for olives, sugar, and tobacco took place in 2006 and therefore the Italian data includes costs related to establishment amounting to €82 million. The distribution of the entitle-

ments in the three remaining countries took place in 2005 and no costs related to the distribution of payment entitlements are thus included in the data.

The importance of the time element is dealt with in detail in the next section on the outlook of future administrative costs.

1.2.3. Public administration

The involvement of the national administration is often the result of well-established practices, and the administrative set-up therefore differs across the countries. In addition, the technical set-up and the use of IT vary across regions and countries.

Administrative involvement

The degree of public sector involvement in the application process may have impacts on the administrative costs of farmers. One example is the pre-printed forms mentioned above, and another example of importance is seen in Italy, where the omni-comprehensive administrative service offered by the CAA combined with the small size of the majority of Italian farmers, plays a substantial role. The existence and activity of the centres for agricultural assistance (CAA), which carry out a full range of activities free of charge, play an important role, as they are a decentralized part of the public administration systems, funded by the Italian State. In other countries, independent private companies carry out these activities as a private service, for which the farmers have to pay. This part of the Italian set-up explains a considerable part of the difference between the relatively low costs per Italian farmer as compared to other countries included in the assessment.

In addition, variation in the level of information given by the authorities to farmers has been detected between the five countries, leading to a potential diversity on the total administrative cost level. The authorities in France have for instance produced and distributed a checklist that can be used by the farmer as preparation for the cross compliance inspections. The lists may have a positive effect on the administrative costs when the farmers become familiar with the contents of the inspections and consequently spend less time on checking the reports and on other related activities.

Technical set-ups

Different technical set-ups in the individual countries have further potential impacts on the resources spent on administration. Up-to-date technical solutions, such as on-line applications and on-line accessible documents, generally facilitate the administrative work.

The transfer of land and or entitlements is another example. The study has shown that Germany has established a well running electronic system to deal with the transfer of entitlements. The key feature of the system is that it instantly updates land data whenever entitlements change hands. In Denmark, on the other hand, an equivalent system is not running properly. The authorities can thus not keep up with the transfers and this adds to the administrative costs of the farmers. The insufficiency of the system also affects the following year's single payment application as the pre-printed forms are not updated, and consequently the farmer cannot count on and directly use the forms as the basis for the application.

1.2.4. Business culture

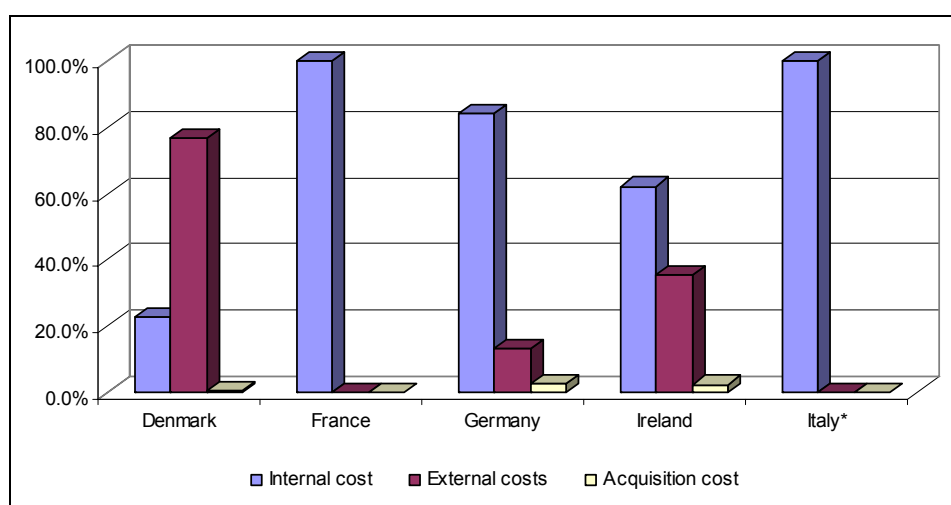
Agricultural tradition in the Member States also has an impact on the application process, and national practices are reflected in the way in which farmers apply for

the SPS and how they organise the process. In particular, the involvement of external assistance and the use of technical solutions may play a role.

Involvement of external consultants in the administrative work

The involvement of external consultants to assist with the administrative work varies across the 5 countries. In Denmark, the main rule is that consultants assist the farmers intensively through the application for single payment and other administrative tasks. In France, on the other hand, a tradition for involving consultants in the work has not been established, and the common practice is that the farmers deal with the administrative work themselves. The figure below shows the relative share of internal, external, and acquisition costs assessed in each of the five countries, illustrating the different traditions for the farmers' co-operation with agricultural advisors:

Figure 6: Relative shares of internal, external and acquisition costs*



* The assessment of costs for Italian farmers does not include any costs for external assistance

There are several reasons for outsourcing the administrative work.

Firstly, the existence of a well established advisory service is of course a necessary condition.

Secondly, since the application for single payment, the cross-compliance control, and several others of the mapped information obligations are coupled to a payment, which constitute a major part of the typical farmer's income, the farmer is naturally anxious to get these rights. Differences regarding the farmers' reliance on their own ability to conduct the administrative work correctly have been detected.

Lastly, the public administration can have an impact on the various involvements of agricultural advisors in the administrative work. If the administrative set-up functions well and is able to provide proper guidance and assistance when necessary, the need to involve consultants diminishes. If the administrative set-up on the other hand is not transparent and difficult to understand, the farmer may choose to make use of external assistance even if this might be a more expensive solution.

Technology use

As mentioned, the availability of different technical set-ups in the individual countries may have an impact on the amount of resources spent on administration. The

existence of technical solutions, such as on-line application forms and other on-line accessible documents will usually facilitate the administrative work. Several new technical solutions are in the pipeline, but a condition for more and better technology to lead to a higher degree of efficiency is that the users are able and willing to make use the systems.

1.2.5. National, structural differences

In general, a range of parameters related to the industry structure of a country has an impact on the total administrative cost level. Regional aspects and different average size of farms have also been identified as potentially important factors.

Regional aspects

Regional aspects are potential drivers of farmers' administrative costs. In Germany and France, some farmers are affected by rules and administration from multiple regions in cases where they hold land or transfer land across region borders. This leads to higher administrative costs for the farmers.

Size of agricultural establishment

As shown above, the estimated national average cost per farmer varies from €107 in Italy, to €954 per French farmer, and €1,298 per German farmer. The average Italian farm is approximately 8 ha, which is only a fraction of the German average of approximately 46 ha and the average size of 74 ha in France. The majority of Italian farmers are very small and characterised by less diversity in production, less changes, fewer transfers, etc. All these factors contribute to keeping the total cost level per farmer relatively low.

1.3. Administrative costs 2006

The following figures illustrate the differences in the administrative costs.

Figure 7: Total administrative costs for the 5 countries related to selected parameters

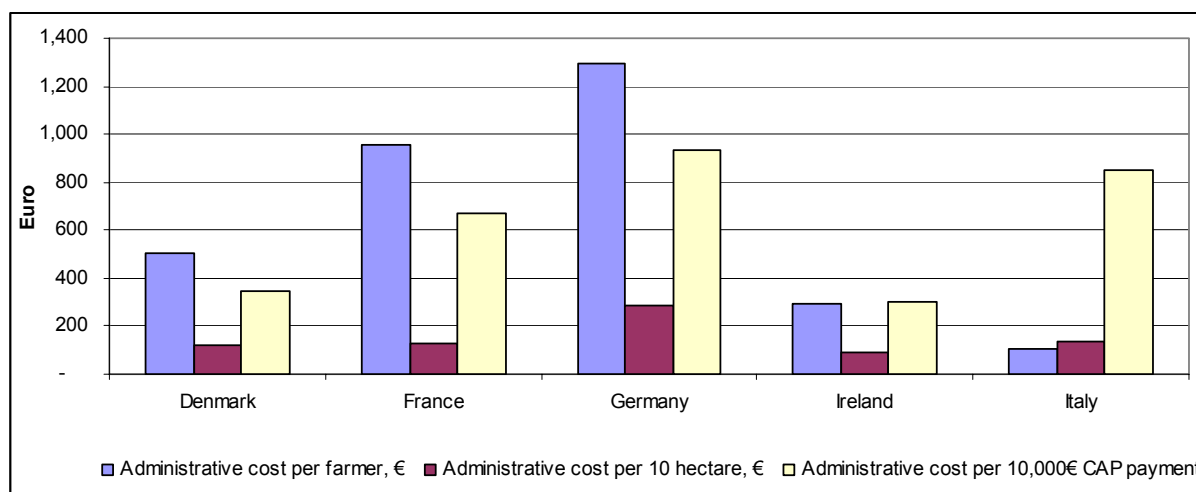
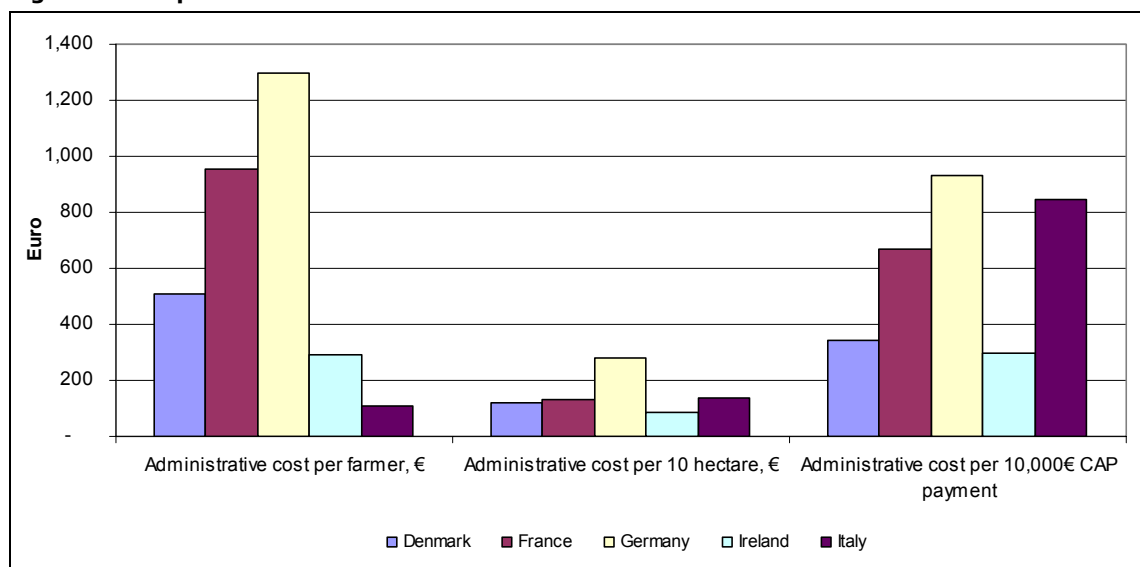


Figure 8: Comparison of administrative costs across five selected countries



The different models selected by each of the countries and the different ways in which they are implemented affect the cost levels and structures in various ways, but a quantification is difficult because of the large number of other factors and cost drivers. The table below sums up the parameters that have been identified throughout the study as having an impact on the total administrative costs related to the CAP reform.

Table 4: Parameters that have an impact on total administrative costs

National, structural differences
<i>Regional aspects</i>
<i>Size of agricultural establishment</i>
Public administration
<i>Involvement in the administrative work</i>
<i>Technical set-ups</i>
Business culture
<i>Involvement of consultants in the administrative work</i>
<i>Technology use</i>
Transposition of the CAP regulations
<i>Choice of system</i>
<i>National legal set-up</i>
<i>Layout and content of forms</i>
<i>Timing of implementation</i>

The most important factors, that have a potential to affect the comparison of national average administrative costs for farmers, and the importance of such factors are briefly summarised in the following.

National structural differences in particular affect the per farmer costs in Italy, where the average farm size is considerably lower than in the other Member States, but the costs per ha farm land are at the same level as in Denmark and France.

The public sector involvement and the free assistance offered to farmers affects the administrative costs in Italy by reducing the administrative costs relative to those imposed on farmers in other Member States. Without this arrangement, the

administrative costs of Italian farmers would have been much higher, but the study does not provide any basis for a quantification of this impact.

The public sector involvement also affects the administrative costs imposed on farmers by making different types of IT solutions and pre-filled forms available. This has a direct cost saving impact in France where the authorities have developed and distributed a checklist, and in Germany, where an electronic system to deal with transfers of entitlements saves time for the farmers. The parallel system in Denmark seems to have had such a cost saving effect.

Finally, the administrative costs are affected by the differences in the chosen models and their implementation. As mentioned above, this impact cannot be quantified on the basis of the results of the study because of the influence of other factors. Based on the cost calculations and the above assessments, it seems fair to conclude, however, that the model chosen in Germany is expensive for the farmers and that the model applied in Ireland has led to low administrative costs for the farmers. In Germany, the farmers' administrative costs have been reduced by an appropriate system to deal with transfers of entitlements, but the total costs per ha, per farmer, and as a percentage of CAP payments are still much higher than in the other countries considered. The opposite picture is seen in Ireland, and the difference between these two countries cannot be explained by other factors, than the chosen models and their implementation.

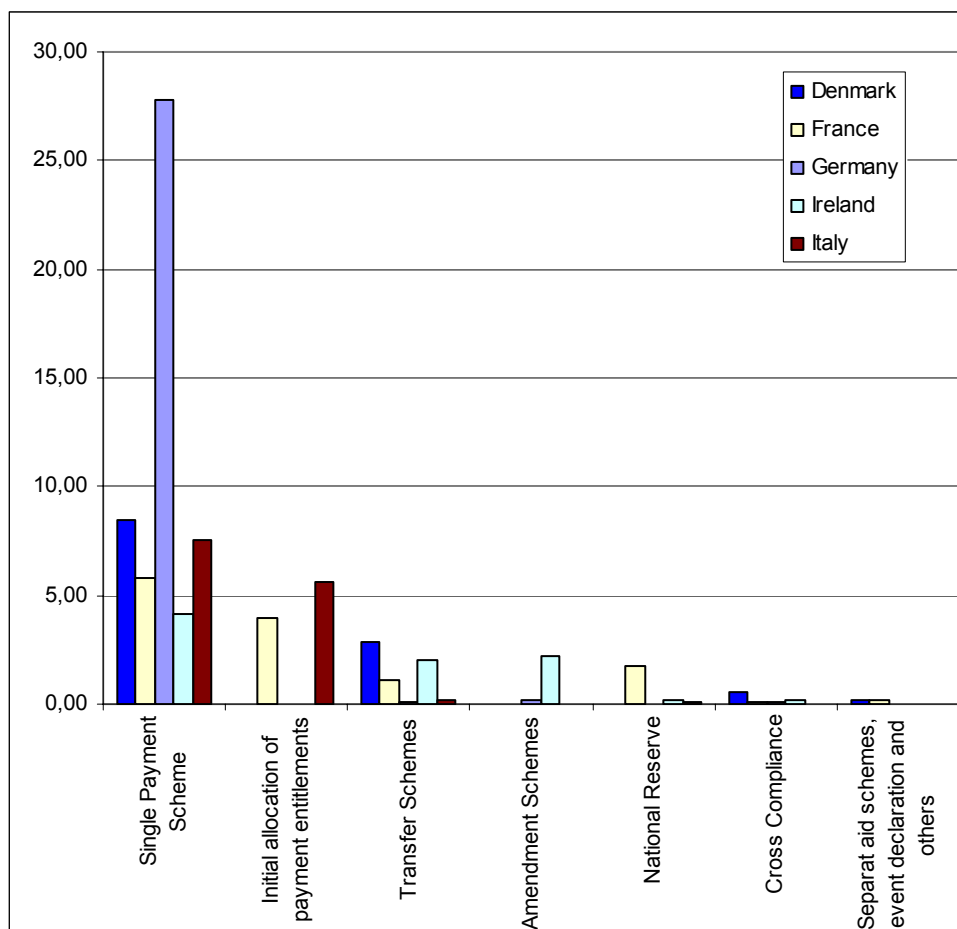
The administrative costs are very low in Italy, and they will probably be reduced further as a consequence of the fruit and vegetable reform. It is not possible, however to assess to what extent the low level of administrative costs is due to the specific Italian model. Among other things, this depends on the value of the assistance that the farmers receive free of charge from public and semi-public agencies.

The administrative costs of Danish farmers are relatively low, and the fact that they might be reduced by improving the system for dealing with transfers of entitlement indicates that the model chosen here implies relatively low costs for the farmers.

The importance of the various subject groups in the total picture of administrative costs is illustrated in the chart below, where a breakdown of costs per ha farmland is shown. The initial transfer of entitlements has played a role in France and Italy in 2006, and particularly in France, the transfer scheme and the national reserve also contributed to the administrative costs imposed on farmers.

The conclusion from this illustration is that the single payment scheme is relatively expensive to the farmers in Germany and to a high extent also in France and Italy. However, in Ireland and in Denmark the costs, calculated per ha farmland, are relatively low.

Figure 9: Farmers' administrative costs per ha by subject group and country, 2006



The chart also indicates the importance of timing in France and Italy, where initial allocation costs in 2006 are temporarily higher than expected in the longer term. This will be dealt with further in the section on the outlook.

2. Simplification suggestions and irritants

A detailed list of simplification suggestions and irritants that have been identified for the 5 countries is presented in the following country sections. Below, the key suggestions and irritants across the countries are identified:

A central irritant identified in all 5 countries was the deadline for the single Payment Scheme applications. While Danish and Irish farmers focus on an earlier deadline for the application inter alia to reduce problems related to cash flow, Italian and French suggestions were to make the deadlines flexible or ongoing in order to spread out the work of applying and to align the application processes with the constantly changing nature of farms. Further decoupling would reduce this need for "late" amendments in the application form. In Germany, the 10-month rule was not only perceived as the cause of a lot of confusion, it was also seen as producing redundant information, therefore its abolition was suggested.

Many of the suggestions for simplification of the processes to comply with regulations are very country specific because they are products of the different CAP im-

plementation options chosen in the countries. As the suggestions are very specific, please see the detailed country sections.

Yet some similar remarks were made in more countries. For one, the layout and content of the application forms were mentioned. Some focused on providing more uniform forms to reduce the time needed to become familiar with differing forms and to format information when transferring it to other forms. A specific example is the parcel maps, which are identified as an irritant for farmers across the 5 countries. This is especially true in a transfer situation where the land transferred has to sum to exactly 100%, but irritations also occur because the SPS application parcel maps are not aligned with the parcel maps the farmer uses in the every day operation of the farm.

Other focused on pre-filled forms. Where these already existed, farmers requested that more forms be pre-filled. Where pre-filled forms did not exist, farmers were interested in their introduction.

Farmers and experts in all five countries found it irritating to produce information several time to various authorities or to produces information that an authority already had. To remedy this, they suggested that integrated databases be developed. This way information could be reused from one year to the next, and shared between authorities. It was suggested that farmers and experts also had full online access to the information they provided. For Italy, where this type of database exists already, further improvements were suggested.

The wish for a digital and especially online application option for the SPS was requested as this was seen as a way to ease and improve the application substantially. In Germany where such a system is in place already these assumption have been proven to be correct.

Finally, although total costs are low, many farmers saw the cross compliance checks as an irritant because the farmers who are subjected to the checks are obliged to be present and assist the inspector, very often during the entire length of the check. Where checks were unannounced, the element of insecurity annoyed the farmers. Where checks were announced farmers felt that they risked waiting time preparing for something that would not be checked or that they did not have sufficient time to prepare.

The present report does not include calculations related to transferring one initiative from one country to another (an example could be implementing the German transfer system in other countries), as the calculation needed would contain too many assumptions and conditions to give meaningful input to the report.

3. Outlook

The development of the administrative costs over the coming years will vary among countries. For a country like France, where the implementation took place in 2006, some of the administrative costs during this year are one-off costs and total administrative costs will therefore decrease already next year. A similar reduction is expected in all 5 countries because of the Fruit and Vegetable reform. This reform will remove restrictions on the use of land under limit and vegetables to be used for the activation of entitlements.

In addition to such specific reductions, a general, gradual reduction is foreseen in all countries because of an increased familiarisation with the CAP regulation among farmers and their advisors and a general learning of rules and processes (the learning curve).

Finally, the administrative costs may also change because of regulatory changes or as a result of possible changes in the administrative set-up and usage of IT systems.

It is evident that the outlook is subject to a higher uncertainty than the above estimates of the administrative costs in 2006. The uncertainties are particularly related to the implementation and timing of possible regulatory or administrative changes.

A detailed description of the expected changes that could have a potential impact on the administrative costs is presented in the following country sections. Below, the key expected changes are described on the background of the four groups of cost drivers, presented in the above section: The transposition of the CAP regulations, public administration, business culture, and national, structural differences.

3.1. Transposition of the CAP regulations

The different transposition patterns will affect the development of farmers' administrative costs in various ways and for a number of reasons. The main impact will be the result of a considerable reduction of costs related to the establishment period. The reform should be fully applied in the 5 sample countries by now (last year to initiate the reform is 2007, EU 15). As it appears from the previous section, the initial allocations of payment entitlements constitute 30.5% of all administrative costs in France and more than 40% in Italy (tobacco, olive oil). This indicates a high potential cost reduction in these countries.

System changes towards decoupling are anticipated in France. This would lead to a reduction of time spent on calculating land in connection with the declaration form.

The fruit and vegetable reform will become effective on the 1st of January 2008. This change is expected to simplify the application for single payment and reduce the number of transfers, and thereby lead to a reduction of total costs. Since this is an EU initiative, the reform will have an impact on all the EU countries.

The set-aside entitlements will be put on hold and it will therefore no longer be necessary to make the demarcation between entitlements related to land that has been set aside vs. land in use. Again, this is an EU initiative, which will apply to all EU countries.

The 10-month rule related to the disposal period is likely to be abolished or changed with a positive effect on the application for single payment as well as transfer of rights to follow. This is yet another EU change in the legislation, applying to all EU countries.

A simplification of the form used to transfer entitlements is expected to take place in Ireland.

3.2. Public administration

Submitting applications on-line is expected to be a growing trend in the following years. This is the case in Denmark, France, and the German Bundesländer where an IT solution is available, and where an increasing use of this is expected. Ireland and the Bundesländer that have not established an online solution for the single payment application are expected to do so in the near future.

Ranges of IT solutions are in the pipeline:

- An IT solution to ease transfer of entitlements in Denmark, where this activity constituted about 25% of total administrative costs in 2006. The major part of this may be saved by the new system
- Establishment of better databases connecting the data available at regional level with data available at state level and data between different ministries in Italy and France
- Establishment of database to facilitate cross-compliance controls in France

In addition to providing up-to-date IT solutions, the public administration is expected to affect the development of administrative costs through improvements of the pre-printed forms along with more use of preprint in Ireland and in the Bundesländer, where no efficient solution has yet been established. In Ireland, a text-message service reminding the farmers via their cell phones of the application deadlines is also planned.

A positive learning curve effect within the public administration can be detected and is anticipated to rise in the future regarding the content of the legislation, as well as the technical solutions available in the various countries. Naturally, in the short run, it will take some time for officials to become acquainted with and used to possible new technical solutions, but in the end, a positive effect is expected in all countries.

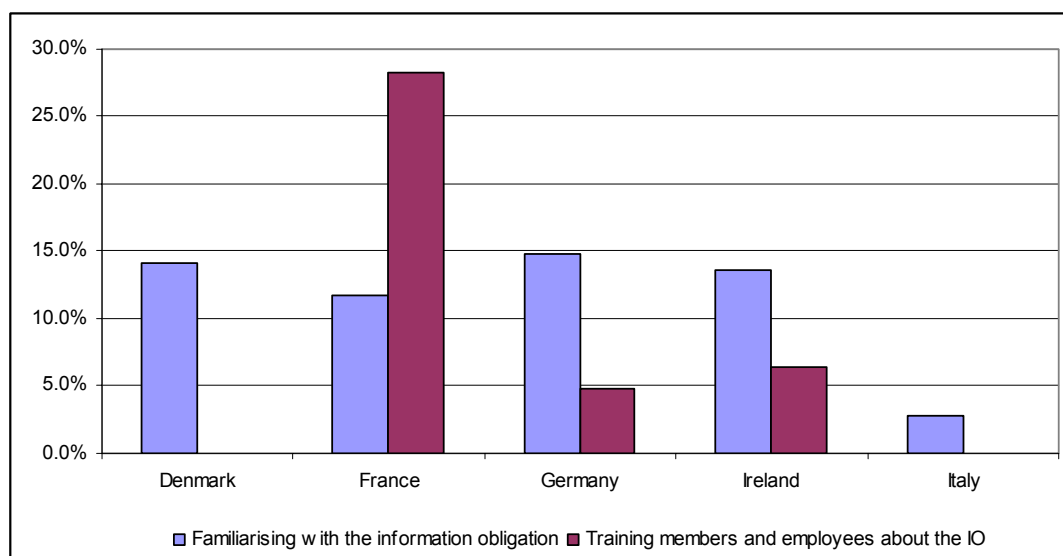
3.3. Business culture

In general, the existence of a positive learning curve effect has been noticed with the farmers as well as their advisors. There is a potential for reducing recurrent costs, when they become more familiar with the content of the regulations and aware of appropriate technical solutions available.

A precise quantification of this cannot be made, but an estimate of the potential may be done by identifying activities that are potentially affected by familiarisation with the regulations and available technical solutions. The chart below shows the magnitude of such activities as percentage shares of total recurrent internal administrative costs for each of the five countries.

It appears that the potential cost reduction is largest in France, Ireland, Germany and Denmark. The possible cost reduction will not be the full amount of these activities as a certain amount of familiarisation and training will still be needed, but a cost reduction of the major part of the estimated potentials may be expected to take place over a period of some years, provided that no major changes of the legislation take place.

Figure 10: Percentage share of internal recurrent costs of farmers, spent on familiarisation and training



3.4. Structural differences

The learning curve will probably be steeper for large farms than for the smaller ones, which will lead to a slower reduction of administrative costs in countries and regions dominated by small farms.

3.5. Conclusions on the outlook

The main development potentials will be the following:

- Reduction of costs related to the establishment period. They are expected in France (30%) and Italy (40%)
- A planned IT solution in Denmark will ease transfer of entitlements. It is expected to save the major part of the 25% of total administrative costs spent on this activity.
- A positive learning curve effect provides a potential for a reduction of recurrent administrative costs over a period of a few years. The total savings on this account will be highest in France, where 40% of costs are related to familiarisation and training, and in Ireland, Germany and Denmark where these cost elements constitute between 14% and 20%.

SECTION THREE: Costs in the five countries

This section of the report presents and examines the administrative costs imposed on the farmers in the five sample countries. Each country chapter is divided into the following sections:

1. Total administrative costs in 2006
2. Assessment of administrative costs of most burdensome information obligations
3. Simplification suggestions and irritants
4. Outlook of expected development of the administrative costs
5. Conclusions

Regarding the sections on simplification suggestions and irritants, these are structured around the following generic means of simplification:

- Remove, reduce, merge, or improve regulations
- Simplify the process to comply with regulations
- Data sharing + joint government
- Develop ICT – solutions and services
- Provide better guidance and information

Further, since some of the comments on simplifications were related to general procedural improvement, this has been added as a sixth category.

It should be noted that the irritants are quite often closely connected with the suggestions for simplifications, as the encountered point of irritation sparks the suggestion for improvement.

Regarding the outlook of expected developments, this section has been divided into the following three parts:

- Regulatory changes,
- Changes in IT set-up, and
- Learning curve effects

1. Administrative costs imposed on farmers in Denmark

1.1. Total administrative costs in 2006

The table below summarizes the total administrative costs imposed on Danish farmers. The total administrative costs amounted to €31,218,000 in 2006.

Table 5: Total administrative costs imposed on Danish farmers in 2006*

Total administrative costs, €	31,217,907
Number of farmers applying for SPS in 2006	61,600
Administrative cost per farmer, €	507
Agricultural area, hectares	2,603,000**
Administrative cost per hectare, €	12
Total CAP payments to farmers, €, 2005	909,429,000***
Administrative cost, share of total CAP payments	3.4%

* All figures are rounded

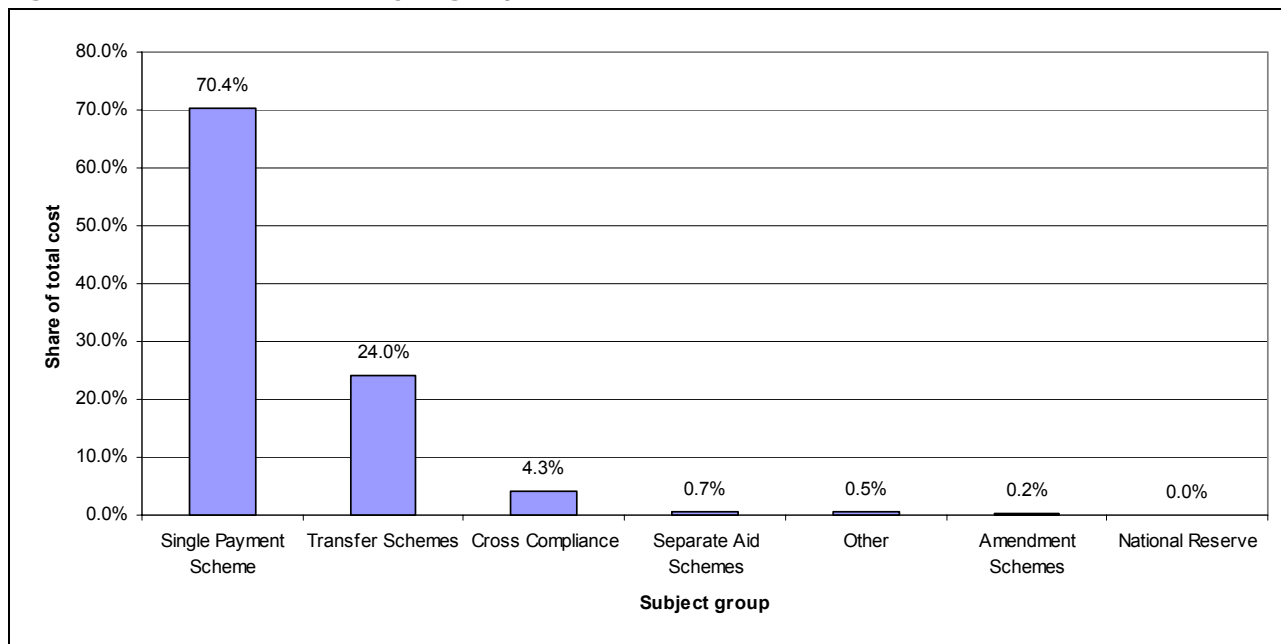
** Source: Dansk Landbrug i tal, 2006 (Danish Agriculture in figures, 2006)

*** Source: DG AGRI

When the total is distributed on the number of farmers applying for the SPS in 2006, the average administrative cost per applicant is €507. It is also interesting to look at the administrative cost per ha, as it considers the size of the farmland in the individual Member State. In Denmark, the administrative costs per ha are €12. Overall, the administrative costs as a share of total CAP payments constitute 3.4%. This number indicates the level of administrative costs in relation to the CAP payments received by Danish farmers.

The figure below shows the relative costs for the individual subject groups.

Figure 11: Relative costs for subject groups



As can be seen from the figure above three subject groups represent almost all administrative costs endured by Danish farmers. These three subject groups are; the SPS, the transfer schemes, and cross compliance.

The most costly subject group is the SPS, which makes up 70.4% of all costs. The relatively large share of the SPS is explained by the fact that it affects all farmers who apply for SPS. Among the 61,600 applications, 13,800 farmers only had to fill in page one; i.e. tick off the application type and sign the application, because their parcel maps remained unchanged compared to 2005. For the remaining 47,800 farmers, their parcels had changed since 2005, making it necessary for these farmers to complete all the 10 pages of the form.

The subject group of transfer schemes comes in second in terms of costs and represents 24% of all costs. The subject group is made up of 12 information obligations, and in 2006, 36,000 forms on the transfer of payment entitlements were handed in. Typically, transfer of payment entitlements involves filling out a whole number of transfer schemes at the same time, mainly due to lease arrangements. The first scheme is the most time consuming one because the farmer/advisor is able to use the information from the first form when filling in the rest.

Cross compliance constitutes a relatively small share of total costs, namely 4.3%. This is mainly because a relatively limited number of farmers are affected by inspections. In Denmark, 53 cross-compliance requirements were in place in 2006 relating to three control areas: Environment, Health (plant, animal, and human), and Good Agricultural and Environmental Conditions in the practice of farming (GAEC). 6,431 inspections were conducted.

Below, a more detailed assessment of the administrative costs of the most burdensome information obligations is provided.

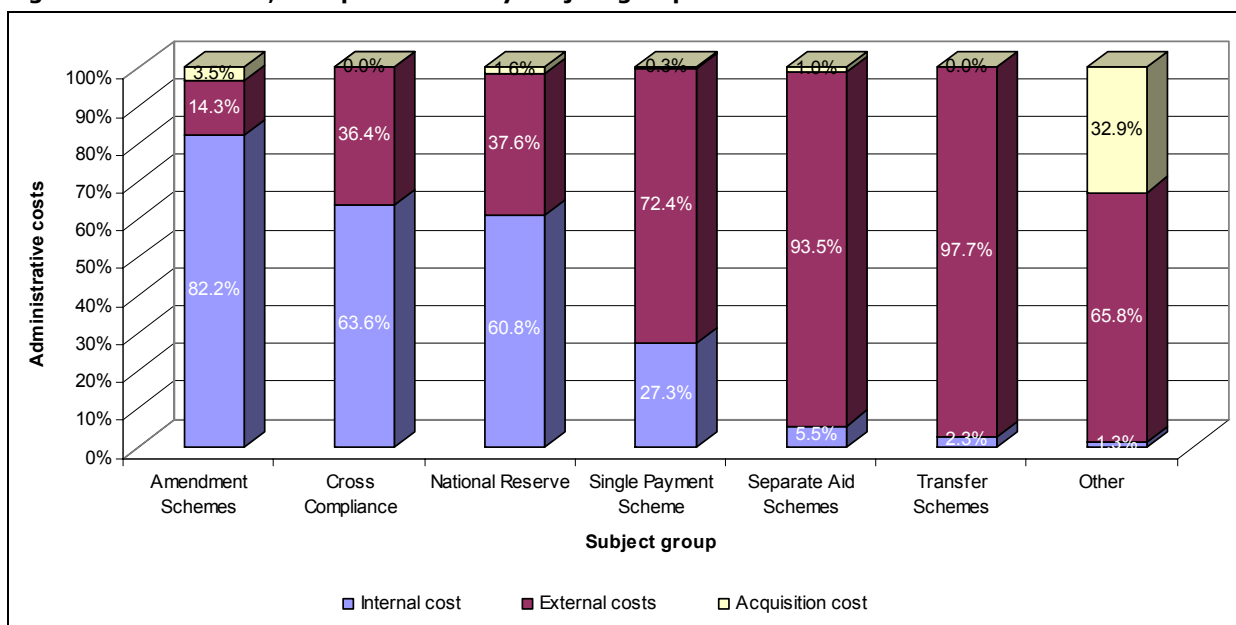
The rest of the subject groups have a very low share of total costs, less than 1%. This is mostly due to a limited number of farmers affected.

1.1.1. Details of total costs

After having looked at the total costs for subject groups, this section now takes a closer look at the cost parameters of each subject group; i.e. internal costs, external costs, and acquisition costs.

The figure below shows the different subject groups and the relevant cost parameters.

Figure 12: All farmers, cost parameters by subject group



As can be seen, there exists a clear difference between subject groups dominated by external costs and subject groups dominated by internal costs.

The external costs dominate four subject groups: the SPS, separate aid scheme, transfer schemes, and the residual "other". The overall explanation is that the use of external advisors and hence outsourcing is widespread within these subject groups.

