

VISION FOR THE FUTURE OF FARMING



A NEW DOMESTIC AGRICULTURAL POLICY

A productive, progressive and profitable Welsh farming industry delivering for the people of Wales

INTRODUCTION

The decision last June to leave the European Union has presented a unique opportunity to set out a clear vision for the future of Welsh agriculture. It provides the chance to shape and develop policies that will enable us to realise our ambition of a productive, progressive and profitable farming industry. This will deliver jobs, growth and investment for Wales through a growing and dynamic multi-billion pound Welsh food and drink industry; also underpinning the delivery of a broader suite of landscape and environmental goods and services for society and upon which other strategically important sectors depend.

For decades Welsh farming has been subject to policies set at a pan-European scale, implementing successive CAP reforms driven by political and economic pressures on the European stage. Looking forward, the creation of a new agricultural policy for Wales will reflect the new legislative frameworks enshrined in the Well-Being of Future Generations and Environment Acts.

This legislative framework allows for the establishment of a new deal with society – a stable and transparent consensus on what farming can deliver for the economy, for consumers and the environment. A deal that recognises and values the full range of goods and services provided by farmers and that delivers a fair deal on trade, a secure business environment, reasonable returns from the market and access to the modern technology needed to compete on the global stage.

Our vision is simple: that productive, progressive and profitable farm businesses are central to underpinning 'Brand Wales' - a concept that recognises and unifies the full range of goods and services provided by Welsh farming under one brand that can be promoted on the world stage. A brand that focuses on Wales's unique selling points – an integrated strategy encompassing food, tourism and the full range of ecosystem and landscape services provided by Welsh farming which will attract inward investment to Wales on the basis that Wales is a country of high quality products based around a strong natural asset base.

Our membership is proud of what they contribute to the nation and to the economic, environmental, social and cultural well-being of Wales. Welsh farming businesses are the backbone to the Welsh rural economy; the axis around which rural communities thrive.

Farmers manage over 80% of the land area of Wales and we want all our farmers to play a part in producing food to world leading standards of animal health and animal welfare whilst at the same time maintaining and enhancing our environment and ensuring we are continually improving our carbon footprint per unit of production.

Our members are clear that this is our opportunity to put the building blocks in place for a post Brexit Welsh agricultural policy that delivers for Wales and ensures we are competitive in UK, EU and global markets.

This paper examines in some detail our priorities for a new domestic agricultural policy, running in parallel we have work streams considering our key priorities for trade, labour and regulation.

WHY FARMING MATTERS

The referendum result, which will impact on agriculture more than any other part of the economy, has led to much debate and discussion as to why public investment should be used to support the farm sector.

The answer is clear; farming's contribution to the economic, environmental, cultural and social well-being of Wales is unique and unparalleled.

Welsh farming delivers:

- **The continued supply of safe, affordable, high quality food, trusted by consumers. Without domestic production we would undermine our food security, relying on imports produced to different environmental and welfare standards and under food safety systems over which we have no control.**
- **The raw materials for a Welsh food industry that employs nearly a quarter of a million people and is worth over £6 billion to the economy of Wales – Wales biggest employer.**
- **Our cherished countryside - farmers care for and manage over 80% of the land area of Wales and have a key role in maintaining and enhancing our natural environment and treasured Welsh landscape; crucially underpinning other strategically important sectors to Wales such as tourism**
- **Thriving rural communities - Welsh farming provides direct and indirect employment and drives economic growth in rural communities and is embedded in local communities unlike any other industry**
- **Welsh farmers are key promoters and protectors of our culture, heritage and the Welsh language**

It is also clear that this contribution to society is entirely dependent on viable and profitable farming businesses.

Society needs farming to thrive and for Welsh farming to continue and enhance our contribution to the well-being of Wales it is vital that we implement appropriate policy and budgetary frameworks following our departure from the EU.

