

Redistributing Single Farm Payment: Options and Consequences

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The James
Hutton
Institute

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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

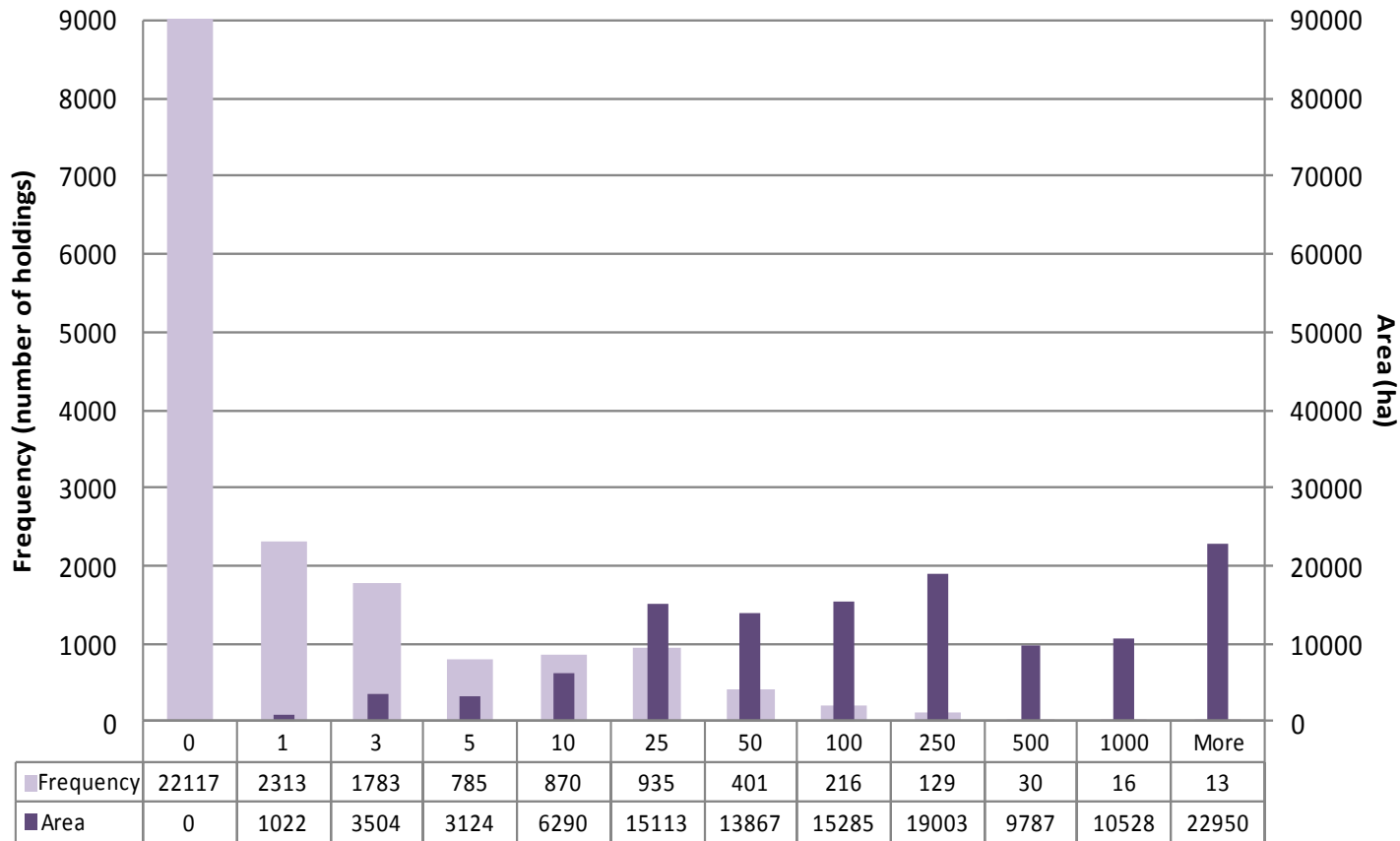
- “Potential” – issues of entitlements
- Criteria
- Land Use – excludes forestry
- Stocking Rate - forage lands
– cattle, deer & sheep
- Thresholds – appropriateness and implementation
 - None
 - Any stock
 - 0.06
 - 0.12 Isu/ha – Pack “activity”

Headline Areas

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

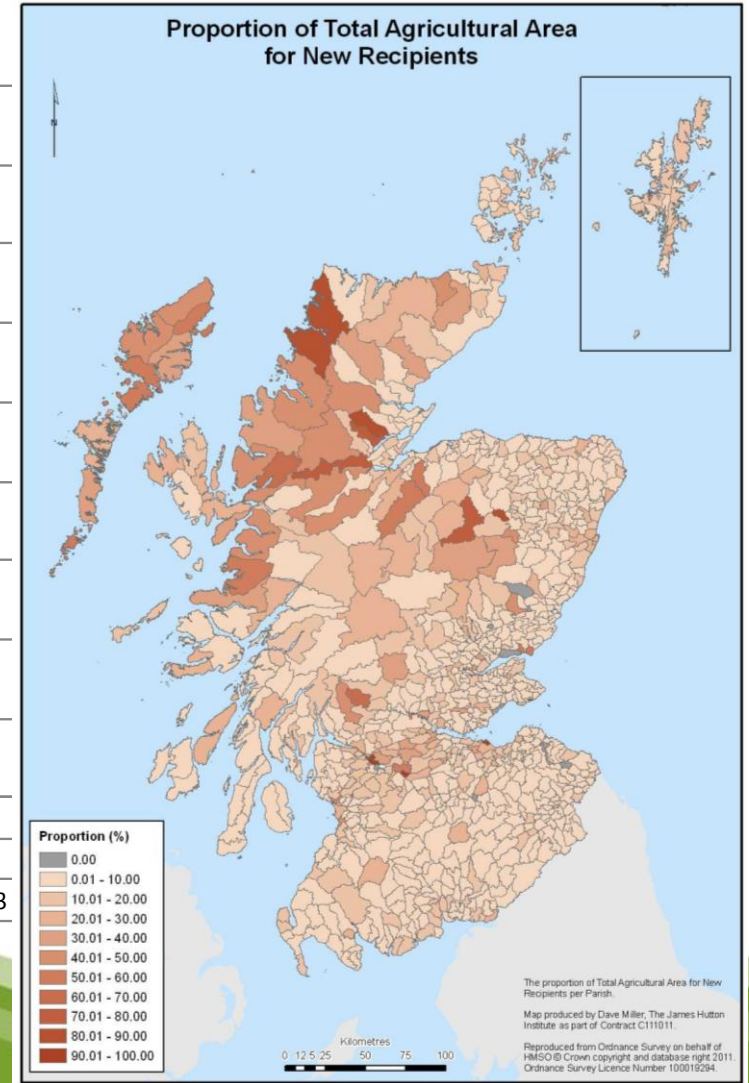
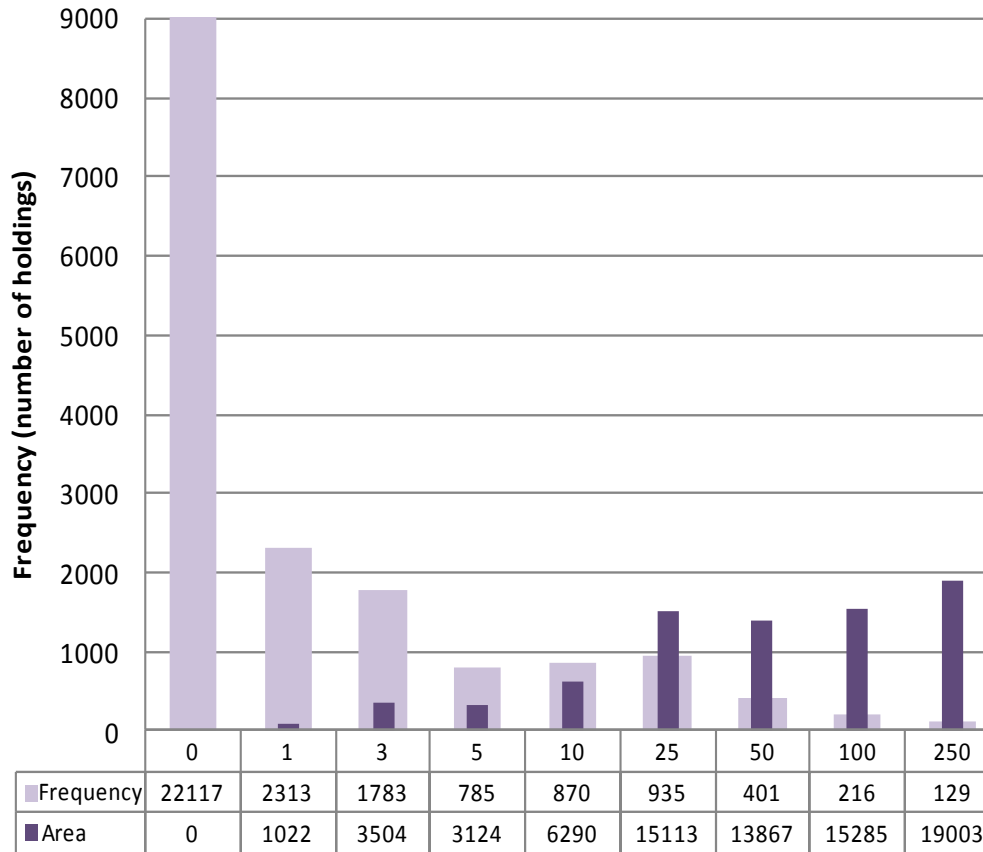
New Recipient Distribution

