



Sustainable Farming and Our Land

Welsh Government Consultation Response
by the Farmers' Union of Wales
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Contents

1.0	Summary	4
2.0	About the Farmers' Union of Wales	7
3.0	Agriculture in Wales.....	8
3.1	Agricultural productivity	8
3.2	Agriculture and the Welsh economy	8
3.3	Welsh Agriculture and employment.....	9
3.4	Agriculture and the Welsh language.....	12
3.5	Welsh Agriculture and biodiversity.....	13
3.6	Welsh Agriculture and greenhouse gas emissions	16
3.7	Welsh Agriculture and pollution	16
4.0	Sustainable Land Management	19
4.1	Further comments in relation to the Sustainable Land Management framework.....	19
4.11	The structure of benefits, outcomes and actions tool.....	19
4.12	Whether the benefits and outcomes sufficiently cover the broad contribution of farmers, foresters and other land managers.....	20
4.13	The description of Sustainable Land Management outcomes	20
4.14	Whether it is right to focus an income stream on environmental outcomes	20
4.15	A more appropriate alternative policy framework – A Welsh Way Forward	20
5.0	Sustainable Farming Scheme	23
5.1	Scheme entry and administrative burdens.....	23
5.2	Business support.....	25
5.3	Fair access and eligibility - divergence and discrimination between areas.....	25
5.4	Tenant access.....	26
5.5	Common land.....	27
5.6	Scheme eligibility	28
5.61	Active farmer criteria	28
5.62	Payment capping.....	29
5.7	Further comments in relation to the Sustainable Farming Scheme	30
5.71	How the Farm Sustainability Review and Farm Sustainability Plan could be delivered in a proportionate manner	30
5.72	How best to reward farmers for outcomes through their actions	30
5.73	How the Sustainable Farming Payment should operate	30
5.74	Alternative proposal for supporting farmers in a manner consistent with Sustainable Land Management.....	31

6.0	Advisory service	34
7.0	Industry and supply chain	35
7.1	Promoting Sustainable Brand Values.....	35
7.2	Encouraging greater market alignment	35
7.3	Identifying and overcoming barriers in the supply chain	35
7.4	Promoting joined up support on knowledge transfer and innovation	36
7.5	Shortening supply chains for Welsh products	36
8.0	Regulatory framework	37
8.1	How the current regulatory framework can be improved upon	38
8.2	The scope of a future regulatory framework.....	38
8.3	The role a future regulatory framework would play in championing Welsh standards... 38	
8.4	How compliance with regulation should be monitored	38
8.5	How breaches can be fairly and proportionately addressed	38
9.0	Funding and transition	40
9.1	Funding.....	40
9.2	Proposed principles for transition	40
9.3	Alternative proposals for transition.....	40
10.0	Next steps and co-design	42
10.1	Analytical approach.....	42
10.2	Exploring proposals and co-design	43
10.3	Co-design.....	43
11.0	Welsh language.....	44

1.0 Summary

The Farmers' Union of Wales (FUW) has discussed the *Sustainable Farming and our Land* consultation with members from all regions of Wales and all sectors in eleven regional meetings each of which was attended by up to one hundred people, as well as with others who have a direct or indirect interest in the agricultural industry.

Engagement has also taken place at, twelve FUW County Branch meetings and meetings of the Union's ten Standing Committees.

As such, the views expressed below represent the democratically established views of an organisation which represents some 6,000 Welsh farmers who would be directly affected by any changes to Wales' agricultural policies and support schemes.

These views can be summarised as follows:

1. There was universal frustration that the consultation was taking place at a time of extreme uncertainty and worry for the farming industry and others due to Brexit, and that the consultation deadline effectively coincided with the date on which the UK had been set to leave the European Union.
2. The consultative nature of the Welsh Government's consultation and the recognition in the document of the economic, social, cultural and environmental roles played by active farmers in Wales is welcome
3. The Welsh Government's acknowledgement that designing a new scheme at a time when the post-Brexit trading and economic landscape is wholly unknown would be unwise is welcome
4. The proposal not to commit to a timetable given such uncertainty is supported
5. The proposal to adopt the United Nations' Sustainable Land Management (SLM) principle as the objective and framework for a future policy fails to encompass wider Welsh goals and objectives, including those defined in the Wellbeing of Future Generations Act 2015 ("the Wellbeing Act", and therefore falls short of being an holistic policy
6. Similarly, the decision to base a Sustainable Farming Scheme and farm payments solely on the provision of Public Goods and environmental outcomes represented an overly narrow approach to the formulation of a future Welsh policy, given that the concept precedes the Wellbeing Act by decades and that Brexit provides the opportunity to design a genuinely new scheme that takes full account of all Welsh goals and objectives.
7. A scheme which focusses only on the provision of Public Goods and environmental outcomes would fail to take proper account of prosperity, jobs, culture and other issues inherent to the Wellbeing Goals and other Welsh objectives, leading to severe adverse impacts

8. As such, the United Nations' Sustainable Land Management (SLM) principle, delivery of Public Goods and environmental outcomes should form *part* of a future scheme or schemes, but not be the sole focus
9. In this context, the view of Labour Shadow Farming Minister David Drew that Public Goods should only be one element of a future policy, and that "*...from a social justice point of view [farmers] would need to be supported with more than just environmental payments after Brexit*" is notable
10. Since key competitors in other countries and regions will continue to receive direct support, whereas Welsh farmers would have to comply with more rules and restrictions and risk losing more agricultural land to access Public Goods and environmental outcome payments, Welsh farmers would be placed at a competitive disadvantage if the proposals were implemented in their current form, thereby damaging Wales' agriculture industry and undermining the wide variety of economic, social and cultural benefits related to farming
11. A scheme focussed only on Public Goods would breach the Wellbeing Goal of equality because it would significantly disadvantage and exclude tenant farmers and those with tenanted land, since Public Goods concepts and contracts often or invariably go against the interests of landlords or the terms of tenancy agreements
12. Given that the Welsh Government's figures show agriculture to have the highest proportion of Welsh speakers in any employment category – 43% compared with 27% for the next highest category (Education) – a scheme which fails to take direct account of the economic needs of agriculture and family farms would, by definition, threaten the use of the language by the industry in which it is most preserved
13. Given that a large proportion of Welsh farms rely on common grazing, a move to Public Goods payments would reduce commoners' access to funding, since many Public Goods are unrelated to the legal access to forage area on which the bulk of current payments are based. Such a move would therefore transfer power and funds away from active commoners - as happened on commons when Glastir replaced the Tir Mynydd scheme
14. Thorough analysis must be undertaken to examine the economic, social, cultural, and environmental impacts of any proposals, such that the Welsh Government and Assembly can make informed decisions with full knowledge of possible or likely impacts, and the degree of compliance with the Wellbeing Act.
15. Such analysis should be undertaken through modelling, piloting (virtual and/or actual) and other means; include local and regional impacts on jobs and businesses; and feature sufficient numbers of businesses such that any conclusions are statistically sound
16. Increases in the regulatory burden for farms, both in the context of the consultation proposals and the Welsh Government's plans to introduce draconian and costly restrictions in relation to nutrient management, are objected to - in particular given that proposed legislation in relation to farm waste and nutrient management undermines key proposals in the consultation

17. The current RPW Online and SAF systems should be maintained and developed as a central feature of a future scheme where data is used to ensure the long term economic and environmental sustainability of Wales as a whole, and Wales' family farms as individual units. Changes which result in the loss of the current system and their effective replacement with complex Public Goods contracts would be a retrograde step
18. The administration of a scheme based solely on the delivery of Public Goods via multiannual contracts would be orders of magnitude more costly, burdensome and resource intensive than one designed with a broader set of objectives in mind developed from the current SAF and RPW Online system, and the latter should therefore be the preferred option
19. Commons Councils represent an extremely costly, bureaucratic and burdensome means by which to manage most Welsh commons, and any requirement to form such Councils to access payments would disenfranchise and discriminate against graziers compared with their non-commoner counterparts
20. Wales should follow the EU by seeking to strengthen the Active/Genuine Farmer criteria, as active farmers deliver most in terms of supporting the rural economy, creating employment, spending money on other Welsh businesses, protecting Welsh society and enhancing the environment
21. Protecting family farms and food production must be placed at the heart of any future policy: The Welsh Government and Assembly should do all it can to avoid the lamentable decline in family farming seen especially in parts of England, where rural communities and society in general has suffered as a result of the loss of family farms
22. Payments must be capped and favour family farms under any future policy in order to maintain scheme integrity in the eyes of the public while ensuring money is directed at family farms rather than allowing the sort of unlimited payments which investors and companies have taken advantage of in other parts of the UK and EU, to the detriment of family farms, communities and the reputation of the CAP in general

2.0 About the Farmers' Union of Wales

The FUW was established in 1955 to protect and advance the interests of Welsh families which derive an income from agriculture.

The FUW's vision is *thriving, sustainable, family farms in Wales*, while the mission of the union is *to advance and protect Wales' family farms, both nationally and individually, in order to fulfil the Union's vision*.

In addition to its Head Office, which has thirty full-time members of staff, the FUW Group has around 80 members of staff based in twelve regional offices around Wales providing a broad range of services for members.

The FUW is a democratic organisation, with policies being formulated following consultation with its twelve County Executive Committees and eleven Standing Committees.

3.0 Agriculture in Wales

The FUW welcomes the Welsh Government's June 2019 publication *Agriculture in Wales* which provides a comprehensive range of figures relating to Welsh agriculture, and in so doing highlights the risks and opportunities inherent to the design of any new policy.

Key figures highlighted in the document which should be given particular regard in the context of the proposals set out in the consultation paper include:

3.1 Agricultural productivity

In the period 2006-16, the UK had the 5th smallest annual average change in total factor agricultural productivity out of the EU 28, with a change of 0.2% compared to figures of 0.5% and 0.8% for Ireland and France respectively.

It should be noted that the recent Welsh Government consultation on Agricultural Tenancy Reform places the current average rate of productivity growth across UK agriculture at 0.9% compared with rates of 3.5%, 2.5% and 3.2% in France, the Netherlands and USA.

Whilst such figures are disappointing, it should be noted that Rural Development Programmes have long been a key tool for driving agricultural productivity in EU regions, and that the low growth in the UK as a whole, or in Wales in particular, must, at least in part, be a result of the UK's historic reluctance to access its fair share of EU Rural Development funding, and the UK administrations decisions in relation to how Rural Development Programmes are designed and administered.

Moreover, it may be the case that UK administrations' decision to focus Rural Development funding on agri-environment and Public Goods objectives far more than in other parts of the EU has resulted in such poor relative growth in agricultural productivity, and this should be borne in mind when considering a further move towards agri-environment and Public Goods payments.