Nevertheless, the use of external advisors varies between the subject groups. Transfer schemes and separate aid schemes are to a very high degree characterised by external assistance and thus external costs. In all probability, this is owed to the complexity of the schemes, which necessitates farmers to solicit external expertise in order to be able to fill in the applications. For these two schemes, the other side of the coin is that the farmer's involvement is rather limited, consisting mainly of providing existing information and otherwise being available for any queries that the advisors may have; also meetings are common. It should be noted that a small fraction of farmers might fill in these schemes without external assistance. This is notably the case with the SPS, where 13,800 farmers filled in the SPS application themselves. When using external advisors for the SPS application, the farmers would typically be present.

Looking at the subject groups dominated by internal costs, three groups stand out; amendment schemes cross compliance, and national reserve. Especially the amendment schemes are characterised by a high degree of internal costs, which means that the farmer would typically not use outside help when filling in the application.

Both cross compliance and national reserve would typically involve some degree of external involvement, representing a rough one-third of the administrative costs. For cross compliance the farmer would normally consult his advisor when preparing for the inspection. Likewise, the advisor would typically be consulted when applying for the national reserve.

Another salient feature when looking at the cost parameters is the very low acquisition cost. For most subject groups acquisition cost is virtually non-existing, with the exception of the subject groups other and amendment schemes. As indicated, the acquisition cost in the subject group other makes up some 33%.

This means that the most common cost parameter across subject groups is time; either time spent by the farmer and/or time spent by the external advisor. Consequently, acquisitions are not common when applying for the SPS.

The table below looks further into the total costs distributed on subject groups and target groups.

Table 6: Total administrative costs, subject groups and target groups*

Subject group	Target group	Internal cost, €	External cost, €	Acquisition cost, €	Total cost, €
Amendment Schemes 2006 (amendment-, reduction- or termination of contract/delivery etc.)	All farmers	46,900	-	2,500	49,300
	Farmers who cultivate energy crops	1,700	1,200	-	2,800
	Farmers who cultivate non-food crops/raw materials	5,800	8,600	-	14,300
	Sheep/Ewe farmers	1,700	-	-	1,700
	Total	55,900	9,700	2,500	68,000
Cross Compliance 2006 (request for exemption from GAEC standards etc.)	All farmers	845,600	483,200	-	1,328,800
	Total	845,600	483,200	-	1,328,800
National Reserve 2006 (allocation of payment entitlements from the national reserve etc.)	Other types of farmers	2,000	-	100	2,000
	Sheep/Ewe farmers	5,000	4,300	200	9,300
	Total	6,900	4,300	200	11,300
Other 2006 (documentation, labelling, registering)	All farmers	1,900	97,500	48,800	148,200
	Total	1,900	97,500	48,800	148,200
Separate Aid Schemes 2006 (ewe premium, male bovine premium in case of export etc.)	Male bovine farmers	4,800	40,500	800	46,000
	Sheep/Ewe farmers	7,000	159,700	1,500	168,200
	Total	11,800	200,200	2,200	214,100
Single Payment Scheme 2006 (single payment, aid for energy crops, dried fodder, protein crops etc.)	All farmers	5,468,400	15,342,700	69,600	20,880,700
	Farmers who cultivate crops suitable for dried fodder	42,000	-	-	42,000
	Farmers who cultivate energy crops	39,500	13,400	-	52,900
	Farmers who cultivate non-food crops/raw materials	86,500	28,300	-	114,700
	Farmers who cultivate sugar beet	38,400	-	4,000	42,300
	Male bovine farmers	240,000	171,400	-	411,400
	New farmers	28,600	-	-	28,600
	Processors of energy crops	-	113,900	-	113,900
	Processors of non-food crops/raw materials	300	214,700	-	214,900
	Processors of starch potatoes	20,600	-	100	20,600
	Sheep/Ewe farmers	24,500	17,500	-	42,000
	Total	5,988,300	15,901,800	73,600	21,963,600
Transfer Schemes 2006 (declaration of transfer of holding, PEs, contracts etc.)	All farmers	172,400	7,309,900	200	7,482,400
	Farmers who cultivate non-food crops/raw materials	200	-	-	200
	Male bovine farmers	1,100	-	-	1,100
	Processors of energy crops	700	-	-	700
	Total	174,200	7,309,900	200	7,484,200
Total		7,084,400	24,006,400	127,300	31,218,000

* All figures are rounded

For the amendment schemes, the target group “all farmers” makes up almost 75% of total costs. The target group is composed of farmers who applied for amendments to the SPS application in 2006, whereas the other target groups are much more narrowly defined in that they cover specific types of farmers. When comparing the cost distribution between the different target groups, some interesting findings emerge. First, the costs for all farmers are almost exclusively internal, meaning that farmers fill in the applications themselves. The same goes for sheep/ewe farmers. Second, for the two other target groups, energy crop farmers and non-

food crop farmers, the use of external assistance is widespread, indicating a need for a relatively higher level of expertise which necessitates outside expertise.

Cross compliance, however, is the same for all types of farmers, and there are no relevant sub-target groups.

For the national reserve two target groups can be detected, other types and sheep/ewe farmers. Sheep/ewe farmers account for the majority of total costs in this subject group. Interestingly, the costs endured by sheep/ewe farmers are almost equally divided into internal and external, indicating an extensive use of outside advisors.

The subject group other 2006 is characterised by small internal costs and relatively high external and acquisition costs, thus indicating a high involvement of external help as well as the need to undertake investments when applying.

The same pattern is found in the subject group separate aid schemes, in which notably sheep/ewe farmers carry high external costs. The distribution of costs fits the overall finding that the more specialised the application, the higher the tendency to use external assistance in the application process.

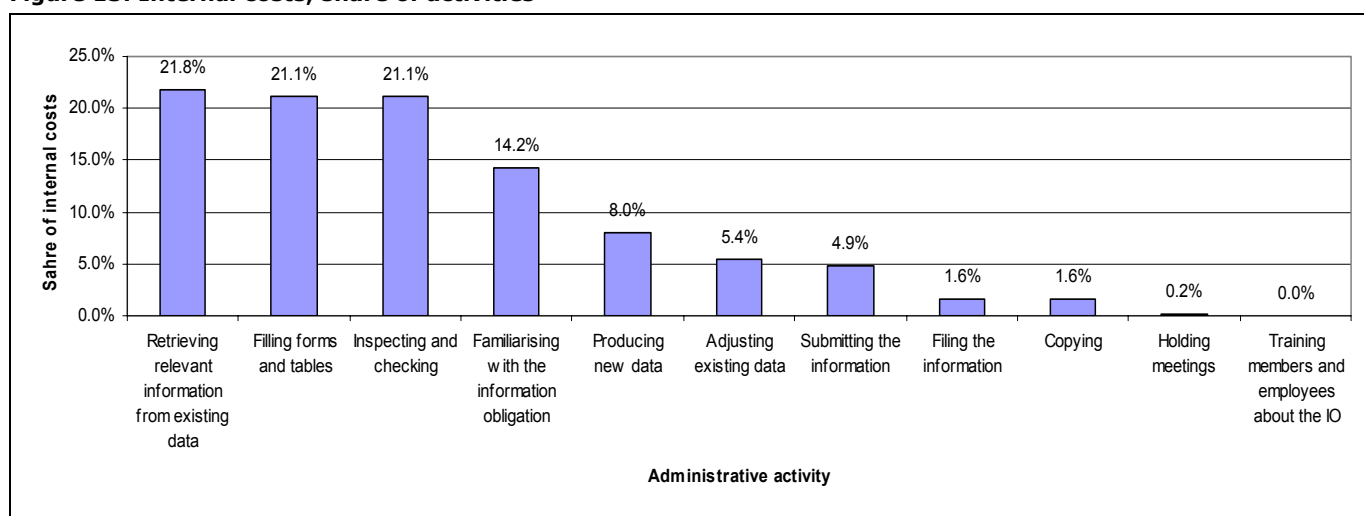
The SPS subject group is by far the most costly of all subject groups, constituting around 70% of all Danish administrative costs. Within this subject group, the target group "all farmers" accounts for some 95%, as all farmers apply. The costs for other target groups are much smaller, as the target groups are narrow.

The same pattern can be found when looking at the transfer schemes, meaning that the general application bears the highest costs.

Looking at the total costs, an interesting conclusion emerges. 23% of the total stems from internal costs, whereas close to 77% are external costs, underlining the widespread use of external advisors in Danish agriculture when applying for the SPS.

Meanwhile, it is necessary to take a closer look at the composition of the internal costs to gain a deeper understanding of the time farmers spend on the SPS application process.

Figure 13: Internal costs, share of activities



As illustrated, three activities dominate the time use: retrieving relevant information, filling forms and tables, and inspecting and checking. They account for almost 64% of the costs and each activity constitutes around 21% of the costs.

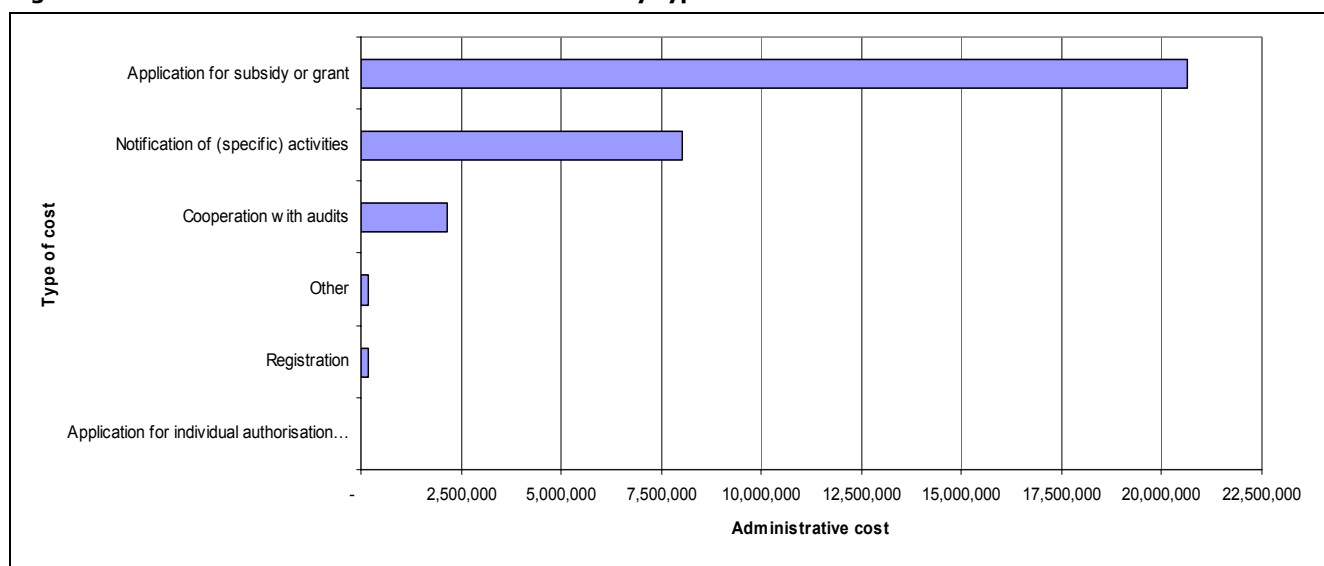
This is not surprising given the characteristics of the typical Danish application process. Inspecting is related to checking pre-printed information on the forms and otherwise making sure that the filled in information is correct. Filling in forms and tables is the process of completing the forms. Retrieving relevant information is the process of finding relevant data to fill in, either from previous applications or data that is already there. By contrast, producing new data only accounts for 8% of internal costs, indicating that the required data to apply for the SPS is typically existing information.

It may be somewhat surprising that holding meetings only accounts for 0.2% of the internal costs, considering the widespread use of external advisors. Nevertheless, it may point to the use of short meetings and cooperation between farmers and advisors based on telephone conversations and electronic communication rather than face-to-face dialogue.

The section now turns to examine the administrative costs by type of costs.

The figure below illustrates the total administrative cost distributed across different types of costs.

Figure 14: Distribution of total administrative cost by type of cost

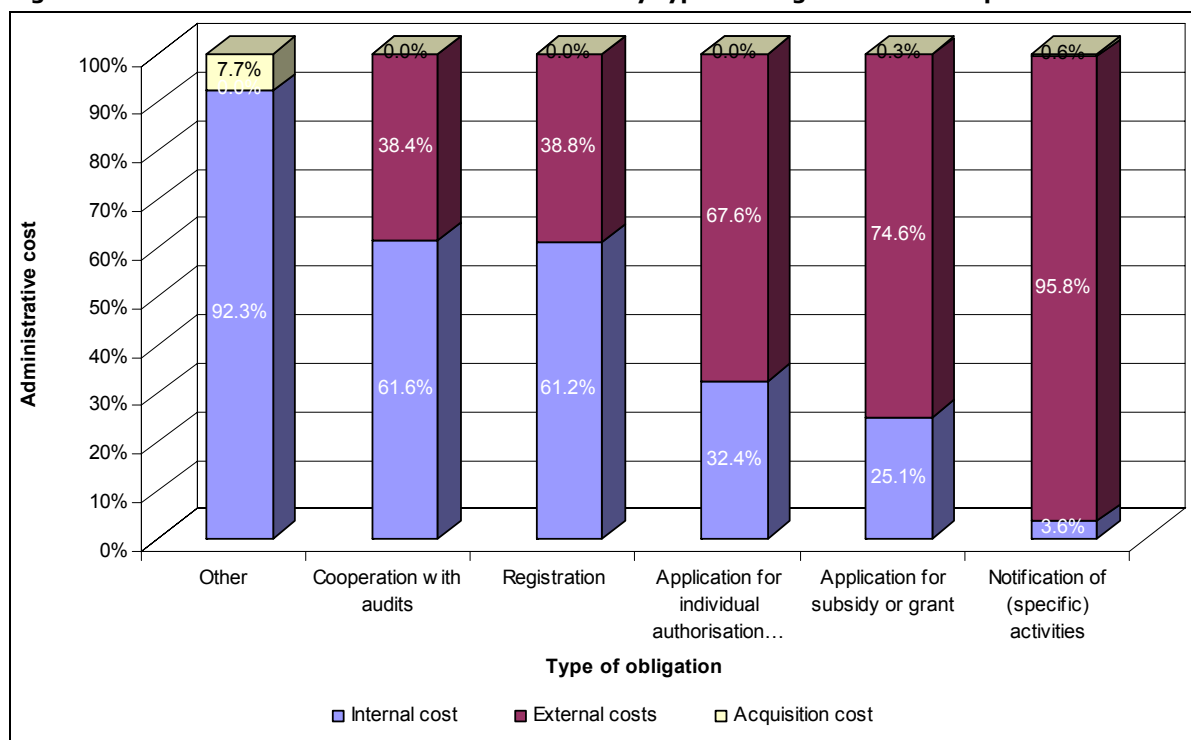


The distribution of administrative costs by type of cost follows the pattern that has been identified and discussed above.

By far the most dominating obligations relate to the actual application for the SPS. This is also where the largest population of farmers is found. The obligations relating to the notifications of specific activities are second in line, but only amount to around one third of the costs stemming from the application for the SPS. The explanation is straightforward as the notification obligations are only relevant for some farmers and in particular circumstances.

The cooperation with audits is in third place, which can be explained by the fact that only a fraction of all farmers are affected by inspections, leading to relatively low overall total costs.

Figure 15: Distribution of total administrative cost by type of obligation and cost parameter



Taking a closer look at the obligations supports the picture of Danish practices in relation to SPS. The obligations that need to be met when applying or notifying of a specific activity are dominated by external costs. In other words, the use of external advisors typically comes into play when application or notification is concerned; that is when information is conveyed from the farmer to the authority.

On the other hand, internal costs dominate cooperation with audits and registration. This is to some extent at least owed to fact that such obligations require a certain amount of physical presence at the individual farm. To illustrate, the farmer may consult the advisor when preparing for the inspection, but he still needs to be present at the farm when the inspection occurs.

Registration actually covers two different practices. Registration implies that buyers of non-food crops are obliged to keep accounts of purchased and sold items under this arrangement. The same goes for processors of non-food crops. This kind of account management is completely undertaken by external parties. By contrast, the practice regarding the data card is completely handled by the farmer; that is the farmer has to report a change of address, bank details and so forth, and new farmers must fill out a data card containing basic data such as name and address.

1.1.2. Top 10 information obligations

The table below lists the top 10 in terms of total costs per farmer/per application.

Table 7: Top 10 information obligations, administrative costs per farmer/per application*

Rank	Information obligation	Segment	Internal cost, min.	External cost, €	Acq. cost, €	Total cost, €	Population/year
1	Account management for buyers of non-food crops		-	2,970.0	-	2,970.0	12.0
2	Account management for processors of non-food crops		-	2,970.0	-	2,970.0	12.0
3	Application for aid for starch potato (Processor)		2,700.0	-	1.0	1,477.0	4.0
4	Application for single payment	Complex - Outsourcing	150.0	475.0	4.0	610.0	22,500.0
5	Application for single payment	Complex - In-house	660.0	-	1.0	386.0	1,400.0
6	Cross compliance control		300.0	100.0	-	275.0	4,832.0
7	Application for single payment	Simple - Outsourcing	60.0	200.0	1.0	254.0	22,500.0
8	Request for amendment of obligation to deliver – non-food contract (NF form 3)		120.0	175.0	-	245.0	49.0
9	Area and crop control		240.0	100.0	-	240.0	1,552.0
10	Ewe premium control		240.0	100.0	-	240.0	175.0

* All figures are rounded

The two most burdensome information obligations relate to registration, namely account management for buyers and producers of crops who are obliged to keep accounts of purchased and sold items on a daily basis, making it possible to do a monthly account of purchased and sold items .

Though the total population is low, the cost to the individual applicant is high due to the high time consumption. The same line of argument can be used to explain the application for aid for starch potato. A difference exists in that account management is completely handled by external parties.

The fourth most burdensome information obligation is the SPS application for single payment. It should be noted that the fourth obligation covers the segment complex outsourcing. In addition, the external costs are relatively high.

The SPS application also represents the fifth most burdensome information obligation. This is the segment complex in-house, which is characterised by high internal costs but a relatively limited population.

Number 6 is cross compliance controls. It has already been noted that the population covers a fraction of all farmers and that time is typically spent on preparation and physical presence.

In seventh place, we find another application for single payment, the segment of simple-outsourcing, which is primarily driven by external costs.

The obligations ranking 8 to 10 have a similar total cost for the farmer. Number 9, area and crop control, and number 10 ewe premium control are identical and composed of both internal and external costs.

A common feature of the top 10 is the very low and most often non-presence of acquisition costs.

Meanwhile, when turning to the most burdensome information obligations in terms of total costs, the picture changes.

Table 8: Top 10 information obligations, total administrative costs*

Rank	Information obligation	Segment	Internal cost, €	External cost, €	Acq. cost, €	Total cost, €	Population/year
1	Application for single payment	Complex - Outsourcing	2,953,200	10,687,500	20,300	13,660,900	22,500
2	Transfer of payment entitlements		126,000	7,200,000	-	7,326,000	36,000
3	Application for single payment	Simple - Outsourcing	1,181,300	4,500,000	20,300	5,701,500	22,500
4	Cross compliance control		845,600	483,200	-	1,328,800	4,832
5	Application for single payment	Complex - In-house	539,000	-	1,300	540,300	1,400
6	Area and crop control		217,300	155,200	-	372,500	1,552
7	Application for single payment - parcel map unchanged compared to 2005		241,700	-	12,500	254,100	13,809
8	Male bovine premium control		127,400	91,000	-	218,400	910
9	Male bovine premium control (export)		112,600	80,400	-	193,000	804
10	Application for ewe premium		7,000	159,700	1,500	168,200	1,597

* All figures are rounded

As evident from the table above, the two information obligations, which represented the highest cost per farmer, are not present when looking at total costs. The main explanation is the low number of farmers affected. It follows that the population generally is a determining factor when examining total costs. However, it is equally evident that for some information obligations the costs are the main driver, especially when total costs are relatively low.

The top four obligations all have a total cost in excess of € 1 million. It is no surprise that they represent the subject groups with the highest relative costs, as discussed above.

The most burdensome information obligation is the application for single payment, the complex-outsourcing segment, the cost of which is almost the double of the second most burdensome information obligation. This information obligation has the highest internal and external costs and the second largest population.

The second most burdensome information obligation is the transfer of payment entitlements. The highest population and the second highest amount of external costs cause the ranking. Interestingly, this information obligation has the third lowest internal costs, underlining the use of outside assistance.

In third place, we find another segment from the single payment application, namely the simple-outsourcing segment. This information obligation is characterised by the second highest population and internal costs, as well as the third highest amount of external costs.

The fourth most burdensome information obligation is cross compliance. As noted, it is made up of a relatively small population, but the third highest internal costs and the fourth highest external costs.

The total costs of the rest of the information obligations range from a little more than €500,000 to a little over €170,000. The populations are small, up to some 1500 farmers, with the exception of number seven, application for single payment – parcel map unchanged. This information obligation has in fact the third highest population in the top ten, but the time spent on applying is very low for the individual applicants.

On a general note, acquisition costs are very low and only present in five of the information obligations.

1.2. Assessments of administrative costs of most burdensome information obligations

The following contains a description of the normal efficient process of complying with the most burdensome CAP requirements. The description includes information obligations included in the following subject groups:

- Application for single payment
- Transfer of payment entitlements
- Inspections relating to cross compliance

1.2.1. Application for single payment

In 2006, 61,600 Danish farmers applied for single payment before April 21st. Farmers, who applied for single payment in 2005 received parcel maps and a pre-printed single payment scheme in February 2006, while new applicant farmers must ask The Danish Directorate for Food, Fisheries and Agri Business for a single payment scheme and parcel maps. The pre-printed information includes the following:

- Basic data of farmer
- Property information
- Fields registered as permanent pasture in 2005
- Fields enlisted in the warranty scheme
- Fields with non-food crops without contractual obligations
- Fields registered as cultivated/uncultivated that were not used as set-aside land

Among the 61,600 applications, 13,800 farmers only had to fill in page one, i.e. tick off application type and sign the application, because their parcel maps remained unchanged compared to 2005. Consequently, farmers with unchanged parcel maps do not need to consult their agricultural advisors.

For the remaining 47,800 farmers, their parcels had changed since 2005. Thus, farmers with changes to their parcel maps must complete the whole form and not only the first page. Two general factors influence the administrative process of applying for single payment: the complexity of the application and the use of agricultural advisors.

Regarding complexity, a distinction between simple and complex applications is made. An application is considered to be complex as soon as the farmer increases his land possessions by inheritance, purchase, or lease arrangements. An application is considered to be simple, if the situation is unchanged or the farmer reduces the number of fields compared to the previous year. Hence, the complexity of the single payment scheme and the amount of time spent on filling out the application typically depends on the number of FVP-permits (fruit, vegetables and potato permits), the number of sale and lease arrangements and the number of transfer of payment entitlements.

Concerning the usage of agricultural advisors, a distinction between in sourcing and out-sourcing is made, i.e. whether the farmer fills in the application form by himself (in sourcing) or consults his agricultural advisor (out-sourcing). Among the 47,800 applicants, 2,800 farmers filled out the application by themselves (in sourcing), while 45,000 farmers consulted an agricultural advisor to a greater or lesser extent depending on the complexity of the application (outsourcing). Typically, the advisor and the farmer fill in the application together, and the farmer is charged an insurance fee of 500-1,500 DKK, in case the advisor makes an error and the farmer therefore loses his payment.

When taking a closer look at the application form itself it consists of 10 pages and is used for applying for single payment, aid for starch potatoes (partly coupled), aid for dried fodder (partly coupled), aid for energy crops (partly coupled), and aid for protein crops (partly coupled). Only half of the pages are directly related to the single payment scheme as the form is also used for gathering information about fertilizer planning and multiple crops per season as well as applying for organic farming aid and island aid.

The most time-consuming matter on page one is figuring out the disposal period (the 10 month-rule) as it is a very abstract concept that seems to create a lot of confusion among farmers as well as advisors, especially in the event of lease agreements. On page two, the most time-consuming matter is to locate the municipality number and the holding number, even though it is quite clear from the explanatory guide where to find it. Nevertheless, the farmers do not know where to look it up. On page three and page four (application for aid and field planning) a major part of the time is spent on checking information and location of errors, as the amount of aid to a certain extent depends on the number and type of errors.

The identification and mapping of parcels is also very a time consuming part of the application process and on average, depending on segment type, it makes up about 25 % of time expenditure. The farmer can map his parcels as follows:

- Manually, by mapping the fields on the parcel maps he receives together with the single application form
- On-line, by using The Danish Directorate for Food, Fisheries and Agri Business' internet parcel map system (IMK)
- Electronically, by using his own parcel map program on the PC

Most of the agricultural advisors use the Danish Directorate for Food, Fisheries and Agri Business' on-line application system, EHA, to fill out the application scheme as it is faster, more efficient, and reduces the error rate significantly due to the following:

- Easy access to/retrieval of information from previous applications
- Easy access to/retrieval of information about parcel block size
- Easy access to/retrieval of records of registered payment entitlements
- EHA is linked to the internet parcel map system (IMK)
- Easy access to/retrieval of parcel maps from previous years via IMK
- Possibility to import field data into EHA from two widely used electronic farm advisory systems called "Bedriftsraadgivning" and "Naesgaard Mark" which are used for field and fertilizer planning
- Automatic error and control system. EHA is equipped with a warning system that distinguishes between serious and minor errors. In case of a minor error, you get a warning, but it does not affect the aid, if left unsolved. On the other hand, in case of a serious error, an error message appears, as the farmer will not get any aid if the problem is not resolved.
- On-line application and submission of data

Even though it is possible to submit the application electronically via EHA, only about 6,000 applicants made use of this feature in 2006, while the rest printed out the application and mailed it to the Directorate.

1.2.2. Transfers of payment entitlements

In 2006, 12 information obligations were related to various kinds of transfer issues such as "Declaration of single payment in case of transfer of entire holding", "Declaration of transfer of holding" and "Release of security in connection to transfer payment entitlements" to mention a few. The most burdensome information obligation was "Transfer of payment entitlements" and the Danish Directorate for Food, Fisheries and Agri Business received 36,000 forms in relation to this requirement. As opposed to Germany, no electronic database existed to handle the transfers.

Typically, transfer of payment entitlements involves filling out a whole number of transfer schemes at the same time, mainly due to lease arrangements. The first scheme is the most time consuming one because the farmer/advisor can use the information from the first form when filling in the rest.

Furthermore, it was very complicated to transfer payment entitlements in 2006 due to Article 3(4) of Regulation (EC) No 795/2004 that in case of transfer intended to limit the creation of fractions of payment. Firstly, it was only possible to split payment entitlements in connection with transfer of fractions of ha and secondly before splitting an existing entitlement, all existing fractions should be used. Consequently, transfer of payment entitlements involved a number of difficult and time-consuming calculations, which caused a lot of stress and frustration among the agricultural advisors.

1.2.3. Cross compliance inspections

In Denmark, 53 cross-compliance requirements were in place in 2006. The requirements relate to three control areas: Environment, Health (plant, animal, and human), and Good Agricultural and Environmental Conditions in the practice of farming (GAEC). The number of controls amounted to 6,431. Depending on the area of control, different authorities carry out the inspection:

Table 9: Areas of control and the corresponding regulatory and controlling authorities

Area of control	Regulatory authority	Control authority
Environment		
1.1-1.6	The Danish Environmental Protection Agency	Municipality
1.7-1.16	The Danish Forest and Nature Agency	Municipality
1.17 - 1.21	The Danish Plant Directorate	The Danish Plant Directorate
1.22	The Danish Forest and Nature Agency	The Danish Plant Directorate
1.23	The Danish Forest and Nature Agency	Municipality
1.24 - 1.25	The Danish Forest and Nature Agency	The Danish Plant Directorate
1.26	The Danish Forest and Nature Agency	Municipality
1.27 - 1.28	The Danish Forest and Nature Agency	The Danish Plant Directorate
1.29	The Danish Forest and Nature Agency	The Danish Forest and Nature Agency
Health		
2.1 - 2.2	The Danish Veterinary and Food Administration	The Danish Plant Directorate
2.3	The Danish Veterinary and Food Administration	The Danish Veterinary and Food Administration
2.4 - 2.5	The Danish Veterinary and Food Administration	The Danish Plant Directorate
2.6 - 2.14	The Danish Veterinary and Food Administration	The Danish Veterinary and Food Administration
2.15 - 2.17	The Danish Plant Directorate	The Danish Plant Directorate
2.18	The Danish Environmental Protection Agency	The Danish Plant Directorate

Area of control	Regulatory authority	Control authority
2.19	The Danish Environmental Protection Agency/ The Danish Plant Directorate	The Danish Plant Directorate
2.20 - 2.29*	The Danish Veterinary and Food Administration	The Danish Veterinary and Food Administration
2.30 - 2.34*	The Danish Plant Directorate	The Danish Plant Directorate
Animal Welfare*		
3.1 - 3.45	The Ministry of Justice	The Danish Veterinary and Food Administration
GAEC		
4.1 - 4.5	The Danish Directorate for Food, Fisheries and Agri Business	The Danish Plant Directorate

* Not part of cross compliance in 2006

In theory, most inspections² should be unannounced, cf. REG No 796/2004, article 25: *"On-the-spot checks shall be unannounced. However, provided that the purpose of the control is not jeopardised, advance notice may be given, strictly limited to the minimum time period necessary. Such notice shall, except in duly justified cases, not exceed 48 hours"*. However, in practice it is difficult to carry out unannounced inspections, as the farmer under normal conditions will not be present, but out in the fields or elsewhere. Furthermore, unannounced inspections are often time wasting, as the farmer may get confused and therefore not able to find the relevant documents and so forth. Therefore, it is common practice to give the farmer two to seven days notice. Finally, no national rules exist regarding notification of inspections in relation to cross compliance. The use of notice giving and the length of the warning time are determined by common practice within the specific area of control. In case no specific rules exist, the farmer gets a written warning 14 days in advance of the inspection according to national legislation³.

When a farmer is noticed about the inspection, he will typically consult his agricultural advisor for about an hour and do some initial preparations for about 2.5 hours. The preparations consist of checking up on the subject of control and retrieving the necessary documents. The amount of time spent on cooperation with audits depends on the type of control, but on average, a farmer assists the inspectors for about 2.5 hours.

Non-compliance is judged according to severity, scope and duration. Each registered incident is given a score from 1 to 4:

Score 1	Non-compliance is considered to be within the limit of tolerance of the regulation.
Score 2	Non-compliance is a matter of minor importance compared to the purpose of the requirement.
Score 3	Non-compliance is a matter of major significance compared to the purpose of the requirement.
Score 4	Non-compliance is a matter of particular significance compared to the purpose of the requirement.

The farmer receives a copy of the inspection report and in case of non-compliance, he will be asked to comment on the observations before the report is submitted to the Danish Directorate for Food, Fisheries and Agri Business. Based on the inspection report the directorate decides whether or not the aid should be reduced by, among others, evaluating the following questions:

- Which of the 53 requirements has the farmer failed to comply with?
- Has the farmer previously failed to comply?
- Was it deliberately or accidentally?

² Animal inspections in particular should be unannounced.

³ § 5 in law no. 442 of 9 June 2004

1.3. Simplification suggestions and irritants

This section focuses on simplifications suggested during the data collection – national/ EU level – and on irritants.

1.3.1. Remove, reduce, merge or improve regulations

It has been mentioned that it should be possible to transfer payment entitlements without land, and not just with land.

Furthermore, remarks have been made to the effect that the SPS application date should be earlier in the year.

As to errors, some find it unfair that no matter the size of the error the aid is withheld by the authorities until the error has been corrected.

1.3.2. Simplify the process to comply with regulations

The disposal period/10-month rule is unnecessary and should be shortened or abolished.

1.3.3. Data sharing + joint government

Comments on data structure centre on the need for the Danish authorities to set up a central payment entitlement register, which will ease the re-use and exchange of information

1.3.4. Develop ICT – solutions and services

The data also points to suggestions for better ICT solutions, which will greatly improve the application process. Thus, the Danish authorities are urged to invest in an electronic system for transfer of payment entitlements.

1.3.5. Provide better guidance and information

As regards transfer of payment entitlements, the “splitting part” has become much easier in 2007 as the related requirements were repealed by the 1st of September 2006. However, it has become more difficult to figure out which pool of payment entitlements to use as starting point, as many transfer schemes have not yet been reviewed by the authorities.

Even though it was quite apparent from the explanatory guide, the most time-consuming matter on page two of the SPS was to locate the municipality number and the holding number, because the farmers did not know where to look it up.

1.3.6. Procedural improvements

Quite a few comments focus on the authorities’ administrative procedures.

The authorities’ review process takes too long as regards transfer of payment entitlements. In addition, the response time of the authorities is generally considered too long.

Participants at the workshops note that the SPS of 2007 was even more time-consuming to fill in due to parcel map errors.

As regards on-line applications, the length of the authorities' review process does not differ from manual applications even though it should be easier to perform error detection, thereby speeding up payments.

Pre-printed applications are a huge advantage, and an initiative that could be used even more widely used.

1.4. Outlook of expected development of the administrative costs

1.4.1. Regulatory changes

The administrative costs associated with the single payment scheme are anticipated to decrease due to the following:

The fruit and vegetable reform

The European Commission has passed the fruit and vegetable reform, which will become effective the first of January 2008. Thereby, the annoying fruit, vegetable, and potato (FVP) permits will be converted into ordinary payment entitlements. As a result, it will be easier to fill in the SPS form, as the Danish farmer and his agricultural advisor no longer need to develop/fill in the number of FVP permits as well as make crop plans according to this number. Furthermore, the number of transfer of payment entitlements will be reduced as the FVP producers can use the entitlements on the entire area. Accordingly, the costs will without doubt be reduced, but in 2008, some costs can be anticipated in connection with the conversion of FVP-permits into payment entitlements. 3,600 Danish farmers will be affected by the change of rules.

Set-aside entitlements

The rules related to set-aside entitlements are expected to be put on hold by the year 2008. If so, the costs will be reduced substantially, as the Danish farmer is then allowed to cultivate his entire area and therefore the agricultural advisor no longer has to spend time on getting an overview of the farmer's set-aside entitlements and add up the number of entitlements and the set-aside area. Further, the number of transfers of entitlements will be reduced, as the farmer no longer has an incentive to get rid of his set-aside entitlements. Almost all Danish farmers will be affected by the change of rules.

10-month rule

Many pointers indicate that the quite burdensome disposal period, also known as the 10-month rule, will be abolished or shortened in near future. If this happens, the costs will be reduced quite significantly for the Danish farmers and agricultural advisors, as it will be easier to fill in the SPS form. It will also be easier to transfer entitlements with land. Almost all farmers will be affected by this change of rules.

Transfer of payment entitlements

The administrative costs associated with transfer of payment entitlements have decreased due to the following: in 2006, it was very complicated to transfer payment entitlements due to Article 3(4) of Regulation (EC) No 795/2004 that in case of transfer intended to limit the creation of fractions of payment entitlements. Accordingly, it was only possible to split payment entitlements in connection with transfer of fractions of ha and furthermore before splitting an existing entitlement, all existing fractions should be used. The requirements were repealed by the 1st of September 2006, which has led to a substantial reduction of the costs for the Danish farmers and advisors. Hence, in 2006 the Danish Directorate for Food, Fisheries

and Agri Business received 36,000 forms regarding transfer of payments entitlements, implying that in 2007 a major part of the Danish farmers and agricultural advisors had been affected by the change and the costs were reduced by app. 50 % equalling about € 3.7 million.

