

# Areas of Natural Constraint Scenario Analysis



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Keith Matthews, Dave Miller, Doug Wardell-Johnson, James Hutton Institute



# Content

- Components of the new Areas of Natural Constraint
- Scenario Analysis
  - Logic of the set of scenarios
  - Interpreting the Scenario Sheets
- Common features of the Scenarios
- Intended to support use of the Scenario Sheets by stakeholders in later part of the workshop



# Caveats and Process

- No final decisions made
- Analysis intended to inform policy making process
- Leading up to the ANC Consultation (autumn 2016)
- None of what is presented is a Scottish Government policy position
- Any interpretation statements are those of the authors



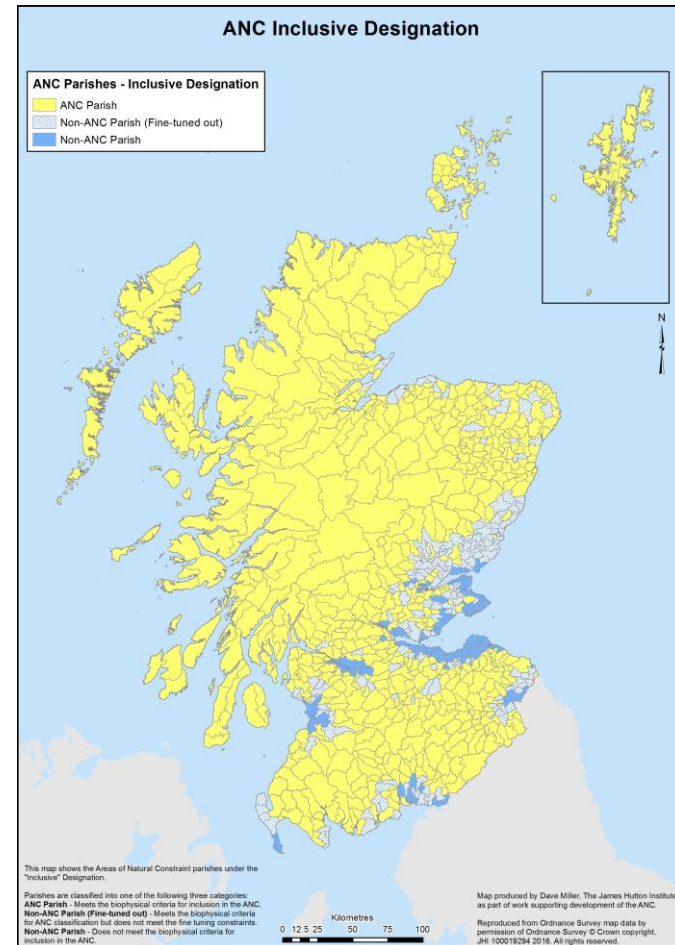
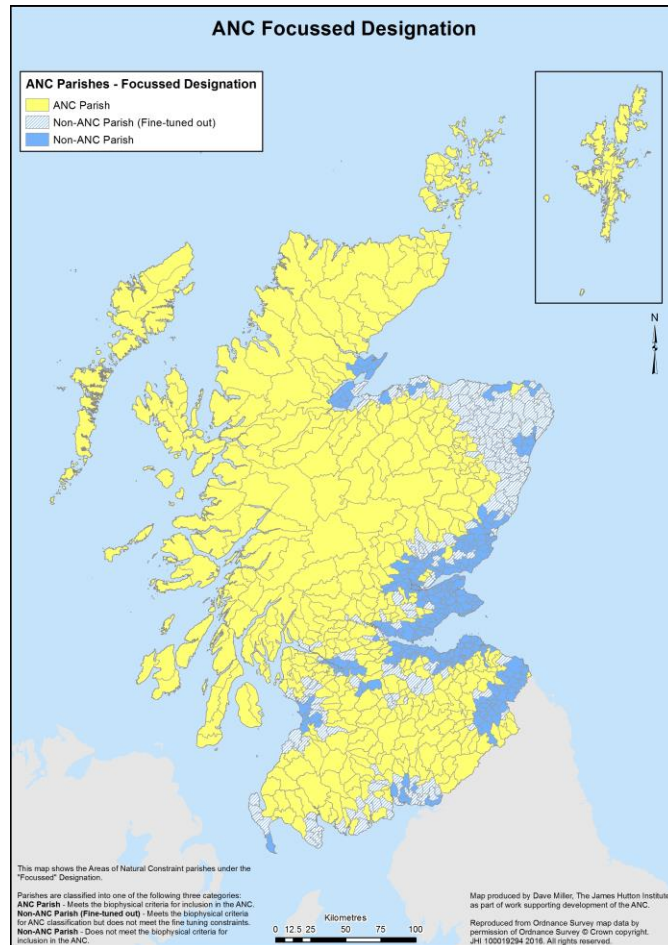
# Components of the new ANC