As such, a future scheme or schemes implemented provide the opportunity to improve Welsh agricultural productivity, and the FUW believes this should be done via a dynamic data driven process of the sort described at 5.74.

3.2 Agriculture and the Welsh economy

The Gross Value Added (GVA) figure for agriculture in Wales in 2017 was £457 million, while the figure in 2016 was £355 million. This compares with a GVA for forestry and logging of £22.3 million in 2016

These figures equate to GVAs of £202 per hectare of agricultural land for agriculture and £72 per hectare of Welsh woodland for forestry and logging, with the latter rising to £149 per hectare where only coniferous forestry is taken into account.

The food and drink manufacturing sector in Wales had a turnover of £4.8 billion in 2018 and a GVA of £1.5 billion, bringing the total for agriculture, food and drink to around £2 billion. By comparison,

the combined GVA for forestry, logging, and the manufacture of wood, wood and cork products, paper and paper products was £0.53 billion in 2016.

In 2017, the total value of goods and services produced by Welsh agriculture was £1.6 billion, while expenditure on the goods and services used in the running of Welsh farms was £1.1 billion – including £133 million on machinery expenses, £76 million on contract work and £60 million on veterinary and medical expenses.

It is also notable that ‘*Wildlife Economy Wales’: An Economic Evaluation Scoping Study* published in 2007 found that agriculture was by far the most significant contributor to an annual £1.9 billion worth of what was termed ‘wildlife based activity’.

The role of Welsh agriculture in maintaining the Welsh countryside also plays a key economic role in terms of Welsh tourism, which has a GVA of £2,844 million, with Wales’ landscape cited as a key motivation for more than half of day visitors to Wales (54%) and two thirds (67%) of staying visitors.

Welsh Farm Business Survey data reveals that for every £1 of support paid to Welsh farmers, they spend some £0.61 on machinery expenses, £0.19 on farm maintenance, £0.36 on contract work, £0.29 on veterinary costs, £1.66 on feed and £1.52 on other farm costs.

Research commissioned by the National Farmers Union further suggests that, across the UK, such multiplier benefits are worth at least 7.4 times the support received via direct payments¹.

Where farm payments keep farm profitability and turnover above critical thresholds, the abandonment of such payments will clearly lead to the loss of such expenditure and multiplier effects.

As such, any changes which undermine the viability of Welsh agriculture, or exacerbate negative influences such as those which might be associated with Brexit, would reduce the economic benefits of agriculture to Wales’ economy.

Moreover, basing a Sustainable Farming Scheme and farm payments solely on Public Goods and environmental outcomes, as proposed, would have just such an adverse impact, and thorough analysis must be undertaken to examine the full range of impacts on Wales’ economy, society, culture and environment.

3.3 Welsh Agriculture and employment

Agriculture is by far the most significant contributor to the *Agriculture, Forestry and Fishing* Office for National Statistics (ONS) employment category, with 53,524 employed full and part time on Welsh agricultural holdings, compared with 1,800 employed in the Welsh forestry and logging sector.

¹ Contributions of UK Agriculture. Development Economics (February 2017)

This equates to an employment rate for agriculture of three per km² of agricultural land compared with 0.6 per km² of Welsh woodland – which rises to 1.2 per km² when non-coniferous woodland is excluded.

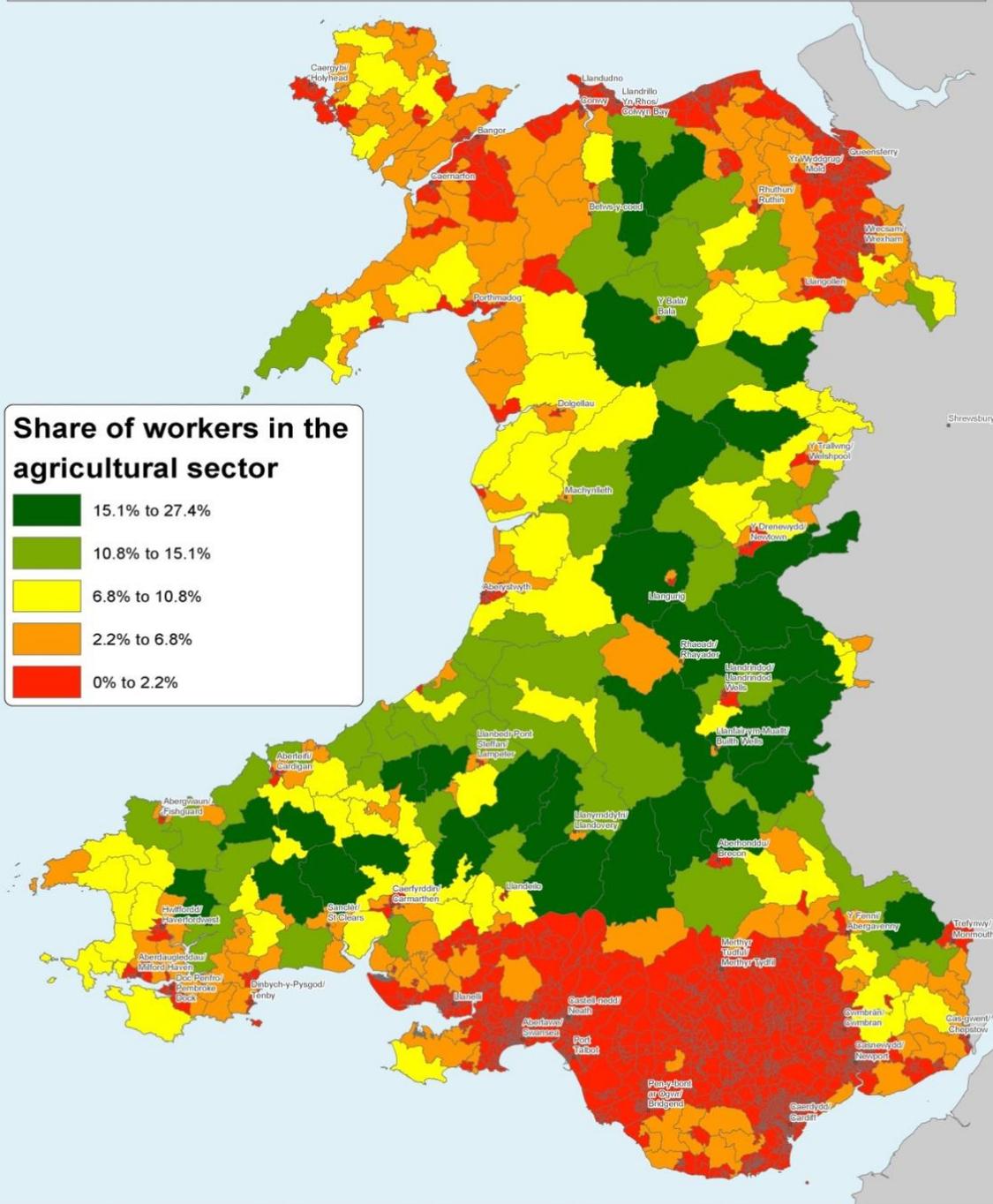
The *Agriculture, Forestry and Fishing* category accounts for 3.2% of workplace jobs in Wales – around three times the UK average for that category – while the proportions are far higher in Wales' rural areas: For example, in Ceredigion, Powys and Pembrokeshire, which together make up more than 40% of Wales land area, around 10% are employed in the agriculture category, while the figure rises to between 15% and 28% in Wales' more rural areas (*Figure 1*).

In addition to the 53,524 who work on Wales' agricultural holdings, a further 23,000 are employed in the Welsh food and drink manufacturing sector.

Such employment does not include jobs directly and indirectly related to agriculture and the food and drink manufacturing sector, such as hauliers, contractors and veterinarians, numbers of which are related to business turnover.

As such, any changes to policies which affect Wales' agricultural businesses must take account of potential direct and indirect impacts on livelihoods and employment, and consequent impacts on Wales' economy, and the FUW does not believe that the current proposals address such concerns, focussed as they are on the United Nations definition of Sustainable Land Management and the principle of payments for Public Goods and environmental outcomes.

Share of workers whose main work is in the agriculture sector, 2011



Source: Census of Employment, 2011
 Workers includes those in employment or self employment.
 Each worker is allocated a single main industrial sector even if they have more than one job.

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Llywodraeth Cymru
 Welsh Government

Figure 1

3.4 Agriculture and the Welsh language

While the Welsh language is just one aspect of Wales' culture, its national and international significance cannot be underestimated: The number of individuals who speak Welsh is around 170% higher than for the next most commonly spoken Celtic language (Bretton, spoken by an estimated 206,000 people).

Welsh speakers make up 61% of all Celtic language speakers, despite the fact that Wales' population comprises less than 20% of the population of all Celtic countries and communities (including Brittany).

The average proportion of the population of Celtic countries other than Wales who speak their respective Celtic language is around 3%, with the proportion highest in Brittany (6%); by comparison, the proportion of adults and children in Wales who speak Welsh is close to 20%.

Most importantly, Welsh is by far the single most important Celtic language still in use in homes and the workplace across large geographic areas; by comparison, other Celtic languages are, to all intents and purposes, variously preserved within small numbers of individual families, small geographical pockets, or are solely used in formal, religious and/or educational situations.²

While the Amaeth Cymru Data and Evidence Group's 2016 report *Farming in Wales and the Welsh Language* found that a far higher proportion of those in the ONS Agriculture, Forestry and Fishing employment category speak Welsh (29.5%) than in any other category, the Welsh Government has obtained figures which allow this figure to be further refined, revealing that 43% of those in the category are able to speak Welsh. As already demonstrated, agriculture is by far the most dominant employer in this category.

The 43% figure compares with 27% of workers in education, the sector with the second largest percentage share after agriculture, forestry and fishing, and 17% for all Welsh workers, meaning the prevalence of Welsh speakers in the agricultural industry is 153% higher than for Wales as a whole.

The Amaeth Cymru report referred to above also found that in communities where between 30% and 80% of the community speak Welsh, the proportion who do so within the agriculture category is significantly higher than the overall average, and higher than for all other work types; for example, in communities where the proportion who speak Welsh is between 40% and 50%, the proportion who do so within the agriculture category is 64%.

As such, any proposals which compromise Welsh farm businesses, farming communities or Welsh agriculture in general represent a significant threat to the industry within which the greatest percentage of Welsh speakers is preserved; the FUW believes that the current proposals represent just such a threat.

