



European
Commission

Decisions taken by Member States for the implementation of the new direct support system – State of play

Information note

Agriculture
and Rural
Development

1. Introduction

Regulation (EU) No 1307/2013 and its delegated and implementing acts require Member States to notify the Commission their decisions made in accordance with the underlying legal provisions. In particular, on 1 August 2014, Member States had to notify on:

- (1) Their main policy choices in relation to the compulsory direct payment (DP) schemes: single area payment scheme/basic payment scheme (SAPS/BPS), greening, and payment for young farmers (YFP)¹, and the voluntary schemes: redistributive payment, natural constraints payment (ANC), voluntary coupled support (VCS) and small farmers' scheme (SFS), including the corresponding financial allocations.
- (2) For BPS, redistributive payment, ANC, VCS and SFS, further detailed requirements specifying the content and the justifications of the decisions.
- (3) Their decisions on reduction of payments, minimum requirements for receiving direct payments and decisions related to the active farmer clause.
- (4) Their main policy choices as regards the "greening" component: equivalence, level of application of the ratio of permanent grassland, list of ecological focus areas (EFA) and use of corresponding conversion and/or weighting factors, application of collective/regional EFA, use of the forest exemption. Additional detailed information on EFA needed to be notified by 1 October 2014.
- (5) Their possible delayed decision regarding the flexibility between pillars (for those Member States that did not transfer funds already for 2014).

All notifications were received by the Commission on time.

By 15 December 2014, Member States will have to notify how they will grant the greening payment (national/regional flat-rate per hectare or as a percentage of the BPS) and whether they will designate additional sensitive areas where permanent grassland should not be converted.

By 31 January 2015, Member States will need to notify their decisions regarding the definitions of permanent grassland and agricultural activity, the payment for young farmers, and the use of the national/regional reserves for granting entitlements under the BPS.

2. Procedure

DG AGRI services are assessing the completeness and consistency of the notifications. Where notifications are incomplete or unclear, bilateral contacts are taken with Member States to guide them in clarifying/adding information to their notifications. In line with the relevant regulatory framework, the Commission does not approve/disapprove the notifications and Member States remain the only responsible of the decisions they have taken in implementing the reform. Two exceptions to this rule:

- The voluntary coupled support: a specific procedure for approving the VCS exists by which the Commission approves or rejects Member States notification when the latter represent more than 13% (or 15%) of their national envelope, pursuant to Article 55 of Regulation (EU) No 1307/2013. The 3 Member States for which this specific procedure applies have received letters highlighting the issues at stake and indicating the need for additional information. Once their notification will be complete – which is considered not to be the case at the moment – the Commission will have four months to adopt an implementing act approving or rejecting the decisions of these Member States. This is in accordance with Article 12 of Commission Regulation 641/2014.

1 As regards YFP, MS had to notify only financial allocations by 1 August 2014. Calculation method of the YFP and other choices should be notified by 31 January 2015.

- The equivalence mechanism under greening: for the 8 Member States that opted for equivalent practices under the greening, the Commission has three months, counting from the day of complete notification, to react with comments, and seven months from the notification to possibly reject the Member States' choice(s) by way of an implementing act, pursuant to Article 10(4) of Commission Regulation 641/2014.

3. Main results

On the basis of the notifications received and without prejudice to the result of the on-going process of assessment of their contents, the main elements of the notifications can be summarized as follows.

3.1. Flexibility between pillars

The total number of Member States that transferred funds from pillar I to pillar II amounts to 11. Also, 5 Member States have operated transfers from pillar II to pillar I. The net result of all these transfers, without prejudice to the possible review Member States could make in 2017 for the years 2018 and 2019, is a total transfer from pillar I to pillar II of EUR 3 billion over 6 years (1.2% of EU-28 DP envelope before reduction of payments).

The second draft delegated act modifying the DP and Rural Development (RD) financial annexes following Member States' decisions on flexibility between pillars was adopted on 17 October 2014. Publication is foreseen for end of year 2014.

