AGRICULTURAL REFORM PROGRAMME REGIONALISATION OPTIONS
Project Overview

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Introduction

- **Context**
  - Analysis to support SG policy deliberations on the Base (Tier 1) payments in post 2026 schemes.
- **Purpose**
  - Define and communicate the state of play for regions – shape of the system as it stands.
  - Test regionalisation options
  - Place Base (Tier 1) in the context of other schemes (e.g. Less Favoured Areas, & VCS)
- Draws on **previous work**
  - Strategic Research Programme (2022-27 and earlier 2016-22)
  - EARS regionalisation scenario analysis (2023)
  - Analysis of Enhanced Conditionality Measures (2023)

"… *the outcomes for an EC based scheme would be determined in, large measure, by the distribution of funds across Scotland and that this would be set by budget and region decisions (number and definition), their interactions with other measures such as voluntary coupled support (VCS), and key region implementation options such as capping or front loading*".
Matthews et al (2023) **Enhanced Conditionality Synthesis Report**
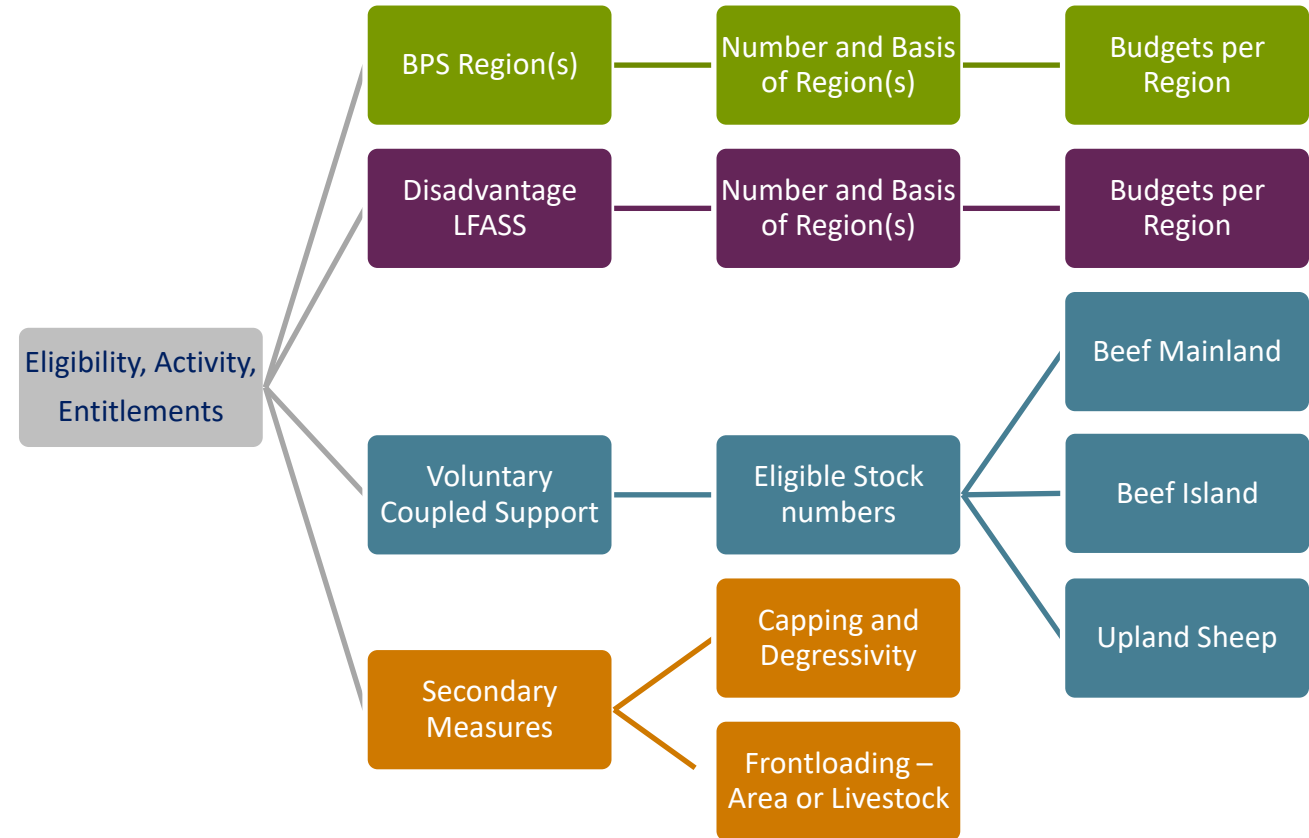
Outputs

- **Reports**
  - Synthesis Report and Stage slide decks/commentaries (4)
- **Dashboards**
  - Sets of visuals
    - More flexible, interactive, online
   - PowerBI link (requires registration)
- **Scenario Generation Tool**
  - Online (requires registration)
  - Components ⮌
  - Worked Example (manual)

Stages of Analysis

- **Baselines**
  - Stage 1: Part 1 - Areas and Payments
  - Stage 1: Part 2 - Characterisation (distributions)
  - **Scenario 0**
- **Scenarios**
  - Stage 2 – **BPS Scenarios**
    - Active Farmed Hectares – **Scenario 2**
    - 2 Region – **Scenario 4**
    - New 3 Region – **Scenario 6**
  - Stage 3 - **LFASS**
  - Stage 4 – all **Direct Payments**

