## Direct payments

### Table of Contents

A higher area actually receiving direct payments after the 2013 CAP reform ................................................................. 4
The agricultural area and the area getting direct payments in 2016 .......................................................................................... 5
The direct payments expenditure per hectare by Member State in 2016 ............................................................................... 6
The distribution of direct payments ....................................................................................................................................... 7
Direct payments and land rents levels ................................................................................................................................. 13
The eligibility for direct payments ......................................................................................................................................... 14
A high share of small beneficiaries ......................................................................................................................................... 15
The models of basic payment after the 2013 reform .................................................................................................................. 16
The internal convergence of the Basic Payment Scheme ....................................................................................................... 17
A modest product from reduction and capping of basic payment .............................................................................................. 18
The redistributive payment in 2015 and 2016 .......................................................................................................................... 19
The young farmer payment in 2015 and 2016 .......................................................................................................................... 20
The voluntary coupled support ................................................................................................................................................ 22
The small farmer scheme in 2015 and 2016 .............................................................................................................................. 23
Figures

Figure 1: Trend in direct payment areas – EU-28 .............................................................. 4
Figure 2: DP expenditure per ha of PEA by MS - 2016 .......................................................... 6
Figure 3: DP/farm and average UAA – 2014 & estimated 2019 DP ........................................ 7
Figure 4: Distribution of DP between farms in the EU in calendar year 2015 ........................... 7
Figure 5: Distribution of direct payments between farms in the EU in 2015 ........................... 8
Figure 6: Distribution of land between farms in the EU in 2015 ........................................... 8
Figure 7: Share of DP received by the 20% biggest beneficiaries by Member States, 2015 ....... 9
Figure 8: Share of land held by the 20% biggest farms (in physical size) by Member State, 2015 9
Figure 9: Income and DP/ha by physical size (hectares of UAA) ....................................... 10
Figure 10: Income and DP per worker by physical farm size (hectares of UAA) .................... 10
Figure 11: Income and DP/ha by type of farming ............................................................... 11
Figure 12: Income and DP by type of farming .................................................................. 11
Figure 13: Farm income and operating subsidies by intensity class, 2013-2015 ..................... 12
Figure 14: DP/ha and land rents by Member State ............................................................ 13
Figure 15: Threshold of DP level below which the active farmer provision is not applied .... 14
Figure 16: Share of beneficiaries and DP by tranche of DP – EU 2015 ............................... 15
Figure 17: CAP - Convergence ......................................................................................... 16
Figure 18: Comparison of the distribution of SPS and BPS/ha ............................................ 17
Figure 19: Share of the product of reduction and capping in Basic Payment by Member State, 2015 and 2016 ................................................................. 18
Figure 20: Redistributive payment CY 2015 and CY 2016 – unit rate .................................... 19
Figure 21: Redistributive payment CY 2015 and CY 2016 - % applied ............................... 19
Figure 22: Share of young farmer payment beneficiaries in all basic payment applicants ........ 20
Figure 23: Actual young farmer payment versus estimated needs, 2015 and 2016 ............... 20
Figure 24: Average young farmer payment per ha, 2015 and 2016 ..................................... 21
Figure 25: Average determined BPS/SAPS area of young farmers and YFP area limit ............ 21
Figure 26: Voluntary coupled support in 2016: share of total VCS expenditure per sector .... 22
Figure 27: Share of Small Farmers Scheme applicants ...................................................... 23
Figure 28: Share of area covered by Small Farmers Scheme .............................................. 23
Tables

Table 1: Area figures by Member States

Table 2: VCS - Amount by sector and member state in 2016 in million Euros*
A higher area actually receiving direct payments after the 2013 CAP reform

- The Potentially Eligible Area (PEA) of Direct Payments (DP) has slightly decreased between 2014 and 2016 (-2.6%), mainly due to the exclusion of ineligible features in one Member State (correction following audit).
- The PEA covers about 90% of the Utilised Agricultural Area in the EU.
- The determined area has increased by 3.3% in 2016 (compared to 2014) as a result of one of the 2013 reform objectives to cover as much as possible all agricultural area with payment entitlements.
- In 2016 the determined area was only 3% below the PEA compared to 8.5% below in 2014.
- It is still 14% below the Utilised Agricultural Area (UAA), but it was 16% below in 2014.
- In 2016 the determined area slightly decreased with 1.1% compared to 2015.

NB: These statistics correspond to the area declared by farmers applying for the single payment scheme (2013 and 2014), basic payment scheme (2015 and 2016), single area payment scheme (all years) and small farmer scheme (2015 and 2016). They do not cover potential area declared by farmers who applied only for certain coupled payments (like cotton payments; voluntary coupled support...), which is marginal.

