The Small Farmers Scheme

The fiche presents the Small Farmers Scheme in the 2013 CAP reform and the implementation of this provision by Member States during the period 2015-2020. It is based on the information provided by Member States to the Commission services to date. It is made available without prejudice to any finding in respect of their compliance with the regulatory framework. It is provided on the understanding that in the event of a dispute involving Union law it is, under the Treaty on the Functioning of the European Union, ultimately for the European Court of Justice to provide a definitive interpretation of the applicable Union law.

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1. Introduction

Can the CAP be more supportive for small farms? The 2013 reform of the Common Agricultural Policy (CAP) introduced the Small Farmers Scheme (SFS), as a simple, specific support scheme aimed at:

- enhancing the competitiveness of small farms, by stimulating their integration into the market;
- cutting the red tape and administrative burden, which inevitably slow down access for small farms to CAP aid; and also
- contributing to the vitality and dynamics of rural areas, where small farms play an important economic role.

Access to the scheme is, in principle, limited to existing holdings, namely only farmers applying for participation under SFS in 2015 can benefit from such a scheme.

The scheme is optional for Member States. 15 Member States have opted for its implementation: BG, DE, EE, EL, ES, HR, IT, LV, HU, MT, AT, PL, PT, RO and SI.

This note aims at presenting the essential elements of the scheme as applied in these Member States.
2. Main features

The SFS is a simplified direct payment scheme (DP) which replaces all other DP schemes (including basic payment (BPS/SAPS), redistributive payment, greening, young farmer payment and coupled support) that a farmer could be entitled to.1

The SFS includes simplified administrative procedures for farmers and national administrations. Participating farmers are exempted from greening obligations and from cross-compliance penalties.2

The level of payments is limited to a maximum of EUR 1 250 (a lower maximum can be fixed by the Member States).

The Member States decide on the method to be applied to determine the payment level (see section 4).

Depending on the method the Member State opted for, the expenditure for the SFS may be limited to a maximum of 10% of the direct payments envelope in the Member State (i.e. Annex II of Regulation 1307/2013) (see section 5).

3. Participation into the scheme

No strict definition of "small farmer" is provided for under the SFS. The scheme is available to the farmers eligible under the basic payment scheme (BPS) or the single area payment scheme (SAPS)3 in 2015 and wishing to participate in the scheme.

The actual size of the holding does not matter (as long as the farmer has an eligible area under BPS/SAPS), being on time does! In fact, farmers who decided to enter in the SFS must do it in 2015: they cannot enter in the scheme afterwards. However, they may decide to opt-out in a following year (after 2015), but no return is possible.4

Member States applying the SFS should fix:

- the application deadline5, which should not be before the last day for submitting the single aid application under BPS/SAPS and not after 15 October 2015. Late application by farmers for participation under SFS is not possible;

and may opt for:

1 Except for farmers of the smaller Aegean islands (SAI) who, in accordance with Regulation 229/2013, can benefit from both direct payments under the SFS and the aid under the SAI programme.

Complementary national direct payments referred to in Articles 17 and 18 of Regulation 1307/2013 and transitional national aid referred to in Article 37 of Regulation 1307/2013 are not direct payments and are not replaced by the SFS, meaning that those payments can be paid in addition to the SFS.

2 See recital (54), Article 61(3) of Regulation 1307/2013 and Article 92 of Regulation 1306/2013.

3 See Article 61(1) of Regulation 1307/2013.

4 The only exception being inheritance cases (see Article 64(3) of Regulation 1307/2013).

5 See Article 62 of Regulation 1307/2013.

6 See Article 62(1) of Regulation 1307/2013.
• the automatic inclusion of farmers, whose total direct payments in 2015 would amount to no more than the maximum fixed by the Member States under SFS.

The automatic inclusion of small farmers is used by nine Member States - EL, ES, HR, IT, MT, AT, PL, PT, RO.

Member States using the automatic inclusion mechanism should inform farmers in due time about their inclusion and also about their right to withdraw if they wish to do so (i.e. until the date fixed for application under SFS) already in respect of the year 2015. Where a farmer withdraws from the SFS after the application deadline, such withdrawal can take effect only in respect of the following year.

