



NFU Cymru Response: Welsh Government Consultation Sustainable Farming and our Land



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President's Foreword

We are farming in unprecedented times, our future remains clouded in uncertainty, will we leave the EU with a deal, No Deal or will there be no Brexit? What will our future trading relationship be with Europe and the rest of the World? What will Government do to ensure our high production standards are protected? Who will be in Government in Westminster to make these decisions and what will Parliament allow?

Despite all this uncertainty we have been presented with an unique opportunity to shape the future of Welsh farming with a policy that should:-

- Enhance our ability to produce food for the nation, giving us greater security in the supply of safe, high quality, traceable and affordable quality Welsh food, that the public trusts.
- Underpins growth in the Welsh food and drink sector – Wales's biggest employer.
- Promotes rural jobs and supports cultural and social well-being.
- Increases the financial resilience of our farm businesses, supporting the active food producing family farming business.
- Further enhances our environmental performance and use of natural resources.
- Contributes to the maintenance and enhancement of our treasured landscape.
- Supports our aspiration to reach net zero agriculture by 2040.

At this pivotal time for our sector we recognise the importance of our members being aware of the challenges and opportunities that lie ahead but most importantly the opportunity to collectively shape our destiny. This is why since the EU Referendum NFU Cymru has gone to unprecedented lengths to ensure our membership have been able to firstly shape NFU Cymru policy principles and our Vision for a Post Brexit Welsh Domestic Agricultural policy and subsequently have their say on successive Welsh Government consultation proposals.

We have spoken and listened to the views of many thousands of farming and rural businesses through seminars at all the major agricultural shows, roadshows, county and branch meetings, kitchen table meetings and attendance at YFC events and other rural discussion groups. The level of engagement and input from farming and rural businesses in developing our position is unparalleled.

We are pleased that Welsh Government now proposes to design future support around the principle of sustainability recognising the wide-ranging economic, environmental and social contribution of farmers to the well-being of Wales. Future policy must provide equal recognition of these three pillars of sustainability.

In the context of Welsh farming, sustainability means securing adequate supplies of safe, nutritious, high quality and affordable food; securing stable farm incomes and rural vitality alongside the protection and enhancement of our natural resources. A policy that delivers against all the well-being goals set out under the Well-Being of Future Generations (Wales) Act 2015.

Our vision for a new [Welsh agricultural policy](#) seeks to do just that through a single integrated flexible framework based around three cornerstones – productivity, the environment and stability.

The current proposals recognise the importance of productivity through business support measures; the sustainable farming payment rewards farmers for the delivery of environmental outcomes but proposals fail to recognise the importance of stability measures to underpin high quality food production in Wales.

We are clear that evolution of the current RPW online systems to introduce Wales wide actions and outcomes through objective methodology that delivers economic, environmental and social outcomes that will also underpin our aspirations for Brand Wales are a cost effective and practically implementable approach that alongside business support and environmental outcomes will deliver a truly sustainable agriculture programme for Wales.

The development of Brand Wales, to market and promote Wales as a country of high quality food and drink produced in diverse and beautiful landscapes around a strong natural asset base is going to be of paramount importance in the future. Brand Wales should work across the whole supply chain seeking to maximise the value of sustainably produced food from Welsh farms. An integrated and truly comprehensive food and farming policy with ambitious targets for the sustainable growth of the food and farming sector in Wales is required to realise this ambition.

We are pleased that Welsh Government continues to recognise the strong case for supporting farmers with a commitment from our First Minister at the Royal Welsh Show that money that comes to Wales from the UK Treasury for agriculture will be ring fenced for Welsh farming. We are ambitious to grow our economic contribution to Welsh society, we want to enhance our farmed environment and we aspire to net zero agriculture by 2040. To do this we need the support of our Government through long term policy and funding commitments to agriculture.

At this time of uncertainty Welsh Government need to be careful, considered and measured with regards to next steps. We remain committed to working with Government and anyone else who shares our ambition for how future policy can deliver on our ambition for sustainable growth of the food and farming industry. For the time being however, I feel it is important that Welsh Government commit to stability and certainty through a continuation of current policy until such time as we have a clearer picture on our future relationship with the EU, our nearest and largest trading partner.

We are acutely aware that at a time of significant change for the industry, Brexit alongside so many other factors that impact on our farming business and daily lives can be a cause for concern. As farmers we all take great care in looking after our land and livestock but sometimes overlook the importance of looking after our own well-being. We need to look out for each other, tackling the stigma around talking about mental health and raise awareness of the wonderful charities and networks that we are fortunate to have in Wales to support individuals and families through difficult times.

I remain optimistic that through a process of co-production and working in genuine partnership we can build a policy that will realise our ambition for growth and mark Wales out as country producing food of the highest quality, underpinned by a strong and improving natural asset base, all whilst aspiring to produce the most climate friendly food in the world.

By working together we can realise our vision for a productive, progressive and profitable Welsh agricultural industry that delivers jobs, growth and investment for Wales.

J R Davies

John Davies
NFU Cymru President

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1. Introduction

NFU Cymru champions Welsh farming and represents farmers throughout Wales and across all sectors. Our vision is for a productive, profitable and progressive Welsh agricultural industry that delivers jobs, growth and investment for Wales.

The importance of the farming industry in rural Wales cannot be over-stated. Welsh farming businesses are the backbone of the Welsh rural economy, the axis around which rural communities turn. The raw ingredients that we produce are the cornerstone of the £6.8 billion Welsh food and drink supply chain, 217,000 people are employed across the whole food and drink supply chain with 78,000 people employed in the Food and Farming Priority Sector.

We are proud that the Welsh public associate Welsh farmers, first and foremost, with providing safe, high quality and traceable food and at NFU Cymru we want to ensure that consumers in Wales, the UK and further afield can continue to enjoy and choose the top quality food that we produce here in Wales. Welsh farmers look after over 80% of the land area of Wales, maintaining and enhancing our natural environment – Wales' key asset. Farming activity supports a diverse range of species, habitats and ecosystems, provides a range of ecosystem services including flood alleviation, carbon sequestration, climate change mitigation; and delivers the significant backdrop for Wales' tourism and recreation sector worth an estimated £2.5bn annually. Welsh farmers are key promoters and protectors of our culture, heritage and the Welsh language. The Welsh agricultural industry has the highest proportion of Welsh speakers, more than any other sector.

The legislative framework in Wales enshrined in the Well-Being of Future Generations and Environment Acts provides the architecture for the creation of a new agricultural policy for Wales - a stable and transparent policy that can deliver for the economy, for consumers and for the environment. A policy that recognises and values the full range of goods and services provided by farmers, a policy that provides a secure business environment, fair returns from the marketplace and access to the modern technology required to compete on the global stage.

Overall Welsh farming makes an unparalleled contribution to the economic, environmental, social and cultural well-being of Wales in line with the Well-Being of Future Generations Act summarised in our Welsh Farming: Bringing Wales Together [booklet](#) and [video](#). We have the opportunity to put the framework in place for a post Brexit Agricultural Policy that supports Welsh farming to continue to deliver and grow our contribution to Welsh society.

2. A comprehensive food and farming policy for Wales

In October 2018 as part of our response to the Welsh Government Brexit and Our Land Consultation: Securing the future of Welsh farming NFU Cymru highlighted the importance of both the future Welsh farming policy and the next Welsh food and drink action plan sharing a similar ambition; meeting shared agreed targets and working towards one common goal. In our response we said that this is the only way that we felt a truly integrated supply chain could be achieved in Wales.

We are, therefore surprised and disappointed that Welsh Government has not taken advantage of the great opportunity presented to bring together the food and farming industry through one completely integrated policy. We have to question why on the 9th July 2019 Welsh Government launched its *Sustainable Farming and Our Land* document consulting on a future Welsh farming policy and just a fortnight later; on the 23rd July Welsh Government launched a separate consultation on a new Strategic Plan for the Welsh Food and Drink Industry. A golden opportunity has been missed to bring together the Welsh food sector from farm to fork in one comprehensive plan with ambitious targets for the sustainable growth of the food and farming sector in Wales. The opportunity remains to put this right.

Brand Wales

Farmers in Wales operate to world leading standards, and we note that Welsh Government will seek to link future support to environmental and animal health and welfare outcomes designed to drive improvements in standards. We are, however, clear there is considerable scope to gain a marketing advantage and economic growth for Wales through positive and proactive marketing of Welsh produce and the standards to which it is produced currently. Welsh farming has a fantastic story to tell and a considerable amount of good practice takes place on Welsh farms currently; there are significant opportunities to capture this information and use cumulatively at a Wales level to promote Wales' sustainability credentials on a world stage. Indeed, such an approach would be the logical next step embedding Wales's world leading sustainability legislation as our Unique Selling Point (USP).

NFU Cymru has welcomed much of the work undertaken by Welsh Government with partners on the development of the sustainable brand values programme for Welsh food and drink in line with the Brand Wales theme. An essential component will be a commitment from government to position Wales as a producer of top quality food and drink and actively promote on the world stage.

Such an approach will require full integration with future food and farming policy which has to be viewed as the key lever to deliver on this ambition. Overall a brand for Welsh food and drink needs to be owned and promoted at a Wales level and be one that Welsh food producers can align to and receive the benefits of participating in.

The Brand Wales concept seeks to unify the full range of goods and services produced in Wales – high quality food, first class tourism destination, green energy, iconic landscapes and a full range of environmental goods and services - provided by Wales under one brand that can be promoted on the world stage. The development of Brand Wales requires the buy in of the food and farming industry, levy bodies and the third sector with support and joint working across government departments.

To be clear, we see Brand Wales working across the whole of the supply chain, seeking to maximise the value of sustainably produced food from Welsh farms ensuring that all partners in the supply chain are able to capitalise and benefit from Wales' USP.

An integrated and comprehensive food and farming policy in Wales is paramount to realising our ambition for Brand Wales.

NFU Cymru key principles for reform

Three years ago NFU Cymru launched the biggest internal consultation in our history. During this period we formulated a set of key principles that should form the foundations of a new domestic agricultural policy that will deliver a productive, profitable and progressive agricultural industry in Wales. It is against these key principles that we judge Welsh Government's proposals for future agricultural support measures:

- A policy that underpins and secures the continued supply of safe, high quality, traceable, affordable food for our nation. In the context of future global challenges this must be at the heart of any future agricultural policy.
- All farmers must be fairly rewarded for the environmental/public goods they already deliver and will continue to deliver in future for society.
- Policies must be simple to administer, easy to understand and target support at those active farmers who take the financial risks associated with food production.
- Investment measures are required to ensure that farming businesses are well equipped to face the challenges and maximise the opportunities of a post-Brexit marketplace.
- The regulatory regime must be proportionate and evidence-based and policies must be adequately funded to ensure that Welsh farming remains competitive with farmers in the UK, EU and globally.

The NFU Cymru vision for a new Welsh Agricultural Policy

Our vision for a new Welsh Agricultural Policy was launched in early 2017, this followed extensive member consultation in the autumn of 2016. Our vision proposes a single, integrated, flexible framework based around three cornerstones – productivity, environment and stability. We would expect that most farming businesses would look to access support and assistance across a range of measures within the policy framework. All three of these cornerstones are fundamental to the long term policy framework for agriculture in Wales.



This integrated framework has been reaffirmed by our members as part of our comprehensive member engagement programme during the course of this current consultation exercise. We will briefly highlight the key themes within our vision; the full paper can be accessed [here](#).

Stability

Farmers are subject to significant levels of income volatility driven by environmental, economic and political factors, the majority of these factors are completely outside the control of any farming business. Recent events that include political instability within our major global economies, the rise of protectionism, trade bans and tariffs, currency fluctuation as well as a number of extreme weather events highlight that volatility / instability is as much an issue today as it has ever been. This volatility weakens the rural economy, threatens the continuity of supply to our food processors and exposes consumers to food price inflation.

A baseline support payment open and accessible to all active farmers that underpins agriculture and food production and the standards required to build trust and integrity in our sustainable production systems must form a key part of a future Welsh agricultural policy. The standards and conditions attached to this support can underpin the development of Brand Wales, a concept to help market and promote Wales to the world on the basis of high quality food production underpinned by a strong natural asset base. The conditions attached to receiving this support could cover a range of environmental, climate change and animal health and welfare measures agreed in a partnership approach between government and industry building on the work that has been done within the Sustainable Brand Values programme.

Measures to support Welsh agriculture deal with crises and exceptional and emergency events should form a critical component of future agricultural policy. These measures could be deployed in the event of trade bans, extreme downturns in commodity prices, exceptional weather events and notifiable disease outbreaks. They need to be accessible, adaptable and simple to administer and could involve insurance schemes underwritten by government, private storage aid or tax efficient deposit or loan schemes.

Although the threat of a 'No deal' Brexit and the loss of our key export markets appears to have abated for the time being, NFU Cymru is very much of the view that a 'No deal' departure still remains a live possibility. This could arise either as the result of the failure to reach agreement by the end of any extended Article 50 process or, if we are to enter the transition phase, the failure to secure a trade deal with the EU27 to take effect at the end of the transition.

Environment measures

NFU Cymru proposes a farmed environment scheme that is open and accessible to every farmer that wishes to undertake activities that goes beyond the regulatory baseline. Every farmer in Wales already contributes and has the potential to further contribute to practical environmental farm management that includes the protection and enhancement of existing features on their farm and the maintenance of actively farmed land to support biodiversity, carbon, soils, water and air quality.

The aim should be to deliver landscape scale sustainable management of natural resources in line with the aspirations of the Environment Act and Natural Resources Policy. This scheme could be points based and delivered multi annually through existing RPW portals.

The NFU Cymru [Sustainable Agriculture: Food, Farming and the Environment Report](#) sets out the key areas of the environment where farmers can, and do, play an essential role tackling the challenges we face.

The ambition would be to have the maximum amount of farmed land under the scheme. The success of the scheme will be dependent on the ability of farmers to understand and want to participate in the scheme. The scheme must be designed in genuine partnership with the farming industry and properly trialled and piloted ahead of rollout.

Complimentary to the farmed environment scheme would be an advanced scheme for farmers who wish to go above and beyond the measures available in the farmed environmental scheme. The scheme would be suited to those farming in designated areas or with designated sites on their farms, those with significant natural constraints on their farms and those who have already been involved in agri-environment schemes for a significant number of years. This option could also have a specific element for organic farmers. The scheme could be a mix of points based and capital measures.

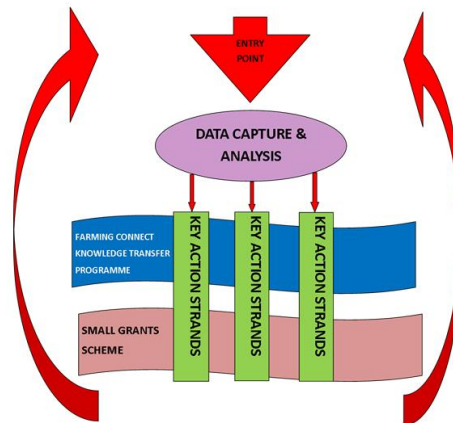
Productivity measures

Investment measures are required to facilitate the development of farm businesses with funding made available to support investment in modern on-farm infrastructure, the latest technology and innovation. Our vision proposes instruments like capital grants and incentivisation measures. The focus would be on delivering production and resource efficiencies which in turn would also have

positive environmental impacts, for example, reduced emissions per unit of production. Investments in infrastructure and equipment will also benefit water and air quality and improve soil health.

Closely linked with the productivity measures and the advanced farmed environment scheme - and based on the concept of supporting and incentivising farmers through an iterative process of measurement, action and review - would be a knowledge exchange and skills element.

Through this measure individual farm businesses would be encouraged to participate in a programme of targeted and integrated knowledge exchange, advice and incentives across a range of specific themes to drive forward measurable improvements in economic and environmental performance. Examples of key themes could include climate change mitigation measures, animal health and welfare, environmental management and enhancement, grassland management, soil and nutrient management and health and safety.



An integrated Sustainable Agriculture Programme

We believe that our policy based on these three cornerstones combine to give a truly integrated sustainable agriculture programme that will continue to deliver and enhance our contribution to the well-being goals established in the Future Generations Act and the sustainable management of natural resources enshrined in the Environment Act. Collectively the three cornerstones deliver more than the sum of their parts, removing one would undermine the effectiveness of the other two. Farming businesses need stability to be able to deliver environmental goods and it is only from a position of stability that farming businesses are able to invest in new technology and productivity measures.

Our policy would deliver increased financial resilience; improve environmental performance; safeguard and promote self-sufficiency; support the Welsh food and drink industry, Wales' biggest employer; drive investment, innovation and productivity; promote rural jobs and support social, cultural, economic and environmental outcomes alongside the continued maintenance and enhancement of our treasured Welsh landscape.

NFU Cymru net zero

At the Oxford Farming Conference in January 2019, NFU President Minette Batters announced that British farmers are committed to greater action on climate change, with an ambition to strive for 'net zero' contribution to climate change across the whole of agricultural production by 2040. This ambition is shared by NFU Cymru with NFU Cymru President, John Davies, leading the Net Zero Vision Group across England and Wales.

In 2016, agriculture accounted for 12% of total emissions in Wales. This was made up of 62% methane; 28% nitrous oxide and 10% carbon dioxide with an overall decline of 12% from the 1990 baseline. Welsh Government, through *'Prosperity for All – A low carbon Wales'* establishes a 17% reduction from agriculture from the 1990 baseline by 2020 in its carbon budget 2016-2020; with the

target of 28% from the 1990 baseline by 2030. We note, in April 2019, the Minister for Environment, Energy and Rural Affairs declared a climate emergency on behalf of Welsh Government. In response to 'Net Zero – The UK's contribution to stopping global warming' published by the UK Committee on Climate Change in May 2019, Welsh Government has declared its ambition to bring forward a target for Wales to achieve net zero emissions no later than 2050.

Farmers across Wales recognise the role we have to play in building a zero-carbon economy. We are committed to reducing emissions from food production, and we recognise we have a special role in creating balancing 'negative emissions' from the land. Work is underway to show how agriculture can contribute to eradicating global warming by the middle of the century, meeting our ambition for a net zero contribution to climate change across the whole of agricultural production by 2040. We are clear there are no single 'silver bullet' solutions to achieving net zero agriculture. Action to tackle climate change in our sector requires a portfolio of different policies and practices focused on three key themes:

1. Improving farming's **productive efficiency**, to reduce our GHG emissions.
2. **Farmland carbon storage** in soils and vegetation recognising that farming is already responsible for a critical carbon resource in soils, wooded landscape and semi-natural habitat which should be conserved and enhanced.
3. Boosting **renewable energy and the bio-economy**, to displace GHG emissions from fossil fuels, and to create GHG removal through photosynthesis and carbon capture.

Farm businesses can make an important contribution in building a zero-carbon economy for Wales, NFU Cymru is clear that the achievement of net zero agriculture will not occur without a mix of policy measures and a long term commitment from government to secure their delivery.

In setting a path for farming to achieve net zero emissions by 2040, it is important to recognise that achievement of net zero is not at the expense and cannot be accomplished via a reduction of agricultural output in Wales, food production or our ability to respond to markets, as this could simply displace our GHG emissions to other countries. Net zero agriculture is not about exporting the impact of food production to other parts of the world. NFU Cymru is clear that we will not halt climate change by limiting Welsh food production and off-shoring it to countries across the world which may not have the same environmental conscience, or ambition to reduce their climate impact. Such an approach would not align with Wales' legislative framework established through the Well-Being of Future Generations Act and the goal of being a 'globally responsible Wales'.

We are also clear that net zero should be judged for the UK farm sector, not individual businesses, sectors or countries within the UK and whilst Welsh farming has a key role to play, the burden of decarbonisation should not fall unequally on Welsh farming or on our rural communities. An appropriate balance must be struck between decarbonisation and meeting wider economic, environmental, social and cultural objectives and without compromising on the sector's food producing ability here in Wales.

We are aware that our competitors in other countries are already publishing plans to produce food with the lowest greenhouse gas footprint, and we want to stay 'ahead of the curve' in line with our 'Brand Wales' vision. The development of a post Brexit agricultural policy for Wales that supports the transition towards net zero agriculture provides this opportunity. NFU Cymru has already met with a number of supply chain partners operating in Wales to see how our ambition for net zero can link with commitments being made by others within the Welsh food and drink supply chain and we look forward to progressing these further. Welsh Government food and farming policy clearly has a crucial role in the realisation of this ambition.

3. Political context

Although we are now three and a half years and two extensions into the Brexit process, we are little further forward in terms of knowing what sort of future trading relationship we will have with our nearest and most valuable export market, the EU27.

A 'No deal' Brexit has gone from something which even a year ago was considered a very remote prospect, to being a distinct possibility arising either out of positive choices made by the UK Government or by default.

The re-cast political declaration which was agreed between the UK and the EU27 at negotiator level earlier this month envisages a more distant, less closely aligned trading relationship between the UK and the EU27 than that which could potentially have been accommodated under the Political Declaration negotiated by Prime Minister May at the end of 2018. This re-orientation of the relationship between the UK and the EU27 towards a trading arrangement which is more loosely integrated offers a worrying insight into the UK Government's thinking. It is concerning not only in terms of the apparent distance it will put between the UK and its nearest, most valuable export market, but also in terms of the sorts of goods and products which might be permitted to enter the UK market as a result of trade deals struck with third countries.