- Designation
  - Biophysical criteria – converted to per parish in/out
  - Fine tuning – land capability for agriculture, standard outputs – removes parishes
- Budget
- Regions – differentiation within ANC
  - Basic Payment (Regions 1, 2, 3)
  - Fragility Classes (Standard, Fragile, Very Fragile)
- Payment rates – differentials, order
- Degressivity
  - Thresholds (area)
  - Percentages of rates (reduction, potentially to zero)
  - Method - per business or per region



# Designation

- More work to be done and decisions to be made - Focussed vs. Inclusive are two options for approaches – not final





# Budget

- Using the LFASS (2014) budget
- Like-for-like comparisons - not conflating budget change with changes due to new scheme implementation
- Budget could change as a result of spending review/Ministerial decisions
- Reduction would mean need for further decisions

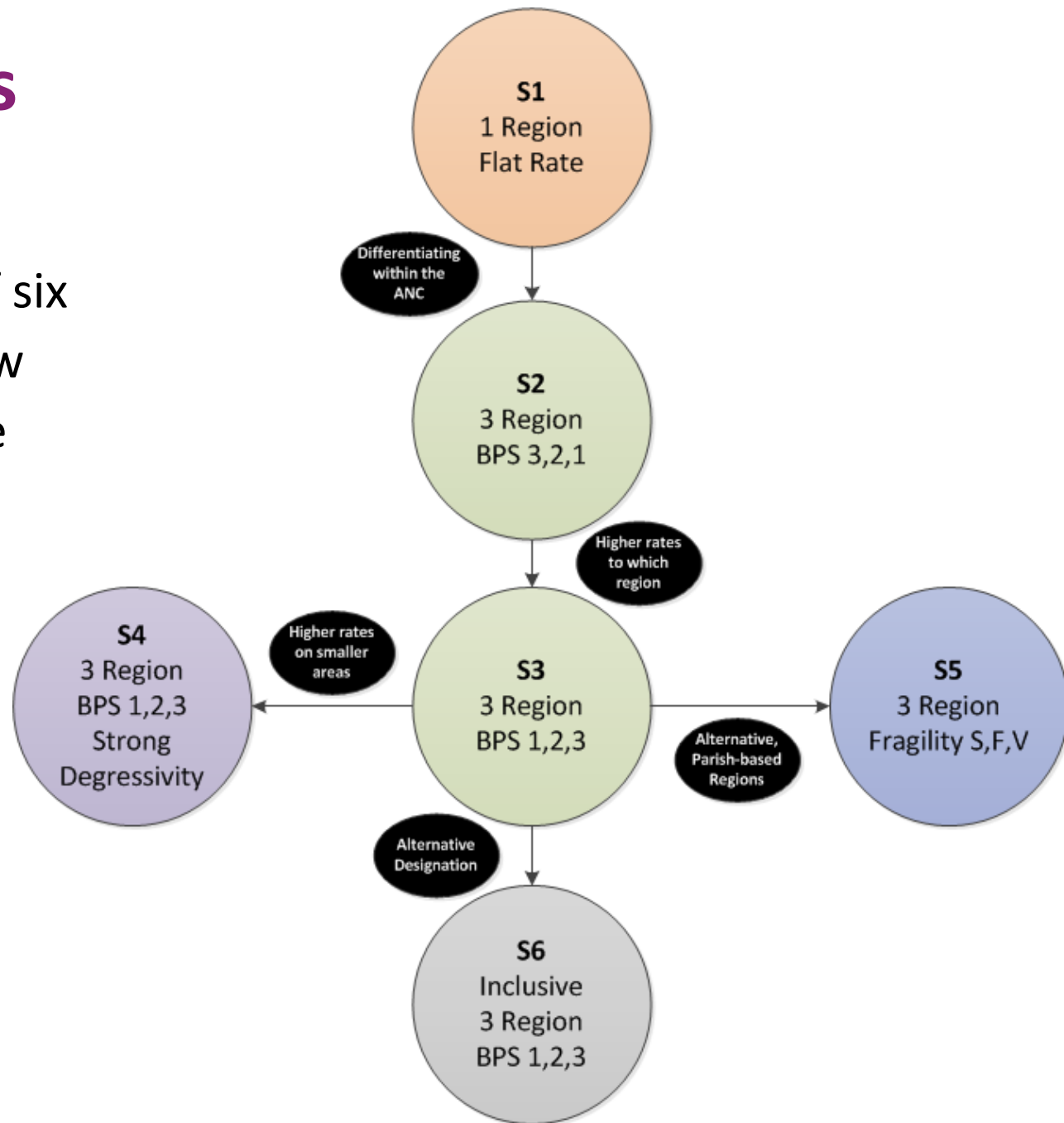


# Rates

- No rate less than 25€ per ha (18.25£) averaged across the ANC area of the business – EU rule
  - Can set regional rates per Ha below this (e.g. with degressivity)
  - Legality then depends on business level outcomes (region mix per business)
- Additional Costs and Income Forgone – justification
  - Separate analysis being led by SRUC
  - Can pay lower rates if would otherwise exceed budget
- Rates and areas combine to generate per business outcomes
- Scenarios to judge effects of decisions

# Scenarios

- Many options
- Structured set of six scenarios to show the effects of the components