Non-food crops

The administrative costs associated with non-food crops are anticipated to decrease due to the following. If the rules related to set-aside entitlements are abolished, it is very likely that the rules related to non-food crops will be abolished too, as non-food crops are grown on set-aside land. Thereby, the following information obligations/forms will be unnecessary:

- Breeding and buying contract for non-food rape seed (NF form 1)
- Amendment or termination of non-food contract (NF form 2)
- Request for amendment of obligation to deliver – non-food contract (NF form 3)
- Declaration of harvest and delivery for cultivation of non-food crops on set side land (NF form 4)
- Transfer of non-food contract - producer (NF form 5)
- Reception of non-food products from producers (NF form 6)
- Reporting of standard weight, non-food crops (NF form 7)
- Buying and selling of non-food products, processor (NF form 8)
- Reporting of processing of non-food crops (NF form 9)
- Request for release of security, non-food crops (NF form 10)
- Request for transfer of security to processor, non-food crops (NF form 11)
- Notification of denaturalization - non-food
- Account management for processors of non-food crops
- Account management for buyers of non-food crops.

3,500 Danish farmers and 12 processors will be affected by the change of rules and the costs will be reduced by 100 %, equal to about €300,000.

1.4.2. Changes in administrative set-up and usage of IT-systems

On-line application system

The administrative costs associated with the single payment scheme are anticipated to decrease because an increasing number of Danish farmers use/are expected to use the electronic on-line application system EHA for filling out and submitting the single payment scheme. Hence, in 2007 the Danish Directorate for Food, Fisheries and Agri Business received 59,500 applications for single payment of which 34,750 farmers and agricultural advisors used EHA to fill in the application compared to about 30,000 in 2006. Among the 34,750 EHA users, 27,831 applications were submitted electronically via EHA compared to 6,000 on-line applications in 2006. The trend is expected to continue in years to come.

Electronic solution for transfers

The administrative costs associated with transfer of payment entitlements are expected to decrease as an electronic solution for transfer of payment entitlements like the German Invekos system seems likely to be implemented by the year 2009. If so, the costs will be reduced for a major part of the Danish farmers.

1.4.3. Changes associated with learning curve

Compared to the start of the reform, the SPS skills of the Danish agricultural advisors/farmers have improved significantly and a learning curve effect can be observed, thereby reducing the amount of time spent on the SPS. Whether or not

this trend continues depends on "what the authorities have in mind for the coming years" as the farmers/advisors believe that over time it will be easier to fill in the SPS form as long as the rules are not changed by the EU authorities.

The SPS skills of the Danish authorities are also expected to improve further and workshop data show that in some areas the service level of the authorities has already improved compared to 2006. Accordingly, almost all farmers as well as the authorities have been and will be affected by a positive learning curve effect.

1.5. Conclusions

The total administrative costs amounted to €31,217,907 in 2006. When the total is distributed on number of farmers applying for the SPS in 2006, the average administrative cost per applicant is €507.

Three subject groups represent almost all administrative costs endured by Danish farmers. These three subject groups are; single payment scheme, transfer schemes, and cross compliance.

The most costly subject group is the Single Payment Scheme, which makes up 70.4% of all costs. The relatively large share of the SPS is owed to the fact that it affects all farmers applying.

Looking at the total costs, an interesting conclusion emerges. 23% of the total stems from internal costs, whereas close to 77% are external costs, underlining the widespread use of external advisors in Danish agriculture when applying for the SPS.

The three most burdensome information obligations in Denmark are the following:

- Application for single payment
- Transfer of payment entitlements
- Inspections relating to cross compliance

Among the 61,600 applications, 13,800 farmers only had to fill in page one, i.e. tick off application type and sign the application, because their parcel maps remained unchanged compared to 2005. For the remaining 47,800 farmers, their parcels had changed since 2005, making it necessary for these farmers to complete the whole form, i.e. 10 pages. Two general factors influenced the administrative process of applying for single payment: the complexity of the application and the usage of agricultural advisors.

Regarding complexity, a distinction between simple and complex applications was made. An application is considered to be complex as soon as the farmer increases his land possessions by inheritance, purchase or lease arrangements. An application is considered to be simple, if the situation is unchanged or the farmer reduces the number of fields compared to the previous year.

Concerning the use of agricultural advisors, a distinction between in sourcing and out-sourcing is made, i.e. whether the farmer filled in the application form by himself (in sourcing) or consulted his agricultural advisor (out-sourcing). Among the 47,800 applicants, 2,800 farmers filled out the application by themselves (in sourcing), while 45,000 farmers consulted an agricultural advisor to a greater or lesser extent depending on the complexity of the application (outsourcing). Typically, the advisor and the farmer filled in the application together, and the farmer was charged an insurance fee of 500-1,500 DKK, in case the advisor made an error and the farmer lost his payment as a result of this.

The second most burdensome information obligation is Transfer of payment entitlements, and the Danish Directorate for Food, Fisheries and Agri Business received 36,000 forms in relation to this requirement.

In Denmark, 53 cross-compliance requirements were in place in 2006 relating to three control areas: Environment, Health (plant, animal, and human), and Good Agricultural and Environmental Conditions in the practice of farming (GAEC). The number of controls amounted to 6,431. If the farmer were notified about the inspection, he would consult his agricultural advisor and do some initial preparations. The preparations consisted of checking up on the subject of control and retrieving the necessary documents. The amount of time spent on cooperation with audits depends on the type of control.

The administrative costs associated with the single payment scheme are anticipated to decrease in the years to come. The expectation rests on a number of planned and introduced changes, which will ease the application process. The changes include regulatory changes, changes in administrative set-up and usage of IT-systems, and learning curve effects.

2. Administrative costs imposed on farmers in Ireland

2.1. Total administrative costs in 2006

The table below summarizes the total administrative costs imposed on Irish farmers. The total administrative costs amounted to €37,505,800 in 2006.

Table 10: Total administrative costs*

Total administrative costs, €	37,505,756
Number of farmers applying for SPS in 2006	127,500
Administrative cost per farmer, €	294
Agricultural area, hectares	4,300,000***
Administrative cost per hectare, €	9
Total CAP payments to farmers, €, 2005	1,260,142,000****
Administrative cost, share of total CAP payments	3.0%

* All figures are rounded

** Source: *Statistics in Focus* 6/2007 (EUROSTAT Publication)

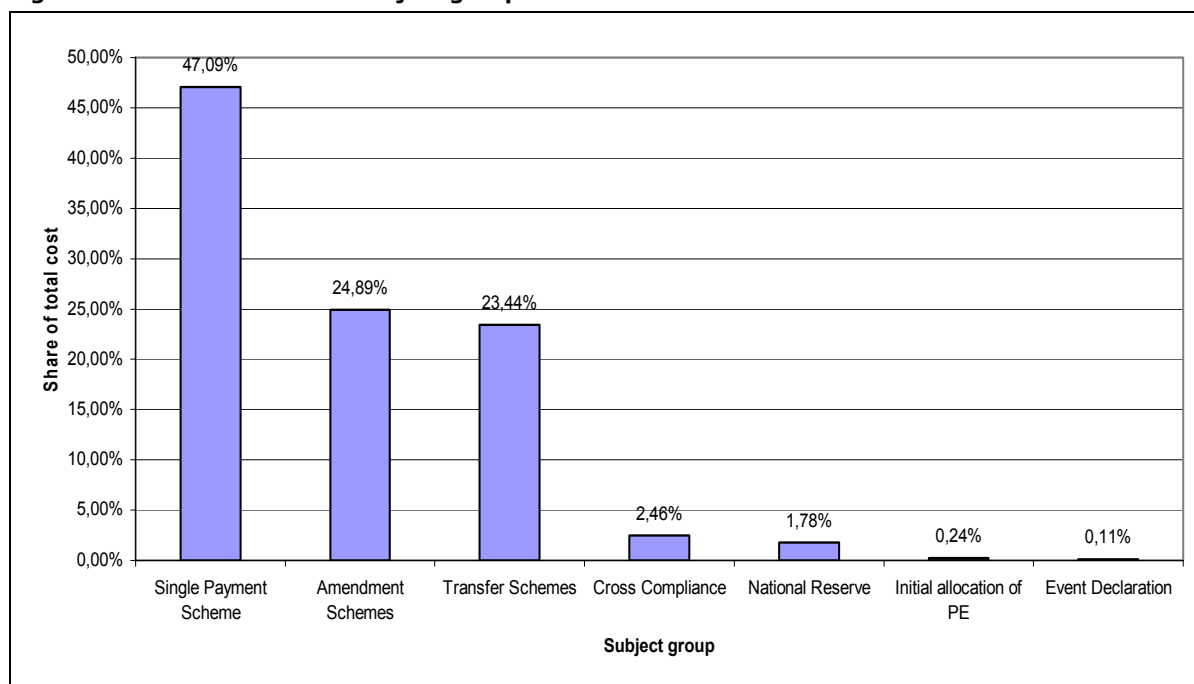
*** Source: Dansk Landbrug i tal, 2006 (Danish Agriculture in figures, 2006)

**** Source: DG AGRI

When the total is distributed on number of farmers applying for the SPS in 2006, the average administrative cost per applicant is €294. It is also interesting to look at the administrative cost per ha, as it considers the size of the farmland in the individual Member State. In Ireland, the administrative costs per ha are €9. Overall, the administrative costs as a share of total CAP payments constitute 3.0%. This number indicates the level of administrative costs in relation to the CAP payments received by Irish farmers.

Moving on to examine the administrative costs in detail, the figure below shows the relative costs for the individual subject groups.

Figure 16: Relative costs for subject groups



As can be seen from the figure above, three subject groups represent almost all administrative costs endured by Irish farmers. These three subject groups are; single payment scheme, transfer schemes, and amendments schemes.

The most costly subject group is the Single Payment Scheme, which makes up 47.1% of all costs. The relatively large share of the SPS is because it affects all farmers applying. In 2006, some 127,500 farmers applied for the SPS. In Ireland, the farmers receive a pre-written draft of the application form for the Single Payment Scheme from the Department of Agriculture and Food. The information registered by the Department of Agriculture and Food the previous year is stated in the form. The farmer also receives a map of the parcels in question.

The subject group of amendment schemes is the second most burdensome and represents 24.9% of total costs. An amendment may consist of (i) correcting an obvious error, (ii) withdrawal of a land parcel/plot, (iii) change of use of parcel/plot, and/or (iv) adding on an extra parcel/plot. An Amendment form should only be used where the SPS Application form is already lodged with the Department. Central to the amendment schemes is the application for consolidation of entitlements, which is used by farmers in relation to information of specific reduction in ha farmed due to afforestation, compulsory purchase order, rental, lease, or as a result of the sugar beet reform of 2006. In 2006, 7,000 farmers applied for consolidation.

The transfer schemes come in third in terms of costs and represents 23.4% of all costs. In 2006, 6,000 applications for the transfer of entitlements were processed.

Cross compliance constitutes a relatively small share of total costs, namely 2.5%. This is mainly because a relatively limited number of farmers are affected by inspections. In total, 6,500 inspections in relation to cross compliance were conducted in 2006.

The subject group national reserve constitutes 1.8% of the total costs for Ireland. In 2006, 1,000 farmers filed an application for an allocation of Payment Entitlements from the 2006 national reserve.

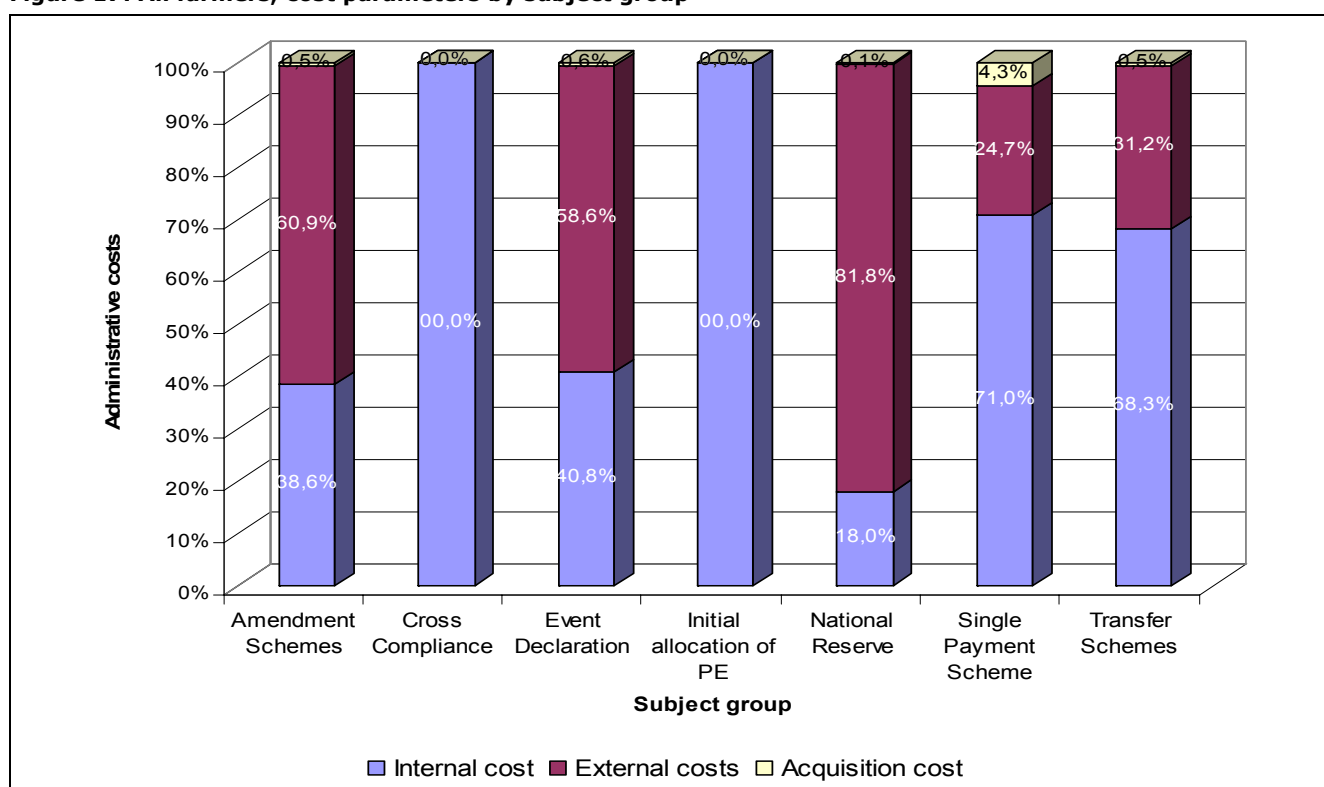
Below, a more detailed assessment of the administrative costs of the most burdensome information obligations is provided.

The two remaining subject groups have a very low share of total costs, less than 1%. This is mostly due to a limited number of farmers affected. This is illustrated by the fact that of the four forms used for event declaration, the one with the largest population had 158 applicants.

2.1.1. Details of total costs

After having looked at the total costs for subject groups, the section now takes a closer look at the cost parameters of each subject group; that is internal costs, external costs, and acquisition costs. The figure below shows the different subject groups and the relevant cost parameters.

Figure 17: All farmers, cost parameters by subject group



The figure shows a clear difference between subject groups dominated by external costs and subject groups dominated by internal costs. On a general level, internal costs dominate four subject groups while external costs dominate three subject groups.

Looking at the subject groups dominated by internal costs, four groups stand out; the SPS, the transfer schemes, cross compliance, and initial allocation of payment entitlements. Both cross compliance and initial allocation of payment entitlements are characterised by a high degree of internal costs, which means that the farmer typically does not use outside help. To illustrate, the initial allocation of payment

entitlement refers to the incorporation of the sugar beet compensation into the SPS; the form was issued to farmers to confirm the area of lands used for growing sugar beet for the filling of their contract with Irish Sugar Ltd.

For both the single payment scheme and the transfer schemes, some farmers apply without the use of external advisors, while others use external assistance. For both types of schemes, the farmer would typically be involved in the application process.

The external costs dominate three subject groups: amendment schemes, event declaration, and national reserve. The overall explanation is that the use of external advisors and hence outsourcing is widespread within these subject groups. This is mainly due to the complexity of the schemes, which necessitates a higher degree of external involvement in the process of filing in the application forms. For both the amendment schemes and the event declaration, the external assistance constitutes around 60% of total costs, whereas external costs make up more than 80% of the total cost for the national reserve. Nevertheless, it also shows that some involvement on the farmers' part is common.

The figure also shows that acquisition costs are generally quite low. These costs are typically the costs of stamps and proof of postage when filing an application. For cross compliance and event declaration there are no acquisition costs. For the rest of the subject groups, acquisition costs account for well under 1% of total costs, with the exception of the single payment scheme, which is due to the sheer number of applications.

The cost structure of the subject groups implies that the most common cost parameter is time; either time spent by the farmer and/or time spent by the external advisor.

The table below looks further into the total costs distributed on subject groups and target groups.

Table 11: Total administrative costs, subject groups and target groups*

Subject group	Target group	Internal cost, €	External cost, €	Acquisition cost, €	Total cost, €
Amendment Schemes (amendment-, reduction- or termination of contract/delivery etc.)	All farmers	3,607,400	5,683,700	43,500	9,334,500
	Total	3,607,400	5,683,700	43,500	9,334,500
Cross Compliance (request for exemption from GAEC standards etc.)	All farmers	922,700	0	0	922,700
	Total	922,700	0	0	922,700
Event Declaration (only used in the establishment phase in case of force majeure etc.)	Farmers who cultivate sugar beet	10,800	10,400	200	21,200
	Processors of sugar beet	5,500	13,000	100	18,500
	Total	16,200	23,300	300	39,700
Initial allocation of PE	Processors of sugar beet	90,300	0	0	90,300
	Total	90,300	0	0	90,300
National Reserve (allocation of payment entitlements from the national reserve etc.)	Other types of farmers	120,400	546,000	1,000	667,400
	Total	120,400	546,000	1,000	667,400
Single Payment Scheme (single payment, aid for energy crops, dried fodder, protein crops etc.)	All farmers	12,542,200	4,354,000	765,000	17,661,200
	Total	12,542,200	4,354,000	765,000	17,661,200
Transfer Schemes (declaration of transfer of holding, PEs, contracts etc.)	All farmers	5,985,800	2,719,200	36,000	8,741,000
	Farmers who cultivate sugar beet	5,300	5,800	10,000	21,000
	Other types of farmers	3,000	3,000	100	6,100
	Processors of sugar beet	9,900	12,100	200	22,200
	Total	6,003,900	2,740,100	46,200	8,790,100
Total		23,302,900	13,347,000	856,000	37,505,800

* All figures are rounded

For the amendment schemes, the target group all farmers is the only target group, thus accounting for 100% of total costs. The target group is composed of farmers who applied for amendments to the SPS application in 2006. As noted above, an amendment form should only be used where the SPS Application form is already lodged with the Department of Agriculture and Food.

Likewise, the target group for cross compliance is all farmers, as all Irish farmers are subject to controls.

By contrast, event declaration concerns farmers or processors of sugar beet and thus has a very specific target group. The same characteristics are found in the initial allocation of payment entitlements, which also targets processors of sugar beet. For these two target groups, overall costs are relatively low, under €100,000.

The application for an allocation of payment entitlements from the 2006 national reserve distinguishes between two categories of applicant, and the target groups are new entrants and farmers who inherit or lease holdings. The total costs are relatively small due to a limited population of 1,000 applicants.

The most costly subject group is the single payment scheme 2006, which targets all farmers. As will be remembered, 127,500 applications were processed in 2006. No sub-target groups are relevant.

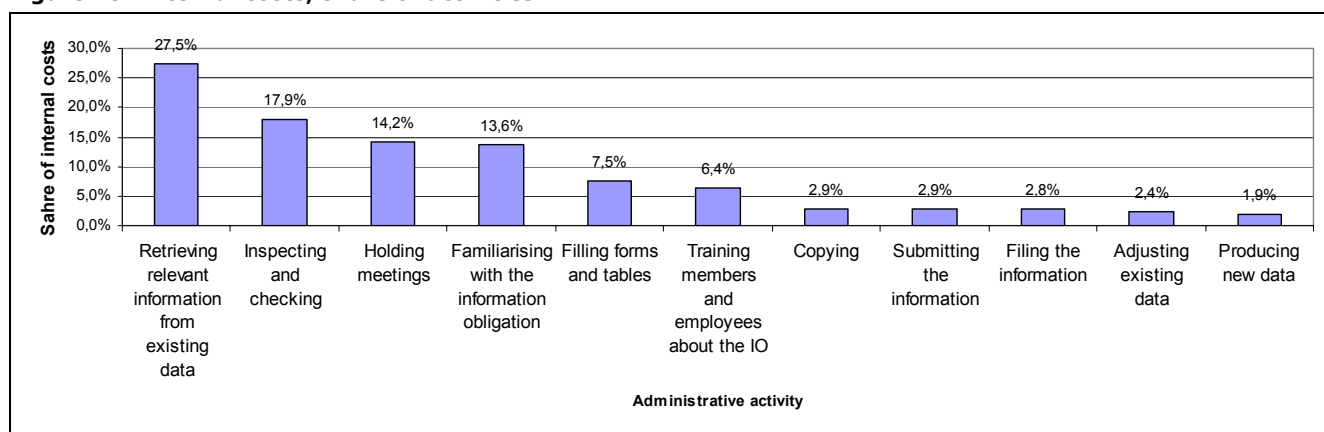
The transfer schemes are third in line, as far as total costs are concerned. The target group all farmers carries the vast majority of the total costs. The dominating information obligation in this subject group is the application for transfer of entitlements. The decision to transfer entitlements is taken by the farmer due to some

specific event, which the individual farmer encounters. The other target groups within the transfer schemes are very specific and mostly related to sugar beets.

It should be noted that acquisition costs are generally quite low and typically linked to those subject groups requiring the farmer to send information to the authorities. As mentioned, the acquisition costs are primarily stamps and proof of postage, which is why the level of acquisitions costs depends on population, i.e. number of applicants.

Meanwhile, it is necessary to take a closer look at the composition of the internal costs to gain a deeper understanding of the time farmers spend on the SPS application process.

Figure 18: Internal costs, share of activities



The most time-consuming activity, which farmers undertake in the application process, is the retrieval of existing data, constituting 27.5% of internal costs. One important explanation is the transfer and amendments schemes, where the farmer will often need to find information, on for instance parcels, by consulting former owners, archives, etc. However, the information will typically be there, as the relatively low share of the activity on producing new data indicates.

The farmers also spend a considerable amount of time inspecting and checking information. Inspecting is related to checking pre-printed information on the forms and otherwise making sure that the filled in information is correct. The Department of Agriculture and Food has put a lot of effort into pre-printing as much information as possible on the application for single payments.

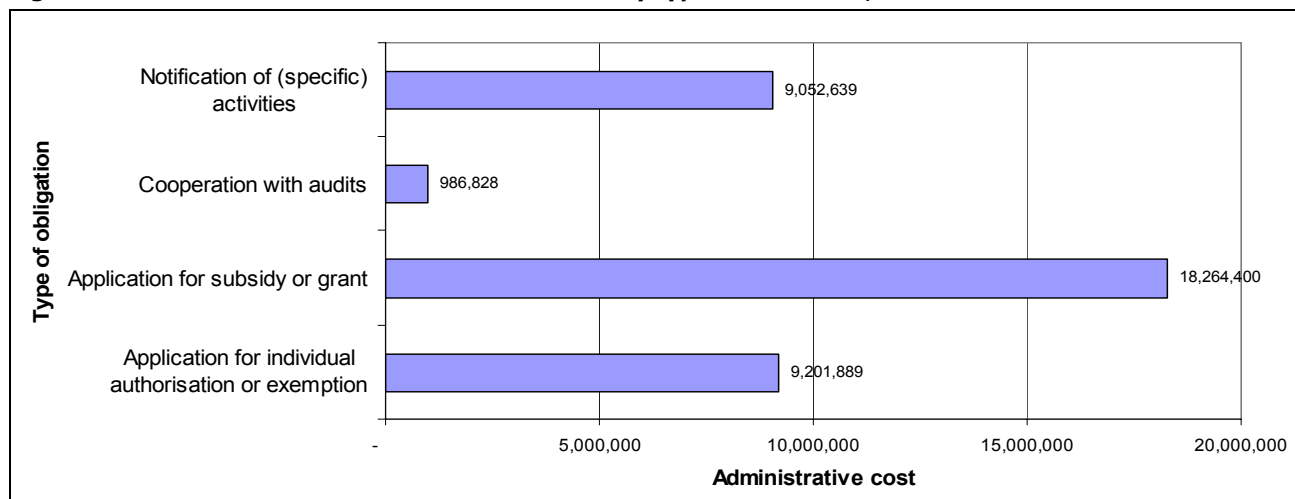
The use of external advisors typically involves one or more face-to-face meetings with the farmers, which is why meetings account for 14.2% of the internal costs. This activity is followed closely by the activity of familiarising with the information obligation (13.6%), an activity that in the Irish case mainly refers to the application guidelines to the single payment application.

Though forms in Ireland do typically not exceed two pages, the farmers will spend some time on filling in the information. This activity amounts to 7.5% of the internal costs. Training accounts for the 6.4% of internal costs and mainly relates to the data requirement of information on land use/possessions of the single payment application.

The share of the remaining activities is below 3% of the total costs. At first glance, it may seem surprising that adjusting existing data is rather low in terms of costs.

Yet, the activity is the physical activity of adjusting incorrect data. The actual checking concerns another activity.

Figure 19: Distribution of total administrative cost by type of cost costs, share of activities



The distribution of administrative costs by type of cost follows the pattern that has been identified and discussed above.

By far the most dominating obligations relate to the actual application for the SPS, that is the application for subsidy or grant. This is also where the largest population of farmers is found.

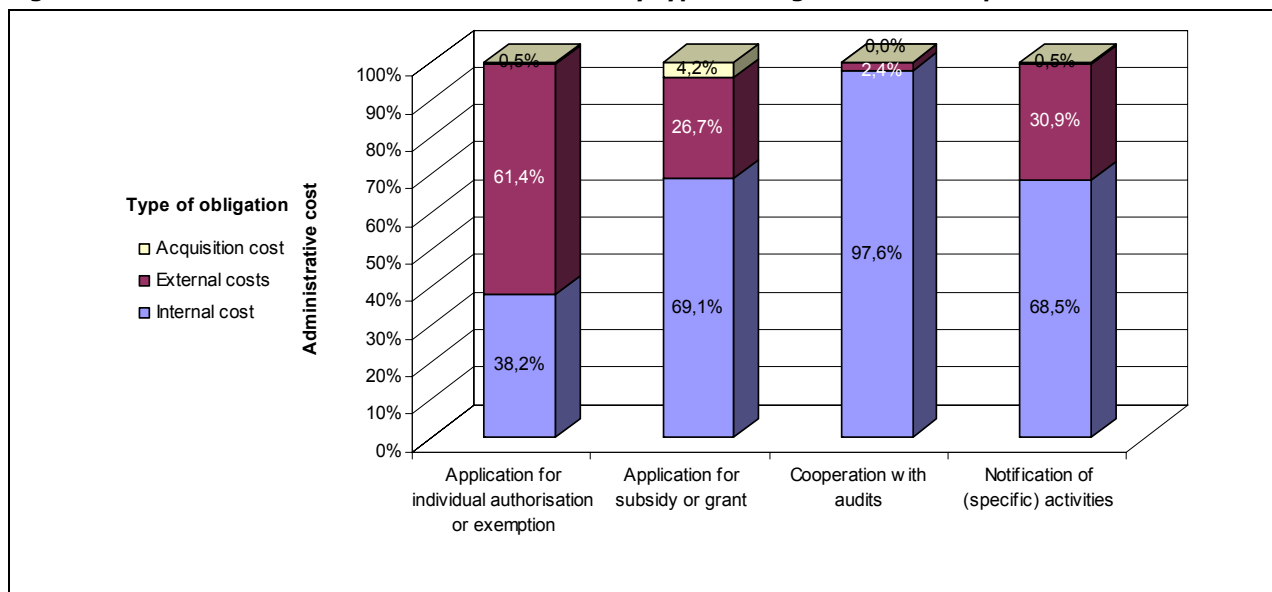
The application for individual authorisation or exemption amounts to around half of the cost of the application for subsidy or grant. Central to this category is the application for consolidation, which is specific to the Irish case and will be discussed at some length below. This type of obligation is activated in particular circumstances and is thus only relevant to a certain type of farmer.

The obligations relating to the notifications of specific activities are third in line, and constitute around half of the costs stemming from the application for the SPS. The explanation is straightforward as the notification obligations are only relevant for some farmers and in particular circumstances. In passing, it may be noted that the applications for transfer of entitlement and for amendments are found in this category.

The cooperation with audits comes in fourth, which can be explained by the fact that only a fraction of all farmers is affected by inspections, leading to relatively low overall total costs.

The next figure looks further into the types of obligation and cost parameters.

Figure 20: Distribution of total administrative cost by type of obligation and cost parameter



One of the four obligation types is dominated by external costs, namely the application for individual authorisation or exemption. External costs account for 61.4% of total costs. As may be recalled, the application for consolidation of entitlements 2006 is the central information obligation. The typical application process involves an external advisor. The main explanation is that the farmers may not be aware of the possibility to consolidate and hence the requirements to be met. Nevertheless, the farmer is intimately involved in the process, to which the 38.2% internal costs bear witness.

For both the application for subsidy or grant and the notification for specific activities, the internal costs amount to around 69% of total costs, indicating a high involvement on the part of the applicant. As this type of obligation includes different practices in relation to outsourcing, the internal costs differ between farmers. Some farmers do not use external assistance when applying for the SPS and the transfer of entitlements, which is typically the simpler segment. However, the use of external assistance tends to increase with the complexity of the application.

Internal costs dominate the cooperation with audits. The cooperation with audits covers two types of obligations. For cross compliance the cooperation mainly consists of retrieving relevant information and assisting the authorities. In addition to cross compliance checks it is a requirement to carry out standard eligibility checks to verify that the actual area claimed in the SPS application form corresponds to the area held by the farmer and to ensure that there are no overlapping or duplicate claims. In the standard eligibility checks, the farmer would typically be assisted by an external advisor.

2.1.2. Top 10 information obligations

The table below lists the top 10 in terms of total costs per farmer/per application.

Table 12: Top 10 information obligations, administrative costs per farmer/per application*

Rank	Information obligation	Segment	Internal cost, min.	External cost, €	Acq. cost, €	Total cost, €	Population/year
1	Transfer of entitlements	Complex - Outsourcing	1,800	1,070	30	2,450	2,100
2	Application for consolidation of entitlements	Complex	900	1,070	10	1,760	4,900
3	Transfer of entitlements	Complex - In-house	1,800	-	30	1,380	2,100
4	Transfer of entitlements	Simple - Outsourcing	470	540	10	780	900
5	Application for payment entitlements allocated under the National Reserve		240	550	10	670	1,000
6	Application for single payment (pre-written)	Outsourcing - complex	450	150	10	490	20,000
7	Application for single payment (pre-written)	In-house - complex	480	-	10	370	7,500
8	Cross compliance checks	Complex	450	-	-	340	1,350
9	Transfer of sugar entitlements		120	80	210	340	50
10	Application for consolidation of entitlements	Simple	180	190	10	290	2,100

* All figures are rounded

The most burdensome information obligation in Ireland in 2006 is the application for the transfer of entitlements. The information obligation has a total cost of €2,450 per applicant in the complex-outsourcing segment. The transfer application also ranks third in the top ten, in-house-complex segment. Furthermore, the study shows that the two complex transfer information obligations have the highest internal cost and the same number of applicants per year. The difference is whether external advisors assist in the process.

Number 2 is the application for consolidation of entitlements, the complex segment. The complex segment is characterised by the third highest population, the second highest internal costs, and the highest external costs in the top ten. In other words, the involvement of external advisors is similar to the complex transfer application, but the time which farmers spend on consolidation, is only half the time spent on a complex transfer.

Another transfer of entitlements information obligation ranks fourth, namely the simple-outsourcing segment. It has the second lowest population, but relatively high internal and external costs.

The national reserve is the next on the top ten. The ranking is mainly caused by the second highest external costs.

In sixth and seventh place, the complex segment of the SPS application is found. The main difference is whether an external advisor assists in the process or not. In addition, the populations differ, with the complex-outsourcing segment having the highest population in the top ten.

Number 8 is the complex segment of the cross compliance checks, which consists of internal costs. The total cost per applicant is €340, which is similar to the total cost of the transfer of sugar entitlements. However, the composition is very different. The transfer of sugar entitlements involves external advisors and carries the highest acquisition costs in the top ten. The acquisition costs are due to the typical involvement of a solicitor. Furthermore, the population is the lowest in the top ten.

Meanwhile, when turning to the most burdensome information obligations in terms of total costs, the picture changes.

Table 13: Top 10 information obligations, total administrative costs*

Rank	Information obligation	Segment	Internal cost, €	External cost, €	Acq. cost, €	Total cost, €	Population/year
1	Application for single payment (pre-written)	Outsourcing - complex	6,780,000	2,880,000	120,000	9,780,000	20,000
2	Application for consolidation of entitlements **	Complex	3,316,100	5,243,000	29,400	8,588,500	4,900
3	Transfer of entitlements	Complex - Outsourcing	2,794,900	2,236,500	12,600	5,044,000	2,100
4	Application for single payment (pre-written)	Outsourcing - simple	2,257,500	1,450,000	300,000	4,007,500	50,000
5	Transfer of entitlements	Complex - In-house	2,794,900	-	12,600	2,807,500	2,100
6	Application for single payment (pre-written)	In-house-complex	2,712,000	-	45,000	2,757,000	7,500
7	Application for single payment (pre-written)	In-house- simple	752,500	-	300,000	1,052,500	50,000
8	Transfer of entitlements	Simple - Outsourcing	208,200	479,700	5,400	693,300	900
9	Application for payment entitlements allocated under the National Reserve		120,400	546,000	1,000	667,400	1,000
10	Application for consolidation of entitlement**	Simple	189,700	399,000	12,600	601,300	2,100

* All figures are rounded

** For consolidation, the outsourcing-insourcing dichotomy is not relevant.

The top four is generally composed of information obligations in which external advisors are used. In addition, the complex segments are in the top three.

The most burdensome information obligation is the application for single payment, the complex segment, which represents a total cost of €9.780 million. It has the highest internal costs and the second largest population. It is closely followed by the application for the consolidation of entitlements, which has higher external costs, but a much lower population and only half the internal costs, representing a total cost of almost €8.589 million.

The complex-outsourcing segment of the transfer of entitlements application falls in third, with a little over €5 million, despite a low population.

The simple-outsourcing segment of the application for single payments comes in fourth with a total cost of €4.007 million. This information obligation has the highest population in the top ten.

Number 5 is the complex-in-house segment of the transfer of entitlements application. The internal costs and the population are similar to those of the complex-

outsourcing segment, which is the third most burdensome information obligation. The difference is the lack of external advisors.

In sixth and seventh place, two segments from the single payment application are represented, the in-house complex and the in-house simple. Despite the highest population in the top ten, the in-house-simple segment has a total cost of a rough €1 million, which is almost three times lower than that of the in-house-complex segment.

The remaining information obligations have total costs between €700,000 and €600,000, and populations between 900 and 2,100. These information obligations are the single-outsourcing segment of the transfer application, the national reserve application, and the simple segment of the consolidation application.

2.2. Assessments of administrative costs of most burdensome information obligations

The following contains a description of the normal efficient process of complying with the most burdensome CAP requirements. The description includes the following information obligations:

- Application for single payment
- Transfer of payment entitlements, including the application to consolidate entitlements, a special Irish case
- Inspections relating to cross compliance

2.2.1. Application for single payment

The Single Payment in Ireland is fully decoupled. Farmers and growers apply in April/May for their SPS payment based on their entitlements (one per ha of land farmed).

The farmers receive a pre-written draft of the application form for the SPS from the Department of Agriculture and Food. The information registered by the Department of Agriculture and Food the previous year is stated on the form. The farmer also receives a map of the parcels in question.

