



CAP EXPLAINED

DIRECT PAYMENTS FOR FARMERS 2015-2020



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The common agricultural policy (CAP) is the European Union's (EU) answer to the questions of how to ensure food security, the sustainable use of natural resources and the balanced development of Europe's rural areas.

Its aim is to help provide a decent standard of living for European farmers and agricultural workers and a stable, varied and safe food supply for citizens. It also contributes to the EU's priorities such as creating jobs and economic growth, tackling climate change and encouraging sustainable development.

The CAP has three inter-connected routes to help it reach these goals: income support for farmers (so-called "direct payments"); market measures, for example to combat a sudden drop in prices, and rural development.

This publication focuses principally on direct payments, a key element of the policy that provides income support for farmers and promotes

competitiveness, sustainability and environmentally-friendly farming practices. The lion's share (72%) of the current EU farm budget is dedicated to direct payments for European farmers.

While the rules governing direct payments are set at EU level, their implementation is managed directly by each member state under the principle known as 'shared management'. This means that national authorities are responsible for the administration and control of direct payments to farmers in their country. Each country also has a certain level of flexibility in the way they grant these payments to take account of national farming conditions, which vary greatly throughout the European Union.

Direct payments benefit nearly 7 million farms throughout the European Union and often represent an important share of their agricultural income (on average, nearly half of farmers' income in the last ten years came from this direct support).

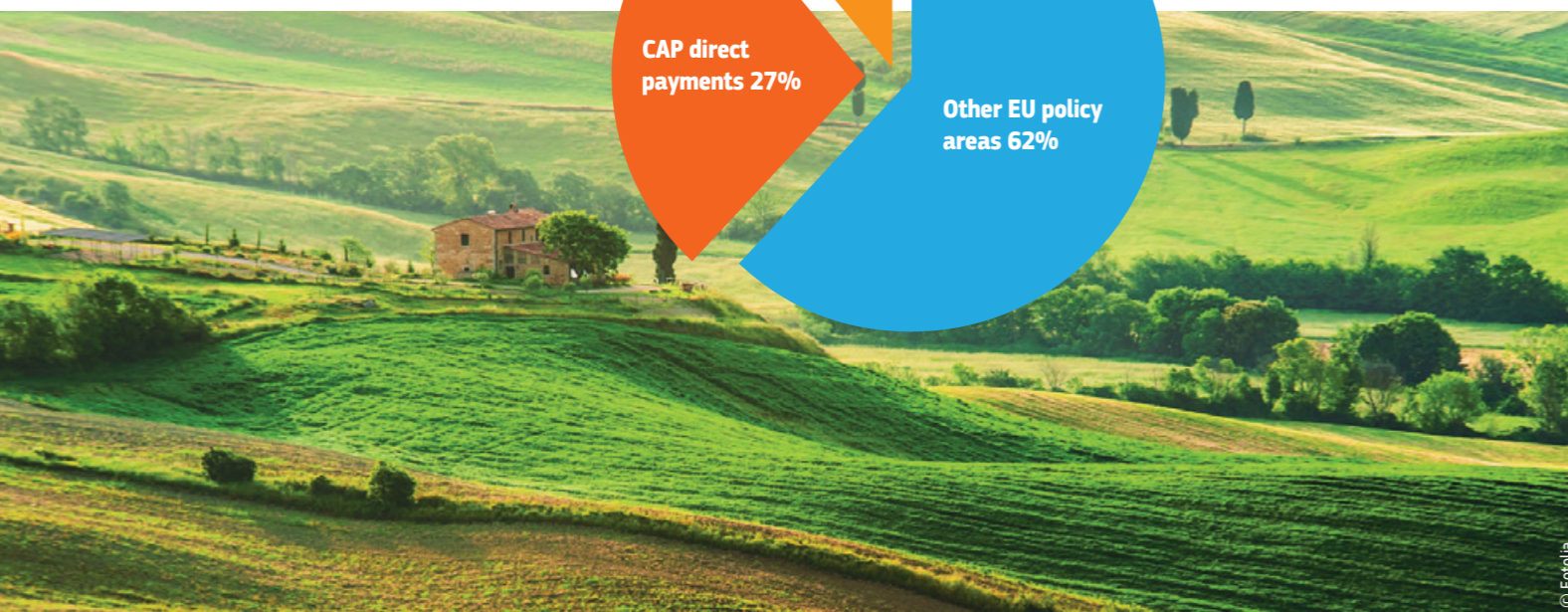
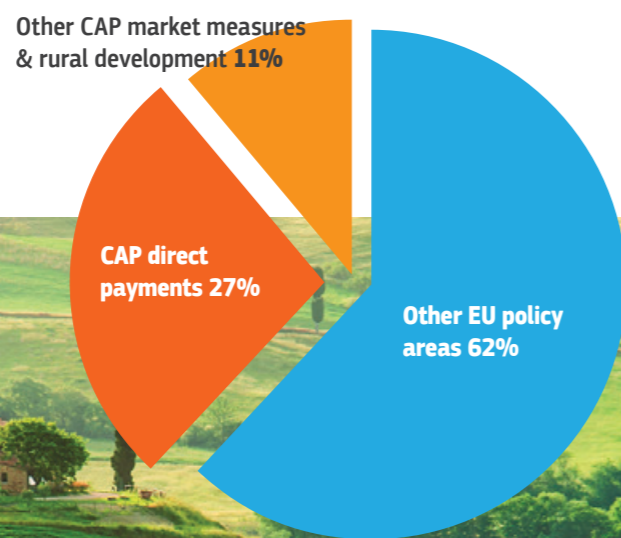
HOW MUCH IS SPENT ON DIRECT PAYMENTS?

