Consultation on Options for future support to Areas of Natural Constraint

February 2016

Department of
Agriculture and Rural Development
www.dardni.gov.uk
AN ROINN
Talmhaíochta agus Forbartha Tuaithe
MÄNNYSTRIE O
Fairms an Kintra Fordèrin

INVESTORS IN PEOPLE

This document is also available on the DARD website at

https://www.dardni.gov.uk/consultations

Hard copies of this document and copies in other formats, e.g. large print, Braille disc, audio CD and other languages, can also be obtained from:

Policy and Economics Division
Department of Agriculture and Rural Development
Room 361A
Dundonald House
Upper Newtownards Road
Ballymiscaw
Belfast
BT4 3SB

Or, alternatively by:
E-mail: policy.development@dardni.gov.uk
Tel: (028) 9052 5451

ISBN 978-1-84807-601-3

TABLE OF CONTENTS

GLOSSARY/LIST OF ABBREVIATIONS **5**

SECTION 1 INTRODUCTION **7**

1.1 Purpose of the consultation **7**

1.2 Structure of the consultation document **7**

1.3 Background **7**

1.4 Why consult now? **8**

SECTION 2 CURRENT CAP SUPPORT REGIME **11**

2.1 Direct Payments (Pillar I) **11**

2.2 Rural Development (Pillar II) **13**

2.3 Current position UK/Ireland **14**

SECTION 3 CURRENT SUPPORT SCHEME: 2016 AREAS OF NATURAL CONSTRAINT SCHEME **15**

3.1 Type of support **15**

3.2 Target group **15**

3.3 Monitoring Indicators **15**

3.4 2016 ANC Scheme Claims **15**

SECTION 4 OPTIONS FOR FUTURE SUPPORT **17**

4.1 Discussion of the Evidence **17**

4.2 Options for future support **19**

4.2.1 Option 1: Do nothing – the ANC claim made in 2016 and paid in 2017 would be the last **20**

4.2.2 Option 2a: An ANC Scheme in Pillar I from the 2017 claim year using 5% of the Pillar I budget annually **21**

4.2.3 Option 2b: A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years using 5% and 3% of the Pillar I budget across the respective years **22**

4.2.4 Option 3: A Pillar II ANC Scheme for the claim years 2019 and 2020 funded by a Pillar I to Pillar II budget transfer **23**

4.2.5 Option 4: A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years, followed by a Pillar II ANC Scheme for the claim years 2019 and 2020, the latter funded by a Pillar I to Pillar II budget transfer. This option is, in effect, Option 2b and Option 3 combined **25**

4.2.6 Option 5a: An ANC Scheme in Pillar II funded by an additional £20 million per annum from the NI Executive **25**

4.2.7 Option 5b: A transitional ANC Scheme in Pillar II for the 2017 and 2018 claim years funded from the NI Executive **26**

4.2.8 Impact at individual farmer level **28**

TABLE OF CONTENTS CONTINUED

SECTION 5 CONSULTATION QUESTIONS.. 37

SECTION 6 RESPONDING TO THIS CONSULTATION....................................... 39

Annex A 41

GLOSSARY/LIST OF ABBREVIATIONS

Agricultural Activity	The production, rearing or growing of agricultural products including harvesting, milking, breeding animals and keeping animals for farming purposes or maintaining land in good agricultural and environmental condition
ANC	Area(s) of Natural Constraint
BPS	Basic Payment Scheme
CAP	Common Agricultural Policy
Common land (CL)	Land on which grazing of animals is shared
Conacre	A system of short-term lettings, not exceeding 364 days
DA	Disadvantaged Areas - areas of land designated under Directive 84/169/EEC and a subset of the LFA
Cross compliance	Relates to two sets of standards which farmers must meet. The first set of standards involves meeting a range of EU Statutory Management Requirements covering: the environment; food safety; animal and plant health; animal welfare. The second set of standards involves a requirement that all those in receipt of direct agricultural support maintain all their land in Good Agricultural and Environmental Condition
EU	European Union
Farmer	A natural or legal person whose holding is situated within EU Community territory and who exercises an agricultural activity
Ha	Hectare
LFA	Less Favoured Area - areas of land affected by agricultural disadvantage as designated under Directive 75/268/EEC and Directive 84/169/EEC
LFACA	Less Favoured Area Compensatory Allowance
Lowland/ Non LFA	Agricultural land which is classified as neither Disadvantaged nor Severely Disadvantaged
LU	Livestock Unit
NIRDP	Northern Ireland Rural Development Programme
SDA	Severely Disadvantaged Areas – areas of land designated under Directive 75/268/EEC and a subset of the LFA
UAA	Utilised Agricultural Area
WTO	World Trade Organisation

CONSULTATION ON OPTIONS FOR FUTURE SUPPORT TO AREAS OF NATURAL CONSTRAINT

SECTION 1 INTRODUCTION

1.1 Purpose of the consultation

The purpose of this document is to seek the views of stakeholders on options for future support arrangements to Areas of Natural Constraint (ANC).

1.2 Structure of the consultation document

This consultation document is structured to set out the background to the options for future support to ANCs and to seek the views of stakeholders.

Section 2 outlines the relevant components of the current Pillar I and Pillar II CAP regime.

Section 3 describes the ANC support Scheme that was implemented for the 2016 Scheme.

Section 4 outlines possible options for future support to ANC beyond the 2016 claim year.

Sections 5 and 6 seek your views on the way forward, explains how you can respond to the consultation questions we have asked and the date by which you need to send us your views.

1.3 Background

Northern Ireland has a total land area of 1,354,200 hectares (ha). Of the 1,028,500 ha of Utilised Agricultural Area (UAA) approximately 70% is designated as Less Favoured Area (LFA). There are currently two types of LFA in Northern Ireland that were first identified and mapped in the 1970’s and 1980’s, namely the Severely Disadvantaged Area (SDA) and the Disadvantaged Area (DA).

Prior to the 2015 claim year, support was provided to farmers in both the SDA and DA by the Less Favoured Area Compensatory Allowances (LFACA) Scheme to help offset the financial consequences of farming in these areas. In 2015, the LFACA Scheme was replaced by the ANC Scheme as part of the NI Rural Development Programme (RDP) 2014 – 2020. The ANC Scheme is confined to SDA land only.

The ANC Scheme provides dedicated support to beef, sheep, deer and goat producers who farm in the SDA (including common land located in the SDA) in order to compensate them in part for the additional costs and income forgone related to the constraints on agricultural production in that area. The payment is an income support measure and there are no specific environmental or other conditionalities attached to the Scheme (apart from the need to have the requisite livestock enterprise, to maintain a minimum livestock density across the holding and to meet the cross compliance requirements that apply to all Common Agricultural Policy (CAP) land-based measures).

1.4 Why consult now?

There has been a long history, both within Northern Ireland and across Europe, of supporting farms operating in areas facing disadvantage. This support has been part-funded from European Union (EU) CAP monies and has latterly comprised an area-based support payment.

The decoupling of CAP headage payments in 2005, as well as an obligation to evaluate whether public monies are being deployed in an efficient and effective way, led to a Review of Support Arrangements for Less Favoured Areas in Northern Ireland in 2009.

This Review concluded that farming in the SDA in particular was dominated by beef cattle and sheep and that limited opportunities for alternative farming opportunities existed. Valuable habitats (and landscapes) were located primarily in the SDAs and these habitats were sustained by agricultural activity. There was growing risk (and evidence) of under-grazing and neglect and an increasing risk of limited land management or even land abandonment (i.e. an environmental challenge). The evidence, at that time, suggested a need for a continuing support mechanism which had a clear focus on contributing, through active management of agricultural land, to delivering positive environmental outcomes and, in particular, avoiding environmental degradation and land abandonment. A public consultation was held on the Review and the general consensus was that support should continue, albeit with a greater focus on the most disadvantaged areas and with a more explicit set of environmental objectives.

Given the developments and uncertainties emerging within the broader EU policy landscape at that time, it was decided that the architecture of the LFACA Scheme should remain unchanged for the remaining life of the 2007-2013 NI Rural Development Programme.

Since then, a reformed CAP structure has been agreed and new EU CAP legislation was introduced in December 2013. Among the many changes to CAP, support to LFA/ANC is now clearly positioned as an income support payment and does not allow for the pursuit of specific environmental objectives through scheme design. *Annex II* Paragraph 13 (f) of the Agreement on Agriculture of the WTO Marrakesh Agreement[1] ("the green box") states that such payments shall be limited to the extra costs or loss of income involved in undertaking agricultural production in the prescribed areas.

EU Regulations 1307/2013[2] and 1305/2013[3] provide options to fund an ANC payment from either CAP Pillar I (1307/2013) or Pillar II (1305/2013) or a combination of both. The level of support under the Pillar II option is limited by WTO obligations (as noted above) to the additional costs incurred or income forgone by farming in those areas.

Regulation (EU) No. 1305/2013 *Article 32* also requires Member States to re-designate areas suffering from agricultural disadvantage by 1 January 2018 at the

[1] https://www.wto.org/english/docs_e/legal_e/14-ag.pdf
[2] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0608:0670:en:PDF
[3] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:347:0487:0548:EN:PDF

latest based on a common EU methodology. The new area post this re-designation exercise will be known as the Area of Natural Constraint (ANC).

An initial appraisal of the option to fund an ANC Scheme as part of the new NI Rural Development Programme 2014-2020 concluded that it would not offer a focused and cost effective mechanism to tackle the causes of relative low farm income in LFAs. Neither would it target support accurately to those farmers with low incomes, and there was no readily justifiable reason why this mechanism was needed for a particular sub-section of the rural population given the existence of the broader welfare regime. Therefore, it was concluded that there was no realistic possibility of a business case demonstrating value for money for an ANC support measure given such fundamental weaknesses in its economic logic.

The DARD Minister, however, recognising the fact that this was a measure of very long standing made to farmers in challenging natural environments, and taking into account the current period of radical reform of the CAP, decided in June 2014, with the agreement of her Executive colleagues, to issue a Ministerial Direction for the operation of an ANC Scheme in 2016 and 2017 (i.e. claimed in 2015 and 2016) funded via the NI Rural Development Programme 2014-2020, with a review of the support arrangements to be carried out for post 2017.