- Using the 0.12 SR stock rate



New Recipient Distribution

- Using the 0.12 SR stock rate





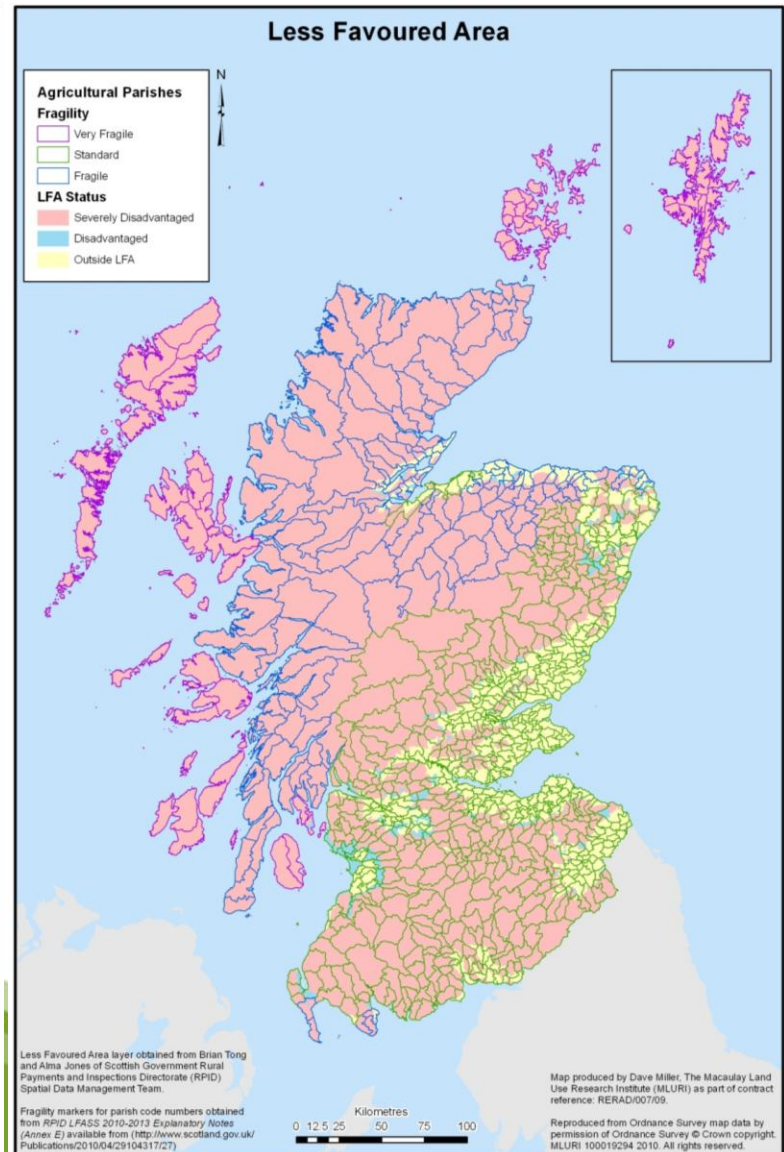
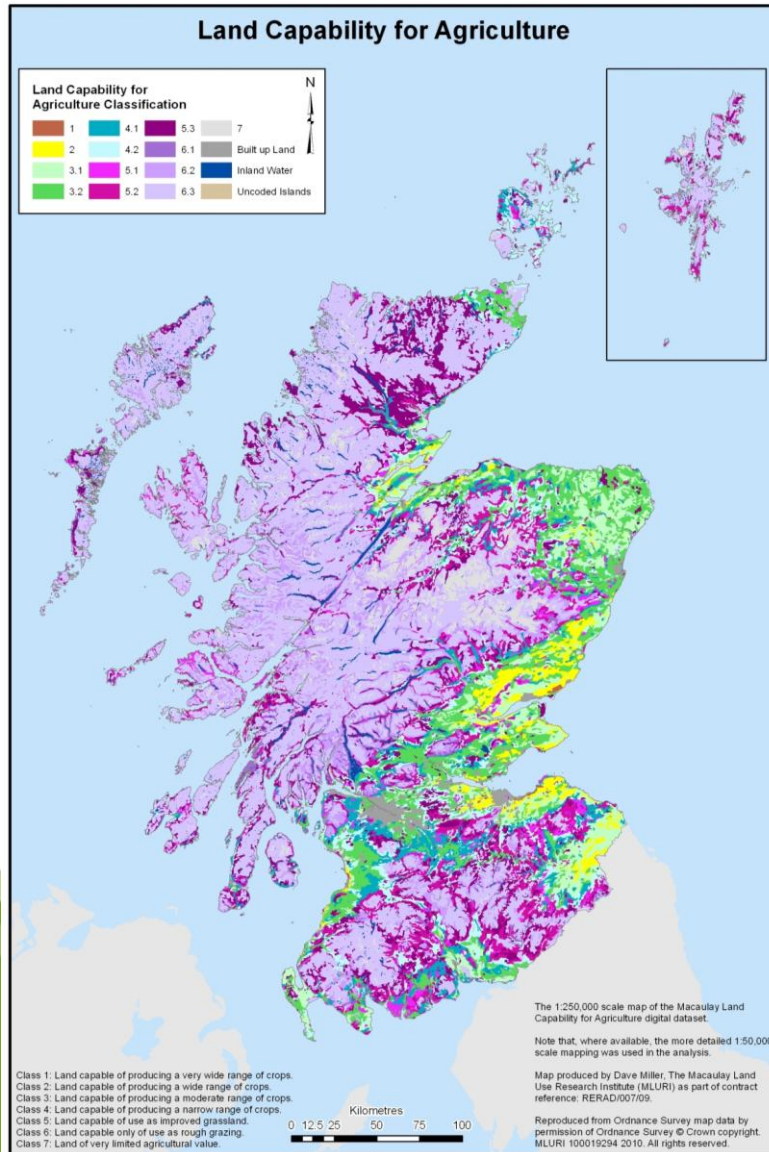
Historic Bases

- 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

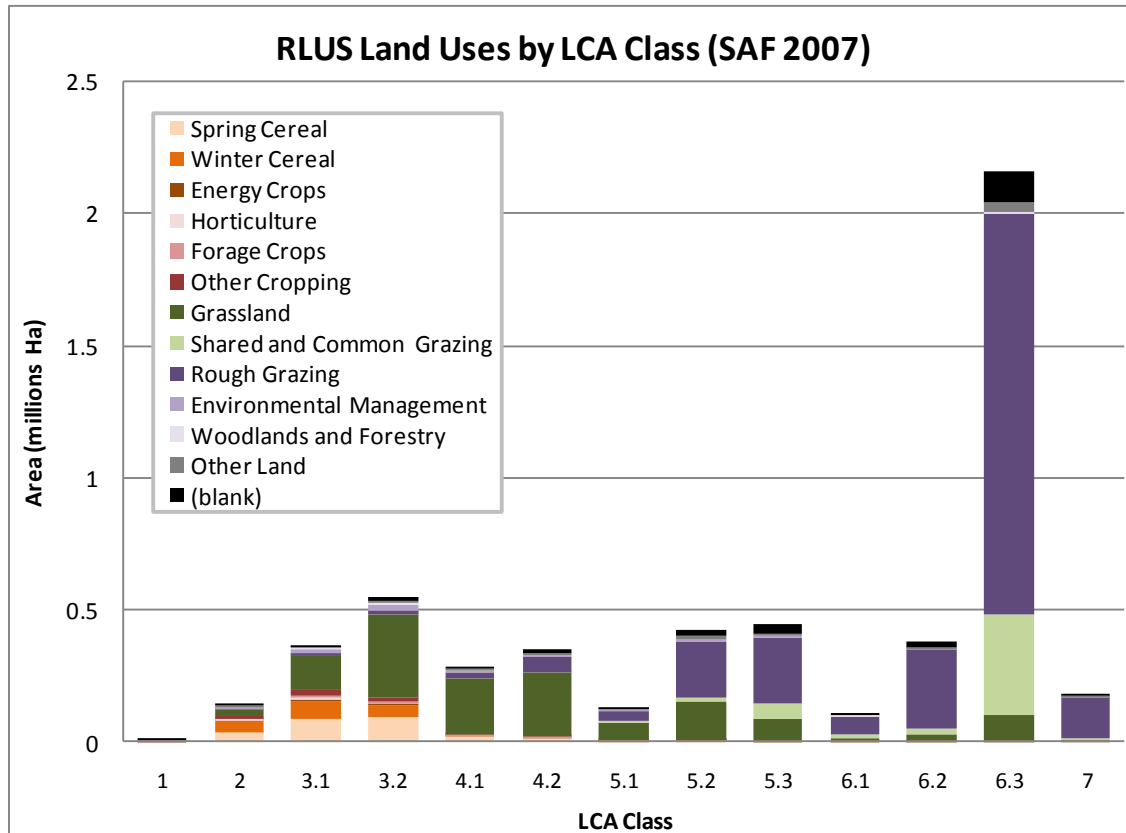
- Spatial modelling at business level of income effects from a move from historic payments to area-based SFP
- Identify included and excluded area for existing claimants
- Identify potential new entrants – dilution effects
- Test a minimum stocking rate criteria
- Test alternative bases (zones) for distribution 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

