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Links Between Rural Development and Direct Payments Based on the “CAP
Reform” of 2013

1. Introduction

The 2013 reform, challenges, objectives and trends of the Common Agricultural Policy (hereinafter referred to as CAP) was set out by the Communication from the Commission¹ to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions entitled “*The CAP towards 2020: Meeting the food, natural resources and territorial challenges of the future.*” According to this document, rural development policy “*has proved its value by reinforcing the sustainability of the EU's farm sector and rural areas – economically, environmentally and socially.*” Placing emphasis on the necessity that, for the sake of efficiency, it will be essential to strengthen the coherence between rural development policy and other EU policies, it also secures the importance of ensuring harmony among the measures pertaining to different pillars of the CAP.

Analysed in detail in this study, the basic three legislative rules for the regulations adopted over the reform period are Regulation (EU) No 1306/2013 on financing², Regulation (EU) No 1305/2013 on rural development policy³ and Regulation (EU) No 1307/2013 on direct payments.⁴

Based on the above, it lends itself to be established that the structure of the CAP remains unaltered, solidifying the two-pillar system,⁵ which continue

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¹ COM/2010/0672 final.

² Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008 (HL L 347., 2013.12.20., 549.).

³ Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 (HL L 347., 2013.12.20., 487.).

⁴ Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009 (HL L 347., 2013.12.20., 608.).

⁵ Szilágyi, János Ede: A támogatások rendszere az agráriumban és a vidékfejlesztésben, in: Csák Csilla (edit.): *Agrárjog – A magyar agrárjog fejlődése az EU keretei között*, Novotni Alapítvány, Miskolc, 2010, 361.

to be financed by separate funds, namely, the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD).⁶

Furthermore, it may be ascertained that in line with the above objectives, a tighter relationship is being formed between the pillars, which, in my view, means yet another reinforcement of rural development policy, regulated according to the principle of subsidiarity laid down in Article 5 of the Treaty on European Union (EU Treaty), thus enhancing its role in a way that the support feature of the policy remains a defining element.⁷ Over the course of this study, I wish to shed light upon the legal instruments of this relationship. A link shall be defined to include any institutions existing in both pillars (e.g. the principle of cross-compliance⁸ and the classification of the active farmer⁹) as well as institutions generating direct or indirect concentration between the pillars (e.g. flexibility between pillars).

2. Regarding the new Regulation on rural development

Regulation (EU) No 1305/2013 covers a broader scope as opposed to the former Regulation on rural development, defining a less detailed framework and thus discontinuing the classification according to axes regarding measures.¹⁰ Axes formerly defined were in line with rural development objectives and they continue to exist, apart from some minor modifications, with practically unaltered content as follows: (a) fostering the competitiveness of agriculture; (b) ensuring the sustainable management of natural resources and climate action; (c) achieving a balanced territorial

⁶ Section (1) of Article 3 of Regulation (EU) No 1306/2013.

⁷ Olajos István: *Támogatási rendszereink és a megújuló energiák*, Miskolci Egyetem, Miskolc, 2012, 14.

⁸ See also: Csák Csilla: Cross compliance, avagy környezetvédelem a támogatás feltételeként, *Publicationes Universitatis Miskolciensis Series Juridica et Politica*, 2012/2. 423-433.; Csák Csilla: A támogatások intézményrendszere, in: Csák Csilla, Olajos István, Szilágyi János Ede, Olajos István (edit.): *A gazdasági és társadalmi kohézió politikája az Európai Unióban és Magyarországon*, Miskolc, Novotni Alapítvány, 2009, 50-68.; Csák Csilla, Olajos István: The application of the single payment by national administrations and national courts - Hungarian National Report, *Agrár- és Környezetjog*, 2008/5, 31-42.