We must also recognise the future challenges to our global food production system including a changing climate, growing UK and global populations, dietary changes and scarcity of resources such as land and water. Given its climate and rainfall, Wales is predicted to be an area of favoured production in the future, Welsh farmers will inevitably have a key role to play - indeed a responsibility - in feeding the people of Wales and contributing to global food security now and in the future.

Overall, the case for Government having a legitimate interest in supporting the farming sector is compelling.



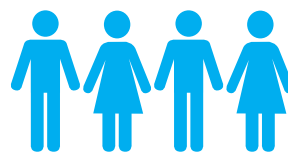
**£868
MILLION**

Welsh farmers purchase a range of goods and services estimated at **£868million per annum**



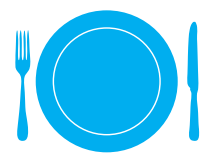
**£6.1
BILLION**

Farming is the cornerstone of the **£6.1 billion Welsh food and drink sector**



**58,300
PEOPLE**

are employed on farm holdings in Wales



**223,000
PEOPLE**

are employed in the Welsh food and drink sector, Wales' biggest employer

The contribution of Welsh farming to the economy, environment, culture and language of Wales is more fully explained in our report Farming: Bringing Wales together:

<https://www.nfu-cymru.org.uk/news/latest-news/farming-bringing-wales-together/>

RATIONALE FOR A NEW POLICY FRAMEWORK

Most countries in the world have introduced agricultural policy measures to address various issues, this includes price and market volatility, environmental protection and enhancement and improvements in sectoral economic performance.

Once we leave the EU we will no longer be governed by a CAP that is designed for a continent stretching from Greece to Scandinavia and seeking to cater for all the varied types of agriculture in between. We will have the opportunity to develop a new deal for Welsh farming – one in which farm businesses are provided with the support, incentives and means to become more competitive, productive and profitable whilst meeting the expectations and needs of society at large.

The design of a bespoke domestic agricultural policy offers the opportunity to construct a multi-faceted policy with different instruments targeted at specific issues and delivering clear and multiple benefits for society. Whilst this policy should take a pan-industry approach it should be designed to recognise the specific challenges for each sector; it should enable farm businesses to develop to take advantage of emerging market opportunities; also retaining the flexibility to respond to new challenges as and when they arise.

