Explanatory Memorandum to The Basic Payment Scheme (Tapering, Payment Entitlements and Closure) (Wales) Regulations 2025.

This Explanatory Memorandum has been prepared by Local Government, Housing, Climate Change and Rural Affairs Group and is laid before Senedd Cymru in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Cabinet Secretary's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Basic Payment Scheme (Tapering, Payment Entitlements and Closure) (Wales) Regulations 2025. I am satisfied that the benefits justify the likely costs.

Huw Irranca-Davies MS
Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs

4 November 2025

PART 1 – EXPLANATORY MEMORANDUM

1. Description

These Regulations amend assimilated law relating to the Basic Payment Scheme (BPS) in Wales. They provide for the tapering of payments under BPS from 2026 until its closure on 31 December 2028. The Regulations also introduce restrictions on the transfer and use of entitlements, prevent new entrants from accessing the scheme, and close the National and Regional Reserves. These changes are part of the Welsh Government's transition to a new agricultural support framework under the Agriculture (Wales) Act 2023.

2. Matters of special interest to the Legislation, Justice and Constitution Committee

None.

3. Legislative background

The Agriculture (Wales) Act 2023 provides Welsh Ministers with powers to amend or repeal assimilated law relating to the basic payment scheme. These Regulations exercise those powers to amend:

- Regulation (EU) No 1307/2013 (Direct Payments Regulation)
- Commission Delegated Regulation (EU) No 639/2014
- Commission Implementing Regulation (EU) No 809/2014
- The Common Agricultural Policy Basic Payment and Support Schemes (Wales) Regulations 2015

The Regulations are laid before Senedd Cymru for approval by resolution, in accordance with section 50(6) of the 2023 Act.

4. Purpose and intended effect of the legislation

4.1 Tapering of Payments

The Regulations empower Welsh Ministers to reduce BPS payments annually.

Starting from a base rate set in 2025 the payments will be reduced in 2026. This will continue to taper annually until payments reach zero, at which point the scheme will be closed. This gradual reduction is intended to provide farmers with a clear and predictable transition period to prepare for the new support framework.

4.2 Closure of the Scheme

The Regulations confirm the formal closure of the BPS on 31 December 2028. This aligns with the Welsh Government's policy to phase out legacy EU schemes

and replace them with a domestically designed support system focused on sustainability, resilience, and climate action.

4.3 Restrictions on Entitlement Transfers

To prevent speculative trading and ensure entitlements are linked to genuine agricultural activity, the Regulations require that each entitlement be transferred with an eligible hectare in the same transaction from the same transferor. This change supports the integrity of the scheme during its wind-down phase.

4.4 Disallow new Young Farmer Payment claims

After 1 January 2026 only claimants who have already claimed the Young Farmer Payment will be permitted to continue claiming up to the maximum five years. This will encourage earlier take up of other support.

4.5 Closure of National and Regional Reserves

The Regulations omit provisions relating to the National and Regional Reserves, thereby preventing the allocation of additional entitlements from these reserves. This measure supports the managed closure of the BPS and avoids the creation of new liabilities.

4.6 Consequential Amendments

The Regulations make necessary amendments to assimilated law to reflect the tapering and closure of the BPS. These include:

- Replacing mandatory language (“must”) with discretionary language (“may”) in provisions relating to payment ceilings.
- Removing outdated provisions that are no longer applicable under the new policy framework.

5. Consultation

The Welsh Government conducted a public consultation in 2023 on the future of agricultural support in Wales. The consultation included proposals for the tapering, changes to transfer and lease of entitlements, closure of National Reserve, limit access to Young Farmer payments, ceasing clawback of entitlements, closure of BPS and the introduction of a Replacement Scheme. Stakeholders including farming unions, environmental organisations and rural communities broadly supported the phased transition and the principles underpinning the new support framework.

Feedback from the consultation informed the design of these Regulations, particularly the tapering mechanism and the restrictions on entitlement transfers.

