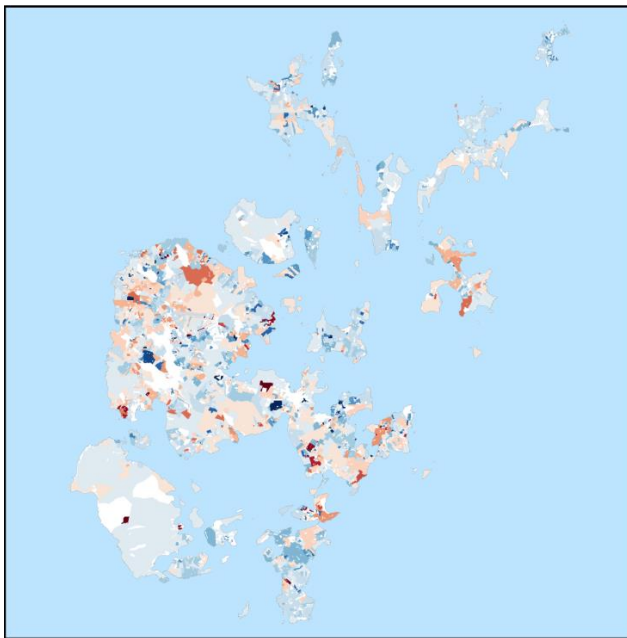
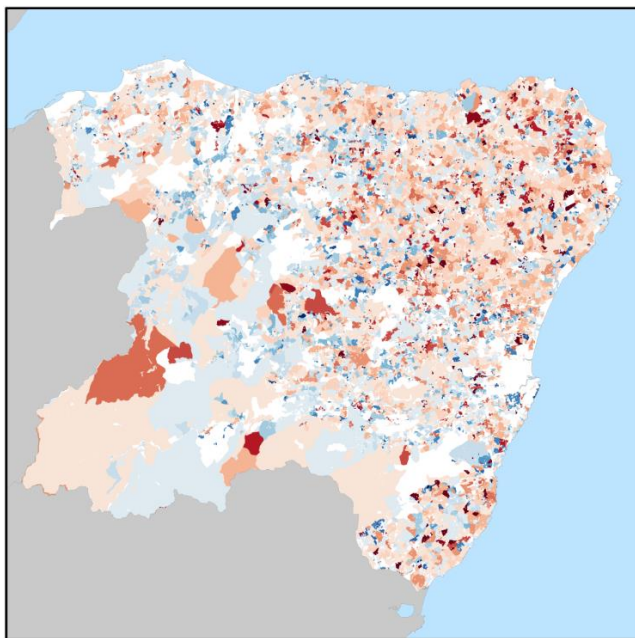




# 2015 CAP Pillar 1 Reforms

## Analysis of the Outcomes



Keith Matthews, Dave Miller,  
Doug Wardell-Johnson  
Presentation for ARD Stakeholders  
30<sup>th</sup> August 2017



The James  
**Hutton**  
Institute

# Glossary

Acronym	Full Text
BRN	Business Reference Number
BPS	Basic Payment Scheme
LFASS	Less Favoured Areas Support Scheme
JAC	June Agricultural Census
P1	Pillar 1
PGRS	Permanent Grassland
SAF	Single Application Form
SBCS	Scottish Beef Calf Scheme
SFPS	Single Farm Payment Scheme
SSBSS	Scottish Suckler Beef Support Scheme
SUSSH	Scottish Upland Sheep Support Scheme
VCS	Voluntary Coupled Support



# Scope of the work

- **Included**
  - Move from SFPS (historic) to BPS + Greening (area based, regionalised)
  - For VCS the move from SBCS to SSBSS (Mainland and Island) and SUSSS (increase but on a different basis)
  - Changes in budgets and exchange rates – reduction of ~£31M with ~£24M due to reduced exchange rates (2014 to 2015 cut by 6%)
- **Distributions** – ways to judge qualitative fitness-for-purpose against the intervention logics and policy narratives (geographic and other dimensions)
- **Change** – was current vs. future options now comparing real payments in 2014 with 2015 (except for BPS where post convergence 2019 values are used)
- **Other associated phenomena**
  - Which land is included, business structures – new, existing, leaving
  - Tenure
- **Capacity for further analysis** in support of Brexit negotiations or post Brexit land/agriculture/environmental policy options

# Key Messages

- The analysis of the changes between 2014 to 2015 show that the reforms have played out as expected in the policy decisions made in 2013 (p5)
- Particular regions associated with specialist cattle and dairy have seen reductions in payments but are still overall the largest recipients (p6-7)
- The system implemented has avoided disruptive redistribution, maintaining support for the diverse range of businesses in Scotland (p8)
- The distribution of payments is now flatter, reducing highest payments (p9-10)
- The businesses that have gained from the reforms are those with a historically lower intensity of production – this means the redistribution between sectors and regions is thus much lower than within them (p11-13)
- The spatial pattern of redistribution is complex and locally heterogeneous (p14)
- There has been no increase in area claimed, so no dilution of rates (p15)
- Some of the redistribution in payments is due to the structural changes – particularly where businesses have grown by taking seasonal lets back (p15)
- Businesses that gain account for the majority of land managed and count of businesses, but also just under half the potential for employment (as indicted by standard labour requirement) and financial value of outputs (p16)

# Alignment with expectations

- Effects of moving from “historic” to “area based” payments and other policy decisions align well with the analysis previously conducted since 2010, for:
  - Sectors – farm types
  - Geographically – agricultural regions
  - Business size classes
- Differences
  - Exchange rates – from 2014 to 2015 reduced by 6%
  - Finalisation of Basic Payment Regions (more sophisticated)
  - Change/clarification in land use (particularly for PGRS likely over-claimed in 2011 and 2013 data)
  - New claimant area – earlier work assumed all eligible SAF land would come in – but claimed area is smaller (~4.6 M ha vs. 4.9 M ha\*)
  - Seasonal lets – part of structural change more “in-hand” by owner