The Multiannual Financial Framework (MFF) 2014-2020, (the European Union's seven year spending plan) allocates 38% of its total amount to the CAP to finance expenditure for market measures, direct payments and rural development programmes. Direct payments amount to approximately €293 billion for that period, or 72% of the overall budget allocated for the CAP.

This equates to spending of more than €41 billion a year for direct payments.

Figure 1. Direct payments as a share of the EU budget. Multi-annual financial framework 2014-2020 current Prices*

* Not incl. EAGF assigned revenue
Source: European Commission



DIRECT PAYMENTS AND THE DEVELOPMENT OF THE CAP

The common agricultural policy has supported agricultural income since its origin in 1962.

It was created at a time when Europe was unable to meet most of its own food needs, and as such was designed to encourage farmers to produce food by guaranteeing internal prices and incomes. In this it proved highly successful, bringing economic growth and encouraging the development of a wide range of quality food products at reasonable prices for European consumers. It was not all plain sailing, however: by the late 1970s and 1980s, problems arose as the EU started to produce too much of certain key products, outstripping demand and leading to a costly build-up of public food stocks. This in turn put serious pressure on the budget and led to friction with the EU's main international trading partners. This, combined with growing awareness of and concern about the negative effects of intensive food production on water and soil quality, led to the first major reform of the CAP in its thirtieth year.

The 1992 reform fundamentally changed the policy. EU support prices for the main agricultural products (such as cereals and beef) were gradually reduced, helping to increase the competitiveness of EU farm produce on world markets. But in order to prevent a corresponding fall in the incomes of farmers, direct payments were introduced, based on historical levels of production (by area or livestock numbers). Crucially, this meant that support for farmers continued to be linked to production, although payments were also designed to promote less intensive and more environmentally friendly farming practices.

In parallel, it was increasingly recognised that an active rural development policy needed farmers to preserve the natural environment, traditional landscapes and the family farm model favoured by society in general. There was a growing consciousness of the dual role of the farmer, as producer of food and guardian of the countryside.

Further reforms from 2003 saw the breaking of the link between direct payments to farmers and the type of products (and the amount) they produced – a process known as 'decoupling'. The overall effect of decoupling has been to move the agricultural sector more towards the free market and to give farmers greater freedom to produce according to market demand, while at the same time shifting the emphasis on to stricter environmental and animal welfare rules, which farmers have to follow in order to receive the payments.

The last element of the most recent changes to the direct payment system is a move towards a fairer, greener and more targeted distribution of support. As from 2015, active farmers in the EU have access to compulsory schemes applicable in all EU countries, as well as to voluntary schemes if established at the national level.

For more details on the current system, see the "direct payments today" page 4.

WHY DO FARMERS NEED SUPPORT?

Food is a strategic human need and vital for survival, and comes mostly from farming.

But farming is a risky – and often costly – business. Weather conditions are unpredictable: crops can be ruined and farm output and income badly affected. This is obviously bad for farmers but also for consumers, as food supply chains can be adversely impacted.

Figure 2. Relative situation of farm income compared to non-agricultural*



Farmers also have to cope with the special characteristics of agricultural commodity markets. Everybody needs food to survive, but demand does not change significantly if prices fall, as might be the case with other products. This means that farmers cannot rely on simply selling more of their output to compensate for lower prices. In addition, food production processes are long: for example, it takes two years for a dairy cow to reach the stage where it produces milk. These factors can have a significant impact on farmers' incomes, and yet they have virtually no control over them.

EU farmers are also under pressure from the increasing global trade in food products and market liberalisation in many countries, which has increased competition at the same time as creating new opportunities for European farmers. Globalisation and fluctuations in supply and demand have also made agricultural market prices more volatile in recent years, adding to farmers' concerns. Traditionally, prices for many agricultural commodities were relatively predictable, giving farmers a degree of certainty over their projected incomes and allowing them to invest confidently in their business. Price volatility removes this degree of certainty over incomes and makes farmers less likely to invest. This in turn threatens productivity and efficiency, again with potential knock-on effects on the supply of food to consumers.

And although farmers are at the heart of the food supply chain in terms of supplying the actual food, the fragmented nature of the farming sector puts it in a relatively weaker bargaining position compared to other parts of the supply chain, such as the bigger and better-integrated providers of animal feed and fertiliser or the food processors and retailers. This relative weakness puts farmers at a disadvantage when it comes to bargaining power.



All of these factors aggravate the already **difficult income situation of many farmers**. Average farm income remains significantly below the rest of the economy at around 40% of EU average incomes over the 2010-2014 period.

* The figure are the EU average of entrepreneurial income in agriculture per non-salaried annual work unit as a percentage of average wages in the total economy per full-time equivalent.

And yet, the EU is the **biggest exporter and importer of agricultural production in the world**. While there are multiple reasons for this strong position of the EU farming sector, direct payments have undoubtedly helped European farmers focus more effectively on the demands of the market and strengthened their long-term viability. In an uncertain and unpredictable economic environment, direct payments provide a safety net for farmers. They are a stable source of income that is independent of market fluctuations, making a very important contribution to overall farm income for many farm households (up to around half the total income level). They also give farmers more freedom in taking business decisions.