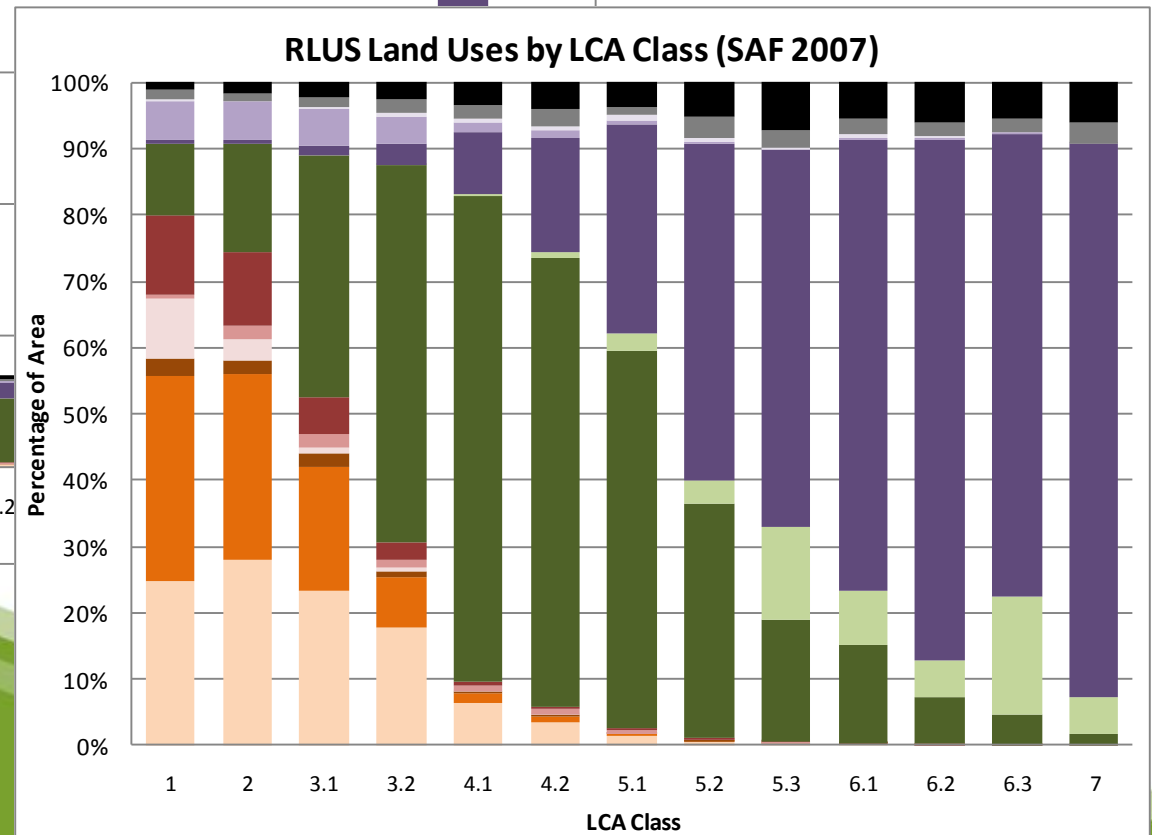
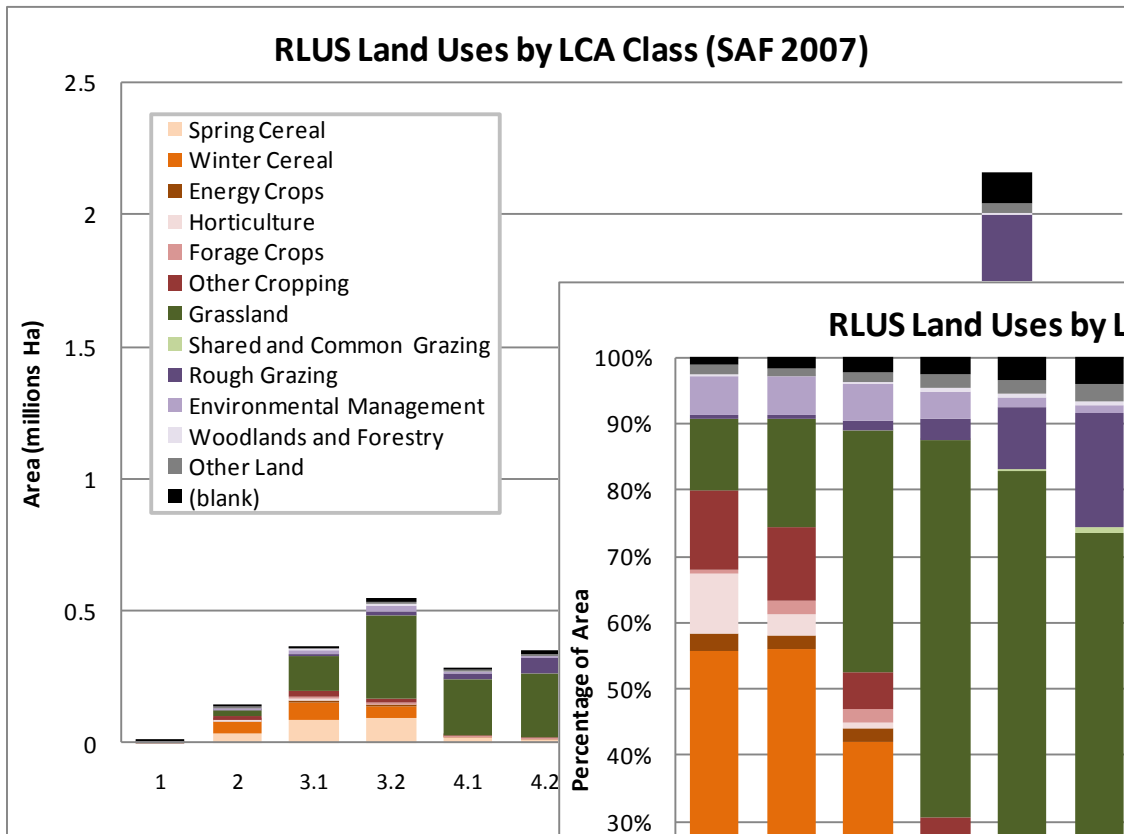




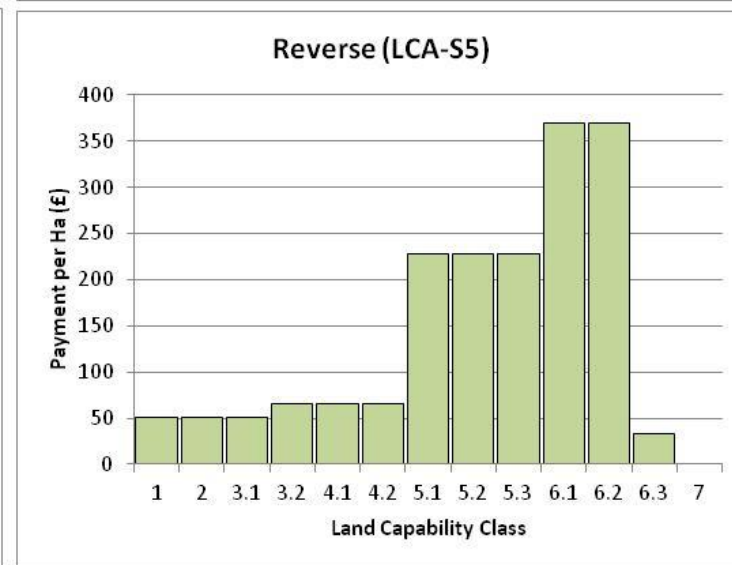
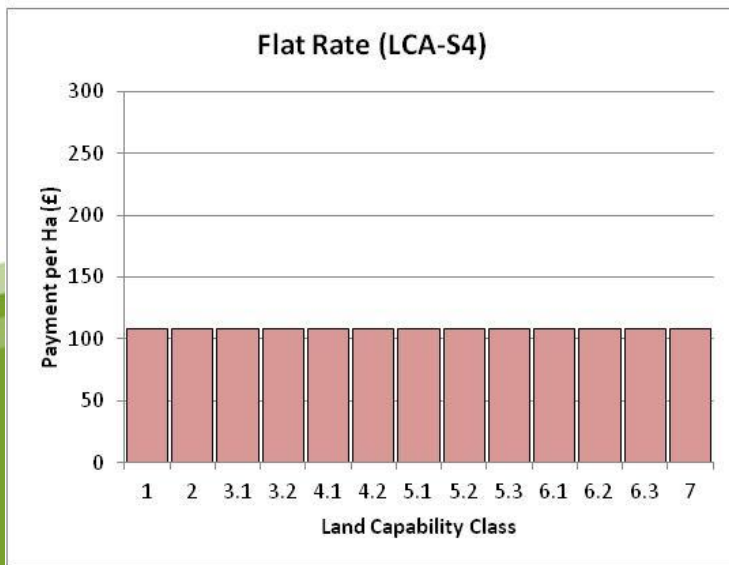
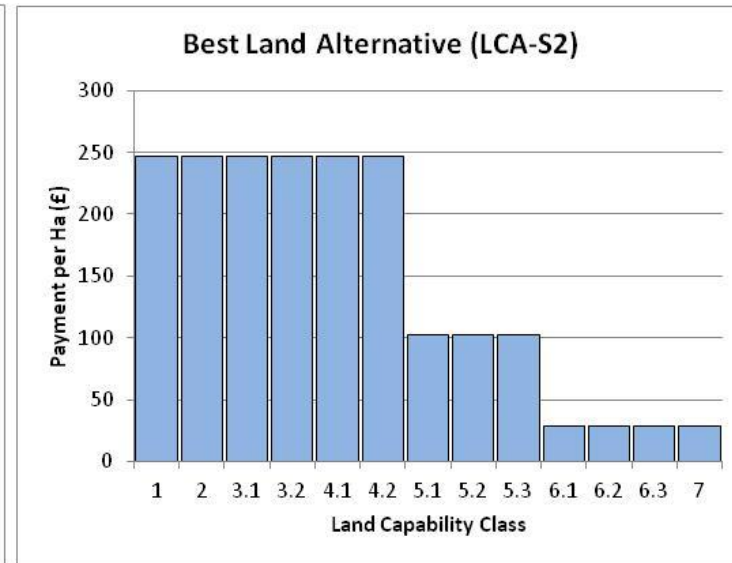
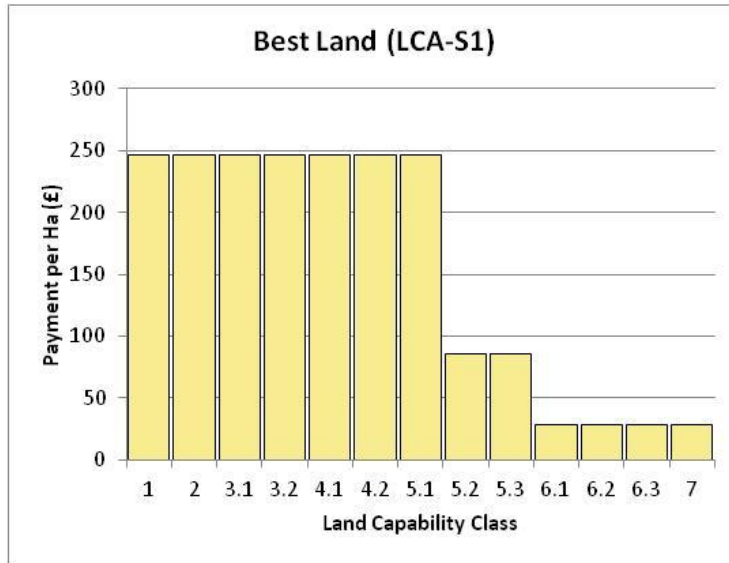
Scotland's Land Use by LCA