The farmer must check that the information stated on the form is correct and make changes if any information has changed. Hence, the farmer must check that the information on the form is correct in order to ensure that he will receive the amount of entitlements that he is entitled to. If no changes have occurred and all information is correct, the farmer can sign the form and return it to the Department of Agriculture and Food.

There are some differences regarding the amount of time spent on the application form depending on the complexity of the farm of the applicant. Some applications contain information on many parcels and some only on a smaller number of parcels. If changes have occurred it takes longer to complete the form because the changes must be stated and supporting maps handed in along with the application. The majority of the group of complex applications consist of large tillage farms. The tillage farms are larger than the average farm and the land use is more complex due to the activity of crop rotation.

Changes may be:

- Changes in existing land parcels farmed, different cropping
- New land parcels where areas, plot, or parcel numbers have to be filled in
- Subdivision (permanent and short-term) of existing parcels

- Normally pre-printed parcel data missing or altered

Over the past two years, there has been an increase in the demand for assistance from Teagasc, the Agriculture and Food Development Authority, and other consultants for the completion of SPS application forms and other administrative tasks associated with the SPS. A large percentage of the farmers thus make use of advisors to complete the application. Both applicants with complex and simple applications make use of the advisors. According to the farmers and the advisors interviewed at the workshops, the use of advisors is a way for farmers to make sure that the application is filled out correctly. In this way, the farmers are less likely to miss payments that they are entitled to receive.

Based on above description the following segmentation has been chosen for the applications in Ireland:

- Simple/complex
- Outsourcing/in-house

The distinction between simple and complex refers to whether the application can be considered simple or complex, where the definitions are:

- Simple: Large or mostly medium or small farms with simple application forms due to no change in land use or land available.
- Complex: Small, medium, or mostly large farms with complex applications due to changes in land use or land available.

The distinction between outsourced and in-house is whether the applicant makes use of an advisor or completes the application with no use of professional assistance.

The segment Use of IT-system is not relevant in the Irish case because this possibility was only introduced for the 2007 SPS application.

Since the Irish farmers are presented with a pre-written application form, a relatively small amount of time is spent on the activity of Filling out forms and tables. Conversely, more time is spent on checking the accuracy of the data stated in the pre-written form. This is particularly the case if no changes in the farming activities of the farmers have occurred over the year (simple). If changes in, for example, land use or land possessions have occurred, more time will have to be spent on retrieving the relevant information and making corrections/amendments to the SPS application form. For instance, this is the case with drawing new boundaries on maps that have to be submitted along with the application. If the farmer makes use of advisors, time is also spent on meetings with the advisor (outsourcing). Even if the farmer uses external assistance, time is typically spent on checking the data in the form. Irrespective of whether the farmer completes the entire form himself/herself or uses external help the form must be signed and posted by the farmer. The Farmer will normally send the letter with use of evidence of postage to keep proof that the application has been submitted before the deadline. The cost of the proof of postage is €5, this cost has been added as acquisition cost.

2.2.2. Transfers of payment entitlements

The decision to transfer entitlements is taken by the farmer due to some specific event. The farmer might for instance lose access to a rented parcel or inherited entitlements. Transfer of entitlements might take place by sale, gift, inheritance, or lease. In addition, entitlements might be transferred with or without land. Transfers of entitlements with land are generally more complex and thus more time-consuming than transfers without land. Transfers by sale, gift, or inheritance are

equally burdensome for the farmers.⁴ Hence, the method of transfer does not in general influence the complexity. An exception is the transfer of entitlements with leased land; these cases are regarded as simple in the study. Hence, subject to whether the transfer is conducted with or without land, a point influencing the complexity is if the land transfer is of permanent character. A possible temporary transfer as leasing is to be considered as simple.

In the process of transferring entitlements without land, the farmers can choose to use an assessor to conduct the value assessment. An assessor is often included if the transferor does not know the transferee personally.

For both types of transfers (with and without land), the farmers use the same application form; each type of transfer has its own section on the application form. A farmer might also transfer entitlements with and without land at the same time.

The farmer will make the decision to apply for a transfer in relation to the event that causes the transfer of entitlements. The farmer might conduct the process himself or make use of an external advisor. If he makes use of an advisor, the process will always involve at least one meeting. Both applications where advisors are involved and applications without involvement of an advisor will include data from both the transferor and transferee of the entitlements in question. If an advisor is involved in the process of the transfer of entitlements, the advisor will normally collect the information. If an advisor is not used, the farmer will collect the information himself.

An important activity is to make sure that the transfer of entitlements will not cause the farmer to have more entitlements than the number of ha, because this might result in a loss of entitlements. The information submitted in the transfer scheme must be taken into consideration relative to all the information submitted in the general application for the SPS.

Based on the description above, the following segmentation has been included:

- Simple/complex
- Outsourcing/in-house

The distinction between simple and complex is based on whether or not the transfer involves land. The distinction in relation to outsourcing is based upon whether the farmers make use of the external advisor.

When the transfer is made without land (Section A of the application form) approx., 50% of the time is spent on retrieving existing data on for example the number and value of transferred entitlements and basic data about the transferee. In establishing the value of the transferred entitlements, an assessor is used to assess this value. The activity distribution regarding the simple segment is more or less the same irrespective of whether the farmer completes the registration form him- or herself or if an external advisor is used. However, when making use of external help, at least one meeting is held where the farmer and the advisor discuss the application. In the more complex cases (Section B of the application form), the total time spent is more than five times higher compared to transfers without land. The complex cases occur when the transfer of entitlements include land transfers by sale, inheritance, or gift. In these situations, considerably more time is spent on land specific information, e.g. the value of the land and number of ha. Further-

⁴ If the transfer is made by gift or inheritance, a supplementary form must be submitted. This form is considered as a separate information obligation to the farmer and is therefore not included in the present description. The data requirement in the supplementary information obligation is based on the information submitted in the transfer form.

more, a complex transfer would typically involve more meetings with external advisors. The farmer also spends time familiarising himself/herself with the terms and conditions for transfers of entitlements to make sure the transfer does not lead to a breach of the rule stating that the number of entitlements must not exceed the number of ha declared.

Application to consolidate entitlements, a special Irish case

The possibility to consolidate entitlements is special to the Irish case and is not seen in any of the other countries of present study⁵. Consolidation or “stacking” of entitlements is the activity to claim more entitlements per ha and hence receive a higher level of entitlements per ha. The possibility to consolidate keeps the level of transfers lower than if the possibility did not exist, as farmers can choose to consolidate entitlements and hence are not forced to transfer the entitlements in question.

Normally, entitlements are related to ha, and the amount of entitlements should not exceed the amount of ha. However, in Ireland farmers may apply to have entitlements consolidated if the individual farmer does not process enough ha. The activity of consolidation is based on information of specific reductions in ha farmed due to afforestation, compulsory purchase order, rental and lease, or because of the sugar beet reform of 2006.

The farmer would typically make use of an advisor in relation to consolidation. Hence, the demarcation of outsourcing is not relevant in relation to this information obligation. The decision to apply for consolidation is made together with an advisor. The difference between complex and simple application is related to the specific case. A process of consolidation should be considered simple if it includes only few entitlements and the circumstances causing the need to consolidate are easy to prove. A complex application to consolidate might include a higher number of entitlements in question and be related to several causes of reductions in ha available.

The farmer will retrieve existing information of land possession and farm data. A large amount of time is used with the advisor analysing the result of the consolidation, in order not to lose any entitlements. Hence, there is a relatively high amount of external costs related to this information obligation to cover the cost of the advisor. The form must be signed and posted by the farmer. The farmer will normally send the letter with use of evidence of postage to keep proof that the application has been submitted before the deadline. The cost of the proof of postage is €5, this cost has been added as acquisition cost.

Use of advisors

In relation to the main application for the SPS and the transfer scheme, the tendency to make use of an external advisor is influenced by what the farmers and advisors characterise as the “fear factor”. When applying for SPS or transferring entitlements the farmers must make sure that the number of entitlements does not exceed the number of ha. A common view at the workshops was that the individual farmer feels more secure when a professional person with detailed knowledge of the scheme has been involved and hence has limited the risk of errors. Furthermore, there is an “insurance aspect” to farmers’ use of advisers and consultants; if a mistake is made the farmer may look to make a claim against his adviser’s insurance.

⁵ The way Ireland has implemented article 42(5) of Council Regulation (EC) No. 1782/2003 and Article 7 of Regulation (EC) No. 795/2004 is currently subject to a Clearance of Account procedure.

2.2.3. Cross compliance inspections

The overall impression from the workshops is that SPS does not represent an additional cost to the farmer, as far as GAEC is concerned. The inspections have always covered the various themes and issues, and are based on already existing documentation and on-site visits. This is in fact consistent with the introduction of cross-compliance requirements.

In Ireland, the major part of Cross-Compliance legislation was put in place in 2005 and covers requirements relating to the environment and identification and registration of animals, as well as the need for observance of good agricultural and environmental conditions in the practice of farming. From 1 January 2006, Cross-Compliance requirements were extended to observance of certain public, animal and plant health legislation governing the use of pesticides, hormones ban, food safety, notification, and control of certain animal diseases.

Thus, one implication of the CAP-reform is that payment to the farmers is dependant on the compliance with a series of requirements related to the environment, animal and plant welfare, etc. These requirements are not new. The new element is that the payments are directly linked to the compliance with the existing rules. A system of penalties is in place.

On this basis, we have chosen to see the amount of time a SPS-farmer spends on the inspections as time spent on cross-compliance. In practice, overlaps exist between the cross-compliance inspections and the national Rural Environment Protection Scheme (REPS) inspections.

Inspections

In total, 6,500 inspections in relation to cross compliance were conducted in 2006. Which farmers are subject to an inspection is random and based on a risk assessment. The farmers are identified by the Department of Agriculture and Food, which is also the public authority that conducts the actual inspections.

It is possible to make a segmentation of the cross compliance inspection based on complexity. A demarcation can be made between simple and complex inspections. A complex inspection is a full inspection and a simple is an inspection where only some aspects are included. The time use is based on the time it takes to conduct an inspection on these two categories. The distribution of activities is the same for the two segments.

- Complex: full inspection, 21% or 1,350 inspections, takes a whole day. These might be classified as complex, in the level of detail and time involved.
- Simple: only one aspect of the farms, 5,150 inspections, 180 minutes or approximately half a day

A complex inspection is a full inspection covering many aspects while a simple one only focuses on a few aspects. Such aspects included in a cross compliance inspections might be animal identification, herd register identification of all cattle, or control that movement of the cattle is correctly registered, and is a quite time consuming activity for the farmer.

A typical inspection would involve the following activities. The farmer will typically be given one days notice before the inspection. In relation to a simple inspection, the farmer will use 1 hour preparing for the inspection. In relation to a complex inspection, the farmer will use 2 hours. The activity mostly involves retrieving relevant existing documentation. For the normally efficient farmer the information

needed to conduct the inspection should and will be in place before the notification of an inspection.

The farmer is not required to be present during the inspections, although he normally is. However, the farmer may be requested to have a representative or be available on phone for clarification. The typical on-site simple inspection is estimated at 2 hours and the complex inspection at 5½ hours. The farmer may walk with the inspectors in the fields, be available for questions, and present additional documentation.

2.2.4. Other possible checks

In relation to checks to confirm set-aside purposes and standard eligibility checks we have stated that this is done centrally by the Department of Agriculture and Food, and hence does represent a cost to the individual farmer. The Department of Agriculture and Food checks these two aspects centrally, of which 60% is done by satellite and 40% by manual inspection by personnel from the Department of Agriculture and Food on the spot. The Department of Agriculture and Food checks roughly 5% of the 127,500 applicants, or 6500 farmers. The checks do not include any involvement on the part of the farmers that are subject to the checks of eligibility and set a side purposes.

Each year the centrally conducted inspections find around 1500-2000 examples of problems or discrepancy and the farmers in question are notified. The farmer will then have to check and confirm the data presented by the Department of Agriculture and Food. In some cases, the farmer will have to send back information. There exist no specific form to this end; the farmer would normally formulate a letter with relevant information in relation to the specific problem. The farmer might make use of an advisor in this relation; roughly 50% make use of an advisor. The farmers notified will normally spend 40 minutes to respond to the Department of Agriculture and Food. If he makes use of an advisor, 20 of these minutes will be spent with the advisor. Hence, there is no difference in relation to time spent by farmers who choose to outsource, and farmers who conduct the response themselves. Only the cost of the advisor separates the groups.

The values stated above should be divided by a 50/50 grouping between the checks to confirm set aside purposes and eligibility checks.

2.3. Simplification suggestions and irritants

2.3.1. Remove, reduce, merge or improve regulations

There was a general request for longer and more flexible deadlines; it was the common view that this would limit bottlenecks for farmers and advisors in relation to the application.

Notification of inspections of cross compliance could be longer.

It was stressed that the payment of entitlements should happen earlier in the year in order to secure that farmers do not experience problems in relation to cash flow.

2.3.2. Simplify the process to comply with regulations

The wish was put forward that the farmer's obligation to present proof when land is lost due to different reasons to be removed.

2.3.3. Data sharing and joint government

Quite a few farmers expressed the wish that all information in the possession of the Department of Agriculture and Food should be available to farmers; that is full online access to the archives of the Department of Agriculture and Food would be useful.

2.3.4. Develop ICT – solutions and services

A digital solution for applications was demanded – one will be available in 2007.

In addition, the view was often expressed that more use of pre-printing would be desirable; the Department of Agriculture and Food often has the needed information already.

2.3.5. Provide better guidance and information

No specific suggestions were made under this heading.

2.3.6. Procedural improvements

Only a few comments focus on the authorities' administrative procedures. They centre on the wish that the resolution of problem cases could be resolved faster by the Department of Agriculture and Food.

2.4. Outlook of expected development of the administrative costs

2.4.1. Regulatory changes

A number of regulatory changes with relevance for the post 2006 development have been identified. All the identified changes are expected to decrease the costs of farmers related to the SPS. The changes are present below.

Abolishment of the 10-month rule

There are indications that the burdensome 10-month rule is to be abolished in near future, possibly as soon as 2008. The 10-month rule implies that in order to be eligible for payment under the Scheme farmers are required to have the lands declared for SPS purposes on their application form available to them for a 10-month period.

The rule represents costs to farmers because it forbids farmers to have more than two start days on their SPS application. If a farmer rents in land from several other farmers, he may have several starting dates related to different parcels on his application. If or when the rule is abolished, the costs on farmers are will decrease as the activity to retrieve information on land is decreased and the application process will be more flexible for farmers. A further side effect is that it will be easier to conduct transfers of entitlements with land. If the rule is abolished, costs are expected to be reduced for approximately 32,000 or 25% of all Irish farmers.

Reform of the rules related to set-aside purposes

The rules related to set-aside entitlements are expected to be put on hold by the year 2008. In Ireland, discussions on set-aside have been especially significant due to difficulties for farmers related to the very dry year of 2006. No specific proposal to remove the set-aside rules have been presented, but the expectation is that set-aside is to be put on hold. If so, the costs will be reduced substantially as the Irish farmers are then allowed to cultivate all available parcels and the farmer or agricultural advisors therefore no longer have to spend time on getting an over-

view of the farmers' set-aside entitlements and build the number of entitlements and the set-aside area. Further, the number of transfer of entitlements will be reduced, as the farmer no longer has an incentive to get rid of his set-aside entitlements. The costs of around 20,000 Irish farmers will be eased if the set a side rules are put on hold.

Decreased level of retention and simplification of the transfer of entitlements

The regulation of retention has been changed and further changes are expected. The activity of retaining entitlements is also known as "claw back" in Ireland and includes a reduction of entitlements that are subject to transfer. The reduction is allocated with the National Reserve. In 2006, the rates were as follows:

- Sale of entitlements without land; 30%
- Sale of entitlements with land; 5%
- Sale of entitlements with entire holding; 2.5%

The rate related to especially sale of entitlements without land was high, and hence 30% of the value of entitlements transferred was reallocated with the National Reserve. The high rate was introduced to raise funds for the National Reserve. Furthermore, the high rate kept the applications to transfer without land relatively low. Hence, the regulation may have implied that some farmers kept from applying for the transfer of entitlements.

However, in 2007 the rate decreased to 15% in order to ease the transfer possibilities for farmers⁶. Expectations are that the rate will be lowered further in 2008; this tendency is present for all kinds of transfers.

The general decrease of the rate can be expected to influence the tendency to apply for transfer of entitlements. An increase of up to 3-4000 extra transfers applications are expected for the year of 2008.

Moreover, the application forms for transfer entitlements are expected to become simpler in 2008. This will further ease the costs of the farmers that transfer entitlements.

Fruit and Vegetable reform

The European Commission has passed the fruit and vegetable reform, which will become effective on January 1 2008. In Ireland, the reform will allow farmers to activate entitlements based on fruits, vegetables, and potatoes. This was not the case before, as these crops were not subsidised. The regulation caused problems for farmers who wished to change production from subsidised crops to fruits, vegetables, or potatoes. With the reform and the new possibility to activate entitlements on this special group of crops the process of activation of entitlements is eased for Irish farmers and the system is expected to be more flexible. The reform is expected to be implemented in Ireland in 2008 and estimations are that the change will ease the administrative costs of approximately 1000 Irish farmers.

2.4.2. Changes in administrative set-up and usage of IT-systems

As mentioned earlier, it was not possible to apply on-line for the payment entitlements in 2006. However, this possibility was introduced in 2007.

⁶ In 2006 €180,000 worth of entitlements were subject to claw back to the National Reserve, in 2007 the level had decreased to €90,000. The number of transfers was 6000 in 2006.

With the introduction of on-line application for the 2007 SPS in Ireland, a provision for the on-line submission of both the Single Payment Application Form and the Single Payment Amendment Form was put in place; in the case of the latter, an on-line version could only be submitted where the payment application has firstly been submitted on-line.

Including both Single Payment application forms and Single Payment Amendment forms, the Department of Agriculture and Food received in the region of 8,000 forms. Hence, approximately 6% of all farmers applied on-line. However, all applicants of SPS are possible candidates to use the on-line application. Expectations are that the percentage of applicants applying on-line will increase to the level of 25,000 on-line applications in 2008 and even more in the years to come.

In addition to providing for individual farmers to lodge Single Payment applications on-line, the Department of Agriculture and Food also developed a system whereby agents, acting on behalf of specific individual farmers, could also lodge applications on their behalf. In the case of agents, farmers are required to formally nominate an agent to act on their behalf, while those wishing to act as agents are required to apply directly to the Department of Agriculture and Food for approval. Where an applicant is so approved, the applicant is assigned a unique agent ID and system PAC, which allows access to the system and identifies the given user. Of the 8,000 forms lodged on-line, approximately two thirds were lodged by agents and one-third by individual farmers.⁷

The on-line system contains a series of built-in validations and prompts, designed to guide and assist applicants. For instance, if an applicant inserts an area of a given parcel greater than the maximum available, a warning box flashes on the screen advising accordingly. The applicant may then choose to heed or ignore the warning. Hence, when using the system correctly the application process is eased for farmers and consultants and the risk of making errors decreases. This represents a cost reduction for the applicants.

It is the intention that the system in time will include a full record of the individual applicants with records of historical data of the reference years, past applications, and communication between the farmer and the Department of Agriculture and Food.

As 2007 was the year of introduction, farmers and advisors needed to allocate time to familiarise themselves with the new on-line system. In 2007, the time use of an on-line application was approximately the same as a standard off-line application. The standard activities were more or less the same. However, it is the expectation of farmers and advisors that the process will ease as farmers and agents get more familiar with conducting applications on-line.

The Department of Agriculture and Food is continuing to promote the on-line facility with the intention to significantly increase the amount of on-line applications in 2008. Meetings are ongoing with the various agents groups, at which their feedback on their experiences with the 2007 system are evaluated and discussed.

⁷ A concrete initiative of the local offices of the agricultural advisors was completion of applications for and with a large numbers of farmers to use the on-line solution from next year on. The advisory organisation of Teagasc expects the number of on-line applications to increase dramatically. Teagasc also expects that two thirds of these future on-line applications will be conducted by the mentioned agents. However, a general problem in Ireland in relation to the use of on-line application is the lack of broadband access in some parts of the country.

Increased use of pre-printing

With regard to the Single Payment forms themselves, the Department of Agriculture and Food has continued to preprint data as an aid to scheme applicants. This included name, address, herd number, entitlement ID, parcels, usage, etc. It is the intension of the Department of Agriculture and Food to continue this practise. The department of Agriculture and Food aims at lowering the number of errors in the pre-printed data.

This use of pre-printed data is relevant to all present applicants of the SPS. Hence, with the correct pre-printed data on the application forms the costs could be expected to decrease for farmers in relation to retrieving basic data.

SMS service to farmers

During the application period in 2007, the Department of Agriculture and Food availed of the database of mobile phone numbers of approximately 20,000 farmers to text them, reminding them of the scheme closing date. Consideration is made of how text messaging and emails can be used to ease the application process of the farmers further.

This initiative can be seen as a service to farmers but should not be expected to decrease cost for the individual farmer.

2.4.3. Changes associated with learning curve

Farmers and advisors in general expressed an enhanced skill level in relation to the SPS. As farmers and advisors have improved their knowledge of the system though the years it has been in place, the time spent on the average application has been reduced. Hence, a learning curve effect can be observed.

As mentioned the use of on-line applications can be expected to increase and eased as farmers and agents familiarize themselves with the newly introduced system. Hence, further effects of the learning curve are still expected in relation to the on-line applications. As 2007 was the year of introduction of the on-line application, expectations are that 2008 and the years to come will see an increased use of on-line solutions.

If the on-line application system is a success, the possibility to apply on-line could be extended to other applications, for instance the application to transfer entitlements. However, the future introduction of on-line solutions in relation to other applications has at the time of writing not been scheduled by the Department of Agriculture and Food.

2.5. Conclusions

The total administrative costs amounted to € 37,505,756 in 2006. When the total is distributed on number of farmers applying for the SPS in 2006, the average administrative cost per applicant is €294.

Three subject groups represent almost all administrative costs endured by Irish farmers. These three subject groups are the single payment scheme, transfer schemes, and amendments schemes.

The most costly subject group is the SPS, which makes up 47.1% of all costs. The relatively large share of the SPS is due to the fact that it affects all farmers applying. In 2006, some 127,500 farmers applied for the SPS. In Ireland, the farmers receive a pre-written draft of the application form for the SPS from the Department of Agriculture and Food. The information registered by the Department of Agriculture

ture and Food the previous year is stated on the form. The farmer also receives a map of the parcels in question.

The top four of the ten most burdensome information obligations is generally composed of information obligations in which external advisors are used. In addition, the complex segments are in the top three. In other words, outsourcing and complexity are important factors when examining costs in Ireland.

The most burdensome information obligation is the application for single payment, the complex segment, which represents a total cost of €9.780 million. It has the highest internal costs and the second largest population. It is closely followed by the application for the consolidation of entitlements, which has higher external costs, but a much lower population and only half the internal costs, representing a total cost of almost €8.589 million.

The complex-outsourcing segment of the transfer of entitlements application comes in third with a little over €5 million, despite a low population.

The simple-outsourcing segment of the application for single payments comes in fourth with a total cost of €4.007 million. This information obligation has the highest population in the top ten.

The administrative costs associated with the single payment scheme are expected to decrease in the years to come. The expectation rests on a number of planned and introduced changes, which will ease the application process and decrease the time used on applying. The changes include regulatory changes, changes in administrative set-up and usage of IT-systems, and learning curve effects.

3. Administrative costs imposed on farmers in Italy

3.1. Total administrative costs in 2006

The above below summarizes the total administrative cost imposed in Italian farmers. The total administrative costs amounted to €198,951,200 in 2006

Table 14: Total administrative costs*

Total administrative costs, €	198,951,128
Number of farmers applying for SPS in 2006	1,854,900
Administrative cost per farmer, €	107
Agricultural area, hectares	14,700,000***
Administrative cost per hectare, €	14
Total CAP payments to farmers, €, 2005	2,345,849,000****
Administrative cost, share of total CAP payments	8.5%

* All figures are rounded

** Source: Italian Statistical Agency (ISTAT)

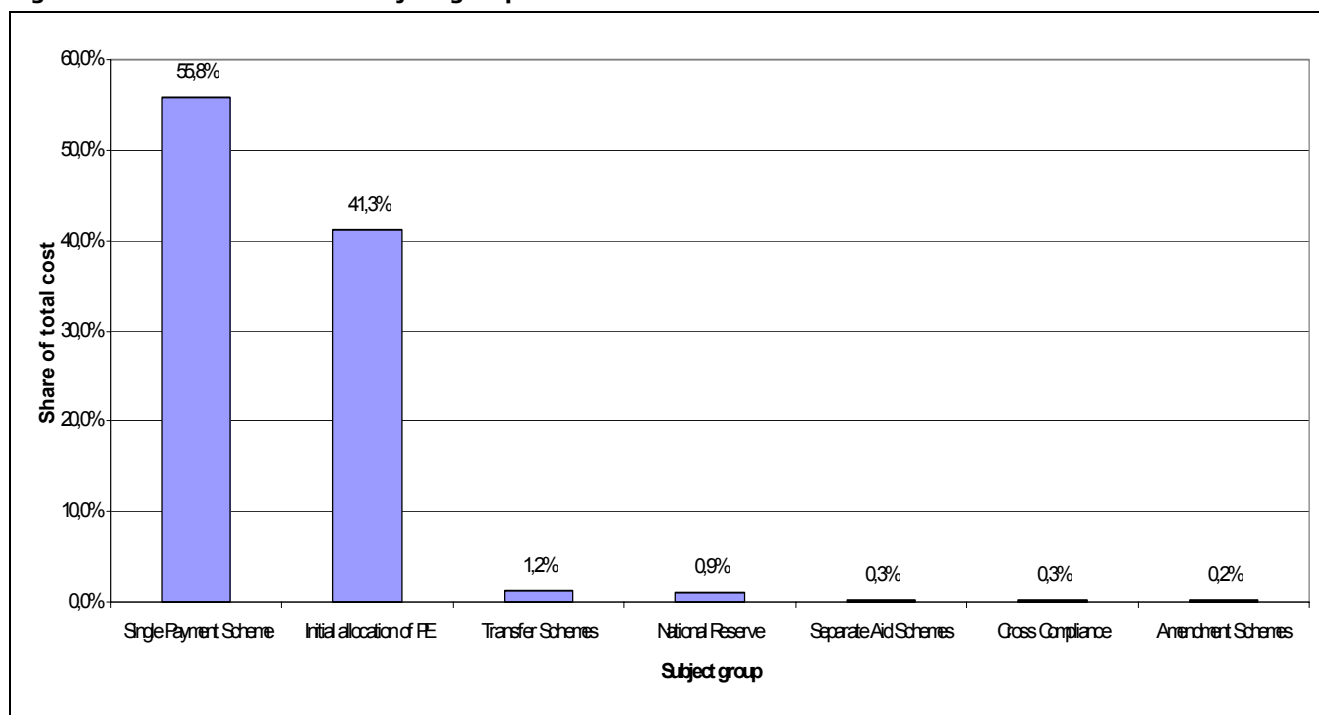
*** Source: Dansk Landbrug i tal, 2006 (Danish Agriculture in figures, 2006)

**** Source: DG AGRI

When the total is distributed on the number of farmers applying for the SPS in 2006, the average administrative cost per applicant is €107. It is also interesting to look at the administrative cost per ha, as it considers the size of the farmland in the individual Member State. In Italy, the administrative costs per ha are €14. Overall, the administrative costs as a share of total CAP payments constitute 8.5%. This number indicates the level of administrative costs in relation to the CAP payments received by Italian farmers.

The figure below shows the relative costs for the individual subject groups.

Figure 21: Relative costs for subject groups



When looking at the figure above, it becomes clear that two of the subject groups are dominant concerning the share of the total administrative costs – the SPS and the Initial allocation of payment entitlements.

The subject group SPS constitutes the most burdensome part of the CAP reform as it creates 55.8% of the total administrative costs. It consists of different information obligations – the application for single payments as well as the applications for payments related to different cultures as nuts, energy crops, etc. The relatively large share of the SPS is explained by the fact that it affects all farmers who apply for SPS. Furthermore, the application for single payments is characterized by a huge number of actions and documents, which have to be submitted or updated every year.

The other subject group, which comprises a substantial part of the costs (41.3%), is the group Initial allocation of payment entitlements. Because the preventive recognition of olive, tobacco, milk and sugar farmers took place in 2006, this group contains a huge number of information obligations. The completion of all information obligations related to this subject group was comparatively time-consuming and the number of affected farmers within these sectors is relatively high. These two factors explain the high share of the total costs.

It must be stressed that the costs for the Initial allocation of payment entitlements, unlike the costs related to the other subject groups, are one-off costs. Therefore, if these costs were excluded from the calculations, the share of the total ongoing costs related to the other subject groups would be much higher.

The subject group Transfer Schemes with a share of 1.2% represent a smaller part of the total administrative costs for 2006 as this is the second year of implementation of the CAP reform in Italy, and a big part of transfers took place in the first year of application of the CAP. While this subject group consists of different information obligations, it contains one main information obligation – the Communica-

tion of transfer of payment entitlements. This information obligation is burdensome because the system requires the input of all changes to the relevant agricultural property and the entitlements. Furthermore, the number of affected farmers is relatively high.

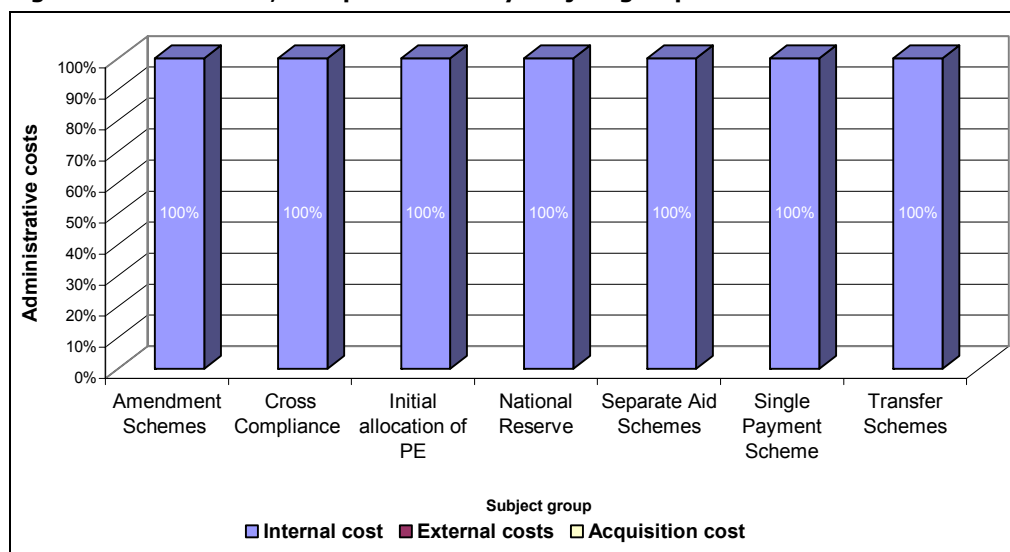
The share regarding Cross Compliance appears to be relatively low as the controls carried out affect only a small percentage of farms and as this subject group consists of only one information obligation. This single information obligation and can be defined as burdensome for the farmer chosen for the control, which is done as an on-the-spot check. This sort of inspection can require several hours, depending on the size of the farm.

The subject groups Separate Aid Schemes and Amendment Schemes also make up a smaller share of the total administrative costs. The subject groups are less burdensome because only a small number of farmers are affected and because costs related to time spent on the completion of the information obligation are relatively low.

3.1.1. Details of total costs

After having looked at the total costs for subject groups, the section now takes a closer look at the cost parameters of each subject group: internal costs, external costs, and acquisition costs. The figure below illustrates the cost parameters by subject groups.

Figure 22: All farmers, cost parameters by subject group



When looking at the figure it stands out that for Italy only internal costs have been calculated. The explanation for the complete lack of external and acquisition is explained by the all-dominant role that the Italian agricultural advisory system has for Italian farmers.

Considering that most of the administrative work relating to the SPS is done by the Centres for Agricultural Assistance (CAA), external costs for the farmers resulting from this service should be calculated. However, this cannot be done for Italy because peculiarities in the institutional framework and the structure and financing of the CAA prevent it. Regarding the institutional framework, the administration of the CAP in Italy is carried out by two groups of subjects – the paying agencies on national or regional level on the one side, and the centres for agricultural assis-

tance (CAA) on the other side. The national paying agency AGEA and the regional paying agencies have delegated all administrative tasks regarding the applications related to the single payment scheme to the CAA. The CAA are private organizations with a widespread local presence, which carry out delegated public tasks on behalf of the paying agencies and act as the interface between farmer and paying agencies.

Furthermore, regarding the structure and financing of the CAA, the CAA and their co-operators have two functions.

On the one hand, each CAA is authorized and accredited by the national/regional paying agency if it guarantees the observance of certain qualitative standards and levels of technical know-how in order to assist farmers with their administrative concerns. As a result of this authorisation, the CAAs are seen as part of the public administration, which carries out administrative tasks for the farmers, including those relating to the SPS⁸. Farmers do not pay the CAAs for the administrative work related to the SPS. These costs are completely financed by the Italian Ministry of Agriculture.

The remuneration for the CAA in the various regions amounts to approximately €28-42 for every submitted single application. This payment is subject to variations in every regional paying agency. Furthermore, the amount of administrative services, which the CAA has to offer, varies from region to region. For instance, in the Region of Lombardy the CAAs also administer the "UMA-register" related to the agricultural fuel.

On the other hand, each CAA belongs to one of the different farmers' unions, which represent the farmers and offer a wide range of consultancy service to them. The farmers normally have to pay for the overall consultancy service through a yearly membership fee to the appropriate agricultural union. The administrative tasks linked to the single payment scheme and the overall agricultural services of the CAA are interwoven, but officially, the CAAs are not allowed to take money from the farmers for the administrative work.

Thus, external costs for the farmers to get the administrative support by the CAA cannot be identified or calculated and are not included in the following figures.

The table below looks further into the total costs distributed on subject groups and target groups.

⁸ This includes filling in application forms, entering data relevant to the applications into the data banks, providing knowledge about the scheme, and staying in close contact to AGEA and all other relevant stakeholders as well as to the farmers

Table 15: Total administrative costs, subject groups and target groups*

Subject group	Target group	Internal cost, €	External cost, €	Acquisition cost, €	Total cost, €
Amendment Schemes	All farmers	438,035	-	-	438,035
	Total	438,035	-	-	438,035
Cross Compliance	All farmers	523,606	-	-	523,606
	Total	523,606	-	-	523,606
Initial allocation of payment entitlements	All farmers	893,376	-	-	893,376
	Farmers who cultivate olives	35,468,825	-	-	35,468,825
	Farmers who cultivate sugar beet	45,047,381	-	-	45,047,381
	Farmers who cultivate tobacco	728,622	-	-	728,622
	Total	82,138,204	-	-	82,138,204
National Reserve	All farmers	1,780,897	-	-	1,780,897
	New farmers	98,942	-	-	98,942
	Total	1,879,839	-	-	1,879,839
Separate Aid Schemes	Farmers who cultivate certified seeds	84,341	-	-	84,341
	Male bovine farmers	303,804	-	-	303,804
	Sheep/Ewe farmers	215,717	-	-	215,717
	Total	603,862	-	-	603,862
Single Payment Scheme	All farmers	101,032,869	-	-	101,032,869
	Farmers who cultivate arable crops	7,462,854	-	-	7,462,854
	Farmers who cultivate durum wheat	1,860,311	-	-	1,860,311
	Farmers who cultivate energy crops	8,933	-	-	8,933
	Farmers who cultivate non-food crops/raw materials	23,272	-	-	23,272
	Farmers who cultivate nuts	214,380	-	-	214,380
	Other types of farmers	269,672	-	-	269,672
	Processors of non-food crops/raw materials	196,859	-	-	196,859
	Total	111,069,149	-	-	111,069,149
Transfer Schemes	All farmers	2,282,567	-	-	2,282,567
	Live stock farmers	15,867	-	-	15,867
	Total	2,298,434	-	-	2,298,434
Total		198,951,128	-	-	198,951,128

The table above shows that the target group "all farmers" is relevant for all subject groups with the exception of Separate Aid Schemes.