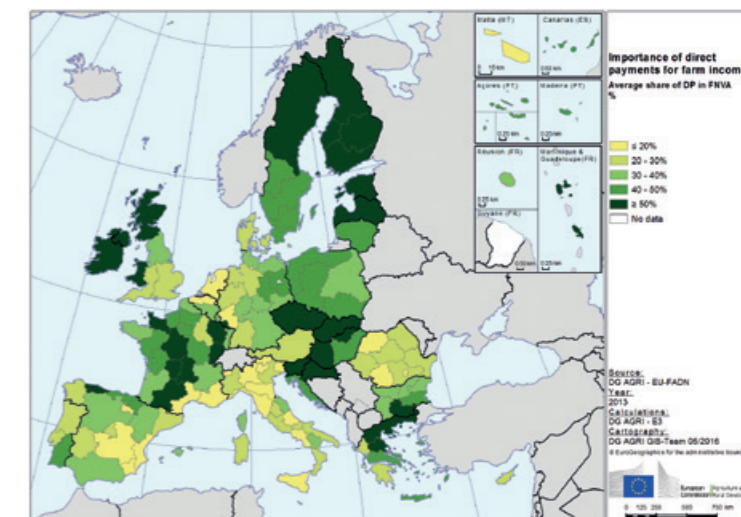


Figure 3. Importance of direct payments for farm income

But direct payments do not just provide farmers an element of certainty in an uncertain world. They also enhance the other roles that farmers play in protecting the environment and helping to development the rural economy. By helping to keep farms working, direct payments can contribute to maintaining or creating jobs in many other sectors that rely heavily on agriculture, from the food industry to rural tourism. Nearly 44 million jobs in food processing, food retail and services are underpinned by a thriving agricultural sector.

Direct payments also contribute to the sustainable management of natural resources and help contribute to the EU's wider efforts to tackle both the causes and effects of climate change. Agriculture accounts for about 10% of the EU's total greenhouse gas emissions and clearly has an important role to play in ensuring a greener, more sustainable future. This is why all farmers receiving direct payments must respect the environmental standards set by the EU (which are part of the so-called 'cross-compliance' – see below). An additional layer of the direct payments system – known as 'greening' – was first implemented in 2015 and covers more than 70% of farmed land. It conditions the granting of a significant share of direct payments to actions which are beneficial for the environment and for climate, such as protection of soil, biodiversity and carbon sequestration.



DIRECT PAYMENTS TODAY OVERVIEW

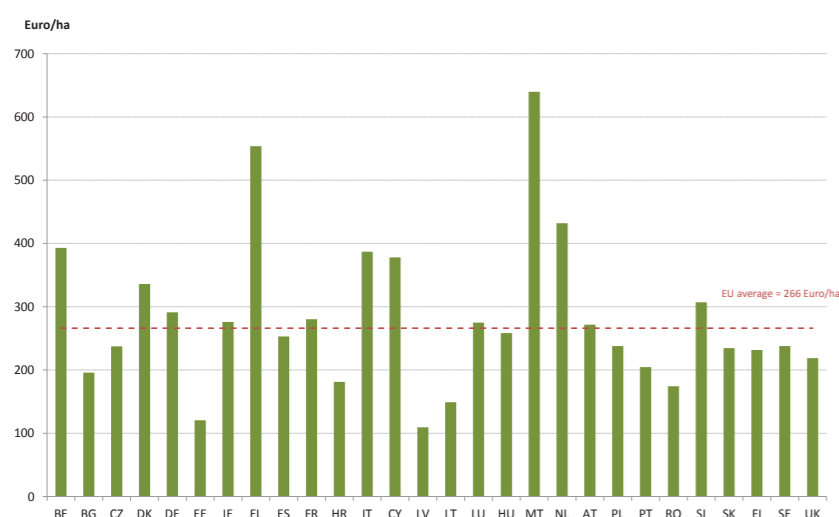
Direct payments are granted to farmers in the form of a basic income support based on the number of hectares farmed. This so-called 'basic payment' is complemented by a series of other support schemes targeting specific objectives or types of farmers:



- a 'green' direct payment for agricultural practices beneficial for the climate and the environment,
- a payment to young farmers,
- (where applied) a redistributive payment to provide improved support to small and middle-size farms,
- (where applied) payments for areas with natural constraints, where farming conditions are particularly difficult, such as mountain areas,
- (where applied) a small farmers scheme, a simplified scheme for small farmers replacing the other schemes,
- and (where applied) voluntary support coupled to production to help certain sectors undergoing difficulties.

On average, the payment is €266 per hectare eligible for payment.

Figure 4. Direct payments in €/ha, average values for 2015



Note: Based on the net ceilings in Annex III of Regulation (EU) 1307/2013 for 2015¹ and the 2015 estimated total determined area under the basic payment scheme or the single area payment in each member state.

HOW IS THE MONEY ALLOCATED?



The overall amount of direct payments to farmers in any member state is limited each year by the size of that country's annual allocation (officially called the 'financial envelope') from the EU budget. National authorities can decide which of the various direct payments schemes to finance from this allocation, subject to certain legislative limits. They may also choose to transfer money to or from their national rural development allocations.

As part of the 2013 CAP reform, it was agreed that the national budget allocations should be gradually adjusted to obtain a more balanced and fairer distribution of direct payments. That way, the differences in the average support per hectare between each EU country would be reduced via a process known as 'external convergence' (see the [Glossary of CAP terms](#)).

More information on the way [direct payments are managed from a financial point of view](#). For more information on actual spending, consult [the financial reports](#).

¹ After transfers to or from the rural development envelopes based on member states' choices and after deducting estimated amounts of reduction.