² Amaeth Cymru Data and Evidence Group: *Farming in Wales and the Welsh Language* (2016)

3.5 Welsh Agriculture and biodiversity

Despite poor taxonomic coverage of available data, the recently published 2019 State of Nature Report used smoothed abundance indicators and Wales-specific data to suggest overall increases in the abundance of common and widespread breeding bird species since 1994 (37% [95% CI 31% to 43%]); overall increases in the average abundance of wintering waterbird species since 1970 (30% [CI +13% to +46%]); overall increases in average abundance of mammal species since 1998 (43% [CI +31% to +55%]); but a decline in average abundance of butterfly species since 1976 (-52% [CI -69% to -34%]).

Whilst such figures show both positive and negative changes to Wales' biodiversity, there is generally an acceptance that alarming declines in the numbers and distribution of some key species are indicative of an overall decline in Wales' biodiversity.

As acknowledged in Natural Resources Wales' State of Natural Resources Report, using land for food production is an essential part of natural resource use and management, and while agricultural intensification has undeniably had negative impacts on some species and ecosystems, there is overwhelming evidence that other factors, including reductions in agricultural activity and afforestation, have also had severe impacts.

Reductions in agricultural activity

Changes to agricultural support policies, the introduction of proscriptive agri-environment rules, and the impact of animal diseases such as Foot and Mouth disease and bovine Tuberculosis have all led to marked reductions in grazing on hill and mountain land during the past 25 years.

Such reductions in grazing, and the resultant loss of vegetation structure – for example through the dominance of species such as purple moor grass (*molinia*) – has had adverse impacts for species such as golden plover and other waders, including curlew³ - now considered the most pressing bird conservation priority in the UK.

Moreover, research has shown that reductions in sheep numbers is associated with falls in both Golden Plover and Wheatear numbers⁴, while a more recent study found that trebling sheep numbers led to the largest increase in species diversity on mountain land compared with either the removal of sheep or the introduction of cattle.⁵

Similarly, analysis by Plantlife has shown that more than half of all wild plants need regular management or disturbance to thrive, and that 39.6% of species would decline within a decade if the land on which they grow is abandoned, while 16.4% would decline within 1-3 years under such circumstances.

³ Changing livestock numbers in the UK Less Favoured Areas – an analysis of likely biodiversity implications, RSPB, December 2012

⁴ Changes in upland bird abundances show associations with moorland management, David J. T. Douglas, D.J.D. *et al.* Bird Study (Volume 64, 2017)

⁵ Long-term impacts of changed grazing regimes on the vegetation of heterogeneous upland grasslands, Pakeman, R. J. *et al.*, Journal of Applied Ecology (2019)

As such, under-management is now identified as one of the major threats to sites where Red Data List plants grow⁶ and to open habitats in the UK and across Europe.⁷

In this context, it is notable that in 1928 the area utilised in Wales for the production of crops was around 355,000 acres - around half what it had been in the 1870s, but by 2016 the figure had fallen by around 40% to 220,000 acres, with vast reductions in the production of oats and mixed corn making up the majority of the fall.

This change, driven by economic factors, was significant in hill and lowland areas alike, and is associated with reductions in species which rely directly and indirectly on crop cultivation.

It should also be noted that a key objective of the Common Agricultural Policy, and in particular direct support and Area of Natural Constraint/Less Favoured Area payments, is to prevent rural depopulation and land abandonment in areas where agriculture is marginal.

A review in 2014 of 276 studies of the effect of farmland abandonment by the Stockholm Resilience Centre found that while some areas saw an increase in biodiversity, most did not, especially in Europe⁸.

Similarly, in Portugal's Coa valley, land abandonment has led to areas previously high in biodiversity becoming overgrown with dense scrub and forest, while in Japan the loss of farming on around 2700 square kilometres since 1961 has been accompanied by a steady decline in insects, birds, amphibians and plants⁹.

As such, changes to policy which directly or inadvertently further reduce agricultural activity or encourage land abandonment are likely to increase biodiversity loss in Wales.

Afforestation

Since 1918, woodland cover in Wales has quadrupled, with the vast majority of the increase down to the planting of non-native conifers.

Such increases were particularly notable in the uplands; for example between 1948 and 1983 the area of the Cambrian Mountains under conifer plantations increased seven-fold, to 21%.¹⁰

The effective replacement of existing ecosystems with woodlands with virtually no herbaceous cover has had severe impacts on Welsh habitats, as well as significant adverse effects for surrounding habitat and species, with woodland cover associated with population declines in a number of species, including wader populations.¹¹

As such, policies which encourage inappropriate afforestation are likely to exacerbate species and biodiversity loss in Wales.

⁶ Why are some plant species more threatened than others? Walker K *et al.*, BSBI News 137: 3-9 (2018)

⁷ European Red List of Habitats (2016)

⁸ Farmland abandonment: threat or opportunity for biodiversity conservation? A global review. Queiroz *et al.* *Frontiers in Ecology and the Environment*, 288, (2014)

⁹ Rewilding: Can we really restore ravaged nature to a pristine state? *New Scientist* (10th October 2018)

¹⁰ Mid Wales Upland Study, Parry, M., & Sinclair, G. (1985)

¹¹ Environmental correlates of breeding abundance and population change of Eurasian Curlew *Numenius arquata* in Britain, Franks, S.E. *et al.* *Bird Study*, Volume: 64 (2017)

Predation

While predators can have both positive and negative impacts on species diversity, rises in predator, and in particular generalist predator numbers, coupled with changes to habitats which aid predators and predation, can have severe impacts on some species which are of conservation concerns.

Foxes and crows, British population densities of which are the highest in Europe, are a particular concern, with abundances of both associated with lower numbers of ground nesting species such as golden plover, red grouse and curlew.

For example, a study of curlew breeding success in Northern Ireland found that 82–95% of breeding attempts failed at the nesting stage, with predation – primarily by foxes and crows - accounting for about 90% of nest failures.

In this context, and given the predominance of Welsh Government forestry plantations in many upland areas where species such as ground nesting birds have declined dramatically, it is worth noting that the number of foxes culled in such forests in Wales fell from between 10,000 and 15,000 per annum in 2003/4¹² to just 313 in 2011/12¹³.

A survey of badger numbers between November 2011 and March 2013 found that badger numbers in England and Wales have increased by between 70% and 105% in the past 25 years, and this rise is also associated with declines in some species – in particular hedgehogs¹⁴ and ground nesting birds¹⁵, many of which are among 45 bird species found to have been eaten by badgers in one meta-analysis¹⁶.

As such, policies which fail to address rising or unsustainable predator numbers will result in ongoing and severe impacts on species and biodiversity.

Impact of agri-environmental schemes

During the past two decades the proportion of Welsh farmland in environmental management agreements has increased from around 19% in the mid-2000s to around 36% in 2019.

Such have led to positive benefits for arable plants, grassland fungi, bats, butterflies, Water Voles and Brown Hares, and the Glastir Monitoring and Evaluation Programme has identified a number of such positive benefits.

However, it is notable that some agri-environment prescriptions appear to have had negative impacts compared with land not under such management agreements; for example, the number of plant species on habitat land entered into the Glastir scheme is lower than for habitat not subject to such restrictions – an impact that may well be associated with inappropriate limits on grazing levels and other agricultural activities which are important for biodiversity.

¹² Harris *et al.*, *Eur J Wildl Res*, 52: 99–108 (2006)

¹³ Forestry Commission response to a Freedom of Information Request, 17th December 2012

¹⁴ *The New Hedgehog Book*, Morris, P (2006)

¹⁵ *Badgers*. Poyser, London. Neal E. & Cheeseman C. (1996)

¹⁶ *Birds in the diet of the Eurasian badger *Meles meles*: A review and meta-analysis*, Hounscome, T., Delahay, R. J., *Mammal Review* 35(2):199 - 209 (2005)

As such, a scheme focussed solely on Public Goods and environmental outcomes which is based on poorly understood and complex environmental factors risks exacerbating species and biodiversity declines.

3.6 Welsh Agriculture and greenhouse gas emissions

The latest figures released by the Welsh Government show that Welsh agriculture and land use contributed 5 Mt CO₂e in 2016, 10% of Wales' total. This compares with 31 Mt CO₂e (65%) for Welsh businesses, 6 Mt CO₂e (13%) for Welsh transport and 4 Mt CO₂e (8%) for Welsh homes.

The three main gases released from agriculture are methane, nitrous oxide and carbon dioxide, representing 56%, 31% and 12% of all UK agriculture emissions respectively.

Emissions from Welsh agriculture have decreased by 12% since 1990 as a result of a range of improvements, including a 29% reduction in the volume of fuel used in agriculture, and a 55% reduction in nitrogen application rates.

In addition to the 410 million tonnes of carbon stored in Welsh soils, 75,700 ha of Wales' woodland (25%) is on farmland, representing an important and growing carbon sink.

Given that Welsh power stations are the single largest contributor to Welsh GHG emissions, and that 78% of Welsh energy generation comes from fossil fuels, the 1,714 farms in Wales which generate renewable energy make an essential contribution to meeting Welsh energy needs and reducing Welsh emissions, with the vast majority of Welsh renewable energy generation taking place on farmland.

While 90% of Welsh emissions do not come from agriculture, and other industries and sectors produce far more emissions, like all Welsh industries agriculture must endeavour to further reduce its greenhouse gas emissions.

Leaving the EU provides an opportunity to develop a new, data-driven policy (see 5.74) which would allow Welsh carbon footprints and emissions to be measured and reduced, while leaving the CAP regulatory framework would allow capital support for renewable energy generation on Welsh farms.

3.7 Welsh Agriculture and pollution

Since 1990, there has been a 55% reduction in nitrogen application rates, significantly reducing the risk of nitrate pollution, and contributing to Natural Resources Wales figures published in 2016 which show the risk of nitrate pollution at a catchment area level to be 'very low' for the vast majority of Wales (*Figure 2*).

Significant reductions in pesticide use have also occurred, with 50% fewer active ingredients being applied since 1990, and negligible pesticide use on the vast majority of Welsh land.

The latest data available for agricultural pollution incidents from January 2010 to February 2018 shows only 1% of farms in Wales to have been recorded as having a substantiated pollution incident.

However, where such incidences do occur, they can have severe impacts on waterbodies and wildlife, and in recognition of the need to tackle agricultural pollution the Welsh Land

Management Forum (WLMF), chaired by Natural Resources Wales, submitted a detailed report and 45 recommendations to the Welsh Government aimed at targeting problems where they exist and ensuring best practice is adopted across the industry.

Despite an original proposal to increase the proportion of Wales subject to EU Nitrate Vulnerable Zone restrictions from 2.4% to 8%, the Welsh Government is currently proposing the introduction of such regulations, as well as some additional rules, across the whole of Wales – with estimated costs for the agricultural industry of hundreds of millions.