# Scenario Sheets

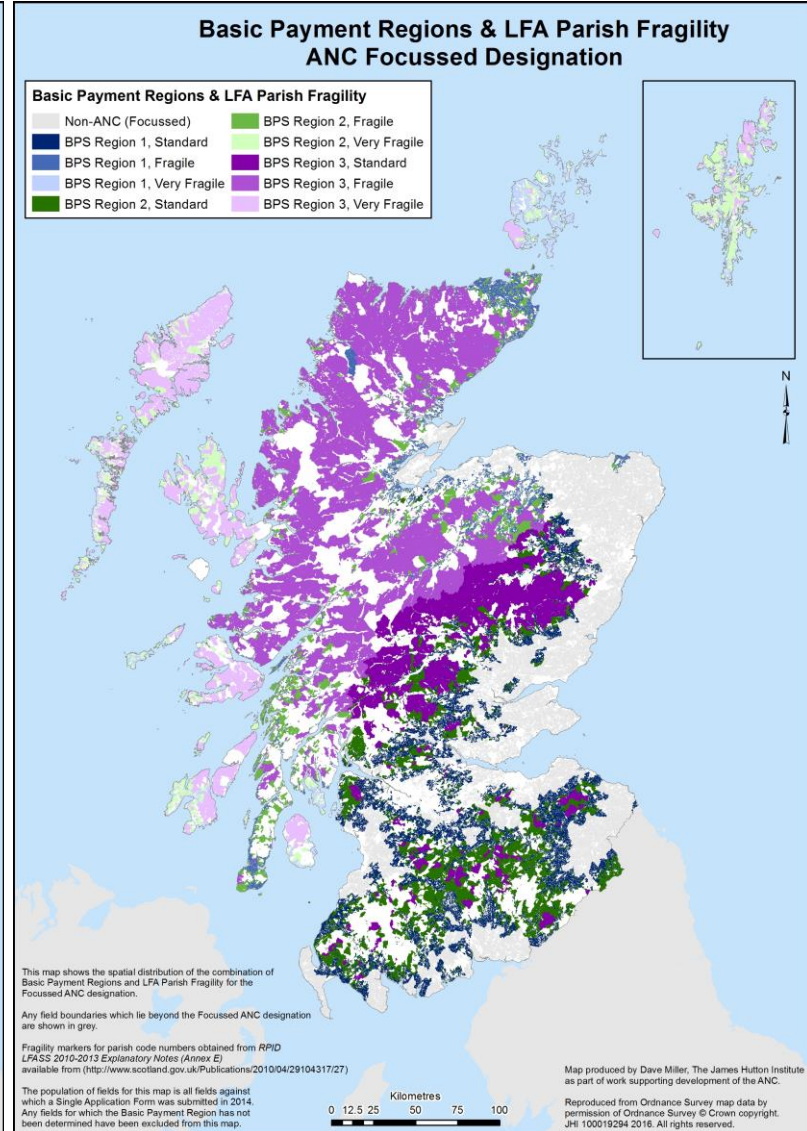
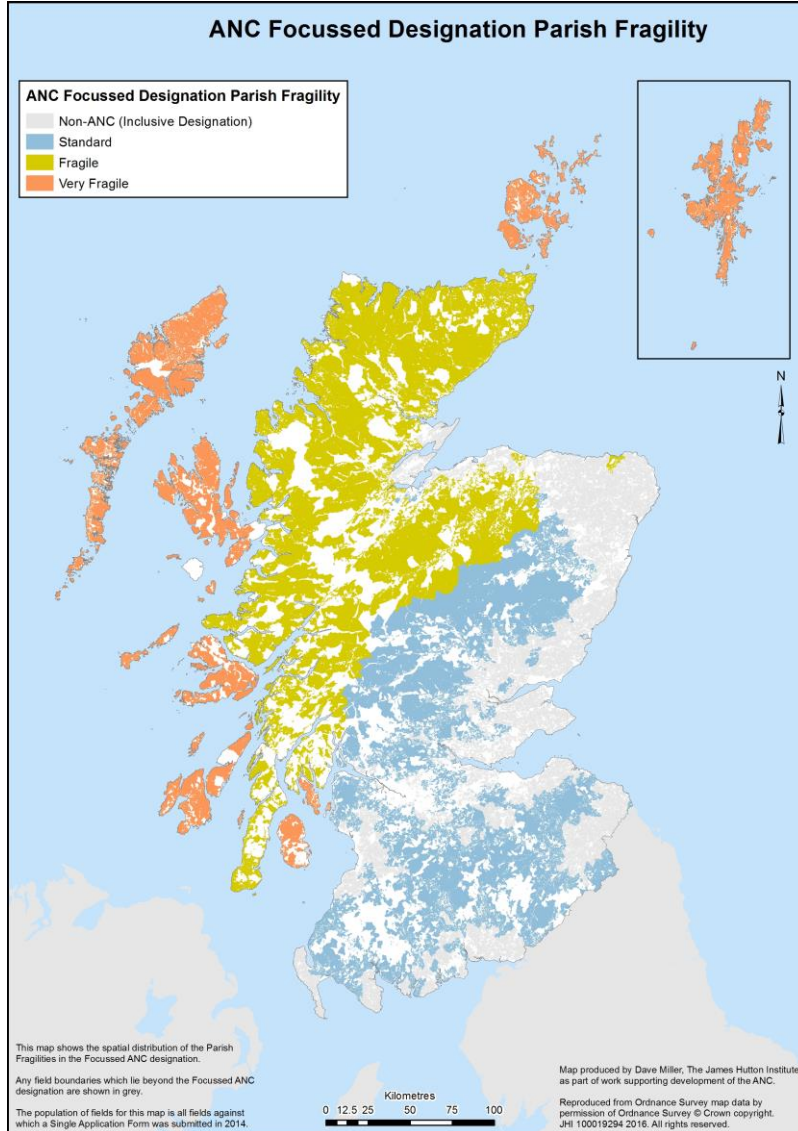
- A3 sheets in pack, one sheet per scenario (6)
- Summary – with indicators
- Distribution of Rates
- Map of ANC Payment Regions
- Change by Farm Type
- Change by Agricultural Region
- Change by Size Class
- Map of Modelled ANC Payments
- Examples from Scenario 2 – 3 Region BPS:3,2,1