UAA: Utilised Agricultural Area.
PEA: Potentially Eligible Area. It corresponds to the total area declared by beneficiaries and potentially eligible for payment.
Determined area corresponds to the total area declared by beneficiaries and for which all eligibility conditions are met. It takes into consideration the result of administrative and on-the-spot checks and for the Basic Payment Scheme the number of payment entitlements.
Source: UAA – ESTAT and DG AGRI. PEA and Determined area – CATS.
### The agricultural area and the area getting direct payments in 2016

- The differences between the determined area and the PEA are explained by the limitations in the number of payment entitlements compared to the eligible area for BPS Member States and by the result of controls for all Member States.
- Member States with the highest differences between PEA and determined area in 2016 are AT, ES, PT, IT, HR and the UK.
- UAA is usually higher than PEA and determined area. However it is sometimes lower because of differences in the definition of eligible area for direct payments and UAA (e.g. common land is not always included in UAA).
- The differences between the determined area and the UAA can be explained by several factors: farmers below the minimum requirements for being granted direct payments, farmers not fulfilling the eligibility conditions for being allocated payment entitlements in BPS Member States (some fruit and vegetables or wine producers in certain Member States), and farmers not applying for direct payments.
- Member States with the highest differences between UAA and determined area in 2016 are HR, RO, MT, EL, BG, PT and IT.

NB: These statistics correspond to the area declared by farmers applying for the single payment scheme (2013 and 2014), basic payment scheme (2015 and 2016), single area payment scheme (all years) and small farmer scheme (2015 and 2016). They do not cover potential area declared by farmers who applied only for certain coupled payments (like cotton payments; voluntary coupled support...), which is marginal.

Source: UAA – ESTAT and DG AGRI. PEA and Determined area – CATS.

#### Table 1: Area figures by Member States

<table>
<thead>
<tr>
<th>Country</th>
<th>Agricultural Area</th>
<th>Potentially Eligible Area (BPS/SAPS + SFS)</th>
<th>Determined Area (BPS/SAPS + SFS)</th>
<th>Difference between Determined and PEA</th>
<th>% Difference /PEA</th>
<th>Difference between Determined and UAA</th>
<th>% Difference /UAA</th>
</tr>
</thead>
<tbody>
<tr>
<td>BE</td>
<td>BPS</td>
<td>1,352,950</td>
<td>1,371,833</td>
<td>-47,057</td>
<td>-3%</td>
<td>-28,174</td>
<td>-2%</td>
</tr>
<tr>
<td>DK</td>
<td>BPS</td>
<td>2,625,100</td>
<td>2,641,779</td>
<td>-63,659</td>
<td>-2%</td>
<td>-46,716</td>
<td>-2%</td>
</tr>
<tr>
<td>DE</td>
<td>BPS</td>
<td>16,658,900</td>
<td>16,883,150</td>
<td>-214,250</td>
<td>-1%</td>
<td>107,080</td>
<td>1%</td>
</tr>
<tr>
<td>IE</td>
<td>BPS</td>
<td>4,446,840</td>
<td>4,530,347</td>
<td>-83,437</td>
<td>-2%</td>
<td>-58,929</td>
<td>-1%</td>
</tr>
<tr>
<td>EL</td>
<td>BPS</td>
<td>5,091,930</td>
<td>3,704,960</td>
<td>-137,970</td>
<td>0%</td>
<td>-1,397,298</td>
<td>-27%</td>
</tr>
<tr>
<td>ES</td>
<td>BPS</td>
<td>23,816,330</td>
<td>20,557,816</td>
<td>-3,258,514</td>
<td>-15%</td>
<td>-4,726,123</td>
<td>-20%</td>
</tr>
<tr>
<td>FR</td>
<td>BPS</td>
<td>29,088,880</td>
<td>26,465,861</td>
<td>-2,622,029</td>
<td>3%</td>
<td>-3,382,077</td>
<td>-12%</td>
</tr>
<tr>
<td>HR</td>
<td>BPS</td>
<td>1,546,020</td>
<td>1,090,260</td>
<td>-455,760</td>
<td>3%</td>
<td>-506,767</td>
<td>-33%</td>
</tr>
<tr>
<td>IT</td>
<td>BPS</td>
<td>12,843,320</td>
<td>10,324,712</td>
<td>-2,518,608</td>
<td>12%</td>
<td>-3,119,975</td>
<td>-24%</td>
</tr>
<tr>
<td>LU</td>
<td>BPS</td>
<td>130,600</td>
<td>122,377</td>
<td>-8,233</td>
<td>1%</td>
<td>-9,306</td>
<td>-7%</td>
</tr>
<tr>
<td>MT</td>
<td>BPS</td>
<td>11,580</td>
<td>8,003</td>
<td>-3,577</td>
<td>-31%</td>
<td>-3,601</td>
<td>-31%</td>
</tr>
<tr>
<td>NL</td>
<td>BPS</td>
<td>1,796,260</td>
<td>1,756,408</td>
<td>-40,862</td>
<td>-2%</td>
<td>-80,830</td>
<td>-4%</td>
</tr>
<tr>
<td>AT</td>
<td>BPS</td>
<td>2,688,830</td>
<td>2,571,981</td>
<td>-116,850</td>
<td>-4%</td>
<td>-422,641</td>
<td>-16%</td>
</tr>
<tr>
<td>PT</td>
<td>BPS</td>
<td>3,630,430</td>
<td>2,916,806</td>
<td>-713,624</td>
<td>-20%</td>
<td>-888,324</td>
<td>-24%</td>
</tr>
<tr>
<td>SI</td>
<td>BPS</td>
<td>477,670</td>
<td>452,193</td>
<td>-25,477</td>
<td>-5%</td>
<td>-31,345</td>
<td>-7%</td>
</tr>
<tr>
<td>FI</td>
<td>BPS</td>
<td>2,274,500</td>
<td>2,256,444</td>
<td>-18,056</td>
<td>0%</td>
<td>-19,873</td>
<td>-1%</td>
</tr>
<tr>
<td>SE</td>
<td>BPS</td>
<td>3,020,920</td>
<td>2,898,642</td>
<td>-122,278</td>
<td>-1%</td>
<td>-150,982</td>
<td>-5%</td>
</tr>
<tr>
<td>UK</td>
<td>BPS</td>
<td>17,360,000</td>
<td>14,930,024</td>
<td>-2,430,976</td>
<td>-13%</td>
<td>-3,068,270</td>
<td>-18%</td>
</tr>
</tbody>
</table>

