

# Agenda – Climate Change, Environment, and Infrastructure Committee

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Meeting Venue:

Committee room 3 Senedd  
and video Conference via Zoom

Meeting date: 21 March 2024

Meeting time: 09.30

For further information contact:

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Committee Clerk

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## Hybrid

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**Private pre-meeting (09.15–09.30)**

**Public meeting (09.30–14.00)**

### 1 Introductions, apologies, substitutions, and declarations of interest

(09.30)

### 2 Welsh Government's proposals for a Sustainable Farming Scheme (SFS) – evidence session with farming representatives

(09.30–10.45)

(Pages 1 – 189)

Aled Jones, President – National Farmers Union (NFU) Cymru

Rachel Lewis-Davies, National Environment and Land Use Adviser – National Farmers Union (NFU) Cymru

Gareth Parry, Deputy Head of Policy – Farmers' Union of Wales (FUW)

Elin Jenkins, Policy Officer – Farmers' Union of Wales (FUW)

George Dunn, Chief Executive – Tenant Farmers Association

Attached Documents:

Research brief – Sustainable Farming Scheme

Paper – National Farmers Union (NFU) Cymru



Paper – Farmers' Union of Wales (FUW)

Paper – Tenant Farmers Association

## **Break (10.45–11.00)**

### **3 Welsh Government's proposals for a Sustainable Farming Scheme (SFS) – evidence session with environmental organisations**

(11.00–12.15)

(Pages 190 – 270)

Rhys Evans, Wales Manager, Sustainable Farming Lead – Nature Friendly Farming Network

Arfon Williams, Head of Land and Sea Policy – RSPB Cymru

Andrew Tuddenham, Head of Policy Wales – Soil Association

Alex Phillips, Policy & Advocacy Manager – WWF Cymru

Attached Documents:

Paper – Nature Friendly Farming Network (Key Points Briefing)

Paper – Nature Friendly Farming Network (Consultation response)

Paper – Soil Association (Summary)

Paper – Soil Association (Consultation response)

Paper – Wales Environment Link

## **Lunch break (12.15–13.00)**

### **4 Welsh Government's proposals for a Sustainable Farming Scheme (SFS) – evidence session with academics**

(13.00–14.00)

(Pages 271 – 281)

Dr Ludivine Petetin, School of Law and Politics – Cardiff University

Professor Iain Donnison, Head of Department – Institute of Biological, Environmental & Rural Sciences (IBERS)

Attached Documents:

Paper – Dr Ludivine Petetin

Paper – Professor Iain Donnison

## **5 Papers to note (14.00)**

### **5.1 Legislative Consent: Data Protection and Digital Information Bill**

(Pages 282 – 283)

Attached Documents:

Letter from the Chair of the Culture, Communications, Welsh Language, Sport, and International Relations Committee to Rt Hon Michelle Donelan MP, Secretary of State for Science, Innovation and Technology in relation to the National Underground Asset Register.

### **5.2 Welsh Government's proposals for a Sustainable Farming Scheme (SFS)**

(Pages 284 – 288)

Attached Documents:

Letter from the Chair of the Petitions Committee to the Chair in relation to the petition P-06-1388 Remove the requirement for farmers to have at least 10% tree cover to access the new Sustainable Farming Scheme

Letter from the Chair to the Chair of the Economy, Trade, and Rural Affairs Committee in relation to the Welsh Government's proposals for a Sustainable Farming Scheme (SFS)

Letter from the Chair to the Minister for Rural Affairs and North Wales, and Trefnydd in relation to the Welsh Government's proposals for a Sustainable Farming Scheme (SFS)

### **5.3 The Plant Health (Fees) (England) and Official Controls (Frequency of Checks) (Amendment) Regulations 2024**

(Pages 289 – 293)

Attached Documents:

Letter from the Minister for Rural Affairs and North Wales, and Trefnydd to the Chair in relation to the Plant Health (Fees) (England) and Official Controls

(Frequency of Checks) (Amendment) Regulations 2024

Follow up letter from the Minister for Rural Affairs and North Wales, and Trefnydd to the Chair in relation to the Plant Health (Fees) (England) and Official Controls (Frequency of Checks) (Amendment) Regulations 2024

#### **5.4 Internal Drainage Districts**

(Pages 294 – 296)

Attached Documents:

Letter from the Chair of the Economy, Trade and Rural Affairs Committee to Mabon ap Gwynfor in relation to Internal Drainage Districts

Letter from Mabon ap Gwynfor MS to the Chair in relation to Internal Drainage Districts

#### **5.5 The Environment and Rural Affairs (Revocation and Consequential Provision) Regulations 2024**

(Pages 297 – 298)

Attached Documents:

Letter from the Minister for Rural Affairs and North Wales, and Trefnydd to the Chair in relation to the Environment and Rural Affairs (Revocation and Consequential Provision) Regulations 2024

#### **5.6 Scrutiny of the Welsh Government Draft Budget 2024–25**

(Pages 299 – 327)

Attached Documents:

Response from the Minister and Deputy Minister for Climate Change to the Committee's report: Scrutiny of the Welsh Government Draft Budget 2024–25

#### **5.7 Scrutiny of Transport for Wales**

(Pages 328 – 337)

Attached Documents:

Letter from the Chief Executive of Transport for Wales to the Chair in relation to the annual scrutiny of Transport for Wales

Letter from the Chief Executive of Transport for Wales to the Chair in relation to the provision of services during the Football Euro 2024



## **5.8 Net Zero, Energy and Climate Change Inter-Ministerial Group**

(Page 338)

Attached Documents:

Letter from the Minister for Climate Change to the Chair in relation to the Net Zero, Energy and Climate Change Inter-Ministerial Group

## **5.9 Ffos-y-Fran opencast coalmine**

(Pages 339 – 342)

Attached Documents:

Follow up letter from the Chair to the Minister for Climate Change in relation to the Ffos y Fran opencast coal mine

Response from the Minister for Climate Change to the Chair in relation to Ffos-y-Fran opencast coalmine

## **5.10 Performance of Dwr Cymru Welsh Water**

(Pages 343 – 347)

Attached Documents:

Letter from the Senior Director of Ofwat to the Chair in relation to Ofwat's investigation into Dŵr Cymru Welsh Water

Response from the Minister of Climate Change to the Committee's report: Report on performance of Dŵr Cymru Welsh Water

## **6 Motion under Standing Order 17.42 (vi) and (ix) to resolve to exclude the public from the remainder of today's meeting**

(14.00)

**Private meeting (14.00–15.00)**

## **7 Consideration of evidence received under items 2, 3 and 4**

**8 Consideration of draft report on the Legislative Consent Memorandum for the Automated Vehicles Bill**

(Page 348)

Attached Documents:

Draft report on the Legislative Consent Memorandum for the Automated Vehicles Bill

**9 Consideration of draft report on the National Infrastructure Commission for Wales – 2022–23**

(Page 349)

Attached Documents:

Draft report on the National Infrastructure Commission for Wales – 2022–23

**10 Consideration of the Committee's forward work programme – Summer 2024**

(Page 350)

Attached Documents:

Forward work programme

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# NFU Cymru's response to Welsh Government's Sustainable Farming Scheme - 'Keeping Farmers Farming' consultation





## President's Foreword

Over the past 12 weeks NFU Cymru has spoken with over 5,000 farmers and supply chain partners at roadshows, county meetings, board meetings, market visits and other events. We have methodically presented the Welsh Government proposals and recorded feedback from every event to ensure that this response is a true and accurate reflection of all those we are proud to represent and who put their trust in us to speak on their behalf. It has been a sobering and, on occasions, harrowing experience with the level of concern, worry, frustration and, at times anger, manifesting itself in different ways within the farming community.