Leaving the EU provides an opportunity to develop dynamic data-driven policies which target problems where they exist and ensure best practice is adopted across the industry (see 5.74).

However, the proposal to introduce draconian pan-Wales NVZ style regulations would undermine this opportunity as well as key elements of the Sustainable Farming Scheme proposal, while leading to severe adverse consequences for farm businesses across Wales and potential environmental problems in many areas.

Risk of nitrate pollution at a catchment scale, taken from Natural Resources Wales' *Surface Water Method Statement for Wales Nitrate Vulnerable Zone Review 2017*

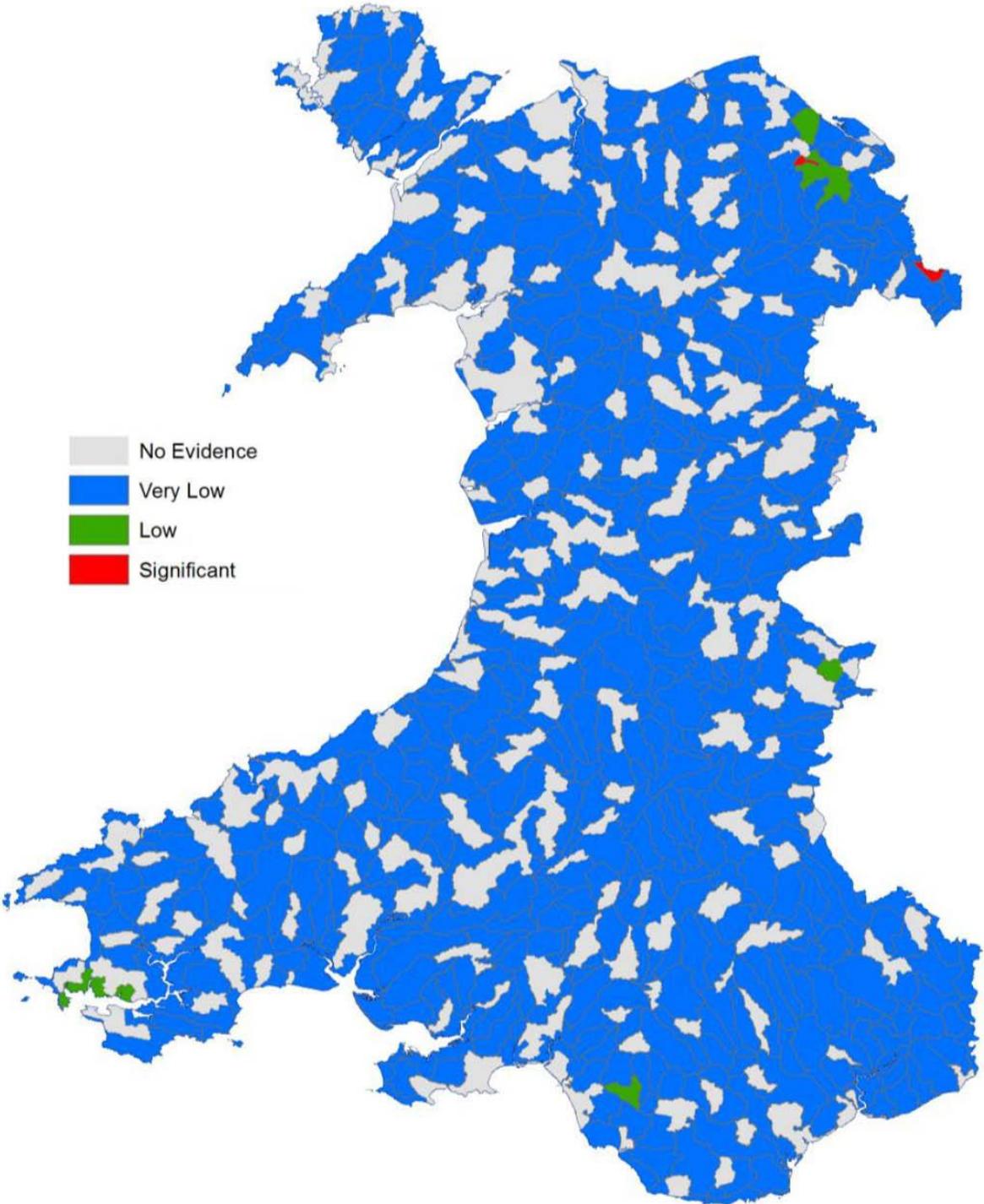


Figure 2

4.0 Sustainable Land Management

Under the Wellbeing of Future Generations (Wales) Act 2015 (“The Wellbeing Act”), “sustainable development” means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle.

While the United Nations’ definition of Sustainable Land Management (SLM) is clearly sensible in terms of “...ensuring the long-term potential of resources and the maintenance of their environmental benefits”, it is notable that the Welsh Government acknowledges in the Sustainable Farming and our Land consultation that their “...objective focuses on the sustainable use of resources...” rather than a broader range of objectives.

While the FUW does not dispute the validity of the United Nations’ definition of Sustainable Land Management, it must be noted that the Wellbeing Act encompasses a far broader set of principles which are defined by the seven Wellbeing Goals and forty-six National Wellbeing Indicators; principles which relate to language, prosperity, equality, employment and renewable energy production to name but a few – none of which are defined or necessarily implied in the UN’s Sustainable Land Management definition.

As such, the proposal “...to adopt Sustainable Land Management (SLM) as our objective and design a framework identifying how to achieve it...” fails to ensure that the proposed policy encompasses the broader objectives of the Wellbeing Act and therefore risks breaching it, to the detriment of many of the Wellbeing Goals as well as other Welsh objectives.

Moreover, it does not necessarily follow that a scheme based on the SLM principle should or must follow a Public Goods payments model – i.e. an income stream for “...those outcomes not rewarded by the market, principally environmental outcomes...”

As such, it is clear that positive outcomes which fall directly within the scope of the Wellbeing Act, such as jobs, prosperity, language and education, would be inadvertent or coincidental, as opposed to being the result of a policy designed with such objectives clearly in mind.

Finally, it should be noted that the Wellbeing Goals do not define an exhaustive list of what might be prioritised within an holistic Welsh policy framework.

It is therefore believed that a far broader set of principles which take full account of the Wellbeing Goals and other Welsh objectives, including the current and future economic challenges and competition faced by farm businesses and rural communities, should form the basis of a future policy framework, and that focussing objectives on the sustainable use of resources and basing a framework only on the UN’s Sustainable Land Management principle fails to comply with the Wellbeing Act.

4.1 Further comments in relation to the Sustainable Land Management framework

4.11 The structure of benefits, outcomes and actions tool

Whilst the benefits, outcomes and actions tool is useful, it does generate significant confusion in terms of distinguishing between ‘outcomes’ and ‘benefits’, and many members found the proposals extremely complicated to follow and interpret.

4.12 Whether the benefits and outcomes sufficiently cover the broad contribution of farmers, foresters and other land managers

While the benefits and outcomes definitions and examples are useful in describing many of the contributions made by Wales' farmers and others, it is not believed that this takes sufficient account of the economic contributions of, and challenges faced by rural businesses which have operated for more than seven decades within a system aimed at ensuring the provision of adequate supplies of safe and affordable food, and are likely to continue to compete with others who operate within such a system.

4.13 The description of Sustainable Land Management outcomes

While the description of Sustainable Land Management outcomes is useful, given that payments for Public Goods and environmental outcomes would be the key focus of the policy proposals, the inclusion of other outcomes such as language, education and prosperity is misleading, as these may be inadvertent or coincidental outcomes which would not necessarily materialise.

Moreover, a policy focussed only on Public Goods and environmental outcomes is likely to have detrimental impacts in terms of some of the outcomes given as examples, meaning that without extensive analysis to demonstrate that this would not be the case the description is misleading.

4.14 Whether it is right to focus an income stream on environmental outcomes

As made clear above, by focussing an income stream on environmental outcomes this would effectively discard a number of key Wellbeing Goals and National Wellbeing Indicators, thereby directly or inadvertently breaching the Wellbeing Act.

4.15 A more appropriate alternative policy framework – A Welsh Way Forward

An appropriate alternative policy framework would be designed to take account of the Sustainable Land Management principle alongside other key objectives of the Wellbeing Act and other Welsh priorities, thereby not only ensuring compliance with that Act but also the long term wellbeing of Wales.

Having met with thousands of Welsh farmers and others with a direct interest in future Welsh rural policies during the summer of 2018, the FUW and NFU Cymru produced a joint vision paper entitled *A Welsh Way Forward* which was published on 24th October 2018.

The paper sets out key principles aimed at placing Welsh food, farming, livelihoods, communities and the environment on a firm post-Brexit footing, and in a way which encompasses not only the

Sustainable Land Management principle but also the broader Wellbeing Goals and other Welsh priorities.

Those principles comprise:

1. **Stability** - *The priority for Welsh Government must be to provide stability in a world of uncertainty*
 - Wales' food and farming industry already faces unprecedented challenges and uncertainty as a result of issues which are outside Welsh Government control
 - The risk that far reaching reforms to rural support will add to an already unstable situation is great, and the priority for Welsh Government must be to provide stability using the tools they have available
 - Significant changes should only be considered once we have a clearer knowledge of our future trading relationship with our main trading partners
 - Transition to future policies should only begin following thorough investigation of the impacts on every business, sector and region of Wales, and a full assessment of the Welsh Government's ability to deliver any plans

2. **Family Farms** - *Wales' future rural policies must keep food producing families on the land*
 - The family farm is the backbone of our rural and wider communities, producing top quality, safe and affordable food for the consumer
 - These families deliver for our economy, environment, landscape, language and culture, and should be placed at the centre of Welsh Government policies
 - As such, the family farms which take the financial risks associated with food production alongside all forms of work on the land should be placed at the centre of any future policy through a strengthened Active Farmer rule

3. **Supporting Rural Communities and Welsh Jobs** - *Direct support which underpins safe top quality food production must be maintained to avoid causing irreparable damage to Wales*
 - Our farmers are kingpins in food supply chains which sustain a multi-billion pound food and drink industry and hundreds of thousands of Welsh jobs
 - Whatever happens after Brexit, our industry will continue to operate and compete in a global marketplace, competing with farmers across the UK, the remaining EU and the rest of the world
 - Abandoning direct support that underpins safe high quality food production at a time when our key competitors have no intention of doing the same would cause irreparable damage to the economy, environment, landscape, language and culture of Wales
 - Wales must design a policy that actively supports all sectors and areas of Wales, ensuring fairness between neighbours and regions, and a level playing field with farmers elsewhere

4. **Sustainable Agriculture** - *Wales must continue to invest in measures that drive productivity, improve efficiencies and support farmers to increase market potential whilst meeting environmental and climate change obligations*

- Leaving the EU creates the opportunity to provide better targeted support to help farming families increase market potential, and drive improvements in productivity
- Much can be learned from the delivery of current Rural Development schemes in Wales and in other nations and countries which have succeeded in driving forward productivity and efficiency improvements across the farming industry
- Farming organisations have previously outlined detailed proposals for integrating investment measures, skills and knowledge exchange and data capture in order to drive forward measurable improvements in economic and environmental performance, including in relation to mitigating climate change
- Such principles should form the foundation of a future scheme aimed at economic resilience

5. **Rewarding Environmental Outcomes** - *Welsh farmers have delivered positive public outcomes for the nation for centuries, and must be fairly rewarded for what they have already delivered, continue to deliver and will deliver in the future*

- Historically, Wales has been seen as an exemplar in terms of rewarding farmers for delivering public and environmental goods through schemes such as Tir Gofal, which was devised following successful piloting
- We now have the opportunity to build upon previous experience and knowledge by ensuring farmers are better rewarded for what they deliver for society
- This should be achieved through an additional scheme which complements the key policy of providing stability through direct support to food producing family farms

Given the above, the FUW believes that evolution of the schemes currently in place in Wales under the Common Agricultural Policy should take place in order to introduce a Sustainable Farming Scheme based on such principles, which, in the absence of radical improvements to market returns and reductions in price volatility, would provide financial security for farm businesses and those reliant on agricultural supply chains.

