

# Future CAP: the French Redistribution Option

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*The consequences of using the French redistribution option combined with the Phase 1 Modelling Scenarios.*

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# CONTENTS

Executive Summary.....	3
Budgets and Rates.....	3
Outcomes.....	3
Interpretation.....	3
Conclusions.....	4
1 Introduction.....	6
1.1 Origins of the option.....	6
1.2 Regulation text.....	6
1.3 The analysis.....	6
2 Methodology.....	7
2.1 Phase 1 Modelling Scenarios.....	7
2.2 Modelling French Redistribution.....	7
3 Results.....	9
3.1 Character of land included in the FR “region”.....	9
3.2 Budget and Rate Calculations.....	11
3.3 Distributions of Payments.....	12
3.3.1 Farm Type.....	12
3.3.2 Region.....	13
3.4 Scenarios Outcomes – Overall Summary.....	14
3.5 Scenario Outcomes per Sector, Region and Business Size.....	14
3.5.1 LCA Farm Level 1a 90:10 budget.....	15
3.5.2 LCA Farm Level 1b – Production weighted – €27/ha lowest rate.....	16
3.5.3 Land Type Farm Level Three Region –Production weighted – €27/ha lowest rate.....	17
3.5.4 Land Type Farm Level Two Region – Production weighted – €27/ha lowest rate.....	18
3.6 Change from Phase 1 Modelling using French 30/65 Redistribution.....	18
3.6.1 LCA Farm Level 1a - Two Region- 90:10 budget.....	20
3.6.2 LCA Farm Level 1b – Three Region - Production weighted – €27/ha lowest rate.....	21
3.6.3 Land Type Farm Level Three Region – Production weighted – €27/ha lowest rate.....	22
3.6.4 Land Type Farm Level Two Region – €27/ha lowest rate.....	23
Appendix 1 - Size Characteristics for Farm Types.....	24
Appendix 2 - Share of area per business.....	26
Farm types where French Redistribution results in increased gains.....	26
Farm Types where French Redistribution reduces increases.....	26
Farm Types where French Redistribution increases the size of reductions.....	27
Appendix 3 -Logic Model for Balancing the French Redistribution and BPS Budgets.....	28
Appendix 4 – RESAS analysis of single region French Redistribution.....	29
Current distribution plus French Redistribution.....	29
A single national flat rate payment plus French Redistribution.....	30

## EXECUTIVE SUMMARY

The paper reports an analysis of the consequences of using the “French Redistribution” (FR) options detailed in Article 28a and 28b of the Regulation in combination with scenarios from the Phase 1 Modelling work. The measure provides the option for making an uplift of payment in a region of up to 65% on an area per business of up to 30 ha or the national average size, whichever is larger. This analysis has assumed the use of the UK average of 54 ha and the maximum 65% since this can be scaled back if needed. The FR is applied per region as defined in the Phase 1 modelling and the first 54 ha is defined on a best-first basis using Land Type or Land Capability for Agriculture.

## Budgets and Rates

The table below summarises the amount of land to which FR is applied and the share of the Basic Payment Scheme (BPS) region it represents. This is higher for the better quality, partly as this land is preferentially included in the first 54 ha but also because increasing the rate on the better quality land is more costly. The table also shows the share of BPS budget needed to achieve the 65% uplift, the FR budget, BPS budget and the resulting payment rates.

Scenario	Region	1st54 Area (ha)	1st54 Share (% BPS Region)	Share of Phase 1 BPS budget for FR (%)	FR Budget (M€)	BPS minus FR Budget (M€)	BPS Rate (€/ha)	FR Uplift (€/ha)	1st54 Rate (€/ha)
LCA 1a, 2 Reg 90:10	LCA1-5.3	702,177	31%	17%	96.5	481.5	211.42	137.42	348.84
	LCA6.1-7	135,314	6%	4%	2.4	61.8	27.10	17.62	44.72
<b>Summary</b>				<b>15%</b>	<b>98.9</b>	<b>543.3</b>			
LCA 1b, 3 Reg, PW	LCA1-3.1	156,642	45%	23%	17.2	58.5	168.50	109.52	278.02
	LCA3.2-5.3	545,535	28%	16%	78.4	426.5	221.00	143.65	364.65
	LCA6.1-7	135,314	6%	4%	2.3	59.3	26.00	16.90	42.90
<b>Summary</b>				<b>15%</b>	<b>97.8</b>	<b>544.4</b>			
Land Type, 3 Reg PW	Arable	387,426	42%	21%	57.8	213.0	229.55	149.21	378.76
	Perm Grass	272,064	32%	17%	51.2	244.9	289.72	188.32	478.04
	RGR etc.	178,001	6%	4%	3.0	72.2	25.92	16.85	42.77
<b>Summary</b>				<b>17%</b>	<b>112.0</b>	<b>530.1</b>			
Land Type, 2 Reg €27 low	Arable and Grassland	659,490	37%	19%	110.4	456.6	257.49	167.37	424.86
	RGR etc.	178,001	6%	4%	3.0	72.2	25.92	16.85	42.77
<b>Summary</b>		<b>837,491</b>	<b>18%</b>	<b>18%</b>	<b>113.4</b>	<b>528.8</b>			

## Outcomes

The table below summarises the outcomes of using FR with Phase 1 regions and budget scenarios and reports redistribution and percentage of the current SFP population that gains and the magnitude of changes that can be attributed to FR alone. French redistribution increases redistribution but also the proportion of businesses gaining (7% to 9% more see increases in payments) so there is a trade-off.

Scenario	Phase 1+French Redistribution			Change from Phase 1	
	Redistribution (M€)	Inc/Red	% of SFP Popn. Gains	Redistribution (M€)	% of SFP Popn. Gain
LCA 1a 2 Reg 90:10	340 €M	170	62%	+3	+9%
LCA 1b 3 Reg PW	354 €M	177	62%	+8	+9%
Land Type 3 Reg PW	295 €M	148	68%	+28	+7%
Land Type 2 Reg €27 low	274 €M	137	69%	+21	+7%

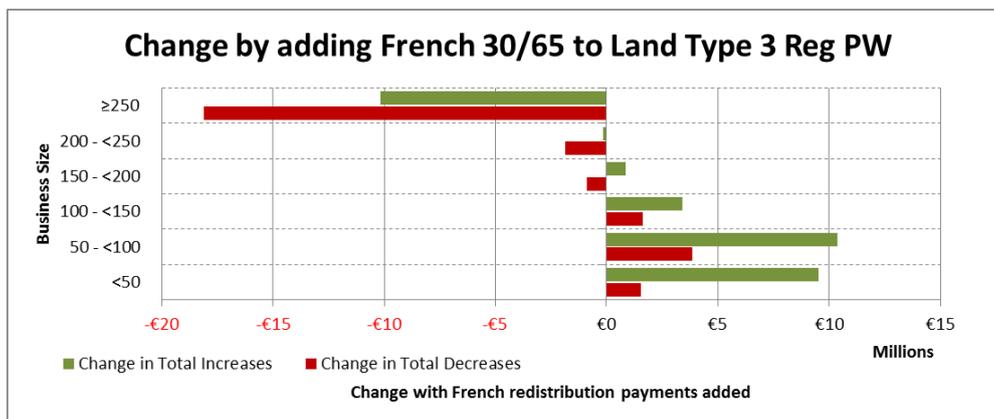
## Interpretation

FR outcomes depend on the implementation of the regions and budget allocations since FR is an uplift of BPS payment rates. Any conclusions drawn here must have the caveat that radically different budgeting options could change the consequences of using FR. The first and second choice scenarios from the Phase 1 Modelling share similar regionalisation and budgeting characteristics, and this serves to limit differences. The outcomes of FR for sectors and regions are driven primarily by size distributions. Scotland’s size distribution means that **for the**

**regionalisation and budget options considered in Phase 1 Modelling the full 65% uplift can be achieved well within the 30% of the budget ceiling.**

**Consistent with the stated intention of FR it is in business size that the clearest effects of the measure are seen.**

There is a strongly consistent pattern of redistribution for all the scenarios. The figure below uses the three region land type podium weighted scenario as an illustration<sup>1</sup>. There are consistent net gains (both larger increases or smaller reductions) up to 150 ha, neutral from 150 to 250 ha and there are net losses over 250 ha. The area affected by losses is 72% of Scotland but only 20% of businesses. The net reduction is €28M but smaller increases are €10M and only €18M are larger reductions. **The greatest benefits are for businesses in the 50-100 ha size class.**



**Sectorally** (represented by main farm types) there are consistent larger losses for Cropping Cattle and Sheep and General Cropping types and in some scenarios for Cereals. The Mixed Cattle and Sheep type sees substantially reduced gains (but do not lose). Specialist Beef despite having third largest area of businesses >250ha and second largest count of such businesses sees positive outcomes – for LCA based scenarios larger increases and smaller reductions and for Land Type scenarios larger increases with marginally larger reductions. **Overall for sectors there are not strong net effects of adding FR, indicating that in the main there is within-sector redistribution.**

**Regionally** there are consistent but complex patterns of change associated with FR. Where regions have higher proportions of good quality land and larger average business size then there are larger reductions. In some cases these regions also experience smaller increases (e.g. Borders and Tayside). In others these are paired with larger increases (e.g. North East Scotland) though these gains may not offset the larger reductions. Consistent net gains are seen in the Highlands, Shetland and Western Isles so FR may favour smaller crofting tenure businesses. Yet while their net gains are not large Clyde Valley, Orkney and Ayrshire also benefit, with FR perhaps favouring smaller, but still relatively intensively managed, cattle or dairy businesses. **Again regional net effects are not large.**

## Conclusions

FR can be combined with the Phase 1 Modelling scenarios and does result in redistribution in favour of smaller businesses, though the greatest benefit is to those in the 50 to 100 ha size class rather than the smallest. Overall FR sees increased redistribution (1-9%) set against increased numbers of businesses that are net gainers from new scenarios (between 7 and 9% more businesses gain). The measure does have net regional and sectoral effects but in the main these are small in magnitude. The interactions between budgeting options and FR will need to be reconsidered once budget options are finalised. The balance of benefits across sectors and regions would ultimately also have to be made in the context of all CAP reform measures.

<sup>1</sup> In the chart the green bars show changes in increases. These are smaller if negative and larger if positive. The red bars show the changes for reductions in the same way (negative for larger reductions, positive for smaller)

In reducing payments to the largest businesses it is also possible to argue that **FR has outcomes similar to those intended for capping** but with funds kept in Pillar 1.

A key factor to be considered is that FR is applied only to the BPS share of the budget. This means that were BPS to make up a limited share of the overall Pillar 1 budget then the effects of FR might be so small that the added complexity in implementation would outweigh benefits delivered.

# 1 INTRODUCTION

The paper reports an analysis of the consequences of using the Redistributive Payment options detailed in Article 28a and 28b.

## 1.1 Origins of the option

The Redistributive Payment (FR) was introduced into the Irish Presidency text following a request from France to allow higher payments on the first hectares of a farm. The proposal aims to prevent a high redistribution away from small, low-income livestock units to large cereal farms in France. These options are often referred as “French Redistribution” (FR).

While there are structural differences between Scotland and France the option is being considered to see if, in combination with the Regionalisation and Budget options assessed in the Phase 1 Modelling, the FR results in preferable patterns of support that better achieve policy goals or minimises undesirable feature of the same.

## 1.2 Regulation text

The latest draft Regulation (Articles 28a and 28b) sets out how the payment would work:

- An annual redistributive payment can be made to farmers who will be entitled to the new basic payment.
- The redistributive payment can be made at a national or at a regional level.
- The payment value is limited to 65% of the national or regional average payment per hectare. [This means the qualifying area is paid at up to 165% of the rate set derived from national or regional rate setting.]
- The payment can be made on the first 30 hectares or on the average holding size in the Member State (54 hectares for the UK, and it is the UK average that applies in Scotland).
- Up to 30% of the national ceiling for BPS can be used to finance the payment.

## 1.3 The analysis

The following sections present an analysis of the consequences of using a Redistributive Payment in Scotland when combined with the regionalisation and budgets options assessed in the Phase 1 Modelling. Methodology and underpinning assumptions are set out from page seven with results from page nine.

## 2 METHODOLOGY

### 2.1 Phase 1 Modelling Scenarios

French Redistribution has been used with each of the four region options retained or generated at the end of the Phase 1 modelling. Note that there has been no policy decision on budgeting options so the scenarios presented below are to illustrate the effect of the FR payment not to express a policy preference.

#### Scenarios

LCA Farm Level 1a (two region – LCA 1-5.3 and 6.1 to 7) – 90:10 budget

LCA Farm Level 1b (three region – LCA 1-3.1, 3.2 to 5.3 and 6.1 to 7) – Production weighted

Land Type Farm Level 1 (three region – Arable (incl TGRS), Permanent Grass and Rough Grazing) – Production weighted

Land Type Farm Level 2 (two region – Arable and Permanent Grass and Rough Grazing) – €27/ha lowest rate

Note that the results shown here for French redistribution depend on the BPS rates set in the Phase 1 analysis. This means that for the French redistribution analysis to be definitive BPS rates will need to be finalised. The analysis does, however, give a clear view of the effects that the use of French Redistribution will have.