This consultation has been undertaken against a backdrop of the emotional and financial turmoil caused by the continued impact of bovine TB, the cost and bureaucracy imposed by an All Wales NVZ, the demise of Glastir, input costs some 30% higher since 2019 and interest rates at a 15 year high. The health and well-being of our farming families must be front and centre in all our minds. This is why I have asked the Minister for Rural Affairs to set up an independent review to consider the cumulative burden of regulations and policies on Welsh farming.

NFU Cymru has spent these past eight years carefully considering our priorities for a 'made in Wales' farming policy. We have sought to remain optimistic at the opportunity presented to us to bring such a policy to fruition. The opportunity for a comprehensive food and farming policy to support Wales to be world leading in the production of climate-friendly food. An opportunity to grow established and build new markets at home and abroad.

By following the key principles NFU Cymru first published in 2016 a new domestic agricultural policy delivering a productive, profitable, and progressive farming industry can be achieved. These principles based around high quality food production; rewarding environmental activity; supporting the active farmer; providing on farm investment; science and evidence-based regulation and fair funding were the foundations for our subsequent vision for a future policy based on three cornerstones of stability, productivity and the environment.

In 2022 we went further and, working with industry colleagues, we created a detailed and comprehensive Sustainable Farming Scheme proposal that has been positively received by academics, NGOs and politicians from across the political spectrum. Whilst elements of this framework have been taken forward within the current proposals, it is a source of deep disappointment that the key elements of stability, simplicity, and fair reward for the delivery of sustainable farming objectives have been ignored thus far.

The current proposals need a major overhaul, they have not kept pace with the fundamental changes secured to the Agriculture (Wales) Act during its passage through the Senedd. The proposals must move beyond a scheme focussed predominately on environmental outcomes and instead become a genuine agricultural policy that underpins food production, resilient agricultural businesses and rural communities, alongside and in harmony with our environmental obligations and ambitions.

We live in uncertain times, a war in Europe, unrest in the Middle East, political instability, and trade flows around the world under threat – food security can no longer be taken for granted. Population growth, climate change and increasing competition for finite resources make it a matter of increasing strategic national interest to ensure that our country can feed itself. Food is a public good and the Sustainable Farming Scheme must be more explicit in its support to maintain and enhance food production against the backdrop of an increasingly volatile world.

Farmers need stability. Stability to underpin the continued supply of safe, high quality, affordable food from Wales. Stability to invest in their business, to invest in efficiency gains and in the environment. Stability provides opportunities for farming families to plan for the next generation, it keeps farmers farming and keeps rural communities and our language thriving. A long-term stability mechanism must be an integral element of the final Sustainable Farming Scheme.

5,500 jobs lost, a £200 million hit to farm business income, 11% less livestock in Wales, without even considering the impact beyond the farm gate. A truly shocking scenario, this cannot happen, it must not happen. No government, with the information it has to hand, could surely consent to this? No decisions on the Sustainable Farming Scheme can be undertaken until Welsh Government has undertaken a full socio-economic assessment of the impact of its proposals on Welsh farming, rural communities and the supply chain. If necessary, the SFS should be paused and delayed until such time as we can be sure that it can deliver the same level of stability to the whole agri-food supply chain and rural Wales as the current support arrangements.

The Universal Baseline Payment must be non-discriminatory to all farm types, sectors, and locations. It must provide equal access and reward for tenants and commoners and provide fair reward for those managing our most precious landscapes and habitats. The Universal Baseline Payment must go beyond costs incurred / income foregone and incentivise the actions that Welsh Government asks Welsh farming to deliver for society.

Mandating 10% tree cover on farm will be an insurmountable barrier for too many. A just transition is needed for farming families. We have world class science institutions on our doorstep, we need to make use of their expertise and intrinsic knowledge of Welsh farming systems, our soils, our grasslands, cropping and field boundaries, to provide us with alternatives to deliver outcomes that help us achieve net zero agriculture whilst maintaining our productive capacity, allowing us to be truly world leading in the production of climate-friendly food.

Farmers want to know that their voice is being heard, that they are respected and valued by their government. Thousands have shaped this response, and it must be weighted accordingly. Thousands more have submitted their own response through the support that NFU Cymru has offered through our online tool. We are pleased that both the First Minister and Minister for Rural Affairs have committed that every consultation received will be analysed and properly considered - We will hold government to account on that commitment.

We must get this scheme right, neither farming families nor government can afford to have a scheme that fails to deliver on our shared ambitions for food, nature and climate. A scheme that underpins food production, our farmed environment, our communities, our language and culture for our generation and those that follow in our footsteps. This response sets out our framework for a future farming policy for Wales. It measures Welsh Government's proposals against our own, we highlight the legitimate concerns raised by our members as part of this consultation process and provide a pathway for a way forward. We want to work with the Minister to get this right and we expect the Minister to reciprocate with a similar genuine desire to work with NFU Cymru. We must get this right.



**Aled Jones, President**

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## 1. Introduction

NFU Cymru welcomes the opportunity to respond to the Sustainable Farming Scheme (SFS) – Keeping Farmers Farming consultation described by Welsh Government as the final step in delivering the new long-term programme to support the agricultural industry in Wales.

NFU Cymru champions Welsh farming and represents farmers throughout Wales and across all sectors. NFU Cymru's vision is for a productive, profitable and progressive farming sector producing world renowned climate-friendly food in an environment and landscape that provides habitats for our nature to thrive. Welsh food and farming delivering economic, environmental, social and cultural benefits for all the people of Wales whilst meeting our ambition for net zero agriculture by 2040.

The importance of the farming industry in Wales cannot be overstated. Welsh farming businesses are the backbone of the Welsh rural economy, the axis around which rural communities turn. The raw ingredients that we produce are the cornerstone of the £8.1 billion Welsh food and drink industry which is Wales' largest employer employing over 233,500 people.

We are proud that the Welsh public associate Welsh farmers, first and foremost, with providing safe, high quality and traceable food and at NFU Cymru we want to ensure that consumers in Wales, the UK and further afield can continue to enjoy and choose the top-quality food that we produce here in Wales – now and in the future.

