



NFU Cymru Response: Welsh Government Consultation Brexit and Our Land: Securing the future of Welsh Farming



#NiYWFfermioCymru
#WeAreWelshFarming

NFU Cymru Response: Welsh Government Consultation Brexit and Our Land: Securing the future of Welsh Farming

Introduction

NFU Cymru welcomes the opportunity to respond to the Welsh Government Consultation Brexit and Our Land: Securing the future of Welsh farming.

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 to 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 £6.9 billion Welsh food and drink industry which is Wales' largest employer employing 240,200 people.

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 £2.8bn 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.



President's Foreword

This consultation is without doubt the most important consultation for the Welsh farming industry since the establishment of the National Assembly for Wales in 1999. For the first time in our nation's history it will provide the opportunity to design, develop and implement a policy 'Made in Wales' for Welsh farming. This is our opportunity to put in place the building blocks to realise our ambition for the further sustainable growth and development of our food and farming industry.

We are proud that the Welsh public associate Welsh farmers, first and foremost, with providing safe, high quality and traceable food and I 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. We are proud to be the cornerstone of a food industry that has seen fantastic growth in the past decade and we want to ensure that the healthy and nutritious food we produce on our farms can help ensure that the sector continues to grow.

The development of 'Brand Wales', a brand 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. We want to work with Government to build this brand to market our sustainable food production systems and stimulate further demand for our top quality food and drink.

Wales has a rich history of being at the forefront of agricultural innovation and advancement stretching back to the days of Sir George Stapleton and the formation of the Welsh plant breeding station in the early part of the last century. His pioneering work in the field of plant breeding and grassland improvement was of fundamental importance to agriculture in Wales and far beyond. We have the opportunity through this consultation to make sure that Wales continues to be seen as a country at the forefront of agricultural improvement and productivity.

We recognise that, as an industry, we are at a pivotal time in our history and it for this reason that NFU Cymru has undertaken an unprecedented level of engagement with our membership. This process of engagement began immediately after the decision was taken by the UK public to leave the EU in June 2016.

In the days following the referendum a number of key principles around the shape of a future domestic agricultural policy, trading relationships, labour requirements and the regulatory landscape were agreed by our Council. These principles subsequently formed the basis of a comprehensive internal member consultation during the autumn of 2016. This consultation exercise resulted in the development of a number of "[vision](#)" papers that we published in 2017.

During the course of this current consultation we have gone to great lengths to ensure that every member has had the opportunity to actively participate and to feed in their views to help inform our response. We have spoken and listened to the views of 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. All of our commodity boards and our Next Generation Board have met and discussed the consultation in detail.

Recognising the very serious implications for tenant farmers within this consultation we held a specific meeting dedicated to this vital sector of our industry. In addition all of our members have received detailed information on the consultation through our Farming Wales magazine and thousands of our members have positively interacted with the dedicated Brexit consultation hub on our website. We are confident that our position captures the views of farmers from across Wales, covering all sectors, farm sizes, areas, tenure arrangements, and generations alongside the views of many working in our allied industries. We believe that the level of engagement and input of our membership in developing our position will be unparalleled by any other organisation responding to this consultation.



During the course of our consultation exercise some key themes have emerged time and time again.

Firstly, farmers see themselves as so much more than land managers, every farmer we spoke to was proud to be a farmer, proud to produce food for the consumer, proud to be an integral part of their community, proud to care for their environment and proud to be running successful and diverse businesses. The rather narrow definition of land managers, used by Welsh Government in this consultation does not adequately cover or do justice to the role that farmers play in underpinning rural communities and the economy of Wales.

Secondly, farming and food production must be at the core of future policy in Wales. Welsh farmers are immensely proud to be part of a £6.9 billion industry, an industry employing 240,200 people, Wales' largest employer. We are proud to be part of an industry that has seen sustained growth over a number of years. In a recent YouGov survey, 83% of Welsh consumers associated Welsh farmers first and foremost with producing safe, high quality and traceable food. We do not take this support for granted but are pleased with how society values our core role. We want to make sure that Government and our industry have the shared ambition and drive to achieve continued growth for our sector. Our members are clear that future policy and funding must be targeted at the people and businesses that take the financial and business risks associated with producing food.

Thirdly, all great industries are built on firm and stable foundations, strong foundations provide the base for investment, innovation and entrepreneurship. Welsh Government is unable to impact on many of the issues that can cause instability for farming business; these include political instability within our major economies, the rise of protectionism and the impact of increasingly extreme weather patterns in many parts of the world caused by climate change. What Welsh Government can do, however, is maintain stability through careful planning, assessment, modelling and evolution of a new Welsh agricultural policy. No changes should be made without a thorough impact assessment of any proposed change to ensure that any changes deliver the desired positive outcomes of continued growth and development of the Welsh food and farming industry. Stability provides businesses with the opportunity to invest in new technology, to improve productivity, to meet climate change obligations, to invest in our communities and to build on our environmental credentials.

Our members are ambitious and are ready to deal with the challenges and embrace the opportunities of a post Brexit marketplace. This consultation provides the opportunity to realise that ambition and mark Wales out as a country producing food of the highest quality underpinned by a strong and improving natural asset base.

Farmers accept change, the industry constantly deals with change whether that is changing Government policy or changing market conditions, we have embraced change in the past and will do so again as we leave the CAP but farmers must be the architects of that change. At NFU Cymru we want to work with Government and with everyone who cares and has a passion for our food, our landscape, our environment, our communities and our culture. 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.



John Davies
NFU Cymru President



Contents

[Brexit and Our Land and the Welsh Food and Drink Industry Action Plan](#)

[NFU Cymru key principles for reform](#)

[The NFU Cymru vision for a new Welsh Agricultural Policy](#)

[The EU and UK agricultural policy context](#)

[Political context](#)

[Welsh farm income](#)

[Rural support](#)

[The Brexit and Our Land consultation process](#)

[Proposals for a new Land Management Programme](#)

[The tenanted sector](#)

[The Economic Resilience scheme](#)

[The Public Goods scheme](#)

[A new regulatory framework](#)

[Transition, delivery and legislation](#)

[Working across the United Kingdom](#)

[Funding](#)

[The Welsh language](#)

[Conclusion](#)



Brexit and Our Land and the Welsh Food and Drink Industry Action Plan

There is no doubt that the Welsh food and drink industry faces unprecedented challenges as a result of Brexit, but at the same time there is the opportunity for Welsh Government to work with the sector from farm to fork to put in place a sustainable, and fully integrated, Welsh food policy that recognises the importance of the sector to the Welsh economy.

We are pleased that in July 2018 the Cabinet Secretary confirmed that work is underway on developing a successor to the current Food and Drink Action Plan, subsequent to this NFU Cymru met with the Chair of the Food and Drink Industry Board to discuss how the farming industry can work with the Board going forward on an agenda for growth.

With the £7 billion target of the 2014 Food and Drink Action Plan on the cusp of being met the time is right to begin the process of putting in place a bold and ambitious successor plan. The current plan has shown the advantage of a target led approach. Whilst we know the coming years will be challenging in dealing with a post Brexit marketplace, it is important that new targets are agreed and that Government works with industry to put in place joined up and comprehensive policies to help and support the food and farming sector meet these targets.

In this context we are pleased that the successor plan is being developed at the same time as Welsh Government is consulting on how to support farmers post Brexit. It is vital that these two work streams are co-ordinated and complimentary; they must embed the same ambition and work towards meeting the same agreed targets. It is only by working towards one common goal that we can have a truly integrated supply chain in Wales.

The ambition shown in the current action plan should be repeated in the successor plan. This ambition to grow our industry is currently lacking within the 'Brexit and Our Land' consultation, but this is something that can be put right and we look forward to working with the Cabinet Secretary to do just that.

We must grasp the opportunity that we now have to further strengthen our position as a country that produces food of the highest quality, against a backdrop of a beautiful landscape and a strong natural asset base. NFU Cymru is pleased that industry and Government have been working collaboratively towards the establishment of 'Brand Wales' to sell the story of our environment, landscape and culture through our products and that this is recognised in the consultation document.

We must maximise every opportunity that we can to grow our sector through growing our share of produce sold in the UK retail and food service sector, expanding our reach in export markets and by increasing the proportion of Welsh food procured by our schools, hospitals and Government institutions.

The Welsh food and drink industry, from farm to fork is a great success story delivering many benefits to Welsh society, by joining together the Food and Drink Action Plan and our future farming policy we have the opportunity to deliver further growth, investment and employment for Wales.



NFU Cymru key principles for reform

Just over two 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, quality, traceable, affordable food for our nation, in the context of future global challenges, 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 volatility (now termed 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](#).

Volatility / 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 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 could 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 Sustainability Brand Values programme.

Measures to support Welsh agriculture deal with crisis and exceptional and emergency events should form a critical component of future agricultural policy. These measures could be required 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.

The threat of a 'no deal' Brexit scenario and the loss of our export markets as outlined within the recent UK Government technical notices means that there is an urgent need to consider how these crisis measures could operate in Wales. Given the very real threat that this position could arise happen at the end of March 2019, these measures need to be considered urgently and separately from the proposed timetable for this current consultation.

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 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 and 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.



The EU and UK agricultural policy context

One of our key principles centres on the need to ensure that Welsh farmers have the opportunity to be competitive with farmers from other countries. Produce from Welsh farms will continue to compete for space on retail shelves and access to food service markets in the UK and further afield against farmers from other countries, whether that be farmers from the rest of the UK, the EU or globally. In considering future policy it is imperative that we take full account of the support policies operating in other countries.

As Welsh farmers we are familiar with the Common Agricultural Policy (CAP) but in the context of this response it is useful to reiterate the key roles and objectives of the CAP.

The EU describes its Common Agricultural Policy as a partnership between agriculture and society, and between Europe and its farmers. The European Union has a number of objectives for the Common Agricultural Policy. It aims to:

- Support farmers and improve agricultural productivity, so that consumers have a stable supply of affordable food.
- Ensure that EU farmers can make a reasonable living.
- Help to tackle climate change and the sustainable management of natural resources.
- Maintain rural areas and landscapes across the EU.
- Keep the rural economy alive promoting jobs in farming, agri-food industries and associated sectors.

A number of the priorities for CAP funding have been outlined at a European level. These are jobs and growth, sustainability, modernisation, innovation and quality.

The European Union acknowledges that the agricultural sector is unique and farming is unlike any other business. A number of reasons are highlighted:

- 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 other business uncertainties and the environmental impact of farming, it justifies the important role that public support plays for farmers. The CAP sets the conditions that allow farmers to fulfil their multiple functions in society – the first of which is to produce food.¹

The EU acknowledges that farmers have a double challenge: to produce food whilst simultaneously protecting nature and safeguarding biodiversity. The EU states that “*environmentally sustainable farming, which uses natural resources prudently, is essential for our food production and for our quality of life – today, tomorrow and for future generations*”.

There is also acknowledgement that farming is also about rural communities, the people who live in them and their lifestyle. It is about the countryside and its precious natural resources. Many jobs in the countryside are linked to farming which are directly and indirectly supported through the CAP.

The EU is currently embarking on the process of agreeing the budget and the Common Agricultural Policy (CAP) for the period 2021-2027. The proposals are for the CAP to have many similarities with the current iteration. It will continue to be arranged around two pillars as well as the Common Market

¹ European Commission- The Common Agricultural Policy at a glance- link [here](#)



Organisation (CMO) provisions, direct payments based on area will remain, and many measures from the second pillar will also still be present.

From 2021-2027, the Commission proposes to spend €286bn on Pillar 1 (direct payments and the CMO provision) and €78bn on Pillar 2. The Commission has estimated this to be a 5% cut on the previous budgetary period. The Commission proposes a cut in direct payments of less than 4% so as a percentage of the total budget the proportion spent on direct payments is set to increase. It is important that we consider this in the context of the proposals for a complete phasing out of direct payments in Wales by 2025.

There is a real danger that if our core policies in Wales diverge significantly from those in the EU and food supply chains in other countries continue to be underpinned by direct payments at the same time as they are being completely phased out in Wales, we could see our produce displaced from the markets we have worked hard to access and invested heavily in to grow.

In England, Defra, in spring 2018, consulted on a post Brexit Agricultural Policy through their 'Health and Harmony' consultation paper. On the 12th September the UK Government published their Draft Agriculture Bill and on the 14th September Defra published a policy statement in response to the 'Health and Harmony' consultation. Defra state that their new agricultural policy will be underpinned by the payment of public money for the provision of public goods. The Bill sets out a transition period that will run from 2021-2027. Through the Agriculture Bill, the UK Government says that it will ensure that approaches can be managed across the UK as each devolved administration designs a new agriculture policy. Defra says the Bill will allow the UK Government to:

- Spend public money on public goods.
- Improve farming productivity.
- Enforce compliance with conditions attached to payments to farmers and land managers.
- Strengthen transparency in the supply chain.
- Strengthen fairness in the supply chain.
- Intervene in times of extreme market disturbance.
- Set common marketing standards.
- Comply with the World Trade Organisation Agreement on Agriculture.

Scotland has consulted upon proposals for rural funding in a transition period through a consultation titled 'Stability and Simplicity'. The paper focusses on:-

- What might be done to provide stability in the period immediately after Scotland might have to leave the EU in 2019.
- Short term simplifications that could help current claimants of CAP-related support and improve or enhance the delivery of policy goals.
- How best to support and integrate agriculture into the broader rural economy over the transition period and beyond.
- How pilot projects might be developed and used to test different approaches.

The consultation proposes that support schemes for active farming and food production stay largely the same in the short term and that the Scottish Government is committed to providing security, simplicity and stability.

The Department of Agriculture, Environment and Rural Affairs in Northern Ireland is currently undertaking a stakeholder engagement process on a future agricultural policy framework. The paper seeks stakeholder views on two time periods, 2020-2021 and 2022 and beyond. The paper proposes to largely maintain the status quo with regards to direct payments for 2019, 2020 and 2021. Beyond 2021 the paper looks at a framework that increases productivity and improves resilience. It wants an



industry that is environmentally sustainable and an industry that operates within an integrated, efficient, sustainable, competitive and responsive supply chain.

The paper highlights that the agriculture sector is prone to uncertainty arising from issues such as fluctuation of input costs and farm gate prices caused by local, national and global market influences, extreme weather events, animal and crop diseases, changes in international trading patterns and geopolitical shocks. It says that farmers, therefore, require tools that can assist their ability to 'bounce back'. It says a basket of policy instruments should be included and this includes Basic Farm Resilience support as one possible option. It says one option could be to provide an area based payment in the long term to provide an underlying and predictable revenue stream to underpin farm resilience.

The latest evidence therefore points to Government measures to support stability and resilience through area based payments for active farmers being an integral part of future policy in the EU, Scotland and Northern Ireland. England will phase out direct payments beginning in 2021 and being completed in 2028. The Welsh Government proposals are for a complete phasing out of direct payments beginning in 2020 and being completed by 2025.



Political context

Since the publication of the 'Brexit and Our Land' consultation almost four months ago, very little meaningful progress appears to have been made in the Brexit negotiations between the UK and the EU27.

Over the course of the summer and into the autumn, the apparent insolubility of the Irish border question and the politically difficult position in which the UK Government finds itself have increased the probability of a 'no deal' Brexit from something which was once considered a narrow outside prospect, to something which has now emerged as a very distinct and unwelcome possibility.

It should also be borne in mind that even if the UK and the EU manage to secure a withdrawal agreement and political declaration, and this passes muster in a meaningful vote in Parliament, this will only signal the end of the beginning, and not the beginning of the end of the Brexit process.

If a withdrawal agreement and political declaration are agreed and endorsed by both the UK and the EU (something which will lead to a transition period concluding at the end of December 2020), we are likely to see some further, considerable upheaval and uncertainty during the transition period as the exact terms of our future trading relationship with the EU27 are fleshed out, particularly as the two year transition period draws towards the end. It hardly needs stating that the precise nature of our future trading relationship with the EU27 will be a key determinant of the future viability or otherwise of very many Welsh farming businesses.

Over the course of the last few weeks we have seen the UK Government publish a series of technical notices examining the impact of a 'no deal' scenario on various sectors, including agriculture. The content of some of the papers examining a no-deal are concerning, especially given Welsh farmers' reliance on the EU export markets.

One of the later technical notices to be published deals with the export of animals and animal products, setting out in plain language what will happen with regard to such exports in the event of 'no deal'. If 'no deal' is secured with the EU27 then this will mean that Export Health Certificates will be needed for every export of animals and animal products from the UK to the EU, and more significantly the EU27 will require the UK to be listed as an approved third country exporter. In terms of securing our status as an approved third country exporter, the paper goes on to state that we cannot be sure of either the EU's response to such a request or the time taken to deal with such a request.

The upshot of this is that we are likely, in the event of a 'no deal', to be shut out of EU export markets for an indeterminate period, whilst we await approval as a third country exporter by the EU27. Any interruption or even anticipated interruption to our access to export markets will have serious ramifications as our export customers will understandably seek to secure supply from elsewhere. Once our ability to export to these markets has been lost or interrupted, it will prove very difficult to recapture them, particularly if we have been displaced by alternative suppliers.

In the event of a 'no deal' scenario we can envisage an asymmetrical situation arising which will see the EU27 declining to recognise our standards in relation to animals, animal products and agri-food (as we will from 30th March be a third country), whilst the UK Government in its desire to keep food on supermarket shelves, will continue to recognise EU standards in relation to animals, animal products and agri-food, and admit these products into the UK.

Our farmers and growers therefore, in our view, potentially face the invidious prospect of being shut out of our nearest, most valuable export markets whilst at the same time our markets are flooded with imported produce.



NFU Cymru does not take issue with the actual figures provided on page 13 of the consultation, but in order to gain a fuller understanding of the spectrum of impact on commodity prices that each Brexit scenario is likely to have, each set of figures ought really to be considered in conjunction with an assessment of the likelihood of each scenario being realised.

We would, for example, take the view that the WTO default scenario, whilst appearing superficially attractive to the beef, pigs, poultry and dairy sectors ought to be treated with a degree of scepticism purely on account of the way it is likely to emerge from contact with political reality. As a Union we cannot see a UK Government maintaining tariffs for imports of agri-food products at WTO default levels in a no-deal scenario, when the desire to salvage something from a no-deal catastrophe, in the form of lower prices for consumers, is likely to become politically irresistible. We would instead consider the more likely scenario to be a lowering of tariffs, and a move towards the unilateral liberalisation of trade, a scenario which according to the data on page 13 is detrimental to all sectors.

Many significant factors which could impact on the fortunes of Wales' farmers lie outside of the control of Welsh Government as have been outlined above. The loss of export markets, competition in the form of third country imports and more general Brexit uncertainty are all factors, which if taken individually, or in conjunction could have a very detrimental impact on Welsh agriculture. This is why NFU Cymru believes that Welsh Government should keep all options open in terms of future support for Welsh agriculture and not become hostage to a policy conceived and formulated at a time when there is no clear picture of the type of post-Brexit climate we will be facing.

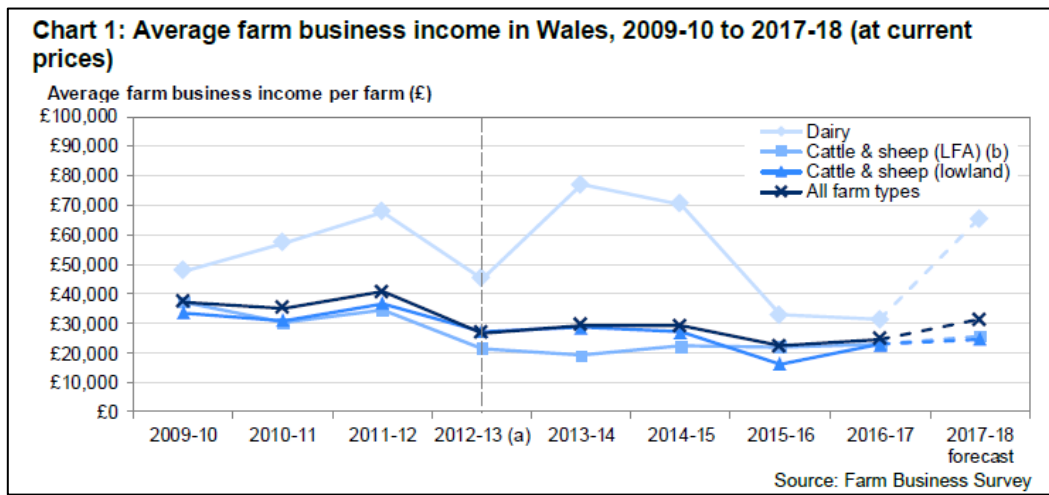


Welsh farm income

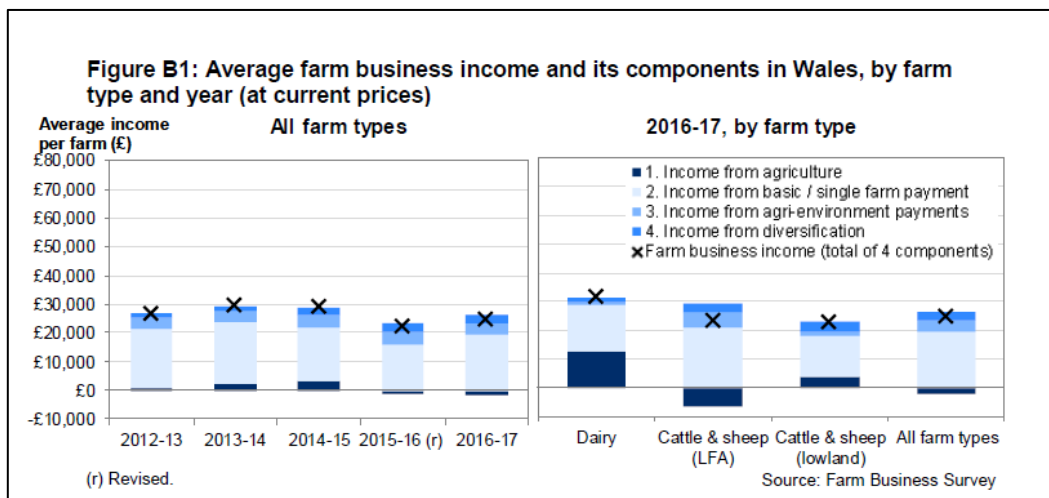
Farm incomes show volatility from year to year, influenced by prevailing agricultural (including weather related) and market conditions. There is also wide variation in farm incomes for individual farms, including for farms of the same type. The level of income on a farm can be influenced by a range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

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

Welsh Government 'Farm Income in Wales 2016-17' statistics show that the average farm business income for the combined 'all farm types' rose by 10 percent at current prices from the previous year (or 8 percent in real terms) to £24,500 per farm.



A significant factor in this increase was that the Basic Farm Payment was, on average, 18 percent higher than the previous year.³ This was due to the fall in the value of the pound and, therefore, the weaker exchange rate when 2016 payment rates in sterling were determined at the end September 2016. For 'all farm types', agriculture made a small negative contribution to farm business income in both 2015-16 and 2016-17. Also for all types of farm, the 2017 Basic Payment was higher than for 2016.



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

³ Welsh Government- Forecasts of farm incomes in Wales, 2017-18- link [here](#)

In 2016-17 Welsh Government statistics⁴ show that agriculture contributed around 40 per cent of average farm business income on dairy farms, made a smaller positive contribution on cattle & sheep (lowland) farms and was negative on cattle & sheep (LFA) farms. On average, both the Basic Farm Payment and agri-environment payments made a larger contribution to farm business income on cattle & sheep (LFA) farms than for the other two farm types shown.

In 2016-17 62 percent of cattle & sheep (LFA) farms either made a loss or would have done so without support, compared with 41 per cent of cattle & sheep (lowland) farms and 44 per cent of dairy farms.

It is important to consider this information in the context of the proposals that this consultation makes in Chapter 8 and which we will comment upon later in this response.

GVA

2017 Welsh Government estimated statistics⁵ show that the value of aggregate agricultural output (gross output) rose by £174 million (or 12%) to £1,594 million. Intermediate consumption (the goods and services consumed or used in the production process) increased by £93 million (or 9%) to £1,138 million. The Gross Value Added (aggregate agricultural output, less intermediate consumption) rose by £81 million (or 22%) to £457 million.

⁴ Welsh Government- Farm Income In Wales 2016-17- link [here](#)

⁵ Welsh Government- Aggregate agricultural output and income, 2017- link [here](#)

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 and 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.

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.

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 this summer to farming charities to provide short term support to those families in Wales least able to meet living costs. Earlier this year NFU Cymru was fortunate to be part of 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.



The Brexit and Our Land consultation process

As highlighted in the foreword to this response, since the consultation was launched on the 10th July, NFU Cymru has gone to unprecedented lengths to ensure that all of our members are aware of the far reaching proposals within this consultation and have had the opportunity to input their views to help inform this response. We believe that the level of engagement and input of our membership in developing our position will be unparalleled by any other organisation responding to this consultation.

Given the importance of the consultation we were pleased that the Cabinet Secretary made the decision to run a 16 week consultation.

We are pleased that the consultation highlights at paragraph 4.26 that no changes will be made to farm payments without further consultation and that further analysis, including modelling and impact assessments will be a key requirement.

We were further pleased to see the Cabinet Secretary state at Plenary on 24th October that no schemes will be designed without a proper impact assessment, and no old schemes removed before the new ones are ready. The Cabinet Secretary's willingness to extend the transition period if necessary, also stated at Plenary on 24th October, is again welcome.

That said, we are disappointed that this consultation exercise has been undertaken without a full and proper impact assessment, in particular, to understand the impact of the complete removal of the BPS on farming businesses, the food supply chain and our rural communities. Individuals, businesses and organisations are being asked to respond to this consultation without possession of the full facts. Within our response we have outlined a number of areas where impact assessments and evaluation is required prior to any further consultation which proposes policy and legislative change in Wales.