**Assumption 1** – the payment rates, budgets and other assumptions as used in the Phase 1 have not been changed.

### 2.2 Modelling French Redistribution

For this analysis the highest levels of French Redistribution have been modelled since this most clearly demonstrates the consequences of the option and can be used later as a guide to scale back the degree of French Redistribution if required.

Article 28a and 28b specify French Redistribution as a top up of up to 65% of BPS rates for the first 30 ha or the member state average business size. This is funded by a reduction in the BPS budget of up to 30%. Note that there are thus several variables in this mechanism that are interacting and this analysis does not explore the consequences of varying one or more independently of the others.

The analysis makes the following assumptions

**Assumption 2** – The area used in FR is up to 54 ha per business – this is the UK average and is the value that would have to be used unless a case was made to the European Commission.

**Assumption 3** – The land is included on a best quality first basis, as defined by Land Capability for Agriculture or by Land Type. Such land would not necessarily always attract the highest payments rates (e.g. where a podium weighted budget option was adopted).

Having fixed the area and order in which land is considered there is the need to balance the BPS and FR budgets. This is required because when the budget for FR increases it decreases the budget available for BPS and thus the rate per ha for BPS which in turn sets the maximum value for the FR ( $BPS \times 0.65$ ). Within the modelling the area of land within the first 54 of businesses for each region is known, as is the total area and overall BPS budget for the region. The share of budget per region (as determined in the Phase 1 modelling) allocated to FR is increased until FR spend balances the FR budget. When too large a percentage is taken from the BPS budget this reduces the FR rate beyond the point that when combined with the FR area this can use the entire FR budget. When too small a percentage is

taken then the funds available are insufficient to support all the FR area at 65% of BPS rate. The balance value is set through multiple iterations. A logic model for this process is set out in Appendix 3.

Depending on the structure of farm sizes (i.e. the portion of the total national farm area that is included in the first 54 ha) it is possible that the maximum share of the budget (30%) could be exceeded and the maximum FR value would be an uplift of less than 65%. Previous analysis by RESAS using a single region, flat rate model indicated that for Scotland the 30% of budget was sufficient to fund the full 65% FR if needed. This was confirmed for the Phase 1 Modelling scenarios (see Section 3.2).

**Assumption 4** – since the full 65% uplift can be funded from the 30% of BPS budget then the full 65% uplift will be used

### 3 RESULTS

#### 3.1 Character of land included in the FR “region”

The charts in Figure 1 below illustrate the quality of land per business type included in the first 54 ha. As expected better quality land is well represented but there are still substantial areas of class 5.1 and above reflecting the limited availability of better and intermediate quality land in some regions of Scotland. The farm types mix in percentage terms give an impression of the balance between the activities on the first 54 ha that would be supported by the measure.

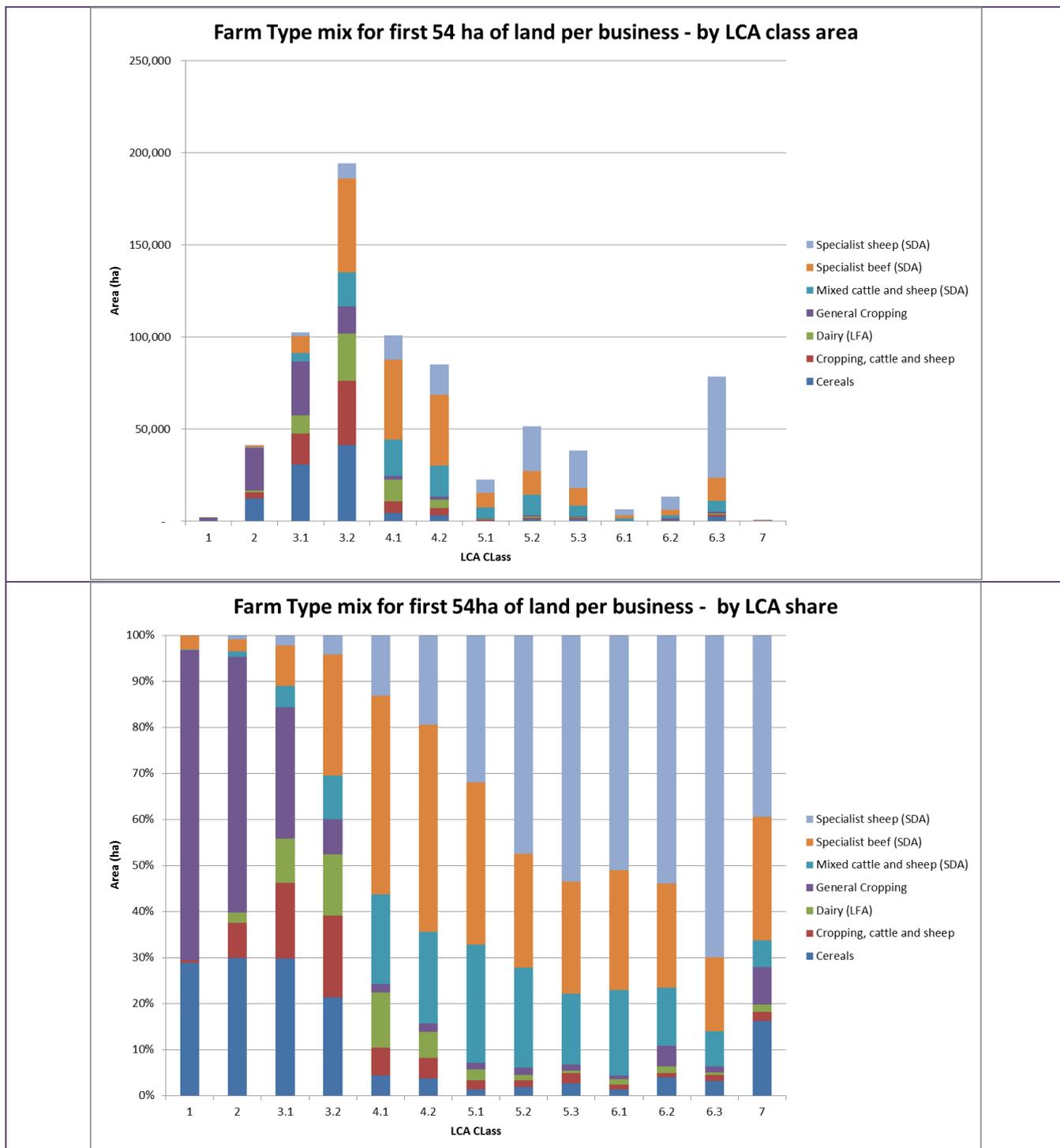


Figure 1

Regionally there are strong contrasts in the share of the region that is made up of land in the first 54 ha per business (see Figure 2). Regions with higher shares (indicating on average smaller businesses) include the Western Isles, Orkney and Shetland, but also Fife, Ayrshire and Clyde Valley.

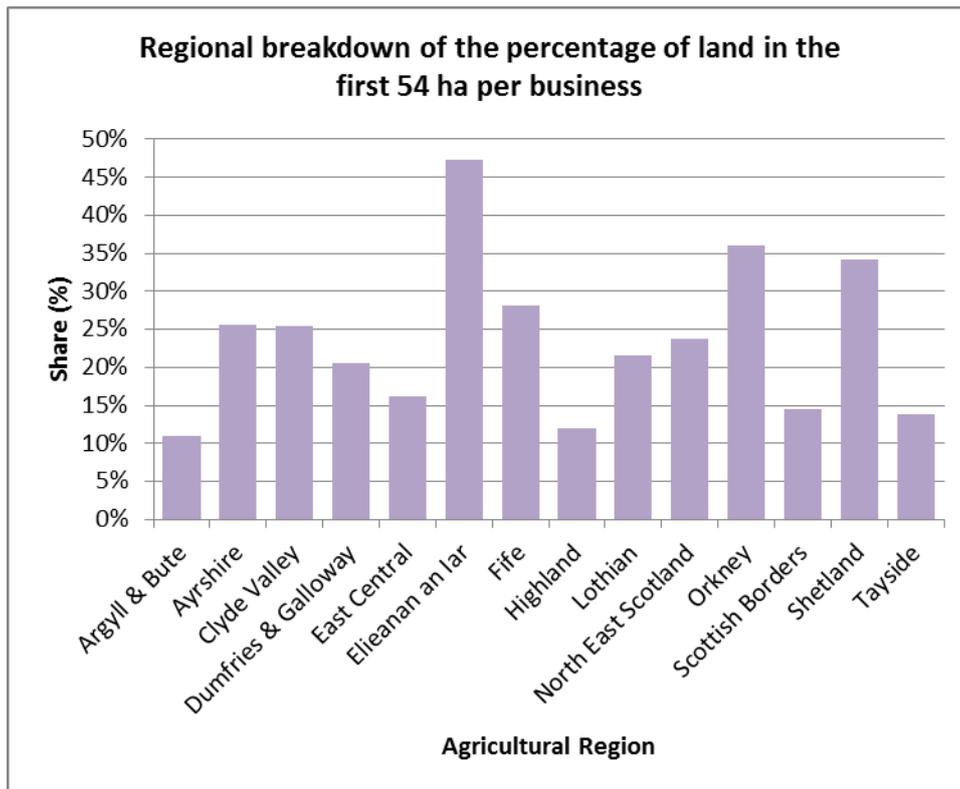


Figure 2

## 3.2 Budget and Rate Calculations

**Note all budgets and rates depend on the assumptions made in the Phase 1 modelling and as such are indicative.** Table 1 below illustrates budgets and rates that are the outcome of the modelling and assumptions set out in the previous section. For each region the FR area is presented both as area (ha) and as the share of the BPS region (%). The share of the Phase 1 BPS budget used to achieve the 65% uplift for the FR area is then presented. The table also sets out for each BPS region the FR budget, the BPS minus FR budget and the revised BPS rate. The table concludes by presenting the FR uplift and the FR rate that would be paid on first 54 ha of land per business in each region. One striking feature of the data is the differences in the proportions of each BPS region that are included in the FR area, this ranges from 6% to 45%. There is also a strong contrast in the share of the BPS budget required to achieve the 65% uplift. This is partly a function of the share of the region included within the FR area (a larger share requires more budget) but is also a function of the assumptions on budgets made in the Phase 1 Modelling (higher rates from Phase 1 require a larger share of the BPS budget to increase by the 65% target).

Table 1

Scenario	Region	1st54 Area (ha)	1st54 Share (% BPS Region)	Share of Phase 1 BPS budget for FR (%)	FR Budget (M€)	BPS minus FR Budget (M€)	BPS Rate (€/ha)	FR Uplift (€/ha)	1st54 Rate (€/ha)
LCA Farm Level 1a	LCA1-5.3	702,177	31%	17%	96.5	481.5	211.42	137.42	348.84
	LCA6.1-7	135,314	6%	4%	2.4	61.8	27.10	17.62	44.72
Summary				15%	98.9	543.3			
LCA Farm Level 1b	LCA1-3.1	156,642	45%	23%	17.2	58.5	168.50	109.52	278.02
	LCA3.2-5.3	545,535	28%	16%	78.4	426.5	221.00	143.65	364.65
	LCA6.1-7	135,314	6%	4%	2.3	59.3	26.00	16.90	42.90
Summary				15%	97.8	544.4			
Land Type Farm Level (3 Zone)	Arable	387,426	42%	21%	57.8	213.0	229.55	149.21	378.76
	Perm Grass	272,064	32%	17%	51.2	244.9	289.72	188.32	478.04
	RGR etc.	178,001	6%	4%	3.0	72.2	25.92	16.85	42.77
Summary				17%	112.0	530.1			
Land Type Farm Level (2 Zone)	Arable and Grassland	659,490	37%	19%	110.4	456.6	257.49	167.37	424.86
	RGR etc.	178,001	6%	4%	3.0	72.2	25.92	16.85	42.77
Summary		837,491	18%	18%	113.4	528.8			

Note that with a regional implementation of FR any redistribution occurs within the region so with higher percentages of budget being redistributed in the better quality regions the consequences of FR are accentuated in these regions.

### 3.3 Distributions of Payments

The two following sub-sections set out the distribution of the FR spend, that is which Farm Types and Regions receive the larger proportions of the FR budget. This is a useful indication of resource allocation and benefit but does not show net or change in benefit to Farm Types or Regions since it only shows the gains; losses are reflected in the net figures which are set out in more detail in Sections 3.4 and 3.6.

#### 3.3.1 Farm Type

For Farm Types the distribution of FR spend reflects the relative magnitudes and enterprise mixes present. There is some degree of consistency between region-budget scenarios, partly since these are relatively similar scenarios in terms of rates and regionalisation but also since the primary driver for FR is the size distribution of businesses.

