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Delegations will find attached document SWD(2025) 236 final.

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EUROPEAN  
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Brussels, 14.5.2025  
SWD(2025) 236 final

## COMMISSION STAFF WORKING DOCUMENT

*Accompanying the document*

**Proposal for a  
REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL  
amending Regulation (EU) 2021/2115 as regards the conditionality system, types  
of intervention in the form of direct payment, types of intervention in certain sectors  
and rural development and annual performance reports and Regulation (EU) 2021/2116  
as regards data and interoperability governance, suspensions of payments  
annual performance clearance and controls and penalties**

{COM(2025) 236 final}

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## Glossary

Term or acronym	Meaning or definition
AECC	Agri-environment-climate commitments
AGRIFISH Council	Agriculture and Fisheries Council configuration
AMS	Area Monitoring System
APR	Annual performance report
BISS	Basic income support for sustainability
BPR	Biennial performance review
CAP	Common agricultural policy
CAP Plan	CAP strategic plan
CSP Regulation	CAP Strategic Plan Regulation (Regulation (EU) 2021/2115)
EAGF	European Agricultural Guarantee Fund
EAFRD	European Agricultural Fund for Rural Development
GAEC	Good agricultural and environmental condition standard
GSA	Geo-spatial application
Horizontal Regulation	Regulation on the financing, management and monitoring of the common agricultural policy (Regulation (EU) 2021/2116)
IACS	Integrated administration and control system
LPIS	Land parcel identification system
LU	Livestock unit
SCO	Simplified cost options
2024 simplification package	The package of measures put forward by the Commission on 22 February 2024, including the Commission proposal of 15 March 2024 to amend the CSP Regulation and the Horizontal Regulation (Regulation (EU) 2024/1468)
2024 Simplification Regulation	Regulation (EU) 2024/1468 of the European Parliament and of the Council amending the CSP Regulation and the Horizontal Regulation based on the Commission proposal of 15 March 2024
Simplification study	Study on simplification and the administrative burden for farmers under the CAP
SMR	Statutory management requirement
ULM	Union-level methodology
Vision	Commission Communication 'A Vision for Agriculture and Food'

# 1. INTRODUCTION

On 19 February 2025, the European Commission adopted the Commission Communication ‘**A Vision for Agriculture and Food**’<sup>1</sup>. This Communication presents a roadmap to guide EU action towards achieving an attractive, competitive, resilient, future-oriented and fair agri-food system for current and future generations of farmers and agri-food operators.

In line with the **EU Competitiveness Compass**, the overarching EU flagship initiative to boost EU competitiveness<sup>2</sup> and following the Draghi report<sup>3</sup>, the Vision calls for unnecessary bureaucratic and regulatory burden to be reduced, a key step to support the competitiveness of the farming sector and the entire agri-food value chain.

As a first step in that process, the Vision announced a comprehensive **simplification package of the current agricultural legislative framework** (2023-2027) to deliver in the following areas: (i) on-farm simplification and streamlining of requirements to better adjust to different situations and to various farming practices; (ii) streamlining support for smaller and medium-sized farms; (iii) providing measures that can help boost competitiveness; and (iv) increasing Member States’ flexibility in managing CAP strategic plans (CAP Plans).

This staff working document accompanies the Commission simplification proposal amending the CAP Strategic Plan (CSP) and the Horizontal Regulations<sup>4</sup>. It includes (i) a summary of the key input and feedback from stakeholders and other evidence that informed this initiative, (ii) an explanation of the solutions found to address the identified problems together with (iii) an assessment of their impacts, particularly the expected reduction of administrative burden for farmers and national administrations.

## 2. CONSULTATION STRATEGY AND EVIDENCE GATHERING

The Commission developed the legislative proposal based on the evidence available concerning the implementation of the CAP Plans in 2023 and 2024, including feedback from the European Parliament’s Committee on Agriculture and Rural Development, the Council, Member States, farmers’ organisations and other civil society groups. It relied on information from regular or dedicated exchanges in expert groups, the Civil Dialogue Group on the CAP Strategic Plans and Horizontal Matters, the CAP Network, ad hoc contributions and various analytical activities, such as data, studies and internal analyses.

### 2.1. Consultation strategy

In preparing this proposal, the Commission reviewed input from **national administrations, the European Parliament’s Committee on Agriculture and Rural Development, and farmers’ representatives** that was provided in the context of the 2024 simplification.

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<sup>1</sup> Commission Communication ‘[A Vision for Agriculture and Food Shaping together an attractive farming and agri-food sector for future generations](#)’, COM (2025) 75 final

<sup>2</sup> European Commission (2025), *A Competitiveness Compass for the EU*, COM(2025) 30 final.

<sup>3</sup> Draghi, M., *The future of European competitiveness*, September 2024.

<sup>4</sup> Regulation (EU) 2021/2115, Regulation (EU) 2021/2116, respectively

This included over 500 individual suggestions covering issues related to:

- **management of CAP Plans** and procedures around (i) amending the Plans (including the number of allowed amendments), (ii) performance monitoring and review (including the Annual Performance Report), (iii) certain elements of the Integrated Administration and Control System (simplification of the Area Monitoring System, quality assessment methodology, the use of geo-tagged photos, and geo-spatial applications) as well as (iv) the control and penalty system (including rationalisation of all controls on a farm);
- **actions under the CAP Plans that benefit the environment and the climate:** changes to conditionality requirements and controls, and other related issues such as treatment of small farms or financial management of environmental interventions;
- **other CAP provisions beyond environment and climate**, such as expanding coupled income support, postponing or removing social conditionality, or changes to sectoral support schemes, promotion measures and organic farming. There were also suggestions calling for a more fundamental rethink of EU agricultural policy;
- issues relating to **farm income**, particularly to risk and crisis management, with suggestions to: (i) allocate more CAP funds to crisis management; (ii) revise CAP rules on support to risk management instruments; and (iii) take action to improve the farmers' position in the food chain;
- **legislation outside the CAP**, such as that on deforestation, forest monitoring, sanitary rules, or renewable energy.

Some of these suggestions were addressed fully or partially in the 2024 simplification package of legislative and non-legislative measures (e.g. flexibilities/temporary derogations for GAECs, exempting farmers with an agricultural area below 10ha from controls and penalties, or adjustments to quality assessment of Area Monitoring System components reducing the need for on-site visits)<sup>5</sup>. An assessment of all these suggestions was included in the staff working document of December 2024<sup>6</sup>.

The simplification debate continued in 2024 and 2025, with specific calls from Member States to address the difficulties with the annual performance clearance procedure. The issue featured highly in the debate at the **AGRIFISH Council** of 27 January 2025<sup>7</sup>, where all delegations welcomed the Commission's initiative towards further simplification, especially in relation to annual performance clearance. However, they also stressed the need to go further, increasing flexibility of the CAP framework overall or in relation to its specific elements.

Following the debate, **Member States** submitted over 400 individual suggestions. The majority concerned the CAP with some calling for changes outside the CAP or holding expectations for the next CAP programming period, often reiterating issues raised in the 2024 submissions. These suggestions include:

- **Management of CAP strategic plans:** suggestions were made relating to (i) the length of the amendment procedure, with a call for extending the notification procedure to

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<sup>5</sup> Regulation (EU) 2024/1468 (2024 Simplification Regulation)

<sup>6</sup> SWD (2024) 360 final

<sup>7</sup> <https://www.consilium.europa.eu/en/meetings/agrifish/2025/01/27/>

other amendments; and (ii) the need to revise or discontinue the annual performance clearance procedure, and to modify annual performance reports and the biennial performance review.

- **Environmental and climate (green) architecture:** many suggestions called for greater flexibility as regards conditionality, including (i) a withdrawing or postponing the implementation of GAEC 2 on wetlands and peatlands considering organic farmers are compliant with some GAEC requirements; (ii) replacing some GAECs with voluntary interventions; and (iii) simplifying the related control and penalty systems. There were also some requests made regarding support rates under eco-schemes and the flexibility of their financial management, and the length of commitments under the agri-environment-climate interventions as well as the possibility of incorporating an incentive element into these interventions when designing the level of support.
- **Financing (rules) of the CAP:** there were suggestions for greater flexibility as regards (i) the use of financial envelopes or the way modifications are made in various payments (coupled income support, payments for young and for small farmers); (ii) decommitment rules; and (iii) advance payments.
- **Other suggestions,** for example, using risk management instruments such as for financial contributions to these tools or when calculating compensation for losses; abandoning the implementation of social conditionality; and introducing rules related to the way support is provided, such as limiting the number of on farm visits. There were also suggestions to simplify the process of programming by reducing requirements when it comes to preparing programming documents.