There is a feeling amongst many farmers we have spoken with that whilst Welsh Government are stressing the importance of this being a '*genuine consultation*' and the Cabinet Secretary has said she is '*open to new ideas*' there is a strong inference within the consultation and related communications that decisions have already been made. For example the Welsh Government press release dated 10th July states that '*The programme will consist of the following two schemes*', the press release from Welsh Government on the 6th September says '*Our new Land Management Programme will consist of two new large flexible schemes to support Welsh farmers post-Brexit – the Economic Resilience scheme and the Public Goods scheme.*' Some have, therefore, questioned whether with the decision on future measures has already been decided and question how much Welsh Government are prepared to listen to views and new ideas.

NFU Cymru was surprised by the highly irregular decision by Welsh Government on the 6th September to issue a press release, open letter and myth-buster to all farmers in Wales. It is not an action we have seen from Welsh Ministers previously. We note that this letter was sent directly to all CAP claimants through RPW online. We find it strange that a letter and myth buster referring to the consultation was sent via RPW online on the 6th September referring to a consultation launched on the 10th July when RPW online registered businesses were not made aware of the launch of the consultation, through RPW Online, on the 10th July.

There are elements within the myth buster that was sent to all farmers on the 6th September that we question. As an example we would question whether Welsh Government is in a position to state as a FACT that the Public Goods scheme will go beyond 'income foregone and costs incurred'. NFU Cymru, at the time of writing, is not aware that the UK has secured an allocation of "Amber Box" support.



We are also aware that the Draft Agriculture Bill provides the powers for the Secretary of State to legislate for the UK to comply with the WTO Agreement on Agriculture. These powers would enable the setting of financial ceilings on the devolved administrations and England in relation to agricultural support that is considered trade distorting and classified as 'Amber Box' by the WTO; the establishment of a decision making process to classify agricultural support in accordance with WTO criteria, and will require devolved administrations to provide relevant information in relation to any of their proposed or existing farm support.

On the basis of the above we would suggest there is significant ambiguity at present as to whether it will, in fact, be possible to go beyond "income foregone and cost incurred" for the public goods scheme.

The consultation also refers to the fact that proposals have been developed in consultation with stakeholders, specifically the Brexit Roundtable. NFU Cymru would place on record that the extent to which our concerns have been heard through the development of the 'Brexit and Our Land' proposals has been very disappointing. This is evidenced by a joint e-mail from NFU Cymru and the FUW to Welsh Government officials on 22 May 2018. A full response is still awaited.

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 views put forward within this response are adequately 'weighted' to reflect this fact.



Proposals for a new Land Management Programme

Consultation question 1. Welsh Government proposes a new Land Management Programme consisting of an Economic Resilience scheme and a Public Goods scheme. Do you agree these schemes are the best way to deliver against these principles? If not, what alternatives would be best?

'Brexit and Our Land' sets out Welsh Government's five principles for reform in Chapter 4. The original version of these principles was launched by the Cabinet Secretary during the NFU Cymru session at the NFU Conference on the 20th February 2018. NFU Cymru welcomed the principles as having the potential to lay the foundations for a new policy that could support farmers in their primary role as food producers whilst also caring for and enhancing our environment and landscapes. Since that original announcement we have seen Welsh Government evolve these principles and in this consultation we see, in detail, how Welsh Government interpret these principles. In a number of areas this interpretation would differ from our own, in the following paragraphs we will take each principle in turn and explain how:

- **Principle 1 – Keeping farmers, foresters and other land managers on the land**

NFU Cymru would agree that to secure maximum benefit to wider society, land must be actively managed by those who are best able to do so. However, throughout the consultation, there is a lack of reference to and ambition for the Welsh economy. We would highlight that Welsh farming makes a key contribution to underpinning the Welsh food and drink sector – Wales's biggest employer which is identified as one of Wales's four foundation sectors in *'Prosperity for All – The Economic Action Plan for Wales'* published in 2017.

The other three foundation sectors identified within the Economic Action Plan are tourism, retail and care. We would highlight that tourism in rural areas is largely reliant on a vibrant farming sector for its success though farming's role in providing the 'landscape good' and also the 'cultural dimension' and 'sense of place' that farmers contribute to the visitor experience. *'Prosperity for All'* rightly recognises that in many areas of Wales, such as some of our rural communities, the foundation economy *is* the economy.

Farmers must, therefore, be kept on the land and farming that land for the important role it plays in underpinning Wales's economic foundation. We are also clear that the fundamental ambition of the future agricultural policy must be to support and facilitate growth in the sector. Proposals as they stand do not address or achieve this.

'Brexit and Our Land' describes a number of scenarios such as retrenchment or abandonment which must be avoided. We would concur these events would be devastating for the economy, environment and rural communities. In reality we foresee there are likely to be a range of responses from farmers to a range of policy, market and other levers. Retrenchment or abandonment are just two of a number of possible responses underscoring the need for a future policy that is based on a vision for farming that is shared, particularly with those who manage over 80% of the land, and that is sufficiently appealing for farmers to engage in, in the context of other factors that will drive behaviours and change on the ground.

Overall, Welsh Government must recognise that bringing vitality to our rural areas has a strong economic dimension which, as highlighted above, is largely unrecognised through this principle and, indeed, throughout the consultation.

NFU Cymru would emphasise that the term 'land managers' is one that has infuriated our members. They are clear they have a range of skills and roles including producing high quality, affordable food alongside running successful and diverse businesses and being an integral part of rural communities.



Land management is just one aspect of farming's contribution to society. The proposal to describe and reduce farming's role to the singular dimension of land manager is one that has been universally rejected. Farmers do not identify with it, they will not accept it.

Throughout the consultation, Welsh Government refers to 'our land'. Our members have continually highlighted with us the fact that this is not land in the ownership of Welsh Government. Welsh Government has its own land in, for example, the Welsh Government Woodland Estate. Whilst benefits derived from Welsh land currently extend well beyond those who own the land, it is vitally important to recognise that much of the land Welsh Government refers to as 'our land' through the consultation is, in fact, in the private ownership or stewardship of farming families, many of which are taking significant business risk as well as having financial liabilities on that land. This fact must be respected through reforms and the ambition must be to work with farmers to ensure the delivery of public goods can be optimised alongside core business activity.

We recognise, that in referring to farmers as 'land managers', Welsh Government effectively extends the funding for farming to a much broader cohort of potential beneficiaries including foresters and land managers. NFU Cymru strongly rejects this proposal. We assert that the evidence base of either the need for this fundamental shift or indeed the benefits or consequences of it has not been considered or presented.

In the case of forestry, for example, we would highlight that approximately two thirds of Wales's woodland is in public ownership and managed by Natural Resources Wales who receive significant grant aid for its operations.

We also believe that this proposal does not align with commitments relating to funding for farming made at a political level (described later in this response).

- **Principle 2 – Food production is vital for our nation**

NFU Cymru strongly agrees that food production is vital for our nation. Access to high quality, safe, affordable food is the most basic of requirements for all citizens and it is critical to our well-being. The Welsh Government Food and Drink Action Plan 2014-2020 rightly identifies *'Food is central to our lives. It defines our culture and economy. It shapes our environment, as well as our health and our relations with people across the world'*.

We believe that a key test for future policy will be the extent to which it is able to underpin and secure the continued supply of safe, quality, traceable, affordable food for our nation.

The evidence clearly shows that food production will be increasingly important in the future. We refer to the UK Government's Foresight Report⁶ which highlights that our global food production system will face many challenges in the coming decades. Pressures include:

- Increases to the global population to an estimated 9 billion by 2050 (from approximately 7 billion currently).
- Changes in the size and nature of per capita demand including increasing demand for higher quality protein diets as a result of rising wealth
- Future governance of the food system at both national and international levels including the extent to which governments act collectively or individually to face future challenges
- Climate change which will interact with the global food production system in two ways. Firstly growing demand must be met against a back-drop of rising global temperatures and changing

⁶ **Foresight.** The Future of Food and Farming (2011) Final Project Report. The Government Office for Science, London.



patterns of precipitation and secondly policies for climate change mitigation which has the potential to significantly affect the food system.

- Competition for key resources including land for food production, global energy and water demand.

Wales is fortunate in that it is expected to become an area increasingly favoured for agricultural production in future, when compared to other regions across the world where climate change impacts are expected to be more severe and disruptive. As such, the important contribution to our own and global food security should be recognised and embedded into ambitions for the sector and future agricultural policy.

Any policy that reduces our capacity as a nation to feed ourselves will be inherently unsustainable and fundamentally undermines our ability to meet the well-being goals, including that of global responsibility, enshrined in the Well-Being of Future Generations Act (2015).

The Well-Being of Future Generations Act (2015) places a duty to embed the principles of sustainable development into the decision-making process of public bodies. At the very heart of sustainable development lies the requirement to consider the needs of future generations as well as our own needs. Whilst access to high quality, safe, affordable food for the people of Wales may be taken for granted today – largely we would suggest as a result of the success of the Common Agricultural Policy – the Well-Being of Future Generations Act places a duty on Welsh Government to consider the challenges to our global food production system now and in the future.

The lack of coherence between proposals in ‘Brexiteer and Our Land’ and other policy drivers of fundamental importance to well-being and the economy of Wales is concerning.

NFU Cymru agrees with Welsh Government that there is a compelling case to support Wales’s farmers in future. However, we have very significant concerns around proposals to support the economic activities of farmers only where it is sustainable and financially viable to do so.

Essentially, the viability of a business is measured by its long-term survival and its ability to sustain profits over a period of time. Profit being the difference between the amount earned and the amount spent in producing a product.

As highlighted above, at the time of writing there remain significant unknowns about what the terms of trade with the EU27, or indeed into other markets globally, are likely to be post Brexit. However, we are aware of the emerging policy thinking around the future of CAP, where the key aim will be to continue to provide affordable food for EU citizens. Proposals are for a significant proportion (>70%) of the CAP budget post 2020 to continue to take the form of direct support to farmers.

At a global level, markets in key commodities are at levels below UK costs of production, often as a result of lower regulatory and other costs (for example employment) than can be achieved here or lower environmental or animal health and welfare standards, resulting in a lower cost of production base. As a result of these factors, the amount Welsh farmers can earn, and therefore, business viability is likely to be constrained. Welsh Government proposals take no account of these factors or the extent to which proposed viability tests can be met as a result.

At a Wales level, we also identify viability testing is likely to advantage some farming sectors over others, the consequences of this, we suggest, needs to be better understood.



- **Principle 3 – Building a prosperous and resilient Welsh land management industry**

In the context of the profound uncertainty that surrounds our exit from the EU, NFU Cymru would strongly agree with the need for a support system that is sufficiently flexible to respond to changes in the post-Brexit climate. It is our strong view that future agricultural policy is the primary mechanism by which stability can be provided for farming businesses in very uncertain times. Future policy should also aim to minimise harmful impacts and seek to protect individual farm businesses, agricultural sectors and the regional economic benefits of agriculture by minimising disruption for businesses, sectors and regions as much as possible.

We are clear that detailed assessments of the impacts are vital prior to any changes being implemented.

NFU Cymru agrees with Welsh Government's aspiration of a prosperous and resilient industry. Many of our members tell us they want to be profitable and not 'just resilient' which suggests 'just about surviving'. This resonates strongly with NFU Cymru's ambition of a productive, profitable and progressive agricultural industry delivering jobs, investment and growth for Wales.

Welsh agriculture is ready to step up to the challenge and embrace the opportunities that lie ahead. To do this effectively we need viable, profitable enterprises and the confidence to invest. We need a Welsh Government that is committed to Welsh agriculture, a government that puts in place a policy framework that embeds high levels of ambition for Welsh food and drink and provides the certainty and stability to allow farmers to optimise productivity and simultaneously deliver ecosystem services for society.

In our view, Welsh Government's reference to a prosperous and resilient Welsh *land management industry* is something of a contradiction in terms. Our comments relating to land managers have been made earlier, we would add that industry denotes the production of goods or related services within an economy. Whilst Wales has a farming industry operating in an economic context producing gross output of £1.594bn, land management activities for the production of public goods as described in the consultation do not – land management for the production of public goods cannot therefore, in our view, be described as an industry as a result.

This is an important point – we have described above fundamental concerns about challenges to the viability of food production in Wales in the absence of direct support, Welsh Government would be misguided in the extreme if it viewed proposals as they currently stand as a simple transitioning of agriculture from producing one set of goods to another. This will simply not be the case. Proposals as they stand are likely to limit the production of goods for which markets exist (albeit to varying degrees of market failure) to the production of goods for which there is currently no functioning market. The consequence of this will be increased reliance on public funding not less. Less prosperity and resilience in Welsh farm businesses and not more. This point is significant not only for the farm businesses involved but also for the many businesses and jobs that rely on all or a proportion of their income from agriculture.

As far as we are aware an empirical assessment of the economic contribution of farmers as food producers compared to their proposed role which de-emphasises this role in favour of land management for the production of public goods has not been undertaken.

NFU Cymru is clear that food production and the environment is not an either / or scenario. They go hand in hand and it is farmers who are best placed to deliver the full range of goods and services for society. Future agricultural policy needs to ensure this integration.



- **Principle 4 – Future support will encompass the provision of additional public goods from land**

NFU Cymru strongly rejects the proposal that future support should only encompass the provision of *additional* public goods from land. Farmers alongside their role as food producers have and continue to produce a vast range of goods and services for society. This includes landscape, creation and maintenance of historic features and habitats, carbon sequestration and a range of wider social and cultural goods – delivered in the main by family farms who take all the business risks whilst providing these important goods and services for society.

Further discussion around public goods and their definition is included later in this response, however, the assertion from proposals, that farmers will only receive payment for the provision of additional public goods is deeply concerning. Welsh Government appears not to have undertaken any assessment of the public goods farmers are already delivering currently at farm or Wales level or sought to place any value on these positive outcomes to society. This is surprising given this would appear to be a logical place to start the development of any proposed transition to a public goods approach. This would also have been exceedingly useful to us during the consultation period with our members when it is clear, that many of the concepts, their ideological basis and the language and narrative that have built up around them are very much abstract and unrecognised.

Nor has Welsh Government sought to understand the impacts to this ‘baseline of public goods delivery’ in the context of radical changes to both the trading and policy support environment. There can be no assumption that the same levels of public goods and services will continue to flow from Welsh farms. The primary objective in the first instance should be to secure the continued delivery of these goods given their importance to society and other strategically important sectors to Wales such as food and tourism.

The Cabinet Secretary’s recent comments to Plenary on 24th October 2018 were pleasing and provided some reassurance when she stated *“We also want them to provide the public goods that we all need as a society which, at the moment, I wouldn't say farmers are being paid for. So, a lot of the public goods at the moment, they're not getting an income for, and that's what the Public Goods scheme will do.”* These comments would appear to align more closely with our position.

- **Principle 5 – All land managers should be able to access new schemes**

We have referred to flaws and concerns around reference to land managers above under Principle 1 and highlight that Welsh Government makes no assessment of the benefits of extending support to a broader suite of land managers than those currently. We believe proposals misalign to the commitments around funding made at a political level to date (referred to in later chapters).

There is a lack of clarity provided in proposals about what will constitute a land manager in future, could this include the Welsh Government Woodland Estate or golf courses or even large gardens for example.

We would highlight the Welsh Government Woodland Estate is already in receipt of significant public investment through grant aid. Private sector forestry we identify is structurally very different to the farming sector which is characterised in the main by family farms. The extent to which privately owned forestry in Wales is owned by people who live and work and, therefore, contribute to the Welsh economy or, indeed, society and culture as opposed to being the result of external investment is far from clear and requires further detailed analysis as all are important policy outcomes.

Other potential ‘land managers’ will already be operating in a commercial business environment and the extent, or indeed the benefits, of them being involved in public goods delivery as proposed is far from understood.



The disastrous implementation of CAP reform by the Rural Payments Agency in England, in 2005, when the number of CAP recipients increased by 30,000 to 118,000 claimants, should serve as a stark reminder to Welsh Government of the very real practical implementation difficulties of such an ill-conceived proposal. A carefully thought out minimum claim area and eligibility criteria would be essential in such a scenario.

NFU Cymru is absolutely clear that support must be targeted at those active farmers who take the financial risks associated with food production. There is a clear justification for this in that it is these farm businesses that drive the rural economy and are the economic foundation of Wales' food and drink sector alongside delivering a wider suite of goods and services for society. Any Welsh Government policy proposal that served to weaken the position of Wales' biggest sector and employer would appear illogical in the extreme.

Overall, across the five principles there are aspects which go some way to aligning with NFU Cymru's key tests for reform described earlier. However, it is clear, through successive iterations of the five principles the commitment to Welsh farming and food production has weakened and this is both concerning and disappointing. We believe that the economic position of Welsh farming and, therefore, the Welsh food and drink sector and the Welsh economy as a whole is likely to be damaged as a result.

We are clear that proposals must be modelled so their economic, environmental, social and cultural impacts can be fully understood before moving forward; the overarching need to provide stability through policy is vitally important. Welsh Government should retain flexibility so it can be responsive in the context of the profound uncertainty ahead. Welsh Government also needs to undertake a detailed impact assessment to understand the rate of change and capacity of the farming industry to adapt in the context of this profound uncertainty. This impact assessment work should include analysis of those businesses, sectors and regions most vulnerable.

NFU Cymru supports the idea that public investment in farming should and can be justified. We identify that including an underlying stability measure should be viewed as providing the 'seed funding' necessary to underpin farm businesses as they embark on investments when the time is right.

We are also clear that investment in agriculture through the Common Agriculture Policy has delivered many positive benefits for society.

In total the share of annual spending the Wales under the two pillars of the CAP is £361m, as follows:

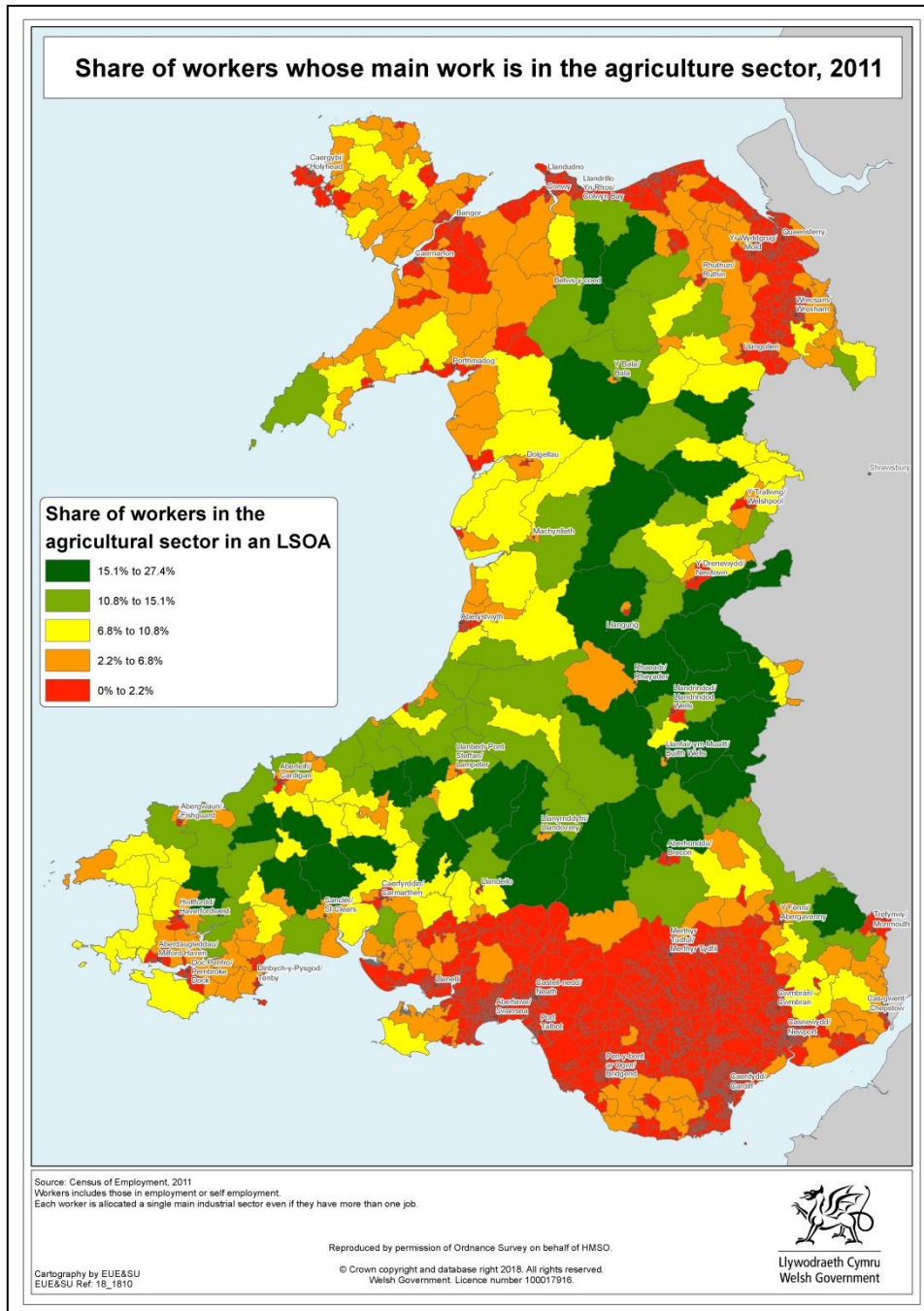
- Direct payments to farmers (Pillar 1) – approximately £232m⁷ annually
- Rural Development expenditure (Pillar 2) – on average £129m⁸ per annum. This is partly funded from the EU, with domestic co-funding of £42.5m per annum.

In the context of Welsh Government annual spend of in the region £15bn, we believe this figure represents extremely good value for money and vital for underpinning our rural communities which support a third of Wales's population, where GDP at a local authority level does not compare well with the UK average and when the evidence shows agriculture to be a very significant source of employment of up to 28% at sub-local authority level – as shown on the next page:

⁷ Based on exchange rate of €1.00=£0.89

⁸ £774m over six years





The employment in the subsidiary industries in these areas will also be very important where other key employment opportunities are limited and where there is a heavy reliance on public sector employment. We would also highlight that Wales’s rural areas are characterised by an aging population as older people move in to retire and younger people move out due to limited employment opportunities and affordable housing. A key challenge for future agricultural policy is creating opportunities for our young people and an ambitious productive, profitable and progressive agricultural industry is central to this, not only for the direct and indirect employment opportunities but also for providing the landscape good on which Wales’s tourism sector depends. It is important that Welsh Government recognises that proposals must deliver the same or better return on investment as the CAP does currently.

The heart of Welsh farming

Although every effort has been made to ensure accuracy, neither the NFU nor the author can accept liability for errors and or omissions. © NFU

NFU supported by



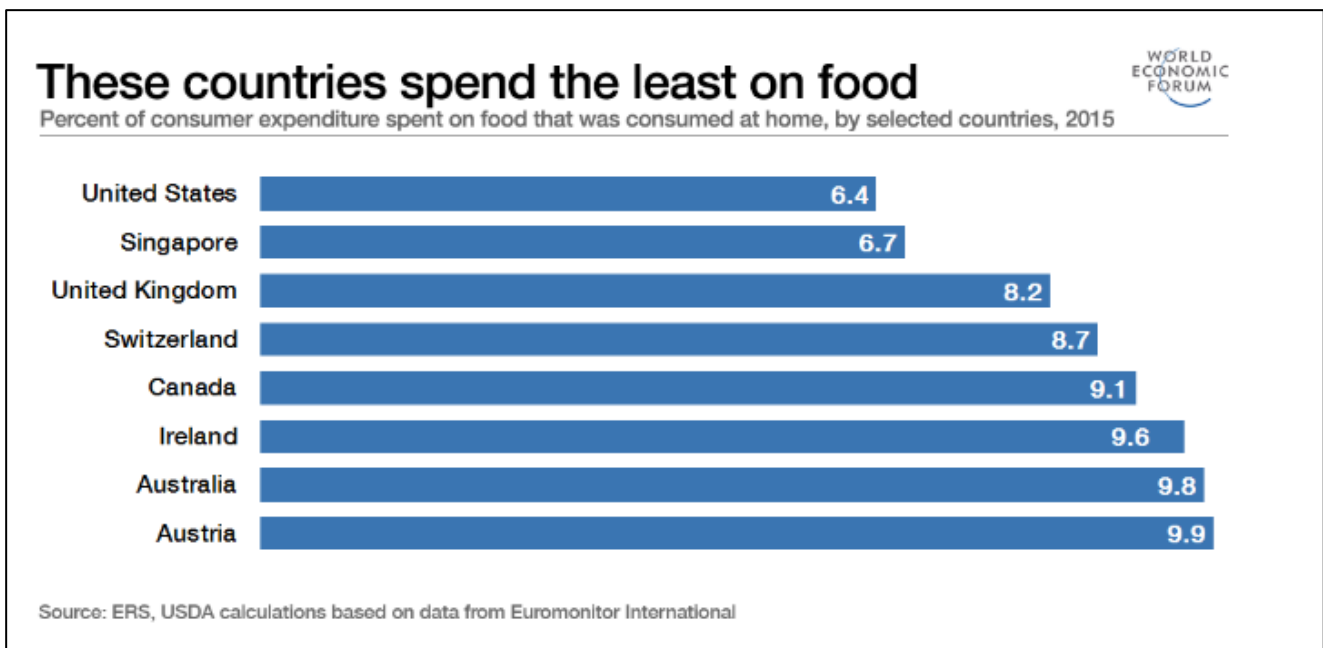
The assertion from Welsh Government that current policy does not deliver ‘something for something’ currently is both concerning and disappointing to us. Welsh Government appears not to understand or place any value on CAP objectives and the role that farmers in Wales have played in contributing to those objectives. These objectives are significant and remain important to citizens across Europe and we believe remain important to Welsh citizens.