Welsh farmers look after over 80% of the land area of Wales, maintaining and enhancing our natural environment – Wales' key asset. Farming activity supports a diverse range of species, habitats and ecosystems, provides a range of ecosystem services including flood alleviation, carbon sequestration, climate change mitigation; and delivers the significant backdrop for Wales' tourism and recreation sector. Welsh farmers are key promoters and protectors of our culture, heritage and the Welsh language. The Welsh agricultural industry has the highest proportion of Welsh speakers, more than any other sector at 43%, more than double the population as a whole.

Overall Welsh farming makes an unparalleled contribution to the economic, environmental, social and cultural [well-being of Wales](#) in line with the Well-Being of Future Generations Act summarised in Annex 1.





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Welsh Government's Sustainable Farming Scheme – Keeping Farmers Farming consultation, launched in December, has led to one of the largest consultation exercises in NFU Cymru's history. During the consultation window, NFU Cymru has worked tirelessly to ensure that information on Welsh Government's proposals is accessible to many thousands of farmers across Wales. We have also had significant engagement with the supply chain – companies with thousands of workers in both rural and urban locations, dependent on agriculture for their livelihoods.

We have travelled the length and breadth of Wales with our roadshows. We also arranged special meetings for tenant farmers and the supply chain. Our county branches have met, we have presented Welsh Government's proposals at countless other meetings, welcomed hundreds of farmers to our group offices and discussed the scheme with hundreds more at livestock markets and other gatherings. Within our magazine we have shared details of the proposals to every member and our dedicated website pages have received unprecedented levels of engagement. Proposals have been considered by each of our Commodity Boards culminating with an extraordinary meeting of NFU Cymru Council and all Boards late last month.

Throughout this process we have received a considerable volume of feedback directly and also via our extensive member communication channels and online presence. Reaching consensus on Welsh Government's Sustainable Farming Scheme proposals has been straightforward. NFU Cymru's consultation response reflects the position of thousands of farm businesses across Wales. It should be properly considered and weighted recognising the fact that it represents the views of those on the ground who will be directly affected by Welsh Government's proposals and who will be central to its success.

- **The consultation process**

The levels of stress and anxiety that the consultation has engendered within the farming community will have escaped no one. Compounded by a range of issues such as Welsh Government's policy approach to bovine TB, the Control of Agricultural Pollution Regulations (NVZs), the Glastir 'cliff edge' and the Habitat Wales Scheme debacle means we are in the midst of an upswell of emotions within the farming community that has not been witnessed since devolution.

Welsh Government has been at pains to emphasise that its final consultation for the Sustainable Farming Scheme is a genuine consultation, every individual response will be considered.

We have welcomed Welsh Government's confirmation, on 16 February 2024, that analysis of the Sustainable Farming Scheme consultation responses will be undertaken by an independent contractor and this analysis will include substantive responses submitted from both individuals and organisations, as well as those submitted as part of a campaign. Further clarification has been provided by the First Minister and Minister in their joint statement of 27 February 2024, confirming every response received including the issues raised at the ten Welsh Government roadshow events will be analysed and properly considered. We identify this will be a critical step in demonstrating that this consultation is genuine.

Welsh Government states the latest round of proposals reflect the feedback received from farmers and the wider industry over three consultations and two phases of co-design and will be aware that these are processes that farmers in their thousands have engaged with in good faith. Over 2,830 farmers, for example, submitted responses to the Brexit and our Land consultation via the NFU Cymru template with over 16,000 e-mail communications to Senedd Members.

The overriding feeling, however, is that despite their best efforts their voice has not been heard. In many aspects of the proposed policy, little meaningful change has been secured. In other areas,

Welsh Government's position in this final consultation has shifted to one that poses an even greater risk to the viability of farm businesses and the rural communities they underpin.

NFU Cymru is also in no doubt that some of the remarks about Welsh farmers during this period have been deeply hurtful, extremely unhelpful and unnecessarily polarising. The narrative that farmers are resistant to change and unwilling to play their part in decarbonising or doing more for nature is a gross misrepresentation of the situation and has been extremely damaging. It is a false narrative that stands directly in the way of the progress that we all want to see.

We want to be absolutely clear that farmers in Wales, like the generations before them, have an inherent capacity to adapt and change. We recognise our environmental responsibilities and have high levels of ambitions around net zero and leading the world in the production of climate-friendly food. An example of this is the Low Carbon Farming Framework proposals that the industry submitted to Welsh Government in early 2022 and which, despite a positive reply from the Minister, has not been taken forward despite NFU Cymru's repeated attempts. A copy of our proposal is at Annex 2. Farmers are not 'anti-tree' or 'anti-nature' – the work that farmers have already undertaken and continue to do on their farms the length and breadth of Wales is testament to this fact. The reality is that farmers can only do this work from a position of stability and profitability. This is about securing a policy that safeguards the economic, environmental, social and cultural sustainability of farming in Wales whilst ensuring we retain and enhance our food producing capacity for the future.

In challenging circumstances, we are grateful to Minister Lesley Griffiths MS for meeting with us during the consultation period and allowing us to reflect industry concerns. We used this opportunity to set out our asks of Welsh Government (Annex 3) - a number of which are reiterated in this consultation response - which we believe are the steps that government now needs to take to restore trust and provide the much-needed reassurance to the farming community. Overall, NFU Cymru remains steadfast in our commitment to work with Welsh Government to ensure future policy secures the supply of safe, nutritious and sufficient food for a growing population whilst sustaining our rural communities, language and culture; alongside addressing the climate challenge and maintaining and enhancing our natural resources.

We also want to place on record that, in some instances, we have found that the consultation process has been hindered by a lack of detailed information. Throughout this response we have sought to highlight where we believe there is insufficient detail to comment definitively. As so often is the case, the 'devil is in the detail' and Welsh Government will need to ensure proper consultation on that detail ahead of making final decisions on the scheme.

- **Rural Support**

Welsh Government's Sustainable Farming Scheme proposals have been the cause of significant stress and anxiety within the farming community. The NFU Cymru team have been deeply affected by the sombre reaction of farmers to SFS proposals when they have been shared with them at our many meetings. The health and well-being of members of the farming community has been and continues to be a source of considerable concern to us through this extremely difficult and unsettling period for our industry.

NFU Cymru is a partner of the Wales Farm Safety Partnership and supports the work of the Farm Safety Foundation which seeks to tackle the stigma around mental health issues with campaigns like #MindYourHead. We are grateful to charities such as RABI, Tir Dewi, the DPJ Foundation, FCN and the Addington Fund for the support that they give to individuals and farming families.

Problems can arise from financial and emotional pressures, mental or physical health concerns<sup>1</sup>, along with the additional worries associated with weather extremes and disease outbreaks such as a bovine TB herd breakdown. Farmers experience high levels of stress and anxiety and are at increasing risk of feeling at times that life is not worth living, having a lack of social support and have been identified as an occupational group at increased risk of suicide. Family members, whilst often a source of support, can also suffer from deteriorating mental health and be in need of support.

