The 2013 reform of the Common Agricultural Policy*

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1. Introduction

The Common Agricultural Policy (CAP) of the European Union (EU) has been undergoing continuous reform since the early 1980s. Hence, before getting into the changes which have been introduced in 2013, it would be useful to put the recent CAP reform in a long term perspective.

After a series of sector-specific policy adjustments (including the introduction of production quotas for sugar and milk, voluntary set aside and 'automatic stabilizers' aimed at keeping budget expenditure in each sector within predetermined limits), which have often been decided under strong contingent budgetary pressure, the first structural change in the CAP occurred in 1992 with the MacSharry reform, named after the Commissioner for agriculture at the time. This reform, among other things, significantly reduced price support for meats and arable crops and introduced partially decoupled 'compensatory' payments, linking a significant portion of CAP support to land allocation, rather than production, to 'what', rather than to 'how much' a farm produced.

The 1999 Agenda 2000 reform moved the changes introduced with the MacSharry reform one step ahead by further decreasing price support for beef and arable crops, increasing partially decoupled 'compensatory' payments, increasing milk quotas and reducing price support for dairy products. When the Agenda 2000 reform was introduced, a decision was made to conduct a 'mid-term review' of its effectiveness. At the time nobody anticipated that this mid-term review could become the most important step ever in the reform process of the CAP: the June 2003 Fischler reform. The main element of the Fischler reform was the introduction of the Single Payment (SP) scheme. In simple terms, every farm was to receive a yearly payment equal to the average yearly direct payments for arable crops and meats it had received in the 2000-2002 reference period (plus, subsequently, those decided, but not immediately implemented, for milk). The payment was independent not only from 'how much' the farmproduced, but also from 'what' it produced, so long as the land used each year to claim the SP was either farmed to produce anything apart from fruit, vegetables and permanent crops or

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was left idle (subject to 'cross-compliance', i.e. conditional on the farm complying with the minimum environmental, food safety and animal welfare standards mandated by a number of regulations already in force, and to maintaining the land in good agricultural and environmental condition). EU-15 member states were given the option, often referred to as 'regionalization', of distributing the overall
amount of support by paying all farmers in a given 'region' the same flat per hectare amount.[1] Where the option to have the SP based on farm-specific historical payments was chosen instead, the effect was a 'freeze' of the historical distribution of support at the farm level; where the 'regionalization' option was used, a redistribution of support among farms in any given 'region' took place. The UK, Finland and Germany decided to progressively adopt the 'regionalization' option, while Denmark and Sweden opted for a hybrid system (part of the SP was based on farm-specific historical entitlements, part was a flat per hectare payment). In the 10 member states which entered the EU in 2004 the Single Area Payment Scheme (SAPS) was to be applied, with a flat per hectare payment to all farmers.

Between 2003 and 2008 the Common Market Organizations (CMOs) for olive oil, tobacco, cotton, sugar, fruit and vegetables, and bananas were reformed, extending to these sectors the principles introduced under the 2003 Fischler reform; existing direct payments were 'decoupled' and included in the SP.

At this point, many thought that the CAP reform process would be put on hold for some time, while the Fischler reforms were being fully implemented (for dairy this was to occur in 2008/09) so as to leave enough time for them to show their effects. Yet, based on a number of 'review clauses' which were included in the final agreement in 2003 as well as in other subsequent reforms since then, in 2007 Commissioner Fischer Boel launched an initiative to perform a CAP 'health check' (European Commission, 2007). The initiative led to the November 2008 decision to further reform the CAP; it is fair to say that the 'health check' essentially completed the Fischler reform process by: decoupling virtually all direct payments still in place; progressively expanding milk quotas, with the aim of making them no longer binding by 2015 (and a view to eliminating them at that point); eliminating mandatory set aside; doubling the percentage of 'modulation', i.e. the transfer of financial resources from direct payments to farms to rural development policies; eliminating - or further limiting, depending on the commodity - minimum price support provided through market withdrawals ('intervention'); and giving member states, once more, the possibility to regionalize direct payments.

This long series of policy changes was by no means marginal, either in terms of the reduction in support, or in terms of the reduction of the distortionary effects of the CAP. By decoupling CAP support they induced a market reorientation of domestic prices and production decisions by EU farmers and, as a result, a marked reduction in the domestic and world market

[1] It might be worth recalling that the 'regionalization' option was not part of the proposal put forward by Commissioner Fischler (who actually opposed it, on the grounds that introducing both decoupling and a redistribution of support at once was too much of a change for farmers), but it was eventually included under the pressure of certain member states.

distortions caused by the CAP. They also helped reduce the pressure of agricultural production in the EU on the environment and increased the efficiency of farm income support, by linking it to the carrying out of 'farming and land management activities'.

Figure 1 shows the changes in the amount and composition of CAP expenditure (in nominal terms) by its main policy measures between 1980 and 2014. From 1980 to 1992 CAP expenditure, which at the time was largely used to generate fully coupled support, increased rapidly; the MacSharry reform in 1992 and Agenda 2000 in 1999 introduced, and then increased, 'partially decoupled' direct payments and severely reduced the use of policy instruments providing market price support; as a consequence of the reduction in market price support, export subsidy expenditure declined as well. Over the same years there was a gradual expansion of the financial resources devoted to rural development policies. With the Fischler reform most of the direct payments were replaced by decoupled ones; the further market reorientation of domestic prices, in turn, induced a further reduction in expenditure for market intervention policy instruments and export subsidies. The overall expenditure for the CAP in nominal terms increased over time, albeit at a declining rate (since the early 1990s it had been falling as a percentage of EU GNI); however, in assessing the growth of CAP expenditure one should not forget that, over the same period, the EU expanded from 10 members to 12 (1986), 15 (1995), 25 (2004), 27 (2007) and 28 (2013).

Figure 2 shows changes in CAP support in the almost 25 years between 1986-88 and 2010-12 - from before the MacSharry reform of 1992, to before the 2013 Cioloş reform - using three indicators calculated annually by OECD (OECD, various years): the per cent Producer Support Estimate (%PSE); the per cent Consumer Support Estimate (%CSE); and the sum of the most production- and trade-distorting forms of support as a share of the PSE.[2] The figure clearly shows the effects of the successive reforms of the CAP in the period considered. These resulted in a reduction of the support provided to farmers (from 39% of gross farm receipts to 19%),[3] in a large reduction of the implicit taxation of consumers, as a result of the reorientation away from market price support policy instruments (for every euro EU consumers spent on food, calculated at farm gate prices, the implicit taxation due to agricultural policies dropped from 36 to 3 cents), and in a reduction of the distortionary effect of the CAP on production and trade, as a result of its re-instrumentation (the share of the support linked to the most distortionary policy instruments declined from 96% to 32%). Clearly, changes in the CAP were relatively more pronounced in terms of the reduction of its distortionary effects and of the implicit

[2] The %PSE is *'the annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures that support agriculture'* as a share of gross farm receipts. The %CSE is '*the annual monetary value of gross transfers to (from) consumers of agricultural commodities, measured at the farm gate level, arising from policy measures that support agriculture'* as a share of consumer expenditure on agricultural commodities (at farm gate prices); '*if negative, the CSE measures the implicit tax placed on consumers by agricultural price policies*'. 'Most production- and trade-distorting forms of support' are given here by '*support based on commodity output*' and '*payments based on input use'*, as defined by the OECD.

[3] In more recent years this is also the result of the sharp rise in world market prices.

taxation of consumers, than in terms of the reduction in farm support, although the latter was certainly significant.

The reform process of the CAP, from the early 1980s up to the decisions taken in 2013, shows a series of consistent steps in the same direction: a reduction in the support provided to farmers, a market reorientation of agricultural prices and the significant reduction of the use of policy instruments diverting farm decisions away from market signals. In the CAP before the Cioloş reform a large portion of expenditure was absorbed by decoupled direct payments, which accounted for 70% of the budget for the CAP and 30% of the overall budget of the EU. The payment received by each farm had no link either with its income or with the income of the farm household, i.e. had no relation with a farmer's need for being supported. If the CAP was meant to be an income support policy, an equitable and effective policy would have made direct payments inversely proportional to farm (or household) income and would have limited them only to those in need. The direct payment a farm received was not linked to the amount of public goods it produced either, nor to the cost of producing them. If the goal pursued was to promote the production by farms of public goods, such as environmental goods or the preservation and management of valuable rural landscapes, then direct payments should have been part of a contractual commitment by the farm to deliver specific services, or goods, carrying public value or, less effectively, they should have been determined on a flat per hectare basis in exchange for compliance with demanding standards, applied to all farms, related to sustainable resource management and the provision of public goods. Nor did direct payments bear any relation with the contribution of the farm to the socio-economic viability of the area it was located in, given that they were not linked, for example, to the amount of labour the farm employed or the quality of its products.[4]

The truth is that the CAP prior to the 2013 Cioloş reform was much better than the CAP of the past, but it still distributed an extremely large amount of financial resources without a clear, coherent set of goals. At the outset and in the early stages of the debate on the new reform of the CAP many believed the challenge this time was to design a public policy for agriculture and rural development in the EU which effectively addressed the concerns of both the sector itself and the society at large (Bureau and Mahé, 2008; Bureau and Witzke, 2010; Cooper et al. 2009; Hofreither et al., 2009; Swinnen, 2009).

The decisions made in the 2013 reform of the CAP took place under rules which were radically different from those of the past. While previous CAP reform decisions had been taken by the Council of Agricultural ministers, the Lisbon Treaty[5] made them subject to a fairly complicated co-decision process, involving both the Council and the European Parliament (EP), with the Commission being assigned the role of producing the initial proposal and then acting as a facilitator for the required convergence of the other two institutions on a common text. While,

[4] Analyses of the CAP in place before the 2013 reform and of its past reform process are provided in OECD (2011) and Sorrentino et al. (2011).

[5] The Lisbon Treaty was signed in December 2007 and entered into force on 1 December 2009, after being ratified by all member states.

for the decisions on the CAP, the EP now has the power to propose amendments to the texts being discussed, in the case of the co-decision by the EP and the European Council regarding the Multiannual Financial Framework (MFF) the EP can only approve or reject the proposal as a whole, without the possibility to propose changes. This means that the two procedures not only involve different rules, but also different political processes. In the case of the MFF the process is simpler, the European Council is given more power and the negotiation on the details are kept away from the arenas where sectorial interests are likely to be more influential (the preparatory work is conducted within the Council of General Affairs (Ministers of Foreign or European Affairs), while the final decision is for the European Council (Heads of State or Government)). The new co-decision rules for the CAP and those in place for the MFF resulted, as expected, crucial in shaping the 2013 decisions on the new EU policies for agriculture and rural development (Matthews, 2015). As will be discussed in the next section, the decisions regarding the MFF included not only the financial allocation to the CAP for the 2014-2020 period, but also many important elements of the policies themselves, in an attempt to keep some of the decisions to be made in the hands of actors less subject to the political pressure of the most powerful among the stakeholders involved.

The decision process turned out to be quite long, longer than in previous reforms, from the launch by the Commission in April 2010 of a 'public debate' on the new CAP, to the formal adoption by the Council of the four basic Regulations introducing the reformed CAP on the 16th of December 2013, following their approval by the European Parliament in November.

2. The Multiannual Financial Framework 2014-2020

After more than two years of negotiations, on the 2nd of December 2013, the Council adopted the Regulation laying down the MFF,[6] i.e. the annual ceilings for the financial resources allocated to the 'political priorities' of the European Union for the period 2014-2020.

Total financial resources allocated in the MFF for the UE-28 equal 959,988 million euro (at 2011 prices), corresponding to 1% of its Gross National Income (GNI) (Table 1). In real terms this allocation is 3.5% lower than that in the MFF for 2007-2013, when the member states were 27. If the comparison between the two financial allocations takes into account the change in the composition of the EU (i.e. excludes from the allocation of the MFF 2014-2020 the sums to be spent in Croatia), then the reduction for the EU-27 member states is by 4.8%. This is the first time an EU financial framework includes less financial resources than the previous one.