We have long expressed disappointment that the positive outcomes resulting from the investment of public funds in existing schemes like Glastir have been very poorly communicated or promoted to the public; neither have they been used to promote the sustainability credentials of Welsh food and drink and grow our sector. We do not believe these are due to constraints or limitations of EU regulation.

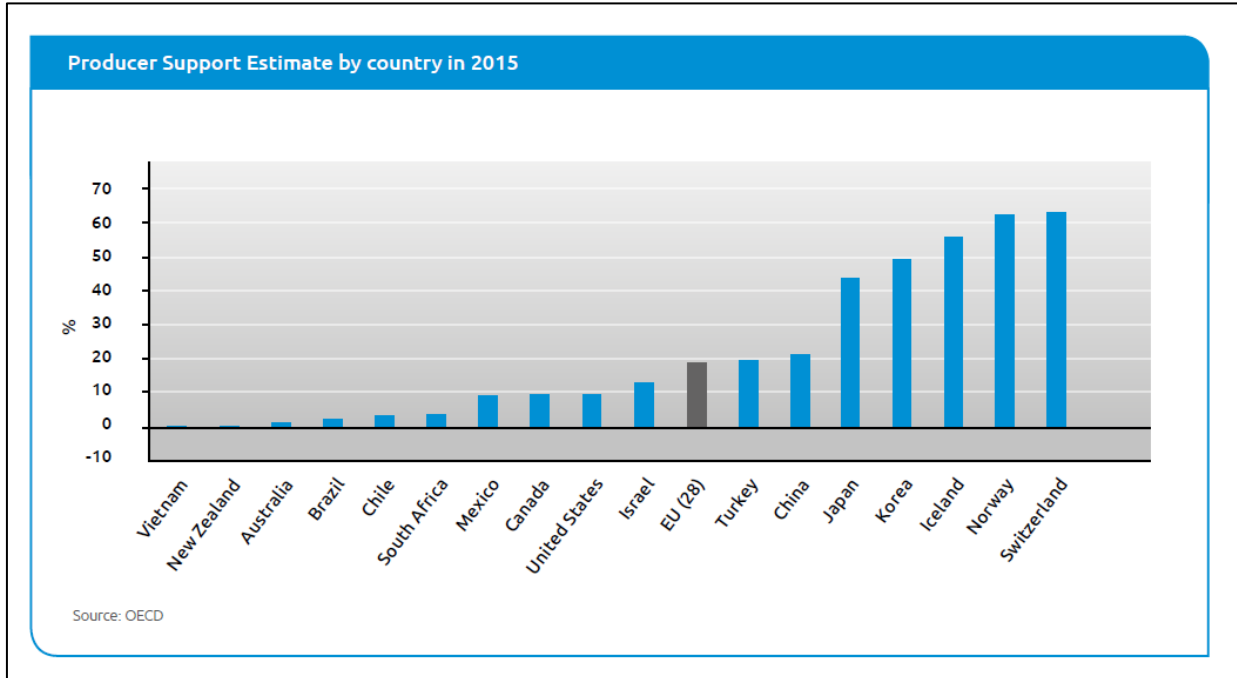
This leaves Welsh farmers disadvantaged to, for example, our Irish counterparts where every opportunity has been taken to promote the sustainability credentials of their food and farming sector through the Origin Green initiative. We have been very pleased and encouraged by our involvement with the Sustainability Brand Values Programme. We are clear that, with the correct and fully integrated food and farming policy, Wales has significant potential to catch up and even overtake in this area with significant opportunities to put Wales on the front foot and leading the way in sustainable food production.

Given that, at this stage, the shape of the future external trading environment is not known, our members are universally concerned at the rate and scale of the changes proposed in the consultation. We have described earlier how other devolved countries are seeking to use policy measures they have available to provide stability to their farming sectors during this period, NFU Cymru is disappointed at the haste with which Welsh Government seems to be progressing policy changes for which they can have no understanding of the potential impacts, not least because much remains to be resolved in UK-EU Brexit negotiations.

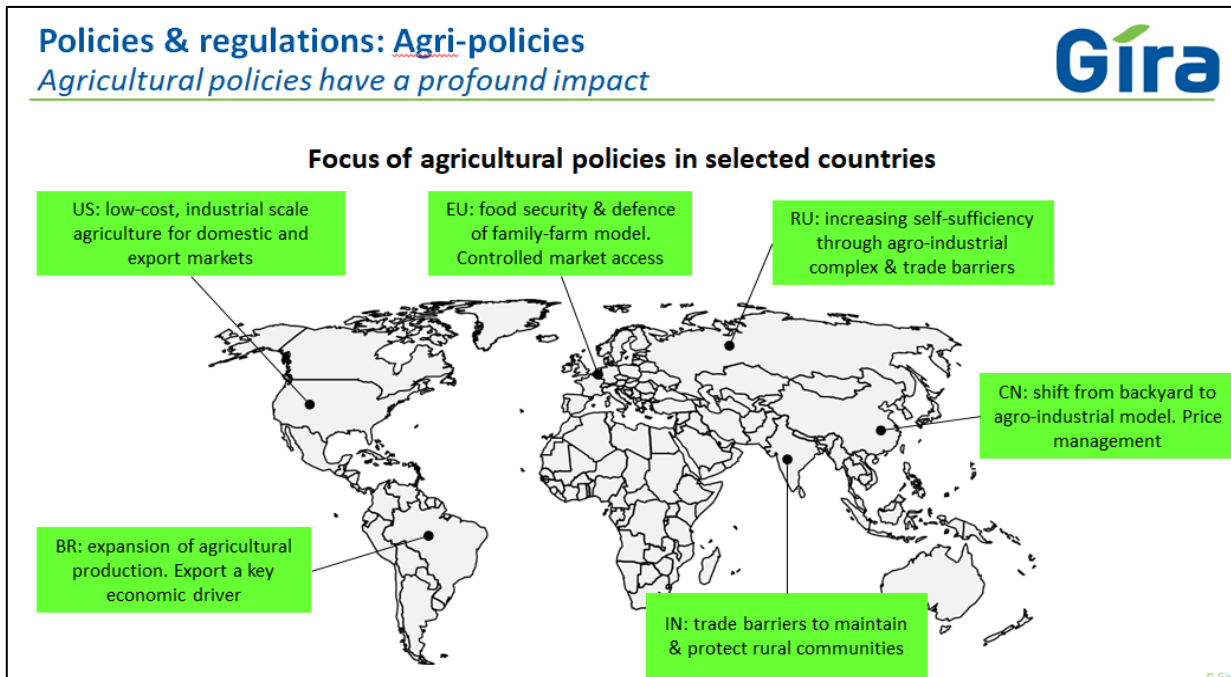
NFU Cymru is also very disappointed with the Welsh Government statement within the consultation that the ultimate aim is to ‘help land management businesses stand on their own two feet’. This statement has caused deep offence within the farming community who have, like farmers across Europe, operated within the CAP which has delivered many benefits for citizens, not least high quality, safe, affordable food produced to world leading standards. We refer Welsh Government to World Economic Forum data shown below that demonstrates that UK citizens currently pay the third lowest cost for food in the world.



We would highlight that Welsh farmers are far from unique in receiving support from government for producing food and a range of broader goods that society values, as shown in the figure below; across the world there are few countries that do not support their agricultural sector, recognising food as a fundamental and basic need. We find the Welsh Government attitude to the Common Agriculture Policy extraordinary; as is their apparent desire to weaken Wales' strongest economic sector by making it uncompetitive with producers from other nations.



The following map shows the types of policies used by major global economies to underpin their food production systems.



NFU Cymru is also profoundly disappointed with the Welsh Government assertion that many things beyond economic products are currently largely undelivered by the private sector. This is an inaccurate and misleading statement when there is clear evidence that a broad suite of goods and services beyond economic activities, are being delivered by farmers in Wales.

Over many centuries farming has shaped the countryside we all now enjoy. Over 80% of Welsh land is managed by farmers and it is farmers who deliver a range of landscape and environmental benefits for society. Over the past 30-40 years, farmers have carried out a huge amount of work to encourage wildlife, the landscape, benefit soil and water and reduce climate impacts.

For example, through the Glastir Entry level scheme there are currently 3656 contracts covering 444,964 ha; there are a further 2678 Glastir Advanced level scheme contracts covering 244,692ha – 1119 are stand-alone contracts. Glastir Commons covers a further 119,000ha of land in Wales and the Glastir Monitoring and Evaluation Programme (GMEP) – one of the most comprehensive monitoring programme of agri-environment schemes anywhere in Europe identifies a number of positive trends emerging for biodiversity and the environment over the long-term. These include:

- Stable overall plant species richness in woodland habitat but evidence of a decline in arable, improved and habitat land up until 2007 when it appears to have stabilised.
- Recent stability for upland farmland birds and an increase in woodland bird species.
- No further decline over the last 10 years in specialist butterfly species.
- General ongoing improvement in the condition of small streams since 1990 based on macro-invertebrate communities with 80% of streams surveyed through GMEP in good or high ecological condition.
- A significant trend for increasing area of woodland over the last 15 years.
- An increase in woodland bird indicators.
- Land use, land use change and forestry in Wales has changed from a small GHG source to a sink between 1990 and 2013 as a result of increased carbon storage in vegetation and soils.
- Reductions in nitrogen fertilizer consumption across Wales by approximate 45% between 1990 and 2013.
- A significant decline in available phosphorus for improved land providing benefits for freshwaters
- The 30 year record of topsoil carbon indicates no decline and there is ongoing recovery of soil acidity – both are positive outcomes.

In terms of a broader contribution to health and well-being, we would highlight that given over 80% of the land area of Wales is agricultural land and under the ownership and management of farmers are the key providers of the landscape and countryside upon which many access and recreational activities depend. Wales has the advantage of a very extensive network of paths and access land including more than 16,000 miles of footpaths, 3000 miles of bridleways, 1200 miles of cycle network and over 460,000 hectares of access land with a threefold increase in land accessible by right since devolution. The visitor / access user experience is enhanced by the 'landscape good' provided by ongoing positive management by farmers.

A fuller analysis of public goods and benefits provided by farmers can be located in our publication 'Farming- Bringing Wales Together' accessible [here](#).

Farmers currently deliver a range of market and non-market goods; and it is also important to recognise that in many cases an intrinsic link exists between the production of those market and non-market goods.



Many of Wales's most valued species and habitats, for example, are reliant on the action of grazing livestock. NFU Cymru is clear – these goods are delivered but not valued. There can be no guarantee that these goods will continue to be delivered at the same rate in the future as currently, in the absence of direct support or some form of stability mechanism. A key overarching principle for future agricultural policy, moving forward, is that farmers should be fairly rewarded for the provision of existing non-market goods.

The extent to which the public goods described in the consultation have no established markets is also questionable. Every customer of Dwr Cymru–Welsh Water, for example, will tell you water has an established market and is paid for by customers through their water bill.

Markets have also been established for carbon through the Carbon Code exposing, what we believe to be, something of a weakness with Welsh Government's definition of public goods. A more accurate way to look at this is to see the full range of goods and services provided by farmers as operating along a spectrum with varying degrees of market failure. No work has been undertaken by Welsh Government to determine what the full range of goods and services provided by farmers are. Without this analysis there is a significant risk that benefits appreciated and valued by society currently will be lost in the future through a narrowly defined public goods approach which financially rewards the delivery of very specific outcomes.

Welsh Government must also consider the extent it wishes to intervene in the future development of these markets. In terms of the development of new markets for ecosystem services, for example, 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 identify 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. However, the experiences of our members, to date, suggest that there are significant obstacles to overcome in making such approaches become a reality and a meaningful income stream.

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.

In terms of catchment management approaches, for example, there appear to be demands from water companies for enhanced standards of regulation and enforcement of the farming sector before they are prepared to 'come to the table'. Farmers in Wales cannot accept ever increasing levels of regulation, undermining their competitiveness as food producers, on the vague promise that it would possibly lead to a PES approach for some. Much clearer signals and support for the 'beneficiaries pays' principle from Welsh Government is now needed if progress is to be made. Welsh Government must also recognise that its direct intervention in public goods markets as described in proposals, could have the unintended consequence of hindering the development of private markets for such goods – put simply - private investors are unlikely to pay for something that they can have for free!

Welsh Government, through proposals, suggests that the public goods approach will provide a valuable new income stream for land managers with payment for outcomes based on the value society places upon them. No information has been provided on the methodology by which values will be determined for such goods; whether these values are likely to fluctuate over time or, indeed, what specific goods society places value on. Nor do proposals give us any confidence that an objective methodology will be established to determine this. For instance, we note society's most pressing problems in the consultation document and would suggest it is impossible to refer to society's most pressing problems without also referring to the challenges to our global food production system which are now widely acknowledged, yet there is no mention of this.



Overall we have concerns that the process by which public goods are identified and valued will be far from an objective process. Sheer complexity in identifying outcomes, their proxies and values may also be a limiting factor for the inclusion of some very important public goods; we also suggest that the public goods agenda is likely to be swayed by environmental pressure groups rather than an objective look at broader and no less important goals for society.

We would remind Welsh Government that participation in any agri-environment or public goods approach will be wholly reliant on the willingness of farmers. There are a range of factors influencing farmer willingness to engage in such schemes, however, without farmer participation Welsh Government will not deliver on its legislative requirements. Overall schemes have to work for farmers who ultimately deliver the action on the ground.

As proposals stand we foresee that many farmers will have the view that the public goods approach has little to offer them, others will want to participate but not have the potential on their farms to be able to develop a scheme of any meaningful value to substitute for the phasing out of direct support. The extent to which proposals will lead to the 'territorialisation' of farming in Wales with areas of food production and areas of public goods production also requires careful consideration. We are clear there will be a spectrum of responses from individual farm businesses and the ambition of reform should be sustainable agricultural businesses that deliver high quality food, environments, landscape, communities and culture irrespective of their location.

We note reference, within the consultation, to a range of international and national obligations Wales has to meet and would stress that future agricultural policy should not be used for the advancement of any one of these obligations over another. These obligations must be considered through the lens of the Well-Being of Future Generations Act and its duty on public bodies. We reiterate, further detailed modelling to policy proposals is essential to understand the economic, environmental, social and cultural impacts.

We support Welsh Government in its ambition for specific Welsh schemes, we would, however, highlight that farmers and the markets in which they function, operate across devolved and national boundaries. Whilst future trading arrangements with the EU are not known at this stage, future policy (or indeed the regulatory framework in which farmers in Wales operate) should embed the principle of not placing Welsh producers at a disadvantage from their counterparts in the rest of the UK, the EU and globally. The respective positions concerning future support have been described earlier in this response.

We are pleased that Welsh Government recognises the need for strong links between the Economic Resilience and Public Goods schemes. In our view this needs to go beyond linkage and full integration is required if we are to avoid unintended consequences, for example, areas of Wales for food production and areas for public goods production in the future as described above. We are also pleased that Welsh Government recognises that the provision of some public goods is reliant on farming activity, for example, grazing livestock. The intrinsic links between public goods delivery and farming activity is a further area which has received inadequate exploration in proposals. Overall, we believe a fundamental principle for moving forward should be the development of a Public Goods scheme that pays for the public goods and benefits arising from agricultural activity.

We also note that the consultation paper makes limited reference to wider rural development mechanisms and how and whether such approaches should be taken forward in the future. At this stage the linkage or integration of the future agricultural policy and wider regional investment approaches is far from understood. In our view, broader rural development measures supporting rural communities should be the subject of comprehensive review.



Summary

Overall we do not believe that the proposed new Land Management Programme consisting of an Economic Resilience scheme and a Public Goods scheme is the best way to deliver the future policy on their own. NFU Cymru's position with respect to the five principles for reform has been described above and we have significant concerns that proposals do not meet with our key principles.

We believe future policy must reflect more strongly ambitions for the Welsh food and drink sector. A new Welsh Food & Drink Strategy should be developed and future policy and measures oriented to deliver on that Strategy.

A key aim when developing future policy should be to minimise harmful impacts and to seek to protect individual farm businesses, agricultural sectors and regions as much as possible, with detailed assessment undertaken before any changes are implemented.

The case for extending funding to a broader cohort of beneficiaries including forestry businesses and land managers has not been made. This proposal is rejected, NFU Cymru strongly believes support should be targeted at active farmers who take the financial risks associated with food production. It is vital that impacts are modelled and economic, environmental, social and cultural impacts are understood. The practical implementation difficulties within the timelines proposed also need detailed consideration.

NFU Cymru is clear that farmers already deliver a vast range of goods and services for society. Key amongst this is the provision of safe, traceable, high quality, affordable food. It is vital that farmers are fairly rewarded for the delivery of existing public goods and Welsh Government must undertake an assessment of public goods already delivered. There can be no assumption, in the absence of direct support as proposed by Welsh Government, that the same levels of benefits from farming will continue to flow and securing their continued delivery should be a key objective.

More detailed information is urgently required on the methodology by which outcomes, proxies and values will be identified, this must be an objective process which ensures economic, environmental, social and cultural outcomes are equally supported and enhanced.

The NFU Cymru position with respect to the design of future agricultural policy has been described in the previous chapter, this is based firmly around three cornerstones of stability, productivity and environment. Whilst we welcome Welsh Government's broad commitment to future support and recognition of the need for interventions in the area of productivity and environment measures (in the shape of the Economic Resilience and Public Goods schemes) we are clear that the lack of proposals for some sort of stability (direct) support threatens Welsh farms, the Welsh food and drink sector, Welsh communities and farming's ability to deliver the wider goods and services for society.



The tenanted sector

Consultation question 2. Does the Welsh Government need to take action to ensure tenants can access new schemes? If so, what action would be best?

NFU Cymru believes that proposals as they stand place significant constraints and uncertainty on those farmers who do not own the land that they farm.

Welsh Government recognises, through the consultation, the need to ensure that different ownership, landlord and tenancy models do not constrain their ability to deliver outcomes and realise their vision for Welsh land. More importantly, in our view, nor should policy proposals disadvantage farmers who do not own the land they farm.

Welsh Government identify that a significant portion of agricultural land in Wales is subject to some form of tenancy agreement, whether a Farm Business Tenancy (FBT) under the Agricultural Tenancies Act 1995 or an Agricultural Holdings Act (AHA) 1986 tenancy. Welsh Government is, therefore, consulting on whether devolved policy change is needed in order for all land managers to benefit from the Economic Resilience and Public Goods schemes.

NFU Cymru would start by highlighting the importance of the tenanted sector to farming in Wales. We are aware that opportunities within the tenanted sector are particularly important as a 'step onto the farming ladder' for young farmers and new entrants. Many other farm businesses in Wales operate on a mix of land tenure agreements and this has been an effective means of developing and expanding their businesses. A range of other agreements such as share and contract agreements are increasingly common and must be factored into reform proposals. A mixture of land tenure is, therefore, common and valuable to many farming businesses.

It should be recognised that tenant farmers face specific constraints and challenges. It is also important to recognise that tenant farming delivers the same economic, environmental and social goods that farming on owner-occupied holdings and on other land tenure does.

We believe that around 20% of Wales' farmed land falls into the tenanted sector. As a result it is of paramount importance for the individuals concerned and the farming sector as a whole that future policy does not have the unintended consequence of disadvantaging this group of farmers.

Whilst there is passing acknowledgement of the tenanted sector within proposals, we are concerned that the true implications and consequences have not been explored in any detail. For this reason, NFU Cymru arranged a specific meeting during the consultation period to consider the implications of the 'Brexit and Our Land' proposals on those farmers who do not own the land that they farm.

Concerns relating to land tenure can be summarised as follows:

- **Economic Resilience scheme**

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.

Welsh Government proposals state that targeted financial support will be available on the basis of credible business strategy, assessment of viability and potential return on investment. 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 restrict the use of the holding for a specific use only, or may specifically prohibit non-agricultural activity. The Agriculture Act 1947 Definitions as described in Box 1 below.

Box 1 – The Agriculture Act 1947 Definitions of Agricultural land is as follows:

(1) In this Act the expression “agricultural land” means land used for agriculture which is so used for the purposes of a trade or business, or which is designated by the Minister for the purposes of this subsection, and includes any land so designated as land which in the opinion of the Minister ought to be brought into use for agriculture:

Provided that no designation under this subsection shall extend—

- (a) to land used as pleasure grounds, private gardens or allotment gardens, or
- (b) to land kept or preserved mainly or exclusively for the purposes of sport or recreation, except where the Minister is satisfied that its use for agriculture would not be inconsistent with its use for the said purposes and it is so stated in the designation.

Agricultural

“agriculture” includes horticulture, fruit growing, seed growing, dairy farming and livestock breeding and keeping, the use of land as grazing land, meadow land, osier land, market gardens and nursery grounds, and the use of land for woodlands where that use is ancillary to the farming of land for other agricultural purposes, and “agricultural” shall be construed accordingly;

Good estate management

For the purposes of this Act, an owner of agricultural land shall be deemed to fulfil his responsibilities to manage it in accordance with the rules of good estate management in so far as his management of the land and (so far as it affects the management of that land) of other land managed by him is such as to be reasonably adequate, having regard to the character and situation of the land and other relevant circumstances, to enable an occupier of the land reasonably skilled in husbandry to maintain efficient production as respects both the kind of produce and the quality and quantity thereof.

Good husbandry

(1) For the purposes of this Act, the occupier of an agricultural unit shall be deemed to fulfil his responsibilities to farm it in accordance with the rules of good husbandry in so far as the extent to which and the manner in which the unit is being farmed (as respects both the kind of operations carried out and the way in which they are carried out) is such that, having regard to the character and situation of the unit, the standard of management thereof by the owner and other relevant circumstances, the occupier is maintaining a reasonable standard of efficient production, as respects both the kind of produce and the quality and quantity thereof, while keeping the unit in a condition to enable such a standard to be maintained in the future.

(2) In determining whether the manner in which a unit is being farmed is such as aforesaid, regard shall be had, but without prejudice to the generality of the provisions of the last foregoing subsection, to the extent to which—

- (a) permanent pasture is being properly mown or grazed and maintained in a good state of cultivation and fertility and in good condition;
- (b) the manner in which arable land is being cropped is such as to maintain that land clean and in a good state of cultivation and fertility and in good condition;
- (c) the unit is properly stocked where the system of farming practised requires the keeping of livestock, and an efficient standard of management of livestock is maintained where livestock are kept and of breeding where the breeding of livestock is carried out;
- (d) the necessary steps are being taken to secure and maintain crops and livestock free from disease and from infestation by insects and other pests;
- (e) the necessary steps are being taken for the protection and preservation of crops harvested or lifted, or in course of being harvested or lifted;
- (f) the necessary work of maintenance and repair is being carried out.



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 a diversification project. We would, again, highlight that the short-term nature of tenancies is not conducive to facilitate investment in diversification.

Effective Risk Management - Insurance schemes are suggested as one example of risk management tools developed to manage extreme volatility for some sectors. Insurance schemes often require evidence of yield etc. for previous years which may not be available to new entrants or tenant farmers with limited length of tenure.

In practice, research shows that insurance schemes often take time to investigate and pay out, impacting on business cash flows and the tenants ability to pay rent. Government backed loans have the advantage of providing reassurance to the landlord and our members identified that no minimum spend / very low grant thresholds facilitated applications from tenants who are unable to secure funding to invest in bigger projects. It is vital that productivity measures are available for all terms of tenancies.

- **Public Goods scheme**

With respect to proposals for the Public Goods scheme, the consultation suggests public goods payments will form the foundation or a large proportion of their future business model.

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 for the delivery of public goods remains unresolved. Where the delivery of public goods 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 through the scheme compared to owner/occupier farmers. It cannot be assumed that where the landlord receives the payment for the delivery of public goods, there will be a corresponding reduction in rental figures.

It is also important to recognise that tenants participation in the Public Goods 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 public goods delivery results in significant change in the use or condition of that land which could result in significant devaluation of the asset.

As for the Economic Resilience scheme above, the terms of tenancy may restrict the use of the holding for a specific use only or may specifically prohibit non-agricultural activity, as defined in the 1947 Act. The extent to which public goods delivery would be classified as agricultural or non-agricultural remains unclear. It is possible that environmental options underpinning a public goods agreement 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.

Welsh Government propose the Public Goods scheme will be managed between land managers and the Welsh Government via multi-year agreements that reflect the time needed to deliver meaningful public goods and to give land managers certainty regarding a future income stream. Given the average length of tenancy is less than five years, the ability of many tenants to participate will be limited, even where the transferability of contracts to the landlord or an incoming tenant is built in. Welsh Government could opt to develop long and short term options to suit all.



Whilst this may not be a new issue *per se*, it is important to note that proposals suggest that public goods payments will form the foundation or a large proportion of the future business model. Farmers on common land should also not be disadvantaged in participating in future schemes. We would highlight that 175,000ha of Wales is common land. Its value and importance to those with rights, particularly grazing rights must not be underestimated or undervalued in any public good or land management scheme going forward. The legal rights of graziers must be recognised and protected and schemes designed with their interests at the forefront.

Overall with respect to tenant farmers, the Welsh Government is consulting on whether devolved policy change is required to allow land managers to benefit from both the Economic Resilience and Public Goods schemes.

Our analysis above is clear that access to both the proposed schemes may be restricted to tenant farmers as a result of current tenancy law. Consequently, NFU Cymru believes that significant reform of tenancy law would be required to facilitate equal access to schemes for tenant farmers. Such changes would require primary legislation, making changes to tenancy law difficult to achieve, within the timescales presented in the consultation.

As a Union we have contributed to the significant work undertaken by the Tenancy Reform Industry Group (TRIG) and the recommendations which are summarised in Box 2 below:

Box 2 - Tenancy Reform Industry Group – Summary Recommendations - 2017

Defra values the detailed work TRIG has done in the past advising on the legislative, fiscal and structural issues facing the tenant farming sector. As we prepare to exit the European Union we have an opportunity to shape a new agricultural policy for the UK. A key focus of this will be improving the productivity of our farming sector so we are in the best position to compete on the global stage. With this new context in mind Defra welcomes a fresh discussion with members of TRIG with the objective of identifying the most pressing priorities for improving productivity in the tenanted sector.