Looking at the subject groups Amendment Schemes and Cross Compliance, there is no differentiation between different farmer groups; the category all farmers includes all farmers who notify the authorities of amendments to the single application, or who are subject to a cross compliance control in any given year.

In the case of the subject group Initial allocation of payment entitlements, there is a relevant distinction between olive, tobacco, and sugar beet farmers and the category all farmers. While the three specific target groups are affected by the information obligations related to the preventive recognition of farmers in these sectors, the target group all farmers includes all these specific groups and is affected by the information obligation Application for initial allocation of payment entitlements. As mentioned above, the preventive recognition for the three specific target groups took place in 2006 and is a one-off occurrence for that year.

Within the subject group National Reserve, two different target groups are relevant: All farmers and New farmers. The category New farmers is related to the information obligation Application for entitlements allocated under the National Reserve, and includes farmers who have no payment entitlements so far and apply for payments from the SPS for the first time. This explains the relatively low costs related to this target group. The target group All farmers in this context include all other types of farmers who apply for payments from the National Reserve.

The subject group Separate Aid Schemes is the only group in which the target group "all farmers" does not appear. This is because the included information obligations all relate to a specific target group. The relatively large share of 50% of costs falls on the Male bovine farmers due to their population, 36% falls on the sheep/ewe farmers, and 14% on farmers who cultivate certified seeds.

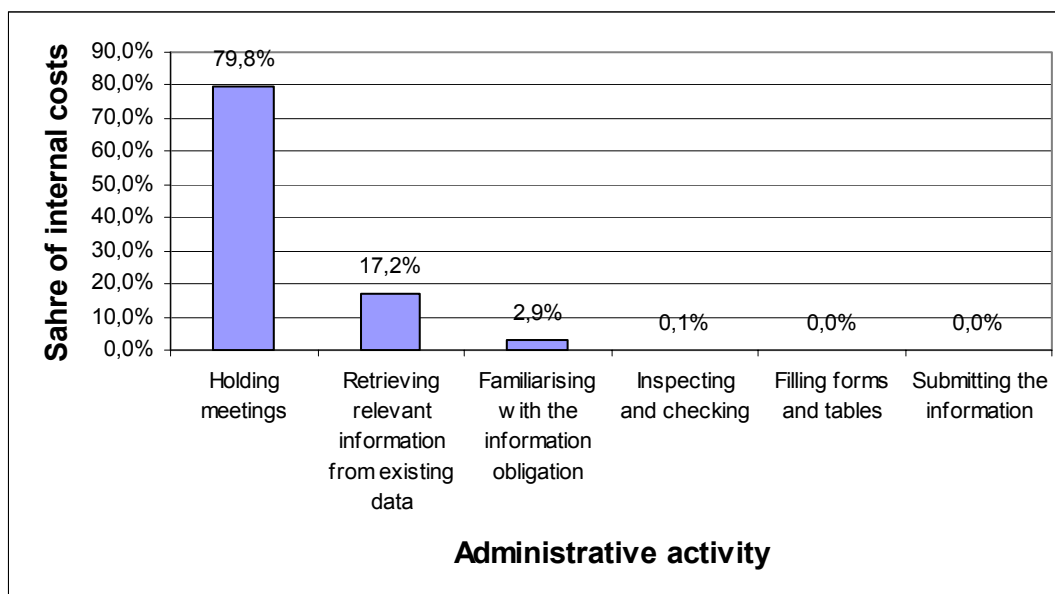
Within the subject group SPS, the target groups are subdivided into the categories All farmers and various specific types of farmers. The huge share of 97% of the costs related to the target group All farmers is due to the fact that all types of farmers applied for single payments. Therefore, this target group includes all the specific target groups related to the subject group SPS. The specific target groups, such as farmers who cultivate arable crops, are related to the additional specific applications in these fields.

The subject group Transfer Schemes differentiates between the target group "all farmers", including all kinds of farmers, and the category "live-stock farmers". While all farmers that trade with payment entitlements are affected by the information obligation "Communication of the transfer of (provisional) payment entitlements", the other information obligations in the subject group affect only specific livestock farmers who have contracts of livestock lease.

The farmer groups that take up a large share of the total administrative costs are olive, tobacco, and sugar farmers. This is due to the high populations of these categories - in particular of olive oil farmers - combined with the fact that all farmers in these sectors were affected by at least two information obligation in the phase of initial allocation of payment entitlements.

The following figure illustrates the share of the relevant activities on the total administrative costs.

Figure 23: Internal costs, share of activities



Firstly, the description of the dominant activities for the farmers within the administration of the Italian sector has to take account of the subsidiary-oriented organization of the agricultural sector in this country into account. The Italian system is characterised by a huge presence of CAAs, established by the farmers' unions on behalf of the public administration, which was originally supposed to offer this service to the farmers. The special, Italian types of dominant activities must be understood in relation to the complexity of a correct compliment, the requirements of the submission of the single application combined with the advanced average age and low educational level of Italian farmers, and the small or medium size of Italian farms.

The CAAs strong role in providing high qualitative service dealing with technical, agronomical consultancy, as well as the handling of the administrative part of the farms on one side, and the huge amount of European, national and regional regulatory acts on the other side, makes their all-important role in ensuring adequate administration of the agricultural policy clear. They thus provide a clear picture of the state of the Italian agricultural sector.

As delegate bodies working behalf of the paying agencies, the centres have a bilateral responsibility. First, they act as controlling bodies, ensuring the correctness of the submitted data. Second, they are responsible vis-à-vis the farmers, who trust the CAA with their mandate for the presentation of the single payment application subject to strict rules and penalties in case of formal and material errors.

Following from this, the presence of CAA is vital, and this is proved by the fact that 99% of Italian farmers trust the CAA with meeting the requirements of all, also non-CAP-related, of their administrative obligations.

As the chart above represents graphically, the prevalent activity of Holding meetings is followed by Retrieving relevant information from existing data, Familiarising with the information obligation, and Inspecting and checking. As follows from the configuration of the system, the remaining activities are not relevant in the Italian analyses.

Holding meetings is therefore the predominant activity in Italy as the farmer will normally only have to attend meetings at the CAA used for the illustration of the administrative process, the explanation of which documents are missing for the successful completion of the specific information obligation related to the CAP requirements, and the eventual confirmation of the data. The duration of the meetings at the CAA vary according to the complexity of the issue of the farmer; a simple confirmation lasts approximately 15 minutes, more complex matters last several hours. Normally the farmers do not fill in the SPS-application, nor do the farmers perform any tasks related to the application.

The activity of Retrieving relevant information from existing data is logically bound to the activity of holding meetings. The CAA is already connected to the central agricultural data bank SIAN and several other data banks, which are all connected to "farms folder" containing all data about farm and farmer in an electronically and a paper based version. However, not all data can be retrieved electronically and for legal reasons, the data stored in the system and in the paper, based folder has to be updated continuously and verified to assure a truthful submission of the application to the paying agencies. For this reason, the farmer regularly has to submit various documents in his possession to the CAA.

The familiarisation with an information obligation can be described as a residual activity in the Italian system as the familiarisation is the responsibility of the CAAs. Nevertheless, in information obligations regarding the Notification of the farm status, this activity plays a role, as the farmer has to familiarize himself with the communication of the payment entitlements sent by the National paying agency.

The activity of inspecting and checking applies only in the case of the information obligation On-the-spot-checks regarding cross compliance carried out at the farm by officials of the paying agency, or other delegated public bodies. The farmer gets a notice 24 hours prior to the control, asking him to be present. During this activity, the farmer has to attend the on-the-spot-checks for their entire duration, which in turn depends on the size of the farm and on the complexity of the controls carried out.

This section now turns to examine the administrative costs by type of cost.

The figure below illustrates the distribution of total administrative costs by type of cost.

Figure 24: Distribution of total administrative cost by type of cost

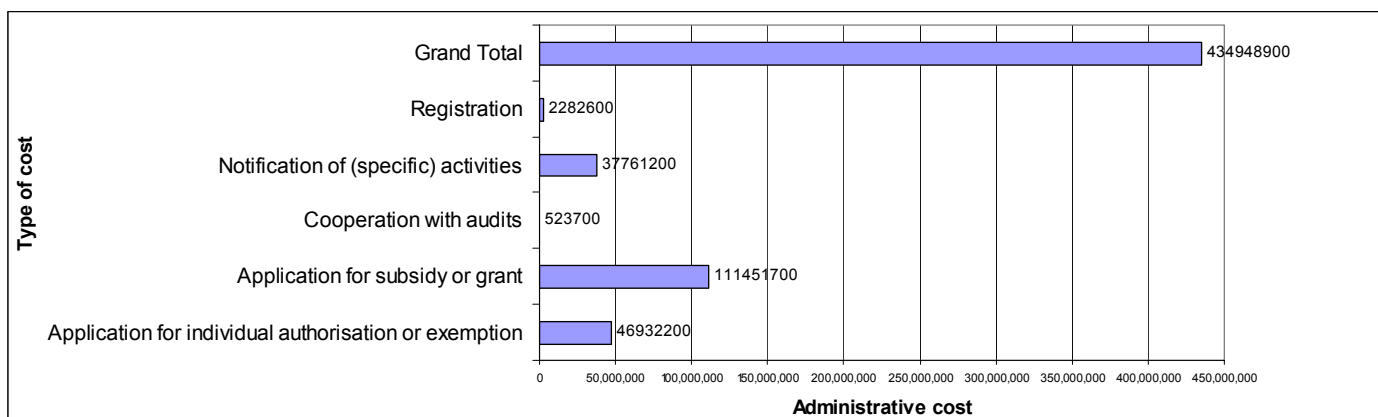
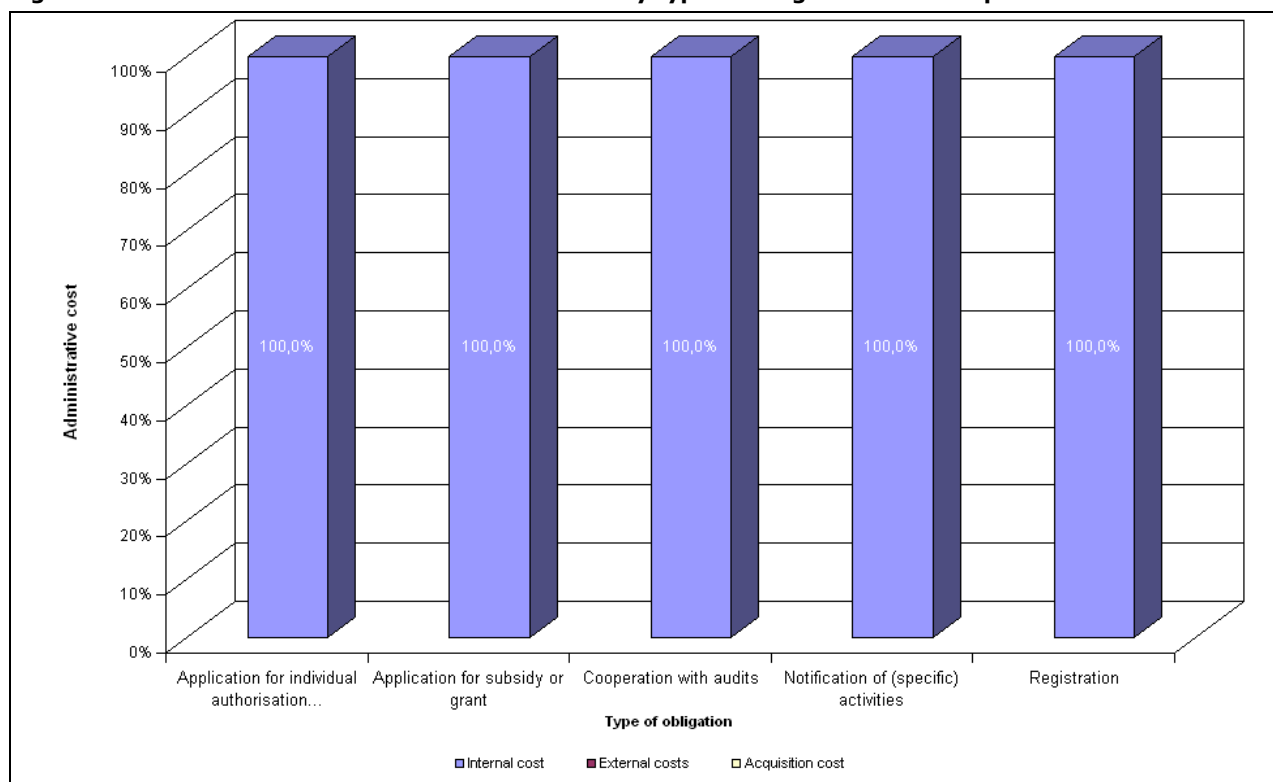


Figure 25: Distribution of total administrative cost by type of obligation and cost parameter



As the figure above shows, the most dominant types of costs are the categories Application for subsidy or grant, Application for individual authorisation or exemption, and Notification of specific activities.

The most dominating obligations relate to the subject group SPS representing a quarter of the costs. In this also the group where largest population (all farmers) can be found. This is an expected result as the SPS is a subsidy-system based on applications.

The obligations related to the application for individual authorisation or exemption, are second in line but with a much smaller share of total costs (11%).

The notification of (specific) activities is in third place, resulting in particular from the various information obligations in the phase of preventive recognition; affect a huge number of farmers.

The Cooperation with audits is the least burdensome type of cost, which can be explained by the fact that only a fraction of all farmers is affected by inspections, leading to relatively low overall total costs.

3.1.2. Top 10 information obligations

The table below lists the top 10 in terms of total costs per farmer/per application.

Table 16: Top 10 information obligations, administrative costs per farmer/per application*†

Rank	Information obligation	Segment	Internal cost, min.	External cost, €	Acq. Cost, €	Total cost, €	Population/year
1	Application for single payment	Complex	573	-	-	258	220,352
2	On-the-spot checks concerning cross compliance	High	250	-	-	170	1,720
3	Application for additional payments from the National Reserve - farmers in special situations		330	-	-	150	12,250
4	Notification of amendment of farm status in case of arson caused by third parties of the production or parts of the farm - tobacco sector		270	-	-	130	10
5	Notification of amendment of farm status in case of arson caused by third parties of the production or parts of the farm - olive oil sector.		270	-	-	130	230
6	Application for single payment	Medium	273			123	367,254
7	Notification of amendment of farm status in case of inheritance - sugar sector		240	-	-	110	2,370
8	Notification of amendment of farm status in case of inheritance - tobacco sector		240	-	-	110	480
9	Notification of amendment of farm status in case of inheritance (olive sector)		240	-	-	110	59,390
10	Application for single payment	Small	228	-	-	103	881,410
11	On-the-spot checks concerning cross compliance	Low	130	-	-	60	4,010
12	Notification of amendment of farm status in case of natural calamity – olive sector		110	-	-	50	270,205
13	Notification of amendment of farm status in case of natural calamity – sugar sector		110	-	-	50	670
14	Notification of amendment of farm status in case of natural calamity		110	-	-	50	894
15	Notification of amendments of the supply contract of raw material cultivated on set-aside areas used for the manufacturing of no-food products		100	-	-	45	1,048
16	Notification of amendments of the supply contract of raw material obtained from the production of crops utilized for manufacturing energy products		100	-	-	45	27

* All figures are rounded

† This table contains 16 points as information obligations where only the population varies takes up much of the space in the top 10; see for instance numbers 4 and 5 or 7-9.

With a time consumption of 573 minutes and total costs of €258, the complex application for single payments is the most burdensome information obligation. For this application, segmentation between small, medium, and complex was done according to the number and complexity of changes of cultivated products. This is reflected by the parcel-map being the most time-consuming requirement of the application. The time needed to fill out the parcel-map varies between 15 minutes for small changes, 60 minutes for medium changes, and 360 minutes for complex changes. According to these differences the application with medium changes of the parcel-map is the sixth most burdensome information obligation, the application with small changes is tenth.

The application with complex changes of the parcel-map has a relative low population compared to the other two segments for the applications. For the calculation of the population, the total population of application for single payments of 1,469,017 was distributed across the three, segmented applications as followed:

- 60% small changes
- 25% medium changes and
- 15% complex changes.

This shows that the parcel-map with only small changes represents the “normal” case.

The second most burdensome information obligation is the High On-the-spot-check concerning cross compliance. This obligation was segmented according to farm size and the variety of cultivated products. The duration of the inspection varies between 120 minutes for a less complex one and 240 minutes for a control of higher complexity. The time consumption is relatively high because the farmer has to attend the control activities for their entire duration. The less complex checks come in as number 11.

The application for additional payments from the National Reserve 2006 for farmers in special situations is the third most burdensome information obligation because, in order to fill in the form correctly, the applying farmers have to obtain documents from other offices of the public administration, which takes a huge amount of time. As with most of the information obligations, the farmer has to attend two meetings at the CAA, which is also time-consuming.

As fourth and fifth, are the notifications of amendments of farm status in case of arson caused by third parties of the production or parts of the farm of tobacco and olive farmers. For the relative high time consumption of these notifications, the same line of argument used for the previous information obligation can be used. This information obligation is also characterized by two meetings at the CAA and the contact with other public administrations different from the CAA, which in this case have to issue the documentation regarding the denunciation of the arson and issue a certificate for the farmer. The information obligation and the level of time consumption are the same for both types of farmers - only the population varies. This can be explained by the higher total number of olive farmers.

The Notification of amendment of farm status in case of inheritance is the seventh, eighth, and ninth most burdensome information obligation and is the same for olive, tobacco and sugar farmers. As with the previous notifications, this information obligation also requires time for two meetings at the CAA. The higher total number of olive farmers explains population variations.

The notification of amendment of farm status in case of natural calamity – relevant for tobacco, olive and sugar farmers – represents the twelfth, thirteenth, and fourteenth most burdensome information obligation. The same argumentation is true for the already described notifications within the phase of preventive recognition also apply here.

In the last places of the ranking, as fifteenth and sixteenth most burdensome information obligations are; the Notification of amendments of the supply contract of raw material cultivated on set-aside areas used for the manufacturing of no-food products and the notification of amendments of the supply contract of raw material obtained from the production of crops utilized for manufacturing energy products can be found. Once again, the only difference between the two is the populations.

Meanwhile, when turning to the most burdensome information obligations in terms of total costs, the picture changes.

Table 17: Top 10 information obligations, total administrative costs*

Rank	Information obligation	Segment	Internal cost, €	External cost, €	Acq. cost, €	Total cost, €	Population /year
1	Application for single payment		101,032,900	-	-	101,032,900	1,469,100
2	Application for initial allocation of payment entitlements within the sectors of olive oil, tobacco, milk and sugar		45,047,400	-	-	45,047,400	1,088,200
3	Confirmation of communicated farm status according to the reference period - olive oil sector		14,457,300	-	-	14,457,300	918,000
4	Notification of amendment of farm status in case of natural calamity (olive sector)		13,375,200	-	-	13,375,200	270,300
5	Application for additional payment for arable crops		7,462,900	-	-	7,462,900	276,500
6	Notification of amendment of farm status in case of inheritance (olive sector)		3,594,100	-	-	3,594,100	59,400
7	Notification of amendment of farm status in case of anticipated succession (olive sector)		3,116,600	-	-	3,116,600	72,200
8	Application for payment for the production of quality durum wheat		1,860,400	-	-	1,860,400	118,200
9	Application for additional payments from the National Reserve - farmers in special situations		1,773,900	-	-	1,773,900	12,300
10	Transfer of payment entitlements		1,708,300	-	-	1,708,300	40,400

* All figures are rounded

As evident from the table above, the information obligation, which represented the highest cost per farmer, also represents the highest total costs. For this table, all three segments (high, medium, and low) with the appropriate populations are included in the calculation of the total costs for the SPS-application. The total costs of this information obligation are more than twice as big as the second most burdensome obligation.

A large number of the information obligations ranked above underline the fact that population is most often is the essential driver of administrative costs. The information obligations in numbers two, three, five, seven, eight, and ten are not part of the ten most burdensome information obligations per farmer, meaning that the time-amount spent for the completion is comparatively low and the only cost driver is the population.

Beside the SPS-application, there are three information obligations, which are among the most burdensome obligations in terms of total costs as well as in terms of cost per farmer. These are the obligations Notification of amendment of farm status in case of natural calamity (olive sector), Notification of amendment of farm status in case of inheritance (olive sector) and Application for additional payments from the National Reserve 2006 - farmers in special situations. While the second obligation mentioned is constant and represents the sixth most burdensome information obligation according to cost per farmer as well as to total costs, the other two obligations hold different positions in the table according to their populations.

Furthermore, it is noticeable that the notification-obligations related to the subject group Initial allocation of payment entitlements (position 3, 4, 6 and 7) are part of the most burdensome obligations in terms of total costs only for the olive sector although the time-amount for these information obligations is the same for olive, tobacco, and sugar farmers. Keeping in mind the very high total population of olive farmers, this once more illustrates that the population is the main driver.

With exception of the tenth most burdensome information obligation – Communication of transfer of payment entitlements - all listed information obligations be-

long to the two subject groups with the highest relative costs, as discussed in a previous section.

3.2. Assessments of administrative costs of most burdensome information obligations

The following section contains a description of the normal efficient process of complying with the most burdensome CAP requirements. The description includes the following information obligations:

- Application for single payment
- Transfer of payment entitlements
- Inspections relating to cross compliance

3.2.1. Application for single payments

Almost all farmers in Italy are members of a farmer's union, which have the statutory obligation to represent the farmers in all questions regarding agriculture on national and European level. In 2000, the farmer unions established their own Centres for Agricultural Assistance (*Centro di Assistenza Agricola* or CAA), which act as an interface between the national or regional paying agency and the farmer. The organisational structure of the CAA is under private law, but they carry out delegated public administrative tasks. To give an idea of the distribution of the CAA there are about 10,000 CAAs in Italy compared to 8,100 municipalities. Not every CAA is run by a farmer's union, as every subject which offers the guarantee of a service quality under the requirements of the law, can request to be accredited as a CAA at the competent paying agency.

The consequence is that similar to Germany, Ireland and Denmark, a significant number of Italian farmers make use of external assistance for the completion of SPS application. In Italy, the high dependency of assistance is primarily caused by the availability of this qualified assistance from farmer unions and their CAA.

In Italy, the CAA plays the main role in the application process for single payments of Italian farmers. Normally all Italian farmers, who make use of the service of one of these centres, are members of the organisation and have to empower the centre with a mandate to manage all administrative tasks on their behalf. In addition, research on the Italian administration shows that only very few farmers (5013 farmers on the total farmer population) do not use the service of the CAA and apply for single payments on their own. As almost all farmers use the services of a CAA office, the question of the insourcing and outsourcing segmentation appears to be marginal and was therefore not included in our research.

As all relevant data of every registered farmer is stored in the "farm folder" within the national database there are two different processes concerning the application for single payments:

First, for farmers without modifications of the cultivated products the process can be described as quiet simple as the data from the previous year is valid and can be used unchanged for the applications of the current year. Here, one meeting with the CAA-associate is sufficient.

Second, for farmers with modifications of the cultivated products the process becomes more complicated as the complexity of the modifications increases. There is always the need for one first meeting at the CAA in order to explain to the farmer, which documents he needs to submit, and a second meeting during which the farmer presents the requested documentation to the CAA. The duration of the second meeting varies according to the number of modifications the farmer has to declare.

Normally, the basic data concerning the farm is already stored in the system. This includes all data concerning the person and all relevant data concerning the farm. The list of entitlements is stored too, from which every CAA can see the chronological history of every specific entitlement. If the farmer wants to apply for a specific aid scheme, the operator of the CAA-associate simply has to mark this request in the system

The most time consuming part of the application process is updating the parcel map. Its duration depends on the number of modifications of the cultures, which the farmer has to indicate parcel by parcel on the parcel-map that is contained in the system. Bigger holdings disposing of more parcels generally have more modifications to declare. However, the amount of modifications also differs according to the various cultures. The cultivation of some products such as olive trees and nuts are mostly stable whereas other products, e.g. seeds, vary from season to season. In 2006 the modifications of the parcel-map was very time consuming for olive farmers facing that 2006 was the first year for olives.

Upon completion of the application for single payments by the CAA, the farmer has to control and confirm the declared statements with his signature.

The paper-based copy of the application for single payments will be stored at the CAA and the electronic copy is submitted to the national/regional data bank.

Generally, the farmer has the obligation to keep the folder (which contains all relevant documents regarding the farm) up-to-date, the CAA has the statutory obligation to check the authenticity of the provided documents. If the folder is up to date and there are no relevant transformation regarding the farm and the farmer, the process of application for the single payment can be done in a few minutes.

3.2.2. Transfers of payment entitlements

The transfer of payment entitlements represents the 'private trade' of payment entitlements with or without land between farmers. Beside the common transfer of payment entitlements in 2006, it was also possible to transfer provisional entitlements. This second information obligation is limited to the phase of preventive recognition of farmers, and in 2006, it was limited to provisional payment entitlements for olives, tobacco, and sugar. However, AGEA informed the farmers that the process was less complicated if they waited with the transfer until the entitlements were fixed. For this reason, the total number of transfers of provisional entitlements is comparatively low.

The relevant forms for the two information obligations are only slightly different and the time spent on the two processes varies only slightly according to the documents the farmer has to submit.

As described in the general process above, a farmer who wants to transfer entitlements has to attend two meetings at his CAA. In the first meeting, the CAA-associate explains to the farmer which documents he has to submit.

The transferor has to provide a series of documents containing information about the transferee of the payment entitlements. Consequently, he needs to contact the transferee to get copies of the relevant documents. Furthermore, the farmer has to prepare the entitlements, which are object of the transfer. At the second meeting, the farmer submits the relevant documents, which are controlled and, if necessary, copied by the CAA-associate.

As part of the second meeting, the farmer and the CAA-associate discuss all relevant facts concerning the transfer. As the online system SIAN already contains the basic data on farm and farmer, the second meeting will normally start with the employee of the CAA and the farmer controlling all data related to the transfer, such as registered parcels and payment entitlements. The system requires the input of all changes that have occurred to the relevant agricultural property, a statement of the type of entitlement, which parcels are going to be transferred, and who the transferee is. The advisor has access to all relevant data either in a paper-based folder or on SIAN, which automatically checks the formal correctness of the transfer. The associate directly enters the information relevant for filling the online-form into the system (basic data of transferee, type of transfer, relevant payment entitlements). The summary of the relevant payment entitlements is automatically done by the system. The farmer is present for this activity and upon completion, he gets a printout of the completed form, which he controls and then confirms with his signature. The form has to be signed by both the transferor and the transferee. Therefore, the transferee normally comes to the CAA for the signature. In some cases, the transferee does not come to the CAA. In these cases, the transferor turns to the transferee to get his signature and afterwards gives the signed document back to the CAA. The time spent for these two ways of signing is nearly the same.

The IT system allows for electronic submission of the application to the data bank of the national paying agency; the transferee and transferor just have to sign the one copy of the application that will be stored in the farm folder in the archive of the competent CAA and another copy, which is sent to the competent paying agency.

The biggest administrative (and financial) cost is not represented by the meeting of the two parties at the CAA office, but by the necessity to transfer every entitlement with a single dedicated act issued by a public notary.

If the transfer is completed within the 31st of March, it counts for the current year, if it is done after this date it will be effective for the following SPS campaign.

The majority of transfers were completed in 2005; the number in the following years was not so high due to a natural settlement of the farm status after the first year after the CAP reform in Italy.

In 2006, there were regional limitations and deductions for the transfer of payment entitlements, which hence were eliminated.

3.2.3. Cross compliance inspections

Considering that the distribution of single payments depends on maintaining cross compliance, every farm can be subject to different kinds of controls. AGEA, the national payment agency, is responsible for the coordination of these controls. ASL (local health agency), the Regions, and specialized agencies execute the controls.

In 2006, 15,725 controls regarding cross compliance were carried out on farms that applied for single payments.

Based on the results from our workshops, the time needed for the on-the-spot-checks varies from approx. 120 to 240 minutes depending on the diversification of the cultivation as well as on the character and size of the farm. Therefore, segmentation between controls of high and low complexity has been put in place.

Based on estimations from the National Paying Agency, AGEA, 70% of the controls are of low complexity, the remaining 30% are of high complexity.

In order to guarantee their presence, the farmers get a notice of the up-coming control 24 hours in advance. For the on-the-spot-checks of the farms, the controllers use a checklist to find out if there are any violations of the cross compliance requirements. They estimate and document the importance, gravity, and duration of the violation.

For the farmer the on-the-spot-check means that he needs to support the controller. The farmer has to show the controller the fields and/or stables and the documents the controllers ask the farmer.

In cases where a farmer cannot participate to the check personally, he can delegate someone to be present on his behalf. In that case, he must fill out a simple form that his representative should show to the controllers.

3.3. Simplification suggestions and irritants

This section focuses on simplifications suggested during the data collection – at national/EU level – and on irritants. According to this structure, only few concrete irritants and no real simplification suggestions have been indicated by the experts and farmers for Italy.

3.3.1. Remove, reduce, merge or improve regulations

There was a general request for a more flexible execution of the deadlines concerning the applications. In 2005, AGEA in the end extended the deadline for the SPS because at the point of the deadline a huge number of applications were missing. In 2006, the extension of the deadline was not communicated officially for a long time, but in the end was so.

In the time up to the deadlines, the workload of the CAA always increases dramatically. On the one hand, this is caused by the fact that farmers only contact the CAA to file their applications just before the deadline. On the other hand, it is caused by problems with the IT-system, which goes down several times a week and disturbs the processing of the applications.

3.3.2. Data sharing and joint government and Develop ICT – solutions and services

In general, the experts are content with the IT-system SIAN, which connects all CAAs with AGEA and the Regional Paying Agencies as well as with other relevant organizations, thereby making it possible to store all application- and farm-relevant data in one place. All people with access to the system have access to all the information stored in it. The system also provides the possibility for the farmers to apply online, but this service is not used very frequently. Considering the workload of the CAA, being a kind of guardian for the farmers, it would be helpful to enable some farmers to do the applications on their own using the IT-infrastructure.

3.3.3. Provide better guidance and information

Some irritants have been identified concerning the process of preventive recognition of olive farmers, which started in the end of 2005. AGEA had to send a communication including the pre-allocated payment entitlements provisionally fixed on the basis of the reference period to all olive farmers. Unfortunately, a huge number of farmers were not included in this process and did not receive the appropriate letter. This was caused by a lack of basic data in the system of AGEA as well as by software-problems. Another huge number of farmers did not react on the basis of the communication. Therefore, the biggest part of farmer recognition was post-

poned to the second step of the process. Within this step, AGEA had to send out another letter to all affected farmers including the provisional payment entitlements. The problems occurred again, and in the end the whole process took a very long time and a huge number of olive farmers remained without allocated entitlements and therefore without payments.

Another irritant concerns the circulars enacted by AGEA to give guidelines to the Regional Paying agencies. For the whole CAP-implementation, a huge number of circulars have been enacted.

3.4. Outlook of expected development of the administrative costs

3.4.1. Regulatory changes

During the interviews with representatives of the National paying agency and farmer unions, it has been indicated that there are no new regulatory steps from the national point of view.

The fruit and vegetable reform

The European legislator introduced new rules regarding fruits and vegetables and from 2008, EU subsidies in this sector will no longer be linked to production volumes. Instead, each farm will receive a single payment in return for meeting certain environmental, food safety, and land management standards. The alignment of this sector into the regulatory framework of the reformed CAP will definitely have a substantial impact on the administrative workload of the Italian agricultural system, as the formal steps such as the preventive recognition have to be planned and implemented. The evolution of the running costs for the CAA will increase, as the number of services, which have to be offered, will grow. Today, every CAA gets a remuneration of only about €28-42 per single application from the national or regional paying agency. The changes will affect approximately 18,000 farmers, but in particular the producers of tomatoes, which are particularly diffused in the southern regions of the country.

Stabilisation of the single payment scheme

For the farmers, the administrative costs are expected to decrease due to the current stabilisation of the SPS. Considering that all the data relevant for the applications is stored in the database the farmers in future only will have to declare relevant modifications caused by changes of cultivated products or due to merger of farms or acquisition of land. This certainly leads to a decrease in spent time on applying for single payment. Especially for stable cultures as olive trees, the administrative costs can be expected to be very low.

Allocation of payment entitlements

Allocation of payment entitlements related to selected sectors, amongst others olives and tobacco, was finalised during 2006. Consequently, the administrative costs related to these activities are abolished in the years to come.

3.4.2. Changes in administrative set-up and usage of IT-systems

As almost all CAP-related administrative actions are done electronically via IT-systems, the development of the administrative costs is closely connected to the evolution of these facilities. SIAN is the single, integrated information system used by the various departments and agencies of the Italian Ministry of Agriculture. Due to planned databanks connecting the network of the CAA with the networks of the region, municipality, Ministry of Finance, as well as the modernisation of the land

register, the required time to comply with the CAP-requirements in general is expected to decrease. For the farmers this will probably have just an indirect implication as they do not fill out the forms personally and their workload is mainly determined by the time spent at the CAA. Yet it can be expected that the farmers' time spent at a CAA, needed for the presentation of CAP-related applications, will decrease according to the amendments of the IT-systems.

AGEA is planning to connect a few more databanks, in particular the register of the chamber of commerce, to the SIAN software in order to have a unique access point for the CAAs with all information needed for the preparation and submission of the SPS-application.

3.5. Conclusions

The total administrative costs for Italian farmers in 2006 were more than €198 millions, which amounts on 8.5% of the total CAP-payments for Italy in this year. Distributing the total on the number of farmers applying for SPS in 2006, the average administrative cost per applicant is €107.

Two subject groups represent almost all administrative costs of the Italian farmers. These are the SPS (55.8%) and Initial allocation of payment entitlements (41.3%). As the administrative costs of the second group are one-off costs, meaning that they only occurred in 2006. Therefore, the third subject group – Transfer schemes – becomes relevant; although its share of total costs is 1.2% and therefore much lower than the first two groups.

The three most burdensome ongoing information obligations in Italy are the following:

- Application for single payments
- Application for additional payment for arable crops
- Application for payment for the production of quality durum wheat

With 1,469,100 applications in 2006, the application for single payments as the main application within the SPS is the most burdensome obligation and amounts on €101,032,900 representing 50.7% of the total CAP-related administrative costs. The costs for the application vary according to the number and complexity of changes of cultivated products, which is reflected by the parcel-map being the most time-consuming requirement.

The administrative costs associated with the SPS are expected to decrease in the coming years. The expectations rest on the improvement of the connection of IT-systems as well as on the stabilisation of the SPS, which will ease and shorten the application process and decrease the time used on applying.

The application for additional payments for arable crops is second most burdensome and only requires the applying farmers to submit various seeds acquisition certificates. This is time-consuming and brings the information obligation to a total time of 60 minutes with a population of 276,500, and therefore on a lower level share of 3.8% equivalent to €7,462,900 of the total administrative costs.

The application for payment for the production of quality durum wheat is the third most burdensome ongoing information obligation and amounts to €1,860,400 due to the relatively high population of 118,115 filed applications.

As a big share of total costs is related to the subject group Initial allocation of payment entitlements. The three most burdensome one-off information obligations in 2006 were:

- Application for initial allocation of payment entitlements for the sectors olives, tobacco, milk, and sugar
- Confirmation of communicated farm status according to the reference period – olive sector
- Notification of amendment of the farm status in case of natural calamity – olive sector

The application for initial allocation of payment entitlements for the sectors olives, tobacco, milk, and sugar was relevant for all farmers in the mentioned sectors and represents the most burdensome one-off information obligation, as well as the second most burdensome information obligation in total. The compliance with the information obligation takes about 92 minutes in total and in combination with the aggregated populations of olive, tobacco, sugar and milk sector it accounts for 22.6% or €45,047,400 of the total CAP-related administrative costs in Italy.

