

Rural Development Sub-Committee

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Inquiry into the Future of the Uplands in Wales: Briefing Paper from the Minister for Rural Affairs and the Minister for Environment, Sustainability and Housing

Introduction

1. The uplands areas of Wales are synonymous with the designated Less Favoured Area that covers some 1.6 million hectares of which some 1.2 million hectares is actively farmed. The LFA itself covers some 79 per cent of agricultural land in Wales. Farming and other land based activities within the uplands make an important contribution to the economic, social and cultural cohesion of their local communities. There is recognition also that the uplands provide a treasured environment with habitats and landscapes of international importance. The uplands provide crucial ecosystem services including food and timber, climate regulation, renewable energy, clean water, flood mitigation, biodiversity conservation and recreation opportunities as well as storing significant levels of soil carbon in their peatlands.

2. History demonstrates that upland areas have faced a range of significant socio-economic, environmental and cultural drivers. That continues to be the case and the test now is to ensure that the uplands are able to maintain the capacity to respond and adapt to future pressures, in particular the complex challenges presented by climate change. At a global level, population growth will demand a significant increase in food production when competition for different land usage is becoming more intense. The uplands are an important food production area but also have a key role to continue to provide the many and varied functions that society takes for granted and where societal expectation is one where natural environmental aspects - biodiversity and landscape - will not be undermined.

Historical Trends

3. The uplands today have been shaped by past and current generations who have worked the land. The industrial revolution was accompanied by a parallel agrarian revolution that brought about major changes in land use to meet the demands of the expanding urban centres and major migration from rural Wales into the towns. Relatively more recently, UK membership of what is now the European Union, and farmer access to financial support under the Common Agriculture Policy, had an impact on land usage and livestock production in the upland areas.

4. At the all-Wales level, agriculture's contribution to Wales GDP is less than 1 per cent. This underplays the importance of the industry in the context of the rural economy where its contribution is at some 7 per cent and providing directly some 68,000 jobs. On the other hand, Welsh farming is not immune from the pressures of global competition and, within the UK, farmer influence within the food and food processing supply chains is limited. As the major food retailers maintain pressures on costs, this has consequences for profit margins at farm level. In this context the CAP Single Payment regime, worth some £290 million annually to Welsh farming, remains a critical support mechanism.

5. After the Second World War, a social consensus emerged that placed a high priority on food production with a further significant change in land usage and with less attention to retaining valued landscapes and habitats. Society now appears to place greater value on land usage delivering a range of public benefits that have the potential to conflict with an agricultural industry seeking to deliver more effective and efficient production. For example, water free of agricultural pollutants; the conservation of soil carbon; reduced grazing pressure; planting of new extensive woodlands on agricultural land; the reversal in the decline of farmland birds.

Drivers for Change

6. The beneficiaries of upland ecosystem services are often located in distant urban areas, leading to a mismatch of costs incurred by those who manage uplands and those who enjoy their benefits. Although the taxpayer ultimately contributes to these costs via support mechanisms such as the Single Payment Scheme and the Wales Rural development Plan and water customers paying for water treatment costs, some costs are borne by the landowners. They range from well-endowed private estates to hill-farming communities with declining incomes and declining resources of labour and capital.

7. The sheer multiplicity of ecosystem services that can be provided from the uplands means that there is much competition for land among different stakeholders. The upland system itself is dynamic and is constantly modified by a range of drivers which interact in often unpredictable ways. In addition, the complex myriad of overlapping land uses and users has led to complicated land tenure arrangements, which typically include a high proportion of private land and considerable areas of land owned by NGOs, mixed in with state and common property regimes operating at different scales, with incomplete overlap and sometimes incomplete allocation of rights.

8. It must be recognised that there has been a fundamental change in upland economies over the past 100 years. These economies used to be dominated by primary production, including agricultural, forest and mineral products, which provided the exportable products from upland regions. Particularly since the 1950s, the predominantly land-based economy has moved away from production towards service provision focussed on leisure and lifestyle migration.

9. Essentially the uplands have transitioned from an economy built on production to one that is based on consumption. The recent economic crisis and the importance of taking action in response to the challenges of reducing Wales' ecological footprint and of climate change are major policy issues. These raise questions about the sustainability of the consumption-based upland economy and the capacity to respond to concerns about food production and supply while also delivering a sustainable land management regime in a more transparent way.