NFU Cymru is acutely aware that at a time of unprecedented change for the farming industry concerns over new policies and regulations, market instability and escalating costs can be overwhelming for some farmers. Many farmers have also expressed anxiety over the sheer complexity of the proposed SFS which is adding to fears of being found in breach of the rules at inspection.

Whilst farmers take great care looking after their livestock and their land, they can sometimes overlook the importance of looking after themselves. Farmers often tend to keep their worries and concerns to themselves and some still perceive a stigma attached to mental health matters. This can hinder their ability to seek help when it is most needed. It is also a concern to us that there will be a percentage of farming families who do not engage with public bodies, organisations and stakeholder groups and who may live in relative isolation. These families may not realise that there are charitable bodies that may be able to help them in times of need.

NFU Cymru staff have undertaken mental health training with the DPJ Foundation. This has included a day's training for NFU Cymru Head Office staff as well as training for the wider network of Group Secretaries located in our offices across Wales. In recent months, our team has also participated in refresher training.

At a time of such upheaval, NFU Cymru stresses the need to work together collectively to make sure that our farmers and their families know that they are not alone and that there is help and support available. The agricultural industry already has a high suicide rate with one farmer a week in the UK taking their own life. This alarming statistic must be halted and reversed. We have a collective responsibility to ensure that any policies that touch farming families, be it directly like SFS or indirectly, proactively support farmers and do not add to their burden and vulnerability. Overall, it is vital that the mental health and well-being of farmers is considered as the scheme is developed and the transition away from current support begins.

In this context, NFU Cymru also recommends the establishment of an Independent Review Group to consider the cumulative burden of regulations and policies on Welsh farmers also taking into consideration the wider economic and political context.

## Summary

*NFU Cymru is pleased to respond to Welsh Government's Sustainable Farming Scheme (SFS) – Keeping Farmers Farming consultation which sets out proposals for a new long-term programme to support the agricultural industry in Wales, building on three earlier Welsh Government consultations and two programmes of co-design.*

*The consultation has led to one of the largest engagement exercises in NFU Cymru's history and the overriding feeling has been that, despite our best efforts, our voice has not been heard. In many aspects of Welsh Government's proposed Sustainable Farming Scheme, little meaningful change has been secured. In other areas, Welsh Government's latest position has shifted to one that poses an even greater threat to the viability of farm businesses and the rural communities they underpin.*

<sup>1</sup> [phw.nhs.wales/services-and-teams/knowledge-directorate/research-and-evaluation/publications/supporting-farming-communities-at-times-of-uncertainty/](http://phw.nhs.wales/services-and-teams/knowledge-directorate/research-and-evaluation/publications/supporting-farming-communities-at-times-of-uncertainty/)



*Welsh Government has been at pains to emphasise that this is a genuine consultation. We will hold Welsh Government to this commitment - every comment that has been made as part of the support NFU Cymru has offered to the industry via the online tool alongside the comments received by those attending Welsh Government events must be considered. Welsh Government must also recognise and give due regard to the fact that this NFU Cymru consultation response represents the views of many thousands of farming businesses most directly impacted by proposals and has been formulated following meetings where thousands of members have expressed their views.*

## NFU Cymru vision and key principles for reform

In 2016, following the EU Referendum, NFU Cymru launched the biggest internal consultation in our history. During this period, we formulated a set of key principles to form the foundations of a new domestic agricultural policy to deliver a productive, profitable and progressive agricultural industry in Wales. These principles have been reaffirmed by our membership on multiple occasions in the intervening period, global events have reinforced their appropriateness. Set out below, these are the principles against which NFU Cymru judges Welsh Government's proposals for future agricultural support:

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

In 2017 following extensive member consultation, NFU Cymru set out its vision for future agricultural policy. Our vision comprises a single, integrated, flexible framework based around three cornerstones – productivity and environment underpinned by measures to provide stability and address volatility. We expect most farming businesses would look to access support and assistance across a range of measures within the policy framework. All three of these cornerstones are fundamental to the long-term policy framework for agriculture in Wales.



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- **Stability Measures**

Farmers are subject to significant levels of income volatility driven by environmental, economic and political factors, the majority of these factors are completely outside the control of any farming business. The impacts of the tragic war in Ukraine, economic instability and inflationary pressures, trade policy as well as extreme weather events highlight that volatility / instability in our food production systems in Wales and globally is as much an issue today as it has ever been. This volatility weakens the rural economy, threatens the continuity of supply to our food processors and exposes consumers to food price inflation and, in some instances, empty supermarket shelves.

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

Measures to support Welsh agriculture deal with crisis and exceptional and emergency events also form a critical component of future agricultural policy. These measures could be required in the event of trade bans, extreme downturns in commodity prices, severe agricultural input inflation, exceptional weather events and notifiable disease outbreaks. They need to be accessible, adaptable and simple to administer.

- **Environment Measures**

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

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

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

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

- **Productivity Measures**

Investment measures are required to facilitate the development of farm businesses with funding made available to support investment in modern on-farm infrastructure, the latest technology and

innovation. Our vision proposes instruments like capital grants and incentivisation measures. The focus would be on delivering production and resource efficiencies which in turn would also have positive environmental impacts, for example, reduced emissions per unit of production. Investments in infrastructure and equipment will also benefit water and air quality and improve soil health.

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

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

## **An Integrated Sustainable Agriculture Programme**

We believe that our policy based on these three cornerstones combine to give a truly integrated and sustainable agriculture programme that delivers and enhances our contribution to the well-being goals established in the Future Generations Act and the sustainable management of natural resources enshrined in the Environment Act.

Collectively the three cornerstones deliver more than the sum of their parts, removing one would undermine the effectiveness of the other two. Farming businesses need stability to be able to deliver environmental outcomes for society and it is only from a position of stability that farming businesses are able to invest in new technology and productivity measures.

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

- **Sustainable Farming Scheme Framework / Scheme Design / Structure**

Building on our principles and vision for a new agriculture policy and working in conjunction with colleagues in the FUW, in February 2022, NFU Cymru and FUW put forward a detailed Sustainable Farming Scheme framework, based on our shared vision for future policy.

The framework proposes entry to the SFS via farmers undertaking a set of universal actions that would be suitable for all active farmers and designed to meet a set of agreed sustainability objectives. In addition, farmers would be expected to provide annually a set of Key Performance Indicators (KPIs) or sustainability indicators via a centralised data collection system based on an evolution of the RPW Online system. In return for farmers undertaking the universal actions and providing the required data they would receive an annual sustainability and stability payment.