Two headings alone, headings 1 (Smart and inclusive growth) and 2 (Sustainable growth: natural resources), absorb almost 86% of the financial resources in the MFF 2014-2020. Heading 1, which includes actions to promote 'Competitiveness for growth and jobs' and 'Economic, social and territorial cohesion', has been allocated 47% of the total resources, 1% more than in the previous MFF; however, a significant redistribution of resources occurred within the heading, with those allocated to the 'competitiveness' subheading expanding by 37.3% and those allocated to 'cohesion' contracting by 8.4%.

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[6] Regulation 1311/2013.

Heading 2 – which, by and large, is given by the financial resources for the Common Agricultural Policy – sees a contraction of its share of the total allocation for the MFF – from 42.3% in the previous MFF to 38.9% – and a significant reduction of financial resources in real terms (-11.3%). In particular, policy measures in 'pillar I' ('Market related expenditure and direct payments') are assigned 277,851 million euro, 28.9% of the entire MFF (it was 32.1% in the MFF 2007-2013), and those in 'pillar II' (rural development policies) 84,936 million euro, 8.8% of the total (it was 9.6%). With respect to the previous MFF, resources to finance 'Market related expenditure and direct payments' are reduced by 12.9% in real terms, and those for rural development by 11.1%.[7]

In order to have the full picture of the resources available for policies directly relevant to agriculture one should also consider the portion of the European Globalisation Adjustment Fund[8] (EGAF) to be spent within the sector. The EGAF is a fund outside the MFF providing temporary support to workers (including those in agriculture) who have lost their jobs as a result of 'major changes' in trade patterns, due to disruptive effects of the globalization process on a specific sector in a member state. Resources allocated to the EGAF for the 2014-2020 period equal 1,050 million euro (in 2011 prices) (Table 1).

Negotiations for the new MFF proceeded hand-in-hand with those for the new CAP. As already mentioned, the MFF included not only decisions on the amount of financial resources allocated to the CAP in the 2014-2020 period, but it also included decisions on important elements of the policy itself.

The initial Communication by the Commission on the new MFF (European Commission, 2011) included proposals (a) to maintain a two 'pillars' structure for the CAP, (b) to link 30% of direct support to farmers to environmental and climate action objectives, (c) to achieve a 'fairer and more equitable' distribution of the support by making direct support per hectare converge across member states, and (d) to limit support provided to large agricultural holdings by introducing 'a cap' (a maximum) for the support each farm can receive, using the 'savings' this would generate to increase the resources allocated in the same country to rural development policies. These are key elements for the design of the new CAP which clearly go well beyond those which could be justified by the need to decide financial allocations.

The two parallel, and somewhat interlinked, negotiations – the one on the MFF and that on the CAP – were both concluded in 2013. The agreement on the new MFF included decisions on the following elements of the new Common Agricultural Policy which were not part of the June 2013 'political agreement' on the reform:

- *'External convergence'* of direct payments: member states with average direct payments per hectare above the EU average will see their allocation progressively reduced in order to finance the increase in those member states with an average direct payment below 90% of

[7] Financial resources allocated to rural development policies are from European Parliament (2013, Table 10, p. 39).

[8] Regulation 1309/2013.

the EU average; in these member states the difference with 90% of the EU average will have to be reduced in six years by 1/3. In those member states with an average direct payment per hectare above the EU average, the reduction of the financial envelope will be proportional to the distance from the EU average. In 2020, in those member states where the envelope has been reduced, the average direct payment per hectare cannot be lower than the EU average, and in no member state can it be lower than 196 euro/ha in nominal prices (this corresponds to about 164 euro/ha in 2011 prices).

- *Degressivity and capping*: the progressive reduction of large direct payments will be mandatory in all member states, while 'capping' remains a voluntary measure.
- *Greening*: 30% of the national envelope for direct payments is to be devoted to payments linked to the production of environmental benefits by farms. Decisions regarding the constraints to be satisfied in order for a farm to be entitled to receive the 'green' payment were left to be agreed in the negotiations on the CAP reform, leaving however the possibility for member states to identify agricultural practices to be considered equivalent to the conditions to be eligible for 'green' direct payments decided at the EU level.
- *Flexibility between 'pillars'*: all member states have the possibility to transfer up to 15% of financial resources from direct payments ('pillar I') to rural development policy measures ('pillar II'), and *vice versa*. Member states with an average direct payment per hectare below 90% of the EU average are allowed to transfer to direct payments an additional 10% of resources from their allocation in the European Agricultural Fund for Rural Development (EAFRD).
- *Financial discipline*: existing rules were confirmed.[9] In Bulgaria and Romania the financial discipline mechanism will come into play in 2016, in Croatia in 2022.
- *Rural development*: the allocation of rural development funds among member states was decided. 16 countries will also receive ad hoc allocations for the initial three years,[10] subject to a co-financing rate of 100%; the financial resources involved, in total 5,556 million euro, are from the overall EU allocation to rural development policies. The resulting allocation of rural development funds to member states is provided in Regulation 1305/2013; however, further modifications, if needed, are possible. The percentages of co-financing have also been decided.[11]

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[9] Rules on financial discipline guarantee that the financial allocation for the sub-heading 'Market related expenditure and direct payments' set in Regulation 1311/2013 is abided by. If this is not going to be the case, then direct payments exceeding 2,000 euro are reduced as needed to make the expenditure for the sub-heading remain within the allocation.

[10] Austria (700 million Euro), France (1,000 million), Ireland (100 million), Italy (1,500 million), Luxembourg (20 million), Malta (32 million), Lithuania (100 million), Latvia (67 million), Estonia (50 million), Sweden (150 million), Portugal (500 million), Cyprus (7 million), Spain (500 million), Belgium (80 million), Slovenia (150 million) and Finland (600 million).

[11] The maximum EAFRD financing rate will be 85% in less developed regions, outermost regions and smaller Aegean islands; 75% in all regions whose GDP per capita in the 2007-2013 period was less than

- *Reserve for crises in the agricultural sector*: within heading 2 of the MFF a reserve was created to provide support in the case of a crisis affecting the agricultural sector. The reserve is allocated 2,800 million euro and resources come from a reduction of direct payments exceeding 2,000 euro; if, in a specific year, the allocation to this reserve is not used, financial resources are returned to farmers the following year through increased direct payments.

Through the reallocation of funds between member states implied by 'external convergence' and the decisions taken regarding the allocation of rural development funds, the 2013 reform brought a significant country redistribution of the financial resources for the CAP, for an unprecedented extent, mostly from those countries that had traditionally received a relatively larger share of resources for direct payments, to those which in the past had been relatively penalized. Tables 2 and 3 provide a comparison of the country distribution of the resources for direct payments and rural development at the end of the new programming period (when 'external convergence' will be fully implemented) and that in 2013. The direction of the redistribution implied by the two allocations is quite different, with the decisions regarding the allocation of the resources for rural development, agreed later, providing partial compensation to some of the countries which suffered the largest cuts in their national ceilings for direct payments.[12]

The reduction of total funds, in current prices, allocated to direct payments in 2020 (without considering the effects of national implementation decisions) with respect to those in 2013 equals -6.3% (in real terms the per cent reduction is twice as large). However, as a result of the provisions for 'external convergence', the member states which entered the EU since 2004, with the exception of Cyprus, Malta and Slovenia, will all see an increase in their national ceilings, or a decline by a percentage smaller than that observed for the overall funds. On the contrary, original allocations to national ceilings for direct payments will be lower by a higher percentage than that observed on average, in all EU-15 member states, with the exception of Spain and Portugal (where they will decline by -4.8% and -1.1%, respectively). Increases above 10% will occur in Bulgaria (+37.3%), Estonia (+67.4%), Latvia (+106.7%), Lithuania (+36%) and Romania (+50.5); conversely, the countries which will suffer the most pronounced cuts, above 15%, in their allocations for direct payments are Belgium (-17.8%), Denmark (-16.1%), Italy (-15.2%) and the Netherlands (-18.4%) (Table 2).

If rural development funds for 2014-2020 are compared with those in 2007-2013 (Table 3) - again, without considering the effects of national implementation decisions which modify the allocation of financial resources between the two 'pillars' - several of the countries which experienced a significant reduction in their original ceilings for direct payments now see an

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75% of the average for the EU-25 but above 75% of the average for the EU-27; 63% for the transition regions other than those referred to before; 53% in the other regions. Financing will equal 75% for operations contributing to the objectives of environment and climate change mitigation and adaptation. Finally, sums transferred from 'pillar I' to 'pillar II' will be used benefitting from a 100% financing from the EAFRD.

[12] Funds for direct payments are more than three times those for rural development.

increase in their allocations. This is the case, for example, for Belgium (+13.2%, against a decline by -0.9% of the EU funds allocated, overall, to rural development policies), Denmark (+8.9), Italy (+16.1%), France (+30.7%, its national ceiling for direct payments in 2020 will be 12.7% lower than in 2013), Greece (+7.4%, -12.2%), Malta (+27.5%, -8.1%) and Finland (+10.5%, -8%). On the contrary, Bulgaria will see its funds for rural development decline by -11.5%, Latvia by -8.1%, and Lithuania by -8.6%. In fact, only 7 countries out of 28 had their allocations for both direct payments and rural development cut by a percentage larger than those observed for the total EU allocations (i.e. they do not partially compensate the relative cut in one allocation with the resources they have been assigned in the other); these are Germany, Ireland, Cyprus, Austria, Slovenia, Sweden and the UK, while Estonia, Portugal and Spain are the only countries which did better than average in both allocations.

3. The new system of direct payments

The most important changes introduced with the new CAP are probably those related to the new system of direct payments which on January 1 2015 replaced the Single Payment scheme (and the Single Area Payment scheme in new member states) introduced by the 2003 Fischler reform.

The Single Payment thus gives way to a new and more complex system of direct payments. The 'basic payment' component of the new system is meant (at least implicitly) as an income support measure. With respect to the previous regime it is downscaled and more evenly distributed in terms of per hectare support, both across member states and, within each member state, across farms. The other components of the new system of direct payments are meant either to remunerate specific farm behaviours (such as, in the case of the 'green' payment, agricultural practices beneficial for the climate and the environment) or a specific status (such as being a young farmer, or farming in an area with natural constraints). The introduction of a 'green' component in the direct payments represents the first explicit attempt to link part of them to the remuneration of public goods and services produced by the farm, a goal advocated by many in the debate preceding the start of the reform process.

A stated objective of the reform has been the introduction of more selective forms of support, with payments better targeted and more equitably distributed between farms, sectors and regions. In this respect, in addition to 'degressivity' and 'external convergence', the reform introduces a more uniform distribution of the per hectare basic farm payments ('internal convergence'), payments for young farmers, a 'redistributive payment' shifting support from larger farms to smaller ones and payments for farms located in areas with natural constraints.

However, in the new system, only some of the components of direct payments are mandatory, while for others the decision to implement them is left to the individual member state. Mandatory components are: the basic payment, the payment for agricultural practices beneficial for the climate and the environment, or 'green payment', and the payment for young farmers; voluntary components are: the redistributive payment, the payment to farms located in areas facing natural constraints, the payments coupled to production and the small farms scheme. Also for the mandatory components of the direct payments member states have been

left some space of manoeuvre in terms of how they are implemented (such as how per unit payments are calculated, or the possibility to use more restrictive criteria to identify the beneficiaries of the specific payment, as is the case for the payment for young farmers). Each component of the direct payments is financed with a portion of each country's national ceiling for direct payments; these are set out in Annex II of Regulation 1307/2013.

The 'active farmer'

One of the stated objectives of the reform was to remove historical rents, created by the progressive decoupling of CAP support, and to concentrate support on persons, natural or legal, for which the agricultural activity is not marginal (the so-called 'active farmers').

