

Member States' choices in CAP direct payments 2023-2027

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ABSTRACT

The 2023-2027 CAP reform grants Member States more autonomy in resource allocation within National Strategic Plans compared to the 2014-2020 framework. While this is generally viewed positively at the national level for addressing specific needs, it raises concerns about the potential fragmentation of the Common Agricultural Policy at the EU level. This study focuses on potential differences in national CAP majors by grouping Member States based on their choices in direct payments outlined in European Regulation No. 2115 of 2021, including Basic Income Support for Sustainability (BISS), Complementary redistributive income support for sustainability (CRISS), Coupled Income Support (CIS), Coupled Income Support for Young Farmers (CIS-YF), Eco-schemes, internal convergence, and criteria for defining 'active farmer'. Trends in resource transfer between CAP pillars are considered as well. The aim is to assess the level of fragmentation in CAP decision-making and budget allocation across Member States from 2023 to 2027. The analysis relies on the 2023 National Strategic Plans published by the European Commission, assessing implementation levels across the EU. Findings reveal six groups with similar decision-making approaches, yet depict a varied landscape due to differing national strategies. Some measures are widely embraced, while others see minimal adoption. The divergence extends to CAP pillar transfer and internal convergence, affirming fragmentation in EU agricultural policy.

Keywords: Common Agricultural Policy, coupled payments, convergence

INTRODUCTION

From its introduction, the Common Agricultural Policy (CAP) has recognized the importance of the agri-food sector as a necessary instrument for the equitable development of the Member States and addressed to Member States' agricultural sector as one of the main expenditure items of the European Union (EU) budget (Camera dei Deputati, 2023). The instrument adopted for pursuing equitable development is mainly based on distribution of economic support, provided to reduce the distortion within the territory of the European Union, according to different aspects: between rural and non-rural sectors within the same Member State (Guth et al., 2020); between countries, reducing the differences between Member States with more and less developed agriculture; and between non-disadvantaged areas and disadvantaged areas, including those that are marginal, as studied by Galluzzo in 2021. Nevertheless, not all CAP

reforms have reduced farm income polarization (Sinabel et al., 2013). Legislation on this subject is constantly evolving. The focus has shifted, indeed, toward different objectives over the years, starting with purely productive agriculture, due to compensating farm products through the price paid to producers, up to the most recent measures, increasingly devoted to environmental and social issues (Dinis, 2024).

The adoption of European Regulation No. 2115 of 2021 led to the new CAP reform 2023 - 2027 coming into force on 1 January 2023, showing some new relevant features. Among the latter is the greater autonomy that Member States will have in defining their agricultural policy instruments, thanks to the system of National Strategic Plans, which have to be drawn up to identify the most appropriate instruments for each agricultural sector at the country level.

The reform adopted a stronger 'bottom-up' decision-making system: the autonomy of the Member States is guaranteed to better embrace the needs of the individual realities, but always in compliance with European common strategies. A flexible reform tends to cope with the needs that emerged when the enlargement of the European Union took place, which implied coping with highly diversified national agricultural conditions. The increased autonomy delivered to Member States to adapt CAP measures to their specificities also implied greater difficulty in defining and achieving common objectives (Becker et al., 2022). PAC measures, indeed, should also be able to reach the objectives of the European New Green Deal (Cagliero et al., 2023). The difficulty in coping with those two different objectives may raise questions about whether there are still common goals for European agriculture and, if so, which strategies should be implemented to pursue these goals.

These questions aren't easy to answer because the need for diversification involves increasingly autonomous choices, but the more each actor chooses for itself, the more complicated it is to develop one or more common objectives. All this, then, is within a unitary economic and legislative framework such as that of the European common market.

This study aims to elucidate the current European Framework by categorizing Member States according to their choices in direct payments outlined in Regulation (EU) 2115/2021, i.e. Basic Income Support for Sustainability (BISS), Complementary redistributive income support for sustainability (CRISS), Coupled Income Support (CIS), Coupled Income Support for Young Farmers (CIS-YF), and Eco-Schemes. To broaden this perspective, the analysis also encompasses internal convergence and resource transfer between CAP pillars. Results obtained by clustering countries based on their choices concerning national agricultural policy measures may help in understanding similarities and differences among Member States' strategies, and to what extent they may be compatible within the EU common market.

MATERIAL AND METHODS

Overview of Member States

To summarize Member States' positions, the main differences found are first discussed. The categorization of Member States is based on their political choices regarding the financing of different support measures, choices emerging from the National Strategic Plans (European Commission, 2023). The budget allocation percentages refer to the total financial resources granted to each Member State and refer to the first pillar. Based on this, all Member States will be categorized according to their choices. Thresholds are set by considering the maximum and minimum allowed by European regulations and comparing the general trends of all EU Member States, therefore, clusters reflect national choices adopted to define (for each measure) a specific budget allocation within the range allowed by EU rules.

Generally, the national allocation strategy was considered "high" when close to the maximum value allowed by European regulations, and "low" when falling close to the minimum (accordingly thresholds are not defined by the authors but adopted in agreement with EU legislation) In detail, in this paper we define the following thresholds:

- CRISS: Classified as "low" if below 10% and "high" if above 13%, per Regulation 2115/2021;
- CIS: Considered "low" if below 10% and "high" if above 15%, with the general maximum set at 13% plus 2% for protein crops;
- CIS-YF: "Low" if below 3% and "high" if above 3%, with the minimum required at 3%; Eco-schemes: "Low" if below 25% and "high" if above 25%, with at least 25% required by regulations. Exceptions exist where rural development measures are used to meet these thresholds;
- BISS: Defined as "low" if below 40% and "high" if above 60%, with the average around 50%.

Member States mainly allocate the largest share of direct payments to the basic payment. The coupled payment for young farmers is not so high if compared

with the basic payment, because several countries apply specific young farmers' schemes within second pillar measures.

Member States' decisions concerning direct payments are shown in Figure 1.