At the moment, what is in prospect for Welsh agriculture is a future trading relationship with the EU and the rest of the world which is sub-optimal compared not only to EU membership, but also to that envisaged by agreement secured by Prime Minister May at the end of 2018. Our members' businesses could therefore face some considerable difficulties and challenges in quite a short period of time, and we would ask that Welsh Government does not rush in to making policy decisions which will reverberate for many decades to come, at such an uncertain time.

If the UK Government were able to agree a Withdrawal Agreement and Political Declaration which commanded the support of Parliament, there is likely to be some considerable further upheaval and uncertainty during the transition period as the details of our future trading relationship with the EU27 are fleshed out. The inability of successive UK Government's to ratify the deal, and the extensions to the Article 50 process have of course already eaten into the transition period, and now just 14 months remain of the intended two year transition, expiring at the end of December 2020.

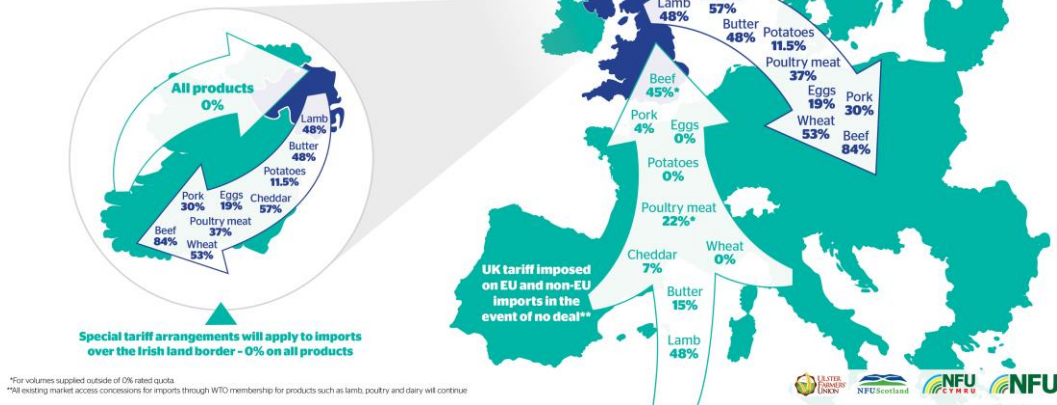
Even if the UK Government were able to ratify the withdrawal agreement then the reality is that we are just moving the potential 'No deal' cliff-edge along to the end of 2020 (or potentially the end of 2022), at either time, if we have failed to negotiate and agree a future trading relationship with the EU, then our trading relationship will move to WTO terms and leave Welsh agriculture in a position every bit as difficult as a 'No deal' departure on 31st October 2020.

Further to this, there can be no certainty that the UK Government will avail itself of the two year extension to the transition period that is available to it under the Withdrawal Agreement, particularly given the Euro-sceptical outlook of many Parliamentarians.

As the prospect of a 'No deal' Brexit has risen up the agenda, so too has our concern at the tariffs which would be applicable in the event of a 'No deal' Brexit. There is no way in which Welsh farmers will be able to cope with tariffs of 84% on beef and 48% on lamb to the EU27 in the event of a 'No deal' Brexit.

At the same time the UK Government's policy of fully or partly dismantling tariff barriers on almost all categories of agri-food product entering the UK would expose our members to the full force of unfair competition from third countries, which will often be producing products to standards which would be illegal in this country. The graphic below outlines the tariff rates in the event of a 'No deal' Brexit.

No Deal Tariffs - a bad deal for UK farmers



NFU Cymru considers the possibility of a disorderly Brexit to be a very live possibility, either as a consequence of a failure to secure a Brexit deal at the end of any extended Article 50 period, or alternatively if the UK fails to agree a future trading relationship with the EU27 during the transition period. High tariffs on our exports to the EU27 would shut us out of these markets, and during that time our customers in the EU27 would look to secure supply from elsewhere. If our ability to export to these markets is interrupted, even for a short period of time, it will prove very difficult to recapture them as we will in all probability have been displaced by alternative suppliers.

Even if the UK were able to secure a negotiated, orderly withdrawal from the EU, as we well know this would only signal the end of the beginning, and not the beginning of the end of the Brexit process. Ahead of us would lie a complex process of negotiating our future trading relationship with the EU27 at a time when the clock is essentially against us. The process of inputting and seeking to shape the negotiation of future trade deals would be a massive but ultimately unavoidable distraction for both NFU Cymru and Welsh Government.

Clearly, although a discussion around our future trading relationship with the EU27 is the preserve of UK Government, there are discussions which both NFU Cymru and Welsh Government will need to monitor, seek to influence and react to. The process of inputting to the UK Government's negotiations is likely to coincide with a critical time when Welsh Government will also be looking to further develop its policies with regard to future support for Welsh agriculture.

The timing and nature of trade negotiations with the EU27 lie outside the control of both NFU Cymru and Welsh Government, and will be driven by the need to meet hard negotiating deadlines. The Welsh Government's development of future agricultural policy is not subject to the same considerations around deadlines. We would urge Welsh Government to think about whether it is desirable to place itself and the industry in the position of having to engage with the two major issues of negotiating a future trade deal with the EU27 and formulating future agricultural policy concurrently.

The unstable political climate has also impacted on the Welsh Government's plans for future agricultural support, with the legislative underpinning (the UK Government's Agriculture Bill) not having survived prorogation. The fact that the Agriculture Bill was not carried forward at prorogation now of course means that the intended legal basis for setting Welsh agricultural policy has now also disappeared, and we are now essentially back in square one.

Although we know that provisions with respect to Wales and Welsh Ministers in the Agriculture Bill were only meant to be a temporary measure until such a time as indigenous Welsh legislation was

introduced, the First Minister's statement of 16th July 2019 indicates that it will be the next Assembly term before this happens. Given the fact that a General Election is now due in December, there appears to be little certainty as to if and when the UK Parliament might be able to legislate in order to equip Welsh Ministers with the powers that they need. We would therefore question the wisdom of pressing ahead with the development of policy for which no legislative basis currently exists.

Through participating in the CAP, farmers in Wales, the UK and the rest of the EU have become used to the certainty that accompanies a system of agricultural support aligned to the EU budgetary cycle. This has therefore allowed farmers to plan their businesses over a comparatively long, seven year horizon.

The Conservative party manifesto 2017 pledged to maintain total farm support at current levels until 2022 (the length of this Parliament, under the Fixed Term Parliaments Act). Ahead of the Westminster election on 12th December, it will once again be open to political parties to set out their commitments to future support for agriculture. Given the volatile nature of UK politics, and the fact that different political parties may have differing outlooks with regard to agricultural support, there can be no certainty around possible timeframes for support for the sector.

Looking to the future, it is very much NFU Cymru's view that funding certainty over a comparatively long period of time is key to farmers' business planning, and will be very important in ensuring that farmers are able to continue to supply safe, affordable, high quality food, meet their environmental obligations and our aspiration of net-zero agriculture by 2040.

NFU Cymru is of the view that a fiscal framework is needed which gives the sector the confidence it needs to invest for the future with work undertaken across the governments and Parliaments of the home nations to introduce multi-annual financial frameworks with respect to agriculture.

There are many factors outside of our control which considered individually or collectively would have a very detrimental impact on Welsh agriculture. NFU Cymru is very much of the view that this calls for a cautious and restrained approach from Welsh Government when it comes to developing future agricultural policy. We would urge Welsh Government to take its time and not to hasten to move away from the present arrangements until we have a far clearer picture of the sort of future trading relationship we will have with the EU27.

Summary

Agriculture is a long term business with lengthy and complex planning and investment strategies. Farmers are anxious to know what markets will be open to them after Brexit, and on what terms. They are also keen to know who their principle competitors might be in domestic markets so that they can plan for the future. After years of political uncertainty we are still no closer to a clearer picture.

A 'No deal' Brexit is still a real possibility. With our main trading partners in the EU27, a 'No deal' Brexit would mean a move to WTO default tariffs, this would be catastrophic for Welsh farming. The UK Government tariff policy of dismantling tariff barriers on almost all categories of agri-food product entering the UK would leave Welsh agriculture exposed to unfair competition from countries often producing products to standards which would be illegal in this country.

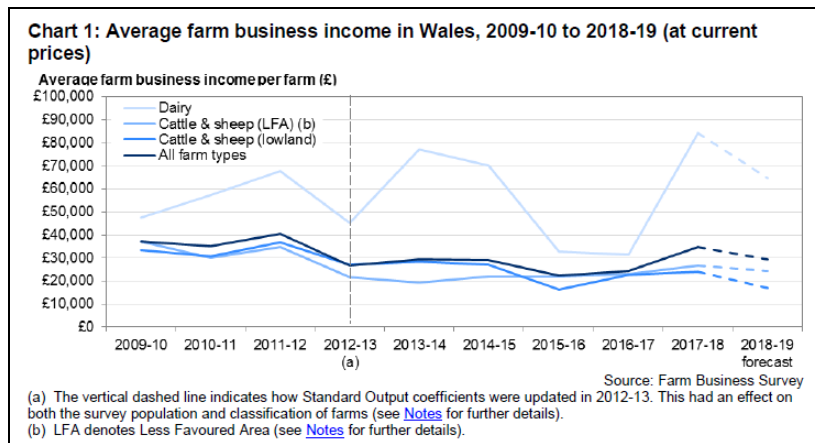
It is because of these factors and the continued political upheaval that NFU Cymru urges Welsh Government to take a cautious approach when developing future agricultural policy. It is vital that a better understanding of our future trading relationship is realised before wide reaching changes are made to Welsh agricultural policy. Our members' businesses could face some considerable difficulties and challenges and we would ask that Welsh Government does not rush in to making policy decisions which will reverberate for many years to come.

4. Welsh farm income

Farm incomes show volatility from year to year, influenced by prevailing agricultural and market conditions. The level of income on a farm can be influenced by a range of physical, social and economic factors, and there is also wide variation in farm incomes for individual farms, including for farms of the same type.

According to the Welsh Government's Farm Business Survey forecasts for farm incomes in Wales 2018-19¹ the average farm business income for 'all farm types' is expected to decrease by 15% from the previous year. The decrease in income is due, in part, to pressure on farm gate prices as well as significant additional input costs, particularly feed. This forecast highlights how challenging the past year has been for all farming sectors in Wales.

Compared to the previous year cattle and sheep (lowland) farms are forecasted a 29% income decrease to £17,000 per farm. LFA farm income is expected to fall by 9% to £24,500 per farm in comparison to the previous year. The average farm business income on Welsh dairy farms is also predicted to drop 23%, with income predicted to fall to £64,500 per farm from £84,500 per farm the previous year.



In recent years, direct payments have been a key safety net for Welsh farmers with on average more than 80% of farming income in Wales originating from EU funding.²

This situation is not unique to Wales, indeed it is important to acknowledge that ensuring that EU farmers can make a reasonable living continues to be one of the key objectives of the CAP recognising that the agriculture sector is unique and farming is unlike any other business for a number of reasons including:

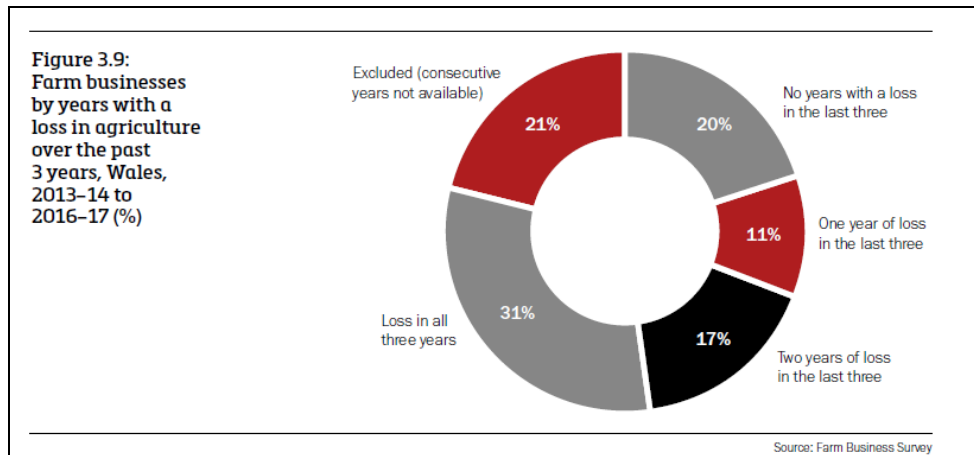
- Despite the importance of food production, farmers' income is significantly lower compared to non-agricultural income (by around 40%).
- Agriculture depends more on the weather and the climate than many other sectors.
- The time gap between consumer demand and farmers being able to supply: growing more wheat or producing more milk inevitably takes time.

The EU believes that because of these reasons and the other business uncertainties and the environmental impact of farming, it justifies the important role that public support plays for farmers. This is likely to continue into the next round of CAP and Welsh Government, through future policy, must ensure that Welsh farmers have the opportunity to be competitive with farmers from other countries.

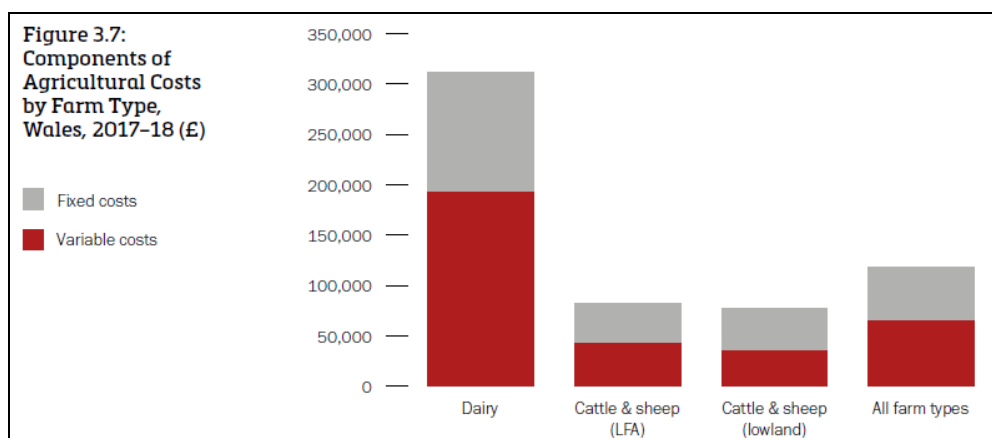
¹ Welsh Government- Forecasts of farm incomes in Wales 2018-19- link [here](#)

² Wales Governance Centre- Wales and the EU- link [here](#)

The table below provides a breakdown that gives an indication of performance consistency of farm businesses in Wales. Across farm types, 59% of farms made a loss in 1, 2 or 3 of years between 2013-14 and 2016-17. 31% of farms did not make a profit from agriculture in any of the 3 years, whilst only 20% made a profit in every year.

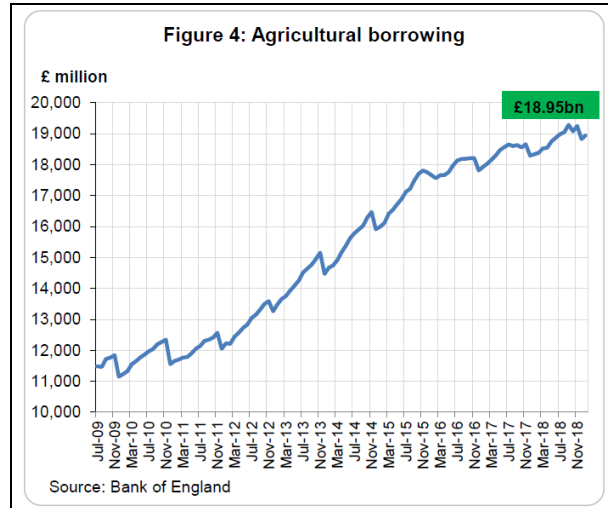


The table below highlights agricultural costs by farm type in 2017-2018. Agricultural costs can be split into fixed costs (e.g. labour, machinery, interest payments and rent) and variable costs (e.g. feed, fertilisers, seed, pesticides and purchased fodder). Variable costs are, on average, the largest source of costs for farms in Wales but there is variation within and between farm types. Lowland cattle and sheep farms tend to have higher relative fixed costs, whilst dairy and LFA cattle and sheep have higher relative variable costs.



Farm Borrowing

Falling profitability over the past year and rising input have kept farm finances under pressure, affecting not only farmers but the prospects for the wider rural economy. Data from the Bank of England shows a continuation of the previous trend with borrowing reaching £18.95 billion in the 12 months to January 2019. This represented an increase of over 3%. Given the downturn in farming profitability experienced by farm businesses it is not surprising that borrowing figures have continued to rise. The financial damage caused by volatile markets over the past year is expected to take longer to repair.



Summary

Farm incomes in Wales 2018-19 are predicted to fall by 15% from the previous year. The decrease in income is due, in part, to pressure on farm gate prices as well as significant additional input costs, particularly feed. This forecast highlights how challenging the past year has been for all farming sectors in Wales.

Welsh Government data shows that in many cases farm businesses do not make a profit year on year. Falling profitability over the past year and rising input costs have kept farm finances under pressure, affecting not only farmers but the prospects for the wider rural economy. As a result of this, there is a continued trend of increased farm borrowing. These factors show the vulnerability of farm businesses in Wales.

In recent years, direct payments have been a key safety net for Welsh farmers with on average more than 80% of farming income in Wales originating from EU funding. This situation is not unique to Wales. Welsh Government must recognise this and through future policy ensure that Welsh farmers have the opportunity to be competitive with farmers from other countries. NFU Cymru believes that the best way to do this is through a stability payment open and accessible to all active farmers that underpin agriculture, food production and our high standards.

5. Rural support

NFU Cymru is acutely aware that at a time of significant change for the farming industry concerns over Brexit, policies, legislation and finances can be a cause for concern. Whilst farmers take great care looking after their livestock and their land they can sometimes overlook the importance of looking after themselves.

NFU Cymru is a partner of the Wales Farm Safety partnership and supports the work of the Farm Safety Foundation which seeks to tackle the stigma around mental health issues with campaigns like #MindYourHead. We are grateful for charities such as RABI, Tir Dewi, the DPJ Foundation, FCN and Addington Fund for the support that they give to individuals and farming families. Problems can arise from financial and emotional pressures, mental or physical health concerns, along with the added worries associated with weather extremes and disease outbreaks such as a TB herd breakdown.

Farmers often tend to keep their worries and concerns to themselves and some still perceive a stigma attached to mental health matters. This can hinder the ability to seek help when it is most needed. It is also a concern to us that there will be a percentage of farming families who do not engage with any public bodies, organisations, or stakeholder groups and who may live in relative isolation. These families may not realise that there are charitable bodies that may be able to assist them in times of need. These families may possibly require a robust support system more than any other. NFU Cymru staff have undertaken mental health training with the DPJ Foundation. This included a day's training for the NFU Cymru Head Office staff as well as training for the wider network of Group Secretaries located throughout Wales.

We need to be fully aware that the implications of a 'No deal' Brexit, changes to trading conditions and changes to farm policy and funding arrangements are all issues that could cause concern to farmers and farming families and anyone with a close association with the industry. We need to work together collectively to make sure that our farmers and their families know that they are not alone and that there is help and support available. The agricultural industry already has a high suicide rate with one farmer a week in the UK taking their own life. This alarming statistic must be halted and reversed. Political, medical and social policies focussed on farming families need to be developed to address any increased vulnerability resulting from these issues.

The Welsh Government have previously shown their support for charities related to farming, most recently with their commitment of £500,000 to farming charities to provide short term support to those families in Wales least able to meet living costs with a further donation to the DPJ Foundation this summer. In 2018, NFU Cymru participated in a Red Meat Supply Chain visit to New Zealand, whilst there we heard about the impact of major agricultural reform on the New Zealand agricultural industry, it was reported that a number of farmers did suffer mental health issues as a result of the change and that counselling and support was required. This has subsequently developed in New Zealand into a comprehensive network of Rural Support Trusts who receive some government funding to help with their work. We need to consider in Wales how the industry and government can work with farming charities to understand risks and impacts of policy and wider changes and to ensure that there is a comprehensive support network in Wales and that farming families know where to turn to for help.

Last month, Public Health Wales and the Mental Health Foundation published their report 'Supporting farming communities at times of uncertainty' – an action framework to support the mental health and well-being of farmers and their families. The report identifies that improving the mental health and well-being of farmers and their families is of considerable importance. The benefits of a resilient farming sector can extend beyond the farmers themselves, contributing towards the health and well-being of rural communities, local economies and Welsh culture.

The report identifies that 'periods of uncertainty can increase anxiety and have a detrimental impact on mental health and well-being'. The impact of the UK's planned withdrawal from the EU on the health, well-being and prosperity of Wales is unclear, but the Brexit process so far has resulted in

significant financial and regulatory uncertainty, in particular for farmers. Dealing with uncertainty can increase anxiety and have a detrimental impact on mental well-being, amongst farmers, their families and rural communities. Farmers experience high levels of stress and anxiety due to a lower sense of control over farming sector processes (competition, regulation and price margins) and the wider environment effecting farming practice. Farmers are at increased risk of feeling at times that life is not worth living, having a lack of social support and have been identified as an occupational group at increased risk of suicide. Family members, whilst often a source of support, can also suffer mental ill-health and be in need of support.

Public Health Wales' recent health impact assessment of Brexit, highlighted that farmers and those living in rural communities will probably see a major negative impact in the short to medium term due to the potential loss of income streams and export markets, and readjustment to new regulatory frameworks. Addressing these issues, and protecting against a potential detrimental impact on the mental health and well-being of farming communities, is needed in order to build a prosperous and resilient agricultural sector in the future.