Equally, farmers not automatically included must be given the possibility to opt for participation in the SFS, if they wish to do so. In this case, farmers need to submit their applications for the SFS within the deadline set by the Member States (see above).

As a general rule, the farmers should be informed sufficiently in advance of the rules applicable for the award of SFS payments, including the estimate of the amount of the payment they would get under the scheme.

4. Payment method and associated conditions

Member States can chose between different methods of calculation of the annual payment farmers participating in the SFS will be granted. These methods are:

4.1. Lump-sum payment

Maximum amount of payment

With the "lump-sum payment" method, the payment is fixed at an equal amount for all farmers participating in the scheme (irrespective of the size of their farms).

The Regulation 1307/2013 provides two approaches on how to fix the lump-sum: either calculating it on the basis of a percentage of the average payment per beneficiary in the Member State or on the basis on the average payment per a number of hectares in the Member State.

The amount calculated by either of the two above-mentioned approaches would be the basis for setting the lump-sum. The fixed lump-sum cannot be lower than EUR 500 (except in some cases) or higher than EUR 1 250, thus the amount calculated has to be rounded up or down, where necessary.

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7 See Article 62(2) of Regulation 1307/2013.
8 See Article 62(3) of Regulation 1307/2013.
9 See Article 63(1) of Regulation 1307/2013.
10 Not exceeding 25 % of the national average payment per beneficiary (see Article 63(1)(a) of Regulation 1307/2013).
11 Not exceeding 5 hectares (see Article 63(1)(b) of Regulation 1307/2013).
12 In case of CY, HR, MT and SI, the amount can be set lower than EUR 500, but not less than EUR 200 or, in case of MT, not less than EUR 50 (see Article 63(3) of Regulation 1307/2013)
Special conditions

In order to receive the lump-sum payment, farmers must, for the duration of their participation into the scheme, keep at least a number of eligible hectares corresponding to the number of payment entitlements held in 2015 (in the case of BPS), or to the number of eligible hectares they declared in the same year (in the case of SAPS).

In Member States applying the basic payment scheme, the payment entitlements of a small farmer are considered activated for the duration of his/her participation into the scheme and cannot be transferred to another farmer (except in case of inheritance).

Aid application

The small farmers must submit their applications for all DP schemes in 2015 only. After the year 2015 in order to receive the payment, they submit an application for direct payments, which is a simplified application under the SFS.

Payment to farmer

Under the "lump-sum" method, every farmer is entitled to receive the same amount and the size of the holding has no impact on the payment to the farmer (as long as special conditions are respected, see above).

Equally, after 2015 any increase in eligible hectares/number of animals has no impact on the SFS payment to be granted. The internal convergence mechanism (increase or decrease of the value of entitlements held by small farmers) has also no impact on this amount.

Two Member States - LV, PT - apply the "lump-sum payment".

4.2. Payment due each year

Maximum amount of payment

Under the "payment due each year" method, the annual payment is calculated each year as the total value of all direct payments the farmer would have been entitled to had he/she remained in the "standard" system.

In other words, the farmer receives a single payment under the SFS which depends on what he/she would have been due under other direct payment schemes:

- the basic payment (BPS/SAPS),
- the payment for agricultural practices beneficial for the climate and the environment (greening),

and, if relevant:

- the payment to young farmers,
• the crop-specific payment for cotton,

and, where the Member State made such a choice, and if relevant:

• the redistributive payment,

• the payment for areas with natural constraints, and

• the voluntary coupled support.

**Member States must fix the maximum limit for the payment small farmers could get.** Such limit shall not be higher than EUR 1 250.

**Member States may decide that, where the amount due is below EUR 500, such amount is rounded up to EUR 500.**

**Special conditions**

Depending on the Member State's choice to round up or not the amounts due which are below EUR 500, the obligations applicable to a farmer under this payment method differ.

**Where a Member State decided to round up low amounts**, a farmer is obliged to maintain at least a number of eligible hectares corresponding to the number of payment entitlements held in 2015 (in the case of BPS), or to the number of eligible hectares they declared in the same year (in the case of SAPS).