Figure 1. Overview of Direct Payments by Member State (Percentage of the total budget for direct payments; Source: Authors' elaborations on European Commission data, 2023)

Basic income support for sustainability (BISS)

The BISS replaces the old basic payment and greening. Countries allocating large budget percentages to this instrument are Denmark, Austria, Cyprus, the Netherlands, Slovenia, Sweden, and Ireland; on the contrary, less importance is given by Belgium, Wallonia, the Czech Republic, Lithuania, and Croatia (Figure 2 and Table 1).

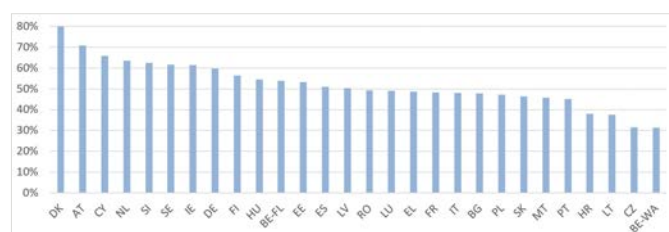


Figure 2. BISS allocation by Member State (percentage of the total budget for direct payments; Source: Authors' elaborations on European Commission data, 2023)

Complementary redistributive income support for sustainability (CRISS)

One of the novel proposals introduced by CAP 23-27 is CRISS, designed to address income inequality within Member States. According to Sadlowski et al. (2022), while pursuing a more even aid distribution, it's crucial not to overshadow the benefits derived from specialization. However, it is also noted that such an approach is positive for mitigating the strong environmental pressure of intensive agriculture.

Table 1. Classification of countries into segments by the percentage allocated to the BISS (Source: Authors' elaborations on European Commission data, 2023)

BISS		
<40%	40%<x<60%	>60%
BE-WA	PT	IE
CZ	MT	SE
LT	SK	SI
HR	PL	NL
	BG	CY
	IT	AT
	FR	DK
	EL	
	RO	
	LV	
	ES	
	EE	
	BE-FL	
	HU	
	FI	
	DE	
	LU	

Among the 28 National Strategic Plans, 20 adhere to the CRISS system, allocating at least 10% of the available resources according to EU guidelines, 8 apply for exemptions, and among these, 2 do not adopt the CRISS (Malta and Denmark; Figure 3 and Table 2).

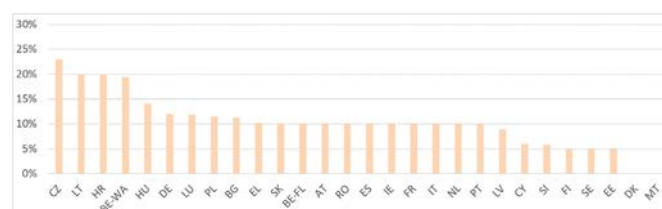


Figure 3. CRISS allocation by Member State (percentage of the total budget for direct payments; Source: authors' elaborations on European Commission data, 2023)

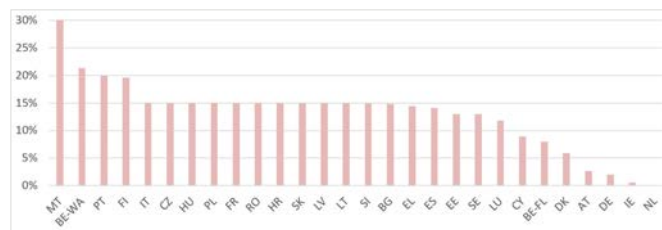
Table 2. Classification of countries into segments by the percentage allocated to the CRISS (Source: Authors' elaborations on European Commission data, 2023)

CRISS		
<10%	10%<x<13%	>13%
DK	PT	HU
MT	NL	BE-WA
EE	IE	HR
SE	FR	LT
FI	ES	CZ
SI	IT	
CY	RO	
LV	AT	
	BE-FL	
	SK	
	EL	
	BG	
	PL	
	LU	
	DE	

Thanks to CRISS, on average, small farms in the EU will receive 15% more income support per hectare than the average. A special case in point is Malta, which, although it has not activated the measure, provides support to small and medium-sized farms through the basic package measures, keeping in line with other countries.

Coupled income payments (CIS)

Coupled income payments (CIS) are aimed at supporting a sector, or product, that needs specific attention, mainly referring to products considered traditional for a specific country (for different reasons that can be cultural, economic, or linked to a specific territory, etc.) or supposed to be a strength, or eligible for support preventing from falling into crisis. Moreover, part of the financial budget of CIS could be directed to sectors that will face income loss with the abolishment of historical entitlements (Kremmydas et al., 2022) (Figure 4 and Table 3).

**Figure 4.** CIS allocation by Member State (Percentage of the total budget for direct payments; Source: Authors' elaborations on European Commission data, 2023)**Table 3.** Classification of countries into segments by the percentage allocated to the CIS (Source: Authors' elaborations on European Commission data, 2023)

CIS		
<10%	10%<x<15%	>15%
NL	LU	FI
CY	SE	PT
AT	EE	BE-WA
DK	ES	MT
DE	EL	
IE	BG	
BE-FL	SI	
	LV	
	LT	
	SK	
	HR	
	RO	
	FR	
	PL	
	HU	
	CZ	
	IT	

Those who used less CIS, usually, redirect the saved quota to the basic income support for sustainability and are – at the same time – among the main BISS users. The total EU budget for the CIS is 7% of total CAP expenditure for the period 2023-2027 (European Commission, 2023).

Coupled income support for young farmers (CIS-YF)

An amount equal to at least 3% of the budget for direct payments has to be allocated for supporting young farmers, whether they are contained in the first or second pillar.

Figure 5 and Table 4 show the percentages of use of coupled payments for young farmers (CIS-YF), exclusively about the measure of the first pillar, by Member State.