Notwithstanding the above, the FUW would also draw attention to the 2021-2027 Common Agricultural Policy framework currently being developed by the European Union, the principles of which we believe encompass both the FUW-NFU Cymru *Welsh Way Forward* principles, those described by the Wellbeing Goals and other priorities for Wales.

These are

- to ensure a fair income to farmers
- to increase competitiveness
- to rebalance the power in the food chain
- climate change action
- environmental care
- to preserve landscapes and biodiversity
- to support generational renewal
- vibrant rural areas
- to protect food and health quality

5.0 Sustainable Farming Scheme

As already stated, the FUW believes that the Sustainable Land Management framework upon which the proposed Sustainable Farming Scheme is based, and in particular the key principle of paying for “...those outcomes not rewarded by the market, principally environmental outcomes...” fails to take account of

- (a) The FUW-NFU Cymru *Welsh Way Forward* principles
- (b) The full set of *Wellbeing Goals* and *National Wellbeing Indicators* legislated for in the Wellbeing Act and
- (c) Other Welsh short and long term priorities and challenges, including those relating to Brexit

Moreover, given that the principle of replacing direct support and production subsidies with payments for Public Goods and environmental outcomes predates the Wellbeing Act and UK and global developments (including Brexit) by more than a decade, it is believed that the proposal falls short in terms of taking the opportunity to design a truly original and creative policy aimed at addressing modern Welsh challenges and objectives, including those legislated for under the Wellbeing Act.

It should also be noted that the principle of Public Goods payments was a key feature of the 2005 HM Treasury/Defra *Vision for the Common Agricultural Policy* proposal, which was dismissed by the European Union on the grounds that it failed to address a broader range of EU objectives, many of which can be related directly or indirectly to the Wellbeing Act.

As such, it is believed that the introduction of a scheme based solely on payments for Public Goods and environmental outcomes would have dire impacts for large numbers of farms and rural communities, thereby undermining the economic, social and cultural wellbeing of Wales and contravening many of the core principles legislated for in the Wellbeing Act.

5.1 Scheme entry and administrative burdens

The FUW has major concerns regarding the process by which farms would enter the proposed scheme, and the bureaucratic and economic impacts for the Welsh Government and farmers of applying for, maintaining and complying with such a scheme.

Successive Welsh Governments have implemented changes which have ensured the vast majority of Pillar 1 payments have been delivered in a timely manner, thereby bringing significant wider benefits to rural businesses, while the development of Rural Payments Wales Online (RPW Online) in partnership with stakeholders has led to a state-of-the-art service which is second to none in Britain.

Such delivery and services stand in stark contrast to the positions in England and Scotland, where payment delays have been routine and often acute, and online services have suffered repeated problems.

It should be noted that the most severe problems in England, which were in 2005 and 2006 and resulted in EU penalties amounting to hundreds of millions of Euros, were in part caused by an ‘open to all’ policy for Single Payment Scheme eligibility, which increased applications numbers significantly, thereby undermining the Rural Payments Agency’s ability to process applications.

While the FUW welcomes the apparent move away from the ‘open to all’ policy proposed in the *Brexit and our Land* consultation, and the reference to *active farmer* in the current consultation, there remains a significant concern that there would nevertheless be a weakening of the active farmer criteria which would significantly increase the numbers likely to apply for the *Sustainable Farming Scheme* compared with the BPS by as much as 50% (from around 16,000 to perhaps 24,000 or more).

The fact that the *Outreach, Expression of Interest, Farm Sustainability Review and Farm Sustainability Plan* process proposed for the *Sustainable Farming Scheme* effectively replicates the Glastir ‘outreach’ and application processes introduced in 2012 raises major concerns, given the time and resources taken and problems experienced in implementing and running the scheme, and the drafting of some 4,000 Glastir contracts since 2012.

In particular, it should be noted that implementing those Glastir contracts has been far more problematic than the Welsh Government’s highly successful annual processing of 16,000 BPS applications, including during the first year of the scheme in 2015.

Problems experienced by members in relation to agri-environment contracts include:

- i. Confusing and complex contracts that lead to inadvertent breaches and subsequent penalties
- ii. Repeated changes to contract versions, often without the knowledge of farmers
- iii. Inflexibility which is damaging to both farm businesses and biodiversity – as evidenced by some GMEP data
- iv. Contradictions between contract requirements and Natural Resources Wales objectives in relation to protecting Sites of Special Scientific Interest
- v. Farmers being given just weeks or even days to agree to and sign up to complex and lengthy contracts
- vi. Widespread errors in mapping layers leading to inappropriate and/or impractical contract specifications and decisions

A significant – if not the main contributor – to such problems is the administrative burden associated with agri-environment schemes where every contract is bespoke.

As such, given:

- (a) The Welsh Government’s intention to give some 16,000 BPS recipients the option of transitioning to bespoke Public Goods contracts;
- (b) The possibility that many thousands more may seek to secure such contracts; and

- (c) The exceptional success of the RPW Online system and associated Single Application Form completion process

Plans to introduce bespoke contracts of the kind described would lead to the loss of a unique and highly efficient annual declaration system which has the potential to be developed to far better deliver against *all* the Wellbeing Goals, including those relating to Public Goods, as well as a broader set of Welsh objectives.

5.2 Business support

While criticism is often levelled at elements of the Rural Development Programme (RDP) through which business support is currently delivered – including Farming Connect, Farm Business Grants and Sustainable Production Grants – the benefits of such support are undeniable, and the FUW therefore believes such support should form a part of any future policy.

However, given widespread frustration with certain elements of the current RDP – some of which relate to Welsh Government requirements as opposed to concerns regarding Farming Connect and other RDP elements *per se*, members believed that the current scheme should be enhanced and improved upon, with a greater emphasis being placed on practical training and courses.

The proposal to maintain capital investments opportunities is welcome. However, it is believed that the development of the current policies, PRW Online system and SAF process would be a far more efficient and dynamic way in which to identify both appropriate business advice and potentially beneficial areas of capital investment, compared with doing so through a Farm Sustainability Review.

As stated further on in this response, such a system would also allow the dynamic identification of actions which simultaneously address business resilience and efficiency and environmental/Public Goods objectives.

5.3 Fair access and eligibility - divergence and discrimination between areas

Whilst agri-environment schemes which complement existing direct support payments have worked well on many farms, the fact that they invariably discriminate between farmers depending upon what is present on a farm and/or what area the farm is located in is not disputed.

Such divergence and discrimination has existed for the vast majority of such schemes introduced over the past three decades, from Environmentally Sensitive Area (ESA) payments, through Tir Gofal to Glastir, and the soil carbon map provided in the consultation document illustrates how opportunities in relation to one aspect of such a scheme would vary between regions and farms.

Moreover, thousands of FUW members have direct experience of being unable to access Tir Gofal, Glastir Advanced or other schemes because their farms have not attracted sufficient 'points', either because of the nature of their farming systems and land or the area their farms are in.

At present, the majority of CAP funding is paid in a non-discriminatory way, through the Basic Payment Scheme.

As was the case in the *Brexit and our Land* consultation, the *Sustainable Farming and our Land* consultation makes it clear that the payment a farmer may be able to receive would depend on the area they farm in and what is present on the farm – possibly also the degree to which neighbours are willing to cooperate – opening up the potential for huge discrimination between farm businesses in terms of accessing the only payment scheme available to the industry, even within individual parishes.

In addition to directly discriminating between farm businesses, differences between mapping layers and targets could lead to a situation whereby farms which are economically and agriculturally similar must undertake very different actions to access funding which is essential for the business, thereby creating divergence in terms of agricultural production and efficiency, and the contributions made to the local economy.

Given the likelihood that the Area Statements introduced under Wales' Environment Act will also dictate the options available to farmers wishing to receive an annual payment, there is also a risk that large areas will lose out on funding because they are perceived as being in areas which are less environmentally valuable than others – leading to significant shifts of funding between areas.

Members, many of whom had already been discriminated against under past environmental schemes, and had seen funding shift away from their farms and/or regions as a result of previous direct payment reforms, highlighted the dangers and inequity of any core scheme which would result in such divergence and discrimination.

5.4 Tenant access

As highlighted in the Welsh Government's 2019 *Agriculture in Wales* publication, 9% of businesses applying for Basic Payment Scheme (BPS) and/or Glastir in 2018 did so for farms comprised entirely of tenanted land, whilst a further 39% comprised both owned and rented land.

Of the total amount of land in Wales for which BPS and/or Glastir claims were made, over a quarter was for land that was rented.

Whilst figures which distinguish between the numbers of tenants and owner-occupiers applying for Glastir and BPS payments have not been published, given that the Farm Business Survey (FBS) estimates that 35% of rental agreements in 2017-18 were for less than 1 year, and that Glastir contracts are multi-annual, it must be concluded that the majority of the 48% of farm businesses which rely on tenanted land are not in the Glastir scheme due to the legal and practical barriers inherent to agri-environment/Public Goods type contracts on tenanted land.

The recognition in the consultation paper of such obstacles and the importance of the tenanted sector – particularly in terms of young and new entrants - is welcome.