Unlike previous TRIG recommendations, there was no requirement that the group must reach unanimous decision. Some of the recommendations were not things the NFU agreed however where unanimous agreement was not reached this was noted.

1. Farm Business Tenancies:

- New type of FBT for 10 years minimum with no landlords' break clause except in specific circumstances including non-payment of rent, redevelopment of land, death of tenant.
- Encouraging Landlord investment by agreeing a specified return which is ring fenced and not subject to rent review.
- Guidance promoting flexibility within FBTs to encourage more bespoke agreements.

2. Agricultural Holdings Act Tenancies:

- Succession criteria and modernisation of certain tests other operational issues.
- Alternatives to succession – assignment to a 3rd party and conversion to an FBT.
- Mechanisms to override restrictive clauses in tenancy agreements eg the erection or alteration of buildings.

3. Structural change:

- Facilitating retirement and encouraging new entrants
- Looking at alternative business models for new entrants
- Business guarantee loan schemes
- Relaxation of planning law to enable new retirement dwellings be built on farms.

4. Council farms

- Local authorities to have 15 year minimum Rural Estate Plans
- Formal independent assessment panel of inspectors for Rural Estate Plans
- Rewording of legislation to expand the statutory aim of a smallholding 'for the development and support of the rural economy'
- Extending retirement notices to quit to coincide with new state pension age.

5. Tax

- Inheritance Tax and APR – The NFU did not agree to the proposal that APR should be limited to FBTs in excess of 10 years.
- Stamp Duty Land Tax – exemption for agricultural leases to remove deterrent of taking longer leases.
- Limited Income tax relief on farm land rents to encourage letting
- Capital allowances to support investment – ability to carry forward the Annual Investment Allowance and extended allowances for new technologies.
- Capital Gains tax Rollover Relief – allow reinvestment in improvements by landlord to let farm land.



The extent to which the TRIG reform proposals, if implemented, would ameliorate the difficulties arising from proposals requires further detailed analysis. As a result, NFU Cymru believes that Welsh Government's Land Management Programme as currently proposed does not meet its own principle; specifically, that of access to schemes and the fifth principle which states that all land managers should have the opportunity to be eligible for support.

Summary

We have fundamental concerns for the future of farmers who do not own the land that they farm and their ability to access support through the proposed Economic Resilience and Public Goods schemes.

Welsh Government is consulting on what action needs to be taken to ensure tenants can access new schemes. 'Brexit and Our Land' proposals, if implemented, will require significant changes to tenancy law through primary legislation to facilitate equal access for tenant farmers. Welsh Government must undertake detailed analysis to understand the extent to which TRIG reform proposals can ameliorate the difficulties described above. Welsh Government must also assess whether appropriate reforms to ensure equal access for tenant farmers can be realistically achieved during the timescales presented. It is also vital that tenant farmers are not disadvantaged through the transition period.

The legal rights of graziers on common land must also be recognised and schemes designed with their interests at the forefront.

NFU Cymru is absolutely clear policy proposals should not disadvantage farmers who do not own the land that they farm. Overall, we reiterate future policy must target support at those active farmers who take the financial risks associated with food production.

NFU Cymru believes proposals, as they stand, have the potential to be deeply damaging for the tenanted sector in Wales. Future policy should take account of the valuable mixture of land tenure practices in the sector, with none of the different forms of land tenure placed at a disadvantage from participating in future policies.



The Economic Resilience scheme

Consultation question 3. From your experience of current programmes, what do you feel would work well for the future?

Consultation question 4. Do you agree with the focus of the Economic Resilience scheme being on growing the market opportunities for products from land throughout the supply chain, rather than restricting support to land management businesses only?

Consultation question 5. Are the five proposed areas of support the right ones to improve economic resilience? Are there any areas which should be included but currently are not?

Consultation question 6. Of the five proposed areas of support, which are the priorities, both in terms of funding and the sequence of delivery? For example, are certain measures needed in advance of others?

Consultation question 7. Should we be investing in people, for example to bring in new ideas, skills and people into land management and the supply chain in Wales? If so, how should we look to do this?

Improving farm productivity and profitability should be a key aim of future policy and has been identified as one of three key cornerstones for our domestic agricultural policy. We would highlight that successful productivity improvements not only increase financial returns, but moreover make a positive contribution to environmental, animal health and welfare objectives through better resource efficiency. As the consultation identifies, this is not simply about producing more, but rather how to get more out of farm inputs and greater profitability. Farmers in Wales have been making efforts to improve productivity for decades and they will need to continue to go further in the future.

Improving productivity is multifaceted and complex. There is no single solution and NFU Cymru welcomes proposals to include investment in human, social and physical capital through the Economic Resilience scheme. There needs to be recognition that businesses need the confidence to invest and also that investments take time to see a return. This investment alone is unlikely to ensure profitability in the short and long term.

NFU Cymru would highlight that this is an area where we have devoted significant time and effort in recent years in seeking to develop and influence the shape of measures that will drive productivity improvements through the current Rural Development Programme (RDP).

NFU Cymru is pleased that, through 'Prosperity for All', Welsh Government recognises food as one of its four foundation sectors. In driving this ambition forward, the development of a revised Food & Drink Strategy to take us beyond 2020 is now critical. NFU Cymru is very keen to be involved in this development process building on the success of the existing Food & Drink Action Plan. In our view this delivery of the strategy actions should be embedded into and be a key driver of future agricultural policy. The lack of reference to and integration between 'Brexit and Our Land' proposals and Welsh Food and Drink strategy is a key concern to us.

Productivity put simply, measures how efficient inputs (materials, labour, and capital) are converted to outputs. It is a measure of efficiency and not about just producing more. The issue of productivity is one experienced across the whole UK economy with the UK economy no more productive now than it was before the financial crisis of 2008.



The consultation refers to total factor productivity (TFP) annual growth in agriculture during the period 1964-2014 across a number of countries including the Netherlands, Germany, France, US and UK and shows UK productivity has not kept pace with those other countries in terms of productivity levels in the agricultural industry. This is presented in Figure 6 (page 28) of the consultation document and a key point to note here is that the starting point in 1964 is not expressed in absolute terms. So whilst productivity levels in the UK appeared not to have kept pace with other countries shown over the period, we do not know the relative starting positions of each country and whether TFP in the UK was ahead of the other countries at that point. We believe that having an understanding of the relative starting positions would be very useful.

Evidence or exploration of the root causes of the productivity lag in the UK relative to other countries is also largely absent within the consultation. This is concerning and without this analysis, we believe proposing and developing effective measures to address productivity in agriculture is likely to remain extremely challenging. In line with adopting an evidence-based approach, NFU Cymru would be pleased to work with Welsh Government to identify the key drivers and constraints on productivity on Welsh farms.

The consultation also recognises the spectrum of performance across Welsh farms. NFU Cymru would highlight research in this field that shows there are a range of factors influencing technical efficiency within the industry.

Academic research funded by Defra⁹ which analyses and compares the technical efficiency of the UK agricultural sector over the period 1989 to 2008 with other Member States. This research identifies that technical efficiency within 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. There are also drivers that are 'soft' in nature such as the individuals' attitude towards profit and resource maximising activity in terms of seeking out knowledge and the collaborative networks in which they participate.

NFU Cymru would suggest that the factors described can vary considerably at the farm level and may go some way to explain variations in performance referred to.

It should also be noted that, on average, only 60% of farms tend to remain in the same tercile (i.e. top, middle or bottom third) each year. The research goes on to highlight that over the period analysed, the UK tends to emerge with 'reasonable standing' when compared to other EU countries.

Determining measures of technical efficiency within the industry is clearly a complex area, and certainly beyond the scope of our response. However, what is clear, is that there are a range of factors influencing technical efficiency and competitiveness within agriculture. Welsh Government must ensure that the future policy in the round supports and not hinders productivity within the agricultural industry. The lack of integration between the Economic Resilience and Public Goods schemes currently is concerning and an unintended consequence could be that economic resilience measures are undermined or conflicted by the public goods approach hindering overall productivity in agriculture.

NFU Cymru would express concern at the apparent dearth of Welsh data in this area. We suggest that appropriate research, going beyond current anecdotal observation, is required in Wales before conclusions can be drawn by Welsh Government with any degree of certainty.

It is with pride that we highlight that, across the UK, Welsh farmers continue to lead the way in many sectors. For example, the winner of the Farmers Weekly Beef Farmer of the Year Award in both

⁹ Barnes, A.P., Revoredo-Giha, C., Sauer, J. Elliott, J. and Jones, G. (2010). A report on technical efficiency at the farm level 1989 to 2008. Final Report to Defra, London.



2016 and 2017 hailed from Wales and in 2018 the winners of both the Sheep Farmer of the Year and Young Farmer of the Year Awards both farmed in Wales as did the winner of the 2018 British Grassland Society Grassland Farmer of the Year. We are proud of the fact that in the last 12 years there have been 8 Welsh farmers who have won the prestigious annual British Grassland Farming awards.

Overall whilst we welcome Welsh Government commitment to the development of mechanisms to support and drive productivity improvements on Welsh farms, we identify that objective analysis on both the root causes driving or constraining productivity together with the effectiveness of existing mechanisms should be a vital step in the development process. Welsh Government and industry must have confidence around the efficacy of measures together with the level of ambition and outcomes that can be achieved.

NFU Cymru would agree that collecting evidence on performance is important, indeed, we have long been advocates of an evidence led approach to measures. The 2017 Welsh Dairy Conditional Aid Scheme (DCA) for dairy businesses was useful in providing a valuable dataset on performance for Welsh Government as will the recently launched Red Meat Benchmarking Programme with HCC funded via the EU transitional aid fund. Providing appropriate incentives to facilitate the provision of this data has been pivotal to success and the next logical phase would be the development of measures that seek to embed incentivised data and evidence to drive farmer engagement in the next iteration of measures to improve productivity.

The Irish Beef Data and Genomics Programme is a potential integrated delivery model for driving widespread improvement that we could 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 believe the Welsh Government analysis of the performance of the Rural Development Programme (RDP) in the consultation to be somewhat disingenuous. To refer to the constraints and rigidity of the rural development regulations as the reason for Welsh Government's performance on RDP delivery is perplexing. We would highlight that it was a decision of Welsh Ministers to opt for the maximum rate of pillar transfer (15%) being the only Member State or region across Europe to do this. In addition, the level of ambition for the RDP; the slow rate of RDP implementation; the design of measures such as Farming Connect or the Sustainable Management Scheme; the reluctance to innovate; the bureaucracy of the application process; the sporadic nature of application windows and the funding allocation to those windows are all factors firmly within the control of Welsh Government.

NFU Cymru is clear that responsibility for the performance of the RDP in Wales lies firmly with Welsh Government and is a reflection of its capacity to implement it. Our members frequently refer to the innovative approaches and measures developed elsewhere often referring to Scotland and Ireland who have developed examples of innovative practice that surpass the vision of Welsh Government, to date. Our current analysis is all the more disappointing given the significant efforts of NFU Cymru and other stakeholders to work with Welsh Government to positively influence and develop innovative solutions that would deliver a 'step-change' in productivity on Welsh farms. There has been a genuine commitment to partnership working from the industry.

The Strategic Initiatives concept, for example, secured the support of Rebecca Evans AM, Deputy Minister for Farming and Food, at that time. Welsh Government recognised the importance and



potential of Strategic Initiatives and the levy boards for red meat and dairy submitted Expression of Interests to the Co-operation Measure of the RDP to take forward their development. However, as stakeholders involved in the development process we have experienced profound difficulties and obstruction, lack of clarity and miscommunication of what can actually be funded and supported. Overall efforts to take forward industry scale transformational measures remain thwarted at every step by the Managing Authority despite ongoing Ministerial support for the concept. This has been extremely frustrating for all involved, particularly as meanwhile, the small scale, pilot type approaches which we know from experience in the last RDP have limited potential for transformational change continue to be funded with what appears very little strategic oversight.

NFU Cymru believes the development of the Economic Resilience scheme, indeed, the future agricultural policy should seek to provide stability at a time of profound uncertainty. The extent to which Welsh farm businesses can remain viable in the absence of support, compared to their counterparts in the EU27 who will continue to receive direct support over longer timescales is very much questionable. Furthermore, evidence and scenario planning would suggest that viability is likely to favour some sectors more than others and return on investment tests may favour the wider supply chain more than individual producers. The expectation that support will be conditional on the tests described - credible business strategy, assessment of viability and potential for a return on investment - is therefore potentially problematic and will have unintended consequences. The extent to which the measures under Economic Resilience will be accessible to all in line with Welsh Government's fifth principle for reform, therefore, requires further consideration. Our experience of current investment measures, in particular, have shown them to benefit the few and not the many and the biggest barriers to access may be faced by those who most need the support.

We are pleased, however, that Welsh Government, worked with industry to develop and implement a small scale grant scheme. The Farm Business Grant (FBG) provides funding to support farm business to invest in the latest range of technologies and equipment, many of which offer productivity and environmental improvements. The application process has been relatively simple and straightforward and many more businesses have benefitted from investment support as a result.

We note Welsh Government propose to invest in Welsh businesses involved in primary production, processing and manufacturing as well as providing support for other businesses critical to the wider supply chain (both upstream and downstream). Whilst we acknowledge that the current RDP includes investment in the wider supply chain through mechanisms such as the Food Business Investment Grant, detail on the mechanisms by which this will be facilitated in future is fairly limited. Clearly the budget allocation to the wider supply chain will be of critical importance and from our engagement with processors during the consultation process, the view has been expressed that the critical factor for sustaining these businesses centres around throughput of product (for example lamb). 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 policy does not deliver the 'critical mass' required to keep these plants open, they will simply close taking the jobs with them.

Overall, we are clear from our discussion with processors and the British Meat Processing Association that the most useful support that Welsh Government can provide to the wider supply chain is a policy that delivers the levels of production of the raw material for Wales' food and drink sector at the farm level. As we have highlighted above, throughout the consultation, there is limited reference to the supply chain, or indeed the food and drink sector in Wales and the role of future policy in supporting that sector in line with the Food and Drink Strategy. Our members tell us that if a fair price was received for the product they produced then reliance on government support would be far less important to them. This is not the reality of the marketplace for most sectors currently. Future policy must reflect this and Welsh Government must also do more to consider its role in creating fairer supply chains for producers including considering the use of the powers currently contained in the Agriculture Bill. This must also include the role of public procurement.



Given the importance of the public sector to the economy and employment levels in Wales, NFU Cymru would suggest that Wales should take a leading role in encouraging the public sector, including local authorities, hospitals, prisons, MOD and schools to buy Welsh produce.

Food and drink producers in Wales 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 kept in Wales.

NFU Cymru feels that this is an opportunity for growth on our own doorstep and we would urge Welsh Government to use this opportunity to ensure that the public sector places greater emphasis on value rather than cost, recognising the quality, tradition and provenance associated with food produced in Wales and by making sure that Welsh food is readily available in all public sector establishments.

Welsh Government suggests that it may not be possible for every farm business to be economically resilient in every post-Brexit trade scenario. We would suggest that the role of government is to strengthen economic resilience by implementing policies aimed at mitigating both the risks and consequences of crises. We are clear that this can best be facilitated by government through the provision of an element of stability support to ensure the playing field is level with our nearest competitors, a future policy that further develops rather than weakens the position of Wales as a producer of high quality food and drink is also an important component of economic resilience. Our members tell us they have an aspiration to go beyond resilience; they have an ambition for productive, profitable and progressive agricultural businesses driving jobs, growth and investment for Wales. A future policy that puts food production at its heart with a commitment from Welsh Government to work with partners to promote Welsh food based on its high environmental and animal health standards will be key in exploiting the untapped potential of the sector in driving Wales's economic prosperity.

Referring to the specific areas that Welsh Government proposes to support through the Economic Resilience scheme, we would make the following comments:

- **Area 1 – Increasing market potential**

We note Welsh Government proposals to invest in measures that will increase market potential. Firstly, the extent to which measures in this area will compliment and bring synergistic benefit to efforts already funded by the levy boards, for example, is unclear. In our view, full integration and partnership working will be vital. Increasing market potential needs to start with an ambition at a Wales level and provide the necessary vision to which levy boards, the wider supply chain and individual producers can all aspire to be part of and align to. We are pleased to see reference to the Cymru Wales Nation Brand and the work of the Sustainable Brand Values programme. Whilst efforts to support individual businesses and clusters of businesses are likely to be important, without a bigger ambition to promote Wales on the global stage we are fearful that economic resilience at industry scale will be unachievable.

We have already referred to the opportunity for increased integration between 'Brexit and Our Land' and the Welsh Food and Drink Strategy. A further gap in proposals relates to the ambition for Welsh food and drink and proactive marketing and promotion based on the high standards of production we achieve and the fantastic story we have to tell in global markets.

NFU Cymru is clear that farmers in Wales operate to world leading standards, and whilst 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 clear there is considerable scope to gain a marketing advantage through positive and proactive marketing of Welsh produce and the



standards to which it is produced currently. 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 to embedding and reaping the benefits of Wales's world leading sustainability legislation as our 'Unique Selling Point'.

NFU Cymru has welcomed 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 Cymru theme. We are absolutely clear that a focus on standards alone will be insufficient to drive this forward and realise the full potential for the Welsh food and drink sector. An essential component will be a commitment from Government to position Wales as a producer of top quality food and drink on the world stage which must then follow through to policy, strategy and marketing and promotional activity.

Learning the lessons from Ireland, such an approach will require full integration with future 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.

Proposals in this area also refer to fairness in the supply chain. 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, and to this end we welcome the provisions in the Agriculture Bill which should equip Ministers to bring greater fairness and transparency to the food supply chain.

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.

NFU Cymru believes that the introduction of the Groceries Supply Code of Practice (GSCOP) and the overseeing Groceries Code Adjudicator (GCA) has led to an improved culture in the relationship between UK retailers and their direct suppliers. We would like to see an extension of the remit of GSCOP; and to make mandatory the principles within agri-sector voluntary codes. The adjudicator should also be able to take evidence from farmers and growers.

NFU Cymru would like to see improvements to contracts to ensure the contract terms that farmers sign up to are clear, fair and equitable and that the risk that farmers bear under those contracts is fairly allocated and appropriately balanced with the reward obtained. This could be achieved through regulation or industry action. Where models (pricing or others) are included in a contract they should be mutually agreed, fairly negotiated and transparent, and where possible linked to objective criteria / external and independent factors.

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 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.

Welsh Government recognises through proposals the importance of measures to support collaboration throughout the supply chain. NFU Cymru does not believe that any single factor alone



restricts collaboration of farmers in Wales. Good examples for horizontal and vertical collaboration exist in the food and farming sector but we believe more needs to be done to signpost the potential benefits to individual farm businesses. More targeted guidance and support is needed for producers to scope, establish and maintain collaborative initiatives and structures. Collaboration can be both formal and informal and can take many forms including:

- Formal Producer Organisations
- Formal Co-operatives
- Collaborative Marketing
- Buying Groups
- Machinery sharing on a local level
- Knowledge transfer sessions (horizontal and vertical)
- Benchmarking groups
- Contract farming agreements
- Supply chain aligned groups

Collaboration should be considered both vertically and horizontally and some of the most successful collaboration is where it involves other players in the supply chain. Whilst collaboration provides producers with a good way of leveraging power and fairness within the supply chain, many farmers find the administration and lack of guidance and support a disincentive to accessing formal collaboration models such as producer organisations.

It is important to recognise that farmers will only participate in collaboration if it is financially and practically beneficial for them to do so. Future support measures should consider this and ensure that it incentivises common objectives and goals rather than purely the act of collaboration. Lack of trust within the food supply chain is often cited as one of the primary restrictions to make progress with both vertical and horizontal collaboration within the supply chain. Improvement in transparency and relationships across the entire food supply chain is, therefore, essential.

We recognise that a number of these areas are not all in the gift of Welsh Government and some of this forms part of our work with colleagues in NFU and the other farming unions across the UK. We would ask in those areas of work that fall outside the devolved competence of Welsh Government that our Government seeks to positively influence the UK Government to take decisions for the benefit of fairer, more transparent supply chains.

• **Area 2 – Improving productivity**

In line with NFU Cymru's proposals for future domestic agricultural policy, improving productivity is an important ambition. As above, measures that seek to deliver productivity improvements must be considered in the context of the overall future policy. The aim should be for an integrated policy and not a policy with bespoke measures, some of which promote productivity on Welsh farms and others that impede progress in this area.

The ambition of improved productivity may not necessarily be delivered through simply increasing levels of investment to productivity measures *per se*. Whilst NFU Cymru has been disappointed at the budget allocations to capital investment measures in the current RDP along with the very low number of beneficiaries accessing capital support in the current programme (2014-2020) standing at 74 for the Sustainable Production Grant Scheme (SPG) for example. We are also clear that for farmers to have the confidence to invest in productivity measures, conditions need to be right. Welsh farm businesses need certainty, best provided, in our view through the provision of some form of stability payment.



Whilst proposals recognise relatively small changes in a farm's turnover or costs can yield a relatively significant change to net farm business income, Welsh Government, throughout the consultation, appears to understand impacts on competitiveness – specifically the ability of Welsh farmers to sell goods into a market relative to other countries who will still continue to receive direct support - to a much lesser degree. The fundamental question for Welsh Government to address will be whether productivity measures can, on their own, mitigate the gap left by the proposed loss of direct support.

It must be remembered that measures to improve productivity referred to in the consultation, as evidenced in the DCA Scheme, and from the data collected in the current Red Meat Benchmarking Scheme funded via the EU Transition Fund are operating in the context of Welsh farm businesses being underpinned by direct support currently. This is a very different operational environment to what is proposed for the future. Any findings must be viewed in this context.

That said, if a satisfactory position can be arrived at to address the fundamental competitiveness issues that farmers are likely to face in the future, we recognise that investment support is a vital measure in driving productivity improvements in Welsh agriculture. Investment measures will be a key driver of change within the industry offering a sustained period of investment in the latest technologies, innovations, equipment and infrastructure.

We would emphasise again the substantial synergistic benefits that investment support can deliver. A scheme that helps farmers to modernise will also deliver environmental improvements and reduce the carbon footprint per unit of production through better use of natural resources; reducing the impact of agricultural activity whilst at the same time improving farm productivity.

One such example, would be the practice of liming. Optimising nutrients in the soil is key to ensuring productivity across crop and grassland production systems. A recent review undertaken on the liming impacts on soils, crops and biodiversity in the UK identified liming has numerous far reaching impacts on soil and plant processes and function. Impacts of liming are positive such as increased nutrients and biota. Liming crops and grassland is beneficial to yield and quality and for grazing. Providing investment support that facilitates greater uptake of liming, would be one example of where environmental and productivity gains can be achieved simultaneously.

There are also 'multiplier effects' associated with this investment support which are less significant with many of the other measures proposed through the provision of benefits to businesses in the wider rural economy.

For example, the benefits of capital grants has been evidenced in the independent review of the Tir Gofal scheme. This socio-economic analysis of the scheme by Agra CEAS was carried out in 2005 and determined that *"Between 2000 and 2003 capital payments with additional farmer contributions resulted in a total spend of £14.25m. Some 94% of this remained in Wales with 40% staying within 10 miles of the farm concerned. Accounting for indirect effects the overall impact in the rural economy was over £21m, supporting in turn some 385 full time job equivalents. Many of these were created in relatively remote areas where previous job creation schemes had struggled to make an impact"*.

Overall measures that support investment to improve productivity will also deliver significant environmental as well as social gains.

NFU Cymru believes that investment support should be easily accessible and clearly communicated to the industry. The application process should be straightforward, user-friendly and avoid bureaucracy to reduce administration costs; also allowing for multiple applications from the same business over a period of time. Lessons must be learnt from the current Sustainable Production Grant model which has failed to deliver investment support on the scale or anywhere near the ambition we would have aspired to achieve. The more effective implementation and limited



bureaucracy of the current Farm Business Grant investment programme is a more positive example of reduced bureaucracy.

We believe the success of this programme will be heavily reliant on engagement with stakeholders in the scheme design from an early stage and NFU Cymru would be very pleased to be involved in the design process.

- **Area 3 – Diversification**

Welsh Government suggest, through the consultation, that further diversification of farm businesses will be crucial in building resilience to the market pressures that Brexit may bring. NFU Cymru believes that the development of a cohesive policy framework to support productive, thriving farming businesses, would go a long way in helping to support rural communities and businesses post Brexit across all rural parts of Wales.

We are, however, in favour of supporting members of farming families to diversify to support farm incomes and the wider rural economy. Farm diversification can increase farm income and reduce business risk, thereby increasing resilience in the sector.

Farm diversification has long been advocated as a strategy to build resilience into farm businesses in Wales. Evidence shows the proportion of farms in Wales with any type of diversified activity increased each year from 2010-11 to 38% in 2016-2017.

Diversification, is thus, not new on Welsh farms and is well established on farms across Wales. Pluri-activity is also well established with many farm households earning an income away from the farm to support farming activities.

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.

Traditionally diversification activities have centred around a shift in production fulfilling new market opportunities; tourism, leisure and recreation; novel and non-food crops; adding value to primary produce and renewables.

With respect to shifts in production we identify farmers have a track record of responding to market signals and investing in areas such as dairy, pigs and poultry. Such investments are market led and bring many positive benefits that increase farm business resilience, often providing the opportunity for the next generation of farmers to come home to farm. However, investments are very significant and our members regularly experience many regulatory and other barriers to taking forward such projects. The subjective nature of the reference to 'appropriate' diversification opportunities within the consultation is most concerning to us. Welsh Government must recognise that if, as it says, the *'ultimate aim is to support farmers to stand on their own two feet'*, then it must pro-actively support and not hinder through regulation, planning and policy, farmer's efforts to diversify into a range of farming sectors.