This consultation is, therefore, in response to this Ministerial commitment and considers the ongoing need for a specific ANC income support intervention given the changing structure of support payments arising from Pillar I Direct Payments and the potential changes to the ANC boundary arising from re-designation. This document presents a range of options for future support.

The timing of the re-designation of LFAs to ANC may be influenced by the decisions emerging from this consultation, but it must in any event be implemented by no later than 1 January 2018. Further work has been undertaken to translate the EU designation methodology into a draft ANC map for Northern Ireland. The latest version of this map showing the possible ANC boundary is provided in the *Consultation on Designation of ANC* document that is published alongside this consultation paper.

SECTION 2 CURRENT CAP SUPPORT REGIME

Since its creation, the CAP has regularly been adapted to respond to the challenges of its time. Significant reforms have been made in recent years, notably in 2003 with the decision to decouple support, breaking the link between production and the receipt of direct subsidies. The CAP Health Check[4] in 2008 sought to modernise the support regime further and make it more market oriented, ending compulsory arable set aside, scaling back cereals intervention, completing decoupling in all but a few sectors and paving the way for a future dairy sector without milk quotas.

In 2013, the policy was further reshaped. It moved the allocation of direct support towards an area basis, introduced greening requirements, sought to strengthen the position of farmers vis-à-vis other players in the food chain and attempted to ensure the policy as a whole became more efficient and transparent.

In December 2013, the Council of EU Agriculture Ministers formally adopted the four Basic Regulations for the reformed CAP for the period 2014 – 2020. These Regulations covered Direct Payments (Pillar I)[5], Rural Development (Pillar II)[6], sectoral market support measures and horizontal legislation. The provisions of the Direct Payments legislation and Rural Development legislation, which have direct relevance to this consultation, are explained in greater detail below.

2.1 Direct Payments (Pillar I)

Regulation (EU) No. 1307/2013 replaced the Single Farm Payment with a new direct payments regime made up of a basic payment, a payment for greening (recognising the contribution of farms to the environment) and a top-up payment for young farmers.

The Department consulted widely on the *Policy Options arising from the Reform of Common Agricultural Policy (Pillar I Direct Payments)*[7] during late 2013/early 2014.

[4] http://ec.europa.eu/agriculture/healthcheck/index_en.htm
[5] OJ L 347, 20.12.2013, p. 608–670
[6] OJ L 347, 20.12.2013, p. 487–548
[7] https://www.dardni.gov.uk/sites/default/files/consultations/dard/final-cap-reform-consultation-pillar-one-Oct-2013.pdf

Following this extensive consultation, the DARD Minister, with the agreement of the Executive, announced in June 2014, that:

- A single region Pillar I support model would be implemented;
- Support under the Basic Payment Scheme (BPS) would progress towards a flat rate per hectare, with the unit value of BPS entitlements below the regional average increasing by 71.4% of the difference between their initial unit value in 2015 and the regional average by 2019. This increase would take place in equal annual steps; and
- For BPS entitlements valued above the regional average, a linear decrease would be applied to the difference between their initial 2015 unit value and the regional average in order to generate the required funds for the increase in entitlements which are below the regional average.

This progression is consistent with reaching a flat rate BPS payment per hectare by 2021, which represents a 7 year transition period commencing in 2015. Arrangements after 2019 will depend on future EU CAP Reform. Details on all the CAP decisions can be found at: https://www.dardni.gov.uk/sites/default/files/publications/dard/cap-pillar-i-direct-payments-summary-of-decisions-250215.pdf.

As a consequence of the single region model and the transition to flat rate support, the value of Pillar I payments accruing to agricultural land in the SDA region is increasing by about €4 million (£2.8 million) year-on-year. This underlying transfer is occurring independently of any ANC support measure. The net transfer of support to the SDA region is matched by an equal reduction in the combined level of support to the DA and lowland regions.

As previously noted, a top-up payment to land designated as falling within the ANC designated area could have been implemented as part of the Pillar I support package. However, a two year Pillar II ANC measure was implemented instead.

A decision was also taken not to implement a voluntary coupled support measure as part of the Pillar I package. However, the possibility of reviewing this decision was left open. Any decision to implement such a measure must be notified to the European Commission by no later than 1 August 2016. A separate consultation on the *Review of CAP Coupled Support Options* has been published alongside this consultation paper.

The CAP Pillar I support budget for Northern Ireland, which is 100% EU funded, totals €1,639 million for the 2015–2019 period.

2.2 Rural Development (Pillar II)

Rural Development (Pillar II) legislation allows Member States to develop a range of measures that underpin three key objectives; protecting the rural environment, developing rural communities and improving the competitiveness of agriculture. Included in this legislation is a measure that allows for continued support to agricultural areas facing disadvantage via a discretionary option to support ANCs.

This legislation also requires Member States to remap their constrained areas using common prescribed biophysical criteria, with the resulting initial biophysical analysis fine-tuned using economic or investment data to remove areas where the natural advantage has been overcome. This remapping must be implemented by no later than 1 January 2018.

The NI RDP 2014-2020 received approval from the EU Commission on 25 August 2015. The Programme has a budget of up to £623 million. The Programme includes approximately £186.5[8] million of European funding, with the balance coming from national monies.

The 2016 and 2017 ANC Schemes (claimed in 2015 and 2016) are part of the NI RDP with a budget provision of £20 million per annum. No budget provision exists for the ANC measure beyond this initial two year period.

[8] Sterling amount will move over lifetime of the programme due to Euro exchange rate fluctuations.

2.3 Current position UK/Ireland

England and Wales have not implemented a specific ANC Scheme under their respective 2014–2020 rural development programmes. Scotland is operating an ANC Scheme under Pillar II with a budget of approximately £460 million over the 2014-2020 programme period. This Scheme is currently the same as the previous Less Favoured Area Scheme. Scotland has no immediate plans to re-designate its disadvantaged areas but intends to have the ANC designation completed by the 2018 deadline set in Regulation (EU) No. 1305/2013.

Ireland is operating an ANC Scheme under Pillar II worth €1,370 million over the programming period. The measure will be based on current LFA boundaries until the re-designation exercise is completed. Like Scotland, there are no immediate plans for re-designation and Ireland also intends to designate by the 2018 deadline set by the Rural Development Regulation.

SECTION 3 CURRENT SUPPORT SCHEME: 2016 AREAS OF NATURAL CONSTRAINT SCHEME

3.1 Type of support

The ANC Scheme provides an area based payment to farmers. To claim ANC support, claimants[9] must:

- Farm at least 3 hectares of eligible forage land in the SDA (including their share of common land located in the SDA);
- Maintain breeding herds of either suckler cows, sheep, deer or goats;
- Keep at least enough eligible stock to meet the minimum 0.2 livestock units (LU) per hectare stocking density requirement across the holding throughout the period from 1 April to 31 October;
- Adhere to the requirements of Regulation (EU) No. 1306/2013 on cross compliance;
- Complete their application for support on the Single Application Form; and
- Be identified as active farmers as per Article 9 of Regulation (EU) No. 1307/2013, i.e. meet additional requirements if they operate a business that is on the 'negative list'.

3.2 Target group

As indicated above, the support is targeted at farmers in the SDA who use their land to maintain breeding herds of beef cattle, sheep, deer and goats. Land supporting dairy enterprises is specifically excluded, as is land used for cropping.

3.3 Monitoring Indicators

Monitoring and evaluation is an integral part of the NI RDP 2014-2020. Insofar as the ANC Scheme is concerned, the output target set is for 340,000 hectares of agricultural land to be supported.

3.4 2016 ANC Scheme Claims

Applications to the 2016 ANC Scheme closed on 15 May 2015. A total of 10,103 claims were made for support. These claims represented 350,637 ha of SDA

---

[9] https://www.dardni.gov.uk/publications/guide-areas-natural-constraint-scheme-2016

(including common land located in the SDA) out of a total of 448,579 ha (i.e. 78%) of eligible SDA land. **Table 1** presents the distribution by size of these claims.

Table 1. Distribution by size of claim for the 2015 claim year of the ANC Scheme

SDA size band (ha)	Total number of farm businesses within size band	Percentage of businesses within size band (%)	Total area SDA[10] claimed within size band (ha)	Percentage of SDA land claimed within size band (%)
Less than 10	2477	25	14,464	4
10-25	3368	33	56,132	16
25-50	2363	23	83,141	24
50-75	897	9	54,508	16
75-100	370	4	31,782	9
100-125	218	2	24,328	7
125-150	135	1	18,544	5
150-175	88	0.9	14,182	4
175-200	34	0.3	6,393	2
More than 200	153	1.5	47,162	13
Total	**10,103**	**100**	**350,636**	**100**

*Total may not be exact due to rounding

The average claim made under the Scheme was just under 35 ha. There were 7,114 claims under this covering 108,114 ha (31% of the total area claimed). Eighty one per cent of applicants made claims for SDA land of less than 50 ha. However, this represented only 44% of the total SDA land claimed. Only 1.5% of applicants claimed for more than 200ha of land, representing 13% of total SDA land claimed.

[10] This analysis is based on area of SDA (including common land located in the SDA) on which an ANC claim was made in 2015

SECTION 4 OPTIONS FOR FUTURE SUPPORT

This Section presents options for the future support to ANCs. These options have been grouped into:

(a) Internal Pillar I options;

(b) A Pillar I to Pillar II transfer option;

(c) A hybrid between Pillar I and Pillar II options; and

(d) Options involving additional national funds.

These options are designed to illustrate the different possible approaches to future support arrangements within the limits allowed under the various Regulations.

4.1 Discussion of the Evidence

The evidence shows that farming in Northern Ireland has changed significantly over the past 30 years, with fewer farms and farmers, larger farms and an increased prevalence of part-time farming coupled with off-farm employment. These changes have been driven largely by economic pressures, and the SDA has not been isolated from these trends. However, the evidence shows that structural adjustment has been slowest in the SDA and the gap between the average farm business size in the SDA and other areas has been growing, with a slightly higher prevalence of part-time farming in the SDA.