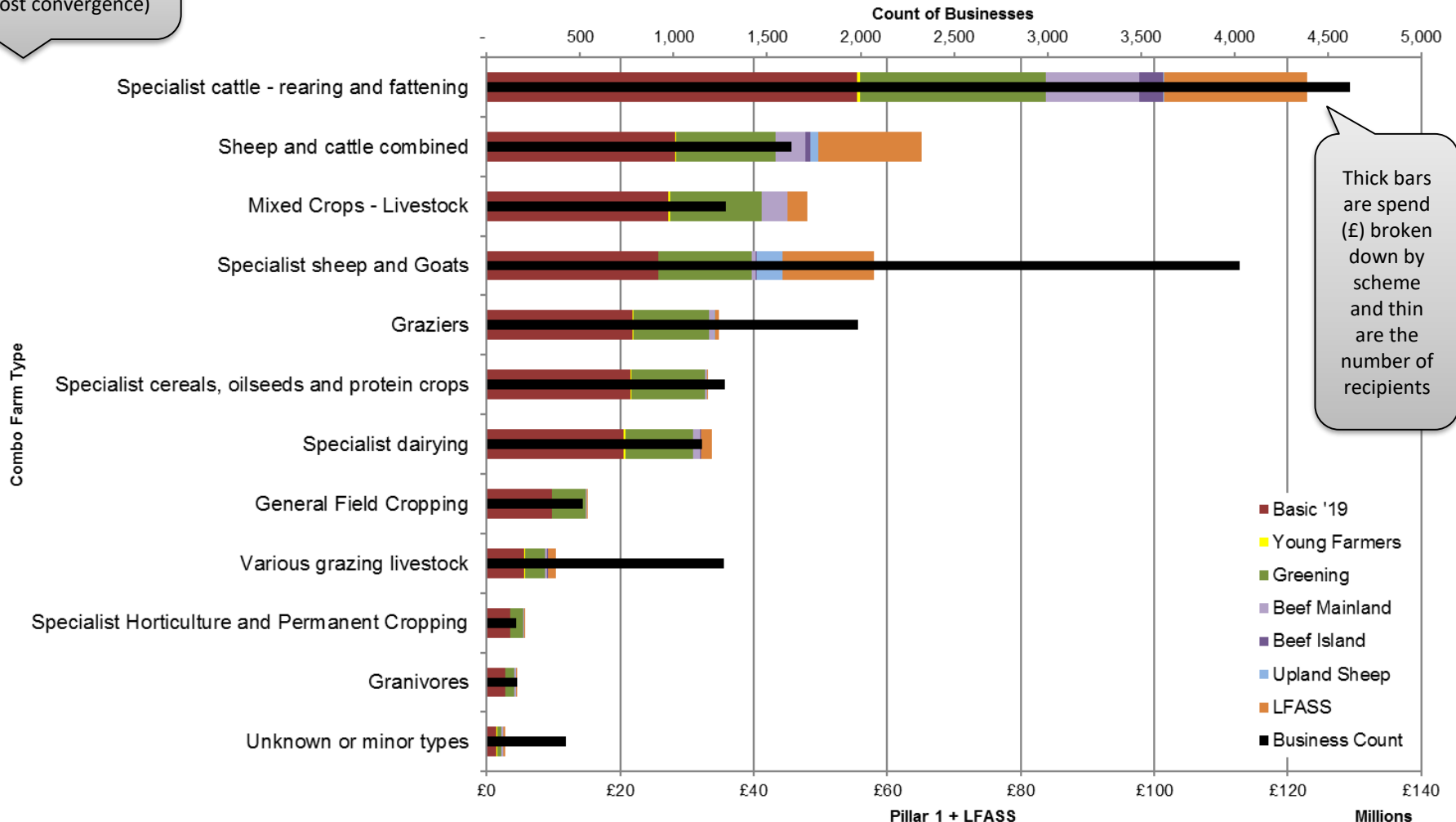
\*Used in RESAS modelling in 2013, Previous Hutton analysis on potential new areas identified 5.7 M ha as eligible on the basis of land use alone.



# P1 and LFASS - Sectors

This chart reports projected spend by farm type for 2019 (post convergence)

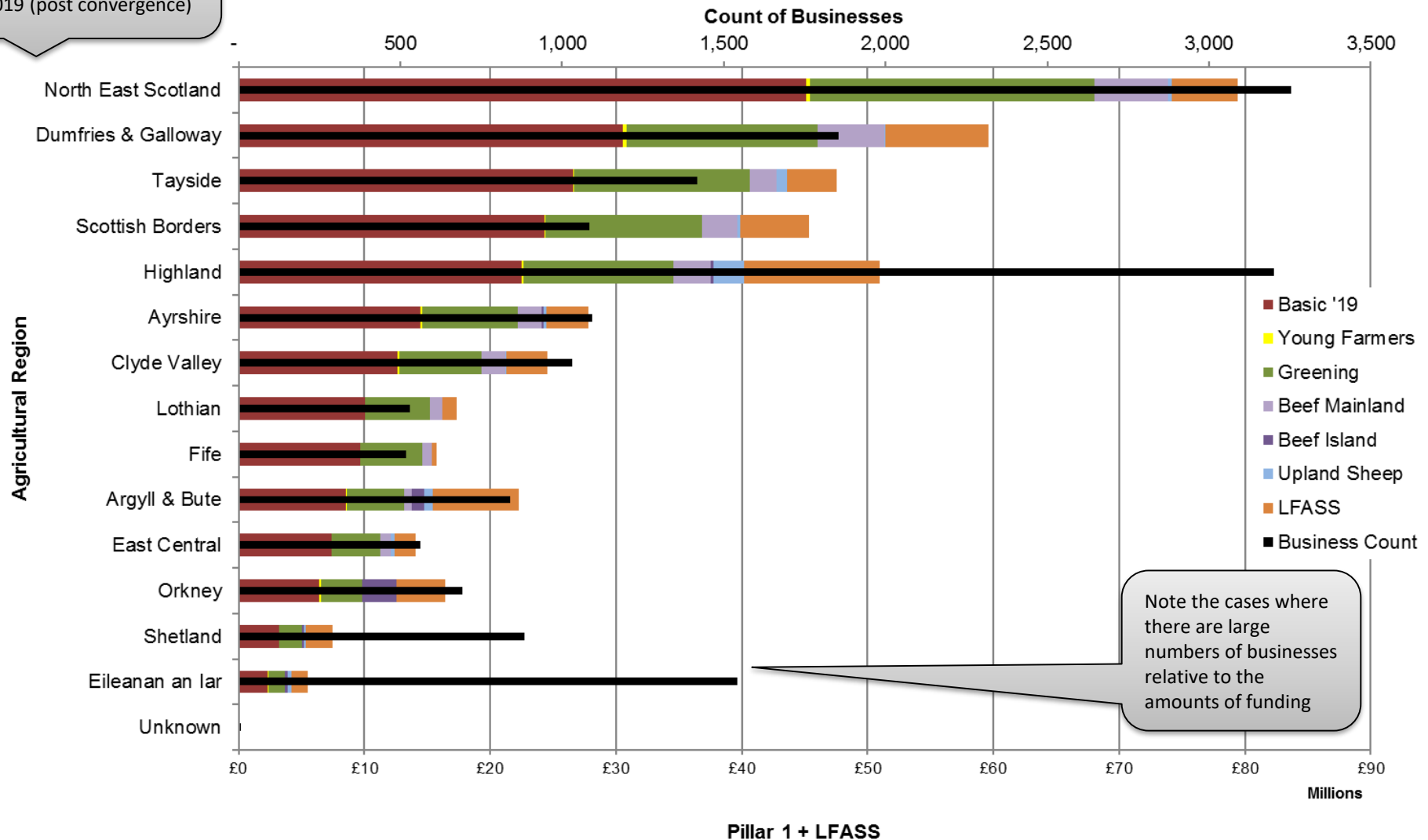
## Pillar 1 and LFASS spend by Combo Farm Type in 2019



Combo Farm Type is built from two levels of classification within JAC, it disaggregates farm types that occur frequently (e.g. those with cattle or sheep) while grouping together less frequently occurring types (e.g. pigs and poultry as granivores).