Tourism, leisure and recreation have long been associated as key diversification activities on many Welsh farms. These are often costly investments, for example, converting a barn to holiday accommodation. It is also important to acknowledge that whilst the tourism sector is very important to Wales and our rural communities, employment is usually characterised by low-paid seasonal jobs. The extent to which there is saturation in some areas for some offers also needs detailed analysis. Again Welsh Government regulation, planning and policy should facilitate and not hinder farmer diversification efforts into tourism.



NFU Cymru would highlight that with over 80% of national land area managed by Welsh farmers, we have a significant interest in land-based renewable energy production. We believe more credit should be given for agriculture's potential to decarbonise the rest of the economy through land-based renewables.

In recent years we have seen many farmers diversify into renewables, the NFU Confidence Survey 2017, for example, shows around two-fifths of farmers across England and Wales are now involved in some way in the renewable energy market including bioenergy (biomass, biofuels, biogas), wind power, hydro and solar photovoltaics. With power generation dominating GHG emissions in Wales, there is scope to make rapid progress in clean electricity production from a variety of land-based as well as offshore renewables. Between now and 2030, we anticipate new opportunities for further growth in AD biomethane plants, displacing fossil fuel gas in the gas network, and supplying up to one-third of domestic heating needs.

However, many barriers remain to the implementation of renewable technologies at farm level including the planning and permitting systems (above) as well as establishing grid connections for export. This opportunity also has to be considered in the context of reducing certainty over public support via the Feed in Tariffs and the Renewable Heat Incentive which challenges the viability of many farm scale projects. NFU Cymru would conclude that Welsh Government must take action if the potential opportunities are to be fully realised in line with its ambition.

In terms of the measures proposed by Welsh Government to support diversification, whilst we recognise the role of advice and guidance for farm businesses, we do not believe that this on its own will be sufficient to drive further diversification when evidence suggests much potential across a number of key areas has already been exploited.

Significant investment support in the form of grants and loans will be required alongside alignment of wider policy measures to pro-actively facilitate diversification efforts of farmers.

Planning policy, for example, that embraces changing times is urgently needed. This includes the streamlining of the planning process and for national planning policy to recognise the strategic importance of food production is necessary. Concerns about landscape protection should be balanced with an understanding of the need for farm businesses to change with the times. Retaining viable farm businesses enables the continued management of the wider landscape that underpins other strategically important sectors. We need imaginative and flexible planning policies that:

- Strike a sensible balance between landscape protection and the modern infrastructure needs of farming in a competitive world market;
- Enable farm businesses to diversify within agriculture to respond to market pressures to retain a viable business;
- Facilitate diversification into non-agricultural business enterprises to support core agricultural activity;
- Allow farm businesses to invest to remain compliant with evolving environmental and public health legislation;
- Enable farm succession by delivering on farm housing requirements;
- Support and encourage renewable energy and climate change adaptation projects.

It is essential that the planning system recognises the importance of farms being able to evolve and create new business and community facilities, as well as to support wider business opportunities such as on-farm tourism. Farm shops, for example, have replaced the village shop and can offer community meeting places, as well as destination venues for tourists.



We would further highlight that broadband connectivity can be a key limiting factor in rural areas. Increasingly farmers are diversifying their income and broadband speed is dictating both the uptake and success of some diversification projects.

On-farm tourism, direct marketing, the letting of buildings for business use and for renting out property for housing have been found to be particularly affected by slow broadband rates. Successful diversification requires access to superfast broadband and mobile phone connection. Farmers report that without such services they can struggle to run their own diversified businesses efficiently and to attract businesses to rent their cottages or business units. For tourism uses this means less efficient websites, whilst no mobile coverage means fewer return visits. Overall broadband connectivity is a key limiting factor for many farm businesses currently.

We would also ask Welsh Government to consider the spatial context of diversification opportunities. For example, there are specific challenges of farming in the uplands, remote areas and Wales designated landscapes. We would highlight that 25% of Wales's land area falls under National Park or AONB designation. In these areas there are limitations on the range of enterprises that can be supported and given the nature of the landscape, general infrastructure and distance from centres of population, opportunities for diversification are more scarce.

We are pleased that Welsh Government recognises the significant role that diversification can play in some agricultural businesses, NFU Cymru is clear that whilst diversification has a role to play and Welsh Government has a role to enable this, it must not be viewed as the panacea.

Businesses that will ultimately be successful in the future will be limited to specific locations in Wales as well as individuals with sufficient people skills and enthusiasm and the necessary underlying financial resilience within the farm business.

- **Area 4 – Effective risk management**

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.

The consultation recognises that direct support under the Basic Payment Scheme has been a tool for managing volatility. NFU Cymru welcomes this recognition but is extremely disappointed that the complete withdrawal of the BPS is proposed without providing alternative proposals as to how Government intends to address the role that it can play in risk management and business resilience.

To be clear, NFU Cymru firmly believe 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.

We must also remember the crucial role that this support plays in securing sufficient supplies of primary product for our processing sector in Wales. At the Royal Welsh Show this summer the British Meat Processors Association said, in a statement to the press, that if the three major processors operating in Wales are to maintain, grow and find new markets for the widest possible range of Welsh lamb and beef products, both domestically and abroad, they must be confident of having a guaranteed long term supply of beef and lamb from Wales. They have said that securing and maintaining sufficient supplies of PGI Welsh Lamb and Beef from the primary producer is paramount to their businesses continuing to operate in Wales.

The consultation makes reference to the commercial market in the UK providing opportunities for managing volatility, through for instance insurance schemes, and that there is a growing interest in the use of futures and options markets in the UK, particularly for milk and cereals. In paragraph 5.38 the consultation states *“there is a role for government to support such financial measures but any intervention should be designed to enable and not replace the commercial markets that exist or restrict the potential to do so.”* In paragraph 5.36 Welsh Government state that *“it is not Welsh Government’s role to isolate business in the supply chains from normal business risks.”*

NFU Cymru would fundamentally disagree with this assertion. Firstly, business risk and what constitutes *‘normal business risk’* requires detailed analysis. We would also highlight that a significant number of other countries have government backed measures to mitigate the impacts of price volatility on farming businesses. In fact a number of countries are strengthening their policies around food production and security.

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’](#). NFU Cymru has facilitated discussions for Welsh Government senior officials with the NFU staff lead on this matter and we have expressed a willingness to Welsh Government to commission further work in this area.

In terms of Insurance schemes, multiple insurers have fed back to us that some form of Government subsidised premium may be necessary to overcome the high levels of risk associated with a scalable revenue/margin insurance product in order to make a commercial product.

Fundamental to developing effective risk management tools is the need for timely and robust market data. To develop these tools the introduction of mandatory price and volume reporting, as described above, will be essential. Price reporting for the dairy, livestock and crops sectors should be introduced and this would increase market transparency which could then be used as a basis for new risk management tools.

Building on this data provision, futures markets are an important risk management mechanism that are already used by the crops sector in the UK and which are beginning to be adopted in the dairy industry. In the US, futures markets are highly developed with contracts offered across a range of commodities. The challenge for the UK, post Brexit is that key agricultural futures exchanges for commodities such as milling wheat and dairy are located in the EU and, therefore, any introduction of trade barriers may limit the ability of the UK Agri-food sector to utilise such markets.



A further consideration when designing risk management measures is whether they are compatible with WTO rules, specifically the provisions of the Agreement on Agriculture. There is a need to ensure that firstly the UK is able to secure a suitable Aggregate Measures of Support (AMS) ceiling at the WTO and that subsequently within the provisions of the Agriculture Bill that Wales is able to make use of a proportion of this ceiling, within limits mutually agreed with Defra and the other devolved administrations, for risk management purposes.

The consultation states that in situations such as extreme weather conditions or a fundamental failure of the market then there is a potential 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. We believe that these elements of the CMO must be kept as part of future Welsh / UK policy. We would also advise that other elements of the CMO such as the regulations around the establishment of Producer Organisations (and the exemptions they currently enjoy from competition law) which help farmers address the challenge of market volatility should be maintained.

Furthermore, 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.

There are a number of key principles that need to be considered when considering the potential for new volatility measures:-

- The measures must be appropriate for the specific issues faced by farm businesses. They should be able to effectively counteract the cash flow pressures encountered by the full spectrum of farming sectors. For some sectors sustained market downturns may be more commonplace and thus measures to address income resilience may be more relevant than those that help manage short term market fluctuations. This would be particularly relevant to the Red Meat industry.
- Secondly measures must be able to respond quickly to the market situation and deliver relief in a timely manner. All measures must target the active farmer and be accessible to those they are seeking to assist. Whilst sophisticated schemes can in some cases better target funding, measures must not be prohibitively complex for farmers to access.
- The design of market linked mechanisms must be transparent. If reference data is to be used as a basis for payment, such data should be independently sourced and publically available.
- Transaction costs associated with support mechanisms must be kept to a minimum in order to ensure funds are effectively directed to address their intended cause. There is a concern that sophisticated insurance mechanisms may carry a significant administrative burden for all parties involved. This diverts crucial funds away from the final beneficiary. It is important to ensure that the delivery process is designed to minimise transaction costs for the government, for private sector partners and for the farmers as the final users.

In terms of investigating the options available to farmers for effective risk management NFU Cymru has worked closely with colleagues in the NFU on the potential options that could be used in the UK. Later on in our response we will provide our views on 'ways of working across the UK', however, just as we have shared resource across our organisation in England and Wales in investigating risk management options we can see a strong case for some of the potential options explored, to be developed and taken forward jointly by the Devolved Governments of the UK. In terms of managing risk, just as this consultation refers to the need for businesses to collaborate to share risks and improve resilience (para 5.40), we see collaboration between Governments as being essential in terms of developing measures to protect agriculture in times of crisis and extreme volatility.



Overall whilst the Welsh Government commit to explore and support the development of effective risk management measures, Welsh Government must also consider whether this is achievable within the timescales proposed and with the powers it currently has available. It is also important to recognise where powers lie with Welsh Government and where powers lie with the UK Government, for example, many of the fiscal measures described in the consultation fall under the jurisdiction of Westminster. Whilst Welsh Government appears to allude to an enabling role, the extent to which it has powers and to which such measures would need to operate at a UK level needs to be considered.

Welsh Government must recognise and act within the powers it has at its disposal to put in place effective future risk management approaches. We would urge Welsh Government to ensure provisions and contingencies are in place. Welsh Government must not wait for an extreme situation to arise – preparedness is vital.

Overall, proposals under this measure are wholly inadequate 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.

- **Area 5 – Knowledge exchange, skills and innovation**

NFU Cymru believes scientific research, development of innovative tools, technologies and practices and knowledge exchange are all critical to solving the productivity and resource efficiency challenges that Welsh farmers face. Wales should be proud of its track record of delivery in this area which has seen sustained investment in programmes such as Farming Connect spanning almost two decades. During the current programming period, we understand, a budget allocation of over £27m has been allocated to Farming Connect with significant additional funds set aside for measures such as the so-called Strategic Initiatives and a further £35m currently in appraisal for knowledge transfer.

These are not insignificant amounts of money and before progressing – during the transitional period or the development of the proposed Economic Resilience scheme – we call on Welsh Government to undertake a full evaluation to understand impact and modelling to demonstrate the likely cost benefit of increased investment in such interventions. Measurable impact needs to be considered and demonstrated in the context of proposals to phase out direct support when terms of future trade are not yet known and our nearest competitors remain committed to this type of intervention.

In our experience, there is no ‘silver bullet’ and, at best, knowledge exchange, skills and innovation can provide ‘marginal gains’ in farm productivity. We remain wholly unconvinced that evidence exists to demonstrate gains through such interventions can in any way make up for the gap left by direct support. Simply allocating increasing sums of money to such measures would represent an inadequate and unintelligent response from Welsh Government.

Welsh Government’s analysis that provision can be ‘*fragmented and operate more in competition and collaboration*’ whilst accurate is not new. This analysis is disappointing in the extreme given the efforts of industry partners and stakeholders to be involved at a strategic and implementation level of RDP delivery. Clear recommendations for better strategic oversight from industry have been largely ignored during the development and implementation of the current RDP, the current Farming Connect Strategic Advisory Board, for example, has no ‘end-user’ (farmer) representative.

We would highlight that confidence in Welsh Government to address the issue of fragmentation and competition is limited. We frequently observe the RDP programme is characterised by duplication, repetition and replication. Overall, Welsh Government provides no reassurance through proposals on how this will be addressed.



Welsh Government is right to recognise the role of modern precision technology and techniques in transforming businesses and raising productivity. We are pleased that Welsh Government proposes to invest further in the adoption of precision farming techniques. This needs to support investment in technology and equipment as well as any upskilling required to use this equipment. Investment support needs to be easy to apply for and well-resourced. Welsh Government must also recognise that businesses need the confidence to invest in productivity measures and that this confidence is undermined by uncertainty and volatility in the market which up until now has been, in part, mitigated through the provision of direct support.

In terms of the potential areas of support described, there is very little that can be described as new or innovative in Welsh Government proposals. More consideration is needed on how measures can be developed to deliver a 'step change' in on-farm productivity. There also needs to be a high degree of confidence that this will be the case. Impacts need to be modelled and evidence presented to demonstrate that measures can be effective in mitigating the shortfall left by the proposed loss of direct support.

It is regrettable that the confidence of our members in Welsh Government to deliver meaningful outcomes through these measures has been somewhat undermined by the track record of delivery of the current RDP.

NFU Cymru recognises the important role of good quality advice and guidance for farm businesses. The Welsh Government Farm Liaison Service, for example, continues to provide extremely valuable support to farm businesses across Wales. NFU Cymru is clear that this service will be vital for farmers going forward and we have recommended that a similar service be established within Natural Resources Wales.

We are concerned, however, that the consultation refers to the need for a clear pathway to access advice whether as part of the Public Goods or Economic Resilience schemes. As earlier, this suggests a lack of integration in the overall policy – with the result that advice under the two schemes could be opposing and not mutually reinforcing. The failure to integrate policy could lead to unintended consequences for both the productivity and the environment.

Overall, increased levels of investment in advice and guidance measures above current levels without a clear business case and evidence of impact would also be highly concerning to us.

We are also concerned that Welsh Government appears to suggest that increasing the scale of the service to reach every farmer and provide non-financial support on the range of changes that may be needed will be an effective and useful response in the context of the changes and uncertainty. We believe detailed analysis is required to understand barriers to engagement and behaviour change.

The January 2018 AHDB Horizon paper, for example, identifies that the barriers to adoption of new tools, practices and technologies are complex. Whilst positive steps have been achieved by working with farmers in recent years across a range of agendas including productivity and the environment, Welsh Government must recognise that, thus far, they have tended to engage with a particularly easy-to-reach subset of farm businesses. The extent to which commercial farming activity has been penetrated is far from clear despite very significant investment over a prolonged period of time.

We would highlight that technical and farm business development information is available to farmers from a range of sources. Welsh Government, whilst suggesting the need for an integrated programme, must recognise that the extent to which it can influence other 'advice providers' may be limited. In addition, Welsh Government must learn from the experiences of farmers using the service currently, many of whom identify that Farming Connect can't just keep doing the same thing. There is real desire for the programme to innovate, operate to a higher standard and offer greater value for money. There is also a need to work far more closely with partners who have the same objectives to



avoid duplication, repetition and event saturation. This includes the unions, AHDB, HCC, agriculture suppliers, banks, accountants, solicitors etc. Fuller analysis to determine specific areas of market failure in this sphere is also urgently required.

We would highlight that the project delivery landscape is now so complex, competing and poorly communicated via the plethora of RDP projects that have been funded as to constitute a barrier to engagement in itself.

Whilst the consultation suggests that skills and advice provision will need to focus on business planning, NFU Cymru would not entirely agree. Firstly, we believe that future provision will also need to focus on technical performance as this is where productivity gains will be made. Key areas include animal health and welfare, grassland management and utilisation and resource efficiency. Secondly, we would highlight that skills and training in key areas such as machinery and equipment are very important, particularly for new entrants and young farmers and also for facilitating employment and personal development. Finally, the assumption that provision of skills and advice with a focus on business planning will be sufficient to prepare farm businesses for the future in the absence of any stability measures is one that is deeply flawed.

Welsh Government is right to recognise the importance of investment in people. People are the key asset of any business and we agree investment in people will form an important component of future policy alongside investments in physical and environmental capital.

The consultation makes a passing reference to mobility within the industry and opportunities for the next generation and new entrants into farming. The consultation suggests that removing the constraints of CAP and the link between scheme eligibility and historic entitlements provides an opportunity for change. However, the extent to which policy proposals will address the key issues underlying industry mobility is unclear. Our concerns relating to the tenanted sector specifically have already been described earlier.

In our view, policy should seek to address and proactively facilitate mobility at a structural level rather than through the addition of 'sticking plaster' approaches which seek to remedy fundamental policy weaknesses at a later stage. Specifically, an objective assessment of the extent to which the proposed Public Goods scheme will facilitate land availability for new entrants whilst also facilitating retirement from farming with dignity requires consideration.

Access to capital is also found to be a limiting factor for new start-ups and we have concerns that business viability across the sector will be challenged given competitiveness issues highlighted above. This will be no less acute for new entrants.

A key point that has emerged through the consultation process with our members is that there exists a cohort of progressive farmers who have invested heavily in farm business development and productivity measures in recent years who could be particularly exposed by proposals. Despite being the very type of business that Welsh Government suggests it would like to support, they would tend to be more heavily borrowed with less underpinning resilience in the face of the risks posed by Brexit and policy changes. The assumption that less progressive businesses will have least capacity or resilience is a false one in our view and future policy must seek to provide an element of stability for those progressive farm businesses which have taken the risks and invested in recent years.

Overall, NFU Cymru would agree that the proposed approach requires a new way of working where new mechanisms and support is designed and delivered in collaboration across government, stakeholders and the supply chain. We would reiterate that the stance taken by Welsh Government to the current RDP has been a great source of disappointment to us. Despite continued efforts to engage in a positive way, as industry partners representing the views of thousands of farmers across Wales, we have been kept at 'arm's length'.



We are clear that more can be achieved by working in genuine partnership and strongly urge Welsh Government to instigate independent analysis of the governance structure of existing funding mechanisms prior to the transition to new agricultural policy.

We agree industry has a key role in the design and ownership of new policy but this has to be based on the development of a 'shared vision' that farmers can 'buy into' rather than one imposed on farming by others, either within government or outside by pressure groups. We are clear that much better levels of mutual trust, respect, involvement and partnership working will be required.

Summary

Overall, NFU Cymru agrees improving farm productivity and profitability should be a key aim of future policy. Productivity measures are a key cornerstone of the NFU Cymru future agricultural policy and we are pleased to see a focus on productivity measures through the Economic Resilience scheme. However, there is a need to recognise that there is limited merit in Welsh Government talking positively about economic resilience measures that support improved productivity on Welsh farms unless the wider post Brexit agricultural policy and regulatory system is fit for purpose and enabling. NFU Cymru firmly believes that a stability measure must form part of a long-term agricultural policy.

Before moving forward, Welsh Government needs to better understand the key drivers and constraints on productivity on Welsh farms and ensure future agricultural policy 'in the round' supports and not hinders measures to improve productivity and future ambitions for the Welsh food and drink sector. Objective analysis on the effectiveness of existing mechanisms is also required.

We believe there are opportunities to learn from other innovative approaches across the EU and also build on the foundations of the Dairy Conditional Aid Scheme and the recently launched Red Meat Benchmarking Programme. Providing appropriate incentives to facilitate the provision of data has been pivotal to success and the next logical phase would be the development of integrated measures that seek to embed incentives to drive farmer engagement in the next iteration of measures to improve productivity. These have the potential to underpin the credibility of the Welsh Sustainability Brand Values Programme where the ambition should be to promote Wales's world leading standards on the world stage.

NFU Cymru is clear that the future approach should be designed to benefit all farmers and not the few; work across all sectors and they need to be simple and straightforward to apply for.

Approaches to increase market potential must compliment and bring synergistic benefit to efforts funded by other bodies, for example, the levy boards. Welsh Government must also seek to positively influence the UK Government, where matters are not devolved, to take decisions for the benefit of fairer, more transparent supply chains.

Farm diversification has the potential to increase farm income, reduce business and risk and increase resilience, however, it must not be viewed as the panacea. Measures to support diversification will need to move beyond the provision of advice and guidance. Investment support will be required as well as an enabling planning policy and regulatory framework that enables farmers to embrace changing times; improved broadband connectivity can also be a key limiting factor.

NFU Cymru would highlight extreme price volatility weighs heavily on farm businesses and impacts on investment, whether this is in productivity or environmental measures. We commit to undertaking further work to understand how a range of potential risk management and volatility measures could work for Welsh agriculture. However, overall proposals for effective risk management are wholly inadequate to address risks and volatility due to external factors. NFU Cymru firmly believes that a stability measure must form part of long-term agricultural policy.



With respect to knowledge exchange, skills and innovation, NFU Cymru believes scientific research, development of innovative tools, technologies and practices are all critical to solving the productivity challenge. Wales has a long track record in the area of knowledge transfer, advice and training and Welsh Government now needs to undertake full evaluation to understand impact and the cost-benefit of proposed increased investment in such interventions.

Overall modelling must demonstrate empirically that Economic Resilience measures can mitigate for the gap that will be left by the proposed phasing out of direct support.



The Public Goods scheme

Consultation question 8. We have set out our proposed parameters for the Public Goods scheme. Are they appropriate? Would you change anything? If so, what?

Consultation question 9. This scheme is meant to offer land managers the opportunity to access a significant new income stream as the BPS comes to an end? How could we improve what is being proposed to attract land managers whilst still achieving our vision and objectives?

Consultation question 10. Are there any other public goods which you think should be supported? If so why?

Consultation question 11. A number of public goods could potentially take several years, sometimes decades, to be fully realised, e.g carbon sequestration through broad leaf trees. To deliver on these, land managers may need to enter into a long term contract. How do you see such agreements working? What do you see as the benefits or disadvantages to such agreements?

Consultation question 12. A collaborative approach to delivering public goods may in some instances provide better value for money than isolated activity. How could the scheme facilitate this approach? How could public and private bodies contribute to such partnership?

Consultation question 13. Some actions can deliver multiple public goods in the same location. For example, peat bog restoration can have benefits for carbon sequestration and flood risk reduction. However, some locations could be suitable for multiple public goods from different activities. For example, one location may be suitable to either plant trees for carbon sequestration, or to revert to wetland for biodiversity. How could locations for single, multiple or competing benefits be prioritised?

Consultation question 14. Given that support for the delivery of public goods will be a new approach in Wales, there will be a requirement for a significant amount of training and advice for the sector. How best could this training and advice be delivered? Which areas of the sector need the most attention?

Consultation question 15. Private investment in the purchase of public goods is already happening, but at a relatively small scale. How could the scheme promote greater involvement from the private sector? What are the barriers to this type of investment?

Firstly, in setting out proposals for a new Public Goods scheme, NFU Cymru is disappointed by the Welsh Government assertion that Welsh land, over 80% of which is managed by farmers for the primary purpose of producing food, does not already make a significant contribution to Wales' well-being through carbon sequestration, water quality improvement, promotion of public health improvement, educational support, the management of our heritage, increased habitat and species resilience, improved community resilience and the maintenance of rural social capital.

This is clearly wholly inaccurate and has the effect of undermining our member's confidence in Welsh Government and any future scheme they bring forward, given the long track record of farmers in agri-environment scheme participation over many years.

Whilst we acknowledge future agricultural policy has the potential to deliver the Natural Resources Policy, we would underline the fact that future agricultural policy will have a role in delivering across a number of key policies for government, not least 'Prosperity for All' which identifies food as one of the four foundation sectors. We would remind Welsh Government that its duty to enhance a range of economic, environmental, social and cultural objectives is now enshrined in law through the Well-



Being of Future Generations Act. Any proposals to advance one objective at the detriment of wider objectives would be highly concerning to us. Whilst throughout the consultation there is fleeting reference to a range of policies and strategies driving the direction of travel, we believe a comprehensive and objective analysis of all the strategies should be undertaken.

The requirement for future agricultural policy to deliver against the Natural Resources Policy must, therefore, be viewed in this context alongside the framework of the Environment (Wales) Act 2016. The Act remains relatively new and not widely understood. The process of developing Area Statements is at the early stages and we place on record concerns that Area Statements could have the effect of driving a 'postcode lottery' of support for farm businesses in Wales dependent on their location. Welsh Government proposes the Public Goods scheme is expected to provide a significant new income stream for farmers. We believe a scheme that has, as a key objective, the delivery of Natural Resources Policy objectives cannot be automatically assumed to deliver equal access to all farm businesses or indeed provide a significant new income stream for those farmers.

NFU Cymru would concur that Welsh farmers deliver value to Wales's well-being way beyond its economic outputs. The value other land managers deliver is far from apparent and would benefit from further consideration.

We also agree that keeping farmers on the land will be essential to maintain and enhance environmental and social capital. The maintenance or continued delivery of existing economic, environmental, social and cultural outcomes has been largely underplayed throughout the consultation. Many of these benefits are intrinsically linked to farming activity and their continued delivery cannot be assured.

We recognise that Welsh Government proposes a valuable new income stream to support the delivery of outcomes for which there is no functioning market. A strong message that has emerged in our consultation with members is the desire for reducing reliance on public funds rather than increasing reliance in the future. The realities of the market place do not facilitate this currently. Reliance on public funds is directly related to macro factors such as global markets, and the agricultural policy of our competitors also has to be considered. However, Welsh Government needs to understand that an agricultural policy that facilitates the delivery of public goods for which there is very little or no functioning market at the expense of producing marketable goods (for which we acknowledge there are differing degrees of market failure) will result in increasing dependency and reliance on the public purse in the future and not less.

