

Scotland's Rural College

Concept Note: Scope for an elective 'lite' Small Recipient Scheme (SRS)

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Concept Note: Scope for an elective 'lite' Small Recipient Scheme (SRS)

Steven Thomson & Andrew Moxey (July 2022)

Rationale

1. A large number of farmers and crofters in Scotland currently receive small amounts of agricultural support payments (in absolute monetary value and proportion of the budget). This reflects the small area of land they farm / croft, the quality of the land, and the small overall contribution to Scotland's agricultural output.
2. As Scottish agricultural policy evolves to better address the climate change and biodiversity emergencies, whilst supporting the food and drink sector and UK food security, the level of 'conditionality' – and hence red tape – is expected to ramp up over time. Administration of schemes require rules-based approaches and rigid compliance requirements, particularly in relation to tiered conditional support.
3. A single administrative approach that establishes the same application and compliance requirements on both the smallest and largest support recipients places a disproportionate burden and compliance cost on those in receipt of small sums. Any such disproportionate administrative burden may lead to the unintended consequence where some small farmers and crofters withdraw from the support framework / production. This may carry political risks, and risks to some national outcomes - particularly in relation to socio-economic contributions in remote and island communities.
4. Administration effort and costs for recipients of small support amount, including inspection checks, is disproportionately high in relation to the national outcomes delivered (climate change, biodiversity and food production). Scheme complexity will also evolve as 'conditionality' increases, meaning there is a plausible argument that an increased administrative focus (including monitoring) will be required on the larger recipients of public monies.
5. As such there may be merit in considering the inclusion of an elective 'Small Recipient Scheme' that has increased baseline payments (a percentage uplift similar to redistributive front loading), with a focus on animal health and welfare, peatland management and biodiversity. Such a simplified SRS could have reduced entry requirements (i.e. no whole farm plan, carbon audit requirements) with no enhanced 'conditional' tier. An alternative approach to providing uplifts would be in combining Region 2 and 3 and creating uplift through that means – potentially funded from Region 1 budget.
6. By this SRS as an elective option (with a maximum threshold set – e.g. at £5,000 BPS +Greening support) it means that crofters and farmers in receipt of small support amounts can choose which scheme they will enter – this 'lite' scheme or the full conditionality scheme. This offers recipients choice, has the benefit of introducing a redistributive uplift for any of the regionalisation models being considered (including the current 3 region model), reduces administrative burdens, and has less onerous conditions on small recipients.

7. Elective uptake of a small recipient scheme would not preclude recipients from entering, for example, VCS support schemes or elective payments. Indeed, if there was a small recipient scheme then any VCS conditions could reflect the fact that many are likely to be biodiversity grazers, and again have less onerous performance conditions.
8. It is likely that such an SRS would continue to contribute to National Outcomes, yet make sure that the heavy lifting on climate change, biodiversity, the wider environment, and food production is done by the larger recipients of public support – reinforcing messages that the delivery model for, and expectations of, larger recipients will differ and will need changes to many existing farming practices.

Article 28 EU 2021/2115¹ - Payments for small farmers

*Member States may **grant a payment to small farmers**, as determined by Member States, by way of **a lump sum or of amounts per hectare replacing direct payments** under this Section and Section 3 of this Chapter. Member States shall design the corresponding intervention in the CAP Strategic Plan as **optional for the farmers**.*

*The annual payment for each farmer shall not exceed **EUR 1 250**.*

*Member States may decide to set **different lump sums or amounts per hectare linked to different area thresholds**.*

9. Moreover such an SRS could be a vehicle to deliver specific targeted redistributive uplifts to the smallest recipients – again in line with EU rules on ‘redistributive income support’. The SRS provides a vehicle to ensure redistributive ‘front loading’ can be targeted using higher redistributive rates for SRS recipients. Such increased targeting of redistributive support to SRS recipients would therefore address EU Commission criticisms of some Strategic Plans where all recipients receive redistributive support (similar to the way the BPS is allocated in Wales) rather than providing uplifts to just small farmers.