2022 Payments per ha for BPS, LFASS and VCS

4
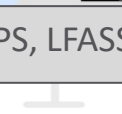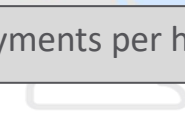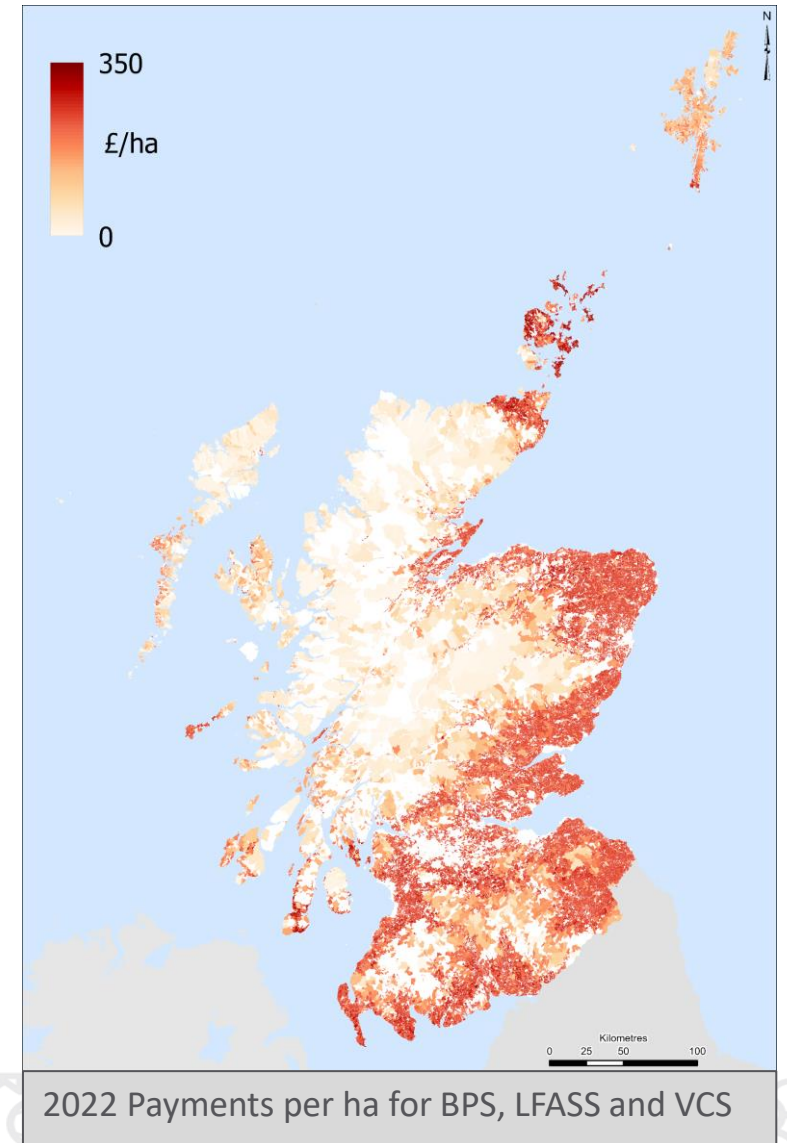
Stage 1 - Baseline Areas

- **Areas**

Area Type	Area (ha)
Land Use	5.69M
BPS Claimed	3.96M
Net Entitlements	3.72M
LFASS Claimed	2.82M

- For each – Region ⮎ Farm Type, & Size Class

Land Type by Ag-Region
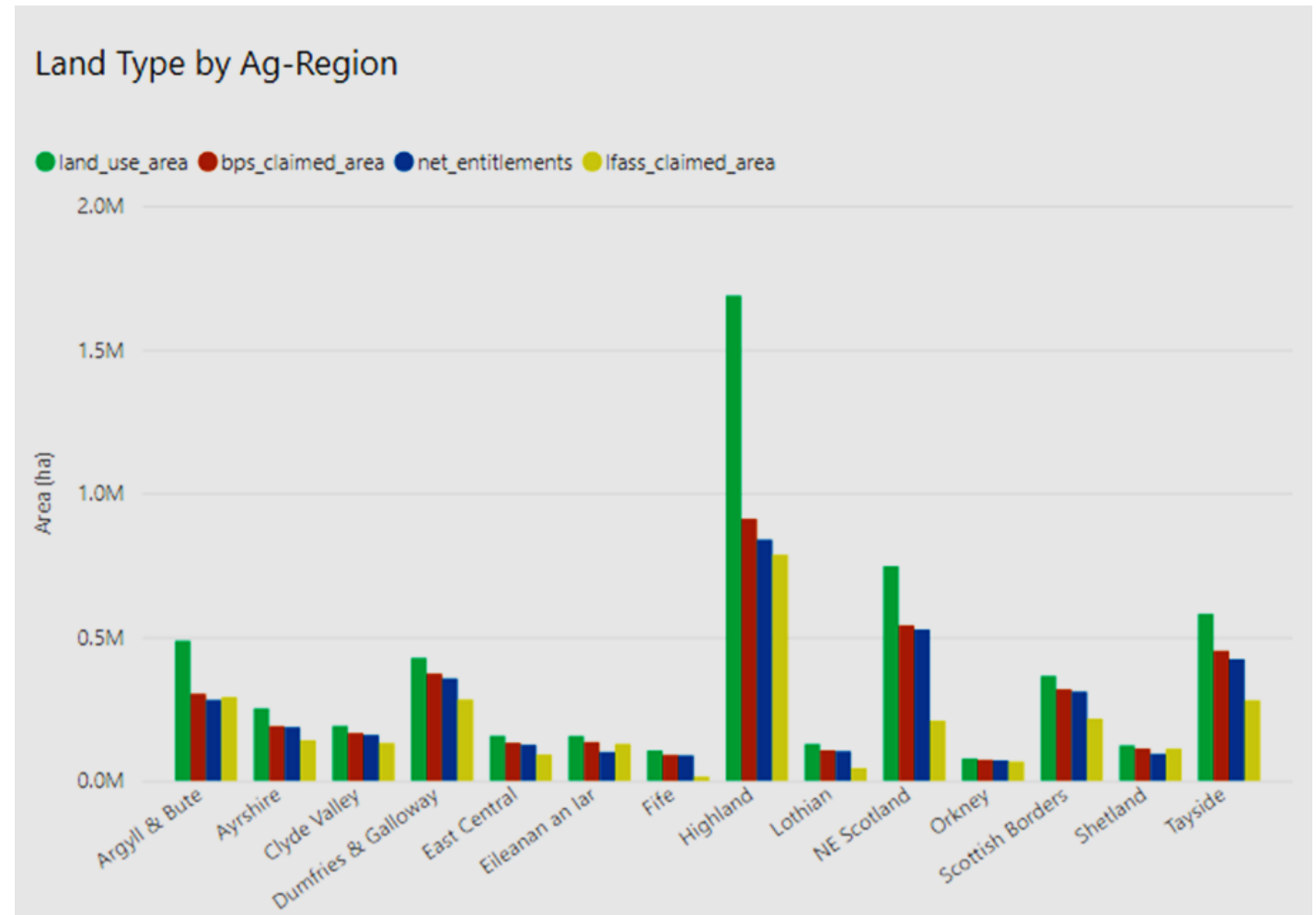
Stage 1 - Baseline Payments