In our view it is not an appropriate or sustainable response from Welsh Government to have distinct and possibly opposing policy measures to optimise separately the delivery of market and non-market goods. A disjointed approach is likely to have unintended consequences for the sustainable management of natural resources across Wales such as the reduced delivery of environmental, social and cultural outcomes from some Welsh land and reduced optimisation of economic, social and cultural outcomes on other Welsh land. The overarching aim should be to optimise economic, environmental, social and cultural outcomes – sustainable agriculture delivering SMNR across all farms - with the current levels of delivery forming a good baseline from which to start and also judge future success.

Acute levels of frustration have been expressed by our members to the assertion that public goods have been delivered by farmers at a very low rate. Some objective analysis and quantification of the full range of public goods provided by farmers is vital. The assumption they will continue to be delivered at the current rate is naïve, securing the ongoing delivery of existing public goods and services delivered by farmers should be a key priority in the future Welsh Government policy for agriculture.



NFU Cymru is disappointed that Welsh Government has brought forward agri-environment schemes such as Glastir which farmers have participated in only for government and pressure groups to undermine and devalue the efforts of farmers within relatively short timescales. This has been highly damaging to farmer's confidence who have taken all the business risk and who have been minimally rewarded on a 'cost incurred income forgone' basis for the delivery of goods which are highly valuable to society. The expectation that farmers will cease economic activity and move over to the delivery of goods for which the only realistic market is the state has been undermined as a result.

Welsh Government states it has sought to make the most of the flexibilities within the CAP including opting for the maximum pillar transfer in order to maximise its ability to invest in the delivery of public goods, supporting the direction of travel set out in legislation. We would point out that Welsh Government has, in fact, reduced its budget allocation to the delivery of public goods over the programming period from £562m originally to £317m at the point of the first modification. The rate of co-financing has also reduced. Funding available for section 15 agreements for the management of designated sites has also significantly decreased over the same period. If nothing else, these examples, highlight that political commitments can vary and can change significantly over relatively short periods of time.

Welsh Government correctly recognises the limitations of Glastir relate in part to World Trade Organisation requirements that require payments to be made on the basis of 'cost incurred, income forgone' calculations. Welsh Government, through its myth buster issued to all recipients of BPS on RPW last month stated, as fact, that the future scheme will not be paid on cost incurred, income forgone calculations. Whilst we cautiously welcome Welsh Government's commitment to move beyond the current calculation formula, indeed, NFU Cymru is clear that farmers in Wales should be fairly rewarded for the full range of goods and services they provide. At this stage we do not share the same confidence that moving beyond 'cost incurred, income forgone' will be achievable. NFU Cymru is clear that there needs to be 100% certainty before progressing.

The term 'appropriate value' is used to describe the level of payments that participants in the Public Goods scheme can expect for the delivery of those outcomes. Very little detail is provided on how such outcomes will be valued in reality. Given the limited information provided on the methodology by which public goods are to be valued within the proposed Public Goods scheme we are unable to comment definitively. We identify much more detail is needed to define what and how public goods are to be valued (within the constraints of WTO and our comments above).

The consultation paper also puts forward proposals for an outcome-based scheme that focuses on rewarding delivery. NFU Cymru believes objective analysis of the 'pros and cons' of an outcome based approach is also vital before moving forward.

NFU Cymru would highlight that the very prescriptive and inflexible nature of the Glastir Scheme has proved difficult for our members, as has the administrative burden of demonstrating compliance with prescriptions which has led to comparatively high levels of breaches at inspection and with administrative error rates.

Results-based approaches are not new *per se* with a number of examples of results-based approaches existing for over two decades. Funded mainly via the EU Rural Development Programme, farmers have been paid for clearly defined biodiversity or other environmental outputs with results-based schemes allowing farmers to choose how to manage their land to achieve the desired results.

The first step in the development of results-based approaches is the definition of the objective or environmental outcome. Land managers are then paid for measurable indicators of this objective. Establishing indicators that are representative of the target objective, specific, measurable, and easily



identified by farmers and inspectors is critical as is establishing an appropriate threshold for payment - too high and farmers will be unable to reach it.

There are arguments that results-based approaches offer better value for money for the public purse; are easier for farmers to understand; also reducing deadweight in that farmers are unlikely to join if they are unable to achieve the outcomes.

Such approaches do, however, increase the risk for farmers as payment is dependent on delivery of the outcome. How existing beneficial environmental outcomes can be rewarded through such approaches is also unclear.

From the examples presented, it appears that results-based approaches have, thus far, focussed on the delivery of a single priority environmental outcome, as opposed to the delivery of multiple public goods proposed by Welsh Government. It is also important to remember that schemes across Europe, to date, have operated alongside Pillar 1 support mechanisms. In Wales these are now proposed as the replacement.

The extent to which results based approaches and the impacts of climate change, for example, can be projected into what is achievable is also not understood. It is essential that Welsh Government recognise that climate change could have a significant impact on what is achievable. Delivering outcomes based on terms such as 'better state' and 'preservation' or setting aims to 'increase biodiversity' or 'reduce flood risk' will be especially difficult unless there is a clear recognition of a moving baseline and that things in the future will be different because the climate is changing. For example, an increase in biodiversity should not necessarily be expected to mean more numbers of the same species or more species which the habitat might be expected to support currently, rather the species and numbers might be completely different in the future. None of this provides reasons for inaction however; rather it should be fully understood so that the right and realistic achievable action is undertaken.

From our research, it is clear we are very much in uncharted territory. Any move to result-based approaches will, therefore, need to be carefully considered and the subject of intensive piloting, thorough impact assessment with a sufficient period of transition before widespread implementation.

This will include addressing a number of practical issues which may challenge the adoption of results-based approaches such as the influence of weather on results or the length of time it may take to establish an outcome and what this may mean for payments to the farmer. For these approaches to work, advice and guidance will be needed to support the farmers with the practical requirements that will lead to the desired environmental outcome. The transactional costs of this will also need to be considered.

Past experience through, for example, Tir Gofal, has shown the value of quality advice and guidance both in developing and delivery of contracts for environmental outcomes. We are aware that our members continue to struggle with the approach adopted by Glastir where contract manager input and the ongoing support that farmers require to respond to day to day realities of implementation has been limited. The role of an advisory service is, therefore, recognised. However this must be carefully designed and implemented if conflicting advice and opposing outcomes are to be avoided.

We note the example proxy outcomes put forward in the consultation for a number of public goods. From the information provided many questions remain unanswered, for example, by what methodology will proxies for outcomes be determined? How will outcomes be measured? How can approaches be developed for multiple, sometimes, potentially competing objectives? Overall we would assert that proxies for some public goods outcomes will be more straightforward to identify than others and we are fearful that important public goods outcomes will not be included in a Public



Goods scheme as a consequence. It is vital that no public good should be excluded from a future scheme on this basis as very valuable outcomes could be lost and undelivered as a result.

We also have concerns about the time taken to develop a new results-based Public Goods scheme. The outline proposals are certainly far more complex than any pre-existing scheme. We understand for example, that it took over ten years to perfect the Burren project in Ireland.

Overall, we are concerned that results-based approaches will embed an inherent volatility into the key support mechanism aimed at delivering rural resilience by allowing farmers to continue managing their land. This is a fundamental weakness that will need to be addressed.

In terms of the objectives of the proposed Public Goods scheme, we note that Welsh Government suggest it will pay for outcomes based upon the value society places upon them. NFU Cymru would refer Welsh Government to a YouGov Plc Poll undertaken in July 2018 and based on a sample size of 1,014. The Poll identified the vast majority of the Welsh public associate the nation's farmers, first and foremost, as food producers and believe that they should be financially supported for this important role.

The poll of consumers found that 83% of those questioned associated Welsh farmers with providing safe, high quality and traceable food – a higher level of acknowledgement than any other service deemed as being provided by Welsh farmers. 83% of those polled also stated that they supported the idea of a new domestic agricultural policy in Wales providing funding support for Welsh farmers to continue supplying safe, high quality and fully traceable food to the nation. Just 2% were not in agreement.

80% identified the industry's role in boosting the Welsh economy; 71% recognised farmers' role in enhancing and maintaining the Welsh environment; 67% acknowledged farmers' role in educating the next generation about food and farming' and 52% associated the Welsh agricultural industry with supporting tourism in Wales. In each of these cases Welsh consumers also said that Welsh farmers should receive financial support for providing these services.

We identify '*the pressing problems*' suggested by Welsh Government may not align with what society wants, or in fact, values.

The extent to which rural community resilience and rural social capital can be maintained and enhanced through an approach, which seeks to pay for, in the main, for environmental outcomes, also needs to be understood. It is possible that Welsh Government can learn lessons from the past, for example, Tir Mynydd was fundamentally a socio-economic payment recognising the additional costs of farming in areas of natural constraint. Evidence of positive environmental outcomes was limited; however, meeting environmental objectives was never the objective of the scheme. By that same argument the extent to which social outcomes can be delivered through a scheme that restricts payment to apparently environmental outcomes exclusively requires further consideration. Further analysis is also required to understand the role of farmers in their rural communities and economy together with the impacts if that role fundamentally changes. The extent to which overall rural community resilience is maintained or enhanced from the current baseline needs to be understood.

We note Welsh Government proposes that the scheme will be managed through agreements between land managers and Welsh Government. These will be multi-year reflecting the time needed to deliver meaningful public goods and to provide certainty on the future income stream. It is important that Welsh Government proposals reflect the evidence in this area. The work undertaken by the Glastir Monitoring and Evaluation Programme (GMEP) for example, identifies the need for a long term commitment to deliver outcomes. We have been surprised by the apparent inertia within Welsh Government to secure the ongoing delivery of environmental outcomes by offering Glastir extensions to those farmers with contracts ending during the period of transition.



We would also highlight that the aspiration of achieving multi-year contracts will have to be balanced by political and budgetary realities. It is vital that such commitments are received given that Welsh Government proposes that some farmers will want to de-emphasise production into conventional markets and produce public goods for which the only feasible purchaser will be government.

We would also express profound concerns around the practicality of developing the number of bespoke individual contracts for the numbers proposed in the time available. We do not believe this to be feasible, we do not believe the capacity to achieve this exists and the costs associated with this are likely to be very high. As a result we believe that a sustainable agriculture baseline approach of broad and universally available options for all farmers that do not require individual negotiation should be taken forward. This could be coupled with a tier of targeted, bespoke agreements that would be much fewer in number and deliver a range of specialised outcomes, also potentially supporting sectors such as organic, farms with significant natural constraints / designated sites or farms who have been involved with agri-environment measures for a significant amount of time. Both elements will need to provide capital investment support.

- **Parameters of the scheme**

With respect to the parameters of the scheme, we welcome the fact that Welsh Government intends to work with stakeholders on detailed design. This will be essential if the vital role that farmers play in delivering a wide range of benefits is to be secured. To achieve a high level of uptake of any new approach, and therefore, successful delivery of Welsh Government's stated objectives then the farming perspective needs to be at the heart of all scheme from design right the way through to implementation. Intelligent design based on realistic farm conditions is central to this, but equally important is making available the necessary resources to adequately implement the measures. Wales has a long track record of agri-environment approaches and we would highlight that one of the reasons why Tir Gofal was so successful at implementation was because it built on the learning of the successful Tir Cymen pilots.

In terms of the scope of the scheme, we welcome the fact that Welsh Government intend to reward farmers for the delivery of a wide range of outcomes. We note the examples provided and will consider them below, however, we would firstly make some broader comments about public goods as a concept:

Farmers, as managers of over 80% of the land area of Wales, have a key role delivering a broad range of public goods for society. In the first instance, the public goods currently delivered by Welsh farmers should be identified and valued. Policy should support the continued delivery of the current baseline of public goods delivered by farmers as a key principle. This baseline of public goods common to all farming systems should be established as a base tier Public Goods scheme underpinning sustainable agriculture, avoiding the need for costly but repetitious contract negotiations and securing the delivery of public goods across a far greater area. This element should include a component of data capture on those positive practices required to underpin the sustainability of Welsh food and drink.

Funds should be directed to support the delivery of public goods arising from agricultural activity. It is only through this approach that the continued delivery of the full range of goods and services from farming can be secured. It is also particularly important that public goods are linked to agricultural activity to secure equal access to the scheme for Wales's tenanted sector. NFU Cymru would be keen to work with Welsh Government to develop a list of baseline public goods. This list must also reflect the fact that public goods are also complex social goods with cultural, heritage and traditional dimensions and are broader than singular environmental aspects.

Welsh Government has opted not to include a definition of public goods within the consultation paper, although it describes them '*as things for which there is no established market*'. We have already



referred to the fact that we believe many of the goods described in the consultation paper as operating across a spectrum of market failure, our research in this area also reveals that a range of definitions of public goods exists.

We would refer to the definition established by the Institute of European Environmental Policy (IEEP), for example. In their paper they identify that the characteristics of non-excludability and non-rivalry may be exhibited to almost any degree, and indeed, pure public goods are rare. They go on to describe the public goods arising from farming specific to the UK including:

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

In defining public goods, they indicate, it is also important to recognise that in addition to the inherent value of public goods to society, a range of second order social and economic benefits occur that depend, partly or wholly on the existence of public goods provided through agriculture. A key challenge lies in identifying and valuing this range of secondary benefits to secure their continued delivery. The methodology by which public goods are to be selected for inclusion within a Public Goods scheme is, therefore, of paramount importance. We are clear that this should not be restricted to those that are most easy to measure and value, it is in the interests of Welsh Government to include as broad a range of public goods delivering economic, environmental, social and cultural outcomes in line with its objective of providing a valuable new income stream to ensure farmers can continue farming the land and contributing to rural community resilience and rural social capital.

This list is clearly more encompassing than the public goods described in the consultation paper with many entities describing both public and private characteristics. The paper identifies, that food security provides an example of a public good with distinct private characteristics and goes on to identify that although markets are the best regulators of food supply, there are hazards arising from a potential shortfall in supply that do not arise with other commodities less central to human welfare....ensuring access to affordable and safe food at all times warrants government action.

We would further highlight that whilst the consultation paper seeks to characterise food as a commodity, food production in Wales has a range of social, cultural, heritage and traditional dimensions, the provision of which could be considered public goods. The challenges to our global food production system have been described at an earlier point in this consultation response.

The threat to UK food security could be more serious should increasing global demand combine with other potential problems such as climatic shocks, pests and diseases. For example, global population size is set to increase from nearly seven billion today, to eight billion by 2030; the UK population alone is projected to increase to over 74 million by 2039. The global population will become older and more urbanised; both of which will impact on food consumption patterns and agriculture. The GFS synthesis report of 2015 Extreme Weather and Resilience of the Global Food System states:



'In 2007/2008, a small weather related production shock, coupled with historically low stock to use levels, led to rapid food price inflation, as measured by the FAO Food Price Index and associated with the main internationally traded grains. This price was compounded by some countries imposing barriers to local export, to ensure their own food security, leading to an FAO price spike of over 100%. A similar price spike occurred in 2010/2011, partly influenced by weather in Eastern Europe and Russia'.

Moreover, in its key recommendations it states that *'Governments should also consider policies to bolster national resilience to international market shocks'.*

In summary, NFU Cymru does not advocate that the UK should be fully self-sufficient. However, we strongly believe that Welsh Government should have higher regard for domestic food production's contribution towards the UK's food security. It is a matter of strategic national interest to ensure that our country can feed itself, and a high level of domestic production in a volatile world is a critical aspect of food security.

Short supply chains and more direct oversight of food safety processes is also an area of significance and we would highlight that recent EU audits of meat production systems in other parts of the world have led to imports from certain plants being halted. Against the difficulties in oversight in global supply chains, and the public's trust in Welsh food, we believe that future policy should support Welsh food production to underpin this choice. 'Horsegate' also illustrated what can happen where supply chains are long and complex.

A reduction in domestic production would also mean greater reliance on imports from other parts of the world, which could undermine the environmental objectives achieved through production here. Imports from elsewhere, where we have no control over production standards, in effect exports the environmental footprint associated with them. This is not an environmentally or socially responsible choice.

For example, in a paper published by the Royal Society in 2016, it was reported that the UK is currently importing over 50% of its food and feed, but this actually equates to off-shoring 70% and 64% of the associated cropland and GHG emission impacts. They state that *'these results imply that the UK is increasingly reliant on external resources and that the environmental impact of its food supply is increasingly displaced overseas'.* The key point here is that investment in resource efficient and resilient domestic food production plays an important role in limiting this external footprint.

NFU Cymru believes that if food production in this country is undermined now, then our ability to deliver the many and varied public goods will be damaged in the long term. Overall we are firm in our conviction that maintaining a robust and resilient domestic food production sector for current and future generations is in the nation's interest and, therefore, future agricultural policy must support farmers in their role as food producers.

- **Decarbonisation and climate change adaptation**

With respect to meeting Wales's decarbonisation obligations, NFU Cymru notes the recent Welsh Government consultation 'Achieving our low-carbon pathway to 2030' which sets out the actions that need to be developed and implemented at a sectoral level to reach the 2030 target of an overall 45% reduction.

For agriculture, we note Welsh Government proposes an increase in the rate of reduction in the 2020s with emissions reductions continuing at a reduced rate from 2030 to 2050. This scenario, it is proposed will be delivered by efficiencies in current farming systems. For forestry and land use, Welsh Government propose a doubling of the emissions sink arising from forestry by 2050 which will be delivered largely through afforestation (90%) with some contribution from agro-forestry (10%).



This is suggested to equate 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 is disappointed at the lack of reference to the 'low-carbon pathway' proposals for agriculture and forestry and land use within the 'Brexit and Our Land' consultation, despite the launch of the consultations at the same time. The lack of reference to low-carbon pathway proposals, specifically the scale of land use change proposed is highly concerning. We are in no doubt that the lack of integration within the consultations and the poor timing will have hindered the ability of consultees to respond meaningfully. NFU Cymru is extremely concerned at the lack of regulatory impact assessment provided with proposals to assess economic, environment, social and cultural impacts as well as impacts to agricultural productive capacity and safeguarding food security.

In our view the commitment of the Paris Climate Agreement is not reflected in Welsh Government proposals for agriculture and land use and forestry. Safeguarding food security should be a key test given that the challenges to our global food production system over the same timescales.

Whilst as farmers we recognise the very important role that we have to play in contributing to the decarbonisation agenda in Wales, this burden must not fall unequally on the farming sector or on our rural communities. Nor must targets in Wales be achieved by 'off-shoring' food production to other parts of the world. This would be a wholly unsustainable position for Welsh Government to adopt and not align with the Paris Climate Agreement in 2015 which recognises the fundamental priority of safeguarding food security.

We would highlight the role of grassland in contributing to Wales' low-carbon pathway. Grassland can store a very substantial amounts of carbon, whilst wooded land can, of course, store potentially more due to the aboveground biomass, suitable management of grassland can improve above ground productivity, which should lead to enhanced root biomass and, therefore, greater amounts of below ground carbon storage.

There are a range of measures that can improve soil carbon stocks in grassland including increased grassland productivity, species management, application of farmyard manures and slurries. In cropland there are also a range of agronomic practices that can improve soil carbon stocks. Such measures could be supported in a base tier public goods approach.

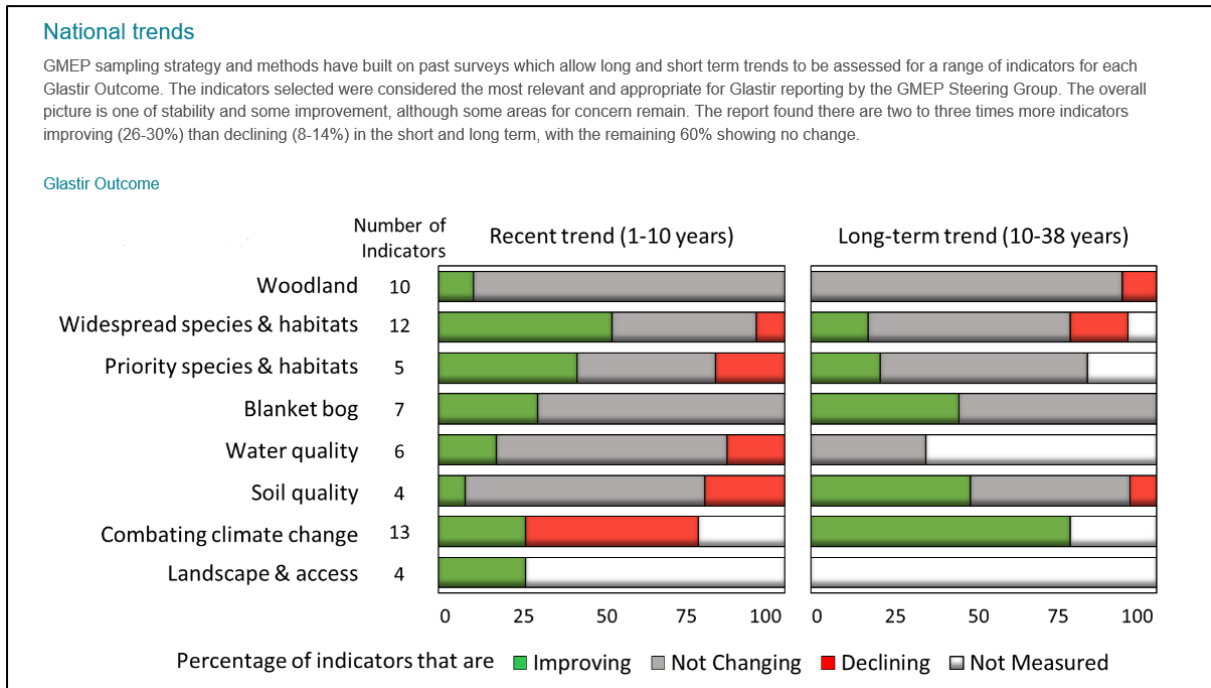
We would also highlight the sequestration potential of hedgerows is significant. For example, active management can deliver 0.97t CO₂e/ha/year whilst hedgerow restoration can deliver 3.67t CO₂e/ha/year. The length of hedgerows in Wales is an estimated 106,000km.

- **Resilient habitats and ecosystems**

Firstly, NFU Cymru would highlight that over the past 30-40 years, farmers in Wales have carried out a huge amount of work to encourage wildlife alongside wider environmental work for the landscape, benefits to soil and water and reducing farming's impact on the environment. There has been substantial engagement within agri-environment schemes and a vast array of voluntary environmental schemes and projects.

We strongly disagree with the rhetoric which frames the environment as deteriorating. Evidence from GMEP for example, has been presented earlier in this response. GMEP identifies the overall picture is one of stability and some improvement.





We believe claims regarding biodiversity decline are very much unsubstantiated. We note little reference is made concerning continued urbanisation pressures and parallel loss of habitats. The Caernarfon bypass, for example, is set to take 34 hectares alone and there are likely to be many more similar projects with similar loss of farmed habitats.

In framing payment for the delivery of public goods related to resilient habitats and ecosystems, NFU Cymru would highlight the need to consider and understand the concept of ‘natural environment’. We would stress that there is no area of Wales that is truly ‘natural’ in the sense that it has been unaltered by human activity. The vast majority of what is described as the ‘natural environment’ is in fact semi-natural vegetation and semi-improved grassland which is reliant on active and continuing land management by farmers.

The natural environment should not be presented within the future Public Goods scheme as something that requires ‘protection from’ agricultural activity rather it should be viewed as being ‘conserved by’ the farming community who have created, shaped and maintained the environment over centuries. There is also a need to recognise and value maintenance of habitats within the Public Goods scheme alongside habitat creation, restoration and enhancement. We would remind Welsh Government of the significant areas of habitat that already exist on Welsh farms, some of which was established through public funds. These habitats and their connectivity through provision of well managed hedgerows and streamside corridors and so on must be valued through the future approach. The aim should also be to maintain a diversity of different habitats. This will include improved grasslands and diverse cropping which are all highly important feeding areas for many bird species and, therefore, have a clear public goods value. The condition of many other habitats is wholly dependent on the actions of grazing livestock with added benefits attributable to mixed grazing systems.

In terms of building resilience, the Wales Nature Recovery Plan describes the key characteristics of resilience as diversity, connectivity, scale and extent as well as condition. Welsh farmers will clearly have a key role in maintaining and enhancing levels of resilience through specific activities that support all these characteristics.

We would also take this opportunity to highlight the very important role of our native Welsh livestock breeds, in particular, hefted flocks which are increasingly under threat. This genetic resource is afforded protection under Aichi Target 13 and it is vital that the genetic diversity of our farmed livestock together with the very specialist skills required to keep them are not lost through proposals.

The process by which outcomes for biodiversity and ecosystems will be valued and monitored has not been detailed within the consultation. We foresee this is likely to be a highly complex and difficult area. The outcomes for biodiversity and the capacity of farmers to deliver results is likely to be influenced by a range of factors, many of which will be completely outside their control.

For example, consideration will be needed of pressures and drivers of biodiversity change at the appropriate spatial scale. Many species on the red list, for example, will be migratory species and are subjected to pressures outside Wales. A further example of factors beyond the farmers control would be predation which is a significant issue that is contributing to the decline of some species. There will be a need to recognise that effective species management varies from strict protection through to deployment of active control measures when species populations start to increase to unsustainable levels, impacting negatively on their habitat and other species.

Overall, biodiversity obligations have to be balanced with a range of other economic, broader environmental social and cultural objectives. It is a wholly unsustainably position to continue to take areas of land out of agricultural production; land use change or non-interventionist approaches should not be a desired outcome of the Public Goods scheme. We are clear the focus should be on optimising multiple benefits through sustainable agricultural systems.

- **Reducing flood risk**

The consultation refers to the role of farmers across Wales in reducing the risk of flooding to downstream communities. Firstly, it is essential that Welsh Government recognise that no scheme or project will ever prevent flooding. The natural flood management or nature-based solutions described are important tools in alleviating flood risk but these measures are not the panacea and will not entirely replace more traditional forms of flood defence. Farmers are increasingly at the mercy of extreme weather events and there must be greater recognition of the national importance of increasing the resilience of agricultural land to future flood events and periods of dry weather.