PART 2 – REGULATORY IMPACT ASSESSMENT

These Regulations allow for the tapering of payments under Basic Payment Scheme (BPS) from 2026 until its closure on 31 December 2028 as part of the Transition Period 2026 – 2029. The Regulations also introduce changes to the transfer of BPS entitlements, close the Young Farmer Payment scheme to new claimants, and close the National and Regional Reserves for new BPS entitlements. These changes are part of the Welsh Government's transition to a new agricultural support framework, the Sustainable Farming Scheme (SFS) under the Agriculture (Wales) Act 2023.

The policy ambition underpinning this Regulatory Impact Assessment is to introduce a tapering of BPS support against 2025 payment rates. However, the modelling analysis presented in the attached **Annex Paper** is based on 2023 data, which was the most recent and robust dataset available at the time of modelling. This includes farm structure, BPS entitlement payment rates, and economic baselines derived from the 2022–23 Farm Business Survey and other sources. While the modelling does not reflect 2025 conditions directly, it provides a valuable indication of the potential impacts of tapering scenarios (80% and 60%) on farm income and viability, assuming similar structural and economic conditions.

The costs and benefits presented in this assessment reflect a scenario in which all eligible full-time farms remain within BPS and do not opt into the SFS in 2026. This assumption allows for a consistent comparison across taper scenarios and isolates the impact of reduced BPS payments. It should be noted that in practice, some farms may choose to enter the SFS, which could alter the distribution of costs and benefits. However, for the purposes of this modelling exercise, the analysis assumes full retention within BPS to provide a clear understanding of the tapering effects under stable participation.

6. Options

BPS Tapering policy options considered and analysed, set out in the **Annex Paper** were:

1. Status Quo (Counterfactual) – Continue paying Basic Payment Scheme (BPS) at 100% of the 2023 entitlement payment rate, with current regulatory requirements (e.g., CoAP Regulations) in force.
2. 80% Taper Scenario – Reduce BPS entitlement payment rate to 80% of the 2023 rate.
3. 60% Taper Scenario – Reduce BPS entitlement payments rate to 60% of the 2023 rate.

Analysis of all options exclude Rural Investment/SFS Preparatory schemes and assume no element of the SFS is claimed by farm businesses through the transition period. The analysis focuses on the implications for farm businesses that opt to continue claiming BPS support during the transition period, despite the availability of support and funding through the SFS. The Cross Compliance regulatory baseline continues to apply.

BPS Entitlement Transfers with Land Only
- Prevent speculative trading of entitlements.
- Ensure entitlements remain linked to genuine agricultural activity.
- Support scheme integrity during wind-down and transition period.

Close New Young Farmer Payment Claims
- Encourage earlier engagement with alternative support schemes (e.g., SFS).
- Avoid creating new liabilities under a scheme scheduled for closure.
- Align with the BPS tapering and closure timeline.

Closure of National and Regional Reserves to new BPS entitlements
- Prevent allocation of new entitlements during the wind-down phase.
- Avoid administrative and financial burdens associated with reserve management.
- Reinforce the transition to a new support framework.

7. Costs and Benefits

Costs

The administrative burden on farm businesses associated with considering and accepting the changes to the BPS is assessed to be minimal and therefore negligible.

Reduction in annual BPS payments:
- 80% scenario: £28.7m reduction
- 60% scenario: £57.4m reduction

Within the attached Integrated Modelling paper, it refers to farm type. The highest simulated expenditure under both the Counterfactual and Taper scenarios is towards Specialist Sheep in Severely Disadvantaged Area (SDA), Dairy, and SDA mixed grazing. This is reflective of the larger numbers and area of these farms. These farms also see the largest reductions in aggregate BPS payment.

Annual Farm Business Income (FBI):
- 80% scenario: 9.6% reduction in aggregate FBI
- 60% scenario: 19.3% reduction in aggregate FBI

According to the Integrated Modelling paper, when compared to the Counterfactual scenario, tapering BPS support to 80% results in a simulated reduction of 9.6% in total FBI. While all farm types experience an aggregate decline in FBI, the impact is not proportionate across all sectors. This variation reflects differences in the relative dependence of farm types on BPS, as compared to income derived directly from farming activities and non-agricultural sources.