⁹ See also: Csák Csilla: The Hungarian National Report on the legal forms of agricultural undertakings, with attention to traditional and industrial cultivation, *Agrár- és Környezetjog*, 2010/8, 21-24.; Csák Csilla: A vidékfejlesztés foglalkoztatási és szociális kérdései, in: Olajos István (edit.) *Videkfejlesztési politika támogatásának joga*, Miskolc, Novotni Alapítvány, 2008, 120-166.; Jakab Nóra, Szilágyi János Ede: Legal status of cohabitants and their children in the agricultural enterprise: National report of Hungary, European Congress on Rural Law, CEDR Congress 2013 Lucerne, 1-18.; Szilágyi János Ede: Magyar Nemzeti Jelentés a gazdálkodó tevékenységének diverzifikációját érintő jogi ösztönzőkről és jogi akadályokról, *Agrár- és Környezetjog*, 2010/8, 3-20.

¹⁰ Regulation (EC) No 1698/2005 defines rural development measures according to four axes: improving the competitiveness of the agricultural and forestry sector; improving the environment and the countryside; the quality of life in rural areas and diversification of the rural economy; Leader. An axis under point c) of Article 2 of the Regulation shall be defined as: “a coherent group of measures with specific goals resulting directly from the implementation and contributing to one or more of the objectives set out in Article 4.”

development of rural economies and communities including the creation and maintenance of employment.¹¹

The governing principles of the group of measures pertaining to the discontinued axes reappear in the new regulation as priorities. In total, the following six rural development priorities have been set out: 1. fostering knowledge transfer and innovation in agriculture, forestry and rural areas; 2. enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and the sustainable management of forests; 3. promoting food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture; 4. restoring, preserving and enhancing ecosystems related to agriculture and forestry; 5. promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors; 6. promoting social inclusion, poverty reduction and economic development in rural areas.¹²

In rural development programmes to be prepared by Member States,¹³ they should identify a strategy for meeting targets in relation to the Union priorities for rural development¹⁴ and a selection of measures.¹⁵ The Regulation on rural development sets out 26 rural development measures in total.

The possibility of creating programmes known as thematic sub-programmes appears as a new measure. On this premise, Member States should be able to include in their rural development programmes thematic sub-programmes to address specific needs in areas of particular importance to them. Thematic sub-programmes should be concerned with, among others, young farmers, small farms, mountain areas, the creation of short supply chains, women in rural areas and climate change mitigation and adaptation and biodiversity.¹⁶ These thematic sub-programmes parallel with the areas which are highlighted in the regulation on direct payments.

¹¹ Article 4 of Regulation (EU) No 1305/2013.

¹² Article 5 of Regulation (EU) No 1305/2013.

¹³ Similarly to former practices, programming still exists, see: Olajos István: A KAP második pillére: a vidékfejlesztés, in: Csák Csilla (edit.): *Agrárjog – A magyar agrárjog fejlődése az EU keretei között*, Novotni Alapítvány, Miskolc, 2010, 427.

¹⁴ Szilágyi János Ede: A vidékfejlesztés pénzügyi és intézményi rendszere a Közös Agrárpolitikában, in: Olajos István (edit.): *Videkfejlesztési politika támogatásának joga*, Miskolc, Novotni Alapítvány, 2008, 65-93.

¹⁵ Szabó Mátyás: A 2014-2020 közötti Vidékfejlesztési Program bemutatása, in: <http://www.szpi.hu/download/Tavaszi-konferenciasorozat/2014/Pecs/2014-20-Videkfejlesztési-Program.pdf> (20.10.2014)

¹⁶ Article 7 of Regulation (EU) No 1305/2013 According to the draft published so far, the Hungarian programme will include 2 thematic sub-programmes regarding short supply chains and farmers, see: Hódi Ágota: Vidékfejlesztés, agrár-környezetvédelem a 2014-2020-as időszakban, in: <http://www.szpi.hu/download/Tavaszi-konferenciasorozat/2014/Zalaszentgrot/vidékfejlesztés-agrar-környezetvédelem-a-2014-2020-as-idoszakban.pdf> (20.10.2014)

