



**AGRIGRID**

**Methodological grids for payment calculations in rural development  
measures in the EU**

**Review of payment calculations in meeting standards  
measures (131)**

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Date: August 2007

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## List of abbreviations

AVEPA	Veneto Region's Paying Agency
BAT	Best Available Techniques
EC	European Commission
EEC	European Economic Community
EU	European Union
EUR	Euro
FADN	Farm Accountancy Data Network
GAEC	Good Agricultural and Environmental Conditions
GR	Greece
INEA	National Institute of Agricultural Economics (Italy)
IT <sub>VEN</sub>	Veneto region (Italy)
LAEI	Lithuanian Institute of Agrarian Economics
NPA	National Paying Agency
PUA	Agronomic Utilization Plan
RD	Rural development
RDP	Rural Development Plan
SD	Statistical Department
SMR	Statutory Management Requirements

# 1. Introduction

This review outlines the principal findings based on analysis of payments calculations methodologies for the Rural Development measure **Meeting Standards Based on Community Legislation (131)** (further in the text - **Meeting Standards**). There are general facts/issues in relation to Meeting Standards Measure as defined in EC regulations set down primarily in the review. Schemes of payments calculations used in different countries are presented in the following sections. In accordance with countries experience costs components and their assessments are identified, data types and sources are outlined. The review concludes with main findings and problems which may occur in the development of further grids.

The review shows that **Meeting Standards** is one of the measures aimed at improving the quality of agricultural production and food products. **Meeting Standards payments** can be paid on the basis of Articles 20 (c) (i) and 31 of Regulation (EC) No 1698/2005 and Article 21 point 5.3.1.3.1 of Annex II of Regulation (EC) No 1974/2006 in the EU. Support for **Meeting Standards measure** shall contribute partly to costs incurred and income foregone caused to farmers who have to apply standards in the fields of the environmental protection, public health, animal and plant health, animal welfare and occupational safety. These standards must be newly introduced in national legislation implementing Community law and impose new obligations or restrictions to farming practice which have a significant impact on typical farm operating costs and concern a significant number of farmers.

Regulation (EC) No 1698/2005 determines that support for Meeting Standards shall be limited to the maximum amount of EUR10 000 per holding. Support shall be modulated by the Member States per standard with regard to the level of obligations resulting from the application of the standard. Member States may fix the level of support on the basis of standard costs and standard assumptions of income foregone. In the case of Meeting Standards measure, calculations and the corresponding support cannot contain elements linked to fixed investment costs.

EC regulation 1974/2006 from the Member States requires: the list of standards based on Community legislation eligible for support under Meeting Standards measure; the date from which each standard is mandatory in accordance with Community legislation and justification of choice; a description of the significant impact on farm operating costs stemming from the obligations or restrictions imposed by the new standard; and amount of support per eligible standard and methodology used to determine it.

The compensatory payment for the **Meeting Standards** measure shall be granted as a flat rate, temporary (for a maximum duration of five years), and digressive annual payment. Meeting Standards measure can have submeasures and can be differentiated.

Two countries are going to implement Meeting Standards: Greece and Veneto region (Italy).

Only in Greece Meeting Standards measure was implemented during 2000-2006 Programming period. The share of number of animals entering Meeting Standards measure from total is 5.5%. It is comparatively low. Share in total number of farms was even lower - 1.3%. Average payment was 12.85 EUR per animal and 2 855 EUR per farm. Payment per farm reached 95% of maximum permitted level.

## 2. Comparative analysis

### 2.1. Basic data of the Meeting Standards measure (131)

#### 2.1.1. Comparison of basic information for the Meeting Standards measure (131) as a whole

Meeting Standards measure is used for electronic marking of sheep and goats in Greece. Payments are not differentiated and maximum level of payment is EUR10 000 per holding per year. Payments can be paid to all producers with priority given to holdings in Natura 2000. In comparison with the previous programming period (2000-2006), payments have increased 3.3 times. In the previous version of the measure, all ear tag expenses were eligible, while in this version only electronic is included.

