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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**establishing rules for direct payment schemes for farmers under the common
agricultural policy**

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

The Commission proposal for the Multiannual Financial Framework (MFF) for 2014-2020 (the MFF proposal)¹ sets the budgetary framework and main orientations for the Common Agricultural Policy (CAP). On this basis, the Commission presents a set of regulations laying down the legislative framework for the CAP in the period 2014-2020, together with an impact assessment of alternative scenarios for the evolution of the policy.

The current reform proposals are based on the Communication on the CAP towards 2020² that outlined broad policy options in order to respond to the future challenges for agriculture and rural areas and to meet the objectives set for the CAP, namely 1) viable food production; 2) sustainable management of natural resources and climate action; and 3) balanced territorial development. The reform orientations in the Communication have since been broadly supported both in the inter-institutional debate³ and in the stakeholder consultation that took place in the framework of the impact assessment.

A common theme that has emerged throughout this process is the need to promote resource efficiency with a view to smart, sustainable and inclusive growth for EU agriculture and rural areas in line with the Europe 2020 strategy, keeping the structure of the CAP around two pillars that use complementary instruments in pursuit of the same objectives. Pillar I covers direct payments and market measures providing a basic annual income support to EU farmers and support in case of specific market disturbances, while Pillar II covers rural development where Member States draw up and co-finance multiannual programmes under a common framework.⁴

Through successive reforms the CAP has increased market orientation for agriculture while providing income support to producers, improved the integration of environmental requirements and reinforced support for rural development as an integrated policy for the development of rural areas across the EU. However, the same reform process has raised demands for a better distribution of support among and within Member States, as well as calls for a better targeting of measures aiming at addressing environmental challenges and better addressing increased market volatility.

In the past, reforms mainly responded to endogenous challenges, from huge surpluses to food safety crises; they have served the EU well both on the domestic and the international front. However, most of today's challenges are driven by factors that are external to agriculture and would thus require a broader policy response.

¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions *A budget for Europe 2020*, COM(2011)500 final, 29.6.2011.

² Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions *The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future*, COM(2010)672 final, 18.11.2010.

³ See in particular the European Parliament resolution of 23 June 2011, 2011/2015(INI), and the Presidency conclusions of 18.3.2011.

⁴ The current legislative framework comprises Council Regulation (EC) No 73/2009 (direct payments), Council Regulation (EC) No 1234/2007 (market instruments), Council Regulation (EC) No 1698/2005 (rural development) and Council Regulation (EC) No 1290/2005 (financing).

The pressure on agricultural income is expected to continue as farmers are facing more risks, a slowdown in productivity and a margin squeeze due to rising input prices; there is therefore a need to maintain income support and to reinforce instruments to better manage risks and respond to crisis situations. A strong agriculture is vital for the EU food industry and global food security.

At the same time, agriculture and rural areas are being called upon to step up their efforts to meet the ambitious climate and energy targets and biodiversity strategy that are part of the Europe 2020 agenda. Farmers, who are together with foresters the main land managers, will need to be supported in adopting and maintaining farming systems and practices that are particularly favourable to environmental and climate objectives because market prices do not reflect the provision of such public goods. It will also be essential to best harness the diverse potential of rural areas and thus contribute to inclusive growth and cohesion.

The future CAP will not, therefore, be a policy that caters only for a small, albeit essential, part of the EU economy, but also a policy of strategic importance for food security, the environment and territorial balance. Therein lies the EU added value of a truly common policy that makes the most efficient use of limited budgetary resources in maintaining a sustainable agriculture throughout the EU, addressing important cross-border issues such as climate change and reinforcing solidarity among Member States, while also allowing flexibility in implementation to cater for local needs.

The framework set out in the MFF proposal foresees that the CAP should maintain its two-pillar structure with the budget for each pillar maintained in nominal terms at its 2013 level and with a clear focus on delivering results on the key EU priorities. Direct payments should promote sustainable production by assigning 30 % of their budgetary envelope to mandatory measures that are beneficial to climate and the environment. Payment levels should progressively converge and payments to large beneficiaries be subject to progressive capping. Rural development should be included in a Common Strategic Framework with other EU shared management funds with a reinforced outcome-orientated approach and subject to clearer, improved ex-ante conditionalities. Finally, on market measures the financing of the CAP should be reinforced with two instruments outside the MFF: 1) an emergency reserve to react to crisis situations; and 2) the extension of the scope of the European Globalization Fund.

On this basis, the main elements of the legislative framework for the CAP during the period 2014-2020 are set out in the following regulations:

- Proposal for a regulation of the European Parliament and of the Council establishing common rules for direct support schemes for farmers under the common agricultural policy and repealing Regulation (EC) No 73/2009 (the direct payments regulation);
- Proposal for a regulation of the European Parliament and of the Council establishing a common organisation of the market in agricultural products (the Single CMO regulation);
- Proposal for a regulation of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (the rural development regulation);

- Proposal for a regulation of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy (the horizontal regulation);
- Proposal for a Council regulation determining measures on fixing certain aids and refunds related to the common organization of the market in agricultural products;
- Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 73/2009 as regards the application of transitional measures in respect of the year 2013;
- Proposal for a Regulation of the European Parliament and of the Council modifying Regulation (EC) No 1234/2007 establishing a common organization of agricultural markets and on specific provisions for certain agricultural products (Single CMO Regulation) as regards the regime of the single payment scheme and support to vine-growers.

A regulation will follow on the scheme for most deprived persons, for which funding is now placed under a different heading of the MFF.

In addition, new rules on the publication of information on beneficiaries taking account of the objections expressed by the Court of Justice of the European Union are also under preparation with a view to finding the most appropriate way to reconcile beneficiaries' right to protection of personal data with the principle of transparency.

2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES AND IMPACT ASSESSMENT

On the basis of the evaluation of the current policy framework and an analysis of future challenges and needs, the impact assessment assesses and compares the impact of three alternative scenarios. This is the result of a long process started in April 2010 and steered by an inter-service group that brought together extensive quantitative and qualitative analysis, including setting a baseline in the form of medium-term projections for agricultural markets and income up to 2020 and modelling the impact of the different policy scenarios on the economics of the sector.

The three scenarios elaborated in the impact assessment are: 1) an adjustment scenario that continues with the current policy framework while addressing its most important shortcomings, such as the distribution of direct payments; 2) an integration scenario that entails major policy changes in the form of enhanced targeting and greening of direct payments and reinforced strategic targeting for rural development policy in better coordination with other EU policies, as well as extending the legal base for a broader scope of producer cooperation; and 3) a refocus scenario that reorients the policy exclusively towards the environment with a progressive phasing out of direct payments, assuming that productive capacity can be maintained without support and that the socio-economic needs of rural areas can be served by other policies.

Against the background of the economic crisis and the pressure on public finances, to which the EU has responded with the Europe 2020 strategy and the MFF proposal, all three scenarios attach different weight to each of the three policy objectives of the future CAP which aims at a more competitive and sustainable agriculture in vibrant rural areas. With a

view to a better alignment with the Europe 2020 strategy, notably in terms of resource efficiency, it will be increasingly essential to improve agricultural productivity through research, knowledge transfer and promoting cooperation and innovation (including through the European Innovation Partnership on agricultural productivity and sustainability). Whereas EU agricultural policy does not any more operate within a trade distorting policy environment, additional pressure on the sector is expected from further liberalization, notably in the framework of the DDA or the FTA with Mercosur.

The three policy scenarios were drawn up taking into account the preferences expressed in the consultation which was conducted in the context of the impact assessment. Interested parties were invited to submit contributions between 23.11.2010 and 25.1.2011 and an advisory committee was organised on 12.1.2011. The main points are summarized below:⁵

- There is broad agreement among stakeholders on the need for a strong CAP based on a two-pillar-structure in order to address the challenges of food security, sustainable management of natural resources and territorial development.
- Most respondents find that the CAP should play a role in stabilizing markets and prices.
- Stakeholders have diverse opinions concerning the targeting of support (especially redistribution of direct aid and capping payments).
- There is agreement that both pillars can play an important role in stepping up climate action and increasing environmental performance for the benefit of EU society. Whereas many farmers believe that this already takes place today, the wider public argues that Pillar I payments can be more efficiently used.
- The respondents want all parts of the EU, including less favoured areas, to be part of future growth and development.
- The integration of the CAP with other policies, such as environmental, health, trade, development, was emphasised by many respondents.
- Innovation, development of competitive businesses and provision of public goods to EU citizens are seen as ways to align the CAP with the Europe 2020 strategy.

The impact assessment thus compared the three alternative policy scenarios:

The refocus scenario would accelerate structural adjustment in the agricultural sector, shifting production to the most cost efficient areas and profitable sectors. While significantly increasing funding for the environment, it would also expose the sector to greater risks due to limited scope for market intervention. Furthermore, it would come at a significant social and environmental cost as the less competitive areas would face a considerable income loss and environmental degradation, since the policy would lose the leverage of direct payments coupled with the cross compliance requirements.

At the other end of the spectrum, the adjustment scenario would best allow for policy continuity with limited but tangible improvements both in agricultural competitiveness and environmental performance. There are however serious doubts as to whether this scenario could adequately address the important climate and environmental challenges of the future, which also underpin the long-term sustainability of agriculture.

⁵ See Annex 9 of the impact assessment for an overview of the 517 contributions received.

The integration scenario breaks new ground with enhanced targeting and greening of direct payments. The analysis shows that greening is possible at a reasonable cost to farmers although some administrative burden cannot be avoided. Similarly, a new impetus in rural development is possible provided that the new possibilities are efficiently used by Member States and regions and that the common strategic framework with the other EU funds does not remove synergies with Pillar I or weaken rural development's distinctive strengths. If the right balance is struck, this scenario would best address the long term sustainability of agriculture and rural areas.

On this basis the impact assessment concludes that the integration scenario is the most balanced in progressively aligning the CAP with the EU's strategic objectives and this balance is also found in the implementation of the different elements in the legislative proposals. It will also be essential to develop an evaluation framework to measure the performance of the CAP with a common set of indicators linked to policy objectives.

Simplification has been an important consideration throughout the process and should be enhanced in a variety of ways, for instance in the streamlining of cross compliance and market instruments, or the design of the small farmers scheme. In addition, the greening of direct payments should be designed in such a way as to minimize administrative burden including the costs of controls.

3. LEGAL ELEMENTS OF THE PROPOSAL

It is proposed to maintain the current structure of the CAP in two pillars with annual mandatory measures of general application in Pillar I complemented by voluntary measures better tailored to national and regional specificities under a multi-annual programming approach in Pillar II. However, the new design of direct payments seeks to better exploit synergies with Pillar II, which is in turn placed under a Common Strategic Framework to better coordinate with other EU shared management funds.

On this basis, the current structure of four basic legal instruments is also maintained, albeit with the scope of the financing regulation enlarged to bring together common provisions into what is now called the horizontal regulation.

The proposals comply with the principle of subsidiarity. The CAP is a truly common policy: it is an area of shared competence between the EU and the Member States that is being handled at EU level with a view to maintaining a sustainable and diverse agriculture throughout the EU, addressing important cross-border issues such as climate change and reinforcing solidarity among Member States. In the light of the importance of future challenges for food security, the environment and territorial balance, the CAP remains a policy of strategic importance to ensure the most effective response to the policy challenges and the most efficient use of budgetary resources. In addition, it is proposed to maintain the current structure of instruments in two pillars where Member States have more leeway to tailor solutions to their local specificities and also co-finance Pillar II. The new European Innovation Partnership and risk management toolkit are also placed within Pillar II. At the same time the policy will be better aligned with the Europe 2020 strategy (including a common framework with other EU funds) and a number of improvements and simplification elements introduced. Finally, the analysis carried out in the framework of the impact assessment clearly shows the cost of no action in terms of negative economic, environmental and social consequences.

The direct payments regulation lays down common rules for the basic payment scheme and related additional payments. Building on the reform of 2003 and the Health Check of 2008 that decoupled direct payments from production while subjecting them to cross compliance requirements, the regulation now seeks to better target support to certain actions, areas or beneficiaries as well as to pave the way for convergence of the level of support within and across Member States. The regulation also includes a section on coupled support.

A single scheme across the EU, the basic payment scheme, replaces the Single Payment Scheme and the Single Area Payment Scheme as from 2014. The scheme will operate on the basis of payment entitlements allocated at national or regional level to all farmers according to their eligible hectares in the first year of application. Thus the use of the regional model that was optional in the current period is generalized, also effectively bringing all agricultural land into the system. The rules on the management of entitlements and the national reserve largely follow current rules.

With a view to a more equitable distribution of support, the value of entitlements should converge at national or regional level towards a uniform value. This is done progressively to avoid major disruptions.

An important element is the definition of active farmer that further enhances targeting on farmers genuinely engaged in agricultural activities, and thus legitimizes support. In addition, the progressive reduction and capping of support for large beneficiaries is foreseen while taking due account of employment.