The second most burdensome one-off information obligation applies to the olive farmers and was to be met in cases where farmers had no changes concerning the payment entitlements communicated by the National Paying agency, allocated on the basis of the 3-year reference-period. Due to the high population of 918,000 (representing 70% of the total number of olive farmers) this information obligation, which takes only 35 minutes to comply to, reaches the share of 7.2% or €14,457,300 of the total Italian administrative costs.

The third most burdensome one-off information obligation is the Notification of amendment of the farm status in case of natural calamity – olive sector which also represents the fourth most burdensome information obligation in total. With a comparatively high time consumption of 110 minutes but a relatively low population of 270,300 notifications, this information obligation costs €13,375,200 and represents 6.7% of the total CAP-related administrative costs in Italy.

4. Administrative costs imposed on farmers in France

4.1. Total administrative costs in 2006

The table below describes the administrative costs French farmers faced in 2006. The total amount for 2006 is estimated to €381,724,300.

Table 18: Total administrative costs*

Total administrative costs, €	381,724,256
Number of farmers applying for SPS in 2006	400,000**
Administrative cost per farmer, €	954
Agricultural area, hectares	29,600,000***
Administrative cost per hectare, €	13
Total CAP payments to farmers, €, 2006	5.718.484.341****
Administrative cost, share of total CAP payments	6.7%

* All figures are rounded

** The total number of applicants has been rounded. The precise number of applicants in 2006 is 396,890

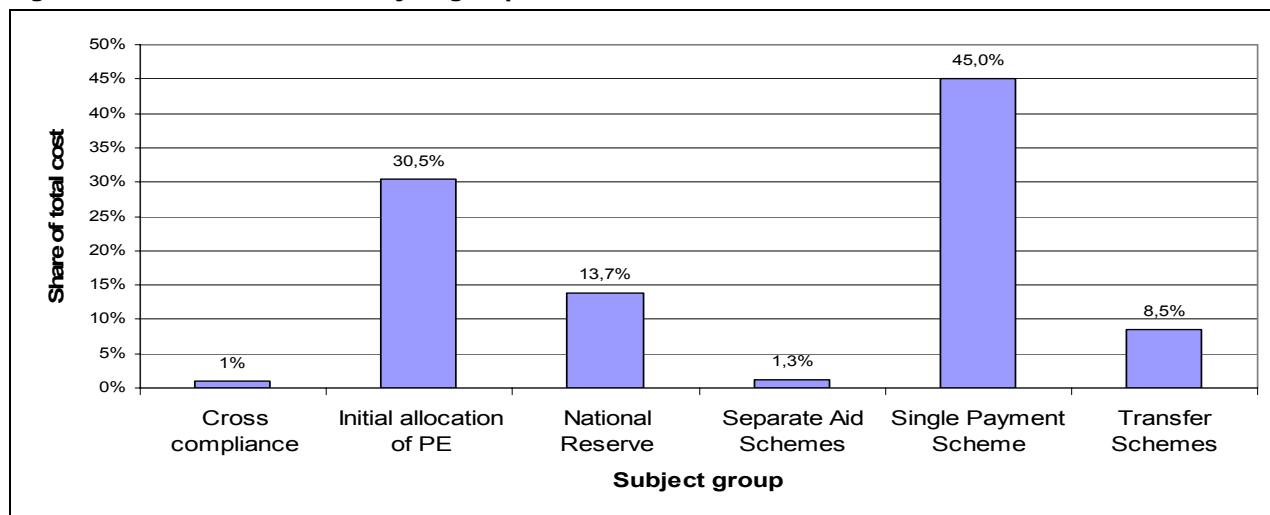
*** Source: Dansk Landbrug i tal, 2006 (Danish Agriculture in figures, 2006)

**** Source: DG AGRI

Overall, the administrative costs as a share of total CAP payments constitute 6.7%. This number indicates the level of administrative costs in relation to the CAP payments received by French farmers.

The figure below shows the relative costs for the individual subject groups.

Figure 26: Relative costs for subject groups



As seen on the figure, there are 4 main subject groups that can be described as the most burdensome ones: The SPS at 45%, Initial allocation of payment entitlements at 30.5%, National reserve at 13.7%, and Transfer Schemes at 8.9%

Between these 4 groups, there is one that is particular to the French case for 2006. This is the Initial allocation of PE. This group is particular because related costs are only faced in the first year of a country's implementation of the CAP Reform. This is

the case for France in 2006. Therefore, we do not expect this subject group to be burdensome in the following years, as it will no longer be substantial.

For 2006, all Payment Entitlements applicants are concerned: 530,600 farmers have complied with the initial application and 400,000 farmers participated in related trainings. The costs related to actually filling the application request are low. However, the reason why this subject group is particularly burdensome is linked to the fact that farmers needed to follow an eight-hour training session in order to understand the reform and the new forms related to it.

The remaining three subject groups are more standard in the long run, especially the SPS related subject group.

The SPS subject group concerns 400,000 farmers, which represents a high proportion of the total number of French farmers. It is the most burdensome group and represents 45% of the total administrative costs. Without the initial application of PE group, the SPS group would represent almost 65% of the total costs. The heavy costs are a result of the fact that there are many information obligations of high complexity requiring a substantial amount of time to fulfil them. For example, each farmer spends about 4.5 hours to fulfil the area declaration and more than 7 hours to draw his parcel map.

The costs that are related to National Reserve also represent an important part of the total administrative costs on farm (13.7%), and are thus the third most burdensome subject group. This is mainly because all farmers had to fulfil the event declaration form, which related to the changes the farmer has had on his exploitations since 2000 (in terms of investments, locations, and other specific data). The fulfilment of the event declaration was very time consuming, lasting more than 2 hours. Other information obligations within this group are considered much less burdensome in terms of applicants as well as administrative costs per se. Furthermore, given the fact that the event declaration is a "one-off" information obligation, a drastic reduction of the related costs arising from this subject group is expected after the implementation year.

Regarding the transfer schemes, the administrative costs are also important, mainly because concerned farmers are quite numerous. Furthermore, workshops show that collecting the data and obtaining the required signatures (from previous owners of the land over the last 6 years) requested in most of the forms gathered in this subject group demand a considerable amount of time from applicants.

The Cross-Compliance controls represent 1% of the total administrative costs. It was identified by the farmers as one of the most irritating points. The number of farmers subject to controls is not very high, but the controls require a considerable investment in terms of time, given the fact that farmers are obligated to accompany the controllers during the whole inspection. Controlling authorities conduct their inspection independently and visit the farms for at least half a day.

The subject group Separate aid scheme is the least burdensome group of information obligations. It usually takes less than 30 minutes to fulfil the three information obligations included in this group (all three are considered quite simple and similar).

Below, a more detailed assessment of the administrative costs of the most burdensome information obligations is provided.

4.1.1. Details of total costs

After having looked at the total costs for subject groups, this section now takes a closer look at the cost parameters of each subject group; internal costs, external costs, and acquisition costs.

The data collection and analysis in France has shown that external advisors is not used to a significant extent. In France, public as well as private organizations, such as the Chambers of Agriculture or Rural Economic Centres, can assist the farmers in filling and submitting their applications or by training them on specific concepts. Although these structures exist, outsourcing is not fully applied, as is the case in other countries.

The main reasons for that are firstly, that the external help provided by these organisms is generally done on very specific matters (through phone calls or half an hour meetings) with no additional or separated costs. In the Chambers of Agriculture, advisors mainly provide general information to farmers (breeding, farm management, etc.). These structures are financed by a land tax, which varies from one municipality to another and levied on all farmers. In the Rural Economic Centres, advisors aim first at providing accountability assistance and sometimes check administrative forms filled in by farmers. This latter cost is included in the accountability assistance cost and is not paid/invoiced separately by the farmer/advisor. Indeed farmers and advisors who were contacted during the data collection were not able to distinguish the administrative cost from the accountability assistance cost.

Secondly, more extended help is available for a certain fee but is not yet fully applied. Indeed, French farmers request to be physically present, informed, and involved in each step of the application process. Moreover, outsourcing was not often requested within the 1st pillar but much more within the 2nd pillar, which is not part of the present study.

As for the external costs, acquisition costs also do not consist in a differentiation factor for French farmers, since they are still very low in 2006. The online IT application called Telepac has not been used massively by the farmers, and application for SPS did not require specific tools such as designing and logistical software.

The table below looks further into the total costs distributed on subject groups and target groups.

Table 19: Total administrative costs, subject groups and target groups*

Subject group	Target group	Internal cost, €	External cost, €	Acquisition cost, €	Total cost, €
Cross compliance	Animal farmers	1,973,500			1,973,500
	All farmers	1,682,800			1,682,800
	Total	3,656,300			3,656,300
Initial allocation of PE	All farmers	116,482,600			116,482,600
	Total	116,482,600	-	-	116,482,600
National Reserve (allocation of payment entitlements from the national reserve etc.)	All farmers	52,433,300			52,433,300
	Total	52,433,300	-	-	52,433,300
Separate Aid Schemes (ewe premium, male bovine premium in case of export etc.)	Bovine farmers	4,263,100	-	-	4,263,100
	Sheep/Ewe farmers	539,300	-	-	539,300
	Total	4,802,300	-	-	4,802,300
Single Payment Scheme (single payment, aid for energy crops, dried fodder, protein crops etc.)	All farmers	164,639,400	-	-	164,639,400
	Farmers who cultivate durum wheat	247,200	-	-	247,200
	Farmers who cultivate energy crops	1,266,600	-	-	1,266,600
	Farmers who cultivate flax or hemp	383,200	-	-	383,200
	Farmers who cultivate seeds	13,500	-	-	13,500
	Farmers who cultivate starch potatoes	16,100	-	-	16,100
	Farmers who have industrial or beet set-aside	5,195,500	-	-	5,195,500
	Farmers who have "wild fauna" or environmental set-asides or wood	60,000	-	-	60,000
	Total	171,821,200	-	-	171,821,200
Transfer Schemes (declaration of transfer of holding, PEs, contracts etc.)	All farmers	32,528,900	-	-	32,528,900
	Total	32,528,900	-	-	32,528,900
Total		381,724,300			381,724,300

* All figures are rounded

The 2003 Reform includes two main concepts: the Decoupling and the Single Payment Scheme. The latter refers to the idea of one single application procedure affecting all farms once a year. While the principle of decoupling is still partial in France, the principle of a unique administrative procedure imposed on all farmers has been well completed in France in 2006. Indeed, in the table above, it is clear that the proportion of common administrative activities, that is administrative activities affected all types of farmers, is significantly high. Indeed, more than 96% of the total administrative costs arise from information obligations that regard all farmers, which is the most important target group.

In regards to cross-compliance, all farmers are affected by this regulation, but only a low proportion of them have to face the controls and the inspections related to them.

As far as the initial application of PE is concerned, all farmers are targeted, and all of them are affected. Actually, more farmers are affected than those applying for the SPS subsidies. That is because it is the first year of implementation, every farmer, including the non-eligible ones, fulfilled this information obligation, in order to check their admissibility.

For the National reserve, a large part of the costs affects all farmers. Other smaller and specific programs have been implemented for all farmers, but only a small proportion of farmers been affected during 2006.

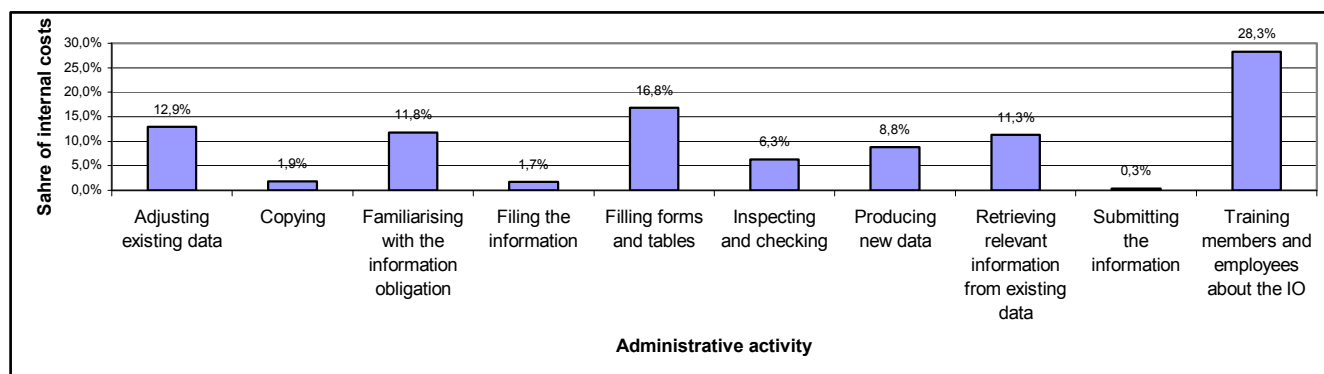
The Separate Aid Scheme subject group is the only one that does not concern all farmers as only bovine and ewe farmers are affected. Although the administrative cost structures are similar for these target groups, there is a difference in terms of total costs. This is because there are more bovine farmers than ewe farmers in France. Furthermore, bovine breeders apply for two types of coupled premiums while ewe breeders only apply for one.

The most costly subject group is the Single Payment Scheme constituting 45% of all French administrative costs. This subject group includes 13 different applications to be filled in by farmers. Among them, two particularly burdensome information obligations concern the target group All farmers. These are the Area Declaration Form and the Parcel Map. Regarding the remaining information obligations, they concern more specific target groups (Male bovine farmers, Farmers who cultivate non-food crops, etc.). Differences in the costs between these specific target groups can mostly be explained by the size of each of them. However, these target groups combined are much less burdensome than the cost borne by the target group all farmers.

For the transfer schemes, all farmers are concerned, and in 2006, a large part of them was affected since it was the year of implementation of the Reform.

Meanwhile, it is necessary to take a closer look at the composition of the internal costs to gain a deeper understanding of the time farmers spend in the SPS application process.

Figure 27: Internal costs, share of activities



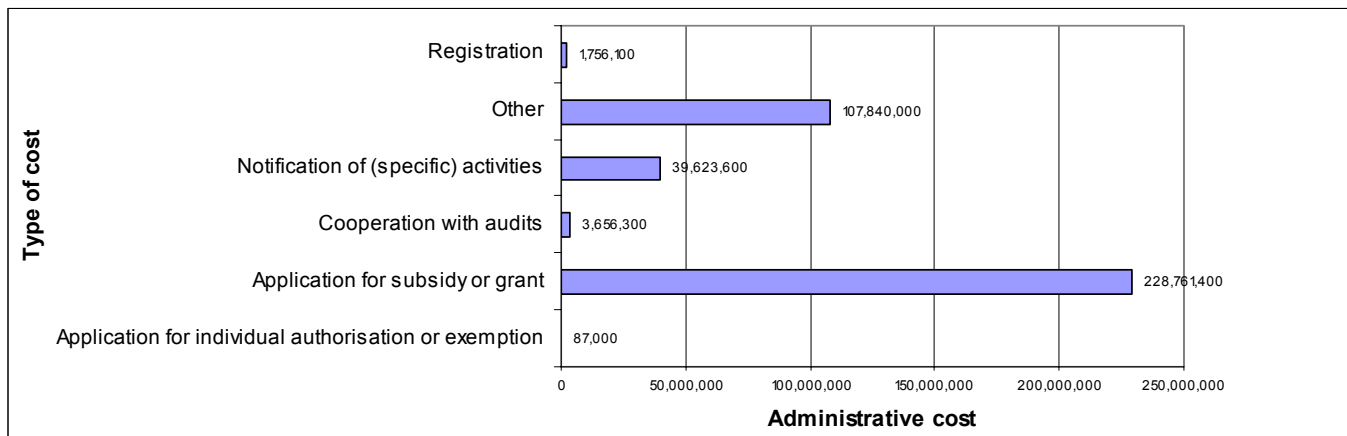
As illustrated in the figure above, internal costs related to the Training activity (28.3%) and to the Familiarising activity (11.8%) are particularly important in 2006. Indeed, given the fact that 2006 was the year of implementation of the Reform, most of the Payment Entitlements applicants decided to participate in training sessions introducing the changes, concepts, and the new forms related to the Reform.

Moreover, the activities of Filling forms and tables (16.8%) and Retrieving relevant information from existing data (11.3%) also represent an important part of the internal costs. This data can partly be linked to the fact that most of the forms were not pre-printed in France in 2006. This is expected to change for the coming years.

In regards to the activities of Adjusting existing data (12.9%) and producing new data (8.8%), internal costs are also significant. The complexity of legislation and of some related forms led to a significant need for attention and time calculation for the farmers.

The section now turns to examine the administrative costs by type of costs. The table below illustrates the total administrative costs distributed across different types of costs.

Figure 28: Distribution of total administrative cost by type of cost



The figure shows that the dominant type of cost is the Application for subsidy or grant, which mainly relates to the application for the SPS. This type of cost concerns a large proportion of the farmers. Furthermore, most of the data that is demanded by the administration is included in the application forms for obtaining the subsidy or the grant.

The Other type of costs category is also significant. It mainly represents the training sessions organised in 2006 in order to introduce the Reform to French farmers. These sessions have been attended by a large number of French farmers and required a significant amount of the farmers' time (8 hours) in the implementation year.

4.1.2. Top 10 information obligations

The table below lists the top 10 in terms of total costs per farmer/per application.

Table 20: Top 10 information obligations, administrative costs per farmer/per application*

Rank	Information obligation	Internal cost, min.	External cost, €	Acq. cost, €	Total cost, €	Population/year
1	Training linked to the administrative tasks linked to the 2003 Reform	480	-	-	270	400,000
2	Identification of agricultural parcels (including olive orchard)	460	-	-	260	400,000
3	AUP cross-compliance inspection	360	-	-	210	4,280
4	Area declaration form	250	-	-	150	400,000
5	Clause of historical PE'sdefinitive transfer to the new farmer (end of loan or end of availability)	210	-	-	120	157,500
6	Clause of historical PE'sdefinitive transfer with a definitive land transfer	210	-	-	120	20,100
7	Notification of clause form	210	-	-	120	8,200
8	Clause of historical PE'sloan with a land loan	210	-	-	120	70,200
9	DDA cross-compliance inspection (animal identification)	180	-	-	110	16,870
10	DDA cross-compliance inspection (environment)	180	-	-	110	4,080

* All figures are rounded

The most burdensome information obligation in France in 2006 relates to following the training sessions linked to the administrative tasks in relation to the 2003 reform. The time spent by farmers to attend these trainings is significant for the implementation year. Indeed, most farmers have participated in various trainings introducing the changes and the new forms related to the Reform (new schemes, transfers, the concept of Payment Entitlement, etc.). For each farmer this represents on average 8 hours of training.

The second most burdensome information obligation is the Identification of agricultural parcels. This information obligation represents tasks that are complex for a farmer. Indeed, they require a certain level of precision and thinking in order to describe accurately the agricultural activities of the farmer in relation to his parcel blocks (the more parcel blocks are, the heavier the information obligation gets). In relation to this, the French administration has developed an IT web application called Telepac, which is one of several tools meant to assist the farmer in the drawing process. However, in 2006 figures show that farmers were not familiar with this system yet and the system itself contained some flaws, which discredited it in the implementation year. In regards to that, implementation has been improved so that farmers would gain confidence in it.

On the third, ninth and tenth place are Cross Compliance inspections. The population submitted to controls is not very high, but the controls require a lot of time and farmers have to accompany the controllers during the whole inspection. There are three particularly burdensome inspections; The AUP inspection, The DDA inspection (animal identification), and The DDA inspection (environment). In regards to the AUP inspection, the most burdensome one, the inspector spends on average 6 hours on the farm since it includes the GAEC as well as the area eligibility control. In addition to this, the average time spent on these controls is high because it includes the measurement of parcels, which is usually subject to correction since the tools used by the administration for the measurement (including satellite measurement) often reveal incoherencies. The remaining inspections also follow the pattern of accompanying the inspector during the control, which makes them burdensome too.

Number four is the Area declaration form. This information obligation is identified as burdensome for a farmer because it requires compliance with some French specificities; regulation requires a differentiation between coupled and decoupled crops for a same product, which makes it very complex since the filling of the forms often requires heavy calculations. Due to its complexity, farmers check their Area declaration form several times including its compatibility with the Parcel Map declaration. Indeed the Area declaration requires a description of each of the parcel (as for the Parcel Map) and requires a high level of precision.

As mentioned before, Telepac can assist the farmer in his declaration. However, lack of familiarity with the system and flaws within it explained its low usage in 2006.

On another level, the area has to be declared at the municipality level. Therefore, an Area declaration has to be filled for each municipality where the farmer possesses and cultivates lands. This multiplies the filling procedure.

The obligations ranking 5 to 8 relate to Clauses and Transfer forms. The particularly burdensome information obligations in 2006 in relation to transfers are the following: Clause of historical PE definitive transfer to new farmer, Clause of historical PE's definitive transfer with a definitive land transfer, Notification of clause form, and Clause of historical PE's loan with a land loan. First, identifying the right form to fill in is a difficult task for the farmer, considering the variety and the complexity of the existing forms. Secondly, the period that is covered by the clauses is very long, stretching from 2000 to 2006. Therefore, farmers need to retrace the history of their lands and submit proof of its changes over the six-year period (contracts signed by both parties – seller and buyer, or owner and renter - in a transfer). For that, they have to find the previous landowners and explain to them why they have to sign a contract and the transfer form. This is especially burdensome because, according to French tradition, land transfers and agricultural land contracts are often done by oral agreements rather than written contracts. This information obligation often required farmers to rewrite contracts and to sign them. Thus, depending on the case, it is sometimes very difficult for a farmer to find the previous land owner(s) and to convince him or them that he or they can sign the forms and the contracts without any prejudice.

Meanwhile, when turning to the most burdensome information obligations in terms of total costs, the picture changes a bit.

Table 21: Top 10 information obligations, total administrative costs*

Rank	Information obligation	Segment	Internal cost, €	External cost, €	Acq. cost, €	Total cost, €	Population /year
1	Training linked to the administrative tasks linked to the 2003 Reform		107,840,000	-	-	107,840,000	400,000
2	Identification of agricultural parcels (including olive orchard)		103,346,700	-	-	103,346,700	400,000
3	Area declaration form		56,166,700	-	-	56,166,700	400,000
4	Events declaration		52,235,000	-	-	52,235,000	600,000
5	Clause of historical PE's definitive transfer to the new farmer (end of loan or end of availability)		18,134,900	-	-	18,134,900	157,500
6	Application for initial allocation of PE's		8,642,600	-	-	8,642,600	530,600
7	Clause of historical PE's loan with a land loan		8,083,000	-	-	8,083,000	70,200
8	Application linked to industrial or beet set-aside (external processing)		5,195,500	-	-	5,195,500	74,000
9	Application for single payment		3,370,000	-	-	3,370,000	400,000
10	Clause of the agreement on the temporary transfer of PE, parallel temporary transfer of land		2,965,600	-	-	2,965,600	48,000

* All figures are rounded

As can be seen from the table above, the two most burdensome information obligations are the same as the ones identified in table 20 (administrative costs per farmer/per application). This is not very surprising given the fact that all the farmers are affected by these information obligations.

Conversely, in relation to table 20, all kinds of control are no longer included because the affected farmers are not that numerous (although all farmers are concerned and can be affected).

The area declaration remains among the most burdensome information obligations (third place) since all farmers are affected and therefore the total administrative costs related to it are quite high. This is also the case for the Clause of historical PEs transfer to new farmer and transfer with land loan (seventh place).

The table above includes some other burdensome information obligations in terms of total costs that did not appear in the previous table. First is the Event Declaration form (fourth place). Usually, this form has been sent before the initial allocation of PEs and therefore a lot of farmers have filled it, even if they are not concerned by the SPS. Indeed, 99% of all French farmers complied with this obligation.

In sixth place of the most burdensome information obligations in terms of total costs is the Application for initial allocation of PE's. This information obligation is not particularly time consuming but every applicant was affected by it in the first

year of the implementation of the reform. This is the reason why it has been burdensome for 2006 in France.

Number 8 relates to the Application for beet set aside. The reason for that is that this information obligation affects a great number of farmers. Compared to other information obligations regarding application for crops, Application for beet set aside is the most complex and demands more justifications in order to fulfil the obligation.

In ninth place of the most burdensome information obligations in terms of total costs, we find the Application for SP (S1). Although this form is quite simple to fill in (it consists in an identification form), all farmers are affected and hence the total administrative costs related to it are high.

Finally, the clause of the agreement on the temporary transfer of PE, parallel temporary transfer of land completes the top ten most burdensome information obligations in terms of total costs for French farmers in 2006. This clause is a less time-consuming clause in comparison to the other clause forms, but the total administrative costs related to it are high since the affected farmers are quite numerous.

4.2. Assessments of administrative costs of most burdensome information obligations

The following contains a description of the normal efficient process of complying with the most burdensome CAP requirements. The description includes information obligations included in the following subject groups:

- Application for single payment
- Transfer of payment entitlements
- Inspections relating to cross compliance

4.2.1. Application for single payment

In 2006, 400,000 French farmers applied for Single Payment. In France, the Single Payment Scheme Application consists in submitting six types of forms:

- S1-form: Identification of the farmer
- S2-form: Area Declaration
- Coupled crops form
- Irrigation form
- Parcel Map
- Annexes

On April 15 the local administration (DDAF: Direction Départementale de l'Agriculture et de la Forêt) automatically sends a folder to every farmer containing a paper copy of each of the documents for final submitting on May 15. However, a copy of each of the required documents is available and downloadable on the internet as soon as they are issued. However, the folder is not completed as such, since additional copies of some forms might be needed for the application.

In the S1-form, the farmer must provide basic data on name and address, etc. The form is usually filled once other documents are ready, since it requires information that is gathered in the other documents.

The S2-form is a list of the farmer-applicant's parcels within a single municipality, their status, and the crops related to them. The farmer has to submit as many forms as the municipalities in which he has parcels. A typical farmer normally submits five S2-forms per application.

In order to complete the S2-forms, each farmer has to fill in the coupled crops form, which gathers the parcels that are coupled, at the national and at the European level, as described in the S2-form. Furthermore, the farmer has to fill in an "irrigation form", which describes by very precise calculations, the way the parcels are irrigated and the way water flows within them.

The Parcel Map is a single form that consists in drawing, numbering, and listing the farmer's parcels. The farmer draws a parcel on aerial photos sent by the administration on demand (generally, this is done when asking for supplementary S2-forms). These photos are attached to the form when it is submitted.

The annexes include contracts and certifications in order to justify some of the above-mentioned requirements related to its production from a legal point of view.

In France, the data collected for 2006 show that there is no clear segmentation or categorisation of targets possible in the application process. However, some factors indicate possible segmentations.

Regarding the use of IT tools, the French Ministry of Agriculture and Fishery has developed an application called TELEPAC. It is a web application where each farmer has a free access by entering his identification code (PACAGE number). The tool provides the farmer with the S1-form, the S2-form, the above-mentioned aerial photos composing the Parcel Map, and the tools for drawing on them as described. Since it was introduced in 2005 it is a relatively new application, and is limited in terms of format compatibility and server capacity, farmers are not yet using the tool systematically.

Regarding outsourcing, French farmers can benefit from the help of external advisors. Indeed, there are public as well as private organisations such as the Chambers of Agriculture or Rural Economic Centres that can assist the farmers in filling and submitting their applications, by training them on specific concepts, or by assisting the farmers when filling in the applications. Fees are similar whether it is a public or private organisation. Although these structures exist, outsourcing has not yet been fully applied, as French farmers request to be informed and involved in each step of the application process. Outsourcing in France does not mean that the farmer delegates the filling of the forms to the advisor. Instead, they work together on it.

Regarding the level of complexity of the applications, the resources required to fulfil the application seems to be the same for all farmers and thus not dependent on the size per se, (only the S2 forms depend on the number of municipalities where the farmer has his parcels), the farmer's activities, or other.

However, it seems that certain land consolidation criteria can generate differences between the farmers that have dispersed parcels and farmers where their parcels have been regrouped. Indeed, when the farmers' parcels are regrouped, the farmer has less S2-forms and Parcel Maps to fill in and to draw.

With regard to the standard activities used by the farmers to apply for single payment, the following activities seem to be relevant for the various types of forms:

Activities linked to the parcel map

First, the farmer needs to get familiar with the information obligation before starting filling it, including reading and understanding the notice and the form.

In order to complete the parcel map, the farmer has to retrieve existing data and to update it. This actually represents the heaviest activity linked to the application.

Once the data is collected, the farmer will be able to fill in the parcel map form.

Activities linked to the S2-form

In order to fill this form, the farmer has to retrieve existing data and to produce new data. It usually takes time, considering the fact that the farmer has to link the parcels with the crops that are concerned by the SPS application.

Activities linked to the S1-form

The farmer has to fill in the form with personal data and the data on his farm. These are basic information that do not require much time.

Activities linked to specific crops

The farmer usually keeps documents proving the quality of the seeds and contracts with collectors or processors. Copies of related documents are submitted along with the application.

All documents are gathered in a single folder and sent as an application for the single payment to the DDAF. Some farmers send it by post but most of them bring their file directly to the DDAF in order to check with the administration itself that all documents are correct.

4.2.2. Transfers of payment entitlements

In France, the 2006 Transfers of payment entitlements consisted in submitting one or several of the following forms:

- Clause of historical Payment Entitlements' definitive transfer with a definitive land transfer
- Clause of agreement on a temporary transfer of PE, with temporary transfer of land
- Clause of historical PE's rent with a land rent
- Clause of historical PE's definitive transfer to a new farmer (end of rent or end of handing over)
- Notification of clause (which is to be submitted if none of the above cases are relevant)

Based on a first general notice that has been sent out by the administration, these forms have to be requested by the farmer from the DDAF on a case-to-case basis and sent back filled before the 15th of May.

Farmers fill in the above-mentioned forms in order to notify the administration of the movements of Payment Entitlements, lands, and eligibilities (including movements within the farm), to which they need to bring specific proofs. This is usually done by attaching a copy of the existing contract between concerned parties (transferor and transferee). Indeed filling a transfer form in 2006 implicates both transferor of PE's and transferee of PE's. The farmer concerned by the PE increase is the transferee. However, both actors need to agree on the content of the form(s) by signing it.

For the 2006 notification, it is important to mention that farmers needed to notify and prove any movement of land between 2000 and 2006. As from 2007, it will not be the case: only transfers within the year will be treated.

In France, the 2006 data shows that there is no clear segmentation or categorisation of targets possible in the application process:

The forms that need to be filled in are not characterised by a high level of complexity. Indeed, usually the information that is requested can already be found in the contract that exists between both parties.

On a practical level, there is only one way of filling the forms. There is no IT system developed and outsourcing is neither requested nor an option for the farmers. This last factor is directly linked to the fact that agricultural land transfers do not need the legal presence of a notary. The notary may fill the form but this is rarely the case.

The only act of outsourcing that takes place is the trainings that are provided for understanding and filling the forms (these trainings are general and are not delivered on this sole case). However, we do not consider them as a segmentation factor, since each farmer has access to it and because it does not constitute a differentiating factor in terms of burdens.

With regard to the standard activities, they are similar for all the clauses but the time spent for these activities may vary:

First, the farmer spends a significant amount of time to choose the right clause to fill in. Thus, the familiarising activity of reading of notices, newspaper, and legislation is time consuming.

Furthermore, the farmer has to find the transferor to fill in the form or at least sign it. This activity consumes a large amount of time given the fact that the farmer has to find transferor for the movements of PE since 2000. In addition, the farmer has to take the time needed to explain to the transferor why his signature is necessary. As mentioned previously, it must be underlined that this process gets more complicated for the transfers that have occurred before the implementation of the 2006 transfer scheme because farmers did not have to comply with this requirement. We expect that this process will be less burdensome in the coming years.

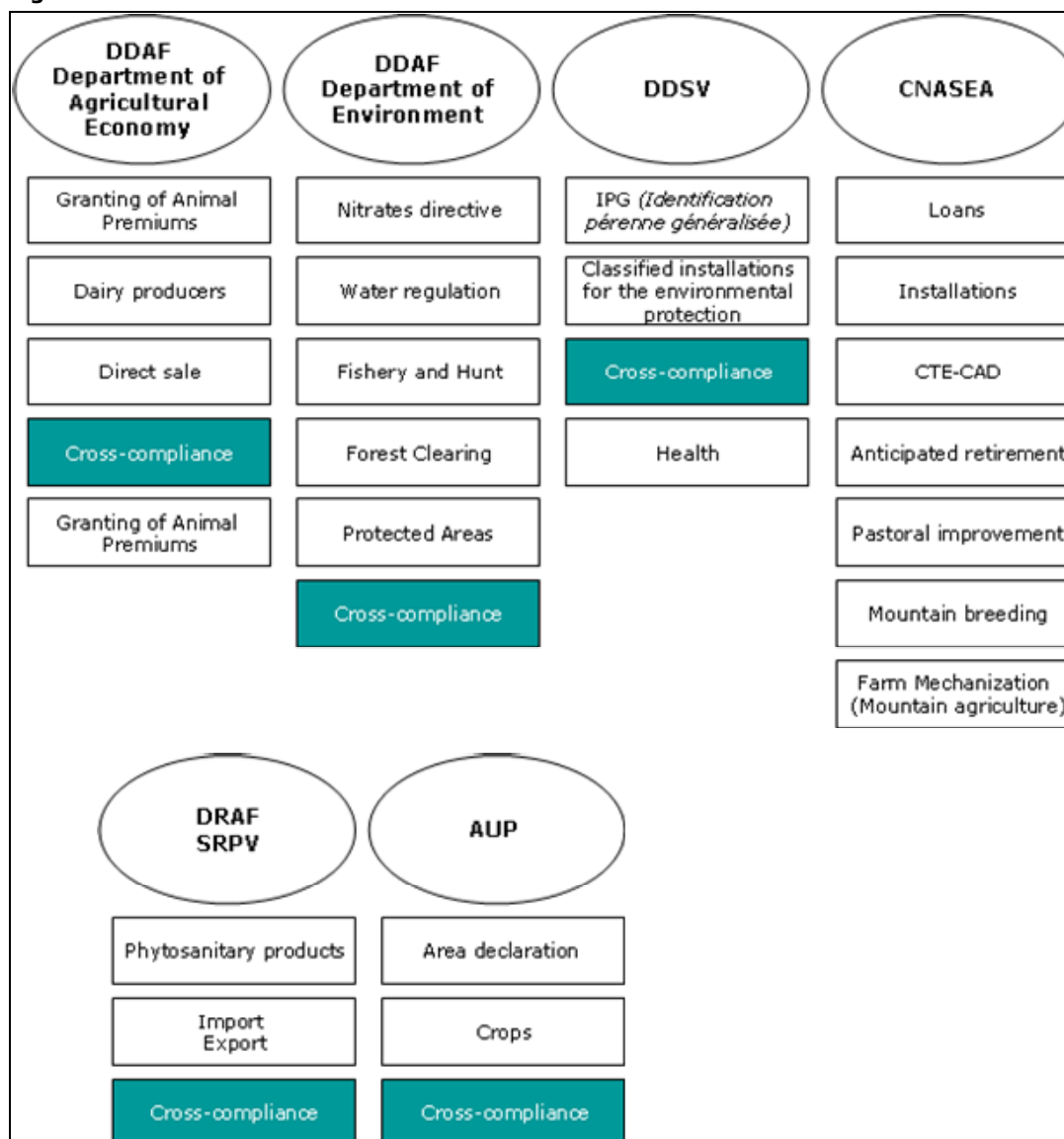
However, since the scheme's implementation, the forms are filled directly along with the signing of the transfer contract. Consequently, it is expected that this activity will be less time-consuming in the future and therefore less burdensome.