WHO GETS DIRECT PAYMENTS?

The majority of farmers within the EU benefit from direct payments: there were around 7 million farms benefitting from support in 2015, covering almost 156 million ha of land, or roughly 90% of the land actually farmed (the utilised agricultural area - UAA).

Farmers may apply for direct payments every year. In order to be eligible, all of the following conditions need to be complied with each year:

Direct payments are operated jointly by the European Commission and the 28 EU member states. National authorities are responsible for administering the scheme in their countries, and have a certain degree of flexibility to adapt the rules to national conditions.



➤ Minimum requirements

Generally, direct payments are not granted to a farmer if the total amount due and/or the area of land eligible for payment is too small. The exact threshold varies from country to country as it is set by national administrations, but it is generally between €100 and €500 and/or 0.3 ha to 5 ha respectively.

➤ Active farmers

Only farmers with a holding located in the EU and exercising an agricultural activity can receive direct payments. The requirement of being an 'active' farmer means that individuals and companies such as airports, real estate services and sport grounds who may have agricultural land at their disposal but who have no or only a very marginal agricultural activity cannot receive support from the CAP.

➤ Have agricultural land at their disposal that is used for an agricultural activity

As a general rule, only land suitable for agricultural production is considered as agricultural area (e.g. forests are in principle not eligible). Agricultural areas include arable land, permanent crops and permanent grassland.

But it is not enough to simply own or have agricultural land at their disposal: farmers must also show that this land is used for some form of agricultural activity. In general, this means the rearing of animals or growing of agricultural products (for harvesting, milking, breeding, etc). Alternatively, farmers must ensure that the land is maintained in good agricultural condition, i.e. suitable for grazing or cultivation.

➤ More information: Eligibility criteria for direct payments

Farmers have to apply for aid every year in order to receive direct payments, declaring every parcel of their farm holding. National authorities are there to help farmers with their applications, which are increasingly being made in electronic format. Applications include images such as maps or satellite pictures, based on which farmers can indicate the areas declared, using previous year's information as appropriate.

HOW DO FARMERS HAVE TO RESPECT OTHER EU RULES?

There is a link between CAP payments for farmers and the respect of other EU rules concerning food safety, animal health, plant health, the climate, the environment, the protection of water resources, animal welfare and the condition in which farmland is maintained. This link is known as cross-compliance.

In order to receive the full amount of direct payments for which they are eligible, farmers have to respect all these other rules. Failure to do so results in a cut in the level of support. The size of the cut depends on to what extent the farmer is in breach of the rules.

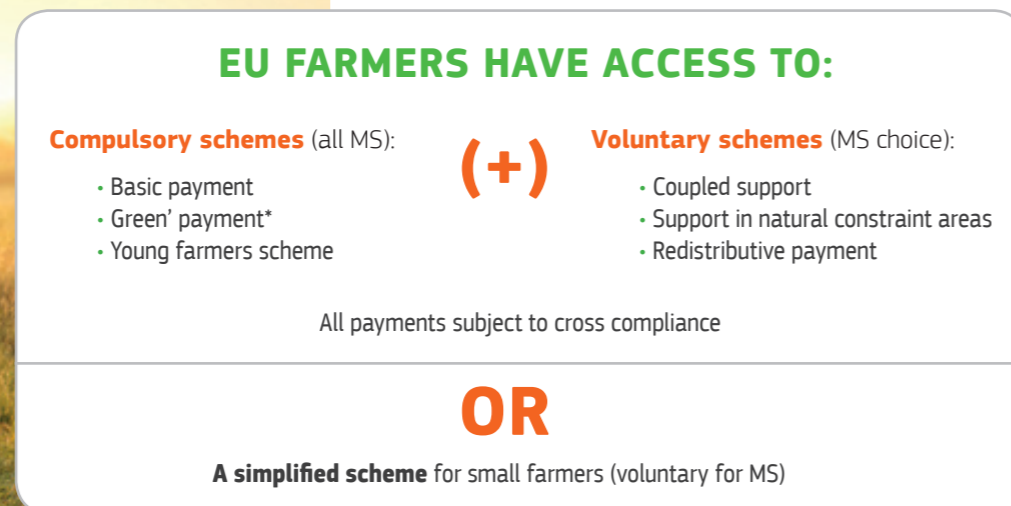
There are two different sets of rules under **cross-compliance**:

- Statutory Management Requirements (SMRs): The co-called SMRs are 13 legislative requirements written into EU law that concern public health, animal and plant health, the identification and registration of animals, environment and animal welfare.
- Good agricultural and environmental conditions (GAECs): Farmers are obliged to maintain their land in good agricultural and environmental condition. This means, among others things, protecting the soil against erosion, maintaining soil organic matter and soil structure, avoiding the deterioration of habitats, water management and safe-guarding landscape features. The exact standards that farmers must meet in these cases are set at the national, not EU, level.

WHAT FORM DO DIRECT PAYMENTS TAKE?

EU member states (MS) can combine different direct payment schemes to ensure efficient support to farmers, adapted to their national context. Some are compulsory and some are optional (see figure 5). For example, all eligible farmers receive the basic payment and greening payments (subject to respect of the greening requirements), while some farmers may also qualify for a further payment under the compulsory young farmers scheme, and, depending on member states' choices, a possible additional payment under one or more of the voluntary schemes.