The decoupling of support started with the MacSharry reform and was completed by the successive changes introduced in the CAP since then, which linked support to land ownership and to maintaining it in good condition by performing minimal agronomical practices. This meant that beneficiaries of financial support did not have to farm their land any more in order to receive it, and this was not an unintended implication of decoupling. However, it led to many questioning large payments made to 'non-farmers' at a time when financial resources devoted to the CAP were being progressively reduced and farmers were dealing with difficult market conditions, often causing severe financial stress.

Already at the time of the Health Check, in 2008, member states were given the possibility to introduce 'objective and non-discriminatory criteria' to identify active farmers entitled to receive the direct payments. The reform introduced mandatory conditions in order to be able to claim direct payments, leaving the possibility for member states to make them more restrictive if they wished. The way this matter is dealt with is not by defining who is an 'active farmer', but rather by defining who is not. It will be considered not 'active' - and, as a result, will not be entitled to receive any direct payment - the farmer (natural or legal person) whose farm lies in areas naturally kept in a state suitable for grazing or cultivation and who does not carry out on those areas the minimum activity defined by the member state. The Cioloş reform actually goes further and defines a 'black list' of entities who cannot be considered 'active farmers'; this includes those operating airports, railway services, waterworks, real estate services, permanent sport and recreational grounds. All these are non-active farmers by definition and member states may decide to extend this list. However, the scope of the black list is significantly reduced by the provision that even those included in this list can receive direct payments if they are able to prove that the annual amount of the latter is at least 5% of the annual total receipts they obtain from non-agricultural activities; or their agricultural activities are not insignificant; or their principal company objective consists of exercising an agricultural activity. In addition, even potential beneficiaries who do not qualify as 'active farmers' are nevertheless entitled to receive direct payments if these do not exceed 5,000 euro (member states are left the possibility to lower this threshold).

Minimum requirements

As hitherto, member states decide the minimum threshold for claiming a direct payment in terms either of its total amount in a given calendar year, or of the eligible area of the holding

for which it is claimed (the financial and physical thresholds are set at 100 euro and one hectare, respectively, but member states can modify these depending on the characteristics of their agriculture).

The basic payment and 'internal convergence'

The basic payment is nothing other than a scaled down version of what was the Single Payment in the pre-2015 CAP. Member states using the Single Area Payment scheme are allowed to continue using it until the end of 2020, at the latest.

It is important to recognize that the financial resources allocated in each member state to the basic payment (or to the SAPS) are not set in advance, but are determined as a residual, after deducting from the national ceiling for direct payments the sums needed to finance the other (mandatory and voluntary) components of the direct payments. In fact, depending on the decisions taken at the member state level, the share of the national ceiling devoted to the basic payment may lie, in theory, anywhere between 0% and slightly less than 70%.[13]

With the reform, the set of the farmers entitled to receive direct payments has been expanded to include virtually all active farmers. In fact, beneficiaries of direct payments will now also include farms producing fruits, vegetables, ware potatoes, seed potatoes, ornamental plants and grapes[14] (in member states where the Single Payment scheme was in place), and farms whose agricultural land in June 2003 was not in good agricultural condition (in member states where the Single Area Payment scheme was in place).

'Internal convergence' provisions are meant to eliminate by 2019, or reduce, differences in the per hectare basic payment (and this component of direct payments only[15]) received by farmers in those member states where the Single Payment scheme was used. Convergence is pursued either with reference to the country as a whole, or with respect to individual regions; these had to be defined by the member state and did not need to coincide with existing administrative units. The reform did foresee three different options for 'internal convergence':

- *Full convergence in 2015*: in 2015, the first year of implementation of the new CAP, the same value of per hectare basic payment (in more precise terms, 'the same unit value of the payment entitlement') was applied in the entire member state, or in each 'region' within the member state;

[13] Actual allocations are provided in Table 4, discussed in section 6.

[14] This means new payment entitlements have been allocated. Member states were also given the option to allocate new payment entitlements to farms which had received them in 2014 from the national reserve, and to those who had never held, owned or leased-in payment entitlements but were able to submit evidence that, on a certain date, they were actually exercising an agricultural activity (production, rearing and cultivation).

[15] However, in those countries which opted to calculate the 'green payment' on an individual farm basis as a percentage of its 'basic payment', 'internal convergence' will indirectly affect this payment as well.

- *Full convergence in 2019, at the latest*: in the entire member state, or in each 'region' within the member state, the same value of the per hectare basic payment will be applied by 2019, at the latest;
- *Partial convergence*: differences between the values of the per hectare basic payment received by farmers in the member state as a whole, or in each 'region' within the member state, will be reduced, but will still exist in 2019.

Under the 'full convergence in 2015' option, the uniform per hectare value is calculated (in 2015, and in each year thereafter) by dividing the allocation of the national (or regional, if 'internal convergence' is implemented at the regional level) ceiling to the basic payment by the number of payment entitlements. In this case, in any given year, the per hectare value of the basic payment is the same in all farms within the member state, or within the 'region'; however, this amount will vary from year to year as a result of changes in the national ceiling, including those resulting from the progressive implementation of 'external convergence', of the financial resources allocated to the different components of the direct payments, and of financial discipline provisions.

Under the 'full convergence in 2019, at the latest' option, the uniform unit value of the basic payment will be introduced progressively and will be in place by 2019, at the latest.

Finally, under the 'partial convergence' option, in 2019 basic payments will have to be such that no payment per hectare (unit value of payment entitlement) will be lower than 60% of the national, or regional, average. Under this option member states will use a convergence criteria analogous to the one used for the 'external convergence'. Payment entitlements with a pre-convergence unit value[16] lower than 90% of the national (regional) average would, by 2019 at the latest, be increased by at least one third of the difference between their pre-convergence value and 90% of the national (regional) average in 2019. This percentage can be set above 90%, but it cannot exceed 100%. The increase of the payments per hectare below the average will be covered by the reduction of the value of the payments per hectare above the average. For the latter, the difference between their initial pre-convergence unit value and the national (regional) unit value to be reached in 2019 will be progressively reduced, in equal steps starting in 2015, based on objective and non-discriminatory criteria established by the member state. Member states may also decide that the unit value of a farm's entitlements cannot be reduced by more than 30% with respect to their initial pre-convergence value. However, it could happen that these two constraints cannot be jointly satisfied. If satisfying the constraint of no farm receiving in 2019 a per hectare direct payment below 60% of the national (regional) average would imply a reduction of those above the average by more than 30%, the first constraint would be the one not to be satisfied, i.e. farms would still exist in 2019 receiving an average per hectare direct payment which is less than 60% of the national, or regional, average.

[16] This 'initial' unit value is calculated using the number of payment entitlements assigned to each farm in 2015 and the value of the total payments received in 2014 within the Single Payment scheme, adjusted by the share of the national ceiling which will be devoted to finance the basic payments under the new regime.

'Green' payments

30% of the national ceiling for direct payments is allocated to 'green' payments. The green payment takes the form of an annual payment per hectare, calculated by dividing the financial resources allocated to these payments by the number of eligible hectares. However, in order to limit the extent of the redistribution of direct payments across farms with respect to the pre-2015 scenario, member states who opted for the 'full convergence in 2019, at the latest' or the 'partial convergence' option in applying 'internal convergence' were given the possibility to calculate the 'green' payment at the farm level as a percentage of the basic payment.

Access to the 'green' payment is restricted to farmers entitled to receive the basic payment. In order to receive the green payment a farm must satisfy three requirements in terms of agricultural practices beneficial for the climate and the environment; these have to do with (a) crop diversification, (b) maintaining existing permanent grassland, and (c) devoting part of the land to so-called ecological focus areas.

The crop diversification requirement applies only to farms with an arable land above 10 hectares. In its general formulation (exceptions exist), the condition to be satisfied is to grow at least two crops (if arable land does not exceed 30 hectares), or three (if arable land exceeds 30 hectares), with the main crop not exceeding 75% of arable land and the two main ones not exceeding 95%. The ratio of areas covered by permanent grassland to total agricultural area cannot be lower by more than 5% with respect to a fixed historical reference ratio. Member states may decide to satisfy this constraint at the national (or regional) level, rather than by the individual farm. Finally, the constraint on the ecological focus area aims at maintaining, and possibly increase, biodiversity; it applies only to farms with an arable land exceeding 15 hectares. In this case, farmers are required to ensure that an area corresponding to at least 5% of the arable land of the holding is ecological focus area. The choice of what should be considered an ecological focus area within a list of options has been left to member states; this list is provided in article 46 of Regulation 1307/2013 and includes: land lying fallow, terraces, landscape features, buffer strips, agro-forestry surfaces which received support under rural development policy measures, strips along forest edges, afforested areas, and areas with nitrogen-fixing crops.

Land devoted to organic agriculture is by default assumed to fulfil the conditions to receive the 'green' payment. Member states may choose to identify agricultural practices which are considered, by definition, able to generate benefits for the climate and the environment at least equivalent to those generated by these three conditions. Equivalent practices are listed in Annex IX to Regulation 1307/2013 and are given by commitments undertaken within rural development measures, or national, or regional, environmental certification schemes which go beyond relevant mandatory standards established by cross-compliance. To avoid a 'double payment' for the provision of the same public good, when equivalent practices are used to justify green payments they become the *baseline* for triggering payments under environmental measures in 'pillar II', i.e. 'pillar II' payments may occur only if the farm generates a volume of environmental or climate benefits above this level.

In assessing the efficiency and the equity of this new component of the direct payments as a policy tool whose aim is to generate benefits for the climate and the environment, it is important to recognise that the 'green' payment has no relation either with increased benefits generated by the farm, if any, or with the costs of satisfying the set requirements, if any.

In the worst case scenario, a farm not satisfying the requirements for the 'green' payment, not only will not receive any, but will incur an administrative penalty. This will be gradually implemented: no sanction will be imposed in 2015 and 2016, while the maximum penalty will equal 20% of the 'green' payment in 2017 and 25% from 2018.[17] This means that not satisfying 'green' payment requirements will imply that, in the worst case scenario, in the first two years of the new regime the farm will lose only the green payment, while from 2017 onwards it will also suffer a reduction in the other direct payments. This makes the 'green' payment similar to a voluntary measure (where farms are to decide whether it is profitable for them to enter a program or not) in 2015 and 2016, while its requirements become, *de facto*, mandatory from 2017. However, the financial sanctions in the case of non-compliance being relatively innocuous, it cannot be assumed that all farms will find it convenient to satisfy the requirements.

Payment for young farmers

Direct payments for young farmers are mandatory payments that complement the start-up aid which may be granted to young farmers as part of 'pillar II'. These payments are financed by up to 2% of the national ceiling for direct payments and are granted annually to young farmers entitled to receive the basic payment. A 'young farmer' is defined as a natural person who (a) becomes for the first time the head of an agricultural holding, or who has become the head of a holding during the five years preceding the first submission of an application under the basic payment scheme, and (b) is no more than 40 years of age in the year of the submission. Member states may introduce additional criteria to be satisfied in terms of appropriate skills and/or training requirements. The payment is granted for a maximum period of five years (less than that if the farmer had become head of the holding before the application to receive the payment for young farmers).[18]

Member states may decide to calculate the actual payment on an individual basis or as a set payment; it should correspond either to 25% of the average value of the basic payment entitlements owned or leased by the young farmer, or to 25% of the national average value of basic payment entitlements, multiplied by the number of entitlements the farmer has activated. However, the payment must be limited to a number of hectares which cannot be less than 25 and cannot exceed 90 and, if introduced as an annual lump sum payment, it cannot exceed the basic payment received by the farm.

Redistributive payment

[17] Article 77.6 of Regulation 1306/2013 and articles 23-28 of Regulation 640/2014.

[18] If this is the case the period is reduced by the number of years elapsed between the setting up of the holding as a head and the submission of the application for the specific payment.