- BPS regions - **Spend** on payments in those areas ➲

- Desk-based Review – *status quo* but changes would still be needed
  - Budget management
  - Entitlements
  - Limited options to include LFASS budgets
- Technical Review
  - Some change, but low impact

Spend per BPS region for each Agricultural Region - 2022
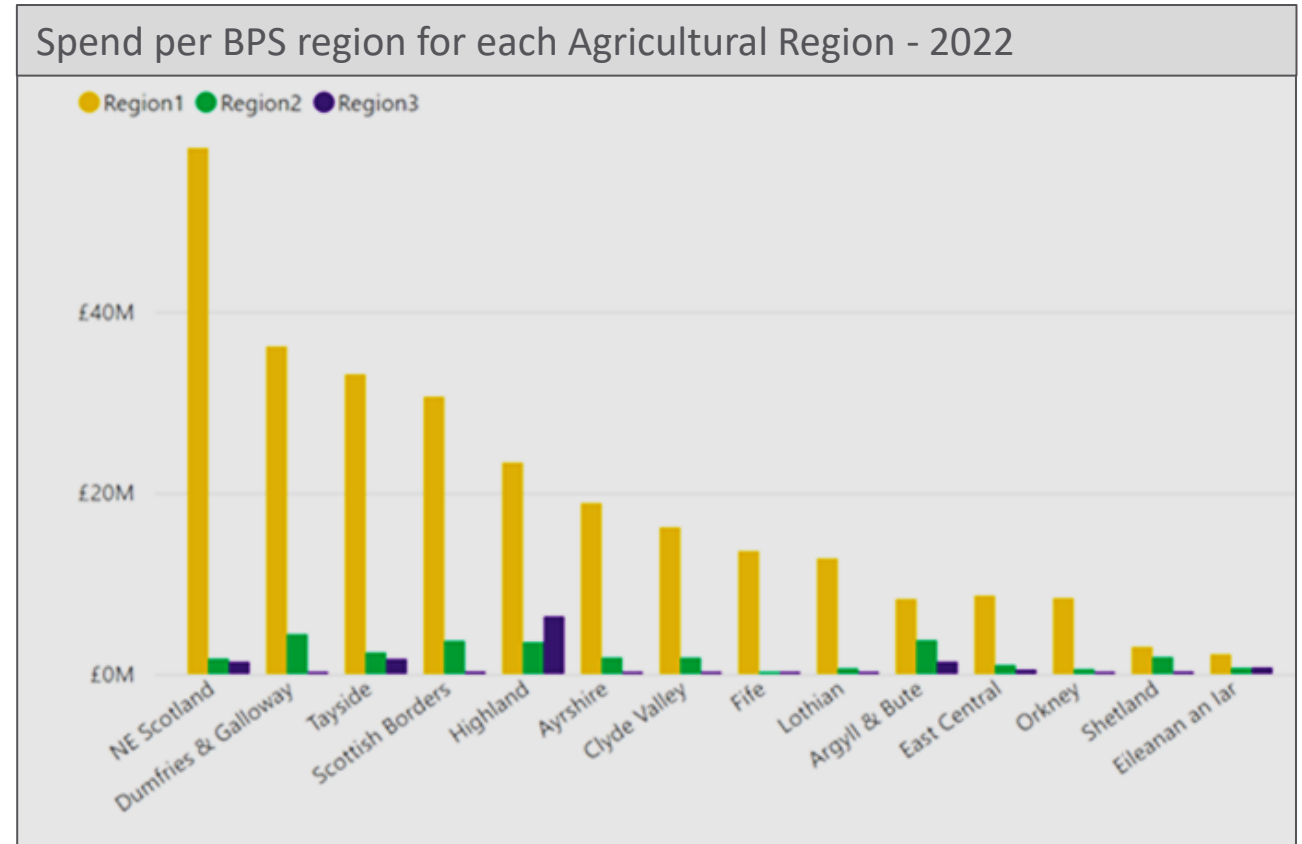
Region 1 - 87% of money to 43% of land area – can this deliver 87% of SG outcomes sought?