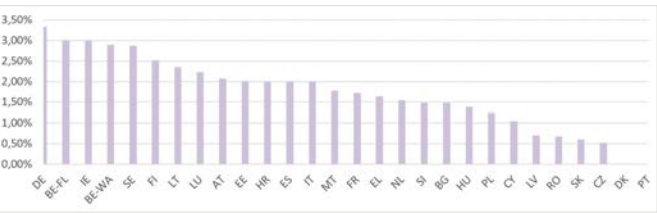


Figure 5. CIS-YF allocation by Member State (percentage of the total budget for direct payments; Source: Authors' elaborations on European Commission data, 2023)

Table 4. Classification of countries into segments by the percentage allocated to the CIS-YF (Source: Authors' elaborations on European Commission data, 2023)

CIS-YF		
<2%	2%<x<3%	>3%
DK	IT	IE
PT	ES	BE-FL
CZ	HR	DE
SK	EE	
RO	AT	
LV	LU	
CY	LT	
PL	FI	
HU	SE	
BG	BE-WA	
SI		
NL		
EL		
FR		
MT		

Germany is the state that uses the higher amount for this measure, allocating more than 3% of the direct payments budget to CIS-YF.

Denmark and Portugal, on the other hand, don't allocate any funds for this subsidy since they support young farmers exclusively through the second pillar.

Eco-schemes

Member States are required to allocate at least 25% of their direct payment budget to Eco-schemes.

Exceptions are permitted if they commit to allocating high percentages of their rural development funding to climate and environment. Mainly, Eco-schemes address soil conservation issues, while smaller amounts are allocated to organic farming, animal welfare, and protection measures. However, for these topics, specific measures are made available within the second pillar.

Farmers who subscribe to Eco-schemes have to respect new requirements to maintain the same level of aid guaranteed by the previous CAP reform 2014-2020 (i.e. "Eco-schemes"), in addition to those already proposed by cross-compliance.

Cross-compliance represents obligations of a purely socio-environmental nature, and the aid granted is mainly intended to compensate for higher costs or lower income that could result from higher environmental and social commitments. It is essential to comply with these obligations to obtain CAP's payments. The 2021-2027 Reform introduced the so-called Enhanced Cross-compliance which introduces new mandatory environmental commitments for farmers (European Commission - CAP Glossary).

There are a total of 158 Eco-schemes drawn up in Europe, where 18% provide for payments to be added to the basic payment, while the remaining 82% provide for payments to compensate for reduced income and higher costs due to increased efforts toward more sustainable productions and/or environmental services.

The percentages of annual share for direct payments allocated to Eco-schemes are presented in Figure 6 and Table 5.

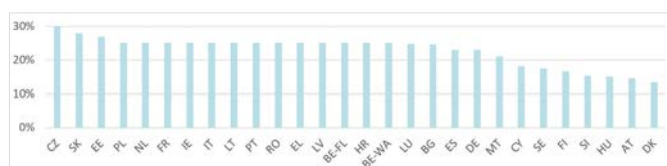


Figure 6. Eco-schemes allocation by Member State (percentage of the total budget for direct payments; Source: Authors' elaborations on European Commission data, 2023)

Table 5. Classification of countries into segments by the percentage allocated to the Eco-schemes (Source: Authors' elaborations on European Commission data, 2023)

ECO-SCHEMES	
< 25%	>25%
DK	IE
AT	BE-FL
HU	BE-WA
SI	HR
FI	LT
SE	EL
CY	RO
MT	LV
DE	FR
BG	IT
ES	PT
LU	NL
	PL
	EE
	SK
	CZ

RESULTS

Based on data and thresholds defined in the previous chapter, we were able to identify Member States adopting similar strategies and those characterized by diverging strategies.

The following parameters are considered:

- Active farmer
- Internal convergence
- Flexibility between pillars
- BISS
- CRISS
- CIS
- CIS-YF
- Eco-schemes.

Internal convergence aims to equalize the value of aid across the national territory. To achieve this, the value of titles remains diversified until the average value is reached (the "flat rate"), gradually reducing the titles above the average and increasing those below. Internal convergence is coupled with the so-called External Convergence, which aims to progressively adjust income support payments per hectare in each country, either upwards or downwards, to bring them closer to the EU average level (European Commission - CAP Glossary)

Scores from 1 to 5 are allocated to parameters, following the methodology used by Sotte and Bignami (2015), according to the strength degree of each measure, except for the active farmer clause, which needs a specific focus due to its complexity.

Table 6 shows the levels for each parameter.

With respect to Internal convergence, we included this variable in the analysis since within Member countries still coexist different ways of rights calculation (flat rate vs historical value), as well as different strategies for achieving a common flat rate level of subsidies.

An active farmer is a necessary clause, provided for by European regulations, aimed at defining beneficiaries allowed to receive CAP support. The active farmer clause was already included in the previous CAP 2014-2020 programming, and it is adopted in the current programming, as well, but with different constraints. Member States are entitled to establish different parameters used to limit this definition.

Table 6. Intensity scores of the parameters used for countries' clustering (Source: Authors' elaborations, 2023)

Parameter	Maximum value (5)	Minimum value (1)
Flexibility between pillars	Application of the maximum allowed transfer from Pillar I to Pillar II	Application of the maximum allowed transfer from Pillar II to Pillar I
Internal convergence	Internal convergence completed or flat rate applied	Internal convergence still in process: no flat rate before 2028
BISS	High BISS utilisation (>60%)	Low BISS utilisation (>60%)
CRISS	High CRISS utilisation (>13%)	Low CRISS utilisation (<10%)
CIS	High CIS utilisation (>15%)	Low CIS utilisation (<10%)
CIS-YF	High CIS-YF utilisation (>3%)	Low CIS-YF utilisation (<2%)
Eco-schemes	High Eco-schemes utilisation (>25%)	Low Eco-schemes utilisation (<25%)

Member States are classified according to the adoption of a strict or broad definition of active farmer, which, however, still remains a complex parameter that requires a specific discussion.