Further tapering of BPS support to 60% leads to a simulated reduction of 19.3% in total FBI. Again, all farm types are affected, but the reduction in FBI is not directly proportional to the 40% decrease in BPS payments.

Redistributional Impacts:
- Disproportionate effects across farm types are due to varying reliance on BPS for profitability.

Administrative Costs:
- The administrative costs incurred by the Welsh Government in implementing changes to BPS are considered negligible.

BPS Entitlement Transfers with Land
- May limit flexibility for farmers.
- Potential minor administrative burden verifying eligible hectare transfers.
- Farmers face constraints transferring entitlements unless accompanied by agricultural land.

Close New Young Farmer Payment Claims
- Will reduce short-term financial support for new young farmers.

Closure of National and Regional Reserves
- Denies new farmers or new young farmers the choice of BPS during the transition period.

<u>Benefits</u>

Fiscal Savings:
- Reduction in public expenditure on BPS payments.
- Reallocation of funds to SFS Universal, which aligns with Sustainable Land Management objectives.

Policy Alignment:
- Supports transition towards the Sustainable Farming Scheme.

Environmental Outcomes:
- No significant changes in land use, stocking, or nutrient inputs under taper scenarios.
- CoAP regulations already drive reductions in nitrogen fertiliser use and dairy excreta.

BPS Entitlement Transfers with Land
- Reduces risk of speculative behaviour and market distortion in the trading of entitlements.
- Simplifies scheme management during BPS tapering.

Close New Young Farmer Payment Claims
- Encourages transition to SFS, which includes support for new entrants.
- Avoids long-term liabilities under a scheme scheduled for closure.

Closure of National and Regional Reserves
- Supports managed closure of BPS.
- Avoids creation of new entitlements.
- Reduces administrative complexity and cost.

8. Competition Assessment

Analysis suggests:
- Small and upland farms may face greater financial pressure.
- No direct impact on market competition mechanisms.

9. Post Implementation Review

A review is recommended three years post-implementation to assess the impact of the transition to the SFS. This review will focus on:
- Uptake of the SFS among eligible farms, including participation rates and regional distribution.
- Outcomes achieved through SFS participation, such as improvements in environmental performance, farm resilience, and economic viability.
- Effectiveness of the tapering policy in encouraging transition to SFS and reducing reliance on direct payments.

Any unintended consequences on land use, livestock management, or farm exits.
Monitoring will be based on baseline data from the Integrated Modelling Platform (IMP), Farm Business Survey, and SFS enrolment and performance metrics.

10. Summary

Implementation of a tapered BPS entitlement payment rate at 60% of the 2023 rate, BPS Entitlement Transfers with Land, Close New Young Farmer Payment Claims, Closure of National and Regional Reserves. This is intended to prompt farmers to transition to SFS, where they can benefit from targeted support and incentives aligned with economic and environmental outcomes.

Rationale:

- Delivers fiscal savings.
- Encourages uptake to a more targeted and sustainable support system through SFS.
- Maintains environmental standards.
- Prevent new BPS liabilities.
- Provides a Transition Period from the BPS to SFS.

Annex A - Integrated Modelling Platform

This section uses analysis from the Environment and Rural Affairs Monitoring & Modelling Programme (ERAMMP) Integrated Modelling Platform[1] (IMP).
The IMP is a tool for exploration of the effects of policy and management interventions on farm viability, land use and environmental outcomes in Wales. It takes an integrated approach, recognising that interventions have multiple impacts and policy effects in one sector have indirect effects in other sectors. It comprises a chain of specialised, state-of-the-art models covering agriculture, forestry, land use allocation decisions, water, air, soils, biodiversity, ecosystem services and valuation.

