



FIRST PILLAR OF THE COMMON AGRICULTURAL POLICY (CAP): II – DIRECT PAYMENTS TO FARMERS

The 2003 reform and the 2009 Health Check decoupled most direct aid. Regulation (EU) No 1307/2013 provides a single legal basis and lays down comprehensive rules, making for better-targeted, fairer and greener direct payments to farmers.

LEGAL BASIS

Articles 38 to 44 of the Treaty on the Functioning of the European Union (TFEU); Regulation (EU) No 1306/2013 (OJ L 347, 20.12.2013, p. 549) and Regulation (UE) No 1307/2013 (OJ L 347, 20.12.2013, p. 608), as amended by Regulation (EU) 2017/2393 (OJ L 350, 29.12.2017, p. 15) (the ‘Omnibus’ Regulation, backing the Commission’s proposals for the mid-term review of the multiannual financial framework 2014/-2020).

OBJECTIVES

The CAP for the 2014-2020 period maintains the existence of two pillars but tightens up the links between them, thus offering a more holistic and integrated approach to policy support.

SUBSTANCE OF REGULATION (EU) NO 1307/2013

A. Overview: a system of multi-purpose direct payments

Direct support arrangements are now no longer about ‘decoupling’ but ‘targeting’, with a system comprising seven multi-purpose payments each with specific objectives: 1. a ‘basic payment’ per hectare, the level of which is to be harmonised according to national or regional economic or administrative criteria and subject to an ‘internal’ convergence process; 2. a ‘greening’ component, as additional support to offset the cost of providing environmental public goods that are not remunerated by the market; 3. an additional payment for young farmers; 4. a ‘redistributive payment’ whereby farmers may be granted additional support for the first hectares of farmland; 5. additional income support in areas with natural constraints; 6. coupled support for production, granted in respect of certain areas or types of farming for economic and/or social reasons; 7. an voluntary simplified system for ‘small farmers’, offering payments of up to EUR 1 250. The first three components are compulsory for Member States while the last four are voluntary. Member States must use 30% of their national direct-payment allocations to fund the greening components. The remaining 70% is used to



fund the 'basic payments', after deduction of any amounts earmarked for the national reserve for entitlements (mandatory, up to 3% of national allocations), and for additional redistributive payments (up to 30%), payments for young farmers (up to 2%) or for less favoured areas (up to 5%), or payments coupled to production (up to 15%). Only active farmers will be eligible for the new payments per hectare. Until 2019, those payments will also be subject to a process of 'external' partial convergence among the Member States.

B. Key elements

1. Basic payment scheme (BPS) / Single area payment scheme (SAPS) (compulsory for Member States)

Direct payments under the new basic payment scheme account for around 70% of Member States' national funding allocation after deduction of the amounts allocated to young farmers or other voluntary payments: less-favoured area top-ups, the small farmers scheme, redistributive payments and 'coupled' payments. For 12 Member States, the end date for the single area payments scheme will be deferred until 2020. With regard to 'internal convergence', those Member States that, up to 2013, maintained allocations based on historic references must move towards more uniform levels of payment per hectare. To do so they are offered a choice of options: they may take a national or regional approach enabling them to introduce a regional/national flat-rate payment by 2019, or ensure that those farms receiving less than 90% of the regional/national average rate see a gradual increase in payments, with the additional guarantee that every farmer receives a minimum payment equivalent to 60% of the national/regional average by 2019. The amounts available to farmers receiving more than the regional/national average are adjusted proportionally, with an option for Member States to limit any support 'losses' to 30%.

2. Schemes for the redistribution of basic payments (voluntary)

Member States have the right to use a redistributive payment for the first hectares whereby they can take up to 30% of the national allocation and redistribute it to farmers on their first 30 hectares (or up to the national average farm size if greater than 30 hectares). A further option is to apply a maximum payment per hectare. Member States making use of the redistributive scheme may be exempted from mandatory capping of basic payments above EUR 150 000 (a minimum of 5%).

3. Young farmers scheme (mandatory for Member States)

To encourage generational renewal, the basic payment awarded to young farmers – newcomers under 40 years of age established in the previous five years – is increased by 25% for the first five years. 2% of the national budget allocation is used to finance this supplement. It is mandatory for Member States.

4. Greening (mandatory for Member States, with flexible application)

Each farm will receive, in addition to the basic payment or the single area payment, an additional payment per hectare for using climate- and environment-friendly farming practices. The Member States are required to use 30% of their national funding allocations for this greening payment. There are three measures, namely:



- Crop diversification: the farmer must cultivate at least two different crops if he has more than 10 hectares of arable land; if he has more than 30 hectares, he must cultivate at least three crops; the main crop may cover no more than 75% of the arable land, and the two main crops no more than 95%;
- Maintaining existing permanent grassland;
- Maintaining an ‘ecological focus area’ of at least 5% of the arable area of the holding on farms with more than 15 hectares of arable land (excluding permanent grassland and permanent crops): edges of fields, hedges, trees, fallow land, landscape features, biotopes, buffer strips, afforested areas or nitrogen-fixing crops.

There will be extremely severe penalties for failing to meet greening requirements. To avoid penalising farmers who are already addressing environmental and sustainability issues, the regulation establishes a ‘greening equivalency’ system under which environmentally beneficial practices already in place are deemed to meet these basic requirements. For example, no additional requirements are imposed on organic producers, as the practices they use have been shown to provide clear ecological benefits. The new regulation contains a list of measures regarded as equivalent.