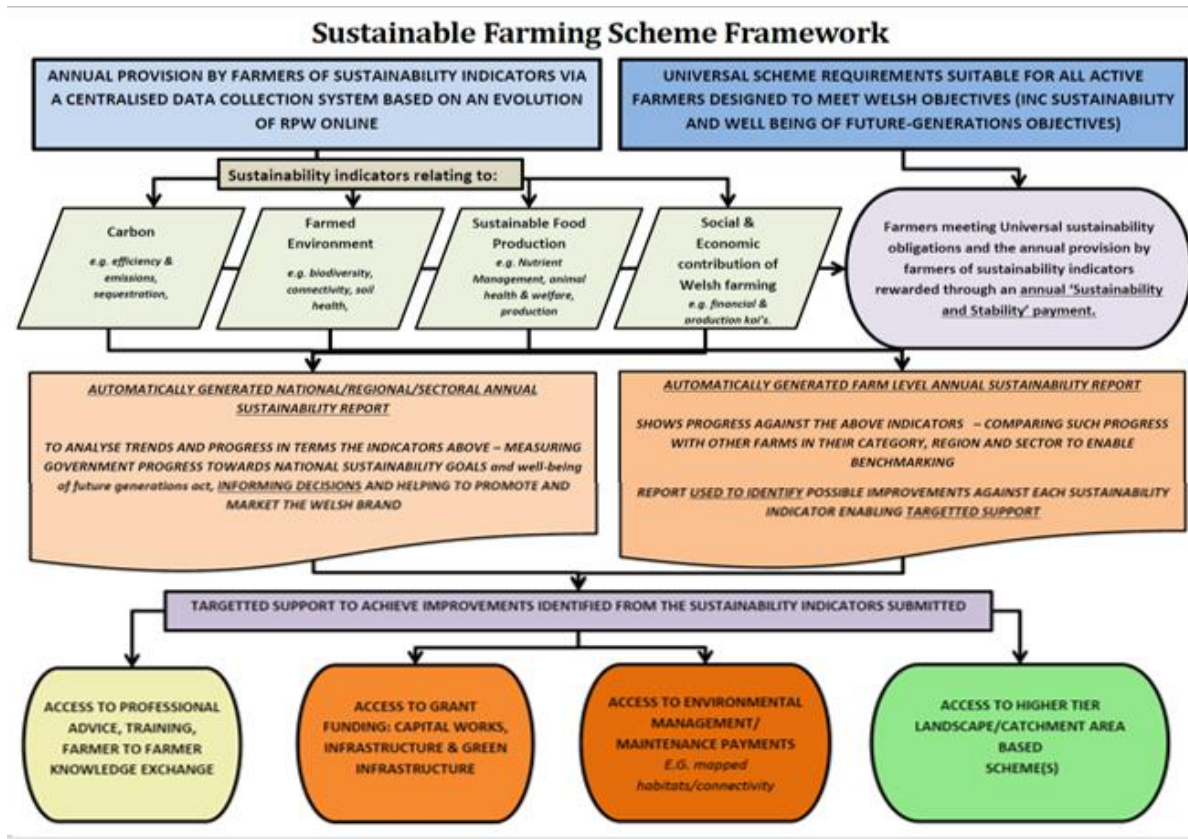
The sustainability indicators provided by farmers as part of the conditions associated with receiving the sustainability and stability payment would, through a portal developed within RPW Online, lead to an automatically generated annual farm level sustainability report that would be able to benchmark the farms progress year on year and compared to others in their region and sector. The report would be able to identify the strengths and weaknesses of the business and identify areas where targeted support may be needed to improve the sustainability of the business. NFU Cymru / FUW have held a

number of positive discussions with leading academics in this area to consider the feasibility of such an automated sustainability review process.

Data supplied by farmers could also be utilised to generate regional / sector and national reports to analyse trends and progress made against the agreed indicators. This data would be important to government to show progress made towards its national and international obligations; it could help inform decisions relating to future policy; and could also be used to help market and promote the Welsh brand.

As highlighted above the farm level report will be a key tool in helping the business to identify where additional support is needed or the direction that the farming family wishes to take that business. This will be the gateway to deliver a range of additional interventions including specialist targeted advice, investment support, higher level environment activity and collaborative actions at a landscape or catchment scale.

## NFU Cymru / FUW Sustainable Farming Scheme Framework



The Framework outlined above meets a number of our shared aspirations for future policy, including:

- Targeting resource at the active farming families / businesses who contribute so much to the rural economy, society and culture.
- Minimising discrimination between farming families / businesses in different areas or sectors – and ensuring full scheme access for tenants and commoners.
- Ensuring a critical mass of farmers and farmland are part of the scheme to deliver maximum outcomes for Wales.
- Ensuring a data driven, evidence-based system that will target support and resources where they will have most impact and provide maximum value for money.
- Uniformly evidencing the sustainability attributes of food produced in Wales to create an internationally recognised Welsh sustainability brand.



- Providing a just and smooth transition to a more sustainable future.
- Ensuring benchmarking and ongoing improvement.
- Developing Wales' current world-leading IT and mapping systems to ensure administration and running costs are minimised.

NFU Cymru / FUW have presented our framework to Welsh Government, MSs, academics, NGOs and at Political Party Conferences. Our framework has created positive and constructive discussion with significant support for the outline proposals put forward by the two Unions.

It is against this blueprint that NFU Cymru assesses Welsh Government's proposals for the Sustainable Farming Scheme. In the remainder of this consultation response, NFU Cymru will set out where we believe Welsh Government proposals demonstrate alignment with our principles, vision and framework for the future scheme and also where a fundamental change is still needed. At this late stage in policy development the need for government and industry to come together in genuine partnership to design a scheme that is fit-for-purpose cannot be overstated.

On this basis, NFU Cymru is calling for the Minister to establish and chair regular SFS meetings with NFU Cymru leaders between now and the final scheme design / payment rates being published with a requirement that all additional work commissioned / groups established report back to these meetings.

## Summary

*It is now over seven years since NFU Cymru undertook the biggest internal consultation in our history. Following the EU Referendum, we formulated the following set of key principles to form the foundations of a new domestic agricultural policy to deliver our vision of a productive, profitable and progressive agricultural industry in Wales.*

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

*NFU Cymru also developed our vision for a future agricultural policy comprising a flexible framework based around three cornerstones – productivity and environment underpinned by measures to provide stability and address volatility. In February 2022, NFU Cymru and FUW put forward a detailed Sustainable Farming Scheme framework, based on our shared vision for future policy. NFU Cymru's principles and vision for future agricultural policy continue to be reaffirmed by our membership and their appropriateness continues to be reinforced by global events.*

*It is against these principles and vision that NFU Cymru judges Welsh Government's proposals for the Sustainable Farming Scheme. At this late stage in policy development the need for government and industry to come together in genuine partnership to design a scheme that is fit-for-purpose cannot be overstated and NFU Cymru is calling for the Minister to establish and chair regular SFS meetings with NFU Cymru leaders between now and the final scheme design / payment rates being published.*

## The Political / Legislative / Economic Context

- **Agriculture (Wales) Act 2023**

The legislative context for future agricultural policy is established through the Agriculture (Wales) Act 2023. This piece of primary legislation, amongst other things, establishes the following Sustainable Land Management objectives as the legislative framework for future support for farmers in Wales.