**BPS member States**

- **EU-28**: 178,566,050
- **2015**: 158,677,227
- **2016**: 153,936,545
- **Difference in hectares**: -4,740,682
- **% Difference /PEA**: -3%
- **Difference between Determined and UAA**: -283,997
- **% Difference /UAA**: -1%

**BPS Member States**

- **BG**: 5,021,410
- **CZ**: 3,488,790
- **EE**: 1,003,510
- **CY**: 112,310
- **LV**: 1,930,600
- **LT**: 2,954,070
- **HU**: 5,348,970
- **PL**: 14,405,600
- **RO**: 13,520,850
- **SK**: 1,918,880
- **SAPS Member States**: 40,704,990
- **EU-28**: 178,566,050

- **UAA**: Utilised Agricultural Area.
- **PEA**: Potentially Eligible Area; the total area declared by beneficiaries and potentially eligible for payment.
- **Determined area**: the total area declared by beneficiaries and for which all eligibility conditions are met. It takes into consideration the result of administrative and on-the-spot checks and for the Basic Payment Scheme the number of payment entitlements.
The direct payments expenditure per hectare by Member State in 2016

- In 2016, the average direct payments granted per hectare of area declared by farmers amounts to 259 EUR/ha in the EU, including the crop specific payment for cotton and the possible national “top-ups” (Complementary National Direct Payments for Croatia and Transitional National Aids).
- This average DP/ha goes from 118 EUR/ha in EE to 622 EUR/ha in MT, reflecting to a greater or lesser extent the differences in agricultural and economic situations in the different Member States.
- It should be underlined that those amounts are after possible transfers of a share of the DP envelope to or from Rural Development if decided by the Member State with the flexibility between pillars¹ (for example LV transferred significant amounts to their Rural Development envelope). Conclusions in terms of external convergence should be drawn with care.
- The part of each direct payments scheme reflects the financial allocation (fixed at EU level or decided by Member State)² and actual payments.
- The basic payment (Basic Payment Scheme or Single Area Payment Scheme) represents on average 52% of the direct payments.

NB: The PEA used here does not cover potential area declared by farmers who applied only for certain cotton payments and/or voluntary coupled support without applying for basic payment. This area is marginal.

² For more information on the decisions taken by Member States on direct payments, see the document “Direct payments 2015-2020 Decisions taken by Member States”. http://ec.europa.eu/agriculture/sites/agriculture/files/direct-support/direct-payments/docs/simplemplementation-decisions-ms-2016_en.pdf

CNDP: Complementary National Direct Payments.
TNA: Transitional National Aids.
The Small Farmer Scheme (SFS) is financed by a share of the envelope of each other scheme. Those amounts do not take into account the amounts transferred to Rural Development further to the flexibility between pillars (but they do include the amounts transferred from Rural development to Direct Payments). The data do not cover the POSEI programmes for outermost regions (POSEI), the measures in favour of the smaller Aegean islands nor the reimbursement of financial discipline (some 400 million EUR at EU level).
Source: AGREX EU for DP expenditure, ISAMM for CNDP/TNA and CATS for PEA.
The distribution of direct payments

- Direct payments are granted per hectare of eligible area, hence the strong correlation between the amount of direct payments and the agricultural area of the farm (see figure 3).
- Consequently there is a strong link between the distribution of direct payments and the distribution of area between farmers.
- Figure 4 shows that, in 2015, **20% of farmers** still receive about **80% of direct payments** (similar ratio as in 2014\(^3\)). This is often perceived as unfair but it reflects mainly the existing farm structure (see below).
- The **high number of very small beneficiaries** plays an important role in this distribution. Without farms below 1250 EUR of direct payments per year (i.e. about 100 EUR per month), the ratio would become 80/30 (see figure 4).