However, the degree to which tenant farmers are particularly vulnerable to changes in payment systems, particularly those linked to environmental/Public Goods and multi-annual contracts, cannot

be emphasised enough: While potential changes to tenancy law; contracts which do not run for prohibitively long time periods; Public Goods outcomes achieved through agricultural activity and the provision of advisory services for tenants and landlords would mark a step towards reducing adverse impacts, the degree to which these would truly negate the problems inherent to moving from annual direct support for Active Farmers to one based on Public Goods/environmental multiannual contracts is negligible.

Such problems relate to the prevalence of annual FBTs, the limited control a tenant has over land, boundaries etc., restrictions in farm tenancy agreements, the need to seek a landlord's consent for work and the length of tenancy agreements compared with agri-environmental scheme contract durations.

It should also be noted that in many cases the reluctance of landlords to provide consent for work – including in relation to investments - may be wholly rational, given the long term adverse impacts work or actions may have on the agricultural value of land, or the affordability of compensating existing tenants for work and structures.

As such, the introduction of a scheme focussed only on the provision of Public Goods and environmental outcomes would exclude large numbers of tenants, thereby compromising their businesses and placing them at a competitive disadvantage and resulting in large pockets of land outside the scheme, while also resulting in land being taken in hand by landowners, thereby disenfranchising tenants.

It should also be noted that the proportion of tenanted farms located in intermediate or lowland areas (as opposed to upland areas) is generally believed to be higher than for the industry as a whole, and that this is particularly the case for Local Authority holdings.

Given that agri-environment scheme requirements have generally been less attractive or practical for such farm types, the barriers presented by a move to Public Goods and environmental outcome based payments for tenants are likely to be exacerbated by the nature and location of tenanted farms.

It is therefore believed that the proposals in their current form would represent a particular and acute problem for tenants which the Welsh Government fail to address in the proposals, and that such adverse impacts would disenfranchise tenants in a way which would breach the Wellbeing Act.

5.5 Common land

An estimated 9.7% of agricultural land in Wales is common land, equivalent to approximately 180,000ha, most of which is used for agricultural purposes.

In 2007, one in every ten Welsh farms relied on common land for 30% or more of their eligible area, while almost one in five farms declared common land on their SAF forms – figures which are unlikely to have since changed to any significant extent.

Whilst common land is of significant importance to farmers throughout Wales, the reliance on common rights, both directly in terms of access to grazing and accessing funding, is particularly high

in many of Wales' upland areas. For example, around 80% of Wales' common land is located in Powys, 29% of which comprises common land.

Under current CAP rules, the farm payments associated with common grazing are based on calculations of the nominal forage area on which farm businesses have the right to graze animals.

While the right to graze animals on a common can be related to a number of actions which may deliver environmental benefits and Public Goods, a large number of actions relating to such outcomes do not fall within the legal rights held by commoners, while other actions are limited by restrictions imposed by Acts relating to common land, including the Commons Act 2006 and the Countryside and Rights of Way Act 2000.

Moreover, many actions relating to Public Goods and environmental outcomes which are possible on common land fall partly or wholly within the rights of the owner of a common.

As such, a move to a system based entirely on Public Goods and environmental outcomes would reduce or prevent commoners' access to funding, thereby disenfranchising large numbers of Welsh farmers, with particularly adverse impacts within Welsh communities where common land is dominant – as happened on many commons when Glastir replaced the Tir Mynydd scheme.

It should also be noted that Commons Councils are unlikely to address such problems, and may well exacerbate them, given the legal requirements for the structure and workings of a Commons Council set out in Part 2 of the Commons Act 2006, and the degree to which such Councils may further disempower graziers.

It should also be noted that the running costs of a Commons Council can be extremely prohibitive and orders of magnitude higher than the costs of running a Graziers Association, due to the legal requirements set out in the Commons Act 2006; for example, the estimated annual running cost of a Cumbrian Commons Council was £40,000 based on the running costs of the Dartmoor Commons Council.

As such, any requirement to form such Councils to access payments would disenfranchise and discriminate against graziers compared with their non-commoner counterparts.

5.6 Scheme eligibility

5.6.1 Active farmer criteria

The FUW welcomes the recognition in the consultation paper of the role that active farmers play in maintaining Welsh communities and society, including in terms of rural economies, jobs, prosperity and culture.

However, we remain concerned that such acknowledgement may not translate to, or be compatible with, the proposed scheme because of the overriding emphasis on delivering Public Goods and environmental outcomes, and that the scheme as proposed could in fact water down the Active Farmer criteria currently in place under CAP regulations.

This would exacerbate the sorts of concerns expressed by the European Commission in terms of big businesses and those who make little or no economic or social contribution to rural communities accessing funding to the detriment of family farms and rural populations.¹⁷

Moreover, we would also highlight the lengths to which the Scottish Government has gone to ensure money is directed at those farmers who are economically active within their communities, in terms of payments linked to minimum levels of agricultural activity and stocking rates that help reduce the loss of money to inactive and absent landowners.

The Active Farmer criteria also plays an invaluable role in ensuring tenant farmers and commoners access the main source of agricultural funding.

As such, the FUW believes the Welsh Government should at least maintain an Active Farmer criteria similar to that already in place, and should consider the merits of adopting a Genuine Farmer criteria in line with that proposed by European Commission¹⁶.

5.62 *Payment capping*

The FUW has supported the capping of payments since 2007, and was instrumental in securing the introduction of a cap on Welsh direct payments in 2015 to maximise the amount of money going to typical family farms and those who make the greatest contribution to rural communities and the economy.

The European Commission is proposing a significant reduction in payment caps after labour costs are taken into account to ensure a fairer distribution of payments, as well as higher levels of support per hectare for small and medium sized farms¹⁶.

The FUW was concerned in 2018 that the *Brexit and our Land* consultation implied no such cap would apply for the proposed Public Goods scheme, and maintains that any such change would be a regressive move which would move money away from those family farms which make the greatest contribution to the economy and rural communities.

Moreover, if coupled with a weakening of the Active Farmer criteria, the abandonment of payment capping would exacerbate the degree to which private individuals and large landowning bodies could take money away from farming families and rural communities.

As such, the FUW welcomes the reference in the *Sustainable Farming and our Land* consultation to both the capping of payments and the potential for payments to diminish above certain levels.

However, the Union is concerned that no explicit commitment is made in the consultation to either the maintenance or reduction of the current cap on payments, and believes that any future scheme payments should be capped below the current level while taking full account of labour costs and other factors.

¹⁷ EU Budget: The CAP After 2020. European Commission (June 2018)

5.7 Further comments in relation to the Sustainable Farming Scheme

5.71 *How the Farm Sustainability Review and Farm Sustainability Plan could be delivered in a proportionate manner*

As already highlighted, the proposal to deliver the scheme in the manner described mirrors the approach adopted when the Glastir scheme was introduced in 2012, but would entail at least an order of magnitude more work given that the scheme would replace all other forms of financial support and therefore involve tens of thousands of applicants.

As such, it is not believed that the proposals are either proportionate or practical, and there is overwhelming evidence following the delivery of past schemes to support the view that such an approach would lead to major problems.

By contrast, the current RPW Online system efficiently and accurately collects annual data relating to 170 types of land use on hundreds of thousands of field parcels and areas, at a resolution of 0.01 hectares, while also collecting many other types of data relevant to Wales' wellbeing, business practices, carbon sequestration and other environmental goods. Such data covers round 90% of Wales land area and the overwhelming majority of Welsh farm businesses.

The replacement of such a state-of-the-art system, which is second to none in the UK, with one based on labour intensive 'outreach' meetings, one-to-one farm sustainability reviews and complex multiannual contracts would therefore be a gross retrograde step, at a time when global advances are being driven by precisely the type of data provided annually through RPW Online.

As such, the most effective means of delivering a future policy would be to ensure it is based on the broad set of principles referred to at 4.15 which encompass Public Goods as well as other Welsh priorities.

This would allow the development of the current RPW Online system in a way which better delivers against all of the Wellbeing Goals, National Wellbeing Indicators and other key Welsh priorities and challenges.

5.72 How best to reward farmers for outcomes through their actions

The current BPS scheme already rewards farmers for a range of outcomes which are far more diverse than those related to Public Goods. However, there is clearly scope to improve on the current system in order to better deliver against a broader range of Welsh priorities.

5.73 How the Sustainable Farming Payment should operate

As indicated above, a Sustainable Farming Scheme should be based on a framework which is far more comprehensive and holistic than what the Welsh Government proposes, and be delivered through a developed version of the current policies and delivery mechanisms.

5.74 Alternative proposal for supporting farmers in a manner consistent with Sustainable Land Management

The FUW proposes the delivery of a Sustainable Farming Scheme which is consistent not only with the Sustainable Land Management principles, but also the full range of Wellbeing Goals, National Wellbeing Indicators and other Welsh objectives.

This should be based on the framework described in section 4.15, with key principles being ensuring stability, protecting family farms, supporting rural communities and Welsh Jobs, ensuring sustainable agriculture and rewarding environmental outcomes.

Such a scheme should be delivered through the development of current policies and the current RPW Online delivery system in order to create a system which properly rewards farmers for the annual provision of data and compliance with universal scheme obligations, while also using such data to dynamically drive improvements both nationally and at a farm level by identifying actions which deliver against a range of objectives, including those relating to Public Goods (*Figure 3*).

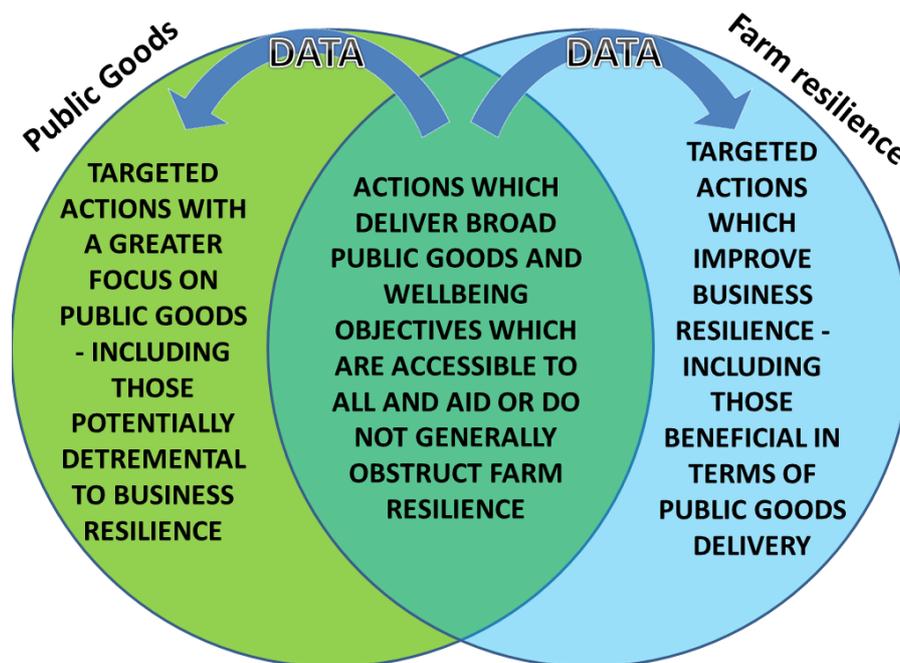


Figure 3

Such a scheme should link the annual provision of data and compliance with universal scheme rules with a baseline payment, in order to underpin the continued production of safe, high quality food and the benefits of direct support for Wales' economy, environment, landscape, language and culture.