How such measures are likely to be valued in a future public goods approach is not described in the consultation. The examples that exist currently do not appropriately value the true impacts on farm businesses or ongoing benefits to the beneficiaries. Whilst approaches can work and deliver tangible benefits for communities, the significant consequences, costs and impacts to farm businesses need to be better understood. For example, it is often the farmer's best land that is subjected to flooding. Any measure that increases the risk and frequency or duration of flooding must understand and place a value on the impacts to farm productivity.

It is also important to recognise that negotiating agreements with farmers and landowners for such approaches can be highly contentious and difficult. Overall, outcomes must be sustainable for all parties in the long-term and more accurately reflect the value to society.

Whilst the consultation refers to reducing flood risk, we would also highlight as per the definition of public goods described earlier, management to reduce fire risk should also be considered and valued as a public good very relevant to Wales.

Between 2000 and 2008 there were over 55,000 recorded grassfires and nearly 550 forest fires in South Wales. This equates to eight times more per unit area than the UK as a whole. South Wales Fire and Rescue Service estimate an annual cost in their service area of around £7m due solely to



wildfires. There are, of course, other costs with risks to property, human health, as well as increased water treatment costs where fires occur in catchments with abstraction points.

Prevention strategies must not only focus on public awareness and reducing ignitions but also active management to reduce fuel build up.

In recent years, bigger fires have occurred as fuel levels have been allowed to build up largely coinciding with reduced levels of beneficial forms of active management such as grazing by hefted flocks. Active management by farmers has been increasingly challenged or indeed, discouraged through agri-environment approaches such as Glastir and a future Public Goods scheme will need to address this for its tangible value to society.

Whilst this may be perceived as primarily an issue for the urban fringes, we would highlight that active management through grazing provides benefits in the form of reduced fire risk across Wales and in more rural areas – for example on sites where military training occurs. The recent case of the fire on the Common on Llantysilio Mountain affected local tourism businesses with closures that lasted over a week.

Overall it is important to recognise that reduced viability will be associated with the loss of traditional practices and diminishing levels of active management in areas vulnerable to fire hazard.

- **Air Quality**

We note proposals relating to air quality and suggest actions to deliver positive outcomes will operate at a range of spatial scales – from national down to local; potential measures should be developed in this context. We would not want the situation to arise where air quality public goods are so restricted as to represent a meaningful opportunity for few farmers on the urban fringes when all can make a broad and positive contribution to this agenda.

It is clear that measures are likely to be cross cutting and deliver a range of multiple benefits. We would also highlight that some actions will be common to farming systems and could potentially form part of the base tier public goods approach.

We are concerned about the determination of outcomes and how they will be monitored, bearing in mind there are a range of factors and influences on air quality at a local scale, we believe determining results at a farm scale could be challenging.

- **Water quality**

The evidence shows that there are a range of factors influencing water quality in Wales. For agriculture, reductions in nitrogen fertilizer consumption across Wales reduced by approximately 45% between 1990 and 2013; a significant decline in available phosphorus for improved land has been observed; with respect to pesticide use - 50% less active ingredient has been applied since 1990. Analysis of the Water Framework Directive (WFD) investigation programme for 2015 shows that agricultural practices are contributing to the failure of 100 of the 953 waterbodies in Wales. As an industry we recognise our role in contributing to further improvements in water quality and NFU Cymru has devoted considerable time to working with partners on the development of an enabling framework that supports farmers to take action where it is needed as detailed in the NRW Sub-Group on Agricultural Pollution Interim Report submitted to the Cabinet Secretary in April 2018.

We identify that both the proposed Economic Resilience and Public Goods schemes have a role to play in supporting positive and improving outcomes. Reflecting a catchment approach, we believe a base tier of actions common to most farming systems such as nutrient and pesticide management should be identified and delivered outside of the bespoke contract mechanism.



In terms of monitoring outcomes, the extent to which these can be determined cost effectively at a farm scale is far from clear. Water quality is likely to be heavily influenced by a range of other factors in a catchment and also the practices of neighbours.

We are also unclear how positive actions for water will be valued. NFU Cymru is acutely aware that farmers remain largely unrewarded through conventional markets for the vast majority of the goods and services they provide, water quality being one.

We reiterate farmers in Wales would be 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. However, challenges remain turning PES from an aspiration to a reality.

We highlighted earlier that markets for water do in fact exist – customers here in Wales and over the border in England routinely pay for the water that comes through their taps. The extent to which water companies in Wales are prepared to engage in the market for the delivery of positive outcomes which save them money on 'end of pipe' solutions, however, is yet to be seen. Whilst examples of small scale schemes such as the Welsh Water Weedwiper trial have been positive, all involved need to be clear they bring no direct income to farmers so they do not pay for an ecosystem service as such. Whilst there must be measurable cost savings delivered for the water companies these are not passed back down.

We express concerns that despite there being significant benefits to water companies from working with farmers to actively manage a catchment for water, the direction of travel set out in this consultation through a public goods approach in which there will be state intervention in the market underpinned by a regulatory baseline is not likely to bring them (those companies set to financially benefit most) any closer to the table. We would highlight that water is a significantly undervalued resource, it is likely to be increasingly important in the future – here and over the border where water stress is becoming more prevalent.

Farmers in Wales cannot accept ever increasing levels of regulation or low returns from a public goods or PES approach in this valuable market. We are clear that the true value of positive catchment management by farmers needs to be returned to them. Overall, it is vital that Welsh Government safeguards the industry's interests in this regard by not introducing regulation which undermines Wales' competitive position.

- **Soil conservation**

The consultation refers to a number of measures such as cover crops, boundary run off control, erosion management and riparian zones as of fundamental importance in protecting topsoil as an important resource.

In our view it will be possible to identify a range of actions that will contribute to positive outcomes for soils. We would highlight that new developments such as the ability to map and understand factors that contribute to soil health to better target fertiliser use are emerging all the time. Whilst these also deliver productivity gains we would highlight that often the gains and the returns from the market are insufficient to drive widespread uptake and change on their own. Underpinning farm business viability as well as incentivisation will be central to driving the adoption of such techniques.

We would also highlight, that currently there is no consistent protocol of how soil health is measured. If farmers are to be rewarded or incentivised for soil health there must a tried, tested and pragmatic processes in place.



- **Heritage and recreation**

Wales's attractive agricultural landscapes provide the platform for a range of economic opportunities including tourism and recreation, the development of a range of speciality products and foods as well as providing an attractive place for people to live and work.

The lack of reference to landscape within the consultation is, therefore, most surprising to us given its important contribution. This is an important public good that must be valued in a future approach. The continued maintenance of Wales' iconic landscapes cannot be guaranteed where the viability of farm businesses is challenged. We would also take this opportunity to highlight that positive landscape outcomes are underpinned by ongoing active management by farmers, not only in how features are managed but also through the very actions of livestock and crop production. It is farming that delivers the huge diversity of unique landscapes which are symbolic of rural Wales and gives so much pleasure and health and well-being benefits to those both living in and visiting these locations.

The challenge of how landscape quality can be monitored or measured is far from straightforward, we are clear, however, without viable farm businesses continued provision of a landscape that will attract visitors cannot be assured.

We do welcome the reference to the role of farmers in maintaining and conserving our cultural heritage. We are clear that the maintenance of a range of farmland and landscape features is a public good for which farmers should be rewarded and which also provides wider economic and environmental benefits such as local employment and the retention of traditional skills. Continued management of boundaries such as hedges and stone walls also has positive impacts for wildlife, water and soils. However, the cultural contribution of farmers goes way beyond the description provided in the consultation.

We highlight, for example, that 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 (29.5%), which is higher than in any other employment category.

Whilst Welsh Government has opted not to provide a Regulatory Impact Assessment alongside the consultation, we believe there to be very significant impacts to the viability of farm businesses as a result of proposals.

This has consequences for both direct and indirect employment and it is reasonable to assume that this has the potential to undermine the essential contribution of agriculture to the preservation of the Welsh language outlined above.

We refer you to the Welsh Government paper 'Farming in Wales and the Welsh Language', August 2016 which states *'that 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 like to be under threat'*.

The report goes on to state that *'moves that undermine with 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 Well-Being of Future Generations Act 2015 establishes as one of its seven Well-Being Goals 'A Wales of vibrant culture and thriving Welsh Language'. The Act makes it clear that public bodies must work to achieve all of the goals.

In light of the evidence presented above, in our view, it is imperative that a full impact assessment of the impact of proposals on the Welsh language be undertaken. NFU Cymru is absolutely clear, that



the role that Welsh farming plays in underpinning the language is one that should most certainly be valued in a future public goods approach.

In terms of seeking to define outdoor recreation as a public good we highlight that the potential impact to legitimate businesses that have been developed in the field of tourism and recreation must not be undermined through any public goods approach.

The issue of access has been consistently raised by our members through the consultation process. Firstly, we highlight that the issue of access is one that is highly contentious to our members and our position with respect to access reform is set out in the responses to the Welsh Government consultation 'Improving opportunities to access the outdoors for responsible recreation', September 2015 along with Chapter 4 – Access to the outdoors of the Welsh Government consultation 'Taking Forward Wales's [Sustainable Management of Natural Resources](#)', September 2017

We would highlight that Wales already has the advantage of a very extensive network of paths and access land including more than 16,000 miles of footpaths, 3000 miles of bridleways, 1200 miles of cycle network and over 460,000 hectares of access land with the result that Wales is one of the most accessible countries in the world.

Given that over 80% of the land area of Wales is agricultural land and under the ownership and management of farmers, they are the key providers of the landscape and countryside upon which many access and recreational activities depend. Whilst we are strong advocates of measures to improve public understanding and appreciation of farming and public access to the countryside, also recognising the health and social benefits of outdoor recreation – we are clear this has to be in the right place and at the right time. Since devolution there has been a threefold increase of land accessible by right, whilst usage numbers have been found to remain fairly level at 27%.

Access provision can have high costs and impacts to farm businesses. Dog worrying is an increasing concern for our members there are also diseases carried by dogs including Neospirosis that can result in abortion in cattle, Hydatid is another such example and tick borne diseases such as Lyme disease pose risks to human health.

As a result we are clear that any option to create new public access must remain voluntary and it should be possible for farmers to divert or remove any permissive access installed. There should be flexibility in when routes are open to the public reflective of the farming calendar. Farmers should be supported through additional payments that go beyond 'costs incurred, income foregone' calculations for providing permissive access. We are concerned, however, that under current legislation, landowners inviting the public onto their land through a permissive access scheme owe a higher duty of care to the users of the path than is the case where the public uses a public right of way. Changes of legislation should occur which would mean that the same level of duty of care exists whether the public is using a permissive route or public right of way. The level of duty of care should be harmonised so that individuals enjoying permissive access are owed the same duty of care as is owed to public right of way users currently.

Any future public access options should be available to all farmers and include financially supporting farmers with capital works such as gates, fencing, stiles, and other footpath furniture. We reiterate, permissive access should be entirely voluntary and should end when the funding ends.

We would also highlight that access can also sometimes be in conflict with the provision of other environmental benefits such as the disturbance of ground nesting birds at certain times of year. Rights of way and common land can also be catalysts for rural crime. Impacts of new access on farms attracting public goods support should therefore be carefully assessed and understood.



- **Parameter 2 – Open to all**

We do not agree with Welsh Government's premise of 'existing' or 'potential' options as presented in the consultation. This is because to describe actions such as decarbonisation actions, habitat resilience actions or soil conservation actions as 'potential' is wholly inaccurate since farmers are delivering these actions already.

We are also clear that a wholly improved farm is already delivering public goods and should be rewarded for doing so. We do not believe it will be necessary for land use change to be required to secure public goods payments, particularly as Welsh Government is aiming to pay for the delivery of outcomes. If carbon is being sequestered on farm through trees, hedgerows or grassland then on a results-based approach, those outcomes should be rewarded irrespective of when the sequestration mechanism (tree, hedge, grassland) was established. It is illogical to suggest otherwise.

In our view the failure of Welsh Government to recognise this will undermine its own objective of the scheme – that of increasing rural resilience - as would defining public goods in the very narrow environmental terms described. We note both the existing and potential actions are all environmental outcomes and we ask where are the social goods Welsh Government suggests it wants to procure.

Our concerns relating to equal access to all have been made elsewhere in this response.

- **Parameter 3 – Opportunities for action**

Whilst we recognise that the delivery of public goods will be dependent to some extent on the location of the farm, we are also clear there are some public goods common to all farms which should be recognised and valued through a public goods approach. We would be concerned if the future approach is to specify areas, set boundaries or place restrictions on what public goods can be delivered where, though, for example, the area statementing process. We highlight that the spatial mapping process underpinning Glastir Advanced has been a source of significant frustration to many farmers who have been denied opportunities to participate in the advanced level scheme despite applying year after year. Evidence underpinning the Glastir maps are not always robust, infrequently updated and can sometimes be based on little more than citizen science.

We remind Welsh Government that environmental delivery is entirely reliant on farmers wanting to participate. Overall we have fundamental concerns that this could lead to a 'postcode lottery', lacking strategic oversight; and resulting in unequal access to the scheme which could undermine the key objective of ensuring rural resilience by keeping farmers on the land.

We would also highlight that, as far as we are aware, the Area Statements are not yet available and published, we note that Welsh Government intend to build on the existing spatial targeting system and would suggest that until this process is completed then any objective, detailed modelling to understand the impact across all Welsh farms, sectors and regions could well be limited.

- **Parameter 4 – Evidence-based public goods**

NFU Cymru is perplexed by the statement that Welsh Government will only include public goods for which there is an evidence-based connection between land management actions and the delivery of a specified outcome. This suggests that Welsh Government will only support environmental outcomes through a Public Goods scheme when earlier it refers to broader social outcomes. We are concerned that if this is the case then a range of broader social and cultural outcomes which are of significant value to society will not be included in the future approach

The methodology for identifying and determining the evidence based connection has not been described. The extent to which land management actions can be identified as being the only factor in



driving a specified outcome is far from clear. NFU Cymru also has very significant concerns that Welsh Government suggests there may be an additional role for an independent third party assessment. The additional transaction costs associated with this are likely to be high and we suggest that finding truly independent third parties with the necessary skills and expertise to assess the full range of public goods will be extremely challenging. The prospect of independent parties for each outcome with inspections for each and every public good provided is not one that any farmer will welcome; confidence that a third party will assess objectively is also very low and has been further undermined through this consultation process.

We also identify that outcomes could be seasonal or weather sensitive and place farmers under very significant stress given that this is proposed as the major new income stream. Our members are clear that inspections need to be limited and where possible with technological solutions such as geo-mapping and smart phone technology be deployed to provide a cost effective method of demonstrating outcomes remotely.

We are also confused by the statement that Welsh Government will seek to develop new tools whereby social values can be attributed to the outcomes sought which appear from the consultation proposals to be largely environmentally focussed. In our view this difficulty arises because Welsh Government fails to recognise, through proposals, that public goods are, in fact, multi-faceted delivering environmental, social and cultural outcomes for society and all have a value in their own right.

It has been suggested that it may be possible to underpin values for outcomes with approaches that include, for example, links to labour units to reflect the social value of keeping the land farmed. Overall, we are clear objective methodologies will need to be developed.

The identification of an environmental baseline is likely to be site specific - down to field parcel scale - and the practicality of achieving this level of detail to underpin contract negotiations within the time available is questionable. Some members with designations on their farm have expressed concern that they will be starting from a higher baseline for some public goods and as a result there will be less scope to deliver additional public goods and attract public goods support. Participants in current and past agri-environment schemes who have been proactive in delivering a range of environmental outcomes could also be disadvantaged and their opportunity to deliver yet more without significant land use change restricted. There appears to be an inherent unfairness in this.

The key question of how data collected on outcomes achieved will be utilised also remains unanswered. Whilst this is likely to be central to unlocking Public Goods payments for farmers, meta data could also be useful in demonstrating progress across a range of objectives for reporting across a range of national and international obligations but also in underpinning the sustainability credentials of Welsh food and drink as described earlier. The mechanism by which this could be achieved merits further consideration.

- **Parameter 5 – Additionality**

Allied to the comments in the previous section on the principle of additionality, NFU Cymru views relating to regulation are made later in this response.

We are clear that discussions around future regulation must be considered alongside and not separately to the development of the Public Goods scheme. Welsh Government must also recognise that regulation adds costs and there will be a range of factors, not least the future trading environment and demonstrating regulatory equivalence that will need to influence this process.



- **Parameter 6 – Advisory support for land managers**

Whilst we recognise that advisory support will be important in supporting farmers with the delivery of outcomes and the officer support of the Tir Gofal scheme was highly valued, we express concern around the time required, costs as well of the capacity of staff to deliver what is an entirely new approach, untested for the delivery of multiple outcomes anywhere in the world. We believe as currently presented, the time and complexity of negotiating and developing bespoke contracts on the scale proposed will be an impossible task in the time available.

We also note proposals for collaboration to deliver public goods at the landscape scale. Whilst collaboration has been achieved through a range of schemes, for example, the Glastir Commons agreements that exist currently, it is also important to recognise that in some instances collaboration has been impossible to achieve and contracts did not proceed as a result.

In the context of Glastir Commons, the significance of not reaching agreement was lessened by the fact that BPS continued to be received by farmers. In its absence then the failure to secure a public goods contract could be so significant as to force a farmer from the land. We highlight there will be a range of reasons why collaboration at the landscape scale is challenging or unworkable. Individual businesses have a range of objectives and motivations, individual farm businesses cannot and should not be disadvantaged as a result.

We also foresee a scenario where the landowner rather than the farmer of the land will try to secure the public goods funding, for example, on common or tenanted land. Again the active farmer taking all the risks of food production will be threatened as a result.

We are pleased that Welsh Government proposes to learn lessons from existing schemes and projects that support and promote collaboration. We cannot emphasise enough that these are operating in a very different context currently where direct support underpins the farm businesses concerned. We identify that businesses need stability and confidence to enable them to invest time in collaboration.

We are also concerned that it is suggested that Welsh Government need not be the only administrator and we, highlight again, that this could result in a, postcode lottery, and unequal access for farmers across Wales as a consequence of variations in approaches. We have concerns there will be additional complexity and bureaucracy as well as additional transaction costs limiting delivery on the ground. An assessment of the administration/management costs versus costs of environmental action associated with the Sustainable Management Scheme would be helpful in increasing our understanding, for example.



Summary

NFU Cymru believes that farmers should be rewarded for the full range of public goods they are already delivering that underpin economic, environmental, social and cultural well-being in Wales. Objective analysis and quantification of the full range of public goods provided by farmers based on the broader definition described earlier in this chapter is vital. There can be no assumption that the full range of goods currently provided by farmers will continue to flow under current proposals and in the absence of some form of stability measure.

We cautiously welcome the commitment from Welsh Government to move beyond current 'cost incurred, income forgone' calculations so that farmers can be fairly rewarded for the public goods they provide. However, it is essential that new policies and new payment levels are designed to operate within the bounds of the WTO rules on agricultural policies. Proposals, we identify, will also need to work effectively with the UK framework agreements.

More information is required to understand the objective methodology by which public goods and their proxy outcomes are to be identified and the process by which values will be determined. As is the process by which results-based approaches for the delivery of multiple public goods outcomes can operate in practice.

NFU Cymru is concerned that practical implementation of the public goods approach will not be possible within the timeframes proposed. Schemes must be piloted and impacts to farm businesses, the food sector and rural communities understood before progressing.

There are a range of public goods common to all farms that should be identified and supported through a base tier public goods approach that do not require individual negotiation and this should be coupled with a tier of targeted, bespoke agreements that would need to be much fewer in number and deliver a range of specialised outcomes. Both elements will need to provide capital investment support.

Overall, we have concerns that the public goods approach based on outcomes described in the 'Brexit and Our Land' consultation will embed volatility into the key mechanism by which Welsh Government seeks to provide stability and deliver rural resilience.



A new regulatory framework

Our compliance with EU legislation and the rules of the CAP have been fundamental to our participation in the Single Market. EU legislation has impacted extensively on farmers with the Cabinet Secretary having estimated that there are as many as 5,000 pieces of EU derived legislation in her portfolio alone. There is no doubt that the impact of EU derived regulation on the farming industry has been one of the most controversial aspects of our membership of the EU. The loss of many crop protection chemicals and the introduction of individual movement recording of sheep being two recent examples where farmers have taken issue with lawmakers in Brussels.

NFU Cymru has previously set out its vision for a future fit for purpose regulatory framework, a vision of a framework that supports productive agriculture, which maximises our potential for trade, protects the environment and provides confidence to the consumer. In the following paragraphs we will summarise some of the key principles set out in our [vision](#) paper.

Many of the principles within our vision are long held policy aims for NFU Cymru and formed the basis of our engagement with a number of Welsh and UK Government reviews looking at better regulation over the past decade and more, most recently the 2012 Working Smarter review undertaken by Gareth Williams. We have also responded to countless consultations where Welsh Government has proposed to introduce new or amend current regulation, some of these proposals are referred to within this consultation.

Within this consultation response NFU Cymru will not go into detail in relation to our views on a new regulatory framework or reiterate everything that we have said in previous consultations that are referred to within this chapter because this consultation document does not ask any specific questions on a new regulatory approach. Safe to say that the positions outlined in our previous consultation responses on these matters are as relevant today as when they were written.

We respect that Welsh Government point out that regulatory reform is a challenge that lies beyond the scope of the present consultation and that Welsh Government will bring forward a statement in the autumn on how to approach post Brexit regulatory reform. We respect that many of the principles outlined in this chapter are likely to form part of a future consultation. A new regulatory framework is an issue that must be rigorously considered and consulted upon. Regulation is an issue that time and time again comes up as one of the key factors that impacts on farmer confidence. Our departure from the EU must be used as an opportunity to deliver a fairer and more proportionate regulatory framework.

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. As the consultation highlights payments for public goods will not be made to fund compliance with regulation, payments will be made for outcomes above the regulatory floor. Agricultural policy, support and regulation are therefore completely intertwined and this means the policy, funding and regulatory framework in Wales will need to be considered concurrently.

As regulation is amended or created in Wales it is vital that full regulatory impact assessments are carried out to gauge the effects on farm businesses. How regulation improves or damages the performance of businesses must be a key consideration.

Science and evidence must be at the heart of policy and decision making, with decisions based on robust scientific evidence. A renewed focus on science and evidence must be taken forward to ensure that the desired outcomes are achieved and unintended consequences avoided.

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 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.

After Brexit there is the scope to do things differently, in fact in terms of our environment, the Environment Act 2015 gives us the very opportunity to do so. The Act revises the purposes of NRW to pursue the sustainable management of natural resources and ways of working and also empowers Ministers to suspend statutory requirements for experimental schemes.

The new regulatory environment will also 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. Earlier this year NFU Cymru was fortunate enough to participate 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.

The consultation rightly highlights the tapestry of regulation that farmers currently face including the patchwork of directives, statutes and codes of practice of which cross compliance is one. We are encouraged that Welsh Government sees an '*opportunity to make changes to improve the quality of regulation*' and the '*opportunity to bring about a simpler and more coherent set of regulations*'. It is therefore surprising and disappointing that the only specific example within the consultation of what a new regulatory framework may entail suggests additional regulation through the option of introducing Basic Measures.

The consultation states that Basic Measures would be a set of basic standards to define responsible land management. The consultation states that Basic Measures for water, soil, animal health and welfare and air quality objectives could apply equally to all land managers. The consultation highlights that Basic Measures were subject to consultation in summer 2017 as part of the Taking Forward Wales' Sustainable Management of Natural Resources consultation.

NFU Cymru will not repeat in detail our response to that consultation, it can be read [here](#). However, for the record, we will summarise a few key concerns from that consultation.

It is important to note that NFU Cymru felt that the 2017 SMNR consultation was flawed for a number of reasons. One key point we made at that time was that an issue that would impact on every farming business in Wales was hidden within a diverse consultation document. The two pages devoted to Basic Measures contained no context, no evidence, no justification and made no consideration of



costs and impacts to the sector being regulated. Basic Measures in the SMNR consultation were referred to for the protection of water, air and soil quality, the current consultation extends the definition to animal health and welfare. This in our opinion puts even further doubt into the validity of the SMNR consultation.

We believe the proposals for Basic Measures are completely at odds to the new legislative framework for the Sustainable Management of Natural Resources enshrined in the Environment (Wales) Act 2016. The approach failed to take into account the principles of working together, being adaptable and considering the full range of evidence that should underpin how Welsh Government and NRW operate. To date Welsh Government has disregarded the principles of working established in the Act with regards to Basic Measures.

We still await information as to whether Welsh Government propose to introduce Basic Measures to replace pre-existing regulated activity such as SSAFO or permitted activities such as EPR Intensive Farming. If this were to be the case then the introduction of Basic Measures could be viewed as potentially beneficial given the complexity and severity of the current regulatory and enforcement regimes. Conversely, the introduction of a further tier of regulation in addition to what already exists would significantly increase cost and complexity for farm businesses. This was not clarified within the SMNR consultation and has still not been clarified to date.

The consultation suggests that compliance with Basic Measures could provide the gateway to the financial support schemes in chapter 5 and 6. NFU Cymru seeks further clarification on this statement and what this means in practice. For example, if a farmer is deemed to have fallen foul of one of these measures, will the business then be excluded from support, will penalties be applied, will Welsh Government take retrospective action, will Welsh Government introduce an equally complex and disproportionate penalty and inspection regime as we currently see under the CAP?

Insufficient information and detail has been provided on what Basic Measures would look like. Welsh Government cannot move forward on such a major issue until a further detailed consultation has been undertaken with a full Regulatory Impact Assessment included.

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.

We would highlight that for water, this work is being progressed as a recommendation of the Interim Report submitted by the NRW Sub-Group on Agri-Pollution to the Cabinet Secretary in April 2018.