In Member States applying the basic payment scheme, the payment entitlements of a small farmer are considered activated for the duration of his/her participation into the scheme and cannot be transferred to another farmer (except in case of inheritance).

No special conditions are applicable, where a Member State did not decide to round up low amounts.

**Aid application**

The small farmers must submit their aid applications for all DP schemes in 2015 and after that year their annual simplified application under the SFS must contain application for all DP schemes.

**Payment to farmer**

Under the method of "payment due each year", the small farmers' payment will be an individual amount depending on the eligible units (hectares/animals) declared by a farmer, on the maximum limit set by the Member State and, where relevant, on Member State's decision to round up low amounts.

For example, if a Member State has set the maximum limit at EUR 1 000, the participating farmers would receive no more than EUR 1 000 under the SFS for any year of their participation in the SFS. This also means that farmers who would be due more than EUR 1 000 outside the SFS, will have their payment capped at EUR 1 000 under the SFS.

Where a Member State rounds up low amounts, the farmer respecting all the conditions and who would be due less than EUR 500 outside the SFS will be entitled to EUR 500.
Consequently, the application of the internal convergence (and external convergence) mechanism has an impact on the amounts to be granted annually, resulting either in increases or decreases of the payments received under the SFS compared to the previous year(s).

Irrespective of the fact whether a Member State rounds up low amounts due or not, an increase of eligible area (and/or number of payment entitlements activated) or of eligible animals under voluntary coupled support could contribute to an increase of the small farmers' payment, provided that the upper limit fixed by the Member State is respected.

By contrast, where a Member State rounds up low amounts due, any decrease after 2015 in the number of eligible hectares declared by the farmer would result in him/her not receiving any direct payment in the year in question (in the example, 2016) because of a non-compliance with the applicable special conditions.

Nine Member States - BG, DE, EE, EL, HR, MT, AT, PL, RO - apply the "payment due each year".

Only BG rounds up lower amounts to EUR 500.

4.3. Payment due in 2015

Maximum amount of payment

Under the "payment due in 2015" method\(^{16}\), the annual payment is calculated on the basis of the total value of all direct payments the farmer would have been entitled to in 2015 had he/she remained in the "standard" system.

In other words, the farmer receives a single payment under the SFS which depends on what he/she was due in 2015 under other direct payment schemes:

- the basic payment (BPS/SAPS),
- the payment for agricultural practices beneficial for the climate and the environment (greening),

and, if relevant:

- the payment to young farmers,
- the crop-specific payment for cotton,

and, where the Member State made such a choice, and if relevant:

- the redistributive payment,
- the payment for areas with natural constraints, and
- the voluntary coupled support.

\(^{16}\) See Article 63(2)(b) of Regulation 1307/2013.
Member States must fix the maximum limit for the payment small farmers could get and such limit shall not be higher than EUR 1 250 (see section 4.2 above).

Where the amount due in 2015 is below EUR 500, the Member States may decide that all such amounts are rounded up to EUR 500, whereas capping payments at the maximum limit is compulsory like in all other methods.

Member States may decide that these individual amounts can be adjusted every year to take into account the external convergence, meaning that these amounts would annually increase or decrease depending on the external convergence path (variations of the national ceiling/total direct payments envelope) in that Member State17.

Special conditions

The special conditions applicable to the "lump-sum payment" (see section 4.1 above) apply also to the "payment due in 2015" method.

Four Member States – ES, IT, HU, SI - apply the "payment due in 2015" method.

Only HU rounds up lower amounts to EUR 500.

Three Member States - IT, HU, SI - adjust the payments to take into account the external convergence.

Aid application

The small farmers must submit their aid applications for all DP schemes in 2015 only. After the year 2015, in order to receive the payment, they submit an application for direct payments, which is a simplified application under the SFS18.

Payment to farmer

Under the method of "payment due in 2015", the small farmers' payment will be an individual amount equal to the amount the farmer was entitled to under each of the direct payments schemes he/she was eligible to in 2015, but it can never be higher than the maximum fixed by the Member State, and, where applicable, such amount might be rounded up to EUR 500 and/or can be adjusted to take into account the effect of external convergence.