Once the form is filled, the farmer attaches a copy of the contract to the form and sends the application to the authority.

4.2.3. Cross compliance inspections

In France, the national legislation states that there are 6 main control authorities controlling the following procedures:

Figure 29: The six French control authorities



However, during the workshops it was noticed that there was divergence between the farmers' point of view and what is actually stated in the national legislation. Indeed, the national legislation states that there are 5 different kinds of inspections related to cross-compliance:

- DDAF inspection for requirements public health, animal, and plant health
- DDAF inspection for everything related to environmental directives
- DDSV⁹ inspection for requirements regarding animal productions
- DRAF SRPV inspection on permanent pastures
- AUP inspection on areas

The reason for these differences is that authorities are trying to regroup these inspections. The following analysis will focus on the two kinds of inspection as identified by the farmers. The DDAF inspection as a whole and the DDSV inspection.

⁹ DDSV: Direction Départementale des Services Vétérinaires

When a DDAF inspection on the farmer's global activity is about to be conducted, the DDAF administration phones the farmers at least 48 hours before the inspection to let them know about the inspection agenda and exact date.

Conversely, the DDSV inspection is not always announced. Surprise inspections are usually conducted when a complaint is filed against the farmer.

For both kinds of inspections, the farmer has to perform what is called "an act of presence". This means accompanying the inspector during the control and answering to his demands. The normal time spent for the DDAF inspection is minimum six hours whereas the maximal time for the DDSV inspection is one hour.

At the end of the inspection, the farmer has to sign a declaration stating the conclusions of the inspection.

After the control, the results are filed in a database (PACAGE) and a reduction rate can be applied on the global subsidy, depending on DDAF's decision and following incoherencies in regards to the farmer's application. The inspecting organisation keeps a copy of the inspection report.

In France, the 2006 data shows that there are two main categories of farmers in regards to cross-compliance inspection costs: farmers who breed animals and farmers who do not breed animals.

Farmers who breed animals are expected to be subject to the two kinds of inspections as mentioned above, whereas those who do not breed animals may only be submitted to the DDAF inspection.

Two kinds of activities are linked to the inspections. First, the farmer has to prepare the inspection, after the inspection is communicated to him through a phone call. The farmer usually asks for further details on the inspection's contents. The preparation phase includes a certain level of self-diagnosis and the gathering of specific documents. First results show us that this activity does not require much time for the farmer. Secondly, the farmer has to accompany the inspector during the control. As previously mentioned, this activity represents 6 hours minimum for the DDAF control and 1 hour maximum for the DDSV control.

4.3. Simplification suggestions and irritants

During the data collection, farmers presented their main points of irritations linked to the 2003 Reform and they proposed some suggestions for simplification.

4.3.1. Remove, reduce, merge, or improve regulations

Test of new forms

It was the perception of several farmers that the level of accuracy of the required data does not always fit the agricultural reality. Therefore, it was suggested that whenever a new form was launched, the form should be tested by a sample of farmers. The same was the case with the explicative notice.

Extension of the application period

It was pointed out that the application period for submitting all requested forms is too short. Apart from prolonging the implementation period, an ongoing registration for animal breeding and rotation of cultures was suggested.

Inspections

The preparation time for a control was perceived too short and it was suggested to extend the notice of the control. Further, it was a wish that farmers should be informed 10 to 12 days before the control takes place.

A lack of tolerance in regards to what farmers declare was pointed out. It was suggested that the limits regarding the precision of measurements should be taken into account in accepting larger error margins (brightness, ammoniac rate, etc.), and to make a distinction between errors that need to be sanctioned and those which do not.

Measurement methods

It was suggested to implement a single way to measure the surfaces and to fix the measurements once and for all (especially for filling the parcel map, the spreading plan, etc.) even if it is not 100% reliable.

Cross-compliance regulation

It was pointed out that the cross-compliance regulations are perceived arduous for the farmers. Some examples follow: The spreading plan is heavy and not useful to the farmer in his job.

The environmental constraints are too rigid and sometimes engender practices that are less respectful of the environment.

It was suggested to make controls more focused on the practical aspects of the agricultural work and about the way, the farm is working. If the farm functions in a coherent way (with only minor problems), no penalty should be imposed. Controls should take better account of the constantly changing nature of the farm, including between the declaration date and the cross-compliance control date.

4.3.2. Simplify the process to comply with regulations

Forms

It was the impression that the application requires too many forms, which multiplies the work and creates confusion. It was suggested to remove the area declaration form or the parcel map since the same information is requested in both forms. It was also suggested to reduce the number of transfer schemes; the transfer scheme could be simplified by introducing for example only 2 types of forms: definitive and temporary transfers.

Another thing that was pointed out was that the application process as it functions now obliges the farmers to contact the administration in order to get more forms for their application. Instead, the administration should send the adequate number of S2 sheets (area declarations) to each farmer.

A further suggestion was to preprint the information that does not change from one year to another. For example identification of farmer, permanent pasture, name and number of parcels and surfaces. In relation to that, it was mentioned that the usefulness of the data on the form should be tested.

Control processes

It was the perception of the farmers that there are too many controls on the same information from different entities, and it was suggested to harmonise the controlled elements between the controlling authorities.

Certification process

The control procedures were thought of as profound and doubtful (in terms of error margins as well as its contents). A suggestion was to allow (and eventually to create) certification procedures which would replace some control procedure. As an example, a charter certifying the respect of the cross-compliance requirements could be given to a farmer and would free him from further inspection for a certain amount of time. Since the farmer is the one requesting the certification and paying for it, it will result in a more positive atmosphere in terms of cross-compliance controls as only non certified farms would be under severe control.

4.3.3. Data sharing and joint government

Identifications

There are too many identification numbers for each farm and farmer (PACAGE, SIRET, Animal group number, breeder number) it was pointed out. It was suggested to harmonise the system to limit the amount of Identification Numbers.

Document storage

It was suggested to reduce the archiving time and to avoid the storage of documents containing the same information, and to create a common database, which would be updated by the administration(s), and where all required documents would be stored electronically.

Data sharing

It was brought up that the same data is requested on different periods by different ministries (agriculture, tax and finance, etc.). A suggestion was to improve data sharing between administrations in order to avoid the redundancy of the requests by for example creating a common database, which would be updated by the ministries and the administrations, and where all required documents would be stored electronically.

4.3.4. Develop ICT – solutions and services

Several noticed that Telepac is not working in a complete and efficient way. It became somewhat ineffective and irritating for those who tried it. It was suggested to ensure that every farmer has easy access to it, either from home or from management centres and chambers of agriculture, and to improve the Telepac system in itself and the IT procedures in general so that becomes reliable. For example, the drawing of the parcel map should be available and highly reliable on the Telepac system.

4.3.5. Provide better guidance and information

Cross-compliance

That cross-compliance controls do not bring farmers any added value no matter what the results of them were, was also brought up. This leads to a low level of motivation of farmers and a great distance between them and the authorities. A

suggestion was to encourage the learning side of a control instead of the enforcement of rules.

Further, it was mentioned that cross-compliance controls generate a great level of anxiety in farmers, as they think they are controlled because there are serious incoherencies in their application, and that some inspectors do not seem to know the agricultural field and seem to lack respect towards farmers.

4.4. Outlook of expected development of the administrative costs

4.4.1. Regulatory changes

On the regulatory level, several changes are expected over the next few years, which will have a significant impact in terms of administrative costs in France.

Fruits and Vegetables reform

The French Ministry is currently working on the implementation of the European Commission's Reform of the Fruits and Vegetables. Until now, fruits and vegetables sector has not been subject to the CMO Reform so 100% of the direct subsidies are coupled. When the Reform takes place, this rate could be reduced to a level of 0%. In terms of administrative burden, this Reform might have an impact on the time spent to fulfil the Area declaration form, which might slightly increase due to the fact that all fruits and vegetables will now be included in this form. Nevertheless, French authorities have requested a transitory period in order to implement this Reform.

Set-aside rules

Following the European commission's proposal draft, the ministry of agriculture is planning to suppress the mandatory set-aside rate by setting it at 0%. Currently, the rate is set at 10%, and this rate concerns all French farmers. Ideally, this regulation would be implemented for the 2008 sowings. From an administrative costs point of view, this measure is suspected to affect the Single Payment Scheme forms, and in particular the Area Declaration and the Parcel Map. Indeed, French farmers will no longer need to measure and calculate the surface that allocated to the set-aside rate in accordance to the national law. More specifically, the time spent on the activity of "retrieving relevant information from existing data" is expected to decrease for all 400,000 French farmers

Change in coupled crops

There are also indicators that show us that France could be moving towards a regulation of total decoupling of field crops commonly called "grandes cultures" which refer to cereal and oil protein crops – a possibility that is not available as of now. Currently, 25% of the related crops are coupled and the National Ministry of Agriculture plans to reduce this rate to a level of 0%. Main impacts of this decision in terms of administrative costs will be on the time spent on filling the area declaration form, by reducing the time spent on measurement, and calculation of surface.

Distribution and Repartition of Payment Entitlements

Traditionally, the amount of payment entitlements is partially based on an historical reference of the farmer and on the departmental average of PE's. Future possible regulation could move towards entitlements distributed only in accordance with the departmental average, the main purpose being to level the average between

departments. The abovementioned regulation would not be expected to have an impact on administration costs per se.

Training and information

The very costly training sessions related to the 2003 Reform that has taken place in France is diminishing.

4.4.2. Changes in administrative set-up and usage of IT-systems

Regarding the administrative set-up and usage of IT-systems, several changes are expected to have a significant impact in terms of administrative costs in France.

Cross-Compliance controls

French administration is currently reorganising its control structures in order to gain more efficiency in their coordination. As a main result of this position, the DDAF (Departmental Direction of Agriculture and Forestry) will become the main controlling entity, as a coordinator of all other controlling activities.

In terms of administrative burden, this action will lead to a situation of non-redundancy of costs related to controls for the farmer, since each control would concern particular areas and therefore will not demand a certain repetition of actions for the farmer (on presenting specific documents and demands). Moreover, controlling authorities are expected to become more flexible during controls, especially when it comes to the presentation of justification of claimed data. Indeed, additional delays for presenting some documents, mainly official, or from the veterinary authority, might be expanded. Currently, no delay is accorded to the farmer; all requested documents have to be presented during the control.

Database

French authorities are currently planning to create a unified database of different supporting documents that are required by several ministries. Farmers are directly affected by this action, since their information will be regrouped in one single folder within this database. For example, financial identification will be filed and directly accessible for each requiring administration, rather than asking the farmer to submit it on every case.

Use of IT system

As already mentioned, IT system called Telepac allows the farmers to submit the SPS forms online. According to the AUP, 15,000 farmers have used the system for their area declaration in 2005 and 40,000 in 2006. The online system is expected to become more popular over the next years. The administration expects the system will be used mostly for submitting the Area declaration (S2 form) and the parcel map (RPG), and its success will essentially be based on the fact that it will be less burdensome than submitting the forms the traditional way. In 2007, Telepac has also integrated the suckler-cows premium procedure, expanding the range of the system. Moreover, the system will allow the farmer to follow the processing of their application. Additional applications and parallel systems are or will be developed in order to integrate fully the electronic online registration. An example of this is the national database of animal identification fully implemented in 2007, where slaughterhouses communicate information concerning slaughtered animals directly to the administration. On the basis of this, the administration then calculates the given information the premium on simple demand of the farmer.

4.4.3. Changes associated with learning curve

Changes associated with learning curve relate to the time and the administrative savings a farmer will gain based on his experience once he already applied for the SPS in 2006. Here, the training sessions organised in 2006 in order to introduce the Reform to French farmers are expected to have a positive effect on the learning curve as these sessions have been attended by a large number of French farmers.

The section regarding learning curve is divided into two sections – one where learning curve is expected to have an effect on the administrative costs, and one where learning curve is not expected to have an effect on the administrative costs.

It is expected that application forms that are not suspected to change in the coming years and that have already been filled once by an applicant, will not necessitate the same level of prior familiarisation as it was the case for the implementation year. For these applications, the learning curve is expected to have an effect on the administrative costs. In particular, this is the case for Parcel Maps, Area declaration, some transfer forms (those who are not expected to change) and Separate Aid Schemes.

Additional elements that are expected to be positively affected by the learning curve effect on administrative costs in the coming years include:

- the Area declaration form. In particular, time spent on calculating the subsidy amounts related to the coupled and decoupled areas is expected to decrease on the coming years, as the applicant farmer will get used to the decoupling system, and especially to the distinction between coupled areas and decoupled areas.
- Significant effects of the learning curve are expected on the level of administrative costs arising from the information obligations under the subject group of transfers. After having fulfilled the application forms for 2006, farmers are now aware of the requirements they have to complete while transferring their PE's (including providing a written contract of the transfer). It is expected that they will fill in the forms in a more efficient way in regards to the application. In addition to this, the 2006 application concerned transfers that happened between 2000 and 2006. This will no longer be the case for 2007 and the coming years; only transfers occurring during the application will have to be reported in the application.
- Only farmers who have been controlled in 2006 are expected to have learned things that can help them during future controls. This could have some positive effects on the preparation time for the control. However, this learning curve does not have a significant impact on the total administrative costs arising from the controls because it does not affect the time spent for the control itself. It is important to mention at this point that one of the recurring demands of the farmers is for controls to have a pedagogical dimension towards regulation and cross-compliance aspects. They would like controllers to educate them on the importance of the declared data and related obligations on the subsidy scheme. Such a measure would be beneficial for farmers, since they would have a better understanding of the related information obligations.

Below instances where the learning curve is not expected to have a significant effect on the administrative costs are listed:

- The impact of learning curve can be very limited when in cases where the information obligations were already in place before the reform. Indeed,

the information that is requested by the new forms is quite similar to what was requested before. Therefore, the learning curve is not expected to have a significant impact in the future. For example, this is the case of the separate aid schemes and parts of the area Declaration.

- In 2006, conducted workshops showed that farmers spent a significant amount of time to get familiarized with the reform's new requirement for parcel maps. After the first year of implementation, familiarizing time with the related forms is expected to decrease with the time. Nevertheless, we cannot expect a drastic reduction of the total costs since familiarizing time represents a smaller part of the costs arising from the parcel map requirement. It is actually estimated at 60 minutes out of a total time of 460 minutes.
- Positive learning curve effects are not expected for one-off or irregular information obligations including forms to fill in by the new applicants for support or if there is a change in the farm's status 2006. This information obligation is completed by new farmers or by farmers who are changing the status of their farms. Therefore, this represents an irregular activity occurring once or twice during their life as a farmer. The frequency is too low for an actual learning curve to have a significant impact in terms of administrative costs. In addition, the Event declaration and the Initial allocation of PE's consist of one-off information obligations and therefore are not to be expected as administrative costs for the coming years. Thus, no learning curve is really associated with them as far as administrative costs are concerned. Similarly, specific programs relate to particular entitlements, which are expected to vary from one year to another in terms of amount as well as value generated by them are not expected to be affected by the learning curve because the forms and programs change every year.

4.5. Conclusions

The total administrative costs amounted to €381,724,256 in 2006.

When the total is distributed on number of farmers applying for the SPS in 2006, the average administrative cost per applicant is € 954. The relation between total CAP payment and total administrative costs is 6.7%.

Four subject groups represent almost all administrative costs endured by French farmers. These four subject groups are in order of importance: the SPS, initial allocation of PE, national reserve, and transfer schemes.

The most costly subject group is the Single Payment Scheme, which makes up 45% of all costs. The relatively large share of the SPS is due to the fact that it affects practically all farmers applying and that it relates to many information obligations of high complexity. In 2006, some 400,000 farmers applied for the SPS.

Among these 4 groups, one is particular to the French case for 2006: It is the "initial allocation of PE". This group is particular because related costs are only faced in the first year of a country's implementation of the CAP Reform.

Concerning types of costs, there are no clear segmentations between farmers in France. Indeed, although public as well as private organisations such as the Chambers of Agriculture or Rural Economic Centres that can assist the farmers exist, outsourcing has not yet been fully exploited. As for acquisition costs, they are still very low in 2006. The online IT application Telepac has not been used massively by the farmers and application for SPS did not require specific tools such as designing and logistical software.

The top four of the ten most burdensome information obligations are: training linked to the administrative tasks in relation to the 2003 Reform, Identification of agricultural parcels, Cross-compliance inspections, and the Area Declaration form. The main reasons for them being burdensome are the fact that they usually affect a large number of farmers and they require information of high complexity, which demands a certain level of familiarisation before actually filling the information obligation.

It is important to mention that 2006 was the first year of implementation of the CAP Reform in France. Therefore, it can be deducted that France is still in a fine tuning situation; regulation and forms are still changing and adapting to the reality; the IT system has a great potential but is not yet operational; controls are not fully harmonised and create a high level of discomfort for farmers; etc.

The administrative costs are expected to decrease in the coming years firstly given the fact that large parts of the measured costs in 2006 were one-off information obligations that usually occur in the implementation year and disappear afterwards. The expectation also rests on a number of planned and introduced changes, on a regulatory as well as on a practical level, which will ease the application process and decrease the time used on applying. The changes include regulatory changes, changes in administrative set-up and usage of IT-systems, and learning curve effects.

5. Administrative costs imposed on farmers in Germany

5.1. Total administrative costs in 2006

The total administrative costs imposed on German farmers in 2006 amount to €480,369,000.

Table 22: Total administrative costs*

Total administrative costs, €	480,369,002
Number of farmers applying for SPS in 2006	370,200**
Administrative cost per farmer, €	1,298
Agricultural area, hectares	17,000,000***
Administrative cost per hectare, €	28
Total CAP payments to farmers, 2005	5,145,726,000***
Administrative cost, share of total CAP payments	9.3%

* All figures are rounded

** Bavarian Ministry of Agriculture: Invekos database

*** Source: DG AGRI

Overall, 370,200 farmers applied for SPS in 2006. When distributing the total administrative costs on the applying farmers, the average administrative costs per applicant are amounted to €1,300.

Another interesting factor is the level of administrative costs per ha. During 2005, there were 396,000 agricultural businesses in Germany, 366,000 (starting from 2 ha of land area) with an agriculturally used land area of 17.0 million ha in Germany and 30,600 with less than 2 ha land area, but with animals, special cultures, or a minimum forest surface. As the table above illustrates, 17,000,000 ha were farmed. The distribution of the total administrative costs on the acreage results in administrative costs of €28 per ha.

The total CAP payments to German farmers in 2005 add up to €5,145,726,000. The distribution of the total administrative costs to the total CAP payments results in a share of 9.3%.

When considering the administrative costs imposed on farmers in Germany stated in this report, one has to keep in mind that the measurement of the administrative costs is to some extent influenced by the federal structure and differences arising between the single federal states. As a result, the CAP related payment and measurement systems in Germany are administered by the federal states. While the Federal Ministry of Food, Agriculture and Consumer Protection (Bundesministerium für Ernährung, Landwirtschaft und Verbraucherschutz (BMELV)) sets policy and standards (usually after consultation between federal and state level experts in designated working groups), the 13 states (the 3 city-states are administered by neighbouring states) implement legislation, measure land, perform compliance and acreage controls, and pay farmers.

The administrative structures of the states differ: some states county (similar to districts or boroughs) administrations implement the payment model (e.g. Brandenburg), other states use specialized agencies (e.g. Bavaria), while some states authorize regional Chambers of Agriculture to make farm payments.

Table 23: Responsible payment agencies in Germany

Responsible payment agency		
Country administration	Specialised agencies	Chambers of agriculture
Baden-Wuerttemberg	Bavaria	Northrhine-Westphalia
Brandenburg/ Berlin	Mecklenburg-Western Pomerania	Saarland
Rhineland-Palatinate	Saxony	Lower Saxony/ Bremen
Hesse	Saxony-Anhalt	
	Schleswig-Holstein/ Hamburg	
	Thuringia	

Source: "German Introduction of Single Farm Payments", RAND Europe

While these different administrative structures do not seem to lead to noticeable differences in how payments are processed and made, most states have different measurement and payment systems. In order to guarantee a minimum of compatibility and a uniform application of the laws and ordinances, working groups (consisting of federal and state level experts and officials) coordinate activities, for example by agreeing on specifications in the software used. The different measurement systems in place differ in the methods used to measure land. For over 50% of the land, remote sensing methods are used, which rely on aerial or satellite imagery. All other land is measured by on-site inspections, which cover at least 50% of the acreage of the chosen farms. In cases of disputes, GPS measurements are used. The level of accuracy, i.e. the maximum tolerance level, follows EU specifications. The Integral Administrative Control System (IACS, Invekos) database is run by the State of Bavaria on behalf on the federal states. Invekos registers entitlements as well as the control activities put in place by the federal states.

Furthermore, due to the federal structure, different application forms exist. A comparison of the different regional application forms in Germany shows that there are no differences regarding the content. Concerning the structure, most of the forms are separate forms. Differences can be found regarding the use of keys and tick-off-boxes and the clarity and usability.

Table 24: Type of forms in German federal states

German "Bundesländer"	Type of form		
	Integrated form	Separate form with annexes	mix form
Baden-Württemberg	√		
Bavaria		√	
Berlin/Brandenburg	√		
Bremen		√	
Hesse			√
Mecklenburg-Vorpommern		√	
Lower Saxony/Bremen		√	
Nordrhine-Westfalia		√	
Rhineland-Palatinate		√	
Saarland		√	
Saxony		√	
Saxony-Anhalt		√	
Schleswig-Holstein/Hamburg		√	
Thuringia		√	

To clarify the impact of these differences, a detailed study would be needed to take regional differences into account. Since the purpose of this study was a comparison of five countries at the national level, the measurement in Germany had to focus on selected states.

The German part of the study takes Mecklenburg-Western Pomerania (Mecklenburg-Vorpommern) and Bavaria as federal states of reference. This decision was taken for several reasons:

- Mecklenburg-Western Pomerania and Bavaria use separate forms as most of the federal states (Bundesländer) do
- The forms are well structured and in a chronological order, they do not use keys but tick-off boxes and the forms seem to be user-friendly
- Our German co-operation partners LMS Landwirtschaftsberatung are settled in Mecklenburg-Western Pomerania/ Schleswig-Holstein and have a deep insight into and knowledge of regional specifics and very good contacts to farmers
- Mecklenburg-Western Pomerania and Bavaria represent western and eastern, and north and south Germany. Furthermore, a differentiation due to the structure through segmentation can be mapped:

To take different historical developments and regional differences in farm sizes and legal status compositions into account, one reference state (Bavaria) is located in the south of the 'old' federal states, the other one (Mecklenburg-Western Pomerania) is located in the northern part of former Eastern Germany

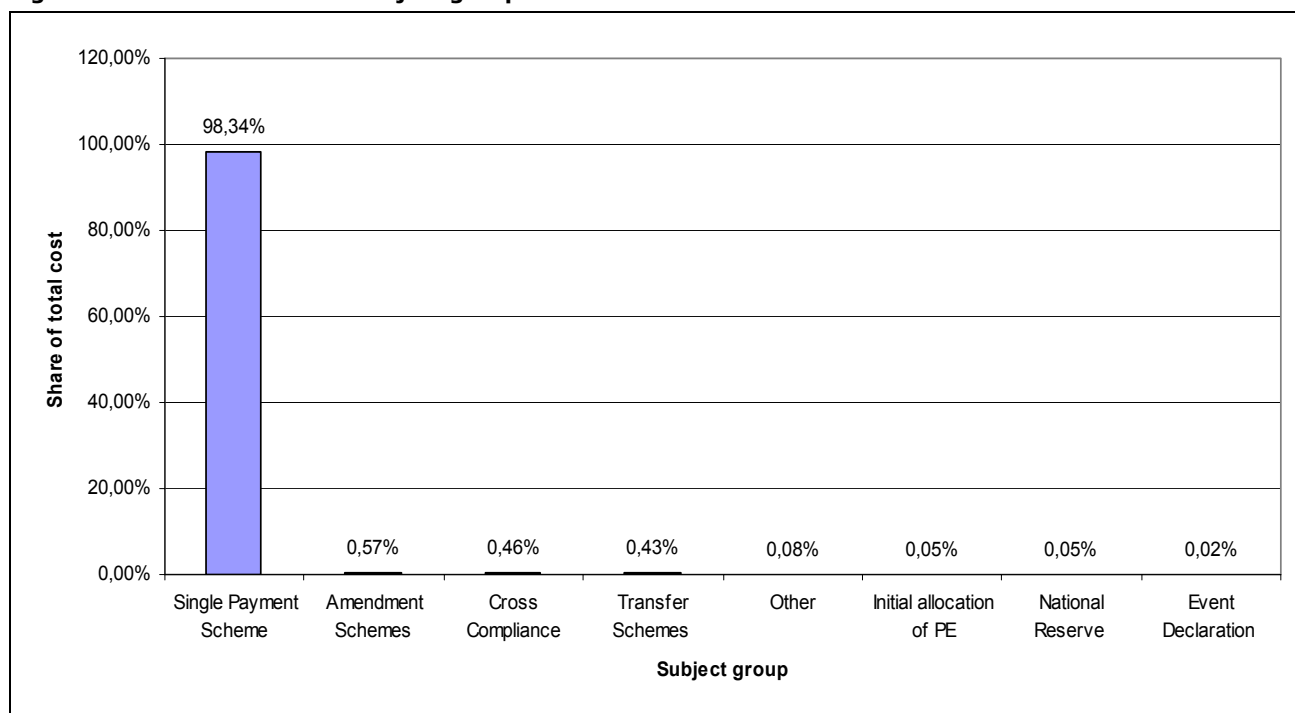
This selection of federal states not only covers approximately 40% of all farms, but also the diversity in the size of the farms: In 2005, there were almost 400,000 farms (≥ 2 ha.) in Germany, whereas 32.7% of German farms are located in Bavaria.¹⁰ Bavarian farms tend to be smaller. East Germany has less than 10% of this

¹⁰ Statistisches Amt Mecklenburg-Vorpommern (2006): Statistisches Jahrbuch Mecklenburg Vorpommern 2006, p. 454.

farm class but a higher proportion of the large farm classes. The large farms constitute only 8% of total enterprises but the land area managed by them amounts to around 50%.

Coming back to the costs, to understand where the costs come from, a detailed analysis has been conducted. The figure below lays down the relative costs for the individual subject groups.

Figure 30: Relative costs for subject groups



The subject group SPS sums up to €472 million or 98.3% of the total administrative costs in Germany. This immense share results from a huge population and high costs per farmer. Thus, in 2006, 370,200 farmers applied for SPS. Beside the relatively high population, the process of application is very time consuming. The single payment scheme consists of noticeable 20 information obligations plus the corresponding data requirements. Two factors determine the time needed to fill in the application form to large extent: spectrum of production and number of parcel blocks.

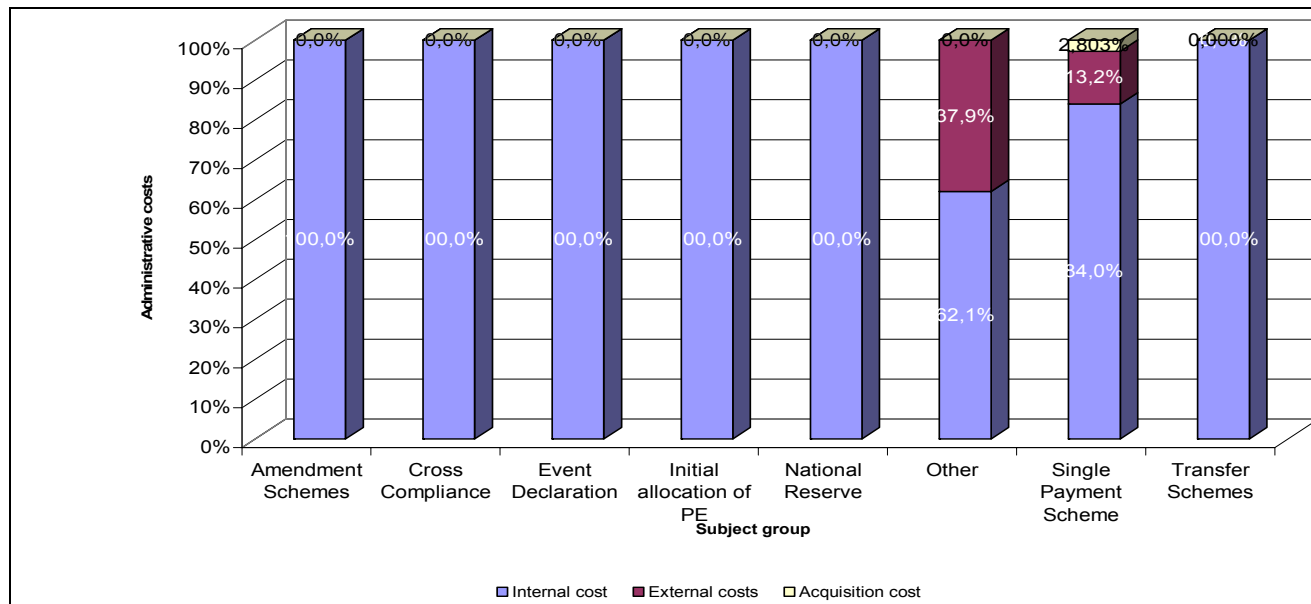
The other subject groups are less burdensome. In total, they only represent 1.66% of administrative costs because only few farms are affected and the costs per farm are lower. As an example, the subject group cross compliance accounts for only 0.5% of the total administrative costs. Although compliance with all CC-regulations is required continuously for all farms, systematic controls are prescribed for at least 1% of all farmers. In Germany, 3% of all farmers are affected by the obligation to co-operate during on-spot controls. If a control takes place, it is very time consuming as the farmer not only has to prove all information given but also to accompany the inspection.

The subject group transfer schemes only sums up to 0.43% of total costs. Although the number of transactions is very high, the costs in Germany are relatively low because the usage of the Invekos database optimizes the transfer process. The other subject groups have a very low share of total costs, which is mostly due to the limited number of farmers that are affected.

5.1.1. Details of total costs

After having looked at the total costs for subject groups, the section following takes a closer look at the cost parameters of each subject group; that is internal costs, external costs, and acquisition costs.

Figure 31: All farmers, cost parameters by subject group



As the figure shows, most subject groups are dominated by internal costs. External and acquisition costs are only relevant for two subject groups: the SPS and other.

The costs resulting from the SPS consist of 2.8% acquisition; 13.2% external and 84% internal costs. External costs only occur if a farmer uses advisory services. In Germany, approximately half of all farmers fill in the application themselves. Typically, this is the case when the application is quite simple. The other half of the farmers uses the help of an external specialist if the application is complex.

Relating to this, acquisition costs are relatively low and only occur in connection to the SPS. The share of acquisition costs resulting from this most burdensome subject group is only 2.8%. Those costs mainly result from the purchase of special software programmes (measurement system). Furthermore, there are no costs for postage since German farmers usually do not send their application form by mail. They prefer to hand it in personally at the authority.

The table below illustrates the total administrative costs distributed on subject and target groups.

Table 25: Total administrative costs, subject groups and target groups. All figures are rounded

Subject group	Target group	Internal cost, €	External cost, €	Acquisition cost, €	Total cost, €
Amendment Schemes (amendment-, reduction- or termination of contract/delivery etc.)	Farmers who cultivate energy crops	12,800	0	0	12,800
	Other types of farmers	1,207,400	0	0	1,207,400
	Processors of energy crops	1,522,500	0	0	1,522,500
	Processors of non-food crops/raw materials	100	0	0	100
	Total	2,742,800	0	0	2,742,800
Cross Compliance (request for exemption from GAEC standards etc.)	All farmers	2,191,400	0	0	2,191,400
	Total	2,191,400	0	0	2,191,400
Event Declaration (only used in the establishment phase in case of force majeure etc.)	All farmers	20,200	0	0	20,200
	Other types of farmers	97,900	0	0	97,900
	Total	118,100	0	0	118,100
Initial allocation of PE	Farmers who cultivate sugar beet	239,200	0	0	239,200
	Farmers who cultivate tobacco	2,200	0	0	2,200
	Total	241,400	0	0	241,400
National Reserve 2006 (allocation of payment entitlements from the national reserve etc.)	New farmers	500	0	0	500
	Other types of farmers	230,900	0	0	230,900
	Total	231,200	0	0	231,200
Other (documentation, labelling, registering)	Farmers who cultivate energy crops	100	0	0	100
	Farmers who cultivate hemp	600	0	0	600
	Farmers who cultivate non-food crops/raw materials	122,200	0	0	122,200
	Processors of energy crops	34,800	141,300	0	176,100
	Processors of non-food crops/raw materials	73,800	0	0	73,800
	Total	231,500	141,300	0	372,800
Single Payment Scheme (single payment, aid for energy crops, dried fodder, protein crops etc.)	All farmers	370,061,800	62,435,400	13,243,900	445,741,100
	Dairy & live stock farmers	21,549,500	0	0	21,549,500
	Farmers who cultivate energy crops	1,256,200	0	0	1,256,200
	Farmers who cultivate hop	56,700	0	0	56,700
	Farmers who cultivate nuts	3,800	0	0	3,800
	Farmers who cultivate protein crops	177,500	0	0	177,500
	Farmers who cultivate starch potatoes	159,800	0	0	159,800
	Farmers who cultivate sugar beet	239,200	0	0	239,200
	Farmers who cultivate tobacco	1,800	0	0	1,800
	Processors of energy crops	3,203,200	0	0	3,203,200
	Processors of non-food crops/raw materials	24,500	0	0	24,500
	Total	396,734,000	62,435,400	13,243,900	472,413,300
	Transfer Schemes (declaration of transfer of holding, PEs, contracts etc.)	All farmers	2,059,600	0	0
Other types of farmers		100	0	0	100
Total		2,059,700	0	0	2,059,700
Total		404,548,462	62,576,640	13,243,900	480,369,100

Regarding the total administrative costs in Germany, the subject group SPS is the most important one as it accounts for more than 98% of total costs, including the major part of external and acquisition costs. Within this subject group, the target group "all farmers" accounts for almost 95%, since all farmers apply for single payment.

The target group Dairy and live stock farmers accounts for some 5% of costs. This is due to the obligation to announce live stock related changes relevant for application and its huge population.

The target group in place three is Processors of energy crops, followed by Farmers who cultivate energy crops. Taken together these target groups account for some 1% of total costs.

As already discussed above, in Germany the major part of administrative costs results from the application for single payment. Although the other subject groups only account for a small part of administrative costs, it is necessary to have a closer look at the other subject and target groups.

Considering the transfer schemes, the highest costs relate to the general application. For the notification of transfer of payment entitlements, there are no other relevant sub-target groups since all farmers who want to transfer payment entitlements are affected.

Regarding the subject group cross compliance, there are also no relevant sub-target groups. All farmers have to comply with the requirements. In case of an inspection, the obligation to co-operate falls on all farmers.

For the initial allocation of payment entitlements, two target groups can be detected; Farmers who cultivate sugar beet and Farmers who cultivate tobacco. Due to the population, the first mentioned target group accounts for the majority of total costs in this subject group. There are no other target groups since only the ones mentioned above were relevant in 2006. Concerning payment entitlements for milk, the Invekos database was used. Consequently, the allocation happened mostly automatically.

For the subject group Amendment schemes the target groups Other types of farmers and Processors of energy crops constitute more than 99% of total costs.

In the subject group, national reserve the target groups new farmers and other types of farmers can be detected, and the second group carries almost all costs.

