Redistributing Single Farm Payment: Options and Consequences

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Environment: Land Use and Rural Stewardship (2005-11) and
Environmental Change - Economic Adaptation (2011-16)
Outline

- New Recipients
  - Eligibility criteria
- Bases for Single Farm Payments
  - Historic
  - Land Quality – Land Capability for Agriculture/LFASS
  - Pack Proposals - Stocking Rate & Standard Labour Requirement
- Regionalisation
- Principles and challenges
New Recipients

- “Potential” – issues of entitlements
- Criteria
- Land Use – excludes forestry
- Stocking Rate - forage lands
  – cattle, deer & sheep
- Thresholds – appropriateness and implementation
  - None
  - Any stock
  - 0.06
  - 0.12 lsu/ha – Pack “activity”
## Headline Areas

<table>
<thead>
<tr>
<th>#</th>
<th>Eligible Area Scenario</th>
<th>Area (ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>2009 entitlements</td>
<td>4,354,660</td>
</tr>
<tr>
<td>A</td>
<td>No stocking rate threshold applied</td>
<td>5,777,399</td>
</tr>
<tr>
<td>B</td>
<td>Minimum stocking rate of 0.01 LSU/ha</td>
<td>4,217,057</td>
</tr>
<tr>
<td>C</td>
<td>Minimum stocking rate of 0.06 LSU/ha</td>
<td>3,735,601</td>
</tr>
<tr>
<td>D</td>
<td>Minimum stocking rate of 0.12 LSU/ha</td>
<td>3,368,566</td>
</tr>
<tr>
<td>-</td>
<td>“Zero” SR Temporary Grassland</td>
<td>49,834</td>
</tr>
<tr>
<td>-</td>
<td>“Zero” SR Permanent Grassland</td>
<td>93,013</td>
</tr>
</tbody>
</table>
New Recipient Distribution

- Using the 0.12 SR stock rate

![Graph showing distribution of holdings by area and frequency]
New Recipient Distribution

- Using the 0.12 SR stock rate
Historic Bases

- Derived from previous payment scheme entitlements
- Area
- Stock types
- Stock numbers
- Production intensity coupled
- Dated
- Diminishing justification
- Not a level playing field for new entrants
- Baseline for comparative purposes - limits
Area – Research Remit

- Spatial modelling at business level of income effects from a move from historic payments to area-based SFP
- Identify included and excluded area for existing claimants
- Identify potential new entrants – dilution effects
- Test a minimum stocking rate criteria
- Test alternative bases (zones) for distribution of payments – land quality or handicap
- Test alternative scenarios for payment rates per zone
- Provide evidence base to underpin the Pack Inquiry
Area - Land Quality

Land Capability for Agriculture

- Land Capability for Agriculture Classification:
  - Class 1: Land capable of producing a very wide range of crops.
  - Class 2: Land capable of producing a wide range of crops.
  - Class 3: Land capable of producing a moderate range of crops.
  - Class 4: Land capable of producing a narrow range of crops.
  - Class 5: Land capable of use as improved grassland.
  - Class 6: Land capable only of use as rough grazing.
  - Class 7: Land of very limited agricultural value.

Less Favoured Area

- Agricultural Parishes Fragility:
  - Very Fragile
  - Standard
  - Fragile

- LFA Status:
  - Severely Disadvantaged
  - Disadvantaged
  - Extreme LFA

Note: Where available, the more detailed 1:50,000 scale mapping was used in the analysis.
Scotland’s Land Use by LCA

RLUS Land Uses by LCA Class (SAF 2007)

- Spring Cereal
- Winter Cereal
- Energy Crops
- Horticulture
- Forage Crops
- Other Cropping
- Grassland
- Shared and Common Grazing
- Rough Grazing
- Environmental Management
- Woodlands and Forestry
- Other Land
- (blank)

Area (millions Ha)

LCA Class
Scotland’s Land Use by LCA

RLUS Land Uses by LCA Class (SAF 2007)

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- Other Land
- (blank)
Payment Regimes