NB: the graph on distribution of direct payments enclosed is based on CATS data for financial year 2016 covering mainly claim year 2015.

As explained above, there is a strong link between the distribution of DP and the distribution of land among farmers.

The enclosed graphs show that globally in the EU, the distribution of direct payments (in blue) and of land (in green) is almost the same:
- 20% of the biggest beneficiaries (big in terms of amount received) receive about 80% of direct payments;
- 20% of the biggest farms (big in terms of farm size) hold about 80% of the area.

It means that if direct payments were granted as a European flat rate, they would be as concentrated as in the current situation.

It is important to notice that farms are ranked differently for each curve: for the direct payments, they are ranked according to increasing amount of direct payments received. For the area, they are ranked according to increasing farm size. It means that the 20% biggest beneficiaries are not necessarily the 20% biggest farms in physical size.

For the smallest beneficiaries/farms, the land curve is slightly above the direct payments curve, meaning that land is slightly less concentrated than direct payments.

For the biggest beneficiaries/farms, that is the contrary: land is a bit more concentrated than direct payments.

NB: For the direct payments’ curve, beneficiaries are ranked according to increasing amount of direct payments. For the area’s curve, they are ranked according to increasing farm size (measured in potentially eligible area). It means that the 20% biggest beneficiaries are not necessarily the 20% biggest farms.
It should be noted that the distribution of direct payments varies a lot among Member States.

Direct payments are more concentrated than the EU average in SK, CZ, PT, EE, HU, BG and RO (ratio above 84/20).

They are less concentrated in LU, NL, FR, FI, IE, BE and AT (ratio below 58/20).

The concentration of the area varies as well according to Member States.

Area is more concentrated than direct payments in BG, DE, ES, LT and UK. It means that in those Member States, a national flat rate direct payment would lead to more concentration than in the current situation.

While the 80/20 ratio can raise questions, the real question is which distribution of direct payments allows better achieving the CAP objectives.

This question is wide and complex and should be addressed in the relevant parts of the analysis.

However the following illustrations can give a hint on what is currently done for that purpose with direct payments and on certain possible shortcomings.

Source: CATS – DG AGRI.
For market-oriented farms (based on FADN data), direct payments per hectare are on average lower with increasing farm size (Utilised Agricultural Area) while the average income per worker (Farm Net Value Added per Annual Work Unit) is higher up to a certain farm size (see Figure 9).

The unit support is thus higher for small farms which have on average a lower income per worker.

However, the extent of the modulation of the relative support is not as wide as the extent of the income gap.

Figure 10 actually shows that the share of DP in income is higher with farm size.

It could be explored whether this discrepancy should be addressed but with particular attention to the possible other consequences.

NB: The Farm Accountancy Data Network (FADN) is based on a sample of real farms representing farms above a certain economic size, which does not represent the whole population of direct payments' beneficiaries.

FNVA/AWU: Farm Net Value Added per Annual Work Unit, = amount available to remunerate all factors of production (land, labour and capital, both external and own factors).

Source: FADN - DG AGRI. Based on 2012 data, with estimated 2019 DP (but no change of farms structures and price environment).
• Direct payments per hectare are on average slightly higher for farm types with low average income per worker as compared to the EU average (see Figure 11). The exceptions are for "Specialists sheep and goats" and "Specialists orchards – fruits".
• They are not systematically lower for types of farming with high income (for example "Specialist other field crops").
• But Figure 11 should be looked at together with Figure 12 on the share of direct payments in income per worker.
• It shows that direct payments compensate to a certain extent the income gap as compared to EU average agricultural income for the low income types of farming: more for "Specialists milk" and "Specialists cattle" than for "Specialists sheep and goats" and "Mixed livestock".
• Looking at these two graphs in parallel shows for example that the high direct payments per hectare for "Specialists olives" (Figure 11) do not allow compensating totally the income gap with the average for those farms (Figure 12).
• On the other hand, the direct payments per hectare for "Mixed livestock" farms do not allow compensating the income gap with the EU average. Those farms remain the type of farming with the lowest income per worker.
• Based on those provisional data, the magnitude of direct payments for "Specialists COP" and "Specialists other field crops" seems high compared to their income situation (above the EU average).
• However, this should be analysed together with the additional challenge of volatility of farm income which is not represented in these graphs. Moreover it should be recalled that direct payments are not distributed according to the type of farming.