3. Overview of the Regulation on direct payments

In the new regulation on direct payments, the single payment scheme laid down in Regulation (EC) No 73/2009 is replaced by the basic payment scheme, according to which, as a general rule, new payment entitlements are allocated. Obtaining payment entitlements may be effected through first allocation, allocation from the national reserve or regional reserves, transfer as well as through decision by Member States to reserve their rights allocated in the formerly established single payment scheme.¹⁷ That allocation of new payment entitlements should be based, as a general rule, on the number of eligible hectares at the disposal of farmers in the first year of implementation of the scheme. Besides the basic payment scheme, the single area payment scheme¹⁸ remains in existence with the concerned Member States being allowed to maintain till 31 December 2020.¹⁹

With regard to both payment schemes, minimum requirements for receiving direct payments have now been regulated allowing Member States to exclude any farmers from payment if the total amount of direct payments claimed or due to be granted in a given calendar year is less than EUR 100 as well as if the eligible farm area for which direct payments are claimed or due to be granted is less than one hectare.²⁰

Some legal institutions became regulated in the Regulation on financing from the Regulation on direct payments, among others, rules ensuring the fulfilment of obligations in the provisions regarding direct payments,²¹ as well as the ones governing cross-compliance.

A great novelty of the regulation is introducing a payment for agricultural practices beneficial for the climate and the environment which farmers entitled to payment under the basic payment scheme or the single area payment scheme shall observe, on all their eligible hectares as follows: a) crop diversification; b) maintaining existing permanent grassland; as well as c) the existence of any ecological focus area within an agricultural area.²²

In addition to the basic payment scheme and the single area payment scheme, Regulation (EU) No 1307/2013 enumerates areas which Member States, taking their own needs into consideration, may finance exceeding their national ceiling. The related payments are as follows: payment for areas with natural constraints; payment for young farmers; as well as voluntary coupled support.

¹⁷ Sections (1) and (3) of Article 21 of Regulation (EU) No 1307/2013.

¹⁸ Olajos István, Szilágyi Szabolcs: The most important changes in the field of agricultural law in Hungary between 2011 and 2013, *Agrár- és Környezetjog*, 2013/15, 93-110.

¹⁹ Section (1) of Article 36 of Regulation (EU) No 1307/2013.

²⁰ Points a) and b) of section (1) of Article 10 of Regulation (EU) No 1307/2013.

²¹ In relation to the above and similarly to former legislation, protection of the EU's financial interests continues to be given priority. See Hegyes Péter: Az agrár- és vidékfejlesztési támogatási jogviszonyok felelősségi szabályai, *Acta Universitatis Szegediensis Forum Publicationes Doctorandorum*, Szeged, 2011, 97.

²² Sections (1) and (2) of Article 43 of Regulation (EU) No 1307/2013.

In order to reduce administrative costs related to handling and controlling direct payments²³, a voluntary small farmers scheme is introduced.²⁴ Under this scheme, all direct payments are replaced by either a lump sum payment or a payment due to be granted annually to farmers. Those entitled under the small farmers scheme are exempted from obligation arising from greening²⁵ as well as the scope of the cross-compliance system.²⁶

4. Links between rural development and direct payments

4.1. The farm advisory system and the cross-compliance system

With the 2013 CAP reform, the farm advisory system and the cross-compliance system are regulated under Titles III and IV of Regulation (EU) No 1306/2013 on CAP financing, which, in legal terms, clarify that these legal institutions appear both in direct payments and rural development.²⁷

The farm advisory system incorporates advising beneficiaries on land management and farm management with an objective that in order to help beneficiaries to become more aware of the relationship between agricultural practices and management of farms on the one hand, and standards relating to the environment, climate change, good agricultural condition of land, food safety, public health, animal health, plant health and animal welfare on the other.²⁸

The farm advisory system shall at least encompass obligations to be met at farm level arising from requirements and standards of cross-compliance. Furthermore, the system shall also cover requirements to be observed regarding the agricultural practices beneficial for the climate and the environment, the maintenance of the agricultural area,²⁹ measures at farm level provided for in rural development programmes for farm modernisation, competitiveness building, sectoral integration, innovation and market orientation, as well as for the promotion of entrepreneurship.³⁰

Article 15 of the Regulation on rural development contains the basic rules of advisory systems as rural development measures. Under these rules, advice to individual farmers, young farmers and other land managers shall be linked to at least one Union priority for rural development and shall include areas provided for by the Regulation on financing and, where relevant, occupational safety standards or safety standards linked

²³ Olajos István. A vidékfejlesztési politika kialakulása, in: Olajos István (edit.): *A vidékfejlesztési jog kialakulása és története*, Miskolc, Novotni Kiadó, 2008, 23-28.

