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# IMPLEMENTATION OF THE FIRST PILLAR OF THE CAP 2014 – 2020 IN THE EU MEMBER STATES

**STUDY**

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DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT B: STRUCTURAL AND COHESION POLICIES

AGRICULTURE AND RURAL DEVELOPMENT

# IMPLEMENTATION OF THE FIRST PILLAR OF THE CAP 2014 – 2020 IN THE EU MEMBER STATES

STUDY

This document was requested by the European Parliament's Committee on Agriculture and Rural Development.

## AUTHORS

Consiglio per la ricerca in agricoltura e l'analisi dell'economia agraria (Council for Agricultural Reseach and Economics) (CRA-INEA), Roma, Italy: Roberto Henke (project leader), Maria Rosaria Pupo D'Andrea (scientific editor), Theodoros Benos (consultant), Tatiana Castellotti, Fabio Pierangeli, Simona Romeo Lironcurti.
Università di Roma Tre, Roma, Italy: Fabrizio De Filippis, Mara Giua, Laura Rosatelli.
Bundesanstalt für Agrarwirtschaft (Federal Institute of Agricultural Economics, AWI) Vienna, Austria: Thomas Resl, Karin Heinschink.

## RESPONSIBLE ADMINISTRATOR

Guillaume Ragonnaud
Policy Department B: Structural and Cohesion Policies
European Parliament
B-1047 Brussels
E-mail: poldep-cohesion@europarl.europa.eu

## EDITORIAL ASSISTANCE

Lyna Pärt / Catherine Morvan

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## ABOUT THE PUBLISHER

To contact the Policy Department or to subscribe to its monthly newsletter please write to: poldep-cohesion@europarl.europa.eu

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# IMPLEMENTATION OF THE FIRST PILLAR OF THE CAP 2014 – 2020 IN THE EU MEMBER STATES

STUDY


**Abstract**

The 2014-2020 reform introduced many relevant changes in the tool box of the CAP. Within Pillar I, one of the most relevant issues has been that of direct payments, which became more targeted at specific goals than they have been in the past. Another key issue is the role of Member States in tailoring the new CAP according to the needs of their primary sector. Consequently, what we face today in the EU28 is a multifaceted form of agricultural support under a common EU framework.



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# LIST OF ABBREVIATIONS

| | |
|---|---|
| AGRI | Agriculture and Rural Development Committee |
| BP | Basic Payment |
| CAP | Common Agricultural Policy |
| CF | Cohesion Fund |
| CMO | Common Market Organisation |
| DA | Disadvantaged Areas |
| DG | Directorate General (European Commission) |
| EAFRD | European Agricultural Fund for Rural Development |
| EAGF | European Agricultural Guarantee Fund |
| EDF | European Development Fund |
| EFA | Ecological Focus Area |
| EGAF | European Globalisation Adjustment Fund |
| EMFF | European Maritime and Fisheries Fund |
| ERDF | European Regional Development Fund |
| ESF | European Social Fund |
| EU | European Union |
| F&V | Fruit and Vegetables |
| GATT | General Agreement on Tariffs and Trade |
| GDP | Gross Domestic Product |
| GNI | Gross National Income |
| LFA | Less Favoured Areas |
| MFF | Multiannual Financial Framework |

| | |
|---|---|
| SPS | Single Payment Scheme |
| SAPS | Single Area Payment Scheme |
| SDA | Severely Disadvantaged Areas |
| TOR | Traditional Own Resources |
| VAT | Value Added Tax |
| UAA | Utilised Agricultural Area |
| WTO | World Trade Organisation |
| YEI | Youth Employment Initiative |

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Some of the information about the implementation of the CAP in some Member States has been provided by the Service “Access to Documents” of the European Union.

# EXECUTIVE SUMMARY

## Background

In the course of its 50 years of life, the Common Agricultural Policy (CAP) has progressively recalibrated its objectives while, at the same time, drastically modifying its tool box. In 1957, at the time of the signing of the Treaty of Rome, a CAP was called for that answered the need to increase agricultural productivity, ensure a fair standard of living for farmers, stabilise markets, ensure the availability of supplies and make products available to consumers at reasonable prices. Over time, many changes occurred, such as in the socio-economic context, in the domestic and the international arena, and in areas allowing for greater attention to be given to environmental issues and to acknowledge the multifunctional role of agriculture. All these factors have contributed to major changes in the CAP, and to the progressive shift from a price policy approach to new forms of support to agriculture and rural areas aiming at supporting farmers' income and the production of public goods (De Filippis and Fugaro, 2005; European Commission, 2007).

One of the most evident results of this process has been the transformation of the CAP from a product-specific policy (the CMOs) to a producer-specific policy. Moreover, along the path of reforms, Member States were progressively given the possibility to tailor the CAP according to their specific needs, within a general common framework of rules, and so to choose whether, and to what extent, to implement specific tools.

With the 2014-2020 CAP reform some important changes have been introduced (European Commission, 2015; COPA-COGECA, 2015). The most important of these is probably the new system of direct payments which replaced the SPS (and the SAPS in new Member States) introduced by the 2003 Fischler reform. The new and articulated system of direct payments responds to different goals of the CAP: the basic component represents a support to the farmers' income. It is more homogeneously distributed in terms of per-hectare support, both across Member States and, within each Member State, across farms. The other components of the direct payments are of a selective nature and oriented to remunerate specific behaviour of farmers (such as in the case of the agricultural practices beneficial to the climate and the environment remunerated by 'green payments') or a specific status (such as being a young farmer or having farms located in areas with natural constraints).

The new form of payments represents the first explicit attempt to link part of direct payments to the remuneration of public goods and services, a goal that has strongly influenced the debate preceding the proposals of reform.

An explicit goal of the reform has been to introduce a more selective form of support, with payments better targeted and more equitably distributed among farms, sectors and regions. In this respect, in addition to 'degressivity' (i.e. the reduction of support on larger beneficiaries on the premises that these beneficiaries can be efficient also with a lower level of support, given their possibility to adjust (economies of scale) ) and 'external convergence' (a mechanism included in the Multiannual Financial Framework (MFF) 2014-2020), the reform introduces a more uniform distribution of the per-hectare basic farm payments ('internal convergence'), payments for young farmers, a 'redistributive payment' shifting support from larger farms to smaller ones and payments for farms located in areas with natural constraints (European Commission, 2014).

Some components of the new direct payments are mandatory, while decisions to implement some other components are left to the individual Member States. The mandatory components are: the basic payment, the 'green payment' and the payment for young farmers. The voluntary components are: the redistributive payment, payments for areas with natural constraints, payments coupled to production, and the small farmers scheme. Even for the mandatory components, the Member States have some room for manoeuvre in terms of how such components are implemented. Overall, the new CAP reform increases the flexibility granted to the Member States, which are called on to decide on the following: which of the optional payments to adopt; the amount of resources devoted to each payment within a given range and the eligibility criteria to be applied in this regard; the distribution of the funds between the first and second pillar of the CAP; the profile of the beneficiaries of the support; and, overall, the criteria for ensuring a certain rate of distribution of support on their territories. These choices go well beyond the mere management of decisions coming from the EU, giving Member States the possibility to influence the distribution of financial resources among farms, sectors and regions.

## Aim

In this study, Member States are classified according to typologies of behaviour, in order to both draw a political geography of the new CAP and to shed light on the further steps of the CAP reform process.
The reading keys through which the reform can be analysed are the following:

- The speed of transition towards a flat-rate payment, taking into account the starting point, the speed and the final point of convergence (partial or total), the presence of regional ceilings and the type of 'green payments' (flat or individual): all of these elements help us understand the extent to which a flat-rate payment has been achieved across the European Union.
- The strictness in the selection of beneficiaries, taking into account the national implementation of the provisions on 'active farmers', the choice of minimum requirements, and the additional requirements for other payments such as young farmers payment, natural constraints, coupled support.
- The redistribution of support between farmers, sectors and regions, which is related to decisions by Member States to derogate from the achievement of a flat-rate payment, to implement the degressivity at a higher degree than mandatory and to apply the redistributive payment.
- The "national CAP tailoring", that is to say, the extent to which the Member States have shown flexibility in choosing the tools at their disposal and in shaping these instruments to their needs. The rate of national differentiation refers to measures that aim at bringing the current CAP closer to the specific feature of each Member States' agriculture. We consider the possibility of shifting financial resources between CAP pillars, since this is an indicator of the extent to which each Member State tries to adapt the whole amount of CAP funds to its own needs and strategic targets. We also consider the presence of more targeted payments, which help clarify whether the new system of direct payments is well calibrated in respect to the needs of the Member States. Moreover, we consider the possibility for Member States to adapt the model of basic payment (and that of 'green payment') to the national redistributive objective. Finally, in this regard, we consider the possibility for them to favour a higher percentage of reduction (up to capping) over the mandatory reduction on payment (the degressivity) in order to limit the payment for larger beneficiaries and, at the same time, increase the financial resources for rural development policy or to adopt the redistributive payment, increasing the unit amount of basic payment available for smaller farms.

# SECTION 1 - IMPLEMENTING ARRANGEMENTS CHOSEN BY THE 28 MEMBER STATES CONCERNING DIRECT PAYMENTS

## 1.1. A LOOK AT THE PAST: THE STARTING POINT OF THE 2014-2020 CAP REFORM

### 1.1.1. The long life of the CAP[1]

In the course of its 50 years of life, the Common Agricultural Policy (CAP) has progressively recalibrated its objectives while, at the same time, drastically modifying its tool box. The goals that had been set in the Treaty of Rome in 1957 recalled the need to increase agricultural productivity, ensure a fair standard of living for farmers, stabilise markets, ensure the availability of supplies and make products available to consumers at reasonable prices (De Filippis and Salvatici, 1999). Over time, the changes in the socio-economic context around the CAP, as well as in the domestic and the international arena, the greater attention given to integrating agricultural and environmental policies and the acknowledgment given to the multifunctional role of agriculture, have all shed light on the inadequacy of a model of support based mostly on price policy and on the need to find new forms of support to agriculture and rural areas (De Filippis and Fugaro, 2005).

In the early 1990s, notwithstanding the modifications already made to the CAP, the need for deeper reform became inevitable. Various factors had a part in this, in particular growing international pressure within the Uruguay round of the GATT (Anania and De Filippis, 1996; Swinbank and Tanner, 1996; Tangermann 2004). Secondly, the implementation of measures became more complex, and policies began to be criticised even by the beneficiaries, who raised their voices against the bureaucracy involved. Moreover, with the greater visibility of CAP expenditure, a marked distributive imbalance between Continental and Mediterranean products – and, therefore, among countries – was brought to light. It was also claimed at the time that 80 % of support was going to 20 % of farmers, however, as is highlighted below this asymmetric distribution is still ongoing. Finally, CAP's reputation began to suffer as it was increasingly seen as an inefficient and costly policy, and, with the progressive enlargement of the European Community, it began to lose its role as the milestone of European integration.

In 1992, the MacSharry reform[2] represented a fundamental shift in the CAP revision process insofar as it placed the model of coupled support to production under discussion and introduced the direct payments that, although deeply modified and redesigned, still form the basis of today's support (OECD, 2011).

Agenda 2000[3] further deepened the decoupling of support from products, but it is with the Fischler reform in 2003[4] that we finally get to a key turning point in the redefinition of the "first pillar" of the CAP. The Single Payment Scheme (SPS) and the Single Area Payment Scheme (SAPS) in the new Member States, in fact, deepened the decoupling process of the agricultural support that had begun with the MacSharry reform, removing the link between support received by producers and what they produce, while linking support to the

[1] Some parts of this section are an extended and reviewed version of a section in Anania and Pupo D'Andrea, 2015.
[2] Council Regulation (EEC) No 1765/92 and Council Regulation (EEC) No 2066/92.
[3] Council Regulation (EC) No 1251/1999 and Council Regulation (EC) No 1254/1999.
[4] Council Regulation (EC) No 1782/2003.

ownership of land and to the exercise of an agricultural activity in compliance with cross compliance rules. Indeed, the Fischler reform reverses the trend of a mechanistic policy effective for the whole EU territory, such as a price policy, in favour of more direct involvement of the Member States, now mainly tasked with implementing the CAP according to their specific needs within a common EU framework (Sorrentino et al., 2011).

The introduction of such flexibility meant the transformation of the CAP from a “product-specific policy” (the CMOs) to a “producer-specific policy” (Cooper et al., 2009; Pirzo-Biroli, 2010). Moreover, with the 2003 reform, the Member States were given the possibility to choose whether, and to what extent, to implement some tools (for example, the payment for specific types of agriculture (Article 69 of Regulation (EC) No 1782/2003); specific support under the Health Check of 2009 (Article 68 of Regulation (EC) No 73/2009) and, above all to decide which model of SPS to implement: the historical, the hybrid or the “flat-rate” model (Inea, 2005).

The most important changes introduced with the 2014-2020 CAP reform are probably those related to the new system of direct payments which on 1 January 2015 replaced the SPS (and the SAPS in new Member States) introduced by the 2003 Fischler reform. The SPS gave way to a new and articulated system of direct payments. The basic component represents (implicitly) a support to the farmers’ income. With respect to the previous regime, it is downscaled and more homogeneously distributed in terms of per-hectare support, both across Member States and, within each Member State, across farms (Bureau and Witzke, 2010; De Filippis, 2014; Swinbank, 2012). The other components of the direct payments are of a selective nature and oriented to remunerate specific behaviour of farmers (such as in the case of the agricultural practices beneficial to the climate and the environment remunerated by the “green payments”) or a specific status (such as being a young farmer or having farms located in areas with natural constraints).

This represents the first explicit attempt to link part of direct payments to the remuneration of public goods and services, a goal that has strongly influenced the debate preceding the proposals of reform.

A stated objective of the reform has been to introduce more selective forms of support, with payments better targeted and more equitably distributed between farms, sectors and regions. In this respect, in addition to ‘degressivity’ (i.e. the reduction of support to larger beneficiaries on the premise that they can be efficient also with lower levels of support, given their possibility to adjust (economies of scale)) and ‘external convergence’ (a mechanism of agreed in the 2014-2020 MFF), the reform introduces a more uniform distribution of the per-hectare basic farm payments (‘internal convergence’), payments for young farmers, a ‘redistributive payment’ shifting support from larger farms to smaller ones, and payments for farms located in areas with natural constraints (European Commission, 2015a).

In the new system, some components of direct payments are mandatory, while the decisions to implement some other components are left to the individual Member States. Mandatory components are: the basic payment, the “green payment” and the payment for young farmers. The voluntary components are: the redistributive payment, payments for areas with natural constraints, payments coupled to production, and the small farmers scheme. In addition, as regards the mandatory components of direct payments, the Member States have been given some space to manoeuvre in terms of how they are to be implemented (such as how per-unit payments are calculated), how to identify agricultural practices eligible for 'green' direct payments, and whether to use more restrictive criteria to identify the beneficiaries of specific payments, such as payments for young farmers.

Each component of the direct payments is financed with a portion of the national ceiling set out for each Member States in Annex II of Regulation (EU) No 1307/2013.

Overall, the new CAP reform offers the Member States greater flexibility, leaving it to them to decide on[5] which payments to adopt; the amount of resources devoted to – and the eligibility criteria for – each payment; the distribution of funds between the first and second pillar of the CAP; the profile of the beneficiaries of the support; and, overall, the criteria for ensuring a certain rate of distribution of support on their territories (Buckwell, 2009; Tangermann, 2011; Mahé, 2012). These are choices that imply a measure of control that goes well beyond the mere management of decisions coming from the EU, and that amount to an opportunity to influence the distribution of financial resources among farms, sectors and regions.

### 1.1.2. The starting point of the CAP 2014-2020: the Fischler and the Health Check reforms6

To fully understand the extent of the 2014-2020 CAP reform it is necessary to start from the changes introduced to the CAP by the Fischler reform (and the Health Check), which form the starting point for the decisions made by Member States in the context of 2014-2020 reform.

The Fischler Reform was a turning point for the evolution of the CAP. It brought about radical changes in the way the EU provided support to the farm sector and introduced instruments that actually became cornerstones of the CAP (Sorrentino et al., 2011). Furthermore, by decoupling direct payments and introducing provisions for cross-compliance, and by strengthening rural development policies through modulation, the reform achieved some of the important objectives that had originally been set for it. However, despite these achievements, it became quite evident, right after the implementation of the reform, that the structure of the CAP showed problems that made it rather unstable and called for further reform. Just to name some examples: the discussion on the need for a more balanced distribution of support among Member States, the rationale of maintaining the two-pillar structure of the CAP and a more solid justification for the overall generous financial support.

The Fischler reform was adopted as a result of the mid-term review of Agenda 2000, the initial aim of which was to verify the effectiveness of the reforms introduced in 1999 and possibly modify the instruments provided. The contents of the Commission proposals (Commission of the European Communities, 2002) went much further, qualifying as a more effective reform of the same Agenda 2000. Considering the scope of the proposed changes, the approval of the reform can be said to have been relatively fast (only one year from the Commission communication in July 2002 to the political agreement in June 2003). It was

[5] The notifications were sent using the platform ISAMM (Information System for Agricultural Market Management and Monitoring), a system designed to facilitate the electronic exchange of information between the Commission and the Member States in accordance with Regulation (EU) No 792/2009. In total each country sent 9 detailed notifications on the system of direct payments, with the exception of the green payment (European Commission, 2014a).

[6] This is a revised and extended version of Anania and Pupo D'Andrea, 2015.

not a simple adjustment of prices and compensatory payments, but a radical transformation of the instruments used and of the purpose of the support.

Decoupling, modulation and cross-compliance are the three key points around which the Fischler reform has rotated. Moreover, Regulation (EC) 1782/2003 represents a turning point in the “first pillar” of the CAP, marking not only a deepening of the decoupling of the support process, but also a significantly increased role of the Member States, called to make important choices to fit the CAP to the national specific situations while under a common framework .

The concentration in the hands of the Council and the Commission of decision making and management in matters concerning the CAP, and the adoption of support schemes that differ according to products, were distinctive elements that characterised the CAP for more than 30 years. The Fischler reform marks a reversal, whereby the idea of a single policy for the whole Community is abandoned in favour of a system than ensures greater involvement of the Member States.

The discretion in the interpretation of the CAP by the 25 Member States created a host of concrete forms of application of the horizontal regulation that has, in fact, entailed a transformation of the CAP from a policy differentiated by products to a policy differentiated by country, allowing each Member State to choose the tools best suited for achieving its objectives and to modulate them according to its specific sectoral and/or territorial needs.

The SPS can be defined as the mechanism in which most of the direct payments granted before the reform were transferred. In addition to changing the natural reallocation of such payments and discipline – from the regulations on the common market organisations to the horizontal Regulation 1782/2003 – the reform also changed their purpose. The direct payments included in the SPS lost their function of support to production to become part of the farmer income, without any direct relationship to the production for which they were obtained in the past and without any relationship to future production.

The SPS could be applied in different ways. The first, ‘historical’ way entailed granting every farm a yearly payment equal to the average payment for arable crops, beef and veal, and sheep and goat meat that it had received in the 2000-2002 reference period (plus, subsequently, those payments decided, but not immediately implemented, for milk). In the subsequent years, all CMOs were reformed and (almost) all existing direct payments were decoupled and included in the single payment received by the same farm in a historical reference period.

Alongside the historical model, the negotiation on CAP reform introduced a significant innovation giving the EU-15 Member States the option of distributing the overall amount of support by paying all farmers in a given ‘region’ the same flat, per-hectare amount. In this second model, often referred to as ‘regionalisation’, all farms received a flat rate payment per hectare, irrespective of whether or not they had enjoyed direct CAP payments in the past, and, if they had, of the amounts received.

Where the farm-specific historical payment model was chosen, the effect was to ‘freeze’ the historical distribution of support at farm level. Where the regionalisation model was used, the effect was to redistribute support among all farms within a given ‘region’.

The concrete application of the Fischler reform, however, produced a variety of hybrid models, in which, part of the single payment was based on farm-specific historical entitlements, while the other part was a flat per-hectare payment. Two model for such hybridisation were defined:

- a static hybrid model, in which the portion of payment based on a farm-specific historical payment and that based on a flat-rate payment do not vary over time;
- a dynamic hybrid model, in which the two portions change over time according to a fixed phasing in.

With regard to the new Member States, the Copenhagen package agreement of December 2002[7], regulating the access to the EU of ten new Member States, also defined the criteria for extending the CAP to the new Members. In addition to the phasing in of the direct payment, the agreement provided for the possibility to temporarily adopt a simplified scheme, the Single Area Payment Scheme (SAPS), before moving towards the classical direct payment scheme existing in the "old" 15 Member States (regulated by the CMOs). The Fischler reform, with the removal of most of the support scheme and the introduction of the SPS, has resulted in the need to change the terms of the Act of Accession for the new Member States, allowing them to choose between a classical direct payment scheme (until 2006), or the SAPS (until 2008) or a regionalised SPS.

In 2008 the approval of the so-called Health Check of the CAP envisaged substantial adjustments to the Fischler reform with the aim of weakening the link between support received at present and past levels of production, in order to move towards a flatter payment rate. "Old" Member States were allowed to flatten, either in part or totally, the unit value of entitlements by way of two mechanisms: regionalisation and approximation.

Regionalisation allowed Member States that adopted the historical model of the SPS to move to a partially regionalised model from 2010. In fact, contrary to Regulation (EC) 1782/2003, Regulation (EC) 73/2009 allowed Member States to regionalise up to 50 % of the overall amount of support. Approximation, in turn, allowed them to reduce the differences in the value of currently held entitlements in the "region" of reference. Approximation could be applied by all 15 Member States: those in which a "historical model" operated, in those applying the regionalised model of the Fischler reform and in the Member States that had decided to move to the regionalised model provided by the Health Check. The Health Check, then, allowed new Member States to choose between a continuation of the per-hectare-based SAPS (that was to expire in 2008) until 31 December 2014 or the regionalised SPS.

With the Fischler reform, Member States were allowed to derogate from the principle of full decoupling by maintaining forms of partial decoupling of direct payment already present in the CAP or introduced as a result of the reform of the existing CMOs. Moreover, Member States were allowed to exclude some payments from the SPS or to grant specific aid partially coupled to production. However, the Health Check reform increased the degree of decoupling, integrating in SPS almost all the existing direct payments more or less coupled to production, with the exception of the suckler cow premium and the sheep and goat meat payment.

Nevertheless, the approach of coupled support was not completely abandoned, but limited to a selective support aimed at compensating farmers for "virtuous" behaviour or at counteracting the negative effects of decoupling on areas or production sectors that were

[7] At the Copenhagen Summit on 13 December 2002, Heads of State and Government from the EU and ten candidate countries reached agreement to enlarge the EU as from the 1 May 2004. Direct payments for the new Member States were phased in over 10 years in such a way as to reach the full level in 2013.

vulnerable or in need of ad hoc payments to ensure their survival. This was the case of payments for specific types of farming and quality production provided for in Article 69 of Regulation (EC) 1782/2003 and the specific support provided for in Article 69 of Regulation (EC) 73/2009.

CAP implementation at the beginning of the 2014-2020 reform paints a picture of a deeply differentiated EU, with distribution of support still very imbalanced between beneficiaries, mirroring the distribution pattern of the beginning of the 1990s: in 2013, on average, 84 % of support went to 21 % of the beneficiaries (European Commission, 2014b). It shows a differentiation between most continental countries, characterised by productive systems that are relatively more homogeneous in terms of support, and ready to redistribute – at least partially – the support between all farmers, and the Mediterranean countries – characterised by production systems that are more heterogeneous and with more differentiated levels of per-hectare support – which are highly determined to preserve the historical distribution of support in favour of the old beneficiaries of the CAP (Table 1.1).

As shown in Table 1.1, at the end of 2013, 11 countries (Belgium, Ireland, Greece, Spain, France, Italy, the Netherlands, Austria, Portugal, and Scotland and Wales in the UK) opted to apply the historical model of SPS. Four other countries (Denmark, Luxemburg, Sweden and Northern Ireland in the UK) opted for a static hybrid model. The remaining three countries (Germany, England in the UK and Finland) chose a dynamic hybrid model. In England and Germany the dynamic model was pushed to adopt progressively a flat-rate payment in, respectively, 2012 and 2013. Regarding the new Member States, only Malta and Slovenia opted for the adoption of the regionalized SPS, while the other ten countries chose to apply the simplified model represented by SAPS.

In the United Kingdom and in Belgium decisions were taken at a sub-national level: in England, Wales, Northern Ireland and Scotland, and in Flanders and Wallonia, respectively.

In Germany, England, Finland and Sweden, the hybrid model of SPS was applied at regional level.

In Germany the dynamic hybrid model of SPS evolved into flat-rate payments at Land level. In 2013, first year of the “fully regional flat rate model”, the per-hectare payment is differentiated between the 13 Länder and, in each Land, is differentiated between grassland and other farmland (Tiessen and van Stolk, 2007).

In Finland the dynamic model provided for a gradual reduction of the historical component of the payment until 2016, when a different flat-rate payment in each of the three regions should have taken place. The regions were chosen according to the yields, in order to reduce the redistributive effects between types of farms and regions (Tiessen and van Stolk, 2007).

In England the dynamic model produced three different flat-rate payments in 2012 according to the type of land: moorland within the Severely Disadvantaged Areas (SDA); Outer SDA; and all land outside the SDA (House of Commons, 2007).

In Sweden the static hybrid model of SPS was applied in all five regions, in each of which agricultural land was divided taking into account historical cereal yields (Norell and Söderberg, 2012).

As regards coupled payments, few survived the Health Check reform, the exceptions being the suckler cow premium, the sheep and goat premium, and payments for sugar and cotton. The specific payments provided for in Article 68 of Regulation (EC) 73/2009 found wider application.

At the end of 2013, 23 countries applied the specific support provided by Article 68. Only Germany, Cyprus, Luxemburg and Malta, and England, Northern Ireland and Wales in the UK, decided not to apply it. Compared to the previous additional payments for "specific types of farming which are important for the protection or enhancement of the environment or for improving the quality and marketing of agricultural products" provided for in Article 69 of Regulation (EC) 1782/2003, Article 68 is an enhanced and more flexible tool, attractive also for countries that have always been strongly critical of Article 69, considering it to be a form of re-coupling of support (Pupo D'Andrea, 2014). The driving force of Article 68 was the wider scope of its implementation, offering coupled and decoupled support measures, greater flexibility for Member States, the possibility to finance payments with unused funds available under the SPS and, lastly, the possibility for Member States to review their decisions modifying or ending its implementation.

As a consequence, by 2013 the number of participating countries had grown from the eight involved in the implementation of Article 69 to 23 countries, resulting in over 70 different national applications. The most popular measures were those pertaining to compensations for specific disadvantages affecting farmers in the dairy sector and, more generally, in the livestock sector. Less popular were "new" measures for contributions to an insurance premium (chosen by only four countries) and a measure pertaining to financial contributions to mutual funds (applied only by France).

Among the Member States, France allocated the largest amount of resources to specific support, just under EUR 480 million in 2013, 5.6 % of the national ceiling (Table 1.2). Italy places second, with a budget of about EUR 322 million (7.4 % of national ceiling), followed by Spain, with just under EUR 250 million (4.7 % of national ceiling). In 13 countries the specific support provided by Article 68 is coupled. For most of the remaining countries the coupled support is more than half of the support. Only in Denmark, Italy and Hungary is the largest share of the specific support devoted to decoupled support.

**Table 1.1: Overview of the implementation of direct payments under the CAP in Member States (Reg. (EC) 73/2009 on 1/12/2013)**

| Member State | Regions | SPS/SAPS | Min. Requirements | Separate decoupled payments | Sectors remaining coupled and transitional coupled payments for Fruit and Vegetables (F&V) sector | Article 68 | |
|---|---|---|---|---|---|---|---|
| | | | | | | Sector | Aims |
| Belgium | Zone Nord: Flanders + Brussels | SPS historical | 100 € | | Suckler cow premium | For green cover crops | Agri-environmental |
| | | | | | | Conservation of Piétrain breed in the pig sector | Agri-environmental |
| | Zone Sud: Wallonia | | | | | Grassland premium – breeding | To address specific disadvantages |
| Bulgaria | - | SAPS | 0.5 ha 100 € | Separate soft fruit payment | | Quality certification for F&V | To improve quality |
| | | | | | | Dairy sector | To address specific disadvantages |
| | | | | | | Ewes and she-goats | To address specific disadvantages |
| Czech Republic | - | SAPS | 1 ha | Separate sugar payments | | Dairy sector | To address specific disadvantages |
| | | | | | | Sheep and goat sector | To address specific disadvantages |
| | | | | Separate payments for tomatoes intended for processing | | Starch potato sector | For specific types of farming which are important for the environment |
| | | | | | | Hop sector; Suckler cow sector | To improve quality |
| Denmark | one region | SPS dynamic hybrid | 2 ha - 300 € special entitlements | | | Establishment/production of perennial Energy Crops | For specific types of farming which are important for the environment |
| | | | | | | Establishment of organic fruit plantations | For specific types of farming which are important for the environment |
| | | | | | | Crop rotation | For specific types of farming which are important for the environment |
| | | | | | | Agri-environmental measures | For specific agricultural activities entailing additional agri-environment benefits |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Beef meat sector | To address specific disadvantages |
| Germany | 13 Bundesländer (10 individual Bundesländer and 3 regions consisting of 2 Bundesländer each) | SPS dynamic hybrid moving to regional flat rate | 1 ha | | | | |
| Estonia | - | SAPS | 1 ha | | | Dairy sector | To address specific disadvantages |
| Ireland | | SPS historical | 100 € | | | Conservation in the Burren (livestock) | For specific types of farming which are important for the environment |
| | | | | | | Grassland Sheep Scheme | To address specific disadvantages |
| | | | | | | Grassland Dairy Efficiency | To address specific disadvantages |
| Greece | - | SPS historical | 200 € | | Cotton | Olive oil sector; durum wheat sector | To improve quality |
| | | | | | | Producers in meat sectors (beef, sheep and goat) in Less Favoured Areas | To address specific disadvantages |
| | | | | | | Restructuring programmes in Less Favoured Areas/mountainous areas | In areas subject to restructuring and/or development programmes |
| Spain | - | SPS historical | 100 € | | Suckler cow premium; Sugar; Cotton | Vegetables, tobacco, sheep and goat farmers, milk and milk products, beef meat, sugar beet and cotton | To improve quality |
| | | | | | | Programme crop rotation non-irrigated land | For specific agricultural activities entailing additional agri-environment benefits |
| | | | | | | Nuts sector and agri-environmental measure | For specific agricultural activities entailing additional agri-environment benefits |
| | | | | | | Aid to goat sector in Less Favoured Areas | To address specific disadvantages |
| | | | | | | Support for suckler cows, dairy sector and sheep sector in vulnerable areas | To address specific disadvantages |
| France | - | SPS historical | 100 € | | Suckler cow premium | Protein crops sector | For specific types of farming which are important for the environment |
| | | | | | | Durum wheat sector | To improve quality |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Tobacco sector | To improve quality |
| | | | | | | To maintain organic farming | For specific agricultural activities entailing additional agri-environment benefits |
| | | | | | | For conversation to organic farming | For specific agricultural activities entailing additional agri-environment benefits |
| | | | | | | Aid for calves from suckling cows and for organic labelled calves; aid for sheep and goat producers; aid for milk producers in mountain areas | To address specific disadvantages |
| | | | | | | Fattening of young calves | To address specific disadvantages |
| | | | | | | Crop harvest insurance | Contribution to insurance premiums |
| | | | | | | Mutual funds in case of animal or vegetal diseases or environmental incidents | Contribution to mutual funds |
| Italy | - | SPS historical | 100 € | - | - | Beef and veal; sheep and goat meat, olive oil, dairy products, tobacco, sugar sectors; , floricultural products | To improve quality |
| | | | | | | Crop rotation | To address specific agricultural activities entailing additional agri-environment benefits |
| | | | | | | Insurance payments for harvest, animal and plants | Contribution to insurance premiums |
| Cyprus | - | SAPS | 0.3 ha | | - | | |
| Latvia | - | SAPS | 1 ha | Separate sugar payments | | Starch potatoes, fodder plant seeds and seed potatoes sectors | To improve quality |
| | | | | | | Dairy sector | To address specific disadvantages |
| Lithuania | - | SAPS | 1 ha | Separate sugar payments | | Beef and sheep-meat sectors | To address specific disadvantages |
| Luxembourg | one region | SPS static hybrid | 100 € | | | | |
| Hungary | - | SAPS | 1 ha - 0.3 ha for orchards and | Separate sugar payments; | | Dairy sector | To address specific disadvantages |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | vineyards | separate F&V payments; separate soft fruit payment | | Tobacco and fresh fruit and vegetables growing areas, bovine sector and ovine sector | In areas subject to restructuring and/or development programmes |
| | | | | | | Contribution to crop, animal and plants insurance | Contribution to insurance premiums |
| Malta | one region | SPS regional | 0.1 ha - 100 € special entitlements | | | | |
| Netherlands | - | SPS historical | 500 € | | | Water transport allowance | For specific types of farming which are important for the environment |
| | | | | | | Precision farming and storage sites | For specific types of farming which are important for the environment |
| | | | | | | Animal welfare | To enhance animal welfare |
| | | | | | | Electronic I&R for sheep | To address specific disadvantages |
| | | | | | | Weather insurance | Contribution to insurance premiums |
| Austria | - | SPS historical | 100 € | | Suckler cow premium | Dairy cow sector | To address specific disadvantages |
| Poland | - | SAPS | 1 ha | Separate sugar payments; separate F&V payments; separate soft fruit payment | | For cultivating pulses and herbage legumes | For specific types of farming which are important for the environment |
| | | | | | | Tobacco sector | To improve quality |
| | | | | | | For keeping cows in South-eastern Poland and sheep in Southern Poland | To address specific disadvantages |
| Portugal | - | SPS historical | 0.3 ha | | Suckler cow premium; Sheep and goat premium; Cotton | Maintaining of extensive farming system based on native breeds (beef, sheep, goats) | For specific types of farming which are important for the environment |
| | | | | | | Agricultural products (crops and animals) | To improve quality |
| | | | | | | Agri-environmental measures for protection of olive national patrimony and support to extensive pasturing | For specific agricultural activities entailing additional agri-environment benefits |
| | | | | | | To economic vulnerable types of agriculture in milk sector | To address specific disadvantages |
| | | | | | | Maintaining certain autochthonous breeds beef, | For specific agricultural activities entailing |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | sheep/goat | additional agri-environment benefits |
| Romania | - | SAPS | 1 ha | Separate sugar payments; | | Organic farming sector | To improve quality |
| | | | | | | To the milk sector in Less Favoured Areas | To address specific disadvantages |
| Slovakia | - | SAPS | 1 ha | Separate sugar payments; Separate F&V payments | | Dairy sector | To address specific disadvantages |
| Slovenia | one region | SPS regional | 0.3 ha - 100 € special entitlements | | | For extensive rearing of female bovine animals and dairy payment for farmers in mountain areas and steep hills | To address specific disadvantages |
| | | | | | | Preserving animal rearing on farms with permanent pastures | In areas subject to restructuring and/or development programmes |
| Finland | 3 regions (based on reference yields) | SPS dynamic hybrid moving to a flat rate | 200 € | | Sheep and goat premium | Protein, oilseed and starch potato crops | For specific types of farming which are important for the environment |
| | | | | | | Slaughtered lambs | To improve quality |
| | | | | | | Supporting beef and veal production; dairy cow premium | To address specific disadvantages |
| Sweden | 5 regions (based on reference yields) | SPS static hybrid | 4 ha - 100 € special entitlements | | | Agricultural products | To improve quality |
| | | | | | | Agricultural products | To improve marketing |
| United Kingdom | England 3 regions (normal, moorland, SDA minus moorland) | SPS dynamic hybrid moving to a flat rate | 1 ha - 200 € special entitlements | | | | |
| | Northern Ireland | SPS static hybrid | 100 € | | | | |
| | Wales | SPS historical | 1 ha - 200 € special entitlements | | | | |
| | Scotland | SPS historical | 3 ha - 200 € special entitlements | | | Scottish Beef Scheme | To address specific disadvantages |

Source: Adapted from European Commission, 2013a (Tables from 3.6.1.1S1 to 3.6.1.1S4)

Table 1.2: Specific support of the Article 68 of Regulation (EC) 73/2009 and share on national ceilings (2013)

| | National ceilings for direct payments (Annex VIII of Reg. 73/2009) | Article 68 | | Coupled support of Article 68 | | Decoupled support of Article 68 | |
|---|---|---|---|---|---|---|---|
| | (000 Euro) | (000 Euro) | % of national ceilings (Annex VIII) | (000 Euro) | % | (000 Euro) | % |
| Belgium | 614,855 | 8,600 | 1.40 | 4,461 | 51.9 | 4,139 | 48.1 |
| Bulgaria | 580,087 | 28,500 | 4.91 | 28,500 | 100.0 | | |
| Czech Rep. | 909,313 | 31,826 | 3.50 | 31,826 | 100.0 | | |
| Croatia | 93,250 | 4,660 | 5.00 | 4,660 | 100.0 | | |
| Denmark | 1,049,002 | 40,975 | 3.91 | 17,075 | 41.7 | 23,900 | 58.3 |
| Estonia | 101,165 | 1,253 | 1.24 | 1,253 | 100.0 | | |
| Greece | 2,233,227 | 108,000 | 4.84 | 78,000 | 72.2 | 30,000 | 27.8 |
| Spain | 5,304,642 | 248,054 | 4.68 | 179,954 | 72.5 | 68,100 | 27.5 |
| France | 8,527,494 | 476,600 | 5.59 | 297,600 | 62.4 | 179,000 | 37.6 |
| Ireland | 1,340,869 | 25,000 | 1.86 | 25,000 | 100.0 | | |
| Italy | 4,379,985 | 321,950 | 7.35 | 152,950 | 47.5 | 169,000 | 52.5 |
| Latvia | 146,479 | 5,130 | 3.50 | 5,130 | 100.0 | | |
| Lithuania | 380,109 | 13,304 | 3.50 | 13,304 | 100.0 | | |
| Hungary | 1,318,975 | 131,898 | 10.00 | 46,164 | 35.0 | 85,734 | 65.0 |
| Netherlands | 897,751 | 38,900 | 4.33 | 31,420 | 80.8 | 7,480 | 19.2 |
| Austria | 751,788 | 13,900 | 1.85 | 13,900 | 100.0 | | |
| Poland | 3,044,518 | 106,558 | 3.50 | 106,558 | 100.0 | | |
| Portugal | 606,551 | 34,111 | 5.62 | 21,210 | 62.2 | 12,901 | 37.8 |
| Romania | 1,264,472 | 44,257 | 3.50 | 44,257 | 100.0 | | |
| Slovenia | 144,274 | 14,424 | 10.00 | 8,624 | 59.8 | 5,800 | 40.2 |
| Slovakia | 388,176 | 13,500 | 3.48 | 13,500 | 100.0 | | |
| Finland | 570,548 | 57,055 | 10.00 | 57,055 | 100.0 | | |
| Sweden | 770,906 | 3,469 | 0.45 | 3,469 | 100.0 | | |
| United Kingdom | 3,988,042 | 29,800 | 0.75 | 29,800 | 100.0 | | |

Source: Pupo D'Andrea, 2014

### 1.1.3. The instability of CAP after the Fischler reform

One of the main issues left open by the Fischler reform was that of the goals addressed by the CAP itself and the instruments providing for the fulfilment of those goals (Swinnen, 2009). The Fischler reform reduced trade distortions thanks to the decoupling process. Moreover, it more vigorously linked direct payments to environmental, ethical and health issues, with the main and 'explicit' goal of re-legitimising the CAP (Cooper et al., 2009). Paradoxically, the more transparent and the less distortive the CAP becomes, the more difficult it is to legitimate it properly: the basic CAP is no longer a product-based form of support aiming at market stabilisation but looks more and more like a history-based form of income support that is not among the legitimate goals of a common agricultural policy. The main justification of a common system of direct payments had been that they contribute to providing public goods that are better produced at the supra-national level. On the other hand, with the Fischler reform and the subsequent Health Check, the whole issue of targeting CAP support to the production of public goods remained rather weak.