There are two submeasures under the measure in Veneto region (Italy): 131/1 – Processing of information linked to management of zoo-technical refluents and formulation of feed rations and 131/2 – Adaptation of environmental management systems.

**131/1** – The first submeasure is Elaboration of information about management of zoo-technical dejections aiming at environmentally-friendly fertilisation, and adaptation of management systems and formulation of food rations, in a farm integrated project and consists of three main commitments:

- information and data gathering about business organisation and management of animal dejections, for their agronomic utilisation
- design and introduction of food rations management systems for a period of 5 years
- company and management activities necessary to organise breeding management farming, in compliance with the new regulation in force.

**131/2** – Adaptation of new environmental management systems within an integrated business plan:

- design and introduction of the Best Available Techniques (BAT)
- introduction of environmental quality systems, required by the “Environmental Integrated Permit” (Dir. 96/61/CE).

#### 2.1.2. Existence of payment differentiation

Table 2.1 shows that Meeting Standards payments are only differentiated in the Veneto region (Italy). Payments under the measure are **not differentiated either in the previous, or in the current Programming period in Greece.**

**Table 2.1** Existence of payment differentiation

	GR	IT <sub>VEN</sub>
Implemented in RDP	-	√
Not implemented but existed in past	-	-
Not implemented but discussed	-	-

√ = yes, - = no

In the Veneto region (Italy), payments are differentiated according to the National and Regional laws which state differentiated administrative costs, depending on dimensions of zoo-technical farm and nitrogen production of animals. The level of payments in the Veneto region (Italy) for submeasure **131/1** depends on:

- a) Cost for first sending in of:
  - simple communication: EUR300
  - complete communication: EUR800
  - simple Agronomic Utilization Plan (PUA) + complete communication: EUR1 500
  - complete PUA + complete communication: EUR2 000
  - physical and chemical analysis of soil and refluents, related to complete PUAPayment based on presented invoices.
- b) Payment is for 5 years: payment for a maximum of 5 years with a proportional decrease from 80% (first year) to 40% (fifth year) of the eligible constant payment, which must be stated by invoice.
- c) Decreasing values (5 years – EUR500 per year): EUR1 000-3 000. Payment is given for a maximum period of five years, decreasing from EUR2 500 (first year) to EUR500 (fifth year), compared to bred live weight and cultivated area (83% - 50%).

**131/2** – Adaptation of environmental management systems:

- a) Cost for presentation of “Environmental Integrated Permit”: EUR2 000 EUR
- b) Payment for 5 years must be stated by invoice.

## **2.2. Methodology of the payment calculation**

### **2.2.1. Basic information about each submeasure**

#### *a) Eligibility criteria*

Article 26 of Regulation (EC) No 1974/2006 indicates that beneficiaries of Natura 2000 payments and payments linked to Directive 2000/60/EC shall not be eligible for support pursuant to Meeting Standards, as regards the implementation of Council Directives 79/409/EEC (11) and 92/43/EEC (12).

Eligibility criteria are different because of difference of standards which are going to be implemented.

For electronic marking of sheep and goats in Greece farmers have to be owners of sheep and/or goats, priority is given to holdings within Natura 2000 areas.

For submeasures “Processing of information linked to management of zootechnic refluents and formulation of feed rations” and “Adaptation of environmental management systems” in Veneto region (Italy) eligibility criteria is:

- The beneficiary of payment must implement actions within measure 111 (Training), along with at least one of the following measures:
  - a) 121 (Investments in agricultural holdings ) farm investments (excluded structural and equipment investments)
  - b) 114 (Use of advisory services) use by farmers and forest holders of advisory services
  - c) 311 (Diversification) diversification into non-agricultural activities with special regard to the use of renewable energies.
- The number of animals and the number of places in the shed cannot be increased.

*b) Relevant commitments and contractual obligations*

If the measurement is not to be abided after 1/1/2008, the animals will not be eligible for support and farmers will have to deal with penalties for SMRs in Greece. Additionally farmers will be required to:

- inform veterinary authorities upon starting up a holding with ovine/caprine or a relevant activity within an existing holding
- add ear tags to animals whether they stay, move to other holdings or are to be slaughtered
- add ear tags to animals from third countries
- replace lost ear tags. Removal of ear tags without the permission of the veterinary service is forbidden
- keep records for all changes either they refer to animals or ear tag numbers and codes
- make an annual inventory in December of the livestock and inform the veterinary service
- keep a record of all papers relevant to changes in the holding
- when an animal is to be moved an approved animal health certificate should be issued and follow the animal.

