TIME FOR A YOUNGER GENERATION TO TAKE UP THE CHALLENGE?

Last month Anthony Weston stated "from the year after next BPS will be cut or capped very significantly and from 2024/25 it will be gone." He then posed the question "What will you do about it?"

The many potential answers to this question will range from sitting on your hands and waiting to see what unfolds to packing up farming altogether. Bearing in mind that an end to direct payments has been prophesied by politicians and industry commentators for the whole of my professional career. And previous to that was much discussed during CAP reform lectures whilst at University in 2003. I can see why many will continue to ignore the inevitable and opt for the 'it might never happen, let's wait and see approach'. Of course France et al are unlikely to be of much help to us this time around in delaying the inevitable. As ever, nothing in politics is certain and we cannot predict how fast and harsh the cuts to direct payments will come. What we can do at the very least is model the impact of two or three scenarios on a farm's direct payment income and then use that really scary or otherwise information to help us think about how that business might adapt to cope with the changes that are coming.

The following three scenarios are loosely based upon DEFRA's recent consultation document and the plans of our former farming allies across the channel.

- **Scenario 1:** (Kick big business in the nuts!) Cap direct payments at £100k in 2020 with a reduction of 10% applied to all payments year on year from 2021.
- **Scenario 2:** (Share the pain) Progressive reductions to direct payments with higher percentage reductions applied to higher levels of payment.
- **Scenario 3:** (Copy the EU/Back out of Brexit) Match the EU's current proposal to cap direct payments at €60k (£52.5k approx.) from 2021 with the addition of some UK gold plating, progressive reductions year on year thereafter.

	2018	2019	2020	2021	2022	2023	2024	2025
Scenario 1 10% reduction year on year from 2021	£57k	£57k	£57k	£51k	£46k	£42k	£37k	-
Scenario 2 20% reduction year on year from 2020	£57k	£57k	£46k	£36k	£29k	£23k	£19k	-
Scenario 3 Reduction to 60k in 2021 followed by 10% reduction year on year	£57k	£57k	£57k	£53k	£42k	£34k	£27k	-

The table above applies these three scenarios to a 250ha farm whose BPS claim in 2017 was worth just shy of £57k.

Under any of these three hypothetical scenarios there is a marked decrease in direct payments by 2022. Filling the income gap is no easy task. According to the Farm Business Survey 2016-17 the average Lowland Livestock Grazing farm would have made a net loss of £1,077 without BPS.

Diversify to survive? But does this merely hide the ugly fact that some of the agricultural enterprises within the business are not actually financially viable in their own right? If there was ever a time to consider restructuring a farming business then I would argue that now is that time. This could involve simply analysing the profitability of individual enterprises allowing you to focus on those that are working and tweaking or cutting out those that don't. AHDB recently reported that the biggest cost element in growing a tonne of wheat is machinery, at 25-30% of the total spend. The report also identified the long term suspicion of many that that larger farms are not realising the economies of scale that you might expect. Some of the largest farms actually had the highest machinery costs per hectare, the quote "the bigger they are the harder they fall" springs to mind.

Or is it time to stand aside and pass the reins on? A new challenge for a new generation? There is nothing artificial in splitting up a business between offspring who will have different interests and ideas as to how each enterprise can be improved and readied for a time when direct payments are nothing but a fond memory rather than an annual headache of form filling and sketch maps.

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