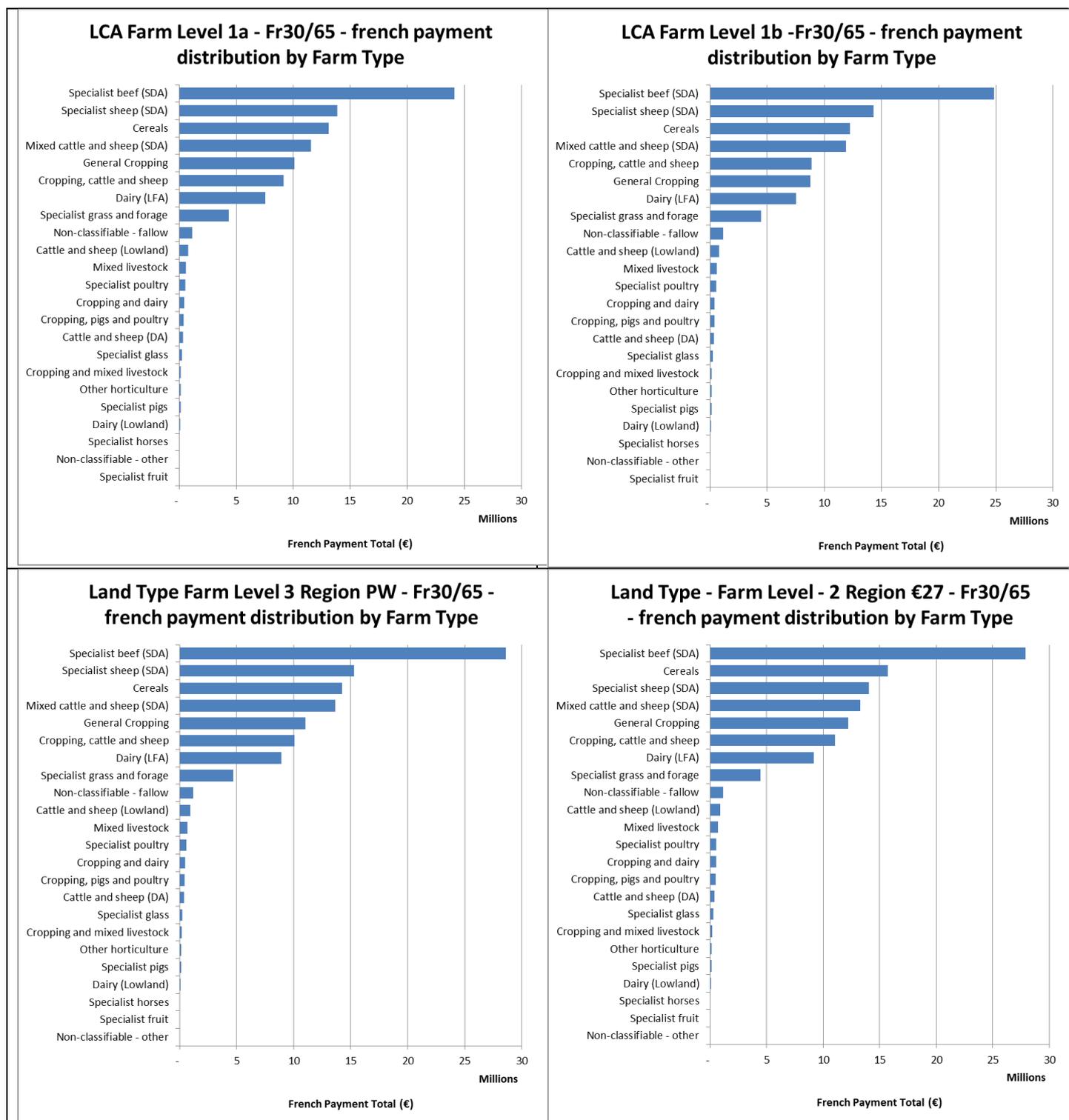


Figure 3

### 3.3.2 Region

Again the pattern of spend is consistent across scenarios. Spend in this case is clearly related simply to the number of business present within the region, with larger regions featuring prominently.

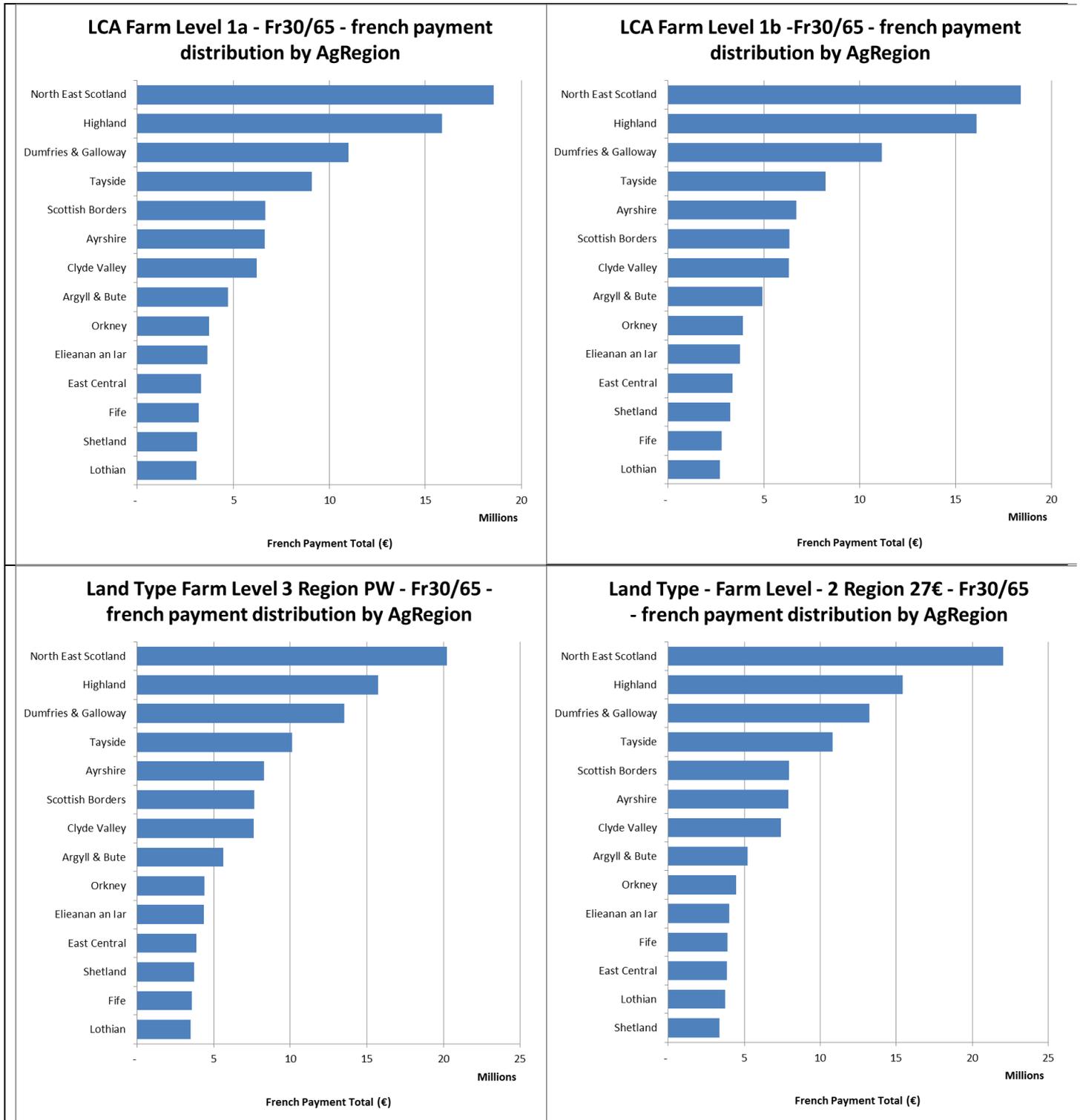


Figure 4

### 3.4 Scenarios Outcomes – Overall Summary

Table 2 below summarises the high level outcomes for the scenarios in term of overall levels of redistribution and the percentage of the business population that gains. In all cases the use of FR increases overall levels of redistribution but also the number of businesses that see their payments increase. This increase is substantial being between 7-9% of the overall business population, with the greater increase in the LCA based scenarios. The redistribution “cost” of these increase numbers of gainers is more substantial in the Land Type based regions (€28M or €21M) versus the LCA regions (€3M or €8M). It should be noted that in terms of redistribution the Land Type based regions and budgets are still substantially less redistributive. It also needs to be borne in mind that since the overall budget is fixed, then increases and reductions are balanced and since the number of gaining businesses is over twice those with reductions the magnitude of the increases must on average be smaller.

**Caveat** - a key factor to be considered is that FR is applied only to the BPS part of the Pillar 1 CAP budget. In this analysis the FR is applied to a BPS budget which has the same value as the existing SFPS. Were the BPS to make up a more limited share of the overall Pillar 1 budget then the effects of FR would be proportionally reduced and could even be so small that the added complexity in implementation would outweigh benefits delivered.

Table 2

Scenario	Phase 1			Phase 1+French Redistribution 30/65			Change from Phase 1	
	Redistribution	Inc/Red	% of SFP Population that Gain	Redistribution	Inc/Red	% Gains	Redistribution	% of SFP Population that Gain
LCA 1a 2 Reg 90:10	337 €M	169 €M	53%	340 €M	170 €M	62%	+3 €M	+9%
LCA 1b 3 Reg PW	346 €M	173 €M	53%	354 €M	177 €M	62%	+8 €M	+9%
Land Type 3 Reg PW	267 €M	134 €M	61%	295 €M	148 €M	68%	+28 €M	+7%
Land Type 2 Reg €27 lowest	253 €M	126 €M	62%	274 €M	137 €M	69%	+21 €M	+7%

### 3.5 Scenario Outcomes per Sector, Region and Business Size

The sections that follow set out the outcomes for sectors (using farm Types), regions using (Agricultural Regions) and business size. These sections use the same format of presentation as in the Phase 1 Modelling. The Farm Types and Regions are ordered by net consequences – with the greatest reductions lowest in the chart and the greatest increases at the top. The wide bars indicate increases and reductions in financial terms (read against the scale at the bottom of the chart) and the narrow bars the counts of businesses that experience increase or reductions (read against the top scale). For business size the charts show for the six size classes the counts of business that increase and decrease (in the lighter coloured bars that read against the left hand axis and the magnitude of the gains and losses are shown using the darker bars that read against the right hand axis).

The charts present the outcomes for sectors, regions and farm sizes and thus are intended to present change from the *status quo*. They present the complete picture of change when region-budget options are combined with FR. In Section 3.6 the specific consequences of the FR alone are set out.