Simplification also featured in the Structured Dialogue of the Commissioner for Agriculture and Food with the **European Parliament's Committee on Agriculture and Rural Development** that took place on 8 April 2025. The forthcoming package was welcomed by MEPs, especially its focus on national specificities and practical implementation. However, it was also pointed out that much of the complexity faced by farmers stems from national implementation and Member States have a role to play in reducing red tape.

At the inaugural meeting of the **European Board on Agriculture and Food (EBAF)**<sup>8</sup> held on 4 February 2025 and dedicated to discussing the Vision for Agriculture and Food, members raised the importance of simplification for the future of the policy, while also cautioning against deregulation and emphasising the need for smart implementation and enforcement.

A dedicated meeting of the **Civil Dialogue Group on the CAP Strategic Plans and Horizontal Matters (CDG)**<sup>9</sup> was convened on 24 March 2025 to discuss possible simplification measures, along the four avenues set out in the Vision. The participants underlined the need for streamlined processes, reduced administrative tasks, clear communication, a transparent and collaborative environment, and coherent legislation that empowers farmers.

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<sup>8</sup> [https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/committees-and-expert-groups/ebaf\\_en](https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/committees-and-expert-groups/ebaf_en)

<sup>9</sup> [https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/committees-and-expert-groups/civil-dialogue-groups/cap-strategic-plans-and-horizontal-matters\\_en](https://agriculture.ec.europa.eu/common-agricultural-policy/cap-overview/committees-and-expert-groups/civil-dialogue-groups/cap-strategic-plans-and-horizontal-matters_en)

The participants raised specific concerns and expectations:

- They called for simplification to **focus on maintaining productivity**, which would strengthen of the CAP's economic pillar to restore balance and improve farmer competitiveness in light of rising input costs.
- They highlighted problems related to some of the **key definitions** such as 'active farmer', 'eligible hectare' and 'permanent grasslands' with calls for their revision.
- They highlighted complexity and compliance **challenges surrounding the implementation of GAECS** where these intersect with national legislation (wetlands/peatlands and buffer strips). They also requested a more nuanced approach to conditionality for organic and smaller farms, to ensure the former are not unduly burdened by standard requirements that may not align with organic methods, and to ensure the latter are not obligated to make a disproportionately high level of effort.
- They underscored inconsistencies in **eco-scheme timelines**, as some are designed biannually.
- They made **calls not to lower the level of environmental protection** by removing environmental rules that protect strategic natural resources and which complement other EU legislation (Nature Restoration Law). There is an expectation that funding for voluntary measures will be increased in case of reduction in the ambition of conditionality is reduced.
- They highlighted difficulties with **monitoring issues** related to geo-tagged photos and potential inaccuracies and called for changes that would limit the frequency and duration of **on-farm inspections**.
- They underscored challenges linked **to frequent modifications in CAP plans** with suggestions that the Commission for only approve major changes.
- They requested a simplified approach to **risk and crisis management**, while preventing market distortion, including the use of calculation rules for yield losses under risk management instruments.
- While some participants saw **social conditionality** as a source of sanctions for farmers already subject to the relevant national legislation, others stressed it should remain, underlining its objective to ensure that public support is tied to and upholds these societal standards.
- There were suggestions in relation to **support for young farmers**, to facilitate farm transfer, and ensure access to knowledge so new entrants can navigate the CAP landscape effectively.
- **Other issues** were raised such as: i) a lack of accurate data on new agroforestry areas supported by the CAP, affecting the ability to track progress and communication to potential investors and farmers; ii) the need for investment in biosecurity and biosafety, and iii) tackling complexities around plant protection rules (without compromising environment and health).



Some of these issues were also reflected in organisations' the written contributions these organisations provided, which were received before<sup>10</sup> or during the follow-up to the CDG meeting<sup>11</sup>.

**A joint statement from 60 NGOs** was also received. This relayed concerns about the scope of simplification, and provided recommendations to increase funds allocated to eco-schemes, strengthening rather than weakening GAEC standards and SMR requirements, and require Member States with significant peatlands to offer farmers voluntary measures with incentive components to boost their appeal. They also advocated for better advisory support, stricter investment rules to help sustainable transition, and linking CAP payments to measurable outcomes. To reduce administrative burden, they recommended harmonising reporting processes, increasing digitalisation, and providing effective communication and clarification, although they acknowledged that dealing with many simplification challenges would fall under the responsibility of national authorities. The importance of maintaining performance reporting was underlined to ensure accountability and accurate monitoring of CAP funds.

The first meeting of **the Thematic Group on simplification of the CAP Network** was convened on 2 April 2025<sup>12</sup>. The participants took stock of challenges related to different aspects of CAP implementation and exchanged views on simplification measures and practices that Member States implement to handle CAP applications, reporting requirements and controls, inspections and monitoring.

Specific challenges for countries with regionalised CAP governance were discussed. A level playing field was recognised as an important component, with participants stressing the need for Member States and farmers to have equal access to broadband, support systems or advisory services, so they can benefit equally from the policy, which they felt was not always the case.

The participants exchanged views on the experience of digital tools used across Member States, noting they save time for administration and beneficiaries, increase transparency, ease the application and selection process, help avoid duplications. The use of simplified cost options (SCO) was regarded as real simplification, even if entailing significant effort at the beginning, and that should also be used for investments. The Commission needs to provide greater assurance of its acceptability. Complexity or detailed reporting requirements can be overcome by implementation choices, such as SCOs. Simplified terminology can help avoid confusion. Some participants noted that the number of controls on farms vary considerably and could be limited by introducing a concept of one farm visit per year independent of funds received.

## **2.2. Further evidence**

### **Study on simplification and the administrative burden for farmers under the CAP.**

Further evidence was gathered following a survey about farmers that in March-April 2024 collected close to 27 000 replies on their experience and perceptions of applying for CAP

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<sup>10</sup> Copa-Cogeca - European farmers/European agri-cooperatives

<sup>11</sup> The European Agroforestry Federation, the European Coordination Via CAMPENSINA, the Confederation of European Forest Owners and the European State Forest Association.

<sup>12</sup> [https://eu-cap-network.ec.europa.eu/events/1st-meeting-thematic-group-effective-approaches-simplification-within-cap\\_en](https://eu-cap-network.ec.europa.eu/events/1st-meeting-thematic-group-effective-approaches-simplification-within-cap_en)

support and the associated obligations<sup>13</sup>. Together with in-depth follow-up interviews, and surveys and interviews of other CAP beneficiaries and stakeholders, the survey informed a study on simplification for farmers and other beneficiaries<sup>14</sup>.

The study highlights the perceptions of various challenges related to CAP (and some other non-CAP) obligations, whether stemming from EU and/or national level choices (note that much of the input was collected before the 2024 simplification package entered into effect), which include the following:

- unclear or frequently changing rules, delays in communication and multiple legislative layers that prevent people from fully understanding the applicable provisions when **preparing applications for CAP support**. Difficulties with the **application process** include excessive evidence collection, issues with digital tools (mainly for identifying eligible areas for area-based interventions), and follow-up procedures (often linked with the Area Monitoring System (AMS) and the requests for geo-tagged photos). **Investment applications** are seen as especially challenging because of the extensive documentation required, including cost justifications;
- burdens related to **recording and reporting**, including the repeated submission of the same information to the same or different authorities, and issues related to digitalisation (e.g. manual recording or misalignment between recording and reporting systems);
- difficulties complying with **conditionality and other environmental requirements**, with challenges due to timeline or territorial misalignment with farming realities, short-term income/profit frameworks in which farmers operate versus long-term improvements promoted by these rules. These result in distrust and a perception of compliance being burdensome rather than beneficial. Other issues relate to overlaps with **national legislation or unclear definitions** (e.g. buffer strips or non-productive areas). Respondents found the requirements that they understood or are familiar with and that aligned with standard farming practices to be less complex. To be noted that the data collection of the study on simplification was carried before the 2024 CAP simplification package entered in force and several elements identified by farmers were already addressed by it;
- **controls and inspections** (linked to different purposes, including CAP aid, non-CAP and national legislation): redundancy, which is exacerbated by the time-consuming nature of preparing and attending inspections, unclear rules underpinning controls, inflexibility in rule enforcement (e.g. sanctions for minor violations) and communication with inspectors, whose behaviour and perceived competence can positively or negatively influence farmers' experience with controls.