The following additional payments are provided:

- an additional payment (30% of annual national ceiling) for farmers following agricultural practices beneficial for the climate and the environment: crop diversification, maintenance of permanent pastures and ecological focus areas. Organic farming automatically benefits from this additional payment, while farmers in Natura 2000 areas will have to comply with the relevant requirements to the extent that they are consistent with the Natura 2000 legislation;
- a voluntary additional payment (up to 5% of annual national ceiling) for farmers in areas facing specific natural constraints (areas delimited in the same manner as for rural development purposes); this payment recognizes the need for income support to maintain presence in areas facing specific natural constraints and complements existing support under rural development;
- an additional payment (up to 2% of annual national ceiling) for young farmers in their installation, which may be complemented by setting up aid under rural development; and
- a simplified scheme for small farmers (up to 10% of annual national ceiling), who receive a lump sum payment replacing all direct payments and producing administrative simplification with an easing of such farmers' obligations related to greening, cross compliance and controls.

A voluntary coupled support scheme is provided for specific types of farming or specific agricultural systems which are experiencing certain difficulties and which are particularly important for economic and/or social reasons; support is provided to the extent necessary to

maintain current levels of production (up to 5% of annual national ceiling with the possibility to go beyond this in particular cases).

In addition, the regulation maintains the possibility for Complementary National Direct Payments for Bulgaria and Romania and includes a specific payment for cotton.

In terms of simplification, the new direct payments system will be based on a single type of payment entitlements and streamline transfer rules, thereby simplifying its management; a harmonisation of provisions for coupled payments under one heading renders the legal framework more user-friendly and the scheme for small farmers with its simplified requirements and procedures will reduce the red tape on small farmers and enhance their competitiveness.

4. BUDGETARY IMPLICATION

The MFF proposal provides that a significant part of the EU budget should continue to be dedicated to agriculture, which is a common policy of strategic importance. Thus, in current prices, it is proposed that the CAP should focus on its core activities with EUR 317.2 billion allocated to Pillar I and EUR 101.2 billion to Pillar II over the 2014-2020 period.

The Pillar I and Pillar II funding is complemented by additional funding of EUR 17.1 billion consisting of EUR 5.1 billion for research and innovation, EUR 2.5 billion for food safety and EUR 2.8 billion for food support for the most deprived persons in other headings of the MFF, as well as of EUR 3.9 billion in a new reserve for crises in the agricultural sector and up to EUR 2.8 billion in the European Globalization Fund outside the MFF, thus bringing the total budget to EUR 435.6 over the 2014-2020 period.

As regards distribution of support among Member States, it is proposed that all Member States with direct payments below 90% of the EU average will see one third of this gap closed. The national ceilings in the direct payments regulation are calculated on this basis.

The distribution of rural development support is based on objective criteria linked to the policy objectives taking into account the current distribution. As is the case today, less developed regions should continue to benefit from higher co-financing rates, which will also apply to certain measures such as knowledge transfer, producer groups, cooperation and Leader.

Details on the financial impact of the CAP reform proposals are set out in the financial statement accompanying the proposals.

Proposal for a

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 42 and Article 43(2) thereof,

Having regard to the 1979 Act of Accession, and in particular paragraph 6 of Protocol No 4 on cotton attached thereto,

Having regard to the proposal from the European Commission⁶,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee⁷,

Having regard to the opinion of the Committee of the Regions⁸,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on "The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future"⁹ sets out potential challenges, objectives and orientations for the Common Agricultural Policy (CAP) after 2013. In the light of the debate on that Communication, the CAP should be reformed with effect from 1 January 2014. That reform should cover all the main instruments of the CAP, including Council Regulation (EC) No 73/2009 of 19 January 2009 establishing common rules for direct support schemes for farmers under the common agricultural policy and establishing certain support schemes for farmers, amending Regulations (EC) No 1290/2005, (EC) No 247/2006, (EC) No 378/2007 and repealing Regulation (EC) No 1782/2003¹⁰ as amended by Regulation of the European Parliament and Council [COM(2010)539] (direct payments Regulation after Lisbon alignment)¹¹. In view of the scope of the reform, it is appropriate to repeal Regulation (EC) No 73/2009 and to replace it with a

⁶ OJ C [...], [...], p. [...].

⁷ OJ C [...], [...], p. [...].

⁸ OJ C [...], [...], p. [...].

⁹ COM(2010) 672 final, 18.11.2010.

¹⁰ OJ L 30, 31.1.2009, p. 16.

¹¹ OJ L 299, 16.11.2007, p. 1.

new text. The reform should also, as far as possible, streamline and simplify provisions.

- (2) This Regulation should contain all the basic elements pertaining to the payment of Union support to farmers and fix criteria and conditions of access to those payments which are inextricably linked to those basic elements.
- (3) It should be clarified that Regulation (EU) No [...] of the European parliament and of Council of... on the financing, management and monitoring of the common agricultural policy [horizontal CAP Regulation: HZR] and the provisions adopted pursuant to it should apply in relation to the measures set out in this Regulation. For the sake of consistency with other legal instruments relating to the CAP, some rules currently provided for in Regulation (EC) No 73/2009, are now laid down Regulation (EU) No [...] [HZR], in particular rules to guarantee compliance with the obligations laid down by direct payment provisions, including checks and the application of administrative measures and administrative penalties in case of non-compliance, rules related to cross-compliance such as the statutory management requirements, the good agricultural and environmental condition, the monitoring and evaluation of relevant measures and rules related to the recovery of undue payments.
- (4) In order to supplement or amend certain non-essential elements of this Regulation, the power to adopt delegated acts in accordance with Article 290 of the Treaty should be delegated to the Commission in respect of: the amendment of the list of support schemes set out in Annex I; the establishment of a framework under which Member States shall define the minimum activities to be carried out on areas naturally kept in a state suitable for grazing or cultivation; the adoption of further definitions regarding the access to support under this Regulation and amending the list of arable crops set out in Annex II; the revision of the national and net ceilings set out in Annexes III and IV to take account of the developments relating to the total maximum amounts of direct payments that may be granted; the adoption of rules on the basis for calculation of reductions to be applied by Member States to farmers pursuant to the application of the financial discipline; the adoption of rules on eligibility and the access in respect of the basic payment scheme of farmers in case of inheritance and anticipated inheritance, inheritance under a lease, change of legal status or denomination and in the case of merger or scission of the holding; the adoption of rules on the calculation of the value and number or on the increase in the value of payment entitlements in relation to the allocation of payment entitlements, including rules on the possibility of a provisional value and number or of a provisional increase of payment entitlements allocated on the basis of the application from the farmer, on the conditions for establishing the provisional and definitive value and number of the payment entitlements and on the cases where a sale or lease contract could affect the allocation of payment entitlements; the adoption of rules on the establishment and calculation of the value and number of payment entitlements received from the national reserve; the adoption of rules on the modification of the unit value of payment entitlements in the case of fractions of payment entitlements and criteria for the allocation of payment entitlements pursuant to the use of the national reserve; the adoption of rules on the declaration and use of payment entitlements; the adoption of rules making the granting of payments conditional upon the use of certified seeds of certain hemp varieties and defining the procedure for the determination of hemp varieties and the verification of their tetrahydrocannabinol content; the adoption of the definition of 'crop' and of rules concerning the application of the measure "crop diversification"; the adoption of rules

concerning the application of the measure "permanent grassland"; the further definition of the types of "ecological focus areas" mentioned under the same name measure and the addition and definition of other types of ecological focus areas that can be taken into account for the respect of the percentage referred to in that measure; the adoption of conditions under which legal persons may be considered as young farmers; the adoption of rules concerning the conditions for granting voluntary coupled support and of rules on its consistency with other Union measures and on the cumulation of support; the adoption of rules and conditions for the authorisation of land and varieties for the purposes of the crop specific payment for cotton and of rules on the conditions for the granting of that specific payment, on the eligibility requirements and the agronomic practices, on criteria for the approval of inter-branch organisations, on obligations for producers and on the situation where the approved inter-branch organisation does not respect those criteria; the adoption of the necessary measures regarding notifications to be made by Member States for the purposes of this Regulation or for the purpose of checking, controlling, monitoring, evaluating and auditing direct payments, implementing international agreements, including notification requirements under those agreements and of rules laying down the nature and type of the information to be notified, on the methods of notification and on the access rights to the information or information systems and the conditions and means of publication of the information and the adoption of rules concerning the necessary measures to protect the acquired rights and legitimate expectations of farmers.

- (5) It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing-up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and Council.
- (6) In order to ensure uniform conditions for the implementation of this Regulation and to avoid unfair competition or discrimination between farmers, implementing powers should be conferred on the Commission in respect of: the fixation of the annual national ceiling for the basic payment scheme; the adoption of rules on applications for allocation of payment entitlements; the adoption of measures regarding the reversion of non-activated payment entitlements to the national reserve; the setting out of the annual ceiling for the payment for agricultural practises beneficial for the climate and the environment; the setting out of the annual ceiling for the payment for areas with natural constraints; the setting out of the annual ceiling for the payment for young farmers; the setting out of the annual ceilings for the voluntary coupled support; the adoption of rules on the procedure for the assessment and approval of decisions in the framework of the voluntary coupled support; the adoption of rules on the procedure of the authorisation and the notifications to the producers related to the authorisation of land and varieties for the purposes of the crop specific payment for cotton; the provision for rules on the calculation of the reduction of the amount of the crop specific payment for cotton; the adoption of rules concerning general notification requirements. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers¹².

¹² OJ L 55, 28.2.2011, p. 13.

- (7) The Commission should adopt immediately applicable implementing acts where, in duly justified cases relating to exceptional management measures, intended to solve urgent and unforeseen problems occurring in one or more Member States, imperative grounds of urgency so require.
- (8) In respect of certain measures under this Regulation which require swift action or which consist in the mere application of general provisions to specific situations without exercising discretionary power, implementing powers should be conferred on the Commission.
- (9) The Commission should further be empowered to adopt implementing acts without the assistance of the Committee for Direct Payments concerning the approval of voluntary coupled support exceeding 10% of the annual national ceiling fixed per Member State.
- (10) The objectives of this Regulation can be achieved more efficiently at Union level through the multiannual guarantee of Union finance and by concentrating on its priorities, given the links between of this Regulation and the other instruments of the CAP, the extend of disparities between the various rural areas and the limits on the financial resources of the Member States in an enlarged Union. The Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5(3) of the Treaty on European Union and with the principle of proportionality as set out in Article 5(4) of that Treaty that limit the scope of this Regulation to what is necessary in order to achieve its objectives.
- (11) With a view to ensuring that the amounts for the financing of the CAP comply with the annual ceilings set in the financial perspective provided for in Article 16(1) of Regulation (EU) No [...] [HZR], an adjustment of the level of direct support in any calendar year should be maintained. The adjustment of the direct payments should only be applied to payments to be granted to farmers in excess of EUR 5 000 in the corresponding calendar year. Taking into account the levels of direct payments for farmers in Bulgaria and Romania in the framework of the application of the phasing-in mechanism to all direct payments granted in those Member States, this instrument of financial discipline should only apply in those Member States as from 1 January 2016.
- (12) Experience from the application of the various schemes of direct payments to farmers shows that support was in a number of cases granted to beneficiaries whose business purpose was not or only marginally targeted at an agricultural activity. To ensure the better targeting of support, Member States should refrain from granting direct payments to such natural and legal persons, and in particular to airports, railway companies, real estate companies and companies managing sport grounds. Small scale farmers should however not be prevented from being granted direct payments.
- (13) To avoid an excessive administrative burden caused by the managing of payments of small amounts, Member States should in general refrain from granting direct payments where the payment would be lower than EUR 100 or the eligible area of the holding for which support is claimed would be less than one hectare. However, as the structures of the Member States' agricultural economies vary considerably and may differ significantly from the average farm structure in the Union, Member States should be allowed to apply minimum thresholds that reflect their particular situation. Due to the very specific farming structure in the outermost regions and the smaller Aegean Islands, Member States should be able to decide whether those regions should

apply any minimum threshold. Moreover, Member States should have the possibility to opt for the implementation of one of the two types of minimum threshold taking account of the particularities of the structures of their farming sectors. As payment could be granted to farmers with so-called 'landless' holdings, the application of the hectare-based threshold would be ineffective. The support-related minimum amount should therefore apply to such farmers. To ensure equal treatment of farmers whose direct payments are subject to phasing-in in Bulgaria and Romania, the minimum threshold should be based on the final amounts to be granted at the end of the phasing-in process.