A farm type of "Unknown or minor type" occurs when it has not been yet possible to link the BRN of payments data with our JAC data - most often for a 7000 code landless holding

## Pillar 1 and LFASS spend by Agricultural Region in 2019

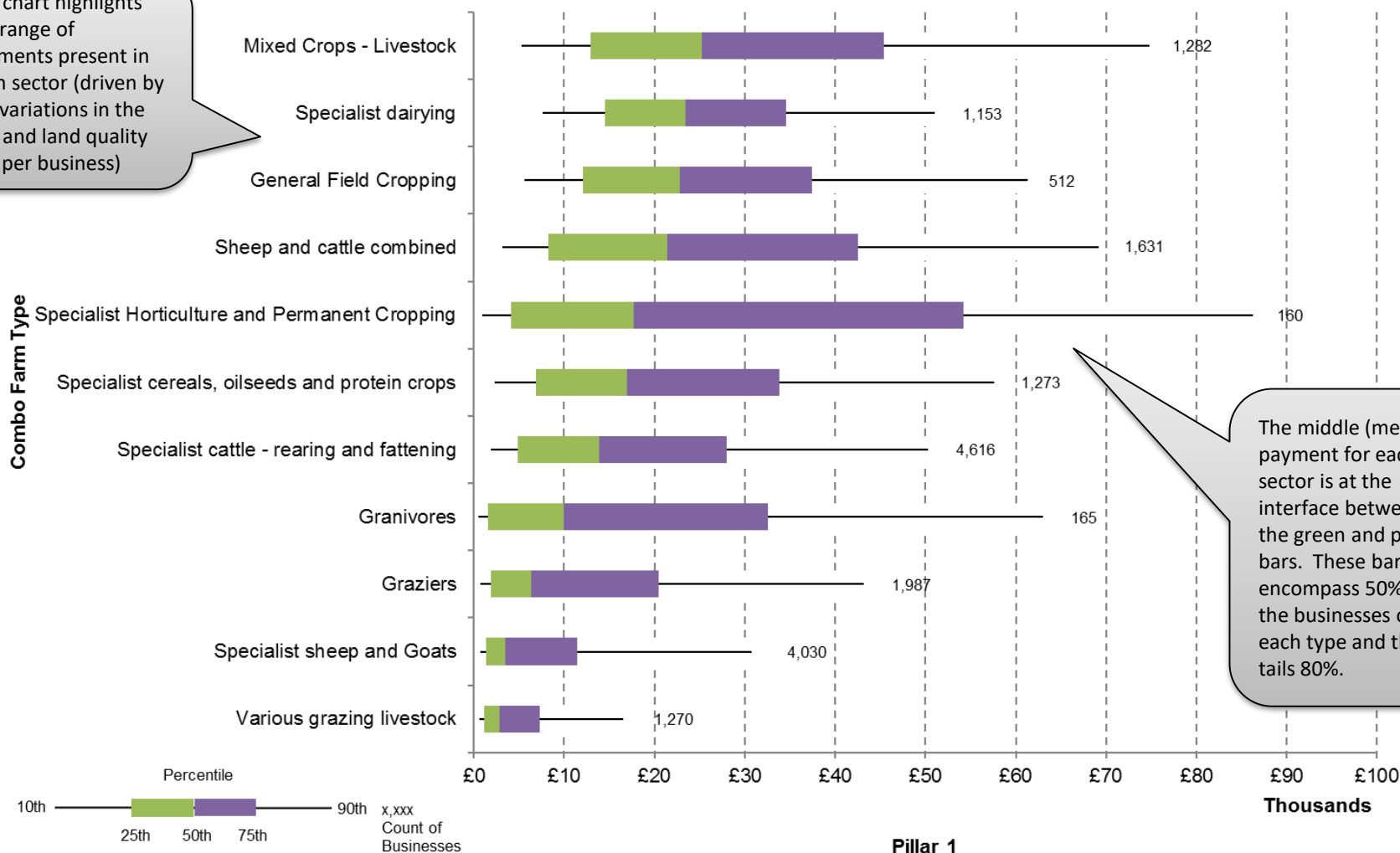


# P1 - Ranges of payments

- Any conclusions across / between sectors needs to reflect their diversity

## Range of Pillar 1 payments per Combo Farm Type in 2019

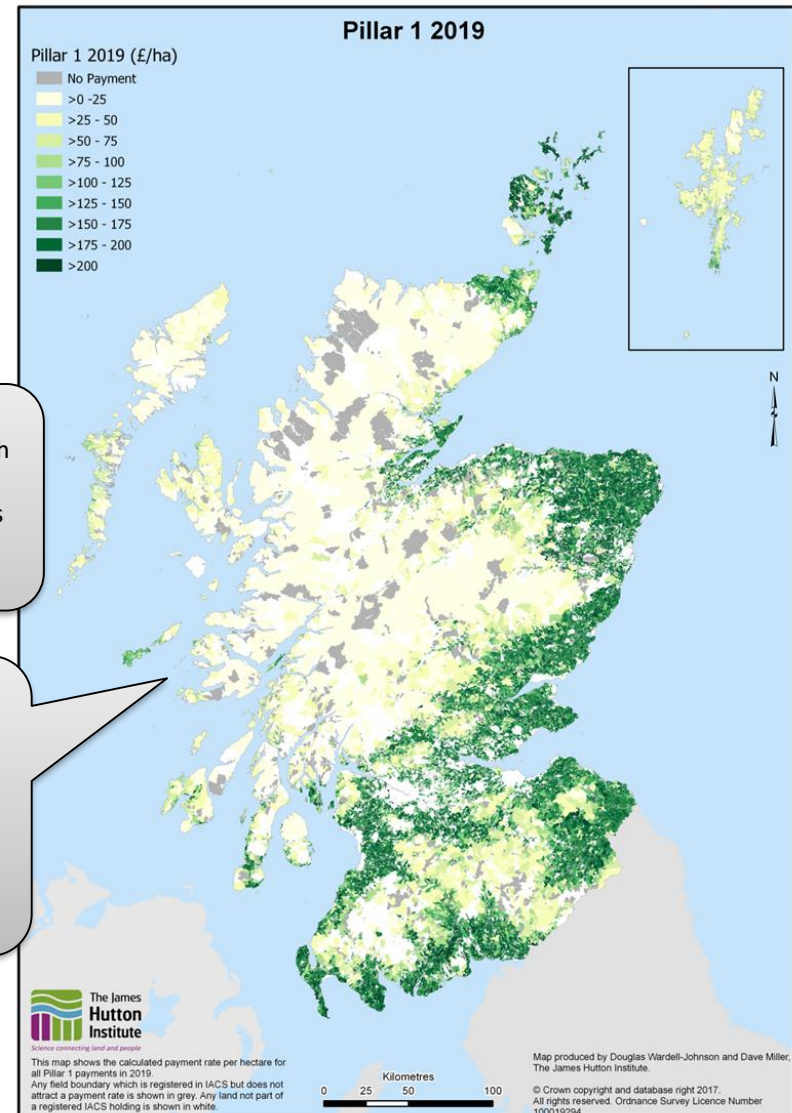
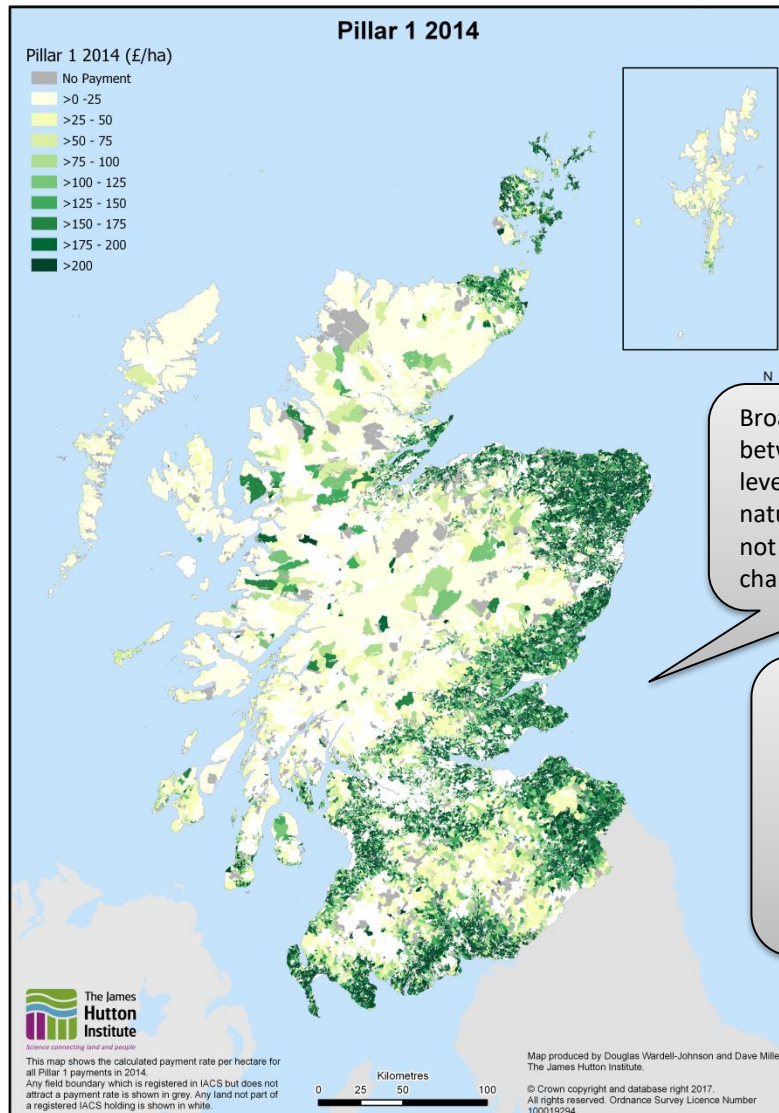
The chart highlights the range of payments present in each sector (driven by the variations in the size and land quality mix per business)