The report identifies that given the uncertainties surrounding Brexit and the challenges facing farmers, there is a need to better understand how to best support mental health and well-being among farming populations in Wales. The report refers to the need for a preventative approach that includes preventing uncertainty and the challenges from adversity and includes a number of key actions highly pertinent to Welsh Government and the development of future policy.

In the context of the developing future policy actions include the need to co-produce a long-term vision for farming in Wales that demonstrates the value of farming as a social, economic, environmental and cultural asset for Wales and addressing the financial instability and achieving a fair price including a co-production approach to the development of future financial models (e.g. levels of funding, implementation, timeliness and creating opportunities for farmers to gain greater price control). The importance of co-producing future policy decisions with the farming community was emphasised to ensure solutions can sustain a viable farming business and be implemented effectively rather than taking a top-down approach without practical consideration.

Summary

At a time of significant change, legislative and financial pressures can be a cause of concern for many farmers. The risk of a 'No deal' Brexit, changes to trading conditions, farm policy and funding arrangements can be a source of stress and anxiety for farming families.

The Public Health Wales and the Mental Health Foundation report 'Supporting farming communities at times of uncertainty' identifies that improving the mental health and well-being of farmers and their families is of considerable importance and is needed in order to build a prosperous and resilient agricultural sector in the future. Political, medical and social policies focussed on farming families is needed to address any increased vulnerability the industry and farmers are facing. There is a need to better understand how to best support mental health and well-being among farming populations in Wales through a preventative approach that includes preventing uncertainty and the challenges from adversity.

Welsh Government must fully consider the proposals outlined in the Public Health Wales report when developing future policy, and gain an understanding of the impact the proposed agricultural policy could have on the mental health of farmers and rural communities. We need to consider how the industry and government can work with farming charities to understand risks and impacts of policy and wider changes and to ensure that there is a comprehensive support network in Wales so that farming families know where to turn to for help.

6. Sustainable Land Management

Welsh Government proposes that future support should be designed around the principle of sustainability recognising the wide-ranging economic, environmental and social contribution of farmers to the well-being of Wales. This is a policy position NFU Cymru would support, indeed, it reflects the views of our members that farming delivers far more than environmental outcomes for society. It also clearly aligns with the Well-Being of Future Generations Act (2015) and the duty placed on all public bodies to work to enhance economic, environmental, social and cultural well-being.

We are also pleased that Welsh Government, through the consultation, continues to recognise the strong case for supporting farmers in the future and that Welsh Government are now prepared to acknowledge that the production of food and the production of environmental goods can be mutually reinforcing and not mutually exclusive.

However, as highlighted above, NFU Cymru is concerned and disappointed that policy proposals do not reflect any ambition for the Welsh food and drink sector. We believe this is a significant opportunity missed. The fact that Welsh Government opted to consult at the same time but completely separately on a strategy to further develop the Welsh food and drink strategy is also highly concerning and perplexing.

We are also concerned with Welsh Government's continued assertion throughout the consultation that farmers do not deliver a broad range of positive outcomes for society currently and that a sustainable approach would 'make it possible' for farms to produce positive environmental and social outcomes alongside producing food. NFU strongly rejects the underlying assumption that farmers in Wales do not produce a vast range of goods and services or Sustainable Land Management outcomes for society presently.

In our response to Welsh Government's 'Brexit and our Land' consultation NFU Cymru stressed the need for Welsh Government to understand the full range of goods and services farmers are already delivering, emphasising that there can be no assumption that this 'baseline of public goods delivery' will continue to flow unimpeded in the context of radical changes to both the trading and policy support environment. NFU Cymru is disappointed that Welsh Government appears not to have made this assessment; we are clear that without understanding this baseline, Welsh Government can have no comprehensive understanding of what benefits it needs to secure the continued delivery of through future policy.

Welsh Government presents the concept of 'Sustainable Land Management' (SLM) as the principle objective and framework to underpin future policy. The consultation refers to the United Nations definition of Sustainable Land Management. However, our research shows that other definitions of the concept exist. We would refer Welsh Government to The World Bank publication 'Sustainable Land Management – Challenges, Opportunities and Trade-Offs' (2006) which offers a further definition and explanation.

The World Bank defines sustainable land management 'as a knowledge-based procedure that helps integrate land, water, biodiversity and environmental management (including input and output externalities) to meet rising food and fibre demands whilst sustaining ecosystem services and livelihoods'.

The World Bank also identifies that Sustainable Land Management is necessary to meet the requirements of a growing population with food and fibre production systems needing to meet three major requirements in the twenty first century:

1. Adequately supply safe, nutritious, and sufficient food for the world's growing population.

2. Significantly reduce rural poverty by sustaining the farming-derived component of rural household incomes.
3. Reduce and reverse natural resource degradation, especially that of land.

In summary, through this definition The World Bank place emphasis on recognising equally the economic, environmental and social needs of both the current and future generations.

We contend that the definition provided by The World Bank better reflects the true position of Sustainable Land Management and the requirements of the Well-Being of Future Generations Act providing a stronger basis from which to move forward. NFU Cymru is absolutely clear that the continued supply of safe, nutritious and sufficient food and the reduction of rural poverty through sustaining farm incomes are equally important policy goals for society. We are concerned that measures to deliver towards these goals are largely absent from Welsh Government policy proposals currently.

NFU Cymru also notes that no objective analysis of alternative concepts as a basis for future policy appears to have been considered by Welsh Government. Nor has Welsh Government undertaken any objective assessment of the extent to which the application of the 'Sustainable Land Management' principle as defined within the consultation can secure the continued flow of the full range of goods and services currently delivered by Welsh farming. As above, the full range of goods and services provided by Welsh farming for society has yet to be comprehensively defined by Welsh Government and this remains a fundamental gap.

Without this analysis, NFU Cymru cannot support Sustainable Land Management as currently presented by Welsh Government as the objective of future policy. We also reject Welsh Government's assertion that forests and woodlands can deliver sustainable land management at a larger scale and we ask Welsh Government to provide the evidence for this.

The consultation goes on to propose a structure for the Sustainable Land Management framework on the basis of describing the benefits, defining outcomes and exploring actions that will deliver the outcomes. This framework provides no objective methodology by which benefits, and therefore outcomes and actions, will be identified. We believe that without an objective approach to identifying the benefits, the framework is fundamentally flawed. This is reflected in the Figure 3.3 of the consultation which sets out a proposed set of outcomes. This list is not comprehensive and is clearly not the result of objective analysis or research. Rather it appears to be a reflection of the policy priorities of some but not all Welsh Government strategies.

NFU Cymru rejects categorically that the objective of future policy should be to drive land use change. Productive agricultural capacity should not be diminished as a result of future policy. Such an approach would be detrimental and result in off-shoring food production to other parts of the world where environmental, social and animal welfare standards are lower. This would not be globally responsible, nor would such a position recognise the predicted challenges to our global food production system.

NFU Cymru is concerned that widespread land use change could arise as a result of a number of actions proposed such as tree planting or habitat creation. The consultation provides no information on the scale of tree planting or habitat creation Welsh Government wants to see or the funding levels it proposes to allocate to these actions compared to the actions that are delivered through agricultural activity. Land use change from agriculture to afforestation or non-interventionist approaches such as rewilding therefore remains a significant threat.

We are highly concerned that future agriculture policy will be deployed by Welsh Government as a key mechanism to deliver Welsh Government's commitment on decarbonisation. The Low Carbon Pathway consultation in 2018, for example, included proposals for doubling of the emissions sink

arising from forestry by 2050, delivered largely through afforestation (90%) with some contribution from agro-forestry (10%). This equates to approximately 66,000 hectares of new planting. To put this scale of land use change into context, we understand the Welsh Government Woodland Estate extends to approximately 126,000ha currently. The average farm size in Wales is 48ha. To achieve afforestation on the scale proposed will require the complete afforestation of some 1400 farms in Wales.

NFU Cymru remains highly concerned that no assessment of impact has been provided on those farming families affected, rural communities, the rural economy or indeed, food as one of Wales's foundation sectors, the Welsh language or environment. Change on this scale is likely to be highly emotive. We are clear the burden of decarbonisation must not fall unequally on the farming sector, or indeed on rural Wales.

The extent to which land ownership/tenure will have to change to achieve this target also needs to be understood. For example, it is our understanding that much of the afforestation in the private sector currently is driven by external investment with investors from outside Wales. Future policy must not be the mechanism by which the business model is created which sees farming families removed from the land and replaced by landowners in the private or third sector.

As described earlier in this response, NFU Cymru is clear of the role Welsh farmers have to play in contributing to decarbonisation of the economy and is supportive of measures that facilitate and adequately reward farmers for additional woodland planting and ongoing management on farms in Wales. It has been our experience that many farmers are prepared to consider farm woodland at an appropriate scale including small scale shelter belts, field corners and parcels with a mixture of deciduous and evergreen species of both trees and shrubs together with hedgerows and streamside corridors that contribute to improved connectivity at the landscape scale. Future policy should facilitate this.

In taking forward objective identification of benefits, outcomes and actions, NFU Cymru refers to research undertaken by the Institute of European Environmental Policy (IEEP) to define public goods comprehensively. Firstly, in the context of policy development it is worth reiterating that IEEP are clear that the characteristics of non-excludability and non-rivalry may be exhibited to almost any degree and, indeed, pure public goods are rare. IEEP research identifies that public goods arising from farming specific to the UK include:

- Agricultural landscapes
- Farmland biodiversity and protection of pollinators
- Water quality and availability
- Soil functionality
- Climate stability (emissions reductions and sequestrations)
- Air quality
- Resilience to flooding and fire
- Rural vitality
- Food security
- Farm animal welfare and animal health

A number of the public goods identified above remain absent within Welsh Government policy proposals. NFU Cymru would reiterate the methodology by which public goods, now described by Welsh Government as benefits, are to be selected is of paramount importance to secure the continued delivery of the full range of benefits currently provided by Welsh farmers for society.

The unintended consequences of Welsh Government's subjective approach to the identification of benefits, compounded by the fact that Welsh Government continues to possess no comprehensive understanding of the full range of goods and services currently delivered by Welsh farming, is likely to be severe.

We reiterate, the assumption that the full range of benefits currently provided by Welsh farming will continue to flow is one that is deeply flawed.

NFU Cymru is also concerned that no attempt appears to be made by Welsh Government to minimise, through future policy, harmful impacts and provide protection to individual businesses, agricultural sectors and regions. Comprehensive modelling of proposed policy approaches will be required to understand the extent of disruption.

In the context of The World Bank definition of Sustainable Land Management, the extent to which the framework proposed can be effective in supporting the continued production of safe, nutritious and sufficient food for a growing population and in sustaining farm incomes has also not been understood. As a result NFU Cymru does not believe the specific benefits proposed by Welsh Government in Figure 3.7 to be a comprehensive list. Future policy must also take full account of support policies operating in other countries.

With respect to the actions to deliver economic outcomes, we identify that proposals appear to assert that the competitiveness of Welsh farming can be addressed solely through measures at the farm level. Welsh Government must provide the evidence that this is the case before moving forward. We reiterate one of our key principles centres on the need to ensure Welsh farms have the opportunity to be competitive with farmers from other countries.

In terms of competitiveness, NFU Cymru would highlight that Welsh Government appears to take no account of the fact that the competitiveness of Welsh farming will be eroded by proposals to end direct support or to provide any form of stability payment. This type of support will continue to be provided via the Common Agricultural Policy to farmers in the rest of EU, with commitments to provide direct support also received from the Scottish Government and the Northern Ireland Executive. NFU Cymru is clear competitiveness is a structural issue that must be addressed first by Welsh Government as opposed to simply shifting responsibility to individual farm businesses. Welsh Government has provided no evidence whatsoever that productivity improvements, which deliver at best marginal gains, can mitigate for the loss of BPS in the context of direct competitors continuing to receive direct support.

In respect of the benefit proposed 'high market potential', Welsh Government proposes awareness of available routes to existing markets and what products and services are in demand as well as appropriate skills and capacity to take up identified opportunities. We highlight that farmers access market information via a range of routes, not least market intelligence funded via the levy. We further highlight Welsh Government has invested considerable sums via the Rural Development Programme (RDP) in the skills and capacity of the sector to add value to produce and access new markets. Welsh Government must undertake full evaluation of such approaches and assess impact in the absence of direct support before investing further funds.

Welsh Government place significant emphasis on the diversification of income. NFU Cymru would highlight that farm diversification has long been advocated as a strategy to build resilience into farm businesses in Wales. The extent to which there remain under-used resources on-farm or unfilled local demand for goods and services requires further detailed analysis by Welsh Government to understand diversification and its potential in the context of future policy proposals. Again we highlight that the burden of responsibility, through proposals, is being shifted to farm level when the reality is that there are many barriers to progressing diversification within the control of Welsh Government such as planning and regulation which must be addressed if diversification is to be advocated as a realistic future strategy. We also highlight that diversification is particularly challenging and frequently not an option for tenant farmers.

With respect to management of reasonable risks, NFU Cymru would highlight that significant numbers of other countries have government backed measures to mitigate the impacts of price volatility on farming businesses. Many countries are strengthening their policies around food production and security. NFU Cymru is surprised and disappointed that Welsh Government appears to suggest that risk management measures are not required.

Extreme price volatility weighs heavily on farm businesses, it impacts on farm profitability, squeezes cash flow and this, in turn, impacts on investment, whether that is investment in productivity or environmental measures. Short-term impacts on cash flow can place significant pressure on otherwise profitable businesses which significantly impacts on farmer confidence. As the UK looks to develop international trade relationships there is significant potential for volatility to increase as markets are increasingly exposed to global factors such as weather, pests, disease and trade relations.

Whilst we respect that there are some exporting nations who provide minimal support to their farmers to manage volatility, these countries have sought to support farmers in other ways, for example, through generous fiscal measures or a low cost enabling regulatory framework.

NFU Cymru firmly believes that a form of stability measure, as is currently provided by the BPS, must form part of a long term agricultural policy framework for Wales. The form that this payment takes has been subject to significant change over the course of this century. NFU Cymru is not against further evolution of direct payments to ensure that they deliver for active farmers and secure the continued supply of safe, quality, traceable and affordable food alongside the wider benefits for the people of Wales.

This remains the most appropriate form of support to provide a stable and reliable form of income to farmers to ensure that Welsh farming can continue to make its unparalleled contribution to the economic, environmental, cultural and social well-being of Wales.

As a Union, we have committed significant resource to investigate how a range of potential risk management and volatility measures could work for UK agriculture. NFU Cymru staff and colleagues from the NFU have visited a number of countries where alternative risk management and volatility measures are operating. We have met with insurance providers in the UK and with risk management and futures experts. The NFU has prepared a paper on this titled [‘Empowering farms to manage price volatility’](#). We have previously offered to work with Welsh Government on developing these ideas, that offer still remains.

Furthermore in extreme weather conditions or a fundamental failure of the market then there is a role for Welsh Government and the UK Government to help manage these risks. Currently the EU Common Market Organisation (CMO) regulations provide the mechanism for intervention in such crises.

A crisis reserve measure must be an important feature to allow tailored responses to exceptional events which impact on domestic production and markets. Linked to this would be the infrastructure and resources required to deal with disease outbreaks.

We are surprised at the lack of recognition within this consultation of the need for measures to address risks and volatility due to external factors, the impacts of which will be felt by farm businesses, rural communities and citizens and hinder the ability of farmers to deliver the wider goods and services for society.

In terms of future proofed business, NFU Cymru observes that Welsh Government appears to assume that farm businesses, many of which have operated generationally, have no business planning process in place. Just because farm businesses have not availed themselves of business

planning through Farming Connect does not mean plans do not exist. Welsh Government is naïve to suggest that succession planning in itself will deliver opportunities for the next generation. For the next generation to succeed, a strategy is required that ensures Welsh agriculture can be competitive and viable. The extent to which this can be achieved in the absence of any direct support is highly questionable.

Overall, we identify that our ability to properly consider 'specific benefits' has also been impeded by the failure of Welsh Government to provide comprehensive information relating to how much of a certain outcome it is seeking to procure, indicative payment levels for actions that 'specific benefits' together with the lack of information relating to where the future regulatory baseline is likely to be positioned in future.

NFU Cymru also notes that Welsh Government believes it is important to provide public funding for outcomes which the market does not reward. As highlighted, research suggests the extent to which pure public goods can be identified for inclusion in the future scheme is highly questionable, in reality, benefits sought operate across a spectrum of market failure as Welsh Government itself acknowledges through its statement that the true value of sustainable food production is rarely reflected in the price a farmer receives for their produce.

The identification of public goods which the market does not reward is likely to be extremely challenging in this context. The assertion that Welsh Government will only support actions where they know it will lead to outcomes is likely to prove equally problematic. It is highly likely that some actions will be prioritised over others on the basis of evidence (there are known to be significant gaps in evidence in some key areas) with the consequence that outcomes hugely valued by society will not be supported through future policy, for example, maintenance of our iconic Welsh landscapes. How such an approach will play out spatially has also not been considered with the result of an uneven distribution of support across regions of Wales which would be highly concerning. The prioritisation of public funds towards actions that deliver multiple benefits also needs to be properly understood as the delivery of specific (but highly important) outcomes could be overlooked as a result.

As presented, we do not believe these proposals represent the 'taxpayer fairness test' as described in the consultation. To suggest that such a test can, in fact, be developed is highly debatable. We would suggest that what the public want and is prepared to support is subject to significant variation and not aligned with the current thinking of Welsh Government. The YouGov Plc poll undertaken in July 2018, for example, identified the vast majority of the Welsh public associate the nation's farmers, first and foremost, as food producers and believes that they should be financially supported for this important role yet this is not reflected in the proposals.

Welsh Government, through the consultation, continues to perpetuate the false assumption that supporting the delivery of mainly environmental outcomes will secure the continued vital economic, social and cultural benefits provided by Welsh farming currently. This position is without foundation, nor does it align with the duty on public bodies to enhance economic, social and cultural well-being in Wales in line with the Well-Being of Future Generations Act.

Summary

NFU Cymru supports the principle that future policy should be designed around the principle of sustainability recognising the wide-ranging economic, environmental social and cultural contribution of farmers to the well-being of Wales. Overall, NFU Cymru remains highly concerned that the proposals remain focussed on developing an environmental based policy. We are clear environmental obligations have to be balanced with economic, social and cultural objectives or farm businesses will be threatened and our rural communities will be poorer. Proposals to advance one objective to the detriment of wider objectives would be highly concerning to us.

Before moving ahead, Welsh Government must undertake comprehensive impact assessments and modelling of the impact on farm businesses, sectors and regions of Wales. Welsh Government must demonstrate unequivocally that important economic, social and cultural outcomes are not diminished as a result of policy proposals.

Welsh Government has provided no evidence whatsoever that its proposals can be effective in mitigating for the loss of direct support, particularly when other UK and EU competitors will continue to be supported, by their governments, with some form of stability support.

NFU Cymru remains clear that stability support will be required in Wales to address the significant levels of volatility farm businesses are exposed to, driven by environmental, economic and political factors – the majority of which are completely outside the control of any farming business. Proposals as they currently stand do not meet with our key principle of a policy that underpins and secures the continued supply of safe, high quality, traceable affordable food for our nation which must be at the heart of future agricultural policy. Nor do proposals ensure that Welsh farming remains competitive with farmers in the UK, EU and globally.

NFU Cymru believes that the definition of sustainable land management provided by The World Bank which recognises the supply of food and the reduction of rural poverty by sustaining farm incomes as important outcomes alongside the delivery of environmental benefits is a more appropriate basis from which to develop future policy frameworks.

We identify clear opportunities to integrate food and farming policy and develop a future policy that secures and enhances the position of Welsh farming production standards as the USP of Welsh food and drink on the global stage.

7. Sustainable Farming Scheme

NFU Cymru comments relating to Sustainable Land Management as a framework for future policy are set out in the previous chapter of this consultation response. In summary, NFU Cymru does not support the definition of Sustainable Land Management put forward by Welsh Government, nor do we support the premise that public support will be directed in the main towards the delivery of mainly environmental outcomes.

We note that Welsh Government, through the 'Sustainable Farming and our Land' consultation, proposes a Sustainable Farming Scheme with two components – the Sustainable Farming Payment and Business Support. We would observe that the change from last years 'Brexit and our Land' consultation are largely semantic and not substantive to the extent required. We would also express the view that Welsh Government's proposed renaming of the Public Goods Scheme to Sustainable Farming Payment has the potential to mislead farmers, imparting a sense of security in relation to continuation of direct support when this is not the reality of the proposals.

NFU Cymru is pleased that Welsh Government have recognised the importance of food production, however, we are concerned that this extends to environmental outcomes which arise from sustainable food production only. We identify that providing support for agricultural activity for the delivery of environmental outcomes may go a small way to ameliorate the situation for farmers who do not own the land that they farm, however, we are unable to comment definitively as indicative payment rates have not been allocated to the actions. The extent to which the proposed future scheme will lead to widespread land use change (and the removal of tenants from the land to achieve that) cannot be understood at this stage. It remains a clear risk.

Policy proposals do not address the need to secure the continued supply of safe, high quality food with the result that proposals remain largely an environmental policy and not a policy that secures the continued and enhanced delivery of economic, environmental, social and cultural outcomes for society.