5. Coupled payments (voluntary for Member States)

To remedy the potentially adverse effects of internal convergence for particularly sensitive sectors or areas, Member States may make payments that are linked to specific products. Such payments must account for no more than 8% of the national funding allocation in Member States that currently provide coupled support, and no more than 13% if the current level of coupled support is higher than 5%. The Commission may approve a higher rate where justified. In addition, ‘coupled’ support (no more than 2%) may be provided for protein crops.

6. Areas with natural constraints/less favoured areas (ANCs/LFAs) (voluntary payment)

Member States (or regions) may grant an additional payment of up to 5% of the national funding allocation for areas classified as being subject to natural constraints.

7. Active farmers (mandatory for Member States, with flexible application)

With a view to solving the problem of farmers who actually have other jobs, and to removing a number of legal loopholes which have allowed companies whose primary business is not farming to claim direct payments, the reform has tightened up the rules defining active farmers. Member States are required to abide by a new negative list of business activities in respect of which direct payments may not be made (it can be maintained that the ‘Omnibus’ Regulation has relaxed the criteria concerning proof thereof [Regulation (UE) 2017/2393, OJ L 350, 29.12.2017, p. 15]) ([3.2.9](#)).

8. Small farmers scheme (voluntary)

Under the new CAP, Member States may adopt a simplified scheme benefiting small farmers if an annual payment of up to EUR 1 250 is made, irrespective of farm size. Participants are subject to less stringent cross-compliance requirements and do not have to meet greening requirements. The total cost of the small farmers’ scheme may



not account for more than 10% of the national funding allocation, except when Member States decide to ensure that small farmers receive what they would have been paid without the scheme.

9. Cross-compliance (mandatory)

The provisions on cross-compliance have been simplified by making direct payments subject to compliance by farmers with: a) standards laid down by the Member State on environmental and agronomic conditions with a view to limiting soil erosion, maintaining soil structure and organic matter levels and ensuring minimum standards of upkeep; b) EU rules on public health, animal health, the environment and animal welfare. If a farmer does not abide by the cross-compliance rules, his direct payments will be reduced or stopped.

10. Budgetary and financial discipline mechanism (mandatory)

Budgetary discipline arrangements have been introduced to keep expenditure on the first pillar of the CAP below the annual budget ceilings set under the multiannual financial framework (1.4.3). An adjustment to the direct payments will be proposed when projections indicate that the total forecast expenditure will be exceeded in a given financial year. Any reduction will not apply to the first EUR 2 000 paid to each farmer. The direct payments allocated to farmers can also be reduced in each financial year in order to free up funding for the new 'crisis reserve' (up to a ceiling of EUR 400 million) (3.2.4).

11. The Integrated Administration and Control System (mandatory)

The Integrated Administration and Control System (IACS) has also been confirmed and reinforced. It consists of at least the following elements: a computerised database, a system for the identification of agricultural parcels, a system for the identification and registration of direct payment entitlements, an integrated control system and a system for identifying each farmer who submits an aid application.

IMPLEMENTATION OF THE CAP FROM 2014 TO 2020, AND EXTENSION UNTIL JANUARY 2023

Member States had to make crucial choices in 2014, given the diversity of the implementing rules governing the new direct payments system and the room for manoeuvre it affords them. All countries except Germany have the option of using coupled payments with very different rates, eight have decided to apply the redistributive payment, and fifteen have implemented the Small Farmers Scheme. Lastly, as regards 'green payment', five Member States have given farmers the option of complying with some of their obligations by adopting equivalent practices. In addition, fifteen countries have transferred amounts between the two pillars: net transfers from the first pillar to the second stood at some EUR 4 billion for the period as a whole.

In the second pillar, 118 rural development programmes have been approved by the Commission. Twenty Member States have chosen to implement a single national programme, and eight have opted to use more than one programme (allowing, for instance, more account to be taken of their geography or administrative arrangements).



In view of the fact that legislative procedures on the post-2020 CAP reform had not been completed by 1 January 2021, the co-legislators adopted Regulation (EU) 2020/2220 (OJ L 437, 28.12.2020), which extends the current rules by two years (until 31 December 2022).

ROLE OF THE EUROPEAN PARLIAMENT

On 13 March 2013 Parliament adopted a set of resolutions concerning the post-2013 CAP legislative proposals [[P7_TA\(2013\)0084](#) to [P7_TA\(2013\)0087](#), OJ C 36, 29.1.2016, p. 240 to 704]. These formed the basis for negotiations with the Council. Following a number of trilogue meetings, political agreement was reached on 26 June 2013. Conciliation between Parliament and the Council was necessary, however, on various aspects of the budgetary arrangements for direct payments and rural development. Once these matters had been settled, Parliament adopted, on 20 November 2013, immediately after the adoption of the multiannual financial framework for 2014-2020, a set of resolutions [[P7_TA\(2013\)0490](#) to [P7_TA\(2013\)0494](#), OJ C 436, 24.11.2016, p. 270 to 280] reiterating its favourable view of the new CAP. In the context of the mid-term review of the multiannual financial framework 2014-2020, the amendments tabled by the Parliament improved the rules for greening payments and payments to young farmers. An agreement with the Council was reached in October 2017 and the text published in December 2017 [Regulation (EU) 2017/2393, OJ L 350, 29.12.2017, p. 15]. The co-legislators have already started work on reforming the direct payments scheme for the future, i.e. beyond 2020. Their amendments to the Commission's legislative proposals are expected to be adopted in trilogues before summer 2021 (fact sheet [3.2.9](#)).

Albert Massot
03/2021