²⁴ Title V of Regulation (EU) No 1307/2013.

²⁵ Section (3) of Article 61 of Regulation (EU) No 1307/2013.

²⁶ Article 92 of Regulation (EU) No 1307/2013.

²⁷ Prior to the reform, cross-compliance was regulated under Title II Chapter 1 of Regulation (EC) No 73/2009 while the farmer advisory system was predominantly regulated under Title II Chapter 3 of Regulation (EC) No 73/2009.

²⁸ Section (1) of Article 12 and Section (10) of the Preamble to Regulation (EU) No 1306/2013.

²⁹ Maintenance of agricultural area under Title III Chapter 3 of Regulation (EU) No 1307/2013. as well as Section (1) of Article 4 of Regulation (EU) No 1307/2013.

³⁰ Section (2) of Article 12 of Regulation (EU) No 1306/2013.

to the farm; moreover, it shall comprise specific advice for farmers setting up for the first time.³¹

Beneficiaries and farmers not receiving support under the CAP may use the farm advisory system on a voluntary basis.³²

Rules regarding the system of cross-compliance³³ were transferred from the Regulation on direct payments to the joint Regulation on financing. Apart from farmers participating in the small farmers scheme,³⁴ cross-compliance shall be applicable to beneficiaries receiving direct payments as well as some beneficiaries receiving support for rural development.³⁵ Rural development support types covered by cross-compliance are: afforestation and creation of woodland and establishment of agro-forestry systems;³⁶ agri-environment³⁷-climate payments;³⁸ organic farming;³⁹ Natura 2000 and Water Framework Directive payments;⁴⁰ payments to areas facing natural or other specific constraints;⁴¹ animal welfare⁴² as well as forest-environmental and climate services and forest conservation.⁴³

Similarly to former legislation, the rules on cross-compliance shall consist of the statutory management requirements under Union law and the standards for good agricultural and environmental condition of land established at national level.⁴⁴ Defining the scope of cross-compliance has become simplified in the new Regulation on financing in that statutory management requirements and the separate lists of

³¹ Section (4) of Article 15 of Regulation (EU) No 1305/2013.

³² Article 14 of Regulation (EU) No 1306/2013.

³³ “System of standards regarding a good agricultural and environmental state to be fulfilled mandatorily with regard to the grant and payment of the total sum of agricultural support as well as statutory management requirements.” – Farkas-Csamangó, Erika: *A kölcsönös megfeleltetés környezetjogi aspektusai*, PhD dissertation, Szeged, 2012, 9.

³⁴ According to the reasoning discernible in the Regulation, the explication for the exemption list is that for farmers participating in the small farmers scheme, the efforts to be made under the cross-compliance system might be considered to exceed the benefit of keeping those farmers under that system. For reasons of simplification, those farmers should therefore be exempted from cross-compliance and in particular from its control system and from the risk of cross-compliance penalties. (Section (57) of the Preamble).

³⁵ Article 92 of Regulation (EU) No 1307/2013.

³⁶ Points a) and b) of Section (1) of Article 21 of Regulation (EU) No 1305/2013.

³⁷ See also: Horváth Gergely: A környezetjog és az agrárjog közeledése, találkozása és metszete a magyar jogrendszerben, *Allam- és Jogtudomány*, 2007/2, 333-355.; Horváth Gergely: A vegyes szakjogok vegyülete, az agrár-környezetvédelmi jog legfontosabb alapkategóriái, *Jogtudományi Közlemény*, 2008/2; Horváth Gergely: Az „agrár-természetvédelem” jogi szabályozása Magyarországon, *Magyar Jog*, 2009/2; Horváth Gergely: *Az agrár-környezetvédelmi jog elméleti alapvetése és hazai szabályozásának rendszerezése, különös tekintettel agrár-természetvédelmi részterületére*, Phd. disszertáció tézisei, Budapest, 2011.