Best Land (LCA-S1)

Best Land Alternative (LCA-S2)

Flat Rate (LCA-S4)

Reverse (LCA-S5)
Area - Land Quality Conclusions

- New recipients with fixed budget mean lower rates
- Significant redistribution is unavoidable (268M of 640M where payments to best land and stocking rates used to limit extent of new lands)
- All “lowland” farm types see losses, worst in Mixed & Dairy
- Within farm type redistribution very significant – LFA Sheep and Cattle +0.9 M€ net but +/- ~60 M€
- More gainers than losers but the gains are smaller
- Implementation issues – LCA mapping scales
- Legality of LCA as a way to define individual payments
Stocking Rates

- Re-coupled payments
- A component of the system to address specific sectors
- Significant part of the Pack Inquiry proposals for the LFA
- Offsets effects of area based payments
- Compatibility with WTO?
Standard Labour Requirements

- Estimated from Census
- Included in the Pack Inquiry for the LFA top-up
- Measures and rewards activity without prescribing
- Could include more labour intensive environmental or ecological activity
- Deprecated by Commission
# Pack Inquiry Proposals

## Non-LFA Land

<table>
<thead>
<tr>
<th>Area Payments</th>
<th>€ 200 per eligible ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top Up Fund</td>
<td>€ 100 per eligible ha</td>
</tr>
</tbody>
</table>

## LFA Land

<table>
<thead>
<tr>
<th>Area Payments</th>
<th>€ 30 per eligible ha</th>
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</thead>
<tbody>
<tr>
<td>Top Up Fund</td>
<td>€ 6400 per Standard Labour Requirement</td>
</tr>
</tbody>
</table>

## Headage (75% beef genetics)

<table>
<thead>
<tr>
<th>Headage</th>
<th>Payments</th>
</tr>
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<tbody>
<tr>
<td>1-5</td>
<td>€ 220</td>
</tr>
<tr>
<td>6-15</td>
<td>€ 190</td>
</tr>
<tr>
<td>16-40</td>
<td>€ 165</td>
</tr>
<tr>
<td>40+</td>
<td>€ 135</td>
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</table>

## Headage (50% beef genetics)

<table>
<thead>
<tr>
<th>Headage</th>
<th>Payments</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>€ 135</td>
</tr>
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</table>

## Headage (lambs)

<table>
<thead>
<tr>
<th>Headage</th>
<th>Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€ 8</td>
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</tbody>
</table>
Pack Inquiry – Farm Type

Difference

- Cattle and sheep (LFA)
- Horticulture
- General Cropping
- Specialist Poultry
- Specialist Pigs
- Cattle and sheep (Lowland)
- Other
- Dairy
- Mixed
- Unknown
- Cereals

Components of Difference

- Cattle and sheep (LFA)
- Horticulture
- General Cropping
- Specialist Poultry
- Specialist Pigs
- Cattle and sheep (Lowland)
- Other
- Dairy
- Mixed
- Unknown
- Cereals

The graph shows the difference in millions of euros between different farm types.

- Loss
- Gain
- Zero baseline
Pack Inquiry - Regions

Difference
- Tayside
- Highland
- Argyll & Bute
- East Central
- Eilean an Iar
- Shetland
- Lothian
- Fife
- Ayrshire
- Clyde Valley
- Scottish Borders
- Unknown
- Orkney
- Dumfries & Galloway
- North East Scotland

Difference
- € 50
- € 25
- € 0
- € 25
- € 50

Components of Difference
- Tayside
- Highland
- Argyll & Bute
- East Central
- Eilean an Iar
- Shetland
- Lothian
- Fife
- Ayrshire
- Clyde Valley
- Scottish Borders
- Unknown
- Orkney
- Dumfries & Galloway
- North East Scotland

Loss
Gain
Zero baseline
Pack Inquiry - Conclusions

- Headline redistribution 290M€, with 46M€ of zero baseline
- Less than any of the other scenarios tested
- Lesser impacts on lowland farm types
- Still significant redistribution with Cattle and Sheep LFA
- Regional outcomes mixed
- Compatibility with EU/WTO rules?
Regionalisation