- (14) The distribution of direct income support among farmers is characterised by the allocation of disproportionate amounts of payments to a rather small number of large beneficiaries. Due to economies of size, larger beneficiaries do not require the same level of unitary support for the objective of income support to be efficiently attained. Moreover, the potential to adapt makes it easier for larger beneficiaries to operate with lower levels of unitary support. It is therefore fair to introduce a system for large beneficiaries where the support level is gradually reduced and ultimately capped to improve the distribution of payments between farmers. Such system should however take into account salaried labour intensity to avoid disproportionate effects on large farms with high employment numbers. Those maximum levels should not apply to payments granted to agricultural practices beneficial for the climate and the environment since the beneficial objectives they pursue could be diminished as a result. In order to make capping effective, Member States should establish some criteria in order to avoid abusive operations by farmers seeking to evade its effects. The proceeds of the reduction and capping of payments to large beneficiaries should remain in the Member States where they were generated and are to be used for financing projects with a significant contribution to innovation under Regulation (EU) No [...] of the European Parliament and of the Council of...on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)¹³ [RDR].
- (15) In order to facilitate the functioning of capping, notably with regard to the procedures for granting direct payments to farmers and the corresponding transfers to rural development, net ceilings should be determined for each Member State to limit the payments to be made to farmers following the application of capping. To take into account the specificities of CAP support granted in accordance with Regulation (EC) No 247/2006 of 30 January 2006 laying down specific measures for agriculture in the outermost regions of the Union¹⁴ and Regulation (EC) No 1405/2006 of 18 September 2006 laying down specific measures for agriculture in favour of the smaller Aegean islands and amending Regulation (EC) No 1782/2003¹⁵, and the fact that these direct payments are not subject to capping, the net ceiling for the Member States concerned should not include those direct payments.
- (16) In order to achieve the objectives of the CAP, the support schemes may need to be adapted to changing developments, if necessary within short time-limits. Therefore, it is necessary to provide for a possible review of the schemes, in particular in the light of economic developments or the budgetary situation, implying that beneficiaries cannot rely on support conditions remaining unchanged.

¹³ OJ L [...], [...], p. [...].

¹⁴ OJ L 42, 14.2.2006, p. 1.

¹⁵ OJ L 265, 26.9.2006, p. 1.

- (17) Farmers in Member States which acceded to the European Union on or after 1 May 2004 received direct payments following a phasing-in mechanism provided for in the respective Acts of Accession. For Bulgaria and Romania, such mechanism will be still in force in 2014 and 2015. For the sake of transparency, the annual amounts they are entitled to, as a result of the application of the percentages provided for in the Act of Accession, should be set out in this Regulation. Furthermore, those Member States were allowed to grant complementary national direct payments. The possibility for granting such payments should be maintained for Bulgaria and Romania until they are fully phased-in.
- (18) In order to ensure a better distribution of support amongst agricultural land in the Union, including in those Member States which applied the single area payment scheme established under Regulation (EC) No 73/2009, a new basic payment scheme should replace the single payment scheme established under Council Regulation (EC) No 1782/2003 of 29 September 2003 establishing common rules for direct support schemes under the common agricultural policy and establishing certain support schemes for farmers¹⁶, and continued under Regulation (EC) No 73/2009, which combined previously existing support mechanisms into a single scheme of decoupled direct payments. Such a move should entail the expiry of payment entitlements obtained under those Regulations and the allocation of new ones, although still based on the number of eligible hectares at the disposal of farmers in the first year of implementation of the scheme.
- (19) Due to the successive integration of various sectors in the single payment scheme and the ensuing period of adjustment granted to farmers, it has become increasingly difficult to justify the presence of significant individual differences in the level of support per hectare of farmers resulting from use of historical references. Therefore direct income support should be more equitably distributed between Member States, by reducing the link to historical references and having regard to the overall context of the Union budget. In addition, all payment entitlements activated in 2019 in a Member State or in a region should have a uniform unit value following a convergence to this value that should take place during the transition period in linear reduction steps. However, in order to avoid disruptive financial consequences for farmers, Member States having used the single payment scheme, and in particular the historical model, should be allowed to partially take historical factors into account when calculating the value of payment entitlements in the first year of application of the new scheme.
- (20) The experience gained with the application of the single payment scheme shows that some of its main elements should be kept, including the determination of national ceilings to ensure that the total level of support does not exceed current budgetary constraints. Member States should also continue to operate a national reserve that should be used to facilitate the participation of new farmers in the scheme or may be used to take account of specific needs in certain regions. Rules on the transfer and use of payment entitlements should be kept but, where possible, simplified.
- (21) As regards hemp, specific measures should be kept to ensure that illegal crops cannot be hidden among the crops eligible for the basic payment, thereby adversely affecting the common market organisation for hemp. Hence, payments should continue to be granted only for areas sown to varieties of hemp offering certain guarantees with regard to the psychotropic substance content.

¹⁶ OJ L 270, 21.10.2003, p. 1. Regulation repealed and replaced by Regulation (EC) No 73/2009.

- (22) One of the objectives of the new CAP is the enhancement of environmental performance through a mandatory "greening" component of direct payments which will support agricultural practices beneficial for the climate and the environment applicable throughout the Union. For that purpose, Member States should use part of their national ceilings for direct payments to grant an additional annual payment, on top of the basic payment, for compulsory practices to be followed by farmers addressing, as a priority, both climate and environment policy goals. These practises should take the form of simple, generalised, non-contractual and annual actions that go beyond cross-compliance and are linked to agriculture such as crop diversification, maintenance of permanent grassland and ecological focus areas. The compulsory nature of these practises should also concern farmers whose holdings are fully or partly situated in "Natura 2000" areas covered by Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora¹⁷ and by Directive 2009/147/EC of the European Parliament and of the Council of 30 November 2009 on the conservation of wild birds¹⁸, as long as these practises are compatible with the objectives of those Directives. Farmers who fulfil the conditions laid out in Council Regulation (EC) No 834/2007 of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No 2092/91¹⁹ should benefit from the "greening" component without fulfilling any further obligation, given the recognised environmental benefits of the organic farming systems.
- (23) In order to promote the sustainable development of agriculture in areas with specific natural constraints, Member States should be able to use part of their national ceilings for direct payments to grant an additional annual area-based payment, on top of the basic payment, to all farmers operating in such areas. That additional payment should not replace the support given under rural development programs and should not be granted to farmers in areas which were designated in accordance with Regulation 1698/2005 but are not designated in accordance with Article 46(1) of Regulation (EU) No [...] [RDR].
- (24) Member States should address specific needs of young farmers. The creation and development of new economic activity in the agricultural sector by young farmers is financially challenging and constitutes an element that should be considered in the allocation and targeting of direct payments. This development is essential for the competitiveness of the European agricultural sector and, for that reason, an income support to young farmers commencing their agricultural activities should be established in order to facilitate the initial establishment of young farmers and the structural adjustment of their holdings after the initial setting up. Member States should be able to use part of their national ceilings for direct payments to grant an additional annual area-based payment, on top of the basic payment, to young farmers during a period of maximum five years, since it should only cover the initial period of the life of the business and should not become operating aid.
- (25) While recognising the important contribution to the vitality of rural areas made by small farmers, a simple and specific scheme for those farmers should be put in place in order to reduce the administrative costs linked to the management and control of direct support. For that purpose, a lump-sum payment replacing all direct payments should

¹⁷ OJ L 206, 22.7.1992, p. 7.

¹⁸ OJ L 20, 26.1.2010, p. 7.

¹⁹ OJ L 189, 20.7.2007, p. 1.

be established. On the other hand, rules seeking considerable simplification of formalities should be introduced by easing, amongst other, obligations faced by small farmers such as those related to the application for support, to agricultural practices beneficial for the climate and the environment, to cross-compliance and to controls without endangering the achievement of the overall objectives of the reform.

- (26) Member States should be allowed to use part of their national ceilings for direct payments for coupled support in certain sectors in clearly defined cases. The resources that may be used for any coupled support should be limited to an appropriate level, while allowing such support to be granted in Member States or in their specific regions facing particular situations where specific types of farming or specific agricultural sectors are particularly important for economic, environmental and/or social reasons. Member States should be allowed to use up to 5 % of their national ceilings for this support, or 10 % in the case that their level of couple support at the end of 2013 exceeded 5 %. However, in duly justified cases where certain sensitive needs in a region are demonstrated, and upon approval by the Commission, Member States should be allowed to use more than 10 % of the said ceiling. Coupled support should only be granted to the extent necessary to create an incentive to maintain current levels of production in those regions. This support should also be available to farmers holding, on 31 December 2013, special payment entitlements allocated under Regulation (EC) No 1782/2003 and Regulation (EC) No 73/2009 and who do not have eligible hectares at their disposal for the activation of payment entitlements.
- (27) As regards support to the cotton sector, Regulation (EC) No 73/2009 considered necessary that part of it continued to be linked to the cultivation of cotton through a crop specific payment per eligible hectare to ensure against any risk of disruption to production in the cotton producing regions, taking into account all factors that influence this choice. This choice should be maintained in accordance with the objectives set out in Protocol No 4 on cotton attached to the 1979 Act of Accession.
- (28) Chapter 2 of Regulation (EC) No 637/2008 of 23 June 2008 amending Regulation (EC) No 1782/2003 and establishing national restructuring programmes for the cotton sector²⁰ provided that each cotton producer Member State has, either every four years and for the first time by 1 January 2009, to submit to the Commission a draft four-year restructuring programme or submit to the Commission, by 31 December 2009, a single draft modified restructuring programme for a duration of eight years. In view of the CAP reform, and in the light of experience, it would appear that the restructuring of the cotton sector would be better served through other measures, including those under rural development programming financed under Regulation (EU) No [...] [RDR], which would also allow for a greater co-ordination with measures in other sectors. However, the acquired rights and legitimate expectations of undertakings already involved in restructuring programmes should be respected. Therefore the ongoing programmes of four or eight years should be allowed to continue to their end. At the end of that period, however, the programmes should be ended. The funds available from the four-year programmes could then be integrated into the available Union funds for measures under rural development from 2014. The funds available after the end of the eight year programmes would not be useful in rural development programmes in 2018 given the programming period and could therefore be more usefully transferred to direct payment envelopes, as already provided for in the second sub-paragraph of Article 5(2) of Regulation (EC) No 637/2008. Regulation (EC) No

²⁰ OJ L 178, 5.7.2008, p. 1.

637/2008 will therefore become obsolete from 1 January 2014 or 1 January 2018 as regards Member States which have, respectively, four or eight year programmes.

- (29) In the interest of simplification and to take into account the specific situation of the outermost regions, direct payments in those regions should be managed within the support programmes established by Regulation (EC) No 247/2006 of 30 January 2006. As a consequence, provisions in this Regulation relating to the basic payment scheme and related payments and to coupled support should not apply to those regions.
- (30) It should be specified that the provisions of this Regulation which could give rise to behaviour of a Member State possibly constitutive of State aid are, save explicitly provided otherwise for in this Regulation, excluded from the application of the State aid rules given that the provisions concerned include appropriate conditions for the granting of support, or envisage the adoption of such conditions by the Commission, in order to prevent undue distortion of competition.
- (31) Notifications are needed from Member States for the purposes of applying this Regulation, monitoring, analysing and managing direct payments. In order to ensure a harmonised, streamlined and simplified approach, the Commission should be empowered to adopt all the necessary measures regarding notifications.
- (32) With a view to strengthening their rural development policy, Member States should be given the possibility to transfer funds from their direct payments envelope to their rural development envelope. At the same time, Member States where the level of direct support remains lower than 90 % of the European average level of support should be given the possibility to transfer funds from their rural development envelope to their direct payments envelope. Such choices should be made, within certain limits, once and for the whole period of application of this Regulation.
- (33) In order to ensure a smooth transition from the arrangements provided for in Regulation (EC) No 73/2009 to the provisions of this Regulation, the Commission should be empowered to adopt transitional measures,

HAVE ADOPTED THIS REGULATION:

TITLE I

SCOPE AND DEFINITIONS

Article 1

Scope

This Regulation establishes:

- (a) common rules on direct payments;
- (b) specific rules concerning:

- (i) a basic payment for farmers (hereinafter referred to as the ‘basic payment scheme’);
- (ii) an additional payment for farmers observing agricultural practises beneficial for the climate and the environment;
- (iii) a voluntary additional payment for farmers in areas under natural constraints;
- (iv) an additional payment for young farmers who commence their agricultural activity;
- (v) a simplified scheme for small farmers (hereinafter referred to as the ‘small farmers scheme’);
- (vi) a voluntary coupled support scheme;
- (vii) a crop specific payment for cotton;
- (viii) a framework to enable Bulgaria and Romania to complement direct payments.

Article 2

Amendment of Annex I

In order to take into account new legislation on support schemes that may be adopted after the entry into force of this Regulation, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 for the purpose of amending the list of support schemes set out in Annex I.

Article 3

Application to the outermost regions and the smaller Aegean islands

Article 11 shall not apply to outermost regions as defined in Article 349 of the Treaty on the Functioning of the European Union and to the direct payments to be granted in the smaller Aegean islands in accordance with Regulation (EC) No 1405/2006.

Titles III and IV shall not apply to outermost regions as defined in Article 349 of the Treaty on the Functioning of the European Union.