Such a payment would be area-based and non-discriminatory in terms of farm type and features present on a farm, but would be capped and tapered in a way which ensures support for family farms and food producers is prioritised.

Data provided annually would be used to identify national progress against a host of goals and objectives, enabling the national and international promotion of Wales and Welsh products using facts and figures derived from a state-of-the-art data collection system.

Such data would also be used to direct farmers towards appropriate advice and training, and to identify key actions on individual farms which would improve economic and environmental performance and sustainability, including those relating to the delivery of Public Goods and environmental outcomes.

Such interventions would include one-off grants, such as those currently delivered through the Farm Business and Sustainable Production Grants, as well as longer term interventions such as woodland and streamside corridor creation and maintenance.

Such a scheme would not prohibit farms entering into the type of part or whole farm multiannual environmental/Public Goods agreements proposed in the consultation, but would ensure:

- a) That a broader range of objectives are met than those proposed in the consultation, including those relating to the Wellbeing Act and other Welsh goals and objectives
- b) That systems and policies are developed gradually and in a way which can be safely managed, and that the best features and benefits of current schemes are not lost
- c) That the risks for farm businesses, rural economies and communities inherent to abandoning direct support, which are recognised across the European Union, are avoided, and current policies developed to better deliver against key objectives with minimum risk to Welsh communities, the taxpayer and Welsh Government
- d) That the current state-of-the-art RPW Online data collection system is maintained and enhanced, and put to best use both nationally and at a farm level
- e) That the risks inherent to replacing the RPW Online/SAF processes with an archaic, cumbersome, costly and complicated bureaucratic process are avoided
- f) That schemes, processes, changes and improvements are genuinely data driven, thereby delivering the type of 'transformational change' previously envisaged by the Welsh Government
- g) That the extreme pressure placed on farmers and Welsh Government staff during the short SAF window and related time periods would be avoided, as a system would be developed to allow submissions and amendments to be made throughout the year

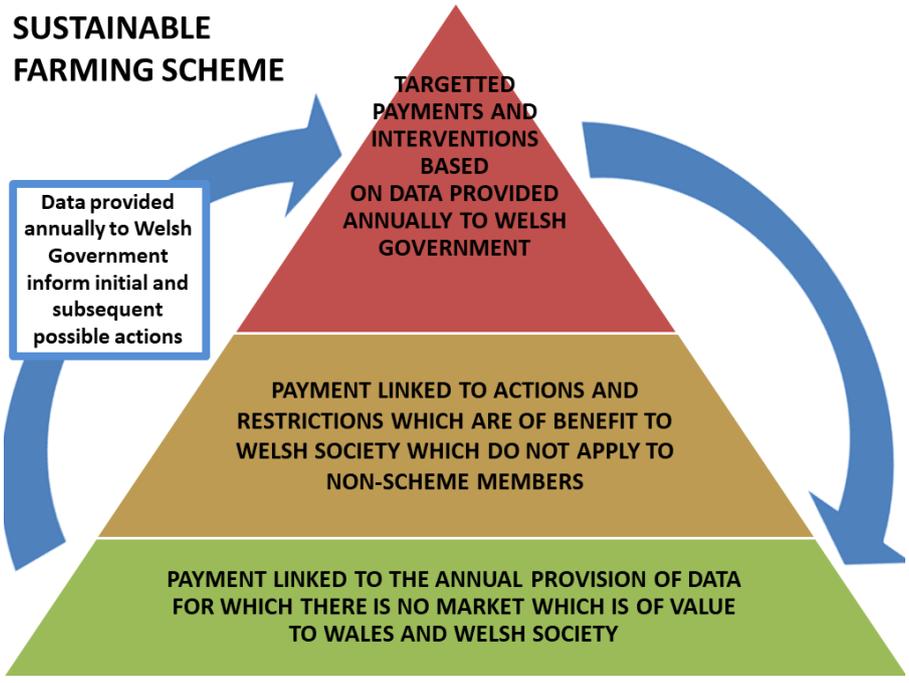


Figure 4

6.0 Advisory service

As already stated, the FUW supports the provision of a proportionate and efficient advisory service and related business support, and believes the current services provided under the Rural Development Programme should be improved upon.

Whilst members expressed concern regarding the risk that bringing an advisory service 'in house' to the Welsh Government might entail, many highlighted the invaluable service provided by the Farm Liaison Service, while others drew attention to the exorbitant fees charged by independent consultants when operating under Government schemes, compared with the fees charged for equivalent services provided outside such schemes.

We would highlight the risk that employing different bodies to deliver advice regarding different matters, or in different regions, would lead to divergence and conflicting advice, and that employing those bound by charitable objectives would result in biases and clear conflicts of interest with Welsh Government policies.

In terms of the scale of delivery of an advisory service, we would reiterate the excessive costs, inefficiencies and bureaucracy inherent to the outreach, EoI, farm sustainability review and ongoing support processes proposed in the consultation paper.

It must also be noted that that delivery of the processes and services as envisaged by those with sufficient levels of expertise would require more qualified and experienced advisors than currently exist in Wales, and possibly more than exist in Wales and England – a problem which would be exacerbated by the need to address language needs across much of West, Mid and North Wales.

Such concerns are exacerbated by the likelihood that future funding will not be ring-fenced, as is currently the case under CAP Regulations, meaning the Welsh Government may be able to pay for such bureaucratic processes and potentially inefficient services from budgets which must currently, under CAP Regulations, be paid directly to farmers and land managers.

As such, whatever policies and schemes are ultimately adopted, it is essential that the Welsh Government provides cast-iron assurances that funding for implementing and administering such changes will not come from budgets which must, under CAP Regulations, currently be paid directly to individual businesses.

7.0 Industry and supply chain

7.1 Promoting Sustainable Brand Values

While members generally supported the principle of promoting Sustainable Brand Values, concern was expressed regarding the threat that Welsh products may be displaced both from domestic and export markets if requirements place additional costs on production.

This is particularly the case given that the AHDB International Consumer Buying Behaviour report has demonstrated that quality and price are by far the dominant factors in international consumer buying behaviour¹⁸, and that animal welfare is consistently amongst the lowest considerations.

While this may be disappointing for a country such as the UK, it is important to recognise such realities, particularly given the overall negative implications of pricing Welsh produce out of markets and thereby exporting production to countries with lower environmental and animal health and welfare standards.

Notwithstanding this, it must be noted that the alternative idea for supporting farmers proposed at 5.74 would provide an invaluable and dynamic means by which to collect data relevant to Welsh production and a range of national and international targets and goals, whereas the scheme proposed in the consultation would undermine the current data collection system and result in greater reliance on more archaic approaches.

7.2 Encouraging greater market alignment

Moves which encourage greater market alignment would be welcome provided they do not distort markets or exclude individuals, and it is again notable that the alternative proposals given at 5.74 would far better allow the identification of opportunities using farm-specific data compared to the approach proposed by the Welsh Government.

7.3 Identifying and overcoming barriers in the supply chain

Whilst the FUW supports the proposals to identify and overcome barriers in supply chains, we would emphasise the need to drive change from the top: Welsh Government and other public body procurement policies must genuinely support local supply chains, as they do in other countries which are subject to the same or similar procurement rules.

We would also draw attention to the need to strengthen the position of farmers within the food supply chain by enhancing market transparency and taking other proactive actions such as those being enacted in the European Union.

¹⁸ AHDB Horizon report – International Consumer Buying Behaviour (April 2018)

These include requiring crucial information on how prices are determined as agri-food products move along the supply chain, thereby providing information about intermediary costs between seller and buyer in a manner that enhances market transparency.¹⁹

7.4 Promoting joined up support on knowledge transfer and innovation

The FUW supports the development and improvement of current Farming Connect and related services which promote knowledge transfer and innovation.

7.5 Shortening supply chains for Welsh products

The FUW supports efforts to shorten supply chains in a way which allows farms to receive a fairer proportion of profits, while ensuring that main markets and supply chains are not compromised.

In this context, we would emphasise the need to support and encourage Welsh processing, and in particular protect and assist Welsh slaughterhouses of all sizes, numbers of which have fallen by 75% or more since the 1980s due to economic pressures, including those brought about by regulations introduced by the EU, UK and Welsh administrations.

We would also emphasised the need to ensure that scheme changes do not undermine Wales' aspirations, including those relating to shortening supply chains, by directly or inadvertently reducing Welsh agricultural production, thereby undermining critical mass which is a key factor for Welsh processors and food operators.

¹⁹ Fairness in the food supply chain: Commission proposes to increase price transparency. European Commission press release (2019)

8.0 Regulatory framework

Whilst the FUW does not object to the genuine streamlining of regulations, where *streamlining* is used as a euphemism for increasing the regulatory burden this is objected to, and we would emphasise the difference between good governance and ever-changing and escalating regulations.

In this context, we would draw the Welsh Government's attention to its previous commitment to all 74 of Gareth Williams' *Working Smarter* recommendations, and the need to revisit these principles in light of the proposals to increase regulations.

Whilst the FUW understands the need to consider and review a range of Regulations as a result of Brexit, given

- (a) the disadvantageous and unbalanced tariff rates likely to apply at UK-EU borders in the event of a no-deal Brexit and
- (b) the rollover and mutual recognition agreements signed with scores of countries, the vast majority of which have far lower regulatory standards than those already in place in Wales,

it would be inappropriate to add to the current regulatory burden for farmers as this would exacerbate such impacts.

Moreover, given that Welsh production standards are already far higher than those throughout most of the World and the EU, any suggestion that these should be raised - as opposed to maintained- in order to protect Welsh markets would be premature, not least given the findings of the AHDB International Consumer Buying Behaviour report already referred to.¹⁸

It must also be noted, given the additionality principle upon which the proposed Sustainable Farming Scheme would be based, that the European Union justifies direct payments on the grounds that EU farmers are subject to a raft of restrictions, including Statutory Management, Greening and Good Agricultural and Ecological Condition requirements, which farmers in other parts of the world are not subject to.