We note the four features of the Sustainable Farming Payment presented in the consultation. With respect to **Feature A** – a meaningful and stable income stream, we concur that farmers in Wales should be fairly rewarded for the positive environmental outcomes they deliver. Indeed, fair reward for environmental outcomes delivered by farmers currently and in the future is a NFU Cymru principle for future policy development. We note that Welsh Government propose to go above 'income foregone and costs incurred' calculations. We remain concerned whether such an approach will be allowed in practice and reiterate that new policies and payment levels must be designed to operate within WTO rules. On the basis of the information provided within the consultation we are unable to comment definitively on the extent to which the Sustainable Farming Payment will in fact deliver a meaningful and stable income stream to farmers. We would highlight that securing funding via a multi-year contract may provide an element of long term stability to participating farmers, this also has to be balanced by the fact that securing permissions to enter into a multi-annual contract will be impossible for many farmers. Currently tenant farmers with a range of agreements are able to secure Basic Payments through management control on 15th May each year. What Welsh Government is proposing is therefore a significant change, the impact of which has not been considered.

NFU Cymru is pleased that through **Feature B** – a fair, outcome-based payment, Welsh Government has recognised the inherent weaknesses and flaws of an outcomes based approach to scheme design. Whether the payment will, in fact, be fair is impossible to determine on the basis of the information provided, the extent to which actions are workable and fit in with farming systems will be a key consideration as will the actual costs of undertaken the actions. We highlight that throughout the consultation we can see no reference to a funding mechanism for capital works that exists through Glastir currently and that have been a constant feature of agri-environment schemes since inception. This is deeply concerning.

We are also pleased that through **Feature C** - a reward for new and existing practices, Welsh Government wishes to reward both changes to farming practice and the continuation of already sustainable farming practice with payment for both maintenance and creation. We are concerned that the example put forward by Welsh Government refers to management of a semi-natural habitat. We highlight the very narrow definition of Sustainable Land Management and the lack of objective analysis of what benefits public funds are being sought. This could result in many actions provided by farmers currently no longer being provided in the absence of direct support.

Welsh Government's reference to nutrient management as an action that it wishes to support farmers to deliver is also disingenuous given Welsh Government proposes to introduce whole territory NVZ from 1st January 2020. Welsh Government is naïve in the extreme if it believes there is significant scope for the vast majority of farmers to be rewarded for nutrient management actions beyond this. NFU Cymru has fundamental concerns about the level at which the future regulatory baseline will be positioned. We highlight regulation adds costs and complexity and undermines confidence. Further comments are included in a later chapter of this response.

We note **Feature D** refers to a flexible payment for all types of farm. We strongly support Welsh Government in seeking to make the future support scheme accessible to all types of farm. We highlight that analysis will also be required to assess extent of redistribution (from current position) across a sectoral and regional basis also. NFU Cymru is fundamentally opposed to a postcode lottery of support emerging as a result of policy proposals. We also reject wholeheartedly that future policy should be used as a mechanism to drive widespread land use change through large scale afforestation, habitat creation or rewilding. Welsh farming's critical mass and agricultural productive capacity must be maintained through future policy to avoid economic, social and cultural consequences for the Welsh economy and our rural communities. Whilst we note that Welsh Government identifies that change has to be managed sensitively, we identify a total absence of safeguards as to how this will be achieved in practice.

Application process

Moving on to Welsh Government's proposed application process to the Sustainable Farming Scheme, NFU Cymru would highlight that this process has been described in detail to our members during the process of consultation engagement and has met with widespread concern and condemnation.

Firstly, NFU Cymru fundamentally disagrees with the assertion of Welsh Government that entry (to the scheme) must begin with an assessment of farm sustainability. Our observation of proposals as they currently stand would be that Welsh Government is simply seeking to procure the delivery of environmental actions from farmers and secure delivery in the form of a multi-annual contract. The extent to which government requires information to the detail described is, as result, highly questionable, the skills and capacity of Welsh Government to correctly analyse and make effective use of that information is also highly debatable.

Our members also questioned whether it is, in fact, possible to assess sustainability objectively without introducing bias, also referring to GDPR regulations with reassurances needed for how that deeply private information could be used by government and its contractors. Overall, a contractual arrangement to secure the delivery of environmental actions could not be reconciled in any way with the need for a sustainability review and the level of intrusiveness proposed prior to the point of entry. This was viewed as a costly, complex and unnecessary exercise which will ultimately prove impossible to implement from an operational perspective. The cost benefit of such a proposal has also not been presented.

Our members also disagreed that entry to the scheme should be via a four stage adviser-led process. Whilst Glastir has been characterised as failing in part due to the lack of proper and effective advice, this was not felt to be sufficient justification for an un-costed proposal to introduce an

adviser-led approach to the Sustainable Farming Scheme. Members were clear an adviser led approach should not be introduced as a 'sticking plaster' to remedy an overtly complex scheme design.

It was felt that this would add cost and complexity, divert funding from action on the ground and would introduce significant operational challenge and time to scheme implementation. Overall, NFU Cymru is clear that an adviser-led approach to scheme implementation should not be taken forward as proposed. Specialist advisers should be used for the development of higher level specialist outcomes for which bespoke contracts are likely to be required. NFU Cymru is clear that many of the outcomes that Welsh Government is seeking to procure will be common to the vast majority of farms in Wales and there should be no requirement for individual bespoke contracts for their delivery.

Members were shocked and dismayed by the apparent ignorance displayed by Welsh Government through its statement in paragraph 4.24 which reflects that even if the farmer chooses not to enter the scheme the Farm Sustainability Review will have gone through a valuable exercise. In reality Welsh Government must know that its failure to propose any form of stability support going forward, coupled with ever higher levels of regulation, will result in the vast majority of farmers having to pursue entry to the scheme whatever the consequences. We highlight that simultaneously, other departments of Welsh Government including planning, are in active pursuit of measures that make it yet more challenging for farmers to pursue market opportunities available to them.

With respect to the Farm Sustainability Plan firstly we would highlight that this is a misnomer when what is described is a binding contract between government and a farmer. It is misleading to present it as anything else. Our members had fundamental concerns that this contract would contain mandatory actions as determined by the adviser allocated to the farm. We would highlight that this gives significant powers to the adviser and the risks of the adviser introducing bias cannot be ruled out. This complete absence of safeguards is highly concerning. We can foresee significant variation in the approach adopted by advisers which could also result in a postcode lottery and uneven distribution in how support is distributed and with varying thresholds of scheme access. Mandatory actions could also facilitate widespread land use change on the basis of the whim of an individual adviser as well as uneven/unequal access to the scheme which could be subject to challenge. We can see no appeal process proposed to provide redress for farmers who do not agree with the 'advice' provided.

NFU Cymru would also highlight the lack of clarity in how and when payment rates for actions will be determined. A farmer is unlikely to sign a contract for the delivery of environmental outcomes without knowing the payment rate that this will achieve, however, Welsh Government is likely to need an indication of how many farmers want to undertake an action and at what scale to be able to determine those payment rates. This remains a largely unresolved issue within the proposals and a scenario in which funding 'runs out' resulting in 'haves' and 'have nots' would not be acceptable to NFU Cymru given there is no direct support mechanism proposed. Overall proposals as they stand cannot be implemented from a budgetary perspective.

We are concerned that Welsh Government provides no objective methodology on how outcomes are to be valued. We believe there is significant scope for Welsh Government to introduce subjectivity in to this process or for certain policy areas to dominate the agenda with consequences for the continued delivery of many valuable outcomes for society as a result. We remind Welsh Government that it has a duty through policy to enhance economic, social, cultural as well as environmental outcomes.

Contracts in private business have strict terms and conditions on payment delivery. Within the confines of EU rules Rural Payments Wales has historically delivered an excellent level of payment delivery for Pillar 1 payments but Welsh Government have had greater issues with the timely delivery of Pillar 2 schemes. Delays in payments causes serious cash flow difficulties for farming businesses,

leaving the EU provides the opportunity to introduce more clarity and certainty to farming businesses on payment delivery. Currently Welsh Government has a seven month window for Pillar 1 and no EU imposed deadlines for Pillar 2 delivery. Future farming policy should provide farming businesses with certainty on when their payment is due and Welsh Government must ensure that all auditing, inspections and validations that they wish to do has been completed in time to honour their payment commitment.

NFU Cymru notes proposals to introduce a claim for payment approach that relies on annual self-assessment. We do not believe that it should be necessary for the farmer and adviser to agree through negotiation what needs to be monitored as part as a contract. As above we identify that there will be a range of actions common to all farm businesses to deliver and these should not require delivery via a bespoke contract that includes a specified system of monitoring.

Throughout the consultation process our members have continually highlighted that the current RPW Online Single Application Form (SAF) process is one to which they are accustomed to engaging with on an annual basis, sometimes with the assistance of their Adviser or Union. The RPW Online facility is one that has received significant investment of public funds in recent years and it has significant capacity to the nearest 0.01ha the spatial extent of various outcomes Welsh Government says it now wishes to procure. This would appear the most logical basis for future scheme design with investment in advice through the Farm Liaison Service, which is a much valued service for farmers and their advisers, and specialist advice for the higher level outcomes defined within a much smaller manageable number of bespoke contracts. We will provide more information on how we see the potential for the RPW online application process to evolve in the Transition and Funding chapter.

Farmers recognise that as recipients of public funds, the actions delivered will be subject to some form of inspection regime and record keeping. For this to be fair actions will need to be clear and deliverable with sufficient flexibility to recognise unforeseen and *force majeure* circumstances. The inspection regime and system of penalties needs to be proportionate and fair. We refer Welsh Government to the recent research undertaken by Public Health Wales and the Mental Health Foundation '*Supporting farming communities at times of uncertainty*'.

'Regulation, administration and digitalisation' is referred to as a key challenge with the report stating '*Stakeholders reflected on farming as being a highly regulated industry, including managing demands from inspections, paperwork, notifiable disease and crop pest outbreak management, and administration in some cases (if a farm spans England and Wales) across two systems. Many reflected on high levels of stress due to the complexity, and anxiety about changing regulations and fear of making mistakes that can result in financial penalties. Some highlighted incidences where an inspection led to an immediate financial penalty without a discussion on whether it could be resolved quickly, nor consideration of the significant distress caused, especially if the farmer was already struggling financially. This was a frequently described scenario, particularly amongst those farmers who have gone on to develop poor mental health, and from farming wives/partners commonly dealing with the consequences, including suicide*'.

The report refers to the 2011 'Working Smarter' review on better regulation and 'Assessment of progress against the Working Smarter recommendations to streamline the administration and regulatory processes in farming' is included as a key recommendation. NFU Cymru would emphasise that this must now be undertaken as a matter of urgency to properly inform future scheme design and the future regulatory baseline. Our views on regulation will be explained later in this response.

We note that comments relating to Business Support are referred to across numerous chapters of the Welsh Government consultation. NFU Cymru will respond with our comments on Business Support later in our response.

Summary

NFU Cymru is clear that the policy proposals do not address the need to secure the continued supply of safe, high quality food and the proposals remain largely an environmental policy.

On the basis of the information provided within the consultation we are unable to comment definitively on the extent to which the Sustainable Farming Payment will deliver a meaningful and stable income stream to farmers. There is a lack of clarity within the consultation as to how and when payment rates for actions will be determined.

NFU Cymru supports Welsh Government in seeking to make the future support scheme accessible to all types of farm; thorough analysis will be required to assess the extent of redistribution across farming sectors and regions of Wales. NFU Cymru is fundamentally opposed to a postcode lottery of support emerging as a result of policy proposals. We also reject wholeheartedly that future policy should be used as a mechanism to drive widespread land use change. Welsh farming's critical mass and agricultural productive capacity must be maintained through future policy to avoid economic, social and cultural consequences for the Welsh economy and our rural communities.

The Sustainable Farming Scheme application process is a cause of concern for our members. NFU Cymru fundamentally disagrees with the assertion of Welsh Government that entry to the scheme must begin with an assessment of farm sustainability and a four stage adviser-led process. This process will add cost and complexity, divert funding from action on the ground and would introduce significant operational challenge and time to scheme implementation.

NFU Cymru is clear that many of the outcomes that Welsh Government is seeking to procure will be common to the vast majority of farms in Wales and there should be no requirement for individual bespoke contracts for their delivery. Our members have fundamental concerns that this contract would contain mandatory actions as determined by the adviser allocated to the farm. We would highlight that this gives significant powers to the adviser and the risks of the adviser introducing bias cannot be ruled out. Welsh Government has provided no objective methodology on how outcomes are to be valued, and there is significant scope for Welsh Government to introduce subjectivity in to this process or for certain policy areas to dominate the agenda with consequences for the continued delivery of many valuable outcomes for society as a result.

NFU Cymru believes that the existing RPW online application process would appear the most logical basis for future scheme design with investment in advice through the Farm Liaison Service.

8. The tenanted sector and scheme eligibility

Chapter 4 of the consultation includes reference to fair access and eligibility with proposals for providing access to tenant farmers, collaborators and commoners, as well as other options for eligibility criteria.

Welsh Government will be aware that NFU Cymru has long expressed concern for the tenanted sector and farm businesses who do not own the land that they farm in the development of new policy. Two specific meetings for tenant farmers have been undertaken by NFU Cymru as part of our member engagement process. The issue was also discussed at a number of our other engagement events.

NFU Cymru concerns relating to tenant farmers and farmers who do not own the land that they farm have been set out in [our response](#) to the Brexit and our Land consultation and reiterated in [the NFU Cymru response](#) to the Welsh Government proposals for tenancy reform earlier this year. NFU Cymru concerns for the tenanted sector can be summarised as follows:

- Improving productivity - Measures to improve productivity require capital investment in infrastructure and new technology. The matter of capital investment often raises issues within landlord-tenant relations. At the centre is the fundamental question of who makes the investment. Landlords are often reluctant to carry out repairs let alone make investments. Where investment does occur there are implications on rent.
- Levering capital through lending is often an issue for tenant farmers and new entrants. Banks often will not lend larger amounts due to lack of security. Confidence to make investments in productivity can also be undermined particularly where the length of tenancy is relatively short - the average length of tenancy is 4.48 years with some significantly shorter than this - the potential for realising a return on investment is limited. Where such investment support is secured through a competitive process we would express concern that farm tenants may find themselves in an unfavourable position compared to their counterparts.
- Diversification - The contribution of diversification activities in underpinning farm business resilience is understood. However, this is an area of business development that can prove particularly difficult for tenant farmers. It is important to recognise that landlords consent is a key requirement and some landlords may not be willing to give their consent for a range of reasons including inheritance tax implications.
- The tenancy may also restrict the use of the holding for a specific use only, or may specifically prohibit non-agricultural activity as defined in the Agriculture Act 1947. Breaches to the definition of 'agricultural land' within the Agriculture Act 1947 could result in a breach of the terms of the tenancy agreement. Where the landlord does give consent for the tenant to make investments, they may demand a proportion of the income in return for consent. This can undermine the business case for taking forward such a diversification project.
- With respect to payment for the delivery of actions that deliver environmental outcomes, which Welsh Government propose will form the foundation or a large proportion of future farm support, the fundamental issue of who - the person who owns the land or the person who farms the land where they are different - will receive the payment remains unresolved. Where the delivery of environmental outcomes is not linked specifically to agricultural activity, either party could potentially be eligible to receive the funding with the result that tenant farmers would essentially be disadvantaged by future schemes compared to owner/occupier farmers. It cannot be assumed that where the landlord receives the payment for the delivery of environmental outcomes, there will be a corresponding reduction in rental figures.

- It is also important to recognise that tenants participation in the Sustainable Farming Scheme is likely to rely on securing landlord's permission; it is possible to foresee that many landlords will not be prepared to grant permission where the contract results in significant change in the use or condition of that land which could result in significant devaluation of the asset. The extent to which the Sustainable Farming Payment contract delivery would be classified as agricultural or non-agricultural remains unclear. It is possible that environmental options underpinning a contract may not align with Agricultural Act 1947 definitions of good estate management and good husbandry which is required in most tenancy agreements. It needs to be understood that a breach of the terms in tenancy could lead to notice to quit the land.
- Given the average length of tenancy is less than five years, the ability of many tenants to secure a multi-year contract may be hampered, even where the transferability of contracts to the landlord or an incoming tenant is built in. Whilst this is not a new issue within agri-environment schemes per se, it is important to recognise that the vast majority of CAP support is currently deployed via the BPS which requires management control on the 15th May only.

Based on our analysis of the agricultural tenancy reform proposals, NFU Cymru concluded that a number of proposals may address to a limited extent a number of the concerns outlined above, for example, in the area of supporting productivity through capital investment by removing the barriers to landlord investment; and through enabling the challenge of restrictive clauses in AHA leases through dispute resolution. In many other areas our concerns remain, the timeline by which reforms to tenancy legislation can be realistically achieved continues to be a further fundamental concern in the context of the time taken for Welsh Government to enact the model clauses reforms.

NFU Cymru is clear proposals are wholly insufficient to address our fundamental concerns relating to access to schemes and who, in future, will receive the support where farmers do not own the land that they farm. That is not to say that wider tenancy reform proposals do not have merit in their own right and so should be taken forward for the wider benefits and flexibility they will provide. However, given the importance of the tenanted sector to farming in Wales, we are clear that Welsh Government cannot move forward with the implementation of new policy to replace the CAP until the impacts on the tenanted sector are properly understood and until it can guarantee full and equal access to future support to farmers who do not own the land that they farm. Key to this will be ensuring support is targeted at the active farmer.

With respect to 'Sustainable Farming and our Land' proposals we note that Welsh Government appears to recognise some of the specific difficulties that will be faced by the tenanted sector in the context of new proposals, the extent to which those difficulties have been comprehensively addressed through proposals remains questionable.

NFU Cymru is pleased that Welsh Government recognise that it is important to ensure that tenant farmers can access the proposed scheme on similar terms to owner farmers. We note that in addition to possible changes to tenancy legislation that were the subject of consultation earlier this year, Welsh Government state they aim to secure fair access to the scheme by ensuring that contracts are not set for prohibitively long periods of time; that there are a wide range of environmental outcomes which can be achieved through agricultural activity; and providing advice on tenancy agreements to tenants and landlords on the benefits of engagement in the scheme.

NFU Cymru agrees the duration of contracts will require careful consideration and farmers with short term Farm Business Tenancies (FBT) and other arrangements will need equal access to future support. The commitment from Welsh Government to provide a range of actions in the scheme that can be achieved through agricultural activity is also potentially useful, however, in reality this is likely to be heavily influenced by the funding allocated to such actions versus the wider actions put forward. It is easy to foresee a scenario where landlords issue notice to quit or refuse to renew tenancies on

the basis that land use change options such as afforestation prove more financially appealing with less risk attached than offering or continuing a tenancy. Current Farm Business Tenancies offer little or no protection against this for tenant farmers. We are clear, that as currently presented, proposals will result in less opportunities of land to rent for young farmers and new entrants and not more.

It is also possible to foresee the scenario, whereby the landlord seeks to be the contract holder direct with Welsh Government and retain the payment by negotiating a contract which places more emphasis on options that do not require agricultural activity, with the agricultural activity that is required as part of the contract delivered by the tenant as a result of inclusion of clauses within the tenancy agreement.

One of NFU Cymru's key principles is that future support should be targeted at the farmer taking the risk associated with food production. A fundamental weakness remains that in not proposing to provide a stability payment to secure the continued production of safe, high quality affordable food, eligibility for support is opened to a significantly wider cohort some of which will be delivering broader sustainability outcomes for society and others who will not.

Whilst the consultation states that it does not propose eligibility, it does refer to any tenants wishing to participate in the scheme needing sufficient management control such as AHA or FBT. The implications of this proposal appear not to have been understood by Welsh Government. We would highlight that in the current context the vast majority of the budget is distributed via Pillar 1 which requires management control on 15th May of that claim year. Welsh Government is proposing a very significant shift if it is only proposing to support tenant farmers who are able to provide an AHA or FBT agreement. Welsh Government must undertake analysis to understand the redistributive impact from tenant to landlord of this proposal and the extent to which land could be left unclaimed as a result.

The proposal that the advisory service would provide information to tenants and landlords on the benefits of engagement with the scheme is not one supported by NFU Cymru and has the potential to significantly weaken the position of tenant farmers, particularly those who do not have AHA tenancies. In some instances, the very last thing tenant farmers will want is landlords involved with the development of contracts for the Sustainable Farming Scheme. At its most extreme it could result in their complete removal from the land. Overall we are clear proposals represent a significant weakening of the position of tenant farmers from their current position.

NFU Cymru is concerned by the reference to collaboration within policy proposals. Experience of Glastir shows that collaboration, whilst not impossible, is very difficult to achieve in practice and we believe could be an impediment to some farm businesses having equal access to the scheme. The cost benefit of such an approach also requires detailed analysis. Our members experiences of the Sustainable Management Scheme, for example, is one of being high on cost and low on outcomes with the ultimate goal of environmental action of the ground increasingly de-emphasised.

In the context of commons, it is important to recognise that a significant proportion of current support delivered via Pillar 1 does not require consent from others. Participation in the Glastir Commons Scheme does require collaborative agreement and has resulted in significant funds passed to non-active graziers to effectively 'buy' their support for scheme participation with zero cost, risk and effort.

NFU Cymru awaits, with interest, the Welsh Government consultation on common land later this year. At this stage we are clear we will not support proposals that weaken the position of commoners or that allow for land use change on common land.