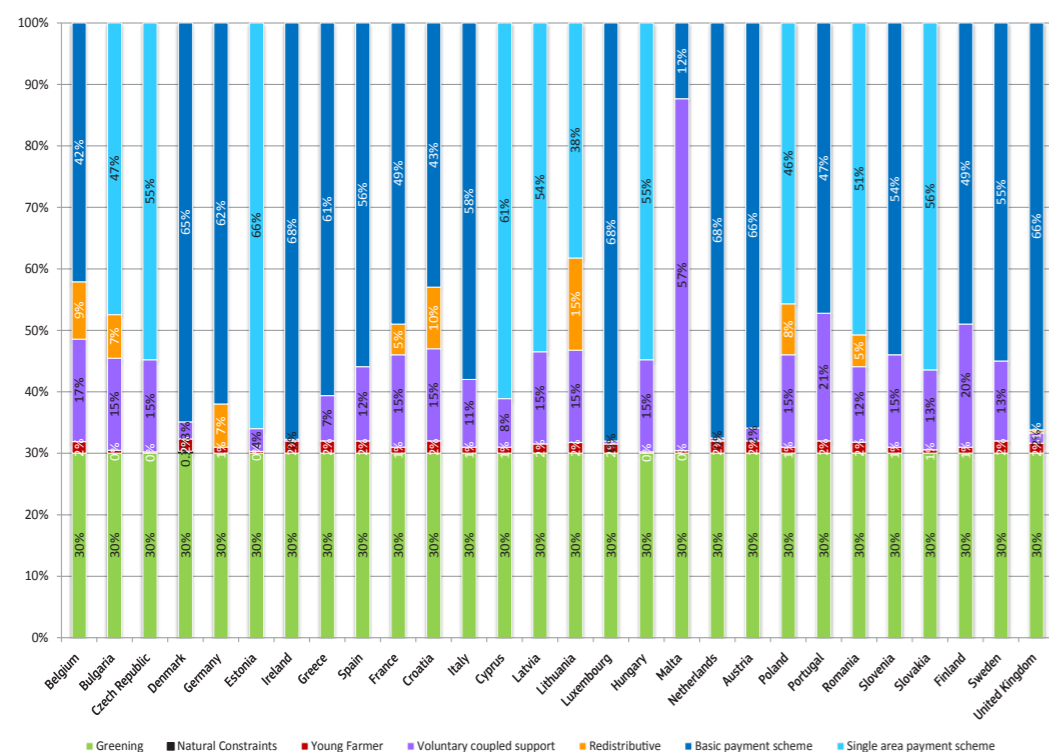
Figure 5. The new design of direct payments



* Payment for agricultural practices beneficial to climate change and the environment.

Figure 6 shows the relative expenditure on each of these schemes from the allocation granted to each member state. This does not show separately the expenditure for the small farmers scheme which, where applied, is an alternative payment granted instead of all the other schemes but with the same funds to eligible small farmers.

Figure 6: Distribution of funds amongst the direct payment schemes (except the small farmers scheme) – claim year 2015



THE BASIC PAYMENT

The basic payment ensures basic income support for farmers engaged in agricultural activities. Depending on the choices made by each national authority, the basic payment accounts for between 12% and 68% of their national budget allocation. The basic payment is applied either as the basic payment scheme (BPS) or as a transitional simplified scheme, the single area payment scheme (SAPS).

The BPS works on the basis of payment entitlements distributed to farmers.

In the first year of implementation of the BPS (2015) eligible farmers were allocated payment entitlements. The general rule was that each eligible hectare gave right to one entitlement (although some member states applied limitations on the number of entitlements that could be allocated). All entitlements allocated to a farmer have the same value, but differences in the value of entitlements may exist between farmers, if a member state opted for such an approach. In that case, the past level of direct payments to individual farmers was taken into account (or the value of the entitlements they possessed under the previous direct payments regime) in order to avoid too

abrupt disruptions in their level of support. However, since one of the objectives of the new system is to move away from these historical references, the member states that take this approach have agreed to progressively reduce the differences in the values of entitlements and bring these values to (or closer to) the average by 2019.

The actual payment is made to active farmers based on the activation of the payment entitlements they hold and calculated in relation to the eligible land they declare.

In some member states that joined the European Union in 2004 and 2007, the single area payment scheme (SAPS) is used instead. The SAPS is a transitional measure stemming from the Accession Treaties of those member states. In SAPS there are no payment entitlements, instead, the support is paid solely on the basis of the eligible hectares declared by farmers and the level is the same for all hectares in the country.

The basic payment is topped-up by other direct payments targeting specific issues or specific types of beneficiaries (the green payment, the young farmer payment, etc.).

THE REDISTRIBUTIVE PAYMENT

In order to redistribute support to smaller farmers, member states may allocate up to 30% of their national budget to a redistributive payment for the first eligible hectares. The number of hectares for which this payment can be allocated is limited to a threshold set by national authorities (30 hectares or the average farm size in member states if the latter is more than 30 hectares). The amount per hectare is the same for all farmers in the country where it is applied, and cannot exceed 65% of the average payment per hectare.

Ten member states have decided to opt for the redistributive payment (Belgium - Wallonia only, Bulgaria, Germany, France, Croatia, Lithuania, Poland, Romania, United Kingdom -Wales only, plus Portugal from 2017). The amount of the top-up payment per hectare varies from country to country (in 2015, they ranged from €25 in France to €127 in Wallonia).

Table 1. Implementation of the redistributive payment.