³⁸ Article 28 of Regulation (EU) No 1305/2013.

³⁹ Article 29 of Regulation (EU) No 1305/2013.

⁴⁰ Article 30 of Regulation (EU) No 1305/2013.

⁴¹ Article 31 of Regulation (EU) No 1305/2013.

⁴² Article 33 of Regulation (EU) No 1305/2013.

⁴³ Article 34 of Regulation (EU) No 1305/2013.

⁴⁴ Section (1) of Article 93 of Regulation (EU) No 1306/2013.

the standards for good agricultural and environmental condition of land have been eliminated and the requirements and standards were united under a single list classified by area and topic.⁴⁵

In case of actionable infringement of the rules on cross-compliance an administrative penalty shall be imposed if the non-compliance is related to the agricultural activity of the beneficiary and/or the area of the holding of the beneficiary is concerned.⁴⁶

4.2. Flexibility between pillars

Introducing flexibility between pillars particularly serves as reinforcement of the Member States' agricultural policies, in which Member States may reshuffle up to 15% of their annual national ceiling to finance rural development measures. The transfer to EAFRD has already appeared in Regulation (EC) No 73/2009;⁴⁷ however, on the one hand, the amount considerably exceeds the former amount, and, on the other hand, despite the primary objective, the introduced legal institution is bidirectional, thus, Member States may decide to transfer from the rural development pillar to direct payments. In both cases, Member States may initiate interim review.⁴⁸

4.3. Reduction of payments allocated to large farm

The institution of modulation laid down in Regulation (EC) No 73/2009 is replaced by the measure for reducing payments under Article 11 of Regulation (EU) No 1307/2013, the introduction of which is justified by the fact that a disproportionately large part of direct income support is allocated to a small number of large beneficiaries.⁴⁹ The degree to which payments are reduced shall be at least 5% of the basic payment of over EUR 150,000 received by farmers provided that the salaries linked to an agricultural activity actually paid and declared by the farmer in the previous calendar year may be subtracted from payment serving as a basis for determining the reduction.

The proceeds of the reduction of payments to large beneficiaries should remain in the Member States where they were generated and should be made available as Union support for measures financed under the EAFRD.⁵⁰

⁴⁵ Annex II of Regulation (EU) No 1306/2013 - Rules on cross-compliance under Article 93.

⁴⁶ Sections (1) and (2) of Article 91 of Regulation (EU) No 1306/2013.

⁴⁷ Article 136 of Regulation (EC) No 73/2009.

⁴⁸ Article 14 of Regulation (EU) No 1307/2013.

⁴⁹ See also: Szilágyi János Ede: A pénzügyi előírások: moduláció és kiegészítő támogatások, in: Csák Csilla (edit.): *Agrárjog – A magyar agrárjog fejlődése az EU keretei között*, Novotni Alapítvány, Miskolc, 2010, 402-404.

⁵⁰ Section (13) of the Preamble to Regulation (EU) No 1307/2013.

4.4. Payments available to active farmers

In order to make direct payments more targeted, Regulation (EU) No 1307/2013 introduces the category of the active farmer. Under relevant legislation, Member States shall be obliged to exclude certain entities from applying for direct payments, while they may exclude others.⁵¹

No direct payments shall be granted to natural or legal persons, or to groups of natural or legal persons whose agricultural areas are mainly areas naturally kept in a state suitable for grazing or cultivation and who do not carry out on those areas the minimum activity.⁵² Moreover, as a general rule, no direct payments shall be granted, either, to natural or legal persons, or to groups of natural or legal persons, who operate airports, railway services, waterworks, real estate services, permanent sport and recreational grounds. Besides these mandatory cases, Member States may decide to extend the scope of exclusion to persons whose agricultural activities form only an insignificant part of their overall economic activities and/or whose principal activity or company objects do not consist of exercising an agricultural activity. For the purpose of assessing that predominance, common criteria should be set for all Member States. In this context and in order to ensure better targeting of direct payments, it should be possible for Member States to draw up, in the interests of legal certainty and clarity, a list of areas which are predominantly used for non-agricultural activities and are hence ineligible.