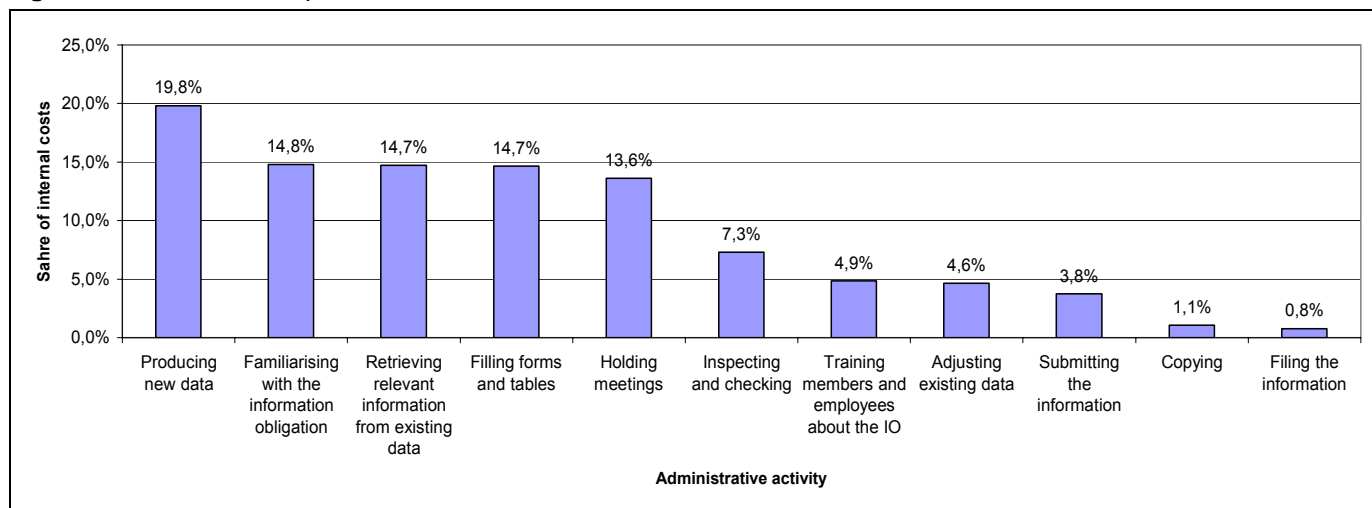
In the subject group, other 2006; 5 target groups can be identified. While the target groups Farmers who cultivate energy crops and Farmers who cultivate hemp only carry a small part of costs, farmers and processors of non-food crops and/or raw materials make up almost 85% of internal costs. The target group Processors of energy crops accounts for 15% of internal costs. Regarding this target group, external costs occur as well. Interestingly, those external costs are four times as high as the internal costs. This is due to two applications for approval.¹¹ In those cases, an external expert has to be paid.

Since internal costs constitute the major part of total administrative costs in Germany, it is necessary to provide some insight into how internal costs are distrib-

¹¹ Application for approval of a body/ undertaking for weighing of agricultural raw materials to the federal agency/ application for approval of a volumetric measurement of agricultural raw materials to the federal agency.

uted on the specific activities. The figure below illustrates the distribution of internal costs among the share of activities.

Figure 32: Internal costs, share of activities



As illustrated above, 77.6% of internal costs are constituted by the following five activities: producing new data, familiarising with the information obligation, retrieving relevant information from existing data, filling forms and tables, and holding meetings. This is not surprising as the farmers themselves do the main part of the application.

The most dominating activity is to produce new data.

Producing new data is especially relevant in connection with three information obligations:

- Application for (area related) single payment
- Notification of area related changes relevant for application
- Notification by first processor about processing of renewable raw materials on set-aside areas and/ or energy crops on not set aside areas to the federal agency.

The first two result from the SPS. Especially time-consuming in 2006 was the identifying and drawing of parcel maps and scenery elements.

The second largest internal cost is familiarising with information obligations. The share of 14.8% is due to the annual application and to frequent changes in legal foundations and application procedures during the last years. Farmers generally have different support options to learn how to comply and deal with legal requirements available. The first and most frequently used opportunity consists on asking the contact persons in the application authorities. The authorities provide detailed publications and guidelines for EU aid schemes and cross compliance. In some German federal States, regional farmers' meetings take place where instruction courses are regularly offered or instructions are given by experts. This also reflects the fact that almost 5% of the costs are related to training. Larger farms also hire external agricultural consultants. Another contact point for farmers applying for agricultural aid schemes is the chambers of agriculture (which are simultaneously the concerned application authorities in a few federal states).

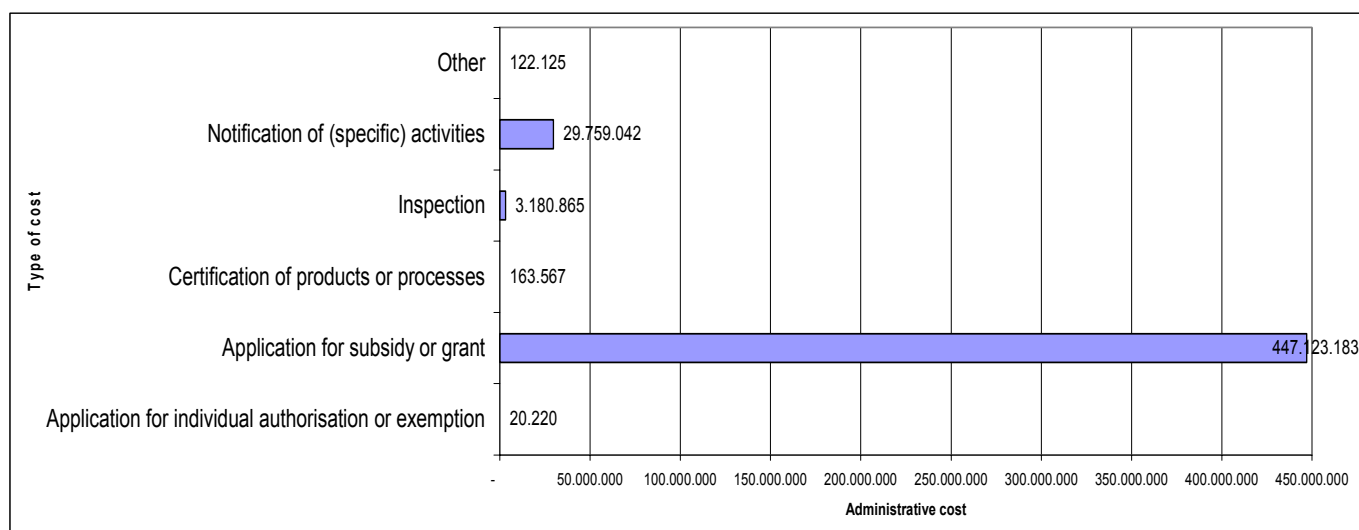
Holding meetings counts for 13.6% of internal costs owing to necessary but sometimes difficult coordination of appointments between farmers and advisors and/or the authority when handing in the application form. The most time consuming points during meetings are the definition of exact borders and the agreement be-

tween farmers whose acreage bordered. In 2006, that was an especially complex task, because the allocation of scenery elements was carried out.

Classic activities when applying for subsidy or grant; like retrieving relevant information from existing data (14.7%) and filling forms and tables (14.7%) together count for almost one third of internal costs.

That also reflects the fact that the major part of administrative costs in Germany results from applications as the following figure illustrates. The figure below points out what types of costs have the largest impact on the total administrative costs in Germany.

Figure 33: Distribution of total administrative cost by type of cost



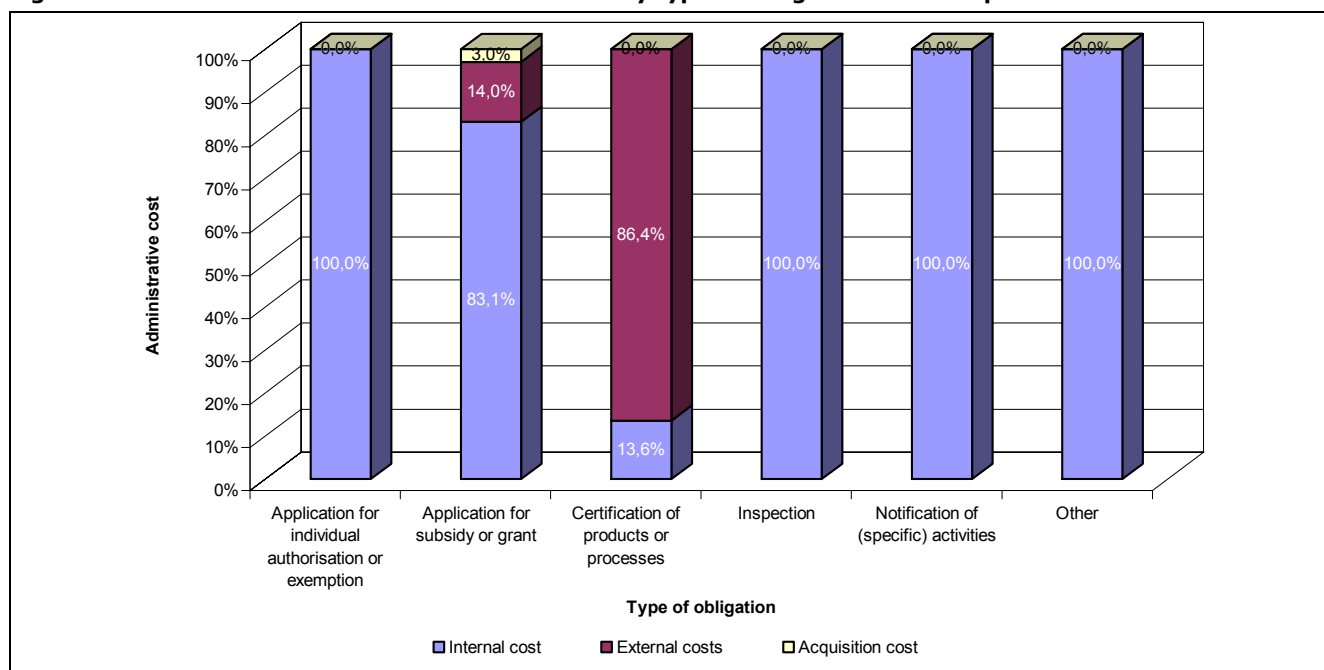
Dividing administrative costs in Germany into types of costs results in the following relation: with €447,123,183, applications for subsidy or grant by far account for the larger share of administrative costs. This allocation reflects the major share of costs resulting from the SPS.

Notifications account for the second largest share of administrative costs, they sum up to €29,759,042. Notifications are the second most costly type of costs as 9 out of 49 information obligations are notifications. Especially burdensome are notifications of live stock related changes relevant for a single application. The costs per notification are relatively low but due to the high population, the total administrative costs for this information obligation are very high.

The third largest type of costs is constituted by inspections, which account for €3,180,885. This is mainly due to cross compliance controls. As already described, cross compliance controls are very time-consuming when they take place, but as only 3% of all farmers are controlled, the total administrative costs of such inspections are rather low.

A smaller part is constituted by certification of products or processes (€163,567), other types of costs (€122,125), and applications for individual authorisation or exemption (€20,220).

Figure 34: Distribution of total administrative cost by type of obligation and cost parameter



The figure above describes the distribution of total administrative costs by type of obligation and cost parameter. In Germany, the highest share of costs is internal costs. External and acquisition costs are only relevant for applications for subsidy or grant and for certifications.

Applications for subsidy or grant are composed of 83% internal, 14% external, and 3% acquisition costs. The larger part of work in connection with those applications is done by the farmer. External costs become relevant if the farmer uses advisory services. Acquisition costs only count for a small part of administrative costs. Especially farmers that own large farms buy and use measuring programmes.

The largest part of costs for certification of products or processes is external costs (86.4%). For instance, this is the case if a volumetric measurement of agricultural raw materials has to be approved. In such a case, an external expert is responsible for the main part of the work and the farmer just has minor responsibilities in the process. This is reflected by the fact that this type of costs only includes 14% internal costs and 3 % acquisition costs.

5.1.2. Top 10 information obligations

The table below describes the top 10 information obligations regarding administrative costs per farmer/per application.

Table 26: Top 10 information obligations, administrative costs per farmer/per application*

Rank	Information obligation	Segment	Internal cost, min.	External cost, €	Acq. cost, €	Total cost, €	Population/year
1	Single Application (area related aid scheme)	High – Out-sourcing	2,200	600	100	2,520	94,600
2	Single Application (area related aid scheme)	High - In-house	2,800	-	100	2,420	37,900
3	Records on the usage of raw materials		1,800	-	-	1,000	182
4	Application for payments to hops producer group at the federal agency of agriculture and nutrition		1,350	-	-	740	2
5	Single Application (area related aid scheme)	Low – Out-sourcing	700	60	-	450	94,600
6	Single Application (area related aid scheme)	Low - In-house	730	-	-	400	151,400
7	Application for approval of a volumetric measurement of agricultural raw materials to the federal agency		90	300	-	350	80
8	Application for approval of a body/undertaking for weighing of agricultural raw materials to the federal agency		30	200	-	240	600
9	Obligation to co-operate within monitoring (eligibility for aid and Cross Compliance)		360	-	-	200	11,200
10	Application for allocation of direct payments from the national reserve due to leasing of areas under lease		260	-	-	150	630

* All figures are rounded

When having a closer look at the table, it may be striking that, with exception of the obligation to co-operate within monitoring 2006 (eligibility for aid and Cross Compliance) and the obligation to record the usage of raw materials, all information obligations on the top 10 list are applications.

Four out of ten information obligations on the top 10 list are single applications. The single application is the most burdensome information obligation for farmers because of its high population and high costs per application. As can be expected, the most burdensome obligations are the single application in a complex case.

A very cost intensive information obligation is the obligation to record the usage of raw materials. The activity in itself is not very complex and time consuming but as it has to be done every day, the amount of time spent in the course of a year is quite considerable.

The application for payments to hops producer group at the federal agency of agriculture and nutrition holds rank four. The costs per applications are very high because the application includes information from many single enterprises. This results in a time consuming collection of information and necessary coordination between all stakeholders. As the population is very low this information obligation does not appear in the top 10 information obligations relating to total administrative costs (see below).

The information obligations on rank 7 and 8 only affect farmers/ processors of energy crops, non-food crops, and/or raw materials. The Application for approval of a volumetric measurement of agricultural raw materials and the Application for approval of a body/undertaking for weighing agricultural raw materials are characterized by external costs and a relatively low population.

As mentioned before, cross compliance inspections are costly. This is reflected in the table above as the obligation to co-operate within monitoring ranks ninth on the list.

The remaining information obligation on the top 10 list deals with applications for allocation of direct payments from the national reserve due to leasing of areas under lease. This costs factor will not be relevant in 2007 as it was a case particular to the year 2006.

Meanwhile, when turning to the most burdensome information obligations in terms of total costs, the picture changes.

The table below ranks the top 10 information obligations by total administrative costs as it considers the populations.

Table 27: Top 10 information obligations, total administrative costs*

Rank	Information obligation	Segment	Internal cost, €	External cost, €	Acq. cost, €	Total cost, €	Population/year
1	Single Application (area related aid scheme)	High - Outsourcing	172,051,400	56,759,400	9,459,900	238,270,700	94,600
2	Single Application (area related aid scheme)	High - In-house	87,514,300	-	3,784,000	91,298,300	37,900
3	Single Application (area related aid scheme)	Low - In-house	60,088,600	-	-	60,088,600	151,400
4	Single Application (area related aid scheme)	Low - Outsourcing	35,999,100	5,676,000	-	41,675,000	94,600
5	Notification of live stock related changes relevant for application		21,549,500	-	-	21,549,500	3,930,000
6	Application for (area related) single payment		14,408,800	-	-	14,408,800	370,200
7	Obligation for submission of copies of closed contracts on the cultivation and delivery of renewable primary products and energy crops as well as growing declarations at the federal agency		3,044,900	-	-	3,044,900	92,600
8	Obligation to co-operate within monitoring (eligibility for aid and Cross Compliance)		2,191,400	-	-	2,191,400	11,200
9	Notification of transfer of payment entitlements		2,059,600	-	-	2,059,600	93,900
10	Obligation to submit copies of modifications in contracts on cultivation and delivery of renewable primary products on set aside-areas and energy crops on not set-aside areas to the federal agency and application authority		1,522,500	-	-	1,522,500	46,300

* All figures are rounded

The table above shows the top 10 information obligations, regarding the total administrative costs. It is interesting that the top 10 information obligations are responsible for more than €400 million, which is approximately 83% of the total costs.

As an effect in comparison with table 27 the information obligations dealing with raw materials, hop, and the national reserve do not appear in the top 10 list dealing with total administrative costs. Although they lead to high costs per farmer/per application, they do not have a large impact on the total costs as their population is relatively low. The same is valid for the two applications for approval that only affect a special group of farmers.

As already described in the sections above, the single application is responsible for the major part of the administrative costs. The four segments for the single application occupy rank 1 through 4.

In fifth, the applications for single payment are followed by the notification of live stock related changes relevant for single application. Their internal costs sum up to €21,549,500. This information obligation does not appear in the previous top 10 list because the costs of this information obligation per farmer/ per application are relatively low due to the efficient use of the IT-system. However, this notification leads to high total administrative costs because of its large population of 3,930,000.

High total costs are also caused by the application for (area related) single payment. This information obligation contains many data requirements and is characterized by a high population.

While the first six information obligations on the top ten list result from the single payment scheme, number seven does not affect the majority of farmers. Nevertheless, the obligation for submission of copies of closed contracts on the cultivation and delivery of renewable primary products and energy crops as well as growing declarations is characterised by a high population of 92,600 due to the high number of actions. Taking the necessary time into account, this results in total administrative costs of €3,044,900.

Despite the low number of farms that are affected by cross compliance controls the obligation to co-operate within monitoring remains in the top-10 list (rank 8). This is explained by the fact that when a control does take place it is very time intensive.

While the costs of the notification of transfer of payment entitlements per farmer in Germany are relatively low, the total administrative costs of this information obligation are large due to a high population of 2,059,600.

Rank 10 on the list is held by the obligation to submit copies of modifications in contracts on cultivation and delivery of renewable primary products on set aside-areas and energy crops on not set-aside areas. This is due to a relatively high population as approximately half of all cultivation contracts are modified every year.

5.2. Assessments of administrative costs of most burdensome information obligations

This chapter provides a description of the normal efficient process of complying with the most burdensome CAP requirements included in the study. The description includes segmentation of businesses according to outsourcing/in-house administra-

tion and complexity of the activities of the farmer. The description of the normal efficient processes covers the following information obligations:

- Application for single payment
- Transfer of payment entitlements
- Inspections relating to cross compliance

5.2.1. Application for single payment

As described earlier, the single payment scheme is responsible for the lion's share of administrative costs in Germany. It accounts for 98.3% of the total administrative costs due to a high population and a time-consuming process of application.

Therefore, it is essential to have a closer look at the German process of applying.

Similar to the other countries, two general factors influence the process of applying for the single payment in Germany: the complexity of the application and the use of external advisors (consultants, industry organisations, etc.).

Regarding the complexity, a differentiation in simple and complex applications has been made, similar to the segmentation in Denmark and Ireland. For the use of external advisors, it is necessary to distinguish between the group of farmers who fill in the application form by themselves (in sourcing), and farmers who make use of advice from external consultants (outsourcing) – this is also similar to Denmark and Ireland. In Germany, the type and extent of usage of advising services differ depending on degree of complexity and regional differences regarding advising systems (federal vs. private assistance).

In Germany, approximately half of all farmers fill in the application themselves. This is typically the case when the application is quite simple. The other half of the farmers uses the help of an external specialist. This is normal if the application is complex, but also in cases of more simple applications, the farmers consult advisors. Consequently, the following segmentation has been chosen for the applications in Germany:

- Simple/complex
- Outsourcing/in-house

This segmentation also covers regional differences, e.g. between different Bundesländer, and differences in size.¹²

Process of application

In-sourcing

If farmers do not consult advisors, the first step in filling in the application is to get familiar with the legal obligations and the application form. Afterwards, the needed information is collected and the form is filled in. As the subsidy is paid only if the application form is filled in correctly, the farmers typically, use time to control and check the information given. After copying and filing the application, the farmer hands over the application to the authorities. This is normally quite time consuming as it is typically done personally in order to have the possibility to discuss the application with the authority, to make adjustments, and to minimise mistakes.

¹² According to the latest survey amongst farmers in December/January 2006/2007 from the Bauernverband, there are differences in the time needed for dealing with the Single Application according to where the farmer is settled and how big the farm is. Since the major purpose of this study was a comparison between five countries, regional differences in Germany caused by the federal structure were disregarded. A detailed study of the implementation of CAP-reform would have to take those differences and variations into account.

Due to long waiting times for the farmers in the past, authorities now often schedule appointments with each farmer.

Outsourcing

In cases where farmers consult external advisors, e.g. from the farmers' association "Bauernverband", the process is slightly different: normally, the advisor fills in the application together with the farmers. This implies one or more meetings between the farmer and the advisor. Due to this, the farmers do not have to get familiar with the legal obligations and the application form. The advisor takes over the task to guide the farmer through the application form.

Application procedures

Application procedures differ between federal states. Some federal states (e.g. Brandenburg, Hessen or Saxony) offer online and CD-ROM/offline applications as well as conventional paper applications, while some only allow for conventional paper applications (e.g. Saarland and Schleswig-Holstein).

Table 28: Overview of application methods on German federal states

Region	Online	CD /offline	Paper	Comment
Baden-Wuerttemberg	■	■	■	
Bavaria	■	■	■	a print out is still necessary
Brandenburg/Berlin	■	■	■	online only proof of acreage/area
Hesse	■	■	■	
Mecklenburg-Western Pomerania	■	■	■	only partial CD/offline application
Lower Saxony /Bremen	■	■	■	
Northrhine Westphalia	■	■	■	
Rhineland-Palatinate	■	■	■	online only proof of acreage/area
Saarland	■	■	■	
Saxony	■	■	■	
Saxony-Anhalt	■	■	■	
Schleswig-Holstein/Hamburg	■	■	■	
Thuringia	■	■	■	

■	available
□	not available

Source: van Stolk et al., 2006; BMELV, 2006

Since most farmers in 2006 used the paper application, the measurement refers to this application procedure. Presumably, IT supported applications will be offered by more and more federal states in the coming years. Most of the federal States will at least offer the opportunity to make digital applications in the form of CDs. IT supported applications are regarded as convenient and promise to facilitate the application process.

The Single Payment Scheme used in Mecklenburg-Western Pomerania consists of 6 pages and includes the following attachments amongst other:¹³

- Application for area related single payment
- Application for granting of the premium for cultivation protein crops
- Application for granting aid for cultivation of energy crops
- Application for aid for starch potatoes
- Application for tobacco aid

¹³ See http://www.lu.mv-regierung.de/pages/txt_doku_antrag_agrarfoerderung_2006.htm.

- Attachment Area
- Attachment Area of leased payment entitlements
- Attachment Area integration
- Attachment Payment entitlements
- Attachment Origin and information system for animals (Herkunftssicherung- und Informationssystem für Tiere HIT)
- Attachment Live stock
- Attachment Parcel maps

Altogether 20 information obligations in connection with the SPS were identified. Most burdensome is the information obligation Single application (area related aid scheme). The application is characterized by a large population, and demands the farmers to submit information regarding many different aspects. Below, examples of the required information are listed:

- General information about holding (bank details, postal address, fiscal authorities)
- Information about holding structure (legal status, type of holding, holdings with livestock husbandry)
- Marking type of area related aid scheme and what substantiating documents are attached
- Reading of obligations and declarations as well as signature
- if applicable information about holding and signature on attachment form for areas
- Information about all areas eligible for aid
- Information about all cultivated areas
- Drawing in of position of used parcels + numeration
- Drawing in of scenery elements if available

Within this application the definition of parcel maps and scenery elements as well as the marking of every parcel in the attachment form areas are the most time consuming activities. Especially the definition of scenery elements located at the border of acreages is often complicated as a close coordination regarding the definition of borders between farmers is necessary. This includes long discussions and bargaining meetings. As a result filling forms and tables and holding meetings are amongst the most frequent activities for the farmers when applying for the single payment. Other complicated and time consuming tasks are the production of new data i.e. for the definition of gross and clear areas. But also the necessary categorizing of animals and land usage is slowing the application process since there are no uniform categories. As a result farmers often have to recalculate numbers and reformulate given explanations.

Besides several advisory services, there are several bulletins published by the ministries of the federal states to help the farmers to deal with the complex process of applying. Thus, a farmer has to read multiple bulletins which e.g. explain the scheme, define categories and explain code numbers relevant for application. The complexity of the application process is mirrored in the fact that familiarising with the information obligation is one of the very time consuming activities for the farmers.

Despite these guidelines there is still a high degree of insecurity due to the complexity of the process of application. The regulatory foundations as well as consequences in case of mistakes are not transparent for every farmer. This is reflected in the fact, that many farmers make use of advisory services. Furthermore, it is the reason that farmers use a multi-step approach when filling out the application: They start by using a blotter and after a last checking the whole application is transcribed.

Farmers and advisors name frequent changes in legal foundations and application procedures as a major reason for the large amount of workload in connection with applying for SPS. First experiences with the CAP implementation were made only in 2005. Therefore, an impact of learning curve and a reduction of costs can be expected. The stabilization of the legal foundations appears to be an important aspect for German farmers. Concerning future implications, it can be said that the results from past experiences can be enhanced and further developed. Presumably, a reduction of costs in the process of application is likely to occur.

5.2.2. Transfers of payment entitlements

As already mentioned in the descriptions and tables above, the subject group Transfer schemes in Germany only accounts for 0.43% of total costs. The use of the Invekos database optimizes the transfer process. Therefore, it is reasonable to have a closer look at the process of transferring payment entitlements in Germany.

Within the CAP reform, direct payments in Germany were decoupled from the production as far as possible. The farmers have received payment entitlements based on reference amounts that were area-related as well as individually adapted to each business. For this purpose, the already existing HIT database was expanded to determined functions.

One of these functions is the system of integrative administration of the payment entitlements. It offers every farmer/business owner the possibility to recall his payment entitlements in the Central Invekos Data Base (CID) online via the internet, to transfer his payment entitlement to other farmers, or to take over another farmer's payment entitlements. The transfer is completely accredited if the farmer who receives payment entitlements confirms the transaction.

The Central Invekos Database is not a stock exchange on which to offer and seek payment entitlements but rather a transaction platform where permanent transfer (e.g. by sale or inheritance) or temporary transfer (e.g. leasing) is reported and documented. This implies that the report done using the database does not settle as the legal basis for the transfer. This still has to be done through an application.

For the purpose of a citizen-friendly and efficient administration, the federal and state governments have decided that the involved persons can report a transfer to the authority directly by using the CID on the internet. In doing so, the contracting parties do not need to go to the authority as they can do the transfer report at any time from home. Simultaneously, a series of controls within the CID ensure that a transfer report is only saved if all legal prerequisites of the EU are accomplished. This reduces time radically. These plausibility controls contribute to assure the legal certainty in the payment entitlement trade, although the database does not anticipate the subsequent control and decision of the responsible authority in the case of activation of a payment entitlement.

For every business owner there is what may be deemed an „account“-set-up within the CID including his or her payment entitlements. Similar to a statement of a bank account the different payment entitlements are saved, including their characteristics such as country of origin, serial number, number, region, type, value, national reserve, and last date of utilization.

Overall, the usage of the database is regarded not only as convenient but also a time and cost saving solution.

5.2.3. Cross compliance inspections

The subject group cross compliance counts for 0.46% of the total administrative costs. This is due to the low population. Only 3% of all farmers are affected by the

information obligation Control. If a control takes place, it is very time consuming. Therefore, a closer look at cross compliance inspections in Germany is provided below.

In Germany, the federal states and the relevant authorities are responsible for controlling cross-compliance obligations and therefore also for the implementation of systematic 'on-the-spot' inspections. The process of control differs in German federal states. In some federal states, these controls happen unannounced. In others, the farmer receives a notification about the control 24 hours in advance.

The controls include several obligations and requirements to reduce the control costs for the farmers.

The selection of the farmers that are going to be controlled is made through a risk assessment. Such risk assessments include criteria that indicate a cross-compliance irregularity. In general, no segmentation is relevant as all farmers can be the focus of an inspection.

When assessing the costs of cross compliance inspections it is important to mention that only few owners of farms are affected by the information obligation Control (Systematic controls 'on-the-spot' are regulated by EU law for at least 1% of all farmers), but compliance with all CC-regulations is required continuously for all farms.

If the farmer receives a notification about the control 24 hours in advance, he usually uses the time for preparation. If the inspection happens unannounced, the preparation time for the farmer is very limited. As the farmer has the obligation to co-operate it is very time consuming for him to accompany the inspector throughout the inspection and to provide relevant information and numbers. Afterwards, farmers typically document the results of the inspection in a report.

5.3. Simplification suggestions and irritants

This section focuses on simplifications suggested during the data collection - national/EU level - and on irritants.

5.3.1. Remove, reduce, merge or improve regulations

Farmers and advisors perceive the 10-month rule not only to cause a lot of confusion, but also to produce redundant information. Therefore, the abolishment of this rule was proposed.

In the single application scheme, the gross and the clear area have to be defined. The exact measurement seems to be a general problem as several measurements can evoke several results. In order to minimise irritants and mistakes, farmers and national experts suggested that the gross area should be the same as the clear area.

Besides the SPS being the most expensive obligation for farmers, it is also one of the most annoying requirements for the farmers. According to a study carried out by the German Farmers' Association, German farmers perceive the application procedure for the single payment as the most irksome and time consuming administrative activity.¹⁴

¹⁴ Deutscher Bauernverband e.V. (2007): Konjunktur- und Investitionsbarometer Agrar 1. und 2. Quartal 2007.

5.3.2. Simplify the process to comply with regulations

The usage of uniform application forms in all federal states would be an improvement especially for farmers that own acreage in several federal states. Currently, farmers who have land spread over several states have to fill out a form for each single state. As the forms are not uniform, the same information has to be presented in different manners, which causes additional work for the farmers.

Pre-filled forms sent out by the authorities are regarded as useful and convenient, but they sometimes contain mistakes. In federal states already using this service, farmers state that the application process has been simplified. This is especially the case for smaller farmers, which have no changes to the situation from year to year.

Finally, it was suggested that there should be uniform/standardized categories for animals. Currently, different authorities use different categories. This causes supplementary effort. Within the single application, live stock has to be sorted by many categories. A very irritating point occurs in connection with heifers that have a stillbirth. They remain in the category "heifer" although they should be in the category "cow".

5.3.3. Data sharing and joint government

Statistics are considered to be very irksome, especially in case of doubled statistics. According to farmers and national experts, a large part of statistical data exists and most authorities also have access to this data. It was suggested to transfer existing data automatically (for instance by using the Invekos database). This would reduce the costs for the farmers, but increase the work for the authorities.

5.3.4. Develop ICT – solutions and services

The possibility to apply online for SPS simplifies the application process as it saves time. A further improvement could be achieved if it were also possible for legal delivery of the application via internet. National experts and farmers in Germany suggested using the existing Invekos database.

5.3.5. Provide better guidance and information

Here validity checks were suggested: when handing in the application form at the authority a first validity check takes place. This first possibility for pre-checking documents should be available for farmers (for example via internet).

In Germany, there are two modes of the process of cross compliance controls depending on the federal state: unannounced and announced controls. When an unannounced control takes place, the control team arrives and the farmer is obliged to co-operate which means not only to provide relevant documents but also to accompany the control. In case of an announced control, the farmer has 24 hours time for preparation. This offers the possibility to prepare relevant documents and to organize the normal running of the farm during the control. Farmers and national experts prefer announced cross compliance controls because in case of unannounced controls there is some time for preparation and the farmer can schedule his appointments.

Besides, the farmers came up with a couple of aspects that lead to irritation. Frequent changes in legislation and insufficient transparency cause a high degree of insecurity. Firstly, the impact of the learning curve is slowed down by frequent changes in legal foundations and application process. Furthermore, German farmers are afraid of making mistakes during the application process, since in case of errors a reduction of aid follows immediately. Particularly in connection with cross

compliance controls, the feeling of insecurity is high. The introduction of a catalogue of sanction and a time for rectification was seen as a solution to deal with this topic.

5.4. Outlook of expected development of the administrative costs

5.4.1. Regulatory changes

National experts and farmers only identified a few considerable changes from the national point of view. The discussions turned out to be rather qualitative, focusing on proposals for future changes.

Rules related to set aside are expected to be put on hold for the next years and to be substituted with aid in connection with energy/ biogas. The current discussion about the abolishment of a minimum rate for set aside areas implies the hope for a significant decrease of workload in connection with application process.

The system of pictures of parcels including scenery elements has existed for 3 years. The implementation needed much time, but costs have decreased and are expected to decrease further, as farmers get familiar with the system.

The obligation to record the usage of raw materials currently holds rank three on the top ten list. Due to the daily effort, the costs per farmer are very high. The effort concerning this obligation is expected to decrease as the daily obligation is supposed to become a weekly or a monthly obligation.

5.4.2. Changes in administrative set-up and usage of IT-systems

Application procedures differ between federal states.¹⁵ Presumably IT supported applications will be offered by more and more federal states in the next years. Most of the federal states will at least offer the opportunity to make digital applications in the form of CD ROMs.

The possibility to use IT support is not only considered to be convenient, it also has effects concerning the time needed for filling in the application form. If no major changes have taken place within the last year, the information can be transferred into the new application scheme. This will especially reduce the costs for smaller farms. In 2006, an electronic system was only available in a few federal states but the enlargement of IT support - and with it lower costs - can be expected. Even if IT support is used, the application form still has to be printed out and signed; afterwards it must be handed in or sent to the authority, as there is no online possibility for legal delivery of the SPS yet.

In some federal states, farmers receive pre-printed schemes. This possibility is regarded to be a help in the process of application, especially if no major changes have taken place.

5.4.3. Changes associated with learning curve

Regarding changes associated with learning curve in Germany it is necessary to distinguish between farmers and advisors. German advisors stated that a significant positive learning effect has taken place. Farmers experience a smaller learning effect, since there are annual changes and the application has to be made once a year.

¹⁵ See country input Germany

5.5. Conclusions

Administrative costs in Germany sum up to €480,369,002. The average administrative cost per farmer is €1,298. When distributing the total administrative costs to the acreage, the average administrative costs per ha amount to €28. The relation between total CAP payments and total administrative costs is 9.3%.

The most burdensome subject group in Germany is the SPS. It sums up to 98.34% of all administrative costs. Congruously, the single application is most relevant. The main reason for this immense share is the extent of the application and the huge population of 370,200 claimants.

Two factors influence the application process: the complexity of application and the use of advisors. Concerning the complexity, a distinction between simple and complex application forms has been made. A further segmentation concerns the use of agricultural advisors. Concerning the use of advisors there is only a difference in distribution of costs, but not in sums.

Concerning types of costs, the larger part in Germany is made up by internal costs. External costs are only relevant for the subject groups "single payment scheme" and "other". Acquisition costs only occur in the run of application for single payment.

Although all farmers have to fulfil cross compliance requirements, the administrative costs in connection to this subject group are relatively low because only 3% of all farmers are affected by the obligation to co-operate during inspections.

Administrative costs in connection with transfer schemes are relatively low in Germany. This can be explained by the use of the Invekos database, which significantly simplifies the processes.

The application for single payment sums up to the lion's share of administrative costs. Concerning the future perspective, simplifications in this field should focus on this specific subject group. A future reduction of costs can be expected as some promising approaches such as pre-printed application forms and the possibility for online application already exist. Additionally, one of the most cost intensive parts of single payments in 2006 was the definition of parcel maps and scenery elements. Especially those scenery elements located at the border of acreages caused problems. A further reduction of costs can be expected, resulting from the possibility to use data from previous years in case where no changes in land use occurred. Furthermore, an impact of learning curve can be expected.

In comparison to the other countries, the German processes of application and notification are comparatively well organised. This is mainly due to the usage of efficient IT-systems, especially the databases (Invekos and HIT).