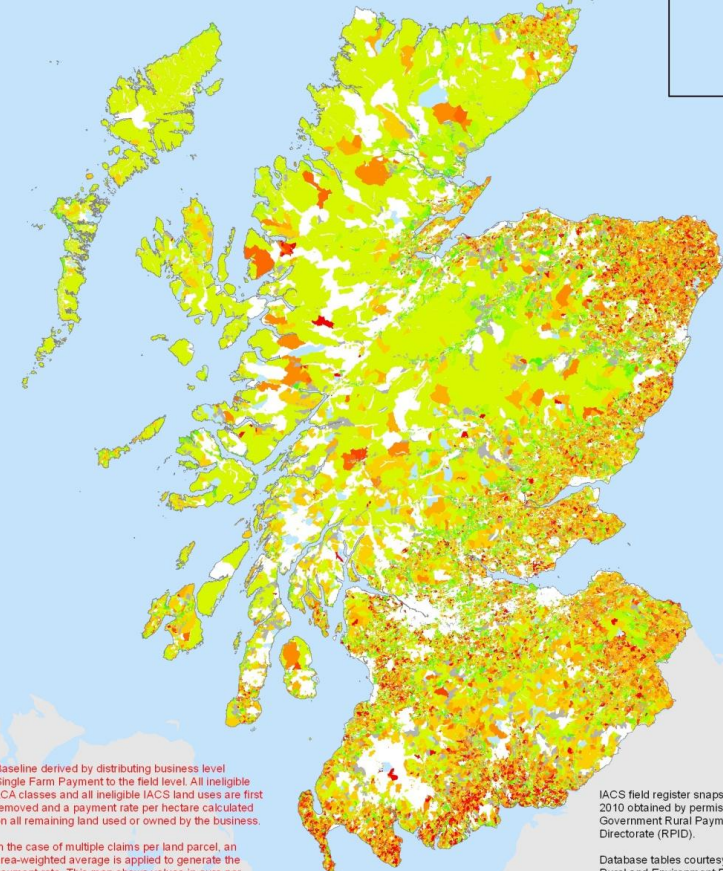
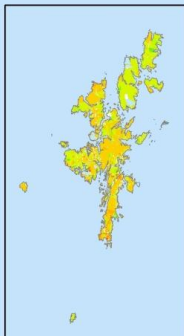
Scotland's Land Use by LCA



Payment Regimes



LCA-S1 Change in Area Payment €/Ha (Interim Report)



Baseline derived by distributing business level Single Farm Payment to the field level. All ineligible LCA classes and all ineligible IACS land uses are first removed and a payment rate per hectare calculated on all remaining land used or owned by the business.

In the case of multiple claims per land parcel, an area-weighted average is applied to generate the payment rate. This map shows values in euro per hectare.

This map shows the change relative to the baseline area payment in euro per hectare at the field level.

The category "Excluded or unmatched" describes those land parcels which are entirely excluded on the basis of ineligible land use, ineligible LCA class, or unresolved business reference number.

IACS field register snapshot from 18th January 2010 obtained by permission from Scottish Government Rural Payments and Inspections Directorate (RPID).

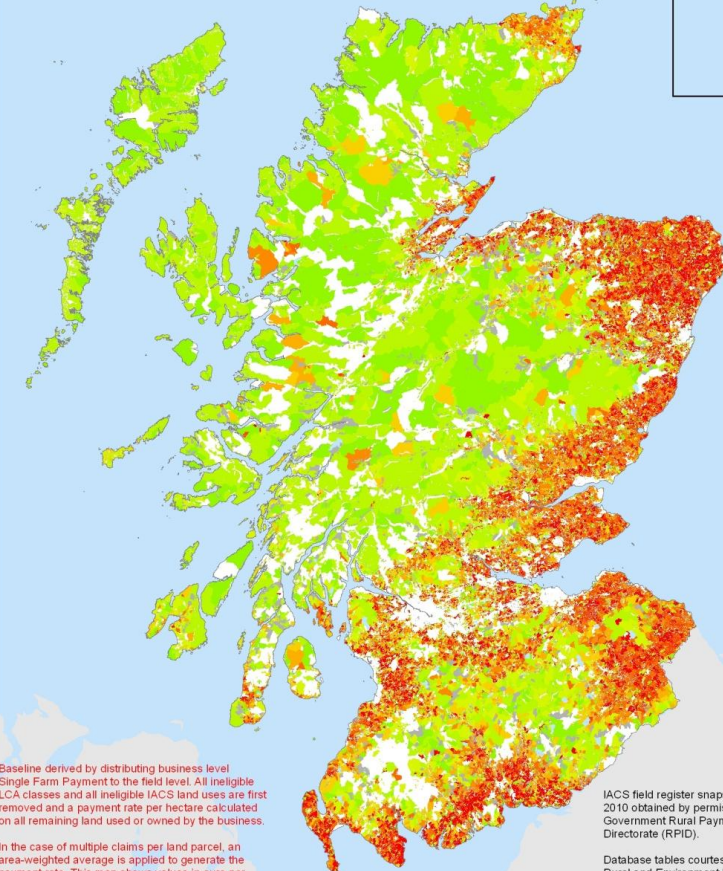
Database tables courtesy of Scottish Government Rural and Environment Research and Analysis Directorate (RERAD).

Map produced by Dave Miller, The Macaulay Land Use Research Institute (MLURI) as part of contract reference: RERAD/007/09.

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LCA-S4 Change in Area Payment €/Ha (Flat Rate)



Baseline derived by distributing business level Single Farm Payment to the field level. All ineligible LCA classes and all ineligible IACS land uses are first removed and a payment rate per hectare calculated on all remaining land used or owned by the business.

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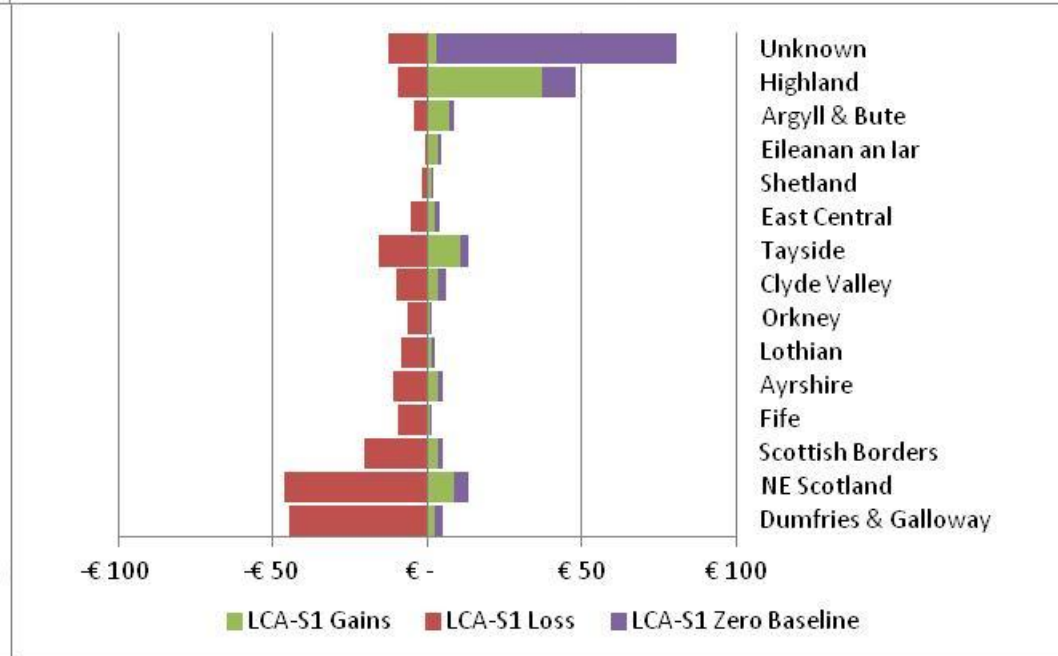
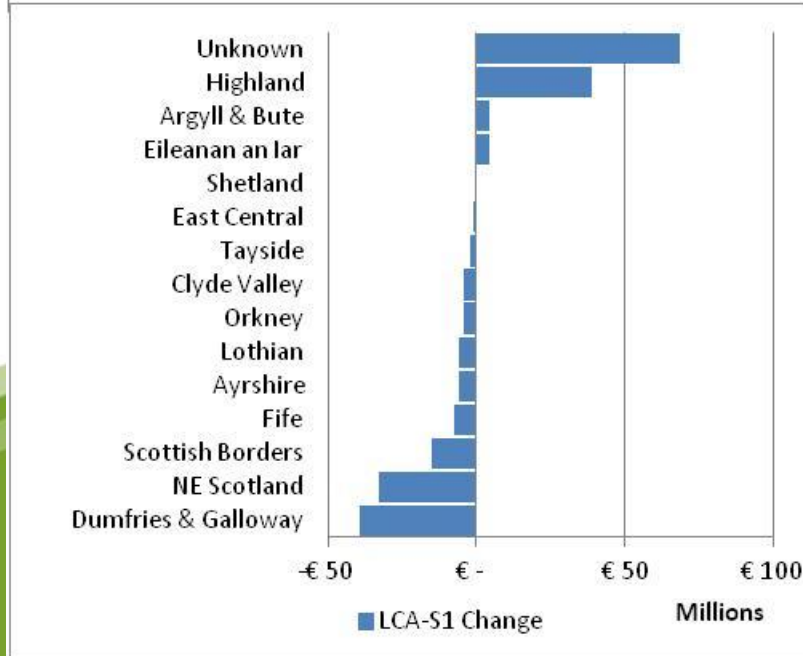
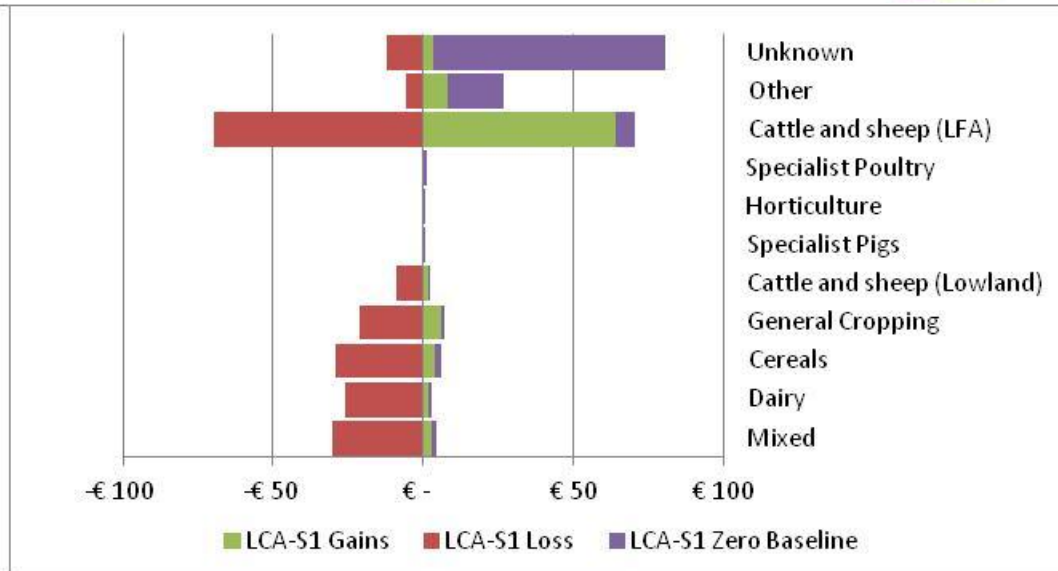
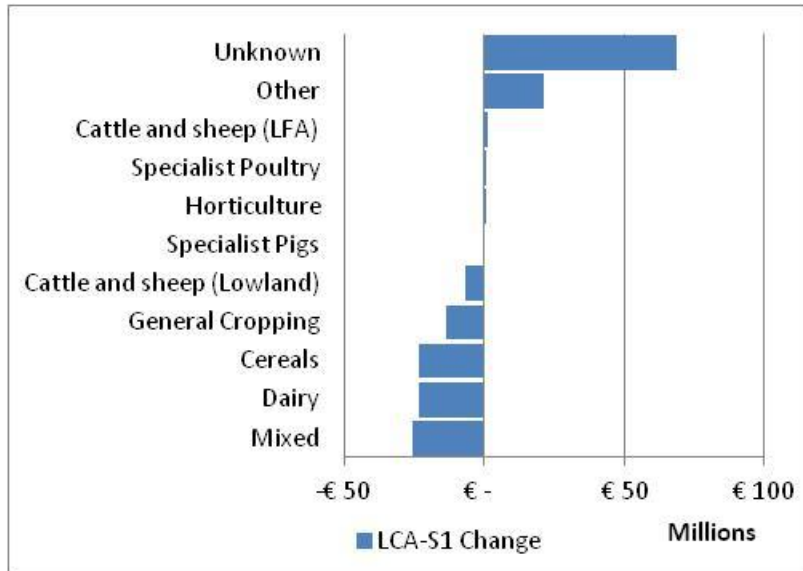
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LCA-S1 Outcomes