Stage 2 BPS - Scenario 2 - Active Farmed Hectares

- <u>No further analysis</u> – but…
- From EARS:
  - Potentially damaging pattern of redistribution (-24% from small (<50ha) businesses.
  - Single region – limits EC targeting
  - Stocking rates as implemented lacks nuance
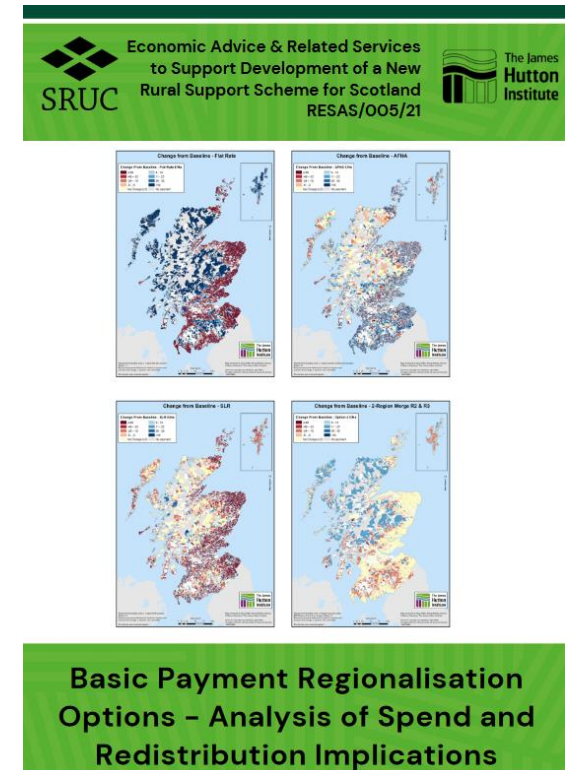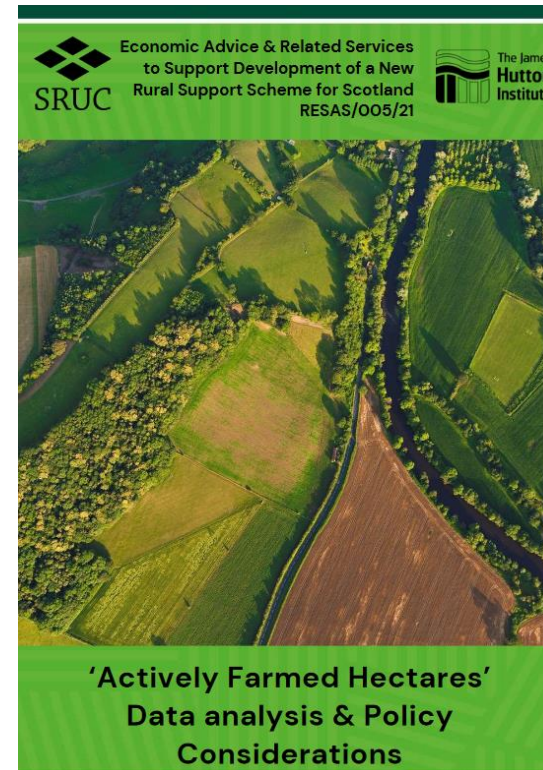 - Compliance issues
    - Link to current SR make a coupled payment
    - Potential need for quota to meet 'Blue Box'
- From SG Desk-based Review
  - Unavailable data– linking animals to land – especially across multi holding businesses
  - Limits on any further testing
  - Not compatible with existing IACS capabilities
- SG Technical Review – not considered

Economic Advice & Related Services to Support Development of a New Rural Support Scheme for Scotland RESAS/005/21

'Actively Farmed Hectares' Data analysis & Policy Considerations

Economic Advice & Related Services to Support Development of a New Rural Support Scheme for Scotland RESAS/005/21

Basic Payment Regionalisation Options – Analysis of Spend and Redistribution Implications

BPS - Scenario 4 - 2 Regions, Merge R2&3

- Current BPS Regions 2 and 3 (both **predominantly rough grazing** but with **differing payment rates**) are merged into a single region with a combined budget
- Region 1 – 1.7M ha & Region 2 - 2.25M ha
- The budget used for the Scottish Upland Sheep Support Scheme is also added to the new region's budget (variant of EARS S4)
- Desk-based Research
  - Peatlands alignment and **compatibility with Enhanced Conditionality** and revised LFASS
- Technical Review – very high impact.
- Need for a different sheep VCS scheme, social or environmental basis?

Distribution of Change in Payments (Count)