The debate after the Fischler reform and the Health Check focused mainly on two relevant aspects: 1) the extent to which direct payments were able to improve the production of public goods in agriculture; and 2) the question of whether the supra-national level was the one best suited to produce these public goods (subsidiarity). Once again, the issues at the forefront in this debate were twofold: one had to do with definitions (what are direct payments?), the other with justifications (why should farmers receive direct payments?)[8].

It is not easy to provide straightforward answers to these questions. Nonetheless, the debate on CAP post-2013 seemed to converge on the idea of a radical change of direction, making direct payments more directly tied to the ability of the primary sector to produce public goods that cannot be produced at local level (Zahrnt, 2009). Other keywords of this new direction of the public support were: agricultural competitiveness, the diversification of rural areas and the stabilisation of markets. Specifically on this last point, the debate also addressed the future of market policies in light of the ongoing decline of the traditional, distortive market policies of the first pillar.

Looking at the role of old and new Member States, the whole process of the CAP reform had so far been the result of a political process started in the 1990s and led by the fifteen old Member States. As a consequence, it had been mainly been designed to suit their specific needs (with France, Germany and, financially, the United Kingdom playing a leading role). In their turn, the new Member States "paid" for their access to the EU with a silent acceptance of sorts of rules that, especially as regards the CAP, were often against their specific and legitimate interests (such as the limited access they were all granted to direct payments and top-ups). Of course, in the discussion on the future of the CAP and direct payments, the new Member States demanded a different and equal position in the negotiations. Indeed, their position influenced the debate on the CAP post-2013 and on the budget review, since they were all net beneficiaries of the EU budget.

8 It is worth recalling, in this context, a paper addressing what would be desired of a the CAP for the future, signed by a number of prominent European agricultural economists, pointing out the relevant issues regarding the justification for direct payments and the need for the CAP to reward effectively the ability of the primary sector to produce common public goods (Daugbjerg and Swinbank, 2008; VV. AA. 2009).

## 1.2. THE NEW SYSTEM OF DIRECT PAYMENTS IN THE CAP 2014-2020[9]

### 1.2.1. The CAP and the Multiannual Financial Framework 2014-2020

On 2 December 2013, after more than two years of negotiations, the Council adopted Regulation (EU) 1311/2013 laying down the Multiannual Financial Framework (MFF) – i.e. the annual ceilings for the financial resources allocated to the "political priorities" of the European Union – for the period 2014-2020. The regulation entered into force on 1 January 2014 (Council of the European Union, 2013).

Total financial resources allocated in the MFF for the EU-28 amounted to EUR 959 988 million (in 2011 prices), corresponding to 1 % of the Gross National Income (GNI) (Table 1.3)[10]. In real terms this allocation is 3.5 % lower than that in MFF for the period 2007-2013, when there were 27 Member States. If the comparison between the two financial allocations takes into account the change in the EU composition (i.e. excludes from the allocation of the MFF 2014-2020 the sums to be spent in Croatia), then the reduction for the EU-27 Member States amounts to 4.8 %. This is the first time an EU financial framework has been allocated less financial resources than the one preceding it. The average allocation per Member State for the period 2014-2020 amounts to approximately EUR 34.2 billion, which is 6.9% below the average for 2007-2013.

Two headings alone, Heading 1 (Smart and inclusive growth) and Heading 2 (Sustainable growth: natural resources), absorb almost 86 % of the financial resources in the MFF 2014-2020.

Heading 1, which includes actions to promote "competitiveness for growth and jobs" and "economic, social and territorial cohesion", has been allocated 47 % of the total resources, 1 % more than in the previous MFF. However, a significant redistribution of resources occurred within the heading, with those allocated to the "competitiveness" subheading expanding by 37.3 % and those allocated to "cohesion" contracting by 8.4%. This heading include some important innovations. Among these are the creation of the Common Strategic Framework "Horizon 2020" which aims to promote investment in research and development while, at the same time, ensuring consistency between objectives and eliminating fragmentation in the territory. Significant changes are also proposed in the Structural Funds, such as the creation of a common strategic framework for all funds, including the European Agricultural Fund for Rural Development (EAFRD) which still remain under Heading 2.

Heading 2 – which, by and large, corresponds to the Common Agricultural Policy – sees a contraction of its share of the total allocation for the MFF – from 42.3 % in the previous MFF to 38.9 % – and a significant reduction of financial resources in real terms (-11.3 %). In particular, policy measures in Pillar I ('Market related expenditure and direct payments') are assigned EUR 277 851 million, amounting to a share of 28.9 % of the total financial resources of the MFF (as compared to a 32.1 % share of the MFF for 2007-2013), while policy measures in Pillar II ('rural development policies') are assigned EUR 84936 million,

9 This chapter incorporates some considerations originally included in Anania and Pupo D'Andrea, 2015.
10 Data contained in Table 1.3 are those adopted in 2013, before any transfer between pillars of the CAP had been made and before the yearly technical adjustments had been introduced to reflect movements in the EU's gross national income (GNI) and prices.

amounting to a share of 8.8 % (as compared to 9.6 % for the previous MFF). With respect to the previous MFF, resources to finance "market-related expenditure and direct payments" are reduced by 12.9 % in real terms, and those for rural development by 11.1 %.[11]

Overall, therefore, the CAP accounts for 37.8% of the MFF 2014-2020 budget, as compared to 41.7 % of the MFF 2007-2013 budget.

For a full picture of the resources available for policies directly relevant to agriculture, it is also necessary to consider the portion of the European Globalisation Adjustment Fund[12] (EGAF) to be spent within the sector. The EGAF is a fund outside the MFF providing temporary support to workers (including those in agriculture) who have lost their jobs as a result of "major changes" in trade patterns brought about by disruptive effects of the globalisation process on a specific sector in a Member State. Resources allocated to the EGAF for the 2014-2020 period amount to EUR 1 050 million (in 2011 prices), a very significant reduction (-70.6%) relative to the allocation for 2007-2013 (Table 1.3). In the initial proposals of the Regulation on the EGAF (European Commission, 2011), farmers were to be given special treatment receive the largest share of the fund (not more than EUR 2.5 billion of a total of EUR 3 billion). During the negotiations, however, many Member States objected to this particular treatment, ensuring that farmers are now treated like other workers.

Negotiations for the new MFF proceeded hand-in-hand with those for the new CAP, not only because it was necessary to determine the financial resources in the MFF to be allocated to the CAP for the 2014-2020 period, but also because the proposals on the MFF contained important elements of the policy itself.

The initial communication from the Commission, "A Budget for Europe 2020" (European Commission, 2011), included proposals to: (a) maintain a 'two-pillar' structure for the CAP; (b) link 30 % of direct support to farmers to environmental and climate-action objectives; (c) achieve a 'fairer and more equitable' distribution of the support by making direct support per hectare converge across Member States; and (d) limit support provided to large agricultural holdings by introducing a 'cap' (maximum) for the support each farm can receive, and use the 'savings' thus generated to increase the resources allocated in the same country to rural development policies. These were key elements for the design of the new CAP which clearly went well beyond those which could be justified by the need to decide on financial allocations.

The two parallel, and somewhat interlinked, negotiations – on the MFF and on the CAP – were both concluded in 2013. The debate on CAP reform has had a significant boost only after the establishment of the financial resources allocated to the CAP in MFF, and ended only after agreement had been reached on those particular aspects of MFF that were of importance for the CAP. The agreement on the new MFF included decisions on the following elements of the new Common Agricultural Policy, none of which were part of the June 2013 "'political agreement" on the reform:

- External convergence of direct payments: Member States with average direct payments per hectare above the EU average will see their allocation progressively reduced in order to finance the increase in those Member States with an average direct

[11] Data on financial resources allocated to rural development policies are from European Parliament (2013, Table 10, p. 39).
[12] Regulation (EU) 1309/2013.

payments below 90 % of the EU average; in the latter, the 90% of the EU average is to be reduced by a third within six years. In those Member States with an average direct payment per hectare above the EU average, the reduction of the financial envelope will be proportional to the distance from the EU average. In 2020, in those Member States where the envelope has been reduced, the average direct payment per hectare cannot be lower than the EU average, and in no Member State can it be lower than EUR 196 per hectare in nominal prices (corresponding to about EUR 164 per hectare in 2011 prices).

- Degressivity and capping: despite the Council attempt to make degressivity a voluntary instrument, the progressive reduction of large direct payments will be mandatory in all Member States, while “capping” remains a voluntary measure.
- Greening: 30 % of the national envelope for direct payments is to be earmarked for payments linked to the production of environmental benefits by farms. While decisions regarding the constraints to be satisfied in order for a farm to be entitled to receive the ‘green payment’ were left to be agreed in the negotiations on the CAP reform, Member States can still identify agricultural practices to be considered equivalent to the conditions for eligibility for ‘green’ direct payments decided at EU level.
- Flexibility between pillars: all Member States have the possibility to transfer up to 15 % of financial resources from direct payment (Pillar I) to rural development measures (Pillar II), and vice versa. Member States with an average direct payment per hectare below 90 % of the EU average are allowed to transfer 10 % of their allocation in the EAFRD to direct payments.
- Financial discipline: existing rules were confirmed, guaranteeing that commitments with regard to financial allocations under the sub-heading ‘Market-related expenditure and direct payments’ set in Regulation (EU) 1311/2013 are abided by. If in a financial year it is expected that the sub-ceiling of Heading 2, less a safety margin of EUR 300 million, will be exceeded, then direct payments exceeding EUR 2 000 are to be reduced as needed to make the expenditure for the sub-heading remain within the allocated sum. In Bulgaria and Romania the financial discipline mechanism will come into play in 2016, in Croatia in 2022.
- Rural development: the allocation of rural development funds among Member States was decided on the basis of objectives criteria and past performance. 16 countries will also receive ad hoc allocations for the initial three years (until 2016),[13] subject to a co-financing rate of 100 %. The financial resources involved, in total EUR 5 556 million, are from the overall EU allocation to rural development policies. While the resulting allocation of rural development funds to Member States is provided in Regulation (EU) 1305/2013, further modifications are possible if needed. The percentages of co-financing have also been determined.[14]
- Reserve for crises in the agricultural sector: within Heading 2 of the MFF, a crisis reserve was created to provide support in the event of crises affecting the agricultural sector. EUR 2 800 million have been allocated to the reserve using resources raised through a reduction of direct payments exceeding EUR 2 000 by means of the financial

[13] Austria (EUR 700 million), France (EUR 1 000 million), Ireland (EUR 100 million), Italy (EUR 1 500 million), Luxembourg (EUR 20 million), Malta (EUR 32 million), Lithuania (EUR 100 million), Latvia (EUR 67 million), Estonia (EUR 50 million), Sweden (EUR 150 million), Portugal (EUR 500 million), Cyprus (EUR 7 million), Spain (EUR 500 million), Belgium (EUR 80 million), Slovenia (EUR 150 million) and Finland (EUR 600 million).

[14] The maximum EAFRD financing rate will be 85 % for less developed regions and outermost regions and for the smaller Aegean islands; 75 % for all regions whose GDP per capita in the 2007-2013 period was less than 75 % of the average for the EU-25 but above 75 % of the average for the EU-27; 63 % for transition regions other than those referred to above; 53 % for the remaining regions. Financing will equal 75 % for operations contributing to environmental objectives, including climate change mitigation and adaptation. Finally, sums transferred from Pillar I to Pillar II will be used with a 100 % financing from the EAFRD.

discipline mechanism. If, in a specific year, the allocation to this reserve is not used, financial resources are returned to farmers the following year through increased direct payments.

## Table 1.3: Multiannual Financial Framework 2014-2020 (2011 prices; million Euro)

| Commitment appropriation | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Total 2014-2020 | Total 2007-2013 | 2014-2020 vs. 2007-2013 (% difference) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Smart and Inclusive Growth | 60,283 | 61,725 | 62,771 | 64,238 | 65,528 | 67,214 | 69,004 | 450,763 | 446,310 | 1.0 |
| 1.a Competitiveness for growth and jobs | 15,605 | 16,321 | 16,726 | 17,693 | 18,490 | 19,700 | 21,079 | 125,614 | 91,495 | 37.3 |
| 1.b Economic, social and territorial cohesion | 44,678 | 45,404 | 46,045 | 46,545 | 47,038 | 47,514 | 47,925 | 325,149 | 354,815 | -8.4 |
| 2. Sustainable Growth: Natural Resources | 55,883 | 55,060 | 54,261 | 53,448 | 52,466 | 51,503 | 50,558 | 373,179 | 420,682 | -11.3 |
| of which: Market related expenditure and direct payments | 41,585 | 40,989 | 40,421 | 39,837 | 39,079 | 38,335 | 37,605 | 277,851 | 318,820 | -12.9 |
| of which: Rural Development | 12,865 | 12,613 | 12,366 | 12,124 | 11,887 | 11,654 | 11,426 | 84,936 | 95,545 | -11.1 |
| 3. Security and citizenship | 2,053 | 2,075 | 2,154 | 2,232 | 2,312 | 2,391 | 2,469 | 15,686 | 12,366 | 26.8 |
| 4. Global Europe | 7,854 | 8,083 | 8,281 | 8,375 | 8,553 | 8,764 | 8,794 | 58,704 | 56,815 | 3.3 |
| 5. Administration | 8,218 | 8,385 | 8,589 | 8,807 | 9,007 | 9,206 | 9,417 | 61,629 | 57,082 | 8.0 |
| of wich: Administrative expenditure of the institution | 6,649 | 6,791 | 6,955 | 7,110 | 7,278 | 7,425 | 7,590 | 49,798 | | |
| 6. Compensation | 27 | 0 | 0 | 0 | 0 | 0 | 0 | 27 | n/a | |
| Total Committment appropriation | 134,318 | 135,328 | 136,056 | 137,100 | 137,866 | 139,078 | 140,242 | 959,988 | 994,176 | -3.5 |
| as a percentage of GNI | 1.03% | 1.02% | 1.00% | 1.00% | 0.99% | 0.98% | 0.98% | 1.00% | 1.12% | |
| Total Payment appropriation | 128,030 | 131,095 | 131,046 | 126,777 | 129,778 | 130,893 | 130,781 | 908,400 | 942,778 | -3.7 |
| as a percentage of GNI | 0.98% | 0.98% | 0.97% | 0.92% | 0.93% | 0.93% | 0.91% | 0.95% | 1.06% | |
| Margin | 0.25% | 0.25% | 0.26% | 0.31% | 0.30% | 0.30% | 0.32% | 0.28% | | |
| Own resources ceiling as a percentage of GNI | 1.23% | 1.23% | 1.23% | 1.23% | 1.23% | 1.23% | 1.23% | 1.23% | | |
| Resources outside the MFF | | | | | | | | | | |
| Emergency Aid Reserve | 280 | 280 | 280 | 280 | 280 | 280 | 280 | 1,960 | 1,697 | 15.5 |
| European Globalisation Adjustment Fund | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 1,050 | 3,573 | -70.6 |
| Solidarity Fund | 500 | 500 | 500 | 500 | 500 | 500 | 500 | 3,500 | 7,146 | -51.0 |
| Flexibility Instrument | 471 | 471 | 471 | 471 | 471 | 471 | 471 | 3,297 | 1,429 | 130.7 |
| EDF | 2,951 | 3,868 | 3,911 | 3,963 | 4,024 | 4,093 | 4,174 | 26,984 | 26,826 | 0.6 |
| Total resources outside the MFF | 4,352 | 5,269 | 5,312 | 5,364 | 5,425 | 5,494 | 5,575 | 36,791 | 40,670 | -9.5 |
| as a percentage of GNI | 0.03% | 0.04% | 0.04% | 0.04% | 0.04% | 0.04% | 0.04% | 0.04% | 0.05% | |
| Total MFF + resources outside the MFF | 138,670 | 140,597 | 141,368 | 142,464 | 143,291 | 144,572 | 145,817 | 996,779 | 1,035,031 | -3.7 |
| as a percentage of GNI | 1.06% | 1.06% | 1.04% | 1.04% | 1.03% | 1.02% | 1.02% | 1.04% | 1.17% | |

Note: before transfer between pillars of the CAP and before yearly technical adjustments for movements in the EU's GNI and prices.
Source: for MFF 2014-2020, Regulation (EU) n. 1311/2013; for MFF 2007-2013, Council of the European Union, 2013 .

### 1.2.2. Negotiations on MFF and CAP reform: Member States' positions and net balances analysis

Negotiations on the MFF and on the CAP have involved the European institutions, the Member States and other stakeholders for about two years. The latest round has been particularly complex for a combination of reasons: interactions between the MFF and CAP negotiations as they proceeded hand-in-hand; the difficult social and economic context and the policies of fiscal austerity pursued within the Union; the application, for the first time, of the ordinary legislative procedure for CAP reform, and the different positions expressed by Member States and among the European institutions. Indeed, when the Commission published its communication "A budget for Europe 2020" on 29 June 2011[15], containing its proposals on the MFF for the period 2014-2020, the European Council and Parliament expressed contrasting positions. The former, in its conclusions on 28-29 October 2010[16], stressed that "it is essential that the European Union budget and the forthcoming Multiannual Financial Framework reflect the consolidation efforts being made by Member States to bring deficit and debt onto a more sustainable path". By contrast, Parliament, in its resolution of 8 June 2011 on "investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive", declared its "firm opinion that freezing the next MFF at the 2013 level, as demanded by some Member States, is not a viable option; points out that even with an increase of the level of resources for the next MFF of 5 % compared to the 2013 level only a limited contribution can be made to the achievement of the Union's agreed objectives and commitments and the principle of Union solidarity" (European Parliament, 2011).

The final compromise reached during the meeting of the European Council on 8 February 2013 acknowledges the "the consolidation efforts being made by Member States" while affirming that "spending should be mobilised to support growth, employment, competitiveness and convergence, in line with the Europe 2020 Strategy".

It is not a simple task to provide a synthetic description of the Member States' positions and their evolution over the two years of negotiations, nor to estimate the effect on national contributions and benefits to/from the EU budget. In order to shed light on the path taken to reach agreement on the MFF 2014-2020 and the CAP reform, this section provides a qualitative analysis of the Member States' positions immediately after the Commission proposals were presented, and a quantitative analysis of the effect on national budgetary participation to the European budget after agreement was reached on the allocation of funds among countries.

As regards the qualitative analysis, the Commission proposals provided the starting point for the negotiations and the legal bases for both reforms. The Member States' positions on the key issues raised in the proposals are summarised in Table 1.4. In most cases, the statements made represent positions shared among the Member States.

In Table 1.4, the first column shows the position of each Member State on the issue of the budget:

1. Member States that were in favour of maintaining existing budget levels or that objected to a budget reduction are labelled as: "In favour of maintaining the budget level";

[15] European Commission (COM(2010)0500).
[16] European Council (2010), EUCO 25/1/10 Rev.1, 30 November 2010.

2. Member States that asked for a budget reduction are labelled as "In favour of reducing the budget level";
3. Member States that did not express a clear position on the issue of the budget are labelled as "Not expressing a clear position".

The second column shows in which areas Member States are located with reference to the external convergence: "contributor" indicates a Member State with an average direct payment per hectare higher than the EU average, while "beneficiary" indicates a Member State with an average direct payment per hectare lower than the EU average.

Finally, the third column shows the position of each Member State with reference to the internal convergence and the will to move towards a flat-rate payment.

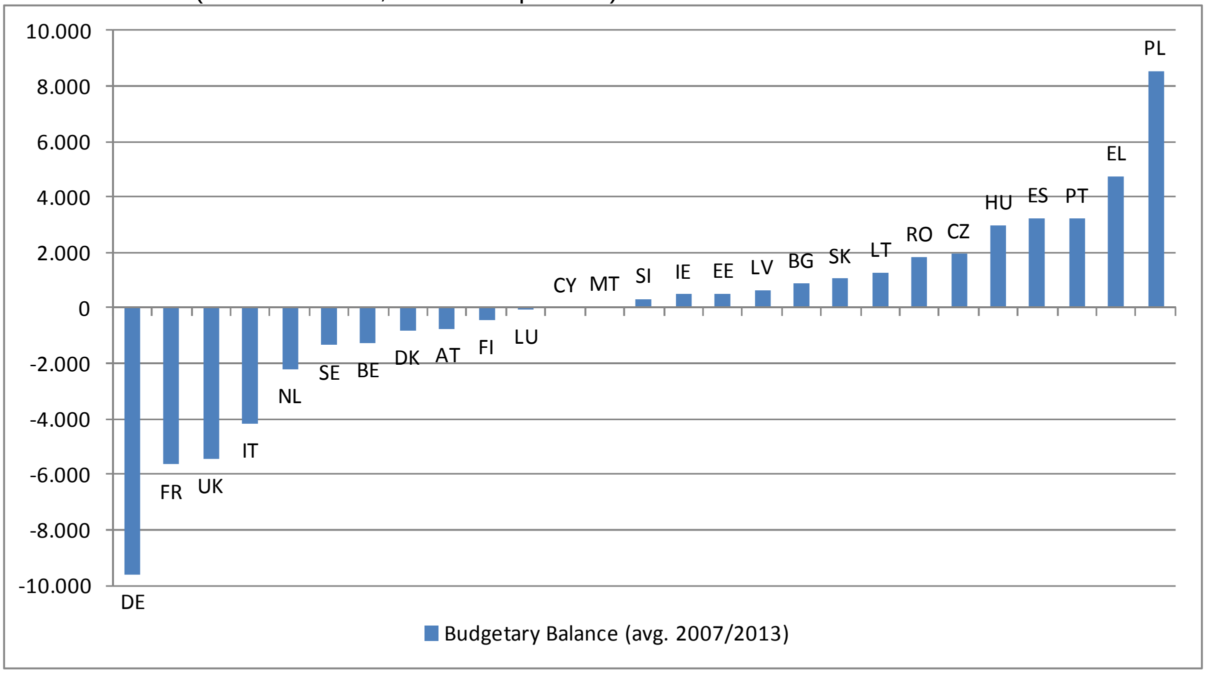
Table 1.4: Member states positions on the new CAP and on MFF-related issues (legislative proposals of June and October 2011)

| Relevant legislation | | 29/06/2011 Legislative proposals on the Multiannual Financial Framework 2014-2020 - Communication from the Commission COM(2011) 500 ↓ 12/10/2011 Legislative proposals on the new CAP - Proposal for a regulation COM(2011) 625, COM(2011) 627, COM(2011) 628 | | |
|---|---|---|---|---|
| | | Budget | Distribution of support among member States external convergence | Redistribution within the Member State internal convergence |
| Member States EU | | It is proposed EUR 317.2 billion allocated to Pillar I and EUR 101.2 billion to Pillar II over the 2014-2020 period (in current price). The Pillar I and Pillar II funding is complemented by additional funding of EUR 17.1 billion for the most deprived persons in other headings of the MFF, thus bringing the total budget to EUR 435.6 billion over the 2014-2020 | it is proposed that all Member States with direct payments below 90% of the EU average will see one third of this gap closed. The national ceilings in the direct payments regulation are calculated on this basis. The formula for MS convergence was decided under the 2014-2020 Financial Framework and severely limits the losses (no MS suffers decreases above 8% in absolute value). | Art. 22 For each relevant year, the unit value of payment entitlements shall be calculated by dividing the national or regional ceiling by the number of payment entitlements allocated at national or regional level. Member States which applied the single payment scheme as provided for in Regulation (EC) No 73/2009, may limit the calculation of the unit value of payment entitlements provided for in paragraph 1 to an amount corresponding to no less than 40 % of the national or regional ceiling. |
| BE | Belgium | In favour of maintaining the budget level | CONTRIBUTOR<br>in favor to use other parameters beyond the surface (for example cost of labor) | more flexibility<br>applicability at the regional level of all measures - progressive convergence, no to 40% in 2014 |
| BG | Bulgaria | In favour of maintaining the budget level | BENEFICIARY | - |
| CZ | Czech Republic | In favour of maintaining the budget level | faster approach aid between MS | more flexibility<br>possibility for the MS to maintain the SAPS |
| DK | Denmark | In favour of maintaining the budget level | CONTRIBUTOR<br>more equity between MS | regionalise<br>flat rate in 2019 |
| DE | Germany | In favour of maintaining the budget level | CONTRIBUTOR<br>take account of the distribution of other funds | regionalization<br>payment for area |
| EE | Estonia | Not expressing a clear position | BENEFICIARY<br>more equity between MS, use other parameters beyond the surface | more flexibility |
| EL | Greece | In favour of maintaining the budget level | CONTRIBUTOR<br>more equity between MS | more flexibility<br>differentiate the value of the entitlements |
| ES | Spain | In favour of maintaining the budget level | BENEFICIARY<br>take into account substance agricultural sector in the MS | maximum flexibility to manage the transitional period |
| FR | France | In favour of maintaining the budget level | CONTRIBUTOR | more flexibility<br>progressive convergence, no to 40% in 2014 |
| IE | Ireland | In favour of maintaining the budget level | CONTRIBUTOR | more flexibility |
| IT | Italy | In favour of maintaining the budget level | CONTRIBUTOR<br>use other parameters beyond the surface | maximum flexibility to manage the transitional period, differentiate the value of the entitlements |
| CY | Cyprus | In favour of maintaining the budget level | CONTRIBUTOR | more flexibility<br>possibility for the MS to maintain the SAPS |
| LV | Latvia | In favour of maintaining the budget level | BENEFICIARY<br>more equity between MS | percentage new entitlements to 80% in 2014 |
| LT | Lithuania | In favour of maintaining the budget level | BENEFICIARY<br>more equity between MS | - |

| Relevant legislation | | 29/06/2011 Legislative proposals on the Multiannual Financial Framework 2014-2020 - Communication from the Commission COM(2011) 500 ↓ 12/10/2011 Legislative proposals on the new CAP - Proposal for a regulation COM(2011) 625, COM(2011) 627, COM(2011) 628 | | |
|---|---|---|---|---|
| | Member States EU | Budget<br>It is proposed EUR 317.2 billion allocated to Pillar I and EUR 101.2 billion to Pillar II over the 2014-2020 period (in current price). The Pillar I and Pillar II funding is complemented by additional funding of EUR 17.1 billion for the most deprived persons in other headings of the MFF, thus bringing the total budget to EUR 435.6 billion over the 2014-2020 | Distribution of support among member States external convergence<br>it is proposed that all Member States with direct payments below 90% of the EU average will see one third of this gap closed. The national ceilings in the direct payments regulation are calculated on this basis.<br>The formula for MS convergence was decided under the 2014-2020 Financial Framework and severely limits the losses (no MS suffers decreases above 8% in absolute value). | Redistribution within the Member State internal convergence<br>Art. 22 For each relevant year, the unit value of payment entitlements shall be calculated by dividing the national or regional ceiling by the number of payment entitlements allocated at national or regional level. Member States which applied the single payment scheme as provided for in Regulation (EC) No 73/2009, may limit the calculation of the unit value of payment entitlements provided for in paragraph 1 to an amount corresponding to no less than 40 % of the national or regional ceiling. |
| LU | Luxembourg | Not expressing a clear position | CONTRIBUTOR | more flexibility |
| HU | Hungary | In favour of maintaining the budget level | | - |
| MT | Malta | In favour of maintaining the budget level | CONTRIBUTOR<br>penalize dairy sector | national ceilings<br>take into account other factors |
| NL | Netherlands | Not expressing a clear position | CONTRIBUTOR | more flexibility |
| AT | Austria | In favour of maintaining the budget level | use other parameters beyond the surface | more flexibility |
| PL | Poland | In favour of maintaining the budget level | BENEFICIARY<br>use other parameters beyond the surface | more flexibility<br>possibility for the MS to maintain the SAPS |
| PT | Portugal | In favour of maintaining the budget level | BENEFICIARY<br>use other parameters beyond the surface | more flexibility<br>insufficient and difficult for some productive sectors |
| RO | Romania | In favour of maintaining the budget level | BENEFICIARY<br>insufficient parameters, consider livestock | - |
| SI | Slovenia | In favour of maintaining the budget level | CONTRIBUTOR | more flexibility |
| SK | Slovakia | In favour of maintaining the budget level | BENEFICIARY | - |
| FI | Finland | Not expressing a clear position | BENEFICIARY | positive for flat rate EU |
| SE | Sweden | In favour of reducing the budget level | BENEFICIARY | more flexibility |
| UK | United Kingdom | In favour of reducing the budget level | BENEFICIARY | maximum flexibility to manage the transitional period, progressive convergence, no to 40% in 2014 |

The quantitative analysis aims to provide an estimate of the effect on the net budgetary balance (NBB) of each Member State. The budgetary balance provides a measure for highlighting and quantifying, in a single value, the difference between Member States' contributions ("payments") to the EU budget and the financial benefits of EU membership in terms of EU commitments or expenditures to the benefit of the individual Member State. In this context it is important to point out that the estimates of budgetary balance are merely an accounting exercise drawing on certain financial costs and benefits of EU membership accruing to each Member State. Among other drawbacks, this exercise is non-exhaustive and gives no indication of the many other benefits gained from EU policies (European Commission – DG Budget). The budgetary balance of each Member State is calculated on the basis of the difference between each Member State's allocation for operating expenditure (excluding administration) and adjusted 'national contribution'. While the net balance is a simple indicator, its calculation is based on a number of assumptions and choices involving revenues, expenditures, cash or accrual budgeting data, and criteria for adjustment of the final balance ("forcing"). Figure 1.1 shows the average net budgetary balances 2007-2013 by Member States for the whole EU budget.

Figure 1.1: Net budgetary balances by Member States; average 2007-2013 (million EUR; current prices)




Source: Own elaborations on DG budget data

The figure above presents the level of contributions by and payments to individual Member States. It provides an estimate of the financial commitments or benefits accrued on the eve of, and during, the MFF and CAP negotiations that culminated with the agreement signed on 8 February 2013 (European Council, 2013).[17] The whole programming period 2007-2013 is considered here in order to present the most updated figures on the budgetary balance, taking into account, on one hand, the multiannual nature of a large part of the commitments made through funds (at the start of the period the Member States had already made important commitments) and, on the other, the structure of direct payments

[17] For a detailed analysis of the European Council agreement, see Little et al. 2013.

(the "nominal freeze of the CAP" at the bottom of the Commission simulation was based on 2013 figures[18]).

Taking the historical contribution to the EU budget of the NBB of the previous programming period (2007-2013) as basis for calculation, the effects of the MFF 2014-2020 and CAP reforms on the net participation of Member States in the "communitarian project" is worked out. The estimate of the NBB for the period 2014-2020 presented here only takes into consideration funds pre-allocated among the Member States. These include: the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Maritime and Fisheries Fund (EMFF), the European Agricultural Fund for Rural Development (EAFRD) – as European Structural and Investment Funds (ESIF) – to which the Youth Employment Initiative (YEI) and direct payments within the European Agricultural Guarantee Fund (EAGF) are added. As a whole, pre-allocated funds account for almost 70 % of the total commitments of the MFF (EUR 748 million out of EUR 1 083 million in current prices).