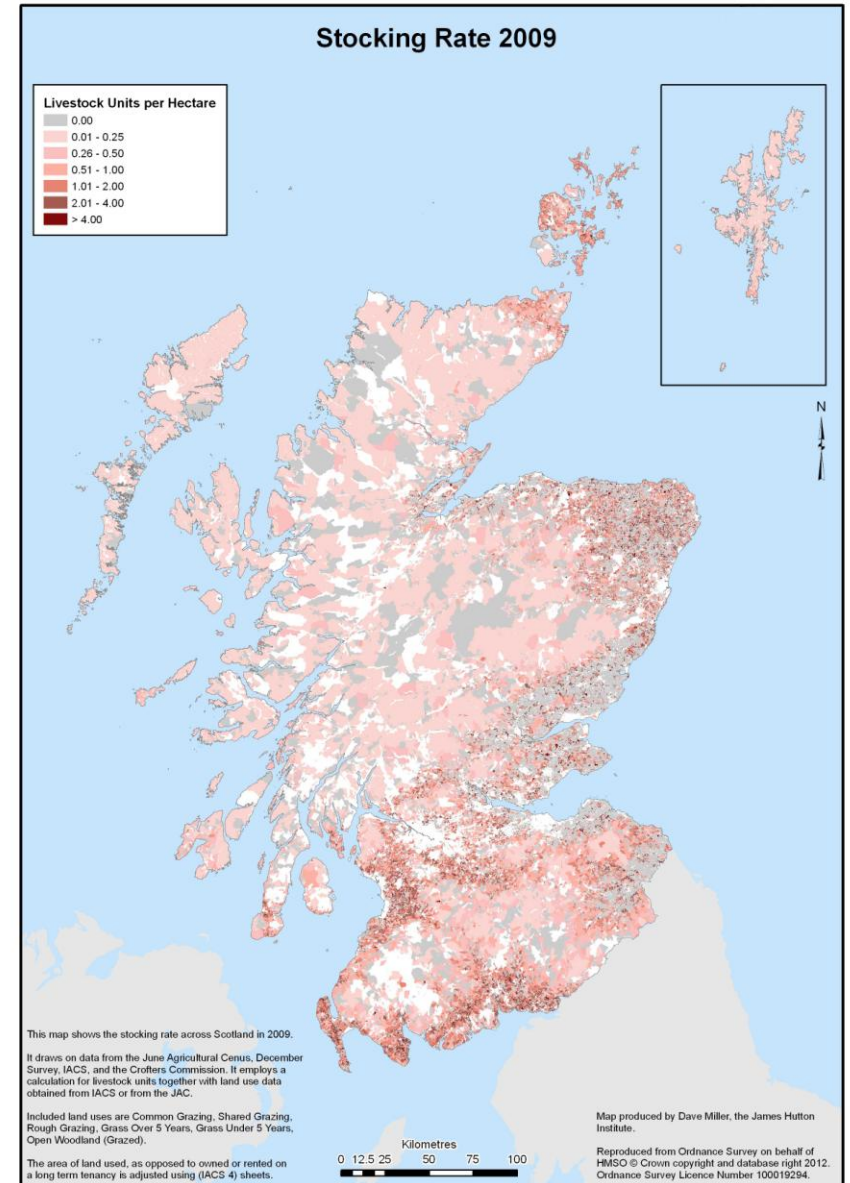
Area - Land Quality Conclusions

- 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

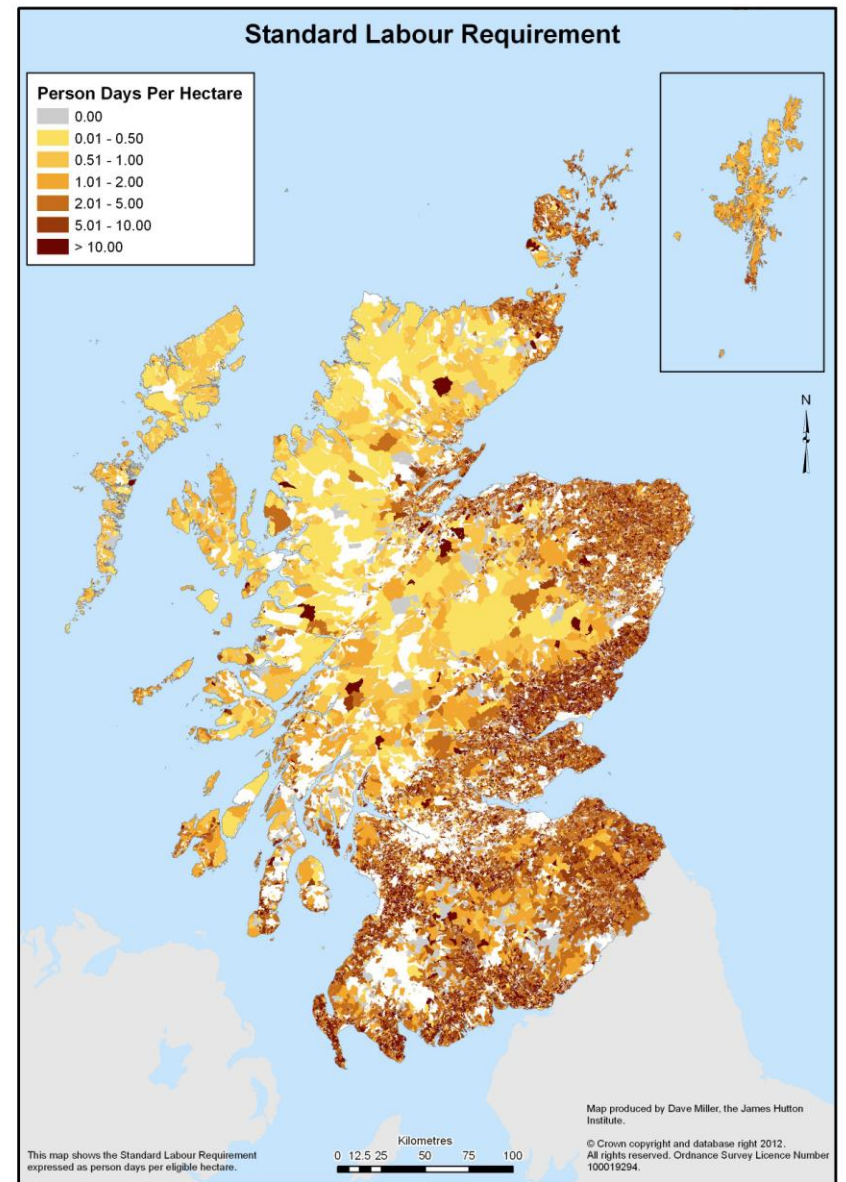
- Re-coupled payments
- A component of the system to address specific sectors
- Significant part of the Pack Inquiry proposals for the LFA
- Offsets effects of area based payments
- Compatibility with WTO?