A large proportion of Northern Ireland’s suckler cows and breeding sheep are located in the SDA. The biophysical characteristics of the SDA dictate that there are limited agricultural opportunities beyond cattle (primarily suckler cows) and sheep production and the evidence shows that there has been an increasing concentration of these enterprises to a point where cattle and sheep holdings now account for 90% of all holdings in the SDA. The economic viability of suckler cows and sheep production in the SDA is marginal and the agricultural incomes of these holdings have been influenced by the existence of compensatory allowance payments such as the LFACA and ANC Schemes.

The average LFACA Scheme payment per SDA holding for SDA land in recent years was approximately £2,000. Over the last five years, approximately 20% of SDA payments were for less than £500 per annum. The 2016 ANC Scheme has a budget of £20 million and will make a payment of £56.47 per hectare on the first 200ha of SDA land, with £42.35 per hectare on any land above 200ha.

In the DA and lowland land quality and climatic conditions allow for much greater choice of agricultural activity and higher productivity. This has allowed, and will continue to allow, farmers in these areas to adjust their enterprises and production systems to respond to economic pressures and opportunities. This level of flexibility does not exist in the SDA.

However, it cannot be said that the SDA region is unproductive. The SDA accounts for 47% of the suckler cows, 58% of the breeding sheep, 16% of the dairy cows, 45% of the agricultural land and 40% of the farmers in Northern Ireland.

Analysis of the income differentials from 2008/09 to 2012/13 on specific farm types (cattle and sheep farms) shows there was a significant agricultural income disparity between SDA and lowland holdings. Based on data taken from the Farm Business Survey in Northern Ireland for the past five years, **Table 2** shows that farm business incomes on SDA cattle and sheep farms (including Single Farm Payment receipts but excluding LFACA support) were, on average, £115/ha lower than on non-disadvantaged area (lowland) cattle and sheep farms.

Table 2. Comparison of Farm Business Incomes per hectare (including SFP[11] less LFACA) of cattle & sheep farms between Severely Disadvantaged Area and Lowland, 2008–2013

	Cattle and Sheep £ per ha UAA		
Year	**SDA**	**Lowland**	**SDA: lowland difference**
2008/09	118	283	-165
2009/10	131	242	-111
2010/11	111	139	-28
2011/12	138	304	-166
2012/13	71	179	-108
Average	**114**	**229**	**-115**

[11] SFP is Single Farm Payment – a direct payment made to farmers from CAP Pillar I from 2005-2014.

However, evidence also shows clearly that incomes of farm households today are less dependent on farming returns than they were 20 years or more ago. Increasing numbers of farmers, particularly on smaller farms, have external sources of income, leaving them less vulnerable to the vagaries of agricultural markets. Although the new ANC measure is clearly an income support measure, it does not and cannot target support to those with the lowest level of agricultural (or total) income.

4.2 Options for future support

The following are considered as possible approaches for future ANC support, although there are many other variants within these general approaches which could also be considered:

- **Option 1:** Do nothing - the ANC claim made in 2016 and paid in 2017 would be the last.

(a) Internal Pillar I options

- **Option 2a**: An ANC Scheme in Pillar I from the 2017 claim year using 5% of the Pillar I budget annually.

- **Option 2b**: A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years using 5% and 3% of the Pillar I budget across the respective years.

(b) A Pillar I to Pillar II transfer option

- **Option 3**: A Pillar II ANC Scheme for the claim years 2019 and 2020 funded by a Pillar I to Pillar II budget transfer.

(c) A hybrid between Pillar I and Pillar II options

- **Option 4**: A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years, followed by a Pillar II ANC Scheme for the claim years 2019 and 2020, the latter funded by a Pillar I to Pillar II budget transfer. This option is, in effect, Option 2b and Option 3 combined.

(d) Options involving additional national funds

- **Option 5a**: An ANC Scheme in Pillar II funded by an additional £20 million per annum from the NI Executive.

- **Option 5b**: A transitional ANC Scheme in Pillar II for the 2017 and 2018 claim years funded from the NI Executive.

Options 2a, 2b, 3 and 4 are all deliverable within the existing EU funding envelope, involving a redistribution of CAP Pillar I EU monies. Options 5a and 5b would require additional national monies from the NI Block Grant.

Further detail and discussion on each of these options is given below. Figures 1-7 and Tables 5-11 (Annex A) illustrate the effect of each option in terms of the total level of support (i.e. CAP Pillar I Direct Payments plus any ANC payments) accruing to farmers located in the SDA, DA and lowland in each year from 2014 to 2021. This analysis has been prepared using the latest available data taken from claims made under the Basic Payment Scheme and the ANC Scheme in 2015.

As mentioned earlier, an underlying factor that is common to all scenarios is that the transition towards a flat rate support regime under Pillar I over the 2015 to 2021 period will increase the value of Pillar I payments accruing to the SDA region by about €4 million (£2.8 million) year-on-year. This underlying transfer is occurring regardless of any alteration to the ANC support measure. The net transfer of support to the SDA region is, of course, matched by an equal reduction in the combined level of support accruing to the DA and lowland regions.

4.2.1 Option 1: Do nothing – the ANC claim made in 2016 and paid in 2017 would be the last

There is no requirement to operate an ANC support measure under either Pillar I or Pillar II. Therefore, having no specific ANC support arrangement after the 2016 claim year is a viable option. Indeed, this will be the default outcome unless a funding source can be identified to fund an ANC support measure after the 2016 claim year.

Table 5 (Annex A) and **Figure 1** show the impact of Option 1 on the combined level of Direct and ANC payments to the SDA, DA and lowland by year from 2014 to 2021. From this, it is clear that the sudden removal of £20 million of ANC support from the SDA in 2017 produces a sharp reduction in the total level of support to that region. However, the underlying redistribution of Pillar I Direct Payments (starting from 2015) partially compensates for this, and by 2021, the overall level of CAP support accruing to the SDA has recovered to very nearly its 2014 level.

Simultaneously, the DA and lowland areas show progressive linear reductions in support over this period, meaning that by 2021 the SDA region accounts for a larger proportion of all CAP area based support than it did in 2014 (by 3.4%).

4.2.2 Option 2a: An ANC Scheme in Pillar I from the 2017 claim year using 5% of the Pillar I budget annually

Under the EU Direct Payments Regulation (No) 1307/2013, Member States and regions have the option to deploy an additional Pillar I income support payment to farmers in the ANC in the form of a simple top-up to the Basic Payment Scheme. Up to 5% of the Pillar I budget ceiling (approximately €16m per annum in the case of Northern Ireland) can be used for this purpose. Operating this mechanism would mean that the value of the Basic Payment for all claimants, including those within the ANC, would have to be scaled back to create the necessary top-up funding envelope.

The Pillar I ANC top-up payment can be made only to those farmers with land in the areas defined under the new ANC designation arrangements. In other words, this option would require the adoption of the new ANC land designation before it could be implemented. It will be some time yet before the new ANC designation is finally agreed with the EU Commission, but it seems likely that this designation will broadly, but not accurately, cover much of the current SDA. Therefore, some current recipients of ANC support in the SDA would not qualify for continuing ANC support under this approach because of boundary changes. The new designation requires EU Commission approval via a modification to the NI RDP.

Given that the traditional conacre letting season starts in November each year, the Department would ideally wish to be in a position of being able to advise farmers and landowners of the status of their land under the new ANC designation by **October 2016** at the latest as this will be of direct relevance in the negotiation of the conacre rent. This is a challenging timetable and given the need to agree the designation with the EU Commission, achievement by this date cannot be guaranteed.

As noted above, the ANC Pillar I payment would be made as a top-up to those farmers claiming BPS support on ANC land. Therefore, unlike the current ANC support measure in Pillar II, the support could not be confined to farmers with breeding cattle herds and sheep flocks. In other words, the available budget would be spread over a greater area than the current Pillar II ANC support arrangements (current ANC payments are made on only 78% of eligible land located in the SDA).

Table 6 (Annex A) and **Figure 2** show the impact of Option 2a on total Direct and ANC payments to the SDA, DA and lowland by year from 2014 to 2021. The primary effect of this option is to reduce the drop in payments to the SDA from 2017 compared with Option 1 (the 'do nothing' option). However, given the limit on the amount of Pillar I budget that can be allocated to this option (i.e. a maximum of 5%), this reduction cannot be completely eliminated. Moreover, given the finite Pillar I budget, this means that the underlying reduction in Pillar I support to the DA and lowland from 2017 is greater than under the 'do nothing' option (Option 1).

If a decision was taken to introduce a Pillar I ANC Scheme, this decision would have to be notified to the EU Commission before **1 August 2016** (i.e. there is only one opportunity to implement this option during the remainder of the current CAP period).

4.2.3 Option 2b: A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years using 5% and 3% of the Pillar I budget across the respective years

It would be possible to fund an ANC Scheme in Pillar I for a short transitional period until the effects of the underlying redistribution of Pillar I support towards the SDA (arising from the transition to flat rate support) become more pronounced.

As noted above, the maximum amount of funding that could be allocated to a Pillar I ANC Scheme is 5% of the Pillar I budget. This particular option, therefore, allocates that full amount to a Pillar I ANC Scheme in 2017, and then scales this allocation back to 3% in 2018 in order to maintain the total level of support to the SDA broadly steady at the 2017 level. By 2019, the underlying increase in BPS support to the SDA reaches a level that allows the transitional Pillar I ANC to be removed again.

Table 7 (Annex A) and **Figure 3** show the impact of Option 2b on total Direct and ANC payments to the SDA, DA and lowland from 2014 to 2021. This option lessens the reduction in SDA payments in 2017 that would otherwise occur under a 'do nothing' (Option 1) approach (but cannot eliminate it), holding the total value of SDA support broadly steady at that 2017 level until the underlying increase in Pillar I Direct Support causes the total level of SDA support to rise again.

This option, in effect, accelerates the transition towards a flat rate support regime for a two year period, but without permanently reducing the longer term level of support going to the DA and lowland regions.

As outlined under Option 2a, if a Pillar I ANC Scheme were to be introduced, it would have to be notified to the EU Commission by **1 August 2016** and, again, the support would be payable based on the new ANC designation and to all farmers claiming BPS within that designated area.