**Administrative burden** corresponds to the cost of collecting and processing information and the study sought to identify and quantify these costs through targeted consultation with farmers and thematic surveys. Although there is an expected variance in costs experienced across

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<sup>13</sup> [https://agriculture.ec.europa.eu/consultations-eu-initiatives-agriculture-and-rural-development/farmers-consultation-simplification\\_en](https://agriculture.ec.europa.eu/consultations-eu-initiatives-agriculture-and-rural-development/farmers-consultation-simplification_en)

<sup>14</sup> European Commission – Directorate-General for Agriculture and Rural Development – Unit A.3 (2025): Study on simplification and administrative burden for farmers and other beneficiaries under the CAP, available at: <https://eu-cap-network.ec.europa.eu/publications/study-simplification-and-administrative-burden-farmers-and-other-beneficiaries-under>

Member States and among farmers, influenced by the size of their farms, farm types and types of aid application, it **was estimated that farmers face an average annual cost of EUR 1 230** as a result of the estimated time spent on **CAP-related administrative tasks**. Approximately half of these costs are attributable to internal costs such as administrative tasks and the remainder attributable to external advisory services.

The **solutions proposed** by the participants would aim to tackle the overall design of legislation, advocating for clearer, simpler, and more stable rules, along with flexibility for climate or local conditions. Other suggestions focused on simplifying applications (e.g. reducing documentation and unifying application systems and portals), recording and reporting (e.g. streamlining procedures and databases, or eliminating redundancy) and inspections (e.g. prioritising support over strict rule enforcement). Further simplification could be achieved through better communication and training and improved use of digital tools (e.g. remote sensing to reduce inspections, centralised platforms, or interoperability between IT systems). The most frequent piece of positive feedback on approaches taken or promoted by Member States concerned solutions involving digital tools and automation, SCOs and support for small farms.

### **3. DESCRIPTION OF THE MEASURES AND THEIR IMPACTS**

The proposed package of amendments is guided by the objectives of reducing administrative burden, simplifying rules, improving the support to foster the competitiveness of EU farms, as well as ensuring a cost-effective delivery of the CAP's objectives for the period 2023-2027, while maintaining its objectives.

This section details the qualitative impacts and, where sufficient data are available, a limited quantitative assessment with underlying key assumptions, considering the uncertainties and limitations, estimating the reduction of administrative costs<sup>15</sup>. The available figures are summarised in the Annex to this document.

#### **3.1 On-farm simplification and streamlining of requirements to better recognise various situations and farming practices**

##### **Organic farmers' compliance with selected GAECs**

This change entails a presumption that organic farmers are compliant with the requirements of GAEC 1 (maintaining permanent grassland ratio within a maximum decrease compared to reference year 2018), GAEC 3 (ban on burning arable stubble), GAEC 4 (buffer strips), GAEC 5 (tillage management), GAEC 6 (protection of soils in periods that are most sensitive) and GAEC 7 (crop rotation on arable land). This addresses the requests made by several Member

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<sup>15</sup> Many improvements offer farmers additional flexibility or economic benefits without affecting the administrative aspects. The uptake of some of the measures depends on Member States and then farmers' decisions, both of which are difficult to predict in advance. Quantification is based on many assumptions and should be viewed as such. Isolating specific administrative costs is also difficult and limited availability of data impedes the robustness of the calculations.

States and the sector, and further responds to the insights on GAEC related difficulties stemming from the survey about farmers and the ensuing study.

The organic system of farm management and food production combine environmental and climate action best practices mandated by EU organic farming legislation<sup>16</sup>. The objectives of GAEC standards 1, 3, 4, 5, 6 and 7 are protected through tillage and cultivation practices, the ban on the use of synthetic fertilisers and pesticides, limits on veterinary products and stocking density applied in organic production. A review of 31 synthesis papers on the environmental and climate impacts of organic farming systems conducted by the Commission's Joint Research Centre in 2021<sup>17</sup> indicates that organic farming systems have a significantly positive impact compared to conventional farming systems as regards carbon sequestration and a reduced amount of nutrient leaching and run-off. Since organic farming legislation's principles and rules as well as the existing practices under organic farming systems offer comparable levels of protection, the impact of the amendment to the CAP's green ambition is assessed as minimal. Even if the requirements of the organic farming legislation are not exactly matching those of the GAEC standards concerned, the combination of the existing requirements with the practices applied in organic farming will deliver the equivalent benefit in respect to the main objectives of those GAEC standards.

This measure would reduce the burden for organic **farmers** regarding the need to get acquainted with some of the obligations as well as to reflect those in the submitted application for CAP aid. Besides removing the efforts and costs of 'duplicate practices' and related paperwork, the measure would help reduce the control pressure on both farmers and administrations. This should also help reduce the related stress factors and allow more time to be spent on farm management or other tasks of the farmer's choosing.

Based on the results of the simplification study, farmers spend an average of 56 hours annually on preparing and submitting CAP aid applications, of which 9.6% is spent on administrative tasks related to conditionality and 56% of that time for other elements of aid application(s) (the remainder being recording and reporting)<sup>18</sup>. Taking these figures into account and estimating the number of organic farmers benefiting from CAP support to be 332 000<sup>19</sup>, this measure may reduce the related administrative costs for all organic farmers under the CAP by up to EUR 23.3 million annually. This is assuming that none of these farmers benefit from an exemption from the conditionality system due to the participation in the simplified payment scheme for small farmers.

The reduction in the number of on-the-spot controls related to these GAECs, is estimated to be worth EUR 281 000 annually for organic farms above 10 ha that benefit from the CAP, based on the average estimated time reduced per control of 4,4 hours<sup>20</sup> and taking 1% requirement

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<sup>16</sup> Regulation (EU) 2018/848

<sup>17</sup> [https://wikis.ec.europa.eu/spaces/IMAP/pages/44159076/Organic+farming+systems\\_GENERAL](https://wikis.ec.europa.eu/spaces/IMAP/pages/44159076/Organic+farming+systems_GENERAL)

<sup>18</sup> This assumption is supported by farmer experiences as surveyed under the simplification study and employs a methodological simplification to account for variances in those experiences, including the number of SMRs and GAECs applicable on an average farm.

<sup>19</sup> Latest available data for 2022 financial year – number of farmers receiving support for organic farming measure (measure 11) under Rural Development.

<sup>20</sup> Expert judgment based on the average time spent on a single on-the-spot control calculated in the simplification study (8,8 working hours)

for inspection of conditionality<sup>21</sup> of 195 000 organic farmers above 10 ha (this takes into account that farms below 10 ha of agricultural area are already exempted from controls and penalties).

At **national administration level**, cost reductions can be expected thanks to the lower number of items to be covered by administrative checks for these farmers and the reduced time it takes to conduct on-the-spot controls. Assuming a reduction by half the overall workload of eight hours per control for the 1% of 195 000 organic farmers above 10 ha<sup>22</sup> (including preparatory steps and follow-up), this results in estimated saving of EUR 255 000 annually in 27 Member States for these farmers.

### **GAEC standards and mandatory requirements established under national laws**

Feedback from farmers' organisations and Member States indicated that certain practices required under GAEC standards overlap with mandatory national requirements. This leads to confusion about which rules are applicable and concerns over potential consequences of misapplication. A similar concern was identified in relation to the definition of 'water courses' under GAEC standard 4 on buffer strips, which may also be defined in national legislation.

To address these concerns and improve the consistency of requirements, the proposal provides that Member States may set the GAEC standards so that they are consistent with mandatory national requirements for as long as the latter are in line with the GAEC standards, and their main objectives laid down in the CAP Plan Regulation. For instance, if a Member State already has legislation that sufficiently protects peatlands and wetlands, these rules can be included in its CAP strategic plan under GAEC standard 2 and Member States do not have to set other practices for farmers. This logic also applies to the definition of watercourses under GAEC 4, where it will be possible to align it with a national definition. This will be verified by the Commission in the CAP Plan amendment process.