As such, the Welsh Government proposal implies the retention of restrictions in Wales which do not apply in non-EU countries, and the abandonment of the payments which are in EU countries inherently linked to such restrictions – changes which would be grossly disadvantageous to Welsh farmers and are therefore objected to wholeheartedly by the FUW.

Moreover, as already highlighted, the FUW has major concerns that planned increases in the regulatory burden for farmers such as those relating to agricultural waste management will undermine key Sustainable Farming Scheme proposals, due to the disproportionate nature of the proposals and the adoption of an additionality principle.

8.1 How the current regulatory framework can be improved upon

It is not believed that the current regulatory framework should be altered significantly until we have a clear indication of trading conditions post Brexit, since such alterations may on the one hand add additional costs for Welsh farmers at a time of extreme uncertainty and potential threats, and on the other threaten to undermine equivalence with the standards required in countries into which we export or hope to export.

Notwithstanding this, a number of changes which would be unlikely to have trade implications may be desirable, including the revocation of the livestock burial ban; changes to Greening requirements, streamlining application and inspection processes, the introduction of more proportionate penalties, increased recognition of genuine errors and increasing error thresholds for crop code areas.

In this context, we would once again emphasise the valuable work undertaken by Gareth Williams, and the Welsh Government's acceptance of his Working Smarter recommendations, and believe that such a review may again be warranted.

8.2 The scope of a future regulatory framework

The FUW would draw attention to the need for a regulatory and other frameworks to be drawn up in cooperation with the other UK nations in order to minimise potential market distortion and discrimination, as highlighted in the FUW's *Filling the Void – Steps towards a post Brexit UK Policy Framework* document²⁰.

8.3 The role a future regulatory framework would play in championing Welsh standards

Please note the comments provided above and in Section 7.0 with regard to the role a future regulatory framework would play in championing Welsh standards.

8.4 How compliance with regulation should be monitored

Members generally believed that modern technology and other innovative approaches should allow self-assessment to play a greater role, provided a less draconian regime than the one currently in place was adopted which was proportionate and took account of genuine errors

8.5 How breaches can be fairly and proportionately addressed

The FUW believes that the principle advocated in the First EU Environmental Action Plan that *"The best environmental policy consists in preventing the creation of pollution or nuisances at source, rather than subsequently trying to counteract their effects"* is one that should be reflected in all areas or regulation.

As such, and notwithstanding the FUW's objections to the increases in regulatory burdens proposed in the consultation, we believe that such prevention should be encouraged by incentivisation and education.

It must also be noted that many elements of current regimes result in hugely disproportionate and unfair penalties, with some penalties amounting to hundreds or even thousands of pounds for accidental or inadvertent breaches of rules which are often inconsequential and may relate to payments of just a few tens of pounds.

As such, it is believed that a review by stakeholders of how breaches are dealt with under the current regimes should be undertaken before any changes to regulations are considered.

9.0 Funding and transition

9.1 Funding

The FUW shares the Welsh Government's concerns regarding the need for Welsh farm support to be guaranteed in the long term, and in this context we would highlight our extreme disappointment that the UK Government recently accepted the Bew Review recommendation to award Scottish agriculture a sum equivalent to an additional £1,300 per Scottish farmer, thereby potentially increasing the difference between average annual Welsh and Scottish farm payments from £11,000 to £12,100 once the small uplift recommended by Lord Bew of around £150 per Welsh farm per annum is taken into account.

It must also be noted that a further windfall for Scottish agriculture announced by the UK Government in August would bring the total difference between average annual Scottish and Welsh farm payments to around £16,200, and leaving the average Scottish farm payment at around 175% of the average Welsh payment.

Such decisions and recommendations highlight the need for a proper financial and political framework which secures long-term funding for agriculture in all of the devolved regions based on a fair and objective formula which minimises market distortion, ensures Welsh farmers are not disadvantaged, and provides ring-fenced funding to ensure spending cannot be diverted in ways which disadvantages individual businesses.²⁰

9.2 Proposed principles for transition

The complexity and inherent dangers of each of the three proposed principles for transition is an inherent consequence of the proposal to move from a currently efficient and effective policy and delivery mechanism to one which is radically different, highly bureaucratic and would involve disruption and significant burdens for businesses and Government due to the need for scores of thousands of farm visits and the drawing up of tens of thousands of bespoke contracts.

As such, none of the three transition options have particular merits compared with the huge problems and disruption likely to be caused by a transition from a state-of-the-art online data collection system to one based on individual farm visits and bespoke contracts.

9.3 Alternative proposals for transition

By contrast, the alternative proposal for supporting farmers in a manner consistent with Sustainable Land Management proposed at 5.74 would negate such problems, as it is based on the development and enhancement of the existing system to better deliver against a range of objectives, including Public Goods and environmental outcomes, in a way which would allow a smooth transition to a

²⁰ *Filling the Void – Steps towards a post Brexit UK Policy Framework, FUW (2018)*
www.fuw.org.uk/images/pdf/Filling_the_void-English.pdf

new system using the existing technology, rather than requiring a high-risk wholesale change in approach based on individually negotiated contracts.

10.0 Next steps and co-design

10.1 Analytical approach

The FUW welcomes the strengthened commitment outlined in the consultation paper to undertake an impact assessment of any new proposals, and notes that when less far-reaching proposals have been considered in the past, the Welsh Government has undertaken detailed impact assessments to examine the effect of policy changes on individual businesses, regions, and sectors.

For example, just one of many papers produced by the Welsh Government's modelling group (key members of which were the Welsh farming unions) to inform far less radical changes in 2015 considered the impact of four different changes on twelve regions, seven farm types, eight land mix types and six farm size bands, as well as 28 other measures of impact – measuring a total of 244 possible outcomes²¹.

It should also be noted that more complex schemes have been extensively piloted before their implementation across Wales: The Welsh Assembly Government's flagship Tir Gofal scheme was only introduced in 1999 after a seven year pilot, starting in October 1992, looking at the impact of such a scheme on farms in Meirionnydd, Dinefwr and Swansea – areas chosen as representative examples of the wide variety of Welsh landscapes, habitats and farming systems²².

Given that the proposal to phase out Direct Payments to farmers and introduce a Sustainable Farming Scheme based on Public Goods and environmental outcomes represents the most radical changes to the principles underpinning rural support since the 1947 Agriculture Act, it is clear that this warrants detailed and thorough analysis of the potential impacts for Welsh farm businesses, food production, agricultural sectors, local and wider economies, agricultural supply chains, employment and livelihoods, culture and language.

The FUW therefore maintains that any decision to make such changes should be informed by thorough analysis such that Welsh Ministers, the Welsh Assembly, interested parties and consultees have as full an understanding as possible of the potential impacts of proposals.

As acknowledged by the Welsh Government, until clarity is provided regarding the nature of any UK-EU trade deal and transition arrangements, undertaking an assessment of the likely economic impacts of Brexit is problematic or impossible, and the FUW therefore agrees that analysis of the combined impacts of any trade deal and changes to Welsh support policies cannot be undertaken until the UK-EU negotiations are fully concluded.

Annex A – Analytical Approach of the consultation document rightly refers to impacts on farm business revenue, costs and net farm income; changes to the special distribution of support; impacts on social and economic issues including rural employment, the Welsh language and wellbeing of communities.

²¹ Impact of four possible farm payment options. Welsh Government (2013)

²² https://en.wikipedia.org/wiki/Tir_Cymen

However, it is concerning that consideration of such economic and broader impacts of a policy is not planned until Stage 7 of the Welsh Government's proposed 8-stage analytical approach, while the bulk of Stages 2 to 6 appearing to focus on environmental modelling.

The FUW fully supports such environmental modelling, and welcomes the modelling undertaken to date, but believes that a far greater focus on economic, social and other impacts is necessary at an earlier point in the analytical process to ensure all impacts relevant to the seven Wellbeing Goals and other Welsh priorities are thoroughly assessed.

The FUW would also highlight the need to ensure sufficient resources are made available early on to allow exhaustive investigation of individual impacts for businesses and regions, as it is feared that the Welsh Government may intend to develop only a limited number of representative farm business models, despite previous modelling of far less sweeping changes having involved some 16,000 individual businesses, twelve regions, seven farm types, eight land mix types and six farm size bands, as well as 28 other measures of impact – measuring a total of 244 possible outcomes.

10.2 Exploring proposals and co-design

As made clear above, the FUW believes that the policy framework and associated proposals put forward in the consultation document fail to take full account of the Wellbeing Goals, National Wellbeing Indicators and a range of other Welsh policy priorities, based as they are on a concept of Public Goods Payments which predates the Wellbeing Act by decades, and a United Nations definition of Sustainable Land Management which was drawn up without knowledge or reference to Wales' Wellbeing Act.

Moreover, the consultation document acknowledges that it would be premature to agree on or implement any policies given the uncertainties inherent to the ongoing discussions and negotiations relating to Brexit.

As such, rather than “...*exploring the aspects of how the proposals put forward in this document would work on the ground...*”, the FUW believes it would be more appropriate to properly define a framework and objectives based on *all* the Wellbeing Goals and Welsh priorities, then consider how a scheme might be introduced which meets those objectives by building on and developing existing schemes and systems – as described at 5.74.

10.3 Co-design

The FUW recognises the merits of co-design, and remains committed to working with the Welsh Government to ensure policies which deliver against all the Wellbeing Goals and Welsh objectives are implemented as best possible.

In order to achieve such an outcome, the FUW previously proposed the creation of a Policy Reform Group on which core stakeholders are represented²³.

The FUW also recognises the benefits of exploring options for scheme delivery with individual farmers, but would highlight the importance of ensuring that such individuals act neutrally and in the interests of the Welsh farming industry as a whole, as opposed to representing their own interests irrespective of possible impacts for other farmers – something that may well happen subconsciously or innocently, given the likelihood that a farmer in one region may have no knowledge of adversities or possible impacts for farmers in other regions.

11.0 Welsh language

As already described in detail at 3.4, the proportion who speak the Welsh language in the Welsh farming industry is far higher than in any other employment category, and is 153% higher than the Welsh average for all employment categories.

Any changes which undermine Welsh agriculture would therefore represent a major threat to the Welsh language.

Given that the proposed scheme cannot be described as innovative or original, based as it is on a concept that predates key Welsh objectives, including those relating to the Welsh language, by decades, the FUW maintains that the proposals represent an inherent threat to the language, and that this failing would be addressed by adopting an holistic policy of the form described at 4.15.

²³ Farmers' Union of Wales' response to the Welsh Government's Brexit and our Land consultation, 30th October 2018