3.2. Optional schemes: main choices

On the basis of the notifications received, it is to be noted that:

- The 10 Member States currently applying the SAPS have decided to maintain this form of basic payment up to 2020. This also means that no Member State has opted for the possibility to differentiate the SAPS payment which was conditioned to the need to switch to BPS by 2018 at the latest,
- A total of 8 Member States will implement the redistributive payment. Amongst these, 6 have decided not to apply the reduction of payments mechanism,
- Only 1 Member State will put in place the ANC payment under the first pillar,
- 27 Member States will implement the VCS,
- 15 Member States will implement the SFS, but only two opted to grant all participants an equal lump-sum amount.

3.3. Reduction of payments' mechanism

Nine Member States have the intention to cap the amounts of basic payments at maximum amounts ranging from EUR 150 000 to EUR 600 000. Ten Member States opted for applying only the minimum reduction of 5% on amounts of basic payments above EUR 150 000.

Also to be noted that 8 Member States plan on making use of the possibility to subtract the salaries actually paid by farmers before applying the reduction of payments' mechanism.

The estimated product of the reduction of payments' mechanism for the 5 years 2015-2019 amounts to MEUR 558 (around MEUR 110/year).

The draft delegated act modifying the DP and RD financial annexes following Member States' decisions on the reduction of payments' mechanism was adopted on 17.10.2014. Publication is foreseen for end of year 2014.

3.4. The basic payment scheme

As the 10 Member States currently applying the SAPS will maintain it, 18 Member States will implement the BPS. Amongst those, 6 have decided to regionalise the BPS with most of them having defined 2 or 3 regions.

In terms of internal convergence, 6 Member States will reach the national/regional flat rate by 2019 at the latest; an additional MS will reach it in 2020. Amongst the MS that have opted for a partial convergence to the flat rate, 8 opted for the possibility to limit the decrease in the value of payment entitlements above average to 30% of their initial unit value.

3.5. The voluntary coupled support

Out of the 27 Member States that will implement the VCS:

- 9 have allocated less than 8% to the scheme for 2015 and 2016,
- 12 will use the maximum percentage of 13% with 10 of them also using all or part of the additional 2% available in case a corresponding percentage is dedicated to supporting the protein crops sector,
- 3 Member States will have to get approval from the Commission in view of their intention to allocate more than 13 (or 15%) to the VCS.

The most supported sectors are: beef and veal, sheep and goat meat, dairy products, F&V and protein crops.

3.6. The greening component

Eight Member States have opted for equivalence of which 6 chose practices covered by agri-environment and climate measures and 2 chose practices under certification schemes. Crop diversification was a dominant choice for equivalent practice among those Member States, ecological focus areas were chosen by 3 Member States while permanent grassland was chosen by one.

Almost all Member States decided to manage the ratio of permanent grassland at national level. Only 4 Member States opted for the calculation of the ratio at the regional level. One Member State reported having no permanent grassland².

Only 2 Member States will allow for collective implementation of the Ecological Focus Area (EFA) obligations. No Member State decided to apply the regional level implementation of that practice,

Four Member States announced they would apply "the forest exemption" as regards EFA³. This forest exemption applies in designated Areas facing Natural Constraints (ANC). The validation of these ANC however needs to be finalized in these Member States.

The choice of elements that farmers may use to fulfill their EFA obligation varies between Member States. A group of Member States offers a limited selection of elements (between 2 and 4). In contrast, another group offers an extensive list of elements (10 or more). Other Member States opted for an intermediate number of elements. Among the chosen EFA elements, the most dominant is the nitrogen-fixing crops (27 Member States), followed by land lying fallow (26 Member States), short rotation coppice (23 Member States / regions) ,

² This is consistent with the absence of permanent pasture notified by that same Member State as a part of cross compliance until 2014.

³ Member States where the forest is an important part of the territory may decide that farmers in certain areas are exempted from EFA obligation.

catch crops (21), buffer strips (20), trees in groups (18), field margins (17), trees in line (16), hedges (16), afforested areas (15), ditches (15), isolated trees (13), ponds (12), agroforestry areas (12), strips along forest edges without production (11), terraces (8), strips along forest edges with production (8), and, finally, the traditional stone walls (7). To be noted that 10 Member States will allow further landscape features protected under GAEC for EFA purposes (not included in the list set in Article 46 of Regulation (EU) No 639/2014).

The application of conversion factors is also uneven among Member States. Some will apply them widely while others will take actual dimensions into account for many or all EFA elements. On the other hand, the application of weighting factors appears to be widespread, with a few exceptions.