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.*

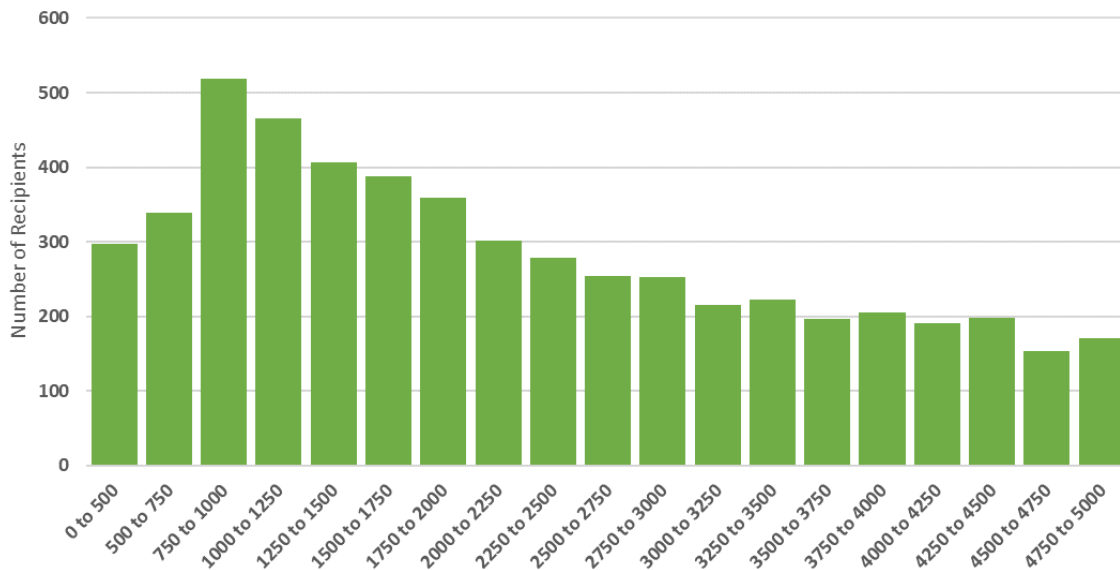
*Member States shall **establish at national or regional level**, which may be the level of the groups of territories referred to in Article 22(2), **an amount per hectare or different amounts for different ranges of hectares**, as well as the **maximum number of hectares per farmer for which the redistributive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

10. Such an SRS would be aligned to the principles of EU’s CAP model on simplified small holder schemes. Whilst the EU establishes a limit of €1,250 for such a schemes it is likely meritorious

¹ <https://eur-lex.europa.eu/eli/reg/2021/2115/2022-04-22#toclid43>

to extend the scope of such a Scottish SRS to include recipients receiving more – thereby minimising administrative costs and burdens that can deliver ‘simplification’. Chart 1 illustrates the frequency distribution of 2019 BPS and Greening support payments under £5,000.

Chart 1 Frequency distribution of 2019 BPS & Greening <£5k



Potential extent of SRS threshold scheme?

11. Table 1 illustrates that a not-inconsiderable number of businesses could potentially benefit from a ‘lite’ small recipient scheme. Between c. 2.6k (14%) and 6.4k (33%) recipients were in receipt of BOS and Greening support of between £1,250k and £5k in 2019 respectively. This equated to between 0.3% and 2.6% of BPS and Greening budgets in 2019 totalling c. £1.3m to £11.7m depending on the SRS threshold (c. £2.6m and £16.5m including LFASS).