Relevant commitments and contractual obligations in Veneto region (Italy) are as follows:

- carrying out a project/process for internal adaptation and reorganisation of the farm, and notifying to the Province Administration Offices of “communication” with operating procedures for the agronomic management of zoo-technical effluents;
- organising an innovative management of food rations, if an adjustment of production system is necessary;
- adapting the productive systems to the IPPC (Integrated Pollution Prevention and Control) fixed by regulation in force.

*c) Land use / management changes*

Any changes in land use or the changes in management concerning the implementation of the Meeting Standards measure were not mentioned by Veneto region (Italy) and Greece (countries that are going to implement this measure).

### 2.2.2. Processes of payments calculation

**Main points within payment calculation across countries:** the support is granted as flat-rate, digressive aid on an annual basis, for a maximum duration of five years from the date the standard becomes mandatory in accordance with Community legislation. For the payment calculation, only additional costs element is used both in Veneto region (Italy) and Greece. Additional costs are basically made up from farm operating costs stemming from the obligations or restrictions imposed by the new standard.

Payment for Meeting Standards: electronic marking of sheep and goats measure **in Greece** is calculated on an additional costs background only. Neither Land use / management changes nor Income foregone for payment calculations were used. Calculated payment is EUR26.17 per animal per five years. Total payment (EUR26.17) consists of:

- Microchip for aged sheep or goat - EUR9.9
- Microchip for young sheep or goat - EUR14.75
- Reserve 15% - EUR1.52.

Table 2.2 shows an example of the payment calculation in Greece.

**Table 2.2 Process of Meeting Standards payment calculation in Greece**

131	EUR/animal		EUR/year		
Additional costs	MIN	MAX	First year	Fifth year	Total per period
Meeting Standards based on community legislation: electronic marking of sheep and goats	decreasing values (5 years –1 EUR/animal)				
	7.234	3.234	7.234	3.234	26.170

Payments for Meeting Standards: 131/1 – Processing of information linked to management of zootechnic refluents and formulation of feed rations and 131/2 – Adaptation of environmental management systems submeasures in **Veneto region (Italy)** are calculated on additional cost background. There, neither Land use / management changes nor Income foregone were used for payment calculations. Veneto region (Italy) example of payment calculation shows complexity of calculation. For each obligation, additional payments are calculated on minimum – maximum basis. Additional costs are mostly based on fees for technical advice and laboratory analysis, which will be required to be documented by invoices. The Italian team found that it was difficult to carry out the *ex-ante* quantification because expenses were noticeably different in different farms, influenced by the characteristics of each farm. Some of indications on difficulties of costs calculations were found in the official documents such as COM 2003/C 170/03 and in the scientific literature. However, some minimum and maximum values (before taxes and others charges) were indicated on the basis of indications given by zoo-technical professionals in the compliance with 131/1a, 131/1b and 131/2a. Costs of technical advice for the submeasures 131/1c and 131/2b are extremely varied and not computable *ex-ante*. Submeasure 131/1c concerns costs for technical-management assistance related to the application of new regulations, while the submeasure 131/2b - for the designing of BAT. Therefore stated annual payments are decreasing value of EUR500 and 1 000/year for five years respectively.

Table 2.3 shows the payment calculation in Veneto region (Italy).