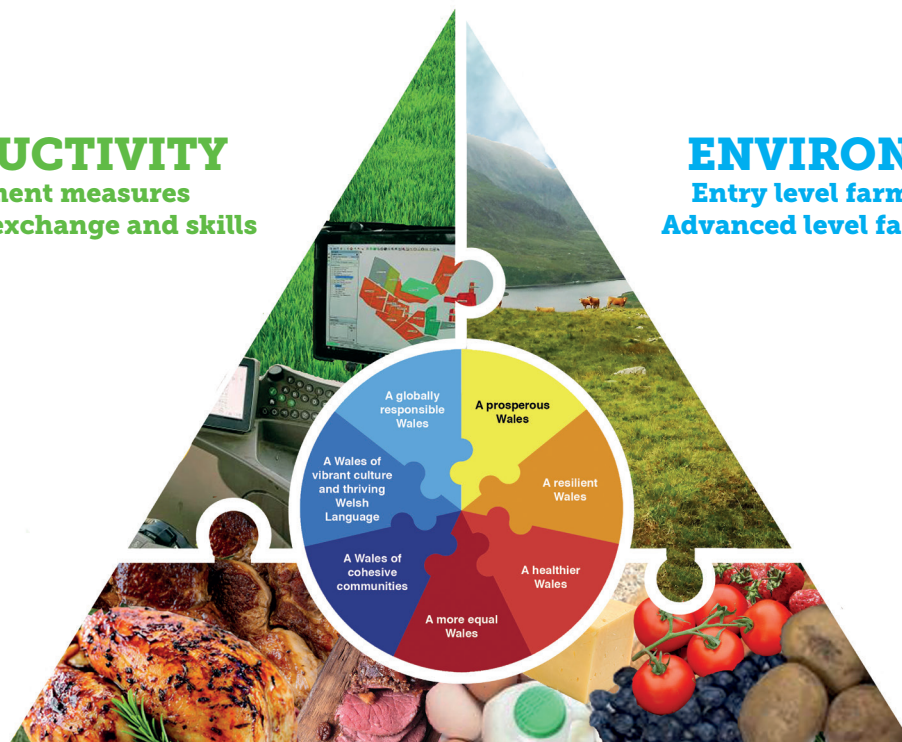
FORM AND SCOPE OF A NEW AGRICULTURAL POLICY

Our concept for a new agricultural policy proposes a single integrated flexible framework with a number of key elements that will support farm businesses to become more productive, progressive and profitable whilst also maintaining and enhancing the quality of our environment. The support given to Welsh farmers must be simple to administer, easy to understand and directed towards those businesses who take the financial and entrepreneurial risks associated with food production.

NFU Cymru would expect that most farming businesses will look to access support and assistance across a range of measures within the policy framework. In the following section we briefly touch upon what we see as the key elements and themes required in a new domestic agricultural policy, illustrated below.

PRODUCTIVITY
Investment measures
Knowledge exchange and skills

ENVIRONMENT
Entry level farmed scheme
Advanced level farmed scheme



VOLATILITY
Market stabilisation
Base support

VOLATILITY MEASURES

Crisis Management/ Market Stabilisation

Measures that underpin Welsh agriculture to deal with crisis and exceptional/emergency events will form a critical component of future agriculture policy. Crisis management measures could be required in the event of trade bans, extreme commodity cycle downturns, exceptional weather events, serious adverse impact on income as a result of pests and disease and other exceptional events. Measures should 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.

Base Support

Farmers are subject to significant levels of income volatility driven by environmental, economic and political factors. The majority of these factors are beyond the farmers control; this volatility weakens the rural economy, threatens the continuity of supply to the food processing industry and exposes consumers to food price inflation.

A basic support measure open to all farmers that underpins agriculture and food production and the standards required to build trust in the quality and integrity of 'Brand Wales' concept; base support recognises the unparalleled contribution of farming to the economic, environmental, social and cultural vibrancy across the whole of Wales in line with the Well-Being of Future Generations Act.

ENVIRONMENT MEASURES

An Entry level Farmed Environment scheme

A voluntary measure, accessible to all farmers which gives every farm business the opportunity and potential to contribute to practical environmental management including the protection and enhancement of landscape features, maintenance of farmed habitats to support farmland biodiversity, carbon, soils and water.

The aim should be to deliver landscape scale sustainable management of natural resources in line with the aspiration of the Environment Act and Natural Resources Policy, this scheme could be a points-based, multi-annual single delivery mechanism designed to reflect inherent natural diversity that exists in Wales and incorporating the flexibility and adaptability to deliver locally/regionally in line with area statement objectives.

The ambition here is to attract as many farmers and as big a land area as possible, reflecting the significant value of farming to the environment. Farmer participation also assists in making a contribution to the 'green credentials' of our Welsh Brand.

Scheme development should recognise that delivery of environmental action on the ground is highly reliant on farmers understanding what the objective of such action is and being prepared to undertake such activities. A partnership, outcome focussed approach with the farming industry is, therefore, pivotal to securing the best outcomes.

An Advanced Farmed Environment Scheme

This is a scheme designed for farmers who wish to go above and beyond the entry level farmed environment scheme, offering multi-annual agreements in line with the latest evidence that demonstrates the need for long-term commitment to interventions if benefits for biodiversity are to be fully realised.

An advanced scheme would more likely suit those farming in designated areas or with designated sites on their farms; areas with natural constraints and farms who have been involved for a significant period of time in agri environment measures. This element would also include an option specific to farmers that are involved or entering organic production. This scheme could be a mix of area based payment and capital measures and be on a whole farm or part farm basis and will be a key mechanism to secure ecosystem resilience through funding habitat creation; extending the extent of farm woodlands and so on.

Farmers in Wales are also increasingly aware of the wider set of goods and services they provide, which do not deliver a return from conventional markets currently. They are receptive to exploring opportunities and in the future, if and when markets for ecosystem services are developed, there may be the opportunity at that time to include this type of approach within the advanced scheme.