FNVA/AWU: Farm Net Value Added per Annual Work Unit, indicator of income per worker, = amount available to remunerate all factors of production (land, labour and capital, both external and own factors).
Source: FADN - DG AGRI. Based on 2012 data, with estimated 2019 DP (but no change of farms structures and price environment)
The enclosed graph shows the average income per worker, the share of direct payments and other support in income and direct payments per hectare by class of intensification for 2013-2015.

- Extensive classes have on average a lower income than intensive classes, but up to a certain limit and with certain nuances.
- The most intensive classes have the highest income per worker. The most extensive class has similarly a higher income than the next four classes.
- **The more intensive the farms, the higher the direct payment per hectare.**
- However, the share of direct payments in income is higher for the extensive classes than in very intensives classes.

**Figure 13: Farm income and operating subsidies by intensity class, 2013-2015**

FNVA/AWU: Farm Net Value Added per Annual Work Unit, indicator of income per worker, = amount available to remunerate all factors of production (land, labour and capital, both external and own factors). The level of intensity is based on the intermediate consumption cost per 1 hectare of Utilized Agricultural Area (UAA).

*Other RD: RD measures other than LFA, including national top-ups, but excluding investments supports. Source: FADN - DG AGRI. 2013-2015*
Direct payments and land rents levels

- In a majority of Member States, the land rent per ha is lower than the total EU DP per ha, except in DK and NL;
- The land rent is close to the level of DP/ha in BG, DE, IE, AT, FI and SE.

Figure 14: DP/ha and land rents by Member State

Sources: 2016 AGREX for DP, 2016 CATS for PEA and 2015 FADN for land rents.
The eligibility for direct payments

- The basic eligibility conditions for direct payments are⁴:
  - To comply with the so-called "minimum requirements",
  - To be active farmers,
  - And to have agricultural land at their disposal that is used for agricultural activity.

- Direct payments can only be granted above certain thresholds defined by Member States called minimum requirements.

- Generally, direct payments are not granted where the amount of direct payments to be granted is less than an amount between EUR 100 and EUR 500 and/or where the claimed eligible area is less than an area ranging from 0.3 ha to 5 ha.

- Those minimum requirements are meant to avoid the excessive administrative burden caused by managing payments of small amounts.

- In addition, the applicant must fulfil the condition of being a farmer (natural or legal person, or a group of natural or legal persons, whose holding is situated within the territory of the European Union and who exercises an agricultural activity).

- Since the 2013 reform, applicants must also fulfil the conditions of the "active farmer clause". The provision aims at preventing individuals and companies from receiving support from the CAP when their business is not agricultural or is only marginally so.

---

⁴ For more information on eligibility: https://ec.europa.eu/agriculture/sites/agriculture/files/direct-support/direct-payments/docs/direct-payments-eligibility-conditions_en.pdf

---

Figure 15: Threshold of DP level below which the active farmer provision is not applied

- The key element is a negative list of businesses (airports, waterworks, real estate services...). Entities operating an activity on the "negative list" are not considered "active farmers" unless they can prove that their farming activity is not marginal, using one of the defined 3 possibilities to rebut the negative presumption.

- If Member States want to, they can apply a stricter definition of active farmer.

- However, those who received less than a certain amount of direct payments in the previous year are considered de facto active farmer. This amount is set by Member States but may not be higher than EUR 5000. As can be seen from the graph above, the majority of Member States sets the threshold at this maximum.

- Other eligibility conditions are added for specific schemes (e.g. greening, young farmers...).
A high share of small beneficiaries

- On average, at EU level, half of the direct payments beneficiaries receive less than EUR 1250 per year (around 100 EUR/month).
- It corresponds to 4.5% of the total direct payments envelope.
- This situation raises several questions:
  - From an income support point of view: should there be a stronger redistribution towards smaller beneficiaries? What could the other impacts of such redistribution be?
  - Is it consistent with the objective of enhancing EU agriculture competitiveness?
  - From a policy efficiency point of view, can small amounts of direct payments prove efficient in achieving DP and CAP objectives and make a real difference both in terms of income support and in terms of development of small farm businesses?

Where is the right balance between administrative simplification (cutting the number of "very small" applications) and the continuing support of the CAP to "genuine" farmers with small structures?