A sub-division of the different factors affecting its definition was indeed adopted, following the model proposed by Pupo D'Andrea and Lironcurti (2018), who suggested to refer to the wide variety of specific restrictions that Member States may use in defining an "active farmer" eligible for support, and how many have to be fulfilled at the same time.

This approach allows the identification of countries with tightened/weak definitions used for bounding the direct payments' beneficiary set.

The factors examined for the active farmer are:

- Application of a blacklist
- Exemption threshold for minimum payments received in the previous year
- Application of income tests
- Definition of minimum size, livestock density, and minimum maintenance costs.

Table 7 shows the results obtained, and column 6 shows the sum of the limitations applied in total by each Member State.

Hungary is the Member State with the highest number of barriers to accessing direct payments. In contrast, it would be easier to qualify as an active farmer in countries such as Germany, Italy, and Finland, where several of the previous restrictions do not apply.

It is of interest to note that the definition of 'active farmer' isn't static for some Member States across different programs over time. The 2023-2027 CAP reform in some cases shows a completely distorted definition of active farmer compared to the 2014-2020 CAP programming period, as shown by Pupo D'Andrea and Lironcurti (2018). The example of Italy is emblematic: in the previous programming, a higher number of limitations were adopted compared with the other EU Countries, while current programming showed a much broader definition compared to the previous one.

The relative budget (in %) allocated to direct payments has been coded according to the method shown in Table 6: value 1 is assumed if the country lays in the group of lower users, 5 for high utilization; for intermediate strategies, a value of 3 is assumed.

Concerning convergence, values of 5 indicate the degree of flat-rate adoption; 4 is assumed for countries showing flat-rate adoption from 2023; 3 highlights those that will introduce it within 2026; 1 is attributed to those that will complete the convergence process within 2028.

Table 7. Score attribution for the parameter "active farmer" CAP reform 2023-2027 (Source: Authors' elaborations on European Commission data, 2023)

Member States	Exemption threshold other than 5000	Income's test	Black list	Definition of minimum size, livestock density, and minimum maintenance costs	Number of limitations applied	Threshold chosen (€)
DK				X	1	
MT			X	X	2	
EE				X	1	
SE				X	1	
FI					0	
SI		X		X	2	
CY		X		X	2	
LV	X			X	2	500
PT	X				1	2000
NL		X			1	
IT					0	
FR			X		1	
ES		X	X		2	
IE				X	1	
RO		X	X		2	
AT		X		X	2	
BE-FL			X	X	2	
SK		X			1	
EL		X			1	
BG		X			1	
PL		X	X		2	
LU				X	1	
DE					0	
HU		X	X	X	3	
BE-WA	X		X		2	350
HR			X	X	2	
LT				X	1	
CZ		X		X	2	

For inter-pillar transfer, a value of 1 is taken in the case of maximum transfer from pillar II to pillar I; a value of 2 indicates a transfer in the same direction, but to a lower extent; a value of 3 pertains Member States without transfer; values 4 and 5 show a reverse trend (such countries decided to transfer financial resources

from pillar I to pillar II) being 4 allocated to transfers not reaching the maximum allowed extent and 5 indicating the maximum possible transfer from pillar I to pillar II.

The allocation of the various scores, according to the methodology just described, is shown in Table 8.

Table 8. Score allocation for all variables considered (Source: Authors' elaborations, 2023)

Member State	Internal Convergence	BISS	CRISS	CIS	CIS -YF	Eco-schemes	Flexibility between pillars
DK	4	5	1	1	1	1	4
MT	4	3	1	5	1	1	2
EE	5	3	1	3	3	5	3
SE	4	5	1	3	3	1	3
FI	4	3	1	5	3	1	3
SI	4	5	1	3	1	1	3
CY	5	5	1	1	1	1	3
LT	5	3	1	3	1	5	4
PT	3	3	3	5	1	5	2
NL	4	5	3	1	1	5	5
IT	1	3	3	3	3	5	4
FR	1	3	3	3	1	5	4
ES	1	3	3	3	3	1	3
IE	1	5	3	1	5	5	3
RO	5	3	3	3	1	5	4
AT	4	5	3	1	3	1	3
BE-FL	1	3	3	1	5	5	4
SK	5	3	3	3	1	5	4
EL	3	3	3	3	1	5	4
BG	5	3	3	3	1	1	3
PL	5	3	3	3	1	5	1
LU	3	3	3	3	3	1	2
DE	4	3	3	1	5	1	4
HU	5	3	5	3	1	1	1
BE-WA	1	1	5	5	3	5	3
HR	3	1	5	3	3	5	2
LV	5	1	5	3	3	5	3
CZ	5	1	5	3	1	5	4

Similarities between Member States

Six groups with similar strategies can be defined according to the results obtained.

Although some groups contain countries with common traits (e.g., in group 4, all the countries are among those that joined the EU in 1957), the cluster is based on purely political choices, independently of their historical background.

The variability within the groups is low according to the coefficient of variation (ratio of the Mean to the Standard Deviation - if it is below 50%, the variability is low; therefore, the mean can be a good indicator to represent the data (Pertichetti, 2020)). Its value for each cluster is calculated, with a value considered high if it exceeds 50%. On average, the CV of each cluster ranges between 20% and 30%, except for group 1, which reaches 47%.

The first group is composed of Slovenia, Malta, Finland, Sweden, Cyprus and Denmark. It is characterized by a high tendency to use CIS, except in Cyprus and Denmark. Countries in group 1 share similar strategies regarding convergence, BISS, and flexibility between pillars; a flat

rate is already in place (2023); low propensity to use the CIS-YF and Eco-schemes. Preference for not transferring resources between pillars, except Malta, which, however, transfers very small percentages from the 2nd to the 1st, and Denmark shows similar amounts transferred but in the opposite direction (from the 1st to the 2nd). The group in question is pictured in Figure 7.