The middle (median) payment for each sector is at the interface between the green and purple bars. These bar encompass 50% of the businesses of each type and the tails 80%.



# Pillar 1 2014 and 2015/19



Broad similarity between maps at high level means the nature of support has not in aggregate changed radically

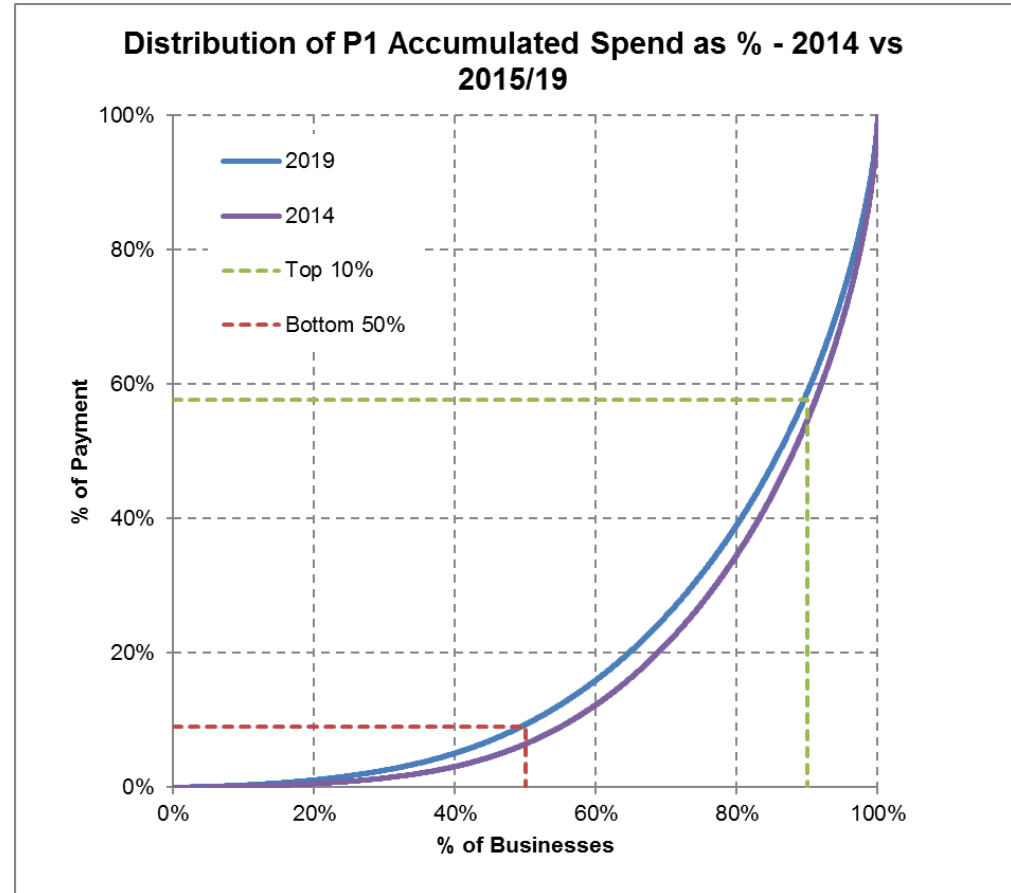
Most visible change the elimination of higher value payments on lower quality land (N&W) – but see change map on p14

- The 2019 estimates use the post-convergence values for BPS combined with 2015 values for all other P1 payments