4.2.4 Option 3: A Pillar II ANC Scheme for the claim years 2019 and 2020 funded by a Pillar I to Pillar II budget transfer

This option involves a transfer of funds from Pillar I to Pillar II to fund an ANC Scheme in the latter. Unlike the Pillar I ANC option, this is not limited to 5% of the Pillar I budget. In theory, up to 15% per annum of the Pillar I budget could be transferred to Pillar II. However, the earliest available opportunity to notify the EU Commission of such a decision would be by **1 August 2017**. The first actual transfer of funds would be made out of the 2018 Pillar I Scheme year budget and, hence, the funds would not be available to spend in Pillar II until the 2019 claim year at the very earliest. **Therefore, under this approach, there would be no funding available for a potential Pillar II ANC measure in claim years 2017 or 2018**.

In order to generate the equivalent of the current £20 million per annum ANC budget, a scaleback of 8.33% could be applied to the Pillar I Direct Payments budget ceiling for Pillar I Scheme years 2018 and 2019.

If there was to be a Pillar II ANC Scheme funded in this way for the 2019 claim year and beyond, the Scheme would have to operate on the new ANC designation (meaning that some current SDA beneficiaries would not qualify due to boundary changes). Moreover, the actual design of the Pillar II Scheme would have to be under a new set of rules (i.e. it would not be the same Pillar II ANC measure as that operating this year). Currently, dairy enterprises are excluded from ANC support. Our understanding is that dairy enterprises within the new ANC region could not be excluded from a new ANC Scheme, meaning that the budget would be more widely distributed across farmers within the new ANC than under the current arrangements within the SDA.

Table 8 (Annex A) and **Figure 4** show the impact of Option 3 on total Direct and ANC payments to the SDA, DA and lowland from 2014 to 2021. A key point to note with this option is that the loss of ANC support in the SDA region in 2017 is followed by a <u>further</u> reduction in SDA support in 2018 as the 8.33% scaleback is applied to all Pillar I Direct Payments in order to fund the Pillar II transfer. It is not until 2019 that the restoration of ANC support reverses this position, with the total level of support in the SDA from that point being significantly higher than that in 2014.

Therefore, this option creates a more severe dip in support for SDA producers in 2018 compared with other options, but restores the level of support to a much higher plane thereafter.

However, given the overall fixed budget position, the direct consequence of this is that the reduction in Pillar I support experienced by DA and lowland producers (when added to the effects of the underlying transition to Pillar I flat rate support) is significantly greater.

A particular drawback with this option is that a specific support payment to the ANC ceases for 2 years and is then restored to a group of producers that is slightly different from that which lost the payment in the first place.

4.2.5 Option 4: A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years, followed by a Pillar II ANC Scheme for the claim years 2019 and 2020, the latter funded by a Pillar I to Pillar II budget transfer. This option is, in effect, Option 2b and Option 3 combined

It would be possible to combine Option 2b and Option 3, thereby avoiding the worst of the dip in support for SDA producers. **Table 9** (Annex A) and **Figure 5** show the impact of Option 4 on total Direct and ANC payments to the SDA, DA and lowland from 2014 to 2021.

Whilst this option would provide continuing specific support to the SDA (or more accurately, the new ANC) throughout the period, it is simply not possible to achieve a stable level of support during this time with these tools and, as indicated above, the early adoption of the new ANC designation would be required. Moreover, this option produces the very worst outcome for producers in the DA and lowland regions in terms of reduced Pillar I support.

4.2.6 Option 5a: An ANC Scheme in Pillar II funded by an additional £20 million per annum from the NI Executive

Options 2-4 have been constructed on the basis that there are no additional national funds that can be introduced to finance a continuation of the existing Pillar II ANC support measure beyond the initial two years funded from within the current RDP.

It would technically be possible to have a Pillar II Scheme from the 2017 claim year if additional national monies were made available from the NI Block Grant. However, given the pressures on public finances, plus the fact that the ANC measure cannot be shown to represent good value for money (which is why it currently operates under a Ministerial Direction approved by the Executive for two years only), the probability of receiving additional funding of £20 million per annum from the Block Grant is judged to be low.

Table 10 (Annex A) and **Figure 6** show the impact of Option 5a on the total Direct and ANC payments to the SDA, DA and lowland from 2014 to 2021. It is evident that this option has no direct detrimental effect on the level of Pillar I support accruing to the DA and lowland and simply adds £20 million per annum to the SDA. In this scenario, the total amount of support going to the SDA increases by 2.8% per year over the period and by 2021 is 20% above the level of support in 2014.

A theoretical alternative to seeking additional funding from the NI Block Grant would be to recast the allocation of funding within the current RDP funding envelope. A total of €228 million of EU funds have been allocated within the NI RDP 2014-2020, as approved by the EU Commission on the 25 August 2015. The majority of these EU funds (72%) are allocated to only two schemes - ANC (for payments in 2016 and 2017) and agri-environment. The agri-environment funds are split between legacy agreements and the new Environmental Farming Scheme. The remainder of the EU funds (28%) are spread over a large number of smaller schemes.

Given that the EU funds committed to ANC and agri-environment legacy agreements will have been spent by 2017, the only scope remaining thereafter to free up EU funding for a continuing Pillar II ANC measure would be to not fund the Environmental Farming Scheme. It is judged highly unlikely that the EU Commission would agree to such a modification to the RDP, given that agri-environment is the only compulsory element of the Programme. Moreover, such an option would be incompatible with the objectives of DARD and subsequently the new Department of Agriculture, Environment and Rural Affairs (DAERA). Therefore, this is not considered a viable option.

4.2.7 Option 5b: A transitional ANC Scheme in Pillar II for the 2017 and 2018 claim years funded from the NI Executive

Another possible option might be to consider a nationally funded phase-out payment to farmers in the SDA (much as we did for farmers in the DA who were no longer eligible to claim ANC support in 2015). Again, this would require additional monies from the NI Block Grant to provide the necessary funding envelope (though the quantum of funding required would be significantly less for a phase-out payment than for a continuation of an ANC measure to the end of the Programme).

One possible phase-out pathway would be a payout equating to two thirds of the current ANC budget (i.e. £13.3 million) for the 2017 claim year and a further payout equating to one third of the current budget (£6.67 million) for the 2018 claim year. The first year of the phase-out could be implemented simply as a roll-over of the current ANC Scheme **BUT** with reduced rates of payment per hectare. Regulation (EU) No. 1305/2013 would allow us to implement the existing Scheme for this additional year provided that the new ANC designation was not introduced until 1 January 2018.

However, as the new ANC designation must be implemented, and the Scheme requirements have to change, for the 2018 claim year under the EU Rural Development Regulation, the most feasible route to operate the second year of the phase-out payment would be to use agricultural *de minimis* State Aid targeted at those who had received ANC support from the 2017 claim year. This would allow the transitional payment to continue into this final year to the existing group of farmers who had previously received ANC support.

Table 11 (Annex A) and **Figure 7** show the impact of Option 5b on the total Direct and ANC payments to the SDA, DA and lowland from 2014 to 2021. This option lessens the reduction in SDA support in 2017 that would otherwise occur under a ‘do nothing’ (Option 1) approach (but does not eliminate it), holding the value of the total SDA support relatively stable until the underlying increase in the Pillar I Direct support rises to the point where the transitional support can be removed.

Many other phase-out pathways are, of course, possible.

For example, an alternative would be to halve the support budget for the 2017 claim year to £10 million and halve it again to £5 million for 2018. The feasibility of any phase-out pathway would largely be dependent on the availability of funding from the NI Block Grant in the face of competing priorities for public funding.

This option has no direct effect on the amount of Pillar I support going to the DA and lowland.

4.2.8 Impact at individual farmer level

The above analyses have all, necessarily, been conducted at the aggregate level (i.e. SDA, DA and lowland). The impacts of each of these options will, of course, be different for each individual farmer within these regions, with some faring better and some faring worse than the outcome for the region as a whole. In particular, SDA beef farmers who had previously received high levels of support per hectare under the old Single Farm Payment regime will see their Pillar I support payments fall during the transition to a flat rate payment despite the rise in the level of Pillar I support going to the SDA overall. However, it is not possible to target an ANC support payment to this particular group of farmers, and from 2018, our understanding is that Pillar II ANC support payments must be available to all farmers within the newly designated ANC.

Another significant complicating factor will be the timing of the introduction of the re-designation of the ANC and the fact that not all SDA land will fall within the boundaries of the new ANC (plus the fact that some non-SDA land will). Therefore, options that have to be paid according to the new ANC designated area will result in some SDA land immediately losing access to ANC support and some land that was previously ineligible now qualifying for that support.

Figure 1. Total payment (Direct and ANC Payments) by claim year for each land type:

Option 1: Do nothing – the ANC claim made in 2016 and paid in 2017 would be the last