For **farmers** this may reduce the time spent learning about the different rules and uncertainty costs with fewer stress factors linked to their application, while still fulfilling the main objectives of the standards. For **national administrations**, certain one-off efforts related to redesigning of CAP Plans may be needed. This may also ease the control burden for both farmers and administrations. These benefits could not be quantified due to the lack of data.

This amendment does not impact the CAP green ambition, since the mandatory national requirements should comply with the GAEC standards laid down in the CAP Plan Regulation.

### **Permanent grasslands – definition and GAEC standard 1**

GAEC standard 1 requires Member States to maintain permanent grassland based on a (national, regional or individual<sup>23</sup>) ratio of permanent grassland to agricultural area that is to be compared to the reference year 2018. This is based on a framework definition of permanent grassland<sup>24</sup> which provides that after five years or more a grassland area becomes permanent grassland. Where the permanent grassland ratio has decreased by more than 5% from the

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<sup>21</sup> The minimum control rate required for conditionality

<sup>22</sup> Based on expert judgment

<sup>23</sup> As set by a Member State in its CAP Plan.

<sup>24</sup> Laid down in Article 4(3), point (c) of the CSP Regulation



reference year the Member State is to impose obligations to establish or (re-)convert land into permanent grassland at holding level for some or all of the farmers who have at their disposal areas that had been converted from permanent grassland to other agricultural uses.

The simplification package of 2024 introduced certain flexibilities in the way Member States can manage the ratio<sup>25</sup>. The feedback received from farmers' organisations and Member States indicated that further changes are needed to respond to changing agronomic and climatic circumstances and to reduce unintended side effects of this standard.

The legislative proposal modifies two inter-related elements concerning permanent grassland. It allows Member States to increase the time limit for the land to become permanent grassland from five up to seven years. It also changes the maximum percentage of the decrease of the ratio of permanent grassland from 5% to 10% compared to the reference year.

This change would increase flexibility in grassland management for **farmers**, taking better account of the needs of the livestock farmers, recognising better those who maximise grass in their livestock feeding and crop rotation systems. This approach helps farmers to avoid unnecessary ploughing just to avoid that the area concerned falls under the permanent grassland designation, thus preserving soil health, and avoiding costs of ploughing operations along with the related administrative tasks and frustration. This should also help focus protection on environmentally most valuable and permanent grasslands and enable the recognition of grassland management practices that benefit the environment and carbon storage.

Adjustments in the maximum decrease of the permanent grassland ratio should further help reduce uncertainty and worries about a farm's economic viability that farmers face when converting permanent grassland to adjust to market demand, and improve the diversification of fodder in the event of recurring drought on permanent grasslands. Changing the definition of permanent grassland is expected to have a stabilising effect on the ratio, as such permanent grasslands are generally less prone to changes in land use.

Considering data gaps in terms of area and the number of farmers with grasslands of different age, and uncertainty as regards Member States' and farmers' choices, it is not possible to conduct a quantitative assessment related to administrative costs. However, it can be assumed that having a permanent grassland requirement that is not fulfilled after just five years is more favourable for farmers in accommodating different management practices and crop rotations, and would also translate into reduced administrative burden as regards filling in CAP applications and being subject to potential controls.

At **national administrations' level**, changes in the framework definition involve the need for a one-off administrative action in the short term given the need to adjust the definitions in the CAP Plans and adjust the calculation of the permanent grassland ratio for the purposes of GAEC standard 1. However, this could be offset by the reduction in administrative burden associated with processing cases that involve areas which fall under the current requirements under the permanent grassland definition after five years. Changes in the allowable decrease of the ratio create no specific administrative burden for national administrations and no burden for farmers.

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<sup>25</sup> By amendment to Delegated Regulation (EU) 2022/126.

## **GAEC standard 2 (peatlands and wetlands)**

Under this GAEC, Member States are required to set up land management practices that protect carbon-rich soils, wetlands and peatlands, as they store substantial amounts of carbon and their protection helps avoid emissions. Their presence varies widely across Member States. The standard was to be fully implemented from claim year 2025, once Member States completed the necessary mapping. All Member States have by now established such requirements in their CAP Strategic Plans. The experience and insights gained to date have indicated certain economic burden and technical difficulties in applying GAEC 2, as reflected in the many proposals for change from Member States and farmers' organisations.

The general solution set out in the Commission proposal for GAECs (explained above) allows Member States to also set GAEC 2 requirements consistently with mandatory national measures, provided that the latter are in line with this GAEC standard and its main objective laid down in the CSP Regulation. In addition, this proposal will allow Member States to compensate farmers for the costs incurred and income foregone in relation to implementing (some or all) the GAEC 2 requirements through eco-schemes or agri-environment-climate interventions. This flexibility recognises that certain obligations established under GAEC 2 may be costly for **farmers** and involve production limitations, with an ensuing impact on income and economic viability of farms, and do not affect all farmers in the same way. This depends on the extent to which a farm will be impacted by the presence of wetland and peatland.

There is no data to support a quantitative assessment (areas, farmers concerned and Member States' decisions on requirements and financial support). However, a better alignment with existing national requirements on how to farm these soils and compensation for the entailed technical and economic efforts should simplify a farmer's daily work, reduce administrative burden related to their CAP application and potential controls, and address the income related concerns and related stress factor.

For **national administrations**, certain one-off efforts related to the redesign of CAP Plans can be expected in cases where new schemes may be offered. However, there are already support schemes on grasslands in Member States, where farmers affected by GAEC 2 were not able to participate because the practices supported were part of the baseline. In this case, these farmers could simply apply for such support without any change in the CAP Plans.

### **Exemption of small beneficiaries other than farmers from conditionality controls and penalties**

This measure extends to small beneficiaries supported under EAFRD, such as land managers, the same exemptions from conditionality controls and penalties currently available to small farmers, in order to ensure level-playing field and non-discrimination among recipients of CAP aid. The area managed by these small beneficiaries other than farmers is limited and the administrative burden linked to the controls and application of penalties for not complying with conditionality requirements can be disproportionately high for **beneficiaries** and Member States' **administrations**.

### **Compensation for compliance with certain requirements imposed by national law going beyond conditionality**

The proposal enables Member States to compensate, by means of eco-schemes or agri-environment-climate commitments, the costs borne by farmers that stem from national legislation if they go beyond the minimum requirements set in EU law. So far, such compensation was only possible for new national legislation during the first 24 months after the new legal standard becomes compulsory for farmers; the modification extends this possibility.

This modification should help Member States increase ambition in the areas of environment, climate, animal welfare and anti-microbial resistance, while allowing for compensation to take into account the potential additional costs of or income losses (opportunity costs) due to these requirements that are shouldered by farmers and land managers. For national administrations, this extension potentially reduces administrative costs that would otherwise have to be borne to change the concerned interventions (eco-schemes or agri-environmental-climate commitments) to exclude the amount of the support related to these mandatory practices. The impacts of these measures cannot be quantified due to lack of data (including details of Member States' national laws, decisions to apply this measure and farmers' uptake)

### **Allowing funding for investments to bring farms up to new legal standards**

This change extends from 24 to 36 months the period during which support may be granted for investments contributing to compliance with new requirements imposed by EU law, with the period starting from the date when new requirements become mandatory for the holding. By way of providing additional support for young farmers in setting up their holdings, the start of the 36-month period for investments may be granted from the date the holding is set up or until actions outlined in the business plan are completed.

### **Allowing payments per livestock units and beehives for agri-environment-climate and organic farming interventions**

Currently, payments under eco-schemes can be granted per animal (livestock unit, (LU)) for schemes contributing to animal welfare, antimicrobial resistance and climate change actions. In contrast, except for animal welfare, agri-environment-climate commitments (AECC) and commitments for organic farming can only be paid on a per hectare basis, which makes it difficult to design herd management actions.<sup>26</sup> This is reflected in CAP Plans as only a few Member States provide LU payments for climate-related commitments in their CAP Plans due to these regulatory constraints, which limit considerably the scope for CAP support, as reflected in the low value (2.16% of EU LUs) of the target for result indicator R.13 (reducing emissions in the livestock sector)<sup>27</sup>.