# Change 2014 to 2015/19

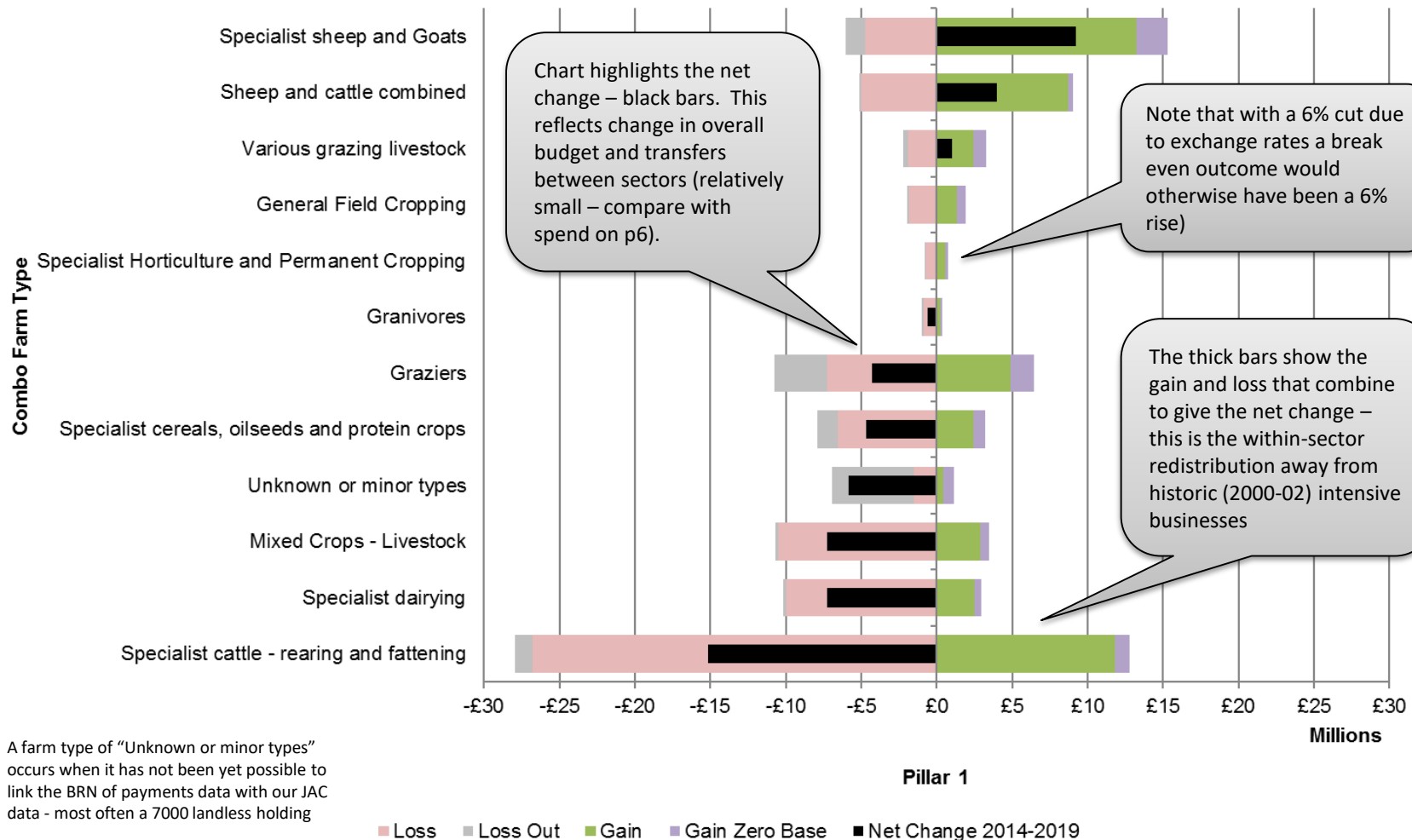
- Uses 2015 payments except for BPS – 2019 post convergence
- Graph of change in distribution of payments

Metric	2014	2019
Top 10%	£184M 45%	£155M 42%
Lowest 50%	£26M 6%	£35M 9%
Top 100	£32M	£23M