This is a voluntary component of direct payments. It aims at redistributing financial support within a member state from large farms to smaller ones. By August 1 every year member states may decide to introduce, from the following year, a redistributive payment to farmers entitled to receive the basic payment. Member states may devote to these payments up to 30% of the national ceiling for direct payments. Each farmer cannot receive a redistributive payment in excess of 65% of the national (regional) average direct payment per hectare in 2015, multiplied by the number of the farm's entitlements, which cannot be more than 30 hectares, or the average farm size in the member state, if this exceeds 30 hectares. As long as these upper limits are satisfied, member states are free to decide the amount of the per hectare payment. If 'internal convergence' for the basic payment is implemented at the regional level, then the amount of the redistributive payment can also be set at this level.

If a member state finances redistributive payments with more than 5% of the national ceiling for direct payments, then it is free to decide not to impose a degressive reduction on direct payments exceeding 150,000 Euro (see below). Both instruments aim at redistributing resources: in the case of degressivity/capping, from those farms receiving a large amount of support to rural development policy measures; in the case of the redistributive payment, from large farms to small ones.

Payment for areas with natural constraints

Farmers are entitled to receive this component of the direct payments if their holdings are, fully or partly, located in 'areas with natural constraints', as designated by the member state in accordance with its rural development rules. Direct payments to farms located in areas with natural constraints are a voluntary component of the direct payments justified by the goal of guaranteeing the presence of farmers and farming in these areas by providing support which is additional to that foreseen in rural development policies. This means that this component of the direct payments does not replace, but rather complements, the analogous payments disbursed in the same areas under 'pillar II'.

Member states may allocate to payments to farms located in areas with natural constraints up to 5% of the national ceiling for direct payments.

Only farmers entitled to receive the basic payment can be eligible for this payment. The amount of the annual payment for eligible hectare is calculated by dividing the portion of the national ceiling committed to this payment by the number of eligible hectares in the areas with natural constraints for which the member state has decided to activate the payment. Member states can introduce this payment in all areas with natural constraints (as defined for rural development policy purposes), or limit it to only a part, in this case based on objective and non-discriminatory criteria. Furthermore, member states may opt for a payment set at the regional level, i.e. to differentiate the per hectare payment by region, and to limit the payment to a maximum number of hectares per farm.

Coupled support

In specific sectors and products[19] member states may decide to grant farmers support coupled to production. Coupled support may only be granted to those sectors and regions of the member state where specific types of farming, or specific agricultural sectors, play a particularly important economic, social or environmental role; it may only be granted to create an incentive to maintain current levels of production in the sectors or regions concerned. In this case, support may also be granted to farmers who do not have eligible hectares entitling them to receive the basic payment.

The payment takes the form of an annual payment per hectare - or per head, in the case of livestock; because the aim is to maintain the level of production (i.e. the support provided should not result in increased production), payments are limited to a maximum number of hectares and heads. Member states can use up to 8% of the national ceiling to finance coupled support payments. This percentage can be raised up to 13% if during at least one year in the period 2010-2014 the member state had allocated more than 5% of its national ceiling for direct payments to coupled ones. If this share exceeds 10%, then the member state may decide to finance coupled support payments by using even more than 13% of its national ceiling (in this case an explicit authorization by the Commission is needed). The percentage of the national ceiling allocated to coupled payments can be increased by an additional 2% in the case of support provided to protein crops.

Crop-specific payment for cotton

Notwithstanding the extensive decoupling of support induced by the previous reform of the CAP, significant coupled support has remained in place in the cotton sector. This will continue in the 2014-2020 period as well; in four member states only (Bulgaria, Greece, Spain and Portugal) direct payments will include a specific payment per eligible hectare of cotton, subject to specific area limitations. The payment per hectare of eligible area will differ across the four countries.

'Degressivity' and 'capping'

In order to generate a more equitable distribution of direct payments, the reform introduced a mandatory reduction, by at least 5%, of basic payments for the part exceeding 150,000 euro. Member states could increase this percentage up to 100%, in this case making *de facto* the 150,000 euro threshold for degressivity a 'cap' on basic payments. Member states were also given the option to apply the reduction after deducting from the basic payment labour costs in the previous year, i.e. salaries to employees, but also taxes paid and social welfare contributions. 'Savings' deriving from reduced payments as a result of degressivity are to be added to the resources available for the country within the EAFRD, and their use will not need co-financing by the member state.

[19] These are all sectors and products which have been granted coupled support in the past: cereals, oilseeds, protein crops, grain legumes, flax, hemp, rice, nuts, starch potato, milk and milk products, seeds, sheep meat and goat meat, beef and veal, olive oil, silkworms, dried fodder, hops, sugar beet, cane and chicory, fruit and vegetables and short rotation coppice.

A member state is exempted from the obligation to apply degressivity if it has decided to implement the voluntary redistributive payments and these absorb more than 5% of its ceiling for direct payments.

Cross-compliance

All direct payments remain subject to cross-compliance requirements also in the reformed CAP, but their number has been reduced.[20] As previously, cross-compliance requirements consist of statutory management requirements under EU law and standards for good agricultural and environmental land conditions defined at the national level. As far as statutory management requirements, the number of Regulations and Directives whose obligations must be fulfilled in order to have access to the full amount of direct payments a farm is entitled to has been reduced from 18 to 13, while mandatory norms in terms of good agricultural and environmental land conditions to be complied with has been reduced by one, from 8 to 7, and a few obligations modified.

As in the pre-2015 CAP, if cross-compliance requirements are not fulfilled an administrative penalty is imposed. This takes the form of a percentage of the total amount of direct payments in the specific year when the requirements had not been satisfied and its amount depends on the severity, extent, duration and reoccurrence of the non-compliance. The penalty is applied only when non-compliance is the result of an act or omission directly attributable to the beneficiary.

Small farms scheme

The small farms scheme is a simplified scheme whose aim is to reduce the bureaucratic burden, for both the beneficiaries and the public sector, when small payments are involved.

This is a voluntary scheme for the member states; when implemented, participation by individual farmers is also on a voluntary basis. Farmers willing to enter the simplified scheme will have to apply by a deadline set by the member state (this cannot be later than 15 October 2015); farmers who have not applied by the deadline will no longer be entitled to participate in the scheme.

The payment disbursed within the simplified scheme replaces the basic payment, 'green' payment, payment for young farmers, redistributive payment, coupled support and the crop-specific payment for cotton, where relevant, or the payment under the SAPS. Farmers entering the scheme are exempted from both 'green' payment requirements and cross-compliance conditions. The payment for those choosing the simplified scheme can be calculated in different ways. It can be an annual lump sum payment set at the national level, or it can be farm-specific. If the payment is introduced as a flat sum for all farms entering the scheme, then the annual disbursement cannot be less than 500 and cannot exceed 1,250 euro; if the payment is farm-specific the lower bound does not apply.

Unless the member state decides that the payment is farm specific, with each farm receiving what it would receive without the scheme in place, the maximum share of the national ceiling

[20] They are listed in Annex II to Regulation 1308/2013.

for direct payments which a member state can allocate to the simplified scheme for small farms is 10%. If the flat lump payment is adopted and the total amount of the payments under the scheme turns out to exceed this upper bound, then all payments will have to be reduced by the same percentage, as needed.

4. The second pillar

Limited changes have been introduced to ‘pillar II’ of the CAP; this can be explained by the consideration that the approach used in the 2007-2013 programming period proved effective and that the long term objective of strengthening rural development to foster the competitiveness of agriculture, promote the sustainable management of natural resources and climate action, and a balanced territorial development of rural areas, should be confirmed. Nevertheless, several changes have been introduced, mostly related to the programming of rural development policy measures (Mantino, 2013).

Probably the main change is the integration of the European Agricultural Fund for Rural Development with the funds dealing with cohesion policies – the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund – and with the European Maritime and Fisheries Fund (EMFF). These funds now operate under a common framework – the European Structural and Investment (ESI) Funds.[21] Rural development policies for 2014-2020 have become part of a Common Strategic Framework (CSF) whose aim is to facilitate the territorial and sectorial coordination of all actions put in place within the framework of the ESI Funds by providing strategic direction to the programming processes at the level of member states and regions. As a result, each member state was required to produce a single programming document, the Partnership Agreement (PA), consistent with the strategy indicated in the CSF, in which it had to define the national strategy pursued, identifying common goals and rules for all funds, facilitating the realization of integrated projects (i.e. projects financed by more than one fund). The PA replaces the two documents used in the 2007-2013 programming period, the National Strategic Framework (NSF) for the Structural Funds, and the National Strategic Plan (NSP) for the EAFRD. Nevertheless, despite the redesigned common framework, rural development policies maintain their own ‘identity’ spelled out in Regulations 1305/2013 and 1306/2013. The PA having been given the role of defining a single national strategy across the five funds is expected to be particularly useful in increasing the coherence and effectiveness in the use of financial resources in those countries where programming documents at the regional level exist. These had to be drawn up in coherence with the principles and strategic goals indicated in the national PA. While for the 2007-2013 programming period a member state could have for the EAFRD, either a single national program or individual programs for each of its regions, now it can have a national program as well as the individual regional programs.

In order to contribute to the implementation of the EU strategy for a ‘smart, sustainable and inclusive growth’, each of the ESI Funds has to contribute to the achievement of 11 common

[21] Regulation 1303/2013.

thematic objectives.[22] For each of them the PA of each member state specifies the strategy adopted and the financial resources it has been allocated.

The programming of rural development policies within the PA had to address six 'priorities'[23] and, at a finer level, 18 'focus areas'.

Member states have had to indicate in their PA how they intend to address each of the priorities and focus areas, or to provide a justification if they decided otherwise. With respect to the previous programming period member states have been given significantly more flexibility from the point of view of the measures they could use. However, they now have had to allocate at least 30% of their total EAFRD to a group of specific environmental measures.[24]

Another important innovation introduced with the reform has to do with the local development strategy adopted. The bottom-up Leader approach proved to be effective in promoting local development in rural areas and has now been extended to all funds and areas. The Leader approach, which is now referred to as Community-Led Local Development, is mandatory for the EAFRD, while it can be adopted on a voluntary basis for the other funds.

One of the main innovations has to do with the governance of rural development policies, with the aim of strengthening their effectiveness as well as their efficiency. To facilitate the achievement of the set goals, a 'performance review' procedure has been introduced which includes a system of incentives and penalties. Six per cent of each of the SIE Funds[25] is set aside in a performance reserve. Member states were required to define a framework to monitor

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[22] The 11 common objectives are: strengthening research, technological development and innovation; enhancing access to, and use and quality of, ICT; enhancing the competitiveness of SMEs, of the agricultural sector (for the EAFRD) and of the fishery and aquaculture sector (for the EMFF); supporting the shift towards a low-carbon economy in all sectors; promoting climate change adaptation, risk prevention and management; preserving and protecting the environment and promoting resource efficiency; promoting sustainable transport and removing bottlenecks in key network infrastructures; promoting sustainable and quality employment and supporting labor mobility; promoting social inclusion, combating poverty and discrimination; investing in education, training and vocational training for skills and lifelong learning; and enhancing institutional capacity of public authorities and stakeholders and efficient public administration.

[23] The six priorities are: fostering knowledge transfer in agriculture, forestry and rural areas; enhancing the competitiveness of all types of agriculture and enhancing farm viability; promoting food chain organization and risk management in agriculture; restoring, preserving and enhancing ecosystems dependent on agriculture and forestry; promoting resource efficiency and supporting the shift toward a low-carbon and climate-resilient economy in agriculture, food and forestry sectors; and promoting social inclusion, poverty reduction and economic development in rural areas.

[24] These are described in articles 17, 21, 28, 29, 30, 31, 32 and 34 of Regulation 1305/2013 (investments in physical assets related to climate and environment; investments in forest area development and improvement of the viability of forests; agri-environment-climate measures; organic farming; 'Natura 2000' payments; payments to areas facing natural or other specific constraints; and forest environmental and climate services and forest conservation measures).