- The first Sustainable Land Management objective is to produce food and other goods in a sustainable manner.
- The second objective is to mitigate and adapt to climate change.
- The third objective is to maintain and enhance the resilience of ecosystems and the benefits they provide.
- The fourth objective is to conserve and enhance the countryside and cultural resources and promote public access to and engagement with them, and to sustain the Welsh language and promote and facilitate its use.

These objectives must be met by meeting the needs of the present without compromising the ability of future generations to meet their own needs and by contributing to the well-being goals established in the Well-Being of Future Generations (Wales) Act 2015.

Welsh Ministers must consider all four Sustainable Land Management objectives during the exercise of their duties relating to the Act. It is also important to note that for the purposes of the first objective, factors relevant to whether food and other goods are produced in a sustainable manner includes, among other things, the resilience of agricultural businesses within the communities in which they operate and their contribution to the local economy.

Whilst the Act is a framework, with technical details of support to farmers provided for by Welsh Ministers through secondary legislation and policy development, it is important to recognise that, in the development of future policy, Welsh Ministers must contribute to the Sustainable Land Management objectives described above. Given Welsh Government proposes that the Sustainable Farming Scheme will be the primary source of government support for farmers in Wales and will reward farmers for actions that align with the Sustainable Land Management objectives there is a reasonable expectation that future policy will give equal emphasis to them all.

In this context, NFU Cymru identifies that the latest proposals for the Sustainable Farming Scheme have not evolved sufficiently from earlier proposals and the scheme design has not kept pace with the fundamental changes secured to the Agriculture (Wales) Act during its passage through the Senedd. The delivery of environmental outcomes continues to predominate and, as the independent modelling published by Welsh Government clearly demonstrates, the consequences of this approach are too serious to contemplate.

In line with duties on Welsh Ministers set out in legislation, NFU Cymru believes the scheme must be overhauled to address the imbalance so that equal ambition for food production and the resilience of agricultural businesses alongside the other SLM objectives is achieved. To support this, Welsh Government should develop an objective methodology by which scheme actions can be identified to ensure all of the SLM objectives and outcomes are accomplished in a balanced and equitable way.

Overall, NFU Cymru is clear that more emphasis is needed within the Sustainable Farming Scheme on measures that directly support the continued production of food; ensure that farming businesses are resilient so their contribution to rural communities is safeguarded; and the Welsh language, culture and heritage is sustained.

- **Food security**

NFU Cymru has long been clear that, in the context of the challenges to global food production, future agricultural policy must underpin and secure the continued supply of safe, high quality, traceable, affordable food.

We recognise that food security is a complex area – it's increasingly recognised as a central facet of our national security and can no longer be taken for granted in an increasingly volatile world. It is about more than keeping food on shelves today and how much it costs; it must also encompass safeguarding food supplies for the future. This will be vital in the context of the predicted challenges to our global food production system which include global population growth, climate change and competition for key resources including land, energy and water – already contributing to instability and unrest in some parts of the world. It is a matter of strategic national importance to ensure that our country can feed itself and a high level of domestic production in a volatile world is a critical aspect of food security.

Access to safe, high quality, affordable food is a most basic fundamental right for all people in society. Through the Well-Being of Future Generations Act 2015, Wales is the first country in the world to legislate for the well-being of current and future generations in a way that ties in with the United Nations' Sustainable Development Goals. The second UN goal prioritises ending hunger, achieving food security, improving nutrition and promoting sustainable agriculture<sup>2</sup>.

Evidence shows that overall levels of British self-sufficiency stood at 60% in 2020<sup>3</sup>. Recent events such as the global COVID-19 pandemic and the war in Ukraine have served as a stark reminder of the importance of this goal and focused attention on the importance and fragility of food security, both at home and abroad. The disruption to our food output, supply chains, availability and affordability, could last for many years.

It is also clear that resource efficient and resilient domestic food production plays an important role in limiting our global ecological footprint and displacing the environmental and carbon leakage impacts of food supply to overseas, where environmental, animal health and welfare and social standards such as worker pay and conditions are often lower.

Wales has a social responsibility to contribute to global food security when food production systems elsewhere are expected to face greater challenges and disruption due to climate change impacts. In Wales we have the natural resources and world leading farmers to produce a broad range of high-quality food products for society. As a relatively wealthy nation, Wales has an obligation to contribute to global food security by producing what it can and not over-relying on other countries to fulfil its food needs.

The Welsh public also support a greater emphasis on food security. A recent NFU Cymru commissioned survey by YouGov of over 1,000 adults in Wales showed that 67% of Welsh adults want UK food production to be as self-sufficient as possible and of those who do 70% think Wales can play a leading or have a major role to play in self-sufficiency.

It is also worth noting that the Prime Minister Rishi Sunak MP in delivering the keynote political address at this year's NFU Conference announced a new annual UK-wide Food Security Index to capture and present the data needed to monitor levels of self-sufficiency.

The Agriculture (Wales) Act obliges Welsh Ministers to have regards to statistics published on agricultural production and income of agricultural businesses deriving from surveys of the sector

<sup>2</sup> [THE 17 GOALS | Sustainable Development \(un.org\)](https://un.org/sustainabledevelopment/goals/)

<sup>3</sup> [british-food-leading-the-way.pdf \(nfuonline.com\)](https://www.nfuonline.com/british-food-leading-the-way.pdf)

when preparing indicators and targets and also when preparing reports under Section 7 of the Act. NFU Cymru believe that this UK wide index, alongside other UK and Welsh statistics must be considered as part of these indicators and targets and considered when designing the policies needed to achieve these indicators and targets.

NFU Cymru believes that just as Welsh Government seeks to ensure, through its policies, that Wales makes its contribution to the global challenge of climate change, so it should ensure that we make our contribution towards global food security, in line with being a globally responsible Wales. Ensuring a stable supply of home-produced, high-quality food should, therefore, be a key objective of the scheme.

Our analysis, backed up by Welsh Government's modelling<sup>4</sup>, demonstrates that levels of food production will not be maintained under current proposals. Whilst Welsh Government continues to suggest that a number of the Universal Actions contribute to the SLM outcome of producing food in an environmentally sustainable manner, in reality, these actions largely focus on intervening in the process of food production in ways that boost the delivery of environmental outcomes. This is not the same as a policy that underpins food production, the sustainable growth of the sector or our food security. Other aspects of proposals have the effect of reducing agriculture's productivity capacity in perpetuity.

NFU Cymru is clear that more direct, explicit support to maintain and enhance food production in an increasingly volatile world should be central within the Universal Action Layer. A commitment is also needed from Welsh Government to develop a comprehensive farm to fork food strategy for Wales with ambitious targets for the sustainable growth of the food and farming sector.

- **Competitiveness**

The increasingly precarious state of food production globally provides impetus for continuing government intervention in farming in the vast majority of developed countries.