Count	Category
0.2K	More than 100% G...
0.1K	80% to 100% Gain
0.2K	60% to 80% Gain
0.3K	40% to 60% Gain
0.5K	20% to 40% Gain
1.4K	0% to 20% Gain
7.2K	No change
6.8K	0% to 20% Loss
0.8K	20% to 40% Loss
0.0K	40% to 60% Loss
0.0K	60% to 80% Loss
0.0K	80% to 100% Loss
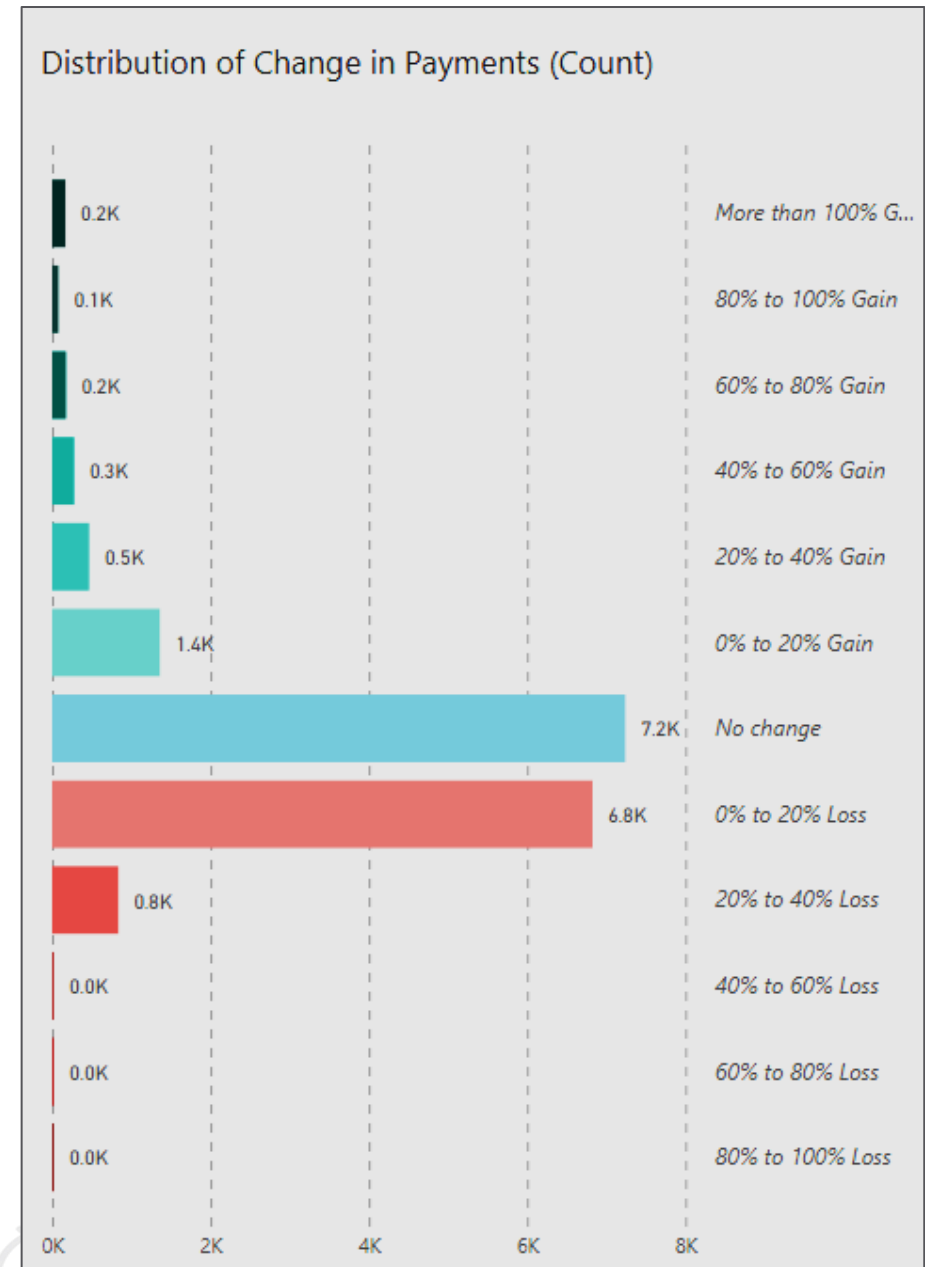
BPS – Scenario 6 – New 3 Region

- Merge BPS Regions 2 & 3 (as S4)
- Split of Region 1 – Arable vs. Grassland
  - Two conceptually distinctive regions
  - Options for how to treat TGRS ➲
- Outcomes - same payment rates for new Region 1 and 2 so same payment distribution as 2 Region (S4)
  - Rates could be varied
- **SG Desk-based Research** – flexible and aligns with Enhanced and Disadvantaged support
- **SG Technical Review** – very high impact

Two options for splitting BPS Region 1 - treating Temporary grassland (<5 years) as Arable (a) or Grassland (b)

R2 — 2.25M
R1_Grassland — 0.97M
R1-Arable — (a) TGRS incl. in Arable — 0.73M

R2 — 2.25M
R1_Grassland — (b) TGRS incl. in Grassland — 1.14M
R1-Arable — 0.57M

- Why differentiating within BPS Region 1 matters:
  - 87% of spend and
  - a diverse region, e.g. from Baseline Characterisations (Stage 1) Land Capability ➲
- 3 Region scenario can:
  - be used to better target EC expectations
  - better balance EC actions vs. funding