### 3.5.1 LCA Farm Level 1a 90:10 budget

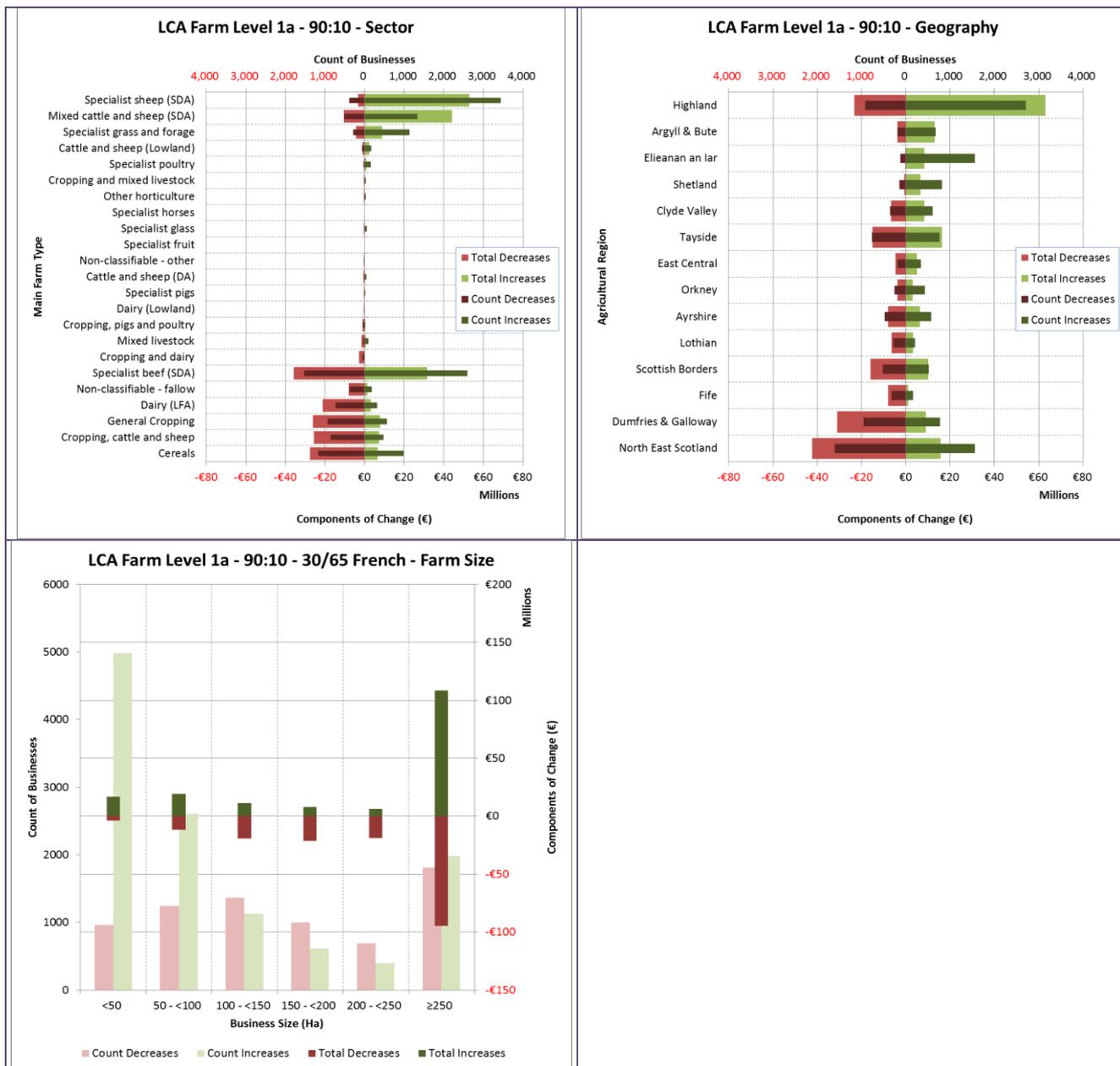


Figure 5

### 3.5.2 LCA Farm Level 1b - Production weighted - €27/ha lowest rate

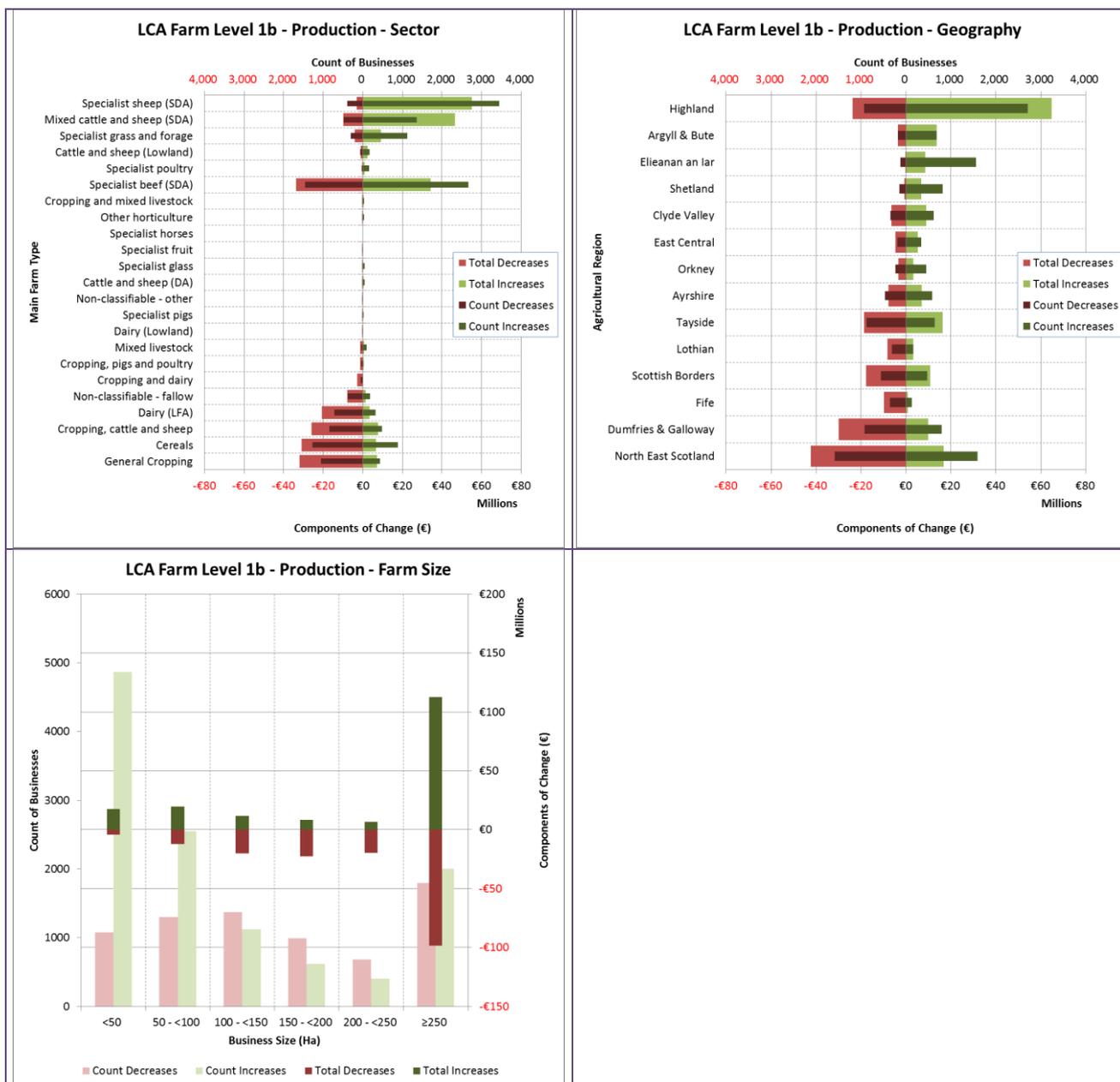


Figure 6

### 3.5.3 Land Type Farm Level Three Region - Production weighted - €27/ha lowest rate

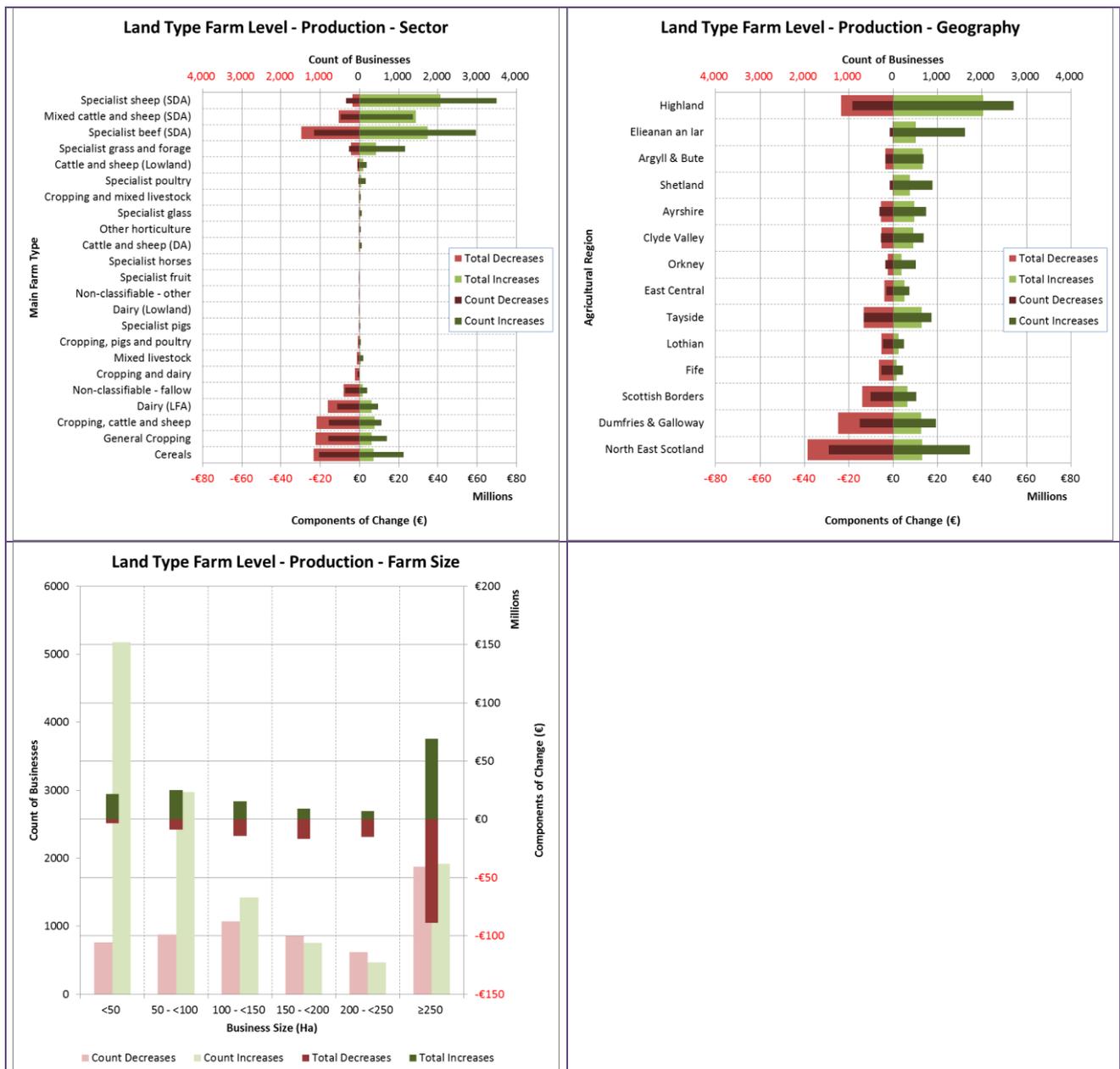


Figure 7

### 3.5.4 Land Type Farm Level Two Region - Production weighted - €27/ha lowest rate

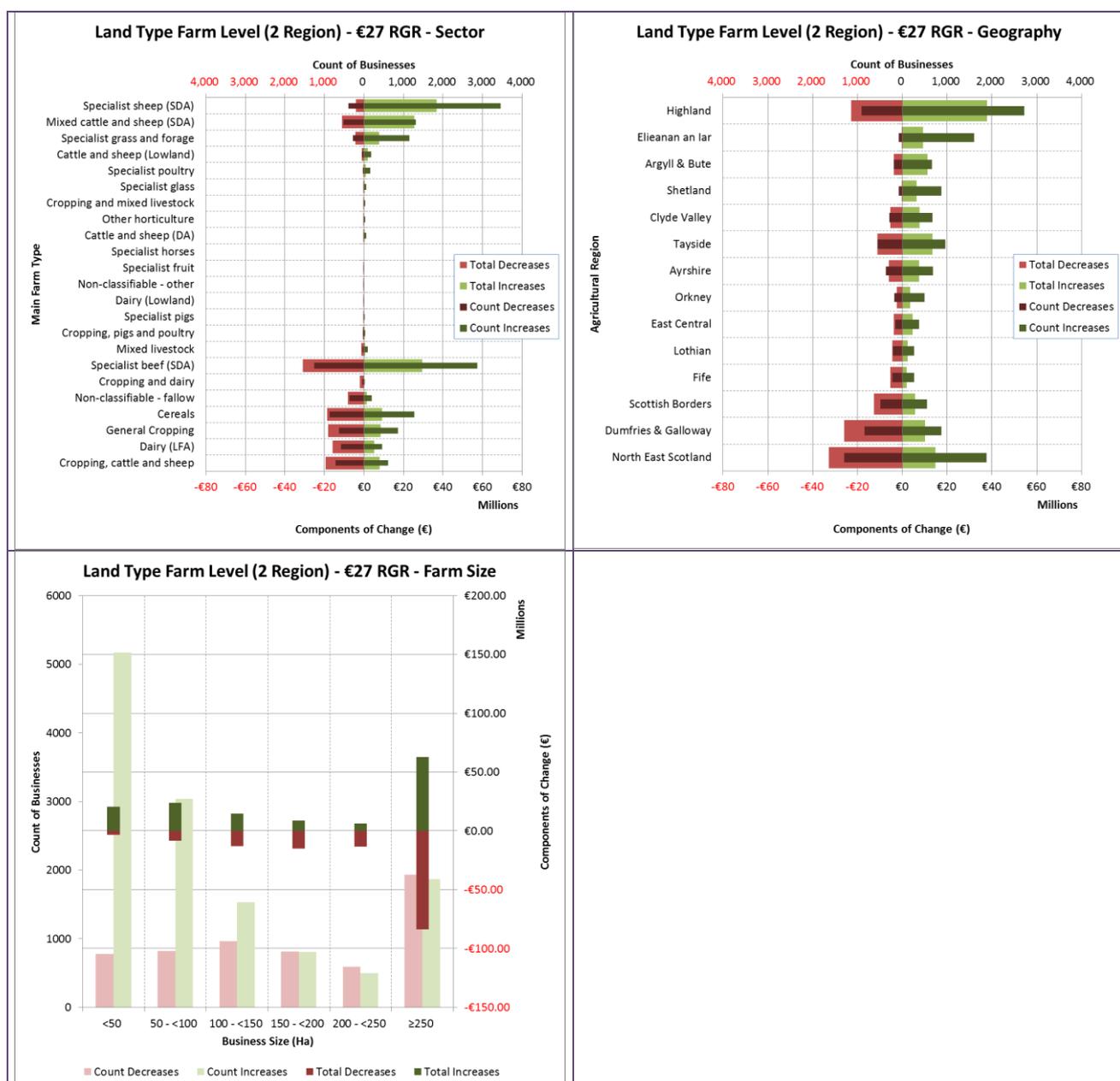


Figure 8

### 3.6 Change from Phase 1 Modelling using French 30/65 Redistribution

The following sections set out the consequences of the use of FR alone for sectors, regions and businesses sizes. These use a variant of the Phase 1 presentations. In this case a fixed ordering of the farm types, regions and size classes are used to make comparison of change between scenarios easier to interpret. For each of the farm types, regions and size classes two bars are presented. Red shows the change in the reductions in Phase 1 – that is a red bar to the negative (left) side indicates larger reductions, but if the bar is to the positive (right) side then the reductions are smaller than in Phase 1. Similarly the green bars show the changes for increases in the Phase 1 scenarios, positive means larger gains, negative means smaller gains. For the land type base scenarios several regions see larger increases, Highland, Western Isles but also North East Scotland. For both regions and farm types the net changes associated with the use for FR are small relative to the spend within these classes.