Welsh Government's reference to Area Statements currently being prepared by Natural Resources Wales (NRW) informing spatial priorities are also highly concerning and open to challenge. NFU Cymru is absolutely clear that lines randomly drawn on maps along with the 'un-costed wish lists' of

environmental activists for activity on land they do not own at the Area Statement workshops provides no evidential basis for future scheme delivery.

NFU Cymru notes that Welsh Government makes no specific proposals about eligibility criteria within the consultation. A key NFU Cymru principle for policy reform is that support should be targeted at the active farmer who is taking the business risk associated with food production. NFU Cymru does not support extending funding to a broader cohort of beneficiaries than active farming businesses and we note that Welsh Government continues to provide no evidence of benefit of extending funding to a broader cohort than currently. The implementation issues associated with extending the eligibility also needs to be clearly evaluated by Welsh Government. We remind Welsh Government of the problems that befell the RPA in 2005 and that the Scottish Government continue to face following the current round of CAP reform.

We are pleased that Welsh Government does acknowledge that one important eligibility exclusion is likely to be land owned and managed by the public sector. We would consider this to be highly appropriate given that the Welsh Government Woodland Estate already receives public funding equivalent to in excess of £80 per hectare (2017 figures).

We note that the consultation refers to a cap on payments over an entire farm enterprise or a capped payment level per hectare. With the lack of data on budgets, payment levels associated with each action and eligibility criteria it is very difficult for NFU Cymru to comment on this matter. Capping of payments is a part of the CAP currently and it may be that it should be included in future policy. Once more detail is available consideration should be given to this matter. NFU Cymru has consistently stated that future support must go to those active farmers who take the financial risks associated with food production. Whilst the consultation refers to a cap on a farm enterprise we remain concerned that Welsh Government through this scheme are seeking to extend the eligibility criteria to businesses and organisations who are significant land owners within Wales but who we would not class as farm enterprises. Without prejudice to our long held view that these businesses should not be funded via future farming policy in Wales, if Welsh Government continue to proceed with this approach then measures may be required to prevent these organisations taking significant sums of money away from active food producing family farms. We emphasise the range of economic, environmental, social and cultural benefits provided by Welsh farming is unique and unparalleled.

Overall, NFU Cymru remains clear that all approaches considered by Welsh Government will require comprehensive impact assessment to understand the impact on farm businesses, sectors and regions of Wales.

We note Welsh Government's reference to private finance and would highlight, that in terms of the development of new markets for ecosystem services, NFU Cymru supports the development of new markets that seek to recognise and value the full range of goods and services provided by farmers alongside their core food production role. We have long identified that farmers in Wales are keen to explore options to attract private funding to secure and enhance the ecosystem services they provide through a Payment for Ecosystem Services (PES) approach. Whilst PES has been increasingly emphasised in recent years as a model for contributing to sustainable management of natural resources objectives, the extent to which 'pure' markets can be established remains questionable. The evidence, thus far, suggests that connecting beneficiaries and providers is far from straightforward with private investors disinclined to engage. We remain of the view that there are significant obstacles to overcome in making such approaches become a reality and a meaningful income stream.

Summary

NFU Cymru has long expressed concern for the tenanted sector and farm businesses who do not own the land that they farm in the development of new policy.

NFU Cymru is clear that the proposals are wholly insufficient to address our fundamental concerns relating to access to schemes and who, in future, will receive the support where farmers do not own the land that they farm. Given the importance of the tenanted sector to farming in Wales, we are clear that Welsh Government cannot move forward with the implementation of new policy to replace the CAP until the impacts on the tenanted sector are properly understood and until it can guarantee full and equal access to future support to farmers who do not own the land that they farm. Key to this will be ensuring support is targeted at the active farmer.

9. Advisory service

NFU Cymru notes that Welsh Government proposes the development of an advisory service for the Sustainable Farming Scheme. The advisory service will fulfil a number of roles including facilitating access to and providing ongoing support to participants of the Sustainable Farming Scheme; as well as delivery of the business support element of the Sustainable Farming Scheme.

For clarity, each element is considered separately in our response.

Advisory service for the Sustainable Farming Scheme

NFU Cymru is concerned that Welsh Government is proposing an adviser-led approach to scheme implementation via a four-stage process.

We are concerned that this is an un-costed proposal and anticipate that such an approach is likely to be extremely costly reducing funding available for the delivery of economic, environmental, social and cultural outcomes. We believe an adviser-led approach will prove impossible to implement at the rate and scale proposed. We reject the assertion from Welsh Government that an advisory service should be viewed as an investment in the capacity of farmers, we ask Welsh Government to provide the evidence of this and also address the issue of capacity of advisers who, in the experience of our members, have been found to be highly variable and inconsistent. We identify that recruitment of advisers, on the scale required and with the wide ranging skill set required, that are fully independent and unbiased will be extremely challenging. Consistency and adviser interpretation was a major concern expressed frequently throughout the consultation process.

We question whether sufficient advisers exist with the skills set required at the scale proposed. We do not support the introduction of an advisory service to mitigate for an overtly complex scheme design. NFU Cymru proposals are for the evolution of the current RPW online application process as a mechanism to effectively and efficiently implement the new scheme as referred to elsewhere in this response.

We believe that feedback to the 'Brexit and our Land' consultation for more 'on the ground' support is rooted in the unsatisfactory design and implementation of the Glastir scheme. There can be no doubt that farmers appreciate good quality advice in the development of agri-environment agreements as well as ongoing support on the delivery of that agreement. However, we remind Welsh Government that it is not simply designing the next round of agri-environment scheme. The scheme being designed here is expected to replace both Pillars of the CAP so will operate at a scale that dwarfs current agri-environment delivery. We are clear that in terms of efficient and effective scheme implementation there is no comparison between the Basic Payment Scheme (BPS) and RDP implementation. We are first to acknowledge the difficulties with the BPS, however, it has to be acknowledged that many of the outcomes sought through the new scheme will be common to all farms in Wales and evolution of the current online system has to be the logical and most cost effective implementation route.

We were surprised at the lack of reference to the Farm Liaison Service in providing valuable advice to farmers on the various Welsh Government schemes and regulations. Our members very much appreciate the invaluable service provided by this team with many trusted relationships now established with farmers across Wales. NFU Cymru is clear that the Farm Liaison Service should be maintained to provide support to farmers as they have done through previous rounds of CAP reform providing the ongoing advice and support. Additional technical advice for scheme participation should be for supporting the development of fewer individual bespoke contracts for the delivery of specialist outcomes.

Our members were also highly concerned at the assertion within the consultation that many of the outcomes sought will be outside the current skillset of farmers, when they now have a long-track record of environmental delivery through agri-environment schemes and also meeting environmental

conditions through cross compliance. This statement was met with high levels of suspicion that Welsh Government has a hidden agenda for widespread land use change as the primary scheme outcome.

NFU Cymru is also concerned that Welsh Government appears to suggest that the advisory service can facilitate fair access to the scheme for tenant farmers and commoners. Our comments relating to the proposals for the tenanted sector are referred to earlier in this response, however, we are clear the provision of advice cannot be assumed to facilitate a willing landlord and we identify risks of tenancies being lost to tenant farmers with landowners actively pursuing contracts for the Sustainable Farming Payment for themselves as a result of this specific proposal. NFU Cymru reiterates that support must be targeted at the active farmer taking the business risks associated with food production.

Risks were also identified with the proposal to procure advice through numerous contracts. Our members referred to the highly complex landscape of advice provision experienced currently with multiple RDP projects often with overlapping objectives seemingly replicating and duplicating activity and competing for farmers' attention. In the context of proposals it is possible to foresee conflicting advice being provided to farmers or a postcode lottery of advice provision. It is also important to remember, that farm viability in many instances is likely to depend on securing a contract under the Sustainable Farming Scheme. As a result any advice providers will require high level of professional indemnity and there will need to be appropriate safeguards and appeal mechanisms for farmers put in place.

Business Support

Turning to the advisory service within the business support element of the proposed scheme, NFU Cymru is pleased that through the business support element of the Sustainable Farming Scheme, Welsh Government recognises the importance of measures to support productivity and the development of farm businesses. We identify that productivity measures are a key component of future agricultural policy alongside measures to deliver environmental outcomes and stability support to underpin agriculture and the continued production of safe, high quality food in Wales. We strongly support policy proposals to include productivity measures in the scheme design.

However, we are concerned that throughout the consultation, Welsh Government appears to significantly exaggerate the contribution that business support can play in securing farm viability in the absence of direct support; we reject the assertion that a fuller service can mitigate the economic challenges of Brexit by helping farmers to become more competitive and resilient. In our response to the 'Brexit and our Land' consultation last year we urged Welsh Government to demonstrate empirically that economic resilience measures (now Business Support) could on their own be effective in mitigating the gap left by the proposed phasing out of direct support. Whilst we observe that Welsh Government, through its evidence pack published in June 2019, has sought to provide detailed information about the BPS as a comparison against which to assess policy proposals, no similar analysis has been provided of the measures currently deployed through the RDP. We see this as a significant gap in evidence and we have called on Welsh Government to commission a full independent review of the RDP as a result. We are clear that before moving forward Welsh Government must present the evidence as to the effectiveness and value for money for RDP measures and also demonstrate that they can deliver the same or better outcomes than direct support does currently.

It is our firm view that, on their own, productivity measures will be insufficient to mitigate for the phasing out of BPS particularly where direct support will continue to be a characteristic of agriculture policy elsewhere. NFU Cymru is concerned that Welsh Government identifies that almost all the determinants of success within farm businesses are down to the individual business decisions made on the farm and how they are implemented. This is to grossly misunderstand the variation in circumstances of farm businesses across Wales. We have referred previously to research funded by

Defra which analyses and compares technical efficiency of the UK agricultural sector during the period 1989 to 2008 with other Member States.

That research identifies that technical efficiency in agriculture is influenced by a range of drivers. These include levels of specialisation, amounts of debt, levels of subsidy to gross margins, levels of paid labour and the impact of policy change.

To suggest that such factors are down to the individual business is clearly inaccurate when the evidence is clear that efficiency in farm businesses is often influenced by factors beyond the skills and capacity of the individual farmer. This will particularly be the case for farmers who do not own the land they farm who, through Farm Business Tenancies, are challenged by high rents just to farm at all.

Moreover, such an assertion suggests that improved productivity at the level of individual farm businesses can in itself remedy the un-level playing field that will arise due to the phasing out of direct support when the governments of our nearest competitors recognise the need to continue to provide some form of stability payment, this assumption is deeply flawed.

We are clear productivity measures are important and have a key role to play but there needs to be recognition that, at best, marginal gains can be achieved in the context of a level playing field for Welsh agriculture. In the context of an un-level playing field the efficacy of productivity measures is likely to be extremely limited. We are clear of their role within an integrated package of support and we emphasise, in the context of Brexit, the aim of Welsh Government should be to provide stability and a level playing field for Welsh farming.

NFU Cymru is, however, strongly supportive of measures that improve farm productivity and profitability. We identify that, in the right conditions, successful productivity improvements not only increase financial returns, but moreover, make a positive contribution to wider environmental and animal health and welfare objectives as well as a key contribution to our net zero agriculture aspiration. These are important outcomes for society. We do not support the proposal that to access business support, farmers will require a Farm Sustainability Plan in place which will require participation in a four stage process. This is likely to be unnecessarily burdensome and costly.

Nor do we agree with Welsh Government's proposal that all business support should contribute to Sustainable Land Management. We do not agree that the definition presented by Welsh Government will sufficiently deliver economic, social and cultural outcomes. NFU Cymru is also concerned that Welsh Government proposals to expect a farmer to demonstrate business capacity and skills before benefiting from capital investment places unnecessary barriers on farm business development. Consultation proposals also appear to perpetuate the myth that farmers lack the business skills and acumen when many are educated to degree level and beyond. We also highlight that there are many very good farmers in Wales who do not possess a single formal qualification and who operate extremely efficient farm businesses. Our members are clear they do not want to see the delivery of productivity measures become a 'Consultants Charter'.

NFU Cymru notes Welsh Government proposals to support farm business development centres around business capacity and skills; capital investment to enhance sustainability; and knowledge transfer and specialist skills. Whilst these measures are broadly accepted – we recognise that successful productivity improvements are likely to arise as a result of investment in human, social and physical capital – we observe that Welsh Government has a long track record of delivery in this area through the delivery of Farming Connect and a plethora of RDP projects which have increasingly been questioned by and a source of frustration to farmers.

NFU Cymru is surprised at the lack of innovation in proposals for this aspect of future scheme design and by the lack of empirical evidence (Farming Connect was launched in 2001) of the benefits or otherwise of the very significant investment in such measures.

The implementation of the current RDP has long been a matter of concern to NFU Cymru, in recent weeks we have called for Welsh Government to take forward a full independent review of RDP implementation. Ever since Welsh Government opted to transfer the maximum funds possible from Pillar 1 to Pillar 2 in 2013; a decision that NFU Cymru strongly rejected, NFU Cymru has been clear that a 'business as usual' approach to RDP implementation is not acceptable and a 'step-change' in delivery is required. At that time NFU Cymru set out our vision for the RDP as a key enabler of a productive, profitable and progressive Welsh agricultural industry. We went on to work with other industry partners to develop overarching principles for RDP design and implementation with unanimous agreement for the need for a clear and focussed strategy. NFU Cymru has gone on to invest considerable time and resource over the period of the current RDP on the development of appropriate RDP measures to deliver transformational change in the farming sector, so-called 'Strategic Initiatives' were based on a simple concept of supporting farmers through an iterative process of measurement, action and review. Designed to accelerate the rate of change at farm and industry level, incentivised and integrated data provision, advice and investment support represent a shift in delivery from an outputs to an outcome focussed approach with the potential to also measure impact of interventions. Regrettably efforts to take forward industry scale transformational measures have been thwarted at every step by Welsh Government during the implementation of the current RDP. NFU Cymru remains absolutely clear that Welsh Government cannot continue with a 'business as usual' approach if productivity measures are to deliver to their full potential. We are strongly of the view that the model of strategic initiatives which have been co-designed by industry stakeholders but not yet taken forward by Welsh Government provide a solid basis from which to move forward.

There is also significant potential to learn from approaches to RDP delivery elsewhere including Scotland and Ireland. The Irish Beef Data and Genomics Programme, for example, provides an integrated delivery model for driving widespread improvement that we would learn from in Wales. The programme is an agricultural scheme launched by the Department of Agriculture in May 2015 designed to improve the genetic merit of suckler herds and reduce greenhouse gas emissions from the Irish beef herd. Some 29,000 farmers applied for the Scheme with €52m per annum allocated to farmers on an area basis over six years for the completion of actions including testing all animals for BVD within 20 days of birth; undertaking a survey around the animals in the herd; genotyping 60% of all the animals; and introducing a stock bull on the farm that has a genotyped 4 or 5 star rating. The programme demonstrates how incentives can be used to promote widespread uptake of data collection and delivery of action at the farm level to drive the industry forward.

We emphasise again, Welsh Government proposals mean that productivity measures will be operating in a very different context to currently, Welsh Government has provided no evidence that the 'business as usual' approach has been effective or that it is likely to be effective in mitigating for the proposed loss of BPS. Overall we are disappointed that proposals reflect no desire on the part of Welsh Government to show innovation or adaptation to the new operational context. NFU Cymru reiterate our offer work with Welsh Government in genuine partnership in taking forward the development of the strategic initiative type measures described above.

NFU Cymru notes proposals to offer business capacity and skills support. The underlying assumption appears to be that farmers have a low skills base, we ask Welsh Government what analysis they have undertaken to demonstrate this is the case? We also cannot agree that farmers in Wales have traditionally under-invested in professional development, our view would be that Welsh farming has invested strongly in personal development and Welsh Government's assertion that this is not the case reflects very poorly on Welsh Government's own measure to support continuous professional development – Farming Connect – that has existed for almost two decades and to which Welsh Government frequently refer to as 'being the envy' of the rest of the UK.

We are pleased to note Welsh Government's reference to the future generation of farmers, but we would emphasise again that the future of the next generation of farmers will not be secured through simply having an element of succession planning in a business plan but through Welsh Government focussing on the competitiveness of agriculture and creation of conditions that deliver a level playing field for Welsh farming.

Overall, whilst NFU Cymru supports measures to develop business capacity and skills support, we identify there is a requirement to address issues with the current delivery approach of Farming Connect. Our members have been frustrated by the application process which although online, is not at all iterative as well as the hierarchy of courses which prioritise business skills above other important technical and legislative courses and which have hindered rather than helped the development of career pathways for young people and new entrants.

NFU Cymru strongly supports capital investment measures to support farm business development. Welsh Government has not proposed the intervention rate for the investment measures but we would highlight that if an element of match-funding from farming is to be found then applicants will need viable farm businesses from which to make the case to lenders. This is likely to be particularly challenging for the tenanted sector, but in conditions where policy has rendered Welsh farming uncompetitive with its nearest neighbours then all farmers are likely to be challenged to make the business case for taking forward on-farm investment plans. It is important to recognise that farm businesses will only invest if and when they are able to do so within cycles of volatility.

NFU Cymru supports the objectives for investment support described by Welsh Government within the consultation including the enhancement of productivity and reduction of costs; managing volatility, delivery of environmental outcomes and diversifying into new sectors. We are concerned; however, that Welsh Government appears to be suggesting that this measure will also support the environmental aspects of sustainability. Whilst we believe this can be the case, we would also identify that participants in the Sustainable Farming Scheme are also likely to require a capital works element within that scheme otherwise the costs of participating are likely to be a barrier to participation.

We identify within the current Rural Development Programme, measures to support capital investment have been reintroduced in the form of the Sustainable Production Grant and Farm Business Grant Schemes. These measures have been long overdue and very much welcomed. RDP delivery in Wales in the last programme was characterised by a lack of opportunity to support investment in the infrastructure of Welsh farms. Unfortunately, despite contributing to the funding of the RDP through the pillar transfer, only a very small proportion of farmers in Wales have been supported through the Sustainable Production Grant, many more have been successful in accessing funding for on-farm investment through the Farm Business Grant Scheme. There has been very significant frustration with the costly and bureaucratic nature of the application process for SPG in particular, which is why NFU Cymru has called for a full independent review of the RDP so lessons can be learned and measures can operate more effectively in the future. A business plan should not be a requisite for receiving capital support, whilst this may be necessary for large scale investments, it is important to acknowledge that there are 'recognised' and well established benefits for a range of investments in technologies and equipment including many that deliver positive environmental outcomes, the burden should not fall to farmers to demonstrate such benefits over and over again through applications for funding.

We emphasise that throughout the consultation, there is a lack of understanding of the context in which farming in Wales is operating. The development of many farm businesses is hindered by the planning system, regulation and by poor rural infrastructure such as broadband. A joined up effort to remove barriers will be required across all departments of Welsh Government. The lack of co-ordination and integration continues to be a considerable source of concern to NFU Cymru.

With respect to proposals for knowledge transfer and specialist skills, NFU Cymru identify these very much align with the current Farming Connect and a number of wider RDP projects. Welsh Government has had a comprehensive knowledge transfer provision in place for almost two decades, our members question the extent to which continuing to fund the programme on a business as usual basis can deliver outcomes, particularly in the context of proposals which see the end of direct support or any form of stability mechanism. At best, we identify the programme can deliver marginal gains in productivity at the level of individual farms, such measures will not mitigate for the loss of direct support or a farming sector rendered uncompetitive as a result of an unlevel playing field of support and regulation. Before moving forward Welsh Government must gain a comprehensive understanding of the impact of such measures and their ability to perform to mitigate the loss of BPS. Simply investing increasing amounts of money is not the solution. Understanding the wider landscape in which Welsh Government interventions for knowledge transfer will operate is key if investment is to secure value for money and avoid duplication.

NFU Cymru would highlight that there are many other players in this field with the result that farmers in Wales are often bombarded with information and there is much competition for their attention with a limit on the time available to engage when running a busy farm business. We identify that a considerable market exists for advice within Welsh farming and other bodies such as the levy boards have a significant role in industry development. It should not be the role of government to intervene where market failure does not exist or duplicate work already funded by farmers via their levy.

Summary

NFU Cymru is concerned that Welsh Government is proposing an adviser-led approach to scheme implementation. This is an un-costed proposal and anticipate that such an approach will be extremely costly, reducing the funding available for the delivery of economic, environmental, social and cultural outcomes. Recruitment of advisers with the wide ranging skill set that are fully independent and unbiased will prove impossible to implement at the rate and scale proposed. NFU Cymru rejects the assertion from Welsh Government that an advisory service should be viewed as an investment in the capacity of farmers, we ask Welsh Government to provide the evidence of this.

Welsh Government appears to significantly exaggerate the contribution that business support can play in securing farm viability in the absence of direct support. We reject the assertion that a fuller service can mitigate the economic challenges of Brexit by helping farmers to become more competitive and resilient. It is our firm view that, on their own, productivity measures will be insufficient to mitigate for the phasing out of BPS particularly when direct support will continue to be a characteristic of agriculture policy elsewhere. NFU Cymru is concerned that Welsh Government identifies that almost all the determinants of success within farm businesses are down to the individual business decisions made on the farm and how they are implemented. This is to grossly misunderstand the variation in circumstances of farm businesses across Wales. NFU Cymru is, however, strongly supportive of measures that improve farm productivity and profitability.

We are clear that before moving forward Welsh Government must present the evidence as to the effectiveness and value for money for current RDP measures and also demonstrate that they can deliver the same or better outcomes than direct support does currently.