The IMP is applied to full-time farms (> 1 Full Time Equivalent (FTE) labour). Changes in land use are driven by on-farm economics and land suitability. They do not take into account skills, or cultural and behaviour responses.
The economic baseline for the IMP is 2023. Farm Business Survey (FBS) data for 2022-23 is a key input into the modelling alongside cost and commodity prices from the John Nix Management Pocketbook (2023).
Full assumptions that underpin the modelling are included in ERAMMP Report 133[2].

The modelling estimates impacts for 7,401 full-time farms in Wales. This model population accounts for:

- 30%[3] of the c. 24,608 active farms in the June agricultural survey,
- 73% of all cattle (78% of beef and 69% of dairy) in Wales;
- 83% of all sheep in Wales;
- 67% of rough grazing, 61% of crop land and 50% of improved grass, of which 76% of temporary grass and 46% of permanent grass.

Table 1 shows the number of farms by farm type, and the total area represented by each of these farm types. Specialist sheep, Dairy and Severely Disadvantaged Area (SDA) mixed farms account for the largest shares of farms in the model. In terms of aggregate farm area, Specialist sheep, SDA mixed and Dairy account for the largest total areas.

[1] Integrated Modelling Platform (IMP) | ERAMMP
[2] www.erammp.wales/133
[3] The shortfall represents both part time/micro farms and uncertainties in the allocation of LPIS to full time farms. Data limitations prevented the identification of all full time farms and also all land associated with full time farms in Wales.

Table 1. IMP Full-time farm numbers and area by farm type

Farm type	Total number of farms	Total area (includes non-agricultural areas[4])	Average farm size (ha)
Cereals	97	20,842	215
General Cropping	52	7,109	137
Dairy	1,260	163,485	130
Lowland cattle & sheep	679	63,665	94
Mixed[5]	255	33,824	133
Other[6]	317	18,383	58
Specialist Sheep (SDA)	2,257	342,804	152
Specialist Beef (SDA)	184	34,007	185
SDA mixed	1,139	164,305	144
DA mixed grazing	1,161	124,854	108
Total	**7,401**	**973,278**	**132**

Description of modelling scenarios: Baseline, scenario description and comparison to Counterfactual (BAU)

Baseline

The scenarios are introduced on top of a baseline.
The baseline for the scenarios covered in this analysis is one where:

- BPS is being paid[7], with no taper
- Rural Investment/ SFS Preparatory schemes are not included
- Standards of good agricultural and environmental condition (GAECs) apply
- The Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021 are not in force (CoAP)

[4] Non agricultural areas consist of bare rock, buildings, yards, sand dunes, mud flats. These areas are excluded from the modelling calculations
[5] Mixed: holdings for which no single category accounts for more than two thirds of total Standard Output
[6] Other: Holdings that do not fit into any of the defined categories. This category includes non-classifiable holdings
[7] Excluding payments on common land and Young Farmer top-up

No element of the SFS is available

Counterfactual scenario (BAU)

The Counterfactual scenario (BAU) is that against which the impacts of the Preferred Way Forward (PWF) scenario can be compared. For this modelling, the Counterfactual is designed to offer insight into potential impacts if BPS was continued to be paid at full rate. In this modelling scenario, the following elements are simulated:

- BPS is being paid, with no taper
- Rural Investment/ SFS Preparatory schemes are not included (no change from baseline)
- GAECs continue apply (no change from baseline)
- The Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021 are in force for all farms, including costs of compliance
- No element of the SFS is available

Taper Scenarios: 80% and 60%

The Taper scenarios are those whereby BPS is reduced in comparison to the 2023 BPS entitlement payment rate used in the baseline and Counterfactual. Two Taper scenarios (80% of 2023 rate and 60% of 2023 rate) are modelled. In addition to the modelled reduction of BPS, the following elements are also simulated within the scenarios:

- Rural Investment/ SFS Preparatory schemes are not included (no change from baseline)
- GAECs continue to apply (no change from baseline)
- The Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021 are in force for all farms, including costs of compliance
- No element of the SFS is available.