Figure 16: Share of beneficiaries and DP by tranche of DP – EU 2015

Source: CATS – DG AGRI. NB: the graph is based on CATS data for financial year 2016 covering mainly claim year 2015.
The models of basic payment after the 2013 reform

- The basic payment is the basic layer of income support, possibly topped-up by other direct payments targeting specific issues or specific types of beneficiaries. The following map illustrates the model of basic payment and internal convergence chosen by each Member State.
- 18 Member States apply the Basic Payment Scheme (BPS)\(^5\). Under BPS, farmers are allocated payment entitlements on the basis of historical references (for the access and the unit value of their entitlements). In order to get a payment, farmers need to activate those entitlements with the declaration of an equivalent number of eligible hectares on an annual basis.
- DE, MT, FR-Corsica and UK-England apply the model of internal convergence "flat rate from 2015\(^6\):
  - For DE and UK-England, it is applied at regional level (i.e. different flat-rate payments in different regions);
  - In addition DE will move to a national flat rate in 2019.
- NL, AT, FI, UK-Scotland and UK-Wales have chosen the internal convergence model "flat rate in 2019".
  - For FI and UK-Scotland, it is applied at regional level.
- BE-Flanders, BE-Wallonion, DK, IE, EL, ES, continental FR, HR, IT, LU, PT, SI, SE and UK-Northern Ireland apply a partial convergence by 2019.
- The other 10 Member States keep applying the Single Area Payment Scheme (SAPS) which is a national flat rate area payment.

Figure 17: CAP - Convergence

\(^5\) For more information on BPS, see the document "Direct Payments - BASIC PAYMENT SCHEME" at https://ec.europa.eu/agriculture/sites/agriculture/files/direct-support/direct-payments/docs/basic-payment-scheme_en.pdf

\(^6\) For more information on internal convergence, see the document "Direct Payments: the Basic Payment Scheme from 2015. Convergence of the value of payment entitlements ('Internal Convergence')" at https://ec.europa.eu/agriculture/sites/agriculture/files/direct-support/direct-payments/docs/internal-convergence_en.pdf

Source: ISAMM notifications from Member States.
The internal convergence of the Basic Payment Scheme

- In the 18 Member States applying the Basic Payment Scheme (BPS), the 2013 reform has allowed moving away from historical references with a certain *convergence of direct payments per hectare* within Member States (see options taken by MS in previous section).

- The graph shows that the area covered by BPS/ha close to the average in 2015 and 2016 is significantly higher than it was in the year preceding the reform.

- A higher convergence will be attained in 2019. However, some significant differences in average BPS amounts per hectare will remain in 2019 in those Member States that apply the partial convergence.

**NB:** It should be noted that the vast majority of Member States/regions concerned have chosen to apply the greening payment as a percentage of the BPS payment. It means that in almost all of them, the greening payment will follow the same convergence path as the BPS. Only DE, LU, MT, FI, UK-England and UK-Scotland apply the uniform greening payment per hectare.

**Figure 18: Comparison of the distribution of SPS and BPS/ha**

**Source:** CATS – DG AGRI.
A modest product from reduction and capping of basic payment

- **The reduction of payments** applies only to the basic payment (and not to the total direct payments), and the obligation in terms of reduction is set at a very low level (5% reduction from EUR 150 000 of BPS/SAPS, with the possibility to deduct salaries from the amount of basic payment before applying the reduction). Steeper reductions and capping can be implemented but are not compulsory. Member States applying the redistributive payment with more than 5% of their national ceiling allocated to the scheme may decide not to apply the mechanism at all (BE-Wallonia, DE, FR, HR, LT and RO).

- For 2015, the product of the reduction (including capping) has amounted to EUR 98 Million, which represents only 0.44% of the basic payment expenditures. For 2016, the product of the reduction and capping has amounted to EUR 79 Million, representing only 0.36% of the basic payment expenditure. Even in Member States implementing the capping, this product has remained generally low with the exception of Hungary, where the product of reduction and capping (set at 176 000 EUR) represents 6.6% of the envelope in 2015 and 5.6% in 2016 (lower than initially estimated by HU).

- The difference between the percentage of the reduction and capping between 2015 and 2016 can be explained by an increase in the basic payment (SAPS) envelope in BG, and by a lower value of high-value payment entitlements due to internal convergence in BPS MS like IT, PT, SI and the UK.

**Figure 19: Share of the product of reduction and capping in Basic Payment by Member State, 2015 and 2016**

---

7 For more information on the reduction of payments and capping, see the document "Direct Payments: Financial mechanisms in the new system" at https://ec.europa.eu/agriculture/sites/agriculture/files/direct-support/direct-payments/docs/direct-payments-financial-mechanisms_en.pdf
The redistributive payment in 2015 and 2016

- The redistributive payment (RP) is applied by 9 Member States in 2015 and 2016: BE-Wallonia, BG, DE, FR, HR, LT, PL, RO and UK-Wales. The financial allocation to the scheme goes from 0.5% to 15% of the Member States national ceiling for direct payments.
- It aims at achieving a more effective income support for smaller farmers by granting an extra payment per hectare for the first hectares below a certain threshold\(^8\).
- All farmers eligible for BPS/SAPS receive the redistributive payment. However, they only receive this payment up to a certain number of hectares per holding. As a result, only a part of the BPS/SAPS area receives the redistributive payment. For most Member States the redistributive payment is paid for approximately 50% of the basic payment area.
- As regards the redistributive payment unit rate, MS had the option to fix an amount up to 65% of the average national/regional direct payment per hectare.
- However, this maximum amount was not used. The shares go from 0% for the first tranche in PL to 35% in BE-Wallonia.
- In 2016, FR and UK Wales increased the percentage of the total direct payment envelope dedicated to the redistributive payment compared to 2015, resulting in a higher unit rate.