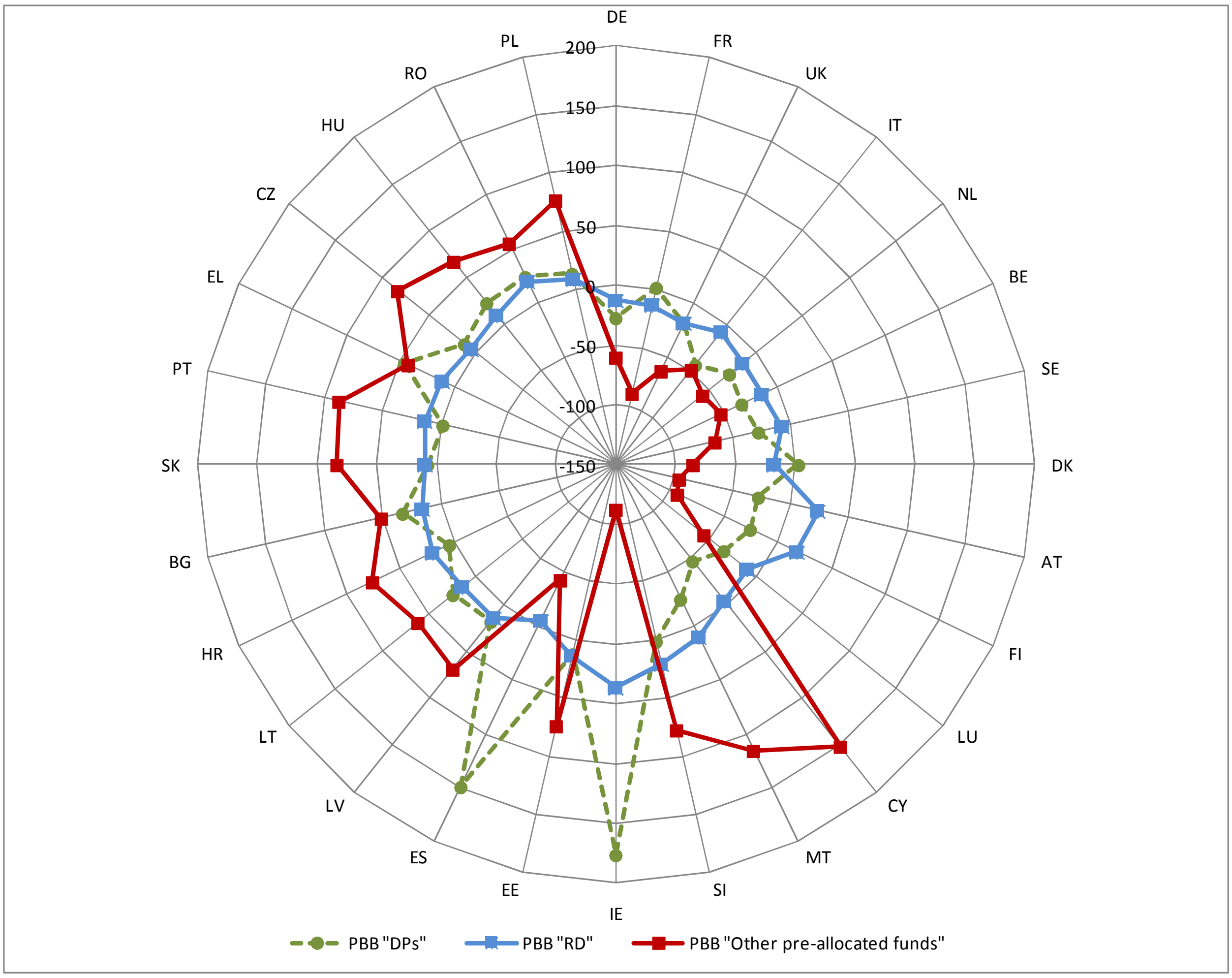
Furthermore, the NBB for 2014-2020 for the total pre-allocated funds is also estimated against the agricultural partial budgetary balances (PBB) focused on the whole pre-allocated funds in agriculture: direct payments and rural development.[19]

Figure 1.2 charts the contribution of single funds (direct payments (DP), rural development (RD) and other pre-allocated funds) to the NBB of each Member State. For example, in the case of Poland all three components highlighted in the figure (i.e.: DPs, RDs, and other pre-allocated funds, in particular Structural Funds) play a positive role in the constitution of the national NBB, with the lion's share absorbed by the "other pre-allocated funds". The pattern is similar for Romania, Hungary, the Czech Republic, Portugal, Slovakia, Croatia, Latvia, Lithuania, Slovenia, Malta and Cyprus. Direct payments are the significant factor in determining the NBBs for Ireland, Spain and Greece. Among net contributors, such as Italy, rural development funds are nearly in balance, while the other funds affect the countries' NBBs negatively.

[18] European Commission (2011), Working Document for AGRIFIN Meeting of 11 November 2011, AGRI-I1/FB D(2011).

[19] The PBB reflects the national position on the individual policies that together make up the Union budget. The sum of PBBs is, by definition, equal to the total NBB for each country. The breakdown presented here aims to show the areas of intervention in which each country is either a net contributor or a net beneficiary, and the extent to which they are so, thereby highlighting the financial convenience concerning the single policies implemented (INEA, 2011).

Figure 1.2: Partial budgetary balances (PBB) for pre-allocated funds by Member States; 2014-2020 (percentage share of NBB)




Source: Own elaboration of DG Budget data (http://ec.europa.eu/regional_policy/en/funding/available-budget/), values prior to transfers between pillars.

### 1.2.3. Financial allocations to Member States

With the reallocation of funds among the Member States through 'external convergence' and decisions on the allocation of rural development funds, the 2013 reform brought about a significant – and unprecedented – redistribution of the financial resources of the CAP, mainly involving a shift in beneficiaries from those countries that had traditionally received a relatively larger share of resources for direct payments to those that had been penalised in the past. Tables 1.5 and 1.6 provide a comparison of the country distribution of the resources for direct payments and rural development at the end of the new programming period (when 'external convergence' will be fully implemented) and in 2013. The direction of the redistribution effected through the two allocations is quite different, with the decisions on the allocation of resources for rural development, agreed on at a later stage, providing partial compensation to some of the countries that suffered the largest cuts in their national ceilings for direct payments.[20]

The reduction in current prices of the total funds allocated to direct payments in 2020 (without considering the effects of national implementation decisions) relative to the funds allocated in 2013 is -6.3 % (in real terms the reduction is twice as large). However, as a

[20] Funds for direct payments are more than three times those for rural development.

result of the provisions for 'external convergence', the Member States that have joined the EU since 2004, with the exception of Cyprus, Malta and Slovenia, will see their national ceilings either increase or decline by a percentage share smaller than that of the change in the overall funds. By contrast, allocations to national ceilings for direct payments will be lower than the average for all EU-15 Member States, with the exception of Spain and Portugal (for which they will decline by -4.8 % and -1.1 %, respectively). Increases above 10 % are specified for Bulgaria (+37.3 %), Estonia (+67.4 %), Latvia (+106.7 %), Lithuania (+36 %) and Romania (+ 50.5). The countries to suffer the most pronounced cuts – above 15 % – in their allocations for direct payments are Belgium (-17.8 %), Denmark (-16.1 %), Italy (-15.2 %) and the Netherlands (-18.4 %) (Table 1.5).

If the rural development funds for 2014-2020 are compared with those for 2007-2013 (Table 1.6) – again, without considering the effects of national implementation decisions that modify the allocation of financial resources between the two 'pillars' – several of the countries that had experienced significant reductions in their original ceilings for direct payments now see an increase in their allocations. This is the case for Belgium (+13.2 %, against a reduction by -0.9 % of overall funds for rural development allocated in the preceding financing period), Denmark (+8.9 %), Italy (+16.1 %), France (+30.7 %, whereby the national ceiling for direct payments will be reduced by 12.7 % between 2013 and 2020), Greece (+7.4 %, -12.2 %), Malta (+27.5 %, -8.1 %) and Finland (+10.5 %, -8%). By contrast, Bulgaria will see its funds for rural development decline by -11.5 %, Latvia by -8.1 %, and Lithuania by -8.6 %. In fact, of the 28 Member States, only seven have had their allocations for both direct payments and rural development cut by a percentage share greater than that for total EU allocations (i.e. the relative cuts in one allocation is not partially compensated by a relative increase in the other). The seven countries are: Germany, Ireland, Cyprus, Austria, Slovenia, Sweden and the UK. Estonia, Portugal and Spain are the only Member States that did better than average in both allocations.

Table 1.5: Comparison of national ceilings for direct payments in 2013 and 2019 (for 2019 original allocations and allocation after national implementation) (current prices)

| | 2013[a] | | 2019[b c] (original allocations) | | 2019[d] (allocations after national implementation) | | 2019 vs 2013 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | (1) | | (2) | | (3) | | (2) - (1) | | (3) - (2) | |
| | million Euro | % | million Euro | % | million Euro | % | million Euro | % change | million Euro | % change |
| Belgium | 614.9 | 1.4 | 505.3 | 1.2 | 481.9 | 1.2 | -109.6 | -17.8 | -23.4 | -4.6 |
| Bulgaria | 580.1 | 1.3 | 796.3 | 1.9 | 792.5 | 1.9 | 216.2 | 37.3 | -3.8 | -0.5 |
| Czech Rep. | 909.3 | 2.0 | 872.8 | 2.1 | 856.7 | 2.1 | -36.5 | -4.0 | -16.1 | -1.8 |
| Denmark | 1,049.0 | 2.3 | 880.4 | 2.1 | 818.3 | 2.0 | -168.6 | -16.1 | -62.1 | -7.1 |
| Germany | 5,852.9 | 13.0 | 5,018.4 | 11.9 | 4,792.6 | 11.5 | -834.5 | -14.3 | -225.8 | -4.5 |
| Estonia | 101,2 | 0.2 | 169.4 | 0.4 | 143.9 | 0.3 | 68.2 | 67.4 | -25.5 | -15.0 |
| Ireland | 1,340.9 | 3.0 | 1,211.1 | 2.9 | 1,211.0 | 2.9 | -129.8 | -9.7 | -0.1 | 0.0 |
| Greece | 2,216.5 | 4.9 | 1,947.2 | 4.6 | 2,022.4 | 4.8 | -269.4 | -12.2 | 75.2 | 3.9 |
| Spain | 5,139.4 | 11.4 | 4,893.4 | 11.6 | 4,953.1 | 11.9 | -246.0 | -4.8 | 59.7 | 1.2 |
| France | 8,521.2 | 18.9 | 7,437.2 | 17.6 | 7,189.5 | 17.2 | -1.084.0 | -12.7 | -247.7 | -3.3 |
| Croatia | | 0.0 | 298.4 | 0.7 | 316.2 | 0.8 | 298.4 | - | 17.8 | 6.0 |
| Italy | 4,370.0 | 9.7 | 3,704.3 | 8.8 | 3,702.4 | 8.9 | -665.7 | -15.2 | -1.9 | -0.1 |
| Cyprus | 53.5 | 0.1 | 48.6 | 0.1 | 48.6 | 0.1 | -4.9 | -9.1 | 0.0 | -0.1 |
| Latvia | 146.5 | 0.3 | 302.8 | 0.7 | 279.8 | 0.7 | 156.3 | 106.7 | -23.0 | -7.6 |
| Lithuania | 380.1 | 0.8 | 517.1 | 1.2 | 517.0 | 1.2 | 136.9 | 36.0 | 0.0 | 0.0 |
| Luxembourg | 37.1 | 0.1 | 33.4 | 0.1 | 33.4 | 0.1 | -3.7 | -9.9 | 0.0 | -0.1 |
| Hungary | 1,319.0 | 2.9 | 1,269.2 | 3.0 | 1,273.9 | 3.0 | -49.8 | -3.8 | 4.7 | 0.4 |
| Malta | 5,1 | 0.0 | 4.7 | 0.0 | 5.2 | 0.0 | -0.4 | -8.1 | 0.5 | 10.9 |
| Netherlands | 897,8 | 2.0 | 732.4 | 1.7 | 700.8 | 1.7 | -165.4 | -18.4 | -31.6 | -4.3 |
| Austria | 751,6 | 1.7 | 691.7 | 1.6 | 691.7 | 1.7 | -59.9 | -8.0 | 0.0 | 0.0 |
| Poland | 3,044.5 | 6.8 | 3,061.5 | 7.2 | 3,430.2 | 8.2 | 17,0 | 0.6 | 368.7 | 12.0 |
| Portugal | 606.0 | 1.3 | 599.4 | 1.4 | 599.4 | 1.4 | -6.6 | -1.1 | 0.0 | 0.0 |
| Romania | 1,264.5 | 2.8 | 1,903.2 | 4.5 | 1,903.2 | 4.6 | 638.7 | 50.5 | 0.0 | 0.0 |
| Slovenia | 144.2 | 0.3 | 134.3 | 0.3 | 134.3 | 0.3 | -10.0 | -6.9 | 0.0 | 0.0 |
| Slovakia | 388.2 | 0.9 | 394.4 | 0.9 | 448.7 | 1.1 | 6.2 | 1.6 | 54.3 | 13.8 |
| Finland | 570.5 | 1.3 | 524.6 | 1.2 | 524.6 | 1.3 | -45.9 | -8.0 | 0.0 | 0.0 |
| Sweden | 770.9 | 1.7 | 699.8 | 1.7 | 699.7 | 1.7 | -71.1 | -9.2 | -0.1 | 0.0 |
| UK | 3,987.9 | 8.8 | 3,591.7 | 8.5 | 3,200.8 | 7.7 | -396.2 | -9.9 | -390.9 | -10.9 |
| Total EU | 45,062.8 | 100.0 | 42,242.7 | 100.0 | 41,771.8 | 100.0 | -2,820.0 | -6.3 | -470.9 | -1.1 |

[a] Bulgaria and Romania were still phasing in.
[b] Croatia will still be phasing in. Excluding the mine clearance reserve for Croatia (Annex VII, Regulation (EU) n. 1307/2013) and supplementary payments in Croatia, Bulgaria and Romania (Annex V e VI, Regulation (EU) n. 1307/2013).
[c] Croatia national ceiling for 2020.
[d] Allocation reviewed in the light of transfer between pillars, transfer to rural development programmes of the amounts resulting from degressivity/capping and other national implementation (the latter as contained in Regulation (EU) n. 994/2013).
Source: For 2013: Regulation (EU) n. 73/2009; for 2019 original allocation: Regulation (EU) n. 1307/2013; for 2019 after transfer between pillars and degressivity/capping: Annex II, Regulation (EU) n. 1378/2014 (amending Annex III, Regulation (EU) n. 1307/2013).

Table 1.6: Comparison of country allocations of European Union support for Rural Development in the 2007-2013 and 2014-2020 programming periods (for 2014-2020 original allocations and allocations after national implementation) (current prices)

| | 2007-2013 | | 2014-2020 (original allocations) | | 2014-2020[a] (allocations after national implementation) | | 2014-2020 vs 2007-2013 | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | (1) | | (2) | | (3) | | (2) - (1) | | (3) - (2) | |
| | 000 Euro | % | 000 Euro | % | 000 Euro | % | 000 Euro | % change | 000 Euro | % change |
| Belgium | 487,484 | 0.5 | 551,791 | 0.6 | 647,798 | 0.7 | 64,306 | 13.2 | 96,007 | 17.4 |
| Bulgaria | 2,642,249 | 2.7 | 2,338,784 | 2.5 | 2,366,717 | 2.4 | -303,465 | -11.5 | 27,933 | 1.2 |
| Czech Rep. | 2,857,506 | 3.0 | 2,170,334 | 2.3 | 2,305,674 | 2.3 | -687,172 | -24.0 | 135,340 | 6.2 |
| Denmark | 577,919 | 0.6 | 629,401 | 0.7 | 918,804 | 0.9 | 51,482 | 8.9 | 289,403 | 46.0 |
| Germany | 9.079,695 | 9.4 | 8,217,851 | 8.6 | 9,445,920 | 9.5 | -861,844 | -9.5 | 1,228,069 | 14.9 |
| Estonia | 723,737 | 0.8 | 725,887 | 0.8 | 823,342 | 0.8 | 2,150 | 0.3 | 97,455 | 13.4 |
| Ireland | 2,494,541 | 2.6 | 2,189,985 | 2.3 | 2,190,592 | 2.2 | -304,555 | -12.2 | 607 | 0.0 |
| Greece | 3,906,228 | 4.1 | 4,195,961 | 4.4 | 4,718,292 | 4.7 | 289,732 | 7.4 | 522,331 | 12.4 |
| Spain | 8,053,078 | 8.4 | 8,290,829 | 8.7 | 8,297,389 | 8.4 | 237,751 | 3.0 | 6,560 | 0.1 |
| France | 7,584,497 | 7.9 | 9,909,731 | 10.4 | 11,384,844 | 11.5 | 2,325,234 | 30.7 | 1,475,113 | 14.9 |
| Croatia | | | 2,325,173 | 2.4 | 2,026,223 | 2.0 | 2,325,173 | - | -298,950 | -12.9 |
| Italy | 8,985,782 | 9.3 | 10,429,711 | 10.9 | 10,444,381 | 10.5 | 1,443,929 | 16.1 | 14,670 | 0.1 |
| Cyprus | 164,564 | 0.2 | 132,214 | 0.1 | 132,244 | 0.1 | -32,349 | -19.7 | 30 | 0.0 |
| Latvia | 1,054,374 | 1.1 | 968,982 | 1.0 | 1,075,604 | 1.1 | -85,392 | -8.1 | 106,622 | 11.0 |
| Lithuania | 1,765,794 | 1.8 | 1,613,088 | 1.7 | 1,613,088 | 1.6 | -152,706 | -8.6 | 0 | 0.0 |
| Luxembourg | 94,958 | 0.1 | 100,575 | 0.1 | 100,575 | 0.1 | 5,617 | 5.9 | 0 | 0.0 |
| Hungary | 3,860,091 | 4.0 | 3,455,336 | 3.6 | 3,430,664 | 3.5 | -404,755 | -10.5 | -24,672 | -0.7 |
| Malta | 77,653 | 0.1 | 99,001 | 0.1 | 97,327 | 0.1 | 21,348 | 27.5 | -1,674 | -1.7 |
| Netherlands | 593,197 | 0.6 | 607,305 | 0.6 | 765,285 | 0.8 | 14,108 | 2.4 | 157,980 | 26.0 |
| Austria | 4,025,576 | 4.2 | 3,937,552 | 4.1 | 3,937,552 | 4.0 | -88,024 | -2.2 | 0 | 0.0 |
| Poland | 13,398,928 | 13.9 | 10,941,202 | 11.5 | 8,697,557 | 8.8 | -2,457,726 | -18.3 | -2,243,645 | -20.5 |
| Portugal | 4,059,023 | 4.2 | 4,057,788 | 4.3 | 4,058,460 | 4.1 | -1,235 | 0.0 | 672 | 0.0 |
| Romania | 8,124,199 | 8.4 | 8,015,663 | 8.4 | 8,127,996 | 8.2 | -108,535 | -1.3 | 112,333 | 1.4 |
| Slovenia | 915,993 | 1.0 | 837,850 | 0.9 | 837,850 | 0.8 | -78,143 | -8.5 | 0 | 0.0 |
| Slovakia | 1,996,908 | 2.1 | 1,890,235 | 2.0 | 1,559,692 | 1.6 | -106,673 | -5.3 | -330,543 | -17.5 |
| Finland | 2,155,019 | 2.2 | 2,380,408 | 2.5 | 2,380,408 | 2.4 | 225,389 | 10.5 | 0 | 0.0 |
| Sweden | 1,953,062 | 2.0 | 1,745,315 | 1.8 | 1,763,565 | 1.8 | -207,747 | -10.6 | 18,250 | 1.0 |
| UK | 4,612,120 | 4.8 | 2,580,157 | 2.7 | 5,199,666 | 5.2 | -2,031,963 | -44.1 | 2,619,509 | 101.5 |
| Total EU | 96,244,175 | 100.0 | 95,338,109 | 100.0 | 99,347,509 | 100.0 | -906,065 | -0.9 | 4,009,400 | 4.2 |

[a] Allocation reviewed in the light of transfer between pillars, transfer to rural development programmes of the amounts resulting from degressivity/capping and other national implementation (the latter as contained in Regulation (EU) n. 994/2013).

Source: For 2007-2013: European Commission (2013b), Table 95; for 2014-2020 original allocations: Annex I, Regulation (EU) n. 1305/2013; for 2014-2020 after national implementation: Annex I, Regulation (EU) n. 1378/2014.

### 1.2.4. The new system of direct payments

#### 1.2.4.1. Flexibility between pillars

As part of the MFF package, Member States may transfer funds between pillars. Each Member State may transfer up to 15 % of the annual ceiling for direct payment to Pillar II. Decision taken by 31 December 2013 apply to national ceilings for direct payments for the period 2014-2019, whereas decisions taken by 1 August 2014 apply to payments made in 2015-2019.

Member States that do not transfer funds from Pillar I to Pillar II may make transfers in the opposite direction, shifting up to 15 % of funds from Pillar II to Pillar I. Bulgaria, Spain, Estonia, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia, Finland, Sweden and the United Kingdom – the 12 Member States with average direct payments per hectare below 90 % of the EU average – are allowed to transfer up to 25% of the support they receive for rural development to Pillar I. Decisions to that effect taken by 31 December 2013 would impinge on EAFRD transfers in 2015-2020; decisions taken by 1 August 2014 would impinge on transfers in 2016-2020.

The percentage share of transferred funds may vary from year to year. Member States may revise their decisions by 1 August 2017, with effect from calendar year 2018 in the case of transfers from Pillar I to Pillar II, and with effect in 2019 and 2020 in the case of transfers from Pillar II to Pillar I. In the former, there shall be no reduction in the percentage of funds transferred, while in the latter there shall be no corresponding increase.

This flexibility, while perhaps the least expected result of the new CAP, shows well the redistributive purpose of the reform. The most innovative element is not so much the transfer of funds from direct payments to rural development programmes – which, in an indirect way, was already provided by means of the compulsory modulation introduced with the Fischler reform and, before that, by means of the voluntary modulation of Agenda 2000 – as the transfer of funds from rural development to direct payments. Thought initially only to the benefit of the new Member States, and only later made available to all Member States, it is an interesting tool, because it acts downstream of the distribution of financial resources between pillars, and among Member States, that had been decided on in the negotiations, allowing each country to shift resources between the two policies in keeping with its own development strategy, programming skills and spending capacity (De Filippis and Pupo D’Andrea, 2014).

#### 1.2.4.2. The ‘active farmer’ and minimum requirements for receiving direct payments

One of the stated objectives of the reform was to remove the historical rents created by the progressive decoupling of CAP support, and to concentrate aid on persons, natural or legal, for whom agricultural activity is not marginal (the so-called ‘active farmers’).

The decoupling of support began with the MacSharry reform and was completed by means of the successive changes that have since been introduced in the CAP, linking support to land ownership and to maintaining it in good condition through minimal agronomical practices. This has meant that beneficiaries of financial support no longer had to farm their land in order to receive it. While not an unintended implication of decoupling, it has led many to question the large payments made to ‘non-farmers’ at a time when financial resources devoted to the CAP were progressively being reduced and farmers were dealing with difficult market conditions, often causing severe financial stress.

Already at the time of the Health Check, in 2008, Member States were given the possibility to introduce 'objective and non-discriminatory criteria' to identify active farmers entitled to receive direct payments. The 2014-2020 reform introduced mandatory conditions for claiming direct payments (leaving the door open for Member States to make them more restrictive if they so wish; Anania and Pupo D'Andrea, 2015). This is done not by defining who is an 'active farmer', but rather by defining who is not. A farmer (whether a natural or legal person) is considered 'non-active' – and, as a result, is not entitled direct payment – whose farm lies in an area naturally kept in a state suitable for grazing or cultivation and who does not carry out in that area the minimum activity defined by the Member State. The Cioloş reform actually goes further and defines a 'black list' of entities that cannot be considered 'active farmers'. These include entities operating airports, railway services, waterworks, real estate services and permanent sport and recreational grounds. By definition, all of these are 'non-active farmers'. Member States may decide to extend this list. It should be noted, however, that the scope of the 'black list' is significantly reduced by the provision that even entities included on the list may receive direct payments if they are able to prove that:

- the annual amount of the direct payment is at least 5 % of the annual total receipts they obtain from non-agricultural activities; or
- their agricultural activities are not insignificant; or
- their principal company objective consists of exercising an agricultural activity.

Member States may add other criteria to identify 'active farmers' that pertain to the importance the farming activity has on their overall economic activity and/or to the fact that their principal business has still to do with an agricultural activity.

Even potential beneficiaries who do not qualify as 'active farmers' (because they are on the 'black list' or because agricultural activities form only a marginal part of their overall economic activity and/or are not their principal activity) are nevertheless entitled to receive direct payments if these do not exceed EUR 5 000 Euro per year. Member States have the option of lowering this threshold (and even of differentiating it among regions), and thereby make the definition of 'active farmer' even more restrictive.

If the definition of "active farmers" must serve to identify the beneficiaries of the direct payments, the minimum requirements have the tasks of discriminating among potential beneficiaries by excluding those who would receive small payments relative to the administrative costs of applying for support. In this regard, the latest reform does not introduce anything new to the wording of the current regulation, which instructs Member States not to grant direct payments to farmers if the total amount of direct payments claimed, or due to be granted, in a given calendar year is less than EUR 100 (financial threshold), or if the eligible area of the holding is less than one hectare (physical threshold), with the caveat that Member States may modify these thresholds depending on the characteristics of their agriculture.

#### 1.2.4.3. Basic payments and internal convergence

The basic payment is nothing more than a scaled-down version of what was the SPS in the pre-2015 CAP. Member States using the SAPS are allowed to continue using it until the end of 2020, at the latest.

It is important to recognise that the financial resources allocated in each Member State to the basic payment are not set in advance, but are determined as a residue, after deducting from the national ceiling for direct payments the sums needed to finance the other (mandatory and voluntary) components of the direct payments. In fact, depending on the decisions taken at Member State level, the share of the national ceiling devoted to the basic payment may, in theory, lie anywhere between 0 % and slightly less than 70 %.[21]

With the reform, the set of farmers entitled to receive direct payments has been expanded to include virtually all active farmers. In fact, beneficiaries of payment entitlements under the basic scheme will be all active farmers applying for allocation in 2015 who, in accordance with Regulation (EC) 73/2009, were entitled to receive payments for 2013. Member States may allocate payment entitlements to farmers who did not receive payments for 2013 and who, on a fixed date for the claim year 2013, were producing fruit, vegetables, ware potatoes, seed potatoes or ornamental plants or were cultivating vineyards (in Member States where the SPS was in place) or who had only agricultural land that was not in good agricultural condition on 30 June 2003 (in Member States where the SAPS was in place). In addition, Member States were also given the option to allocate new payment entitlements to farms that had received them in 2014 from the national reserve, and to those who had never held, owned or leased in payment entitlements but were able to submit evidence that, on a certain date, they were actually exercising an agricultural activity (production, rearing or cultivation).

'Internal convergence' provisions are meant to eliminate or reduce by 2019any differences in the per-hectare basic payment received by farmers in those Member States in which the SPS was used (and only in this component of direct payments[22]). Convergence is pursued with reference either to the country as a whole or to individual regions; the latter are to be defined by the Member State and do not have to coincide with existing administrative or institutional units; may also be defined on the basis of agronomic and socio-economic characteristics or agricultural potential. The reform did foresee three different options for 'internal convergence':

- Full convergence in 2015: in 2015, the first year of implementation of the new CAP, the same unit value of the payment entitlement (in other words, the same value of per-hectare basic payment) was to be applied in the entire Member State, or in each specified 'region' within the Member State;
- Full convergence in 2019, at the latest: in the entire Member State, or in each specified 'region' within the Member State, the same value of the payment entitlement is to be applied by 2019, at the latest;
- Partial convergence: differences between the values of the per-hectare basic payment received by farmers in the Member State as a whole, or in each specified 'region' within the Member State, are to be reduced, but will still exist in 2019.

[21] Actual allocations are provided in Table 1.7, discussed in chapter 1.3.
[22] However, in those countries that have opted to calculate the 'green payment' on an individual farm basis as a percentage of its 'basic payment', 'internal convergence' will indirectly affect this payment as well.

Under the ‘full convergence in 2015’ option, the uniform per-hectare value is calculated (in 2015, and in each year thereafter) by dividing the allocation of the national ceiling (or the regional ceiling if ‘internal convergence’ is implemented at regional level) to the basic payment by the number of payment entitlements. In this case, in any given year, the per-hectare value of the basic payment is the same in all farms within the Member State, or within the specified ‘region’; however, this amount will vary from year to year as a result of changes in the national ceiling, including those resulting from the progressive implementation of ‘external convergence’, of the financial resources allocated to the different components of the direct payments, and of financial discipline provisions.

Under the ‘full convergence in 2019, at the latest’ option, the uniform unit value of the basic payment will be introduced progressively in equal steps and will be in place by 2019, at the latest.

Finally, under the ‘partial convergence’ option, in 2019 basic payments will have to be such that no unit value of payment entitlement (the payment per hectare) will be lower than 60 % of the national, or regional, average. Under this option, Member States will use a convergence criterion analogous to the one used for the ‘external convergence’. Payment entitlements with an ‘initial’ unit value (the pre-convergence unit value)[23] lower than 90 % of the national (or regional) average value will, by 2019 at the latest, be increased by at least one third of the difference between their pre-convergence value and 90 % of the national (or regional) average in 2019. This percentage can be set above 90 %, but cannot exceed 100 %. The increase of per-hectare payments below the average will be covered by the reduction of the value of per-hectare payments above the average. For the latter, the difference between their initial pre-convergence unit value and the national (or regional) unit value to be reached in 2019 will be reduced progressively, in equal steps starting in 2015, based on objective and non-discriminatory criteria established by the Member State. Member States may also decide that the unit value of a farm’s entitlements cannot be reduced by more than 30 % with respect to their initial unit value. However, it could happen that these two constraints cannot both be satisfied. If satisfying the constraint of no farm receiving, in 2019, a per-hectare direct payment below 60 % of the national (or regional) average would imply a reduction of those above the average by more than 30 %, the first constraint would be the one not to be satisfied, i.e. in 2019 some farms would still be receiving an average per-hectare direct payment that is less than 60 % of the national, or regional, average.

In order to reduce the risk of unspent funds, Member States are allowed to increase the ceiling for the basic payment by a maximum of 3 % of the national ceiling (after deduction of the ceiling for the ‘green payments’), provided that the payments actually paid do not exceed the national ceiling, net of the amount of degressivity. The Member States notified the annual percentages by 1 August 2014; they may review their decision each year, making any changes known to the Commission by 1 August preceding the year of application.

“Old” payment entitlements obtained within the SPS expired on 31 December 2014. However, to take into account the steps taken, Member States applying a regionalised or hybrid model of SPS may keep the existing payment entitlements even after 2014, provided that they are reviewed on the basis of new rules.

[23] This ‘initial’ unit value is calculated using the number of payment entitlements assigned to each farm in 2015 and the value of the total payments received in 2014 (or the value of the payment entitlements held) within the SPS, adjusted by the share of the national ceiling which will be devoted to finance the basic payments under the new regime.

The number of payment entitlements allocated in 2015 to each farm is equal to the number of eligible hectares that a famer declares in 2015. Member States may limit the number of entitlement assigned to a farmer. In particular, Member States may:

- allocate a number of payment entitlements equal to the number of eligible hectares that a farmer declared in 2013, if this is lower than the number declared in 2015;
- reduce the number of payment entitlements allocated if the number of eligible hectares totally declared in Member States in 2015 is more than 35 % in respect to the number declared in 2009 (2013 in Croatia);
- apply a reduction coefficient to the permanent grassland located in areas with natural constraints;
- exclude the land devoted to vineyard in 2013 or the arable land under permanent greenhouse.

Finally, Member States may fix a minimum size per holding below which a farmer cannot apply for the allocation of payment entitlements.

#### 1.2.4.4. Scheme for new Member States

The payment entitlements obtained within the SAPS expired on 31 December 2014. However, the CAP 2014-2020 sets an extension of the scheme, in the same way as the Health Check reform extended the SAPS until the end of 2014. Member States applying the SAPS are allowed to continue to apply this scheme until the end of 2020 at the latest. The annual payment is granted for each eligible hectare dividing the part of the national ceiling remaining after the deduction for the financing of the other payments (redistributive payment, 'green payment', payment for area with natural constraint, payment for young farmers and coupled support) by the number of the eligible hectares declared by the Member State. However, Member States implementing the SAPS, but willing to move to the basic payment from 1 January 2018 at the latest, may use up to 20 % of the annual financial envelope for their SAPS to differentiate the unit value of the their payments, taking into account payments granted in 2014.

Member States applying the SAPS may continue to grant transitional national aid established in Regulation (EC) 73/2009 (or complementary national direct aid for Bulgaria and Romania only) in the period 2015-2020 to the same sectors that received such aid in 2013 (except for Croatia).

If Member States having applied the SAPS decide to introduce the basic payment scheme, the active farmers entitled to receive direct payments will be the beneficiaries of the basic payment entitlements – including the transitional national aid or the complementary national direct payments – for 2013, and those who had only agricultural land that was not in good agricultural condition on 30 June 2003. In the first year of implementation, the same value of per-hectare basic payment was applied at regional or national level. Member States are allowed to differentiate the value of the payment entitlements on the basis of their initial value[24], but they shall move towards approximating the value of the payment entitlements at national or regional level according to fixed steps.

[24] The 'initial' value, in this case, is calculated using the number of payment entitlements allocated to each farm in the first year of implementation of the basic payment scheme and the value of the total aid received in year preceding the implementation of the basic payment, adjusted by the share of the national ceiling which will be devoted to finance the basic payments under the new regime.

As regards Bulgaria and Romania, countries that joined EU more recently, they may use national direct payments in order to complement the basic payment ('topping-up') for 2015 only (the last year of the process of phasing in direct payments).[25] Moreover, in 2015, Bulgaria may use national direct payments in order to complement payments granted under the crop-specific payment for cotton.[26]

Croatia, which joined the EU in 2013, will progressively phase in the direct payment to reach the full level in 2022. The country may top up any of the relevant support schemes listed in Annex I of Regulation (EU) 1307/2013[27], subject to the authorisation of the Commission. Croatia will continue to enjoy the special national de-mining reserve established in Regulation (EC) 73/2009, the aim of which is to allocate payment entitlements to farmers with de-mined land back to being used for agricultural activities, provided that the land is eligible for direct payments and that the Commission has been notified.[28]

#### 1.2.4.5. Reserve

In the first year of implementation of the basic payment scheme, Member States shall establish a national or regional reserve with a deduction of the ceiling for the basic payment no higher than 3 %. The reserve shall primarily be used to allocate payment entitlements to young farmers and new farmers. If the reserve is insufficient to address these needs, the percentage of deduction may be higher than 3 %.

Member States may use the national/regional reserve, inter alia, to allocate payment entitlements:

- to avoid abandonment of the land;
- to compensate farmers for specific disadvantages;
- to farmers that cannot have payment entitlements as result of force majeure or exceptional circumstances;
- to address specific situations in SAPS;
- to provide a linear increase, on permanent basis, of the value of all entitlements of the basic payment scheme if the national / regional reserve exceeds 0.5 % of the respective annual ceiling for the basic payment;
- to cover the annual needs for payments to be granted to young farmers (if to this ceiling is devoted less than 2 % of the national ceiling for direct payments) and to the small farmers scheme.

[25] The amount of the complementary national direct payments to the basic payment scheme in 2015 is less than EUR 70 million for Bulgaria and EUR 153.5 million for Romania.

[26] Bulgaria, Greece, Spain and Portugal shall grant to farmers producing cotton a per-hectare, crop-specific payment (as referred to in Chapter 2 of Title IV of Regulation (EU) 1307/2013).

[27] The schemes for Croatia that could be topped up are: basic payment, SAPS, redistributive payment, green payment, payment for areas with natural constraint, payment for young farmers, coupled support and the small farmer scheme. The total amount of the complementary national direct payment ranges from EUR 247 million in 2015 to EUR 38 million in 2021.

[28] The maximum amounts of the de-mining reserve that could be added to the national ceiling for direct payments in Croatia ranges from less than EUR 3.4 million in 2015 to EUR 9.6 million in 2022.

#### 1.2.4.6. Payment for agricultural practices beneficial for the climate and the environment

A fixed percentage (30 %) of the national ceiling for direct payments is allocated to 'green' payments. The 'green payment' takes the form of an annual payment per hectare, calculated by dividing the financial resources allocated to these payments by the number of eligible hectares (referred to below as "flat payment"). However, in order to limit the extent of the redistribution of direct payments across farms with respect to the pre-2015 scenario, Member States who opted for the 'full convergence in 2019, at the latest' or the 'partial convergence' option in applying 'internal convergence' were given the possibility of calculating the 'green payment' at the farm level as a percentage of the basic payment (referred to below as "individual payment")[29].

Access to the 'green payment' is restricted to farmers entitled to receive the basic payment (or payments under SAPS). In order to receive the 'green payment', a farm must satisfy three requirements in terms of agricultural practices beneficial for the climate and the environment, specifically in terms of:

- crop diversification;
- maintaining existing permanent grassland;
- devoting part of the land to so-called Ecological Focus Areas (EFAs).

Farms located in areas covered by the Habitat, Water and Bird directives are entitled to receive 'green payments', provided that they comply with green practices compatible with the objectives of the relevant directive. Land devoted to organic agriculture is by default assumed to fulfil the conditions to receive the 'green payment'.

The crop diversification requirement applies only to farms with an arable land above 10 hectares. In its general formulation (exceptions exist), access to the 'green payment' is restricted to farmers growing at least two crops if arable land does not exceed 30 hectares, and three crops if arable land exceeds 30 hectares, with the main crop not exceeding 75 % of arable land and the two main crops not exceeding 95 %.

The ratio of areas covered by permanent grassland to total agricultural area cannot be lower by more than 5 % with respect to a fixed historical reference ratio. Member States may decide to satisfy this constraint at territorial (national, regional or sub-regional) or individual farm level.