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<sup>26</sup> Articles 31 (eco-schemes) and 70 (AECC) of Regulation (EU) 2021/2115

<sup>27</sup> Only seven CAP Plans have programmed eight eco-schemes linked to this result indicator, including practices to ensure outdoor grazing and adaptation of feed management. One Member State programmed one AECC intervention covering practices that involve feed quality improvements and feeding plans for cattle and



The Commission proposal involves aligning AECC with eco-schemes in terms of allowing payments per LU, to support interventions targeting climate action, as well as providing management commitments or eco-scheme support for organic livestock. To increase support for beekeeping under both types of intervention, the proposal provides for a possibility to make payments for beehives.

Due to the lack of supporting data (e.g. on Member States' choice for inclusion of this instrument, or on farmers' uptake of this measure compared to the current situation), it is not possible to quantify the impacts. However, these measures will support Member States in delivering increased financial support for these environmental and climate-related purposes.

This would allow Member States to simplify, broaden and better target funding opportunities for **farmers**, such as those for feeding plans, feed additives, farm/grass-based feed management to reduce greenhouse gas emissions, also for improved herd management, which will improve the farmers understanding of the CAP support and simplify its management. The payment for beehives might allow design of further interventions to support sustainable apiculture, for which an area-based payment does not fit the purpose.

This will also bring reduced administrative work for **national administrations** compared to calculating support per hectare for livestock-related actions, since it would avoid the use of conversion rates, to calculate the support per hectare. Similarly, the possibility to pay support for beehives under both AECC and eco-schemes would ease the planning of interventions supporting beekeeping beneficial for biodiversity (pollination).

### **Risk management tools**

The CAP legislative framework provides for risk management instruments to help farmers cope with market risks and crises related to agricultural production. However, Member States have only used these instruments to a low extent, targeting 15% of EU farms overall, and there has been a certain lack of flexibility to cater for the situation of certain groups of farmers or areas with particular needs.

The proposed legislative changes will allow young farmers and other entrants that have only a short or no production history to benefit from support, and allow more appropriate calculation methods for farmers with specific crops (permanent crops) or other justified cases. In addition, Member States would also be able to introduce a more selective (targeted) approach to using the share of direct payments to finance farmers' risk management contributions.

These changes will make risk management more accessible for **farmers** with specific needs. Overall, these changes should further help stabilise farmers' income in the event of severe loss of production or farm income. It is not possible to quantify of the effects of these changes because of the lack of data either at the level of farmers or **national administrations** where, as a minimum, one-off administrative costs related to the redesign of the CAP Plans would be expected.

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fattening pigs, but it had to design the support as a lump sum payment per group of beneficiaries according to herd size, to overcome the design limitation.

## Crisis payments to farmers

During the first years of the implementation of the CAP Plans, natural disasters, adverse climatic events or other catastrophic events severely impacted many farmers' production around Europe.

The agricultural reserve has been increasingly used for alleviating the situation of farmers suffering direct losses due to such events, beyond its intended purpose (addressing impacts of market disturbances). In view of the mounting challenges faced by the EU agricultural sector, including trade tensions and geopolitical uncertainty, it is appropriate to refocus the reserve on its original purpose and explore other mechanisms to tackle catastrophic events.

Therefore, it is proposed to complement the CAP toolbox with **new optional types of intervention to help farmers sustain crises**. This will allow the Member States to use CAP funding for compensation payments to farmers in emergency situations where natural disasters, adverse climatic events or other catastrophic events, such as animal health diseases or plant pests, result in a production loss of at least 30 %. To this end, Member States would be able to allocate a maximum 3% of the annual CAP Plan funding to help farmers cope with the effects of such events. To recognise efforts already made by farmers, Member States would have to provide a higher rate of compensation to those who are insured or are covered by another risk management tool. It would also be up to Member States to decide whether to mobilise EAGF or EAFRD funds or both. However, to incentivise them to use EAGF funds for this purpose, an amount equivalent to 4% of the annual CAP funding may be allocated only if the EAGF, not the EAFRD, is used to fund this support. In addition, Member States would be able to supplement EAGF support with an equivalent 200% in additional national financing (for the EAFRD there is no such limit).

In years where no natural disasters or other catastrophic events occur, any unspent funds will be managed according to the rules for each fund: the unallocated EAGF funds will be disbursed as BISS<sup>28</sup>, while the EAFRD funds may be allocated to other types of rural development interventions. The impacts of this change cannot be quantified due to the lack of data that could support this type of assessment, and the fact that events triggering payments cannot be foreseeable upfront.

These new types of intervention - allowing Member States to disburse crisis payments to **farmers** - can be expected to result in less time to return to pre-crisis levels of operation. Confidence in preserving farmers' incomes, and livelihoods, should help reduce stress in difficult situations. The proposal excludes this payment from the scope of application of the (social) conditionality system. As a result, for farmers who would be subject to a reduction of payments based on conditionality, crisis payments that were paid to alleviate their situation following an important loss of production would not be reduced.

Certain administrative costs are expected to fall on **national administrations** when they revise their CAP Plans and on farmers when they apply for this crisis payment.

Using this possibility would require redistribution of budgetary resources within the CAP Plans, to farmers severely affected by consequences of natural disasters from those not affected. This is because reallocating funds to these new crisis payment measures will reduce the

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<sup>28</sup> Basic income support for sustainability

indicative financial allocations for other interventions of Member States' choice. However, the existing ring-fencing obligations for Member States, such as those for the environment and climate or young farmers, remain in place, thus this potential reallocation will not affect these ambitions.

### **3.2. Streamlining support for smaller and medium-sized farms**

#### **Simplified payment scheme for small farmers**

The existing simplified payment for small farmers, by replacing all direct payment types of support with a lump sum, helps reduce administrative burden linked to the application process and payments. Farmers find applications for direct payments complex which is a particular issue for smaller farms with limited administrative capacity. However, so far, the use of the current simplified scheme for small farmers has so far been rather limited, only six Member States have offered this form of support in their CAP strategic plans, covering 314 000 farms altogether.

Therefore, it is proposed to widen the scheme's approach, while retaining its voluntary use by Member States, so as to increase the attractiveness for Member States to offer it and for farmers to take it up. To this end, the maximum payment (lump sum) for small farmers will be increased from the current EUR 1 250 to EUR 2 500 (which roughly corresponds to the EU average direct payment support per 10 hectares)<sup>29</sup>. Moreover, Member States will have the possibility to decide whether this lump sum payment replaces the payments under eco-schemes. Finally, the beneficiaries of the payment will be exempted from the conditionality system. However, this exemption will not affect the baseline for eco-schemes and agri-environmental-climate commitments, which these farmers would take up together with the payment.

While it is for Member States to define a small farm under this scheme, it is assumed here for the purpose of the quantification that farms of no greater than 10 ha in size would constitute a small farm (there are approximately 3.7 million such farms in the EU 27 out of 5.8 million all farms - CAP beneficiaries).

Considering that the agricultural area managed by such farms is limited (10% of EU agricultural land overall), applying the system of conditionality to small farmers, who manage majority of farms in the EU (65% of CAP beneficiaries), yielded no significant benefits as regards its objectives while imposing costs, as well as substantial administrative burden, were imposed on these farmers. As these farms are already exempted from conditionality controls and penalties, the modification would also lift a certain ambiguity with little effect on the environment. The coverage will likely be smaller as not all Member States will likely take up the measure and cover all small farms defined above.

For **farmers**, greater use of the payments for small farmers should reduce the time they spend on administrative tasks as fewer items need to be provided when filling in an aid application for support and there is no need to prepare for or provide documentation related to conditionality.

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<sup>29</sup> <https://agriculture.ec.europa.eu/system/files/2023-06/approved-28-cap-strategic-plans-2023-27.pdf>

To quantify the potential benefits of this amendment, an estimation has been carried out based on the following assumptions: firstly, a substantial increase of the coverage by the scheme in the six Member States already using it; secondly, the potential addition up to six more Member States joining the scheme (based on the interest in the instrument expressed by two additional countries for an increased lump sum, the share of small farms in these additional Member States and therefore potential interest in the scheme); thirdly, financial margin of manoeuvre for these countries to offer the scheme to the farmers. According to this estimation, 2.3 million additional farmers could benefit from the new scheme, with savings reaching around EUR 1.46 billion (taking into account the monetary value of the reduction in the time spent by the beneficiaries on submitting CAP aid application related to conditionality and for multiple direct payment schemes).

