

Scotland's Rural College

Concept Note: Scope for Redistributive Support in Scotland

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Concept Note: Scope for Redistributive Support in Scotland

Steven Thomson & Andrew Moxey (August 2022)

1. Articles 29 and 98 of the CAP Strategic Plans Regulation (EU) 2021/2115¹ introduced a mandatory requirement for EU Member States (MS) to allocate at least 10% of their direct support envelope to redistributive payments (Complementary Redistributive Income Support for Sustainability - CRISS). The premise is that these payments help direct increased payments to those that need it the most – small and medium sized businesses.

Article 29 Complementary redistributive income support for sustainability

Member States shall provide for a complementary redistributive income support for sustainability (redistributive income support') under the conditions set out in this Article and as further specified in their CAP Strategic Plans.

Member States shall ensure redistribution of direct payments from larger to smaller or medium-sized holdings by providing for a redistributive income support in the form of an annual decoupled payment per eligible hectare to farmers who are entitled to a payment under the basic income support referred to in Article 21.

Member States shall establish at national or regional level, which may be the level of the groups of territories referred to in Article 22(2), an amount per hectare or different amounts for different ranges of hectares, as well as the maximum number of hectares per farmer for which the redistributive income support shall be paid.

Article 98 Minimum financial allocations for the redistributive income support

At least 10 % of the allocations set out in Annex IX shall be reserved annually for the redistributive income support referred to in Article 29.

2. Should the Scottish Government wish to remain aligned the EU's CAP then consideration should be given to the rationale for, and potential delivery mechanisms, for such redistributive – front loading support. Even if the Scottish Government choose not to adopt redistributive support as part of future support – it is important that the model adopted has flexibility to adapt to redistribution should Scotland re-join the EU in the future.
3. In Scotland 10% of the direct payment ceiling is c. £45.8m in 2019. However there is a derogation that permits MS to account for redistributive effects of other direct support elements such as Scotland's SSBSSI, SSBSSM, SUSSS and any future capping, degressivity or internal convergence (e.g. merging of Regions 2 and 3). This reduces the overall budget ceiling for redistribution.

Differing Regional Redistributive Uplifts

4. Historic redistributive modelling² examined the impacts of allocating through percentage uplifts within the regions using a "best-first basis" on the first 54 hectares (the UK average). That is the best quality land was allocated the uplift first (e.g. region 1) followed by poorer quality land (e.g.

¹ https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2021.435.01.0001.01.ENG

² <https://macaulay.webarchive.hutton.ac.uk/LADSS/documents/capreform2015/French%20Analysis%20-%20v3.3%20Final.pdf>

region 2 then region 3) until an uplift was afforded each of the first 54 hectares of each claim. This ensured the maximum available uplift went to each recipient.

5. Different redistributive payment uplift rates across the current 3 region model is administratively burdensome to calculate: (i) the hectares eligible for redistributive uplifts within each region (ii) the base line payment rates per region and (iii) the redistributive uplift rate.

Single Region Model Uplift

6. The redistributive payment does, however, work well within a single region model – such as active farmed hectares. Here, as every ‘active hectare’ is supported at the same rate then allocating a proportion of the budget (10%-30%) on the first ‘X’ hectares of each claim is relatively straightforward, with the base payment rates a simple calculation of Total Budget / less Redistributive Budget divided by Total Active Farmed Hectares.