Finally, the constraint on the EFA aims at maintaining, and possibly increasing, biodiversity; it applies only to farms with an arable land exceeding 15 hectares. In this case, farmers are required to ensure that an area corresponding to at least 5 % of the arable land of the holding is an EFA. This threshold could increase to 7 % as a result of an evaluation report that the Commission will submit by 31 March 2017. It has been left to the Member States to choose, from a list of options provided in Article 46 of Regulation (EU) 1307/2013, the criterion for what should be considered an EFA. The listed criteria are: land lying fallow, terraces, landscape features, buffer strips, agro-forestry surfaces which received support under rural development policy measures, strips along forest edges, afforested areas, and areas with nitrogen-fixing crops. Member States may decide to implement part of EFA (up to 50 % of the individual EFA requirement at regional level) at regional level, in order to create adjacent EFAs. Moreover, farmers can be authorised to fulfil the obligation collectively, provided that the EFAs are contiguous.

[29] In this case, the percentage is obtained dividing the ceiling for the green payment (30 % of national/regional ceiling) by the total value of all payment entitlements activated in Member State/region.

Member States may choose to identify agricultural practices that, by definition, are considered able to generate benefits for the climate and the environment at least equivalent to those generated by these three conditions. Equivalent practices are listed in Annex IX to Regulation (EU) 1307/2013 and cover agri-environment-climate measures undertaken within rural development programmes, or national, or regional, environmental certification schemes that go beyond relevant mandatory standards established by cross-compliance. To avoid a 'double payment' for the provision of the same public good, when equivalent practices are used to justify 'green payments', they become the baseline for triggering payments under environmental measures in Pillar II, i.e. Pillar II payments may occur only if the farm generates a volume of environmental or climate benefits above this level.

In assessing the efficiency and the equity of this new component of the direct payments as a policy tool to generate benefits for the climate and the environment, it is important to recognise that the amount of the 'green payment' has no bearing on the increased benefits generated by the farm, if any, or on the costs of satisfying the set requirements, if any.

In the worst-case scenario, a farm not satisfying the requirements for the 'green payment' will not only not receive any, but will also incur an administrative penalty. This will be gradually implemented: no sanction will be imposed in 2015 and 2016, while the maximum penalty will equal 20 % of the 'green payment' in 2017, and 25 % from 2018.[30] This means that not satisfying 'green payment' requirements will imply that, in the worst case scenario, in the first two years of the new regime the farm will lose only the 'green payment', while from 2017 onwards it will also suffer a reduction in the other direct payments. This makes the 'green payment' similar to a voluntary measure (where farms are to decide whether it is profitable for them to enter a program or not) in 2015 and 2016, while its requirements become, de facto, mandatory from 2017. However, the financial sanctions in the case of non-compliance being relatively innocuous (maximum 25% of the 'green payment'), it cannot be assumed that all farms will find it convenient to satisfy the requirements[31].

#### 1.2.4.7. Payments for young farmers

Direct payments for young farmers are mandatory payments that complement the start-up aid that may be granted to young farmers as part of Pillar II. These payments are financed by up to 2 % of the national ceiling for direct payments and are granted annually to young farmers entitled to receive the basic payment (or under SAPS).

By August 1 of each year, with effect from the following year, Member States may revise the percentage of the national ceiling devoted to the payment for young farmers. In fact, if the amount necessary to cover all requests of young farmers applying for payment is not sufficient, Member States should use the national reserve or, if the percentage for the payment for young farmers is below 2%, proceed to a linear reduction of the basic payment. If the percentage share is 2%, Member State shall make a linear reduction of the payment for young farmers.

[30] Article 77.6 of Regulation (EU) 1306/2013 and articles 23-28 of Regulation (EU) 640/2014.

[31] The 'green payment' does not take into account the costs of compliance (which may differ greatly among farms). It is, however, affected by the amount of the national/regional ceiling and the entity of the eligible areas of the Member State/region. As a consequence, when the cost is higher than the payment, farmers may in some cases find it convenient not to comply with the requirement, thereby losing the 'green payment' and simply paying the administrative sanction.

A young farmer is defined as a natural person who (a) becomes for the first time the head of an agricultural holding, or who has become the head of a holding during the five years preceding the first submission of an application under the basic payment scheme, and (b) is no more than 40 years of age in the year of the submission. Member States may introduce additional criteria to be satisfied in terms of appropriate skills and/or training requirements. The payment is granted for a maximum period of five years (less than that if the farmer had become head of the holding before the application to receive the payment for young farmers).[32]

Member States may decide to calculate the actual payment on an individual basis or as a set payment. The yearly payment for each young farmer is calculated multiplying the number of payment entitlements the farmer has activated by :

- 25 % of the average value of the basic payment entitlements owned or leased by the young farmer, or
- 25 % of the national average value of the basic payment[33], or
- 25 % of the average value of total national payments (including the basic payment)[34].

For Member States applying the SAPS, the payment for young farmers is calculated annually by multiplying 25 % of the SAPS by the number of eligible hectares the young farmers have declared.

Alternatively, Member States may introduce an annual lump sum payment calculated by multiplying a fixed number of hectares[35] by 25 % of the national average value of national payment.

However, the payment must be limited to a number of hectares which cannot be less than 25 and cannot exceed 90 and, if introduced as an annual lump sum payment, it cannot exceed the basic payment received by the farm.

#### 1.2.4.8. Redistributive payment

The redistributive payment is a voluntary component of direct payments. It aims at redistributing financial support within a Member State from large farms to smaller ones. By August 1 of each year, with effect from the following year, Member States may decide to introduce a redistributive payment to farmers entitled to receive the basic payment (or SAPS). Member States may allocate up to 30 % of the national ceiling for direct payments to redistributive payments. Each farmer cannot receive a redistributive payment in excess of 65 % of the national (or regional) average payment per hectare[36], multiplied by the number of the farm's entitlements, which cannot be more than 30 hectares, or the average farm size in the Member State if this exceeds 30 hectares. As long as these upper limits are satisfied, Member States are free to decide the amount of the per-hectare payment. If the

[32] In such instances, the period is reduced by the number of years elapsed between the young farmer becoming head of the holding and the submission of the application for the specific payment.

[33] The national average value of the basic payment is obtained by dividing the national ceiling for the basic payment in 2019 by the number of all eligible hectares in 2015.

[34] The average value of the total national payments is obtained by dividing the total national ceiling (including the basic payment) in 2019 by the number of all eligible hectares in 2015.

[35] The fixed number of hectares is calculated by dividing the number of eligible hectares young farmers have declared by the total number of young farmers who applied for the payment in 2015.

[36] The national (or regional) average payment per hectare is calculated by dividing the national ceiling for direct payments at the national (or regional) level in 2019 by the number of eligible hectares declared by the Member State (or region) in 2015.

basic payment is implemented at regional level, then the amount of the redistributive payment can also be set at this level.

If a Member State finances redistributive payments with more than 5 % of the national ceiling for direct payments, it is free to decide not to impose a degressive reduction on direct payments exceeding EUR 150 000. Both instruments aim at redistributing resources: in the case of degressivity, from those farms receiving a large amount of support to rural development policy measures; in the case of the redistributive payment, from large farms to small ones.

#### 1.2.4.9. Payment for areas with natural constraints

Farmers are entitled to receive this component of the direct payments if their holdings are, fully or partly, located in 'areas with natural constraints', as designated by the Member State in accordance with its rural development rules. Direct payments to farms located in areas with natural constraints are a voluntary component of the direct payments, justified by the goal of guaranteeing the presence of farmers and farming in these areas by providing support that is additional to that foreseen in rural development policies. This means that this component of the direct payments does not replace, but rather complements, the analogous payments disbursed in the same areas under Pillar II.[37]

Member States up to 5 % of the national ceiling for direct payments to farms located in areas with natural constraints.

Only farmers entitled to receive the basic payment (or payment under SAPS) are eligible for this payment. The amount of the annual payment for eligible hectares is calculated by dividing the portion of the national ceiling committed to this payment by the number of eligible hectares in those areas with natural constraints for which the Member State has decided to activate the payment. Member States may introduce the payment in all areas with natural constraints (as defined for rural development policy purposes), or limit it, on the basis of objective and non-discriminatory criteria, to only a part of these areas. Furthermore, Member States may opt for a payment set at the regional level, i.e. to differentiate the per-hectare payment by region on the basis of differing characteristics of natural constraints and agronomic conditions, and may limit the payment to a maximum number of hectares per farm.

#### 1.2.4.10. Voluntary coupled support

In all sectors and products that have been granted coupled support in the past[38], Member States may decide to grant farmers support coupled to production. Coupled support may only be granted to those sectors and regions of the Member State in which specific types of farming, or specific agricultural sectors, play a particularly important economic, social or environmental role; it may only be granted to create an incentive to maintain current levels of production in the sectors or regions concerned. In this case, support may also be granted

[37] This is questioned, however, in an internal Commission document regarding Articles 31 and 32 of Regulation (EU) 1305/2013, which specifies that the payment for areas with natural constraints received in Pillar I is to be taken into account in the payment in Pillar II in order to avoid double funding of the same disadvantage ('Measure fiche. "Payments to areas facing natural or other specific constraints". Measure 13, Articles 31 and 32 of Regulation No 1305/2013', November 2014).

[38] These specific sectors and products are: cereals, oilseeds, protein crops, grain legumes, flax, hemp, rice, nuts, starch potato, milk and milk products, seeds, sheep meat and goat meat, beef and veal, olive oil, silkworms, dried fodder, hops, sugar beet, cane and chicory, fruit and vegetables and short rotation coppice.

to farmers who on 31 December 2014 held special entitlements[39] or who do not have eligible hectares entitling them to receive the basic payment.

The payment takes the form of an annual payment per hectare – or per head, in the case of livestock; because the aim is to maintain the current level of production (i.e. the support provided should not result in increased production), payments are limited to a maximum number of hectares and heads.

Member States can use up to 8 % of the national ceiling to finance coupled support payments. This percentage can be raised to 13 % if, during at least one year in the period 2010-2014, the Member State had allocated more than 5 % of its national ceiling for direct payments to coupled payments.[40] If the share exceeds 10 %, and provided that the Commission gives its explicit authorisation, the Member State may decide to finance coupled support payments by using even more than 13 % of its national ceiling. The percentage of the national ceiling allocated to coupled payments may be increased by an additional 2% for support provided to protein crops.

By 1 August 2016, with effect starting from 2017, a Member State may revise the percentage of the ceiling devoted to coupled support, modify the conditions for granting the support and end the coupled support.

The Commission will approve a decision by a Member State to devote more than 13 % of the national ceiling for direct payment to coupled support, or to increase the percentage from 2017, if the Member State demonstrates that the coupled support is necessary to prevent economic and/or environmental problems consequent to the abandonment of the production in the agricultural or processing sectors, and to compensate farmers for the continuous disturbance of the relevant market.

#### 1.2.4.11. Crop-specific payment for cotton

Notwithstanding the extensive decoupling of support induced by the previous reform of the CAP, significant coupled support has remained in place in the cotton sector. This will continue in the 2014-2020 period as well. In four Member States only (Bulgaria, Greece, Spain and Portugal), direct payments will include a specific payment per eligible hectare of cotton, subject to specific area limitations. The payment per hectare of eligible area will differ across the four countries.

#### 1.2.4.12. Small farmer scheme

The small farms scheme is a simplified scheme that aims to reduce the bureaucratic burden, both for the beneficiaries and for the public sector, when small payments are involved. This is a voluntary scheme for the Member States though, when implemented, participation by individual farmers is also on a voluntary basis. Farmers willing to enter the simplified scheme must submit an application within a deadline set by the Member State (no later than 15 October 2015); those who do not apply within the deadline will not be entitled to

[39] Special entitlements were assigned to livestock producers that in the first year of implementation of the SPS did not have eligible hectares or to farmers whose payment entitlement of SPS resulted of an amount exceeding EUR 5 000. Farmers holding special entitlements are exempted by the Member State from the requirement to activate payment entitlements by an equivalent number of eligible hectares.

[40] The coupled payments to take into account are those specified in Article 68 (points a(i-iv), b and e) of Regulation (EC) 73/2009, and the partially decoupled payments for beef and veal, sheep and goat, and fruit and vegetables specified in Chapter 2, Section 2 of Title III, and the aid scheme (payments for cotton excepted) established in Title IV, of the same regulation.

participate. However, a Member State may decide that participation in the scheme for small farmers is automatic, in which case farmers shall have the option to withdraw.

The payment disbursed within the simplified scheme replaces the basic payment, or payment under the SAPS, the 'green payment', payment for young farmers, redistributive payment, coupled support and the crop-specific payment for cotton, where relevant. This is not the case when the payment is farm-specific and is linked to the total value of all payments that should be allocated to the farmer annually (see below). Farmers entering the scheme are exempted both from 'green payment' requirements and from cross-compliance conditions. The payment for those choosing the simplified scheme can be calculated in different ways. It can be an annual lump sum payment set at the national level, or it can be farm-specific.

In the first case, the amount of the payment for each small farmer is set as:

- an amount not exceeding 25 % of the national average payment per farm[41], or
- an amount corresponding to the national average payment per hectare[42] multiplied by the number of hectares, but not exceeding five.

In the case of the farm-specific payment, Member States may grant to each farmer a payment calculated as:

- the total value of all payments that should be allocated annually to the farmer (basic payments or SAPS, 'green payments', redistributive payments, payments for area with natural constraint, payments for young farmers, coupled payments and, if relevant, crop-specific payments for cotton), or
- the total value of all payments that should be allocated in 2015, subject to adjustments by the Member States to take into account annual changes to the national ceiling.

If the payment is introduced as a flat sum for all farms entering the scheme, the annual disbursement cannot be less than EUR 500 and cannot exceed EUR 1 250; if the payment is farm-specific, the upper bound is fixed by the Member State at an amount between EUR 500 and EUR 1 250. Member States may decide to set it at EUR 500 if the total value of the payments to be allocated is lower.

Unless the Member State decides that the payment is farm-specific, with each farm receiving what it would receive without the scheme in place, the maximum share of the national ceiling for direct payments that a Member State can allocate to the simplified scheme for small farms is 10 %. If a flat-lump payment scheme is adopted, and if the total amount of payments under the scheme exceeds this upper bound, then all payments must be reduced by the same percentage, as needed.

Small farmers participating in the scheme should maintain, at least, a number of eligible hectares equal to the number of payment entitlements held and having an eligible land equal to the minimum threshold fixed by the Member State.

[41] The national average payment per farm is calculated dividing the national ceiling for direct payments in 2019 by the number of beneficiaries declared eligible hectares in 2015.

[42] The national average payment per hectare is calculated dividing the national ceiling for direct payments in 2019 by the number of eligible hectares declared in 2015

In order to finance the small farmer scheme, Member States shall deduct from all the payments the amount pertaining to the small farmers. The difference between the amount needed to finance the scheme and the amount obtained from the deduction is to be covered by:

(a) the national/regional reserve, or
(b) the unspent fund for the young farmer scheme, or
(c) a linear reduction to the basic payment.

Payments under the scheme do not change over the year, except for the case of farm-specific payments linked to the annual value of the payments allocated to the farmers.

#### 1.2.4.13. Degressivity

In order to generate a more equitable distribution of direct payments, the reform introduced a mandatory reduction, by at least 5 %, of basic payments for the part exceeding EUR 150, 000. Member States may increase this percentage to up to 100 %, thereby introducing a de facto EUR 150,000 threshold for the degressivity 'cap' on basic payments. Member States may also apply the reduction after deducting from the basic payment labour costs for the previous year, i.e. salaries to employees, as well as taxes paid and social welfare contributions. 'Savings' deriving from reduced payments as a result of degressivity are to be added to the resources available to the country within the EAFRD, and their use do not require co-financing by the Member State.

Member States are exempt from the obligation to apply degressivity if they have decided to implement the voluntary redistributive payments (see section 1.2.4.8. above) and if these payments absorb more than 5 % of the ceiling for direct payments.

## 1.3. THEMATIC SECTION: A PICTURE OF THE NATIONAL DECISIONS

The possibility to choose within a broad package of alternatives, as seen in the previous chapter, has resulted in a very heterogeneous implementation of the single pieces of the 2014-2020 reform by Member States. In this chapter we provide, for each element, a picture of the decisions made, highlighting the difference/similarities in the national decisions.[43]

### 1.3.1. Breakdown of the national ceilings

As a result of the choices made on voluntary payments and on payments for young farmers, the share of the national ceilings devoted to the basic payment, or to the SAPS, ranges from a minimum of 12.4 % in Malta to 68 % in Luxembourg (Table 1.7).

Twelve countries (Denmark, Germany, Estonia, Ireland, Greece, Cyprus, Luxembourg, Netherlands, Austria, England, Wales and Northern Ireland) maintained a high share of the national ceiling on the basic payment/SAPS (above 60 %). At the same time, none of these countries (with the exception of Germany) will apply the redistributive payment or (with the exception of Denmark) the payment for areas with natural constraints. Moreover, some of them devote a percentage lower than 2 % to the payment for young farmer (for example, Estonia chose a mere 0.3 %), while all of them commit a limited share to the coupled support, from 0.2 % in the case of Ireland to 7.9 % in the case of Cyprus (2015). Eight out of these twelve countries (Denmark, Germany, Estonia, Cyprus, Netherlands, Austria, England and Wales) will implement a flat-rate payment, which means that a high portion of the national ceiling will be distributed among all the beneficiaries, who will ultimately receive the same unit value payment. In contrast, in the four countries applying the partial convergence, a high portion of the national ceiling will be distributed among farmers, (partially) preserving the historical distribution.

The picture is different for Malta, Wallonia and Lithuania, which all maintained a basic payment/SAPS under 40 % (29.9 % in Wallonia and 38.3 % in Lithuania). Also, in all three countries, the coupled support increased in value terms, from 15 % in Lithuania, to 21.3 % in Wallonia, reaching a high of 57.2 % in Malta. In addition, the Lithuania and Wallonia apply the redistributive payment.

In the remaining 17, countries the share of the national ceiling devoted to basic payment/SAPS ranges from 4 3% in Croatia to 59.75 % in Northern Ireland.

[43] Annex 1 presents a synthesis of the CAP implementation for each Member State.

## Table 1.7: Breakdown of national ceilings

| Member States | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
|---|---|---|---|---|---|---|---|---|
| | | (million Euro) | | | (%) | | | |
| Belgium (Flanders) | 2015 | 235.9 | 57.00 | | 30.00 | | 2.00 | 11.00 |
| | 2016 | 226.3 | 57.00 | | 30.00 | | 2.00 | 11.00 |
| | 2017 | 222.9 | 57.00 | | 30.00 | | 2.00 | 11.00 |
| | 2018 | 213.8 | 57.00 | | 30.00 | | 2.00 | 11.00 |
| | 2019 | 210.7 | 57.00 | | 30.00 | | 2.00 | 11.00 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| Belgium (Wallonia) | 2015 | 287.7 | 29.90 | 17.00 | 30.00 | | 1.80 | 21,30 |
| | 2016 | 283.4 | 29.90 | 17.00 | 30.00 | | 1.80 | 21.30 |
| | 2017 | 279.2 | 29.90 | 17.00 | 30.00 | | 1.80 | 21.30 |
| | 2018 | 275.2 | 29.90 | 17.00 | 30.00 | | 1.80 | 21.30 |
| | 2019 | 271.2 | 29.90 | 17.00 | 30.00 | | 1.80 | 21.30 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| Bulgaria[bc] | 2015 | 721.3 | 47.46 | 7.07 | 30.00 | | 0.47 | 15.00 |
| | 2016 | 792.4 | 47.37 | 7.05 | 30.00 | | 0.58 | 15.00 |
| | 2017 | 793.2 | 47.37 | 7.05 | 30.00 | | 0.58 | 15.00 |
| | 2018 | 794.8 | 47.39 | 7.03 | 30.00 | | 0.58 | 15.00 |
| | 2019 | 796.3 | 47.40 | 7.02 | 30.00 | | 0.58 | 15.00 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| Czech Republic[c] | 2015 | 844.9 | 54.00 | | 30.00 | | 1.00 | 15.00 |
| | 2016 | 844.0 | 54.00 | | 30.00 | | 1.00 | 15.00 |
| | 2017 | 843.2 | 54.00 | | 30.00 | | 1.00 | 15.00 |
| | 2018 | 861.7 | 54.00 | | 30.00 | | 1.00 | 15.00 |
| | 2019 | 861.7 | 54.00 | | 30.00 | | 1.00 | 15.00 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| Denmark | 2015 | 870.8 | 64.90 | | 30.00 | 0.33 | 2.00 | 2.77 |
| | 2016 | 852.7 | 64.84 | | 30.00 | 0.34 | 2.00 | 2.83 |
| | 2017 | 834.8 | 64.77 | | 30.00 | 0.34 | 2.00 | 2.89 |
| | 2018 | 826.8 | 64.74 | | 30.00 | 0.35 | 2.00 | 2.92 |
| | 2019 | 818.8 | 64.70 | | 30.00 | 0.35 | 2.00 | 2.95 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| Germany | 2015 | 4,912.8 | 62.00 | 7.00 | 30.00 | | 1.00 | |
| | 2016 | 4,880.5 | 62.00 | 7.00 | 30.00 | | 1.00 | |
| | 2017 | 4,848.1 | 62.00 | 7.00 | 30.00 | | 1.00 | |
| | 2018 | 4,820.3 | 62.00 | 7.00 | 30.00 | | 1.00 | |

| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 4,792.6 | 62.00 | 7.00 | 30.00 | | 1.00 | |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| | 2015 | 114.4 | 66.00 | | 30.00 | | 0.30 | 3.70 |
| | 2016 | 114.6 | 66.00 | | 30.00 | | 0.30 | 3.70 |
| Estonia[c] | 2017 | 123.7 | 66.30 | | 30.00 | | 0.30 | 3.40 |
| | 2018 | 133.9 | 66.50 | | 30.00 | | 0.30 | 3.20 |
| | 2019 | 144.0 | 66.80 | | 30.00 | | 0.30 | 2.90 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| | 2015 | 1,215.0 | 67.80 | | 30.00 | | 2.00 | 0.20 |
| | 2016 | 1,213.5 | 67.80 | | 30.00 | | 2.00 | 0.20 |
| Ireland | 2017 | 1,211.9 | 67.80 | | 30.00 | | 2.00 | 0.20 |
| | 2018 | 1,211.5 | 67.80 | | 30.00 | | 2.00 | 0.20 |
| | 2019 | 1,211.1 | 67.80 | | 30.00 | | 2.00 | 0.20 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| | 2015 | 1,922.0 | 60.64 | | 30.00 | | 2.00 | 7.36 |
| | 2016 | 1,899.2 | 60.19 | | 30.00 | | 2.00 | 7.82 |
| Greece | 2017 | 1,876.3 | 60.01 | | 30.00 | | 2.00 | 7.99 |
| | 2018 | 1,855.5 | 60.01 | | 30.00 | | 2.00 | 7.99 |
| | 2019 | 1,834.6 | 60.01 | | 30.00 | | 2.00 | 7.99 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| | 2015 | 4,842.7 | 55.92 | | 30.00 | | 2.00 | 12.08 |
| | 2016 | 4,851.7 | 55.92 | | 30.00 | | 2.00 | 12,08 |
| Spain | 2017 | 4.866.7 | 55.92 | | 30.00 | | 2.00 | 12.08 |
| | 2018 | 4,880.0 | 55.92 | | 30.00 | | 2.00 | 12.08 |
| | 2019 | 4,893.4 | 55.92 | | 30.00 | | 2.00 | 12.08 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| | 2015 | 7,302.1 | 49.00 | 5.01 | 30.00 | | 1.00 | 15.00 |
| | 2016 | 7,270.7 | 44.00 | 10.00 | 30.00 | | 1.00 | 15.00 |
| France | 2017 | 7,239.0 | 44.00 | 15.00 | 30.00 | | 1.00 | 15.00 |
| | 2018 | 7,214.3 | 34.00 | 20.00 | 30.00 | | 1.00 | 15.00 |
| | 2019 | 7,189.5 | 34.00 | 20.00 | 30.00 | | 1.00 | 15.00 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| | 2015 | 183.0 | 43.00 | 10.00 | 30.00 | | 2.00 | 15.00 |
| Croatia | 2016 | 202.1 | 43.00 | 10.00 | 30.00 | | 2.00 | 15.00 |
| | 2017 | 240.1 | 43.00 | 10.00 | 30.00 | | 2.00 | 15.00 |
| | 2018 | 278.2 | 43.00 | 10.00 | 30.00 | | 2.00 | 15.00 |

| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 316.2 | 43.00 | 10.00 | 30.00 | | 2.00 | 15.00 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | (%) | | | | | |
| Italy | 2015 | 3,902.0 | 58.00 | | 30.00 | | 1.00 | 11.00 |
| | 2016 | 3,850.8 | 58.00 | | 30.00 | | 1.00 | 11.00 |
| | 2017 | 3,799.5 | 58.00 | | 30.00 | | 1.00 | 11.00 |
| | 2018 | 3,751.9 | 58.00 | | 30.00 | | 1.00 | 11.00 |
| | 2019 | 3,704.3 | 58.00 | | 30.00 | | 1.00 | 11.00 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | (%) | | | | | |
| Cyprus[c] | 2015 | 50.8 | 61.12 | | 30.00 | | 1.00 | 7.88 |
| | 2016 | 50.2 | 61.04 | | 30.00 | | 1.00 | 7.96 |
| | 2017 | 49.7 | 61.00 | | 30.00 | | 1.00 | 8.00 |
| | 2018 | 49.2 | 61.00 | | 30.00 | | 1.00 | 8.00 |
| | 2019 | 48.6 | 61.00 | | 30.00 | | 1.00 | 8.00 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | (%) | | | | | |
| Latvia[c] | 2015 | 181.0 | 53.50 | | 30.00 | | 1.50 | 15.00 |
| | 2016 | 205.7 | 53.69 | | 30.00 | | 1.31 | 15.00 |
| | 2017 | 230.4 | 53.83 | | 30.00 | | 1.17 | 15.00 |
| | 2018 | 255.3 | 53.94 | | 30.00 | | 1.06 | 15.00 |
| | 2019 | 280.2 | 54.04 | | 30.00 | | 0.96 | 15.00 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | (%) | | | | | |
| Lithuania[c] | 2015 | 417.9 | 38.25 | 15.00 | 30.00 | | 1.75 | 15.00 |
| | 2016 | 442.5 | 38.25 | 15.00 | 30.00 | | 1.75 | 15.00 |
| | 2017 | 467.1 | 38.25 | 15.00 | 30.00 | | 1.75 | 15.00 |
| | 2018 | 492.0 | 38.25 | 15.00 | 30.00 | | 1.75 | 15.00 |
| | 2019 | 517.0 | 38.25 | 15.00 | 30.00 | | 1.75 | 15.00 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | (%) | | | | | |
| Luxembourg | 2015 | 33.6 | 68.02 | | 30.00 | | 1.50 | 0.48 |
| | 2016 | 33.5 | 68.02 | | 30.00 | | 1.50 | 0.48 |
| | 2017 | 33.5 | 68.02 | | 30.00 | | 1.50 | 0.48 |
| | 2018 | 33.5 | 68.02 | | 30.00 | | 1.50 | 0.48 |
| | 2019 | 33.4 | 68.02 | | 30.00 | | 1.50 | 0.48 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | (%) | | | | | |
| Hungary[c] | 2015 | 1,345.7 | 54.38 | | 30.00 | | 0.62 | 15.00 |
| | 2016 | 1,344.5 | 54.38 | | 30.00 | | 0.62 | 15.00 |
| | 2017 | 1,343.1 | 54.38 | | 30.00 | | 0.62 | 15.00 |
| | 2018 | 1,343.0 | 54.38 | | 30.00 | | 0.62 | 15.00 |

| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 1,342.9 | 54.38 | | 30.00 | | 0.62 | 15.00 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | (%) | | | | | |
| Malta | 2015 | 5.2 | 12.36 | | 30.00 | | 0.40 | 57.24 |
| | 2016 | 5.2 | 12.36 | | 30.00 | | 0.40 | 57.24 |
| | 2017 | 5.2 | 12.37 | | 30.00 | | 0.40 | 57.23 |
| | 2018 | 5.2 | 12.38 | | 30.00 | | 0.40 | 57.22 |
| | 2019 | 5.2 | 12.39 | | 30.00 | | 0.40 | 57.21 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | (%) | | | | | |
| Netherlands | 2015 | 749.3 | 67.53 | | 30.00 | | 2.00 | 0.47 |
| | 2016 | 736.8 | 67.53 | | 30.00 | | 2.00 | 0.48 |
| | 2017 | 724.3 | 67.52 | | 30.00 | | 2.00 | 0.48 |
| | 2018 | 712.6 | 67.51 | | 30.00 | | 2.00 | 0.49 |
| | 2019 | 700.9 | 67.50 | | 30.00 | | 2.00 | 0.50 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | (%) | | | | | |
| Austria | 2015 | 693.1 | 66.08 | | 30.00 | | 2.00 | 1.92 |
| | 2016 | 692.4 | 66.08 | | 30.00 | | 2.00 | 1.92 |
| | 2017 | 691.8 | 66.08 | | 30.00 | | 2.00 | 1.92 |
| | 2018 | 691.7 | 66.08 | | 30.00 | | 2.00 | 1.92 |
| | 2019 | 691.7 | 66.08 | | 30.00 | | 2.00 | 1.92 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | (%) | | | | | |
| Poland[c] | 2015 | 3,378.6 | 44.70 | 8.30 | 30.00 | | 2.00 | 15.00 |
| | 2016 | 3,395.3 | 44.70 | 8.30 | 30.00 | | 2.00 | 15.00 |
| | 2017 | 3,411.9 | 44.70 | 8.30 | 30.00 | | 2.00 | 15.00 |
| | 2018 | 3,431.2 | 44.70 | 8.30 | 30.00 | | 2.00 | 15.00 |
| | 2019 | 3,450.5 | 44.70 | 8.30 | 30.00 | | 2.00 | 15.00 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | (%) | | | | | |
| Portugal | 2015 | 565.9 | 47.23 | | 30.00 | | 2.00 | 20.77 |
| | 2016 | 574.0 | 47.52 | | 30.00 | | 2.00 | 20.48 |
| | 2017 | 582.1 | 47.81 | | 30.00 | | 2.00 | 20.19 |
| | 2018 | 590.7 | 48.10 | | 30.00 | | 2.00 | 19.90 |
| | 2019 | 599.4 | 48.39 | | 30.00 | | 2.00 | 19.61 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | (%) | | | | | |
| Romania[bc] | 2015 | 1,600.0 | 47.00 | 5.3 – 5.9 | 30.00 | | 2.00 | 13.7 – 14.9 |
| | 2016 | 1,772.5 | 47.00 | 5.3 – 5.9 | 30.00 | | 2.00 | 13.7 – 14.9 |
| | 2017 | 1,801.3 | 47.00 | 5.3 – 5.9 | 30.00 | | 2.00 | 13.7 – 14.9 |
| | 2018 | 1,872.8 | 47.00 | 5.3 – 5.9 | 30.00 | | 2.00 | 13.7 – 14.9 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 1,903.2 | 47.00 | 5.3 – 5.9 | 30.00 | | 2.00 | 13.7 – 14.9 |
| | Years | National ceilings[a] | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| Slovenia | 2015 | 138.0 | 54.00 | | 30.00 | | 1.00 | 15.00 |
| | 2016 | 137.0 | 54.00 | | 30.00 | | 1.00 | 15.00 |
| | 2017 | 136.0 | 54.00 | | 30.00 | | 1.00 | 15.00 |
| | 2018 | 135.1 | 54.00 | | 30.00 | | 1.00 | 15.00 |
| | 2019 | 134.3 | 54.00 | | 30.00 | | 1.00 | 15.00 |
| | Years | National ceilings | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| Slovakia[c] | 2015 | 438.3 | 56.00 | | 30.00 | | 1.00 | 13.00 |
| | 2016 | 441.5 | 56.00 | | 30.00 | | 1.00 | 13.00 |
| | 2017 | 444.6 | 56.00 | | 30.00 | | 1.00 | 13.00 |
| | 2018 | 448.2 | 56.00 | | 30.00 | | 1.00 | 13.00 |
| | 2019 | 451.7 | 56.00 | | 30.00 | | 1.00 | 13.00 |
| | Years | National ceilings | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| Finland | 2015 | 523.3 | 49.00 | | 30.00 | | 1.00 | 20.00 |
| | 2016 | 523.4 | 49.40 | | 30.00 | | 1.00 | 19.60 |
| | 2017 | 523.5 | 49.80 | | 30.00 | | 1.00 | 19.20 |
| | 2018 | 524.1 | 50.20 | | 30.00 | | 1.00 | 18.80 |
| | 2019 | 524.6 | 50.60 | | 30.00 | | 1.00 | 18.40 |
| | Years | National ceilings | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| Sweden | 2015 | 696.9 | 55.00 | | 30.00 | | 2.00 | 13.00 |
| | 2016 | 697.3 | 55.00 | | 30.00 | | 2.00 | 13.00 |
| | 2017 | 697.7 | 55.00 | | 30.00 | | 2.00 | 13.00 |
| | 2018 | 698.7 | 55.00 | | 30.00 | | 2.00 | 13.00 |
| | 2019 | 699.8 | 55.00 | | 30.00 | | 2.00 | 13.00 |
| | Years | National ceilings | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| United Kingdom (England) | 2015 | 2,050.0 | 68.00 | | 30.00 | | 2.00 | |
| | 2016 | 2,054.0 | 68.00 | | 30.00 | | 2.00 | |
| | 2017 | 2,059.0 | 68.00 | | 30.00 | | 2.00 | |
| | 2018 | 1,994.0 | 68.00 | | 30.00 | | 2.00 | |
| | 2019 | 2,000.0 | 68.00 | | 30.00 | | 2.00 | |
| | Years | National ceilings | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| United Kingdom (Wales) | 2015 | 271.0 | 68.00 | | 30.00 | | 2.00 | |
| | 2016 | 271.0 | 68.00 | | 30.00 | | 2.00 | |
| | 2017 | 272.0 | 68.00 | | 30.00 | | 2.00 | |
| | 2018 | 273.0 | 68.00 | | 30.00 | | 2.00 | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 274.0 | 68.00 | | 30.00 | | 2.00 | |
| | Years | National ceilings | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| United Kingdom (Scotland) | 2015 | 526.0 | 59.75 | | 30.00 | | 0.25 | 10.00 |
| | 2016 | 527.0 | 59.75 | | 30.00 | | 0.25 | 10.00 |
| | 2017 | 528.0 | 59.75 | | 30.00 | | 0.25 | 10.00 |
| | 2018 | 530.0 | 59.75 | | 30.00 | | 0.25 | 10.00 |
| | 2019 | 531.0 | 59.75 | | 30.00 | | 0.25 | 10.00 |
| | Years | National ceilings | Basic payment or SAPS | Redistributive payment (max 30%) | Green payment | Payment for areas with natural constraints | Payment for young farmers | Coupled support |
| | | (million Euro) | | | (%) | | | |
| United Kingdom (Northern Ireland) | 2015 | 326.0 | 68.00 | | 30.00 | | 2.00 | |
| | 2016 | 327.0 | 68.00 | | 30.00 | | 2.00 | |
| | 2017 | 327.0 | 68.00 | | 30.00 | | 2.00 | |
| | 2018 | 328.0 | 68.00 | | 30.00 | | 2.00 | |
| | 2019 | 329.0 | 68.00 | | 30.00 | | 2.00 | |

a = Net of amounts resulting from flexibility between pillars (Annex II, Regulation (EU) n. 1378/2014 amending Annex II, Regulation (EU) n. 1307/2013).
b = 2015 national ceiling from annex V, Regulation (EU) n. 1307/2013.
c =Member States applying SAPS
Source: Own elaborations based on information collected by Member States, European Commission 2015a, COPA-COGECA 2015; Regulation (EU) n. 1307/2013 and Regulation (EU) n. 1378/2014.

Eight Member States decided to implement the redistributive annual payment: Belgium (only for Wallonia), Bulgaria, Germany, France, Croatia, Lithuania, Poland and Romania. No Member State will apply the maximum percentage allowed (30 %), ranging from 5 % for France to 17 % for Wallonia (2015). In some cases, the percentage varies over time, decreasing (though slightly) in Bulgaria and increasing in France, where 20 % could be reached by 2018 as a result of a scheduled evaluation of the application of the measure.

Payment for areas with natural constraints will only be implemented by Denmark, with a percentage of 0.3 %.