Article 4

Definitions

1. For the purposes of this Regulation, the following definitions shall apply:
 - (a) "farmer" means a natural or legal person, or a group of natural or legal persons, whatever legal status is granted to the group and its members by national law, whose holding is situated within the Union territory, as defined in Article 52 of the Treaty on European Union in conjunction with Articles 349 and 355 of the Treaty on the Functioning of the European Union, and who exercises an agricultural activity;

- (b) "holding" means all the units used for agricultural activities and managed by a farmer situated within the territory of the same Member State;
- (c) "agricultural activity" means rearing or growing of agricultural products including harvesting, milking, breeding animals and keeping animals for farming purposes, maintaining the agricultural area in a state which makes it suitable for grazing or cultivation without any particular preparatory action going beyond traditional agricultural methods and machineries, carrying out a minimum activity to be established by Member States on agricultural areas naturally kept in a state suitable for grazing or cultivation;
- (d) "direct payment" means a payment granted directly to farmers under a support scheme listed in Annex I;
- (e) "agricultural products" means the products listed in Annex I to the Treaty, with the exception of fishery products, as well as cotton;
- (f) "agricultural area" means any area taken up by arable land, permanent grassland or permanent crops;
- (g) "arable land" means land cultivated for crop production or areas available for crop production but laying fallow, including areas set aside in accordance with Article 31 of this Regulation, with Articles 22, 23 and 24 of Regulation (EC) No 1257/1999, with Article 39 of Regulation (EC) No 1698/2005 and with Article 42 of Regulation (EU) No [...] [RDR], irrespective of whether or not that land is under greenhouses or under fixed or mobile cover;
- (h) "permanent crops" means non-rotational crops other than permanent grassland that occupy the land for five years or longer and yield repeated harvests, including nurseries, and short rotation coppice;
- (i) "permanent grassland" means land used to grow grasses or other herbaceous forage naturally (self-seeded) or through cultivation (sown) and that is not included in the crop rotation of the holding;
- (j) "grasses or other herbaceous forage" means all herbaceous plants traditionally found in natural pastures or normally included in mixtures of seeds for pastures or meadows in the Member State (whether or not used for grazing animals). Member States may include arable crops as listed in Annex II;
- (k) "grassland" means arable land used for grass production (sown or natural);
- (l) "nurseries" means the following areas of young ligneous (woody) plants grown in the open air for subsequent transplantation:
- vine and root-stock nurseries;
 - fruit tree and berries nurseries;
 - ornamental nurseries;

- commercial nurseries of forest trees (excluding those for the holding's own requirements grown within woodland);
 - trees and bushes for planting in gardens, parks, at the roadside and on embankments (e.g. hedgerow plants, rose trees and other ornamental bushes, ornamental conifers), including in all cases their stocks and young seedlings.
- (m) "short rotation coppice" means areas planted with those tree species of CN code 06029041 that consist of woody, perennial crops, the rootstock or stools remaining in the ground after harvesting, with new shoots emerging in the following season. Member States shall define the species which are appropriate for use as short rotation coppice and their maximum harvest cycle.
2. In order to take into account specific new elements and to guarantee the protection of the rights of beneficiaries, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 for the purposes of:
- (a) laying down further definitions regarding the access to support under this Regulation and amending Annex II;
 - (b) establishing the framework under which Member States shall define the minimum activities to be carried out on areas naturally kept in a state suitable for grazing or cultivation.

TITLE II

GENERAL PROVISIONS ON DIRECT PAYMENTS

CHAPTER 1

Common rules on direct payments

Article 5

Financing of direct payments

The support schemes listed in Annex I to this Regulation shall be financed in accordance with Article 5(1)(b) of Regulation (EU) No [...] [HZR].

Article 6

National ceilings

1. For each Member State and each year, the national ceiling comprising the total value of all allocated entitlements, of the national reserve and of the ceilings fixed in accordance with Articles 32, 34, 36 and 41 shall be as set out in Annex III.

2. In order to take account of the developments relating to the total maximum amounts of direct payments that may be granted, including those resulting from the decisions to be taken by the Member States in accordance with Article 54, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 for the purpose of reviewing the national ceilings set out in Annex III.

Article 7

Net ceilings

1. Without prejudice to Article 8, the total amount of direct payments which may be granted in a Member State in respect of a calendar year, after application of Article 11, with the exception of direct payments granted under Regulations (EC) No 247/2006 and (EC) No 1405/2006, shall not be higher than the ceilings set out in Annex IV to this Regulation.

In order to avoid that the total amount of direct payments is higher than the ceilings set out in Annex III, Member States shall make a linear reduction in the amounts of all direct payments with the exception of direct payments granted under Regulations (EC) No 247/2006 and (EC) No 1405/2006.

2. For each Member State and each year, the estimated product of capping as referred to in Article 11, which is reflected by the difference between the national ceilings set out in Annex III, to which is added the amount available in accordance with Article 46, and the net ceilings set out in Annex IV, is made available as Community support for measures under rural development programming financed under the EAFRD as specified in Regulation (EU) No [...] [RDR].
3. In order to take account of the developments relating to the total maximum amounts of direct payments that may be granted, including those resulting from the decisions to be taken by the Member States in accordance with Article 54, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 for the purpose of reviewing the ceilings set out in Annex IV.

Article 8

Financial discipline

1. The adjustment rate determined in accordance with Article 25 of Regulation (EU) No [...] [HZR] shall only apply to direct payments in excess of EUR 5 000 to be granted to farmers in the corresponding calendar year.
2. In the framework of the gradual introduction of direct payments as provided for in Article 13, paragraph 1 of this Article shall apply to Bulgaria and Romania as from 1 January 2016.
3. In order to guarantee the protection of the rights of beneficiaries the Commission shall be empowered to adopt delegated acts in accordance with Article 52 concerning rules on the basis for calculation of reductions to be applied by Member States to farmers pursuant to paragraphs 1 and 2 of this Article.

Article 9

Active farmer

No direct payments shall be granted to natural or legal persons, or to groups of natural or legal persons, whose annual receipts from agricultural activity do not exceed 5 % of the total receipts obtained from all economic activities, excluding public subsidies resulting from the implementation of the CAP.

By way of derogation, the first paragraph shall not apply to farmers who received less than EUR 5 000 of direct payments for the previous year.

Article 10

Minimum requirements for receiving direct payments

1. Member States shall not grant direct payments to a farmer in one of the following cases:
 - (a) where the total amount of direct payments claimed or due to be granted before the reductions and exclusions provided for in Article 62 of Regulation (EU) No [...] [HZR] in a given calendar year is less than EUR 100;
 - (b) where the eligible area of the holding for which direct payments are claimed or due to be granted before the reductions and exclusions provided for in Article 62 of Regulation (EU) No [...] [HZR] is less than one hectare.

In order to take account of the structure of their agricultural economies, Member States may adjust the thresholds referred to in points (a) and (b) within the limits set out in Annex V.

2. Where farmers receiving the animal-related coupled support referred to in Title IV hold fewer hectares than the threshold selected by a Member State for the purposes of point (b) of paragraph 1, Member States shall apply point (a) of paragraph 1.
3. The Member States concerned may decide not to apply paragraph 1 in the outermost regions as defined in Article 349 of the Treaty on the Functioning of the European Union.
4. In Bulgaria and Romania, for the years 2014 and 2015, the amount claimed or due to be granted as referred to in paragraph 1 shall be calculated on the basis of the amount set out in Annex VI.A for the corresponding year.

Article 11

Progressive reduction and capping of the payment

1. The amount of direct payments to be granted to a farmer under this Regulation in a given calendar year before the reductions and exclusions provided for in Articles 62 of Regulation (EU) [...] [HZR] exceeding EUR 150 000 shall be reduced as follows:

- by 20 % for amounts of more than EUR 150 000 and up to EUR 200 000;
 - by 40 % for amounts of more than EUR 200 000 and up to EUR 250 000;
 - by 70 % for amounts of more than EUR 250 000 and up to EUR 300 000;
 - by 100 % for amounts of more than EUR 300 000.
2. The amount referred to in paragraph 1 shall be calculated by subtracting the salaries effectively paid and declared by the farmer in the previous year, including taxes and social contributions related to employment, from the total amount of direct payments initially due to the farmer before the reductions and exclusions provided for in Articles 62 of Regulation (EU) No [...] [HZR] and without taking into account the payments to be granted pursuant to Chapter 2 of Title III of this Regulation.
3. Member States shall ensure that no payment is made to farmers for whom it is established that, as from the date of publication of the Commission proposal for this Regulation, they artificially created the conditions to avoid the effects of this Article.

Article 12

Multiple claims

The area corresponding to the number of eligible hectares in respect of which an application for a basic payment has been submitted by a farmer pursuant to Chapter 1 of Title III may be the subject of an application for any other direct payment as well as for any other aid not covered by this Regulation, save as explicitly provided otherwise for in this Regulation.

Article 13

State aid

Save as explicitly provided otherwise in this Regulation, Articles 107, 108 and 109 of the Treaty shall not apply to payments made by Member States pursuant to and in conformity with this Regulation.

Article 14

Review

Support schemes listed in Annex I shall apply without prejudice to a possible review at any time in the light of economic developments and the budgetary situation.

CHAPTER 2

Provisions applying to Bulgaria and Romania

Article 15

Gradual introduction of direct payments

1. In Bulgaria and Romania, the national ceilings for payments referred to in Articles 32, 34, 36, 39 and 41 shall in 2014 and 2015 be established on the basis of the amounts set out in Annex VI.A.
2. For the establishment of the national ceiling for the basic payment scheme provided for in Chapter I of Title III, the provisions of paragraph 1 shall be taken into account.

Article 16

Complementary national direct payments and direct payments

1. In 2014 and 2015, Bulgaria and Romania may use national direct payments in order to complement payments granted under the basic payment scheme referred to in Chapter 1 of Title III and, in the case of Bulgaria, also to complement payments granted under the crop specific payment for cotton referred to in Chapter II of Title IV.
2. The total amount of complementary national direct payments to the basic payment scheme which may be granted in respect of 2014 and 2015 shall not exceed the amounts set out in Annex VI.B for each of those years.
3. For Bulgaria, the total amount of complementary national direct payments to the crop specific payment for cotton shall not exceed the amounts set out in Annex VI.C for each of the years referred to in that Annex.
4. Complementary national direct payments shall be granted in accordance with objective criteria and in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions.

TITLE III

BASIC PAYMENT SCHEME AND RELATED ADDITIONAL PAYMENTS

CHAPTER 1

Basic payment scheme

SECTION 1

SETTING UP OF THE BASIC PAYMENT SCHEME

Article 17

Payment entitlements

1. Support under the basic payment scheme shall be available to farmers if they obtain payment entitlements under this Regulation through first allocation pursuant to Article 20, from the national reserve pursuant to Article 22 or by transfer pursuant to Article 26.
2. Payment entitlements obtained under the single payment scheme in accordance with Regulation (EC) No 1782/2003 and with Regulation (EC) No 73/2009 shall expire on 31 December 2013.

Article 18

Basic payment scheme ceiling

1. The Commission shall, by means of implementing acts, set the annual national ceiling for the basic payment scheme by deducting from the annual national ceiling established in Annex III the annual amounts to be set in accordance with Articles 32, 34, 36 and 41. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 53(2).
2. For each Member State and each year, the total value of all allocated payment entitlements and the national reserve shall equal the respective national ceiling adopted by the Commission pursuant to paragraph 1.
3. In case of modification of the ceiling adopted by the Commission pursuant to paragraph 1 as compared to the previous year, a Member State shall reduce linearly or increase the value of all payment entitlements in order to ensure compliance with paragraph 2.

Article 19

Regional allocation of the national ceilings

1. Member States may apply the basic payment scheme at regional level. In that case they shall define the regions in accordance with objective and non-discriminatory criteria such as their agronomic and economic characteristics and their regional agricultural potential, or their institutional or administrative structure.
2. Member States shall divide the national ceiling referred to in Article 18(1) between the regions in accordance with objective and non-discriminatory criteria.
3. Member States may decide that the regional ceilings shall be subject to annual progressive modifications in accordance with pre-established annual steps and objective and non-discriminatory criteria such as the agricultural potential or environmental criteria.
4. To the extent necessary to respect the applicable regional ceilings determined in accordance with paragraph 2 or 3, Member States shall make a linear reduction in the value of the payment entitlements in each of their regions.

Article 20

First allocation of payment entitlements

1. Payment entitlements shall be allocated to farmers if they apply for allocation of payment entitlements under the basic payment scheme by 15 May of 2014 except in case of *force majeure* and exceptional circumstances within the meaning of Article 2(2) of Regulation (EU) No [...] [HZR].
2. Farmers compliant with Article 9 shall receive payment entitlements the first year of application of the basic payment scheme.

Except in the case of *force majeure* or exceptional circumstances, the number of payment entitlements allocated per farmer shall be equal to the number of eligible hectares, within the meaning of Article 24(2), the farmer declares in accordance with Article 25(1) for 2014.

