

# PARLIAMENTARY STATEMENT ALLOCATING CONVERGENCE FUNDING TO SCOTTISH FARMERS AND CROFTERS 1 NOVEMBER 2019

## SUPPORTING INFORMATION

Figures are rounded to whole numbers.

### Current Payments and convergence

1. Currently CAP funding is allocated through Pillar 1 (direct support) and Pillar 2 (Rural Development) mechanisms.
2. For CAP 2014 – 2020 the EU decided that Pillar 1 funding would move from a historic production basis to an area-basis over the six-year period. At the same time, Pillar 1 payments would have to converge on either a national or regional average rate per hectare – this was called internal convergence. Scotland decided on a 3 Region split based on land quality with the best quality land in Region 1 achieving a higher rate per hectare than Region 2 (the next highest) or Region 3 (the lowest rate). The rationale for the split was to avoid disproportionate overcompensation of farmers in Region 2 and 3. In addition, there were concerns that businesses would acquire and claim potentially eligible “naked acres” in Region 3 thus diluting payments to more active farmers.

Table 1. Current (2019) Payment rates per hectare by region compared to the EU average

2019 flat payment rate €/ha (Basic Payment plus Greening)			2013 EU Average €/ha
Region one 244.39	Region two 48.41	Region three 14.48	€268
91%	18%	5%	% of EU average
23.61	219.59	253.52	Shortfall (€/ha)

3. Under current arrangements around 10% of Scottish Pillar 1 funding is allocated to Voluntary coupled support: the Scottish Suckler Beef Support Scheme (SSBSS) and the Sheep Upland Sheep Support Scheme (SUSSS).

### Delivery and basis of payment calculations

4. Delivery of the money to farmers and crofters as quickly and efficiently as possible necessitates a data driven approach using existing information held on qualifying recipients - any application based scheme would not be able to be designed and administered in the necessary time scales to allow this funding to be allocated in the current financial year.
5. It is proposed that the eligible population of CAP recipients be the current active farmer cohort (business reference numbers (BRNs)) based on existing eligibility criteria. Individual payment calculations will be based on the most recent validated data available for that BRN.

### Overview of proposals

6. There are two main elements proposed to distribute the historic convergence funds in the first payment. These proposed components allocate the funds in line with convergence principles and reflect the expectations of all interests in the sector.

### Area Based Support

7. The bulk of the funding (£65m) will be distributed on an area basis with a proportion being applied across the three basic payment regions (£52m) and an additional component of the payment for businesses farming Scotland's most constrained land (£13m).

8. A large number of potential options to allocate the funding have been considered. These options were narrowed down to a payment composed of a payment region based allocation for all BPS recipients with an additional allocation for those farming the most constrained land based on eligible LFA hectares taking account of the grazing capacity of the land.

9. The basic payment region allocation proposed is based on the convergence principle of distributing more of the money into regions 2 and 3 than the status quo. The proposed split is 50%, 35% and 15% to R1, R2 and R3 respectively.

10. Setting the region 1 rate to 50% of the spend was chosen to reflect the strength of feeling within the industry that the money should predominantly be distributed to regions 2 and 3. Going lower than 50% for region 1 results in disproportionately large payments to those with large holdings of region 2 and 3 land.

11. To illustrate the effect of this rate and put it in context table 2 sets out the effect of the rate and the spend of this proposal set against the status quo (i.e. the 2019 split of monies across the payment regions) and the NFUS proposal which has been widely discussed.

Table 2 Outcome of proposed Region Rate split allocation.

Y1		%	Spend (m)	Rate per hectare	% increase from original rate
Original split	R1	87%	£45.6	£27.59	19%
	R2	9%	£4.7	£6.19	19%
	R3	4%	£2.1	£1.68	18%
Convergence	R1	50%	£26.2	£15.86	11%
	R2	35%	£18.4	£24.09	75%
	R3	15%	£7.9	£6.28	67%
NFUS proposal	R1	75%	£39.3	£23.79	16%
	R2	13%	£6.6	£8.60	27%
	R3	13%	£6.6	£5.24	56%

12. The maps at Annex A shows the distribution of the area based spend across Scotland of the proposed area based payments.

### **Voluntary Coupled Support (VCS)**

13. Coupled support, which is an optional element within the current CAP, and Scotland currently allocates 10% of the pillar 1 ceiling, after pillar 1 to pillar 2 transfer. Applying this to the convergence funding provides £15 million for VCS.

14. Applying £15 million to the Scottish Suckler Beef Support Scheme (SSBSS) and the Sheep Upland Sheep Support Scheme (SUSSS) provides the following allocation:

- |     |                |      |
|-----|----------------|------|
| 15. | SSBSS Mainland | £11m |
| 16. | SSBSS Island   | £2m  |
| 17. | SUSSS          | £2m  |

18. The CAP, as it is applied in Scotland, limits VCS support to 10% and it is therefore only possible to provide the proposed level of support via this mechanism. It is proposed that this be paid in a single payment in year 1 only based on the current payment rates of eligible BRNs. This provides the support to the livestock industry quickly.

### **Currency and payment**

19. Payments will be made in Sterling. Calculations and payments will be made by Rural Payments and Inspections staff for all eligible CAP recipients and there is no need for farmers and crofters to make any application to receive the payment.

**Convergence Uplift for the Median BRN**

Change compared to the 2018 payment position by Area Office (years 1 and 2 combined)