With regards to the support for young farmers (mandatory in Pillar I in addition to the basic payment), 14 Member States chose to allocate the maximum percentage of support (2 %). The rest chose a percentage ranging from a minimum of 0.25 % in Scotland to a maximum of 1.8 % in Wallonia.

Almost all of the 28 Member States decided to implement the voluntary coupled support, one of the optional components of the new system of direct payments. The case of Malta is particularly striking, as no less than 60 % of the resources are devoted to the voluntary coupled support. Moreover, it turns out that, overall, the support of this measure at EU level is channelled primarily to the beef sector.

### 1.3.2. Implementation of flexibility between pillars

Flexibility between pillars denotes the option for Member States to shift their own financial resources between CAP pillars. This tool may be used either to strengthen the rural development policy or to increase direct support to the agricultural sector. As described above (section 1.2.3.1.), all Member States have had the possibility to fix, within thresholds, a percentage of the national ceilings to transfer from one pillar to the other. This section highlights the national choices with regard to, and provides a quantitative analysis of, flexibility between pillars.

The possibility of shifting funds between pillars is not completely new to the EU agricultural policy. The CAP already had mechanisms to transfer resources from the direct payments ceiling to support relating to rural development. The most important of these was the so-called modulation: a system for the progressive reduction of direct payments, introduced in order to achieve a better balance between policy tools designed to promote sustainable agriculture and those designed to promote rural development. The Fischler reform (Regulation (EC) 1782/2003) introduced this system on a compulsory, Community-wide basis (Agenda 2000 had established modulation on a voluntary basis). The modulation system originally foresaw a reduction each year of all direct payments above a certain limit (EUR 5 000). The percentage to be reduced increased over time, rising from 3 % in 2005 to 10% in 2013 (or 14 % for amounts exceeding EUR 300 000). The savings made were used to finance measures under rural development. The modulation system was not applied in the new Member States until they had been phased in.

As for transfers in the opposite direction, the possibility of shifting funds from rural development to direct payments, introduced with the flexibility tool, is a new element. Fully in line with the logic of current reform, it increases the range of the strategic choices at the disposal of the Member States.

Flexibility between pillars, being an optional tool, shows two interesting aspects: a wider application throughout the EU, when compared against the other voluntary, pre-existing modulation system, yet with a lower amount of resources transferred, when compared with against the total modulation. Indeed, while the voluntary modulation was only implemented in the UK, flexibility in favour of rural development had been activated by 11 Member States. It should be taken into account that the voluntary modulation was supplement to the compulsory system, and the latter had a larger impact than the one foreseen by means of degressivity. However, a comparison of the total amounts shifted through the flexibility mechanism and those shifted through the whole modulation highlights a reduction in the resources transferred to rural development. Indeed, the savings made by means of modulation (compulsory and voluntary) amounted to EUR 2 955 million in current prices in 2013, while the flexibility tool will account for a transfer of EUR 1 132 million Euro in current prices in 2019 (-62%).

The flexibility tool, regardless of the destination fund of the resources transferred (EAFRD or EAGF), has been chosen by 16 Member States. As mentioned above, 11 Member States have decided to move financial resources from Pillar I to Pillar II (Flanders, Czech Republic, Denmark, Germany, Estonia, Greece, France, Latvia, Netherlands, Romania and United Kingdom excluding Northern Ireland), while 5 Member States will move resources from Pillar II to Pillar I (Croatia, Hungary, Malta, Poland and Slovakia) (Map 1.1). In the former group, the implementing countries are both "old" and "new" Member States (8 and 3 respectively), while in the latter, only "new" Member States activated this tool.

Not all Member States have declared how they intend to use the transferred funds. Among Member States moving from Pillar I to Pillar II, Greece will use the additional resources for areas with natural constraints, Estonia will use part of the funds for financing the measure “Development of small agricultural enterprises” (i.e. enterprises with annual sale revenues totalling EUR 4 000-14 000), whereas in Germany there is a political commitment to use the resources to support organic farming, grassland areas and less-favoured areas, to improve animal husbandry and animal welfare, and to favour agri-environmental-climate measures.

Flexibility transfers from Pillar I to Pillar II will increase over the six year period of implementation of this measure (2014-2019). In particular, the tool transferred about EUR 622 in 2014 and will transfer a EUR 1 132 million in 2019. (Such resources will not be co-financed by national funds within the rural development programmes).

In the opposite direction, transfers from Pillar II to Pillar I, the amount shifted in 2014 is EUR 499 million and will be about EUR 570 million in 2019. Considering the EU as a whole, rural development will benefit from extra financial resources to a value of about EUR 3 billion in the period 2014-2019.

Table 1.8: Financial resources involved in the flexibility between pillars (EUR million; current prices)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | TOTAL |
|---|---|---|---|---|---|---|---|
| Flexibility from Pillar I to Pillar II | 622,0 | 1.138,1 | 1.174,7 | 1.184,3 | 1.131,3 | 1.132,1 | 6.382,6 |
| Flexibility from Pillar II to Pillar I | 499,4 | 573,1 | 572,4 | 571,8 | 571,2 | 570,4 | 3.358,2 |
| *Net resources transferred to Pillar II* | *122,6* | *565,1* | *602,3* | *612,4* | *560,1* | *561,8* | *3.024,3* |

The national choices regarding the transfers between pillars are summarized in Tables 1.9 and 1.10 below.

Focusing on flexibility to the benefit of rural development, the Member States with the highest shares of resources shifted are the United Kingdom (accounting for 26 % of all such transfers in the EU), France (20 %) and Germany (18 %). At national level, the Member States with the highest share of funds calculated on the fund of origin are Wales (shifting an average of 15 % of its ceiling for Pillar I), England (12 %) and Estonia (13,4 %), while those with the highest share calculated on the fund of destination of the resources are England (shifting 130 % of the rural development ceiling), Wales (95 %), Scotland (81 %), Denmark (64 %) and Belgium-Flanders (47 %).

Map 1.1: Overview of Member States' implementation of flexibility between pillars

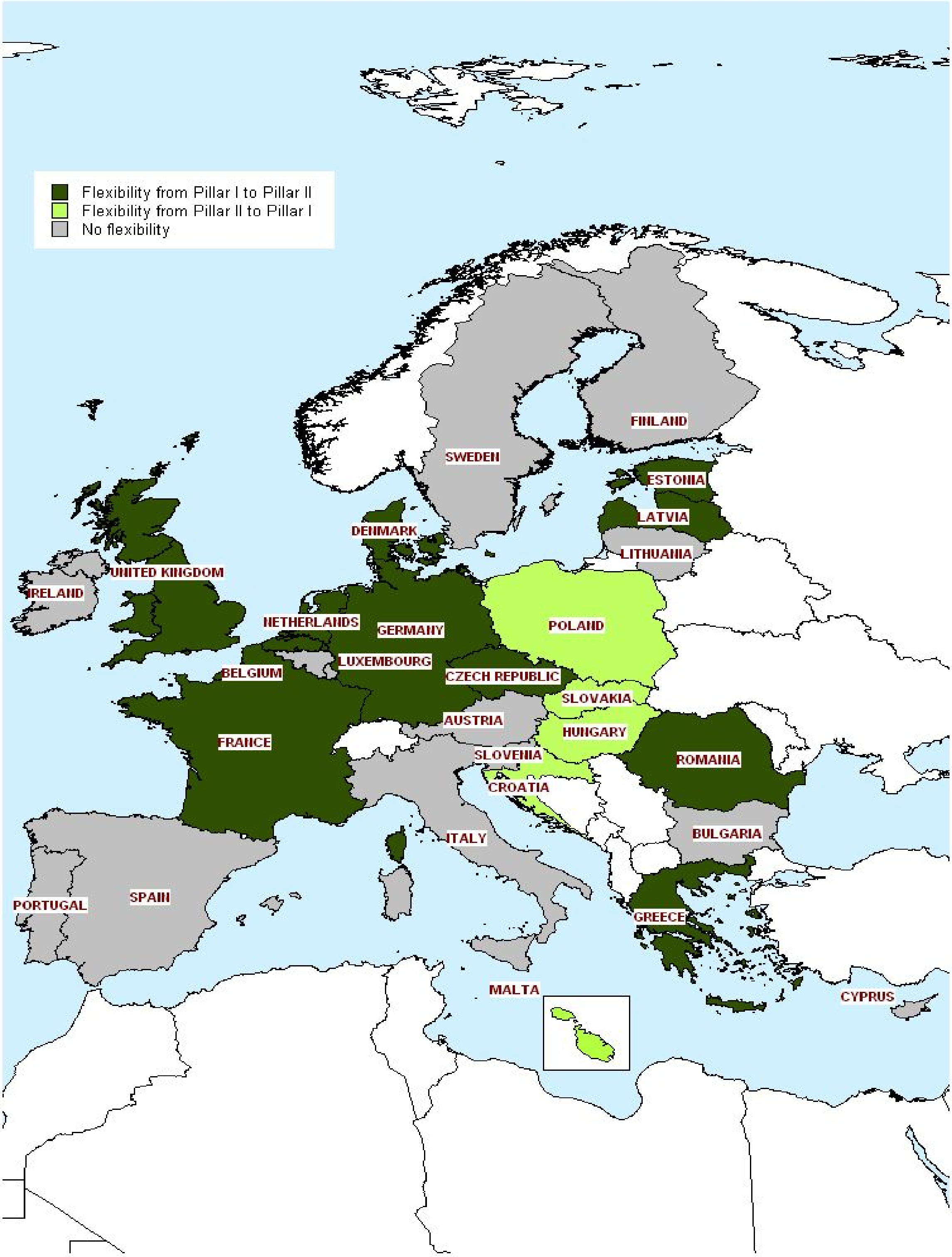


Table 1.9: Flexibility from Pillar I to Pillar II (current prices)

| Calendar year | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|---|---|---|---|---|---|---|---|---|
| Belgium (Flanders) | amount Mio€ | | 12,4 | 18,4 | 18,1 | 23,8 | 23,4 | 96,1 |
| | % of transfer on P1 | | 5,0% | 7,5% | 7,5% | 10,0% | 10,0% | 8,0% |
| | % of transfer on P2 | | 30,3% | 44,6% | 43,9% | 57,5% | 56,6% | 46,6% |
| Czech Republic | amount Mio€ | | 29,7 | 29,7 | 29,7 | 11,3 | 11,3 | 111,7 |
| | % of transfer on P1 | | 3,4% | 3,4% | 3,4% | 1,3% | 1,3% | 2,6% |
| | % of transfer on P2 | | 9,5% | 9,6% | 9,6% | 3,7% | 3,7% | 7,2% |
| Denmark | amount Mio€ | | 45,8 | 54,4 | 62,8 | 62,2 | 61,6 | 286,8 |
| | % of transfer on P1 | | 5,0% | 6,0% | 7,0% | 7,0% | 7,0% | 6,4% |
| | % of transfer on P2 | | 50,9% | 60,5% | 70,0% | 69,4% | 68,9% | 63,9% |
| Germany | amount Mio€ | | 231,5 | 230,0 | 228,4 | 227,1 | 225,8 | 1.142,8 |
| | % of transfer on P1 | | 4,5% | 4,5% | 4,5% | 4,5% | 4,5% | 4,5% |
| | % of transfer on P2 | | 19,7% | 19,6% | 19,5% | 19,4% | 19,3% | 19,5% |
| Estonia | amount Mio€ | | 7,5 | 19,1 | 21,8 | 23,5 | 25,4 | 97,3 |
| | % of transfer on P1 | | 6,15% | 14,31% | 14,98% | 14,93% | 15,00% | 13,4% |
| | % of transfer on P2 | | 7,23% | 18,46% | 21,02% | 22,65% | 24,48% | 18,77% |
| Greece | amount Mio€ | | 102,0 | 100,8 | 99,6 | 98,5 | 97,4 | 498,3 |
| | % of transfer on P1 | | 5,0% | 5,0% | 5,0% | 5,0% | 5,0% | 5,0% |
| | % of transfer on P2 | | 17,0% | 16,8% | 16,6% | 16,5% | 16,3% | 16,6% |
| France | amount Mio€ | 227,6 | 251,5 | 250,5 | 249,4 | 248,5 | 247,7 | 1.247,6 |
| | % of transfer on P1 | 3,0% | 3,3% | 3,3% | 3,3% | 3,3% | 3,3% | 3,3% |
| | % of transfer on P2 | 16,2% | 17,9% | 17,7% | 17,6% | 17,5% | 17,4% | 17,3% |
| Latvia | amount Mio€ | 12,6 | 14,7 | 16,7 | 18,8 | 20,9 | 23,0 | 94,1 |
| | % of transfer on P1 | 7,46% | 7,46% | 7,46% | 7,46% | 7,46% | 7,46% | 7,46% |
| | % of transfer on P2 | 9,11% | 10,60% | 12,07% | 13,55% | 15,07% | 16,60% | 12,84% |
| Netherlands | amount Mio€ | | 31,5 | 31,5 | 31,5 | 31,5 | 31,5 | 157,5 |
| | % of transfer on P1 | | 4,03% | 4,10% | 4,17% | 4,23% | 4,30% | 4,2% |
| | % of transfer on P2 | | 36,3% | 36,3% | 36,4% | 36,4% | 36,5% | 36,4% |
| Romania | amount Mio€ | | 29,9 | 41,3 | 41,1 | | | 112,3 |
| | % of transfer on P1 | | 1,83% | 2,28% | 2,23% | | | 2,1% |
| | % of transfer on P2 | | 2,61% | 3,61% | 3,59% | | | 3,3% |
| United Kingdom (England) | amount Mio€ | 279,0 | 279,6 | 280,2 | 280,7 | 281,6 | 282,4 | 1.683,5 |
| | % of transfer on P1 | 12,0% | 12,0% | 12,0% | 12,0% | 12,0% | 12,0% | 12,00% |
| | % of transfer on P2 | 128,01% | 128,38% | 128,88% | 129,40% | 130,16% | 130,72% | 129,26% |
| United Kingdom (Walles) | amount Mio€ | 47,7 | 47,8 | 47,9 | 48,0 | 48,1 | 48,3 | |
| | % of transfer on P1 | 15,0% | 15,0% | 15,0% | 15,0% | 15,0% | 15,0% | 15,00% |
| | % of transfer on P2 | 94,32% | 93,80% | 93,74% | 94,12% | 96,05% | 96,63% | 94,77% |
| United Kingdom (Scotland) | amount Mio€ | 55,1 | 55,2 | 55,3 | 55,4 | 55,6 | 55,8 | |
| | % of transfer on P1 | 9,5% | 9,5% | 9,5% | 9,5% | 9,5% | 9,5% | 9,50% |
| | % of transfer on P2 | 79,85% | 81,35% | 81,51% | 82,07% | 81,63% | 81,98% | 81,39% |
| **TOTAL** | amount Mio€ | 622,0 | 1.139,1 | 1.175,8 | 1.185,3 | 1.132,6 | 1.133,6 | 6.388,4 |
| | % of transfer on P1 | 1,5% | 2,7% | 2,8% | 2,8% | 2,7% | 2,7% | 2,5% |
| | % of transfer on P2 | 4,6% | 8,4% | 8,6% | 8,7% | 8,3% | 8,3% | 7,8% |

Source: Own elaborations on Regulation (EU) n. 1307/2013; Regulation (EU) n. 1305/2013; Regulation (EU) n. 1378/2014

Focusing on flexibility in favour of direct payments, the highest amount of resources shifted is for Poland, which accounted for 70 % of all such transfers in the EU.

At national level, the Member States with the highest share of funds calculated on the fund of origin is Slovakia (shifting an average of 21 % of its ceiling for Pillar II), followed by Croatia and Hungary (each shifting 15 %); at the opposite end, the Member States with the highest share calculated on the fund of destination are Croatia (28 %), Slovakia (15 %) and Poland (13 %).

Table 1.10: Flexibility from Pillar II to Pillar I (current prices)

| Calendar year | | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Total |
|---|---|---|---|---|---|---|---|---|
| Croatia | amount Mio€ | 49,83 | 49,83 | 49,83 | 49,83 | 49,83 | 49,83 | 298,98 |
| | % of transfer on P1 | 44% | 38% | 33% | 27% | 22% | 19% | 28% |
| | % of transfer on P2 | 15% | 15% | 15% | 15% | 15% | 15% | 15% |
| Hungary | amount Mio€ | | 74,15 | 74,05 | 73,95 | 73,84 | 73,71 | 369,70 |
| | % of transfer on P1 | | 6% | 6% | 6% | 6% | 6% | 6% |
| | % of transfer on P2 | | 15% | 15% | 15% | 15% | 15% | 15% |
| Malta | amount Mio€ | | 0,11 | 0,23 | 0,34 | 0,45 | 0,55 | 1,68 |
| | % of transfer on P1 | | 2,2% | 4,5% | 6,9% | 9,3% | 11,8% | 6,8% |
| | % of transfer on P2 | | 0,80% | 1,59% | 2,37% | 3,11% | 3,84% | 2,4% |
| Poland | amount Mio€ | 391,86 | 391,34 | 390,80 | 390,25 | 389,68 | 388,99 | 2.342,92 |
| | % of transfer on P1 | 13,2% | 13,1% | 13,0% | 12,9% | 12,8% | 12,7% | 13,0% |
| | % of transfer on P2 | 25% | 25% | 25% | 25% | 25% | 25% | 25% |
| Slovakia | amount Mio€ | 57,70 | 57,62 | 57,54 | 57,46 | 57,37 | 57,27 | 344,96 |
| | % of transfer on P1 | 15,29% | 15,14% | 14,99% | 14,84% | 14,68% | 14,52% | 14,91% |
| | % of transfer on P2 | 21,31% | 21,31% | 21,31% | 21,31% | 21,31% | 21,31% | 21,31% |
| **TOTAL (% EU-28)** | amount Mio€ | 499,39 | 573,05 | 572,45 | 571,83 | 571,17 | 570,35 | 3.358,24 |
| | % of transfer on P1 | 1,2% | 1,4% | 1,4% | 1,4% | 1,4% | 1,4% | 1,3% |
| | % of transfer on P2 | 3,7% | 4,2% | 4,2% | 4,2% | 4,2% | 4,2% | 3,5% |

Source: Own elaborations on Regulation (EU) n. 1307/2013; Regulation (EU) n. 1305/2013; Regulation (EU) n. 1378/2014.

### 1.3.3. Implementation of active farmers and minimum requirements

The Member States show a heterogeneous use of the active farmer rules (Table 1.11). Indeed, only eight countries have extended the negative list. In some cases (Italy, Netherlands, Bulgaria and Malta), governmental organisations at various territorial levels have been excluded from the list of potential recipients of direct payments. However, while Malta has excluded all governmental entities involved in agricultural activity, in Italy public agencies engaged in training and/or experimentation on agricultural topics are not excluded. Also excluded are persons with functions in banking/financial brokering and/or commercial brokering and insurances (Italy), persons engaged in sporting estates (Scotland), persons engaged in forestry only (Estonia) and mining businesses (Germany).

With regards to the threshold for being considered "active farmer by definition", the situation is more complex. In fact, some countries (Wallonia, Flanders, France, Lithuania and Malta) have lowered the threshold set by the regulation, but did not add economic or professional requirements, meaning that, in order to be considered "active farmers" and receive the direct payments that follow, farmers need only comply with the minimum activity and other requirements. The thresholds set in Luxembourg (EUR 100) and France (EUR 200) are the same as those for receiving direct payments. In Bulgaria and Denmark the threshold corresponds to the average size of the utilised agricultural area of the holding. In other cases, the threshold is accompanied by additional requirements for holdings to be considered active. This is the case for Greece, Ireland, Italy (which has introduced two separate thresholds, a higher one for farms located in mountain areas, and a lower one for the remaining farms), Slovakia, Slovenia, Spain, England, Estonia and Romania. The Netherlands, finally, seems to have chosen the most stringent conditions for being considered active (a threshold of EUR 1 and the registration of the agricultural activity in the official business register, implying a minimum annual turnover of EUR 10 000; it is expected, however, that the number of historical beneficiaries of direct payments that will not be able to enter the business register will be negligible).

Finally, with regard to the minimum requirements for receiving direct payments, only Greece has opted for both the physical and financial threshold to be respected at the same time. Seven countries have decided to use a financial threshold above EUR 100 (the minimum fixed in Article 10 of Regulation (EU) 1307/2010): Spain, Flanders, France, Italy, the Netherlands, Poland and Finland. Austria, all UK regions, Sweden and Denmark have raised the physical threshold; among these, however, Austria has also increased the financial threshold to be respected, though only with regard to animal-related coupled support. All other countries have lowered the thresholds or maintained those indicated in the regulation.

Table 1.11: Active farmers and minimum requirements in Member States

| | Active farmer | | | Minimum requirements for receiving DP |
|---|---|---|---|---|
| Member States | Threshold: 5,000 Euro or below | Additional economic/professional requirements | National negative list | |
| Greece | 5,000 Euro | Yes | No | Both physical (0.4 ha) and financial (250 Euro) thresholds have to be respected; financial threshold in case of animal-related coupled support only. Not applied to the smaller Aegean islands |
| Austria | 1,250 Euro | No | No | Physical threshold (1.5 ha); financial threshold (150 Euro) in case of animal-related coupled support only |
| Belgium (Flanders) | 0 Euro (to be considered active farmer need comply only with the minimum activity) | No | No | Financial threshold (400 Euro) |
| Belgium (Wallonia) | 350 Euro | No | No | Financial threshold (100 Euro) |
| Croatia | 5,000 Euro | No | No | Physical threshold (1 ha); financial threshold (100 Euro) in case of animal-related coupled support only |
| Cyprus | 5,000 Euro | No | No | Physical threshold (0.3 ha); financial threshold (100 Euro) in case of animal-related coupled support only |
| Finland | 5,000 Euro | No | No | Financial threshold (200 Euro) |
| France | 200 Euro | No | No | Financial threshold (200 Euro) |
| Hungary | 5,000 Euro | No | No | Physical threshold (1 ha); financial threshold (100 Euro) in case of animal-related coupled support only |
| Ireland | 5,000 Euro | No | No | Financial threshold (100 Euro) |
| Italy | 5,000 Euro for farms with more than 50% of the agricultural land located in disadvantaged or mountain areas; 1,250 Euro for other farms | Yes | Yes, Natural or legal persons with functions of banking/financial brokering and/or commercial brokering<br>- Companies, cooperatives and mutual insurances with functions of insurances and re-insurances<br>- Public administrations, with exception of public bodies with functions of training/experimentation on agricultural topics and public bodies with civic uses | Financial threshold (250 Euro in 2015 and 2016; 300 Euro from 2017) |

| | | | | |
|---|---|---|---|---|
| Lithuania | 500 Euro | No | No | Physical threshold (1 ha) or below for farmers with animal-related coupled support |
| Luxembourg | 100 Euro | No | No | Financial threshold (100 Euro) |
| Slovakia | 2,000 Euro | Yes | No | Physical threshold (1 ha) |
| Slovenia | 5,000 Euro | Yes | No | Physical threshold (1 ha) or financial threshold (100 Euro) in case of animal-related coupled support only |
| Spain | 1,250 Euro | Yes | No | Financial threshold (100 Euro in 2015, 200 Euro in 2016, 300 Euro in 2017) |
| Netherlands | 1 Euro | Yes | Yes, a) National or regional governmental organizations, which are public bodies specified in the Civil code; b) Organizations linked/related to the organizations mentioned under a) | Financial threshold (500 Euro) |
| United Kingdom (England) | 5,000 Euro | Yes | No | Physical threshold (5 ha) |
| United Kingdom (Northern Ireland) | 5,000 Euro | No | No | Physical threshold (3 ha) |
| United Kingdom (Scotland) | 5,000 Euro | No | Yes, Sporting estates | Physical threshold (3 ha); financial threshold (100 Euro) in case of animal-related coupled support only |
| United Kingdom (Wales) | 5,000 Euro | No | No | Physical threshold (5 ha) |
| Latvia | 5,000 Euro | No | No | Physical threshold (1 ha); financial threshold (100 Euro) in case of animal-related coupled support only |
| Estonia | 5,000 Euro | Yes | Yes, persons who are engaged in forestry only | Physical threshold (1 ha), financial threshold (100 Euro) in case of animal-related coupled support only |
| Romania | 5,000 Euro | Yes | Yes, Natural persons or legal entities that administrate construction firms/companies, administrators of state/private forests, prisons, administrative territorial units: communes, municipalities, towns, counties | Physical threshold (1 ha) |
| Sweden | 5,000 Euro | No | No | Physical threshold (4 ha); financial threshold (100 Euro) in case of animal-related coupled support only |
| Denmark | 5,000 Euro | No | No | Physical threshold (2 ha); financial threshold (300 Euro) in case of animal-related coupled support only |
| Bulgaria | 3,000 Euro | No | Yes, Governmental and municipal administrations and divisions of those | Physical threshold (0.5 ha); financial threshold (100 Euro) in case of animal-related coupled support only |
| Germany | 5,000 Euro | N/A | Yes, mining businesses | Physical threshold (1 ha) |
| Czech Republic | 5,000 Euro | N/A | No | Physical threshold (1 ha) |

| | | | | |
|---|---|---|---|---|
| Malta | 250 Euro | No | Yes, all governmental entities involved in an agricultural activity | Physical threshold (0,3 ha) |
| Poland | 5,000 Euro | No | No | Financial threshold (200 Euro) |
| Portugal | 5,000 Euro | No | No | Physical threshold (0,5 ha); financial threshold (100 Euro) in case of animal-related coupled support only. Not applied to the outermost regions |

Source: Own elaborations based on information collected by Member States, European Commission 2015a, COPA-COGECA 2015.

### 1.3.4. Implementation of the basic payment and SAPS

With regard to the implementation of the basic payment, only England, Malta and France (for Corsica only) have decided to reach a national/regional flat-rate payment in 2015 (Table 1.12 and Map 1.2). Another eight countries (Denmark, Germany, the Netherlands, Austria, Finland, Sweden, Scotland and Wales) have decided to postpone the realisation of a flat-rate payment to 2019 (2020 for Sweden). In Austria, it is expected that the unit value of the basic payment will be EUR 195 per entitlement at the end of the process of flattening, amounting to a uniform-area payment of EUR 284 per payment entitlement if the 'greening payment' is included. In the Netherlands, the basic payment should reach a value of EUR 270 per hectare and the 'green payment' a value of EUR 120 per hectare. In Germany, the national flat-rate payment should be equal to EUR 176 per hectare at the end of the period if the 'green payment' is not taken into account.

The ten Member States applying the SAPS in the Fischler reform have decided to continue to apply this scheme until the end of 2020.

The remaining twelve countries – Flanders and Wallonia in Belgium, Spain, France (the mainland excluding Corsica), Croatia, Greece, Italy, Ireland, Luxembourg, Northern Ireland, Portugal and Slovenia – will implement a partial convergence of the unit value of entitlements.

All countries with the exception of eight (Germany, England, Spain, Finland, France, Greece, Scotland and Wales) have decided to apply the basic payment at national level, considering the whole territory as a single region.

Finland has chosen to divide its territory in two regions (AB and C) on the basis of an earlier division in three regions (A, B and C). The ceiling is divided between the new regions given the historical distribution of the Single Payment Scheme among the three previous regions, such that 50.3 % of the basic payment ceiling goes to Region AB and the remaining 49.7 % to Region C.

France distinguishes Corsica from the rest of the country, albeit only for the implementation of the basic payment.

In Greece, three regions have been chosen on the basis of their agronomic characteristics: pasture/grazing land (25% of the basic payment ceiling), arable land/crop land (47 %) and tree crops & vineyards (28 %).

In Spain, 50 regions have been defined on the basis of administrative units represented by the comarcas agrarias grouped in different regions depending on (a) the productive orientation of each hectare in 2013 (dried or irrigated, permanent crop or permanent grassland), (b) the agricultural productive potential of each productive orientation in the comarca based on yields in 2013, and (c) the socio-economic impact of certain production in the comarcas.

In England, three regions have been chosen (moorland, land in Severely Disadvantaged Areas (SDA) other than moorland, and all other land). This division is the same as the one used in the Fischler reform, thanks to which a regional flat-rate payment was achieved in 2012. The direct payment rate for moorland was differentiated from that of the other two regions. Scotland and Wales have also chosen three regions, on the basis of the quality of the agricultural land in the former, and on the basis of the presence of natural constraints in the latter.

Finally, in Germany, where regional flat-rate payments were reached in 2013, the regional implementation will be extended until 2018, entailing the convergence of regional payments with a view to achieving a national flat-rate payment in 2019. Ten Länder qualify as single regions, while the following pairs of Länder have been merged to form single regions: Brandenburg and Berlin; Niedersachsen and Bremen; Schleswig-Holstein and Hamburg. In total 13 regions have been identified.

Of the Member States applying “old” regional payments, only Finland, Sweden and Denmark have decided to keep the existing payment entitlements.

All ten Member States applying SAPS except Cyprus have decided to grant transitional national payments. Cyprus has deferred the decision owing to national budget constraints.[44]

With regards to the twelve countries applying the partial convergence of the basic payment entitlements, only two have opted for a different model than the classical “Irish model” (“60/90 tunnel”). France has opted for a model (for the mainland, excluding Corsica) in which the value of each entitlement will converge in five steps to 70 % of the national average value of payment entitlements in 2019. In Northern Ireland, entitlements initially below the regional average will be increased by 71.4 % of the difference between their initial unit value and the regional average value in 2019. A flat-rate payment will be achieved by 2021 after a seven-year transition period starting in 2015. Only Croatia, Luxembourg, Northern Ireland and Ireland will not apply the maximum decrease of the initial unit value, so that the higher value entitlements may lose more than 30 % of their initial unit value.

Finally, the national/regional reserves range from 0.3 % in Austria to 4 % in Malta.

[44] As regards Poland, at the time of writing of this report no information on this matter is available in official documents or the specialised literature.

Map 1.2: Overview of the implementation of the basic payment and SAPS in Member States


* Sweden flat rate payment in 2020

Table 1.12: Implementation of the basic payment and the SAPS in Member States

| | Keeping the existing payment entitlements (MMSS with old regional model) | Regional or national model | Internal convergence: step and method | | National/ regional reserve of the basic payment | SAPS | |
|---|---|---|---|---|---|---|---|
| | | | Model | Maximum decrease in initial unit value | | Continuation of SAPS | Transitional payments |
| Austria | Not relevant | National | National flat rate payment in 2019 | Not implemented | 0.3% | Not relevant | Not relevant |
| Belgium (Flanders) | Not relevant | Regional (single region) | Partial convergence 60%/90% | 30% | 3% | Not relevant | Not relevant |
| Belgium (Wallonia) | Not relevant | Regional (single region) | Partial convergence 60%/90% | 30% | 2% | Not relevant | Not relevant |
| Croatia | No | National | Partial convergence 60%/100% | Not applied | 3% | Not relevant | Not relevant |
| Cyprus | Not relevant | National | Not relevant | Not relevant | Not relevant | Yes | Decision deferred |
| Finland | Yes | Regional (2 regions) | Regional flat rate payment in 2019 | Not implemented | 0.5% | Not relevant | Not relevant |
| France | Not relevant | Regional (2 regions) (Mainland France and Corsica) | Partial convergence (Mainland France) 60%/100% Regional flat rate payment in 2015 (Corsica) | 30% | N/A | Not relevant | Not relevant |
| Greece | Not relevant | Regional (3 regions) | Partial convergence 60%/90% | 30% | 3% | Not relevant | Not relevant |
| Hungary | Not relevant | Not relevant | Not relevant | Not relevant | Not relevant | Yes | Yes |
| Italy | Not relevant | National | Partial convergence 60%/90% | 30% | 3% | Not relevant | Not relevant |
| Lithuania | Not relevant | Not relevant | Not relevant | not relevant | Not relevant | Yes | No |
| Luxembourg | No | National | Partial convergence 60%/90% | Not applied | 3% | Not relevant | Not relevant |
| Slovakia | Not relevant | Not relevant | Not relevant | Not relevant | 0.93% | Yes | Yes |
| Slovenia | No | National | Partial convergence minimum level 60% | 30% | 1.85% | Not relevant | Not relevant |
| Spain | Not relevant | Regional (50 regions) | Partial convergence 60%/90% | 30% | 3% | Not relevant | Not relevant |
| Netherlands | Not relevant | National | National flat rate payment in 2019 | Not applied | 1% | Not relevant | Not relevant |
| United Kingdom (England) | No | Regional (3 regions) | Regional flat rate payment in 2015 | Not applied | 3% | Not relevant | Not relevant |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| United Kingdom (Northern Ireland) | No | Regional (single region) | Partial convergence<br>Flat rate payment will be achieved by 2021 | Not applied | 3% | Not relevant | Not relevant |
| United Kingdom (Scotland) | Not relevant | Regional (3 regions) | Regional flat rate payment in 2019 | Not applied | N/A | Not relevant | Not relevant |
| United Kingdom (Wales) | Not relevant | Regional (3 regions) | Regional flat rate payment in 2019 | Not applied | N/A | Not relevant | Not relevant |
| Ireland | Not relevant | National | Partial convergence<br>60%/90% | Not applied | 3% | Not relevant | Not relevant |
| Latvia | Not relevant | Not relevant | Not relevant | Not relevant | Not relevant | Yes | Yes |
| Estonia | Not relevant | Not relevant | Not relevant | Not relevant | Not relevant | Yes | No |
| Romania | Not relevant | Not relevant | Not relevant | Not relevant | Not relevant | Yes | Yes |
| Sweden | Yes | National | National flat rate payment in 2020 | Not applied | 3% | Not relevant | Not relevant |
| Denmark | Yes | National | National flat rate payment in 2019 | Not applied | 1.5% | Not relevant | Not relevant |
| Bulgaria | Not relevant | Not relevant | Not relevant | Not relevant | Not relevant | Yes | Yes |
| Germany | No | Regional (13 regions until 2018) | National flat rate payment in 2019<br>(Regional model until 2018) | Not relevant | 3% | Not relevant | Not relevant |
| Czech Republic | Not relevant | Not relevant | Not relevant | Not relevant | | Yes | Yes |
| Malta | Not relevant | National | National flat rate payment in 2015 | Not relevant | 4% | Not relevant | Not relevant |
| Poland | Not relevant | Not relevant | Not relevant | Not relevant | | Yes | N/A |
| Portugal | Not relevant | National | Partial convergence<br>60%/90% | 30% | 2% | Not relevant | Not relevant |

Source: Own elaborations based on information collected by Member States, European Commission 2015a, COPA-COGECA 2015.

### 1.3.5. Implementation of the 'green payment'

The 'green payment' is one of the mandatory components of the decoupled payments to be implemented by the Member States and to be granted to farmers meeting specific requirements. As such, it does not offer a high range of variability in its structure, yet, there is some space for decisions left to each Member State. The 'green payment' is also one of the new tools of the reform that was subject to an intense discussion that involved farmers, politicians, environmentalists and scholars. The main goal of this component of the direct payments is to remunerate some public goods produced by farmers when they comply with specific requirements. The first requirement is the diversification of the arable crops grown on their farms. If the farm has a UAA devoted to arable crops of 10-30 hectares, the farmer must introduce one alternative crop for at least the 25 % of the total UAA area. If the specialised UAA is over 30 hectares, the farmer must introduce two new crops, so that one crop does not exceed 75 % of the total UAA and two crops do not exceed 95 %. A second requirement has to do with the maintenance of pasture, and a third with the selection of 5 % of the farm area to be left un-cropped (Ecological Focus Area – EFA). The EFA can include buffer strips, hedges, specific landscape features and so on.

Despite the mandatory nature of the 'green payments', the Member States have been given some flexibility, in particular the possibility to consider "equivalent practices" to be included in the agri-environmental programmes. If the Commission recognises the equivalency of the practice, the Member State does not need to comply on that matter with the "green requirement". Only a few Members States have embraced this possibility: the Czech Republic, France, Ireland, Italy, the Netherlands, Austria and Poland (Table 1.13).

Other issues that have been left to the Member States to decide on are the level of application of the 'green payments' (individual or flat; Article 43.9 of Regulation (EU) No 1307/2013), and whether to apply it at national or regional level (Article 47.2). A flat-rate application corresponds better to the idea of remunerating an environmental service, while the application of individual payments may involve paying the same service at different rates, even in the same territory (Matthews, 2012; Cimino et al., 2015). Other than Member States applying SAPS, for which the flat payment is mandatory, the flat 'green payment' has been applied in Germany, England, Finland, Luxembourg and Scotland, while payments set at a regional level have only been used in Finland, Greece and Scotland.