Romania, Slovakia, Greece, Latvia, Estonia, Poland, and Portugal are grouped in the 2nd cluster. Flat rate is already adopted or will be put in place within 2026 (this is the case of Greece and Portugal); there is an extensive use of eco-schemes; the transfer between pillars takes place from I^o to II^o direction; the CIS is used, but not the CIS-YF (Figure 8).

The third group holds Croatia, Lithuania, the Czech Republic, Belgium-WA, Hungary and Bulgaria. Countries in this group show low use of BISS, but a high use of CRISS and eco-schemes (except for Hungary and Bulgaria). They intend to adopt the flat rate at least by 2026. The use of CIS is medium to high, especially for Belgium-WA, which, however, differs from the other Member States since it will not adopt the flat rate before 2028 (Figure 9).



Figure 7. Grouping of Member States according to policy choices: group 1 (Source: Authors' elaboration, 2023)

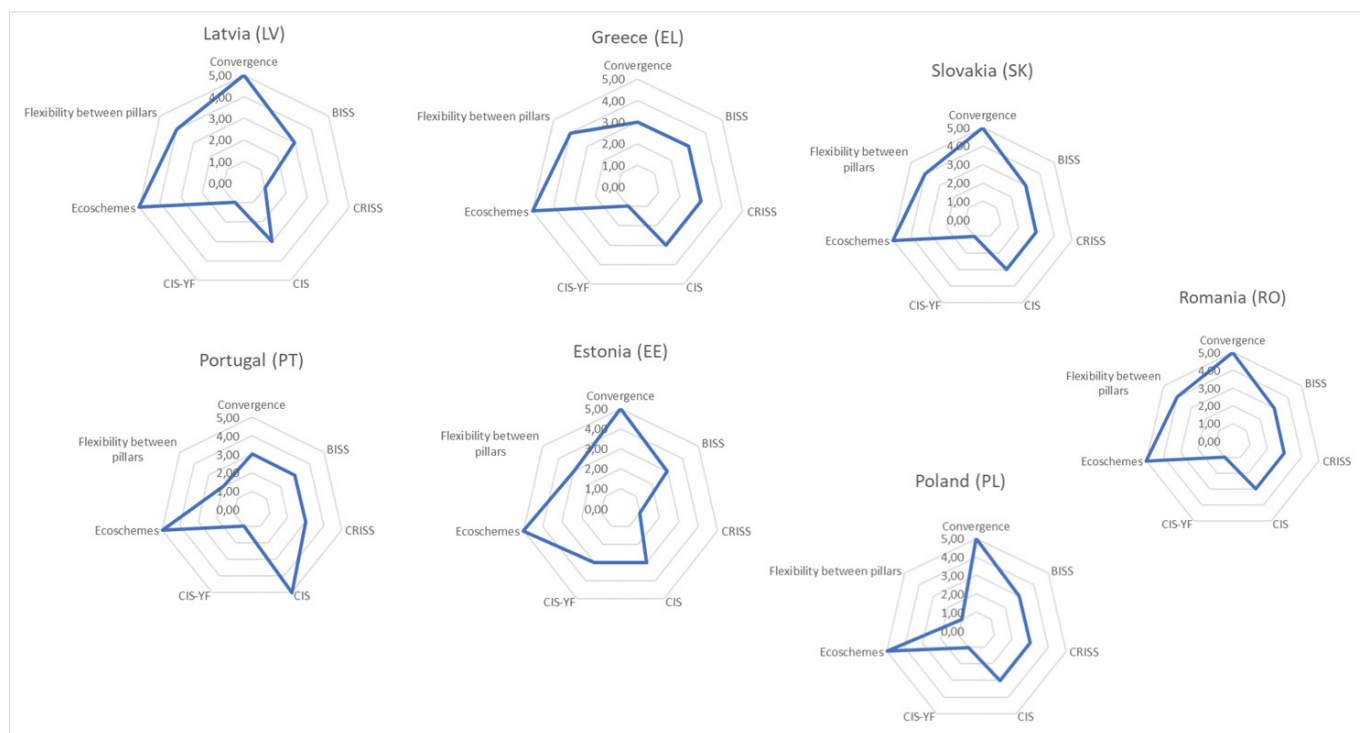


Figure 8. Grouping of Member States according to policy choices: group 2 (Source: Authors' elaboration, 2023)