The category of the active farmer appears in the field of rural development as well in that some payments may only be received by active farmers. The rural development measures concerned are as follows: quality schemes for agricultural products, and foodstuffs; organic farming; payments to areas facing natural or other specific constraints; animal welfare; risk management.⁵³

Apart from that, being an active farmer is also a requirement to apply for a business start-up aid for young farmers in that the business plan shall provide that the young farmer complies regarding active farmers within 18 months from the date of setting up.⁵⁴

⁵¹Sections (1) to (3) of Article 9 of Regulation (EU) No 1307/2013.

⁵² Under point b) of Section (2) of Article 4, Member States shall define the minimum activities classified as an agricultural activity under point c) iii. of Section (1) of Article 4 to be carried out on agricultural areas naturally kept in a state suitable for grazing or cultivation. See also: Szilágyi János Ede: Az agrárjog rendszerezése, in: Csák Csilla (edit.): *Agrárjog – A magyar agrárjog fejlődése az EU keretei között*, Novotni Alapítvány, Miskolc, 2010, 34-35.; Fodor László: *Agrárjog – Fejezetek a mezőgazdasági életviszonyok sajátos szabályozása köréből*, Kossuth Egyetemi Kiadó, Debrecen, 2005, 305.; Mikó Zoltán: Új agrárjogi alapfogalmak: a mezőgazdasági termelő, a mezőgazdasági üzem, *Gazdaság és Jog*, 2004/12, 21-24.; Süveges Márta: Az agrár-üzemformák jogi szabályozásának alapjai, in: Hamar Anna (edit.): *Agrárátalakulás a '90-es években*, Szolnok, 1999, 25-112.; Kurucz Mihály: Gondolatok egy üzemszabályozási törvény indoklásáról, *Gazdálkodás*, 2012/2 118-136.

⁵³ Section (3) of Article 16; Section (1) of Article 29; Section (2) of Article 31; Section (1) of Article 33; Section (2) of Article 36 of Regulation (EU) No 1305/2013.

⁵⁴ Section (4) of Article 19 of Regulation (EU) No 1305/2013.

4.5. Young farmers

An outstanding novelty of the Regulation on direct payments is that it deals with payments for young farmers in a separate chapter,⁵⁵ reinforcing measures formerly eligible for rural development in aiding young farmers to commence their agricultural activity.⁵⁶ It is generally stated that Member States shall use their national or regional reserves to allocate payment entitlements, as a matter of priority, to young farmers and to farmers commencing their agricultural activity.⁵⁷ Payments are allocated on a yearly basis for a maximum period of five years for young farmers who are entitled to a payment under the basic payment scheme or the single area payment scheme.⁵⁸

Young farmers are those who are setting up for the first time an agricultural holding as head of the holding, or who have already set up such a holding during the five years preceding the first submission of an application under the basic payment scheme or the single area payment scheme.⁵⁹

In the field of rural development and in comparison to the past, one may notice the enhancement and extension of measures regarding young farmers. That is predominantly discernible in the possibility of drawing up thematic sub-programmes for young farmers.⁶⁰ In addition, business start-up aid for young farmers remains available for young farmers.⁶¹ The definition of the young farmer departs at two instances from that of the Regulation on direct payments under which possession of adequate occupational skills and competence is necessary for qualification; moreover, the scope of the definition solely covers the farmer who is setting up for the first time in an agricultural holding as head of that holding.⁶²

4.6. Small farmers scheme

The link between the small farmers scheme and rural development is a support type for farm and business development provided for by the Regulation on rural development, based on which annual payments or one-off payments are allocated for farmers eligible for the small farmers scheme who permanently transfer their holding to another farmer.⁶³ In contrast to payments available for farmers' and farm employees' early retirement laid down in Regulation (EC) No 1698/2005,⁶⁴ eligibility for the new rural development payment does not depend on whether the transfer is effected in favour of a young farmer or a farmer of less than 50 years old to take over

⁵⁵ Title III, Chapter 5 of Regulation (EU) No 1307/2013 - Payment for young farmers.