10. Some of the key aspects to be considered are set out below:

The largely unrealised and unacknowledged economic value that uplands provide through "regulating" ecosystem services, e.g. climate regulation through carbon storage and sequestration; water purification; and flood regulation.

The uplands have importance as water gathering areas for the predominantly lowland urban population with around 70 per cent of the UK's drinking water derived from upland catchments. Appropriate upland management serves to attenuate peak river flows and maintain supplies to lowland areas under low flow conditions and this is likely to become an increasingly valuable service in the future with climate change.

The uplands are the largest remaining tracts of un-fragmented, semi-natural habitats and host species of national and international importance. Much of Welsh uplands are subject to conservation designations due to their biodiversity, geodiversity and landscape attributes.

Much of the 280,000 hectares of woodland in Wales is sited within the uplands and mitigation options for climate change include expansion of woodland

The possible impacts of actions taken by national and supra-national governments in response to a perceived failure to manage the impacts of land management practices in a way that removes or minimises adverse environmental impacts, such as the EU Water Framework Directive and the Habitats Directive, which are designed to secure the delivery of appropriate environmental outcomes.

Pressures on land use as carbon emissions continue to rise leading to the projected stabilisation of the global temperature at around 4-6 degrees above today's mean. For Wales this means hotter summers and wetter winters. Central estimates of change for the 2050s for Wales based on median estimates of global increases in GHGs are:

Average annual temperatures projected to increase by 2.3°C

In summer, daily maximum temperatures projected to increase by 3.4°C

In winter, daily minimum temperatures projected to increase by 2.5°C

Overall the total annual average rainfall projected to remain much the same, but rainfall projected to increase in winter on average by 14% and decrease in summer by 16%.

Additionally, climate change at this level is likely to reduce the global agricultural land resource as much of the tropical and subtropical land across the globe will become too dry for agriculture.

Food production, distribution, consumption and waste collectively make up 20 per cent of Wales' ecological footprint. Improved resource efficiency throughout the food production and distribution systems, together with an increased emphasis on consumers purchasing a greater proportion of locally grown, in season food, are key components in reducing Wales' food ecological footprint.

The uplands have a role as an important reservoir of soil carbon because of the high soil organic content of Welsh soils that is mainly associated with the uplands and permanent grassland. The Welsh soil C stock is estimated to be 409 Megatonnes of carbon. Approximately half of the total soil C stock is located within an area of 492,721 ha or 23.4 per cent of the land surface of Wales, predominantly in upland areas and/or areas of permanent grassland. The uplands can provide some mitigation by conserving soil carbon in organic soils through rewetting existing peat reserves; planting new permanent woodland on mineral soils/improved grassland; improving nutrient management reducing the amount of artificial fertiliser applied and wasted; reducing enteric fermentation in livestock; more windfarms in appropriate locations.

The key role that the uplands have to play in supporting renewable energy generation at all scales and across a range of technologies, including hosting 7 Strategic Search Areas that have been identified as the most appropriate locations for large scale (over 25MW) onshore wind developments.

Much of the Welsh uplands are iconic landscapes of exceptional scenic beauty, and are often characterised by distinctive cultural identities related to traditional land use activities. In landscape terms, this sustains a strong sense of place and identity for both local people and visitors. This applies especially perhaps to Wales' three National Parks and to its five Areas of Outstanding Natural Beauty. Together these areas cover some 25 per cent of Wales, much of which is upland. Research has indicated that these protected landscapes directly support over 10,000 jobs and contribute £146 million per year to the rural economy of Wales. These areas are under a number of pressures, however and going forward a key challenge is how we can successfully maximise the economic, environmental and cultural contribution of these areas in a sustainable way.

The potential role of the uplands in providing the greatly increased amounts of food that will be required to feed a population projected to reach 9 billion by 2050 (a 50% increase on today's population). Increased demand for food is likely to mean a more intensive form of agriculture as there is a limited amount of appropriate land for food production. Existing natural habitats in the uplands are expected to come under pressure if production is to expand. The Welsh agricultural industry is dominated by livestock production that takes advantage of the natural asset of extensive grassland. The reality is that such food production depends primarily on ruminants to

convert grass to food where there is already a debate about the scale of greenhouse gas emissions.