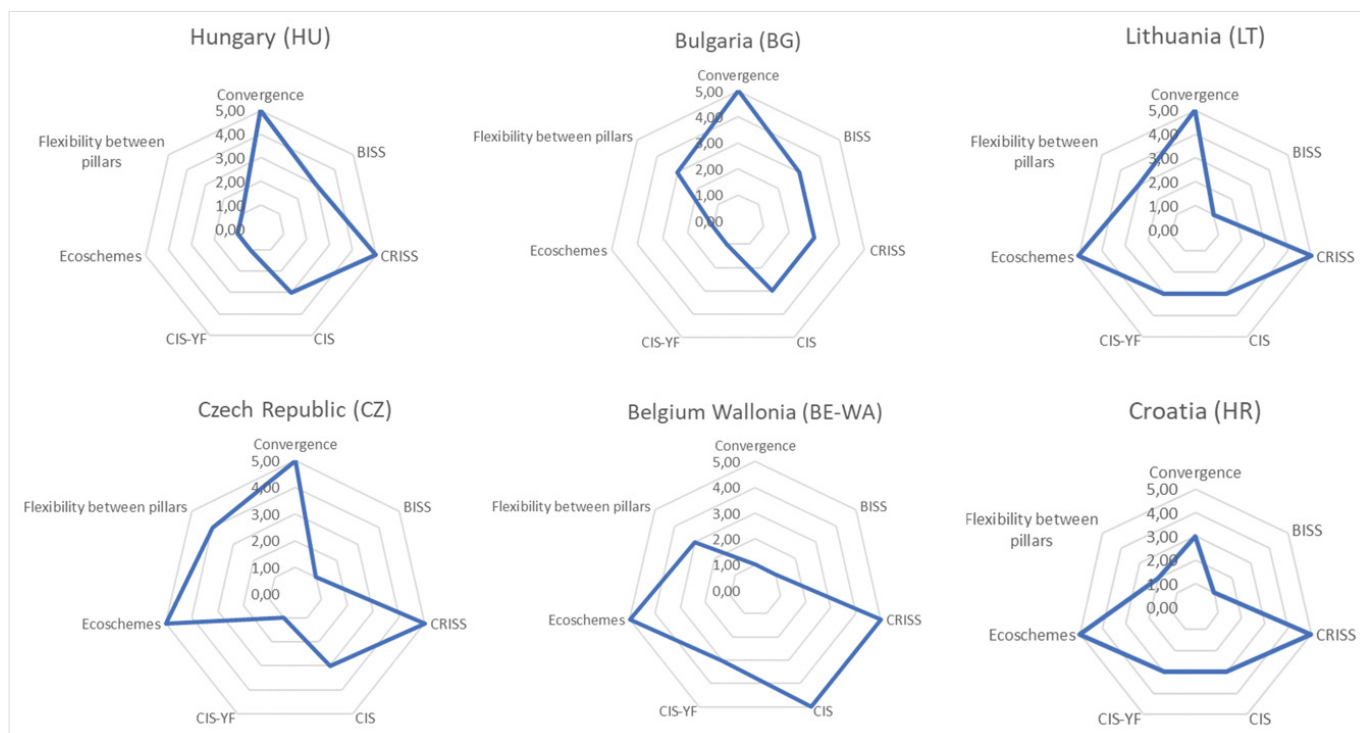


Figure 9. Grouping of Member States according to policy choices: group 3 (Source: Authors' elaboration, 2023)

Italy, France, and the Netherlands represent the fourth group. They share convergence at a minimum level, high reliance on Eco-schemes, and consistent transfer from the 1st to 2nd pillar direction, sometimes at a maximum level. Italy adopted CIS-YF support, while France and the Netherlands devoted themselves exclusively to measures within the second pillar to young farmers' support (Figure 10).

The fifth group shows together Germany, Austria, Ireland and Belgium-FL. They are characterized by high use of CIS-YF, while the eco-schemes' choices split the group. On one side, Germany and Austria with little use; on the other side, Belgium-FL and Ireland share a high use of it (Figure 11).

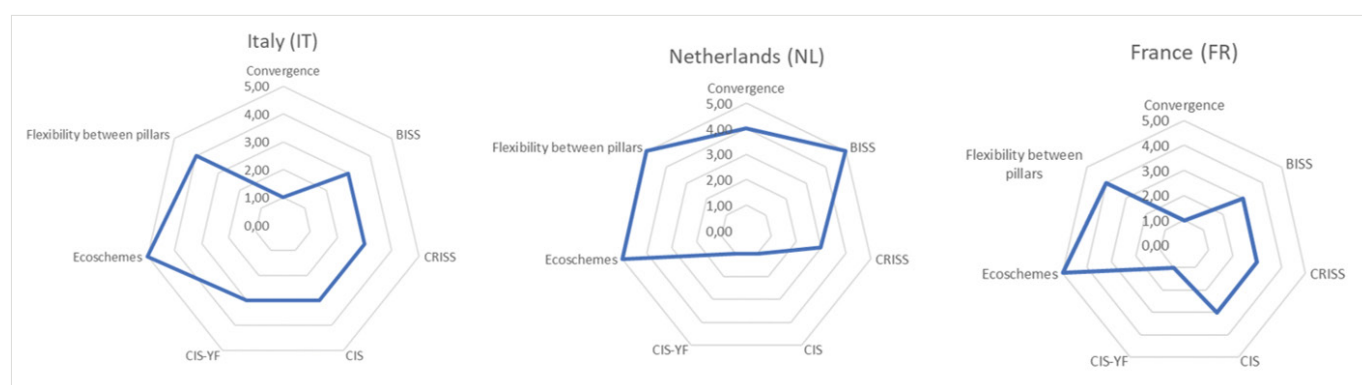


Figure 10. Grouping of Member States according to policy choices: group 4 (Source: authors' elaboration, 2023)