Land Capability for Agriculture – BPS Region 1 claimed area – 1.7M ha
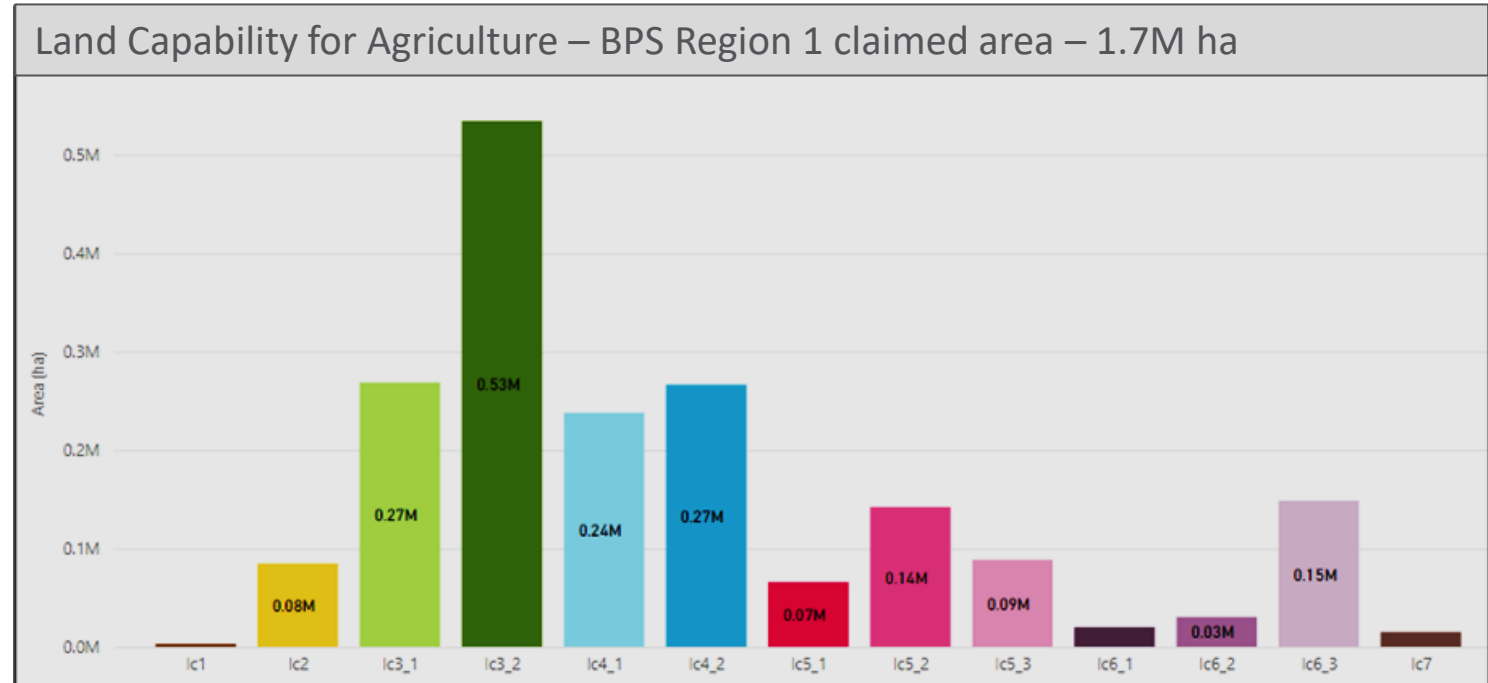
Stage 3 - Less Favoured Area Support Scheme

- **Scenario**: Flat LFASS
- Takes the current LFASS budget and allocates it across all the claimed LFA area
- Simplification, elimination of historic elements
- **Confirmatory only** as could anticipate the undesirable outcomes

Per farm type – gains, losses and net change for FlatLFASS scenario
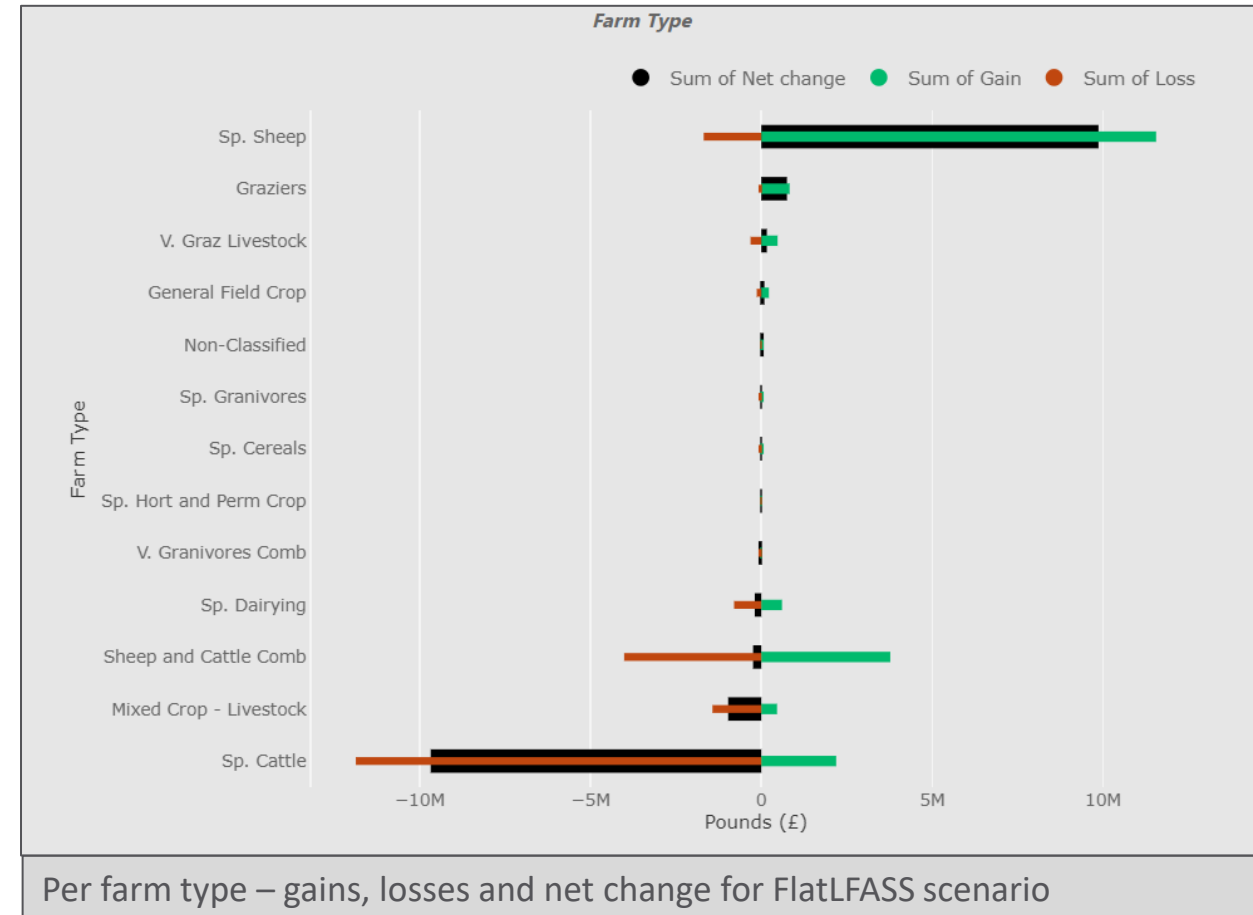
Stage 4 – All Direct Payments