The uplands have limited ability to respond to the increasing globalisation of agriculture and the move through the World Trade Organisation agenda to remove unnecessary barriers to markets is placing significant pressures on farming enterprises that are not scaled to be able to deliver cost reductions through economies of scale and nearness to major markets.

Role of the Welsh Assembly Government

11. The Welsh Assembly Government has a duty to make a scheme setting out how it will promote sustainable development "in the exercise of its functions" and the new Sustainable Development Scheme, One Wales: One Planet, was published in May 2009. It confirms that sustainable development is the overarching aim of the Welsh Assembly Government and that sustainable development is the central organising principle of the Government. The Scheme commits the Government to develop a Wales where we use only our fair share of the earth's resources and where we become a fairer and more just society. The Government's vision of a sustainable Wales recognises the need for healthy, functioning ecosystems that are biologically diverse and productive and managed sustainably and that our land, freshwater and marine environment is best managed to provide the services of food, wood, water, soil, habitats and recreation. Progress in our species and habitats Biodiversity Action Plans is reported as one of the Government's 5 headline indicators of sustainable development.

12. The Welsh Assembly Government seeks to strike a balance between the many different claims that are made on uplands in a way that is consistent with sustainable development. Because much upland land use (especially farming) is tied to public policy decisions (regulation and funding in particular), changes in policy can have profound effects on land management. The 2003 CAP reform process, implemented in Wales in 2005, brought about a significant change in the support mechanism for farmers. The Single Payment is no longer linked to production thus enabling farmers to more readily shape their businesses to the needs of the market and consumers. Sheep production predominates in the uplands and concern has been expressed about the decline in sheep numbers, and in particular the size of the breeding flock, in more recent years. On the other hand, it has to be recognised that there was a significant increase in sheep numbers in Wales that coincides with membership of the EU and access to previous subsidy schemes operated under the CAP.

13. The Assembly Government is committed to a sustainable future for the uplands of Wales and to ensuring that they are able to fulfil their role in terms of food production, land management, water management, biodiversity and climate change.

Agriculture and Land Management

14. There are a number of initiatives that have been put in place to address the issues facing Welsh agriculture and land-management and these have been brought together under the strategic direction of the Farm, Food and Countryside Strategy.

15. The objective of the Strategy is to achieve a sustainable and profitable future for farming families and businesses through the production and processing of farm and forestry products while safeguarding the environment, animal health and welfare, adapting to climate change and mitigating its impacts, while contributing to the vitality and prosperity of our rural communities. With 80% of Wales currently having Less Favoured Area status, the Welsh uplands are an essential resource environmentally, economically and culturally, and their future sustainability and development is intrinsically tied to the objectives of the Strategy which recognises the underpinning role they have in supporting the wider rural socio-economic agenda.

16. It sets the agenda for a number of sub strategies and action plans within the Department for Rural Affairs, and through its monitoring process and policy development work, will ensure that current and future policies are aligned with its objectives, which has at its heart the sustainability and development of the Welsh uplands.

17. The Wales RDP provides a range of key support mechanisms for farmers. Farming Connect aims to deliver effective and relevant business advice, including business succession plans; the Supply Chain Efficiency scheme aims to deliver knowledge transfer and market information and the Processing and Marketing Grant scheme focuses on enabling producers to retain added-value on farm produce. Outside of the RDP, the Young Entrant Support Scheme is a mechanism, with grant support, to provide dedicated advice and guidance to those starting a farm enterprise or considering options for entering into farming.

18. The Wales RDP is also a key vehicle to support farming for effective land management that delivers public benefit through agri-environment activity. Under the Tir Gofal and Tir Cynnal schemes some 7,000 farmers are actively engaged in such activity with support also directed at the organic farming sector, the provision of woodlands and the current direct support to LFA sheep and beef producers under the Tir Mynydd scheme.

19. Relevant to the Sub-Committee Inquiry, there are two key policy areas that directly impact on the uplands: the EU agenda relating to the re-designation of the LFAs within the EU and the new land management scheme, Glastir.