# Map of ANC Payment Regions

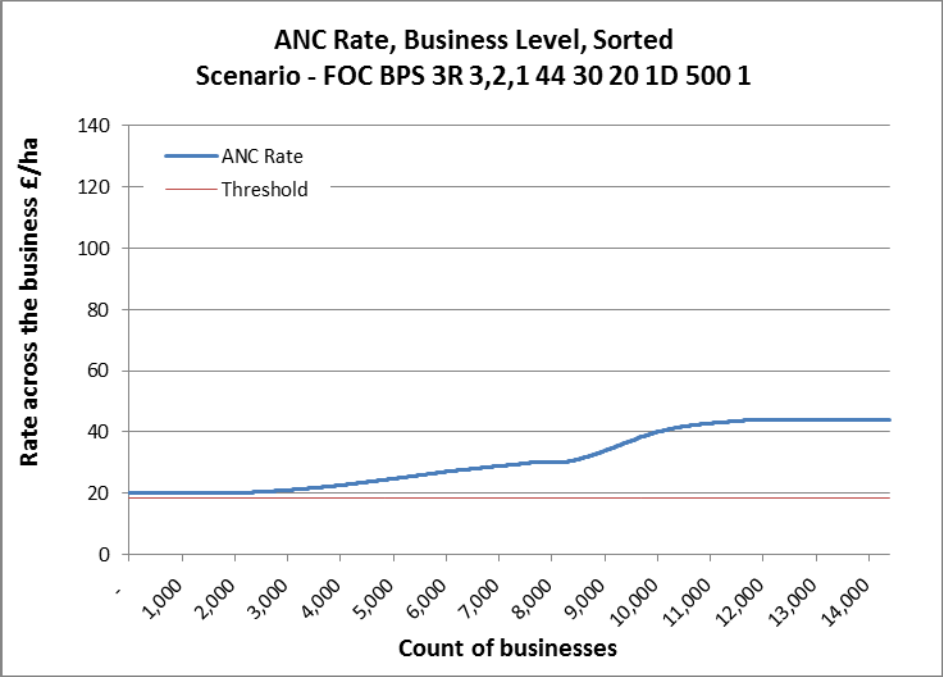


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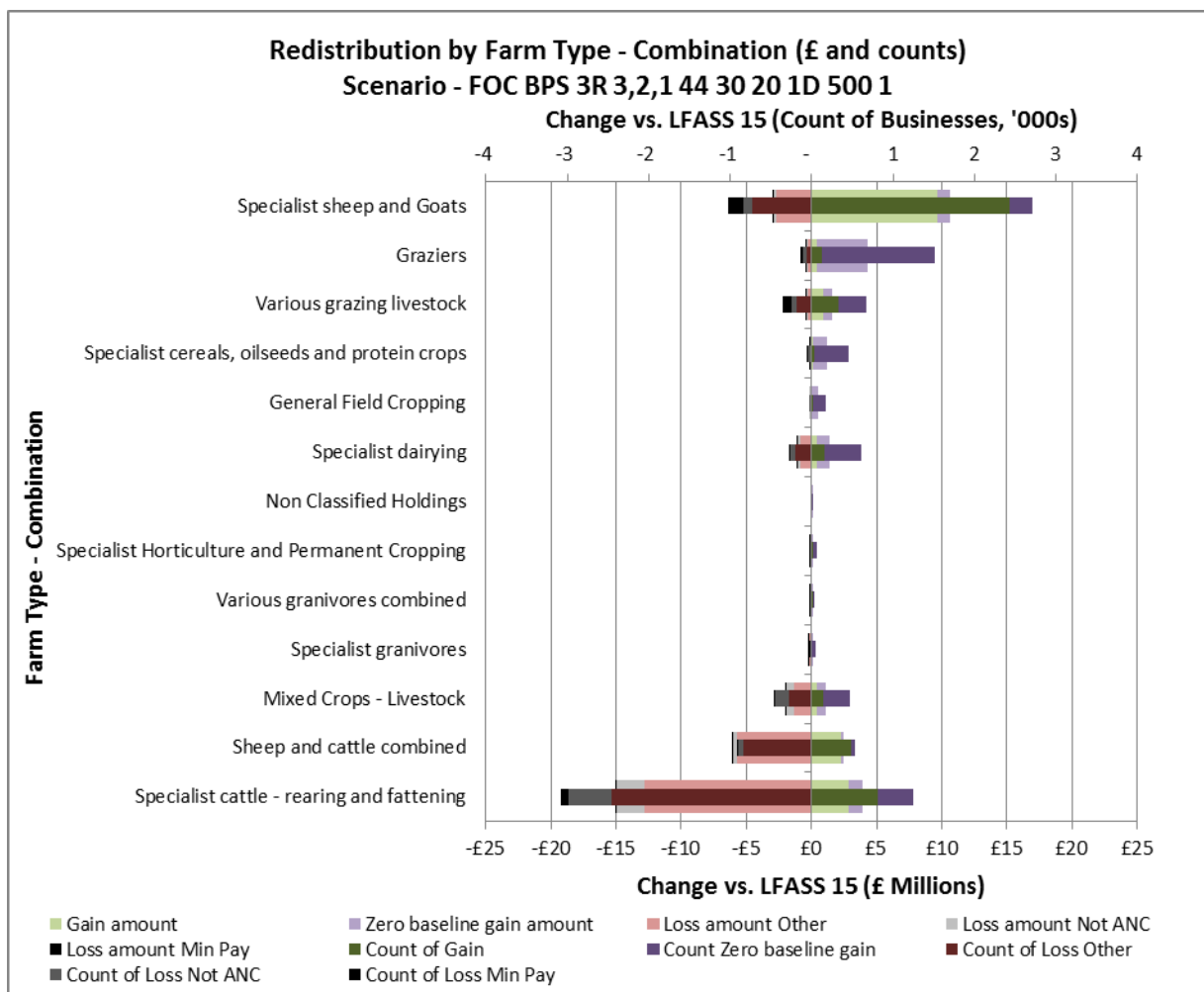