[25] In the case of the EAFRD this does not apply to financial resources transferred from 'pillar I' as a result of the flexibility given to member states in the reallocation of financial resources between the two 'pillars' (article 14.1 of Regulation 1307/2013) and to financial resources resulting from capping and modulation of direct payments (article 11 of Regulation 1307/2014).

their progresses towards the set objectives and targets. Targets had to be defined on the basis of financial indicators, tangible output indicators and, where appropriate, result indicators; in the case of rural development programs they had to be identified at the level of focus area. The performance reserve shall be allocated only to programs and priorities which have achieved their targets. When this is not the case, not only will the member state be denied access to the performance reserve, but, in the case of a serious breach, the Commission may decide to suspend all or part of the payments for the specific priority of the program.

The reform of 'pillar II' of the CAP has also involved the introduction of new measures and the strengthening of existing ones. The reform moved from 'pillar I' to 'pillar II' measures to help risk management. In fact, Regulation 1305/2013 now includes some of the measures which were included in article 68 of Regulation 73/2009 (such as financial contributions against insurance premiums to reduce economic losses caused by adverse climatic events, animal or plant diseases, pest infestation, or an environmental accident, and financial contributions to mutual funds intervening to support farmers under the same circumstances). 'Pillar II' now also includes a new income stabilization tool, in the form of a financial contribution to mutual funds which provide compensation to a farm when a drop in income occurs which exceeds 30 per cent of its average annual income. The shift of some of the risk management policy instruments from 'pillar I' to 'pillar II'[26] raises concerns from two points of view: that of the stretch of the focus of the policies aimed at fostering rural development to make them include income stabilization measures, and that of the implication of this shift for the financial allocation to (truly) rural development policies, which, as a result, suffered a further reduction with respect to the already significant one observed for the overall budget allocated to 'pillar II' (-11.1% in real terms).

Another innovation introduced with the reform is given by the European Innovation Partnership (EIP) for agricultural productivity and sustainability, an instrument intended to build a bridge between research, on the one hand, and farmers and advisory services, on the other, to promote and speed-up the process of the production, transfer and adoption of innovations.

5. Decisions regarding other elements of the CAP

Within 'pillar I' of the CAP, next to Regulation 1307/2013, which pertains to direct payments, stands Regulation 1308/2013, which concerns the Single Common Market Organization (SCMO). This Regulation confirms many of the elements governing the SCMO before 2015 (Regulation 1234/2007) and certain decisions which have been taken as part of the milk and quality 'packages'. It also modifies the conditions under which export subsidies can be used and includes new important measures aiming at modifying in favor of farmers the distribution of market power within food chains and at simplifying intervention, with the goal to make it a truly safety net policy instrument (rather than a price support mechanism). Regulation

[26] Certain sector specific risk management tools (i.e. those for the wine and fruit and vegetable sectors) were not moved from the Single Common Market Organization.

1308/2013 also confirmed the end of the milk and sugar quota regimes on March 31, 2015 and September 30, 2017, respectively, and the termination of the prohibition to expand planting of vines on December 31, 2015.

The most important innovation intended to increase farmers' market power in food chains is probably the extension of Producer Organizations (POs) and inter-branch organizations to all sectors (until 2015 they were foreseen in the fruit and vegetable sector only). Financial resources to support start-up activities of these organizations are provided within rural development policies. POs in the olive oil, arable crop and beef sectors are given the power to engage in collective bargaining on behalf of their members.

Confirming a decision which had been taken as part of the 'milk package', member states are given the opportunity to make mandatory the drawing up of written contracts for the delivery of raw milk by farmers to processors. POs are given the power to represent their members in the negotiation for the definition of the contracts. Waiving provisions of existing competition law, POs are allowed to negotiate the price of raw milk, as long as the quantity involved does not exceed 3.5% per cent of EU total production and 33% of that of the member state. The Regulation also stipulates the elements that the contracts must include, such as the price to be paid for the delivery, the volume of raw milk which may, or must, be delivered, and the duration of the contract. Moreover, upon request of a PO, an inter-branch organization or a group of operators, member states may lay down, for a limited period of time, binding rules to limit the supply of cheeses which have been granted a Protected Designation of Origin (PDO) or a Protected Geographical Indication (PGI). This may be done for a three year period (but this interval can be extended), subject to an agreement of operators representing at least 50% of the production of the specific PDO or PGI product. The agreement cannot involve the price at which the cheese is sold on the market. The possibility to put in place a concerted collective action to limit production, by relaxing the provisions of existing competition law (under which such practice would be illegal), is extended also to PDO and PGI for hams. Finally, following a request by a PO (or an association of POs or an inter-branch organization) 'representative' of the production, trade or processing of a specific product, a member state may decide that certain decisions taken within that organization, for a limited period of time, are also binding for operators who do not belong to that organization. A PO (or an association of POs or an inter-branch organization) is considered to be 'representative' when it accounts for at least 60% of the volume produced, traded or processed of the specific product in the case of fruit and vegetable, or for at least two-thirds in the case of other products.

In the wine sector the reform canceled the prohibition on planting vines, a 'transitional' measure which had been introduced in 1997 and systematically extended, always on a 'temporary' basis, since then. The last extension occurred in 2008 (Regulation 479/2008) when the decision was taken to end the prohibition after 31 December 2015 (with the possibility to maintain the prohibition in the member states wishing to do so until the end of 2018 at the latest). The 2013 reform confirmed the removal of the prohibition to expand vine plantings, but, at the same time, reverted the decision to fully liberalize plantings. Rather it introduced a system of authorizations to progressively expand vine plantings between 2016 and 2030; such

authorizations will ensure that maximum a 1% annual increase of the area covered by vines in each member state may occur. This means that in the wine sector, differently from what happened with the milk and sugar quotas, the reform brought a reversal of the decision which had already been taken to remove supply controls and liberalize production decisions.

Finally, Regulation 1308/2013 limits the possibility to subsidize exports only when serious 'threats of market disturbance' exist. Over the years the EU has been unilaterally progressively giving up the use export subsidies (Figure 1); hence, the decision to limit their use only under extraordinary market conditions should be seen as a constraint on the possibility to reverse this choice in the future.

6. The national decisions on the new CAP

Significant flexibility in the implementation of the CAP by the member states has existed since the 2003 Fischler reform, when they were given the possibility to decide how to implement the Single Payment scheme (using a national or regional model, and a flat, historical, or hybrid approach), to maintain a part of the existing support in a partially decoupled form (this was the case for tobacco, olive oil, fruit and vegetables, sugar, and sheep and goat premiums) and to make use of the opportunities given by article 69 of Regulation 1782/2003 – and, later, article 68 of Regulation 73/2009 – to provide support to specific 'types of farming' and 'quality production'. However, the extent of the decisions left to member states with the 2013 Cioloş reform to introduce tailor-made alterations to make the CAP better fit the characteristics of their agricultures, as well as to satisfy prevailing domestic political preferences, appear much wider. In fact, the reform has allowed member states to decide which of the voluntary direct payments to activate, the distribution of the overall amount of financial resources across the different direct payments (with the exception of those to be devoted to the 'green payment'), the criteria to be satisfied for a farm to have access to them, important elements of the implementation of the 'green payment', the extent and the modalities of the redistribution of support between the farms within the country (as a result of their decisions regarding 'internal convergence', 'degressivity and capping' and the redistributive payment), and the distribution between the two 'pillars' of the overall financial resources allocated to the country.

Member states have had to notify the Commission by 1 August 2014 about their decisions regarding the national implementation of the new CAP. Table 4 offers a synthetic view of how in 2019 the new CAP will be implemented in the member states. In the United Kingdom and in Belgium decisions were taken at a sub-national level: in England, Wales, Northern Ireland and Scotland, and in the Flanders and Wallonia, respectively.

Flexibility between pillars

The possibility to shift financial resources between pillars has been used by 16 member states.[27] Five of them (Croatia, Hungary, Malta, Poland and Slovakia) have decided to transfer

[27] France, Croatia, Latvia, Poland, Slovakia and the UK had already started transferring funds in 2014, using the possibility given by Regulation 1310/2013.

resources from ‘pillar II’ to ‘pillar I’; in 2019 the amount transferred will vary between 3.8% (Malta) and 25%, the maximum percentage allowed (Poland). On the contrary, 11 member states (Belgium (in the Flanders), Czech Republic, Denmark, Estonia, France, Germany, Greece, Latvia, the Netherlands, Romania, and the UK (in England, Wales and Scotland)) will transfer resources in the opposite direction; resources transferred will vary from 1.3% (Czech Republic) to 15%, the maximum allowed (Estonia and Wales). In some of these countries the magnitude of the transfer changes over time; it will increase in Belgium, Denmark, Estonia, France, Malta and the Netherlands, while the opposite will occur in the Czech Republic and Romania (in the latter it will become zero in 2018). Tables 2 and 3 provide information on the implications of national decisions, including those related to the possibility to shift resources between the two pillars, for the financial allocations to direct payments and rural development policies in each country.

Internal convergence

Of the 18 member states where the SAPS is not used, only six have implemented the basic payment at the regional level (Finland, France, Germany, Greece, Spain and the UK).[28] In eight countries a national, or regional, flat per hectare payment will be used, in 2015 (France (in Corsica), Germany,[29] Malta, and the UK (in England)), by 2019 (Austria, Finland, the Netherlands, and the UK (in Scotland and Wales)), or 2020 (Sweden). Among the eight member states which decided for a flat rate payment, Austria, Malta, the Netherlands, Sweden and Germany, at different points in time, will be using a single rate over the entire country. The other three countries opted for a flat payment at the regional level. The 10 member states that currently apply the SAPS will continue to do so until 2020;[30] under the SAPS the same per hectare payment is used in the entire country. Finally, of the 12 member states which opted for a partial convergence of the per hectare payment, eight (Belgium, Croatia, France (except in Corsica), Greece, Italy, Portugal, Slovenia and Spain) have decided for the reduction in the above average per unit value of a farm’s entitlements, as a result of ‘internal convergence’, not to exceed 30% (European Commission, 2015).

Share of national ceilings for direct payments allocated to the basic payment, or to the SAPS

Member state decisions regarding the three voluntary direct payments (payments to farms located in areas facing natural constraints, coupled payments, and the redistributive payment) show very different patterns. No country has chosen to implement all three voluntary payments, or not to implement any. The share of the national ceiling for direct payments allocated to the ‘basic payment’ or to the SAPS (including the small farms scheme, if implemented) derives from the decisions taken by each member state regarding the voluntary

[28] In Belgium both the Flanders and Wallonia opted for the single region (national) model. In England, 3 of the 4 regions (England, Wales and Scotland) opted for the regional model.

[29] Germany opted for the regional model and a flat per hectare payment already in 2015. However, by 2019 it will have a single flat per hectare payment in place for the whole country.

[30] They are Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovakia.

payments to implement and the amount of financial resources it allocated to them as well as to the mandatory payment for young farmers. At least in theory, it may assume any value strictly smaller than 70%, given that 30% of the ceiling must be allocated to 'green' payments and the financial allocation for the mandatory payments to young farmers must be greater than zero, with no minimum having been set. In fact, decisions by member states generated a wide spectrum of shares of financial resources being allocated to the 'basic payment' and to the SAPS. Seven member states allocated at least 65% of their ceiling for direct payments to the 'basic payment' or to the SAPS (Austria, Denmark, Estonia, Ireland, Luxembourg, the Netherlands, and the UK[31]). In Ireland, Luxembourg and the Netherlands 'basic payments' will absorb a share of the ceiling very close to 68%, as they all decided not to introduce the payment for farms located in areas facing natural constraints and the redistributive payment, and used less than 1% of the ceiling for coupled payments.[32] 12 member states ended up devoting to the 'basic payment', or to the SAPS, a percentage between 50% and 65% of their ceiling (Cyprus, Czech Republic, Germany, Greece, Hungary, Italy, Latvia, Romania, Slovakia, Slovenia, Spain and Sweden), six between 50% and 40% (Belgium (42%, resulting from 57% in the Flanders and 30% in Wallonia), Bulgaria, Croatia, Finland, Poland and Portugal) and three less than 40% (France, Lithuania and Malta). In Malta only 13% of the national ceiling will be used for the 'basic payments', as a result of the choice to devote 57% of the ceiling to finance coupled support payments and 1% to payments to young farmers. It has been estimated that 55% of the overall EU-28 financial resources for direct payments will be used for the basic payment and the SAPS (European Commission, 2015).

