The common agricultural policy (CAP) is Europe’s answer to the need for a decent standard of living for 22 million farmers and agricultural workers and a stable, varied and safe food supply for its 500 million citizens. As a common policy for all 28 EU countries, the CAP strengthens the competitiveness and sustainability of EU agriculture by providing direct payments aimed at stabilising farm revenues, and finances projects responding to country-specific needs through national (or regional) rural development programmes, which also cover the wider rural economy and life in rural areas. The CAP also provides a range of market measures, including tools to address the impact of price volatility and other market difficulties and additional elements, such as quality logos or promotion for EU farm products, which complete CAP action to support farmers. The CAP budget for 2014-2020 is €408.31 billion, with €308.73 billion intended for direct payments and market measures and €99.58 billion for rural development.

- covers an area of 9 251 km² of which utilised agricultural land covers 12.8 % and forests/other wooded land 41.8 %.
- has a total population of 858 000, all living in regions with a balanced mix between rural and urban population (intermediate regions)
- has a farming sector made up primarily of small farms (75 % of all farms are less than 2 hectares)
In the period from 2014 to 2020, €485 million is expected to be invested in the Cypriot farming sector and rural areas through the CAP. Certain key political priorities for which CAP funding should be used have been defined at European level - jobs and growth, sustainability, modernisation, innovation and quality. However, Cyprus also has the flexibility to adapt both direct payments and its rural development programme to meet its specific needs.

Cyprus’ direct payment allocation for 2014-2020 amounts to around €353 million.

Farmers in Cyprus, as they are across the EU, are subject to so-called ‘greening’ rules, designed to ensure that they farm in a sustainable way and help contribute to the EU’s efforts to tackle climate change, biodiversity loss and soil quality. Under this system, 30% of the direct payment allocation, paid per hectare, is linked to three environmentally-friendly farming practices: crop diversification, maintaining permanent grassland and dedicating 5% of arable land to environmentally friendly measures (so-called ‘ecological focus areas’).

As one of the newer EU member states, until the end of 2020 Cyprus will apply a simplified system for allocating direct payments to farmers – known as the single area payment scheme or SAPS. This system links the amount of basic income support for Cypriot farmers to the area of land declared by each farmer in a simpler form than the main direct payment payments scheme applicable in most other EU countries.

The Cypriot authorities have also decided to earmark 8% of the country’s direct payments allocation (in 2016) for voluntary coupled support – i.e. linking payments not only to the number of hectares farmed but also to specific products or processes – in this case targeting fruits and vegetables, milk and milk products, sheep meat and goat meat. In addition, Cyprus has opted to apply only the minimum reduction of 5% on amounts of basic payments above €150,000.

1 Total allocation of direct payments and rural development for the period 2014-2020 (in current prices).
Supporting key priorities for Cyprus' rural development

For 2014-2020, a total public contribution of more than €243 million (€132 million from the EU and €111 million from the national budget) has been allocated for measures that will benefit Cyprus' rural areas.

The 2014-2020 rural development programme for Cyprus focuses on the following priorities:

- enhancing the competitiveness of farms and production systems
- creating new jobs in agriculture and other sectors at the same time as protecting the natural environment and biodiversity
- promoting the sustainable management of natural resources and tackling climate change.

Cyprus faces particular challenges with regard to the environment, biodiversity, resource efficiency and climate change. Low rainfall, high temperatures and increased periods of drought are putting extreme pressure on Cyprus’ scarce natural resources, such as water, agricultural land, forests and soil, and threaten biodiversity.

Example of a rural development project supported by the CAP

Meeting growing demand for Halloumi

After successfully targeting markets both at home and abroad for its dairy products, one family-owned Halloumi cheese factory in Cyprus needed to upgrade its production facilities in order to meet further demand. Through the Cypriot rural development programme it received EU support to expand its business.

The company acquired new dairy processing equipment and relocated its operations in a more modern facility. At the same time, the company established a new quality management system and invested in more modern equipment to ensure the safety of its production chain. Production increased, allowing the company to expand its operations further both at home and abroad and increase its sales from €8 million to €9.5 million within a year.

Total project cost: €3 million (EU contribution: €1.2 million)

More project samples: European Network of Rural Development and EU results
Between 2007 and 2013, the CAP invested more than €392 million in Cyprus’ farming sector and rural areas to stabilise farmers’ income, modernise and increase the sustainability of Cypriot farms and securing the supply of safe, affordable and quality food for its citizens.