The shift will also influence the redistribution of income support.

For **national administrations**, one-off costs related to redesigning the CAP Plans to integrate this instrument are expected. Otherwise, greater adoption of the payment would lower the workload related to collecting and processing CAP aid applications, thanks to fewer administrative checks to conduct and the lower complexity involved regarding these payments.

The figures on administrative costs borne by Member States under the current CAP are not available. A rough estimate can be made by relying on the calculation of administrative costs for the administration of the Integrated Administration and Control System (IACS) in a 2018 study on administrative burden arising from the CAP<sup>30</sup>, which estimated the total administrative costs of the IACS borne by Member States to be 3% - 3.3%, of which 64% were linked to administrative checks of aid applications, and applying it to the overall annual CAP budget under CAP Plans, and further assuming a reduction by half in unitary costs per participating farmer. The reduction of administrative costs thanks to the introduction of this measure in the case of the above assumptions for participating Member States and farmers would bring in up to EUR 209 million annually.

Excluding eco-schemes payments from the maximum limit from the simplified payment might entail a certain level of increase in a national administration's work linked to the application procedures and control of compliance with the baselines for those interventions. However, this change ensures that small holdings would have equitable access to eco-scheme benefits and would enable them to participate in order to increase their environment and climate efforts as well as empower them to cope with the specific challenges they face.

### **3.3. Measures to boost competitiveness**

Farmers consider the applications for CAP investment-related support to be among the most complex. The processes for submitting application for support and for implementing operations sometimes involve disproportionately high administrative effort in relation to the amount of public money spent, especially for small operations (e.g. collection of evidence, proof of reasonableness of cost). At the same time, existing flexibility on the rules and conditions for investment and other interventions that is already available to Member States, such as the use

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<sup>30</sup> European Commission: Directorate-General for Agriculture and Rural Development and ECORYS, *Analysis of administrative burden arising from the CAP – Final report*, Publications Office, 2019, <https://data.europa.eu/doi/10.2762/521652>

of SCOs, is not fully utilised. These issues have been raised repeatedly by stakeholders, for example in the CAP Network's thematic group on simplification.

### Investments and small operations

Under the proposal, Member States have a new option to offer **farmers of small holdings a lump sum payment of up to EUR 50 000 for business development**. It will also be clarified that the calculation methods for SCOs established in the Common Provision Regulation<sup>31</sup> and used in other EU policies for similar type of operations can be used directly under the CAP. This should encourage Member States to make greater use of such 'off-the-shelf' SCOs for the benefit of CAP beneficiaries.

SCOs allow the reimbursement of expenditure according to predefined methods based on process, outputs or results. SCOs in general may take the form of flat rate financing, standard scales of unit costs, and lump sums. SCOs allow the tracing of co-financed expenditures without the need to provide individual supporting documents. As such, significantly reducing the administrative burden for both managing authorities and beneficiaries<sup>32</sup>.

Proposed changes would make support more accessible for the under-resourced group of beneficiaries such as **small farms**. It would also be easier to apply for, reducing proof of evidence, simplifying paperwork and procedures for filling in applications and reducing the time spent in collecting supporting evidence and price options. It may also reduce dependence on external advice for this purpose and be easier for Member States to implement.

In the past CAP period some 150 000 small farms were to receive start-up aid support for farm development. Assuming that the level of interest in the current period is the same and an equal uptake of the measure every year of the 5-year CAP period, assuming this measure would be taken up in two years in the current CAP programming period, this would equate to a take-up of this proposed measure by approximately 30 000 farms annually. Further assuming these farmers would therefore not use external advice to apply for support (an assumed cost of EUR 500<sup>33</sup>), this would allow **farmers** to save EUR 15 million annually in administrative costs.

At the same time, using these options would reduce the administrative costs for **national administrations** of requesting and verifying the costing for a variety of different operations that can be funded. Data to quantify these benefits are not available. However, experience with the introduction of SCO shows<sup>34</sup> its considerable potential; in the case of EAFRD for the period 2014-2020 adopting this approach was estimated to have reduced administrative costs of the fund between 1.1% and 1.6 %.

### Financial instruments

The evidence collected shows that access to financial instruments is limited for various groups of farmers in need (e.g. young farmers, farmers in difficulty such as livestock farmers, and

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<sup>31</sup> Regulation (EU) 2021/1060

<sup>32</sup> <https://european-social-fund-plus.ec.europa.eu/en/simplified-cost-options>

<sup>33</sup> Based on the information provided by farmers participating in the 2024. Median cost of external advice for application for investment, for the participating farmers that provided this figure.

<sup>34</sup> European Commission: Directorate-General for Regional and Urban Policy, Spatial Foresight, SWECO and t33, *Use of new provisions on simplification during the early implementation phase of ESIF – Final report*, Publications Office, 2017, <https://data.europa.eu/doi/10.2776/76513>



farms in transition) owing to financial constraints, high levels of risk associated with the farming activity and reduced administrative capacity to use such instruments. The financial instruments of the CAP remain underutilised. Besides these limitations, the instrument's audit framework is also unclear, which does not build confidence in using the tool to its full potential. Several Member States have called for this issue to be looked into.

To tackle the above bottlenecks, the proposed changes to the legislative framework increase the working capital gross grant equivalent ceiling for access to finance through financial instruments to EUR 300 000, especially for farms in need and in line with the changes in the general de minimis State aid regime, as well as by ensuring the eligibility of VAT for the projects, as is also the case in other shared management policies and in the CAP pre-2023. The arrangements for auditing and sanctions will also be aligned with financial instruments of other EU shared management funds.

Although it is not possible to quantify the benefits of these measures because of limited data, these changes would allow **farmers** to receive higher amounts (e.g. by 30%) of loans for their working capital needs, facilitate investment plans and reduce financial burden as a result of the VAT retained. Extrapolating the interest in this tool from the previous CAP period, it would mean that some 25 000 to 30 000 farmers, at least, could potentially be supported by financial instruments and therefore benefit from these changes.

In addition, by improving consistency, these changes could also encourage **Member States** to increase spending through financial instruments, or through financial instruments combined with grants. They should help to simplify audits and control requirements for farmers and reduce the administrative burden for administrations; it should be noted that 12 Member States have already programmed financial instruments under their CAP Plans.

### **Support for the fruit and vegetables sector**

Producer organisations and their associations play an important role in strengthening the position of farmers in the supply chain. Support from the CAP is critical to address specific issues and sectoral objectives or to reward beneficial practices. The feedback received by the Commission from Member States and farmers' organisations showed that there is a need to increase possibilities for this support.

The proposed amendment to the legislation allows to increase the top up of 0.5% maximum amount of CAP support for operational programmes for the fruit and vegetables sector as long as the excess amount is spent on the objectives focusing on research and innovation, agri-environment-climate, consumption and resilience objectives, or further supporting the economic viability of producer organisations/associations (rather than a requirement to cover multiple objectives simultaneously).

This increase of a potentially available budget of producer organisations/associations does not seem to have any specific administrative effect in terms of reducing costs for those **farmers concerned**, although the additional financial incentive is expected to lead to greater participation in operational programmes and therefore support the sector further. A one-off cost for **national administrations** for a redesign of the CAP Plan is to be expected.

## Digital enhancement for reduced reporting burden and better use of data

Evidence indicates that repeated reporting of the same information is a widespread inefficiency among the farming community and other CAP beneficiaries. A number of farmers and other CAP beneficiaries that were surveyed and interviewed recommended introducing unified and centralised data submission systems, pre-filled forms, and centralised cloud storage to eliminate redundancies and streamline processes. Enabling farmers to input farm parameters would also make it easier for them to track compliance. Some Member States are already moving in this direction and are investing in the interoperability of public and private data systems.

The legislative changes proposed lay the groundwork for delivering the benefits of digitalisation to farmers. Member States will designate an authority to prepare a roadmap clearly setting out how and when they intend to achieve and maintain the necessary interoperability between public agricultural information systems used for implementation, monitoring and evaluation of the CAP.