---

\(^8\) For more information on the redistributive payment: https://ec.europa.eu/agriculture/sites/agriculture/files/ds-dp-redistributive-payment_en.pdf
The young farmer payment in 2015 and 2016

- The young farmer payment (YFP) 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 5 years preceding the first application to the scheme.
- The scheme is compulsory for Member States.
- 4.2% of basic payment applicants benefited from the young farmer payment in the EU in 2015 (see Figure 22). This share increased to 4.8% of applicants in 2016.
- This share is the highest in CZ (14.4%), followed by NL (11.4%).
- It is still rather high (above 6%) in IE, FR, LT, FI, UK-NI, DE, AT, PL, SI in 2015 and 2016.
- It is low (around 2% or less) in CY, SK, UK-E, ES, PT, RO.
- The total payments for young farmers amount approximately to EUR 337 million (0.84% of the DP envelope), well below the initial estimates (1.23% of the DP envelope) in 2015. In 2016, the total YFP amount to EUR 365 million (0.90% of the DP envelope).
- Only a few Member States spent actually more than estimated in 2016 (CZ, LT, LU, FI, HR, HU, PL and SI).

NB: in figure 23 the estimated needs are calculated before financial discipline (e.g. capping, linear reduction) while the expenditure in figure 23 is "net", meaning after financial discipline.


---

**Figure 22: Share of young farmer payment beneficiaries in all basic payment applicants**

**Figure 23: Actual young farmer payment versus estimated needs, 2015 and 2016**

Source: CATS.
The average young farmer payment per ha varies between 20 EUR/ha (in UK-W, BG, EE, MT and RO) and more than 80 EUR/ha (BE, DK, CY, NL, EL and IT).

Between 2015 and 2016, the average young farmer payment per hectare increased mainly in IT and AT. The average young farmer payment per hectare decreased in UK-NI, PL and SI.

The young farmer payment can be granted up to a certain limit in hectares.

The enclosed graph shows that the area limit is relatively low in comparison with the average farm size of young farmers in FR, SK, UK-W, BG and EE.

There are also restrictive effects in UK-E and UK-Sc even if they went for the maximum of 90 ha.

**Figure 24: Average young farmer payment per ha, 2015 and 2016**

**Figure 25: Average determined BPS/SAPS area of young farmers and YFP area limit**

Source: 2015 and 2016 CATS and ISAMM.
The voluntary coupled support

- Member States can use up to a maximum percentage of their annual national ceiling for direct payments to finance voluntary coupled support (VCS)\(^\text{10}\).

- VCS is a production-limiting scheme that can only be granted to a list of sectors and productions in sectors or regions where specific types of farming or specific agricultural sectors particularly important for economic, social or environmental reasons undergo certain difficulties.

- In 2015 and 2016, 27 Member States applied VCS for about EUR 4 billion (about 10% of the total direct payments envelope).

- The main sectors supported are Beef and veal, Milk and milk products, Sheep and goat meat and protein crops (84% of the amounts spend under VCS).

---

\(^{10}\) For more information on the voluntary coupled support: [http://ec.europa.eu/agriculture/direct-support/direct-payments_en](http://ec.europa.eu/agriculture/direct-support/direct-payments_en)

---

**Figure 26: Voluntary coupled support in 2016: share of total VCS expenditure per sector**

*‘Other’ includes grain legumes, starch potato, nuts, seeds, hops, hemp, oilseeds, silkworms and flax.