Member States	Hectare threshold(s) supported under the redistributive payment	2015 Unit rate of the redistributive payment (*)
Belgium - Wallonia	The first 30	EUR 127
Bulgaria	The first 30	EUR 77
Germany	The tranche of the first 30	EUR 50
	The following tranche of 30,01 - 46	EUR 30
France	The first 52	EUR 25
Croatia	The first 20	(**) EUR 33
Lithuania	The first 30	EUR 49
Poland	The tranche of the first 3	EUR 0
	The following tranche of 3,01-30	EUR 40
Portugal	The first 5	(***) EUR 50
Romania	The tranche of the first 5	EUR 5
	The following tranche of 5,1-30	EUR 51
United Kingdom -Wales	The first 54	EUR 26

(*) Based on notifications by Member States of September 2016, except for France (estimated unit rate).

(**) For Croatia, this amount will increase in the following years with the progressive introduction of a full level of direct payment.

(***) For Portugal, amount estimated as of 2017.

2 The following EU countries are using the SAPS: Bulgaria, the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Poland, Romania, Slovakia

THE GREEN PAYMENT FOR AGRICULTURAL PRACTICES BENEFICIAL FOR THE CLIMATE AND THE ENVIRONMENT

Over the years, the CAP has played an increasingly important role in maintaining and/or supporting the development of sustainable agriculture across the EU by promoting environmentally and climate friendly practices.

The introduction of the new green direct payment under the 2013 reform was a further significant step in this direction. Member states must allocate 30% of their direct payment allocation to this greening payment.

It is a substantial new addition to the instruments of the CAP, cross-compliance and voluntary rural development measures, dedicated to environmental and climate issues.

Farmers receive the green direct payment if they can show that they comply with three obligatory practices which are good for the environment (soil and biodiversity in particular) and for climate.

The three greening obligations are:

1 Crop diversification

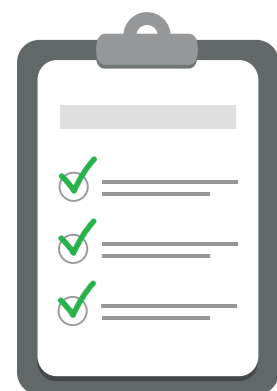
Growing a greater variety of crops helps make soil and ecosystems more resilient. It helps to halt degradation of soils and soil erosion and therefore also helps production capacity. In concrete terms, the rules stipulate that farms with more than 10 ha of arable land have to grow at least two crops, while at least three crops are required on farms with more than 30 ha of arable land. Furthermore, the main crop may not cover more than 75% of the arable land. Several exemptions to these rules take account of the individual situation of farmers, notably farmers with a large proportion of grassland which in itself is very beneficial for the environment.

2 Maintenance of permanent grassland

Permanent pasture is a very effective means of locking carbon away and thus helps to reduce global warming. Preserving environmentally sensitive grassland conserves soil carbon and protects grassland habitats. A ratio of permanent grassland to agricultural land is set by member states at national or regional level (with a 5% margin of flexibility). Moreover, farmers cannot plough or convert permanent grassland in designated sensitive areas. More than a third of EU farmland is permanent grassland subject to protection aimed in particular at carbon sequestration; a fifth of this grassland is classified as environmentally sensitive with a view to protecting biodiversity and carbon storage.

3 Ecological focus areas

Farmers with arable land exceeding 15 ha must ensure that at least 5% of their land is an ecological focus area with a view to safeguarding and improving biodiversity on farms. Ecological focus areas may include, for example, fallow land, landscape features, afforested areas, terraces, hedges/wooded strips or nitrogen fixing crops such as clover and alfalfa which help to improve soil organic matter. Hedges, trees, ponds, ditches, terraces, stone walls and other landscape features are important habitats for birds and other species and help protect biodiversity, including pollinators.



In order to accommodate the diversity of agricultural systems and environmental conditions across Europe, the concept of 'equivalence' was introduced. Member states may allow farmers to meet one or more greening requirements through equivalent (alternative) practices. This means that some practices can replace one or several of the three established greening measures. These practices include agri-environment-climate measures or certification schemes that are similar to greening and which yield an equivalent or higher level of benefit for the climate and the environment.

The principle behind these greening methods is to remunerate farmers for their efforts to protect the environment and biodiversity, since market prices do not reflect the work involved.



VOLUNTARY COUPLED SUPPORT

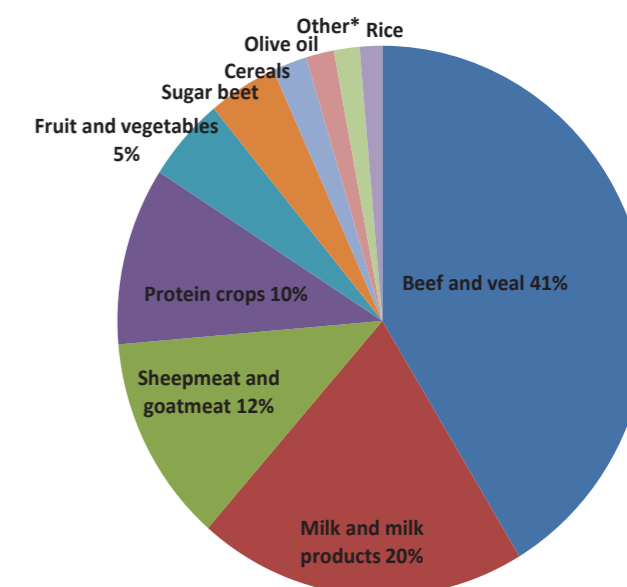
Following the 2003 reform of the CAP, as a general rule, the links between the receipt of a direct payment and the production of a specific product were progressively removed ('decoupling'). However, member states may continue to link (or couple) a limited amount of direct payments to certain products. The aim of this type of support is to maintain the level of production in regions or in sectors undergoing difficulties and that are particularly important for economic, social or environmental reasons.