Once implemented, it will be possible to exchange data seamlessly between those systems, thereby reducing the number of requests for information directed at **farmers** and minimising the time they have to spend on collecting and providing data to the authorities. Ultimately, this should give farmers more time to focus on their core work. In addition, when data can be more easily integrated between different sources, farmers can make better use of the data to manage their farms better.

Quantification of impacts has to be estimated with caution as the measure concerns preparatory steps that are needed to address the problem of multiple reporting and inefficient management of data. The results of the 2024 survey of farmers show that some 44% of farmers report duplicate reporting (i.e. for various purposes, not just CAP related purposes, such as taxation and financial administration, land use/allocation, environment-related, pesticides, animals etc.). Excluding those that did not answer this question and focusing on respondents that indicated being CAP recipients brings this figure to 49% of them indicating duplicate reporting compared to non-CAP recipients, where 28% indicated the same. Therefore, 21% of that burden can be assumed to come from the CAP (21% of farmers that are required to report multiple times solely because of the CAP). Assuming the same applies to the whole population of CAP beneficiaries (5.8 million), elimination of one duplicate data request per year, and further assuming a farmer generally spends two hours dealing with every request<sup>35</sup>, the new measure, when implemented by Member States fully, could reduce administrative costs borne by farmers by at least EUR 77 million annually for all CAP beneficiaries.

The proposed approach is based on **Member States'** self-assessment of the needs and will enable those who decide to advance quickly, to reap the benefits of greater digitalisation through faster data collection, lower associated costs, reduced risk of errors, and better input to policy design and implementation. The proposed approach allows the other Member States that need more time to deploy data governance and interoperability in their administration, to do so in a more gradual fashion, drawing inspiration from the experience of the pioneering Member States.

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<sup>35</sup> Expert judgment

One-off set-up costs associated with the assessment, drafting of the roadmap and its implementation will be necessary. Assuming two staff members are engaged full-time for six months for the assessment and roadmap and any potential external input, the preparatory cost could be around EUR 250 000 per Member State. Costs of implementing the roadmap are difficult to predict as they depend on the needs identified and the existing degree of digitalisation and interoperability, which varies among Member States. Recurrent benefits on both public and private sides will largely exceed the costs of implementation. For example, the fully scaled use of digitalisation has been estimated to reduce annual maintenance costs of public authorities' administrative systems by up to 50%<sup>36</sup>.

### **Reducing pressure and burden on farmers and national administrations linked to data collection and keeping, controls and other on-farm visits linked to CAP management**

Evidence shows that the burden of inspection (whether under the CAP, other EU laws or national legislation) remains quite significant, even if the control and penalty system is designed by Member States. Besides, as regards the number of inspections and the time taken to prepare and follow-up on them, some farmers interviewed for the simplification study said that they could not understand the rules underpinning controls and did not know what to expect from the inspections. They complained about a lack of feedback from inspectors and about mistakes made by inspectors. Controls can become more burdensome if inspections are not planned sufficiently well to avoid overlapping with crucial farming activities such as harvesting.

The organisation of controls is now left up to Member States (except for certain rules on conditionality) who do not necessarily make use of all the flexibilities under the new approach. Several of the proposed actions would directly or indirectly reduce the need for controls.

### **Simplification of IACS quality assessment and its methodology**

The proposed changes to the basic act would be to:

- merge the three separate quality assessments (QA) for the land parcel identification system (LPIS), the geo-spatial application (GSA) and the Area Monitoring System (AMS), which would make it possible to simplify further the Union-level methodology (ULM) for IACS quality assessment;
- provide clarity that the AMS can replace the need for a control system for fully monitored eligibility conditions (using free Copernicus Sentinel satellite data and AI for interpretation instead of on-site visits).

**For farmers,** these changes will reduce significantly the number of on-farm visits national authorities need to make to perform the annual IACS quality assessment. The impact on the administrative burden cannot yet be quantified. However, an ongoing study to assess the reduction of on-farm visits will help to quantify the effects of these changes.

Farmers will also benefit from the AMS replacing controls. It helps to bring about a shift away

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<sup>36</sup> Daub, M., Domeyer, A., Lamaa A., and Renz, K. (2020, July 15). Digital public services: How to achieve fast transformation at scale. *McKinsey & Company*. <https://www.mckinsey.com/industries/public-sector/our-insights/digital-public-services-how-to-achieve-fast-transformation-at-scale/>



from penalising non-compliances towards preventing them as farmers can be contacted in cases of doubt and amend their application (without sanctions). It also helps to ensure equal treatment of all farmers concerned as the whole population is now being monitored and given the opportunity to adjust without any consequences, compared to a limited population under control and potential penalties. This change should minimise the need for repeated inspections for specific interventions with limited number of beneficiaries, which is also beneficial for Member State administrations.

It is not possible to quantify these benefits for farmers without the information on the number of eligibility conditions concerned and the beneficiaries of payments affected by these conditions. For those interventions where the eligibility conditions are fully monitorable, no further on-farm controls are needed under the proposed system. A further analysis involving complete data from all Member States is intended to quantify the reduction of administrative costs.

The changes will further reduce stress factors for farmers, as overall, a well-functioning IACS system allows farmers to apply for CAP support in an efficient manner, reducing sanctions, and to be paid support in an accurate and timely manner. Preliminary data from Member States' paying agencies indicate a significant reduction in penalties depending on the interventions in Member States (i.e. from 45% to 89% for BISS in some Member States) as a result of the AMS being introduced.

**National administrations** will benefit from a reduced workload in terms of the streamlined inspection procedures and the reduced reporting obligations (i.e. only one report instead of three). Additionally, when needed, Member States would be able to propose a single remedial action encompassing all three systems (i.e. LPIS, GSA and AMS), rather than implementing separate actions, thereby improving their efficiency.

### **Single on-site visit**

The proposed change, which would require Member States to implement a single, on-the-spot control regime, could lead to further reductions in the number of on-farm visits and lessen the control burden on **farmers**.

This means that a beneficiary selected for such a control will not be selected for a subsequent check and control sample for that year, except when the circumstances require a second control in order to ensure the effective protection of the financial interests of the Union. This change is in line with the suggestions raised, for example in the Thematic Group on simplification of the CAP Network.

Quantification of the impact of this change is not possible due to the absence of relevant data. However, a reduction of each on-site-visit was estimated to bring reduction of administrative costs of approximately EUR 288 per farm on average.

## **3.4. Greater flexibility to Member States in the management of CAP Plans**

### **Amendments to CAP Plans**

Experience has shown that amendments to CAP Plans often include numerous technical

elements that make them complex and onerous for Member States, and result in delays in the approval procedures, even though the strategic orientation of the plans remain unchanged. Notifications by the Member States to modify the CAP Plans, as applicable under the current rules, must be subsequently approved by the Commission, which can lead to uncertainty and delays in implementation of the amendments. Diverging rules for amendments of CAP Plans across the two funds (the EAGF and the EAFRD) also make the system cumbersome and unresponsive to changing circumstances (as the rules for EAGF are more rigid). This interferes with the timely and effective adaptation of CAP Plans to changing economic realities and the needs of farmers and other beneficiaries in Member States; it also impacts negatively the implementation of those plans. This was also reflected in the feedback from Member States and the farmers' community.

To address this the legislative proposal provides for:

- **differentiation of amendments of CAP Plans** between the strategic ones, subject to Commission approval, and other amendments, which Member States may apply upon notification to the Commission and which the Commission is not approving. For the non-strategic amendments, the Commission can object if the amendment is not in line with the CAP legal framework. The strategic ones concern only important elements of the CAP Plans, defined in the proposed text, such as amendments to introduce new interventions or delete existing interventions, transfers of financial allocations between the EAFRD and EAGF, maximum and minimum financial allocations, and as amendments that lead to changes of milestones or targets under the result indicators which are marked with 'PR' (for performance review) in Annex I to the CSP Regulation.
- **alignment of the rules for amendments of EAGF with those of EAFRD**, so that the Member States may set the date of eligibility and the date of effect (for strategic EAGF-related amendments) on the date on which a Member State submits a request for the CSP amendment to the Commission. This means that the Member States do not need to wait for Commission approval of the strategic EAGF related amendment (as it is currently the case) before they start implementing the amendment, however they implement the amendment at their own risk, since if the Commission does not approve the amendment the expenditure will not be eligible for a contribution from the EAGF or the EAFRD, respectively. The Commission should reject the amendment if it is not compatible with the CAP Union legal framework. Furthermore, to promote realistic and inclusive planning of amendments in respect to beneficiaries, it is proposed to oblige Member States to obtain an opinion of the monitoring committee<sup>37</sup> on the planned dates of effect of the strategic amendments related to the EAGF.