**Table 2: VCS - Amount by sector and member state in 2016 in million Euros***

| Sector                          | BE | BG | CZ | DK | DE | IE | IT | CY | LV | LT | HU | NL | AT | PL | PT | RO | SI | ES | UK | Total | Share of total VCS expenditure |
|--------------------------------|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|------|-------------------------------|
| Beef and veal                  | 25 | 55 | 27 | 24 | 24 | 1  | 24 | 3  | 6  | 20 | 21 | 1  | 4  | 18 | 3  | 2  | 14 | 7  | 4  | 164 | 47.6%                        |
| Milk and milk products         | 3  | 24 | 50 | 2  | 2  | 82 | 12 | 88 | 3  | 14 | 25 | 88 | 2  | 150| 19 | 81 | 5  | 30 | 32  | 829  | 21.0%                        |
| Sheep and goat meat            | 11 | 3  | 12 | 0  | 26 | 198| 134| 0  | 14 | 1  | 0  | 2  | 21 | 0  | 4  | 31 | 27 | 5  | 3  | 460 | 11.6%                        |
| Protein crops                  | 16 | 17 | 3  | 44 | 122| 43 | 23 | 0  | 15 | 0  | 26 | 86 | 3  | 63 | 3  | 6  | 600| 15.2%                       |
| Fruit and vegetables           | 47 | 9  | 1  | 7  | 6  | 14 | 2  | 11 | 0  | 2  | 5  | 34 | 1  | 15 | 4  | 11 | 2  | 1  | 175 | 4.4%                         |
| Sugar beet                     | 17 | 17 | 17 | 3  | 17 | 3  | 17 | 8  | 8  | 8  | 18 | 8  | 1  | 173| 4.4%                       |
| Cereals                        | 12 | 6  | 98 | 3  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1 | 173| 4.4%                       |
| Olive oil                      | 12 | 6  | 98 | 3  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1 | 173| 4.4%                       |
| Rice                           | 12 | 6  | 98 | 3  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1 | 173| 4.4%                       |
| Grain legumes                  | 12 | 6  | 98 | 3  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1 | 173| 4.4%                       |
| Starch potato                  | 12 | 6  | 98 | 3  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1 | 173| 4.4%                       |
| Nuts                           | 12 | 6  | 98 | 3  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1 | 173| 4.4%                       |
| Seeds                          | 12 | 6  | 98 | 3  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1 | 173| 4.4%                       |
| Hops                           | 12 | 6  | 98 | 3  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1 | 173| 4.4%                       |
| Hemp                           | 12 | 6  | 98 | 3  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1 | 173| 4.4%                       |
| Oilseeds                       | 12 | 6  | 98 | 3  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1 | 173| 4.4%                       |
| Wax                            | 12 | 6  | 98 | 3  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1 | 173| 4.4%                       |
| Silkworms                      | 12 | 6  | 98 | 3  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1 | 173| 4.4%                       |
| Dried fodder                   | 12 | 6  | 98 | 3  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1 | 173| 4.4%                       |
| Sugar and syrup                | 12 | 6  | 98 | 3  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1 | 173| 4.4%                       |
| Short rotation crops           | 12 | 6  | 98 | 3  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1  | 1 | 173| 4.4%                       |
| Total                          | 25 | 55 | 27 | 24 | 24 | 1  | 24 | 3  | 6  | 20 | 21 | 1  | 4  | 18 | 3  | 2  | 14 | 7  | 4  | 164 | 100%                         |

* The table gives the amount of coupled payments in million Euros. Where the value is zero, it means that the amounts spend per sector are below EUR 1 000 000. Source: ISAMM

---
The small farmer scheme in 2015 and 2016

- The Small Farmers Scheme is an optional, simplified scheme which replaces all other direct payments a farmer is entitled to. It is applied in 15 MS.

- It includes simplified administrative procedures for farmers: participating farmers are exempted from greening obligations and cross-compliance penalties\(^\text{11}\).

- MS can opt for different calculation methods to determine the annual payment farmers participating in the SFS are entitled to. The level of payment is limited to a maximum of EUR 1 250 (a lower maximum can be fixed by the MS).

- In 2015, an estimated 2.9 million applicants (representing around 50% of the total DP applicants) applied for the SFS. Their holdings are rather small (estimated 2.6 ha on average), which is also represented by the share of SFS area in the total area determined (estimated at 9%).

- SFS applicants represent between 3% (SI) and 90% (MT) of DP applicants. The area covered by the SFS goes from 0.5% in DE to about 70% of total DP area in MT.

- Between 2015 and 2016 there is a significant drop in the number of applicants for the SFS (to 2.3 million, 40% of total DP applicants). The share of SFS area in the total determined area decreased from 9% to 7% in 2016.

- The main explanations for the decrease in number of SFS applicants between 2015 and 2016 are that these applicants are able to receive more direct payments outside the SFS which is limited to a maximum amount of EUR 1 250 (a lower maximum can be fixed by the MS) and the restriction under the SFS that farmers have to maintain the same number of hectares as in CY2015.

\(^{11}\) For more information on the small farmer scheme: https://ec.europa.eu/agriculture/sites/agriculture/files/direct-support/direct-payments/docs/small-farmers-scheme_en.pdf

Source: CATS. * PL assumption that total N° of SFS in CY2015 is equal to farmers automatically included and remaining under the scheme; area of SFS in 2015 estimated based on SFS area 2016 and average decrease in SFS area in other MS.