As with the outcome charts in the previous section the change charts presented below show a fair degree of consistency in the sectors, regions and businesses sizes that are affected, with the difference between scenarios being small changes in the magnitude of change.

The farm types with larger increases and reduced decreases (both bars positive) are Specialist Sheep, Specialist Grass and Forage and Specialist Cattle. For these farm types there are considerable numbers of smaller businesses that benefit from FR, see Appendix 2 for the size versus area relationships for key farm types and the specific business size distributions. For Mixed Cattle and Sheep there is a smaller increase when FR is used and a small increase in the reductions from Phase 1. General cropping sees larger reductions from Phase 1, but for the Land Type based regionalisation there are also larger reductions for Cropping Cattle and Sheep and Cereals types. Regionally there is some variation in the changes to reductions, with LCA 1a seeing larger reduction only in Borders, whereas the two region Land Type scenario sees reductions of more than €1M in Tayside, Borders, North East Scotland and Dumfries and Galloway.

For business size the net changes are more substantial but still not large when set against the total budgets. Here the pattern is very consistent with the first three size classes (<50 ha, 50 to <100ha, 100 to <150) all seeing larger increases and smaller reductions. Note here that the size class that sees the greatest gain is 50 to <100 ha not the smaller <50 ha class (where all business are smaller than the 54 ha maximum area for FR, and many are much smaller and so fail to gain as much from the increased payment rates). Beyond these classes there is a transition zone of two size classes where the net changes are not substantial (<€1M). This means that the breakeven point using the regionalisation and budget options from Phase 1, and with the size and land quality distribution in Scotland, is somewhere between 100 and 250 ha. The use of multiple regions means that it is not possible to be as precise on the breakeven point as was possible in the single region analysis conducted earlier by RESAS. For the >250 ha class there are larger reductions or smaller increases for all scenarios. For individual businesses the burden of such reductions is proportional to business size. As the proportion of the business that is made up of the first 54 ha decreases then any reductions are larger and increases smaller. Thus the very largest businesses within the >250 ha size class bear more of the burden of financing FR and FR in effect has some of the features of capping.

Overall the charts below give a clear picture of the consequences for farm types, regions and business sizes of the use of FR in combination with the Phase 1 scenarios. There look to be trade-offs in the use of FR with increased numbers of gaining businesses set against reduction that affect larger cropping oriented businesses most.