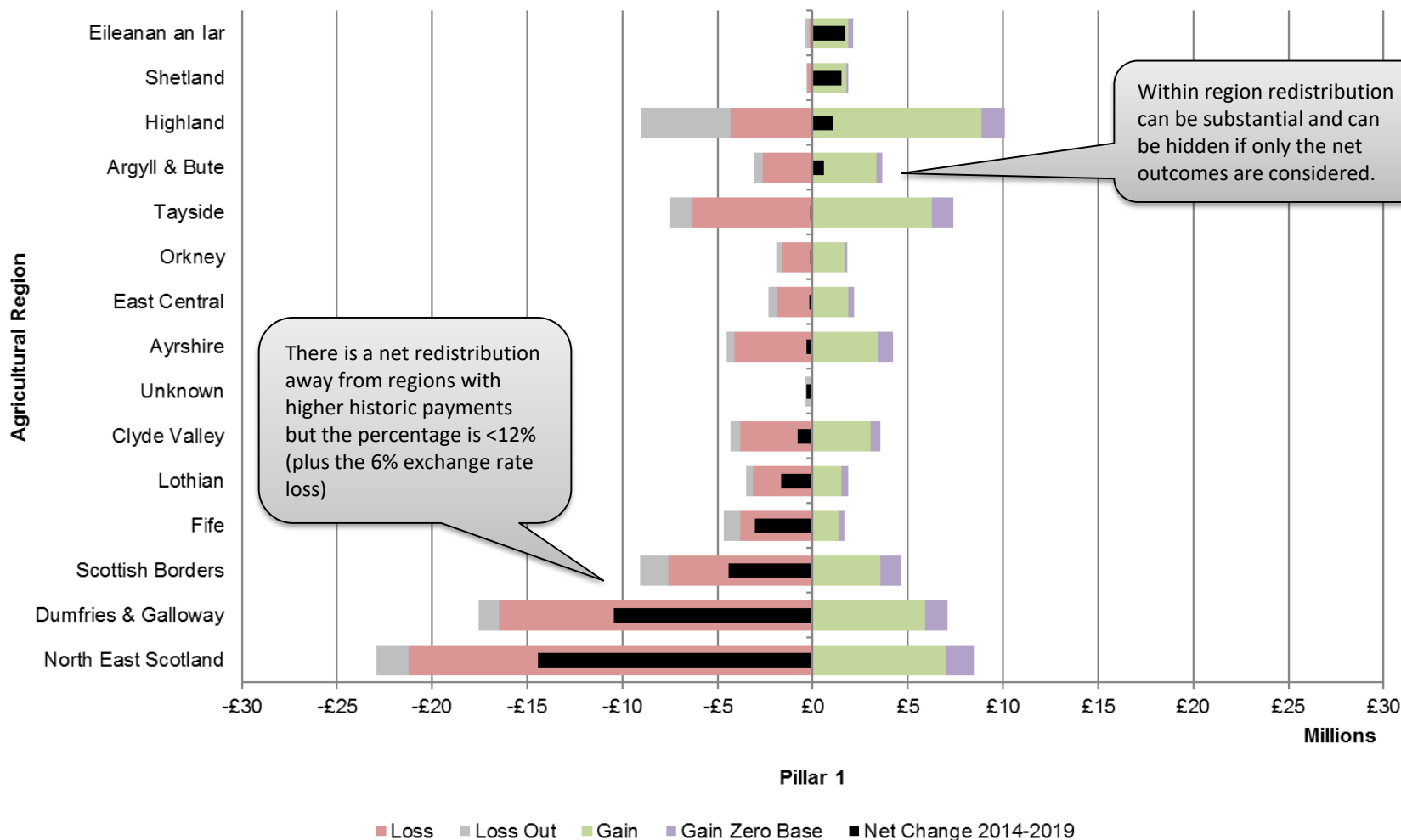
# Change – Sector - components

**Components of change in Pillar 1 payments between 2014 and 2019 per Combo Farm Type**

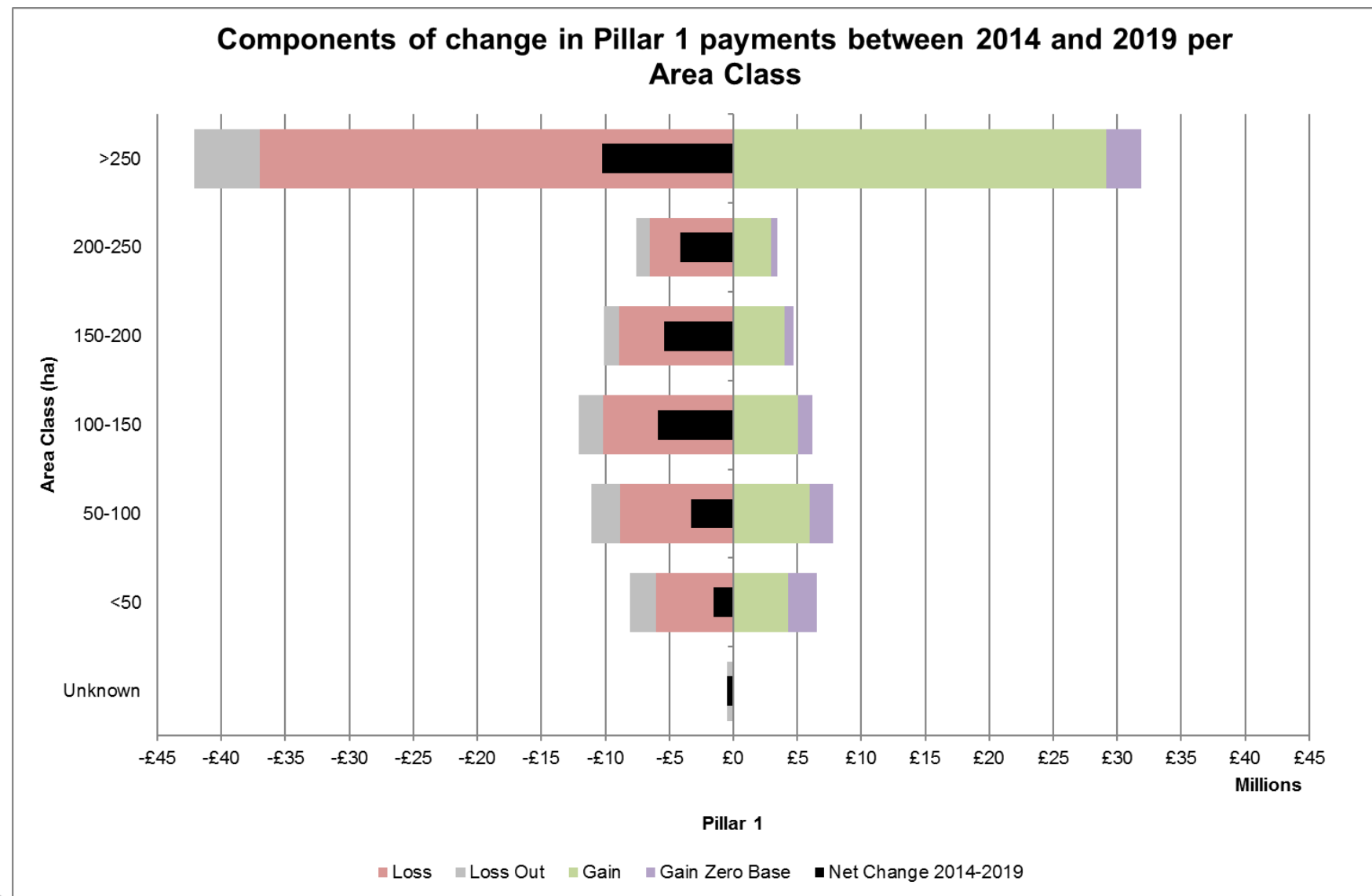


# Change – AgRegion - components

**Components of change in Pillar 1 payments between 2014 and 2019 per Agricultural Region**



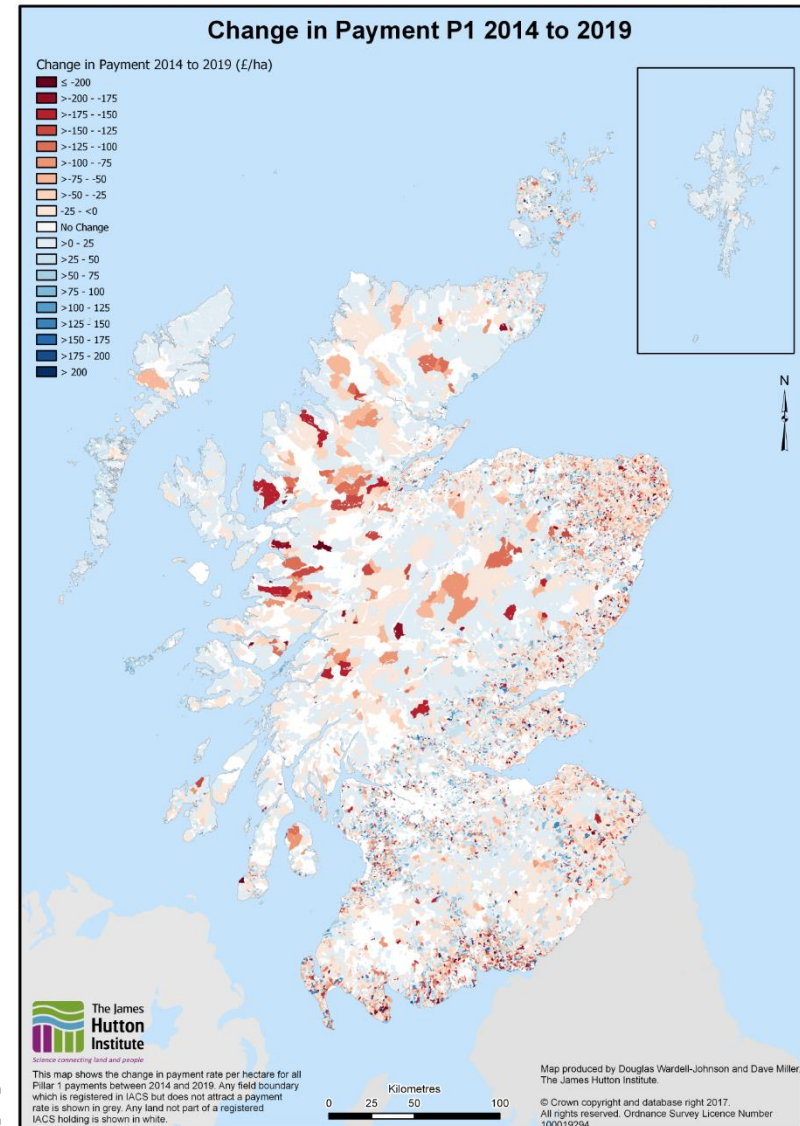
# Change – Area Class - components



A size class of "Unknown" occurs when no area is recorded against a BRN despite a payment being listed as having been either made or considered. These BRNs are included for consistency but require further data quality checks.