Cypriot farmers benefit from the CAP

In recent years, direct payments have been a key safety net. For example, in 2014, some 33 220 Cypriot farm businesses received €51 million in direct payments, 17 870 of which received a payment below €5 000. In 2105, meanwhile, the EU spent more than €8 million on market measures in Cyprus, targeting mainly the wine and fruits and vegetable sectors.

Fostering growth and jobs in Cyprus’ rural areas

In the period from 2007 to 2013, more than €282 million of public funding (£165 million from the EU, €117 million in national funds) was invested via the country’s rural development programme in a range of different activities supporting agricultural production and benefitting Cyprus’ rural areas, preserving their diversity and enhancing their economic strength, cultural richness and social cohesion. In concrete terms, rural development funds helped:

- 300 young farmers set up in the profession, investing €35 million
- create gross added value of €1.7 million in farmers’ holdings
- modernise 1 500 agricultural holdings, spending almost €75 million
- invest more than €60 million in 200 agri-food SMEs
- add value to agricultural products in modernised farms of almost €19 million
- protect biodiversity, water and soil quality and mitigate climate change through successful land management on more than 33 000 hectares
- improve sustainable land management on 15 000 holdings (covering 67 000 hectares) in mountainous areas and areas with natural handicaps for
- provide basic services to 198 000 people living in rural areas
Adding value with quality schemes

Through the quality policy of the CAP, the EU provides a number of measures to help producers build on the high quality reputation of European products to sustain competitiveness and profitability. A key tool in this is the register of more than 1,300 protected food names which are classified as a Protected Designation of Origin (PDO), a Protected Geographical Indication (PGI) or a Traditional Speciality Guaranteed (TSG). The production of these registered quality products contributes to diversity, development and growth in the rural areas where they are produced and protects local knowledge, skills and jobs.

Cyprus has five food products registered, including one PDO (Kolokasi Sotiras / Kolokasi-Poules Sotiras) and four PGIs (Glyko Triantafyllo Agrou, Pafitiko Loukaniko, Koufeta Amygdalou Geroskipou and Loukoumi Geroskipou).

In addition to the registered products, the EU also helps highlight food that has been produced in a sustainable way with a clearly recognisable organic logo.

Responding to market difficulties

Following the prolongation of the Russian ban on the EU agricultural imports and difficult conditions in certain markets, in October 2015 the European Commission agreed a support package worth €500 million to help those farmers most affected by the difficulties, including €420 million in national allocations to support the dairy and livestock sectors in particular, with flexibility for member states to decide how to target this support. Cyprus opted to use all of its €354,997 allocation for the pig sector.

In July 2016, the European Commission agreed a further solidarity package worth €500 million, including aid worth €350 million aimed at the dairy sector in particular. Of this, roughly €297,165 was earmarked for Cyprus.

What do the Cypriots think of the CAP?

According to the most recent Eurobarometer survey, published in January 2016, 75% of Cypriots consider agriculture and rural areas as very important for our future (EU28: 62%). Developing rural areas while preserving the countryside (64%), ensuring quality agricultural products (65%) and reasonable prices (65%) for consumers are the most important objectives of the CAP for a majority of Cypriot citizens. Furthermore, nearly all (93%) Cypriots agree with the EU’s approach of paying farmers to ensure that they farm in accordance with beneficial environmental practices (‘greening’).

Source: Eurobarometer survey 440 “Europeans, Agriculture and the CAP”
Cypriot agriculture is characterised by:

- **small farms**: 89.9% of holdings are under 5 hectares
- **relatively old farmers**: only 1.7% of farmers are under 35 years old (6.0% in EU28), while 40% are older than 64 (31.1% in EU28)
- **an important contribution to the economy**: the primary sector (agriculture, forestry and fishing) accounts for 2.3% of the country’s economy (total GVA) and agriculture for 3.6% of total employment. This is higher than the European average in economic terms (1.5% in EU-28) but lower in terms of employment (4.3% in EU28).

### A very diversified production

- Dairy products
- Olive oil
- Fruits
- Vegetables
- Wine
- Milk
- Eggs
- Meat

### Exporting processed products is highly important for Cyprus (2016 data)

- Commodities
- Other primary products
- Processed products
- Food preparations
- Beverages
- Non edible products

### Farmer’s income continues to be more volatile than wages and salaries in other sectors

- Agricultural income (Indicator A)
- Wages and salary index - Industry
- Wages and salary index - Construction
- Wages and salary index - Services

Data sources: Eurostat, Comext.