10. Industry and supply chain

NFU Cymru welcomes Welsh Government's proposals that the majority of financial support should be directed at farmers. This commitment is welcome and ring-fencing the funding received from the UK Government for farming is one that has been made repeatedly by the First Minister and Minister for Environment, Energy and Rural Affairs – one that has provided much needed reassurance to farmers at this time.

We note Welsh Government also identify that in some instances it may be more efficient and fair to target support at the wider industry and Welsh Government proposes to support the wider industry and supply chain separately to the Sustainable Farming Scheme. Whilst NFU Cymru recognises that the current RDP includes investment in the wider supply chain through mechanisms such as the Food Business Investment Grant and Cywain, the extent to which the current offer is effective and ultimately benefits primary producers in Wales requires greater detailed cost benefit analysis before moving forward. NFU Cymru would agree that the lack of local and regional processing capacity is a challenge within Wales for some sectors and investment in processing capacity would therefore appear logical to support.

NFU Cymru notes Welsh Government's priority areas and would make the following comments:

With respect to **Priority A** - Promoting sustainable brand values - Welsh Government will be aware that NFU Cymru has long supported the development of the Sustainable Brand Values concept – one which seeks to embed sustainability as Wales's unique selling point and showcase and build market awareness around the very high standards to which Welsh farmers operate to raise levels of consumer confidence in buying Welsh in both UK and overseas markets. We believe the concept provides clear opportunities to drive economic growth for Wales. However, we have also long been clear that this requires full integration of future agricultural policy and the Welsh Food and Drink Strategy which should establish a vision for the sector and then align agricultural policy completely behind the delivery of measures to underpin this strategy. Just as NFU Cymru is clear that the achievement of net zero agriculture will not occur without a mix of policy measures and a long term commitment from government to secure their delivery, we are clear that this will also be the case for the development of a sustainability brand values programme.

Thus far, Welsh Government seems to have failed to recognise the required level of integration required to make Brand Wales a success. We reject the proposal that the development of Sustainable Brand Values can be delivered through existing appropriate certification and assurance schemes, that would simply pass the cost to the producer – costs which will not in the short to medium term be realised through the market – and at a time when farmers will be unable to bear the burden of additional costs as a result of the proposed end of direct support. We identify that the delivery of standards to underpin Sustainable Brand Values could be the condition of receiving a stability payment.

We are also highly concerned that, as currently proposed, the Welsh food and drink brand could be built on the sustainability credentials of Welsh farming but yet use raw materials from anywhere in the world, processed and then badged up as Welsh produce. This would be deeply damaging not only for producers but for the reputation of Welsh food and drink as a whole.

NFU Cymru would not support expenditure of the agricultural budget being utilised for promotional campaigns for Welsh produce domestically and overseas that are currently paid for via other Welsh Government mechanisms. We take this opportunity to highlight that producers of red meat and dairy already fund promotional campaigns via their levy.

With respect to encouraging greater market alignment (**Priority B**), we note in reality that Welsh Government is referring to benchmarking and other collaborative actions along the supply chain. We identify that significant investment has already been made through RDP measures such as Cywain,

Farming Connect and to some extent Agrisgop, in addition to a number of sector specific initiatives. The extent to which these have made a measurable impact and demonstrate value for money requires detailed analysis before moving forward. We identify if, as proposed, this measure is funded separately to the business support measure there is likely to be duplication and repetition of activity. We also identify that some aspects of proposals directly replicate the work of the levy boards and we cannot support additional investment as a result.

With respect to **Priority C**, identifying and overcoming barriers in the supply chain, NFU Cymru is disappointed with limits of the proposals. We identify that Welsh Government must do far more to positively influence for fairer, more transparent supply chains and take a leading role in encouraging the public sector including local authorities, schools, hospitals, prisons and the MOD to buy Welsh produce. Welsh farmers would be most encouraged to see the Welsh Government making a stronger commitment towards the use of Welsh food in the public sector. This would have benefits in terms of reducing food miles, job creation and ensuring that the value added further down the supply chain is retained in Wales.

We identify there is significant opportunity for growth on our own doorstep and we would urge Welsh Government to use this opportunity to ensure that the public sector places great emphasis on values rather than cost, recognising quality, tradition and provenance associated with food produced in Wales and by making sure Welsh food is readily available in all public sector establishments.

NFU Cymru would highlight that we have long championed the need for farmers in Wales to operate in a supply chain which is fair, transparent, responsive and equitable. There is no one 'silver bullet' to tackle fairness in the food supply chain, however, improving relationships and transparency across the supply chain is a key priority for NFU Cymru. We welcomed provisions within the Agriculture Bill that provided additional powers to Ministers to bring greater fairness and transparency to the food supply chain; we hope that these powers will be included when a new Agriculture Bill is brought back to Parliament.

Mandatory reporting of the price and volume of marketed products needs to be in place to help empower producers in the marketplace. This will give better, more accurate signals to primary producers and will aid market understanding, negotiating capital and the development of new volatility mitigation mechanisms. It is important to note that there are different requirements for each sector, but in the context of Brexit, the government will have a crucial role in providing the mechanism for reliable price indices through mandatory price reporting to improve market confidence and price discovery across a range of commodities. We note that in recent weeks Market Monitoring Groups have been set up by Defra with representation from the devolved governments. Whilst we have concerns about the lack of input from industry to these groups we hope that these Groups can evolve to provide the kind of market reporting that we would like to see going forward.

NFU Cymru wishes Welsh Government to work closely with the other UK Governments to make mandatory the principles within agri-sector voluntary codes. Problems persist in both the dairy and beef sectors. Whilst some buyers and processors have sought to deliver improvements in contracts and trading relationships seeking to deliver fairness and equality to all partners in the supply chain, too much bad practice still prevails. We are disappointed that we continue to wait for the UK, Welsh and Scottish Governments to agree on a consultation document on Dairy Contracts. In recent weeks NFU Cymru has asked the Defra Farming Minister to urgently look at the workings of the UK beef supply chain.

Clear labelling and high standards of traceability in the supply chain are essential to protect the integrity of Welsh production, consumer confidence in Welsh food and help our farmers compete on a level playing field and receive a fair reward in the marketplace. Clear origin and standards labelling are not as prevalent in food service or public sector supply chains, where choice is often a step further removed from the consumer.

The activities described above do not require additional funding rather a commitment from government to deliver fairer, more transparent supply chains.

Priority D refers to promoting joined up support on knowledge transfer and innovation. NFU Cymru would agree that effective knowledge transfer (or exchange as in our experience academics have as much to learn from farmers as farmers from them) is unclear of why proposals need a separate funding mechanism to facilitate the identification of research that could add value to Welsh agriculture. There are risks in developing a separate mechanism that duplication and replication of the knowledge transfer and technical skills element of business support could result. There is also need to fully review the existing offer, farmers experiences of the EIP approach as implemented in Wales has been highly disappointing with a significant amount of funding lost to programme administration and management and to so-called 'innovation brokers'. NFU Cymru does not support funding for agriculture being used to fund industry research when many other mechanisms already exist to facilitate this.

With respect to **Priority E** – shortening supply chains for Welsh products, NFU Cymru would support investment that enables farmers to do more processing and manufacturing at farm or farmer group level. To be successful, this is likely to require support for capital investment at the appropriate scale.

NFU Cymru notes proposals to deliver the priorities identified through facilitation and advice, knowledge transfer and skills training, and a range of financial support. As presented we believe there are significant risks of duplication and an over-emphasis and reliance on advice as a means to support the development of the supply chain. As above, we are clear Welsh Government must do more to deliver fairness in supply chains and this is likely to be increasingly important as we move forward, much of this can be delivered without diverting funding away from farmers. Investment in the development of supply chains is likely to be important but this has to be at the appropriate scale and using the right approaches and not simply replicate the existing offer and expect it to operate effectively in the new context.

From our discussions with processors and the British Meat Processing Association, we believe that the most useful support that Welsh Government can provide to the wider supply chain is a policy that delivers and sustains levels of production of the raw material for Wales' food and drink sector at the farm level. Throughput and regular supply of produce such as Welsh lamb is the critical factor for sustaining the wider supply chain going forward. The development of investment support mechanisms, whilst useful, is unlikely to make up for the impacts of any shortfall in the levels of production. If future policy does not deliver the critical mass required to keep these plants open, they will simply close with impacts to direct and indirect employment and the wider economy.

Summary

NFU Cymru welcomes Welsh Government proposals that the majority of financial support should be directed at farmers. NFU Cymru supports the development of the sustainability brand values concept – one which seeks to embed sustainability as Wales' unique selling point and showcase and build market awareness of the very high standards to which Welsh farmers operate in both the UK and overseas markets. This requires full integration into future agricultural policy and the delivery of standards to underpin Brand Wales could be a condition of receiving a stability payment.

NFU Cymru does not support the development of separate support mechanisms and expenditure of the agriculture budget for promotional campaigns, greater market alignment and promoting joined up support on knowledge transfer and innovation. Investment in these measures are likely to overlap and duplicate measures proposed in the Business Support Scheme as well as pre-existing efforts of others operating in this sphere including the levy bodies.

Welsh Government can do more to positively influence fairer, more transparent supply chains and take a leading role in encouraging the public sector to buy Welsh produce.

11. Regulatory framework

NFU Cymru has previously set out its [vision](#) for a future regulatory framework that is 'fit for purpose', one that supports productive agriculture and maximises our opportunity for trade, protects the environment and provides confidence to the consumer.

We note that Welsh Government, through the Sustainable Farming and Our Land consultation, sets out proposals for a transparent, robust regulatory framework over the short and long term in the areas of clear minimum standards, smarter monitoring and proportionate and effective enforcement.

The regulatory framework, in particular the regulatory floor that Welsh agriculture will be operating to will be crucial to determining what can and cannot be eligible for support as part of a future domestic agricultural policy. The consultation is clear that payment for Sustainable Land Management outcomes will only be made for actions above and beyond the regulatory baseline. Agricultural policy, support and regulation are therefore completely interconnected and this means the policy, funding and regulatory framework in Wales need to be considered concurrently.

Firstly we observe through much of the rest of the consultation Welsh Government's continued reference to the fact that Sustainable Land Management outcomes can be delivered by a far broader cohort of land managers than just farmers. The emphasis within the Chapter on the regulatory framework is solely on farmers with the assertion throughout that it is farming activity exclusively that requires regulating.

This is an assumption that is deeply flawed, in the case of water quality for example, the evidence is categorical that there are a range of factors influencing water quality in Wales, forestry, for example is a significant contributor to WFD failure yet no regulatory baseline appears to be proposed for that sector over and above the voluntary UK Forest Standard (UKFS).

With respect to the UKFS this is the UK's baseline standard for forestry. Broadly, by following it means that international commitments are being met. We observe its main uses seem to be for government funding in that proposals for grant aid can be assessed against the standard (eg Glastir Woodland Creation) or for regulation – eg: restocking provisions with felling licences.

We question the extent to which there is checking of compliance with UKFS unless grant aid is being awarded. There is no real mechanism to 'opt in' or 'out'. Examples exist of voluntary compliance and non-compliance, sometimes UKFS non-compliant sites continue to be in receipt of grant aid. Overall Welsh Government must consider whether the standard is applied or not as there is no industry wide process for assessing that. We ask what is the body that visits forest holdings to check UKFS?

The consultation is also largely lacking in understanding of the farmers experiences being regulated. NFU Cymru would stress that the requirements placed on farmers to adhere to and demonstrate compliance with ever increasing levels of complex regulation has long been a source of concern to farming families. Farm businesses in Wales, in the main SME micro businesses, find themselves operating in a highly complex, ever-changing regulatory environment across an enormous range of topics and areas.

There is good evidence that regulation impacts negatively on farmer confidence with regulation and legislation consistently highly scoring as a factor influencing farmer confidence in the NFU annual confidence survey. Regulation is a key contributor to stress and anxiety within the sector as recognised by the recent Public Health Wales and the Mental Health Foundation report 'Supporting farming communities at times of uncertainty – An action framework to support the mental health and well-being of farmers and their families'.

On the issue of regulation, the report identifies that 'Regulation, administration and digitalisation' is referred to as a key challenge with the report stating 'Stakeholders reflected on farming as being a highly regulated industry, including managing demands from inspections, paperwork, notifiable disease and crop pest outbreak management, and administration in some cases (if a farm spans England and Wales) across two systems. Many reflected on high levels of stress due to the complexity, and anxiety about changing regulations and fear of making mistakes that can result in financial penalties. Some highlighted incidences where an inspection led to an immediate financial penalty without a discussion on whether it could be resolved quickly, nor consideration of the significant distress caused, especially if the farmer was already struggling financially. This was a frequently described scenario, particularly amongst those farmers who have gone on to develop poor mental health, and from farming wives/partners commonly dealing with the consequences, including suicide'.

The report refers to the 2011 '[Working Smarter](#)' review on better regulation and 'Assessment of progress against the Working Smarter recommendations to streamline the administration and regulatory processes in farming' is included as a key recommendation.

We highlight Working Smarter (2011) includes a number of recommendations pertinent to the proposed water regulations including recommendation 44 which states 'the application/implementation of environmental regulations in Wales (including NVZ) must be reviewed to ensure that flexibility has been considered; gold plating avoided and the Defra approach has not been routinely adopted when a different approach may be more appropriate in Wales (S)' and recommendation 45 'A risk based and targeting approach should underpin the application of environmental regulations in Wales (S)' – where (S) relates to short-term recommendations to be completed by July 2013.

In the light of the findings of Public Health Wales research, Welsh Government should undertake assessment of progress against all Working Smarter recommendations as a matter of priority before moving forward.

If Welsh Government is serious about establishing a new regulatory framework then the first task it must undertake is a full scale review and GAP analysis of the current regulatory framework that farmers operate within. The analysis needs to consider the full regulatory regime that farmers currently adhere to, it needs to consider areas of duplication of regulation, fields where different regulators operate in the same sphere, it must look at overly complex regulation and where there is a lack of information and misunderstanding or misinterpretation of regulation.

As part of this Welsh Government need to consider how to engage with more than 16,000 small rural businesses that are currently recipients of an element of CAP support alongside any foresters or other land managers that Welsh Government appear to be targeting within their current proposals for future policy in Wales.

A major failing at present is the inadequate provision of information from the regulator to the farming sector. NFU Cymru has consistently supported the role of the Farm Liaison Service (FLS) within Welsh Government; this service must continue to be adequately supported.

Interconnectedness between the regulatory baseline and payments over and above regulation through the Sustainable Farming Scheme means that both matters have to be considered together and they cannot be taken forward separately.

NFU Cymru is extremely concerned that in the meantime Welsh Government is progressing regulation and legislative reform proposals which have the potential to impact severely on the operation of the future scheme. This includes proposals to introduce whole territory NVZ from 1st January 2020 which in effect moves into the sphere of regulation a significant element of what Welsh

Government proposes to support through the Sustainable Farming Payment. This is an approach NFU Cymru categorically rejects. Whole territory NVZ will add cost and complexity for farm businesses in Wales and not deliver the improvements to water quality we all want to see.

The consultation document states that, with regards to the proposed agricultural pollution regulations that Welsh Government will continue to engage with stakeholders on the development of the regulations and the relevant impact assessments. Whilst NFU Cymru has submitted "[available evidence](#)" to the Minister and provided comment on the RIA, we are bitterly disappointed with the manner in which Welsh Government have engaged with stakeholders on this matter.

Access reforms and proposed changes to the status of public rights of way and access to land effectively place limits on what farmers can be rewarded for in terms of access provision. They also have the potential to severely damage existing diversified businesses that have developed on Welsh farms.

At the same time, Welsh Government is proposing to introduce a Technical Advice Note for 'intensive farming' to limit market-led diversification opportunities. Overall it appears that Welsh Government are actively pursuing a strategy and ramping up regulation and what farmers will be expected to deliver 'for free' ahead of introducing the Sustainable Farming Scheme which intends to reward farmers for the benefits they provide. This is deeply concerning to NFU Cymru and it is also disappointing that Welsh Government appears to have no recognition of the need to create a level playing field in terms of both support and regulatory baseline with our nearest competitors.

NFU Cymru notes that the regulation chapter of the consultation makes reference both at paragraph 7.5 and 7.27 to the Welsh brand and its high standards of production and quality. The consultation also invites views on the role a future regulatory framework would play in championing Welsh standards.

As Welsh Government will be well aware, NFU Cymru is very proud of the high standards that Welsh farmers operate and our belief that these standards can undermine Brand Wales going forward. However, the Union also has some deeply held concerns about the sort of trade liberalisation that could follow Brexit and the way in which this risks exposing Wales' farmers to competition from imported products produced to standards which would be illegal in this country.

Whilst NFU Cymru does not want to see domestic standards diluted, our view is that if Welsh Government wishes to orientate Welsh farmers, via regulation, towards ever higher standards of production then it must consider the measures it will introduce to protect Welsh farmers from competition within the supply chain (a supply chain that operates far beyond Wales) to ensure that they are not left uncompetitive in the marketplace. It is our firm view that future policy should underpin the continued supply of safe, high quality food production.

A corollary also has to be that support for this policy is reflected in the procurement policies of public sector purchasers of food. The public sector should be making a stronger commitment towards the use of Welsh food. It should be incumbent on Welsh Government to ensure that any food procured by the (devolved) public sector from outside Wales is only procured from suppliers who can guarantee that the farm production standards match or exceed the standards that Welsh farmers will be adhering to. Failing to do so would be hypocritical as well as indicating a lack of co-ordination across Welsh Government.

We also believe that the Welsh Government needs to look at legislating for clearer food labelling at retail level and in hospitality so that the efforts of Wales' farmers in complying with these high standards can quickly be identified by consumers when it comes to making purchasing decisions. If Welsh farmers were to find themselves outcompeted by cheaper (but inferior) products entering the

public sector or consumers were unable to make informed purchasing decisions then Welsh Government will have undermined both its own policy and the competitive position of Welsh farmers. Whilst the Welsh Government's initial high level proposals for a new regulatory framework considers a transparent, robust regulatory framework setting out clear minimum standards, smarter monitoring and better enforcement, NFU Cymru is disappointed to note that no mention is made of the pre-regulatory stage of conducting a regulatory impact assessment. RIAs need to be at the forefront of policy makers' minds in order to ensure that better regulation is delivered, that regulation is simplified where possible and that regulation is being done in a way which is proportionate to the risk being mitigated.

The Wales/England border is well integrated with many farm businesses straddling the border or having land and/ or premises on either side of the border. It is important that farmers whose business interests' lie either side of the border are not disadvantaged in terms of regulatory compliance and in terms of being able to access future support. Welsh Government needs to work with Defra and any other relevant UK Government departments to ensure that cross border farmers are not disadvantaged.

The post-Brexit regulatory environment is also likely to be reflective of the standards demanded of Wales' farmers by our international trading partners. Although international trade is a reserved matter, regulating in relation to agricultural standards and the oversight of these standards is devolved. This implies that there will have to be a degree of co-ordination between the governments in each of the home nations to ensure that certain minimum standards are observed.

The new regulatory environment will be shaped by a need to ensure that any regulatory divergence from future trading partners does not run the risk of making future trade impossible, this, as we will explain below, does not necessarily mean that we have to mirror regulation from other countries or trading blocks.

Government must seek to establish an outcome based approach to regulation. In March 2018 NFU Cymru participated in a Red Meat Supply Chain study tour to New Zealand organised by the British High Commission and the Ministry for Primary Industries in New Zealand. NFU Cymru was able to see how New Zealand is able to access well over 100 diverse export markets through an outcome based approach to regulation.

New Zealand's focus is based on proving regulatory equivalence with the countries that they are seeking to develop good trade relationships. They seek to verify equivalence rather than a 'copy and paste' of regulations operating in that country. Government will only introduce regulation when absolutely necessary and only if the 'outcome' cannot be achieved by any other means. Government and industry work in partnership, through a Strategic Directions Group, to keep regulatory costs to an absolute minimum, this is essential to be able to compete in far flung markets across the globe.

With regards to Cross Compliance NFU Cymru wish to make it clear that the current regime is a European Commission regulatory requirement that farmers have to meet in order to receive the BPS. Cross Compliance is made up of both Statutory Management Requirements that are existing European legislative requirements alongside a number of Good Agricultural and Environmental Condition (GAEC) standards, these are obligations created by Welsh Government that need to be met by those in receipt of the BPS. If we are to leave the EU then these GAEC obligations need to be reviewed and considered as part of the wide ranging review of the current regulatory framework that we have called for. We do not accept that these should just be subsumed into the regulatory baseline. This could be seen as another example of Welsh Government seeking to raise the regulatory baseline and thus preclude environmental outcomes that we believe should be supported through future policy.

We welcome the commitment to smarter monitoring of future policy. Farm regulatory visits need to be better co-ordinated and planned across different regulatory agencies to reduce overlapping, avoid duplicate checks and be more proportionate. Greater data and information sharing between regulators and third party voluntary schemes e.g. Farm Assurance, Voluntary Initiatives will enable regulators to identify and focus their efforts where there is the greatest risk of non-compliance.

Voluntary attendance at meetings run by the Welsh Government Farm Liaison Service, Farming Connect or the Farming Unions should feed in to the concept of earned recognition, with those who have made the time to come to a meeting and having listened to the latest scheme rules and policy developments deemed less likely to fall foul of the regulations, and therefore should be less likely to be selected for inspection.