# Mapping Change – P1 '14 to '19

- The map shows the effects (as changes in payment per ha) after convergence to a fully area-based system with no historic element.
- The map highlights that any summary is simplifying a complex pattern of change in payments.
- Gain and loss are intimately mixed.
- Highlights the elimination of high rates per ha in NW and central highlands
- Possible to discern some sub-regional patterns – e.g. darker blues in upland fringes





# P1 – Significance of changes

- By linking with other data – can start to assess the impact of changes on the industry and monitor how it adapts

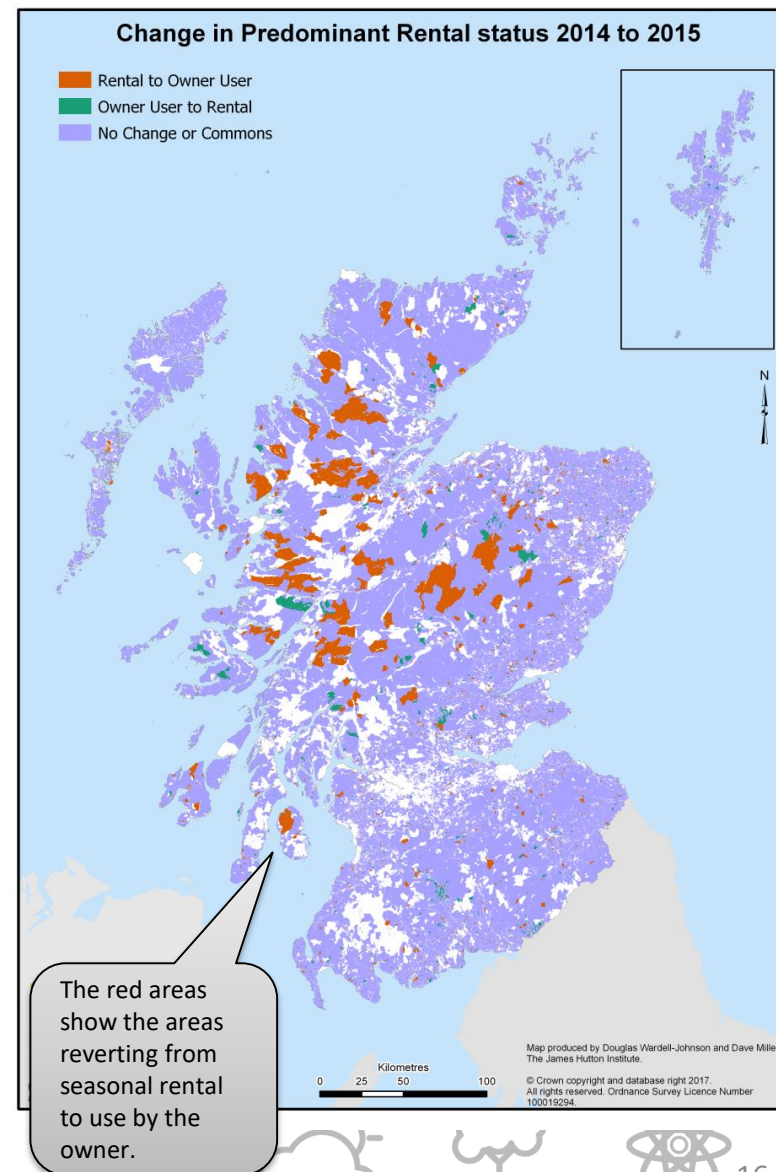
Businesses new or gaining*:	Commentary on the indicator
have 65% of Eligible Area;	a measure of the share of the actively managed land
are 56% of Businesses;	a basic measure of the number of entities affected
have 49% of Standard Labour Requirements;	an alternative measure of activity, potential employment
generate 43% of Standard Outputs;	a measure of the productive activity in terms of the cash value of outputs
manage 42% of all Livestock Units;	an alternative measure of activity, livestock specific
manage 36% of all Cattle.	as above, more specific but harder to interpret outcomes in mixed systems

\*Note also these gains are against an exchange rate decrease of 6% between 2014 and 2015 so without that loss then the share of gaining businesses would have been higher.

- Other possible indicators:
  - supports what % of households / employment?
  - generates what local multiplier?
  - provides what share of inputs to an agri-food supply chain?
  - contributes what to ecosystem functions or services?

# Structural Change

- Changes in areas eligible for payment:
  - ~175,000 ha – the area claimed in 2014 for claimants that leave (i.e. businesses making no claim in 2015)
  - ~45,000 ha – the net increase for claimants staying in (i.e. businesses claiming in both 2014 and 2015)
  - ~64,000 ha claimed by new claimants\* (i.e. businesses only claiming in 2015)
  - ~66,000 ha - the net reduction in claimed area between 2014 and 2015
- Change in the size of businesses: the net change in area for businesses
  - smaller by >5 ha is 434k ha
  - larger by >5 ha is 486k ha
- Seasonally let land taken back in-hand:
  - accounts for ~286k ha

