

Business Update – BPS and ELM

Information correct as at 2:00pm on 17.07.2020

- The Basic Payment Scheme is ending, act now to mitigate the impact on your business
- Fully understand the impact of a reducing BPS and consider from a trading perspective how you might bridge any gap in turnover.
- Read the consultation document to ensure you fully understand the changes being proposed.
- Engage with the process, consider applying to be an ELM pilot farm.
- Join the existing Mid-tier/Higher tier Environmental Stewardship Scheme.

This year (2020) is the last time farmers will receive the Basic Payment Scheme (BPS) in its current form. For many dairy farm businesses, the BPS accounts for a third of their net farm income, equivalent to 1.3ppl. However, now we are out of Europe it is all change on this front. From 2021 the BPS payments will be scaled back until by 2028 they will have disappeared altogether. They are to be replaced by Environment Land Management (ELM) options. It will be important for all businesses to engage in the new scheme if they want to enhance the environmental currency of their farms and maintain a level of support for doing so. ELM payments will not replace the BPS in its entirety and farms will need to look at other aspects of their business to plug the gap in income that will result. Businesses must act now to make the necessary changes to ensure they remain in control of events rather than just reacting to them.

It is important to act now as there will be a period over the next 4 years where the BPS has halved in value but before the new ELMS is launched.

BPS Scale back

The speed of BPS scale back will depend on the size of the farm. Those with larger payments are likely to be scaled back at a faster rate. The Central Association of Agriculture Valuers (CAAV) have calculated the following year on year scale backs depending on the size of original BPS.

Calculation 7-year scale back of BPS depending on size of original payment					
2020 Payment	£15,000	£30,000	£50,000	£120,000	£250,000
2021	£14,250	£28,250	£46,500	£102,500	£201,500
2022	£12,200	£24,400	£39,900	£87,900	£172,700
2023	£10,200	£20,400	£33,200	£73,200	£143,900
2024	£8,150	£16,300	£26,600	£58,600	£115,100
2025	£6,100	£12,200	£19,900	£43,900	£86,400
2026	£4,100	£8,200	£13,300	£29,300	£57,600
2027	£2,000	£4,100	£6,700	£14,700	£28,800
2028	£0	£0	£0	£0	£0

Source: CAAV

Environment Land Management (ELM) scheme

The intention is for the new ELM scheme to be fully in place by 2024. It will replace all current schemes available to farmers under the European Union Common Agricultural Policy (CAP). How the scheme is designed will have a huge impact on the shape of farming and management practices going forward.

The framework of the new scheme is a three-tier structure that will enable farmers to engage with it on different levels depending on their willingness and ability to get involved.

Tier 1

This is the entry level and it is being designed to be easy to access and engage with. It will address direct environmental impacts through incentivising environmentally sustainable farming practices to deliver environmental benefits. Examples for which farmers will receive payment in Tier 1 include soil, nutrient, pest, livestock, and water management. It will involve management practices such as cover crops, hedge management and buffer strips as we have seen in similar schemes before.

Tier 2

This will be more targeted to delivering specific local needs – ‘the right things being delivered in the right places’ This will likely include the provision of new environmental features such as tree and hedge planting, habitat restoration, natural flood management and rights of way provision. Since options under tier 2 may have a wider reach than just an individual farm, it is likely to reward collaboration between farmers to achieve the goals on this element of the scheme.

Tier 3

This will target landscape scale changes. It will include support for interventions over and above those achieved in Tiers 1 & 2. It will help government meet its more ambitious environmental targets such as nature recovery and reductions to carbon emissions through woodland creation and peat bog restoration etc.

The ELM scheme and how it will work is still in development. The government have recently published its Environmental Land Management (ELM) Policy Discussion Document. This offers the clearest picture yet of the thinking behind the new scheme. It also gives you the opportunity to share your views on how the scheme should be designed. This document can be found at:

https://consult.defra.gov.uk/elm/elmpolicyconsultation/supporting_documents/ELM%20Policy%20Discussion%20Document%20230620.pdf

Those wanting to respond to the government’s questions on the proposed new scheme can do so here:

<https://consult.defra.gov.uk/elm/elmpolicyconsultation/consultation/intro/>

The deadline for responses is 31 July 2020.

Devolved Regions

The above applies to England only. Wales and Scotland have their own post CAP land management policies:

Wales

Given that agriculture is a devolved issue, Wales has been preparing for its own post-CAP land management policy. Like England, Wales has opted for an approach focusing on sustainable land management with delivery of public goods central to the new policy. The Welsh Government have undertaken two consultations on the sustainable land management proposal plus an online questionnaire.

The Welsh Government have confirmed that they remain committed to the development of the proposal and that future funding should support and reward farmers who operate sustainable farming systems to protect and enhance the environment.

Next steps

- The Welsh Government are undertaking economic analysis to understand the impact of moving from an entitlement-based income support scheme to a voluntary scheme which rewards the production of outcomes.
- The economic modelling will be published next year and they have confirmed that no decisions will be made regarding the new scheme without consideration of this analysis.
- The Welsh Government have confirmed that there will be a transition period to enable farmers to accommodate any changes required by the new scheme, although the details are not yet available
- A White Paper will be published before the end of the current term (2021), which will pave the way for the introduction of an Agriculture (Wales) Bill during the sixth Senedd term

Scotland

Scotland is proposing a similar 5-year transition period to its own post CAP land management policy. Details of this can be found at:

https://consult.gov.scot/agriculture-and-rural-communities/economy-post-brex-it-transition/user_uploads/00537221.pdf

For further discussion or to help with any questions that you may have, please contact Consultant Support on consultantsupport@kiteconsulting.com or 01902 851007 / 07542 403225