EU Less Favoured Area (LFA) Re-designation

In 2003, LFA support measures within the EU were heavily criticised by the European Court of Auditors as offering poor value for money and having little impact on land abandonment (often cited as a key objective for justifying the financial support within LFAs). The ECA also raised questions about the justification for the then existing LFA boundaries.

The European Commission has been tasked with developing new criteria on which to re-designate LFA boundaries that would be applied across the EU on a consistent basis. The expectation is that, when agreed, the criteria would be used for designations that would take effect in 2014.

Current LFAs were predominantly designated in the 1970s on the basis of socio-economic criteria. The new criteria will focus on climate, topography and geological aspects. The Welsh Assembly Government has been closely involved in this re-designation work and is playing a key role in the Commission's current work through the Joint Research Centre (JRC) that is tasked with agreeing a methodology for mapping the revised LFA across EU Member States.

The redesignation work-stream is about criteria for identifying boundaries; it is not examining financial support mechanisms for producers within the LFAs.

The new Glastir Scheme

The 2008 agreement on the EU CAP "health check" process signalled a clear change in policy towards a requirement to meet the challenges of climate change, carbon capture, water management and bio-diversity. In response the Welsh Assembly Government has announced that 5 schemes currently provided under the Wales RDP (Tir Gofal, Tir Cynal, Tir Mynydd, Organic and Environmentally Sensitive Areas) will be replaced by a single new scheme - Glastir.

Glastir will become operational from 1 January 2012. Existing Tir Gofal and Tir Cynal agreements will be extended to the end of 2013.

At its heart, Glastir will have a clear focus on sustainable land management actions at farm level that deliver on climate, carbon, soil, water, habitat and bio-diversity.

The all-Wales element, requiring a whole farm approach, will contain some 39 land management options for farmers that will improve the overall environmental value of the farm. More complex options will be funded through the targeted priority element, that also has pan-Wales coverage, and will involve the provision of advice and support by a project officer.

The proposed funding arrangements for the all-Wales element under Glastir will deliver a payment of £28 per hectare. For those within the LFA, the payment will be £33.60 per hectare, compared to the current Tir Mynydd payments rates of £24 per hectare for the Disadvantaged Area and £28 per hectare within the Severely Disadvantaged Area.

20. The consultations on the Climate Change Strategy highlighted the need to encourage low carbon and renewable energy generation in Wales.

21. The location, geography and climate of Wales means that we have considerable indigenous and thus secure renewable electricity resources that can be captured effectively by modern technologies. This can be on a very large scale as with tidal range, wave and tidal stream projects, through large onshore and offshore wind through to smaller local (including micro) heat and electricity generation projects using wind, solar, hydro or biomass power. The Assembly Government's overarching low Carbon Energy Policy Statement will set out the Assembly Government's position and outline the sustainable development framework for the acceleration in Wales of the essential transition to an efficient low carbon energy based economy for the period beyond 2010 as well as setting out wider energy issues concerning energy efficiency. Once the low carbon energy policy statement has been established, TAN 8; Planning for Renewable Energy will be reviewed to reflect the new low carbon energy targets.

22. The recently announced Community Renewable Energy Generation Scheme will provide support for 22 projects across the Convergence and Competitiveness areas. We will be focusing on opportunities for wind, hydropower and biomass and in addition to the capital funding plan to provide around 130 small grants to fund preliminary costs such as feasibility studies. A number of these projects are likely to be in upland areas.

Conclusion

23. The uplands are going to be a scarce resource that will have to cope with increasingly intense competition for use. As the climate warms the altitude at which agriculture becomes marginal will move steadily upwards, potentially into those areas valued for their 'semi-naturalness'. Food production for an increasingly hungry world may come into conflict with environmentalism focusing on a 'last ditch' defence of reducing or vanishing ecosystems.

24. At the same time, a desire to mitigate carbon emissions elsewhere may lead to efforts to undertake large scale tree planting or the development of widespread renewable energy generation. Additionally, on an increasingly populated world some upland areas may be the last places where the aesthetic or spiritual values society associates with 'wild places' can be experienced.

25. The Welsh Assembly Government is well aware of these conflicting pressures and Ministers are working together to ensure that the longer term needs of the uplands are appropriately addressed.

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