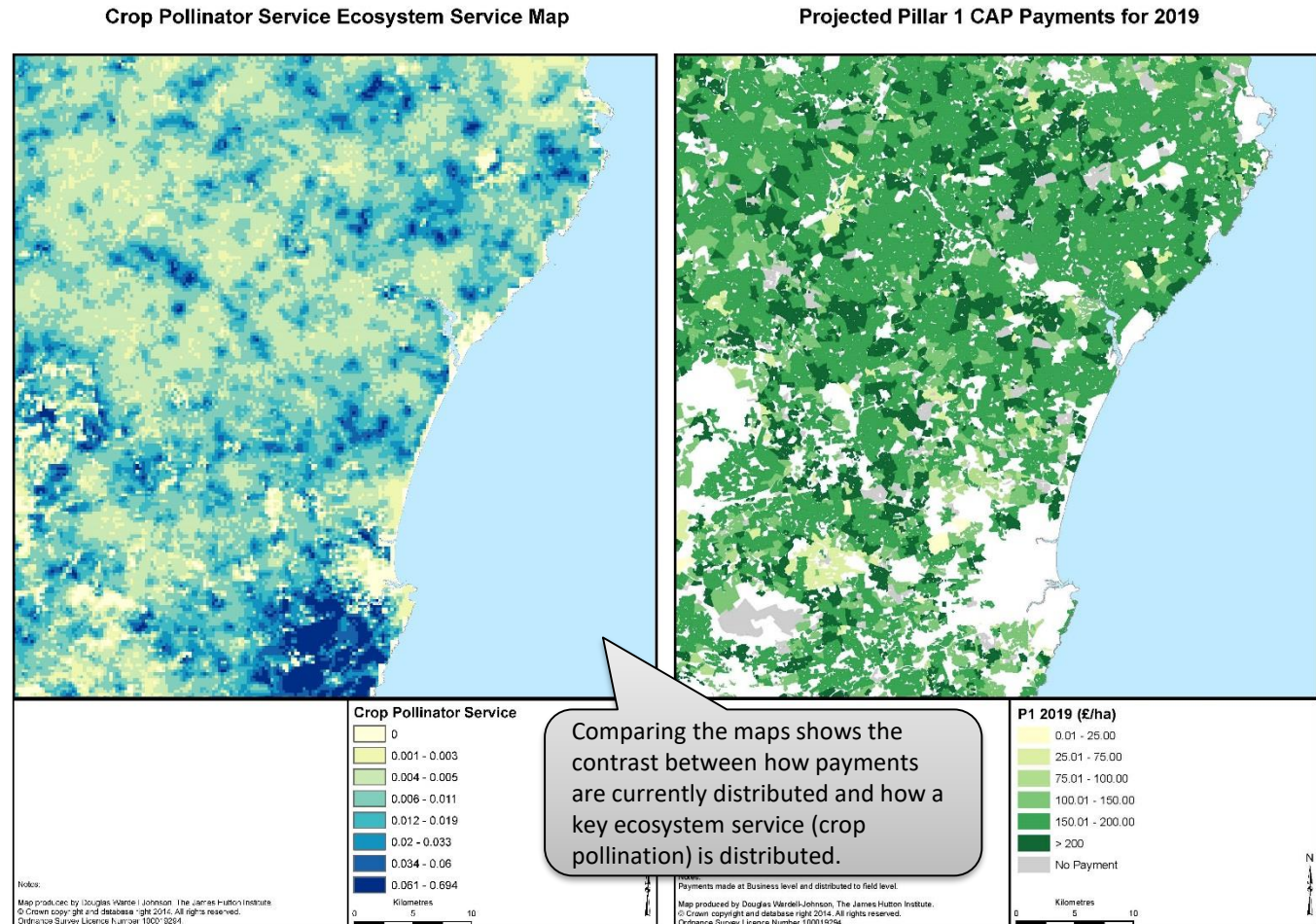


\*New claimants could be new businesses or those that previously did not claim for example as they lacked any entitlements



# Environment

- Putting future agricultural support in the context of the natural environment
- Mapping of Natural Capital and Ecosystem Services – is an active research topic.
- These maps show how land management influences ecosystem functions and services e.g. crop pollination.
- They could be used as a basis for regionalising or targeting future support.



Contact: Alessandro Gimona

<http://www.hutton.ac.uk/staff/alessandro-gimona>

# Socio-Economic Performance

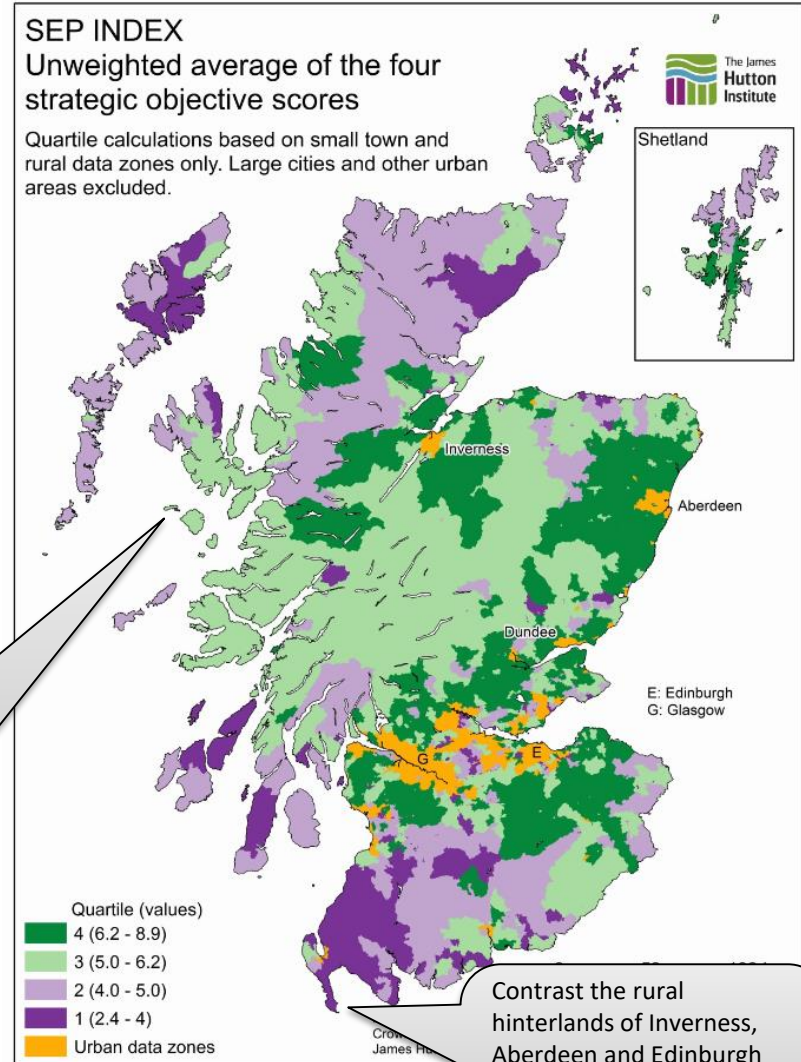
- Putting future agricultural support in the context of the wider rural economy
- Geography of socio-economic performance
- Alternative options for shaping where funding goes
- Rural Business Survey (SRUC)

Rural Business Survey will be available in Autumn 2017 and assesses the linkage between land based and other rural businesses and the consequences of policy and other drivers.

The maps shows an index of relative socio-economic performance for rural areas in Scotland, from the best performing (dark green) to the most disadvantaged (dark purple)

Contact: Andrew Copus

<http://www.hutton.ac.uk/sites/default/files/publications/SEP%20INDEX%20FINAL%20REPORT%2020515%20-%20WEB.pdf>



Contrast the rural hinterlands of Inverness, Aberdeen and Edinburgh with the more isolated areas of the NW Highlands and Islands or the SW of Scotland

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The James Hutton Institute is supported by the Scottish Government's  
Rural and Environment Science and Analytical Services Division (RESAS)