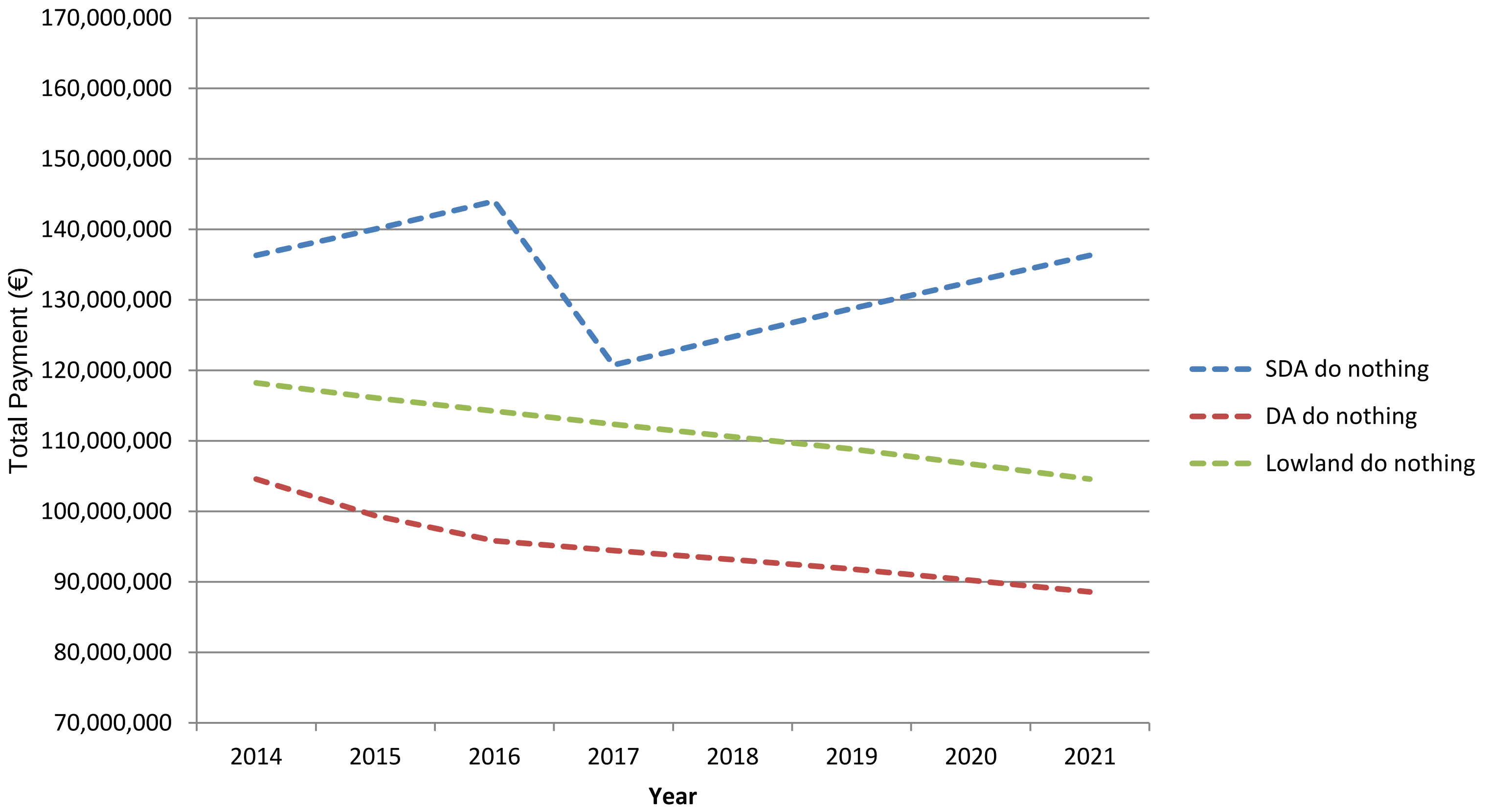


Figure 2. Total payment (Direct and ANC Payments) by claim year for each land type:

<u>Option 2a</u>: An ANC Scheme in Pillar I from 2017 claim year using 5% of the Pillar I budget annually

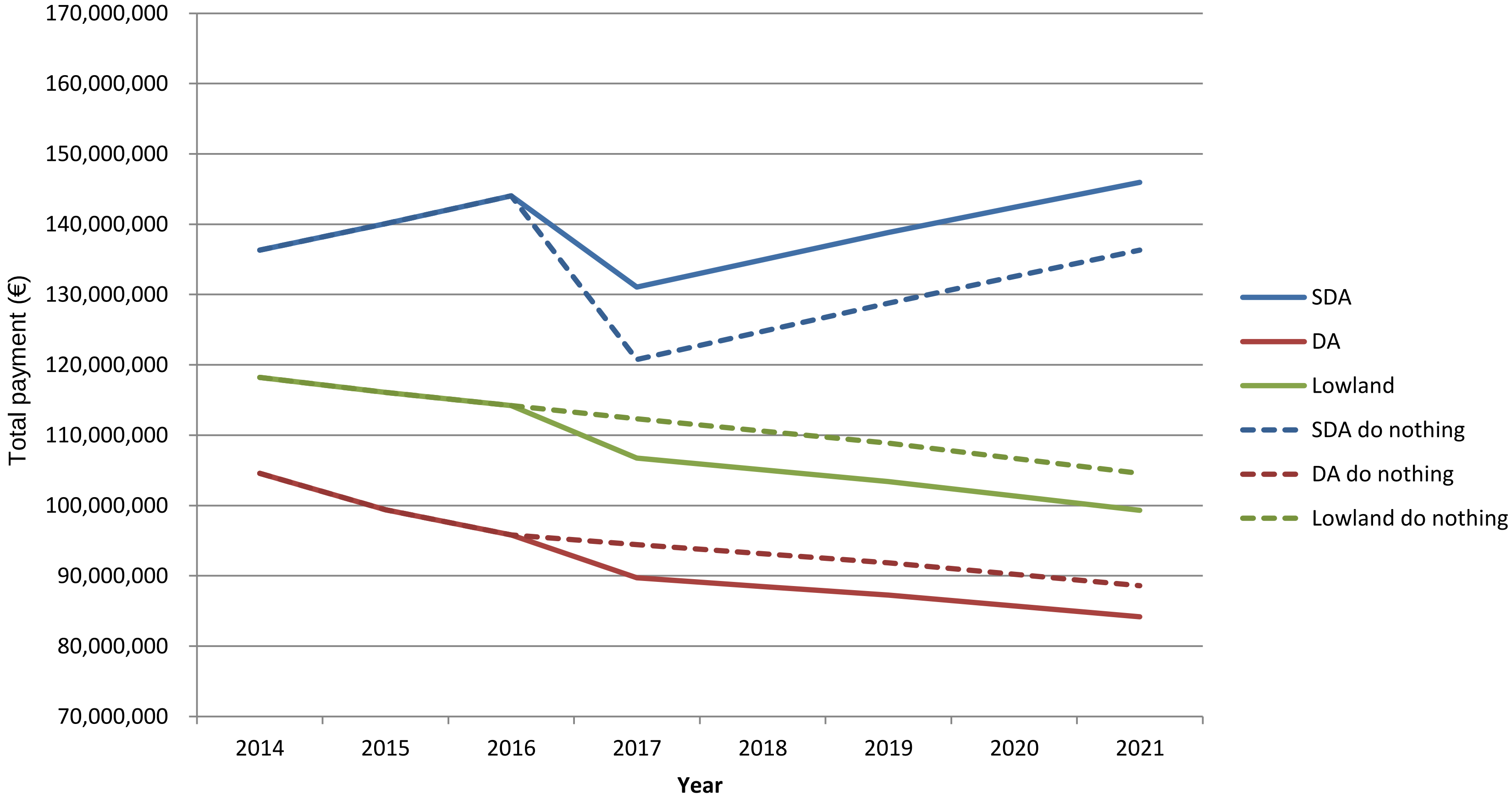


Figure 3. Total payment (Direct and ANC Payments) by claim year for each land type:

<u>Option 2b</u>: A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years using 5% and 3% of the Pillar I budget across respective years

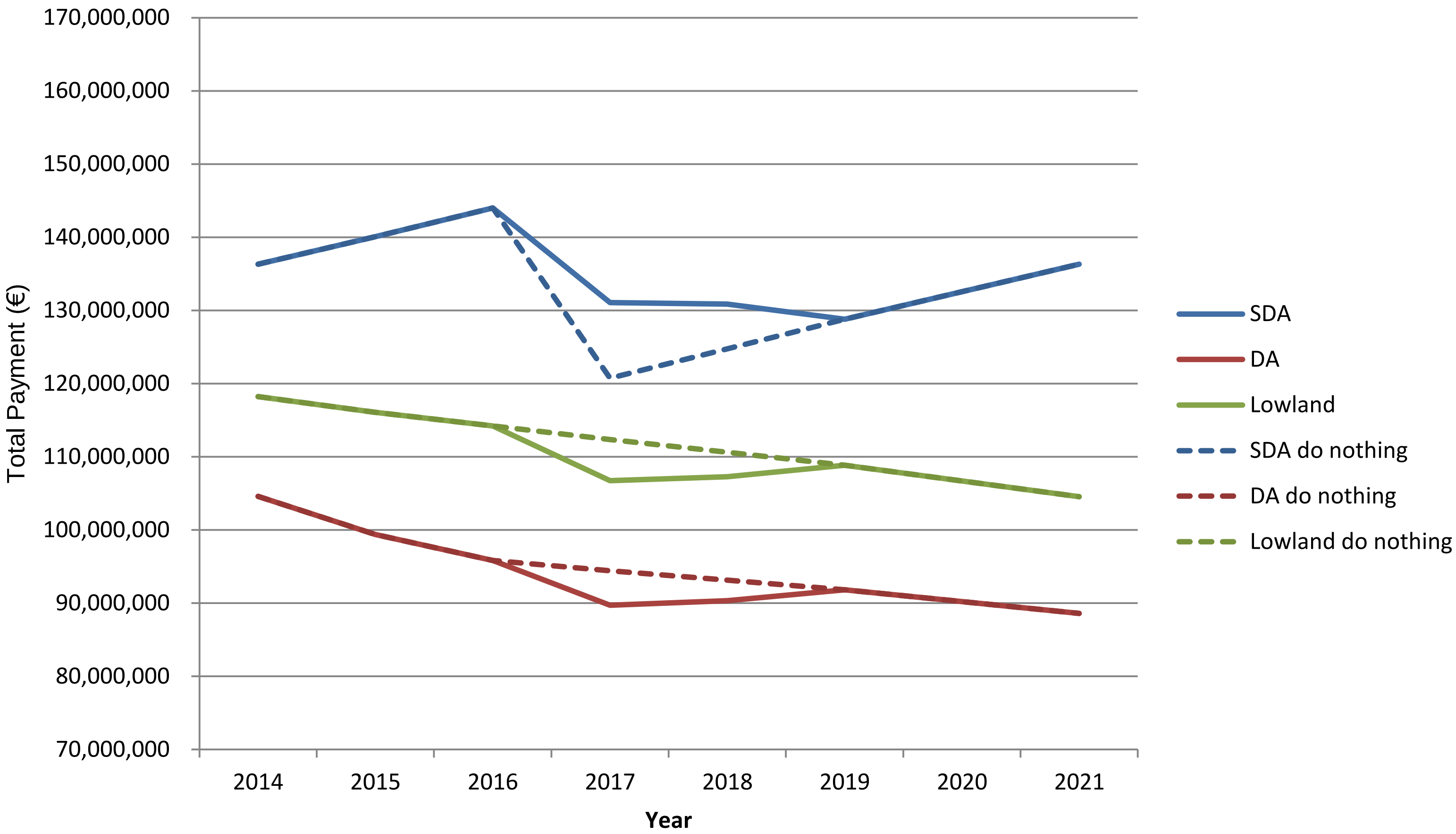


Figure 4. Total payment (Direct and ANC Payments) by claim year for each land type:

<u>Option 3</u>: A Pillar II ANC Scheme for the claim years 2019 and 2020 funded by a Pillar I to Pillar II budget transfer

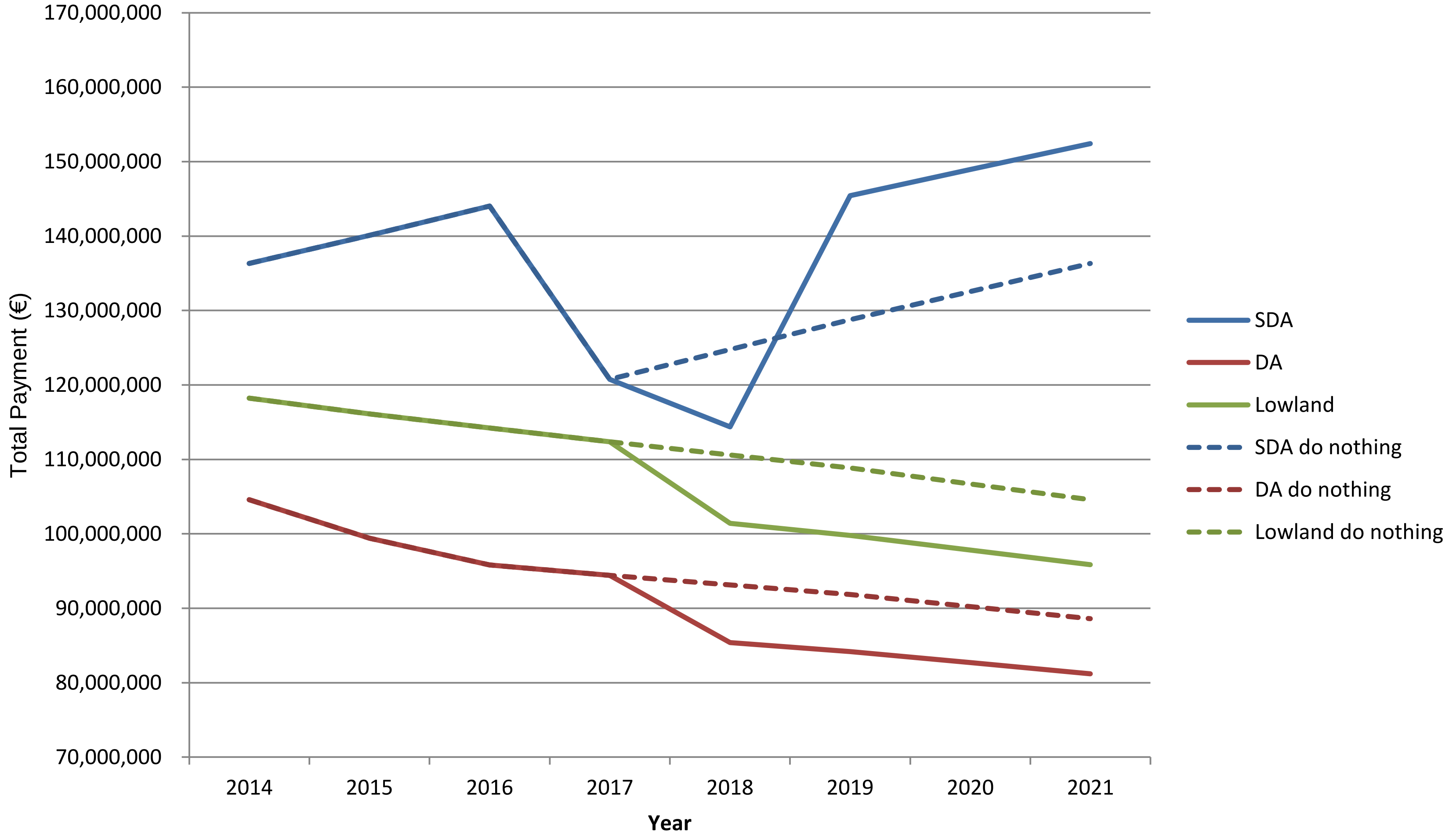


Figure 5. Total payment (Direct and ANC Payments) by claim year for each land type:

<u>Option 4</u>: A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years, followed by a Pillar II ANC Scheme for the claim years 2019 and 2020, the latter funded by a Pillar I to Pillar II budget transfer - this option is, in effect, Option 2b and Option 3 combined

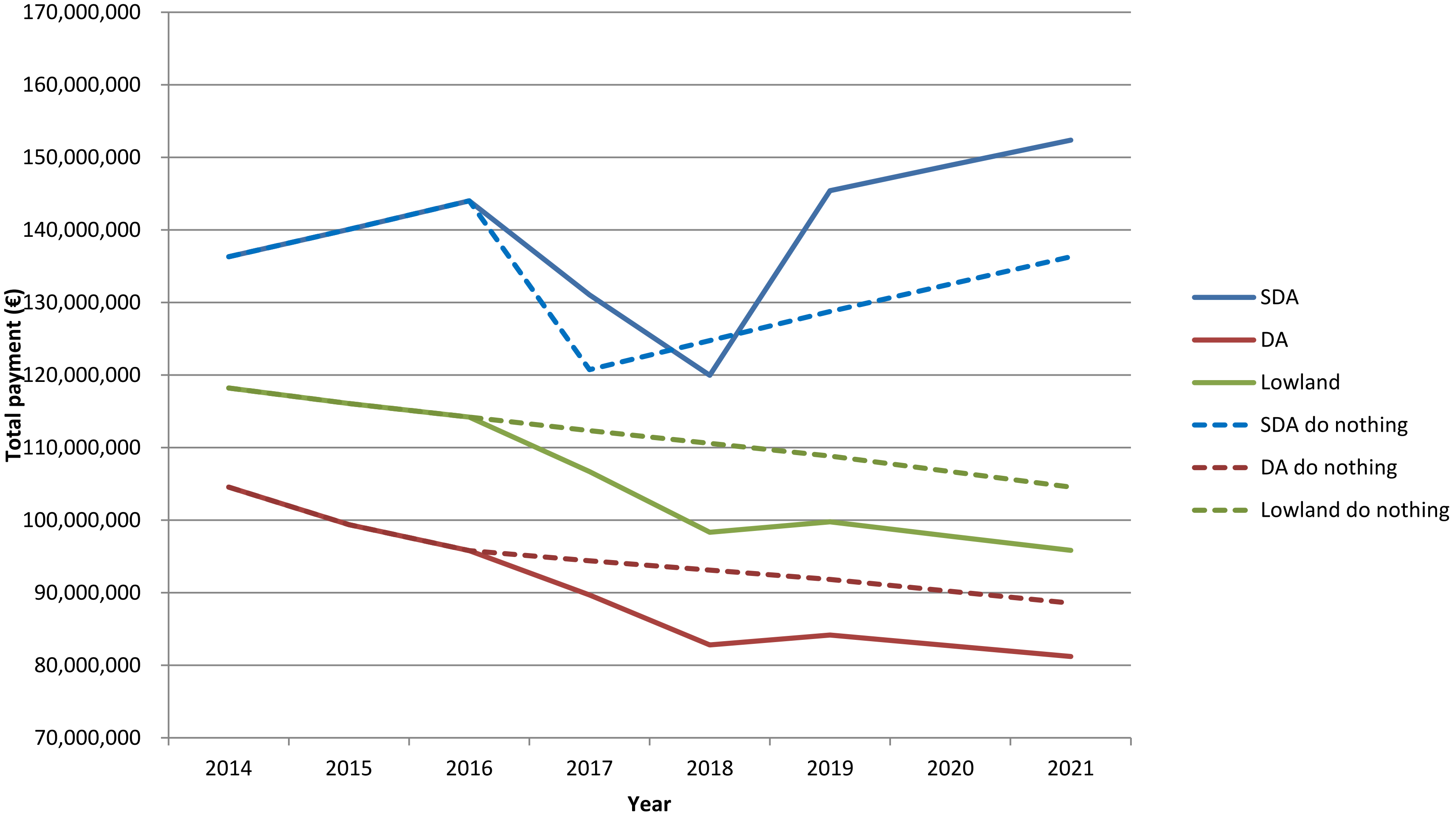


Figure 6. Total payment (Direct and ANC Payments) by claim year for each land type:

<u>Option 5a</u>: An ANC Scheme in Pillar II funded by an additional £20 million per annum from the NI Executive