# Distribution of Rates



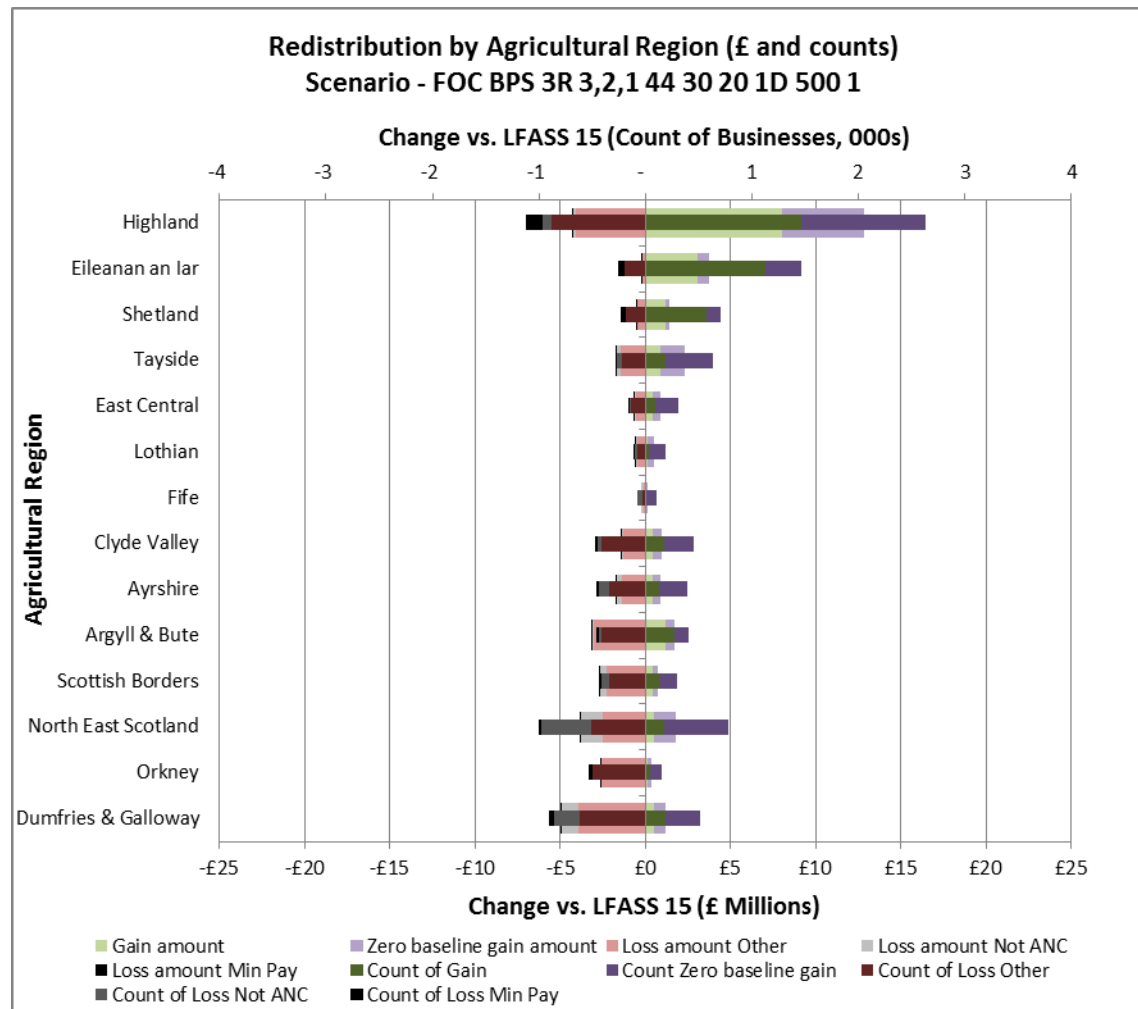


# Change By Farm Type



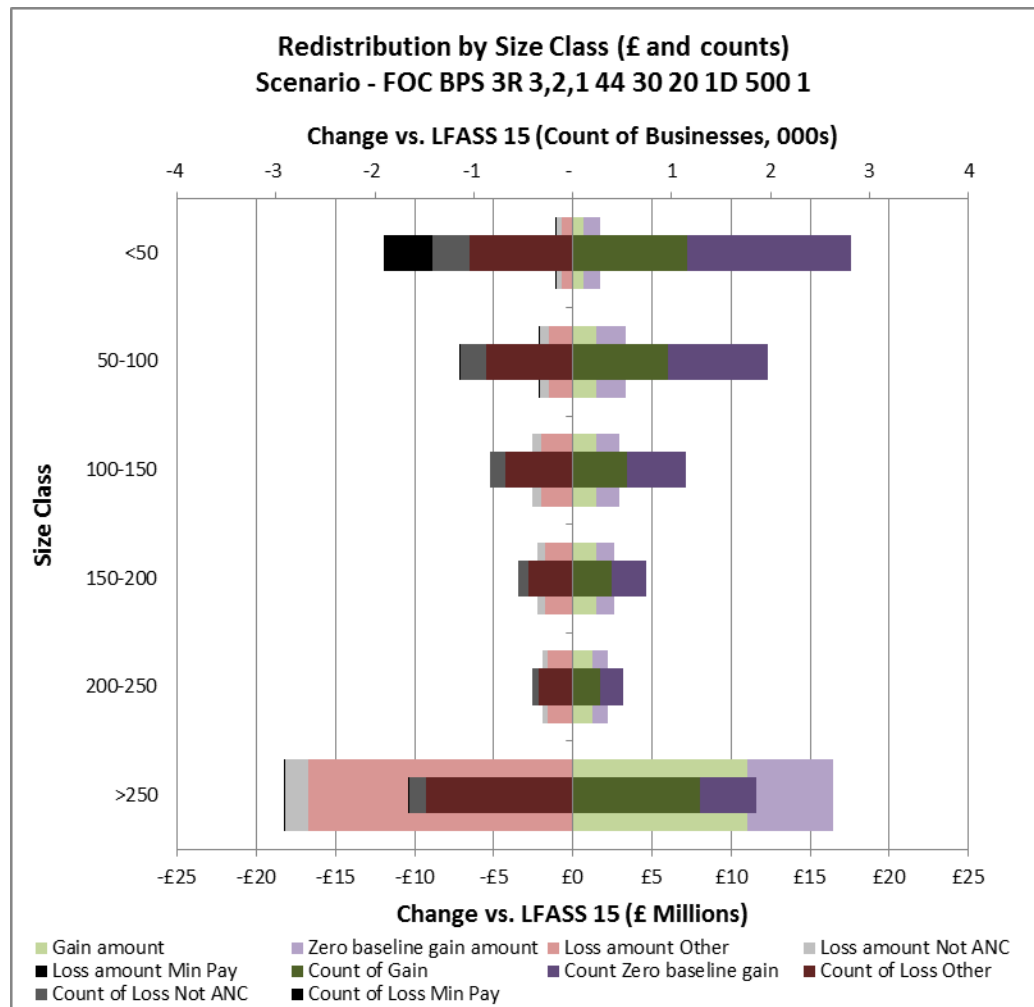


# Change by Agricultural Region



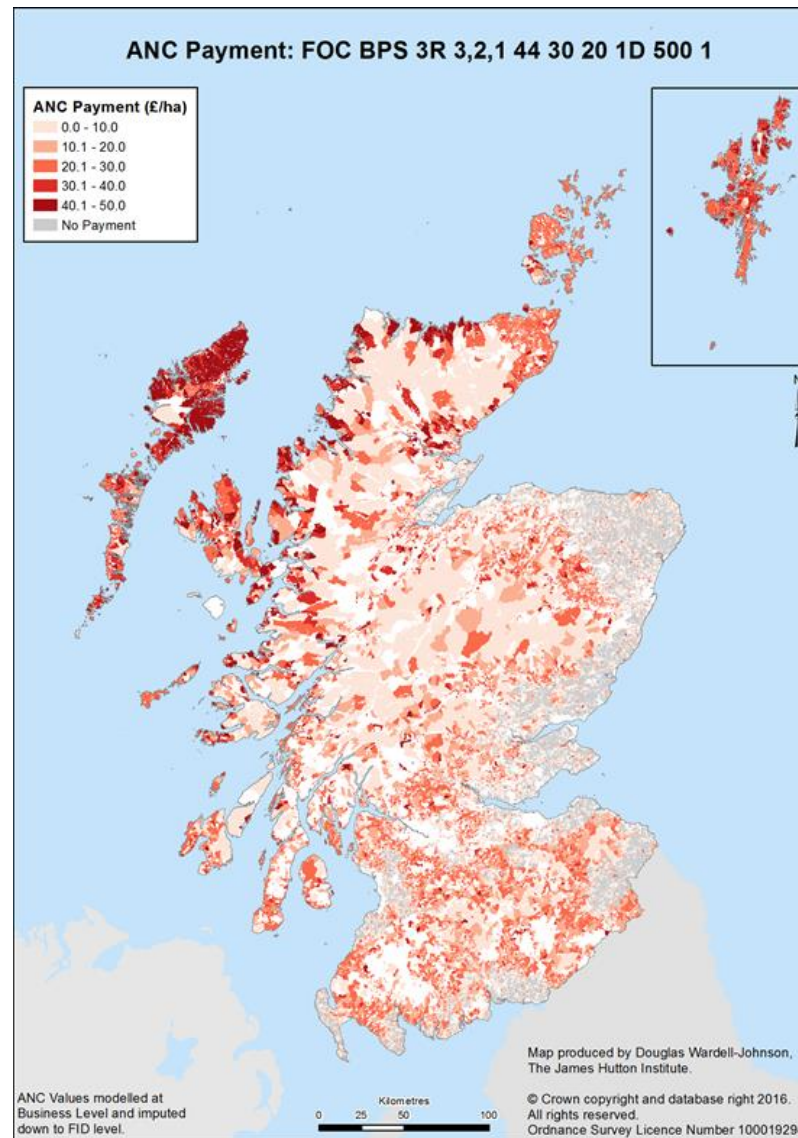


# Change by Size Class





# Map of Modelled ANC Payments





# Common Features of Scenarios

- New businesses included – 4,400 (Focussed)
- Existing excluded – 1,130 (Focussed)
- Some loss as no minimum payment (was £385)
- Redistribution – substantial - between and within types
- Most scenarios more evenly distributed (“flattened”) - LFASS top 10% had 48% of budget
- More gain than lose but gain less (per Pillar 1)
- Broadly towards more extensive or less intensive systems
- Degressivity thresholds and percentages are key decisions
- Sectoral, Regional and Size type changes quantifiable
- Interpretation of the above – what are the outcomes sought?





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