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

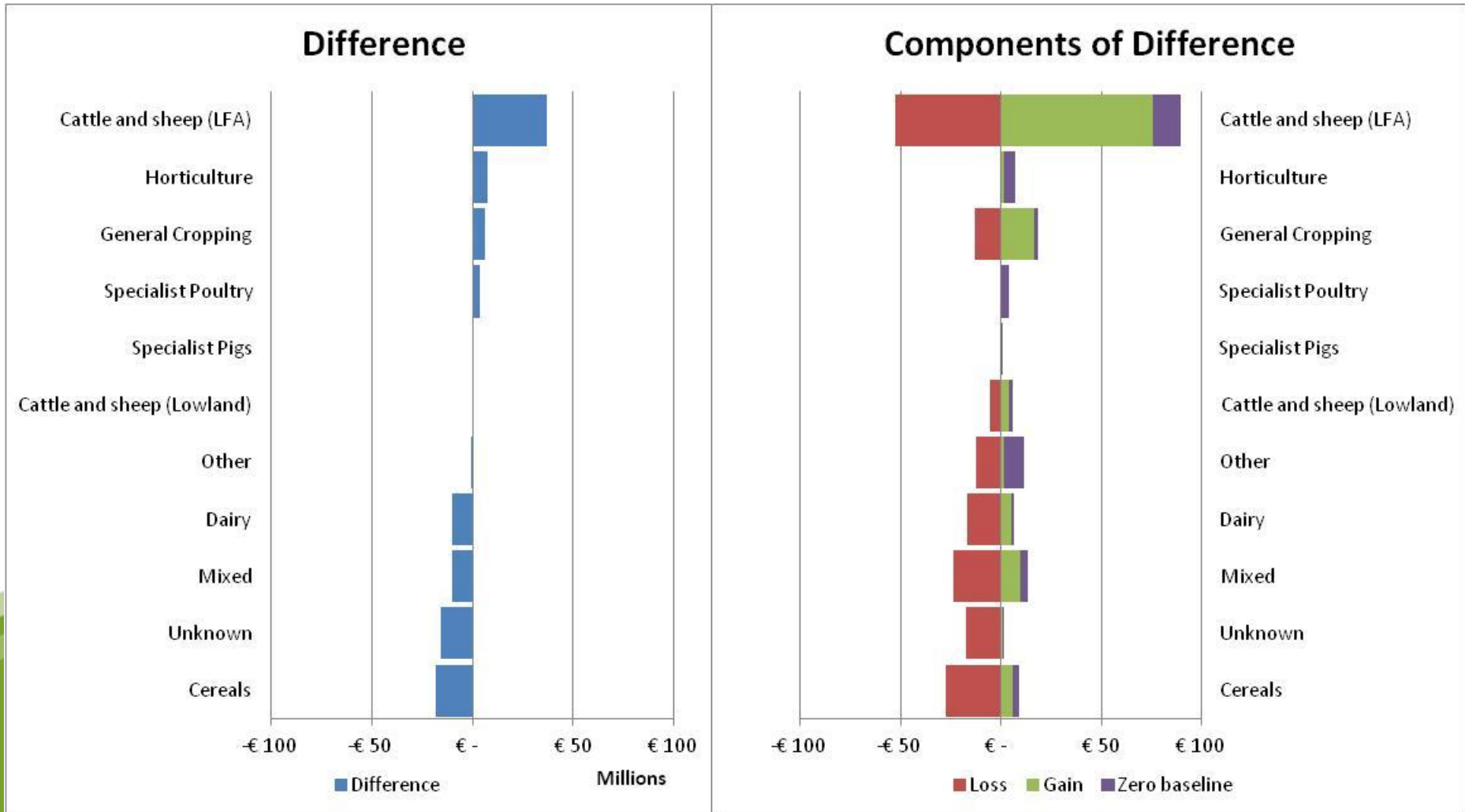


Pack Inquiry Proposals

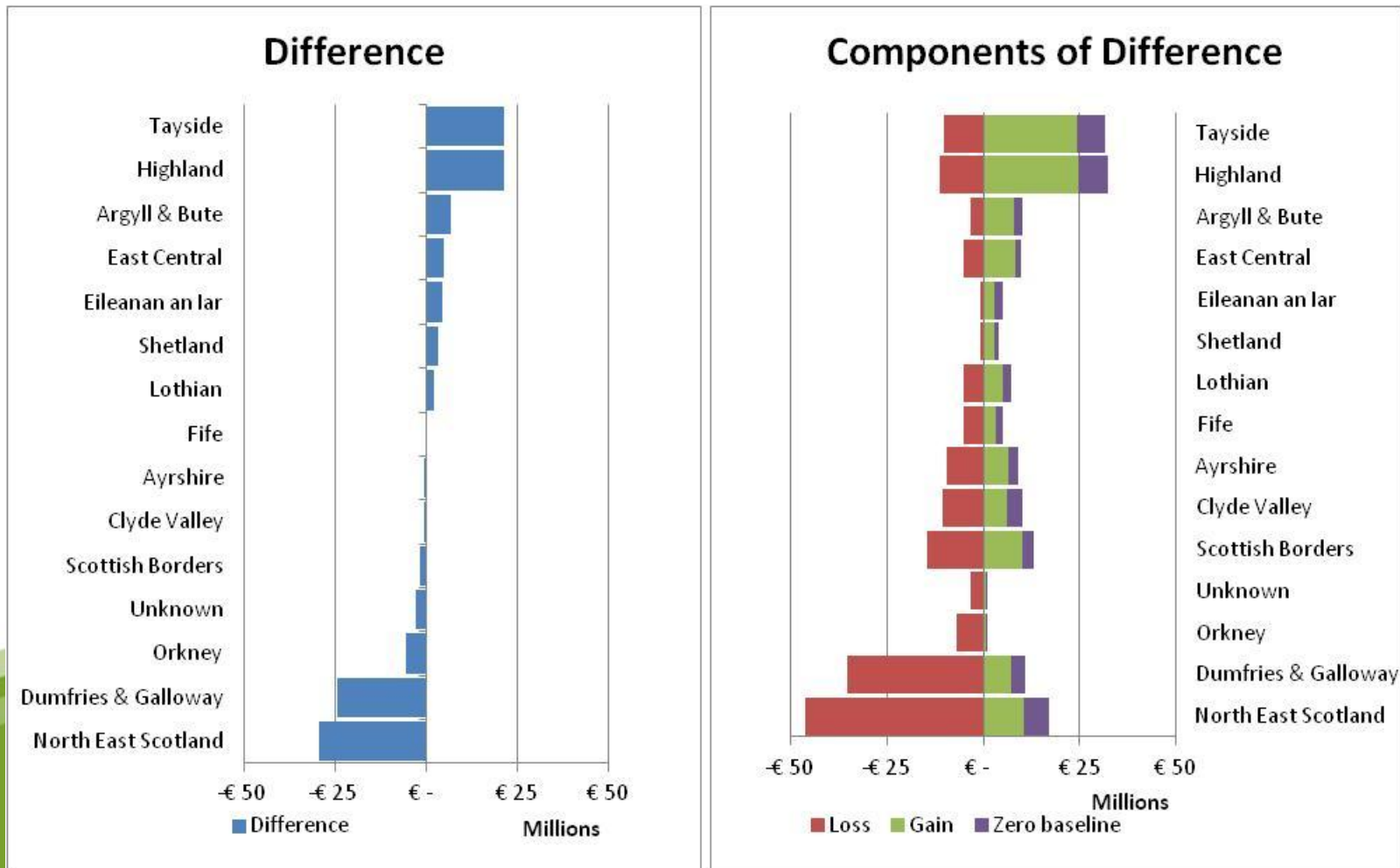
Non-LFA Land

Area Payments	€ 200 per eligible ha
Top Up Fund	€ 100 per eligible ha
LFA Land	
Area Payments	€ 30 per eligible ha
Top Up Fund	€ 6400 per Standard Labour Requirement
Headage (75% beef genetics)	
1-5	€ 220
6-15	€ 190
16-40	€ 165
40+	€ 135
Headage (50% beef genetics)	€ 135
Headage (lambs)	€ 8

Pack Inquiry – Farm Type



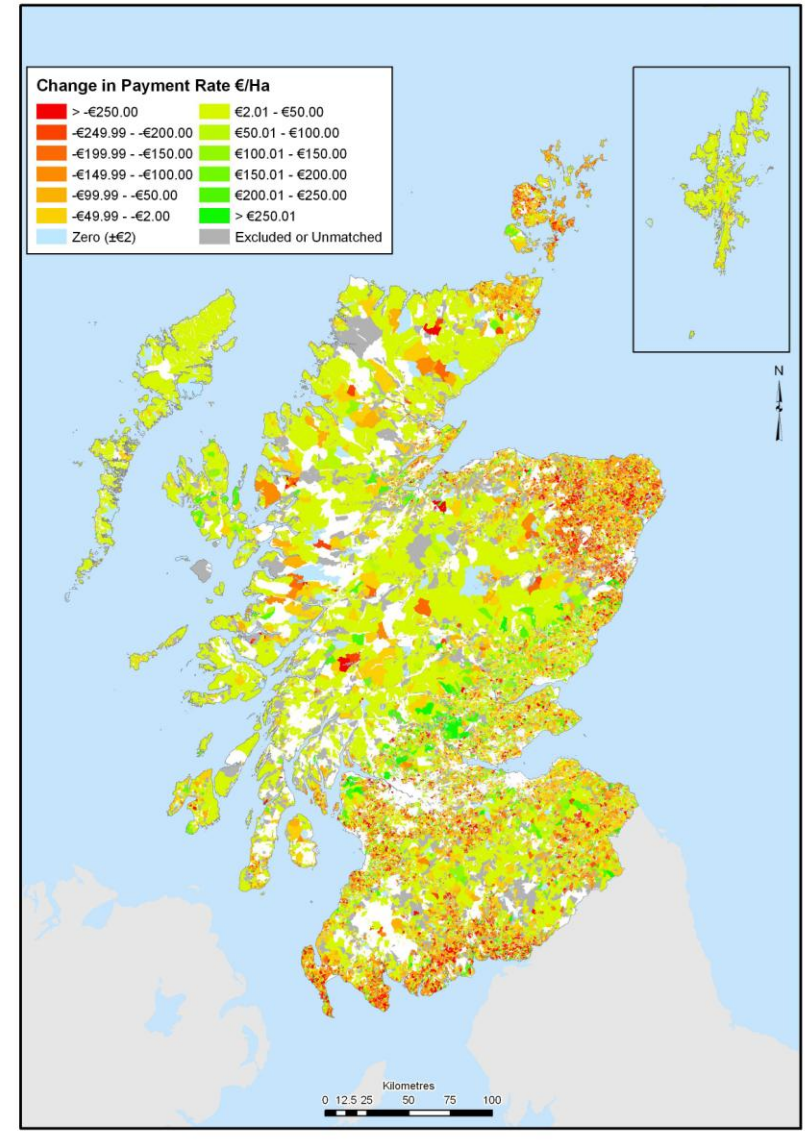
Pack Inquiry - Regions





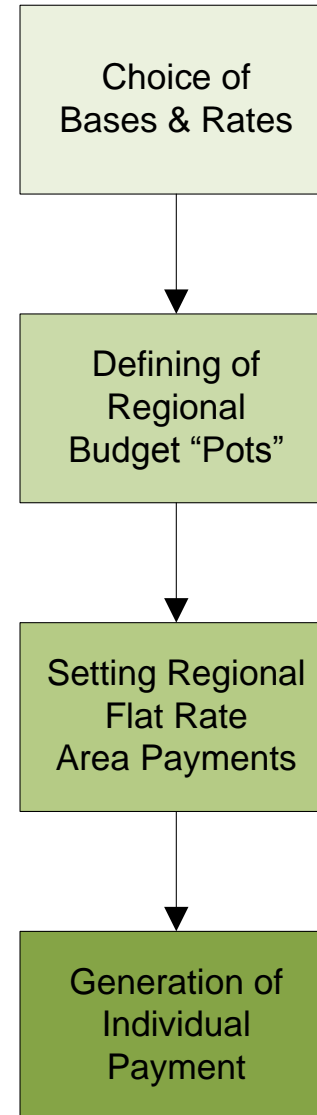
Pack Inquiry - Conclusions

- 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?