3.6.1 LCA Farm Level 1a - Two Region- 90:10 budget

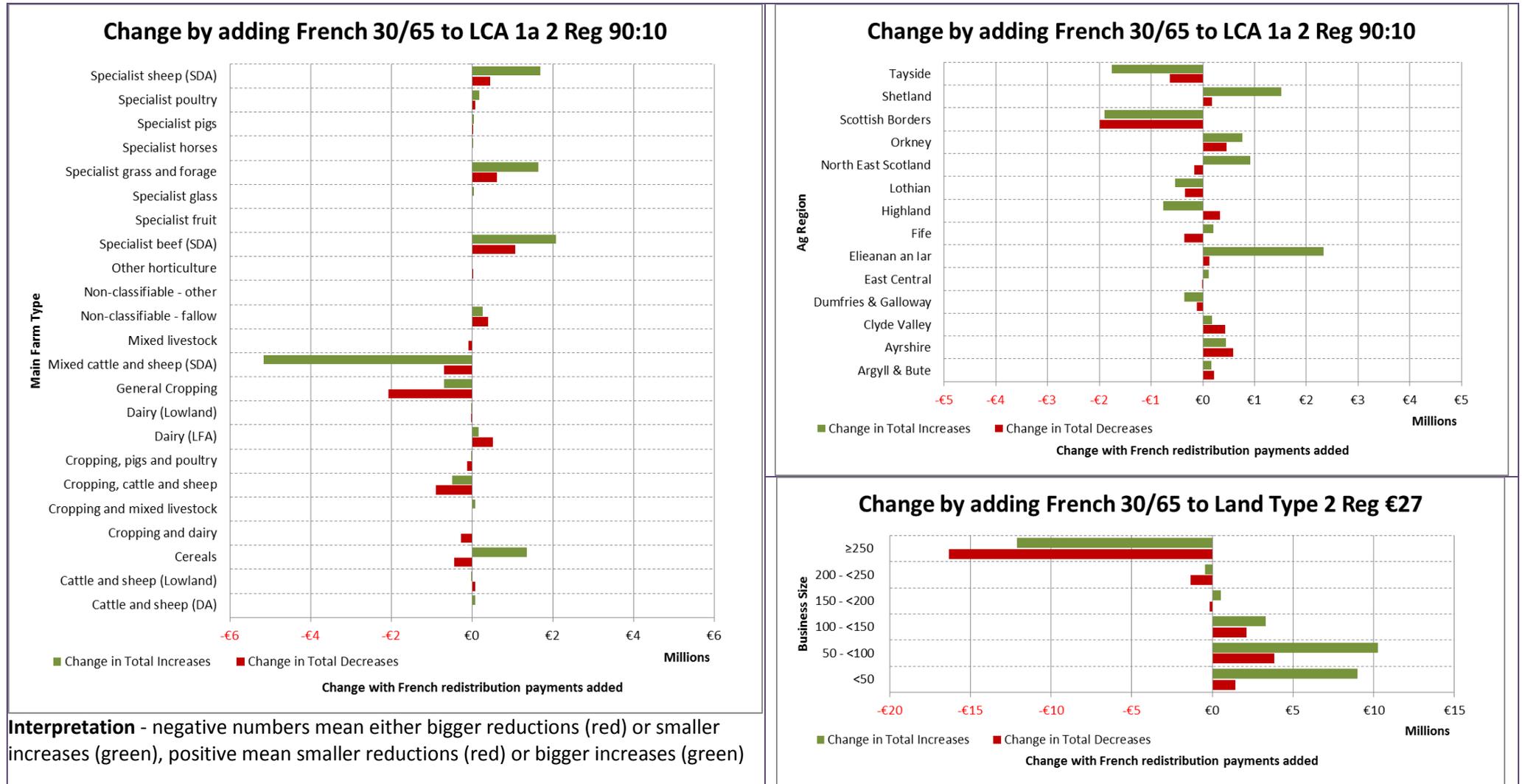


Figure 9

3.6.2 LCA Farm Level 1b – Three Region - Production weighted – €27/ha lowest rate

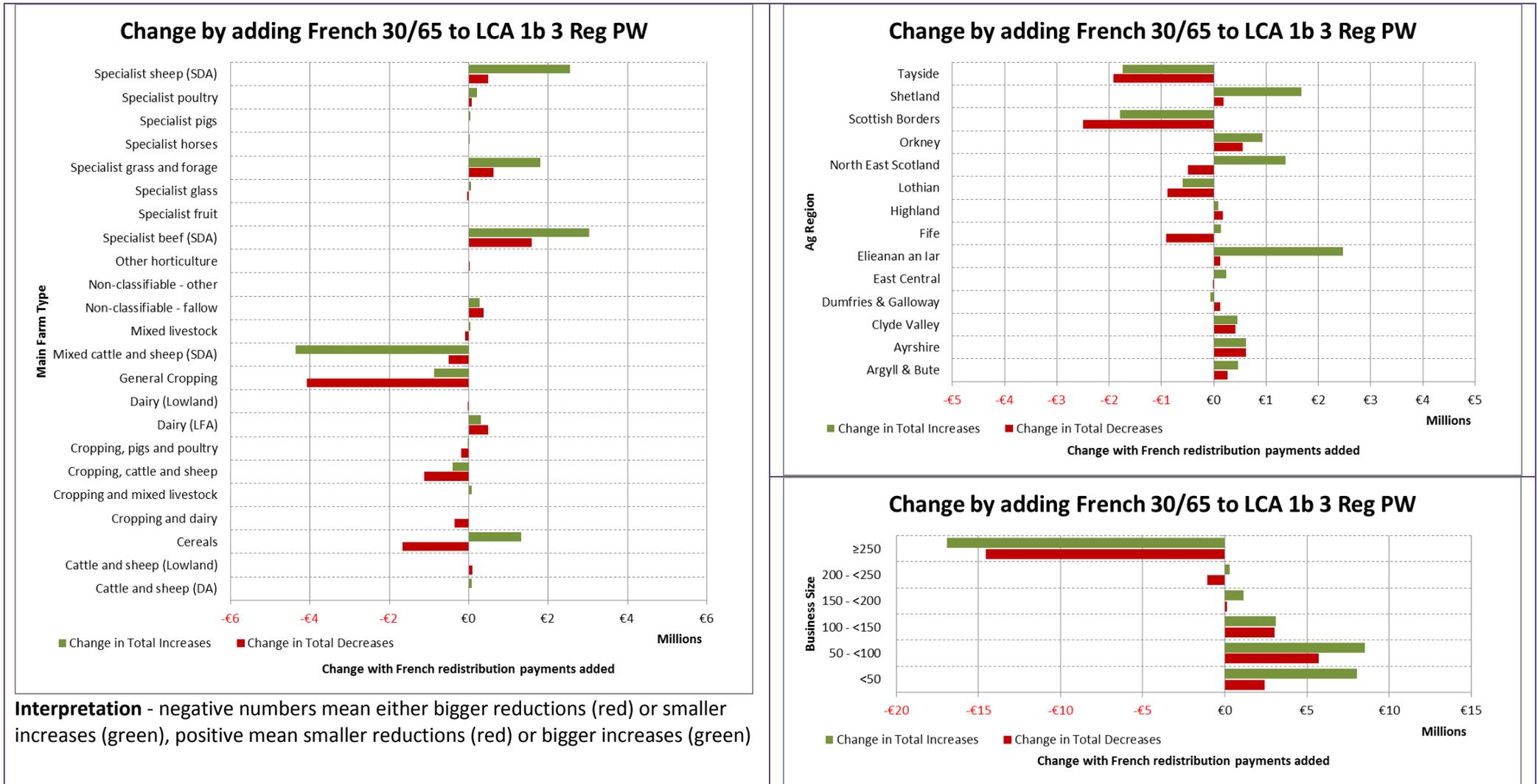


Figure 10

### 3.6.3 Land Type Farm Level Three Region - Production weighted - €27/ha lowest rate

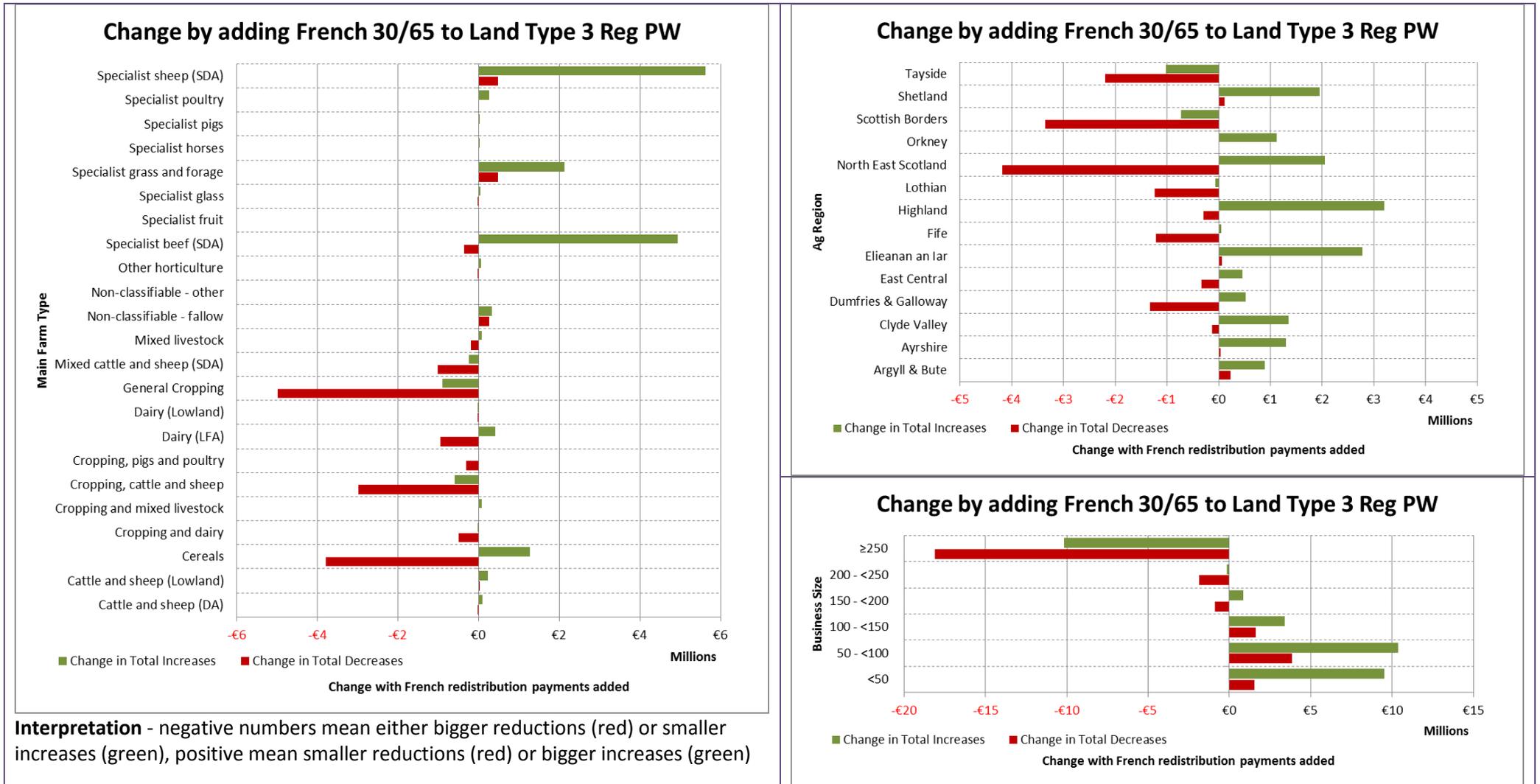


Figure 11

3.6.4 Land Type Farm Level Two Region – €27/ha lowest rate

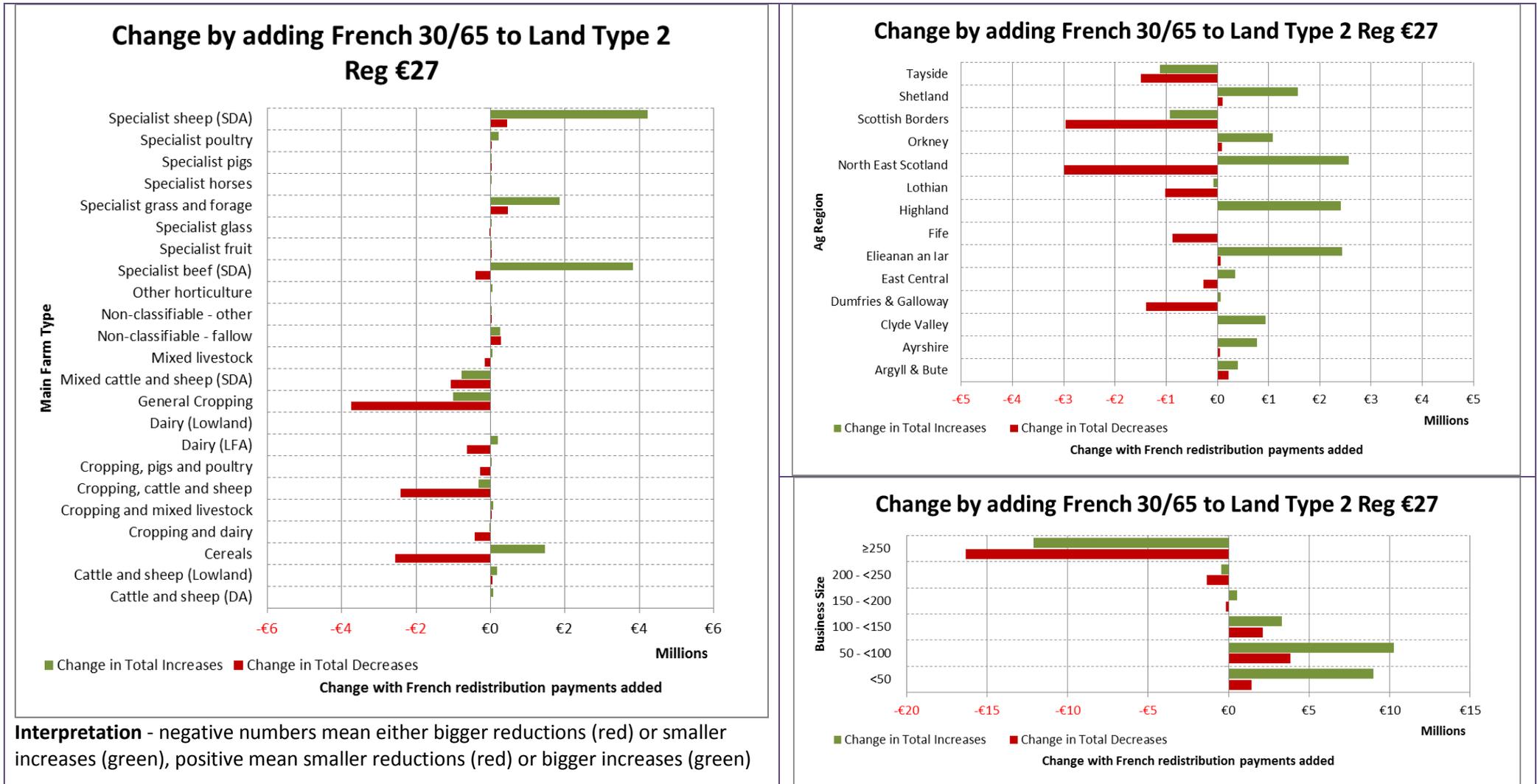


Figure 12

## APPENDIX 1 - SIZE CHARACTERISTICS FOR FARM TYPES

Table 3

Area (ha)	Size						Total
	<50	50 - <100	100 - <150	150 - <200	200 - <250	≥250	
<b>Farm Type (Main)</b>							
<b>Cattle and sheep (DA)</b>	628	776	1,191	1,224	884	3,531	8,234
<b>Cattle and sheep (Lowland)</b>	2,061	2,423	1,876	1,572	1,806	39,839	49,576
<b>Cereals</b>	15,022	36,349	39,658	42,411	35,400	187,086	355,926
<b>Cropping and dairy</b>	23	364	1,386	1,240	1,812	12,080	16,904
<b>Cropping and mixed livestock</b>	366	838	630	892	207	1,244	4,178
<b>Cropping, cattle and sheep</b>	5,690	20,702	30,136	28,134	25,432	214,141	324,234
<b>Cropping, pigs and poultry</b>	383	869	1,133	1,105	672	19,777	23,938
<b>Dairy (LFA)</b>	1,764	17,172	41,231	31,098	25,330	68,246	184,842
<b>Dairy (Lowland)</b>	6	70	493		431	792	1,791
<b>General Cropping</b>	6,638	22,317	31,128	32,630	26,555	272,329	391,597
<b>Mixed cattle and sheep (SDA)</b>	7,488	20,178	21,890	24,275	26,104	950,442	1,050,377
<b>Mixed livestock</b>	1,264	1,423	1,579	2,555	924	15,926	23,670
<b>Non-classifiable - fallow</b>	6,030	8,257	5,372	5,278	3,805	32,340	61,082
<b>Non-classifiable - other</b>	67	56			464	427	1,014
<b>Other horticulture</b>	776	145	260		432	5,835	7,449
<b>Specialist beef (SDA)</b>	31,165	72,057	75,014	63,276	55,243	550,052	846,807
<b>Specialist fruit</b>	49	88					136
<b>Specialist glass</b>	1,072	379	618	722	462	3,777	7,030
<b>Specialist grass and forage</b>	19,254	18,905	10,789	7,841	5,025	111,467	173,281
<b>Specialist horses</b>	161	57					218
<b>Specialist pigs</b>	401	362	482	346		373	1,965
<b>Specialist poultry</b>	2,715	2,038	1,360	336		7,933	14,382
<b>Specialist sheep (SDA)</b>	41,650	55,485	41,918	34,977	32,785	803,459	1,010,275
<b>Total</b>	<b>144,672</b>	<b>281,309</b>	<b>308,145</b>	<b>279,912</b>	<b>243,773</b>	<b>3,301,098</b>	<b>4,558,909</b>

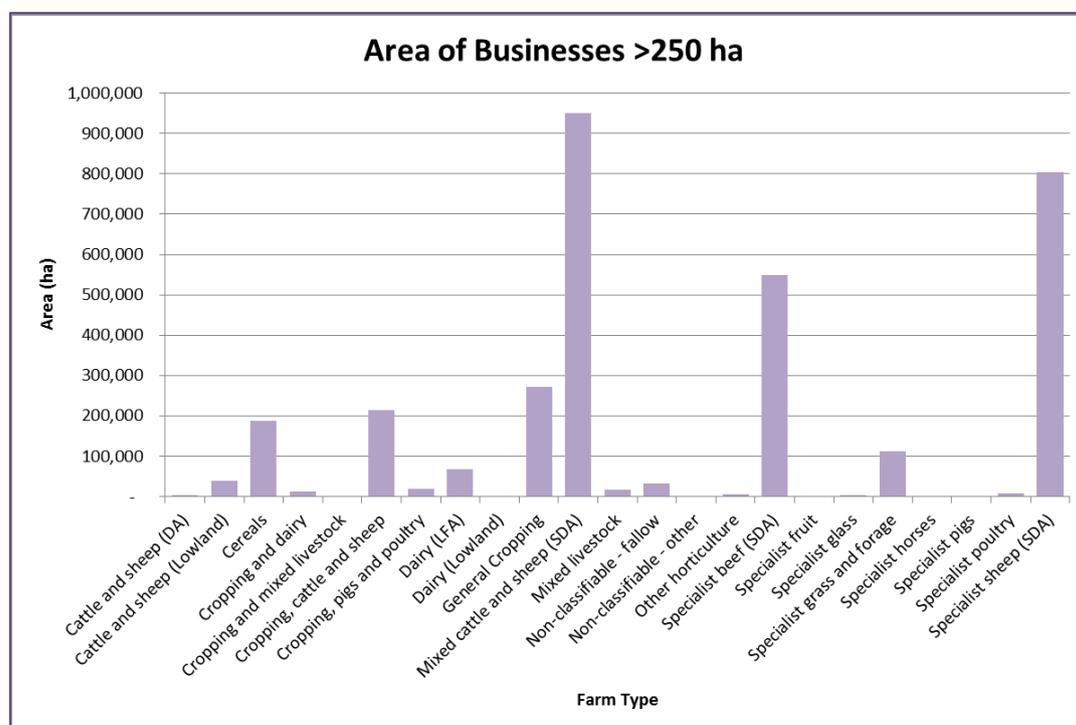


Figure 13

Table 4

Count of Businesses Farm Type (Main)	Size						Total
	<50	50 - <100	100 - <150	150 - <200	200 - <250	≥250	
Cattle and sheep (DA)	32	11	10	7	4	5	69
Cattle and sheep (Lowland)	149	33	15	9	8	21	235
Cereals	608	500	319	245	157	323	2,152
Cropping and dairy	1	5	11	7	8	28	60
Cropping and mixed livestock	17	12	5	5	1	3	43
Cropping, cattle and sheep	184	283	244	162	114	348	1,335
Cropping, pigs and poultry	12	12	9	6	3	19	61
Dairy (LFA)	52	222	329	179	114	151	1,047
Dairy (Lowland)	1	1	4		2	2	10
General Cropping	228	296	251	188	119	416	1,498
Mixed cattle and sheep (SDA)	276	272	175	141	116	860	1,840
Mixed livestock	66	20	12	15	4	20	137
Non-classifiable - fallow	307	112	44	31	17	51	562
Non-classifiable - other	6	1			2	1	10
Other horticulture	33	2	2		2	3	42
Specialist beef (SDA)	1,166	986	613	364	247	748	4,124
Specialist fruit	3	1					4
Specialist glass	47	6	5	4	2	6	70
Specialist grass and forage	908	266	90	45	22	94	1,425
Specialist horses	8	1					9
Specialist pigs	19	5	4	2		1	31
Specialist poultry	141	29	11	2		5	188
Specialist sheep (SDA)	1,681	776	342	202	146	691	3,838
<b>Total</b>	<b>5,945</b>	<b>3,852</b>	<b>2,495</b>	<b>1,614</b>	<b>1,088</b>	<b>3,796</b>	<b>18,790</b>

