Common agricultural policy (CAP): direct payments to farmers under support schemes 2014-2020

2011/0280(COD) - 17/12/2013 - Final act

PURPOSE: to lay down new rules on the Common Agricultural Policy (CAP) for the period 2014-2020 (direct payments).

LEGISLATIVE ACT: Regulation (EU) n° 1307/2013 of the European Parliament and of the Council establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009.

CONTENT: this Regulation is part of a series of measures aiming to **reform the Common Agricultural Policy (CAP).** The CAP reform package contains four main legal texts:

- this Regulation establishing **rules for direct payments** to farmers;
- the Regulation on the common organisation of the market in agricultural products;
- the Regulation on support for rural development;
- the Regulation on the financing, management and monitoring of the CAP (horizontal Regulation.)

The package also includes a transitional Regulation for 2014.

The main objectives of the reform are to **make the CAP greener, more equitable and better targeted.** The reformed CAP remains a strong common policy structured around its **two complementary pillars**: direct payments and market management (first pillar) and rural development (second pillar).

This Regulation provides the **basic rules for granting direct income support to farmers** in order to reward them for the provision of public goods and services. It also contains a number of specific support schemes and rules for granting a limited amount of coupled support (linked to production).

The main points are as follows :

Greening of the CAP : a new payment linked to a greening component is established : in future, **30% of direct income support** for farmers will be granted only if they observe certain farming practices that are beneficial for the environment and the climate, and in particular :

- **crop diversification** (growing at least three different crops on arable land);
- maintaining a minimum area of **permanent grassland**; and
- keeping an **ecological focus area**, corresponding to at least 5 % of the arable land of the holding where the arable land of a holding covers more than 15 hectares, (e.g land lying fallow, terraces, landscape features, buffer strips, afforested areas).

Reduction of payments for large farms: in order to allocate direct payments in favour of farmers who have the greater need, the Regulation provides for a **mandatory reduction of 5%** of the part of the basic payment to be granted to farmers which exceeds EUR 150 000.

Redistributive payment: in order to increase the support received by smaller farmers, Member States may use up to **30 % of the annual national ceiling** to increase the support received by smaller farmers by granting them a **higher amount on the first hectares** activated by the farmer (not to be higher than 30 hectares or the average size of agricultural holdings if that average size exceeds 30 hectares in the Member State concerned.)

Progressive adjustment of direct support: to ensure a more equal distribution of direct support, and to reduce the link with historical references, the levels of direct support per hectare shall be progressively adjusted. Member States that have direct payments below the level of 90 % of the Union average should close one third of the gap between their current level and this level, with all Member States arriving at a minimum level by financial year 2020. All Member States that have direct payment levels above the Union average level should finance this convergence, called '**external convergence'** proportionally.

At the same time, there will be a progressive rebalancing of direct payments levels at national or regional level by 2019 (internal convergence).

Coupled support: Member States will also be able to grant a greater portion of their direct payments envelopes in the form of **coupled support (linked to production)** to farmers in sectors or regions which face particular difficulties and where farming activity is important for economic, environmental and/or social reasons.

Member States will be allowed to use up to **8 %** (2 % for protein crops) of their national ceilings for this support, or 13 % where their level of coupled support exceeds 5 % in at least one of the years of the period 2010-2014.

Financial discipline: the existing mechanism (which provides for the possibility of making linear cuts to the direct payments received by farmers) will be **maintaine**d in order to ensure that the CAP budget does not exceed the established budgetary ceiling. However, farmers whose direct income support does not exceed EUR 2000 will be exempt.

Single area payment scheme (transitional period): Member States applying in 2014 the single area payment scheme may decide to continue to apply that scheme **until 31 December 2020 at the latest.** Member States applying the single area payment scheme may decide to grant transitional national aid in the period 2015-2020.

Active farmer: in order to ensure better **targeting of support**, direct payments will only be made to active farmers whose main business is agriculture. No direct payments shall be granted to natural or legal persons, or to groups of natural or legal persons, who operate airports, railway services, waterworks, real estate services, permanent sport and recreational grounds, unless they can show that their agricultural activity is not marginal.

Support for young farmers : the new CAP also contains a mandatory support scheme in favour of young farmers (for which Member States may use **up to 2%** of their direct payments envelopes).

A supplementary payment will be made to farmers below the age of 41 of 25% for 25 to 90 hectares.

Member States may also put in place a simplified regime for small farmers whose support is not less than EUR 500 and does **not exceed EUR 1250**.

Flexibility between pillers: in order to strengthen their rural development policy, Member States may decide to make available, as additional support for measures under rural development programming financed under the EAFRD as specified under Regulation (EU) No 1305/2013, **up to 15 % of their annual national ceilings** for calendar years 2015 to 2019.

ENTRY INTO FORCE: 20.12.2013. The Regulation is applicable from 01.01.2015 (with the exception of certain provisions that are applicable from the date of entry into force of the Regulation).

DELEGATED ACTS: the Commission may adopt delegated acts in order to supplement or amend certain non-essential elements of this Regulation. The power to adopt such acts is conferred on the Commission for a period of **seven years from 1 January 2014.** The European Parliament or the Council may raise objections with regard to a delegated act within two months of the date of notification (which may be extended by two months). If Parliament or Council raise objections, the delegated act will not enter into force.