3. The Commission shall, by means of implementing acts, adopt rules on applications for allocation of payment entitlements submitted in the year of allocation of payment entitlements where those payment entitlements may not be definitively established yet and where that allocation is affected by specific circumstances. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 53(2).

Article 21

Value of payment entitlements and convergence

1. For each relevant year, the unit value of payment entitlements shall be calculated by dividing the national or regional ceiling established under Articles 18 or 19, after

application of the linear reduction provided for in Article 22(1), by the number of payment entitlements allocated at national or regional level according to Article 20(2) for 2014.

2. Member States which applied the single payment scheme as provided for in Regulation (EC) No 73/2009, may limit the calculation of the unit value of payment entitlements foreseen in paragraph 1 to an amount corresponding to no less than 50 % of the national or regional ceiling established under Articles 18 or 19, after application of the linear reduction provided for in Article 22(1).
3. Member States making use of the possibility foreseen in paragraph 2 shall use the part of the ceiling which remains after the application of that paragraph to increase the value of payment entitlements in cases where the total value of payment entitlements held by a farmers under the basic payment scheme calculated according to paragraph 2 is lower than the total value of payment entitlements, including special entitlements, he was holding on 31 December 2013 under the single payment scheme in accordance with Regulation (EC) No 73/2009. To this end, the national or regional unit value of each of the payment entitlement of the farmer concerned shall be increased by a share of the difference between the total value of the payment entitlements under the basic payment scheme calculated according to paragraph 2 and the total value of payment entitlements, including special entitlements, which the farmer held on 31 December 2013 under the single payment scheme in accordance with Regulation (EC) No 73/2009.

For the calculation of the increase, a Member State may also take into account the support granted in calendar year 2013 pursuant to Articles 52, 53(1), and 68(1)(b), of Regulation (EC) No 73/2009 provided that the Member State has not decided to apply the voluntary coupled support pursuant to Title IV of this Regulation to the relevant sectors.

For the purpose of the first subparagraph, a farmer is considered to be holding payment entitlements on 31 December 2013 where payment entitlements were allocated or definitively transferred to him by that date.

4. For the purposes of paragraph 3, a Member State may, on the basis of objective criteria, provide that, in cases of sale or grant or expiry of all or part of a lease of agricultural areas after the date of disposal of land fixed pursuant to in Article 35 of Regulation (EC) No 73/2009 and before the date of disposal of land fixed pursuant to in Article 25 of this Regulation, the increase, or part of the increase, in the value of payment entitlements that would be allocated to the farmer concerned shall revert to the national reserve where the increase would lead to a windfall profit for the farmer concerned.

Those objective criteria shall be established in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions and shall include, at least, the following:

- (a) a minimum duration for the lease;
- (b) the proportion of the payment received which shall revert to the national reserve.

5. As of 1 January 2019 at the latest, all payment entitlements in a Member State or in the region concerned shall have a uniform unit value.
6. When applying paragraphs 2 and 3, Member States, acting in compliance with the general principles of Union law, shall move towards approximating the value of the payment entitlements at national or regional level.

Member States shall fix the steps to be taken for the approximation by 1 January 2014. Those steps shall include annual progressive modifications of the payment entitlements in accordance with objective and non-discriminatory criteria.
7. By 31 December 2028 at the latest, all allocated payment entitlements in the Union shall have a uniform unit value.

SECTION 2

NATIONAL RESERVE

Article 22

Establishment and use of the national reserve

1. Each Member State shall establish a national reserve. For that purpose, in the first year of application of the basic payment scheme, Member States shall proceed to a linear percentage reduction of the basic payment scheme ceiling at national level in order to constitute the national reserve. This reduction shall not be higher than 3 %.
2. Member States may administer the national reserve at regional level.
3. Member States shall establish payment entitlements from the national reserve in accordance with objective criteria and in such a way as to ensure equal treatment between farmers and to avoid market and competition distortions.
4. Member States shall use the national reserve to allocate payment entitlements, as a matter of priority, to farmers who commence their agricultural activity.

For the purposes of this Article, ‘farmers who commence their agricultural activity’ means natural or legal persons that did not have any agricultural activity in their own name and at their own risk or did not have the control of a legal person exercising an agricultural activity in the 5 years preceding the start of the new agricultural activity. In case of a legal person, the natural person(s) who has the control of the legal person must not have had any agricultural activity in his own name and at his own risk or must not have had the control of a legal person exercising an agricultural activity in the 5 years preceding the start of the agricultural activity by the legal person.

5. Member States may use the national reserve to:
 - (a) allocate payment entitlements to farmers in areas subject to restructuring and/or development programmes relating to a form of public intervention in order to

prevent land from being abandoned and/or to compensate farmers for specific disadvantages in those areas;

- (b) linearly increase the value of payment entitlements under the basic payment scheme at national or regional level if the national reserve exceeds 3% in any given year, provided that sufficient amounts remain available for allocations under paragraph 4, under point (b) of this paragraph and under paragraph 7.
6. When applying paragraphs 4 and 5(a), Member States shall establish the value of payment entitlements allocated to farmers on the basis of the national or regional average value of payment entitlements in the year of allocation.
 7. Where a farmer is entitled to receive payment entitlements or increase the value of the existing ones by virtue of a definitive court's ruling or by virtue of a definitive administrative act of the competent authority of a Member State, the farmer shall receive the number and value of payment entitlements established in that ruling or act at a date to be fixed by the Member State. However, this date shall not be later than the latest date for lodging an application under the basic payment scheme following the date of the court's ruling or the administrative act, taking into account the application of Articles 24 and Article 25.

Article 23

Replenishment of the national reserve

1. The national reserve is replenished by amounts resulting from:
 - (a) payment entitlements not giving right to payments during two consecutive years due to the application of:
 - (i) Article 9;
 - (ii) Article 10(1).
 - (b) any payment entitlement which has not been activated in accordance with Article 24 for a period of two years, except in the case of force majeure or exceptional circumstances;
 - (c) payment entitlements voluntarily reverted by farmers;
 - (d) amounts resulting from the application of Article 21(4).
2. The Commission shall, by means of implementing acts, adopt necessary measures regarding the reversion of non-activated payment entitlements to the national reserve. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 53(2).

SECTION 3

IMPLEMENTATION OF THE BASIC PAYMENT SCHEME

Article 24

Activation of payment entitlements

1. Support under the basic payment scheme shall be granted to farmers upon activation, by means of declaration in accordance with Article 25(1), of a payment entitlement per eligible hectare in the Member State where it has been allocated. Activated payment entitlements shall give a right to the annual payment of the amounts fixed therein, without prejudice to the application of financial discipline, progressive capping, linear reduction in accordance with Article 7 and 39, and any reductions and exclusions imposed pursuant to Regulation (EU) No [...] [HZR].
2. For the purposes of this Title, ‘eligible hectare’ shall mean:
 - (a) any agricultural area of the holding that is used for an agricultural activity or, where the area is used as well for non-agricultural activities, predominantly used for agricultural activities; or
 - (b) any area which gave a right to payments in 2008 under the single payment scheme or the single area payment scheme laid down, respectively, in Titles III and in Chapter 2 of Title V of Regulation No (EC) 73/2009, and which:
 - (i) no longer complies with the definition of 'eligible' under point (a) as a result of the implementation of Directive 92/43/EEC, Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy²¹ and Directive 2009/147/EC; or
 - (ii) for the duration of the relevant commitment by the individual farmer, is afforested pursuant to Article 31 of Regulation (EC) No 1257/1999 or to Article 43 of Regulation (EC) No 1698/2005 or under a national scheme the conditions of which comply with Article 43(1), (2) and (3) of Regulation (EC) No 1698/2005 and Article 36 of Regulation (EU) No [...] [RDR]; or
 - (iii) for the duration of the relevant commitment of the individual farmer, is set aside pursuant to Articles 22, 23 and 24 of Regulation (EC) No 1257/1999 or to Article 39 of Regulation (EC) No 1698/2005 and Article 42 of Regulation (EU) No [...] [RDR].

For the purposes of point (a) of the first subparagraph, where an agricultural area of a holding is also used for non-agricultural activities, that area shall be considered to be used predominantly for agricultural activities provided that those agricultural activities can be exercised without being significantly hampered by the intensity,

²¹ OJ L 327, 22.12.2000, p. 1.

nature, duration and timing of the non-agricultural activities. Member States shall establish criteria for the implementation of this subparagraph on their territory.

In order to be eligible, areas must comply with the definition of eligible hectare throughout the calendar year, except in the case of *force majeure* or exceptional circumstances.

3. Areas used for the production of hemp shall only be eligible hectares if the varieties used have a tetrahydrocannabinol content not exceeding 0.2 %.

Article 25

Declaration of eligible hectares

1. For the purposes of Article 24(1), the farmer shall declare the parcels corresponding to the eligible hectares accompanying any payment entitlement. Except in the case of *force majeure* or exceptional circumstances, those parcels shall be at the farmer's disposal on a date fixed by the Member State which shall be no later than the date fixed in that Member State for amending the aid application as referred to in Article 70(1) of Regulation (EU) No [...] [HZR].
2. Member States may, in duly justified circumstances, authorise the farmer to modify his declaration provided that he maintains at least the number of hectares corresponding to his payment entitlements and respects the conditions for granting the basic payment for the area concerned.

Article 26

Transfer of payment entitlements

1. Payment entitlements may be transferred only to a farmer established within the same Member State, except in the case of transfer by actual or anticipated inheritance.

However, even in the case of actual or anticipated inheritance, payment entitlements may be used only in the Member State where the payment entitlements were established.
2. Payment entitlements may be transferred only within the same region or between regions of a Member State where the value of payment entitlements per hectare resulting from the application of either Article 21(1) or Article 21(2) are the same.

Article 27

Delegated powers

1. In order to guarantee the protection of the rights of beneficiaries and in order to clarify the specific situations that may arise in the application of the basic payment scheme, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 concerning rules:

- (a) on eligibility and the access in respect of the basic payment scheme of farmers, in case of inheritance and anticipated inheritance, inheritance under a lease, change of legal status or denomination and in the case of merger or scission of the holding.
 - (b) on the calculation of the value and number or on the increase or reduction in the value of payment entitlements in relation to the allocation of payment entitlements under any provision of this Title, including rules:
 - (i) on the possibility of a provisional value and number or of a provisional increase of payment entitlements allocated on the basis of the application from the farmer,
 - (ii) on the conditions for establishing the provisional and definitive value and number of the payment entitlements,
 - (iii) on the cases where a sale or lease contract could affect the allocation of payment entitlements.
 - (c) rules on the establishment and calculation of the value and number of payment entitlements received from the national reserve;
 - (d) rules on the modification of the unit value of payment entitlements in the case of fractions of payment entitlements.
 - (e) criteria for the allocation of payment entitlements pursuant to in Article 22(4) and (5).
2. In order to ensure the proper management of payment entitlements, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 concerning rules on the declaration and activation of payment entitlements.
 3. In order to preserve public health, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 concerning rules making the granting of payments conditional upon the use of certified seeds of certain hemp varieties and laying down the procedure for the determination of hemp varieties and the verification of their tetrahydrocannabinol content referred to in Article 24(3).

CHAPTER 2

Payment for agricultural practises beneficial for the climate and the environment

Article 28

General rules

1. Farmers entitled to a payment under the basic payment scheme referred to in Chapter 1 shall observe on their eligible hectares as defined in Article 24(2) the agricultural

practises beneficial for the climate and the environment referred to in Articles 29, 30 and 31.

Without prejudice to paragraphs 2 and 3 and to the application of financial discipline, linear reductions, and any reductions and sanctions imposed pursuant to Regulation (EU) No XX [...] [HZR], Member States shall grant an additional payment to farmers acting in compliance with the present Chapter.

2. Farmers whose holdings are fully or partly situated in areas covered by Directives 92/43/EEC or 2009/147/EC shall be entitled to the payment referred to in paragraph 1 provided that they observe the practises referred to in that paragraph to the extent that those practises are compatible in the holding concerned with the objectives of those Directives.
3. Farmers fulfilling the conditions laid down in Article 28(1) in Regulation (EC) No 834/2007 as regards organic farming shall be *ipso facto* entitled to the additional payment referred to in paragraph 1. The first sentence of this paragraph shall only apply to the units of a holding that are used for organic production as referred to in Article 11 of Regulation (EC) No 834/2007.
4. The payment referred to in paragraph 1 shall take the form of an annual payment per eligible hectare declared according to Article 25(1), the amount of which shall be calculated annually by dividing the amount resulting from the application of Article 32(1) by the total number of eligible hectares declared in the Member State concerned according to Article 25. .