**Table 2.3** Process of Meeting Standards Payment calculation

131	EUR/holding		EUR/year		
Additional costs	MIN	MAX	First year	Fifth year	Total per period
<b>Veneto region (Italy)</b>					
<b>131/1a</b>	Flat-rate contribution*				
<b>simplified Communication</b>	500	1 000	500/1 000	500/1 000	2 500/5 000
<b>complete Communication</b>	800	1 600	800/1 600	800/1 600	4 000/8 000
<b>simplified PUA</b>	1 600	2 400	1 600/2 400	1 600/2 400	8 000/12 000
<b>complete PUA and Communication</b>	2 400	4 500	2 400/4 500	2 400/4 500	12 000/22 500
<b>physical &amp; chemical analysis of soil and refluents, related to complete PUA</b>	1 500	3 000	1 500/3 000	1 500/3 000	7 500/15 000
<b>131/1b</b>	Payment for 5 years				
<b>livestock feeding plan</b>	2 500	4 500	500/900	500/900	2 500/4 500
<b>131/2a</b>	flat-rate payment				
<b>presentation of “Environmental Integrated Permit”</b>	2 400	4 500	2 400/4 500	2 400/4 500	12 000/22 500
<b>131/1c</b>	decreasing values (5 years – 500 EUR/year)				
<b>Design/introduction of BAT</b>	3 000	1 000	3 000	1 000	10 000
<b>131/2b</b>	decreasing values (5 years – 1 000 EUR/year)				
<b>Introduction of quality environmental systems</b>	4 500	500	4 500	500	12 500

\* Additionally participants have to contribute between 6 and 40% from their private budget.

There are some common issues in the process of calculation of payments which have been identified in the comparison between the Veneto region (Italy) and Greece. Methodologically, payment calculation for the measure in Greece equates to one submeasure in Veneto region (Italy) (Introduction of quality environmental systems). Payment is fixed for five years and is proportionally decreasing annually: from fixed maximum amount of payment in the first year up to fixed minimum amount of payment in the fifth year. In the case of Veneto region (Italy) besides the above mentioned, the methodology used was a flat rate contribution that means the payments are made in equal amounts during the five year period. Additionally, participants have to contribute between 6 and 40 percent from their private budget.

### 2.2.3. Comparison of baseline requirements affecting payment calculation

Baseline requirements cover relevant GAEC included in Annex IV and SMRs included in Annex III of Regulation (EC) No 1782/2003, which are not included in the payment calculation process. GAEC and SMRs are both used in Greece and Veneto region (Italy) as baseline requirements for payment calculation under Meeting Standards measure. Any other regional, national or EU regulatory requirements are not mentioned by Greece and Veneto region (Italy).

**Table 2.4** Existence of baseline requirements affecting payment calculation

Baseline requirements	GR	IT <sub>VEN</sub>
GAEC	✓	✓
SMRs	✓	✓
Others	-	-

✓ = yes, - = no

In Veneto region (Italy), additional requirements which impact on payment calculations come from directives concerning the protection of waters against pollution caused by nitrates from agricultural sources, and requirements for integrated pollution prevention and control. Meanwhile in Greece farmers will have to deal with additional SMRs related to identification and registration of animals, submitting of the special forms for the holding setup, approval of labelling, filling special forms concerning changes (including interruption of operation) that happen in the holding regarding ear tags, keeping passports and holding registers.

#### **2.2.4. Limitation of payment level**

Payments levels have only the maximum limit (EUR10 000/farm) imposed by the Regulation (EC) No 1698/2005 RD Regulation (1698/2005) in Greece and Veneto region (Italy).

#### **2.2.5. Interrelations between the Meeting Standards measure and other measures**

Article 26 of Regulation (EC) No 1974/2006 indicates that beneficiaries of Natura 2000 payments and payments linked to Directive 2000/60/EC shall not be eligible for support pursuant to Meeting Standards, as regards the implementation of Council Directives 79/409/EEC (11) and 92/43/EEC (12). Any other interrelations between the Meeting Standards measure and other measures (in or out RDP) were not identified in Veneto region (Italy) and Greece (the countries that are going to implement this measure).

### **2.3. Data sources and administrative issues**

#### **2.3.1. Used data for payment calculation**

##### **Data types and sources used:**

- legal acts: EU Regulations, National legal acts, RDP 2007-2013
- statistics: SD publications (annual, quarterly, monthly), FADN, agrimarket publications
- literature: Scientific, handbooks
- other: Information from professional experts in the zoo-technical and agronomical sector, data from NPA.