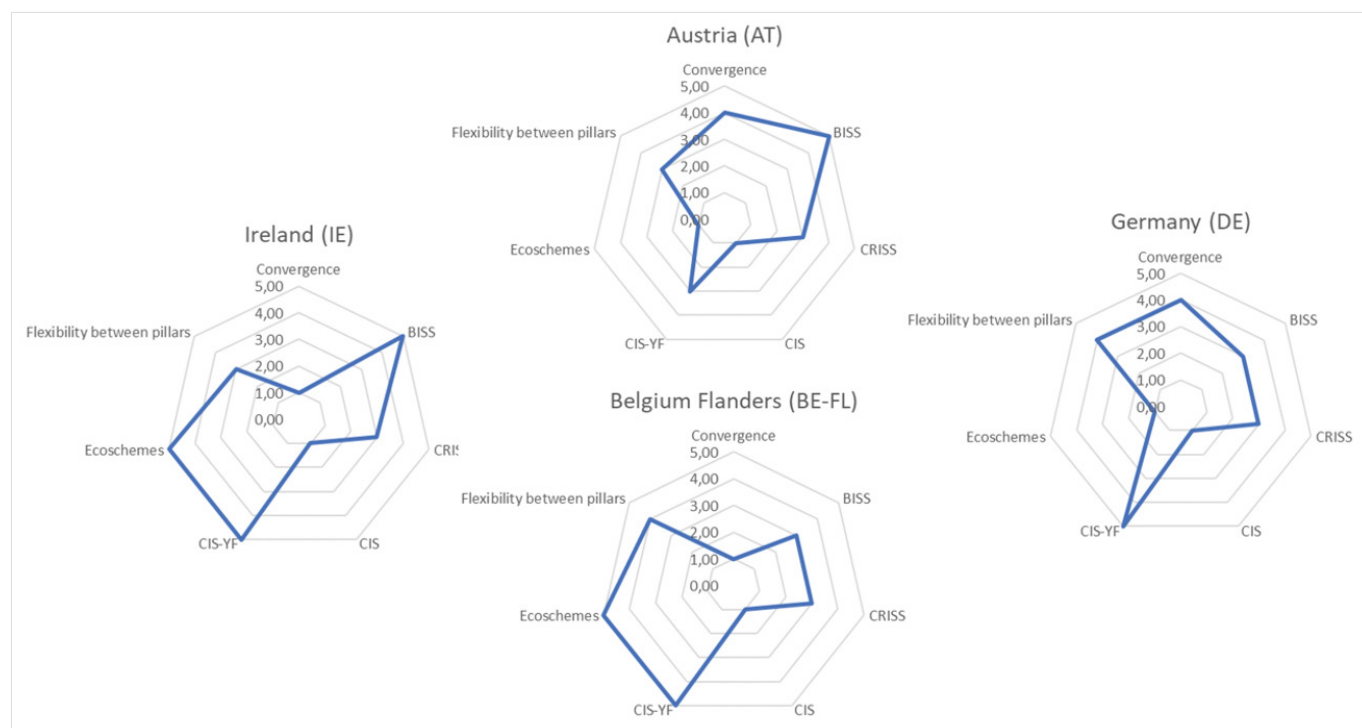


Figure 11. Grouping of Member States according to policy choices: group 5 (Source: Authors' elaboration, 2023)

Spain and Luxembourg compose the last group. They share the direct payments wider us (up to the maximum extent), except for eco-schemes. They are distinguished by the transfer between pillars is set to maximum for Spain from 1° to 2° direction, while in the opposite direction for Luxembourg; both countries will complete the convergence process, within 2026 (Luxembourg) and 2028 (Spain) (Figure 12).

Compared to the previous programming period (see Sotte and Bignami, 2015), the trend of inter-pillar transfer and the convergence situation remain unchanged between Member States.

Regarding CIS support, the trend remains mainly unchanged, with small differences: in the previous reform, Germany was the only state deciding not to implement this measure, while it will be adopted in the 2023-2027 reform, even if a small percentage of resources will be made available. The opposite trend shows the Netherlands, which previously adopted CIS (even if to a minimal percentage), but now is the only country that will not activate the measure.

Lithuania, Belgium, Wallonia, and Croatia maintain their high utilization of CRISS, similar to the 2014-2020 programming. Change in direction occurred in Hungary and the Czech Republic, which did not provide for any redistributive payments in the previous reform, while the

current programming period presents some of the highest adoption (in percentage) within the entire EU.

For the other variables, a direct comparison with results obtained by Sotte and Bignami (2015) is not possible due to the presence in CAP 23-27 of new measures that were not even planned in CAP 14-20 (e.g. eco-schemes).

Convergence choices distant positions of Member States, in terms of flat rate achievement. For a better explanation, it is appropriate to link this behaviour to the definition of an active farmer, since countries that still make use of the historical system of payment entitlements (flat rate still not in place) tend not to overly constrain the requirements to be met by beneficiaries (except Spain). This may be ascribed to the use of payment entitlements, which imply a historical target group of possible beneficiaries that is not intended to be undermined by a definition of "active farmer" with too strong boundaries.

The opposite is true for countries already adopting flat rates. Hungary is the most restrictive in terms of the requirements to be met to fall under the definition of 'active farmer'. In these countries without the burden of the past definition of payment entitlements, the adoption of a narrower definition of beneficiaries is probably needed to avoid delivering payments to subjects with little/no connection with the agricultural sector.

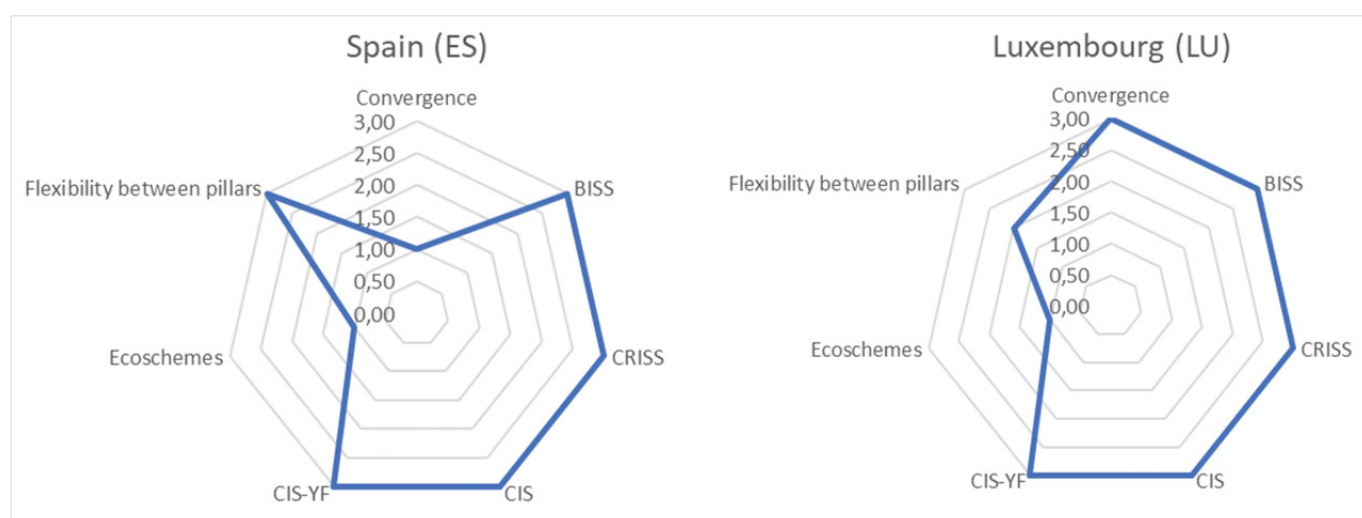


Figure 12. Grouping of Member States according to policy choices: group 6 (Source: authors' elaboration, 2023)

CONCLUSIONS

This paper provides an overview of the fragmentation of the Common Agricultural Policy, highlighting differences and similarities between Member States' choices regarding the reform currently in place. Different approaches lead to different resource allocations devoted to direct payments (the lonely aspect investigated in the present analysis). The results obtained from this work are based on the countries' budget allocation within the thresholds allowed by the EU legal framework.