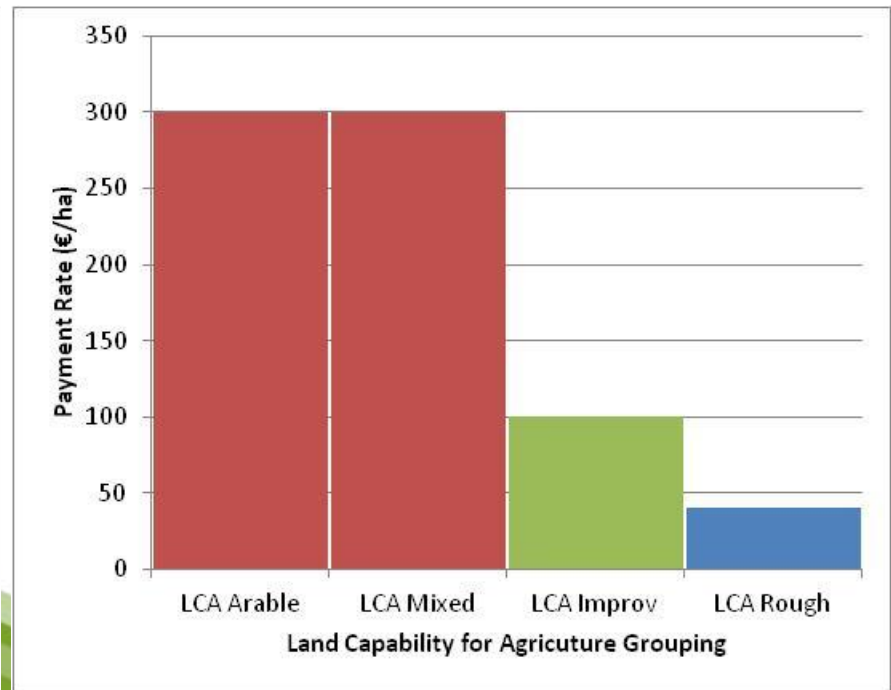
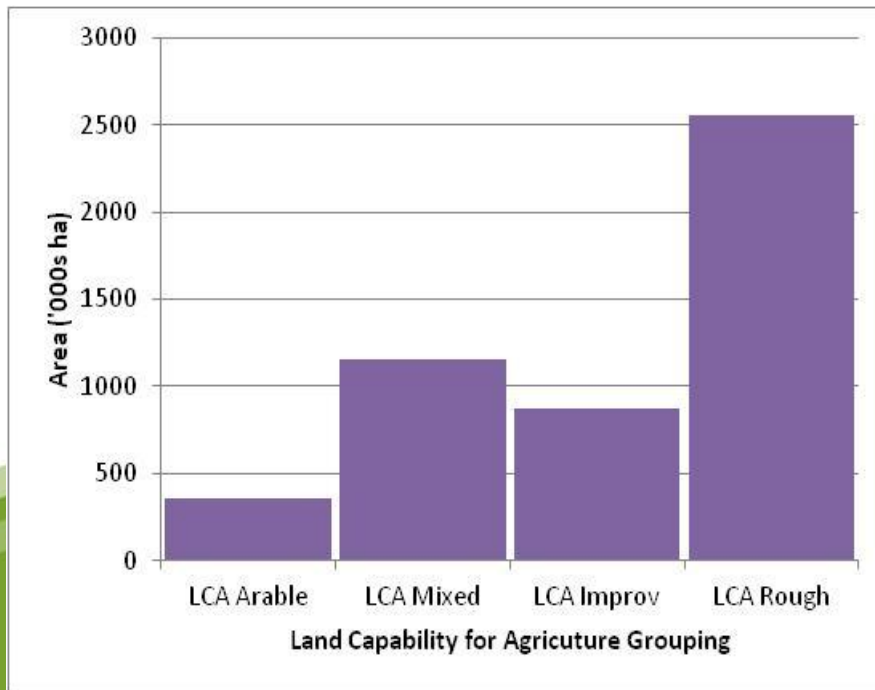
Regionalisation

- 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)

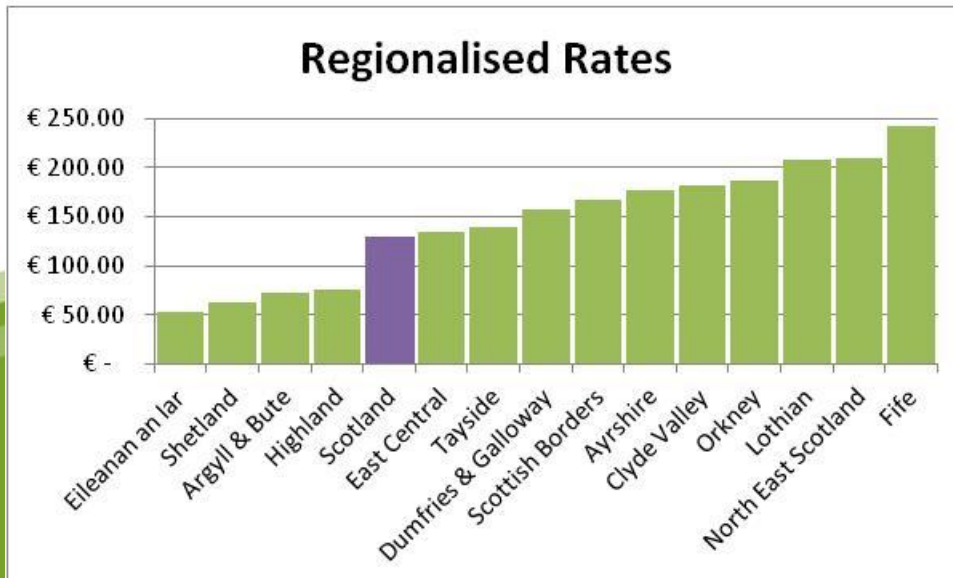
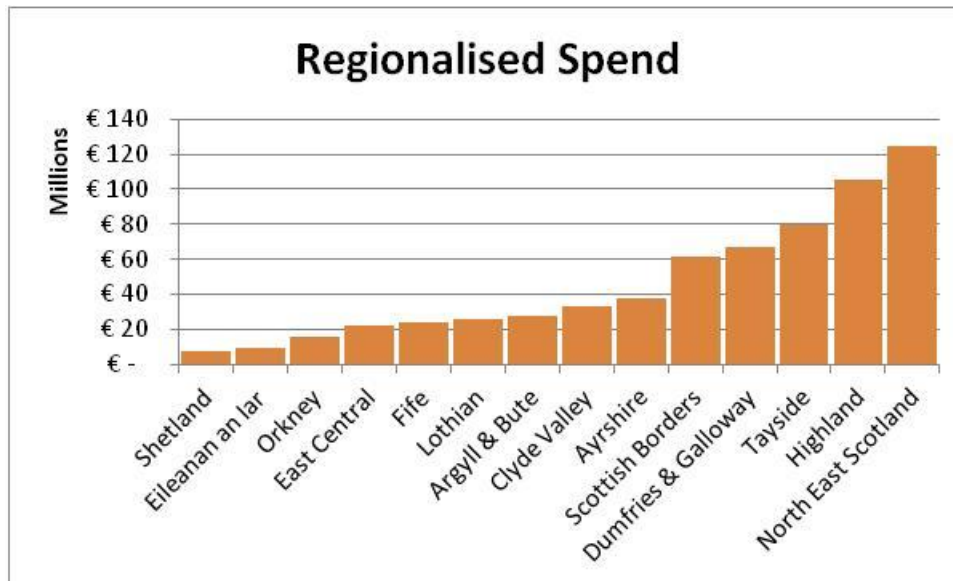