Professional experts in the zoo-technical sector were helpful for determining costs for technical advice, laboratory analysis and editing of action plans (farm level data). Scientific literature and official documents (COM 2003/C 170/03) were used to clarify difficulty of determination of technical advice and laboratory analysis costs.

#### **2.3.2. Missed data**

There was no mention of any missing data in Greece and Veneto region (Italy).

#### **2.3.3. The interviewees**

As far as interviews were carried out, it is necessary to point out that there were two people from the Rural Development Management Authority interviewed in Greece and two people in Veneto region (Italy): one of them is responsible of measure design in Veneto Region and other is from the Padua University involved in payment calculation.

### 2.3.4. Administrative structure involved in payment calculation

**Table 2.5 Administrative structure involved in payment calculation**

Institution involved in:	Payment calculation		Payment verification	
	Number	names	number	Names
<b>GR</b>	2	1. Veterinary service Ministry of Rural Development and Food 2. Management authority for the Rural Development Programme	2	1. Veterinary service Ministry of Rural Development and Food 2. Management authority for the Rural Development Programme
<b>IT<sub>VE</sub></b>	3	1. Veneto Region 2. INEA 3. University of Udine	2	1 AVEPA (Veneto Region's paying agency) 2 University of Padua

## 2.4. Problems, solutions and remaining key issues for payment calculations

Problems within payment calculation process were mentioned only in Veneto region (Italy) (Table 2.6).

**Table 2.6 Problems within payment calculation process in Veneto region (Italy)**

Name of submeasure	Problem	Solution
<b>131/1 – Processing of information linked to management of zoo-technical discharges and formulation of feed rations</b>	1. Complexity in pointing out management costs according requirements fixed by EC Regulation 91/676/CEE. 2. Difficulties in spreading the maximum payment per farm (EUR10 000) among the different actions provided by the measure;	A calculation method is being looked for, to express dejections management costs in EUR per kg of live weight, in order to find a useful parameter for the classification of management costs by classes of produced nitrogen (as fixed by regulations): 1 000-3 000 kg, 3 000-6 000 kg, > 6 000 kg. The use of this parameter should lead to a homogeneous application among different breeding typologies (also regarding administrative management by the paying agency).
<b>131/2 – Adapting of environmental management systems Adaptation of environmental management systems</b>	3. The maximum limit of EUR10 000 may lead to under-compensation. Some farms could even drop breeding activities because of too strict requirements.	

Additionally Italian team mentioned, that it would be interesting to see how farmers who didn't present the notification will behave, cause this is the first time this measure is implemented, with such binding requirements (as those fixed by ministerial decree 07/04/2006 on general criteria and technical rules for regional control of the agronomic use of livestock effluents, as stated by art. 38 of legislative decree n. 152/2006 are).

## 3. Conclusions

Concluding the review it is important to emphasise that compensatory payment for Meeting Standards measure shall be granted as a flat rate, on a temporary basis (for a maximum duration of five years), and is a digressive annual payment. While Meeting Standards measure can have submeasures and can be differentiated, it determines a wide range of options and complexity of payments calculations. However, there are some common issues in the process of payment calculations in the comparison between the Veneto region (Italy) and Greece. Methodologically, payment calculation for measure in Greece is adequate to one submeasure in Veneto region (Italy) (Introduction of quality environmental systems). Payment is fixed for five years and is proportionally decreasing annually: from a fixed maximum amount of payment in the first year up to a fixed minimum amount of payment in the fifth year. In case of Veneto region (Italy) in addition to the above mentioned methodology was used flat rate contribution that means the

payments are made in equal amounts during the five year period. Additionally participants have to contribute between 6 and 40 percent from their private budget.

There were several problems identified within payment calculation process. First of all there are difficulties in spreading the maximum payment per farm (EUR10 000) among the different actions provided by the measure. Complexity of setting up commitments for the number of farms that are extremely differentiated with each other is identified as a problem too.

One more problem originates because of complexity in pointing out management costs according to requirements fixed by regulations, with changes in farming systems and management resulting in a variety of costs included in payment calculations.

It is evident that undetermined base line and lack of reliable data condition distinctions and inequalities of payment calculations among countries.