PRODUCTIVITY MEASURES

Investment 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 technologies and innovations. Driving improvements in business and environmental performance at farm level is central to our vision of a productive, progressive and profitable industry that will deliver jobs, growth and investment for Wales and enhance the competitiveness of Welsh farming on a global stage in line with the ambitious growth strategy for the Welsh Food and Drink sector.

This would encompass instruments like capital grants and measures to incentivise the take up of new equipment, facilities and technology on farm. It is important that we focus on a growth agenda whilst recognising the need to do this sustainably – indeed this is viewed as central to the positioning of our global brand. We also identify that investment measures have a significant role to play in the delivery of Natural Resources Policy objectives.

Investment in on-farm infrastructure and equipment has a contribution to make in terms of water quality and soil management. Measures that improve the efficiency of farming systems bring about a carbon emissions mitigation effect through reduced emissions per unit of production. Policy must recognise that innovation and developments in technology have the potential to further contribute to Natural Resource Policy objectives in future – this measure should facilitate rapid and widespread uptake and deployment.

Knowledge Exchange and Skills

Skills and knowledge are central to enable farmers to adapt to future challenges and seize the opportunities that lie ahead. Closely linked with the investment measures and 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.

The aim is to ensure that Welsh farming businesses are given access to the latest Research and Development, knowledge and teaching so they are equipped with the skills and knowledge needed to improve business performance through increased efficiencies, improved environmental performance and improved market returns.

Through this measure, individual farm businesses will 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 the following:-

- **Climate Change mitigation measures**
- **Environmental management, protection and enhancement**
- **Animal Health and Welfare**
- **Grassland Management and Utilisation**
- **Crop Agronomy and Plant Health**
- **Soil and nutrient management**
- **Farm business support / Financial performance**
- **Risk management measures**
- **Health and Safety**
- **Developing new markets and adding value to primary produce**

Overall, the measures combine into an integrated model of sustainable agriculture utilising financial capital to simultaneously raise levels of human, social, environmental and physical capital. A model that delivers on the Well-Being Goals established in the Future Generations Act and the sustainable management of natural resources enshrined in the Environment Act.

Key outcomes include increased financial resilience to economic and environmental pressures; safeguarding and promoting self-sufficiency; supporting the Welsh food and drink industry – Wales's biggest employer; driving investment, innovation and productivity; promoting rural jobs and supporting social, cultural, economic and environmental sustainability for the rural and wider economy; delivery of environmental outcomes and maintenance and enhancement of our treasured Welsh landscape.

TRANSITION TO A NEW DOMESTIC AGRICULTURAL POLICY

As we enter a period of profound uncertainty and to ensure that we maintain our productive capacity, continuity of supply to the food supply chain together with ongoing delivery of environmental management and action it will be important to consider a transitional period from current arrangements to a new domestic agricultural policy. We would expect this transition period to last a number of years.

The design of a new bespoke policy for Wales must occur through a process of evolution rather than revolution and the speed of transition and the budgetary requirements for each measure will need to be determined when the shape of future trading arrangements becomes clearer. Crucially development work on the 'Brand Wales' concept should begin immediately.

BUDGET

Our message is clear and unequivocal – Governments in Cardiff and Westminster must maintain current levels of investment for farming in Wales, to ensure Welsh farmers remain competitive and can continue to produce food to the highest standards.

A very important issue that Wales has to consider is the way in which funding flows from the UK Government to Wales. Wales is currently funded via the Welsh Block Grant, a population-size based fund, which comes from the UK Treasury to Welsh Government. It pays for expenditure in areas of devolved competence, with any adjustments to the Welsh Block Grant made via the Barnett Formula.

EU funds to Welsh agriculture are not subject to the population share based calculation which underpins the Welsh Block Grant. Should any future support payment for Welsh agriculture be subject to the population share Block Grant calculation rather than the current formula for distributing EU CAP funds to Wales then the implications for Wales are potentially severe. Based on current funding levels for agriculture, NFU Cymru estimate that a population-size based calculation would result in a budget reduction of nearly 40% for Wales.