Similarly to lump-sum method, after 2015 any increase in eligible hectares / number of animals has no impact on the SFS payment to be granted. The internal convergence mechanism (increase or decrease of the value of entitlements held by small farmers) has also no impact on this amount.

Normally, in the year 2015, the farmer receives a payment corresponding to the individual amount fixed by the Member State19. The same applies for the years after 2015; unless the farmer does not keep at least a number of eligible hectares

17 See Annex II of Regulation 1307/2013.
18 Article 72(3) of Regulation 1306/2013 and Article 19(2) of Regulation 809/2014.
19 Exception cases could be application of some administrative penalties.
declared in 2015 (see special conditions above). In the latter case, no direct payment is granted.

5. Financial aspects

The SFS is financed from other direct payment schemes (BPS/SAPS, greening, redistributive payment, young farmer payment, payment for areas with natural constraints and coupled support), by deducting from those schemes the amounts to which the small farmers would have been entitled had they remained in the standard system.

Where such amounts are not sufficient to finance the needs for the SFS, Regulation 1307/2013 foresees that the remainder is to be financed from:

- the national reserve,
- unused funds from the payment to young farmers,
- a linear reduction of payments due to other farmers under the BPS/SAPS.

Regulation 1307/2013 also sets a maximum for the SFS payments to be paid each year in each Member State, namely 10% of the annual national ceiling fixed in Annex II of that Regulation. However, this 10% maximum does not apply in the Member States which have opted for the “payment due each year” method without rounding up lower amounts to EUR 500 as this option has no redistributive effect between participants in the SFS and other farmers.

The 10% maximum applies in seven Member States – BG, ES, IT, LV, HU, PT, SI.

For those Member States where the 10% maximum applies, if the total amount of payments to be granted under the SFS in a given year exceeds this maximum, a linear reduction of the amounts to be paid under the SFS has to be applied.

6. Summary of implementing decisions

Amongst the 28 Member States, 15 have opted for the SFS: BG, DE, EE, EL, ES, HR, IT, LV, HU, MT, AT, PL, PT, RO and SI.

The automatic inclusion is used by EL, ES, HR, IT, MT, AT, PL, PT and RO.

The methods used by the Member States to set the payment under the SFS are:

- LV and PT apply a "lump-sum" of EUR 500
- BG, DE, EE, EL, HR, MT, AT, PL and RO apply the "payment due each year"

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20 See Article 65(1) of Regulation 1307/2013.
21 See Article 65(2) of Regulation 1307/2013.
22 See Article 65(4) of Regulation 1307/2013. Under special conditions the exception also applies to Member States applying "payment due in 2015" method.
23 Article 65(4) of Regulation 1307/2013
- BG rounds up to EUR 500

- ES, IT, HU and SI apply the "payment due in 2015"
  - HU rounds up to EUR 500
  - IT, HU and SI take into account the external convergence

The financing of the SFS is limited to 10 \% of Annex II of Regulation 1307/2013 in: BG, ES, IT, LV, HU, PT and SI.

The following map and tables show the main elements of the decisions notified by the Member States:
Methods applied by Member States for the SFS

The map is based on Member States’ notifications.

Dates and amounts fixed by Member States for the SFS

<table>
<thead>
<tr>
<th>Member States applying the SFS</th>
<th>Date fixed by Member States for SFS application</th>
<th>(Maximum) amount fixed by Member States for SFS (in EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>15.10.2015</td>
<td>1 250</td>
</tr>
<tr>
<td>Germany</td>
<td>15.05.2015</td>
<td>1 250</td>
</tr>
<tr>
<td>Estonia</td>
<td>15.08.2015</td>
<td>1 250</td>
</tr>
<tr>
<td>Greece</td>
<td>15.10.2015</td>
<td>1 250</td>
</tr>
<tr>
<td>Spain</td>
<td>15.10.2015</td>
<td>1 250</td>
</tr>
<tr>
<td>Croatia*</td>
<td>15.10.2015</td>
<td>657</td>
</tr>
<tr>
<td>Italy</td>
<td>15.10.2015</td>
<td>1 250</td>
</tr>
<tr>
<td>Latvia</td>
<td>15.06.2015</td>
<td>500</td>
</tr>
<tr>
<td>Hungary</td>
<td>15.08.2015</td>
<td>1 250</td>
</tr>
<tr>
<td>Malta</td>
<td>15.06.2015</td>
<td>1 250</td>
</tr>
<tr>
<td>Austria</td>
<td>15.10.2015</td>
<td>1 250</td>
</tr>
<tr>
<td>Poland</td>
<td>10.07.2015</td>
<td>1 250</td>
</tr>
<tr>
<td>Portugal**</td>
<td>09.06.2015</td>
<td>500</td>
</tr>
<tr>
<td>Romania</td>
<td>15.10.2015</td>
<td>1 250</td>
</tr>
<tr>
<td>Slovenia</td>
<td>15.10.2015</td>
<td>1 050</td>
</tr>
</tbody>
</table>