As part of this Welsh Government need to consider how to engage with the 17,000 small rural businesses that are currently recipients of an element of CAP support without even considering how the regulator(s) proposes to engage with the additional '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. Other regulators in Wales, in particular NRW, need to establish a service along similar lines to the FLS, to ensure there is a network of staff on the ground with appropriate skills to provide advice and guidance to the sector on what are highly complex issues. This is highlighted by the number of experts employed by regulator(s) across Wales to check on farm compliance when the farmer is expected to be an expert on all these matters.



This chapter of the consultation also refers to the Welsh Government decarbonisation consultation that has recently been subject to consultation. This chapter states that this 'Brexit and Our Land' consultation, the SMNR consultation and the Decarbonisation consultation will inform Welsh Government's long term views on a new regulatory framework. NFU Cymru has responded to the Decarbonisation consultation but wish to place on record as part of this consultation response our deep concern at the timing of that consultation, being consulted upon over the same time period as the 'Brexit and Our Land' consultation. Given that this Brexit consultation is the most important in a generation, our ability to consult properly with our membership and devote the necessary time to the Decarbonisation consultation has been seriously compromised.

Summary

To conclude NFU Cymru would support many of the statements, principles and preliminary thinking within this chapter that seeks to deliver a simpler, more coherent and outcome focussed regulatory framework. We are concerned, however, by what appear to be relatively set ideas on the introduction of further regulation. We wish to place on record our concerns that some of the potential new areas of regulation proposed emanate from what we would deem to be a flawed consultation processes. We would highlight the need for a full scale review and analysis of the current regulatory landscape prior to a robust and wide ranging consultation on the future regulatory framework. As regulation is amended or created in Wales, it is also vital that full regulatory impact assessments are undertaken to understand the effects on farm businesses. Given the linkage between policy, funding and regulation the three elements will need to be considered concurrently.



Transition, delivery and legislation

Consultation question 16. What are your comments on the phased transition period and our ambition to complete the changes by 2025?

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

We are in a period of profound uncertainty and if we are to maintain our productive capacity; secure the continued supply of safe, high quality, traceable and affordable food alongside the ongoing delivery of environmental management and action it is vital that we have a well-planned transition that provides certainty and stability to Welsh farmers.

Many of the factors that are causing this unprecedented uncertainty are outside the control of Welsh Government. Political instability within major global powers, the rise of protectionism, even our future trading relationship with the EU is an issue over which Welsh Government's ability to influence is limited. 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 a domestic agricultural policy.

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.

The measures must deliver on our vision and ambition for the continued growth of our food and farming sector in Wales. This will involve a comprehensive and robust assessment of the impact of the change from current policy to a new Welsh agricultural policy. This assessment needs to cover the impact on farming, the food supply chain and rural communities that rely heavily on Welsh farming. Until the above conditions are met the basis of the current CAP must be maintained.

We cannot begin on a period of transition until we have a clearer picture of what the road ahead looks like and there is clarity on the destination.

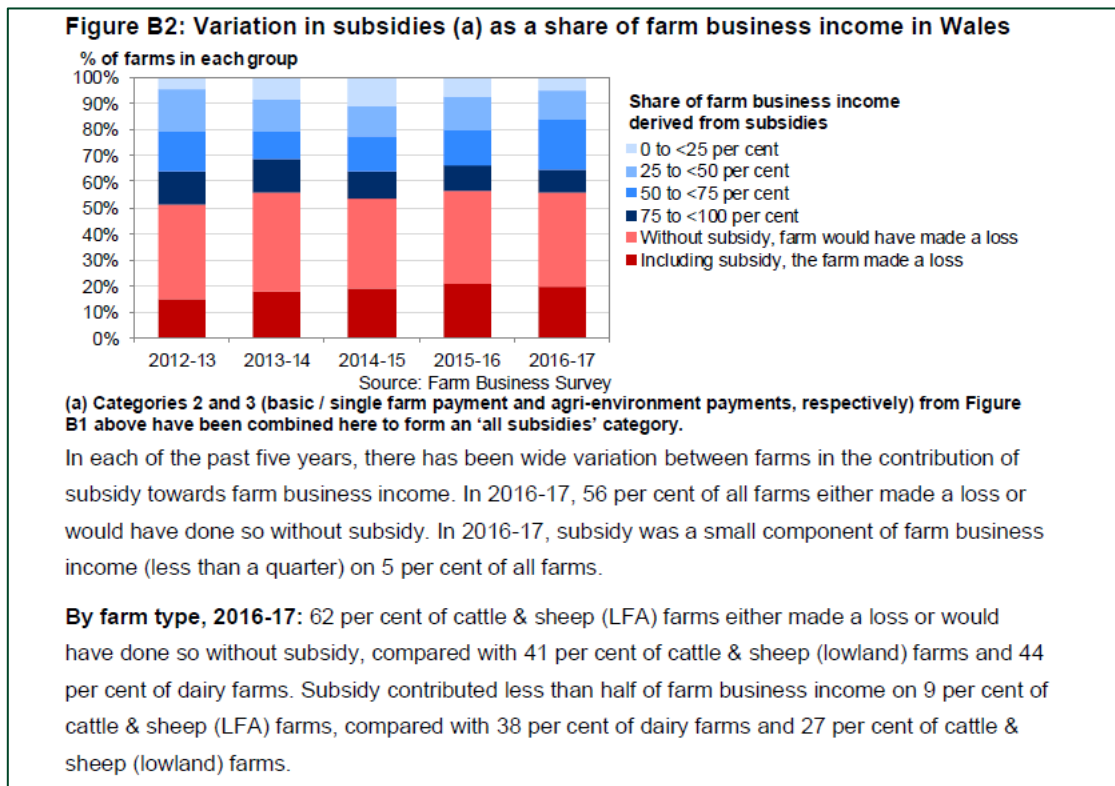
One of our key principles for reform is based on the need to ensure that we remain competitive with other countries across the UK, the EU and globally. Earlier in our response we have highlighted that the initial proposals from the European Commission propose that over 70% of the next CAP budget will be used for direct payments. Defra have proposed a transition in England that will begin in 2021 and be complete in 2028. Scotland propose a period of stability until 2024 and 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.

The proposals from Welsh Government are for transition to begin in 2020 and to be complete by 2025. The proposal is for transition in Wales to begin earlier than any other country in the UK. Welsh Government proposals if implemented would mean that the transition is completed quicker than in England and unlike Northern Ireland Welsh Government do not propose a stability / resilience payment as part of a future agricultural policy.

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. Taking all this into account we believe that the Welsh Government proposals for transition will impact negatively on our ability to compete with our key competitors. In order to properly consider what is being proposed it is important to consider the role that the BPS



currently plays in underpinning farm incomes in Wales presented in the most recent Welsh Government farm income figures published on 13th December 2017, including earlier in this response. The variation in support as a share of farm business income in Wales is shown below.



We respect that there is variation between farms in their level of reliance on support; this can be due to a wide range of factors that include climatic, topographic and agronomic conditions relating to the location of the farm, diversification income, input costs, access to capital, low market returns as well as performance. What is clear, however, is that even within those farms that are making a positive income without taking account of BPS support, the level of income for the majority of these farms without the BPS would not be sufficient to make a viable return. It is important to note that this situation is not exclusive to Wales; it is the reason why direct payments have been and continue to be the key plank of the Common Agricultural Policy supporting farmers across Europe and why many other countries provide support to their farmers to ensure food security.

Consultation question 17. What is the most appropriate way to phase out the Basic Payment Scheme to fund implementation of the new schemes?

Fundamentally NFU Cymru does not support the phasing out of the Basic Payment Scheme 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 the BPS currently delivers.

Our vision for a future domestic agricultural policy has a basic support measure open to all farmers as a cornerstone underpinning agriculture and food production in Wales. This base support 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.

The nature of direct / base support has changed and evolved considerably over the course of our membership of the EU, farmers have dealt with and adapted to that change. For example, since the turn of the century the industry has moved from coupled support, to area payments based on historic claims and in the most recent reform we saw the introduction of the redistributive payment, which is currently being phased in. Our membership is not against the further evolution of this support provided that the support continues to meet our key principles of underpinning the production of safe, quality, traceable and affordable food; that the measure is simple to administer and targets support at the active farmer; that the support ensures that we can remain competitive on UK, EU and global markets and that the measures meets our ambition for sustainable growth.

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. This we saw as vital to help farming businesses to be able to properly consider the impact of the proposals. 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. However, given that we do not as yet know what our future trading relationship will be with Europe and the impact of that trading relationship on the various sectors and areas of Wales, we would suggest that until this is known it is not feasible to undertake this work and an informed decision on the potential options for transition should not be consulted upon until that time.

The Welsh Government proposals for implementing new schemes to replace the BPS suggest that no decision has yet been taken on the balance of funding between the Economic Resilience scheme and the Public Goods schemes. The consultation says that there is a case for focussing funding on the Economic Resilience scheme in the early years to support land managers to respond to the post Brexit environment.

NFU Cymru would question what evidence that Welsh Government has to suggest that the proposed measures within the economic resilience will be able to support farmers to make up for the income shortfall from BPS in a relatively short space of time. With variable costs making up around 50% of total costs on farms and with farmers having very little control over the price of these input costs, such as fuel, feed and fertiliser which respond to global market conditions, farm businesses require time to assess the effectiveness of management interventions which seek to drive efficiency and increase profitability. Livestock and dairy production cycles operate over a number of years so it will take time before the benefits of interventions such as improved genetics are fully realised. Investments made on infrastructure, new technology, genetics, grassland improvement and soil management will be costed over a number of years with returns on investment taking some time to be realised.

We would also highlight that in considering the balance of funding between the two schemes, an Economic Resilience scheme and investment support should not be considered as a 'one off' during the early stages of transition and must be continued for the long-term.

We would also ask whether Welsh Government have spoken with the major lenders to ascertain what their appetite for lending may be at a time when our trading arrangements are uncertain and Welsh Government propose to phase out direct payments. Given that investment measures will require an element of match funding we would question whether the industry, as a whole, will be in a position to benefit from investment measures under the Economic Resilience scheme. The intervention rate will require very careful consideration in this context.

NFU Cymru welcomes the recognition in the consultation paper of the need for 'time and significant preparation' to put in place a new programme and the need for pilot projects before full scale implementation. That said we do not believe that the relatively short transition period that Welsh



Government currently propose to be sufficient to design and develop, test and impact assess the level of change proposed. 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.

What is critical during any transition and implementation phase is the need to avoid a funding gap or unspent funds. If new measures are not delivering what they have been designed to achieve, are not receiving the uptake expected or the delivery mechanism is failing then the transition must be halted and funding redirected back to the BPS to ensure that Welsh farmers can continue to deliver economically, environmentally, socially and culturally for Welsh society.

In our response to Question 16, NFU Cymru set down the conditions that need to be met prior to any transition period commencing; this includes clarity over our future trading relationships and a thorough assessment that new measures will deliver at least the same level of stability as that provided by the BPS. However if transition commenced and there was a significant change in our trading relationship, for example, an EU comprehensive free trade deal not progressing as expected then Welsh Government must be prepared to act quickly to halt the transition process to protect farming businesses, the wider economy and the production of home produced safe, top quality, fully traceable, affordable food. We would request that Welsh Government implements a formal assessment and review process as part of any transition period to make sure that this happens.

Consultation question 18. How can we simplify the current administration and delivery of the Basic Payment Scheme during the phased transition period?

There is no doubt that the administration and delivery of the Basic Payment Scheme has been one of the most contentious issues amongst the farming industry and a source of angst to both farmers and administrators alike. Whilst the 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 BPS for minor breaches of procedure; payments can be delayed many months as a result of a new mapping update which, despite there being no change on the ground, new technology decides to amend the size of a field by a tiny amount. 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. Similarly there is an opportunity to seek to reduce and rationalise the number of crop codes that we have seen; instead focussing on recording the land area that is eligible and that which is not, rather than the minute detail of what is grown on every minute area of land.

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 often be of little comfort to those individual businesses that may have to wait some months for payment.



As a result of the drought conditions this summer NFU Cymru has welcomed the introduction of a loan payment for 2018; we believe that this option should remain in place for future years. Alternatively the payment window could be significantly shortened. 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 almost every year cross border holdings are seemingly left at the bottom of the pile for BPS 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 regards to the BPS we have continually questioned why the two agencies have been unable to share data in a more timely and appropriate manner and we live in hope that improvements will be seen for the time that we have remaining operating under the CAP regulations. Once we leave the CAP in 2020 we believe that there is an opportunity to do things differently and 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.

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.

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 farmers 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.

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.

There are occasions where we feel that Rural Payments Wales has sought to ‘gold plate’ EU regulations or at the very least ensure that their interpretation of the regulations were not open to challenge from EU auditors for fear of the very significant penalties that could be placed on Government as a result. Whilst it will remain vital that Welsh Government has in place stringent audit regimes to ensure that public funds are delivered appropriately there is an opportunity to address many of the issues that have frustrated farmers and administrators alike and to deliver a more efficient and proportionate scheme that delivers stability to the industry in what will be uncertain times. A revised regime can be introduced that will allow Government to minimise cost of delivery and target inspections at the areas where non-compliance is most likely.

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 and to which Welsh Government envisage RPW to act as core administrator going forward is massive compared to the changes we saw between 2014 and 2015. Welsh Government must be confident before embarking on any change that RPW have the capacity to continue to deliver on their excellent delivery record. Future design of RPW delivery models must follow the excellent model of management and user group involvement in design of the current RPW online portal and associated application forms. Welsh Government before embarking on significant change must be mindful of the problems that befell the RPA in 2005 and that the Scottish Government continue to face following the current round of CAP reform.



Summary

Our vision for a future domestic agricultural policy set out the importance of a stable, well planned transition from the current CAP. Many of the factors that are causing unprecedented uncertainty are outside the control of Welsh Government. Welsh Government can, however, through devolved powers continue to provide a level of stability and certainty to the food and farming sector through agricultural policy. The speed of transition can only be determined once the nature of our future trading relationship becomes clear and once we are confident that any new measures are robustly designed and piloted. This will involve comprehensive and robust assessment of impact on farming, the food supply chain and rural communities that rely heavily on farming.

Fundamentally, NFU Cymru does not support the phasing out of the BPS until there is clear evidence that replacement scheme(s) can deliver the same level of stability that the BPS currently delivers. Our vision for a future domestic agricultural policy has a base support measure open to all farmers as a cornerstone underpinning sustainable agriculture and food production in Wales.

Our membership is not against further evolution of support, however, in terms of managing change, the aim should be to minimise disruption between individual farm businesses, sectors and areas of Wales. Overall, we do not believe that the relatively short transition Welsh Government proposes will be sufficient to design and develop, test and impact assess the level of change proposed.

We welcome the commitment that simplification of application and administrative process should be a key objective for the new schemes. As we have highlighted throughout our consultation response we remain to be convinced that the proposals in the consultation meet that objective.



Working across the United Kingdom

One essential corollary of the UK's departure from the EU, and specifically the CAP, is that significant policy and legislation making powers for the UK's devolved executives and legislatures will arise in areas which would previously have been occupied by EU law. This is a development which allows for the formulation of distinct policies for agricultural support, within each of the UK home nations.

NFU Cymru agrees with the Welsh Government's assessment that communities and landscapes vary considerably across the UK, and that is why we believe that matters such as agricultural support are best decided as close to home as possible. We also recognise that as the home nations step outside the constraints of the CAP for the first time in almost half a century, a risk is imported of disrupting the functioning of the UK internal market and destabilising the comparatively level playing field that previously existed in the UK, under the auspices of the CAP.

Governments, Parliaments, Assemblies and Regulators across the UK must ensure that the UK Internal market for food, agricultural commodities, live animals and plant and plant products is protected and retained. Earlier in our response to this consultation NFU Cymru has also touched upon the importance of effective risk management measures and, in particular, the role that the EU CMO plays in crisis situations. This also is an area where there may be benefits from adopting a common UK approach.

We are also very mindful of the fact that the UK will still need to comply with numerous international obligations, and also be best positioned to enter into trade deals with the EU27 and countries around the world. Again, we recognise that decisions made in any one of the UK home nations, runs the risk of placing us in breach of our international obligations.

We were, therefore, pleased to see the Welsh Government agree via the Joint Ministerial Committee on EU Negotiations that common frameworks will be established where they are needed in order to maintain a functioning UK internal market, to meet our international obligations and to ensure we are best placed to enter into trade agreements with third countries. NFU Cymru fully endorses the creation of common frameworks in relation to the setting of minimum standards, although as always we predicate this support on such common frameworks being reached by mutual consent, and not by imposition from the centre.

Examples of areas where NFU Cymru considers common frameworks to be necessary include matters such as pesticides, animal health and traceability, food labelling and food and feed safety. NFU Cymru is also of the view that there will most likely be different classes of common frameworks, such as those underpinned by legislation and those subject to looser, less formal arrangement such as memorandums of understanding. NFU Cymru favours a less formal arrangement where possible.

Although international trade and international agreements are matters reserved to UK Government, (concluded under the Crown's prerogative powers), NFU Cymru is firmly of the view that there must be a role for Welsh Government and the National Assembly for Wales in the formulation of such agreements. We are of this view because agriculture, on which such agreements very often impinge, is a devolved competence, and the ultimate oversight of compliance with international obligations and standards are likely to fall to Cardiff, Edinburgh and Belfast as well as to London.

We have also articulated the view (in evidence to the UK Parliament's International Trade Committee) that a Joint Ministerial Committee on International Trade needs to be established in order to provide a forum for discussion and decision making in relation to prospective international trade agreements.

An agricultural policy which fits the unique needs of Welsh agriculture is an opportunity arising from the UK's departure from the EU, such an outcome can however only be realised if Welsh



Government pays the fullest possible regard to those who derive their living from Welsh agriculture. We are pleased that the Welsh Government has been able to work constructively with UK Government in developing the Agriculture Bill as the vehicle for providing the necessary financial and policy powers to devise a uniquely Welsh scheme of post-CAP agricultural support.

Although the Agriculture Bill does provide the necessary financial and policy levers for developing Welsh policy, its engagement with the issue of UK common frameworks is limited, and we had perhaps anticipated a more expansive treatment of common frameworks by the Bill.

Part 7 of the Bill relating to the WTO agreement on agriculture may be viewed in some quarters as a nascent 'common framework' in that it will confer on the Defra Secretary of State powers to delimit the type and level of support that may be provided within each of the UK home nations in relation to WTO amber, green and blue box support.

We consider the creation of these powers to be unnecessary in relation to green and blue box support as the WTO agreement on agriculture sets no limits on green and blue box spending by WTO members. We further note that Amber Box expenditure could well be set at lower ceilings than might be permissible after novation to the UK of its share of the EU28's total aggregate measure of support, following the successful conclusion of a withdrawal agreement with the EU27.

Part 7 seeks to carve out for Defra Ministers an express reservation on an issue which clearly relates to a devolved competence, without engaging first of all with Cardiff, Edinburgh and Belfast, it is not therefore, as it stands a 'common framework' in a sense that we would understand or endorse.

We recognise that the UK Government as signatory to the WTO will bear ultimate responsibility for ensuring the UK's compliance with WTO obligations, the exercise of powers under Part 7 could well constrain future policy choices in Wales by limiting spending and precluding certain types of support. For this reason we believe that Part 7, Clause 26 powers should only be exercisable following discussion and agreement with the devolved administrations.

In our response to this consultation we have previously highlighted the need to recognise the specific challenges that our cross border farmers face under the CAP. We estimate that there are between 400 and 500 farmers who have land straddling the Wales / England border. It has been a source of great frustration to see how these farmers have suffered annually as a result of delays in delivery of BPS payments. Different regulatory regimes have also caused confusion, with Bovine TB rules and the ongoing CPH rationalisation programme being two current examples of where cross border farmers have been impacted.

Currently CAP rules and much of our regulatory landscape emanates from the EU with some limited flexibility for Member States and sub-national governments in terms of implementation. The possibility of greater divergence in policy going forward raises concern that cross border farmers may be further disadvantaged in future.

In January 2017 NFU Cymru was invited to a National Assembly Cross Border Issues group meeting. The meeting had been arranged to specifically discuss cross border issues in agriculture and was attended by representatives from RPW, WG, the RPA, the Farming Unions and Assembly Members. Discussion focussed on the need for greater co-operation and data sharing between Governments and Agencies in Wales and England to ensure that our cross border farmers do not continue to be disadvantaged. It is important that this approach is implemented going forward and that pragmatic and workable solutions are implemented to ensure fairness for cross border farms.

NFU Cymru recognises the need for common frameworks which will amongst other things preserve the UK's single market and ensure our compliance with international obligations, including those arising from trade agreements. We would encourage Welsh Government to continue to work closely



with the UK Government, and indeed the other devolved administrations in the development of common frameworks, although we reiterate once again that such frameworks must be arrived at by mutual consent.



Funding

Wales currently receives around 9.4% of CAP funds coming to the UK from the EU; if this figure were rebased according to Wales' 4.7% share of the UK population then this would imply a 50% reduction in funding.

Whilst the announcement by the UK Government that future funding allocations to Wales will not be subject to a population share based calculation (something which would have a highly detrimental impact on the level of funding available to Welsh farmers) is welcome, unfortunately the uncertainty surrounding future funding has not been entirely assuaged by this announcement.

With the UK Government's announcement of an independent panel to consider the future carve up of funding for farming amongst the home nations, NFU Cymru feels that one concern (around a population share based allocation) has in effect merely been substituted for another (the prospect of the home nations divisively contesting their respective shares of farm funding). NFU Cymru does not see the need to move away from the formula currently used to allocate UK CAP receipts from the EU amongst the home nations, particularly when the need for stability in the sector is greater than ever.

An expectation was created during the referendum campaign that Wales would not lose out on a penny as a result of our departure from the EU. Our understanding is that the independent panel looking at funding will consider a range of factors in determining future allocations for farming amongst the home nations, including environmental, agricultural, socio-economic as well as matters such as farm size and number. This in turn raises the question of the weighting that might be attributed to each of these factors, which will ultimately be key to determining the share of funding that Wales receives in future.

NFU Cymru will work closely with the independent advisory panel over the coming months to ensure that this undertaking around Wales not losing out on a penny of funding post-Brexit is heard loud and clear. We look to Welsh Government to robustly argue the case for Wales to continue to receive, as a minimum, the same share of the same sized pot of domestic funding as was received under the CAP from the EU.

We must highlight that the tone of this consultation paper has left many farmers with the impression that the farming sector and its significance to Wales has been somewhat talked down and devalued. This apparent negative perception of the farming industry and its significance to Wales is particularly concerning to us given that Welsh Government will now have to make the case for funding via the Independent Review process alongside English, Scottish and Northern Ireland counterparts.

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'*. As such we believe it is vital that Welsh Government builds an evidence base underpinning Wales's strategic importance in a UK context and positively promotes the contribution of farming to Wales and the UK so that the case can be made to secure the same or more funding to avoid such a damaging scenario.

NFU Cymru is pleased to see that the consultation document at page 25, 4.28 to 4.30 engages with the issue of funding. Funding for Welsh agriculture currently 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. To this end we need an early commitment from Welsh Ministers that they will continue to contribute a similar quantity of funding for agriculture from within their own budget.



NFU Cymru welcomed the clear public statements made on behalf of Welsh Government by the First Minister and Cabinet Secretary Lesley Griffiths around the ring-fencing of future funding for Welsh agriculture, this provided an useful element of assurance at an uncertain time.

Specifically, we have very much welcomed the reaffirmation of the commitment to ring fence such funds, made by the First Minister and Cabinet Secretary Lesley Griffiths, at the end of October 2017. The First Minister Carwyn Jones AM at the NFU Cymru Seminar at the 2018 Royal Welsh Show also reaffirmed this commitment and said that *'If we get the money, we will spend it on farming. No question about that, it will be ring fenced'*. To Plenary on 18th September 2018, the First Minister stated *'Well, the farming budget is in effect ring-fenced, so money can't be taken out of farming subsidies and put elsewhere anyway'*.

We are pleased that the Cabinet Secretary has reaffirmed this commitment through her statement *'Both the First Minister and myself have said publicly that any funding that comes back from the UK Government will be ring-fenced for agricultural support, which I think reassured the sector'*.

We would highlight that agriculture is defined as the cultivation of land including horticulture, fruit growing, crop and seed growing, dairy farming and livestock production. The seeming conflation of this definition to 'land management' within the consultation following the Ministerial commitments is both concerning and disappointing. With a new First Minister due to head up the Welsh Government before the end of the year, we will look to the new First Minister to re-affirm those commitments made by his or her predecessor, and we would very much welcome a statement on this matter as soon as possible after the formation of the new administration.

Summary

NFU Cymru agrees with Welsh Government that matters relating to agricultural support are best decided as close to home as possible. We also recognise that outside the CAP, there is a risk of disrupting the functioning of the UK internal market and destabilising the comparatively level playing field that previously existed.

NFU Cymru fully endorses the creation of common frameworks in relation to setting of minimum standards – this support is predicated on such frameworks being reached by mutual consent.

Cross border farms have faced specific challenges under the CAP. It is important that the approach implemented going forward finds pragmatic and workable solutions to ensure fairness for cross border farms.

With respect to funding, Wales must not lose out on a penny of funding post Brexit. Funding for Welsh agriculture takes the form of Pillar 1 and Pillar 2 funding coming from the EU as well as a match funding obligation imposed on Welsh Government when Pillar 2 funds are drawn down. Whilst the bulk of agricultural funding will come to Wales from the UK Treasury in future, the stream of funding from Welsh Government's own budget must also continue. In line with Ministerial commitments this funding must be ring-fenced specifically for agriculture.



The Welsh language

Consultation question 19. Will the proposed land management programme have any effects (either positive or adverse) on:

- Opportunities for persons to use the Welsh language;
- Treating the Welsh language no less favourably than the English 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 stands 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 speak 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

NFU Cymru has described earlier in this consultation response concerns we have in relation to the proposed Land Management Programme and its potential to undermine farm business viability. As a consequence, we believe, there will be serious adverse effects on the Welsh language as a result of proposals given the important role that farming plays in preserving our Welsh language. 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.