The potential funding shortfall that will arise in any move to a purely population size based grant is something which has been identified as a significant concern by both the Welsh Government and the National Assembly for Wales.

The Welsh Government/Plaid Cymru Brexit White Paper points to the fact that Wales' CAP receipts are significantly above its 'Barnett share' of UK receipts and speaks of the essential need to ensure that equivalent or greater resources to those Wales would have received from the CAP are provided from the UK to Wales to support Welsh farming. This is absolutely crucial to ensure that Welsh farming is able to deliver jobs, growth and investment for Wales and Welsh farming's unparalleled contribution to the seven goals of the Well-Being of Future Generations Act is not undermined.

The National Assembly for Wales Climate Change, Environment and Rural Affairs Committee inquiry into the future of land management in Wales stated that the *UK Government must commit to maintain funding for agriculture at levels presently secured under CAP until at least 2020/21. Thereafter the most important benchmark will be the next cycle of CAP, from 2021-2027. Such funding for agriculture should not be subject to the Barnett formula.*

HOW SHOULD THE BUDGET BE SHARED?

Within our concept policy it is not possible to quantify the budget requirements of each policy element until there is considerably more clarity over our future trading arrangements. There are two elements to this. First, if our access to the single market is restricted there could be serious consequences for some sectors: lamb being an obvious example. Second, if our markets become more open to imports from the rest of the world (either by a general lowering of tariffs or through bilateral free trade agreements with countries like New Zealand or Brazil) there will be an impact on domestic farm-gate prices.

If either or both of these things happen there will be relatively more resource needed for volatility measures. If they are avoided there may be a lower resource requirement for those measures, which will allow more resource to be utilised on other measures.

We highlight the need to recognise that WTO rules place limitations on how funding is deployed.

A UK POLICY AND BUDGETARY FRAMEWORK

Agriculture is an area of devolved competence to the National Assembly, the Brexit vote does not change that dynamic. One of our key policy principles is to ensure that the level of support made available to Welsh farmers is on a par with our principal competitors; this will include farmers within the rest of the UK as well as with countries in the rest of the EU. We believe that the four UK Governments should work together with the UK farming industry to jointly agree a common overarching agricultural framework that will determine the level of funding made available to farmers in the four countries and is hypothecated using the same formula that is currently used to distribute CAP payments from the EU to the UK devolved administrations. It is of critical importance that market distortions are not created at a UK level as a result of an unequal policy or regulatory burdens.

Similarly we believe that communication between the administrations is vital to ensure that all four countries work together in partnership to agree a common policy framework, which allows the necessary flexibility for each devolved administration to take into account the pattern and practice of farming within their country.

NFU Cymru is clear that a UK policy and budgetary framework must be mutually agreed by all the devolved Governments, this is important to ensure that we have fit for purpose policies, which farmers understand, cross border farmers are in no way disadvantaged and there are no constraints on trade within the UK.

CHARTING OUR AMBITION

Moving forward, NFU Cymru is clear that transparency and clarity of purpose for both the public and farmers is critical. The policy elements outlined, we believe, will play a key role in increasing and enhancing our influence on the Welsh economy which secures the delivery of wider goods and services for society. We believe that it will be important for us to be able to chart our progress and demonstrate how we are continuing to increase our contribution to the Future Generations well-being goals through a range of sector specific key performance indicators related to Productivity, Competitiveness, the Environment and Climate Change mitigation.

MOVING FORWARD

Embedding the ways of working enshrined in the Well-Being of Future Generations and Environment Acts including adaptive management, evidence-based decision making, thinking long-term together with collaboration and engagement will be important if we are to secure the best outcomes for Wales and NFU Cymru would welcome the opportunity to work in partnership with Government and other stakeholders on the development of an integrated domestic agricultural policy for the benefit of farming, the environment, the economy and the people of Wales.