All member states (except Germany) apply the scheme, although the amount of funding and the range of sectors covered vary greatly from one country to another.

The share of direct payments that member states can dedicate to voluntary coupled support is generally limited to 8%, although certain exceptions are allowed.

More information on member states choices for voluntary coupled support for 2015-2020, including the main sectors supported and other sectors.

Figure 7. Voluntary coupled support in the EU by sector (2015)



Note: Other includes grain legumes, starch potato, nuts, seeds, hops, hemp, oilseeds, silkworms and flax. Three more sectors are in principle eligible for voluntary coupled support, but to date have not been targeted by any member state: dried fodder, cane and chicory and short rotation coppice.

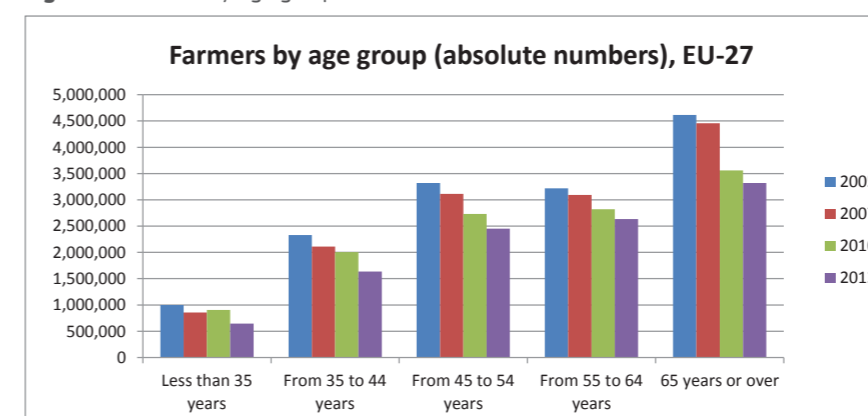


THE YOUNG FARMER PAYMENT

Encouraging new entrants to take up farming is vital for the future of agriculture and rural communities, especially as the EU farming population is ageing. In 2013, for every farmer under 35, there were nine over the age of 55. Indeed, more than half of all farm managers are over 55, while only 6.9 % of farmers are under 35.

This is why the **young farmer payment** (YFP) – a top-up payment added to the basic payment – is obligatory in every member state. It is granted for a maximum of five years from the moment a young farmer takes over as the head of a farm holding. The YFP can account for up to 2% of total direct payment national allocations.

Figure 8. Farmers by age group



3 In the countries applying the single area payment scheme, new entrants such as young farmers have access to the system without payment entitlements.

In addition, in countries implementing the basic payment scheme, newly installed young farmers have to be given priority in the allocation of payment entitlements, a necessary procedure for access to the direct payments system in those countries³.

Support to young farmers is also provided under the EU's rural development programmes, in the form of a start-up aid.

THE SMALL FARMERS SCHEME

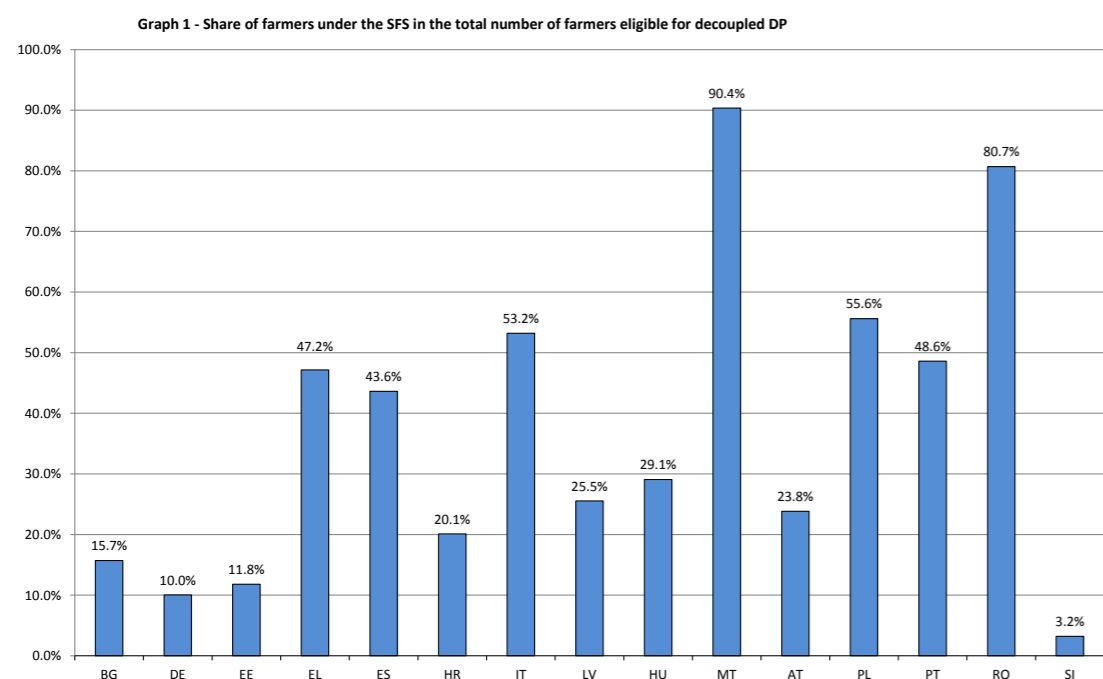
More than three quarters of farm holdings in the EU are small - below 10 ha - with the very large majority of those below 5ha.