- **Demonstration** of analytical capability of the Scenario Generator

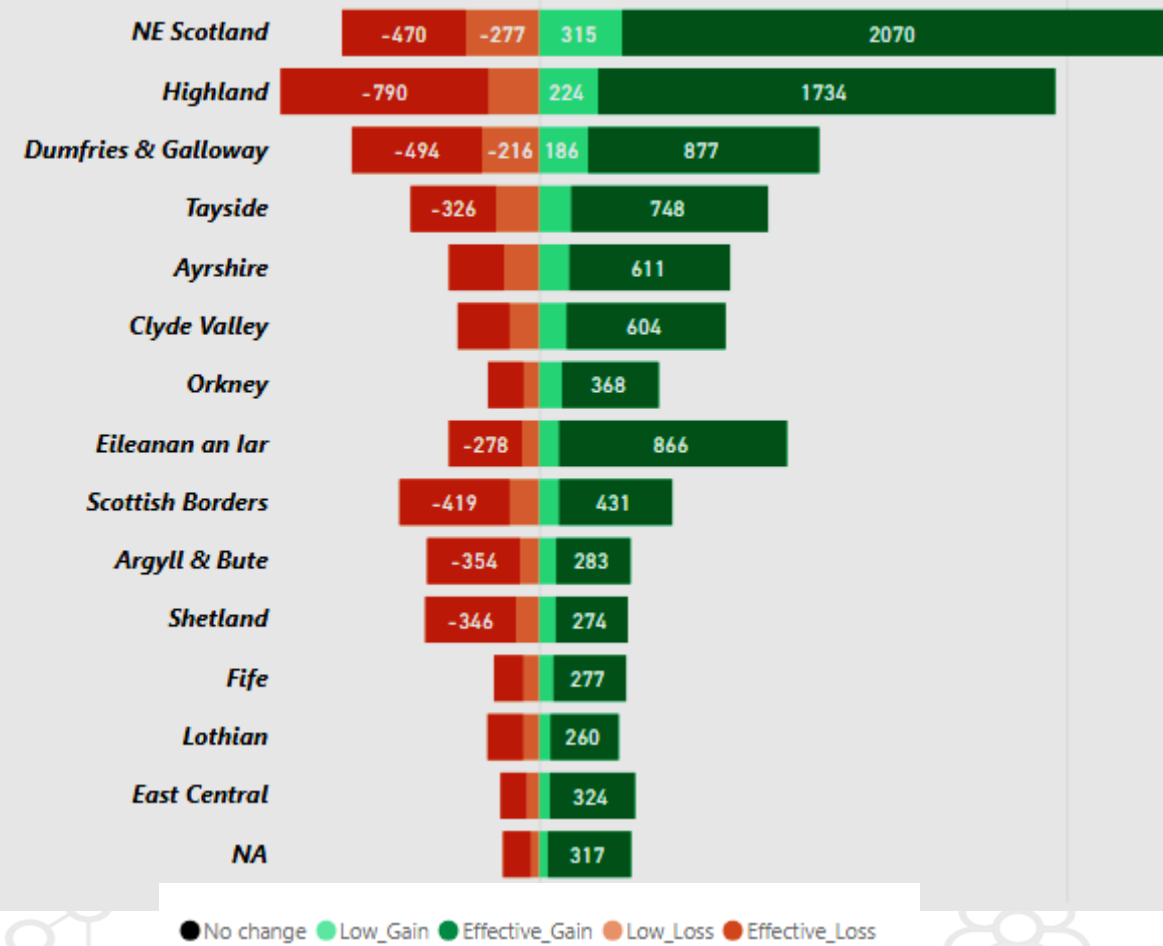- **Experiment** – can functions of LFASS be replicated by other means?
  - Simplify regions and eliminate historic elements (esp. stocking rates)
  - Mitigating any undesirable policy outcomes from Flat LFASS

- **Scenario -** *2 Region – No LFASS – Capped and Front Loaded*
  - LFASS budget delivered via
    - Uplift to Region 2 payments
    - Higher VCS payments
  - Capping and Front Loading

Counts of businesses gaining and losing from 2 Region – No LFASS – FrLd Threshold for Effective Gain or Loss was 5%

Region	Effective_Loss	Low_Loss	Low_Gain	Effective_Gain
NE Scotland	-470	-277	315	2070
Highland	-790		224	1734
Dumfries & Galloway	-494	-216	186	877
Tayside	-326			748
Ayrshire				611
Clyde Valley				604
Orkney				368
Eileanan an Iar	-278			866
Scottish Borders	-419			431
Argyll & Bute	-354			283
Shetland	-346			274
Fife				277
Lothian				260
East Central				324
NA				317