Coupled support

The possibility to maintain part of the support coupled, and its magnitude, has been one of the most controversial issues in the negotiations. Denmark, the Netherlands, Sweden and the United Kingdom were strongly against it, while countries which had been using coupled payments more extensively took the opposite view. Coupled support payments turned out, by and large, to be the most popular voluntary component of direct payments; they have been implemented by all member states but Germany. In five member states (Austria, Denmark, Ireland, Luxembourg, the Netherlands) coupled payments will absorb a share of the national ceiling for direct payments which remains below 3%, while, at the opposite end, in four countries (Belgium (Wallonia), Finland, Malta and Portugal) it will exceed 15%.

Payments for areas with natural constraints

If coupled support has turned out to be a popular voluntary measure, only Denmark decided to activate the payment for farms in areas with natural constraints, and allocated to it less than 1% of its overall ceiling (the maximum allowed was 5%).

Redistributive payment

[31] In the UK as a whole this percentage is 67% (Commission, 2015).

[32] The same is true for England, Northern Ireland and Wales in the UK.

The redistributive payment has been introduced in eight member states[33] (Belgium (in Wallonia), Bulgaria, Croatia, France, Germany, Lithuania, Poland and Romania), with a financial allocation which varies between 5% (Romania) and 20% (Wallonia and France[34]).

Degressivity and capping

Only two of the member states which introduced the redistributive payment will also have degressivity (Bulgaria and Poland), although they could have chosen otherwise, while Belgium (both Flanders and Wallonia), Croatia, France, Germany, Lithuania and Romania used the opportunity not to apply it. Fifteen out of the 22 member states where degressivity will be implemented[35] decided to apply the minimum possible percentage cut and to impose no cap (i.e. they will only apply a 5% cut on basic payments exceeding 150,000 euro), while the others opted for higher percentage cuts. Nine countries decided to put a cap on direct payments. Finally, nine member states will apply degressivity to basic payments after having deducted salaries (not surprisingly, five of them are among those which opted to apply the minimum possible degressivity cut). The European Commission estimated that in the 2015-2019 period degressivity and capping will result in a mere 112 million euros being transferred yearly from direct payments to rural development policies (European Commission, 2015), less than 0.3% of the financial resources allocated to direct payments in the 28 member states.

Small farms scheme

Finally, 15 member states decided to implement the small farms scheme, and only two (Latvia and Portugal) opted for a flat payment equal for all farms entering the scheme.

Ranking national decisions based on their relative degree of 'conservativism'

The information provided in Table 4 suggests a possible ranking of member states with respect to their revealed preferences in terms of the degree of 'conservation' for their agriculture and rural development policies emerging from their use of the given room for manoeuvre.[36] Two groups of EU-15 countries can be identified at the opposite ends of the hypothetical spectrum. Those relatively more inclined to introduce changes, although limited, in their agricultural policies, i.e. relatively 'less conservative', appear to be Germany, the Netherlands and, in the UK, England and Wales; in fact, they decided for a flat, national or regional, basic payment in 2019 at the latest, to strengthen rural development policies by transferring financial resources from 'pillar I' to 'pillar II' and not to support their farms with payments coupled to production (in the Netherlands coupled payments involve a mere 0.5% of the national ceiling for direct

[33] The decision to activate this payment can be modified every year.

[34] In France the allocation will progressively increase from 5% in 2015 to reach 20% in 2018.

[35] These are Cyprus, Czech Republic, Denmark, Estonia, Finland, Latvia, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, Spain, Sweden and the UK (in England).

[36] The preference for relatively more or less policy conservation considered is that revealed solely by national decisions regarding the implementation of the reform; the results obtained seem to largely confirm negotiation stances, but in few cases a somehow different behavior emerge once the reform has been decided.

payments). At the other extreme, one can identify a group of member states which used the flexibilities associated to the decisions to be taken at the national level to change the CAP (as implemented at home) as little as possible, i.e. the relatively 'most conservative' ones; this group includes Italy, Portugal, Slovenia and Spain, who opted not to implement a flat basic payment (neither at the national nor the regional level), not to transfer resources from one 'pillar' to the other, to allocate more than 10% of their national ceiling for direct payments to coupled support, and not to implement the remaining two voluntary components of direct payments, by doing so further limiting the redistributive effects of the reform for their farmers. Between these two extreme groups one can possibly identify two intermediate ones, countries which are relatively 'moderately conservative' and 'conservative' with respect to their agricultural policies. The first group may include Austria, Finland, France, Greece, Sweden, and, in the UK, Northern Ireland and Scotland; within the second group one could place the Flanders and Wallonia, and Ireland.

A wide variability emerges also in the implementation decisions of EU-13 member states. For example, three of the countries which will continue using the SAPS (Hungary, Poland and Slovakia) will transfer a significant amount of funds (between 15% and 25%) from 'pillar II' to 'pillar I', but Estonia decided to transfer 15% of its funds in the opposite direction, from 'pillar I' to 'pillar II'. If Bulgaria, Croatia, Lithuania, Poland and Romania decided to implement, in addition to coupled support payments, the redistributive one, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Malta, Slovenia and Slovakia opted to introduce only the latter. Nine of the EU-13 decided to introduce the small farms scheme, but Cyprus, Czech Republic, Lithuania and Slovakia decided not to do so.

Our conclusion is that, compared with previous ones, the 2013 Cioloş reform yielded significantly different agricultural policies at the national level. Choosing partial or full convergence, at regional or national level, the decision to implement, or not to do so, the redistributive payment, the use of degressivity or capping of the basic payment, and the extent of coupled support payments make what in principle is still a common policy across the whole EU generate very different distributions of support within each member state. Many of the innovations contained in the reform which have been indicated as the most important ones have been introduced in the CAP as voluntary measures; some countries decided to use the new opportunities, while others have simply ignored them.

7. Conclusions

Compared with previous reforms of the CAP, the Cioloş reform is more difficult to assess. The difficulty arises from the many changes it involves, which, we believe, may be given evaluation marks opposite in sign.

What is new in the reformed CAP?

As discussed in the previous section, one of the most important innovations in the new CAP is the unprecedented degree of flexibility regarding a large number of voluntary measures and

implementation decisions left to member states. Although this flexibility has had to be exerted within a given set of constraints, it was wide enough to yield quite different national realizations of the CAP, making one wonder how ‘common’ the policies for agriculture and rural development implemented in the 28 individual member states are. The 2013 reform was the first one to bring a significant redistribution of support between member states (through the combined effect of the ‘external convergence’ of direct payments and the changes in the distribution of national allocations for rural development policies), and between farms within a member state (through the extension of direct payments to virtually all farms, ‘internal convergence’, ‘capping’, ‘degressivity’, the redistributive payment and the payment to young farmers). The redistribution benefitted member states and farmers who had enjoyed relatively less support from the CAP in the past, at the expenses of those who did better previously.

A positive innovation is the small farms scheme, a voluntary measure which was adopted by 15 member states, which significantly simplifies CAP support to small farms, with evident benefits for the beneficiaries as well as in terms of the administrative burden for the public sector.

Another positive element of the reformed CAP is the significantly increased amount of resources devoted to research and development activities.

The ‘green payment’ has been claimed to constitute a significant innovation, a step forward linking farm support to the production of public goods. We share the opinion of those who believe that the conditions to be satisfied in order to have access to this component of the direct payments are for most farms not very demanding and, as a result, it will generate marginal environmental benefits overall (Bureau and Mahé, 2015; Erjavec et al., 2015; Hart, 2015; Matthews, 2013; Potočnik, 2015). If this is the case, it has not introduced any significant change in the CAP, as it is, *de facto*, no different from the basic payment. The two together will reproduce, on a somehow downsized scale, the Single Payment of the pre-2015 CAP, i.e. an income support measure with no linkage with the need of a farm to receive financial support, to the amount of socially valuable goods it produces, or with the additional costs it has to bear in order to generate a set volume of public goods. In terms of the implications of the reformed CAP for the environment, relevant provisions to be considered are also the relaxation of some of the cross-compliance requirements and, on the other hand, the constraint imposed on rural development programs to assign a sizeable amount of resources to environment- and climate-related measures.

As with previous reforms, the new CAP has been allocated a significantly reduced, in real terms, amount of financial resources, although these remain conspicuous.

Is the new CAP more targeted?

In the eight countries where it has been implemented, the redistributive payment will bring a significant redistribution of support in favor of small farms. The direct payment for young farmers, a mandatory measure which, however, can involve only a relatively small portion of financial resources, also introduces a new element in ‘pillar I’ which goes in the direction of better targeting direct support. Coupled payments provide targeted support in specific sectors

and areas. On the contrary, the voluntary payment to farms located in areas facing natural constraints has been a flop; it was introduced by Denmark only and was allocated less than 1% of the country's ceiling for direct payments. The decision to restrict the set of the beneficiaries of direct payments to 'active farmers' only will also be likely to have no tangible results. That said, the net effect of these measures is a new CAP more targeted than in the past towards young farmers and smaller farms.

Is the new CAP less market distorting?

The score card of the reform from the point of view of bringing a further market reorientation of the CAP shows mixed results. On the one hand, the elimination of sugar and milk quotas was confirmed; on the other, the decision to liberalize vine planting was reverted by limiting new plantings, an increased amount of financial resources will be used for coupled support (Bureau and Mahé, 2015) and existing competition law waived to allow concerted actions to restrict supply by producers of PDO and PGI cheeses and hams. The reform has also brought new measures specifically meant to help farms face increased market competition: new risk management support measures; modified and significantly scaled up actions to promote the effective production, dissemination and adoption of innovations in agriculture; and the extension of POs from fruit and vegetable to all sectors.

Is the new CAP more equitable?

'External' and 'internal convergence' will significantly reduce differences in EU per hectare direct payments to farmers. However, a more uniform distribution of support does not automatically translate into a more equitable one. Equity can only be assessed with respect to a criterion, a principle to be pursued. If direct payments are assumed to support farmers as such – irrespective of their incomes, of the public goods they produce, of the contribution they make to the viability of their local area – then more uniform per hectare direct payments are probably more equitable. Also the redistribution of support from larger to smaller farms as a result of the redistributive payment, and the effects of capping and degressivity do not necessarily mean a more equitable distribution of support. If we assume smaller farms generate smaller incomes (and we decide to ignore household income generated by non-farm activities), providing more support to smaller farms improves the equity of direct payments as an income support measure.

It should be clear by now why an overall assessment of the reformed CAP remains difficult. The Cioloş reform brought positive innovations in the CAP as well as innovations which have brought the robust, consistent path outlined by the previous reforms since 1992 to a grinding halt. Those who hoped for a significant step forward along the same path, with the reform identifying a clear set of consistent strategic goals pursued by the CAP, a more targeted distribution of support and a significant portion of the financial resources devoted to increasing the market competitiveness of farms and promoting the production of public goods, probably have good reasons for being disappointed. Those who hoped the financial resources allocated to EU policies for agriculture and rural development would not be severely cut (as feared at the beginning of the decision process), and for the reformed CAP to bring as few changes as possible, are probably quite satisfied by the final result.