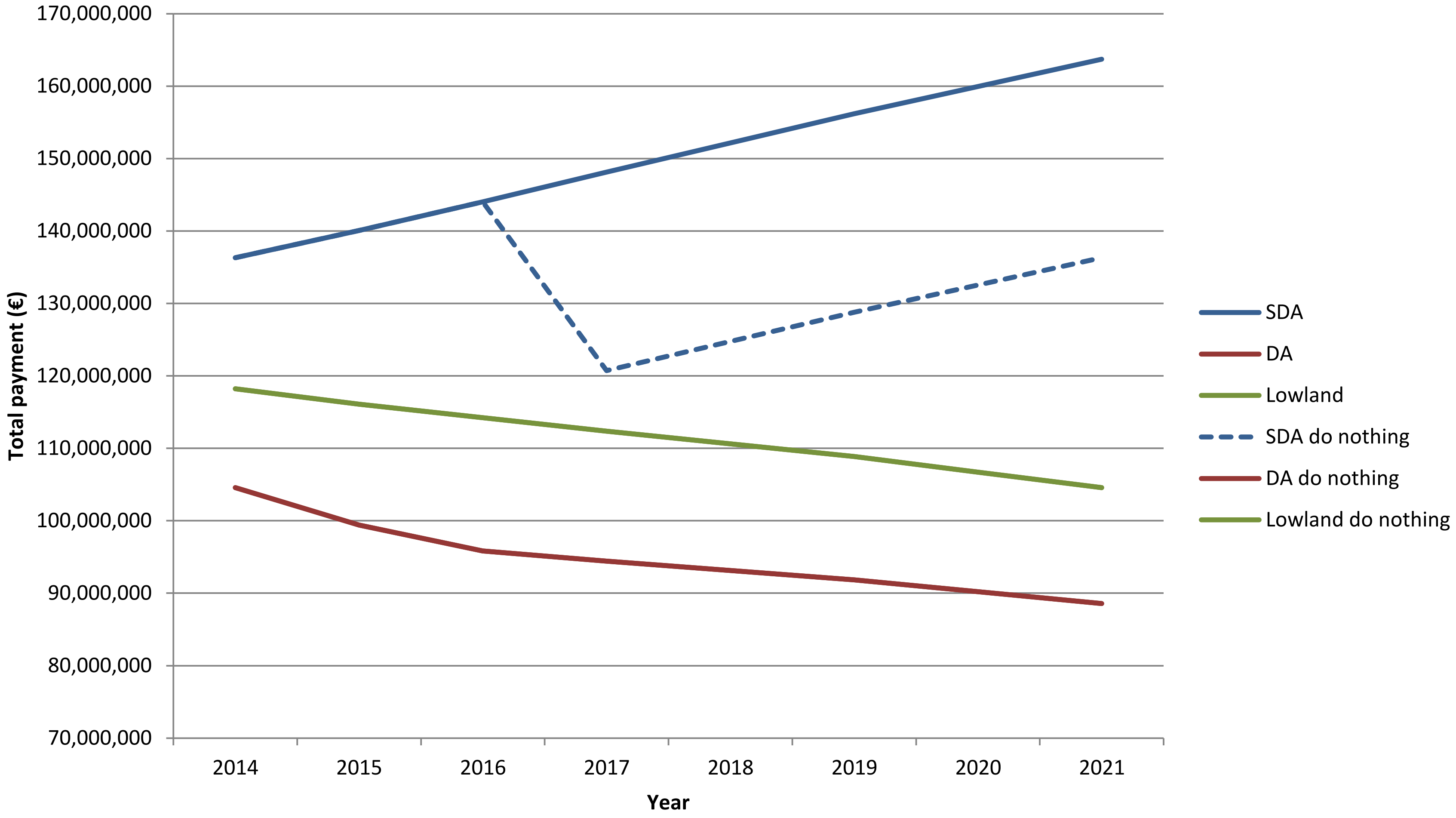
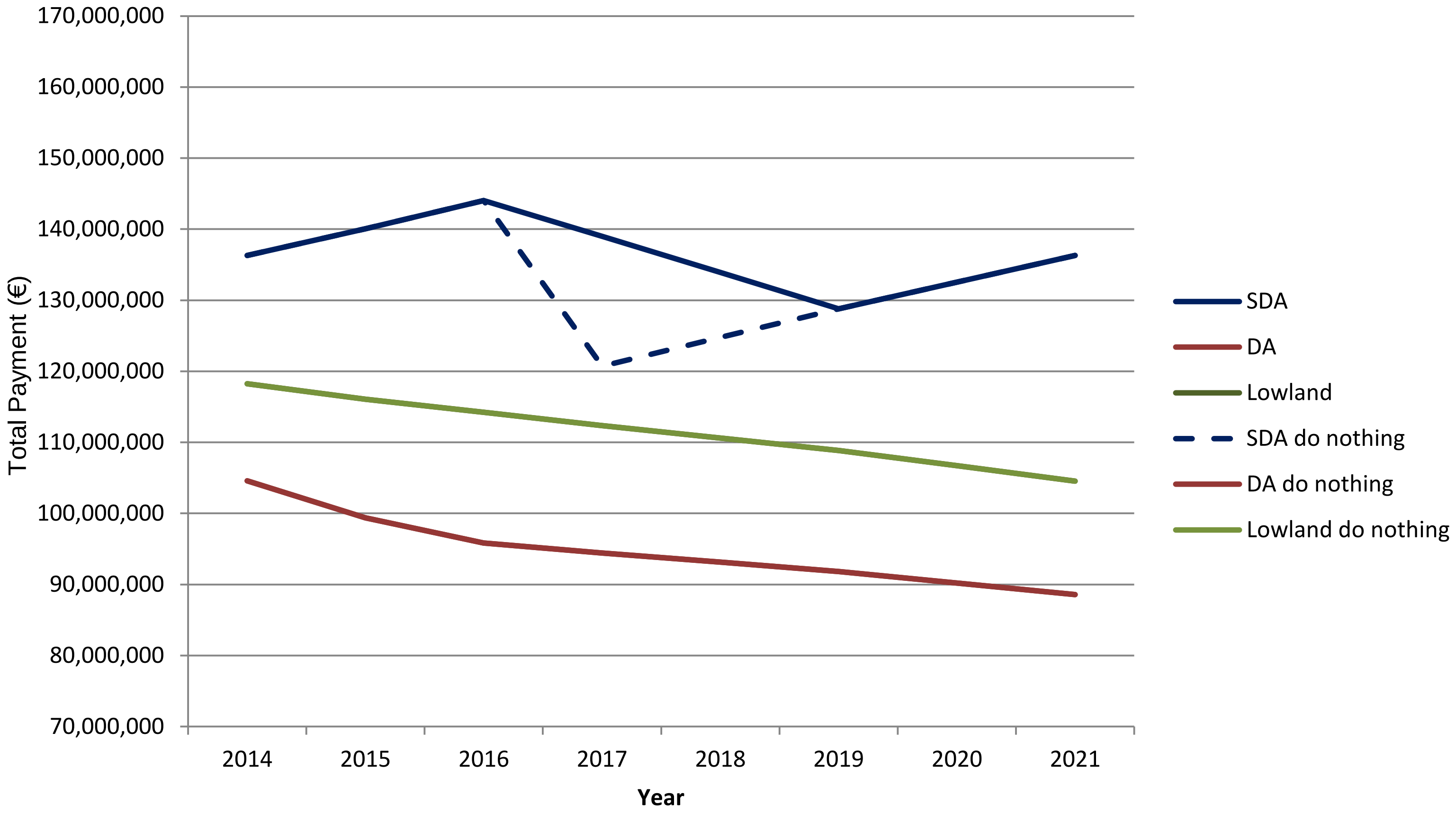


Figure 7. Total payment (Direct and ANC Payments) by claim year for each land type:

<u>Option 5b</u>: A transitional ANC Scheme in Pillar II for the 2017 and 2018 claim years funded from the NI Executive



SECTION 5 CONSULTATION QUESTIONS

For ease of response to the consultation these questions are also provided in a separate pro forma, which is available from the relevant consultation page on the DARD website [www.dardni.gov.uk/consultations].

Q1. In the Table below, please rank in order of preference (where 1=most preferred) at least your **top three options**

Option		**Preference (1=most preferred)**
1	Do nothing - the ANC claim made in 2016 and paid in 2017 would be the last	
2a	An ANC Scheme in Pillar I from the 2017 claim year using 5% of the Pillar I budget annually	
2b	A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years using 5% and 3% of the Pillar I budget across the respective years	
3	A Pillar II ANC Scheme for the claim years 2019 and 2020 funded by a Pillar I to Pillar II budget transfer	
4	A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years, followed by a Pillar II ANC Scheme for the claim years 2019 and 2020, the latter funded by a Pillar I to Pillar II budget transfer. This option is, in effect, Option 2b and Option 3 combined	
5a	An ANC Scheme in Pillar II funded by an additional £20 million per annum from the NI Executive	
5b	A transitional ANC Scheme in Pillar II for the 2017 and 2018 claim years funded from the NI Executive	

Please explain the reasons for your preferences.

Q2. Which option(s) would you strongly oppose and why?

Q3. If no additional national funds are available (i.e. Option 5a and 5b are not possible), please rank in order of preference (where 1=most preferred) in the table below at least your **top three options**

Option		**Preference (1=most preferred)**
1	Do nothing - the ANC claim made in 2016 and paid in 2017 would be the last	
2a	An ANC Scheme in Pillar I from the 2017 claim year using 5% of the Pillar I budget annually	
2b	A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years using 5% and 3% of the Pillar I budget across the respective years	
3	A Pillar II ANC Scheme for the claim years 2019 and 2020 funded by a Pillar I to Pillar II budget transfer	
4	A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years, followed by a Pillar II ANC Scheme for the claim years 2019 and 2020, the latter funded by a Pillar I to Pillar II budget transfer. This option is, in effect, Option 2b and Option 3 combined	

Q4. Are there any other options which you believe the Department should consider? If so, please give details.

Q5. Any further comments that you would like to add?

SECTION 6 RESPONDING TO THIS CONSULTATION

Responses

Responses to this consultation should be sent to:

Policy and Economics Division
Department of Agriculture and Rural Development
Room 361A
Dundonald House
Upper Newtownards Road
Ballymiscaw
Belfast
BT4 3SB

Or, alternatively by:
E-mail: policy.development@dardni.gov.uk

Timetable

Written responses to this consultation paper should be sent to the postal or email address above and should arrive **no later than 5 pm Friday 29 April 2016**. It may not be possible to consider responses received after this date. An acknowledgement will be sent to confirm receipt of each response.

Publication of Responses

The Department will publish a summary of responses following the closing date for receipt of comments. Your response, and all other responses to this publication, may be disclosed on request. The Department can only refuse to disclose information in exceptional circumstances. Before you submit your response, please read the paragraphs below on the confidentiality of responses and they will give you guidance on the legal position about any information given by you in response to this publication. Any confidentiality disclaimer generated by your IT system in e-mail responses will not be treated as such a request.

The Data Protection Act states that information provided by respondents to this consultation exercise will be held and used for the purposes of the administration of this current exercise.

The Freedom of Information Act gives the public a right of access to any information held by a public authority, namely, the Department in this case. This right of access to information includes information provided in response to a consultation. The Department cannot automatically consider as confidential information supplied to it in response to a consultation. However, it does have the responsibility to decide whether any information provided by you in response to this consultation, including information about your identity, should be made public or be treated as confidential. If you do not wish information about your identity to be made public, please include an explanation in your response.

This means that information provided by you in response to the consultation is unlikely to be treated as confidential, except in very particular circumstances. The Lord Chancellor's Code of Practice on the Freedom of Information Act provides that:

- The Department should only accept information from third parties in confidence if it is necessary to obtain that information in connection with the exercise of any of the Department's functions and it would not otherwise be provided;
- The Department should not agree to hold information received from third parties "in confidence" which is not confidential in nature; and
- Acceptance by the Department of confidentiality provisions must be for good reasons, capable of being justified to the Information Commissioner.

