Direct Payments

The Young Farmer Payment under Pillar I of the Common Agricultural Policy

This fiche presents the Young Farmer Payment under Regulation (EU) 1307/2013 and the different policy choices that Member States have made in implementing this scheme. It reflects the content of the notifications available 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.

May 2016

1. LEGAL FRAMEWORK AND POLICY CHOICES TO BE MADE

The Young Farmer Payment (YFP) is a compulsory scheme for Member States to implement. It targets farmers of no more than 40 years of age who are setting up for the first time an agricultural holding as head of the holding, or who have already set up such a holding during the five years preceding the first application for the scheme.

In countries implementing the Basic Payment Scheme, young farmers also benefit from a priority access to the national or regional reserve¹. This is important for young farmers who do not have payment entitlements or have less payment entitlements than hectares. It is mandatory for Member States to keep this priority access to the reserve for young farmers (and new entrants).

The entry eligibility conditions for the young farmer top-up payment and for the access to the reserve under the young farmer category are identical: Article 50 of Regulation (EU) 1307/2013 sets out the general rules for natural persons, namely setting up for the first time an agricultural holding as head of the holding and are

¹ See point 2.2 of the information note on the Basic Payment Scheme at: http://ec.europa.eu/agriculture/direct-support/direct-payments/docs/basic-payment-scheme_en.pdf
no more than 40 years of age in the year of their first application. Member States
may introduce additional eligibility criteria related to appropriate skills and training.

Article 49(1)(b) of Regulation (EU) 639/2014 stipulates the conditions for a legal
person to be granted the YFP. The legal person should be entitled to a payment
under the Basic Payment Scheme or the Single Area Payment Scheme (BPS/SAPS)
and a young farmer (YF) should exercise effective and long-term control over the
legal person in terms of decisions related to management, benefits and financial
risks. The provisions for effective and long-term control apply in cases of sole
control of YF over the legal person and also in cases the legal person is jointly
controlled by YF and farmers who do not meet the YF provisions (non-young
farmer).

The top-up payment is granted for a period of maximum five years (linked to the
setting up and the first application for the scheme).

Member States had to make a number of policy choices in implementing the
YFP and to notify these to the Commission, in particular:

- The method for calculating the payment for young farmers. Article 50(6) to
  (8) and Article 50(10) of Regulation 1307/2013 provide for several calculation
  methods of the payment for young farmers.

- Where the method decided is one of those provided in Article 50(6) to (8),
  for the purposes of calculating the payment per farmer Member States shall set a
  single maximum limit applicable to the number of payment entitlements activated
  by the farmer or to the number of eligible hectares declared by the farmer.

- Article 50(3) of Regulation 1307/2013 provides that Member States may
  define further objective and non-discriminatory eligibility criteria regarding
  appropriate skills and/or training requirements to be met by farmer when
  submitting his first application for the payment for young farmers.

- Where a Member State has decided to define such criteria, then pursuant to
  Article 49(1)(c) of Regulation 639/2014, it may decide that in case of a legal person
  such criteria shall be met by all young farmers exercising effective and long term
  control over the legal person.

Member States have to also notify the percentage of the national ceiling to be
used to finance the YFP (up to 2 % of the direct payments’ envelope); this can be
revised by 1 August of each year with application from the following year.

Finally, with the recent simplification of the YFP provisions, as from 2016, Member
States are provided with the choice of allowing joint control of young/non-young
farmers over legal bodies applying under the YFP or limiting access to those
legal bodies controlled solely by young farmers. ‘Sole’ refers to exercising
control and does not preclude persons who do not meet the young farmer
conditions from being partners in a legal body applying for YFP. In this context,
Member States shall notify to the Commission:

- Any decision to require that young farmer(s) exercise effective and long-
  term control over legal bodies or groups of natural persons in receipt of the young
  farmer payment solely.

- If a Member State decides that to receive the young farmer payment young
  farmer(s) shall solely exercise effective and long-term control over the legal bodies,
  it shall also decide whether or not to require that, in order to keep eligibility to the
  young farmer payment, also those legal persons or groups of natural persons, which
  received the payment in 2015 and/or 2016 while the control was exercised jointly
together with farmers who are not young farmers, be in sole control.
2. **Notifications of the Policy Choices Related to the Implementation of the Young Farmer Payment**

Based on the notifications as they stand after the August 2015 revision (i.e. assuming no further amendments), Member States have estimated that a total of **2.6 billion Euro** will be spent to grant the YFP under pillar 1 in the EU in the period 2015-2019. Accordingly, in 2016 the needs for the YFP have been estimated at **1.23% of total DP** (in comparison to 1.33% in 2015) for the EU as a whole, or around **513 million Euro**. These amounts are not necessarily the maximum amounts that will be paid at the end. In fact, in case the estimated amount is insufficient but still below 2% of the national ceiling, Member States must satisfy all claims up to the maximum 2%.