The following payment values were applied to all model farms:

Table 2. Simulated BPS payment rates

2023 base year	Standard Entitlement Payment	Redistributive payment on first 54 ha
Baseline and Counterfactual	£121.00	£111.00
80%	£96.80	£88.80
60%	£72.60	£66.60

Interpretation of outputs

The baseline and two scenarios together mean specific effects can be explored by varying comparison across the model outputs.
The simulated impact of the Counterfactual (BAU) scenario is estimated from the change against the baseline.

The simulated impact of the Taper scenarios can be estimated by calculating the change difference between the Counterfactual (BAU) and each of the Taper scenarios i.e. difference between the projected values for the Taper scenarios and that of the Counterfactual. This allows the impact of the BPS taper to be separated from other factors in the modelling (e.g. the regulatory environment).
Each scenario uses the same baseline and therefore outputs cannot be considered sequential or indicative of a time series.

Responses of model farms

Model farm response to the scenarios is based on constrained profit maximisation. In any given scenario, farms may make changes to management practices, land use and stocking in order to maximise profit. These changes are captured in model outputs.

However, model farms are not able to transition to a more profitable farm type within the scenarios presented here, so any changes to the model farm business occur within the current farm type. Outcomes should therefore be considered as those which may arise over the shorter term, rather than indicative of any industry re-structuring which could occur over a longer period.
Potential behavioural drivers not considered, as these are too diverse to account for with enough confidence in the modelling.

Outcomes

The following sections present outcomes from the two Taper scenarios in comparison to outcomes from the Counterfactual (BAU – 100% BPS).

Changes as a result of the Counterfactual scenario are calculated against the baseline.

Changes as a result of the Taper scenarios are calculated against the Counterfactual change. Results for the Taper scenarios therefore indicate the simulated additional change in outcomes relative to those seen in the Counterfactual scenario.

Outcomes are represented for:

- Simulated payments
- Farm Business Income (FBI)
- Land Use
- Livestock
- Nutrient inputs

Simulated WG payments to farms

The IMP models full time farms only and does not include payments or action on common land. The Young Farmer top-up is also excluded. Simulated spend is therefore smaller than it would be if the full farm population, and associated land, was included.

Under the Counterfactual scenario, a total of £143.5m in BPS is simulated to be paid to model farms (Table 3).

Under the Taper scenarios, a total of £114.8m is paid under the 80% taper scenario (reduction of £28.7m) and £86.1m is paid under the 60% taper scenario (reduction of £57.4m).

By farm type, the highest simulated expenditure under both the Counterfactual and Taper scenarios is towards Specialist Sheep (SDA), Dairy, and SDA mixed grazing (Table 3). This is reflective of the larger numbers and area of these farms. These farms also see the largest reductions in aggregate BPS payment.

Table 3. Simulated aggregate spend by farm type

Aggregate simulated payments (£m)	**100% BPS**	**80% BPS**	**60% BPS**
Cereals	2.6	2.1	1.6
General Cropping	1.0	0.8	0.6
Dairy	25.0	20.0	15.0
Lowland cattle & sheep	10.4	8.3	6.2
Mixed	5.0	4.0	3.0

Other	2.9	2.3	1.8
Specialist Sheep (SDA)	48.8	39.1	29.3
Specialist Beef (SDA)	4.7	3.8	2.8
SDA mixed	23.6	18.9	14.1
DA mixed grazing	19.5	15.6	11.7
Total	**143.5**	**114.8**	**86.1**
Absolute change from Counterfactual		**-28.7**	**-57.4**

Aggregate FBI

Under the baseline, aggregate Farm Business Income (FBI) from the full-time model farms is £345.9 million (Table 3). Dairy farms account for the largest proportion (59%), followed by Specialist Sheep (12%) and DA Mixed Grazing (9%). The sectors representing the smallest shares are General Cropping (0.4%), Cereals (1%) and Other (1%). This reflects the lower numbers and area of these farms.