Article 29

Crop diversification

1. Where the arable land of the farmer covers more than 3 hectares and is not entirely under grassland, entirely left fallow or entirely cultivated with crops under water for a significant part of the year, cultivation on the arable land shall consist of at least three different crops. However, none of those three crops shall cover less than 5 % of the arable land and the main one shall not exceed 70 % of the arable land.
2. In order to ensure that the obligations laid down in paragraph 1 are applied in a proportionate and non-discriminatory way and lead to environmental added value, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 laying down the definition of 'crop' and the rules concerning the application of the precise calculation of shares for different crops.

Article 30

Permanent grassland

1. Farmers shall maintain as permanent grassland the areas of their holdings declared as such in the application made pursuant to Article 70(1) of Regulation (EU) No XXX (HZ) for claim year 2014, hereafter designated as “reference areas under permanent grassland”.

2. Except in the case of *force majeure* or exceptional circumstances, farmers shall be allowed a decrease of maximum 5 % of the reference areas under permanent grassland referred to in paragraph 1.
3. In order to ensure that the land under permanent grassland is maintained as such by the farmers, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 laying down rules concerning the renewal of permanent grassland, the reconversion of agricultural land into permanent grassland in case the authorised decrease referred to in paragraph 2 is exceeded, as well as the modification of the reference areas under permanent grassland in case of transfer of land.

Article 31

Ecological focus area

1. Farmers shall devote at least 7 % of their eligible hectares as defined in Article 24(2), excluding areas under permanent grassland, to ecological focus area such as land left fallow, terraces, landscape features, buffer strips and afforested areas as referred to in article 24(2)(b)(ii).
2. In order to ensure the implementation of this measure in an efficient and coherent way, while being adapted to Member States specificities, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 to further define the types of ecological focus areas mentioned in paragraph 1 and to add and define other types of ecological focus areas that can be taken into account for the respect of the percentage referred to in paragraph 1.

Article 32

Financial provisions

1. In order to finance the payment referred to in this Chapter, Member States shall use 30 % of the annual national ceiling set out in Annex III.
2. Member States may apply the additional payment referred to in this Chapter at national or, when applying Article 19, at regional level.

In case of application at regional level, Member States shall use in each region a share of the ceiling referred to in paragraph 3. For each region, this share shall be calculated by dividing the respective regional ceiling as established in accordance with Article 19(2) by the ceiling determined according to Article 18(1).
3. The Commission shall, by means of implementing acts, set out the corresponding ceiling for the payment referred to in this Chapter on a yearly basis. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 53(2).

CHAPTER 3

Payment for areas with natural constraints

Article 33

General rules

1. Member States may grant an additional payment to farmers entitled to a payment under the basic payment scheme referred to in Chapter 1 and whose holdings are fully or partly situated in areas with natural constraints designated by Member States in accordance with Article 46(1) of Regulation (EU) No [...] [RDR] under the conditions laid down in this Chapter.
2. Member States may decide to grant the additional payment referred to in paragraph 1 to all areas falling within the scope of that paragraph or, alternatively, and on the basis of objective and non-discriminatory criteria, to restrict the payment to some of the areas referred to in Article 46(1) of Regulation (EU) No [...] [RDR].
3. Without prejudice to paragraph 2 and to the application of financial discipline, progressive reduction and capping, linear reductions, and any reductions and exclusions imposed pursuant to Article 62 of Regulation (EU) No [...] [HZR], the additional payment referred to in paragraph 1 shall be granted annually per eligible hectare situated in an area with natural constraint and shall be paid upon activation of payment entitlements on those hectares held by the farmer concerned.
4. The additional payment per hectare referred to in paragraph 1 shall be calculated by dividing the amount resulting from the application of Article 34 by the number of eligible hectares declared according to Article 25(1) which are situated in the areas to which Member States decided to grant additional payment in accordance with paragraph 2 of this Article.
5. Member States may apply the additional payment referred to in this Chapter at regional level under the conditions laid down in this paragraph.

In that case, Member States shall define the regions in accordance with objective and non-discriminatory criteria such as their natural constraint characteristics and agronomic conditions.

Member State shall divide the national ceiling referred to in Article 34(1) between the regions in accordance with objective and non-discriminatory criteria.

The payment at regional level shall be calculated by dividing the regional ceiling calculated in accordance with the second subparagraph by the number of eligible hectares declared according to Article 25(1) which are situated in the areas to which Member States decided to grant additional payment in accordance with paragraph 2 of this Article.

Article 34

Financial provisions

1. In order to finance the payment referred to in Article 33, Member States may decide, by 1 August 2013, to use up to 5 % of their annual national ceiling set out in Annex III.

The decision referred to in the first subparagraph shall be notified to the Commission by the date referred to in that subparagraph.

Member States may, by 1 August 2016, review their decision with effect from 1 January 2017.

2. According to the proportion of the national ceiling to be used by Member States pursuant to paragraph 1, the Commission shall, by means of implementing acts, fix the corresponding ceiling for that support on a yearly basis. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 53(2).

CHAPTER 4

Payment for young farmers

Article 35

General rules

1. Member States shall grant an additional annual payment to young farmers commencing their agricultural activity who are entitled to a payment under the basic payment scheme referred to in Chapter 1 under the conditions laid down in this Chapter.
2. For the purposes of this Chapter, 'young farmers', shall mean:
 - (a) farmers who are setting up for the first time in an agricultural holding as head of the holding, or who have already set up within the five years preceding the application to the basic payment scheme as referred in Article 70(1) of Regulation (EU) No [...] [HZR], and
 - (b) who are less than 40 years of age at the moment of submitting the application referred to in point (a), and
 - (c) who possess adequate occupational skills and competence.
3. Without prejudice to the application of financial discipline, progressive reduction and capping, linear reductions, and any reductions and exclusions imposed pursuant to Article 62 Regulation (EU) No [...] [HZR], the additional payment referred to in paragraph 1 shall be granted annually upon activation of payment entitlements by the farmer.

4. Support shall be granted in the form of an annual payment per farmer for a period of maximum five years. That period shall be proportionately reduced by the number of years elapsed between the setting up and the first lodging of the application referred to in paragraph 2.
5. Member States shall calculate each year the amount of the annual payment referred to in paragraph 1 by multiplying the equivalent of 25 % of the average value of the payment entitlements held by the farmer by the number of entitlements he activates in accordance with Article 25(1).

By applying the previous subparagraph, Member States shall respect the following maximum limits in the number of activated payment entitlements that are to be taken into account:

- (a) in Member States where the average size of agricultural holdings as set out in Annex VII is lower than, or equal to, 25 hectares, a maximum of 25;
 - (b) in Member States where the average size of agricultural holdings as set out in Annex VII is higher than 25 hectares, a maximum that shall oscillate between 25 and a number equal to the referred average size.
6. In order to guarantee the protection of the rights of beneficiaries, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 concerning the conditions under which a legal person may be considered a 'young farmer'.
 7. The Commission shall adopt implementing acts providing uniform conditions concerning the setting of a grace period for acquiring occupational skills. These implementing acts shall be adopted in accordance with the examination procedure referred to in Article 53(2).

Article 36

Financial provisions

1. In order to finance the payment referred to in this Chapter, Member States shall use up to 2 % of the annual national ceiling set out in Annex III.

The decision referred to in the first sub-paragraph shall be notified to the Commission by 1 August 2013.

Member States may, by 1 August 2016, review their decision with effect from 1 January 2017.
2. Where the total amount of aid applied for in a Member State in a particular year exceeds the ceiling fixed pursuant to paragraph 3, Member States shall apply a linear reduction in the amount of the annual payment referred to in Article 35(5) in order to comply with that ceiling.
3. According to the proportion of the national ceiling to be used by Member States pursuant to paragraph 1, the Commission shall, by means of implementing acts, fix the corresponding ceiling for that support on a yearly basis. Those implementing acts

shall be adopted in accordance with the examination procedure referred to in Article 53(2).

CHAPTER 5

Small farmer scheme

Article 37

General rules

1. Farmers holding payment entitlements allocated in 2014 pursuant to Article 18 and complying with the minimum threshold retained in accordance with Article 10(1) may apply, by 15 October 2014, to participate in the small farmer scheme under the conditions laid down in this Chapter.

Farmers deciding not to enter the small farmer scheme by 2014 or deciding to withdraw from it after 2014 shall not rejoin the scheme at a later stage but shall remain eligible for other payments under this Regulation provided they fulfil all related conditions.

2. Farmers participating in the small farmer scheme shall receive an annual payment which shall replace all direct payments due to be granted to the farmer under this Regulation.
3. Member States shall set the amount of the payment at one of the following levels:
 - a) an amount not exceeding 15 % of the national average payment per beneficiary; or
 - b) an amount corresponding to the national average payment per hectare multiplied by a number of maximum three hectares.

The national average referred to in the first indent shall be established by Member States on the basis of the national ceiling set in Annex III for calendar year 2020 and the number of farmers having obtained payment entitlements pursuant to Article 20(1).

The national average referred to in the second indent shall be established by the Member States on the basis of the national ceiling set in Annex III for calendar year 2020 and the number of eligible hectares according to Article 24 in 2014.

4. The amount referred to in paragraph 3 shall be set between EUR 500 and EUR 1 000. Without prejudice to Article 39(1), where the choice referred to in paragraph 3 results in an amount lower than EUR 500 or higher than EUR 1 000, the amount shall be rounded up or down, respectively, to those amounts.
5. By way of derogation to paragraph 4, the amount of the payment in Cyprus and Malta may be set at a value lower than EUR 500, but not less than EUR 200.

Article 38

Special conditions

1. During the participation to the scheme, farmers shall:
 - (a) keep at least a number of hectares corresponding to the number of entitlements held;
 - (b) respect the threshold referred to in Article 10(1)(b).
2. Payment entitlements activated in 2014 pursuant to Articles 24 and 25 by a farmer participating in the small farmer scheme shall be considered as activated entitlements for the duration of the participation of the farmer in the scheme.

The payment entitlements held by the farmer during the participation in the scheme shall not be considered as unused payment entitlements reversible to the national reserve in the meaning of Article 23(1)(b).

3. By derogation to Article 26, payment entitlements held by farmers participating in the small farmer scheme shall not be transferable, except in case of inheritance or anticipated inheritance.

A farmer who by way of inheritance or anticipated inheritance receives payment entitlements from a farmer participating in the small farmer scheme shall be eligible for the scheme if he meets the requirements to benefit from the basic payment scheme. Where inheritance or anticipated inheritance results in more than one farmer owning payment entitlements, only one of the farmers shall be eligible to the scheme.

4. Farmers participating in the scheme shall be exempted from the agricultural practises established under Chapter 2 of this Title.

Article 39

Financial provisions

1. In order to finance the payment referred to in this Chapter, Member States shall use up to 10 % of the annual national ceiling set out in Annex III.

If the amount applied for exceeds overall the amount set pursuant to subparagraph 1, Member States should apply a linear reduction in the amounts of payment in order to comply with the part of the ceiling retained according to this paragraph.

2. The total amount of the payments under this Chapter shall be financed first by deducting the amounts due to the small farmer for the basic payment scheme referred to in Chapter 1, and for the payment for agricultural practises beneficial for the climate and the environment referred to in Chapter 2 and, where applicable, for the payment for areas with natural constraints referred to in Chapter 3 and for the payment for young farmers referred to in Chapter 4 and, where applicable, for the voluntary coupled support referred to in Chapter 1 of Title IV from the relevant envelopes.

The difference between the sum of all payments due to small farmers in accordance with paragraph 2 of Article 37 and the total amount financed in accordance with the first sub-paragraph shall be financed by applying a linear reduction on all payments to be granted to all farmers, except the small farmers, in accordance with Article 24 of this Regulation.

3. The composition of the payment as set in 2014 shall be fixed for the duration of the scheme.

TITLE IV

COUPLED SUPPORT

CHAPTER 1

Voluntary coupled support

Article 40

General rules

1. Member States may grant coupled support to farmers under the conditions laid down in this Chapter.

Coupled support may be granted to the following sectors: durum wheat, protein crops, rice, nuts, energy crops, starch potato, milk and milk products, seeds, arable crops, sheepmeat and goatmeat, beef and veal, grain legumes, olive oil, silk worms, flax and hemp, dried fodder, hops, sugar beet, cane and chicory, fruit and vegetables.
2. Coupled support may only be granted to sectors or to regions of a Member State where specific types of farming or specific agricultural sectors undergo certain difficulties and are particularly important for economic and/or social reasons.
3. By way of derogation from paragraph 2, coupled support may also be granted to farmers who held, on 31 December 2013, payment entitlements granted in accordance with Section 2 of Chapter 3 of Title III and Article 71m of Regulation (EC) No 1782/2003 and in accordance with Article 60 and the fourth subparagraph of Article 65 of Regulation (EC) No 73/2009; and who are without eligible hectares for the activation of payment entitlements under the basic payment scheme as referred to in Chapter 1 of Title III of this Regulation.
4. Coupled support may only be granted to the extent necessary to create an incentive to maintain current levels of production in the regions concerned.
5. Coupled support shall take the form of an annual payment and shall be granted within defined quantitative limits and based on fixed areas, and yields or on a fixed number of animals.