Figure 1 in Annex I gives further details on the shares of their respective national envelopes that the various Member States have estimated for the YFP:

- 7 Member States notified the maximum 2% of their national ceiling as estimated financial needs for the YFP for 2016 (HR, IE, EL, ES, NL, AT, PT),
- 12 Member States notified between 1 and 2% (BE, DE, FR, IT, LV, LT, LU, PL, SI, FI, SE, UK),
- and 9 Member States notified less than 1% (BG, CZ, DK, EE, CY, HU, MT, RO, SK).

As regards the revisions of the estimates between 2015 and 2016:

- 12 Member States revised the estimated percentage for YF between 2015 and 2016 (CY, DK, HU, SE, SI, UK, BE, BG, LT, LV, RO, SK),
- the revisions have been mostly downwards, with the exception of HU, LV and SI that increased the estimated financial needs for YFP,
- some MS notified revisions for each year in the period 2016-2020, others only reviewed 2016.

With regard to the **method for calculating the YFP** and the **maximum limit on payment entitlements activated or number of hectares**, Figure 2 and Table 1 in the Annex summarise the options for calculating the YFP and Member States choices.

- 14 Member States and 3 regions opted for 25% of the average Direct Payments per ha (BE-F, BE-W, DK, IE, FR, CY, LT, LV, HU, NL, AT, PL, SI, SK, FI, SE, UK-Northern Ireland),
- 1 Member State opted for a lump-sum payment (LU) and
- 11 Member States and 3 regions chose to calculate it as 25% level based on basic payment (BPS flat-rate in DE, HR, PT, UK-Wales, SAPS rate in BG, CZ, EE, RO, or average value of entitlements held in EL, ES, IT, MT UK-England and UK-Scotland).

- 15 Member States and 5 regions place the **limit of payment entitlements** or number of hectares at the maximum possible of 90 PE/ha (BE-W, BE-F, CZ, DE, DK, ES, IT, CY, LT, LV, HU, MT, NL, PT, SI, FI, SE, UK-England, UK-Scotland, UK-Northern Ireland),
- while 2 Member States and 1 region chose to place it at the minimum allowed of 25 PE/ha (EL, HR and UK-Wales); the rest placed the limit between 25 and 90.
The majority of countries chose not to implement any additional eligibility criteria with regard to appropriate skills and training. Only 8 Member States and 3 regions added such criteria (BE-F, BE-W, BG, IE, ES, FR, HR, AT, PT, SK and UK-Northern Ireland). Of these, BE-W, ES, FR, PT and SK implement both the criteria related to skills and the criteria related to training, mostly as alternatives. In addition, IE, ES, HR, SK and UK-NI apply the additional eligibility criteria to all young farmers in control over a legal person applying for YFP.

3. Future analysis

2015 was the first year of implementation of the Young Farmer Payment. First data on the uptake of the instrument will be available over the summer and autumn of 2016. Subsequent analysis of the outreach of the YFP will look at the results and will attempt to assess the extent to which different national implementation choices have influenced the final outcome of the YFP in terms of e.g. number of young farmers eligible for YF top-up and under the reserve, area declared by these young farmers, as well as unit value of the YF top-up.
Annex

Figure 1. Percentage of the national ceiling allocated to the financing of the YFP in 2016 – notification in August 2014 and review in August 2015 (if applicable)

Figure 2. Methods for calculating the YFP

A: Number of entitlements activated by the farmer multiplied by:
   - 25% of the average value of entitlements held by a farmer
   - Or 25% of the ‘basic payment’s flat rate’

   Number of eligible ha declared by a farmer (only in SAPS MS) multiplied by:
   - 25% of the SAPS rate

MS to set a limit of PEs (has) not below 25 and not above 90

B: An annual lump-sum payment irrespective of the size of a holding
   - 25% of the national average payment per ha multiplied by the average farm size of young farmers (based on aid applications in 2015, but MS can review that figure if deemed necessary)
   - Not more than the total amount of basic payment of that holding in the given year
### Table 1. Policy choices with respect to the method for calculation of YFP and the maximum limit

<table>
<thead>
<tr>
<th>MS</th>
<th>Average value of entitlements held by a farmer</th>
<th>“BPS flat rate”</th>
<th>Single area payment</th>
<th>National average payment per ha</th>
<th>As a lump sum amount per farm</th>
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<td>Y</td>
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<td>Y</td>
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