Source: DG AGRI, 2017. (*) For HR, the maximum amount of EUR 657 is not the actual payment to farmers as one should take into account the gradual introduction of direct payments. (**) For PT, the lump-sum is EUR 600 as of 2017.
### Small Farmers Scheme (SFS) - Payment methods and associated conditions

**(General) eligibility conditions for SFS**

Farmers must be eligible to BPS / SAPS in 2015

<table>
<thead>
<tr>
<th>lump-sum payment (LV, PT)</th>
<th>maximum amount of payment</th>
<th>special conditions</th>
<th>aid application</th>
<th>payment to farmer</th>
</tr>
</thead>
<tbody>
<tr>
<td>amount calculated annually for each farmer as total value of all DP (basic payment, greening, etc) the farmer is due in the &quot;standard&quot; system</td>
<td>amount calculated annually for each farmer as total value of all DP (basic payment, greening, etc) the farmer is due in the &quot;standard&quot; system</td>
<td>farmers must keep at least n° eligible ha = n° PE held in 2015 (BPS) / ha declared in 2015 (SAPS)</td>
<td>aid application submitted for all DP schemes in 2015</td>
<td>increase of n° ha / animals: no impact</td>
</tr>
<tr>
<td>max amount: EUR 1 250</td>
<td>max amount: EUR 1 250</td>
<td>(BPS) no transfer of PE is possible PE activated for all years participation</td>
<td>aid application for participation under SFS in 2015</td>
<td>decrease of n° of ha (compared to 2015): no payment</td>
</tr>
<tr>
<td>&quot;guaranteed&quot; min amount: EUR 500</td>
<td>&quot;guaranteed&quot; min amount: EUR 500</td>
<td></td>
<td>after 2015, simplified aid application under SFS</td>
<td>internal / external convergence: no impact</td>
</tr>
</tbody>
</table>

| lump-sum payment due in 2015 (BG, DE, EE, EL, HR, MT, AT, PL, RO) | amount calculated annually for each farmer as total value of all DP (basic payment, greening, etc) the farmer is due in 2015 in the "standard" system | farmers must keep at least n° eligible ha = n° PE held in 2015 (BPS) / ha declared in 2015 (SAPS) | aid application submitted for all DP schemes in 2015 | increase of n° ha / animals: no impact |
| max amount: EUR 1 250 | max amount: EUR 1 250 | (BPS) no transfer of PE is possible PE activated for all years participation | aid application for participation under SFS in 2015 | decrease of n° of ha (compared to 2015): no payment |
| min amount: rounded up to EUR 500 (optional) | min amount: rounded up to EUR 500 (optional) | | after 2015, simplified aid application under SFS | internal / external convergence: possible impact (depending on MS choice) |
| payment due in 2015 (ES, IT, HU, SI) | amount calculated annually for each farmer as total value of all DP (basic payment, greening, etc) the farmer is due in 2015 in the "standard" system | farmers must keep at least n° eligible ha = n° PE held in 2015 (BPS) / ha declared in 2015 (SAPS) | aid application submitted for all DP schemes in 2015 | increase of n° ha / animals: no impact |
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SFS: Small Farmers Scheme
MS: Member States
DP: Direct Payment
PE: Payment Entitlement
BPS: Basic Payment Scheme
SAPS: Single Area Payment Scheme