Penalties and sanctions need to be proportionate and fair, a breach of scheme rules can be neither negligent nor intentional and in these instances use of advice, guidance and warning letters would be far more proportionate than immediate recourse to penalties.

Whilst we recognise and support the use of technology where appropriate to save time and aid record keeping, there must be recognition of the continued poor connectivity in many rural areas of Wales and the lack of skills that exist among some parts of the sector to be able to take full advantage of technology.

We respect that Welsh Government state that development of a new regulatory framework is over a longer timeframe, subject to detailed policy development and further consultation. We would agree that a new regulatory framework is an issue that must be rigorously considered and consulted upon: the regulatory burden on farmers must be considered in its entirety: with the cumulative impact of regulation on both the financial health of the business and the well-being of the people involved in that business given proper consideration.

NFU Cymru is concerned about what we see as 'silo' working within government with different departments moving forward with aspects of policy, regulation and legislation in seemingly total isolation or disregard of what others are seeking to deliver. We would reiterate that future policy, support and the regulatory framework must be considered 'in the round'. Regulation is an issue that time and time again comes up as one of the key factors that impact on farmer confidence. Our departure from the EU must be used as an opportunity to deliver a fairer, smarter, outcome focussed, evidence based and proportionate regulatory framework.

Summary

A new regulatory framework is an issue that must be rigorously considered and consulted upon. NFU Cymru is extremely concerned that, separate to this consultation, Welsh Government is progressing regulation and legislative reform proposals which have the potential to impact severely on the operation of the future Sustainable Farming Scheme. The introduction of whole territory NVZ from 1st January 2020, for example, puts into the sphere of regulation a significant element of activity which Welsh Government proposes to support through the Sustainable Management Scheme. Interconnectedness between the regulatory baseline and payments over and above regulation through Sustainable Farming Scheme means that both matters have to be considered together and they cannot be taken forward separately.

If Welsh Government is serious about establishing a new regulatory framework then the first task it must undertake is a full scale review and analysis of the currently regulatory framework that farmers operate within. Regulatory Impact Assessments needs to be at the forefront at the pre-regulatory stage to ensure better regulation is delivered; regulation is simplified and is proportionate to the risk being mitigated. We welcome the commitment to smarter monitoring and identify that farm regulatory visits needs to be better co-ordinated and planned and be more proportionate with a focus on the concept of earned recognition.

It must be recognised that Cross Compliance is a European Commission regulatory requirement that farmers have to meet in order to receive BPS. If we are to leave the EU then Good Agricultural and Environmental Condition (GAEC) standards need to be reviewed and considered as part of the wide ranging review of the current regulatory framework. We reject the idea that cross compliance should just be subsumed into the regulatory baseline. This would be another example of Welsh Government raising the regulatory baseline, adding costs and impacting on the competitiveness of Welsh farming.

If Welsh Government wishes to orientate Welsh farmers, through regulation, towards ever higher standards of production then it must consider the measures it will introduce to protect Welsh farmers from competition within the supply chain to ensure that they are not left uncompetitive in the market place.

12. Transition and funding

Our vision for a future domestic agricultural policy sets out the importance of a stable and well planned transition from the current CAP to a new policy developed, designed and implemented in Wales.

As the consultation document rightly highlights the scale of uncertainty we are currently facing has only intensified since the Brexit and our Land Consultation. Due to this uncertainty Welsh Government through this consultation has been unable to provide any clarity on transition, contract lengths, future payment rates or the overall funding for agriculture; it is unfortunate that this consultation is being undertaken at this time without any of this information.

Farming is a long term business, a change in breeding strategy for a dairy or beef herd or a new crop rotation can take a number of years from inception to fruition, investments in new buildings or technology or a change in farming practice are business decisions that are factored in overtime periods of up to 25 years. Farmers considering undertaking changes to land use are potentially restricting what future generations may be able to do with that land. The lack of information in this consultation means that farming businesses have no clarity on how to plan business changes around the proposals put forward within this consultation.

We are mindful of the many factors behind this current level of uncertainty and fully respect that the majority of these are completely outside the control of Welsh Government. In contrast Welsh Government can, through their devolved powers, continue to provide a level of stability and certainty to the food and farming industry through continuity of domestic agricultural policy.

We therefore welcomed the commitment made by Welsh Government in December 2018 that the Basic Payment Scheme in Wales will remain unchanged for 2020. Similarly at a meeting of RPW stakeholders on the 2nd July we were pleased to be informed that in autumn 2019 farmers will be offered Glastir contract extensions until the end of 2021.

As the consultation rightly points out the level of uncertainty surrounding Brexit has only intensified since the Minister's decision in December 2018. Since the launch of the consultation in July we now also know that the UK Government decided not to carry forward the UK Agriculture Bill to the next Parliamentary Session. This has effectively taken us back to square one in terms of securing a legislative basis underpinning future Welsh Agricultural Policy. This is one reason why on the 12th September we wrote to the Minister to ask that the Welsh Government continues to operate the Basic Payment Scheme unchanged in 2021, we repeated that request in a meeting with the Minister on 23rd October 2019. An early commitment from Welsh Government to operate the BPS unchanged in 2021 would provide comfort and reassurance to the industry at this difficult time.

To meet our ambition to deliver further sustainable growth of the food and farming sector in Wales, to further improve our environmental performance and to achieve our ambition for net zero agriculture by 2040 we need to secure a commitment to a well-funded multi annual budget for Welsh farming. NFU Cymru welcomed the commitment made by First Minister Mark Drakeford AM at the NFU Cymru Seminar at the Royal Welsh Show in July 2019 that the money that comes to Wales from UK Treasury for agriculture will be ring-fenced for Welsh farming.

The Welsh Government and Plaid Cymru Securing Wales' Future White Paper stated that it is *'essential that equivalent or greater resources to those Wales would have received from the CAP are provided from the UK'*. It is important to note that funding for Welsh agriculture takes the form of Pillar 1 & 2 funding, currently coming from the EU (but in future to be replaced by UK treasury funding) as well as a match funding obligation imposed upon Welsh Government when Pillar 2 funds are drawn down. Therefore whilst the bulk of agricultural funding will come to Wales from UK Treasury in future, there has historically been a stream of funding which is drawn from within the Welsh Government's own budget, and this arrangement must continue.

On the matter of the pillar transfer, we take this opportunity to reiterate our position. This was set out in our submission to the National Assembly for Wales' Climate Change, Environment and Rural Affairs Committee consideration of Welsh Government's Supplementary Legislative Consent Memorandum on the Agriculture Bill earlier this year. In our submission we stated, for many of the reasons set out above, that 'NFU Cymru cannot support the proposal to reduce the direct payment ceilings in Wales by 15%. We have consistently opposed the transfer of money between Pillar 1 and Pillar 2 of the CAP, and we remain opposed to the concept of diverting money away from direct payments'.

Last month in response to the Lord Bew Review into allocations of CAP convergence funding across the UK it was announced that Wales would receive an additional £5.2m annually for the period 2020-2022. The uplift to Wales has been made as a result of the proportion of land that historically had received less Pillar 1 funding per hectare than the EU average. Given that the Review was looking specifically at convergence funding under Pillar 1 of the CAP and the uplift is as a result of our historically low payment per hectare compared to England and Northern Ireland we would ask that Welsh Government commit to using this resource to top up Pillar 1 payments (The Basic Payment Scheme) in 2020 and 2021. This would help to maintain our competitiveness with these two countries and go some way to mitigate concerns over the impact of the significant uplift in funding being provided to Scotland as a result of the Bew Review (£51.4) alongside an additional cash injection of £160 million that the UK Government has provided to Scottish agriculture.

The consultation proposes a multi-year transition with the timing of the start of transition and the length of transition to be determined once more is known about the nature of Brexit. Fundamentally NFU Cymru does not support the phasing out of the current CAP architecture: Basic Payment Scheme and Rural Development measures until there is clear evidence that replacement scheme(s) can deliver at least the same level of stability for farming businesses, the food supply chain and rural communities that is currently delivered. Achieving this can only be achieved through comprehensive impact assessments, modelling and piloting of proposed new schemes.

We note that at Annex C of the Consultation Welsh Government has gone to great lengths to seek to justify why it does not believe that the BPS is an effective way to support farmers going forward. We are surprised that the level of scrutiny given to the BPS by Welsh Government has not also been repeated for Pillar 2 support in Wales, particularly given that the Sustainable Farming Scheme appears to be modelled on the current RDP programme. NFU Cymru in a letter to the Minister dated the 26th of September has requested that an independent review of the Wales RDP be undertaken. We request that this review be undertaken as a matter of urgency given its importance to the determination of future agricultural policy in Wales.

We ask Welsh Government to provide the evidence that, in the absence of a stability payment as currently proposed, advice and investment services can fill the gap and deliver the same or better outcomes. In simple terms they must secure the maintenance and enhancement of £1,594 million aggregate agricultural output achieved currently or our rural communities will be poorer and our economic position as a nation will weaken.

Modelling and piloting of proposals need to take place the length and breadth of Wales covering all farm types and all sectors. NFU Cymru would highlight that Tir Gofal, which has been held up across Europe as an exemplar agri-environment scheme was based on the fact that 'Tir Cymen', the pilot programme had been running on farms in three diverse areas for a number of years prior to Tir Gofal being launched Wales wide.

NFU Cymru is extremely concerned that Welsh Government proposes, within the transition period, to reduce BPS payments in order to provide Brexit and scheme transition support. NFU Cymru does not believe it appropriate or acceptable to reduce payments that play a vital role in underpinning high quality food production in Wales for this purpose. Brexit activities are part of wider government preparedness and contingency planning and under no circumstances should be funded via the BPS.

It is essential that government provides adequate additional financial support to the industry to implement contingency measures to support the industry for factors that will occur as a result of political decisions made. We have had a number of meetings with Welsh Government and the UK Government regarding a support package for the sheep sector in the event of a 'No deal'. On the 12th September NFU Cymru requested that Welsh Government consider a top up to the BPS to help support the industry through Brexit. We are clear that funding for measures that arise as a result of Brexit, should come from the UK Treasury and be outside of the current CAP funding arrangements.

Funding from the BPS must not be top sliced to provide scheme transition support. Within our response NFU Cymru has set out how we see a managed and efficient transition from current schemes to new farm policy that can be achieved through an evolution of current policy that would minimise cost for government and reduce disruption for farmers.

In terms of managing change, the long held policy position of NFU Cymru has been, to seek as far as is reasonably possible, to minimise disruption between individual farm businesses, sectors and areas of Wales. During the most recent CAP reform process Welsh Government were supportive of this policy and undertook extensive modelling and scenario planning of all the possible options available to them under the previous CAP reform proposals to manage the transition away from the historic basis of support. We would maintain that the principle of minimising disruption is one that should be maintained for the transition from the current EU based agricultural policy to a new domestic agricultural policy.

One of our key principles for reform is based on the need to ensure that we remain competitive with other countries across the UK, the EU and globally. We respect that Welsh Government in this consultation have not yet proposed a start or end date for transition away from the CAP. In coming to a decision on the start and end date it will be important to be mindful of the proposed speed of change in the rest of the UK. We are aware that Scotland propose a period of stability until 2024, Northern Ireland are proposing no changes for the BPS until 2022 followed by an area based resilience scheme as part of a future domestic agricultural policy and Defra are currently planning on a transition that will begin in 2021 and be complete in 2028, however the legislative basis for that transition has currently fallen. We are aware that the EU are proposing to maintain the current two pillar architecture for the CAP post 2020 with budget splits broadly similar to current levels.

Looking at the global picture we need to be mindful that a number of countries that the UK wish to make early Free Trade Agreements with have quite sophisticated and well-funded support regimes e.g. USA, Canada, Japan and Norway. Other countries that are and will continue to be key competitors e.g. Australia and New Zealand have regulatory regimes that are significantly less complex and costly than our own.

We see the design and implementation of a new bespoke policy for Wales occurring through a process of evolution rather than revolution. We are clear that this process should last a number of years. The speed of transition can only be determined once the nature of our future trading relationship becomes clearer and once we are confident that any new measures have been robustly designed and piloted so that we can be sure they can be efficiently and practically delivered both on farm and through Rural Payments Wales.

Our members have emphatically rejected the adviser led proposals put forward by Welsh Government and similarly rejected all three indicative options put forward by Welsh Government for transition.

Our members have pointed to the significant investment made by Welsh Government into RPW Online and the time and resource that Stakeholders like NFU Cymru, through the RPW Management and User Groups, have put in to design, build and implement a robust and efficient application and delivery mechanism in Wales.

We find it difficult to understand why Welsh Government are proposing to effectively discontinue a system that has been built up over a number of years to be user friendly, interactive and the envy of many other countries. A system that in 2019 will have seen 16,313 users submit an application form by the 15th May 2019 and where, based on previous RPW performance, we expect the vast majority of these applications to be processed for full payment in December 2019.

A significant amount of important information relating to the four pillars of sustainability is already captured through the Single Application Form and the associated mapping process. NFU Cymru does not believe that the importance or value of this information is currently properly recognised by Welsh Government in terms of the contribution against the four pillars of sustainability made by Welsh farming to society. We firmly believe that an evolution of the current Single Application Form could provide all the information that Welsh Government would require to deliver a support payment to underpin sustainable agriculture production in Wales. This information would provide a baseline for environmental, productivity and climate change performance for Welsh Agriculture and the annual collection and provision of this data would be the tool to show that our sustainability brand values are being achieved, where progress is being made and where the industry may require additional support through skills development, knowledge transfer and investment support.

Our vision for a future domestic agricultural policy has a stability measure open to all farmers as a cornerstone underpinning agriculture and food production in Wales. Our proposal will help ensure that Welsh farming will be able to continue to provide and improve on the unparalleled contribution that it makes to the economic, environmental, social and cultural vibrancy across Wales in line with the aspirations of the Well-Being of Future Generations Act. It is our view that this measure can be achieved through an evolution of the current RPW Online Single Application Form as outlined above.

Implementation of our proposal would provide for a managed and controlled transition away from the CAP, making use of a system that has been proven to deliver, ensuring that administrative demands and the resources to run such a system are kept to a minimum.

Our proposal would minimise the risk of a funding gap or unspent funds or the possibility of a repeat of the problems observed in both England and Scotland in recent times when a completely new system has been introduced and been proven to be not fit for purpose.

The pace of transition should not be determined until such time as the shape of our future trading arrangements becomes clearer. If transition commenced and there was a significant change in our trading relationship, for example an EU comprehensive free trade deal was not progressing as expected then Welsh Government must be prepared to act quickly to halt the transition process to protect the food and farming sector in Wales. We would request that Welsh Government implements a formal assessment and review process as part of any transition period to make this happen.

The administration and delivery of the CAP in Wales has been one of the most contentious issues amongst the farming industry and a source of angst to both farmers and administrators alike. If we are to leave the EU then an opportunity will immediately arise for simplification of Pillar 1 and Pillar 2 schemes in Wales.

Whilst the European Commission has sought to introduce a simplification agenda and numerous 'red tape' reviews in Wales have considered the issue, the reality is that little has changed 'on the ground'. Farmers are often penalised significant proportions of their CAP support for minor breaches of procedure; payments can be delayed many months as a result of a new mapping update, despite there being no change on the ground. With the introduction of the latest CAP reform in Wales we have seen new eligibility rules that exclude highly productive land from the BPS as a result of an arbitrary rule around tree density. Welsh Government has put the blame for these matters at the door of the Commission; Welsh Government now has an opportunity to implement a genuine simplification agenda in Wales. In the following paragraphs we will highlight a number of key areas for simplification.

Mapping – The complex rules around mapping and crop codes has been a massive bone of contention for farmers for many years. BPS payments have been held up for weeks or months as a result of a mapping update which despite there being no physical change ‘on the ground’ the update has seemingly seen a hedge or another permanent feature move by as little as 0.01ha. Welsh Government should look to bring some flexibility into the BPS mapping requirements allowing for a certain level of flexibility and accepting what is practical and achievable for a farmer to record.

Payment delivery - Welsh Government should consider a significant shortening of the payment window. The current window stretching from the 1st December to the 30th June makes business planning very difficult. It can also cause serious cash flow issues as allied industries generally plan on farmers receiving the BPS on the 1st December and use this as a date to chase outstanding bills. Welsh Government has an excellent track record on BPS payment delivery but this can be of little comfort to those individual businesses that may have to wait some months for payment.

NFU Cymru welcomed the introduction of a loan payment for 2018 and we are pleased that the mechanism has been kept in place for 2019; we believe that this option should remain in place for future years.

We believe that there is an opportunity to shorten the payment window. Consideration should also be given to shortening the time period between application and payment of the BPS. Given the commitment to simplification and the excellent performance of the RPW online system we believe that there is the potential to validate and make payments in a shorter timeframe than the current 6 ½ months between the 15th May application deadline and 1st December payment window opening.

Greening – Wales is a country that is naturally ‘green by definition’ and a significant number of our farmers have as a result of the amount of permanent and temporary pasture on their farm or the small scale cropping undertaken found themselves satisfying the greening exemption rules. Those farmers who do not qualify for exemption have however had to face a heavy bureaucratic burden. The crop diversification and EFA measures in the current CAP goes against all of the NFU Cymru core principles of simplicity, market orientation and increased efficiency. In Wales we should be encouraging more farmers to consider growing crops to reduce our reliance on bought in feeds, but perversely, in our opinion the greening rules actively discourage this. The requirement to grow a specific number of crops in particular proportions should be removed as a requirement of BPS receipt once the UK leaves the CAP.

Cross border - It has been a source of great frustration that, in the majority of years, cross border holdings have faced significant delays in receiving payments. This is concerning considering that currently both the RPW and RPA are operating under the same CAP regulations albeit with both countries operating slightly different BPS support schemes. With the possibility of greater divergence in policy going forward there is a real concern that these farmers could be further disadvantaged unless both governments work together to find an acceptable solution. With different schemes and potentially different claim and payment windows there is the possibility that cross border farmers could be further disadvantaged in future. Whilst we hope that the improvements seen in 2018 with regards to the sharing of data between RPW and RPA will be repeated in 2019, leaving the EU provides an opportunity to do things differently. Currently the EU regulation requires RPW to treat these cross border businesses as one single claim; we believe that leaving the EU provides the opportunity to remove this requirement. We see no reason why if funds have been approved by one paying agency that this part of the payment cannot be made. Delays with the other part of the claim should not hold the payment of funds that have been validated by the other agency. This would bring the rules for Pillar 1 payments in alignment with Pillar 2, where a cross border farmer does not have to combine their respective scheme applications from each side of the border to be paid promptly.

Sanctions / penalties – There is an urgent need to make the penalties / sanction regime more proportionate. Farmers should not face stiff penalties for minor breaches of procedure in terms of completion of the single application form. There is a need to recognise that a situation can arise which is neither negligent nor intentional and as such should not lead to any sanction being imposed.

A number of farmers have been penalised as result of not providing supporting documentation to prove agricultural activities on or before the 15th May. Leaving the EU provides an opportunity to provide a more flexible approach to the submission of this information. Whilst we respect that later submission of the evidence may have implications for payment delivery it should not exclude the claimant from payment as is currently the position under the EU regulations.

NFU Cymru would also request that greater tolerances be introduced with measurements based on overall compliance levels. For example, a farmer being found to have less metre margins than expected should not be penalised if a high percentage of the standard is complied with. The principle of taking into account the number of eligible stock / hectares / margins should have a greater weighting when determining the scale of sanction applied to ensure adverse and disproportionate outcomes are eliminated.

Welsh Government should use this opportunity to introduce a warning or 'yellow card' system for minor breaches of scheme rules and first offences.

Farm Liaison Service – We would highlight the importance of advice and support to help farmers comply during what will be a difficult time for the industry, dealing with significant changes in farm support and the possibility of very challenging market conditions. The FLS has provided an invaluable service to the industry for nearly two decades and the role of the service will be more important than ever during a period of uncertainty and great change. We request that Welsh Government ensure that the FLS is well resourced with experienced individuals who have an affinity with the farming community.

Land with trees and other ineligible features - The most recent CAP reform resulted in Welsh Government altering BPS eligibility criteria and excluding land with tree densities equating to 100 trees per ha or more. The decision was made as a result of a Commission delegated regulation. Whilst the regulation allows for alternatives to determining the eligibility of agricultural parcels, Welsh Government decided not to pursue these for fear of disallowance. Wales has significant hectares of highly productive farmland with tree densities of greater than 100 trees / ha. Once Wales leaves the CAP there is an opportunity to reconsider the eligibility criteria for receipt of BPS for productive pasture interspersed with trees.

Entitlement usage rule – The current rule which requires a farmer to use all their BPS entitlements at least once every two years in order to prevent some of them being automatically reverted to the BPS national reserve has caused confusion. We understand that such a rule in the past has ensured that entitlements are generating a payment against activated land and avoid the situation of entitlements being held but not being used. However, on balance, we see benefit in removing this rule. There can be a number of reasons why a farmer may not be able to use all entitlements in one of two consecutive claim years. At the moment in this situation it requires the farmer to transfer out entitlements or lease in land to avoid losing surplus entitlements. Removing the usage rule would still allow for farmers to dispose of surplus entitlements if they decided to but would mean they don't lose them if circumstances prevented them all being used in one of two consecutive years. For a tenant farmer, where they are required to retain assets like entitlements as part of the tenancy agreement, this change would benefit them from avoiding having to compensate a landowner at the end of a tenancy term for the loss of any entitlements during the term of the tenancy.