At an EU level, Member States recognise that the underlying principles of the Common Agricultural Policy to provide a stable supply of food, safeguard farmers' income, protect the environment and keep rural areas vibrant remain as relevant today as they have ever been. The 2021-2027 programme has received a budget allocation of €387 billion, with 72% allocated to direct payments via the European Agricultural Guarantee Fund<sup>5</sup>.

In recent weeks, Scotland's First Minister Humza Yousaf has confirmed that 70% of future support to farmers will be direct payments for producing food<sup>6</sup> including headage payments. In Northern Ireland, the Farm Sustainability Payment measure will provide a basic safety net with the majority of the budget allocated to it as it follows on from direct support<sup>7</sup>.

In England, Defra has started to recognise the role of incentives within SFI payments, for example, offering £151 per hectare to farmers to manage grassland with very low inputs (compared to £69 per hectare in the Habitat Wales Scheme).

Further afield the US Farm Bill is one of the largest and most expensive pieces of legislative policy in the US. Over \$1 trillion dollars will be spent on the Bill over the next ten years. Whilst much of the budget will be committed to nutrition assistance programmes which has an indirect benefit to US agriculture the Bill also provides direct support to farmers, conservation programmes and crop insurance.

<sup>4</sup> [Potential economic effects of the Sustainable Farming Scheme Phase 4 Universal Actions Modelling Results \(gov.wales\)](#)

<sup>5</sup> [CAP funds - European Commission \(europa.eu\)](#)

<sup>6</sup> [Scottish farmers win battle over food subsidies \(msn.com\)](#)

<sup>7</sup> [Future Agricultural Policy Decisions for Northern Ireland \(Final\) \(002\).pdf \(daera-ni.gov.uk\)](#)



Welsh Government must recognise that farming in Wales operates in national and global markets. NFU Cymru's position has always been that policies must ensure that Welsh farming remains competitive with farmers in the UK, EU and globally.

NFU Cymru would express profound concern that, through the development of proposals, Welsh Government takes no account of the competitiveness of the Welsh farming industry which, we are clear, will be seriously eroded by current proposals. Welsh Government's proposals do not include a direct support element; the proposals for a stability payment is anything but 'stable', declining to zero within five years; and the cost incurred / income foregone payment methodology proposed for the Universal Baseline Payment means that, in effect, agriculture and food production in Wales will be unsupported by 2030. This is in stark contrast to our nearest competitors. NFU Cymru remains absolutely clear that competitiveness is a structural issue that must be addressed by Welsh Government so that farmers in Wales can continue to compete on a level playing field.

- **The economic landscape**

NFU Cymru is well-aware of the significant challenges faced by all sectors of the economy, by governments both national and local and by the public sector as we continue to feel the twin effects of both high inflation and high interest rates, and an economy which is struggling to grow. Welsh farming has not been immune to these stresses with input costs on farm some 30% higher than they were in 2019, increases in output prices have not matched the inflation seen in inputs thus putting margins under pressure.

Welsh farmers continue to face a wide range of challenges and significant economic turmoil as a result of factors completely beyond their control. Given that the proposed SFS is to be the long-term programme to support the agricultural industry in Wales, it is important that we all recognise the economic backdrop in which policy is being developed and introduced.

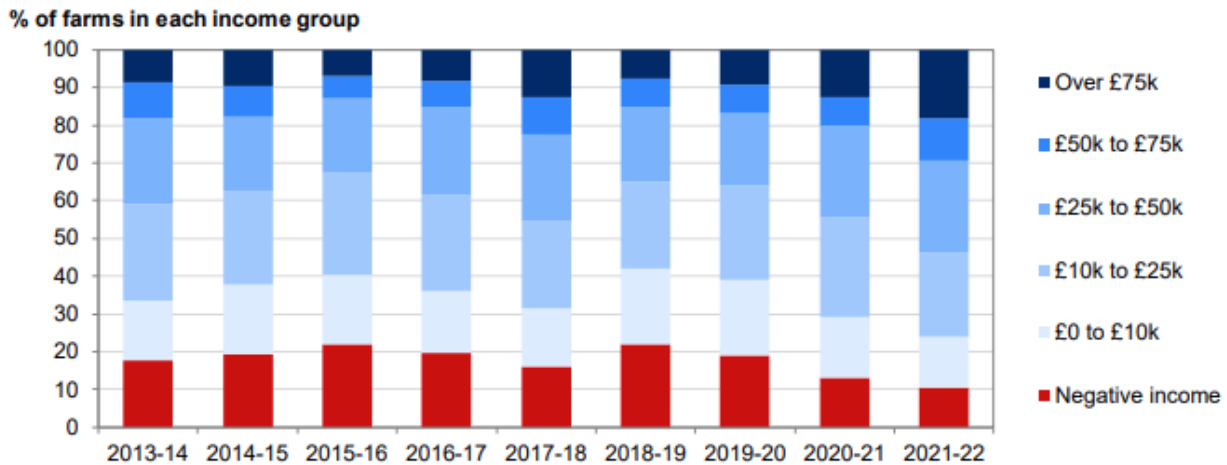
The latest statistics on [Farm Incomes](#) was published in February 2024 and relates to the period April 2022-March 2023. The release coincides with the war in Ukraine and the cost-of-living crisis both of which have had a considerable impact on costs for farms in Wales.

It should be noted that the figure generally used to reflect farm profitability for each Welsh farm category is 'farm business income', which represents the financial return to all unpaid workers (farmers, spouses, non-principal partners and their spouses, and family workers) on all their capital invested in the farm business. In essence, farm business income is the same as net profit.

On cattle and sheep LFA farms the estimated average income dropped in 2022-23 by 37% to £24,300. On cattle and sheep (lowland) farms average income has dropped by 30% to £18,700. The 87% increase in income on dairy farms can be explained by the rise in output from milk and milk products which increased by 49% due to an increase in the milk price. It is important to note that between December 2022 and December 2023 the milk price has fallen by 26.7%, this reduction in output is likely to be reflected in the year to March 2024 income figures and highlights the inherent volatility and uncertainty in commodity markets.

The Farm Business Survey refers to the need for particular attention to be given to the current contribution of the Basic Payment Scheme, other subsidies, miscellaneous and diversified income to the bottom line. For example, these four contributed around 25% of the total income (outputs) and 153% of profits, on average, for upland cattle and sheep farms. The report goes on to say that with these levels of dependency, it is difficult to see how many Welsh farms with limited options for changing farming enterprises and / or systems, can be profitable without relying on non-farming income and Welsh Government support payments.

The table below shows the variation in farm business income over the past nine years, and highlights that in 2021-22 nearly 50% of farms had a farm business income below £25,000 with around 10% having a negative income.