Under the Counterfactual, aggregate FBI reduces 13.6% from the baseline. This is mainly due to a reduction in Dairy Grazing Livestock Units (GLUs) in relation to the CoAP regulations, the costs of Nitrogen export these farms face as a result of Nitrogen application limits, and the application limits themselves. Farms which stock beef and sheep are not affected by these limits but do incur some of the additional costs of the regulations such as closed periods for spreading and record keeping.

In comparison to the Counterfactual, the tapering of BPS to 80% reduces total simulated FBI by 9.6%. All farm types see an aggregate reduction in FBI but the simulated change is non-proportionate across farm types, with some farms seeing larger decreases larger than the 20% reduction in BPS payments and others seeing smaller reductions. This arises from differences between farm types in the relative importance of the BPS payments (compared to the profit directly arising from the farm enterprises and non-agricultural sources of income) to a farm's FBI.

Specialist Sheep farms see the largest simulated percentage decreases in aggregate FBI (23% reduction, Table 4), followed by Specialist Beef farms (21% reduction) and Lowland Cattle &Sheep (20% reduction). Dairy (3% reduction), Mixed farms (14% reduction) and DA Mixed Grazing farms (14% reduction) are the least impacted by the tapering to 80%.

In comparison to the Counterfactual, the tapering of BPS to 60% reduces total simulated FBI by 19.3%. Again, all farm types see an aggregate reduction in FBI but the change is non-proportionate in comparison to the 40% reduction in BPS payments.

Specialist sheep (SDA) farms see the largest percentage decrease in aggregate FBI (46% reduction) followed by Specialist Beef (41% reduction) and Lowland

Cattle & Sheep (40% reduction). Dairy (6% reduction), DA Mixed Grazing (28% reduction) and Mixed farms (27% reduction) are again the least impacted.
Between the two Taper scenarios, the lower BPS payment under the 60% Taper scenario reduces simulated aggregate FBI by 12.8% in comparison to the 80% Taper scenario. Across farm types, the change is again non-proportionate compared to the additional 20% reduction in payments.

Some farm types see a proportionately larger simulated impact in for the additional 20% BPS reduction (Lowland Cattle & Sheep, Specialist Sheep, Specialist Beef, SDA Mixed Grazing), whilst other farm types see a proportionately lower impact (Cereals, General Cropping, Dairy, DA Mixed Grazing, Mixed, Other).

Table 3. Simulated aggregate FBI by Farm type

Total FBI	**Baseline**	**Counterfactual**	**80% BPS**	**60% BPS**
Cereals	3.9	3.5	3.0	2.4
General Cropping	1.5	1.3	1.1	0.9
Dairy	205.5	171.3	166.3	161.3
Lowland Cattle & Sheep	10.7	10.5	8.5	6.4
Mixed	8.4	7.4	6.4	5.4
Other	4.6	4.1	3.5	2.9
Specialist Sheep (SDA)	44.5	43.0	33.2	23.4
Specialist Beef (SDA)	5.6	4.6	3.6	2.7
SDA mixed Grazing	29.1	25.1	20.4	15.7
DA mixed Grazing	32.3	28.1	24.2	20.3
Total	**345.9**	**298.9**	**270.1**	**241.3**

Table 4. Simulated percentage change in aggregate FBI by farm type

% change in total simulated FBI from full time farms	**%Change Baseline to Counterfactual**	**%Change Counterfactual to 80% BPS**	**%Change Counterfactual to 60% BPS**	**%Change 80% to 60% BPS**
Cereals	-10.5	-15.2	-30.4	-17.9
General Cropping	-11.0	-14.8	-29.7	-17.4
Dairy	-16.7	-2.9	-5.9	-3.0
Lowland Cattle & Sheep	-1.3	-19.8	-39.6	-24.7
Mixed	-11.8	-13.6	-27.2	-15.8
Other	-11.3	-14.6	-29.2	-17.1