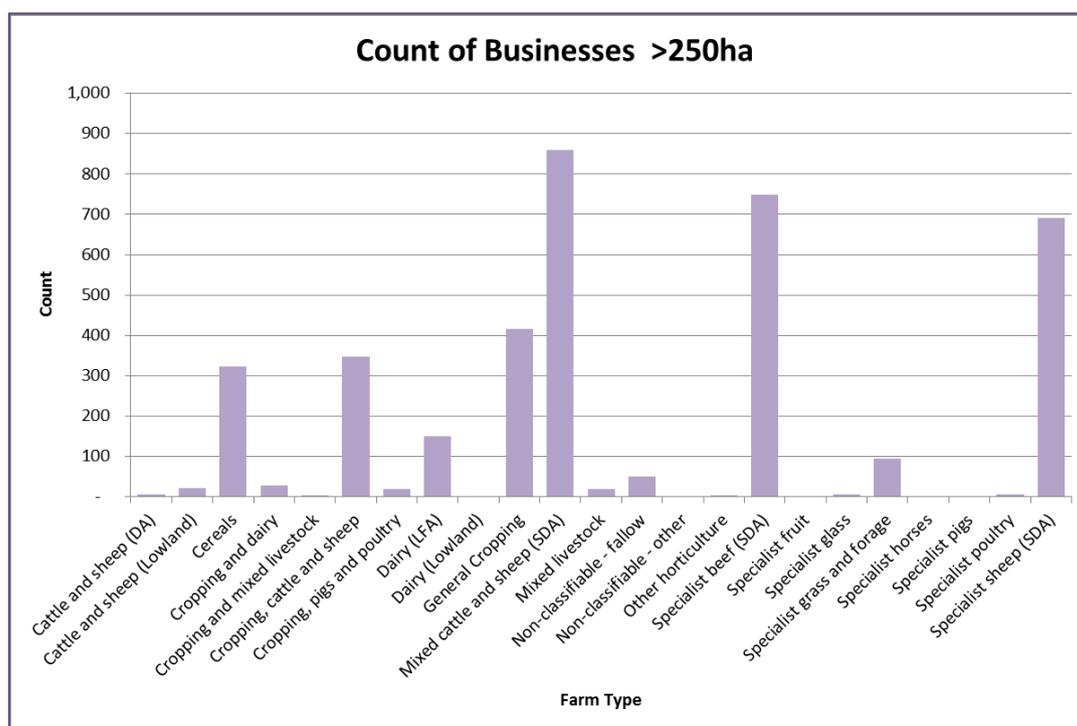


Figure 14

## APPENDIX 2 - SHARE OF AREA PER BUSINESS

### Farm types where French Redistribution results in increased gains

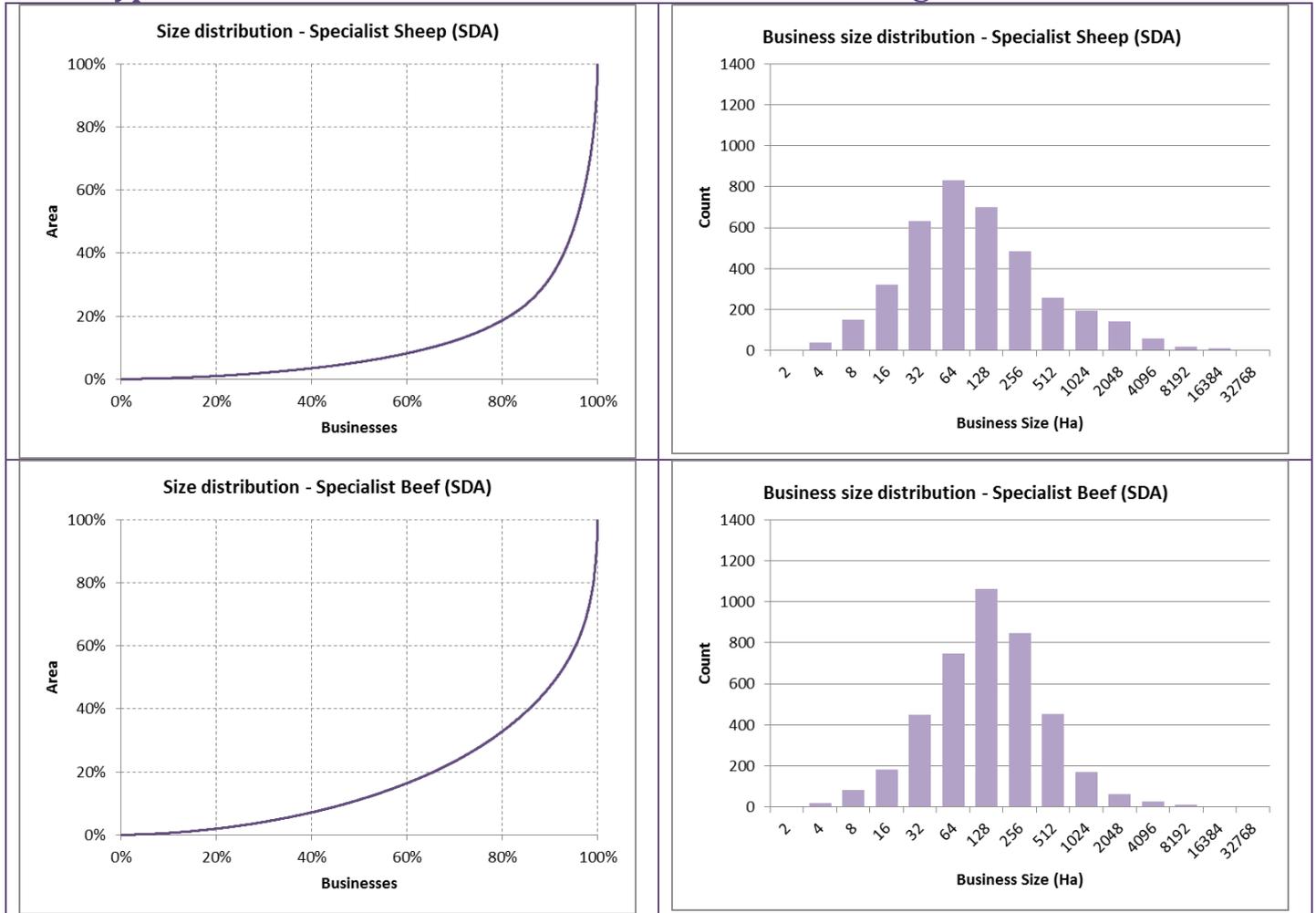


Figure 15

### Farm Types where French Redistribution reduces increases

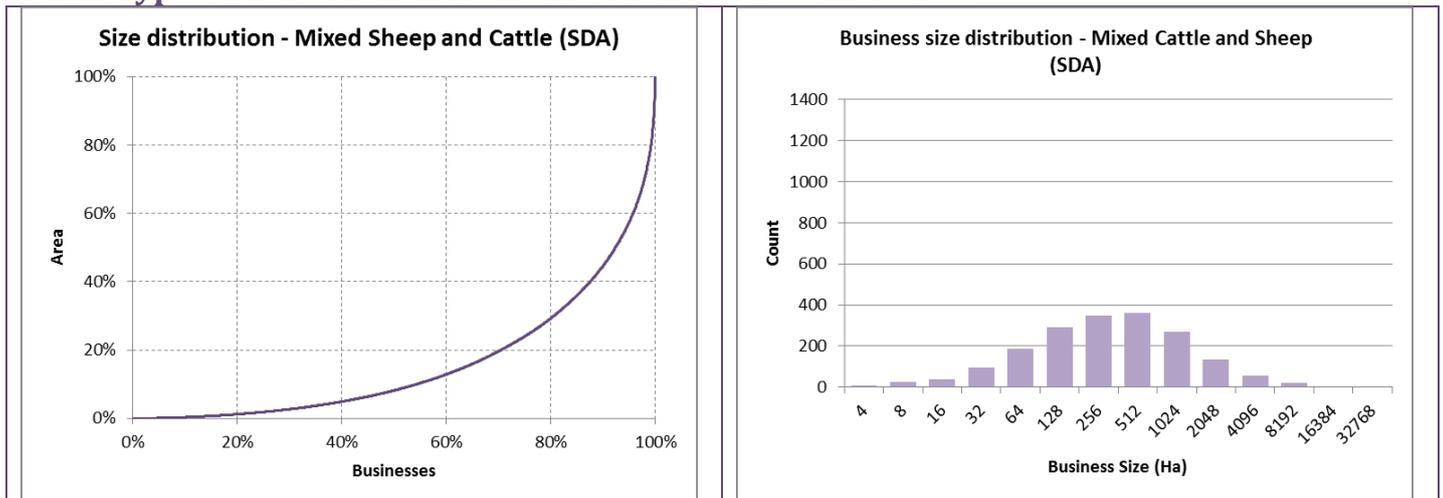


Figure 16

## Farm Types where French Redistribution increases the size of reductions

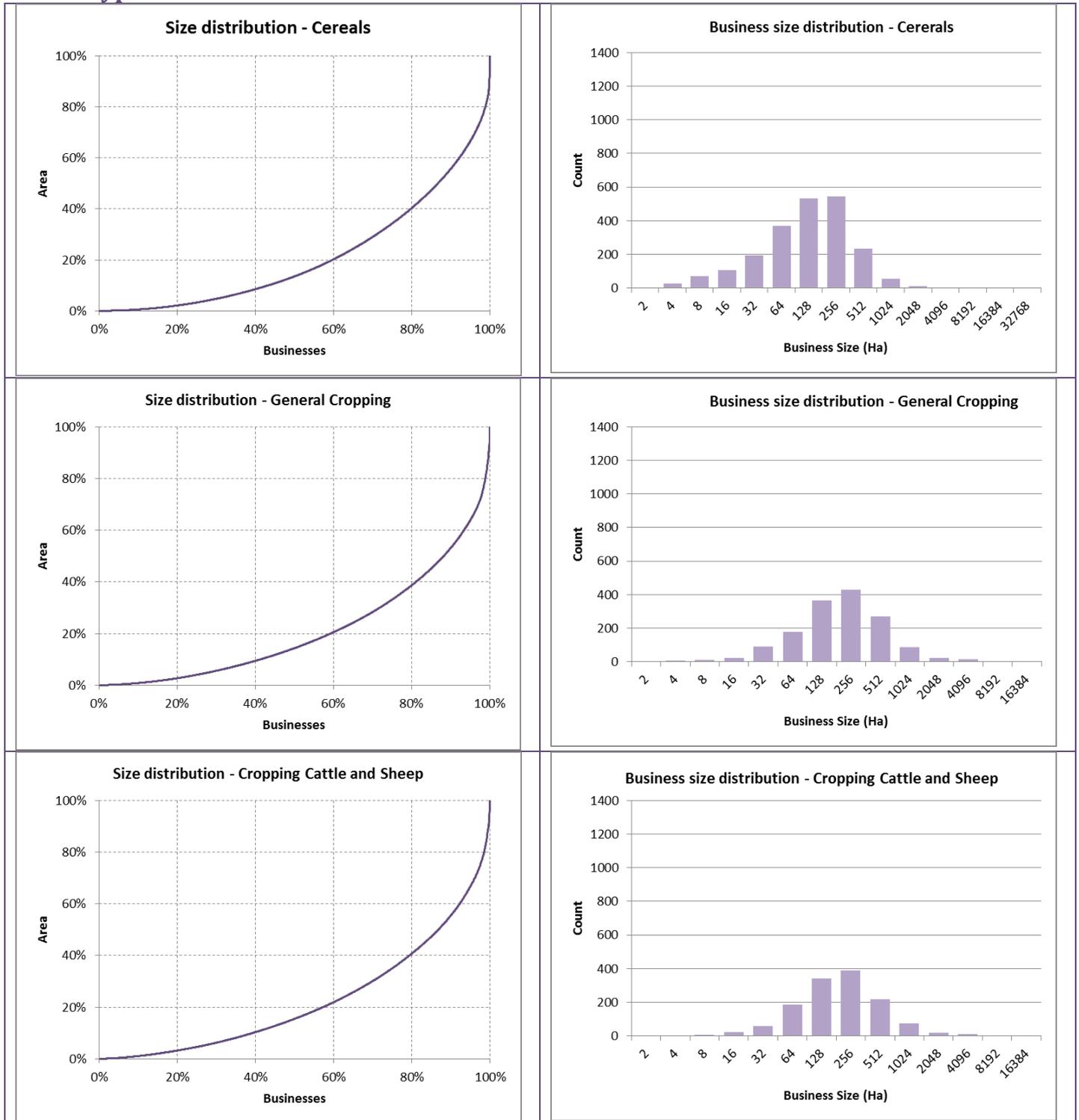


Figure 17

# APPENDIX 3 - LOGIC MODEL FOR BALANCING THE FRENCH REDISTRIBUTION AND BPS BUDGETS

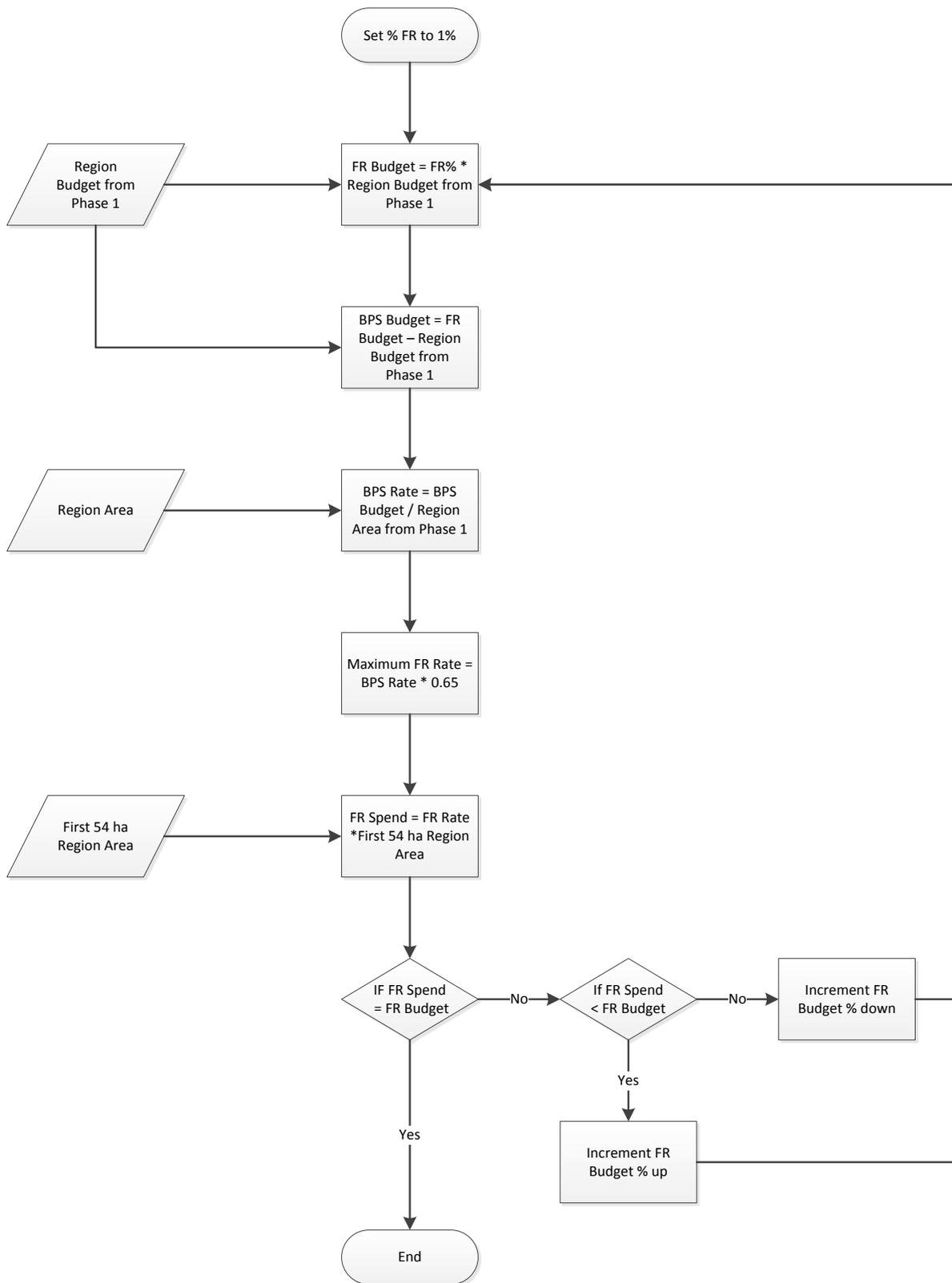


Figure 18

## APPENDIX 4 – RESAS ANALYSIS OF SINGLE REGION FRENCH REDISTRIBUTION

Two further analyses are included here which were conducted prior to those in the main body of the report. They use FR with existing payments and FR with a single national flat rate. These are included as they have been influential in setting the context in which the current analysis has taken place, define some of the assumptions and provide useful insights into the functioning of the FR mechanism.

### Current distribution plus French Redistribution

In this example, FR is funded by deducting all entitlements by a fixed proportion. The current distribution of payments is unrelated to farm size. The net impacts shown in Table 5 below reveal that total payments would increase by most in the 25-50 ha category (this is a result of the choice of threshold at the UK average of 54 ha). The net gain is funded by the largest farms. The 5% total gain for the 100-250 ha category hides a great deal of variation as is shown in Figure 19 below. The figure also shows that FR results in winners and losers in every size category (this is hidden by the averages and net outcome values used in the table).

Table 5

Size Band (ha)	No of Businesses	Current Average payment within band (€)	Current average payment per ha (€)	Payment per ha with redistributive payment (€)	Average payment with redistributive payment (€)	Total change in payment vs current (%)
<10	1,154	1,252	202	230	1,426	14%
10-25	2,045	2,955	169	208	3,623	23%
25-50	2,746	6,011	162	203	7,515	25%
50-100	3,852	15,818	217	240	17,528	11%
100-250	5,197	40,512	253	265	42,421	5%
250-1000	3,062	84,580	188	179	80,858	-4%
1000+	734	119,511	46	40	104,798	-12%

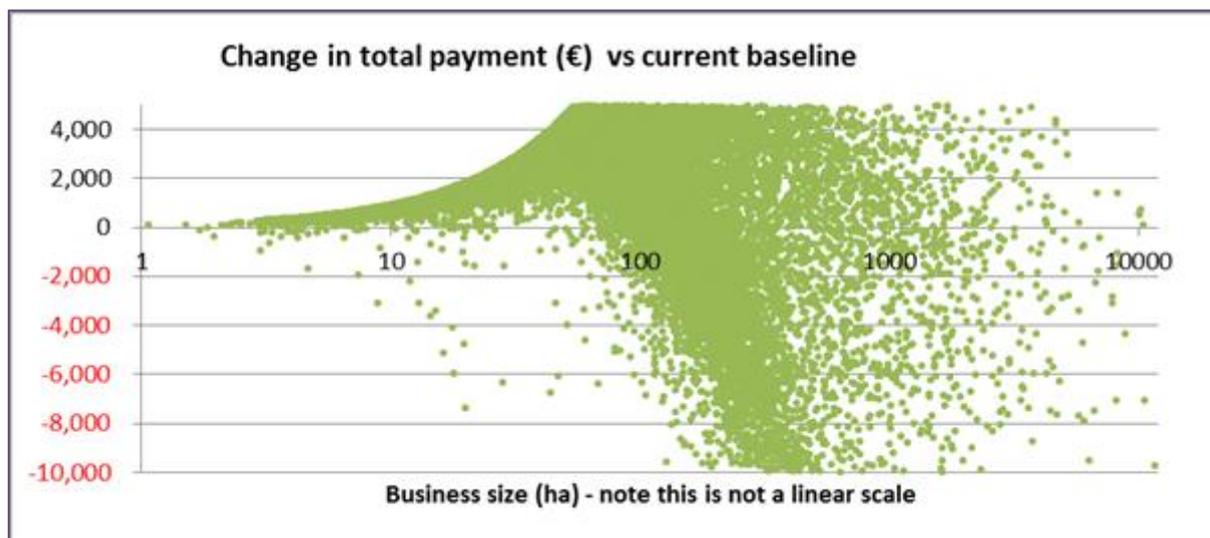


Figure 19

Table 6 below shows how the addition of FR to the current distribution of payments impacts on Farm Types. The biggest increases and reductions would be within the Cattle and Sheep (LFA) farm type. The Cropping, Mixed, Cereals and Dairy farm types see the biggest net reductions at a 'sectoral' level. The 'sector' receiving the biggest net increases is the Cattle and Sheep (LFA) with 'Other' farm types seeing the next biggest gain. A tentative observation is that a portion of the Redistributive Payment would go to units with low productive capacity. Specialist poultry farm types would also largely benefit from the payment.

Table 6

<b>Current + FR</b>	<b>Losses</b>	<b>Gains</b>	<b>Net</b>