Results reveal Member States adopting combinations of different strategies over the wide variety of CAP measures that result in significantly different behaviour. Each group of countries shows similarities in decision-making regarding the allocation of resources devoted to direct payments, highlighting a low variability of decisions within each cluster, while differences between groups seem to be relevant in terms of strategic view for homogeneous development of the whole EU agricultural sector.

More in detail, the study carried out reveals a heterogeneous situation among EU Member States. The concentration of direct payments is higher in countries that have a higher number of agricultural holdings than direct payments (DP) beneficiaries (Severini and Tantari, 2015). Countries that traditionally benefit from CAP support face a lower level granted for basic payment, due to the constraints implied by external convergence, and therefore need to adhere to voluntary measures to reach a support level comparable to the level obtained in the past reform. This implies, however, the engagement in constraints that go beyond enhanced cross-compliance, such as those required to access eco-schemes.

On the contrary, countries that benefited from a lower level of support in the past have to make less effort: thanks to the EU's external convergence objective, which aims to bring the value of the first pillar's CAP aid closer to the average European level, they will see an increased value of support, without any particular additional obligations.

As far as internal convergence is concerned, there are significant differences between the Nordic countries and the Southwestern countries: the latter tend to maintain the system of aid entitlements with a historical value quantification; the firsts are more in line with EU trends, as they have already applied the flat-rate homogeneously throughout the country. For Eastern European countries, this problem doesn't apply since they immediately adopted the system of the flat rate per hectare. The different orientations regarding internal convergence can be ascribed to the distinction between countries that have historically benefited from the CAP and those that never adopted the entitlement system due to their recent EU membership.

Among the countries that are still tied to the entitlement system, there is evidence of a group that will not be able to reach the flat rate target, not even during the current reform. The adoption of a flat rate may raise concerns when it implies a general decrease in the value of the entitlements, mainly for farms located in territories with special constraints or disadvantaged areas. In this regard, it must be pointed out that specific measures are made available in the second pillar and are meant to support farmers who face specific constraints. This is why no strong argument seems to reasonably corroborate payments still defined by historical value.

Strong differences between Member States also emerge about the subjects entitled to aid access: the definition of an active farmer is sometimes difficult to compare. In this sense, the European Union is split into two realities with huge differences: half of the states tend to apply stringent requirements, making access to support more difficult; the other half tend to adopt broader definitions, allowing access to support measures to a wider audience. This is probably rooted in the widely discussed definition of 'farmer', which is from time to time differently defined in Member States depending on the national fiscal and economic objectives defined at the political level (and not static over time).

The EU's policy tends to achieve stringent reductions in the use of chemicals, in the management of nutrients from farming and grazing activities, and an increase in organically farmed areas. It is clear that, although these practices are beneficial to the environment and in line with the intended sustainability goals, ambitions in this regard are high. The requirements for joining eco-schemes sometimes require substantial commitments, in addition to those already proposed by cross-compliance: some farmers might desist from participating in such measures in order not to take on additional requirements. According to some farmers interviewed by Hupková et al. (2023), access to subsidies other than direct payments is somehow too difficult and involves too many obligations, both for first and second-pillar measures. Farmers could offset the reduced quota for basic payment by utilizing other support measures, such as eco-schemes, CIS, CRISS, and CIS-YF (Pierangeli et al., 2023). However, accessing additional measures like eco-schemes is sometimes viewed as a significant commitment and, consequently, may be relinquished.

Overall, the architecture of the CAP is certainly becoming more and more complex, even though its original purpose was to develop and support the agricultural sector and farmers. Despite the heavy reliance on public support for European farmers (Tsvetanov, 2019), the increase of stringent constraints entails tangible obstacles to agricultural production activities, especially in areas capable of higher incomes where the combined effect of convergence, capping, and convergence could push some farmers to quit receiving support to avoid being subjected to the constraints it implies.

Compared to the previous reform, where most of the support was received by a few actors with large holdings, in the present one, there will be a reversal in the allocation of these resources, preferentially towards small and medium-sized enterprises, thanks to the redistributive payment and the complementary payment of small holdings. Holdings smaller than 30 hectares will receive higher support per hectare all over the European Union.

Coupled support is still a form of support widely used by Member States, except for Denmark, Austria, Germany, and Ireland, which prefer to allocate resources to basic income sustainability support, of which they are the largest users. Although coupled support should only be intended to support traditional, disadvantaged, or struggling sectors, the choices of individual states are sometimes difficult to interpret in this sense and end up having a significant impact on the competition among countries acting in the Common European Market. Emblematic is the case of France, which is the country with the largest funding of coupled measures and allocates a large amount of coupled payments to the beef livestock sector and to combined support for milk and meat production, with more than one billion euros per year. This will inevitably affect the dynamics of competition in the livestock sector throughout the EU.

The fragmentation of the EU is also evident in internal convergence, whereby there are marked differences between northern and southern Europe. Negatively correlated to the internal convergence is the adoption of eco-schemes. Member States that have moved to the unified payment per hectare (or flat rate) allocate less funds to eco-schemes and, thanks to this, can afford a higher percentage of resources to rural development, and a higher share to the basic payment in the first pillar, limiting farmers' commitment to only enhanced cross-compliance, and thus facilitating access to a robust basic payment and leaving additional commitments to voluntary measures provided by the second pillar (rural development).

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