Specialist Sheep (SDA)	-3.4	-22.8	-45.5	-29.5
Specialist Beef (SDA)	-18.0	-20.5	-41.0	-25.8
SDA mixed Grazing	-13.5	-18.8	-37.6	-23.1
DA mixed Grazing	-12.9	-13.9	-27.8	-16.1
Total	**-13.6**	**9.6**	**19.3**	**-10.7**

Land Use

Land use change under the Taper scenarios is negligible. This is related to a number of factors, including that farms are not able to respond to the scenario by changing farm type and also that there are only a limited number of ley-arable systems where grazing livestock is competing with arable crops for the land. In this latter example this limits changes away from cropping in response to the scenarios.

Table 5. Simulated percentage change in land use

% change in land use	**Crop**	**Rotational Grass**	**Permanent Grass**	**Rough Grass**
Baseline to Counterfactual	-0.19	0.11	0.00	0.00
Counterfactual to 80% BPS	0.00	0.00	0.00	0.00
Counterfactual to 60% BPS	0.01	0.00	0.00	0.00
% difference in land use				
80% BPS compared to 60% BPS	0.001	0.00	0.00	0.00

Livestock changes

Model farms are able to respond to scenarios by economically optimising the management of their farm business within their current farm type, which includes stock changes in relation to the productivity of the land, feed and forage requirements and the costs of buying in feed.
Under the Counterfactual there is an overall 2.8% modelled reduction in Grazing Livestock Units (GLUs) in comparison to the baseline. Beef and Sheep GLUs are unaffected.

There are no simulated changes in livestock under the Taper scenarios which implies that farms are optimally stocked.

Table 6. Simulated percentage change in Grazing Livestock Units (GLU)

% Change in GLUs	**Beef**	**Sheep**	**Dairy**	**Total**
Baseline to Counterfactual	-0.11	0.00	-9.01	-2.77
Counterfactual to 80% BPS	0.00	0.00	0.00	0.00
Counterfactual to 60% BPS	0.00	0.00	0.00	0.00
% difference in GLUs				
80% BPS compared to 60% BPS	0.00	0.00	0.00	0.00

Summary

Approach

- The IMP estimates impacts for 7,401 full-time farms in Wales
- Three scenarios were applied:
    - Counterfactual: 100% of BPS[8] at 2023 rate and current regulatory requirements applied
    - 80% Taper: BPS paid at 80% of 2023 rate and current regulatory requirements applied
    - 60% taper: BPS paid at 60% of 2023 rate and current regulatory requirements applied

[8] Excluding commons and Young Farmer top up

- Impacts of the Taper scenarios are understood by comparing the outcomes from the Counterfactual to those from the Taper.

Farm Business Income

- In comparison to the Counterfactual, the tapering of BPS to 80% reduces total simulated FBI by 9.6% and the tapering of BPS to 60% reduces total simulated FBI by 19.3%.
- Aggregate reductions in FBI reflect the total reductions in payment under each scenario (20% of BPS, and 40% of BPS) but the impacts on FBI by farm type are non-proportionate to the percentage reduction in payment.
- All farm types see a reduction in aggregate FBI across both Taper scenarios.
- Under each Taper scenario, some farm types see aggregate reductions in FBI that are larger than 20% or 40%, whilst some see lower reductions reflecting the differing importance of BPS to farm profitability.
- The impact of the additional 20% reduction in BPS payment for the 60% Taper scenario is also non-proportionate.
- For some farm types, the additional 20% is simulated to have a lower proportionate impact on FBI than the initial 20% removed under the 80% scenario.
- For other farm types, the additional 20% removal has a larger proportionate impact.

Land Use Change & Stocking

- Changes to livestock and land use as a result of the Taper scenarios are negligible
- This is related to model farms being unable to transition to more profitable farm types and implies that there would be no economic gain to model farms altering stocking or land use within their current farm types as they are already optimally stocked in relation to their land productivity, feed/forage requirements and costs of feed.