⁵⁶ Olajos István: 1970-es évek agrár-struktúrapolitikai irányelvei, in: Olajos István (edit.): *A vidékfejlesztési jog kialakulása és története*, Miskolc, Novotni Kiadó, 2008, 57-62.

⁵⁷ Section (6) of Article 30 of Regulation (EU) No 1307/2013.

⁵⁸ Sections (1) and (5) of Article 50 of Regulation (EU) No 1307/2013.

⁵⁹ Section (2) of Article 50 of Regulation (EU) No 1307/2013.

⁶⁰ Point a) of Section (1) of Article 7 of Regulation (EU) No 1305/2013.

⁶¹ Point a) of Section (1) of Article 19 of Regulation (EU) No 1305/2013.

⁶² Point n) of Section (1) of Article 1 of Regulation (EU) No 1305/2013.

⁶³ Point c) of Section (1) of Article 19 of Regulation (EU) No 1305/2013.

⁶⁴ Article 23 of Regulation (EC) No 1698/2005.

the agricultural holding released by the transfer or to increase the size of the agricultural holding.⁶⁵

4.7. Agri-environmental payments

Payments to investments with agri-environmental benefit remain in the field of both direct payments and rural development.

The embodiment of this regulation may be found in one of the most cardinal points of Regulation (EU) No 1307/2013, namely, the provisions for greening.⁶⁶ In the Regulation on rural development, agri-environment-climate payments appear as compulsory elements of rural development programmes.⁶⁷ These payment may exclusively be claimed for voluntary management and, to avoid coupled support, may not cover activities related to direct payments under the previous section.

4.8. Areas facing natural constraints

With regard to both direct payments and rural development payments, mountain areas; areas, other than mountain areas, facing significant natural constraints; and other areas affected by specific constraints may be classified as areas facing natural constraints.⁶⁸

Under Regulation (EU) No 1307/2013, farmers carrying out agricultural activity in these areas may become eligible apart from payments granted within the framework the basic payment scheme or the single area payment scheme, similarly to payments received by young farmers. Member States may finance payments up to 5 % of their annual national ceiling.⁶⁹

As a rural development measure, payments to areas facing natural constraints shall be granted annually per hectare of agricultural area in order to compensate farmers for all or part of the additional costs and income foregone related to the constraints for agricultural production in the area concerned.⁷⁰ The support shall be calculated with regard to payments referred to in the previous section.

⁶⁵ See also: Nagy Zoltán: A termőfölddel kapcsolatos szabályozás pénzügyi jogi aspektusai, in: Csák Csilla (edit.): *Az európai földszabályozás aktuális kibívásai*, Miskolc, Novotni Alapítvány, 2010, 187-197.; Nagy Zoltán: Az agrárium adójogi szabályozása, in: Csák Csilla (edit.): *Agrárjog – A magyar agrárjog fejlődése az EU keretei között*, Miskolc, Novotni Alapítvány, 2010. 315-334.

⁶⁶ See Chapter II of this study.

⁶⁷ Section (1) of Article 28 of Regulation (EU) No 1305/2013.

⁶⁸ Section (1) of Article 48 of Regulation (EU) No 1307/2013 and Section (1) of Article 32 of Regulation (EU) No 1305/2013.

⁶⁹ Section (1) of Article 49 of Regulation (EU) No 1307/2013.

⁷⁰ Section (1) of Article 31 of Regulation (EU) No 1305/2013.

5. Summary

In my view, it may unambiguously be stated that the 2013 rural development reform's objective to render its relationship more closely linked to the first pillar has been achieved. In this study, to provide proof for that, several legal institutions have been presented, which appear either in the regulation of both fields or create a direct or indirect correlation between the pillars. As far as the nature of these legal institutions are concerned, it may be established that the reform has not broken with the remarkably unchanged tendency⁷¹ to strengthen rural development policy and the gradual expansion of its role since the adoption of the AGENDA 2000 programme.

⁷¹Fodor László: Agrárjog – Fejezetek a mezőgazdasági életviszonyok sajátos szabályozása köréből, Kossuth Egyetemi Kiadó, Debrecen, 2005, 164.