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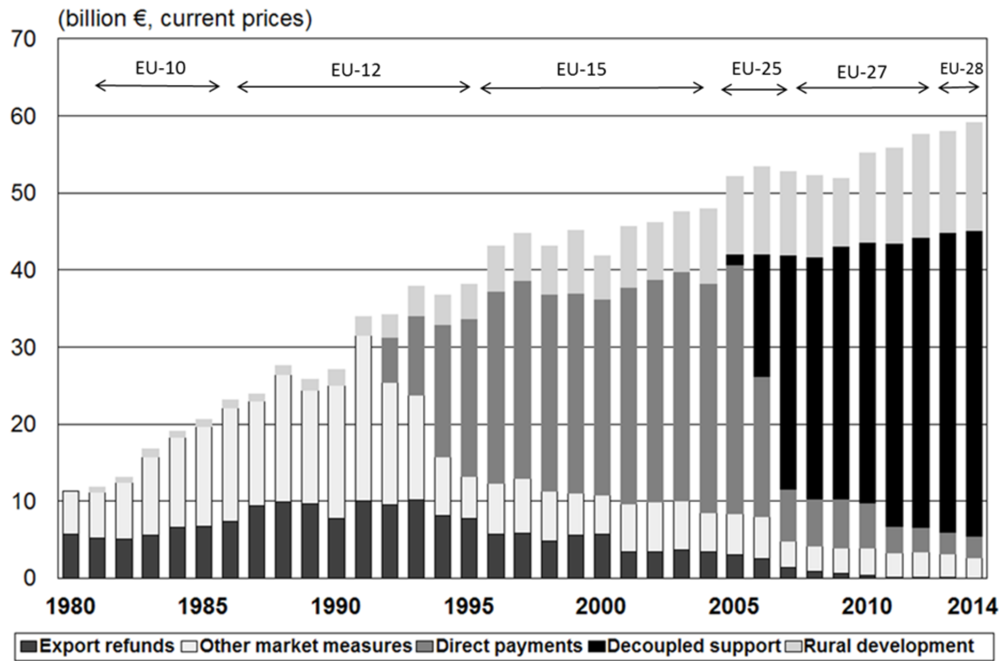
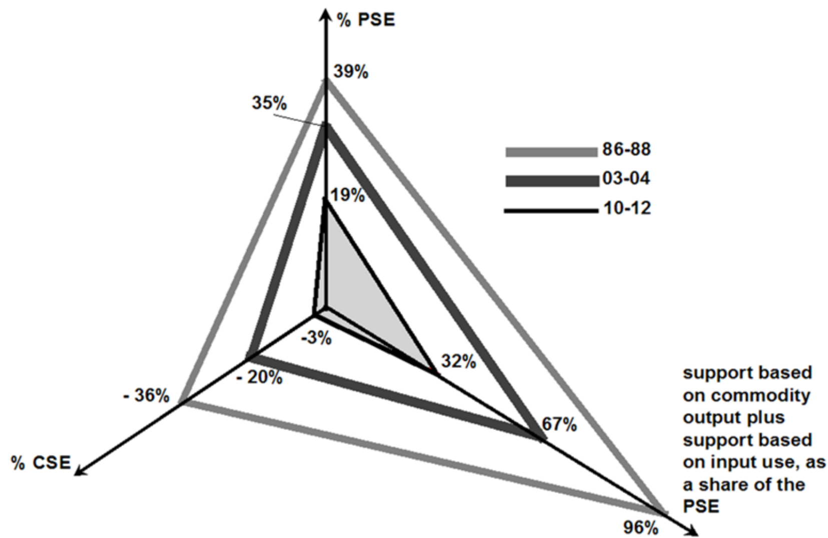
Figure 1 - Evolution of CAP expenditure between 1980 and 2014.



Source: EU Commission, DG Agriculture and Rural Development.

Figure 2 - Evolution of EU CAP support between 1986-88 and 2010-12.



Source: OECD (various years).

Table 1 - Multiannual Financial Framework 2014-2020. (2011 prices; million €)

Commitment appropriation	2014	2015	2016	2017	2018	2019	2020	Total 2014-2020	Total 2007-2013	2014-2020 vs. 2007-2013 (% difference)
1. Smart and Inclusive Growth	**60,283**	**61,725**	**62,771**	**64,238**	**65,528**	**67,214**	**69,004**	**450,763**	**446,310**	*1.0*
1.a Competitiveness for growth and jobs	15,605	16,321	16,726	17,693	18,490	19,700	21,079	125,614	91,495	*37.3*
1.b Economic, social and territorial cohesion	44,678	45,404	46,045	46,545	47,038	47,514	47,925	325,149	354,815	*-8.4*
2. Sustainable Growth: Natural Resources	**55,883**	**55,060**	**54,261**	**53,448**	**52,466**	**51,503**	**50,558**	**373,179**	**420,682**	*-11.3*
of which: Market related expenditure and direct payments	41,585	40,989	40,421	39,837	39,079	38,335	37,605	277,851	318,820	*-12.9*
3. Security and citizenship	**2,053**	**2,075**	**2,154**	**2,232**	**2,312**	**2,391**	**2,469**	**15,686**	**12,366**	*26.8*
4. Global Europe	**7,854**	**8,083**	**8,281**	**8,375**	**8,553**	**8,764**	**8,794**	**58,704**	**56,815**	*3.3*
5. Administration	**8,218**	**8,385**	**8,589**	**8,807**	**9,007**	**9,206**	**9,417**	**61,629**	**57,082**	*8.0*
of wich: Administrative expenditure of the institution	6,649	6,791	6,955	7,110	7,278	7,425	7,590	49,798		
6. Compensation	**27**	**0**	**0**	**0**	**0**	**0**	**0**	**27**	**n/a**	
Total Committment appropriation	**134,318**	**135,328**	**136,056**	**137,100**	**137,866**	**139,078**	**140,242**	**959,988**	**994,176**	*-3.5*
as a percentage of GNI	1.03%	1.02%	1.00%	1.00%	0.99%	0.98%	0.98%	1.00%	1.12%	
Total Payment appropriation	**128,030**	**131,095**	**131,046**	**126,777**	**129,778**	**130,893**	**130,781**	**908,400**	**942,778**	*-3.7*
as a percentage of GNI	0.98%	0.98%	0.97%	0.92%	0.93%	0.93%	0.91%	0.95%	1.06%	
Margin	0.25%	0.25%	0.26%	0.31%	0.30%	0.30%	0.32%	0.28%		
Own resources ceiling as a percentage of GNI	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%	1.23%		
Resources outside the MFF										
Emergency Aid Reserve	280	280	280	280	280	280	280	1,960	1,697	*15.5*
European Globalisation Adjustment Fund	150	150	150	150	150	150	150	1,050	3,573	*-70.6*
Solidarity Fund	500	500	500	500	500	500	500	3,500	7,146	*-51.0*
Flexibility Instrument	471	471	471	471	471	471	471	3,297	1,429	*130.7*
EDF	2,951	3,868	3,911	3,963	4,024	4,093	4,174	26,984	26,826	*0.6*
Total resources outside the MFF	**4,352**	**5,269**	**5,312**	**5,364**	**5,425**	**5,494**	**5,575**	**36,791**	**40,670**	*-9.5*
as a percentage of GNI	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.05%	
Total MFF + resources outside the MFF	**138,670**	**140,597**	**141,368**	**142,464**	**143,291**	**144,572**	**145,817**	**996,779**	**1,035,031**	*-3.7*
as a percentage of GNI	1.06%	1.06%	1.04%	1.04%	1.03%	1.02%	1.02%	1.04%	1.17%	

Source: for MFF 2014-2020, EU Reg. 1311/2013; for MFF 2007-2013, Council of the European Union, 2013.

Table 2 - A comparison of national ceilings for direct payments in 2013 and 2019 (original allocations and allocations resulting from national implementation decisions). (current prices)

	2013[a] (1)		**2019[b]** (original allocations) **(2)**		**2019** (allocations after national implementation decisions) **(3)**		**(2) - (1)**		**(3) - (2)**	
	000 EUR	%	000 EUR	%	000 EUR	%	000 EUR	% change	000 EUR	% change
Belgium	614,855	*1.4*	505,266	*1.2*	481,857	*1.2*	-109,589	*-17.8*	-23,409	*-4.6*
Bulgaria	580,087	*1.3*	796,292	*1.9*	796,292	*1.9*	216,205	*37.3*	0	*0.0*
Czech Republic	909,313	*2.0*	872,809	*2.1*	861,698	*2.1*	-36,504	*-4.0*	-11,111	*-1.3*
Denmark	1,049,002	*2.3*	880,384	*2.1*	818,757	*2.0*	-168,618	*-16.1*	-61,627	*-7.0*
Germany	5,852,908	*13.0*	5,018,395	*11.9*	4,792,567	*11.5*	-834,513	*-14.3*	-225,828	*-4.5*
Estonia	101,165	*0.2*	169,366	*0.4*	143,966	*0.3*	68,201	*67.4*	-25,400	*-15.0*
Ireland	1,340,869	*3.0*	1,211,066	*2.9*	1,211,066	*2.9*	-129,803	*-9.7*	0	*0.0*
Greece	2,216,533	*4.9*	1,947,177	*4.6*	1,834,618	*4.4*	-269,356	*-12.2*	-112,559	*-5.8*
Spain	5,139,444	*11.4*	4,893,433	*11.6*	4,893,433	*11.8*	-246,011	*-4.8*	0	*0.0*
France	8,521,236	*18.9*	7,437,200	*17.6*	7,189,541	*17.3*	-1,084,036	*-12.7*	-247,659	*-3.3*
Croatia		*0.0*	298,400	*0.7*	316,245	*0.8*	298,400	-	17,845	*6.0*
Italy	4,370,024	*9.7*	3,704,337	*8.8*	3,704,337	*8.9*	-665,687	*-15.2*	0	*0.0*
Cyprus	53,499	*0.1*	48,643	*0.1*	48,643	*0.1*	-4,856	*-9.1*	0	*0.0*
Latvia	146,479	*0.3*	302,754	*0.7*	280,154	*0.7*	156,275	*106.7*	-22,600	*-7.5*
Lithuania	380,109	*0.8*	517,028	*1.2*	517,028	*1.2*	136,919	*36.0*	0	*0.0*
Luxembourg	37,084	*0.1*	33,431	*0.1*	33,432	*0.1*	-3,653	*-9.9*	1	*0.0*
Hungary	1,318,975	*2.9*	1,269,158	*3.0*	1,342,867	*3.2*	-49,817	*-3.8*	73,709	*5.8*
Malta	5,102	*0.0*	4,689	*0.0*	5,244	*0.0*	-413	*-8.1*	555	*11.8*
Netherlands	897,751	*2.0*	732,370	*1.7*	700,870	*1.7*	-165,381	*-18.4*	-31,500	*-4.3*
Austria	751,606	*1.7*	691,738	*1.6*	691,738	*1.7*	-59,868	*-8.0*	0	*0.0*
Poland	3,044,518	*6.8*	3,061,518	*7.2*	3,450,512	*8.3*	17,000	*0.6*	388,994	*12.7*
Portugal	605,962	*1.3*	599,355	*1.4*	599,355	*1.4*	-6,607	*-1.1*	0	*0.0*
Romania	1,264,472	*2.8*	1,903,195	*4.5*	1,903,195	*4.6*	638,723	*50.5*	0	*0.0*
Slovenia	144,236	*0.3*	134,278	*0.3*	134,278	*0.3*	-9,958	*-6.9*	0	*0.0*
Slovakia	388,176	*0.9*	394,385	*0.9*	451,659	*1.1*	6,209	*1.6*	57,274	*14.5*
Finland	570,548	*1.3*	524,631	*1.2*	524,631	*1.3*	-45,917	*-8.0*	0	*0.0*
Sweden	770,906	*1.7*	699,768	*1.7*	699,768	*1.7*	-71,138	*-9.2*	0	*0.0*
United Kingdom	3,987,922	*8.8*	3,591,683	*8.5*	3,205,243	*7.7*	-396,239	*-9.9*	-386,440	*-10.8*
Total EU	45,062,781	*100.0*	42,242,749	*100.0*	41,632,994	*100.0*	-2,820,032	*-6.3*	-609,755	*-1.4*

[a]: Bulgaria and Romania were still phasing-in.