● No change ● Low_Gain ● Effective_Gain ● Low_Loss ● Effective_Loss

Completing the Regions analysis

- **Regions** – with <u>budgets</u> are the primary decision on where money end up – so are foundational.
- **Other Factors** – secondary
  - Eligibility, entitlements, activity
  - Capping – needed? - avoid windfalls or greater delivery requirements (economies of scale?)
  - Frontloading and/or Small Holders scheme
- **Other Schemes** - "the wider package"
  - LFASS – purpose and transparency
  - VCS - adding conditionality, e.g. calving intervals
- **Tiers**
  - Consider delivery to Tiers and to policy outcomes
- **Implementation**
  - Cooperation beyond single farms (T3?)
  - Advice (T4)
  - Monitor and Evaluation (T4)
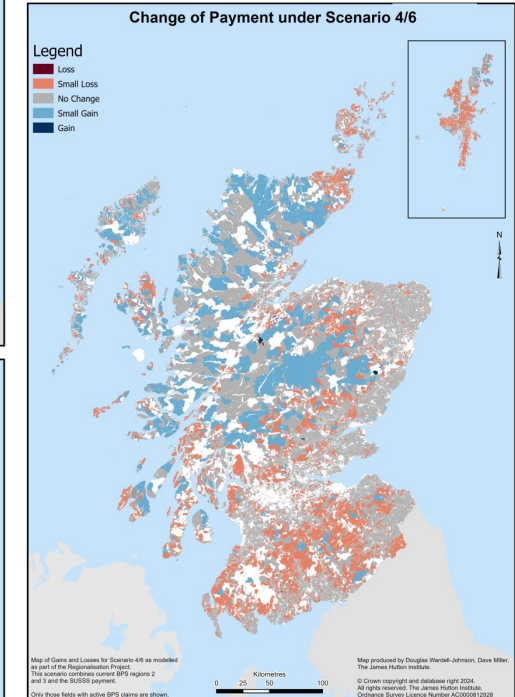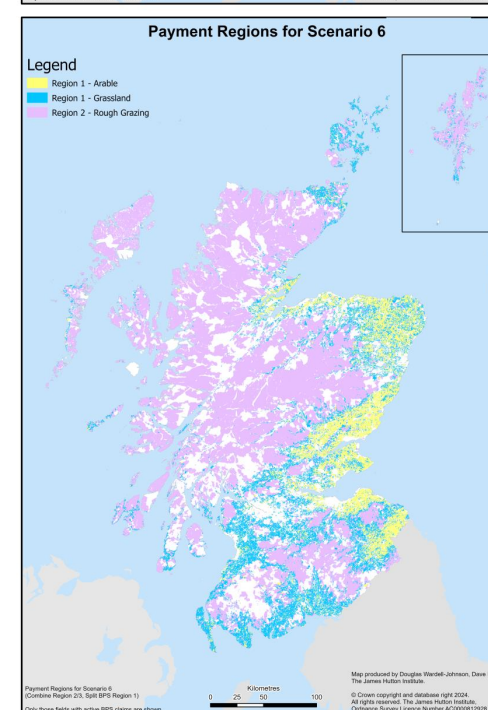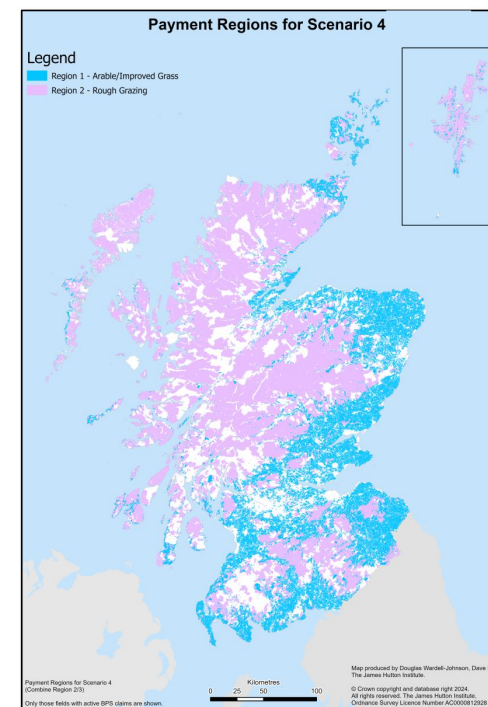
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Further research in the RESAS Strategic Research Programme 2022-27, in the Land Use Transformations (C3-JHI-1) and Land Reform (E3-JHI-1) projects.

Land Use Transformations - Storymaps Collection, with Land Use Change Scenarios, Adding Farm Structure to Land Use Change, Peatlands and Payments, Updating Peatland Condition Mapping , Updating Land Capability for Agriculture and Climatic Water Balance in Scotland.

Website for Agrometeorological Indicators across the UK under current and future conditions.

The Review of Land Ownership Data in Scotland.

Previous related analyses are from the Hutton Land Systems Research Team website - https://ics.hutton.ac.uk/research/land-systems-research-team/

The sets of slides and maps generated in Agriculture Policy analysis from 2010 onwards are available from - https://ics.hutton.ac.uk/research/land-systems-research-team/cap-analysis/

For woodland expansion analysis see - online mapping and paper.

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

Payment Regions for Scenario 4

Legend

- ■ Region 1 - Arable/Improved Grass
- ■ Region 2 - Rough Grazing

N

Payment Regions for Scenario 4
(Combine Region 2/3)

Only those fields with active BPS claims are shown.

Kilometres
0   25   50   100

Payment Regions for Scenario 6

Legend

- ■ Region 1 - Arable
- ■ Region 1 - Grassland
- ■ Region 2 - Rough Grazing

N

Payment Regions for Scenario 6
(Combine Region 2/3, Split BPS Region 1)

Only those fields with active BPS claims are shown.

Kilometres
0   25   50   100

Change of Payment under Scenario 4/6

Legend

- ■ Loss
- ■ Small Loss
- ■ No Change
- ■ Small Gain
- ■ Gain

N

Map of Gains and Losses for Scenario 4/6 as modelled
as part of the Regionalisation Project.
This scenario combines current BPS regions 2
and 3 and the SUSSS payment.

Only those fields with active BPS claims are shown.

Kilometres
0   25   50   100