Farm inspections – Welsh Government should look to reduce the number of inspections and become more targeted on areas of concern. Government should make greater use of earned recognition and seek wherever possible to reduce the level of duplication between different inspection agencies through greater sharing of data.

Digital connectivity – NFU Cymru is extremely supportive of RPW online and how the portal has been developed, an example of genuine partnership between government and industry. We would however highlight that lack of broadband remains a major issue in many parts of Wales. There is the potential for farmers, who through no fault of their own have no broadband or limited access, being

further excluded than they already are from future schemes unless the issue of connectivity for the whole of Wales is urgently addressed.

NFU Cymru has consistently recognised the excellent performance of RPW over a number of years in terms of timely delivery of BPS for the vast majority of farmers. In recent times the only year when there have been any major issues was related to the first year of implementation of the reformed CAP in 2015. This occurred as a result of the move from the historic basis for payment to the new redistributive model. It is important to note that the level of change now being proposed is on a different scale to the changes we saw between 2014 and 2015. Our proposal for a way forward, based on an evolution of the current RPW online application process, would minimise the potential for disruption and reduce the chances of the problems that befell the RPA in 2005 and that the Scottish Government continue to face following the current round of CAP reform.

With respect to Pillar 2 funds, we emphasise that the implementation of the current RDP has long been a matter of concern to NFU Cymru. Concerns have included Welsh Government's overall level of ambition for the RDP; the slow rate of RDP implementation; the design of measures such as the Sustainable Production Grant and the Sustainable Management Scheme; the reluctance to innovate; the bureaucracy of the application process; the sporadic nature of the application windows; and the funding allocations to those windows. In our response to the Auditor General for Wales Value for Money Examination of the RDP in 2017, NFU Cymru also expressed concern around the governance arrangements in place and called for more robust strategic oversight of the programme.

Regrettably our members experiences of RDP implementation during the current programme have severely undermined confidence in the future approach to scheme implementation put forward by Welsh Government in the Sustainable Farming and our Land Consultation.

As of 31st August 2019, levels of spend stood at just 41% of the total budget of £828m for the programme period 2014-2020. NFU Cymru is also deeply disappointed that the programme budget reduced significantly from £956m as a result of modification, in 2016, to amend the rate of domestic co-financing provided by Welsh Government to the RDP. The slow rate of roll-out means that Welsh farm businesses are not receiving the support promised at the time of the pillar transfer in 2013 when Welsh Government opted to transfer the maximum funds possible from Pillar 1 to Pillar 2 – a decision unique across Europe. This was a decision that NFU Cymru did not support in 2013; a position that, based on Welsh Government performance, has been completely vindicated.

Our members experience of the application process for many RDP schemes which includes expression of interest and full application has been characterised as completely disproportionate and costly relative to the level of investment sought with many applicants resorting to costly consultants to assist them. The application process requires urgent review. We also have concerns with respect to error rates and administrative errors associated with Glastir with many scheme participants incurring penalties as a result of what are minor administrative errors over crop codes declared on the single application form. These administrative problems associated with the Glastir Scheme have led to significant anxiety amongst farmers and Welsh Government must explore every opportunity to address these concerns during the transition period.

Our concerns relating to RDP implementation were highlighted in our response to the Welsh Government 'Brexiteer and Our Land' consultation twelve months ago and are covered in some detail throughout this consultation response. Our concerns remain and we are clear that Welsh Government and industry need to have a high degree of confidence around the efficacy of existing measures and their ability to be effective in mitigating for the shortfall left by the proposed phasing out of direct support. NFU Cymru has called for an urgent comprehensive independent review of RDP implementation to include examination and value for money of the range of advice services and effectiveness of wider RDP projects and measures before any progress is made on the development of new schemes. We note this analysis is completely absent in proposals.

With respect to transition and the remainder of the current RDP programme, NFU Cymru is clear that any further reductions to the co-financing rate and overall budget would be completely unacceptable. It would be extremely concerning to us if 100 per cent spend was not achieved during this current RDP programming period given the relative importance of the RDP to farmers in Wales compared to their UK and EU counterparts.

Summary

Farming is a long term business and a stable and well planned transition from the current CAP to a new policy developed, designed and implemented in Wales is vital. The consultation takes place in a period of profound uncertainty with the result that Welsh Government, through consultation, has been unable to provide any clarity on many key aspects including transition and overall funding for agriculture. Whilst NFU Cymru recognises that many of the factors behind this level of uncertainty are beyond the control of Welsh Government, we are clear that providing a level of stability and certainty to the food and farming industry through continuity of domestic agricultural policy is firmly within the control of Welsh Government. The design and implementation of a new bespoke policy for Wales must occur through a process of evolution rather than revolution building on the established RPW online application and delivery mechanism.

Welsh Government must progress simplification of the current CAP architecture during the transition period. Welsh Government must address concerns with RDP implementation and a full independent review of the RDP must be undertaken before moving forward with the development of new schemes given that proposals closely mirror the RDP approach. RDP funds must be spent in full with no further changes to the domestic co-financing rate and reductions to the overall value of the programme.

The transition from the current CAP architecture must not occur until there is clear evidence – through impact assessment, modelling and piloting - that replacement scheme(s) can deliver at least the same level of stability for farming businesses, the food supply chain and rural communities. Ensuring Welsh farming remains competitive with other countries across the UK, the EU and globally must be a key principle underpinning reforms.

In the context of uncertainty as well as the fact that the UK Government will not carry forward the UK Agriculture Bill into the next Parliamentary Session we repeat the request to operate the Basic Payment Scheme unchanged in 2021 to provide comfort and reassurance to the industry at this difficult time. The additional funding to Wales announced as a result of the Bew Review should be used to resource a top-up to Pillar 1 payments in 2020 and 2021.

We categorically reject proposals to reduce BPS payments during the transition to provide Brexit and scheme transition support. Government must provide additional financial support to implement contingency measures.

Moving forward sustainable growth of the food and farming sector in Wales, further improvements of our environmental performance and delivery of our aspiration of net zero agriculture by 2040 will require a commitment to a well-funded multi annual budget ring fenced for Welsh farming. It is essential that equivalent or greater resources to those Wales would have received from the CAP are provided from the UK Government and Welsh Government must also continue to provide the match funding obligation (domestic co-financing) imposed on Welsh Government when Pillar 2 funds are drawn down. NFU Cymru remains opposed to the concept of diverting money away from direct payments via pillar transfer. We welcome commitments made by the First Minister to NFU Cymru to ring fence funding for Welsh farming.

13. Next Steps and co-design

The design, development and implementation of a new farming policy is without doubt the most important consultative process for the Welsh farming industry since the establishment of the National Assembly for Wales in 1999.

This is why since the EU Referendum NFU Cymru has gone to unprecedented lengths to ensure our membership have been able to firstly shape NFU Cymru policy principles and our Vision for a Post Brexit Welsh Domestic Agricultural policy and subsequently to have their say on the Brexit and our Land Consultation and now the Sustainable Farming and our Land consultation.

During the course of this entire process we have sought to ensure that every member has been kept abreast of policy developments and had the opportunity to actively participate and to feed in their views to help inform our policy making and responses to Welsh Government consultations. We have spoken and listened to the views of many thousands of farming and rural businesses through seminars at all the major agricultural shows, roadshows, county and branch meetings, kitchen table meetings and attendance at YFC events and other rural discussion groups. During this consultation process NFU Cymru has engaged with over 1,300 members at over 35 events. All of our Commodity Boards and our Next Generation Board have met regularly and discussed these issues. Our policy principles, Vision papers and our response to both Brexit and Our Land and this consultation has been agreed following extraordinary meetings of our NFU Cymru Council, our ruling body.

The level of engagement and input from farming and rural businesses in developing our position is unparalleled by any other organisation. This engagement gives NFU Cymru Officeholders and staff the mandate to speak with authority on behalf of our membership - the people and businesses that will be most impacted by changes in farming policy. The mandate that NFU Cymru has received from our membership base as a result of previous, current and ongoing engagement programmes should be fairly recognised in any co-design process that Welsh Government proposes to implement.

The level of interest in our own internal consultation in 2016 followed by the Welsh Government consultations in 2018 and 2019 has shown the desire for farmers to be able to input into shaping future policy and we believe it vitally important that all farmers who wish to contribute can continue to be part of this process. Changes to policy should only be agreed following full consultation with industry. There is a concern from reading this chapter that Welsh Government appears to be considering a process that will effectively mean government can decide which individuals they wish to be involved in the co-design process.

We believe that the format developed to design and implement the RPW online programme is a format that has proved successful and is a model that can be used going forward. This model has a RPW Stakeholder management group, made up only of stakeholders representing businesses that are directly involved in the RPW programme. This management group discusses higher level policy priorities for the programme. Underneath the management group is a User group made up of Union representatives and Advisers involved in the day to day RPW Online applications process alongside farmers from a wide range of sectors and with varying IT capabilities. We believe that the format has worked well and been the reason why the RPW Online programme in Wales has a strong track record of delivery and is the envy of many other countries. It is important to note that the role of these groups has been to implement policy that has previously been consulted upon.

We believe that issues have arisen in the past where stakeholder organisations who do not have a direct involvement in the application process or the practicality of implementation on farm have sought to influence scheme design and delivery. The problems encountered in the early years of Glastir are a good example of where organisations that do not directly support farmers 'on the ground' have influenced policy that has ultimately proved impractical to deliver on farm.

The consultation at para 9.7 states that Welsh Government is not starting from a blank page, it says that there is over 20 years of agri-environment delivery to learn from. We would highlight that what is being proposed through Sustainable Farming and our Land should not be seen just as a new agri-

environment scheme rather a comprehensive sustainable agriculture programme. At NFU Cymru we are ambitious for a policy that delivers continued growth for a food and farming sector against the backdrop of a strong and improving natural asset base at the same time as delivering on our ambition for net zero agriculture by 2040. This is about implementing a policy that needs to engage with at least the 16,313 businesses that completed the Single Application form in 2019, engagement on a totally different scale to that which has been considered via current or previous agri environment schemes or SMS projects.

Whatever proposals Welsh Government decide to take forward with regards to Next Steps and Co-Design this process must not replace the need for further analysis, including modelling and impact assessments and the need for extensive piloting of any proposed changes.

We would reiterate that as an organisation we represent an industry that manages over 80% of the land area of Wales. Farmers are key drivers within rural economies and communities and deliverers of a broad range of goods and services for society including food. We would expect that our views and our input in this process going forward is adequately 'weighted' to reflect this fact.

NFU Cymru welcomes the commitment made by Welsh Government to develop proposals in collaboration with stakeholders. At NFU Cymru we have consistently stated our desire to work in genuine partnership with government and with everyone who cares and has a passion for our food, our landscape, our environment, our communities and our culture.

Summary

The design, development and implementation of a new farming policy is without doubt the most important consultative process for the Welsh farming industry since the establishment of the National Assembly for Wales in 1999. NFU Cymru has gone to unprecedented lengths to ensure our membership have been kept abreast of policy developments and actively participated in the development of the NFU Cymru vision for future agricultural policy, principles and the ongoing and current consultation process.

This level of engagement is unparalleled and gives NFU Cymru a strong mandate to represent our membership – those people and individuals most affected by changes to farming policy – and should be fairly recognised by Welsh Government in any co-design process it proposes to implement. Welsh Government must recognise that it is not just designing a new agri-environment approach for Wales rather a comprehensive sustainable agriculture programme. The co-design process developed by Welsh Government to design and implement the RPW online programme which includes a management group of stakeholders representing businesses directly involved in the RPW programme and a user group with representatives involved in the day to day RPW online application process is a format that has worked well. Co-design does not replace the need for further detailed consultation, analysis – including modelling and impact assessment - and extensive piloting of proposals.

14. Welsh language

NFU Cymru would express serious concerns about the impact of proposals on the Welsh language. Firstly, we would highlight that the Well-Being of Future Generations Act places a duty on public bodies to work to enhance economic, environmental, social and cultural well-being in Wales. This includes working towards seven key well-being goals which includes 'A Wales of vibrant culture and a thriving Welsh language'.

The Welsh Government Strategy 'Cymraeg 2050 - A million Welsh speakers' – a strategy document for the promotion and facilitation of the use of the Welsh language identifies the Welsh language as 'one of the treasures of Wales' and establishes a vision for 2050 of a Welsh language that is thriving, where the number of Welsh speakers has reached a million and where there is recognition by all of its contribution to the culture, society and economy of Wales. In that context we would refer to evidence that recognises the role of Welsh farmers as key promoters and protectors of our culture, heritage and the Welsh language.

The paper 'Farming in Wales and the Welsh Language', dated August 2016, for example, identifies that the proportion of adults and children in Wales who speak Welsh is around 18%. Throughout Wales, those who speak Welsh within the agriculture category make an essential contribution to the preservation of the language in terms of numbers, and in particular in terms of the proportion within the category who speak Welsh standing at 29.5%, which is higher than in any other employment category. The paper identifies that it can be argued that this contribution is of least importance in communities where (i) the language has largely died out, and (ii) the language is spoken by a large majority of the population. In such communities, the proportion who speaks Welsh within the agriculture category is closer to the overall community average.

In communities where more than 20% speak Welsh, the average proportion of those in the agriculture category who speak Welsh is consistently higher than the community average. The contribution of the agriculture category to the preservation of the language, in terms of numbers of Welsh speakers, and in particular the use of the language within the category, is most important in communities where the overall proportion of Welsh speakers is low or intermediate – communities where the language is most likely to be under threat. In such communities the proportion who speak Welsh within the agriculture category is, on average, higher than for all other employment categories, as is the per-head contribution to the total numbers who speak the language. For many individual communities this importance is particularly high, with the proportion who speak Welsh within the agriculture category more than 20% higher than the community average. The paper concludes that moves which undermine the viability of Welsh agriculture are likely to represent a significant threat to the Welsh language, particularly in communities where the overall proportion of the population who speak Welsh is low or intermediate.

The evidence is useful in highlighting the role of farming within our communities in terms of the preservation of the Welsh language. Given the concerns expressed throughout this consultation response about the potential impacts of proposals on farm viability and the subsequent impacts to rural businesses and rural communities, we believe that a full impact assessment should be undertaken to understand specifically the impact to the Welsh language before moving forward. Overall, it is our strong view that a thriving Welsh language in rural areas is underpinned by thriving Welsh farms; any proposals that weaken the farming sector will ultimately weaken our Welsh language and what defines us as a people and a nation.

Summary

Before moving forward it is vital that Welsh Government undertake full regulatory impact assessment to specifically understand the impact to the Welsh language. We are clear that a thriving Welsh agriculture is key to securing the future of the Welsh language and this must be recognised through Welsh Government proposals. We believe, there may be adverse effects on the Welsh language as a result of proposals given the important role that farming plays in preserving our Welsh language.

15. The timing of the consultation

NFU Cymru takes this opportunity to place on record our concerns around the 'on the ground' context in which the Sustainable Farming and Our Land consultation has been undertaken.

We are disappointed that Welsh Government has opted to consult on a matter of such significance to the future of Welsh farming against the backdrop of a period of unprecedented uncertainty for Welsh farmers, and all those who are associated with the industry.

In difficult circumstances, NFU Cymru has undertaken an extensive membership engagement programme to ensure our members are aware of the far reaching proposals, engaging with over 1300 members during the consultation process at over 35 events including specific roadshow events, tenant consultation meetings, seminars at the agricultural county shows, NFU Cymru Board meetings and meetings within each of the 11 NFU Cymru counties. A level of engagement, we believe, unparalleled by any other organisation.

Welsh Government must recognise that, throughout the comprehensive member engagement programme that NFU Cymru has undertaken to gather views to inform our response to this consultation, concerns over Brexit and how this will impact on our future relationship with the EU and the rest of the World have dominated discussions.

The primary concern of our membership has understandably been how their businesses will be able to cope in the immediate aftermath of the UK's departure from the European Union in the event of a 'No deal' Brexit. NFU Cymru is currently committing significant resource to providing the support our members require at this critical juncture including preparing our own organisational contingency planning. We are meeting regularly with UK Government Ministers and officials on Brexit, meetings have also been held with Welsh Government.

Up until the confirmation of the three month Article 50 extension on 28th October, an abrupt no-deal departure from the EU remained a distinct possibility, and it must be remembered that this consultation was conducted against this unwelcome and deeply concerning backdrop. The extension does not in any way negate the possibility of a no-deal Brexit; it merely moves forward the no-deal cliff-edge to 31st January 2020, or in the event of a failure to negotiate a trade deal during the transition period, to 31st December 2020, 2021 or 2022.

We do not feel that the timing of this consultation has been at all appropriate to discuss the detail of a policy that could determine the direction of travel for Welsh farming for a generation to come. This consultation has taken place when Welsh farmers have been planning for a disorderly Brexit and the enormous immediate impact this could have on their farming business. It is for this reason that NFU Cymru has repeatedly requested that Welsh Government suspend this consultation until there is the necessary opportunity to give this matter the proper time and consideration that it deserves. NFU Cymru made this request to government on a number of occasions including prior to the launch of the consultation at the Ministerial Brexit Roundtable meeting on the 27th June, in a letter to the Minister on the 28th June, at meetings with the First Minister and Minister on the 13th August at Pembrokeshire County Show and the 14th August at Anglesey Show and in a further letter on the 12th September.

We are extremely disappointed that Welsh Government has failed to listen to these very reasonable requests. We place on record our deep concerns that our ability to respond comprehensively to the Sustainable Farming and our Land consultation has been seriously impaired by its deeply inappropriate timing.

Annex 1 - The contribution of agriculture to the well-being of Wales

The Welsh Government Well-Being of Future Generations (Wales) Act 2015 is designed to improve the social, economic, environmental and cultural well-being of Wales. The Act establishes seven goals that all public bodies, including Welsh Ministers, must work to achieve. The contribution that farming makes to achievement of all seven goals is unparalleled by any other industry, as highlighted in the following below:

Well Being of Future Generations Act: Well-being Goals	NFU Cymru: Agriculture is the Answer
A prosperous Wales	<ul style="list-style-type: none"> • 60,000 employed full or part time in farming in Wales • £1.5bn Gross Output • Farming underpins a food supply chain worth over £6.8bn • Over 220, 000 people in Wales are employed in the agri-food sectors – that’s 17% of the workforce and Wales’s biggest employer • The Welsh countryside managed by farmers provides the backdrop for the tourism industry worth over £2.5bn • The Welsh agricultural industry is a key generator of wealth and employment for the people of Wales
A resilient Wales	<ul style="list-style-type: none"> • Farmers care for 81% of total land area of Wales – that’s over 1.84m hectares • 600,000 ha of environmentally designated areas • Almost 560,000 ha managed under Glastir Entry Sustainable Land Management Scheme designed to combat climate change, improve water management and maintain and enhance biodiversity • Farming supports a diverse range of species, habitats and ecosystems • Farmers provide a range of ecosystem services including carbon sequestration and management, water quality and water quantity management for flood alleviation • Low carbon, local energy installations have the potential to meet 57% of Wales’s electricity consumption and the evidence shows a large proportion of projects are located within Wales’s rural local authorities • GHG emissions from agriculture have declined by 20% since 1990 and further decreases are being achieved through production efficiency measures • Welsh farmers play a key role maintaining and enhancing our natural environment and supporting the provision of a full range of ecosystem services
A healthier Wales	<ul style="list-style-type: none"> • Welsh agriculture is a key provider of safe, nutritious, high quality Welsh food which plays a fundamental contribution in supporting the physical and mental well-being of the people of Wales • Welsh farmers are known to operate to some of the highest standards of welfare and production in the whole world • Welsh farming also delivers a significant proportion of Wales’s access provision which includes 16000 miles of footpaths, 3000 miles bridleways, 1200 miles of cycle network, and 460,000 ha of open access land • Welsh farming makes a key contribution to the physical and mental well-being of the people of Wales
A more equal Wales	<ul style="list-style-type: none"> • Rural Wales is home to 33% of the Welsh population. • The vitality and potential of rural areas is closely linked to the presence of a competitive and dynamic farming sector. The

	<p>NFU Cymru 'Why farming Matters to the Welsh Economy' shows that each family farm is typically economically linked to some 40-80 other businesses in the region</p> <ul style="list-style-type: none"> • Through direct and indirect employment in rural communities, Welsh farming underpins the rural economy and contributes to a more equal Wales
<p>A Wales of cohesive communities</p>	<ul style="list-style-type: none"> • Local communities in rural Wales are heavily dependent on agriculture for financial and social prosperity. • Leadership and voluntary roles in rural communities • Welsh farmers make a key contribution towards the provision of attractive, viable, safe communities in rural areas
<p>A Wales of vibrant culture and thriving Welsh language</p>	<ul style="list-style-type: none"> • Agriculture has the highest proportion of Welsh speakers of any sector. • Farming is the bedrock of rural communities across Wales which have been shaped by farming activity spanning hundreds of years. Farmers continue to maintain these traditions, preserving rural culture and sense of place • Welsh farmers are key promoters and protectors of our culture, heritage and the Welsh language
<p>A globally responsible Wales</p>	<ul style="list-style-type: none"> • Current levels of self-sufficiency at a UK level are at 62% • Future challenges to our global food production system include climate change, a growing UK and global population, water scarcity. Given its climate and rainfall, Wales is predicted to be an area of favoured production in the future • Welsh farmers have a key role to play feeding the people of Wales and in contributing to global food security now and in the future.