Regionalisation – land quality

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



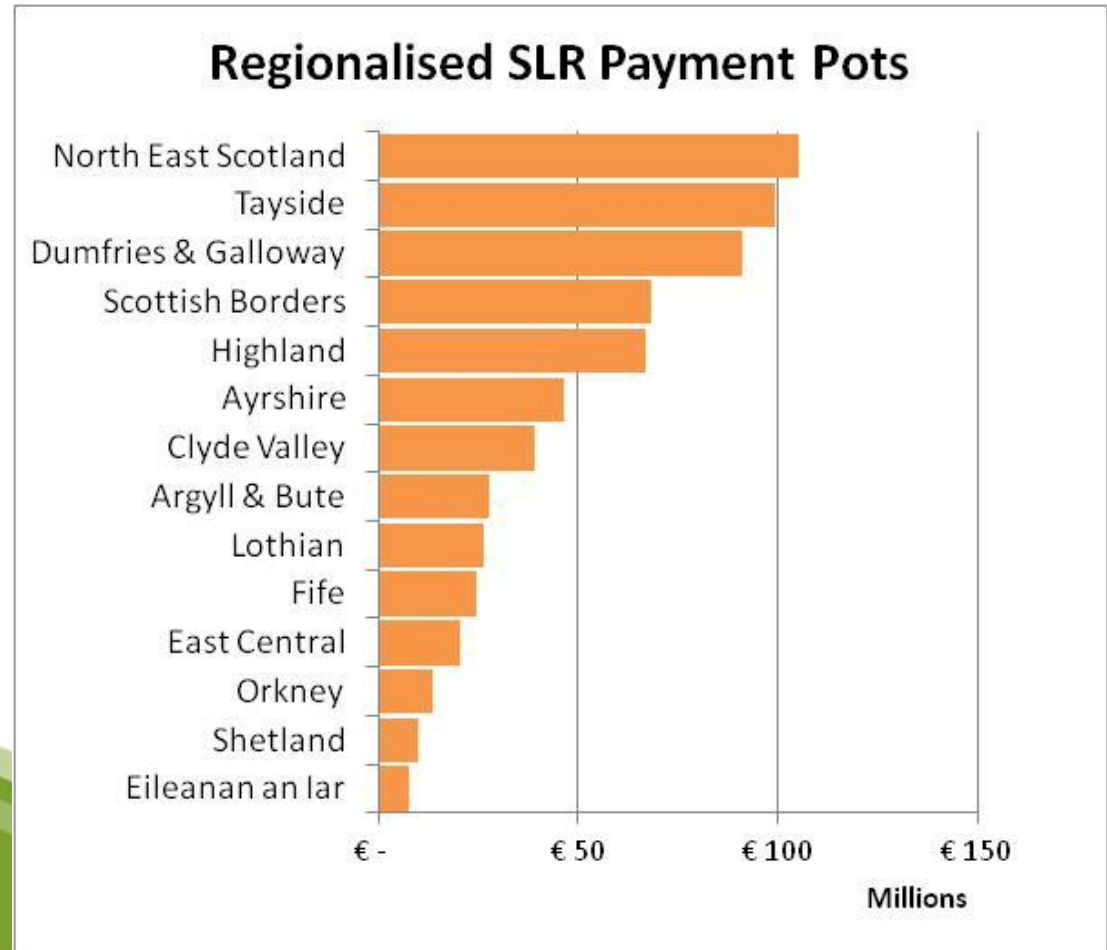
Regionalisation – land quality



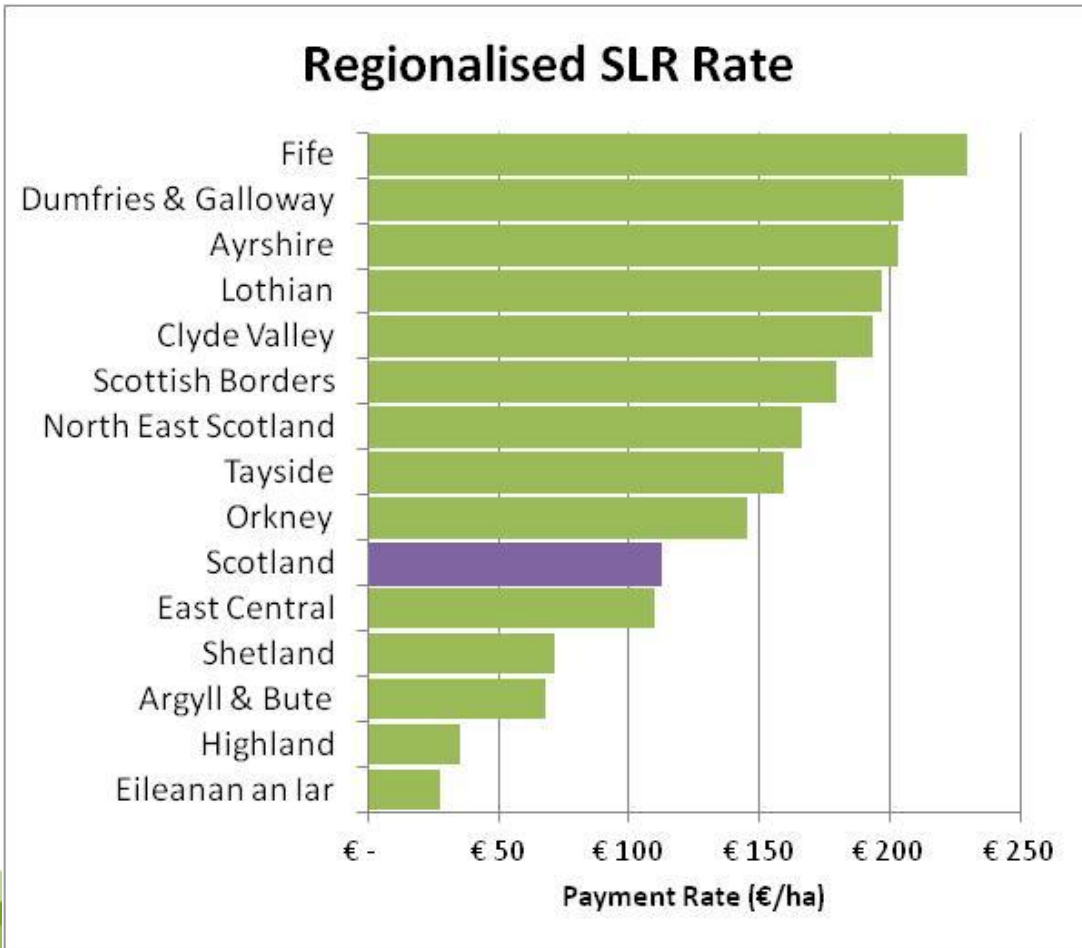
- Ag Regions (14)
- Regional spend and regionalised flat rates.
- 464M€ redistribution
104M€ zero baseline
72M€ LCA
undetermined
- More smaller regions means less redistribution but more “boundary” issues
- Consequences for farm type: losses to lowlands, redistribution in LFA Sheep and Cattle.

Regionalisation – SLR

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

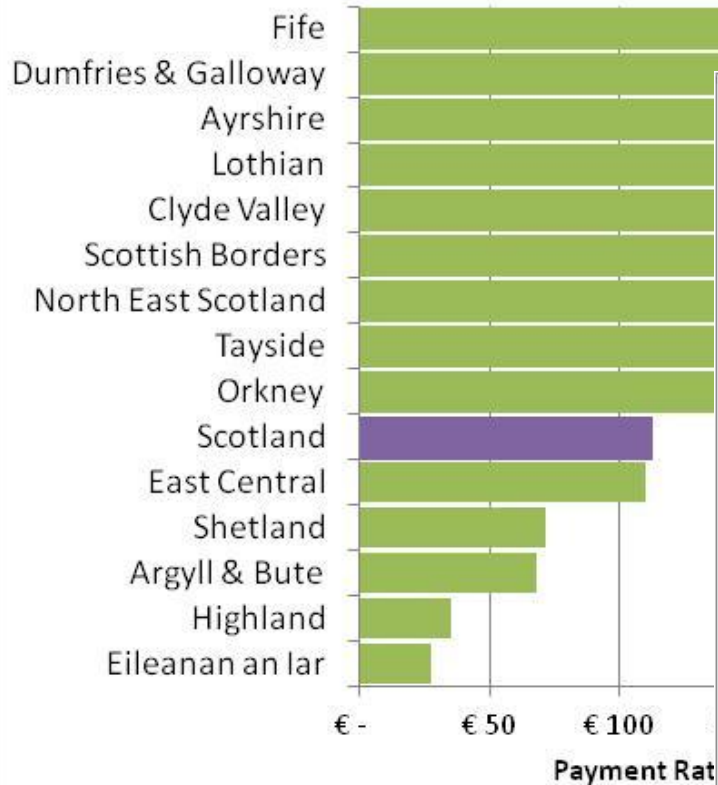


Regionalisation – SLR

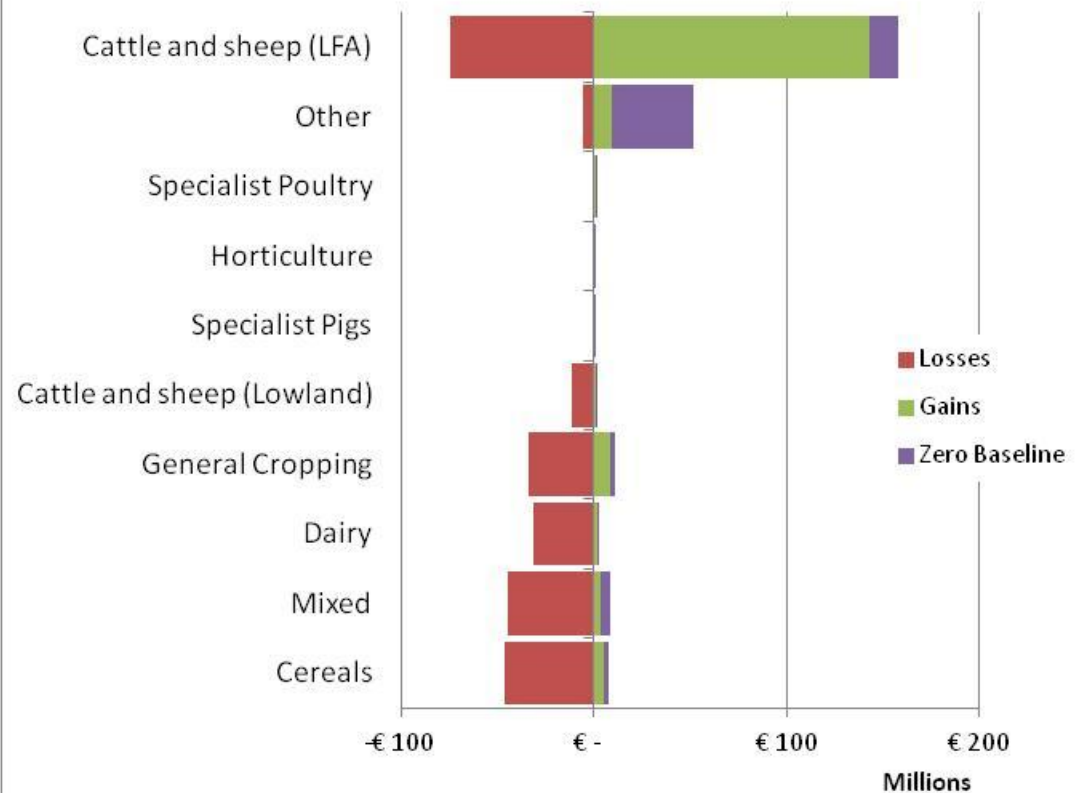


Regionalisation – SLR

Regionalised SLR Rate



Farm Type Change - Regionalised SLR



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

Modelling Scenarios for CAP Pillar 1 Area
Payments using Macaulay Land Capability for
Agriculture (& Less Favoured Area Designations)

Final Report

*Kevin Buchan, Keith Matthews, Dave Miller, Willie Towers
The Macaulay Land Use Research Institute
15 October 2010*



TENDER REFERENCE: RERAD/007/09