- To comply with EU/WTO
- Combines some of the bases above with regional implementation.
- Regionalisation allows for use of an objective measure to generate the size of the regional “pot” within the region the pot is allocated on a flat area basis.
- Land Quality (LCA)
- Standard Labour Requirements (SLR)
Regionalisation – land quality

- An example – many others possible
- Macaulay LCA (grouped) – no SR limit to area applied
- Best land – highest rates, €300, €300, €100, €40
Regionalisation – land quality

- Ag Regions (14)
- Regional spend and regionalised flat rates.
- 464M€ redistribution
  104M€ zero baseline
  72M€ LCA
  undetermined
- More smaller regions means less redistribution but more “boundary” issues
- Consequences for farm type: losses to lowlands, redistribution in LFA Sheep and Cattle.
Regionalisation – SLR

- €15229 per SLR (no SR exclusions)
- Regionalised pots
- €402M zero baseline and redistribution
- Contrast to land quality in ordering of regions

**Regionalised SLR Payment Pots**

<table>
<thead>
<tr>
<th>Region</th>
<th>Payment (€ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North East Scotland</td>
<td>100</td>
</tr>
<tr>
<td>Tayside</td>
<td>90</td>
</tr>
<tr>
<td>Dumfries &amp; Galloway</td>
<td>80</td>
</tr>
<tr>
<td>Scottish Borders</td>
<td>70</td>
</tr>
<tr>
<td>Highland</td>
<td>60</td>
</tr>
<tr>
<td>Ayrshire</td>
<td>50</td>
</tr>
<tr>
<td>Clyde Valley</td>
<td>40</td>
</tr>
<tr>
<td>Argyll &amp; Bute</td>
<td>30</td>
</tr>
<tr>
<td>Lothian</td>
<td>20</td>
</tr>
<tr>
<td>Fife</td>
<td>10</td>
</tr>
<tr>
<td>East Central</td>
<td>5</td>
</tr>
<tr>
<td>Orkney</td>
<td>5</td>
</tr>
<tr>
<td>Shetland</td>
<td>5</td>
</tr>
<tr>
<td>Eileanan an Iar</td>
<td>5</td>
</tr>
</tbody>
</table>
Regionalisation – SLR

Regionalised SLR Rate

- Fife
- Dumfries & Galloway
- Ayrshire
- Lothian
- Clyde Valley
- Scottish Borders
- North East Scotland
- Tayside
- Orkney
- Scotland
- East Central
- Shetland
- Argyll & Bute
- Highland
- Eileanan an Iar

Payment Rate (€/ha)

€ - € 50 - € 100 - € 150 - € 200 - € 250
Regionalisation – SLR

Regionalised SLR Rate

Fife
Dumfries & Galloway
Ayrshire
Lothian
Clyde Valley
Scottish Borders
North East Scotland
Tayside
Orkney
Scotland
East Central
Shetland
Argyll & Bute
Highland
Eilean an Iar

€ -  € 50  € 100
Payment Rate

Farm Type Change - Regionalised SLR

Cattle and sheep (LFA)
Other
Specialist Poultry
Horticulture
Specialist Pigs
Cattle and sheep (Lowland)
General Cropping
Dairy
Mixed
Cereals

Losses
Gains
Zero Baseline

-€ 100  € -  € 100  € 200
Millions
Principles and Challenges

- New recipients likely to mean reductions in payment
- Area-based approaches “flatten”
- Flattening means redistribution – generally more intensive to less
- Within Farm Types and within Regions important – beware averages
- Basis of payments matters – area, land quality, SLR
- Limits on the acceptable bases for payments, some flexibility for regional pots but strongly redistributive
- Regions matter – need to avoid extremes in a single region – Black Isle in Highland
- Trade-off specificity vs. complexity
- Defining success
Contacts

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http://www.macaulay.ac.uk/LADSS/research_policy.html