

Understanding EU farm payments

One of the earliest policies to have contributed to building the European Union (EU), the common agricultural policy devotes most of its budget to supporting farmers. Direct payments are the main type of support used; they are managed jointly by the European Commission and EU countries through a number of schemes.

Background

The common agricultural policy (CAP) [dates back to 1962](#) and has been providing farmers with support ever since. The reforms of recent decades have been aimed at making this support more responsive to emerging needs, such as helping to shape more market-oriented production systems that are also attentive to the environment and climate. In December 2021, EU legislators adopted the [2023-2027 CAP](#) legislative framework. It comprises rules on support for national [CAP strategic plans](#), along with amended rules on [agricultural markets](#) and rules on the CAP's [financial management](#). On this legal basis, EU countries drew up their strategic plans, which were submitted for [approval](#) and validated by the Commission at the end of 2022. The 2023-2027 CAP delivery model is more flexible about how EU countries apply the policy at local level. The model retains the common dimension of the policy, however, and farm payments are still the main CAP support measure throughout the EU.

CAP support measures for farmers

The CAP supports farmers through a range of policy measures. Financed by the European Agricultural Guarantee Fund (EAGF), **direct payments** are a safety net for farmers facing lower than average incomes compared to the rest of the economy, uncertain markets, weather extremes, pests and diseases, or weak bargaining power in the food chain. At about €270 billion in the 2021-2027 period, direct payments account for 72 % of EU CAP funds (see Figure 1). EU legislation sets financial allocations for each EU country. **Market measures**, also financed by the EAGF, aim to support and stabilise agricultural markets. Some support EU farmers directly, for example by facilitating their participation in producer groups or quality schemes, strengthening their role in the supply chain. **Rural development measures**, financed by the European Agricultural Fund for Rural Development (EAFRD) and by national funds, aim to contribute to the economic, social, and environmental performance of rural areas. They too include support measures for farmers, such as the financing of farm investments, risk management tools, and financial instruments.

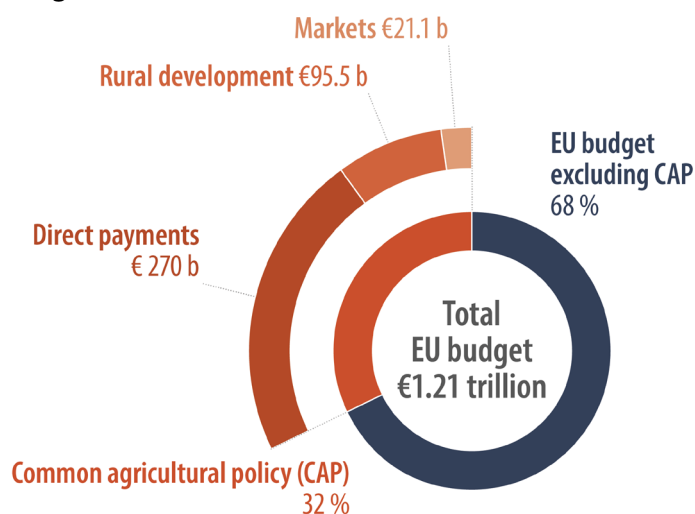
Direct payment schemes

Direct payment schemes are governed by Articles 20 to 41 of [Regulation \(EU\) 2021/2115](#) on CAP strategic plans. Some schemes are compulsory, others can be included in the CAP strategic plan on a voluntary basis.

Basic income support for sustainability

Basic income support is an annual payment per hectare to which [half of the direct payment budget](#) is devoted. EU countries may decide to pay a uniform amount per hectare, to differentiate the payment in

Figure 1: Agricultural spending in the EU's 2021-2027 budget



Data source: European Commission, [webpage on CAP funds](#).



line with different socio-economic or agronomic conditions, or to pay an amount based on the payment entitlements applied under the [previous CAP](#). When using payment entitlements, EU countries must gradually reduce the gap between their values in the coming years, a process known as 'convergence'. A **payment for small farmers** not exceeding €1 250 per year can be granted as a lump sum or on a per hectare basis. Such payments, optional for farmers, replace all other forms of direct payment.

Complementary redistributive income support for sustainability

Redistributive income support is an annual extra payment for the first hectares of farmland for farmers who are entitled to basic income support. The amount per hectare and the number of hectares per farmer for which the redistributive income support is available is defined by EU countries. This scheme aims to redistribute direct payments from larger to smaller or medium-sized farms. To support [small farms](#), at least 10 % of each Member State's direct payment budget must go to this scheme, unless redistribution is achieved by other means.

Complementary income support for young farmers

Complementary income support for young farmers is an annual extra payment for new farmers who are entitled to basic income support. A lump sum payment or an amount per hectare, and the number of hectares per farmer for which the support is available, is defined by the Member States. They also set the upper age limit – between 35 and 40 years – and the training and skills required of potential beneficiaries.

Schemes for the climate, the environment and animal welfare (eco-schemes)

Eco-schemes help farmers who commit to agricultural practices that are beneficial for the climate, environment, and animal welfare or for combatting antimicrobial resistance. Such [practices](#), which need to go beyond legislative requirements, are listed in the CAP strategic plans. The annual payment per hectare granted for eco-schemes can be a payment in addition to basic income support or a payment to offset costs incurred or income foregone as a result of the commitments made. At least 25 % of the national direct payment budget must go to this scheme, which is voluntary for farmers.

Coupled income support

In the past, CAP income support was linked (or coupled) to specific products. Successive reforms gradually removed this link, which is nowadays limited to a small share of direct payments. Coupled support aims to address difficulties in sectors, types of production or specific types of farming that are important for socio-economic or environmental reasons. Support consists of an annual payment per hectare or animal, with the objective of improving competitiveness, sustainability or quality. Among the sectors that CAP strategic plans can target, protein crops can be counted without any specific justification, as this would contribute to [reducing](#) the EU's dependency on imports in the sector and the use of nitrogen fertilisers.

Crop-specific payment for cotton

This coupled direct payment scheme grants payments per hectare of cotton located in areas authorised for cotton production in Bulgaria, Greece, Spain and Portugal.

How do direct payments work in practice?

Every year, more than 6 million [beneficiaries](#) receive direct payments. These are granted to **active farmers**, either individuals or companies, who are engaged in at least a minimum level of **agricultural activity** (i.e. agricultural production or keeping an agricultural area in a state suitable for farming). CAP strategic plans define active farmers via objective and non-discriminatory criteria, including through a negative list ruling out certain entities from being considered an active farmer.

Farmers who want to claim direct payments need to apply every year and comply with a number of rules. In addition to the statutory management requirements that are compulsory for exercising farming activities, farmers receiving CAP payments are subject to **conditionality**, i.e. they must maintain land in good agricultural and environmental conditions ([GAEC](#)). The 2023-2027 CAP involves enhanced conditionality with 'greener' requirements. It also introduces **social conditionality** for the first time, linking direct payments to certain fundamental social and labour-related principles.

The Commission and national authorities operate the direct payments in [shared management](#). Under the Commission's supervision, national [paying agencies](#) are in charge of administering direct payments, dealing with tasks such as processing aid applications, executing payments and performing certain checks.

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