Multi Region Model – Single Redistributive Uplift Rate

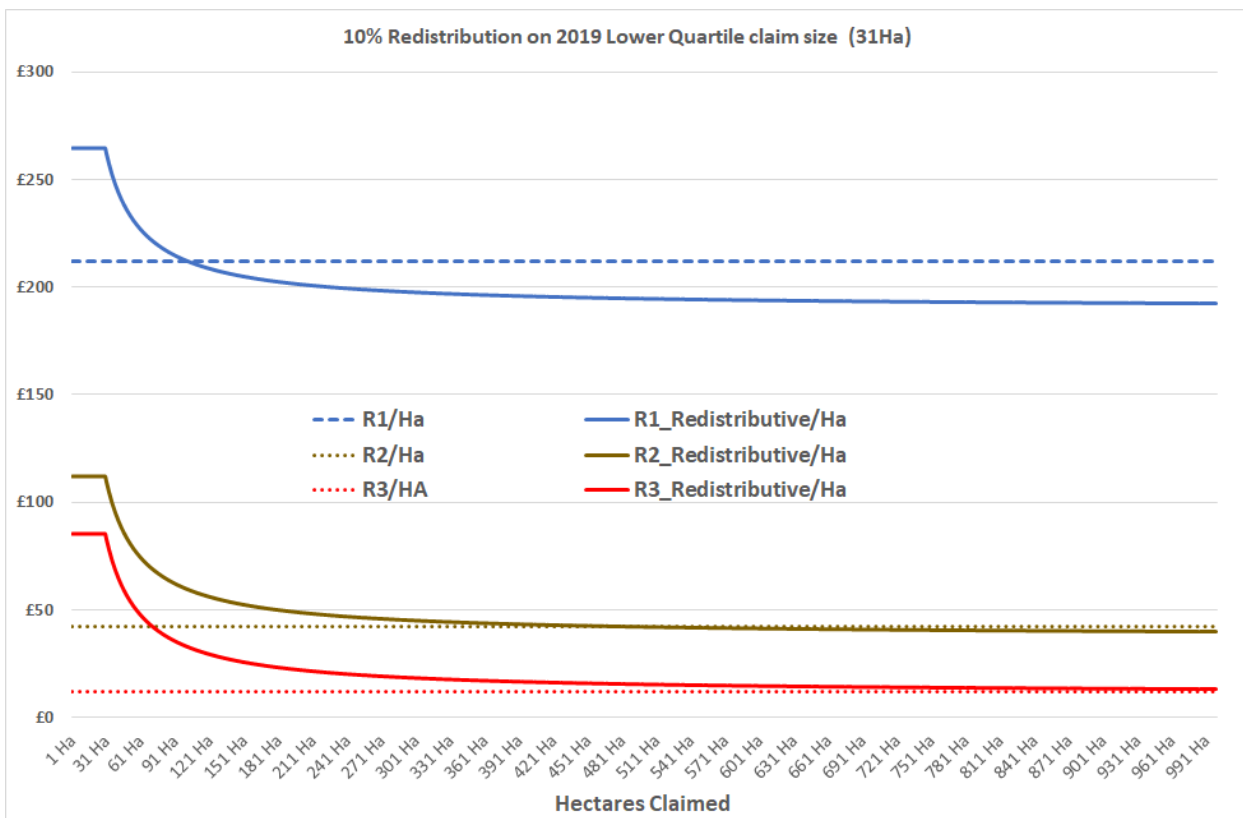
7. There is an alternative redistributive model, that could work with the existing 3-region model (or indeed any other multi-region model) and addresses EU priorities of supporting farm/croft incomes on land with poorest quality land. In this redistributive model we propose that 10% (or up to 30% - in line with the EU regulation) of the direct support budget (less coupled support that is already redistributing support monies) is used to provide a single payment rate redistributive uplift for the first X hectares of each claim
8. The lower the redistributive area threshold (e.g. lower quartile 2019 claim size – 31.5 Ha) the greater the uplift / reallocation afforded to small farms and crofts. If the policy aim was to minimise redistributive effects, then choosing a higher threshold (e.g. 2019 median claim size of 87 hectares) would reduce the redistributive effects from larger businesses/better quality land.
9. For example: In 2019 the size of the lower quartile claim was 31.5Ha with 4,812 recipients claiming less than this. The total area claimed by these businesses was c. 87k Ha with the remaining 14,430 claimants accounting for c.456k Ha as their first 31.5 Ha. Assuming 10% of the BPS and Greening budget (c. £40.4m) this would provide a flat rate redistributive uplift of c. £74.5 /Ha irrespective of Region. This would lead to real redistribution to both poorer quality land and also smaller recipients.
10. Table 1 provides an illustrative example of how this redistributive model could be funded and applied within the existing 3 region model.

Table 1 Illustrative redistributive rates

	2019 Rate	Claimed Hectares	10% Redistributive Budget	Adjusted Payment Rate*	Redistributive uplift on first 31 Ha
Region 1	£212	1.7m Ha	£35.9m	£190/Ha	£74.5
Region 2	£42	0.73m Ha	£3.1m	£38/Ha	£74.5
Region 3	£12	1.24m Ha	£1.5m	£11/Ha	£74.5
Scotland	£110	3.67m Ha	£40.4m	£99/Ha	£74.5
* basis for conditionality support					

11. Whilst this would largely funded out of the Region 1 envelope it is likely that if the uplift is allocated on a “best-first basis” that a significant proportion of the money would likely flow back to Region 1. In Matthews, et al. 2013³ redistributive analysis 46% of the ‘first 54 Ha’ was arable, 32% was permanent grassland and 21% was rough grazing. Whilst 88% of the illustrative redistributive budget above comes from Region 1, should this pattern hold true for the first 31 Ha it means there would likely be limited redistributions towards regions 2 and 3.
12. Figure 1 provides an illustration of how the front loading of support through redistributive payments impacts effective payment rates per hectare of land exclusively within a region (the reality is most claims will have a mix of regional payments). For region 1 land the front loading would provide an effective uplift to all recipients up to 105 Ha, whilst exclusively region 2 claims would receive effective uplifts up to 480 Ha and region 3 claims receive effective payment rate uplifts up to 1,788 Ha

Figure 1. Effective payment rates per hectare for different regional claim sizes with and without 10% redistributive support.



13. Such a redistributive scheme may negate the need for a small recipient scheme, albeit there remains merit in determining a threshold for which baseline farm planning etc need to be undertaken.

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³ <https://macaulay.webarchive.hutton.ac.uk/LADSS/documents/capreform2015/French%20Analysis%20-%20v3.3%20Final.pdf>