6. Any coupled support granted under this Article shall be consistent with other Union measures and policies.
7. In order to ensure efficient and targeted use of Union funds and to avoid double funding under other similar support instruments, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 concerning:
 - (a) the conditions for granting the support referred to in this Chapter,
 - (b) rules on consistency with other Union measures and on the cumulation of support.

Article 41

Financial provisions

1. In order to finance the voluntary coupled support, Member States may decide, by 1 August of the year preceding the first year of implementation of such support, to use up to 5 % of their annual national ceiling set out in Annex III.
2. By way of derogation from paragraph 1, Member States may decide to use up to 10 % of the annual national ceiling set out in Annex III if they applied, until 31 December 2013, the single area payment scheme as laid down in Title V of Regulation (EC) No 73/2009, or financed measures under Article 111 of that Regulation, or are concerned by the derogation provided for in Article 69(5), or, in the case of Malta, in Article 69(1) of that Regulation.
3. By way of derogation from paragraph 2, Member States may decide to use more than 10 % of the annual national ceiling set out in Annex III upon approval by the Commission in accordance with Article 43.
4. Member States may, by 1 August 2016, review their decision pursuant to paragraphs 1, 2 and 3 and decide, with effect from 2017:
 - (a) to increase the percentage fixed pursuant to paragraphs 1 and 2, within the limits laid down therein where applicable, and, where appropriate, modify the conditions for granting the support;
 - (b) to reduce the percentage used for the funding of coupled support and, where appropriate, modify the conditions for granting that support;
 - (c) to cease granting the support under this Chapter.
5. On the basis of the decision taken by each Member State pursuant to paragraphs 1 to 4 on the proportion of the national ceiling to be used, the Commission shall, by means of implementing acts, fix the corresponding ceiling for the support on a yearly basis. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 53(2).

Article 42

Notification

1. The decisions referred to in Article 41 shall be notified to the Commission by the date referred to in that Article and, except for the decision referred to in Article 41(4)(c), the notification shall include information on the regions targeted, the selected types of farming or sectors and the level of support to be granted.
2. The decisions referred to in Article 41(2) and (3), or, where appropriate, in Article 41(4)(a), shall also include a detailed description of the particular situation in the region targeted and of the particular characteristics of the types of farming, or specific agricultural sectors, which make the percentage referred to in Article 41(1) insufficient to undertake the difficulties referred to in Article 40(2) and which justify an increased level of support.

Article 43

Approval by the Commission

1. The Commission shall, by means of an implementing act without the assistance of the Committee referred to in Article 53(1), approve the decision referred to in Article 41(3), or, where appropriate, in Article 41(4)(a), where one of the following needs in the region or sector concerned is demonstrated:
 - (a) the necessity to sustain a certain level of specific production due to the lack of alternatives and to reduce the risk of production abandonment and the resulting social and/or environmental problems,
 - (b) the necessity to provide stable supply to the local processing industry, thus avoiding the negative social and economic consequence of any ensuing restructuring,
 - (c) the necessity to compensate disadvantages affecting farmers in a particular sector which are the consequence of continuing disturbances on the related market;
 - (d) where the existence of any other support available under this Regulation, Regulation (EU) No [...] [RDR] or any approved State aid scheme is deemed insufficient to meet the needs referred to in this Article.
2. The Commission shall, by means of implementing acts, adopt rules on the procedure for the assessment and approval of decisions referred to in paragraph 1. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 53(2).

CHAPTER 2

Crop specific payment for cotton

Article 44

Scope

Aid shall be granted to farmers producing cotton falling within CN code 5201 00 under the conditions laid down in this Chapter ("crop specific payment for cotton").

Article 45

Eligibility

1. The crop specific payment for cotton shall be granted per hectare of eligible area of cotton. In order to be eligible, the area shall be located on agricultural land authorised by the Member State for cotton production, sown under authorised varieties and actually harvested under normal growing conditions.

The crop specific payment for cotton shall be paid for cotton of sound and fair merchantable quality.

2. Member States shall authorise the land and the varieties referred to in paragraph 1 in accordance with the rules and conditions to be adopted pursuant to paragraph 3.
3. To ensure an efficient management of the crop-specific payment for cotton, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 concerning rules and conditions for the authorisation of land and varieties for the purposes of the crop specific payment for cotton.
4. The Commission shall, by means of implementing acts, adopt rules on the procedure of the authorisation and the notifications to the producers related to this authorisation. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 53(2).

Article 46

Base areas, fixed yields and reference amounts

1. The following national base areas are established:
 - Bulgaria: 3 342 ha,
 - Greece: 250 000 ha,
 - Spain: 48 000 ha,
 - Portugal: 360 ha.

2. The following fixed yields in the reference period are established:
 - Bulgaria: 1,2 tonne/ha,
 - Greece: 3,2 tonne/ha,
 - Spain: 3,5 tonne/ha,
 - Portugal: 2,2 tonne/ha.
3. The amount of the crop specific payment per hectare of eligible area shall be established by multiplying the yields established in paragraph 2 with the following reference amounts:
 - Bulgaria: EUR 523,02 in 2014; EUR 588,06 in 2015; and EUR 661,79 for 2016 and onwards
 - Greece: EUR 238,86
 - Spain: EUR 369,33
 - Portugal: EUR 232,57
4. If the eligible area of cotton in a given Member State and in a given year exceeds the base area established in paragraph 1, the amount referred to in paragraph 3 for that Member State shall be reduced proportionately to the overrun of the base area.
5. In order to enable the application of the crop-specific payment for cotton, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 concerning rules on the conditions for the granting of the crop specific payment for cotton, on the eligibility requirements and the agronomic practices.
6. The Commission may, by means of implementing acts, provide for rules on the calculation of the reduction provided for in paragraph 4. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 53(2).

Article 47

Approved inter-branch organisations

1. For the purpose of this Chapter, an ‘approved inter-branch organisation’ shall mean a legal entity made up of farmers producing cotton and at least one ginner, carrying out activities such as:
 - (a) helping to coordinate better the way cotton is placed on the market, particularly through research studies and market surveys;
 - (b) drawing up standard forms of contract compatible with Union rules;

- (c) orienting production towards products that are better adapted to market needs and consumer demand, particularly in terms of quality and consumer protection;
 - (d) updating methods and means to improve product quality;
 - (e) developing marketing strategies to promote cotton via quality certification schemes.
2. The Member State where the ginners are established shall approve interbranch organisations that satisfy the criteria to be laid down pursuant to paragraph 3.
 3. In order to enable the efficient application of the crop-specific payment for cotton, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 concerning:
 - (a) criteria for the approval of inter-branch organisations;
 - (b) obligations for producers;
 - (c) rules for the situation where the approved inter-branch organisation does not respect those criteria.

Article 48

Granting of the payment

1. Farmers shall be granted the crop specific payment for cotton per eligible hectare as established in Article 46.
2. Farmers who are members of an approved inter-branch organisation shall be granted the crop specific payment for cotton per eligible hectare within the base area laid down in Article 46(1), increased by an amount of EUR 2.

TITLE V

NATIONAL RESTRUCTURING PROGRAMMES FOR THE COTTON SECTOR

Article 49

Use of the annual budget for the restructuring programmes

1. For Member States which have applied the first subparagraph of Article 4(1) of Regulation (EC) No 637/2008, the relevant annual budget available pursuant to Article 5(1) of that Regulation shall be transferred with effect from 1 January 2014 as additional Union funds for measures under rural development programming financed under Regulation (EU) No [...] [RDR].

2. For Member States which have applied the second subparagraph of Article 4(1) of Regulation (EC) No 637/2008, their annual budget as referred to in Article 5(1) of that Regulation is included with effect from 1 January 2017 in their national ceiling as determined in Annex III to this Regulation.

TITLE VI

FINAL PROVISIONS

CHAPTER 1

Notifications and emergency

Article 50

Notification requirements

1. The Commission may, by means of delegated acts in accordance with Article 52, adopt the necessary measures regarding notifications to be made by Member States for the purposes of this Regulation or for the purpose of checking, controlling, monitoring, evaluating and auditing direct payments, implementing international agreements, including notification requirements under those agreements.

The information obtained may, where appropriate, be transmitted or made available to international organisations, the competent authorities of third countries and may be made public, subject to the protection of personal data and the legitimate interest of undertakings in the protection of their business secrets.
2. Taking into account the need to make notifications referred to in paragraph 1 fast, efficient, accurate, and cost effective, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 for the purpose of laying down:
 - (a) the nature and type of the information to be notified;
 - (b) the methods of notification;
 - (c) the rules related to the access rights to the information or information systems made available;
 - (d) the conditions and means of publication of the information.
3. The Commission shall, by means of implementing acts, adopt:
 - (a) rules on providing the information as necessary for the application of this Article;

- (b) arrangements for the management of the information to be notified, as well as rules on content, form, timing, frequency and deadlines of the notifications;
- (c) arrangements for transmitting or making information and documents available to the Member States, international organisations, the competent authorities in third countries, or the public, subject to the protection of personal data and the legitimate interest of farmers and undertakings in the protection of their business secrets.

Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 53(2).

Article 51

Measures to resolve specific problems

1. The Commission shall, by means of implementing acts, adopt the measures which are both necessary and justifiable in an emergency, in order to resolve specific problems. Such measures may derogate from provisions of this Regulation, but only to the extent that, and for such a period, as is strictly necessary. Those implementing acts shall be adopted in accordance with the examination procedure referred to in Article 53(2).
2. On duly justified imperative grounds of urgency relating to the measures referred to in paragraph 1, the Commission shall adopt immediately applicable implementing acts in accordance with the procedure referred to in Article 53(3).

CHAPTER 2

Delegations of powers and implementing provisions

Article 52

Exercise of the delegation

1. The power to adopt the delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The delegation of power referred to in this Regulation shall be conferred on the Commission for an indeterminate period of time from the entry into force of this Regulation.
3. The delegation of powers referred to in this Regulation may be revoked at any time by the European Parliament or by the Council. A decision of revocation shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
5. A delegated act adopted pursuant to this Regulation shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of 2 months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by 2 months at the initiative of the European Parliament or the Council.
6. By way of derogation from paragraph 5, a delegated act adopted pursuant to Articles 6(2) and 7(2) shall enter into force if no objection has been expressed by the European Parliament and the Council within a period of one month from the date of notification. This period shall not be extended.

Article 53

Committee procedure

1. The Commission shall be assisted by the Committee for Direct Payments. That Committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 5 of Regulation (EU) No 182/2011 shall apply.
3. Where reference is made to this paragraph, Article 8 of Regulation (EU) No 182/2011, in conjunction with Article 5 thereof, shall apply.

CHAPTER 3

Transitional and final provisions

Article 54

Flexibility between pillars

1. By 1 August 2013, Member States may decide to make available as additional support for measures under rural development programming financed under the EAFRD as specified under Regulation (EU) No [...] [RDR], up to 5 % of their annual national ceilings as set up in Annex III to this Regulation. As a result, the corresponding amount shall no longer be available for granting direct payments.

The decision referred to in the first subparagraph shall be notified to the Commission by the date referred to in that subparagraph.

The percentage notified in accordance with the second subparagraph shall apply for the period of application of this Regulation.

2. By 1 August 2013, Bulgaria, Estonia, Finland, Latvia, Lithuania, Poland, Portugal, Romania, Slovakia, Spain, Sweden and the United-Kingdom may decide to make available as direct payments under this Regulation up to 5 % of their 2015-2020 envelope for support for measures under rural development programming financed under the EAFRD as specified under Regulation (EU) No [...] [RDR]. As a result, the corresponding amount shall no longer be available for supporting measures under rural development programming.

The decision referred to in the first subparagraph shall be notified to the Commission by the date referred to in that subparagraph.

The percentage notified in accordance with the second subparagraph shall apply for the period of application of this Regulation.

Article 55

Repeals

1. Regulation (EC) No 637/2008 is repealed.

However, it continues to apply until 31 December 2017 in respect of Member States which have exercised the option laid down in the second sub-paragraph of Article 4(1) of that Regulation.
2. Regulation (EC) No 73/2009 is repealed.

Without prejudice to paragraph 3, references to the repealed Regulation shall be construed as references to this Regulation and shall be read in accordance with the correlation table set out in Annex VIII.
3. The references made in this Regulation to Regulations (EC) No 73/2009 and (EC) No 1782/2003 shall be understood as referring to those Regulations such as they were in force before their repeal.

Article 56

Transitional rules

In order to ensure a smooth transition from the arrangements provided for in Regulation (EC) No 73/2009 to those laid down in this Regulation, the Commission shall be empowered to adopt delegated acts in accordance with Article 52 concerning the necessary measures to protect the acquired rights and legitimate expectations of farmers.