[b]: Croatia will be still phasing-in. Excluding the mine clearance reserve for Croatia (Annex VII, Regulation 1307/2013) and supplementary payments in Croatia, Bulgaria and Romania (Annex V e VI, Regulation 1307/2013).

Sources: Regulations 73/2009 and 1307/2013; Annex I of Regulation 1378/2014.

Table 3 - A comparison of country allocations of European Union support for Rural Development in the 2007-2013 and 2014-2020 programming periods (for 2014-2010 original allocations and allocations resulting from national implementation decisions). (current prices)

	2007-2013 (1)		**2014-2020** (original allocations) **(2)**		**2014-2020** (allocations after national implementation decisions) **(3)**		**(2) - (1)**		**(3) - (2)**	
	000 EUR	%	000 EUR	%	000 EUR	%	000 EUR	% change	000 EUR	% change
Belgium	487,484	*0.5*	551,791	*0.6*	647,798	*0.7*	64,306	*13.2*	96,007	*17.4*
Bulgaria	2,642,249	*2.7*	2,338,784	*2.5*	2,366,717	*2.4*	-303,465	*-11.5*	27,933	*1.2*
Czech Republic	2,857,506	*3.0*	2,170,334	*2.3*	2,305,674	*2.3*	-687,172	*-24.0*	135,340	*6.2*
Denmark	577,919	*0.6*	629,401	*0.7*	918,804	*0.9*	51,482	*8.9*	289,403	*46.0*
Germany	9,079,695	*9.4*	8,217,851	*8.6*	9,445,920	*9.5*	-861,844	*-9.5*	1,228,069	*14.9*
Estonia	723,737	*0.8*	725,887	*0.8*	823,342	*0.8*	2,150	*0.3*	97,455	*13.4*
Ireland	2,494,541	*2.6*	2,189,985	*2.3*	2,190,592	*2.2*	-304,555	*-12.2*	607	*0.0*
Greece	3,906,228	*4.1*	4,195,961	*4.4*	4,718,292	*4.7*	289,732	*7.4*	522,331	*12.4*
Spain	8,053,078	*8.4*	8,290,829	*8.7*	8,297,389	*8.4*	237,751	*3.0*	6,560	*0.1*
France	7,584,497	*7.9*	9,909,731	*10.4*	11,384,844	*11.5*	2,325,234	*30.7*	1,475,113	*14.9*
Croatia			2,325,173	*2.4*	2,026,223	*2.0*	2,325,173	-	-298,950	*-12.9*
Italy	8,985,782	*9.3*	10,429,711	*10.9*	10,444,381	*10.5*	1,443,929	*16.1*	14,670	*0.1*
Cyprus	164,564	*0.2*	132,214	*0.1*	132,244	*0.1*	-32,349	*-19.7*	30	*0.0*
Latvia	1,054,374	*1.1*	968,982	*1.0*	1,075,604	*1.1*	-85,392	*-8.1*	106,622	*11.0*
Lithuania	1,765,794	*1.8*	1,613,088	*1.7*	1,613,088	*1.6*	-152,706	*-8.6*	0	*0.0*
Luxembourg	94,958	*0.1*	100,575	*0.1*	100,575	*0.1*	5,617	*5.9*	0	*0.0*
Hungary	3,860,091	*4.0*	3,455,336	*3.6*	3,430,664	*3.5*	-404,755	*-10.5*	-24,672	*-0.7*
Malta	77,653	*0.1*	99,001	*0.1*	97,327	*0.1*	21,348	*27.5*	-1,674	*-1.7*
Netherlands	593,197	*0.6*	607,305	*0.6*	765,285	*0.8*	14,108	*2.4*	157,980	*26.0*
Austria	4,025,576	*4.2*	3,937,552	*4.1*	3,937,552	*4.0*	-88,024	*-2.2*	0	*0.0*
Poland	13,398,928	*13.9*	10,941,202	*11.5*	8,697,557	*8.8*	-2,457,726	*-18.3*	-2,243,645	*-20.5*
Portugal	4,059,023	*4.2*	4,057,788	*4.3*	4,058,460	*4.1*	-1,235	*0.0*	672	*0.0*
Romania	8,124,199	*8.4*	8,015,663	*8.4*	8,127,996	*8.2*	-108,535	*-1.3*	112,333	*1.4*
Slovenia	915,993	*1.0*	837,850	*0.9*	837,850	*0.8*	-78,143	*-8.5*	0	*0.0*
Slovakia	1,996,908	*2.1*	1,890,235	*2.0*	1,559,692	*1.6*	-106,673	*-5.3*	-330,543	*-17.5*
Finland	2,155,019	*2.2*	2,380,408	*2.5*	2,380,408	*2.4*	225,389	*10.5*	0	*0.0*
Sweden	1,953,062	*2.0*	1,745,315	*1.8*	1,763,565	*1.8*	-207,747	*-10.6*	18,250	*1.0*
United Kingdom	4,612,120	*4.8*	2,580,157	*2.7*	5,199,666	*5.2*	-2,031,963	*-44.1*	2,619,509	*101.5*
Total EU	96,244,175	*100.0*	95,338,109	*100.0*	99,347,509	*100.0*	-906,065	*-0.9*	4,009,400	*4.2*

Source: European Commission (2013), table 95; Regulation 1305/2013, Annex I; Regulation 1378/2014, Annex I.

Table 4 - Financial transfers between the two 'pillars' and direct payments. Implementation and financial allocation decisions by member state (2019).

		Flexibility between 'pillars'	Internal convergence		Basic payments[a b]	Payment for young farmers[b]	Redistributive payment[b]	Degressivity and capping	Payment for areas with natural constraints[b]	Coupled support[b]	Small farms scheme
			Convergence model	*National/regional model*							
Austria		NO	Flat payment by 2019	National model (single region)	65.9%	2%	NO	YES (cap at 150,000€)	NO	YES, 2.1%	YES
Belgium	Flanders	YES from I to II, 10%	Partial convergence	National model (single region)	56.75%	2%	NO	YES (cap at 150,000€)	NO	YES, 11.25%	NO
	Wallonia	NO	Partial convergence	National model (single region)	29.9%	1.8%	YES, 17%	NO	NO	YES, 21.3%	NO
Bulgaria		NO		SAPS	47%	less than 1%	YES, 7%	YES (cut of 5% above 150,000 €, cap at 300,000€)	NO	YES, 15%	YES
Croatia		YES from II to I, 15%	Partial convergence	National model (single region)	43%	2%	YES, 10%	NO	NO	YES, 15%	YES
Cyprus		NO		SAPS	61.1%	1%	NO	YES (cut of 5% above 150,000 €)	NO	YES, 7.9%	NO
Czech Republic		YES from I to II, 1.30%		SAPS	54.8%	0.2%	NO	YES (cut of 5% above 150,000 €)	NO	YES, 15%	NO
Denmark		YES from I to II, 7%	Partial convergence	National model (single region)	65%	2%	NO	YES (cut of 5% above 150.000 €)	YES, < 1%	YES, 2.8%	NO
Estonia		YES from I to II, 15%		SAPS	65.3%	0.5%	NO	YES (cut of 5% above 150,000 €)	NO	YES, 4.2%	YES
Finland		NO	Flat payment by 2019	Regional model	49%	1%	NO	YES (cut of 5% above 150,000 €)	NO	YES, 20%	NO
France		YES from I to II, 3.3%	Partial convergence (except Corsica, flat in 2015)	Regional model	34%	1%	YES, 20%[c]	NO	NO	YES, 15%	NO
Germany		YES from I to II, 4.5%	Flat payment in 2015[d]	Regional model	62.1%	1%	YES, 6.9%	NO	NO	NO	YES
Greece		YES from I to II, 5%	Partial convergence	Regional model	60%	2%	NO	YES (cap at 150,000€)	NO	YES, 8%	YES
Hungary		YES from II to I, 15%		SAPS	54.8%	0.2%	NO	YES (cut of 5% above 150,000 €; cap at 176,000 €)	NO	YES, 15%	YES
Ireland		NO	Partial convergence	National model (single region)	67.8%	2%	NO	YES (cap at 150,000€)	NO	YES, 0.2%	NO
Italy		NO	Partial convergence	National model (single region)	58%	1%	NO	YES (cut of 50% above 150,000 €; cap at 500,000 €)	NO	YES, 11%	YES
Latvia		YES from I to II, 7.5%		SAPS	55.1%	0.9%	NO	YES (cut of 5% above 150,000 €)	NO	YES, 14%	YES
Lithuania		NO		SAPS	38.25%	1.75%	YES, 15%	NO	NO	YES, 15%	NO
Luxembourg		NO	Partial convergence	National model (single region)	68%	1.5%	NO	YES (cut of 5% above 150,000 €)	NO	YES, 0.5%	NO
Malta		YES from II to I, 3.8%	Flat payment in 2015	National model (single region)	12.6%	0.4%	NO	YES (cut of 5% above 150,000 €)	NO	YES, 57%	YES

Netherlands		YES from I to II, 4.3%	Flat payment by 2019	National model (single region)	67.5%	2%	NO	YES (cut of 5% above 150.000 €)	NO	YES, 0.5%	NO
Poland		YES from II to I, 25%		SAPS	46%	1%	YES, 8%	YES (cap at 150,000€)	NO	YES, 15%	YES
Portugal		NO	Partial convergence	National model (single region)	47%	2%	NO	YES (cut of 5% above 150,000 €)	NO	YES, 21%	YES
Romania		YES from I to II, 0% in 2019[e]		SAPS	51%	2%	YES, 5%	NO	NO	YES, 12%	YES
Slovakia		YES from II to I, 21.3%		SAPS	56.4%	0.6%	NO	YES (cut of 5% above 150,000 €)	NO	YES, 13%	NO
Slovenia		NO	Partial convergence	National model (single region)	54%	1%	NO	YES (cut of 5% above 150,000 €)	NO	YES, 15%	YES
Spain		NO	Partial convergence	Regional model	56%	2%	NO	YES (cut of 5% above 150,000 €)	NO	YES, 12%	YES
Sweden		NO	Flat payment in 2020	National model (single region)	55.4%	1.6%	NO	YES (cut of 5% above 150,000 €)	NO	YES, 13%	NO
United Kingdom	England	YES from I to II, 12%	Flat payment in 2015	Regional model	68%	2%	NO	YES (cut of 5% above 150,000 €)	NO	NO	NO
	Northern Ireland	NO	Partial convergence	National model (single region)	68%	2%	NO	YES (cap at 150,000€)	NO	NO	NO
	Wales	YES from I to II, 15%	Flat payment by 2019	Regional model	68%	2%	NO	YES (cut of 15% above 150,000 €, progressively increasing becoming a cap at 300,000 €)	NO	NO	NO
	Scotland	YES from I to II, 9.5%	Flat payment by 2019	Regional model	61.75%	0.25%	NO	YES (cut of 5% above 150,000 €; cap at 600,000 €)	NO	YES, 8%	NO

[a]: the percentage of the national financial allocation for the basic payments includes resources for the implementation of the 'small farms scheme'.

[b]: percentages are relative to the national ceiling for direct payments.

[c]: it will equal 5% in 2015 to progressively reach 20% in 2018.

[d]: in 2019 Germany will use a single flat payment for the whole country.

[e]: Romania will transfer 1.8% of its financial allocation from pillar I to pillar II in 2015, 2.3% in 2016 and 2.2% in 2017.

Sources: European Commission (2014, 2015); COPA-COGECA (2015).