- At the £1,250 threshold 2,620 recipients in 2019 accounted for c. 1.8% sheep, 1.2% cattle, 1.1% pigs, 2.2% poultry, 0.5% crops and fallow, 11.5% rough grazing and 8.8% total farmed area.
- At the £5k threshold 6,413 recipients in 2019 accounted for c. 6% of sheep, 2.8% cattle, 2.3% pigs, c. 8.8% poultry, c.1.2% crops and fallow, c.13.7% of rough grazing and c.11.3% of total area.

12. This initial concept note sets out the rationale for a SRS in Scotland that can reduce administrative burdens for the Scottish Government, whilst delivering a simplified support scheme for small recipients in alignment with EU principles. More detailed analysis using IACS data and other integrated databases can provide more detailed analysis than presented here.

Table 1 Estimated payments, cropping and stocking on BRNs in recipient of less than £4k and £5k Direct Support in 2019

	<£1,250 BPS & Greening		<£3,000 BPS & Greening		<£4,000 BPS & Greening		<£5,000 BPS & Greening		Scotland
Number of BRNs	2,610	14.2%	4,850	26.3%	5,689	30.8%	6,413	34.7%	18,491
BPS	£845,542	0.3%	£3,856,105	1.4%	£5,790,897	2.1%	£7,914,919	2.9%	£271,910,897
GREENING	£436,434	0.3%	£1,976,833	1.4%	£2,968,776	2.1%	£4,044,097	2.9%	£138,921,938
BPS + Greening	£1,281,976	0.3%	£5,832,937	1.4%	£8,759,673	2.1%	£11,959,016	2.9%	£410,832,834
SSBSSI	£40,756	0.7%	£129,086	2.2%	£187,031	3.2%	£269,280	4.6%	£5,900,301
SSBSSM	£350,447	1.0%	£570,919	1.7%	£752,619	2.2%	£908,622	2.7%	£34,189,295
SUSSS	£169,129	2.4%	£412,147	5.8%	£548,102	7.8%	£647,573	9.2%	£7,048,043
Total Direct Support	£1,842,309	0.4%	£6,945,090	1.5%	£10,247,424	2.2%	£13,784,491	3.0%	£457,970,473
Total Direct Support + LFASS	£2,609,810	0.5%	£8,675,280	1.7%	£12,474,731	2.5%	£16,514,274	3.2%	£508,787,405
Livestock Units	25,931	1.3%	47,819	2.5%	62,839	3.2%	76,986	3.9%	1,950,790
Standard output	28,450,151	1.2%	46,304,881	1.9%	60,484,720	2.5%	72,562,446	3.0%	2,400,636,757
Standard Labour Requirement	1,133	2.2%	1,925	3.8%	2,524	5.0%	2,875	5.7%	50,558
Sheep	113,914	1.8%	242,363	3.8%	308,234	4.8%	384,589	6.0%	6,390,866
Breeding Ewes	44,094	1.8%	94,812	3.9%	121,223	4.9%	151,493	6.2%	2,462,400
Total Cattle	19,744	1.2%	31,926	1.9%	39,906	2.3%	48,330	2.8%	1,702,708
Female dairy cattle with offspring aged 2 yrs and over	2,482	1.4%	2,533	1.5%	2,576	1.5%	2,636	1.5%	173,917
Female beef cattle with offspring aged 2 yrs and over	4,488	1.1%	8,053	1.9%	10,574	2.6%	13,131	3.2%	414,039
Pigs	3,080	1.1%	3,537	1.2%	4,117	1.4%	6,723	2.3%	288,750
Poultry	133,944	2.2%	225,856	3.7%	527,546	8.6%	536,206	8.8%	6,109,218
Total Crops and Fallow	2,500	0.5%	4,051	0.7%	5,074	0.9%	6,589	1.2%	552,204
Rough Grazing	290,386	11.5%	322,648	12.8%	335,188	13.3%	346,250	13.7%	2,519,023
Total Area	412,252	8.8%	474,579	10.1%	502,868	10.7%	531,794	11.3%	4,687,369

Data based on 2019 JAC data from tables derived for calculation sectoral envelopes

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