As far as the identification of the EFA is concerned (Article 46.5), a detailed list of criteria is available for all Member States. These include landscape features, fallows, buffer strips, hedges and wooded strips, green cover, stone walls, afforested areas and so on. This makes the EFA quite easy to identify, hence the requirements for it are not particularly strict in most countries, even though they are, generally speaking, more stringent in flat, intensively cultivated areas than in mountainous, extensively cultivated ones. Another possibility offered by the regulation on the 'green payment' is the acknowledgement of a collective implementation of the EFA (Article 46.6). This aspect is quite interesting given the underlying idea of collective contribution to the environmental services offered in a specific area. This article of the regulation has only been applied in Flanders, Netherlands and Poland. Finally, the regulation on the 'green payment' exempts Member States with more than 50 % of the land covered by forests from the obligation to apply the provision on EFAs (Article 46.7). This exemption has been applied by Estonia, Finland, Sweden and, partially, Latvia. Clearly, it was formulated with the Scandinavian and Baltic countries in mind, as they are, with one exception, the only Member States that meet the requirement.[45]

[45] Slovenia also meets the requirement but has decided not to apply the exemption.

Table 1.13: Implementation of the 'green payment' in Member States

| | Green payment | | | Permanent grassland | | EFA | | |
|---|---|---|---|---|---|---|---|---|
| | Equivalent practices | Flat or individual payment | Regional application | Designation of permanent grassland in sensitive areas | Territorial application | Area to be considered EFA | Regional or collective implementation | Derogation for MMSS with more than 50% of their land covered by forest |
| Austria | Yes, Equivalent practices exist in the framework of the agro-environmental program: Participation in the measure "Environmentally sound and biodiversity-promoting types of management (UBB)" substitutes the requirements regarding Ecological Focus Areas (EFA) and crop diversification (equivalent practice: "Creation of biodiversity protection sites on arable land") | Individual payment until 2018 | No | Yes | National | 1) Land lying fallow; 2) Landscape features in accordance with the rules on cross compliance; 3) Areas with short rotation coppice; 4) Areas with catch crops, or green cover established by the planting and germination of seeds; 5) Areas with nitrogen-fixing crops | No | Not relevant |
| Belgium (Flanders) | No | Individual payment | No | No | Regional | 1) land lying fallow; 2) landscape features: hedges or wooded strips; trees in group and field copses; field margins; ponds; ditches; 3) buffer strips; 4) hectares of agro-forestry; 5) areas with short rotation coppice; 6) areas with catch crops or green cover; 7) areas with nitrogen-fixing crops | Collective implementation | Not relevant |
| Belgium (Wallonia) | No | Individual payment | No | No | Regional | 1) land lying fallow; 2) landscape features: hedges or wooded strips; isolated trees; trees in line; trees in group and field copses; field margins; ponds; ditches; 3) buffer strips; 4) hectares of agro-forestry; 5) areas with short rotation coppice; 6) areas with catch crops or green cover; 7) areas with nitrogen-fixing crops | No | Not relevant |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Croatia | No | Individual payment | No | N/A | National | 1) land lying fallow; 2) landscape features: hedges or wooded strips; isolated trees; trees in line; trees in group; ponds; ditches; traditional stone walls; 3) buffer strips, including buffer strips covered by permanent grassland; 4) strips of eligible hectares along forest edges; 5) areas with short rotation coppice with no use of mineral fertiliser and/or plant protection products; 6) areas with catch crops or green cover; 7) areas with nitrogen-fixing crops | No | Not relevant |
| Cyprus | No | Flat payment | N/A | No | National | 1) land lying fallow; 2) landscape features, yet, entering into force as of 2016, including the following: a. isolated trees; b. field margins; 3) buffer strips; 4) hectares of agro-forestry; 5) afforested areas; 6) areas with nitrogen-fixing crops | No | Not relevant |
| Finland | No | Flat payment | Yes | Yes | National | 1) land lying fallow; 2) other landscape features in accordance with the rules on cross compliance; 3) Areas with short rotation coppice; 4) Areas with nitrogen-fixing crops | No | Yes |
| France | Yes Equivalent practices exist in the framework of national certification established by the Ministère del'Agriculture, de l'Agroalimentaire et de la Forêt: green cover replaces the requirement on diversification only for specialized producers of maize | Individual payment (Mainland France) Flat payment (Corsica) | No | No | Regional | 1) land laying fallow; 2) terraces; 3) landscape features (except landscape features under GAEC or SMR); 4) buffer strips; 5) hectares of agro-forestry; 6) strips of eligible hectares along forest edges, with or without agricultural production; 7) areas with short rotation coppice; 8) afforested areas; 9) areas with catch crops or green cover; 10) areas with nitrogen-fixing crops | No | Not relevant |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Greece | No | Individual payment | Regional | No | National | 1) land lying fallow; 2) landscape features: trees in line; trees in groups and field copses; ditches; 3) buffer strips; 4) areas with nitrogen-fixing crops | No | Not relevant |
| Hungary | No | Flat payment | Not relevant | Yes | National | 1) Land lying fallow; 2) Terraces; 3) Landscape features (from 2017): Hedges or wooded strips, Trees in line, Field margins, Ditches and other landscape features under GAEC or SMR: Isolated trees, Trees in group and field copses, Ponds, Kurgans, draw wells; 4) Buffer strips; 5) Hectares of agro-forestry; 6) Strips of eligible hectares along forest edges; 7) Areas with short rotation coppice; 8) Afforested areas; 9) Areas with catch crops or green cover; 10) Areas with nitrogen-fixing crops | No | Not relevant |
| Italy | Yes, Equivalent practices exist in the framework of the agro-environmental programme: included are those listed in Annex IX, as from 2016 | Individual payment | National | Yes | National | All the elements included in the corresponding article (46.2) of the regulation (UE) n. 1307/2013 are to be considered Ecological Focus Area, with the exception of areas with catch crops, or green cover (letter i) | No | Not relevant |
| Lithuania | No | Flat payment | Not relevant | Yes | National | From 2015 EFA elements will consist only of land laying fallow and nitrogen fixing crops; from 2018 Landscape features will be counted as EFA | No | Not relevant |
| Luxembourg | No | Flat payment | N/A | Yes | National | 1) land lying fallow; 2) landscape features: Hedges or wooded strips; Isolated trees; Trees in line; Trees in group and field copses; Field margins; Ponds; 3) buffer strips; 4) hectares of agro-forestry; 5) strips of eligible hectares along forest edges; 6) areas with short rotation coppice; 7) afforested areas; 8) areas with catch crops or green cover; 9) areas with nitrogen-fixing crops | No | Not relevant |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Slovakia | No | Flat payment | No | Yes | National | 1) Land lying fallow; 2) Terraces; 3) Landscape features: Detached tree; Strips of eligible hectares along forest edges; Group of trees / thickets field; Margins; Ponds; Ditches; Traditional stone walls; 4) Buffer strips; 5) Areas with catch crops, or green cover; 6) Areas with nitrogen-fixing crops | No | Not relevant |
| Slovenia | No | Individual payment | No | Yes | National; holdings level if located in the areas of Natura 2000 | 1) Land lying fallow; 2) Areas with nitrogen-fixing crops; 3) Areas with catch crops, or green cover | No | No |
| Spain | No | Individual payment | No | Yes | National | 1) Fallow land; 2) agro-forestry; 3) Afforested areas; 4) Nitro-fixed crops | No | Not relevant |
| Netherlands | Yes, 3 national certification schemes | Individual payment (until 2018) | No | No | National | 1) landscape features: field margins; 2) areas with short rotation coppice; 3) areas with catch crops or green cover; 4) areas with nitrogen-fixing crops | Regional and collective implementation | Not relevant |
| United Kingdom (England) | No | Flat payment | No | No | National | 1) Land lying fallow (buffer strips); 2) catch and cover crops used to manage soil fertility and quality; 3) Nitrogen Fixing Crops and hedgerows | No | Not relevant |
| United Kingdom (Northern Ireland) | No | Over time the value of the greening payment per hectare will move towards a flat rate payment at the same pace as the movement of the Basic Payment. | No | Yes | Regional | 1) Land lying fallow; 2) Landscape features required to be retained under cross compliance (will include hedges, ditches and stone walls); 3) Areas of agro-forestry; 4) Areas with short rotation coppice with no use of mineral fertiliser and/or plant protection products; 5) Afforested areas which were used to claim SFP in 2008; 6) Areas with nitrogen fixing crops | No | Not relevant |
| United Kingdom (Scotland) | No, Possible review in 2016 to introduce equivalent practices for crop diversification. | Flat payment | Yes | Yes | National | 1) Fallow land; 2) Buffer strips; 3) Field margins; 4) Catch crops and green cover; 5) Nitrogen fixing crops | No | Not relevant |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| United Kingdom (Wales) | No | Individual payment (until 2018) | No | Yes | National | 1) Land lying fallow; 2 Hedges and traditional stone walls; 3) Short rotation coppice; 4) Afforested areas used to claim SFP in 2008; 5) Nitrogen fixing crops | No | Not relevant |
| Ireland | Yes, equivalent measure under an agri-environment scheme | Individual payment | National | No | National | 1) Land lying fallow; 2) Hedges/wooded strips; 3) Trees in a group and field copses; 4) Ditches; 5) SPS eligible forestry which were afforested under afforestation aid scheme since 2009; 6) areas with short rotation coppice; 7) areas with N-fixing crop; 8) areas under catch crops / green cover | No | Not relevant |
| Latvia | No | Flat payment | National | Yes | National | 1) Land lying fallow; 2) Landscape features: protected large trees, tree avenues and large stones; trees growing in a group, and clusters of trees and bushes; edges of the field; ponds; 3) Buffer strips; 4) Areas with catch crops, or green cover; 5) Areas with nitrogen-fixing crops. In 2016, additional inclusion of strips along forest edges, and ditches is planned | No | Yes |
| Estonia | No | Flat payment | National | Yes | National | 1) Landscape features; 2) Land lying fallow; 3) Areas with short rotation coppice; 4) Areas with nitrogen-fixing crops | No | Yes |
| Romania | No | Flat payment | No | N/A | N/A | 1) terraces; 2) landscape features; 3) buffer strips; 4) areas with short rotation coppice; 5) afforested areas; 6) areas with green cover; 7) areas with nitrogen-fixing crops | No | Not relevant |
| Sweden | No | Individual payment (until 2019) | No | No | National | 1) Land lying fallow ; 2 Landscape features; 3) field margins ; 4) Area with short rotation coppice; 5) Area with catch crops or green cover; 6) Area with NFC | No | Yes |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Denmark | No | Individual payment (until 2018) | No | Yes | National | 1) Land lying fallow; 2) Landscape features: Ponds and other landscape feature under GAEC or SMR; 3) Buffer strips; 4) Areas with short rotation coppice; 5) Areas with catch crops or green cover | No | Not relevant |
| Bulgaria | No | Flat payment | No | No | National | 1) land lying fallow; 2) terraces; 3) landscape features: hedges or wooded strips, isolated trees, trees in line, trees in groups and field copses, field margins, ponds, ditches; 4) buffer strips; 5) strips of eligible hectares along forest edges; 6) Strips without production; 7) areas with short rotation coppice; 8) Areas with catch crops or green cover; 9) Areas with nitrogen-fixing crops | No | Not relevant |
| Germany | No | Flat payment | No | Yes | Regional | 1) Land lying fallow; 2) Terraces; 3) Landscape features; 4) Buffer strips; 6) Hectares of agro-forestry that receive, or have received, support under Pillar II; 7) Strips of eligible hectares along forest edges; 8) Areas with short rotation coppice; 9) Afforested areas; 10) Areas with catch crops, or green cover established by the planting and germination of seeds | No | Not relevant |
| Czech Republic | Yes, Equivalent practices exist in the framework of the agro-environmental programme (from 2016) | Flat payment | | Yes | National | 1) Land lying fallow; 2) Landscape features; 3) Buffer strips; 4) Short rotation coppice; 5) Afforested areas; 6) Catch crops; 7) Nitrogen-fixing crops | No | Not relevant |
| Malta | No | Flat payment | National | No | National | 1) land lying fallow; 2) landscape features: isolated trees; trees in line; 3) trees in group and field copses; Field margins; Other landscape features under GAEC or SMR; 4) Areas with nitrogen-fixing crops | No | Not relevant |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Poland | Yes, Equivalent practices exist in the framework of the agro-environmental scheme: crop diversification | Flat payment | | No | National | 1) Fallow land; 2) Landscape features (all, excl. stone walls and other landscape features under GAEC or SMR); 3) Buffer strips; 5) Strips of eligible ha along forest edges 6) Short rotation coppice; 7) Afforested areas; 8) Catch crops/green cover; 9) Nitrogen-fixing crops | Collective implementation | Not relevant |
| Portugal | No | Individual payment | No | No | National | 1) land lying fallow; 2) landscape features: Other landscape features under GAEC or SMR; 3) Hectares of agro-forestry; 4) Afforested areas; 5) Areas with nitrogen-fixing crops; 6) Areas with nitrogen-fixing crop | No | Not relevant |

Source: Own elaborations based on information collected by Member States, European Commission 2015a, COPA-COGECA 2015.

### 1.3.6. Implementation of the payment for young farmers

The payment for young farmers is a mandatory payment. Member States have been allowed to fix a percentage not higher than 2 %. All of 16 countries have applied the maximum percentage, with the lowest percentage implemented by Scotland (0.25 %) (Table 1.14).

Ten Member States have identified additional qualification criteria for the payment for young farmers, such as requirements for appropriate skills or training. In many cases the criteria added pertain to the completion of an appropriate secondary or university education. In other instances, criteria are added to ensure appropriate experience, including a certain measure of professional qualification.

The methods of calculation used vary. Only Luxembourg opted for a lump-sum payment of approximately EUR 5000 Euro per year. 16 countries have chosen a payment calculated as 25 % of the national/regional average payment per hectare (taking into account the whole ceiling for direct payment) (Article 50.8 of Regulation (EU) No 1307/2013)); 5 Member States grant the payment for young farmers as 25% of the SAPS (Article 50.7); 5 Member States grant the payment at individual level as 25 % of the average value of the payment entitlements held by the farmer (Article 50.6(a)); and 5 Member States grant the payment as 25 % of the national/regional average value of basic payment (Article 50.6(b)). All in all, except for the lump-sum payment, the value obtained is multiplied by the number of payment entitlements activated by farmers or by the number of eligible hectares declared (but only to a certain extent). In 21 cases, this number is fixed to the maximum established by the regulation (90 entitlements or hectares). Croatia, Greece and Wales apply the maximum limitation (25 entitlements or hectares). Bulgaria, Estonia, France, Austria and Slovakia maintain this figure at less than or equal to 40. Finally, Ireland and Poland have fixed the figure at 50 and Romania at 60.

Table 1.14: Implementation of the payment for young farmers in Member States

| Member States | Percentage of national ceiling (max 2%) | Additional criteria as regards appropriate skill or training requirements | Method of calculation |
|---|---|---|---|
| Austria | 2% | Yes | Applying art. 50.8<br>The annual payment is calculated as 25% of the national average payment per hectare multiplied by the number of activated payment entitlements, but no more than 40 |
| Belgium (Flanders) | 2% | Yes | Applying art. 50.8<br>The annual payment is calculated as 25% of the regional average payment per hectare multiplied by the number of activated payment entitlements, but no more than 90 |
| Belgium (Wallonia) | 1.8% | Yes | Applying art. 50.8<br>The annual payment is calculated as 25% of the regional average payment per hectare multiplied by the number of activated payment entitlements, but no more than 90 |
| Croatia | 2% | Yes | Applying art. 50.6.b<br>The annual payment is calculated as 25% of the national average value of basic payment by the number of entitlements that the farmer has activated, but no more than 25 |
| Cyprus | 1% | No | Applying art. 50.8<br>The annual payment is calculated as 25% of the national average payment per hectare multiplied by the number of eligible hectares that the farmer has declared, but no more than 90 |
| Finland | 1% (2015) | No | Applying art. 50.8<br>The annual payment is calculated as 25% of the national average payment per hectare multiplied by the number of eligible hectares that the farmer has declared, but no more than 90 |

| | | | |
|---|---|---|---|
| France | 1% | Yes | Applying art. 50.8<br>The annual payment is calculated as 25% of the national average payment per hectare multiplied by the number of eligible hectares that the farmer has declared, but no more than 34 |
| Greece | 2% | No | Applying art. 50.6.a<br>The annual payment is calculated as 25% of the average value of the payment entitlements held by the farmer by the number of entitlements that the farmer has activated, but no more than 25 |
| Hungary | 0.62% | No | Applying art. 50.8<br>The annual payment is calculated as 25% of the national average payment per hectare multiplied by the number of activated payment entitlements, but no more than 90 |
| Italy | 1% | No | Applying art. 50.6.a<br>The annual payment is calculated as 25% of the average value of the payment entitlements held by the farmer by the number of entitlements that the farmer has activated, but no more than 90 |
| Lithuania | 1.75 | No | Applying art. 50.8<br>The annual payment is calculated as 25% of the national average payment per hectare multiplied by the number of eligible hectares that the farmer has declared, but no more than 90 |
| Luxembourg | 1,5% | No | Lump sum of approximately 5,000 Euro per year |
| Slovakia | 1% | Yes | Applying art. 50.7<br>The annual payment is calculated as 25% of SAPS multiplied by the number of eligible hectares that the farmer has declared, but no more than 28 |
| Slovenia | 1% | No | Applying art. 50.8<br>The annual payment is calculated as 25% of the national average payment per hectare multiplied by the number of activated payment entitlements, but no more than 90 |
| Spain | 2% | No | Applying art. 50.6.a<br>The annual payment is calculated as 25% of the average value of the payment entitlements held by the farmer by the number of entitlements that the farmer has activated, but no more than 90 |
| Sweden | 2% | No | Applying art. 50.8<br>The annual payment is calculated as 25% of the national average payment per hectare multiplied by number of eligible hectares that the farmer has declared, but no more than 90 |
| Netherlands | 2% | No | Applying art. 50.8<br>The annual payment is calculated as 25% of the national average payment per hectare multiplied by number of payment entitlements that the farmer has activated, but no more than 90 |
| United Kingdom (England) | 2% | No | Applying art. 50.6.a<br>The annual payment is calculated as 25% of the average value of the payment entitlements held by the farmer by the number of entitlements that the farmer has activated, but no more than 90 |
| United Kingdom (Northern Ireland) | 2% | Yes | Applying art. 50.8<br>The annual payment is calculated as 25% of the regional average payment per hectare multiplied by number of payment entitlements that the farmer has activated, but no more than 90 |
| United Kingdom (Scotland) | 0.25% | N/A | Applying art. 50.6.b<br>The annual payment is calculated as 25% of the national average value of basic payment by the number of entitlements that the farmer has activated, but no more than 90 |
| United Kingdom (Wales) | 2% | No | Applying art. 50.6.b<br>The annual payment is calculated as 25% of the regional average value of basic payment by the number of payment entitlements that the farmer has activated, but no more than 25 |

| | | | |
|---|---|---|---|
| Ireland | 2% (2015) | Yes | Applying art. 50.8<br>The annual payment is calculated as 25% of the national average payment per hectare multiplied by number of payment entitlements that the farmer has activated, but no more than 50 |
| Latvia | From 1.5% (2015) to 0.96% (2019) | No | Applying art. 50.8<br>The annual payment is calculated as 25% of the national average payment per hectare multiplied by number of eligible hectares declared by the farmer, but no more than 90 |
| Estonia | 0.3% | No | Applying art. 50.7<br>The annual payment is calculated as 25% of SAPS multiplied by the number of eligible hectares that the farmer has declared, but no more than 39 |
| Romania | 2% | No | Applying art. 50.7<br>The annual payment is calculated as 25% of SAPS multiplied by the number of eligible hectares that the farmer has declared, but no more than 60 |
| Sweden | 2% | No | Applying art. 50.8<br>The annual payment is calculated as 25% of the national average payment per hectare multiplied by number of eligible hectares declared by the farmer, but no more than 90 |
| Denmark | 2% | No | Applying art. 50.8<br>The annual payment is calculated as 25% of the national average payment per hectare multiplied by number of eligible hectares declared by the farmer, but no more than 90 |
| Bulgaria | 0,47% (2015); 0,58% (from 2016) | Yes | Applying art. 50.7<br>The annual payment is calculated as 25% of SAPS multiplied by the number of eligible hectares that the farmer has declared, but no more than 30 |
| Germany | 1% | No | Applying art. 50.6.b<br>The annual payment is calculated as 25% of the national average value of basic payment by the number of payment entitlements that the farmer has activated, but no more than 90 |
| Czech Republic | 1% | No | Applying art. 50.7<br>The annual payment is calculated as 25% of SAPS multiplied by the number of eligible hectares that the farmer has declared, but no more than 90 |
| Malta | 0.4% | No | Applying art. 50.6.a<br>The annual payment is calculated as 25% of the average value of the payment entitlements held by the farmer by the number of entitlements that the farmer has activated, but no more than 90 |
| Poland | 2% | N/A | Applying art. 50.8<br>The annual payment is calculated as 25% of the national average payment per hectare multiplied by number of eligible hectares declared by the farmer, but no more than 50 |
| Portugal | 2% | Yes | Applying art. 50.6.b<br>The annual payment is calculated as 25% of the national average value of basic payment by the number of payment entitlements that the farmer has activated, but no more than 90 |

Source: Own elaborations based on information collected by Member States; European Commission 2015a; COPA-COGECA 2015.

### 1.3.7. Implementation of degressivity and the redistributive payment

Member States shall reduce the amount of basic payments for the part exceeding EUR 150 000 by at least 5 %, unless they decide to implement the redistributive payments using more than 5 % of the national ceiling for direct payments.

Degressivity at mandatory level was chosen by 14 Member States (Cyprus, the Czech Republic, Denmark, England, Estonia, Latvia, Luxembourg, Malta, the Netherlands, Portugal, Finland, Slovenia Slovakia and Sweden) (Table 1.15). Another 12 countries applied the capping, i.e. a reduction of 100 % on the amount exceeding a certain threshold. Six of these will apply a 100 % reduction on the amount of direct payments exceeding EUR 150 000 (Flanders, Greece, Ireland, Northern Ireland, Austria and Poland); in the remaining six countries the capping will be applied on an amount exceeding EUR 176 000 (Hungary), EUR 300 000 (Bulgaria, Spain and Wales), and EUR 500 000 (Italy and Scotland), respectively. Bulgaria and Poland will apply the redistributive payment as well.[46] The remaining Member States will only apply the redistributive payment.

Only 11 countries deduct labour costs before applying degressivity/capping. However, Luxembourg, Malta, Austria, Slovenia and Finland estimate that the basic payment (minus, eventually, labour costs) will never exceed EUR 150 000 in any farm. Therefore, the estimated amount to be transferred to rural development programmes is null.

Table 1.15: Implementation of degressivity/capping in Member States

| | Degressivity/capping | Deduction of labour costs |
|---|---|---|
| Austria | 100% of reduction for the part of the amount exceeding 150,000 Euro | Yes |
| Belgium (Flanders) | 100% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Belgium (Wallonia) | Not implemented | |
| Croatia | Not implemented | |
| Cyprus | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Finland | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| France | Not implemented | |
| Greece | 100% of reduction for the part of the amount exceeding 150,000 Euro | Yes |
| Hungary | 5% of reduction for the part of SAPS between 150,000 Euro and 176,000 Euro; 100% of reduction for the part of SAPS exceeding 176,000 Euro | No |
| Italy | 50% of reduction for the part of the amount exceeding 150,000 Euro; after applying this reduction 100% for the part of the amount exceeding 500,000 Euro | Yes |
| Lithuania | Not implemented | |
| Luxembourg | 5% of reduction for the part of the amount exceeding 150,000 Euro | Yes |
| Slovakia | 5% (by at least ) of reduction for the part of the amount exceeding 150,000 Euro | Yes |
| Slovenia | 5% of reduction for the part of the amount exceeding 150,000 Euro | Yes |
| Spain | 5% of reduction for the part of the amount exceeding 150,000 Euro; 100% of reduction for the part of the amount exceeding 300,000 Euro | Yes |
| Netherlands | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| United Kingdom (England) | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| United Kingdom (Northern Ireland) | 100% of reduction for the part of the amount exceeding 150,000 Euro | No |
| United Kingdom (Scotland) | 5% of reduction for the part of the amount exceeding 150,000 Euro; 100% of reduction for the part of the amount exceeding 500,000 Euro | Yes |
| United Kingdom (Wales) | 150.000: 15% 200.000: 30% 250.000: 55% 300.000: 100% | No |
| Ireland | 100% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Latvia | 5% of reduction for the part of the amount exceeding 150,000 Euro | Yes |
| Estonia | 5% of reduction for the part of the amount exceeding 150,000 Euro | Yes |
| Romania | Not implemented | |

[46] Member States applying redistributive payments with more than 5 % of the national ceiling need not apply degressivity.

| | | |
|---|---|---|
| Sweden | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Denmark | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Bulgaria | 5% of reduction for the part of the amount exceeding 150,000 Euro; after applying this reduction 100% for the part of the amount exceeding 300,000 Euro | Yes |
| Germany | Not implemented | |
| Czech Republic | 5% of reduction for the part of SAPS exceeding 150,000 Euro | No |
| Malta | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Poland | 100% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Portugal | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |

Source: Own elaborations based on information collected by Member States, European Commission 2015a, COPA-COGECA 2015.

The redistributive payment shall be granted annually upon activation of payment entitlements by the farmer, or, in Member States applying the SAPS, upon declaration of eligible hectares by the farmer. In order to finance the redistributive payment, Member States may decide to use up to 30 % of the annual national ceiling.

This payment form was chosen by only eight countries: Bulgaria, Germany, France, Croatia, Lithuania, Poland, Romania and Wallonia (Table 1.16).

In most of these countries the aim is to support small-medium farms, the number of which is fallowing owing to low profitability. Only in Germany is the payment implemented to mitigate the financial burden for farmers through the capping of direct payments.

In Wallonia the aim of the redistributive payment (to which 17 % of the regional ceiling is devoted) is to support the redistribution of direct payments in favour of small holdings and thereby promote a more ecologically intensive, family-type of agriculture. The redistributive payment is granted for the first 30 hectares (the average farm size in the region is 54 hectares). The payment is estimated at EUR 115 per hectare, corresponding to 37 % of the regional average payment. Croatia devotes 10% of the national ceiling granted to the first 20 hectares to the redistributive payment, with a payment of EUR 77 per hectare. France has decided to grant redistributive payments to support production with high value added or that generate jobs typical of smaller-than-average holdings. The payment is granted for the first 52 hectares. In Lithuania the payment is given to the first 30 hectares with the aim of countering the demise of small farms, while in Romania the aim is to support medium farms. The payment is granted for the first 30 hectares, with a distinction made between the first 5 hectares (for which the payment is EUR 5 per hectare) and the remaining 6 to 30 hectares (receiving a payment of EUR 45 per hectare). In Bulgaria as well the payment is granted for the first 30 hectares with the aim of promoting employment, taking into account the diversity of Bulgarian farms (where the average size of a holding benefitting of SAPS is 40.3 hectares). In Germany the redistributive payment is increased for hectares exceeding 30 and up to 46.

## Table 1.16: Implementation of the redistributive payment in Member States

| | Aims of the redistributive payment | Percentage of national ceiling | Number of hectares | Average redistributive payment per hectare |
|---|---|---|---|---|
| Austria | Not implemented | | | |
| Belgium (Flanders) | Not implemented | | | |
| Belgium (Wallonia) | To support the income of farmers with smaller holdings and thereby promote a more family type and ecologically intensive agriculture | 17% of the regional ceiling | 30 ha | 37% of the regional average payment Estimated amount: 115 Euro per ha/entitlement |
| Croatia | Redistribution of direct payments in favour of small holdings | 10% | 20 ha | 77 Euro/ha in 2015 |
| Cyprus | Not implemented | | | |
| Finland | Not implemented | | | |
| France | The payment aims to foster farms of size smaller than the national average that are particularly indicate to create activity and employment | 5.01% in 2015<br>10% in 2016<br>15% in 2017<br>20% from 2018 | 52 ha | 25 Euro/ha in 2015;<br>98 Euro/ha in 2018 |
| Greece | Not implemented | | | |
| Hungary | Not implemented | | | |
| Italy | Not implemented | | | |
| Lithuania | To slow down the decrease of small farms (less than 30 ha) in rural areas | 15% | 30 ha | approximately 30% of the national average payment Estimated amount: 50 Euro/ha |
| Luxembourg | Not implemented | | | |
| Slovakia | Not implemented | | | |
| Slovenia | Not implemented | | | |
| Spain | Not implemented | | | |
| Netherlands | Not implemented | | | |
| United Kingdom (England) | Not implemented | | | |
| United Kingdom (Northern Ireland) | Not implemented | | | |
| United Kingdom (Scotland) | Not implemented | | | |
| United Kingdom (Wales) | Not implemented | | | |
| Ireland | Not implemented | | | |
| Latvia | Not implemented | | | |
| Estonia | Not implemented | | | |
| Romania | To support medium farms | 5% | 30 ha additional payment of 5 Euro/ha from 1 to 5 hectares, and 45 Euro/ha from 6 to 30 hectares, in 2015 | N/A |
| Sweden | Not implemented | | | |
| Denmark | Not implemented | | | |
| Bulgaria | To strengthen employment and take into account the diversity of Bulgarian farms benefiting from direct support. | 7.07% in 2015<br>7.05% in 2016<br>7.05% in 2017<br>7.03% in 2018<br>7.02% in 2019<br>7.02% in 2020 | 30 ha | 36,26% of the national average payment Estimated amount: 76,69 Euro/ha |

| | | | | |
|---|---|---|---|---|
| Germany | To mitigate the financial burden for farmers by capping of direct payments | 7% | 46 ha<br>- group 1: the first 30 payment entitlements per farmer multiplied with factor 1.0,<br>- group 2: additional 16 payment entitlements multiplied with factor 0.6 (the redistributive payment for group 2 is 60% of the redistributive payment for group 1) | Expected values:<br>- group 1 (hectares 1 to 30): Euro 50;<br>- group 2 (hectares 31 to 46): Euro 30 (50 Euro x 0.6) |
| Czech Republic | Not implemented | | | |
| Malta | Not implemented | | | |
| Poland | N/A | 8.3% | 30 ha | 41 Euro/ha |
| Portugal | Not implemented | | | |

Source: Own elaborations based on information collected by Member States, European Commission 2015a, COPA-COGECA 2015.

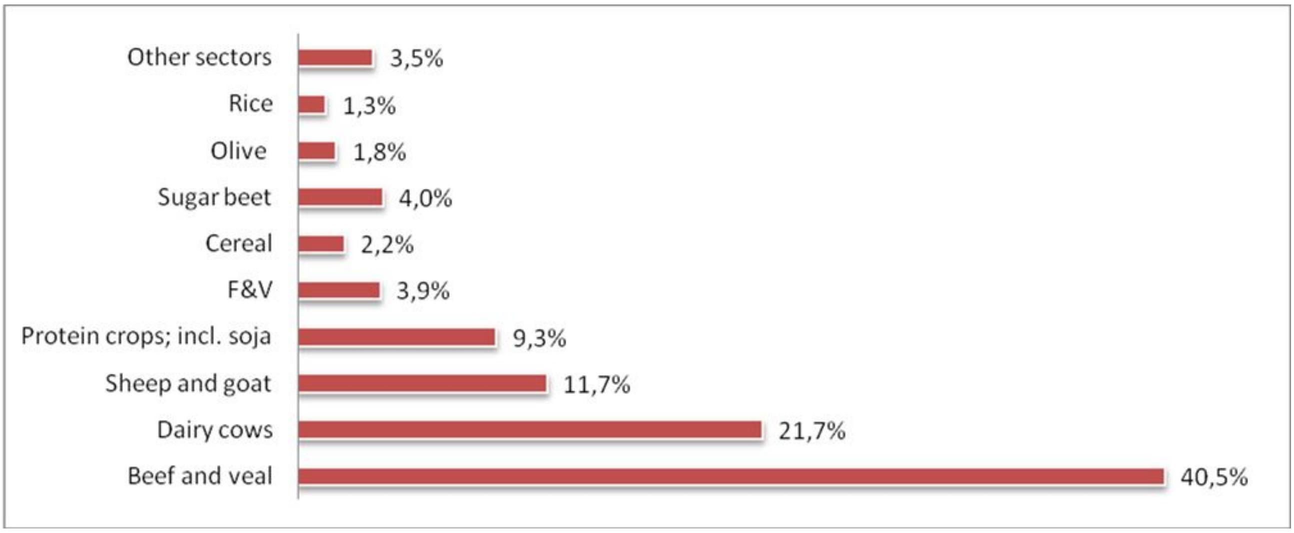
### 1.3.8. Implementation of coupled support

The voluntary coupled support is a payment that Member States may grant each year to farmers with the aim of supporting specific sectors and products listed in Article 52 of Regulation (EU) 1307/2013. The payment may only be granted to those sectors, or to those regions, in which specific types of farming or specific agricultural sectors (of particular importance for economic, social or environmental reasons) face certain difficulties. This means that the support may only be granted to the extent necessary to create an incentive to maintain current levels of production in the sectors or regions concerned. Although coupled support is an optional measure, 27 of the 28 Member States have decided to use this option, Germany being the one Member State that does not apply it. It should be noted, however, that in the UK only Scotland grants coupled support.

To finance coupled support, Article 53 stipulates that Member States may use up to 8 % of the annual national ceiling set out in Annex II, or may decide to use up to 13 % according to the conditions specified in paragraph 2 of the article. The percentages may be increased by up to two percentage points in those Member States that decide to support the production of protein crops. Notably, Member States may decide to use more than 13 % of the annual national ceiling upon approval by the Commission in accordance with Article 55.

Looking at the financing of individual sectors of coupled support, the data clearly show a massive use in the beef and veal sector. Indeed, this sector absorbs the largest share of voluntary coupled support in 24 Member States, accounting for 40.5 % of the total coupled support envelope for 2015, to a value of EUR 1 582 million. This is followed by the sector for milk and dairy products, accounting for little over 20 % of the envelope (EUR 849.2 million), and the sheep and goat sector, accounting for 11.7% of the envelope (EUR 456.8 million).

Figure 1.3: Share of voluntary coupled support by sector (EU 28)




Belgium, the Netherlands, Austria and Sweden have chosen targeted support only for livestock production, while Luxemburg and Ireland only supports arable crops.

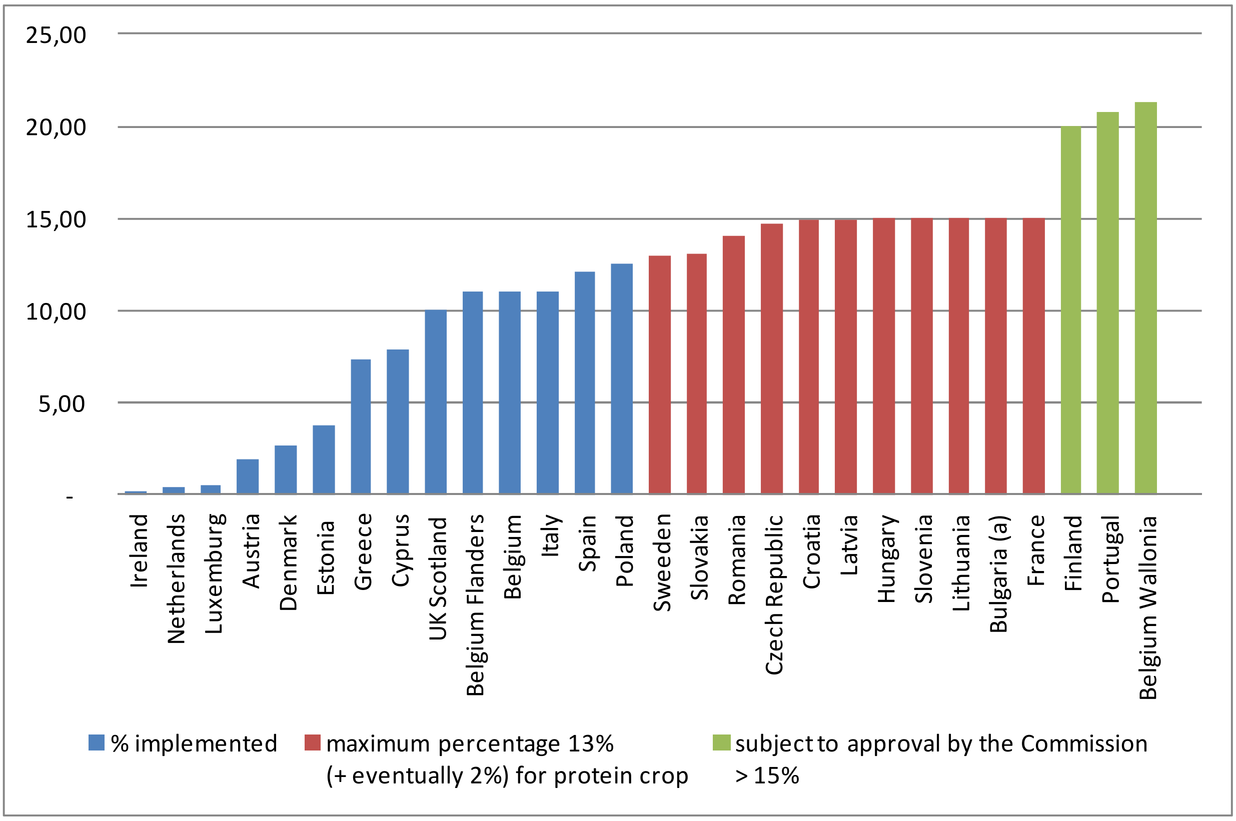
As shown in Figure 1.4, only three countries (Belgium-Wallonia, Finland and Portugal) have planned to allocate more than 13 % (+2 %) to coupled support (the maximum percentage established in accordance with Article 53). For this they sought and received the Commission's approval.