This is a significant step in giving Member States more flexibility to implement quickly changes to their CAP Plans, particularly for changes funded through the EAGF.

For **farmers**, the changes should make the process more predictable by reducing the

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<sup>37</sup> Monitoring committees are set up by each Member State to monitor the implementation of CAP Plans. Composition of a national monitoring committee must ensure a balanced representation of the relevant public authorities and intermediate bodies, including regional and local authorities and competent authorities for environment and climate, representatives of economic and social partners, including those of the agricultural sector, and other bodies representing civil society. Monitoring committees have an advisory function and their role is to facilitate the channelling of the views of stakeholder into the CAP Plans' implementation process.

uncertainty related to the length of the approval process. Alignment of the date of eligibility for expenditure related to amendments to CAP interventions funded from both the EAGF and the EAFRD will help in improving synergies among interventions for Member States, in particular for those financed from different funds. The obligation to obtain an opinion of the monitoring committee will further increase predictability and ensure that the representatives of beneficiaries (farmers) are involved in planning the date of effect for strategic amendments related to the EAGF.

For **national administrations**, simplification in planning is expected since the proposed dates of eligibility of expenditure for most amendments will be known already at the time the amendments are submitted. This will increase substantially the margin of manoeuvre for Member States, particularly for interventions where regular adaptations are needed to ensure a good uptake, such as eco-schemes, while maintaining the requirement for ring-fencing. Currently, the time needed to adapt eco-schemes is usually quite long and unpredictable as it is usually influenced by the overall time needed to approve all amendments submitted in a request for amendment. This greater flexibility entails, however, a certain element of risk for the Member States if the changes are subsequently not approved by the Commission (strategic amendments) or if the Commission objects to them (other amendments).

It is not possible to quantify the benefits of this due to a lack of data.

### **Annual Performance Clearance**

All Member States requested either changes to this process or its abolition, given that it entails a need for multiple justifications of deviations from the planned unit amounts for interventions.

The discontinuation of the annual performance clearance exercise will reduce administrative costs and time spent by **national administrations** on preparing justifications of amounts spent at the level of individual units and on reporting these to the Commission. The efforts saved can be devoted to other activities i.e. assistance to farmers. At the same time, assurance on EU expenditure is achieved by the requirement for an effective operation of Member States' management and control systems, assessed as a part of the conformity procedure. The Commission will continue assessing the annual performance report and carrying out the biennial performance review to verify performance of the CAP Plans on the basis of milestones and targets under result indicators.

Member States were asked to provide estimate on resources (time) saved as a result of this change. Based on the information received and counting a cost of labour of EUR 32.70 per hour, there would be an overall cost saving of EUR 324 550 per year.

While this change will have no direct, quantifiable benefit for **farmers**, a reduction in the burden for administrations entailed in the annual performance clearance process will allow them to focus their time on resolving administrative or technical issues related to applications that do impact farmers and lead to delays in issuing payments.

## **Annual performance report and biennial performance review**

The legislative proposal extends the time limit for the Commission's acceptance check of the annual performance reports (APR) submitted by Member States and clarifies the links between the content of those reports and the biennial performance review (BPR).

Modification to these processes will bring more clarity and legal certainty to **Member States** and result in less administrative costs on national administrations helping to facilitate the implementation of the APR and BPR processes. More time for the comprehensive assessment of the APRs by the Commission will lead to clearer instructions for the Member States, and more time for technical corrections by the Member States where needed. This will result in higher quality data reported by the Member States on what their CAP Plans have achieved.

There are no direct benefits for **farmers**. However, they will benefit indirectly from the improved implementation of the CAP Plans and from better acknowledgment of their efforts made.

## **Methodology for designing controls of conditionality**

The control of conditionality is based on a system set up by the Member States with specific common rules defined in the basic legislation. Experience gained in the application of the conditionality control system has shown that these conditions are excessively rigid and place an undue burden on Member States, without necessarily enhancing the protection of EU funds.

The Commission proposal deletes the obligation to include weighting factors to use for selecting the risk-based part of the control sample and removes the obligation to perform an annual review of the control system.

At **Member States** level this streamlining would mean that they would no longer be penalised for these specific aspects during audits, while still having to implement an efficient control system. The requirement to cover at least 1% of beneficiaries remains intact.

This change would have no impact on **farmers**, as it would not involve any change in control or penalties.

## **Link between CAP and other legislation**

Under the CSP Regulation, CAP Plans must contribute to, and be consistent with, the relevant EU laws on the environment and climate. These laws are listed in Annex XIII to the Regulation. Article 120 of that Regulation requires Member States to assess the need for amendments to their CAP Plan after modification of these acts. Article 159 of that Regulation requires the Commission to assess the need to update Annex XIII by the end of 2025.

Such strategic modifications in the middle of the implementation period could be highly disruptive for **national authorities and farmers**, counteracting the simplification objective. Considering the strategic choices already made by Member States in terms of targets and financial planning for the whole period, it would be inappropriate to revisit the CAP Plans for this reason. The proposed changes address the need for stability for administrations and farmers in terms of CAP support and obligations. Quantification of impacts is not possible.

## 4. CONCLUSIONS AND NEXT STEPS

The comprehensive package of amendments to the basic CAP legislation set out in the Commission proposal draws on the experience of more than two years of implementation of the CAP strategic plans and responds to calls from the farming community, the European Parliament, the Council, and Member States to address urgently the administrative burdens and bottlenecks within the CAP legislative framework, while taking account of the concerns and expectations raised by other groups of stakeholders.

The package steers the CAP along the pathway outlined in the Commission's Vision for agriculture and food, enabling a balanced transition to improved agricultural practices and supporting farmers' business development opportunities, especially young farmers. It offers substantial additional flexibility to both Member States and farmers and creates conditions for increased use of opportunities of the CAP legal framework.

At its core, the proposed amendments acknowledge that incentivizing farmers may be more effective than imposing changes through mandatory requirements, thereby ensuring greater acceptance and adherence to sustainability improvements. The simplification proposal keeps all the essential components of the CAP's green architecture, including all GAEC standards and, CAP support instruments that will continue to be designed to go beyond the mandatory standards (except potentially one GAEC to take account of farmers' income concerns).

This staff working document provides, where possible, an indication of the quantitative effects of proposed simplification measures on the administrative burden borne by farmers and national administration. It also employs qualitative assessment of measures, based on expert judgment. Accordingly, the quantified measures are estimated to bring savings up to **EUR 1.58 billion** per year for farmers and at least **EUR 210 million** for administrations.

Overall, this assessment indicates that the package offers opportunities to significantly reduce CAP-related burden, especially for farmers, even if the effect of all measures cannot be quantified. The cost-savings and benefits ultimately achieved and their distribution will largely depend on the choices made by Member States. The role of Member States in leveraging the new opportunities and achieving tangible simplification for farmers is key.

To maintain the effectiveness and efficiency of the policy, the Commission will continue to support implementation of the CAP Plans, to pinpoint opportunities for future improvements. The Commission will continue its efforts to support collaborative learning and peer exchanges between Member State authorities and other stakeholders, in particular farmers and farming organisations), and by facilitating the CAP Network's engagement.

**ANNEX – Table of estimated savings for farmers and national administrations for quantifiable measures in the 27 Member States**

<b>Measures included in the CAP Simplification proposal*</b>	<b>Farmers (annual savings)</b>		<b>National administrations (annual savings)</b>
Compliance of organic farmers with selected GAECs	Related to applications	€23 million	€255 000
	Related to on-the-spot-checks	€281 000	
Simplified payment scheme for small farmers	€1.46 billion		€209 million
Investments and small operations	€15 million		
Digital enhancement	€77 million		
Annual Performance Clearance			€325 000
<b>TOTAL</b>	€1.58 billion		€210 million

\* Measures leading to additional savings for which quantification is not possible are not presented in this table.