Article 57

Entry into force and application

This Regulation shall enter into force on the [seventh] day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2014.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

ANNEX I

List of support schemes

Sector	Legal base	Notes
Basic payment	Title III, Chapter 1 of this Regulation	Decoupled payment
Additional payment for farmers following agricultural practices beneficial for the climate and the environment	Title III, Chapter 2 of this Regulation	Decoupled payment
Additional payment for farmers in areas with specific natural constraints	Title III, Chapter 3 of this Regulation	Decoupled payment
Additional payment for young farmers	Title III, Chapter 4 of this Regulation	Decoupled payment
Payment for small farmers	Title III, Chapter 5 of this Regulation	Decoupled payment
Voluntary coupled support	Title IV, Chapter 1 of this Regulation	
Cotton	Title IV, Chapter 2, of this Regulation	Area payment
Posei	Title III of Regulation (EC) No 247/2006	Direct payments under measures established in the programmes
Aegean islands	Chapter 3 of Regulation (EC) No 1405/2006	Direct payments under measures established in the programmes

ANNEX II

List of arable crops referred to in Article 4(j)

CN CODE	Description
I. CEREALS	
1001 10 00	Durum wheat
1001 90	Other wheat and meslin other than durum wheat
1002 00 00	Rye
1003 00	Barley
1004 00 00	Oats
1005	Maize
1007 00	Grain sorghum
1008	Buckwheat, millet and canary seed; other cereals
0709 90 60	Sweet corn
II. OILSEEDS	
1201 00	Soya beans
ex 1205 00	Rape seed
ex 1206 00 10	Sunflower seeds
III. PROTEIN CROPS	
0713 10	Peas
0713 50	Field beans
ex 1209 25 90	Sweet lupins
IV. FLAX	
ex 1204 00	Linseed (<i>Linum usitatissimum</i> L.)
ex 5301 10 00	Flax, raw or retted, grown for fibre (<i>Linum usitatissimum</i> L.)
V. HEMP	
ex 5302 100 00	Hemp, raw or retted, grown for fibre (<i>Cannabis sativa</i> L.)

ANNEX III

National ceilings referred to in Article 6

(In thousands EUR)

Calendar year	2014	2015	2016	2017	2018	2019
Belgium	553 553	544 131	534 730	525 336	525 336	525 336
Bulgaria	655 702	737 246	810 648	812 270	812 270	812 270
Czech Republic	892 698	891 875	891 059	890 229	890 229	890 229
Denmark	942 977	931 810	920 670	909 534	909 534	909 534
Germany	5 276 081	5 236 585	5 197 198	5 157 786	5 157 786	5 157 786
Estonia	108 791	117 473	126 141	134 790	134 790	134 790
Ireland	1 240 684	1 239 090	1 237 508	1 235 906	1 235 906	1 235 906
Greece	2 100 027	2 071 696	2 043 433	2 015 180	2 015 180	2 015 180
Spain	4 935 157	4 951 220	4 967 286	4 989 366	4 989 366	4 989 366
France	7 732 867	7 695 366	7 657 987	7 620 533	7 620 533	7 620 533
Italy	4 024 086	3 963 449	3 902 950	3 842 491	3 842 491	3 842 491
Cyprus	52 275	51 616	50 958	50 301	50 301	50 301
Latvia	163 279	181 631	199 950	218 232	218 232	218 232
Lithuania	396 530	417 189	437 813	458 391	458 391	458 391
Luxembourg	34 314	34 252	34 189	34 126	34 126	34 126
Hungary	1 298 104	1 296 907	1 295 721	1 294 513	1 294 513	1 294 513
Malta	5 316	5 183	5 051	4 918	4 918	4 918
Netherlands	807 025	792 231	777 469	762 720	762 720	762 720
Austria	707 503	706 850	706 204	705 546	705 546	705 546
Poland	3 039 136	3 066 851	3 094 538	3 122 115	3 122 115	3 122 115
Portugal	571 187	581 940	592 678	603 384	603 384	603 384
Romania	1 472 119	1 692 678	1 895 417	1 939 813	1 939 813	1 939 813
Slovenia	141 590	140 431	139 275	138 118	138 118	138 118
Slovakia	386 766	391 906	397 039	402 155	402 155	402 155
Finland	533 959	534 368	534 780	535 182	535 182	535 182
Sweden	710 889	711 870	712 855	713 824	713 824	713 824
United-Kingdom	3 624 571	3 637 585	3 650 599	3 663 522	3 663 522	3 663 522

ANNEX IV

Net ceilings referred to in Article 7

[Will be inserted as soon as estimations on the amounts from CAPPING has been finalised.]

ANNEX V

Coefficients to be applied under Article 10(1)

Member State	Limit for the EUR threshold (Article 9(1)(a))	Limit for the hectare threshold (Article 9(1)(b))
Belgium	400	2
Bulgaria	200	0,5
Czech Republic	200	5
Denmark	300	5
Germany	300	4
Estonia	100	3
Ireland	200	3
Greece	400	0,4
Spain	300	2
France	300	4
Italy	400	0,5
Cyprus	300	0,3
Latvia	100	1
Lithuania	100	1
Luxemburg	300	4
Hungary	200	0,3
Malta	500	0,1
Netherlands	500	2
Austria	200	2
Poland	200	0,5
Portugal	200	0,3
Romania	200	0,3
Slovenia	300	0,3
Slovakia	200	2
Finland	200	3
Sweden	200	4
United Kingdom	200	5

ANNEX VI

Financial provisions applying to Bulgaria and Romania referred to in Articles 15 and 16

A. National ceilings for payments referred to in Article 15(1):

(in thousands EUR)

	2014	2015
Bulgaria	805 888	808 270
Romania	1 803 091	1 849 296

B. Total amount of complementary national direct payments to the basic payment scheme referred to in Article 16(2):

(in thousands EUR)

	2014	2015
Bulgaria	150 186	71 024
Romania	330 971	156 618

C. Total amount of complementary national direct payments to the crop specific payment for cotton referred to in Article 16(3):

(in EUR)

	2014	2015
Bulgaria	556 523	295 687

ANNEX VII

Average size of agricultural holding to be applied under Article 35(4)

Member State	Average size of agricultural holding (in hectares)
Belgium	29
Bulgaria	6
Czech Republic	89
Denmark	60
Germany	46
Estonia	39
Ireland	32
Greece	5
Spain	24
France	52
Italy	8
Cyprus	4
Latvia	16
Lithuania	12
Luxemburg	57
Hungary	7
Malta	1
Netherlands	25
Austria	19
Poland	6
Portugal	13
Romania	3
Slovenia	6
Slovakia	28
Finland	34
Sweden	43
United Kingdom	54

ANNEX VIII

CORRELATION TABLE

Regulation (EC) No 73/2009	This Regulation	Regulation (EU) No [...] [HZR]
Article 1	Article 1	-
-	Article 2	-
Article 2	Article 4	-
-	Article 5(2)	-
Article 3	Article 5	-
Article 4(1)	-	Article 88
Article 4(2)	-	Article 92
Article 5	-	Article 90
Article 6(1)	-	Article 91
Article 6(2)	-	-
Article 7	-	-
Article 8(1) and (2)	Article 7(1) and (3)	-
-	Article 7(2)	-
Article 9	-	-
Article 10	-	-
Article 11(1) and (2)	-	Article 25(1) and (2)
-	Article 8	-
Article 12(1) and (2)	-	Article 12
Article 12(3)	-	Article 14
Article 12(4)	-	-
Article 13	-	Article 13(2)
Article 14	-	Article 65
Article 15	-	Article 66
Article 16	-	Article 67
Article 17	-	Article 68
Article 18	-	Article 69

Regulation (EC) No 73/2009	This Regulation	Regulation (EU) No [...] [HZR]
Article 19	-	Article 70
Article 20	-	Article 72
Article 21	-	Article 72(4)
Article 22	-	Article 93
Article 23	-	Article 94
Article 24	-	Article 96
Article 25	-	Article 97
Article 26	-	Article 60
Article 27(1)	-	Article 99(3)
Article 27(2)	-	Article 46
Article 27(3)	-	Article 66(3)
-	Article 9	-
Article 28(1) and (2)	Article 10(1), (3) and (4)	-
-	Article 10(2)	-
Article 28(3)	Article 23(1)(a)(ii)	-
-	Article 23(1)(a)(i), (c) and (d)	-
-	Article 11	-
Article 29	-	Article 73
Article 30	-	Article 59
Article 31	-	Article 2(2)
Article 32	Article 14	-
Article 33(1)	Article 17(1)	-
-	Article 17(2)	-
Article 34(1) and (2)	Article 24(1) and (2)	-
Article 35	Article 25	-
Article 36	-	-
Article 37	Article 12	-
Article 38	-	-

Regulation (EC) No 73/2009	This Regulation	Regulation (EU) No [...] [HZR]
Article 39(1)	Article 24(3)	-
Article 40(1)	Article 6(1)	-
Article 40(2)	Article 18(3)	-
Article 41(1)	Article 22(1)	-
Article 41(2)	Article 22(3) and (4)	-
Article 41(3)	Article 22(5)(a)	-
Article 41(5)	Article 22(5)(b)	-
-	Article 22(2), (6) and (7)	-
Article 41(6)	Article 21(4)	-
Article 42	Article 23(1)(b)	-
Article 43(1) and (2)	Article 26(1) and (2)	-
Article 43(3)	-	-
Article 44	-	-
Article 45	-	-
-	-	-
-	Article 18(1) and (2)	-
Article 46(1) to (4)	Article 19(1) to (4)	-
Article 46(5)	-	-
-	Article 20	
Article 47(1)	-	-
Article 47(2)	Article 21(1) regional application	-
-	Article 21(1) national application	-
-	Article 21(2),(3), (5), (6) and (7)	-
Article 48	-	-
Article 49	-	-
Article 50	-	-
Article 51	-	-
Article 52	-	-

Regulation (EC) No 73/2009	This Regulation	Regulation (EU) No [...] [HZR]
Article 53	-	-
Article 54	-	-
Article 55	-	-
Article 56	-	-
Article 57	-	-
Article 58	-	-
Article 59	-	-
Article 60	-	-
Article 61	-	-
Article 62	-	-
Article 63	-	-
Article 64	-	-
Article 65	-	-
Article 66	-	-
Article 67	-	-
Article 68	-	-
Article 69	-	-
Article 70	-	-
Article 71	-	-
Article 72	-	-
Article 73	-	-
Article 74	-	-
Article 75	-	-
Article 76	-	-
Article 77	-	-
Article 78	-	-
Article 79	-	-
Article 80	-	-

Regulation (EC) No 73/2009	This Regulation	Regulation (EU) No [...] [HZR]
Article 81	-	-
Article 82	-	-
Article 83	-	-
Article 84	-	-
Article 85	-	-
Article 86	-	-
Article 87	-	-
Article 88	Article 44	-
Article 89	Article 45	-
Article 90	Article 46	-
Article 91	Article 47	-
Article 92	Article 48	-
Article 93	-	-
Article 94	-	-
Article 95	-	-
Article 96	-	-
Article 97	-	-
Article 98	-	-
Article 99	-	-
Article 100	-	-
Article 101	-	-
Article 102	-	-
Article 103	-	-
Article 104	-	-
Article 105	-	-
Article 106	-	-
Article 107	-	-
Article 108	-	-

Regulation (EC) No 73/2009	This Regulation	Regulation (EU) No [...] [HZR]
Article 109	-	-
Article 110	-	-
Article 111	-	-
Article 112	-	-
Article 113	-	-
Article 114	-	-
Article 115	-	-
Article 116	-	-
Article 117	-	-
Article 118	-	-
Article 119	-	-
Article 120	-	-
Article 121	Article 15	-
Article 122	-	-
Article 123	-	-
Article 124	-	-
Article 124(6)	-	Article 95
Article 125	-	-
Article 126	-	-
Article 127	-	-
Article 128	-	-
Article 129	-	-
Article 130	-	-
Article 131	-	-
Article 132	Article 16	-
Article 133	-	-
-	Article 27	-
-	Article 28	-

Regulation (EC) No 73/2009	This Regulation	Regulation (EU) No [...] [HZR]
-	Article 29	-
-	Article 30	-
-	Article 31	-
-	Article 32	-
-	Article 33	-
-	Article 34	-
-	Article 35	-
-	Article 36	-
-	Article 37	-
-	Article 38	-
-	Article 39	-
Article 134	-	-
Article 135	-	-
Article 136	-	-
-	Article 49	-
Article 137	-	-
Article 138	Article 3	-
Article 139	Article 13	-
Article 140	Article 50	-
Article 141	Article 53	-
Article 142	Article 52	-
Article 142(r)	Article 51	-
-	Article 54	-
Article 143	-	-
Article 144	-	-
Article 145	-	-
Article 146	Article 55	-
Article 146a	-	-

Regulation (EC) No 73/2009	This Regulation	Regulation (EU) No [...] [HZR]
Article 147	Article 56	-
Article 148	-	-
Article 149	Article 57	-