On 25 March 2015 Wallonia received green light to exceed the EU's 13 % limit. Wallonia has targeted over 18 % of the support to the suckler cow sector, with up to 1.1 % to be used for dairy cows and 0.3 % for sheep.

Another two Member States – Finland and Portugal – also requested to exceed the 13 % threshold.

As shown in Figure 1.4, 11 Member States plan to introduce the maximum of 13 %, with 9 of them also using part or all of the additional 2 % to support the protein crop sector.

Figure 1.4: Rate of coupled support in each Member States (2015)




Malta deserves special mention as the only Member State to exercise the option provided for in Article 53(5) of using up to EUR 3 million of its annual ceiling to finance the coupled payment. In the case of Malta, the percentage of coupled support amounted to 57.2 % of the ceiling set out in Annex II.

### 1.3.9. Implementation of the payment for areas with natural constraints

The payment for areas with natural constraints is the least applied scheme of the new system of direct payments, with Denmark being the sole Member State opting for it. The reason for the low response is such payments could overlap with payments for the same areas under Pillar II. Denmark, however, devotes a very limited percentage of the national ceiling to this scheme (0.3 %), while an additional payment for the farms located in areas with natural constraints can be granted to a maximum of 100 hectares (no limitation of area has been applied).

### 1.3.10. The implementation of the small farmers scheme

The aim of the small farmer scheme is to simplify procedures for farmers and national administrations, and to reduce the related administrative costs, supporting the existing agricultural structure of small farms.

This scheme has been applied by 15 Member States. In seven of these, participation in the scheme is voluntary. In the remaining eight, the inclusion is automatic for all small farms, although farmers are given the possibility to withdraw (in Austria it is automatic for farmers in receipt of less than EUR 1 250 in direct payments; in Croatia for all farmers receiving less than EUR 657).[47] For all other farms the participation remains voluntary (Table 1.17).

The preferred method of calculation is individual (Article 63.2(a) of Regulation (EU) No 1307/2013)), whereby the annual payment is calculated as the total value of all payments to be allocated to the farmer annually, up to a maximum of EUR 1 250 per year. In only two Member States (Latvia and Portugal) is the payment flat (EUR 500 per hectare), to be multiplied by a number of hectares not exceeding two and five, respectively (Article 63.1(b)).

Table 1.17: Implementation of the small farmer scheme in Member States

| Member States | Voluntary or automatic inclusion | Method of calculation | Amount of the payment (flat or individual) |
|---|---|---|---|
| Austria | Automatic for all farmers in receipt of less than Euro 1,250 of direct payments - other farmers who want to participate in the SFS need to submit an application | 63.2.a The annual payment is calculated as the total value of all the payments that should be annually allocated to the farmer up to a maximum of Euro 1,250 per year | Individual (max 1,250 Euro) |
| Belgium (Flanders) | Not implemented | | |
| Belgium (Wallonia) | Not implemented | | |
| Croatia | Automatic for all farmers in receipt of less than Euro 657 of direct payments - other farmers who want to participate in the SFS need to submit an application | 63.2.b The annual payment is calculated as the total value of all the payments that should be allocated in 2015 | Individual |
| Cyprus | Not implemented | | |
| Finland | Not implemented | | |
| France | Not implemented | | |
| Greece | Automatic | 63.2.a The annual payment is calculated as the total value of all the payments that should be annually allocated to the farmer up to a maximum of Euro 1,250 per year | Individual (max 1,250 Euro) |
| Hungary | Voluntary | 63.2.b The annual payment is calculated as the total value of all the payments that should be allocated in 2015 | Individual (min 500 Euro - max 1,250 Euro) |
| Italy | Voluntary | 63.2.b The annual payment is calculated as the total value of all the payments that should be allocated in 2015 | Individual (min 500 Euro - max 1,250 Euro) |
| Lithuania | Not implemented | | |
| Luxembourg | Not implemented | | |
| Slovakia | Not implemented | | |
| Slovenia | Voluntary | 63.2.b The annual payment is calculated as the total value of all the payments that should be allocated in 2015 up to a maximum of Euro 1,250 per year | Individual (max 1,050 Euro) |
| Spain | Automatic | 63.2.b The annual payment is calculated as the total value of all the payments that should be allocated in 2015 up to a maximum of Euro 1,250 per year | Individual (max 1,250 Euro) |
| Sweden | Not implemented | | |

[47] As regards Poland, at the time of writing of this report no information on this matter is available in official documents or the specialised literature.

| | | | |
|---|---|---|---|
| Netherlands | Not implemented | | |
| United Kingdom (England) | Not implemented | | |
| United Kingdom (Northern Ireland) | Not implemented | | |
| United Kingdom (Scotland) | Not implemented | | |
| United Kingdom (Wales) | Not implemented | | |
| Ireland | Not implemented | | |
| Latvia | Voluntary | 63.1.b The annual payment was fixed as the average payment per hectare multiplied by 2 hectares | Flat (500 Euro) |
| Estonia | Voluntary | 63.2.a The annual payment is calculated as the total value of all the payments that should be annually allocated to the farmer up to a maximum of Euro 1,250 per year | Individual (max 1,250 Euro) |
| Romania | Automatic | 63.2.a The annual payment is calculated as the total value of all the payments that should be annually allocated to the farmer up to a maximum of Euro 1,250 per year | Individual (max 1,250 Euro) |
| Sweden | Not implemented | | |
| Denmark | Not implemented | | |
| Bulgaria | Voluntary | 63.2.a The annual payment is calculated as the total value of all the payments that should be annually allocated to the farmer up to a maximum of Euro 1,250 per year | Individual (min 500 Euro - max 1,250 Euro) |
| Germany | Voluntary | 63.2.a The annual payment is calculated as the total value of all the payments that should be annually allocated to the farmer up to a maximum of Euro 1,250 per year | Individual (max 1,250 Euro) |
| Czech Republic | Not implemented | | |
| Malta | Automatic | 63.2.a The annual payment is calculated as the total value of all the payments that should be annually allocated to the farmer up to a maximum of Euro 1,250 per year | Individual (max 1,250 Euro) |
| Poland | | 63.2.a The annual payment is calculated as the total value of all the payments that should be annually allocated to the farmer up to a maximum of Euro 1,250 per year | Individual (max 1,250 Euro) |
| Portugal | Automatic | 63.1.b The annual payment was fixed as the average payment per hectare multiplied by a figure corresponding to a number of hectares not exceeding 5 | Flat (max 500 Euro) |

Source: Own elaborations based on information collected by Member States, European Commission 2015a, COPA-COGECA 2015.

# SECTION 2 - REFLECTIONS ON THE SUPPORT ARRANGEMENTS RESULTING FROM THE NEW CAP 2014-2020

## 2.1. THE READING KEYS OF THE REFORM

In this second part of the study we try to identify typologies of behaviour of different Member States in order to draw a political geography of the new CAP, and to shed light on possible future paths of the CAP reform process.

The reform deepens some elements that were already present in the CAP. The reading keys with which we have analysed the reform are the following:

- The speed of transition towards a flat rate payment is determined by the starting point, the speed and the final point of convergence (partial or total), the presence of regional ceilings and the type of 'green payments' (flat or individual). All these elements help us understand to what extent a flat payment has been achieved across the European Union.
- The tightness in the selection of beneficiaries is determined by the national implementation of the active farmers, the choice of minimum requirements, and the introduction of additional requirements for other payments such as those for young farmers, natural constraints and coupled support;
- The redistribution of support between farmers, sectors and regions is expressed in the decisions by Member States to refrain from implementing a flat rate payment, to implement the degressivity at a higher rate than required and to apply the redistributive payment;
- The "national CAP tailoring" is an expression of the flexibility of Member States in choosing among the tools at their disposal and in shaping these to their needs. The rate of national differentiation is determined by the variety of measures taken to make the current CAP closer to the specific features of the Member States' agriculture. In this key we consider:
    - the possibility of shifting financial resources between CAP pillars, given that is an indicator of the extent to which each Member State tries to adapt the whole amount of CAP funding to its own needs and strategic targets;
    - the presence of more targeted payments, which help us understand whether the new system of direct payments is well calibrated with regard to the needs of Member States;
    - the possibility given to Member States to adapt the model of basic payment (and 'green payment') to the national redistributive objective;
    - the possibility to deviate from the mandatory reduction on payment (degressivity) in order to allow a higher percentage of reduction (up to capping), limiting the payment for larger beneficiaries while, at the same time, increasing the financial resources for rural development policy, or to adopt the redistributive payment by increasing the unit amount of basic payment available for smaller farms.

The choice of main keys with which to read the CAP reform is somewhat subjective and can certainly be criticised and/or conceived of in a different way. However, we believe that the four keys described above are relevant as they identify factors of importance in the past history of the CAP (and, thereby, of the current reform) and describe the role they will play in the near future (in which the reform process will unfold).

The first key provides an understanding of the process of the CAP transition towards a flat-rate payment. This issue arose with the Fischler reform, thanks to which many Member States opted for a regionalised system of payments and for the abandonment of historical references when calculating the amounts of support due to farmers. In this logic, the 2014-2020 CAP reform is another step in the direction of more homogeneous rates of payment. Member States that kept the historical payment under the Fischler reform were in 2013 much more distant from a regionalised payment than those that had chosen to regionalise or to move towards a regionalised payment (hybrid models). For this reason, the arrival point of the reform is as important as the starting point and the path taken. Of course, as argued below, perfectly logical reasons can be given for the different speeds of transition chosen.

The second key reflects the objective of the Commission to target the CAP better, selecting the beneficiaries and, most importantly, selecting the behaviours to reward with public support. In this sense, the purpose of this key to evaluating the reform is to determine whether options were implemented by Member States in order to focus public support on specific beneficiaries and specific goals, and, if so how many.

The third key addresses the more general issue regarding the distribution of support within the CAP. Although this has been a key point at all the past and present discussions on the CAP, there is a general agreement that the CAP has “frozen” both the level and the distribution of support throughout the years, within and between the Member States, ignoring the growing need for more equitable support. The last reform introduces a specific “payment” – the redistributive payment – aimed at modifying the distribution of support, but other instruments are also available that have the more or less explicit goal of changing the way support is distributed. The question that this reading key seeks to clarify is to what extent the distribution of support among farmers, regions and products has been given prominence with the new reform.

The last key is of a more general nature, looking at the possibility of Member States and regions to tailor the overall CAP reform to their specific needs and specific features. The main issue here is not so much the measure of the ability of each Member State or region to tailor the reform, but rather their need to do so in order to implement it as efficiently and successfully as possible. In other words, we look at the “distance” between the agricultural model of each Member State and the general model offered by the CAP in order to evaluate whether, and to what extent, some tailoring was necessary to ensure a better fit.

### 2.1.1. The speed of transition towards a flat-rate payment

The speed of transition is the first key through which we look at the reform, taking into account the progress made with respect to the decisions taken under the Fischler reform. Indeed, the CAP 2004-2020 basically allows the Member States to reach a flat-rate payment or to apply a partial convergence of the value entitlements without reaching a completely flat payment. In the analysis of the speed of transition, we fix the final point of destination (the flat-rate payment/partial convergence) and look at the evolution compared to the decision taken under the Fischler reform in a descending order, from the farthest point (the historical Single Payment Scheme, where each farm receives a farm-specific payment) to the closest point (the regional single payment scheme applied in Malta and Slovenia, where each farm receives a flat-rate payment).

The first group can be defined as ‘sprinter’ countries, since they have changed their model of support dramatically, moving from a distribution that is criterion-based (or partially based) on historical farm-related references to a flat-rate payment. Of course, none of these countries switched immediately from one system to the other – it took some time, in accordance with Regulation 1307/2013. Nevertheless, they are considered ‘sprinters’ because they exhibit the greatest distances between starting and arrival point. This group includes the Netherlands, Austria, Scotland and Wales, starting from the “historical SPS” model, and Sweden, starting from the “SPS static hybrid” model (Map 2.1 and Table 2.1) and scheduled to reach a flat rate in 2020. The Netherlands, Austria, Scotland and Wales are scheduled to reach a flat-rate payment in 2019, at national level in the former two countries, and at the regional level in the latter two. The four countries differ from each other also in the choices made with regard to ‘green payments’. The Netherlands, Austria and Wales will apply an individual ‘green payment’, whereas Scotland a flat one. Moreover, while the Netherlands and Austria will introduce practices equivalent to green practices, Scotland and Wales will not. Within this group, Scotland intends to get the “fast track” of the reform moving towards a flatter model of payment. To these countries, the French region of Corsica needs to be added. France has chosen two different models: one for Corsica and one for mainland France. In this context, Corsica, starting from a historical SPS, will reach a regional flat-rate payment in 2015.

In this first group of countries the reform will generate a higher rate of redistribution of support than in the past, moving from farm level payment, ensured by the historical model of SPS, to a flat basic payment. In this context, Scotland and Wales limit the redistribution within the regions identified: in Scotland the indicative rates for basic payment and ‘green payment’ combined are EUR 225 per hectare for Region 1 (which includes high-quality agricultural land used for arable crops, temporary grass and permanent grass), EUR 35 per hectare for Region 2 (which includes high-quality rough grazing) and EUR 10 per hectare for Region 3 (which includes low-quality rough grazing); in Wales, the ratio of basic payments between Moorland, Severely Disadvantaged Area (SDA), and Disadvantaged Area (DA) and lowland combined will be 1:10:12, and the indicative payments rates for the mentioned land categories are EUR 20 per hectare for Moorland, EUR 200 per hectare for SDA and EUR 240 per hectare for DA and Lowland, acknowledging the differences in productivity of the different lands.

Sweden, starting from the “SPS static hybrid” model, with payments based partially on historical farm references and partially on a flat rate, will make a significantly transition to a national flat rate payment, though only by 2020. The country will apply a linear convergence in six steps ending in 2020, when all entitlements will reach the same value, meaning that differences in the entitlement payment values will still exist in 2019. With respect to the Fischler reform, the country has decided to abolish the regional model (with 5 regions) based on reference yields, allowing for a greater distribution of support among farmers. ‘Green payments’ will be applied at holding level. No equivalent practices to the green measures will be applied.

Map 2.1: The speed of transition toward a flat rate payment

A second group of Member States is formed by the “mid-distance runners”, countries that will easily move towards a flat-rate payment starting from a situation in which the historical model has been already partially abandoned. This group includes Member States starting from a “SPS dynamic hybrid” model (Finland, England, Denmark and Germany) and Malta, starting from a “regional SPS” model.

The “SPS dynamic hybrid” was the most redistributive model in the Fischler reform, since it foresees that the portion of the single payment based on farm references decreases over time. The group of countries adopting this model also include England and Germany, where flat rate payments were reached in 2012 and 2013, respectively, and Finland and Denmark, where flat-rate payment would have to be reached in 2016 and 2019, respectively.

In 2005, Finland decided that all top-ups would expire by 2019, and this decision has been confirmed. Finland’s regionalised model involves a change from the three regions of the Fischler reform to two regions. The two regions are based on agronomic characteristics and administrative structures with the aim of reducing the administrative burden and making the regional divisions more coherent with other policy instruments. Indeed, the whole of Finland is defined as an area with natural constraints; the two new regions are the same as those used in national supports and in areas with natural constraints under the rural development policy. Finland has decided to keep the existing payment entitlements, to apply a flat ‘green payment’ and not to apply equivalent practices.

Denmark decided to postpone the full introduction of a flat rate payment from 2016 to 2019, while keeping existing payment entitlements. It will apply the ‘green payment’ at farm level but no equivalent practices. England will reach a regional flat rate payment in 2015. The country decided to maintain the three regions defined in the Fischler reform, but the entitlements for Severely Disadvantaged Areas (SDA) other than Moorland and those for Non-Severely Disadvantaged Areas (Non-SDA, the Lowland) will have similar values (higher than those for SDA Moorland, the third region). Like Finland, England has decided to apply a flat ‘green payment’ and to not apply equivalent practices. In Germany, the basic payment scheme will be applied at regional level (13 regions) in the period 2015-2018, moving to a national flat payment in 2019. The uniform unit value of the basic payment (without greening) is expected to be EUR 176 per hectare.

Starting from a “regional SPS”, only Malta will reach a national flat rate payment in 2015 (Slovenia and Croatia are the other “new” Member State who had decided to apply this model in the context of the Fischler reform).

A third group of countries, labelled “cautious”, includes those Member States who have made minimum changes with respect to their former model of support. This group includes Member States that have chosen to adopt a partial convergence (Flanders, Wallonia, mainland France, Greece, Italy, Spain, Ireland, Portugal, Luxembourg, Northern Ireland, Croatia and Slovenia) and those new Member States that have decided to maintain the SAPS provided for in the Fischler reform (Cyprus, Hungary, Lithuania, Slovakia, Latvia, Estonia, Romania, Bulgaria, the Czech Republic and Poland).

Except for the SAPS and the new Member States applying the “regional SPS” (Croatia and Slovenia), almost all these countries have, as expected, applied the “historical SPS” in the Fischler reform: Flanders and Wallonia (Belgium), mainland France, Greece, Italy, Spain, Ireland and Portugal. Most of them are Mediterranean countries, for which the effect of the Fischler reform was more effective in the “second wave”, when Mediterranean products were included in the SPS. As they also do on this occasion, in the previous reform these countries made use of all derogations to a flat or a “flatter” payment to take into account the fact that the unit historical payments, arising from the “old” price support, were greatly differentiated by product. Within the new reform, the partial convergence (as the “historical SPS” under the Fischler reform) has been the way to minimise the “political stress” of the change for farmers, and to adapt the model of support to the heterogeneity of their respective forms of agricultural production. The other Member States that have decided to apply the partial convergence model are in a sort of half-way position: Northern Ireland and Luxembourg, applying the “SPS static hybrid” model, and Croatia and Slovenia, starting from the “regional SPS” model. However, Northern Ireland plans to reach a flat-rate payment in 2021 after a seven-year transition.

Regarding the third group, five of the eight countries starting from “historical SPS” have decided not to apply the basic payment at regional level, opting for a national model. This group includes the part of mainland France that is not split in regions, and Flanders and Wallonia which, in line with the Article 118 of Regulation (EU) 1306/2013, are responsible for the implementing programmes and have chosen to apply the partial convergence considering their territory as a single region. In the other three Member States, the regional model for the basic payment applies. Spain implemented a rather complex regionalisation, choosing 50 regions based on administrative, agronomic and socio-economic criteria and on regional agricultural potential. The starting points of the regionalisation are the comarcas agrarias (agricultural districts), which have been grouped into regions according to the aforementioned criteria. In order to limit the redistribution of support among farmers, Spain has decided not to extend the list of eligible farmers and, therefore, not to allocate payment entitlements to farmers who did not receive payment for 2013 and who were producing fruit and vegetables, ware potatoes, seed potatoes, ornamental plants and vineyards. The list was extended to include these categories in all other Mediterranean countries, Portugal, and Flanders and Wallonia. All eight countries have, as expected, decided to apply the ‘green payment’ at the individual level, thereby reducing at an even higher pace the redistributive impact of the reform. All these models for partial convergence provide for a maximum decrease of the initial unit value at 30 %, limiting the loss for the payment entitlements above national/regional averages to this level. In terms of the minimum level that should be reached by the lower-value entitlements, all the countries of this group have chosen a percentage of 60 %, with the exception of France which increased the percentage to 70 %. Ireland has decided that by 2019 no farmer will receive more than EUR 700 per hectare (the ‘green payment’ included ).

Croatia and Slovenia, the other two new Member States applying the “regional SPS”, have decided to move to a partial convergence at national level, thereby preserving the difference in the unit value payments arising from the application of the Fischler reform. Slovenia has combined the regional scheme (flat-rate payment differentiated for permanent pasture and arable crops) with supplementary amounts for beef, milk and sugar. In Croatia the payments were set as the sum of a regional payment and coupled payments (for cows and for sheep and goats), as well as coupled payments paid as State aid for sugar beet, olive oil, tobacco, dairy cows and sows.

A separate group is formed by those Member States that joined the EU in 2004 or after and that in the Fischler reform chose to apply the SAPS. All these Member States have decided to continue this scheme until the end of 2020. According to the information available, Hungary, Slovakia, Latvia, Romania, Bulgaria and the Czech Republic have decided to grant transitional national aid.

## Table 2.1: The speed of transition toward a flat rate

| Member States | | Fischler reform Starting point | | Basic payment: regional or national model, internal convergence | | | | Green payment | | SAPS | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | SPS/SAPS | Regions | Keeping the existing payment entitlements | Regional or national model | Internal convergence: First allocation of payment entitlements, limitations, minimum size of holding | Internal convergence: Flat rate payment or partial convergence | Equivalent practices | Flat or individual payment | Continuation of SAPS | Transitional payments |
| **Sprinters** | | | | | | | | | | | |
| Austria | | SPS historical | - | Not relevant | National | Partial extension of the list of eligible farmers<br>Yes limitation of number of entitlements | National flat rate payment in 2019 | Yes | Individual payment (until 2018) | Not relevant | Not relevant |
| Netherlands | | SPS historical | - | Not relevant | National | Yes extension of the list of eligible farmers<br>Yes limitation of number of entitlements<br>Yes minimum size | National flat rate payment in 2019 | Yes | Individual payment (until 2018) | Not relevant | Not relevant |
| United Kingdom | Scotland | SPS historical | | Not relevant | Regional (3 regions) | Partial extension of the list of eligible farmers<br>Yes limitation of number of entitlements | Regional flat rate payment in 2019 | No | Flat payment | Not relevant | Not relevant |
| United Kingdom | Wales | SPS historical | | Not relevant | Regional (3 regions) | Partial extension of the list of eligible farmers | Regional flat rate payment in 2019 | No | Individual payment (until 2018) | Not relevant | Not relevant |
| Sweden | | SPS static hybrid | 5 regions | Yes | National | No extension of the list of eligible farmers<br>No limitation of number of entitlements<br>No minimum size | National flat rate payment in 2020 | No | Individual payment (until 2019) | Not relevant | Not relevant |
| **Mid-distance runners** | | | | | | | | | | | |
| Finland | | SPS dynamic hybrid moving to a flat rate | 3 regions | Yes | Regional (2 regions) | No extension of the list of eligible farmers<br>No limitation of number of entitlements<br>No minimum size | Regional flat rate payment in 2019 | No | Flat payment | Not relevant | Not relevant |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| United Kingdom | England | SPS dynamic hybrid moving to a flat rate | 3 regions | No | Regional (3 regions) | N/A | Regional flat rate payment in 2015 | No | Flat payment | Not relevant | Not relevant |
| Denmark | | SPS dynamic hybrid moving to a flat rate | - | Yes | National | No extension of the list of eligible farmers<br>No limitation of number of entitlements<br>No minimum size | National flat rate payment in 2019 | No | Individual payment (until 2018) | Not relevant | Not relevant |
| Germany | | SPS dynamic hybrid moving to a flat rate | 13 regions | No | Regional (13 regions until 2018) | Yes extension of the list of eligible farmers | National flat rate payment in 2019 (regional model until 2018) | No | Flat payment | Not relevant | Not relevant |
| Malta | | SPS regional | Single region | No | National | Partial extension of the list of eligible farmers<br>No limitation of number of entitlements<br>Yes minimum size | National flat rate payment in 2015 | No | Flat payment | Not relevant | Not relevant |
| Cautious | | | | | | | | | | | |
| Belgium | Flanders | SPS historical | | Not relevant | Regional (single region) | Yes extension of the list of eligible farmers<br>Yes limitation of number of entitlements<br>Yes minimum size | Partial convergence 60%/90% max loss 30% | No | Individual payment | Not relevant | Not relevant |
| Belgium | Wallonia | SPS historical | | Not relevant | Regional (single region) | Yes extension of the list of eligible farmers<br>Yes minimum size | Partial convergence 60%/90% max loss 30% | No | Individual payment | Not relevant | Not relevant |
| France | | SPS historical | - | Not relevant | Regional (2 regions: Mainland France and Corsica) | Yes extension of the list of eligible farmers<br>Yes minimum size | Regional flat rate payment in 2015 (Corsica)<br>Partial convergence (Mainland France) minimum level 70% max loss 30% | Yes | Individual payment (Mainland France)<br>Flat payment (Corsica) | Not relevant | Not relevant |
| Greece | | SPS historical | - | Not relevant | Regional (3 regions) | Yes extension of the list of eligible farmers<br>Yes minimum size | Partial convergence 60%/90% max loss 30% | No | Individual payment | Not relevant | Not relevant |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Italy | | SPS historical | - | Not relevant | National | Yes extension of the list of eligible farmers<br>Yes limitation of number of entitlements<br>Yes minimum size | Partial convergence 60%/90% max loss 30% | Yes | Individual payment | Not relevant | Not relevant |
| Spain | | SPS historical | - | Not relevant | Regional (50 regions) | Partial extension of the list of eligible farmers | Partial convergence 60%/90% max loss 30% | No | Individual payment | Not relevant | Not relevant |
| Ireland | | SPS historical | | Not relevant | National | Partial extension of the list of eligible farmers<br>Yes limitation of number of entitlements | Partial convergence minimum level 60%/90% | Yes | Individual payment | Not relevant | Not relevant |
| Portugal | | SPS historical | - | Not relevant | National | Partial extension of the list of eligible farmers<br>Yes limitation of number of entitlements<br>Yes minimum size | Partial convergence 60%/90% max loss 30% | No | Individual payment | Not relevant | Not relevant |
| Luxembourg | | SPS static hybrid | Single region | No | National | Partial extension of the list of eligible farmers<br>No limitation of number of entitlements<br>Yes minimum size | Partial convergence 60%/90% | No | Flat payment | Not relevant | Not relevant |
| United Kingdom | Northern Ireland | SPS static hybrid | | No | Regional (single region) | Partial extension of the list of eligible farmers | Partial convergence Transition towards a flat rate will be achieved by 2021 | No | Individual payment | Not relevant | Not relevant |
| Croatia | | SPS regional | Single region | No | National | Yes extension of the list of eligible farmers<br>Yes limitation of number of entitlements<br>Yes minimum size | Partial convergence 60%/100% | No | Individual payment | Not relevant | Not relevant |
| Slovenia | | SPS regional | Single region | No | National | Partial extension of list<br>Yes minimum size | Partial convergence minimum level 60% max loss 30% | No | Individual payment | Not relevant | Not relevant |
| Cyprus | | SAPS | - | Not relevant | National | Not relevant | Not relevant | No | Flat payment | Yes | Decision deferred |
| Hungary | | SAPS | - | Not relevant | Not relevant | Not relevant | Not relevant | No | Flat payment | Yes | Yes |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Lithuania | SAPS | - | Not relevant | Not relevant | Not relevant | Not relevant | No | Flat payment | Yes | No |
| Slovakia | SAPS | - | Not relevant | Not relevant | Not relevant | Not relevant | No | Flat payment | Yes | Yes |
| Latvia | SAPS | | Not relevant | Not relevant | Not relevant | Not relevant | No | Flat payment | Yes | Yes |
| Estonia | SAPS | | Not relevant | Not relevant | Not relevant | Not relevant | No | Flat payment | Yes | No |
| Romania | SAPS | | Not relevant | Not relevant | Not relevant | Not relevant | No | Flat payment | Yes | Yes |
| Bulgaria | SAPS | | Not relevant | Not relevant | Not relevant | Not relevant | No | Flat payment | Yes | Yes |
| Czech Republic | SAPS | | Not relevant | Not relevant | Not relevant | Not relevant | Yes | Flat payment | Yes | Yes |
| Poland | SAPS | | Not relevant | Not relevant | Not relevant | Not relevant | Yes | Flat payment | Yes | N/A |

Source: Own elaborations based on information collected by Member States; European Commission 2015a; COPA-COGECA 2015.

### 2.1.2. The selectiveness of beneficiaries

The second key through which we look at the CAP reform is how tight the selection of beneficiaries is. In this framework, we refer to

- the national implementation of the active farmers, looking at
  - the presence of a more restrictive threshold than the one provided for by the EU regulation (max EUR 5000);
  - the presence of additional economic or professional requirements, in order to be considered active farmers;
  - the extension of the negative list of persons who are non-active farmers by definition;
- the presence of more restrictive minimum thresholds (financial and physical) for receiving direct payments;
- the presence of additional requirements that must be met in order to receive the payment for young farmers;
- the presence of differentiation in the unit amount of the payment for the same sector/product in the Member State, and/or the presence of territorial limitation in the case of the coupled support.

We look at the number of times in which a Member State has decided to deviate from the "general rule" applying more restrictive national rules. We identify as "highly selective" those Member States that impose 5-6 restrictions; as "fairly selective" those that impose 3-4 restrictions and as "barely selective" those that impose 1-2 restrictions or that do not impose any restriction (Map 2.2 and Table 2.2).

Looking at the whole set of conditions, Italy and France are the Member States that have fixed the most restrictive rules in order to select the beneficiaries of the direct payments.

Indeed, Italy has applied almost all the restrictions connected to the active farmer: it has defined a specific threshold to identify active farmers for beneficiaries with more than 50 % of the agricultural land located in disadvantaged or mountain areas (EUR 5 000) and a tighter threshold for all the others (EUR 1 250). The beneficiaries above the threshold must be registered as farmers with the National Social Security Institute (INPS) or must own an active VAT number for agricultural activity. Moreover, Italy has extended the negative list for the definition of active farmer, and has raised the financial threshold from EUR 100 to EUR 300 Euro, to be applied starting in 2017. However, analysis suggests that all these requirements are not really restrictive since most farmers are able to register with the INPS or request a VAT number. Finally, Italy has applied a territorial limitation/differentiation of unit payment for some of the products enjoying coupled support. The differentiation of support between products aims at selecting farmers according to their geographical localisation (for example, dairy cows in mountain areas) and/or quality (with or without indication of origin) and/or presence of other requirements. Italy has decided not to add any criteria with regard to the appropriate skills of or training requirements for young farmers.

In Italy the debate on the CAP reform and, subsequently, on CAP implementation has focused on the need to preserve the historical distribution of support among areas/sectors/products in order to maintain adequate levels of income, taking into account the reduction of financial resources for direct payments (both at EU and national level, as a result of the external convergence) and the mandate to move towards a flat or flatter payment. In this context, Italy has chosen to limit the number of beneficiaries in order to concentrate the (reduced) support on those that are actually involved in agriculture. At the same time, coupled support has been conceived so as to compensate sectors/products most affected by the flattening of the basic payment and the choice of the national model.

France has decided to apply a threshold of EUR 200, and the same minimum amount for receiving direct payments. The aim is a system of direct payments that extends the same rules that apply to active farmers to all applicants. At the same time, France has decided not to extend the negative list and not to add additional economic or professional requirements that must be met in order to be considered an active farmer. France has decided to introduce additional criteria for receiving payments for young farmers (featuring a certain level of training or a validation of prior experience). As for coupled payments, France has decided to differentiate the support between products and to include territorial limitations on the granting of support. Almost all livestock-related coupled payments will be applied following the criteria of degressivity and capping (i.e. reduction of unit payment, or no payment, as the number of animals increases).

The CAP reform in France has primarily been driven by the will to improve the distribution of support among sectors and farmers (which after the Fischler reform had been concentrated mainly on the arable crops sector), allowing time to avoid a disruptive change in the level of support, and to adapt to new rules.

Map 2.2: The selectiveness of beneficiaries

At the other end of the scale, the “barely selective” Member States are the following:

- Hungary, Luxembourg, Latvia, the Czech Republic and Poland will not apply any of the restrictions taken into account in this section;
- Wallonia, Lithuania, Slovenia, Wales, Sweden, Germany, Croatia, and Denmark will apply only one restrictive requirement. Wales, Sweden and Denmark will apply the minimum requirements to receive direct payments; Wallonia and Croatia will apply the additional requirement to qualify for the young farmer scheme; Lithuania will apply the threshold to be considered active farmer, whereas Slovenia will apply additional requirements to be considered active farmers. Finally, Germany will apply a restrictive requirement regarding the extension of the negative list;
- The other eight countries – England, Northern Ireland, Ireland, Estonia, Romania, Flanders, Cyprus and Portugal – have decided to apply two of the, mainly those pertaining to the requirements for being considered an active farmer, the threshold to receive direct payments and the additional requirements for qualifying for the young farmer scheme (see Table 2.2 for more details).

The remaining nine countries are in an intermediate position (“fairly selective”), applying three or four of the restrictions.

## Table 2.2: The selectiveness of beneficiaries

| Member States | Active farmers and minimum requirements: Active farmers: Threshold: 5,000 Euro or below | Active farmers and minimum requirements: Active farmers: Additional economic/professional requirements | Active farmers and minimum requirements: Active farmers: National negative list | Active farmers and minimum requirements: Minimum requirements for receiving direct payments (Yes if different from 100 Euro or 1 hectare) | Payment for young farmers: Additional criteria as regards appropriate skill or training requirements | Coupled support: Presence of differentiation in the amount of unit payment for the same sector/product | Coupled support: Territorial limitation of the support |
|---|---|---|---|---|---|---|---|
| Highly selective (5-6 criteria) | | | | | | | |
| Italy | Yes, 5,000 Euro for farms with more than 50% of the agricultural land located in disadvantaged or mountain areas; 1,250 Euro for other farms | Yes | Yes | Yes (higher financial threshold) | No | Yes | Yes (dairy cows in mountain areas, soybean, durum wheat and olive) |
| France | Yes, 200 Euro | No | No | Yes (higher financial threshold) | Yes | Yes (suckler cows, dairy cattle, sheep and goat) | Yes (suckler cows and dairy cattle in mountain and other disadvantages area) |
| Fairly selective (3-4 criteria) | | | | | | | |
| Austria | Yes, 1,250 Euro | No | No | Yes (higher physical and financial threshold) | Yes | No | Yes (Alpine pastures) |
| Slovakia | Yes, 2,000 Euro | Yes | No | No | Yes | Yes (fruit and vegetables) | No |
| Netherlands | Yes, 1 Euro | Yes | Yes | Yes (higher financial threshold) | No | No | No |
| Bulgaria | Yes, 3,000 Euro | No | Yes | Yes (lower physical threshold) | Yes | No | No |
| Spain | Yes, 1,250 Euro | Yes | No | Yes (higher financial threshold) | No | Yes (between regions) | No |
| Greece | No, 5,000 Euro | Yes | No | Yes (lower physical and higher financial threshold) | No | No | Yes (sheep and goats in mountainous and in LFA) |
| United Kingdom (Scotland) | No, 5,000 Euro | No | Yes | N/A | N/A | Yes | Yes |
| Finland | No, 5,000 Euro | No | No | Yes (higher financial threshold) | No | Yes (dairy cow, suckler cow and suckler cow heifer, bull and steer, ewe) | Yes (fattening heifer, dairy cow heifer, she-goat, outdoor vegetables) |
| Malta | Yes, 250 Euro | No | Yes | Yes (lower physical threshold) | No | No | No |
| Barely selective (0-1-2 criteria) | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Poland | No, 5,000 Euro | No | No | Yes (higher financial threshold) | N/A | No | Yes (Hops limited to following regions: Lublin, Wielkopolska and Lower Silesia) |
| United Kingdom (England) | No, 5,000 Euro | Yes | No | Yes (higher financial threshold) | No | N/A | N/A |
| United Kingdom (Northern Ireland) | No 5,000 Euro | No | No | Yes (higher physical threshold) | Yes | N/A | N/A |
| Estonia | No, 5,000 Euro | Yes | Yes | No | No | No | No |
| Romania | No, 5,000 Euro | Yes | Yes | No | No | No | No |
| Belgium (Flanders) | No, 0 Euro (to be considered active farmer need comply only with the minimum activity) | No | No | Yes (higher financial threshold) | Yes | N/A | No |
| Cyprus | No, 5,000 Euro | No | No | Yes (lower physical threshold) | No | N/A | Yes (citrus fruit) |
| Ireland | No, 5,000 Euro | No | No | No | Yes | N/A | N/A |
| Portugal | No, 5,000 Euro | No | No | Yes (lower physical threshold) | Yes | No | No |
| Belgium (Wallonia) | No, 350 Euro (to be considered active farmer need comply only with the minimum activity) | No | No | No | Yes | N/A | No |
| Lithuania | Yes, 500 Euro | No | No | No | No | No | No |
| Slovenia | No, 5,000 Euro | Yes | No | No | No | No | No |
| United Kingdom (Wales) | No, 5,000 Euro | No | No | Yes (higher physical threshold) | No | N/A | N/A |
| Sweden | No, 5,000 Euro | No | No | Yes (higher physical threshold) | No | No | No |
| Germany | No, 5,000 Euro | N/A | Yes | No | No | N/A | N/A |
| Croatia | No, 5,000 Euro | No | No | No | Yes | No | No |
| Denmark | No, 5,000 Euro | No | No | Yes (higher physical threshold) | No | No | No |
| Hungary | No, 5,000 Euro | No | No | No | No | No | No |
| Luxembourg | No, 100 Euro (to be considered active farmer need comply only with the minimum activity) | No | No | No | No | No | No |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Latvia | No, 5,000 Euro | No | No | No | No | No | No |
| Czech Republic | No, 5,000 Euro | N/A | No | No, | No | No | No |

Source: Own elaborations based on information collected by Member States, European Commission 2015a, COPA-COGECA 2015.