In order to address the specific situation of these farms, member states can apply the [small farmers scheme](#) (SFS), a simplified direct payment scheme granting a one-off payment to farmers who choose to participate. The maximum level of the payment is decided at the national level, but in any case may not exceed €1,250. The small farmers scheme includes simplified administrative procedures, and participating farmers are exempt from greening and cross-compliance sanctions and controls.

The scheme is applied in 15 EU countries: Austria, Bulgaria, Croatia, Estonia, Greece, Germany, Hungary, Italy, Latvia, Malta, Poland, Portugal, Romania, Spain and Slovenia. On average, the SFS represented in 2015 more than 5% of the expenditure for direct payments in these countries, but with quite significant differences between them (e.g. more than 30% in Malta to less than 1% in Bulgaria, Germany and Slovenia).

In terms of beneficiaries, the scheme covers more than 90% of beneficiaries in Malta, and more than 80% in Romania, as shown in figure 9 below. In other countries, this percentage varies from 3.2% in Slovenia to 55.6% in Poland.

Figure 9: Share of farmers under the SFS in the total number of farmers eligible for direct payments



PAYMENTS FOR AREAS WITH NATURAL CONSTRAINTS

Areas with natural constraints (ANCs) are areas where farming is handicapped by natural or other specific constraints. The areas are set by member states on the basis of biophysical criteria (such as slopes for example). ANC areas include typically mountain areas, but they are not limited to these.

Up to 5% of the national allocation for direct payments can be used for top-up payments to farmers in these ANC areas – an option applied at present only by Denmark as from 2015, and Slovenia as from 2017.

Support for farmers in these areas is also possible – and mainly provided – through the [rural development programmes](#).

DIRECT PAYMENTS: HOW DOES IT WORK IN PRACTICE?

Member states are responsible for the implementation and primary control of payments to farmers. To help them with this, they have put in place an **integrated administration and control system (IACS)**, a network of interconnected databases which are used to receive and process aid applications and the respective data.

The system gives a unique identification for each farmer, as well as for all agricultural parcels of land (the Land Parcel Identification System or LPIS) and, if needed, for animals. The system also covers the processing of the aid applications.

IACS is operated in the member states by accredited paying agencies. It covers all direct payment support schemes as well as certain rural development measures. It is also used to manage the controls put in place to ensure that the requirements and standards under the cross-compliance provisions are respected.

OTHER EU SUPPORT MEASURES

The EU supports the competitiveness and sustainability of agriculture in Europe by financing a range of support measures (including direct payments) through the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD). As well as direct payments to farmers, support comes in the form of market measures and through rural development programmes.

Market measures are used if normal market forces fail – for example, if there is a sudden drop in demand because of a health scare or a fall in prices because of a temporary oversupply on the market. In such cases, the European Commission can activate market support measures – financing for a particular affected sector that on average accounts for around 5% of overall EU farm spending. This part of the budget – funded through the EAGF – also includes elements such as promotion of EU farm products and the EU school schemes.

Rural development programmes, meanwhile, finance individual projects on farms and/or other activities in rural areas on the basis of economic, environmental or territorial priorities. Funded through the EAFRD, this covers projects such as on-farm investment and modernisation, installation grants for young farmers, agri-environment measures, organic conversion, agri-tourism, village renewal or providing broadband internet coverage in rural areas. Accounting for almost 25% of CAP funding, these measures are generally co-financed by national, regional or private funds and generally extend over several years.

Although direct payments and market measures have traditionally been viewed as distinct support measures from rural development programmes, they are increasingly being combined to provide the most effective and tailor-made support for farmers across the diverse range of EU agriculture.





SUSTAINABLE FUTURE FOR EU FOOD AND FARMING

Farmers continue to have a vital strategic role in providing food, but the common agricultural policy is not just about making sure Europe can feed itself. It also contributes to some of the other key objectives of the European Union: boosting jobs and growth in the food and farming sector, tackling sustainability and climate change and delivering wider benefits for society.

- The food sector is a major employer in the EU – providing 44 million jobs (and 7% of GDP), many of which are located in poorer regions. Ensuring a degree of stability to farm revenues and supporting on-farm investments through the CAP is vital not just for farmers but for the whole food industry. Trade in agri-food products is also a cornerstone of the EU economy: since 2009, the EU has become a net exporter of food and drink, with the value of EU agri-food exports rising to an estimated €122 billion a year, following a steady annual growth of 8.6% over the last 10 years.
- Through the direct payments and its rural development programmes, it also helps the EU meet its commitments to the UN sustainable development goals through its active role in promoting the approach of “producing more with less”, at the same time as actively working to mitigate the effects of climate change. It is also the least trade-distortive farm policy compared to other big producing countries and has therefore a positive contribution to the UN’s sustainable development goals.

Agriculture is about so much more than simply producing the food we all need to live. Farmers have always played a key role in shaping the landscape of Europe and will continue to do so in the future, at the same time as meeting the ever more-challenging demands of consumers for healthy, quality and affordable food. The CAP, through its support for farmers and for communities as a whole, is a key player in this continuous shaping of rural life – but whose benefits are felt by everyone, no matter where they live.

For more information on direct payments, please consult:

https://ec.europa.eu/agriculture/direct-support/direct-payments_en