<b>Cattle &amp; Sheep (LFA)</b>	<b>-€11,491,591</b>	<b>€20,999,962</b>	<b>€9,508,371</b>
Cattle and sheep (DA)	-€73,610	€110,353	€36,743
Mixed cattle and sheep (SDA)	-€3,968,824	€2,933,917	-€1,034,907
Specialist beef (SDA)	-€6,464,471	€7,154,263	€689,791
Specialist sheep (SDA)	-€984,685	€10,801,429	€9,816,744
<b>Cattle &amp; Sheep (Lowland)</b>	<b>-€133,519</b>	<b>€293,530</b>	<b>€160,011</b>
Cattle and sheep (Lowland)	-€133,519	€293,530	€160,011
<b>Cereals</b>	<b>-€5,037,405</b>	<b>€2,520,161</b>	<b>-€2,517,244</b>
Cereals	-€5,037,405	€2,520,161	-€2,517,244
<b>Dairy</b>	<b>-€2,980,831</b>	<b>€831,858</b>	<b>-€2,148,973</b>
Dairy (LFA)	-€2,941,187	€829,032	-€2,112,155
Dairy (Lowland)	-€39,644	€2,825	-€36,818
<b>General Cropping</b>	<b>-€5,821,400</b>	<b>€1,410,205</b>	<b>-€4,411,195</b>
General Cropping	-€5,821,400	€1,410,205	-€4,411,195
<b>Horticulture</b>	<b>-€68,989</b>	<b>€198,551</b>	<b>€129,562</b>
Other horticulture	-€21,302	€70,689	€49,388
Specialist fruit	€0	€5,978	€5,978
Specialist glass	-€47,687	€121,884	€74,196
<b>Mixed</b>	<b>-€5,991,613</b>	<b>€1,707,279</b>	<b>-€4,284,334</b>
Cropping and dairy	-€511,274	€21,192	-€490,082
Cropping and mixed livestock	-€2,631	€120,724	€118,093
Cropping, cattle and sheep	-€4,868,542	€1,307,778	-€3,560,764
Cropping, pigs and poultry	-€278,375	€54,739	-€223,635
Mixed livestock	-€330,791	€202,845	-€127,946
<b>Other</b>	<b>-€758,156</b>	<b>€4,006,056</b>	<b>€3,247,899</b>
Non-classifiable - fallow	-€409,445	€858,487	€449,042
Non-classifiable - other	-€5,327	€9,959	€4,632
Specialist grass and forage	-€343,384	€3,120,777	€2,777,393
Specialist horses	€0	€16,832	€16,832
<b>Specialist Pigs</b>	<b>-€34,182</b>	<b>€47,449</b>	<b>€13,266</b>
Specialist pigs	-€34,182	€47,449	€13,266
<b>Specialist Poultry</b>	<b>-€55,497</b>	<b>€358,135</b>	<b>€302,638</b>
Specialist poultry	-€55,497	€358,135	€302,638
<b>All Sectors</b>	<b>-€32,373,184</b>	<b>€32,373,184</b>	<b>€0</b>
<b>Redistribution</b>		<b>€64,746,368</b>	

### **A single national flat rate payment plus French Redistribution**

As the Pack Inquiry recommended against a single area rate for Scotland it cannot be seen as a viable option for payments. Analysis of a flat rate payment plus FR confirmed this position (i.e. the FR did little to alleviate the large scale distribution caused by a single national flat rate payment).

The FR payment does, however, have an interesting property if the starting distribution of payments per hectare is identical. Figure 20 below shows that the redistributive payment would benefit recipients up to a size threshold (295 ha in this illustration) at the expense of larger units. The chart of change in payments peaks at the threshold of 54 hectares (the upper limit of the payment) but continues to benefit farmers of larger sizes because they gain more on their first 54 ha than they lose on average from their other land.

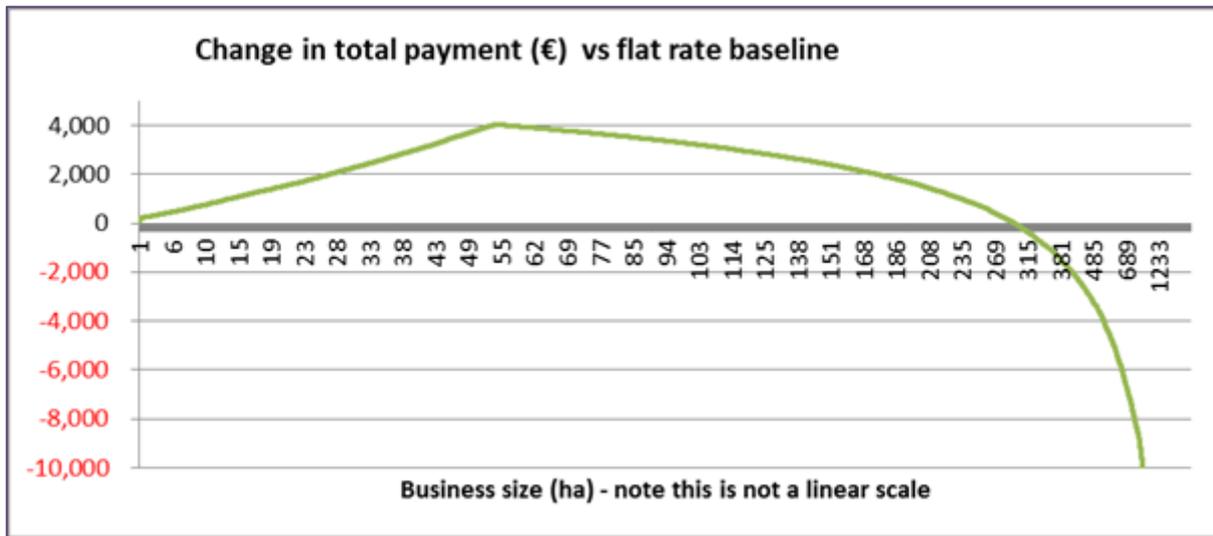


Figure 20

This is relevant because once regions are established in Scotland they should have a flat payment rate per hectare.