### 2.1.3. The redistribution of support among farmers

Another key by which we look at the reform is the redistributive impact of the decisions taken by the Member States. In order to answer this question we look at three elements:

- The shift to a flat-rate payment or to a less redistributive partial convergence. In this context, the application of SAPS is considered redistributive, even though it does not introduce any changes relative to the Fischler reform;
- The application of the degressivity at a higher percentage level than the one provided for in Article 11 of Regulation (EU) 1307/2013. In this case the amount of payments saved with such reductions will be transferred to the rural development programmes ('redistribution between pillars');
- The application of the redistributive payment at a level higher than 5 % (allows for degressivity not to be applied). Here the redistribution takes place within the first pillar, in favour of smaller holdings.

The most redistributive Member States are Bulgaria and Poland, which apply the SAPS and both degressivity and redistributive payments (Map 2.3 and Table 2.3). Bulgaria applies a reduction of 5 % for the amount of the payment exceeding EUR 150 000; for the amount exceeding EUR 300 000 Euro, after having applied the 5 % reduction, the reduction is 100 %, becoming a capping. Moreover, Bulgaria applies the redistributive payment using 7 % of the national ceiling in favour of the first 30 hectares (the unit redistributive payment is 36 % of the national average payment). In Poland, the capping is tighter, taking place for amounts exceeding EUR 150 000, and the envelope devoted to the redistributive payment is 8.3 % of the national ceiling.

At the other end of the scale, the least redistributive Member States are Luxembourg, Slovenia and Portugal, which have decided to apply the 2014-2020 reform in a way that aims at preserving the historical distribution. In fact, they are moving to a partial convergence of the basic payment and apply the degressivity at the minimum mandatory level (5 % for the amount exceeding EUR 150 000).

The medium redistributive countries form a group that includes Austria, Hungary, Scotland and Wales, which apply the flat rate payment/SAPS and the degressivity, and Lithuania and Germany, which applied flat payment/SAPS and the redistributive payment.

The group of Member States characterised by low redistribution is the largest, with 21 countries. Among these, 12 apply only the flat rate payment or the SAPS (Cyprus, Finland Slovakia, Sweden, Netherlands, England, Latvia, Estonia, Romania[48], Denmark, the Czech Republic and Malta), and the degressivity at the mandatory level. Six countries apply only the degressivity at a higher level than that mandatory (Flanders, Greece, Italy, Spain, Northern Ireland and Ireland), thereby preserving the historical distribution with a partial convergence of the basic payment and moving resources to the second pillar. Three countries apply only the redistributive payment (Wallonia, Croatia and France), whereby, it should be noted, the effect of the partial convergence is weakened by the presence of the redistributive payment that increases the unit payment for the smaller holdings.

[48] The application of the redistributive payment for Romania has been considered not redistributive because it is applied at the minimal percentage to avoid the degressivity (5 %), even if with the degressivity the redistribution would take place between pillars while with the redistributive payment will take place within the first pillar.

Map 2.3: The redistribution of support between farmers

Table 2.3: The redistribution of support

| Member States | Model of BP - SAPS | Degressivity/capping | Redistributive payment |
|---|---|---|---|
| **Redistributive** | | | |
| Bulgaria | SAPS | 5% of reduction for the part of the amount exceeding 150,000 Euro; after applying this reduction 100% for the part of the amount exceeding 300,000 Euro | Yes, from 7.07% in 2015 to 7.02% in 2020 |
| Poland | SAPS | 100% of reduction for the part of the amount exceeding 150,000 Euro | Yes, 8.3% (2015-2020) |
| **Medium redistributive** | | | |
| Austria | National flat rate payment in 2019 | 100% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Hungary | SAPS | 5% of reduction for the part of SAPS between 150,000 Euro and 176,000 Euro;<br>100% of reduction for the part of SAPS exceeding 176,000 Euro | No |
| Lithuania | SAPS | No | Yes, 15% (2015-2020) |
| United Kingdom (Scotland) | Regional flat rate payment in 2019 | 5% of reduction for the part of the amount exceeding 150,000 Euro; 100% of reduction for the part of the amount exceeding 500,000 Euro | No |
| United Kingdom (Wales) | Regional flat rate payment in 2019 | 150,000: 15%<br>200,000: 30%<br>250,000: 55%<br>300,000: 100% | No |
| Germany | National flat rate payment in 2019 (Regional model until 2018) | No | Yes, 7% (2015-2020) |
| **Low redistributive** | | | |
| Belgium (Flanders) | Partial convergence | 100% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Belgium (Wallonia) | Partial convergence | No | Yes, 17% (2015-2020) |
| Croatia | Partial convergence | No | Yes, 10% (2015-2020) |
| Cyprus | SAPS | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Finland | Regional flat rate payment in 2019 | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| France | Partial convergence (Mainland France) | No | Yes, from 5% in 2015 to 20% in 2018 |
| Greece | Partial convergence | 100% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Italy | Partial convergence | 50% of reduction for the part of the amount exceeding 150,000 Euro; after applying this reduction 100% for the part of the amount exceeding 500,000 Euro | No |
| Slovakia | SAPS | 5% (by at least ) of reduction for the part of the amount exceeding 150,000 Euro | No |
| Spain | Partial convergence | 5% of reduction for the part of the amount exceeding 150,000 Euro; 100% of reduction for the part of the amount exceeding 300,000 Euro | No |
| Sweden | National flat rate payment in 2020 | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Netherlands | National flat rate payment in 2019 | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| United Kingdom (England) | Regional flat rate payment in 2015 | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |

| | | | |
|---|---|---|---|
| United Kingdom (Northern Ireland) | Partial convergence | 100% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Ireland | Partial convergence | 100% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Latvia | SAPS | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Estonia | SAPS | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Romania | SAPS | No | No (5% from 2015 to 2020) |
| Denmark | National flat rate payment in 2019 | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Czech Republic | SAPS | 5% of reduction for the part of SAPS exceeding 150,000 Euro | No |
| Malta | National flat rate payment in 2015 | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Not redistributive at all | | | |
| Luxembourg | Partial convergence | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Slovenia | Partial convergence | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |
| Portugal | Partial convergence | 5% of reduction for the part of the amount exceeding 150,000 Euro | No |

Source: Own elaborations based on information collected by Member States, European Commission 2015a, COPA-COGECA 2015.

### 2.1.4. "National CAP tailoring"

The 2014-2020 CAP reform gives the Member States a high degree of flexibility in shaping the "general" rules to their own needs (Regulation (EU) 1307/2013 contains 70 times the phrase "Member State(s) may").

The choices concern all aspects of the reform analysed above. These can be described synthetically by distinguishing between those defining the players (the beneficiaries of the direct payments), those defining the playing field (the payments scheme to be activated) and those defining the rules of game (the specific implementation rules).

In some instances, the Member States shall establish a national framework within which the regulation applies. This applies to:

- the criteria to be met by farmers in order to fulfil the obligation to maintain an agricultural area in a state suitable for grazing and/or cultivation;
- the definition of minimum activity;
- the minimum requirement for receiving direct payments.

In other instances, the Member States are given the right to introduce national exemptions, beyond the scope of which the general rules shall apply. Such exemption may apply to:

- degressivity (defined in the general rules as a reduction of 5% for the part of direct payments exceeding EUR 150 000 unless a Member State decides otherwise);
- the calculation method of the unit payment entitlements for the basic payment (defined as a flat rate payment in 2015 unless a Member State decides to postpone the year of flat rate payment and/or to apply a partial convergence model);
- the calculation method for the 'green payment' (defined as flat-rate payment, unless a Member State decides to calculate the 'green payment', at individual farm level, as a percentage of the total value of the farmer's basic payment entitlements);
- some specific implementation of the 'green payment'.

In yet other instances, the Member States are given the right to choose whether or not to apply, and how to apply, the options provided in the regulation, specifically with reference to:

- extending the negative list (persons who are not active farmers by definition);
- considering persons whose agricultural activity is insignificant and/or whose principal activity is not agriculture as non-active farmers;
- subtracting salary linked to the agricultural activity from the amount of direct payments subject to the degressivity;
- applying flexibility between pillars and choosing the direction of the transfer;
- using complementary national direct payments (for Romania, Bulgaria and Croatia);
- continuing the application of SAPS (for new Member States) until 31 December 2020 and granting transitional national aid;
- choosing how to apply the basic payment (whether to: increase the basic payment ceiling by a maximum of 3 % of the Member State's annual total ceiling; keep the existing payment entitlements for Member States that in the Fischler reform applied a regionalized or hybrid model of SPS; apply the basic payment at regional level, consequently defining the regions; extend the list of eligible farmers and fix the relative size of the holding; or limit the number of entitlements to be allocated);
- choosing how to apply the young farmers payment (the percentage of the Member State's national ceiling devoted and the calculation method of the payment);
- choosing how to apply the 'green payment' in relation to the three requirements (designate further sensitive areas; designate the territorial level of implementation of the permanent grassland requirement; and provide for a regional or collective application of EFA);
- whether or not to apply (and how to apply) the redistributive payment;
- whether or not to apply (and how to apply) the payment for areas with natural constraints;
- whether or not to apply (and how to apply) the voluntary coupled support payment; and
- whether or not to apply (and how to apply) the small farmer scheme.

Finally, another important element of flexibility is the possibility for Member States to review some of decisions taken. In fact, in a sort of "learning by doing", Member States may modify the decisions related to the flexibility between pillars by 1 August 2017[49], and those regarding the payment for area with natural constraint and the coupled support by 1 August 2016.

In order to look at national CAP tailoring, we take into account only those options that seem to be more relevant in shaping the CAP to national needs. Conversely, Member States that have made limited use of the options offered are those for which the general rules of the CAP well suit their needs and which, therefore, do not need to adapt them further.

[49] Under no circumstance shall the decision result in a decrease of the financial resources devoted to the rural development policy. In fact, in the case of transfer from the Pillar II to Pillar I, the decision shall not result in a decrease of the percentage of transfer; in the opposite sense, the decision shall not result in an increase of the percentage transferred to the direct payment.

To assess the degree of national CAP tailoring we consider whether or not Member States/regions have made choices about:

- the flexibility between pillars;
- degressivity (above the mandatory level)
- the model of basic payment/SAPS;
- the calculation method for 'green payment';
- the application of voluntary payments (the redistributive payment, coupled support, the payment for areas with natural constraint, the small farmer scheme).

England's only choice concerns the transfer of financial resources from Pillar II to Pillar I, with 12% to be shifted from 2014 to 2019, with the option to review the decision in 2016 and to increase the percentage up to 15% in 2018 and 2019.

Cyprus, Finland and Luxembourg have limited their decisions to the model of payment chosen (SAPS in the former, regional flat-rate payment in 2019 in the second, and partial convergence in the latter) and to the application of voluntary coupled support. It is worth remembering that the latter choice was made by almost all countries, England, Northern Ireland, Wales and Germany being the only exceptions (Map 2.4 and Table 2.4).

These first four countries (England, Cyprus, Finland and Luxembourg) can be defined as "perfect fitters", evidently having little need to adapt the CAP to their own national specificities.

At the other extreme, we have the group of "loose fitters", being those Member States that have tailored the CAP more. This group includes Croatia, Greece and Poland, applying six of the eight options, and Austria, Flanders, France, Hungary, Italy, Spain, Denmark and Bulgaria on the other, applying five options .

The first three Member States of the group of the "loose fitters" (Croatia, Greece and Poland) apply the option to transfer between pillars. Greece will transfer financial resources from the Pillar I to Pillar II (5 % from 2015 to 2019), reinforcing this choice by applying the capping on amounts exceeding EUR 150 000, while Croatia and Poland will transfer from the Pillar II to Pillar I. Croatia transfers to direct payment 15 % of the rural development resources and does not apply degressivity, while Poland transfers 25 % from Pillar II while compensating the rural development programme with the transfer arising from the capping (above EUR 150 000). All three Member States have chosen to adopt a different model of basic payment (partial convergence for Croatia and Greece, who will apply also the 'green payment' at farm level; maintaining the SAPS for Poland), the voluntary coupled support and the small farmer scheme. The redistributive payment is applied by Croatia and Poland.

Austria, Flanders, France, Hungary, Italy, Spain, Denmark, Romania and Bulgaria apply the options in a much more heterogeneous way. All have decided to adapt the basic payment model and to apply coupled support. The farm-based 'green payment' was chosen by all Member States (except, naturally, those applying SAPS), both those applying the partial convergence (Flanders, France[50], Italy and Spain) and those applying the national flat rate payment in 2019 (Austria and Denmark). In some cases, the transfer of financial resources between pillars is applied: from Pillar I to Pillar II in Flanders, France, Denmark and Romania; in the opposite direction in Hungary. Only Romania and France do not implement the

[50] It is necessary to recall that France applies two different schemes: in Corsica the flat rate payment is reached in 2015, while in mainland France the partial convergence of the basic payment will be applied.

degressivity (France applies an increasing percentage of redistributive payment, starting from 5 % in 2015 to reach 20 % in 2018, to be confirmed for 2019 and 2020, and Romania applies a 5 % of redistributive payment), while Denmark applies degressivity at a mandatory percentage. Besides France and Romania, Bulgaria is the only other Member State of this group to apply the redistributive payment, while Denmark is the only Member State of the EU-28 applying the payment for areas with natural constraint, with a share of the national ceiling of 0.32 %.

The remaining 16 countries are in a sort of half-way position ("medium fitters"). They have all chosen a model of basic payment different than the flat rate in 2015. Most of them do not apply degressivity (applying instead the redistributive payment) or they apply it at the mandatory level (Slovakia, Slovenia, Sweden, the Netherlands, Latvia, Estonia, the Czech Republic, Malta and Portugal). Only three countries have chosen the redistributive payment: Wallonia, Lithuania and Germany. Northern Ireland, Wales and Germany do not apply coupled support, while six Member States have adopted the small farmer scheme (Slovenia, Latvia, Estonia, Germany, Malta and Portugal). As regards flexibility between pillars, the situation is more complex. Seven countries (Wallonia, Lithuania, Slovenia, Sweden, Northern Ireland, Ireland and Portugal) do not implement transfer of financial resources between pillars. Slovakia and Malta move funds from rural development to direct payments (Slovakia at a higher degree, transferring, yearly – from 2015 to 2020 – 21.3 % of Pillar II resources, and Malta at a lower degree, transferring an increasing percentage from 0.8 % in 2016 to 3.8 % in 2020). The remaining Member States – the Netherlands, Scotland, Wales, Latvia, Estonia, Germany and the Czech Republic – transfer resources from direct payments to rural development. The percentage varies from 3.4 % in the Czech Republic to 15 % in Wales.

Map 2.4: "National CAP tailoring"

Table 2.4: 'National CAP tailoring' in 2014-2020

| | Transfer between pillars | Degressivity above mandatory level/capping[c] | Basic payment model[d] | Green payment[e] | Redistributive payment | Coupled support | Small farmers scheme | Payment for areas with natural constraint |
|---|---|---|---|---|---|---|---|---|
| **Perfect fitters** | | | | | | | | |
| United Kingdom (England) | Yes[a] | No | No | No | No | No | No | No |
| Cyprus | No | No | Yes | No | No | Yes | No | No |
| Finland | No | No | Yes | No | No | Yes | No | No |
| Luxembourg | No | No | Yes | No | No | Yes | No | No |
| **Medium fitters** | | | | | | | | |
| Lithuania | No | No | Yes | No | Yes | Yes | No | No |
| Slovakia | Yes[b] | No | Yes | No | No | Yes | No | No |
| Sweden | No | No | Yes | Yes | No | Yes | No | No |
| United Kingdom (Northern Ireland) | No | Yes | Yes | Yes | No | No | No | No |
| Czech Republic | Yes[a] | No | Yes | No | No | Yes | No | No |
| Netherlands | Yes[a] | No | Yes | Yes | No | Yes | No | No |
| Slovenia | No | No | Yes | Yes | No | Yes | Yes | No |
| Belgium (Wallonia) | No | No | Yes | Yes | Yes | Yes | No | No |
| United Kingdom (Scotland) | Yes[a] | Yes | Yes | No | No | Yes | No | No |
| United Kingdom (Wales) | Yes[a] | Yes | Yes | Yes | No | No | No | No |
| Ireland | No | Yes | Yes | Yes | No | Yes | No | No |
| Latvia | Yes[a] | No | Yes | No | No | Yes | Yes | No |
| Estonia | Yes[a] | No | Yes | No | No | Yes | Yes | No |
| Germany | Yes[a] | No | Yes | No | Yes | No | Yes | No |
| Malta | Yes[b] | No | Yes | No | No | Yes | Yes | No |
| Portugal | No | No | Yes | Yes | No | Yes | Yes | No |
| **Loose fitters** | | | | | | | | |
| Austria | No | Yes | Yes | Yes | No | Yes | Yes | No |
| Belgium (Flanders) | Yes[a] | Yes | Yes | Yes | No | Yes | No | No |
| France | Yes[a] | No | Yes | Yes | Yes | Yes | No | No |
| Hungary | Yes[b] | Yes | Yes | No | No | Yes | Yes | No |
| Italy | No | Yes | Yes | Yes | No | Yes | Yes | No |
| Spain | No | Yes | Yes | Yes | No | Yes | Yes | No |
| Romania | Yes[a] | No | Yes | No | Yes | Yes | Yes | No |
| Denmark | Yes[a] | No | Yes | Yes | No | Yes | No | yes |
| Bulgaria | No | Yes | Yes | No | Yes | Yes | Yes | No |
| Croatia | Yes[b] | No | Yes | Yes | Yes | Yes | Yes | No |
| Greece | Yes[a] | Yes | Yes | Yes | No | Yes | Yes | No |
| Poland | Yes[b] | Yes | Yes | No | Yes | Yes | Yes | No |

a = from Pillar I to Pillar II.
b = from Pillar II to Pillar I.
c = No, if at the mandatory level (5%) or not implemented; Yes, if above the mandatory level.
d = No, if flat rate payment in 2015; Yes if flat rate payment after 2015 or partial convergence or SAPS.
e = No, if flat rate payment per farmer; Yes, if individual payment per farmer.
Source: Own elaborations based on information collected by Member States, European Commission 2015a, COPA-COGECA 2015.

### 2.1.5. Developing a graphic device to display similarities and differences

After classifying all Member States across the four reading keys, the data has been subjected to an overall classification analysis based on the numerical taxonomy derived from the allocations in the four keys. More specifically, we have run a “cluster analysis”. As the name suggests, cluster analysis is a class of techniques used to classify cases into relatively homogeneous groups called ‘clusters’. Before running the analysis, though, we assigned scores to each Member State across the keys. In other words, we coded each Member State according to its assignment to each category. For example, Austria had been classified as a “sprinter” in the transition speed key. This means that it received a value of 1. Belgium (Flanders) had been classified in the “cautious” category, giving it a value of 3.

We opted for the so-called “two-stage” method, which combines hierarchical and non-hierarchical clustering techniques. In the first stage, we chose a hierarchical agglomerative method. Hierarchical methods are characterised by the development of a hierarchy structure. The agglomerative method starts with each object (i.e. Member State) in a separate cluster. These are then grouped in bigger and bigger clusters. Ward’s procedure was used to determine the optimum number of clusters. For each cluster, the means for all the variables (i.e., the reading keys) were computed, whereupon the squared Euclidean distance of each object to the cluster means was calculated. These distances are then summed for all objects. At each step, the two clusters with the smallest increase in the overall sum of squares within the cluster distances are combined. The first stage generated a three-cluster solution. We then proceeded with to the second stage, in which we used a non-hierarchical optimising partitioning method that allows for objects to be re-assigned to clusters. The number of clusters and cluster centroids obtained from in the first stage were used as inputs. The cluster solution did not change in the second stage. Three clusters were generated and only one object was re-allocated to a different cluster (i.e., Germany was re-allocated from cluster 2 to cluster 1).

At this juncture, it should be pointed out that, unlike most advanced statistical techniques (e.g., regression, factor analysis), clustering methods are relatively simple procedures that are not supported by an extensive body of statistical reasoning. Rather, most of them are heuristics, which are based on algorithms. This means that our choice of clustering should be viewed within the context of its limitations. It does have important statistical properties, but its fundamental simplicity needs to be recognised. Besides, the numerical taxonomy itself was based on the prior assignment of Member States to the categories created.

We profiled the clusters according to the variables that served as the clustering bases (i.e., the reading keys).

- Cluster 1 is primarily characterised by high average scoring in the “transition speed” variable. The other three variables received medium scoring on average. As Table 2.5 shows, only Member States in northern Europe belong to this cluster.
- Cluster 2 has the highest membership, with no less than 17 Member States (plus two regions). This cluster is characterised by good average scoring on CAP tailoring and low scoring on all other categories, particularly that of “redistributiveness”. Of course, a close look at the numerical data would suggest that within this cluster differences can be found. It would be fair to say that this cluster is perhaps the least homogeneous of the three.

- Cluster 3 is characterised by high average scoring on selectiveness and low average scoring on transition speed and cap tailoring. The “redistributiveness” scoring is mixed, consisting of high performers like Bulgaria and Poland and low performers like the Mediterranean countries. This cluster is, in fact, dominated by Mediterranean countries, complemented by the two most redistributive Member States, Bulgaria and Poland, and by Hungary, which scores low on all categories, but performs well in redistribution terms.

Table 2.5: Cluster membership[a]

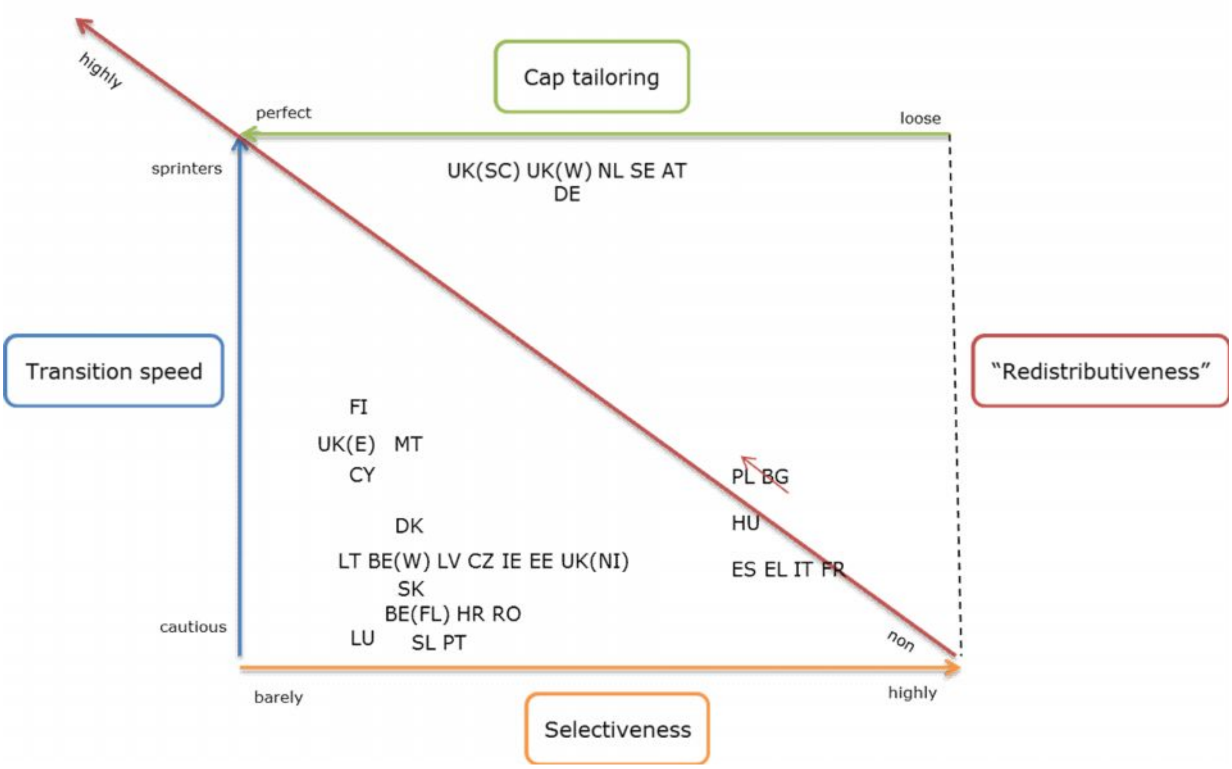
| | |
|---|---|
| Cluster 1 | Austria, Germany, the Netherlands, Sweden, UK (Scotland), UK (Wales) |
| Cluster 2 | Belgium (Wallonia), Belgium (Flanders), the Czech Republic, Croatia, Cyprus, Denmark, Estonia, Finland, Ireland, Latvia, Lithuania, Luxembourg, Malta, Portugal, Romania, Slovakia, Slovenia, UK (England), UK (Northern Ireland) |
| Cluster 3 | Bulgaria, France, Greece, Hungary, Italy, Spain, Poland |

a = Member States are listed in alphabetical order.

The four reading keys were then used to construct a graphic map of the groups of Member States according to the cluster solution. However, we also considered their numerical scores across the four keys to account for any differences within clusters. The category for “redistributiveness” exceeds the proportions of the other categories, as it is perhaps the only one that is rather hard to claim full potential.

As Map 2.5 shows, the first cluster is positioned further away from all other Member States, a clear measure of its main driver, transition speed. Cluster 3 leans towards the right bottom, driven by its high scoring on selectiveness and low scoring on transition speed and CAP tailoring. It should be stressed, however, that Bulgaria and Poland score high on the redistribution front (indicated by the forward-pointing arrow), but are “dragged down” by their scores on the other dimensions. The largest cluster (cluster 2) occupies most space in the left bottom corner, outperforming others in average tailoring terms, but falling behind in all other categories. Not unexpectedly, this cluster also has the most internal differences. For example, Finland is among the highest performers in terms of tailoring, and also scores relatively well with regard to two other dimensions (transition speed and selectiveness). It is thus positioned somewhat apart from a grouping of other Member States belonging to the same cluster (Ireland, Estonia, the Czech Republic, Latvia) that score well on tailoring, but underachieve in all other dimensions.

Map 2.5: Graphic map displaying similarities and differences




## 2.2. CONCLUSION AND STRATEGIC RECOMMANDATION

The overall picture that emerges from this study is the high degree of heterogeneity in the implementation of the new CAP, confirming the idea that a "one size-fit all" CAP is no longer suitable to the complexity of European agriculture.

As explained in the previous section, in order to cluster Member States into comparable typologies of behaviour, we have focused on four dimensions:

1. the speed of the reform;
2. the rate of selectiveness of the Member States, looking at decisions in terms of targeting the support;
3. the redistributive effect of the decisions, concerning the capacity of the implemented measures to reallocate support among farmers, territories and products;
4. the "tailoring effect", that is, the degree of adjustment of the new CAP to the specific needs of the Member States.

The clustering has been the result of a qualitative effort based on the analysis of the single measures adopted by the Member States. As such, it is a highly subjective judgment and could certainly be improved through the use of more quantitative tools. However, we believe that the analysis of the debate on the rationale of the CAP reform, and of the decisions of the single Member State in the more general framework of the CAP reform process, gives us a quite interesting and thorough picture.

The speed of reform shows that, for most Member States, the CAP reform process is a mid-distance race, in which each steps needs to be counted and calibrated. Even the small group of “sprinters” – in spite of the fact that they had less to lose in terms of political consensus – took all the time they were allowed to move from the old set of direct payments to the new system. Most of the “big” countries opted for a slower pace, giving the actors involved more time to “digest” the process and accept the changes, while also differentiating to a certain degree among payments and regions.

The maps displayed in the previous section show a similar result of clustering for the rate of selectiveness and for the redistributive effect. This is not surprising, given that the more a Member State introduces elements of selectiveness in its implementation of the CAP, the more the overall result will be in favour of a redistribution of the financial resources. Whether this is a desired effect, or just a side-effect of other goals, is not addressed in this study.

Finally, the degree of ‘national tailoring’ of the new CAP is a very important criterion for evaluating the new CAP as it was one of the main innovative features of the latest reform and, in a way, the ultimate acknowledgment of the demise of the “one size-fit all” principle. As a matter of fact, when allowed, Member States tend to adapt the general rules to their structural needs and agricultural systems, moving away from a single model of support. Indeed, the structure itself of the new direct payments calls for a differentiated CAP that offers the possibility to decide whether to activate some schemes. Member States have shown that they have been able to seize this opportunity in shaping the CAP to national constraints.

With regards to these considerations, some examples are useful. The ‘green payment’ is a very significant case of how a single tool does not fit the whole territory of the CAP and needs a local adaptation, even at farm level. This can be translated, in future reforms, to a granting Member States larger flexibility on this ground – allowing them to choose how to apply it and what to consider as equivalent at local level – even if it is counterbalanced by a tighter grid of the subjects involved.

Coupled support is another example, also with reference to the need for compensation among different tools. Many Member States used coupled support in the intended spirit, that is, to support specific elements of their production or territories, but also as a form of compensation for the reduction of support granted via the new basic payment.

This is particularly true in the case of livestock, where the shift from a historical payment to a flat(ter) payment generated, in many cases, a substantial reduction of the support granted so far. In order to maintain a certain level of production, especially where this is considered strategic (as in the case of suckler cows in France or in some parts of Italy), the coupled payment was a clever way of granting a specific support to the sector. This is confirmed by the data on national choices that indicate the livestock sector as the one most supported, with a share of nearly 74 % of the total envelope devoted to voluntary coupled support. This has also been the case for some vegetal productions, where the reduction of support was quite drastic, such as in the case of olive oil, rice and sugar beet. Some of these crops were generously supported in the past and, in some specific areas, the sudden decrease of the level of the support granted may have created a shock along the whole chain. In these cases, a certain amount of coupled support, geographically limited to sensitive areas, has been considered a logical and strategic implementation.

Coupled support is often seen as a negative form of link to past policies, but to some extent (for example, a threshold of 10-15 %) it is understandable and even desirable that national governments use it to support specific and targeted components of the local farming activity. The downside is that its implementation is often driven more by lobbying pressures than by any attempt to target the support in an effective way (though this is basically true for any instrument subject to political negotiation). Moreover, coupled support often does not remain in the agriculture part of the chain, but tends to be translated in favour of the down-stream sectors.

Both in order to draw a political geography of the new CAP and to shed light on the further steps of the CAP reform process, interesting observations can be made combining the different groups of the four reading keys. Our graphic device (Map 2.5) provides a visual basis for an overall classification by Member State, as well as for identifying similarities and differences between the different Member States and the informal sub-groups they form.

Member States that are more “cautious” in terms of speed of transition towards a flat rate payment (mainly Mediterranean countries such as Greece, Spain, Italy and France, as well as some Eastern European countries such as Poland, Romania, Hungary, Bulgaria, Croatia and Slovenia) are also pretty much the “loose fitters”, given the way that the CAP has been drawn by the EU regulation. These countries need to adapt the CAP to their respective agricultural systems, which are more heterogeneous than their northern neighbours (England, Germany, Denmark and Finland). At the same time, “cautious” Member States are “barely redistributive” or “not redistributive at all” and, not surprisingly, accompany redistribution with a “high selectiveness” of beneficiaries.

At the other extreme, the “perfect” and “medium fitters” of the CAP are the same Member States that move faster on the path of reform (such as the UK excluding Northern Ireland, Finland, Sweden, Denmark, Germany, the Netherlands and Malta).

All in all, this study confirms some remarks that have been debated in recent years. First of all, the CAP model, the celebration of the “European models of agriculture” notwithstanding, still fits the northern Member States well, so much so that they need to make little or no effort to wear the new outfit. The “CAP baseline” is still tailored on a model of poorly-diversified agriculture, based on arable crops and extensive livestock, realised in low-density, ‘green’areas. Therefore, for countries having these features (which characterise “one” model of European agriculture, not “the” model), the process of adaptation is minimum if not null. At the other end of the scale, for Mediterranean countries and some Eastern European countries, for whom these features prove a poor fit, the processes of targeting, tailoring and derogating has provided a good opportunity to make the most of the CAP. In this sense, they are not to be considered “lazy users” of the CAP but rather “loose fitters” with respect to the dominant CAP model: they need to make a greater effort to adapt the new CAP to their needs, introducing derogations and compensative measures, and making counterbalancing choices. A significant consequence of this is that the CAP becomes more complicated for them than it is for countries in Northern European countries, and less accepted by their farmers.

In conclusion, this study provides some indication of the possible or desirable future steps to be taken with regard to the CAP.

First of all, we assume that in the planned mid-term review of this reform the process of fine-tuning of the different tools at national level will continue, in order to offer even more flexibility in the final years of implementation of the reform to the Member States. This can be particularly true for some specific issues, such as the obligations of the 'green payment', or the minimum thresholds or the coupled payments. What is really at stake, however, is the next season of reforms, after 2020 or as the mid-term review of the CAP 2014-2020. On this matter, a few considerations can be drawn:

- the goal of a "one size" flat rate should not be a priority issue, as the logic for a single payment scheme that is unchanged from Scandinavia to Italy, from Portugal to Bulgaria, is quite unsustainable and not justifiable under any circumstance, whether from an economic or social point of view, or within the logic of remuneration of public goods. All these considerations would better be served with targeted and more selective payments on the basis of a "flat" minimum basic payment.
- The 'green payment' needs to be reconsidered within a framework of remuneration of local public goods, in terms of environmental services and natural resource management, that better highlights what goes under Pillar I and what goes under Pillar II (or that perhaps just shifts the whole matter to Pillar II, even with more financial resources). At the moment, as shown in our analysis, the 'green payment' does not help selectiveness, targeting and tailoring, and only on a marginal level does it affect redistribution (which should not really be the main goal of a 'green payment').
- The whole set of targeting measures needs to be reconsidered to make it more effective, and to make it consistent with the goal of simplifying and improving the manageability of CAP implementation. An example of this is given by the very limited use of payments for disadvantaged areas, which has only been applied by Denmark. Also the risk-management tool in Pillar II needs some rethinking, given that its current features are not considered very interesting by most Member States.
- Finally, the coupled support can be seen as a sort of compensation payment used by national policy makers to compensate specific or strategic losses of support, and to divert certain amounts of support towards specific territories or products. They represent – now and probably in the future – the right card to play when it comes to negotiating a higher level of selectiveness, and of targeting of the other components of direct payments, in a very pragmatic way.
- In general, a proper and effective system of monitoring the implementation of the CAP would be welcome, as it would permit processes to be followed, and adjustments to be learned from, allowing the design of a better CAP for the future.

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