For further information about confidentiality of responses please contact the Information Commissioner's Office (or see web site at: http://www.informationcommissioner.gov.uk/.

Annex A

Table 5. Option 1:- Do nothing - the ANC claim made in 2016 and paid in 2017 would be the last - Total payment (Direct and ANC Payments) by claim year for each land type

	2014 (€m)	2015 (€m)	2016 (€m)	2017 (€m)	2018 (€m)	2019 (€m)	2020 (€m)	2021 (€m)	Total (€m)
SDA	136.3	140.1	144.0	120.7	124.8	128.8	132.5	136.3	**1063.5**
DA	104.6	99.4	95.8	94.4	93.1	91.8	90.2	88.6	**757.9**
Lowland	118.2	116.1	114.2	112.3	110.6	108.9	106.7	104.6	**891.6**
Total	**359.1**	**355.6**	**354.0**	**327.4**	**328.5**	**329.5**	**329.4**	**329.5**	**2713.0**

Notes

1. 2014 figure has 2014 LFACA claim included (€27.2m to SDA and €5.7m to DA).
2. 2015 and 2016 include ANC Scheme support (€27.4m per annum).
3. 2015 includes Transitional Payment to Disadvantaged Area - £1.6m at an exchange rate of £1= €0.74 (May 2015) = €2.2m.
4. Totals may not be exact due to rounding.

Annex A

Table 6. Option 2a: - An ANC Scheme in Pillar I from the 2017 claim year using 5% of the Pillar I budget annually - Total payment (Direct and ANC Payments) by claim year for each land type

	2014 (€m)	2015 (€m)	2016 (€m)	2017 (€m)	2018 (€m)	2019 (€m)	2020 (€m)	2021 (€m)	Total (€m)
SDA	136.3	140.1	144.0	131.1	134.9	138.8	142.4	146.0	**1113.6**
DA	104.6	99.4	95.8	89.7	88.5	87.2	85.7	84.2	**735.1**
Lowland	118.2	116.1	114.2	106.7	105.1	103.4	101.4	99.3	**864.4**
Total	**359.1**	**355.6**	**354.0**	**327.5**	**328.5**	**329.4**	**329.5**	**329.5**	**2713.1**
5% scaleback total				16.4	16.4	16.5	16.5	16.5	

Notes

1. 2014 figure has 2014 LFACA claim included (€27.2m to SDA and €5.7m to DA).
2. 2015 and 2016 include ANC Scheme support (€27.4m per annum).
3. 2015 includes Transitional Payment to Disadvantaged Area - £1.6m at an exchange rate of £1= €0.74 (May 2015) = €2.2m.
4. 5% scaleback in Pillar I over 5 years to fund ANC Scheme in all years.
5. Assume new ANC designation in place from 2017.
6. Totals may not be exact due to rounding.

Table 7. Option 2b: - A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years using 5% and 3% of the Pillar I budget across the respective years - Total payment (Direct and ANC Payments) by claim year for each land type

	2014 (€m)	2015 (€m)	2016 (€m)	2017 (€m)	2018 (€m)	2019 (€m)	2020 (€m)	2021 (€m)	Total (€m)
SDA	136.3	140.1	144.0	131.1	130.9	128.8	132.5	136.3	**1080.0**
DA	104.6	99.4	95.8	89.7	90.3	91.8	90.2	88.6	**750.4**
Lowland	118.2	116.1	114.2	106.7	107.3	108.9	106.7	104.6	**882.7**
Total	**359.1**	**355.6**	**354.0**	**327.5**	**328.5**	**329.5**	**329.4**	**329.5**	**2713.1**
Staged scaleback back over 2 yrs				16.4	9.9	0			

Notes

1. 2014 figure has 2014 LFACA claim included (€27.2m to SDA and €5.7m to DA).
2. 2015 and 2016 include ANC Scheme support (€27.4m per annum).
3. 2015 includes Transitional Payment to Disadvantaged Area - £1.6m at an exchange rate of £1= €0.74 (May 2015) = €2.2m.
4. Assume new ANC designation in place from 2017.
5. 5% and 3% scaleback in Pillar I for the ANC Scheme 2017 and 2018 claim years respectively (paid in 2018 and 2019).
6. Totals may not be exact due to rounding.

Table 8. Option 3: - A Pillar II ANC Scheme for the claim years 2019 and 2020 funded by a Pillar I to Pillar II budget transfer - Total payment (Direct and ANC Payments) by claim year for each land type

	2014 (€m)	**2015 (€m)**	**2016 (€m)**	**2017 (€m)**	**2018 (€m)**	**2019 (€m)**	**2020 (€m)**	**2021 (€m)**	**Total (€m)**
SDA	136.3	140.1	144.0	120.7	114.4	145.4	149.0	152.4	**1102.2**
DA	104.6	99.4	95.8	94.4	85.4	84.2	82.7	81.2	**727.7**
Lowland	118.2	116.1	114.2	112.3	101.4	99.8	97.8	95.9	**855.7**
Total	**359.1**	**355.6**	**354.0**	**327.4**	**301.2**	**329.4**	**329.5**	**329.5**	**2685.6**
Transfer at 8.33%					27.4	27.4	27.4	27.4	

Notes

1. 2014 figure has 2014 LFACA claim included (€27.2m to SDA and €5.7m to DA).
2. 2015 and 2016 include ANC Scheme support (€27.4m per annum).
3. 2015 includes Transitional Payment to Disadvantaged Area - £1.6m at an exchange rate of £1= €0.74 (May 2015) = €2.2m.
4. 8.33% transfer from Pillar I to Pillar II applied in 2018, 2019, 2020 and 2021 – funds applied to ANC Scheme in 2019, 2020 and 2021.
5. Totals may not be exact due to rounding.

Table 9. **Option 4: - A transitional ANC Scheme in Pillar I for the 2017 and 2018 claim years, followed by a Pillar II ANC Scheme for the claim years 2019 and 2020, the latter funded by a Pillar I to Pillar II budget transfer. This option is, in effect, Option 2b and Option 3 combined**

	2014 (€m)	**2015 (€m)**	**2016 (€m)**	**2017 (€m)**	**2018 (€m)**	**2019 (€m)**	**2020 (€m)**	**2021 (€m)**	**Total (€m)**
SDA	136.3	140.1	144.0	131.1	120.0	145.4	149.0	152.4	**1118.2**
DA	104.6	99.4	95.8	89.7	82.8	84.2	82.7	81.2	**720.4**
Lowland	118.2	116.1	114.2	106.7	98.3	99.8	97.8	95.9	**847**
Total	**359.1**	**355.6**	**354.0**	**327.5**	**301.1**	**329.4**	**329.5**	**329.5**	**2685.6**
Transfer at 8.33%					27.4	27.4	27.4	27.4	
Staged scaleback over 2 yrs				16.4	9.0				

Notes

1. 2014 figure has 2014 LFACA claim included (€27.2m to SDA and €5.7m to DA).
2. 2015 and 2016 include ANC Scheme support (€27.4m per annum).
3. 2015 includes Transitional Payment to Disadvantaged Area - £1.6m at an exchange rate of £1= €0.74 (May 2015) = €2.2m.
4. 5% and 3% scaleback in Pillar I for the ANC Scheme 2017 and 2018 claim years respectively and a 8.33% budget transfer from Pillar I to Pillar II applied in 2018, 2019, 2020 and 2021 and used to fund an ANC Pillar II Scheme in 2019, 2020 and 2021.
5. Totals may not be exact due to rounding.

Table 10. Option 5a: - An ANC Scheme in Pillar II funded by an additional £20 million per annum from the NI Executive - Total payment (Direct and ANC Payments) by claim year for each land type

	2014 (€m)	2015 (€m)	2016 (€m)	2017 (€m)	2018 (€m)	2019 (€m)	2020 (€m)	2021 (€m)	Total (€m)
SDA	136.3	140.1	144.0	148.1	152.2	156.2	159.9	163.7	**1200.5**
DA	104.6	99.4	95.8	94.4	93.1	91.8	90.2	88.6	**757.9**
Lowland	118.2	116.1	114.2	112.3	110.6	108.9	106.7	104.6	**891.6**
Total	**359.1**	**355.6**	**354.0**	**354.8**	**355.9**	**356.9**	**356.8**	**356.9**	**2850.0**

Notes

1. 2014 figure has 2014 LFACA claim included (€27.2m to SDA and €5.7m to DA).
2. 2015 and 2016 include ANC support (€27.4m per annum).
3. 2015 includes Transitional Payment to Disadvantaged Area - £1.6m at an exchange rate of £1= €0.74 (May 2015) = €2.2m
4. Exchange rate used for additional Executive funding £1= €0.73 so 2017 onwards has €27.4m added per annum.
5. Totals may not be exact due to rounding.

Table 11. Option 5b: - A transitional ANC Scheme in Pillar II for the 2017 and 2018 claim years funded from the NI Executive - Total payment (Direct and ANC Payments) by claim year for each land type

	2014 (€m)	2015 (€m)	2016 (€m)	2017 (€m)	2018 (€m)	2019 (€m)	2020 (€m)	2021 (€m)	Total (€m)
SDA	136.3	140.1	144.0	139	133.9	128.8	132.5	136.3	**1090.9**
DA	104.6	99.4	95.8	94.4	93.1	91.8	90.2	88.6	**757.9**
Lowland	118.2	116.1	114.2	112.3	110.6	108.9	106.7	104.6	**891.6**
Total	**359.1**	**355.6**	**354.0**	**345.7**	**337.6**	**329.5**	**329.4**	**329.5**	**2740.4**

Notes

1. 2014 figure has 2014 LFACA claim included (€27.2m to SDA and €5.7m to DA).
2. 2015 and 2016 include ANC support (€27.4m per annum).
3. 2015 includes TPDA payment to DA - £1.6m at an exchange rate of £1= €0.74 (May 2015) = €2.2m.
4. Exchange rate used for additional Executive funding £1= €0.73
5. 2017 and 2018 have phase out from national funds (€) at 2/3 and 1/3 respectively of £20m (€18.3m / €9.1m).
6. Totals may not be exact due to rounding.

ISBN 978-1-84807-601-3