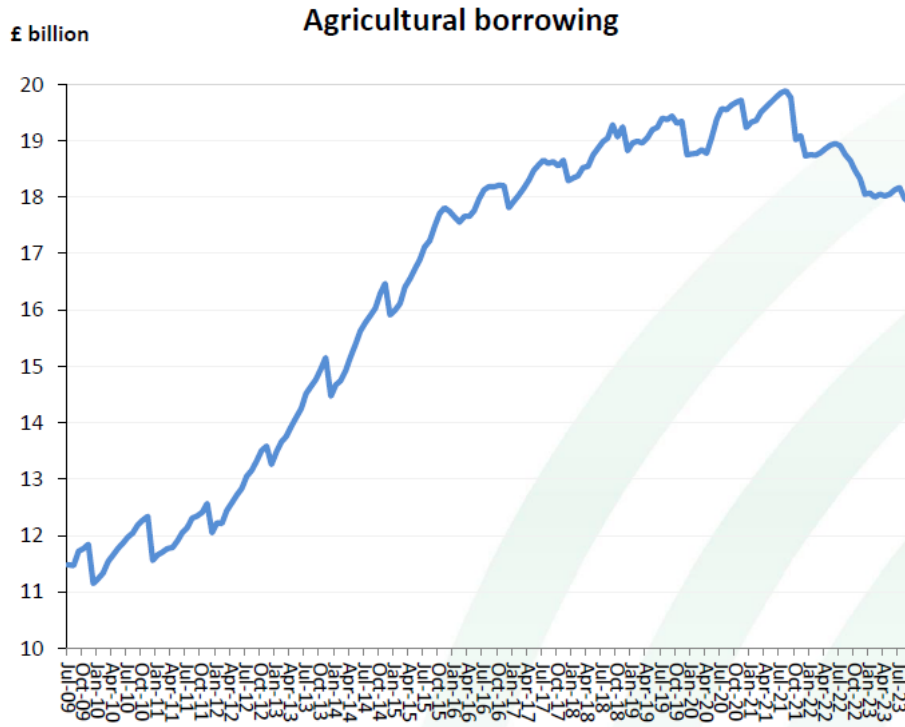
Factors such as bovine TB continues to have a major economic and psychological impact on Welsh farming communities, with around 10,000 animals consistently being slaughtered per annum due to TB over the past five years. At any one time more than 600 farm businesses in Wales will be restricted because of bovine TB with thousands more living with the fear of what their next on-farm TB test will bring. Exeter University has found that the consequential losses associated with a TB outbreak on farm can be between £3,198 and £55,000 per farm as a result of movement restrictions alone. An NFU Cymru [member survey](#) on bovine TB that received over 500 responses from cattle keepers from across Wales found that the average cost over 12 months to the farms that provided cost details was £25,677. Across all respondents, over 30% estimated their costs at over £10,000 and 13% said the figure was over £50,000.

The Control of Agricultural Pollution Regulations (2021) introduce a Nitrate Vulnerable Zone (NVZ) across the whole of Wales. The Regulations came into force on the 1 April 2021 with transitional periods for some elements. Welsh Government's own Regulatory Impact Assessment (RIA) stated that the regulations will cost Welsh farmers as much as £360 million in infrastructure costs alone – with annual compliance and impact costs in addition to this figure.

Since the publication of the impact assessment, the cost of compliance with the regulations has increased significantly as a result of increases in building costs, meaning the infrastructure costs of compliance alone may now approach £500 million.

Whilst, as a result of NFU Cymru lobbying, Welsh Government has introduced an enhanced nutrient management approach for 2024 which will allow farmers to operate above the 170 kg/N/ha limit from livestock manures subject to meeting certain conditions, at the time of writing there is no long-term sustainable solution in place. Modelling undertaken by AHDB has shown that the impact of the 170 kg/N/ha from livestock manures limit will reduce stocking density on Welsh dairy farms by 17% representing a substantial threat to Welsh farm incomes and livelihoods, with consequential impacts for the supply chain.

Bank of England data shows that agricultural borrowing stood at £17.84 billion in November 2023, a marginal fall from the £17.89 billion recorded the previous month.



Source: Bank of England

### *Agricultural borrowing, July 2009-July 2023*

Farm borrowing remains extremely high compared with historic levels, and with around half of all farms having existing borrowing, and many needing to borrow in order to cope with immediate and long-term challenges – not least the costs of complying with the Control of Agricultural Pollution Regulations – the servicing of existing and new loans in a climate of high interest rates will bring additional financial pressures for Welsh farm businesses over the coming years. With interest rates having risen to 5.25%, from 0.1% in December 2021, their highest rate since 2008 the ability to service increased loan repayments will be a major concern to many farming businesses.

Given the global food crisis and the fact that escalating costs are forcing many farmers to reduce production and, in some instances, even consider whether they will be able to continue farming, NFU Cymru has consistently called on the Welsh Government to ensure that future policy does not constrain farmers’ productive capabilities and inhibit Wales’ vital role in contributing to domestic and global food security.

Agriculture is one of the sectors that have been most heavily shaped by the UK’s membership of the European Union, with farmers having historically benefitted from the financial support through the Common Agricultural Policy as well as free and frictionless access to the EU’s Single Market.

The UK’s departure from the EU, and the decision to leave the Single Market and the Customs Union has brought about fundamental change for the UK-EU trade relationship. While the Trade and Cooperation Agreement between the UK and the EU, agreed in late 2020 provides for certain preferential arrangements, the nature of the relationship has continued to change. This has resulted in farming businesses facing trade disruptions and frictions and British exporters continue to find adjusting to the new relationship difficult; new requirements in terms of customs declarations, inspections and checks have added significantly to costs and problems, while delays at borders can be significant, making Welsh and British products less competitive.

In addition to the UK-EU trade deal, the UK Government has reached a number of trade agreements with other nations. The majority of these represent 'rollover' agreements that generally reflect agreements that were already in place with the EU. The two most significant new agreements are those agreed with Australia and New Zealand, both of which are extremely liberal in terms of providing immediate access to duty free transitional quotas for key agriculture products, with eventual tariff elimination.

The agreements with New Zealand and Australia have entered into force only recently, 31<sup>st</sup> May 2023. While there may be some modest opportunities to increase exports to Australia and New Zealand, for instance in relation to finished products e.g. cheese, there is much more in the deals for Australian and New Zealand exporters. It is still too early to evaluate if opportunities or concerns have been realised.

The government's own impact assessment estimated that with respect to the New Zealand deal, UK agriculture, forestry and fishing and semi-processed foods sectors are expected to experience a reduction in gross value added (GVA) of around 0.35% (£48 million) and 1.16% (£97 million) respectively.

The Government estimates that because of the Australia deal, we will see a reduction in gross output of around 3% for beef and 5% for sheep meat as a result of liberalisation. This is equivalent to wiping £87million off the output of UK sheep production and £67million off the UK beef sector and does not take into regard the cumulative effect of agreeing similar liberalisation terms with New Zealand. Given the reliance of the Welsh farming sector on red meat production we have concerns that the impact for agriculture in Wales will be proportionally worse than for other parts of the UK.

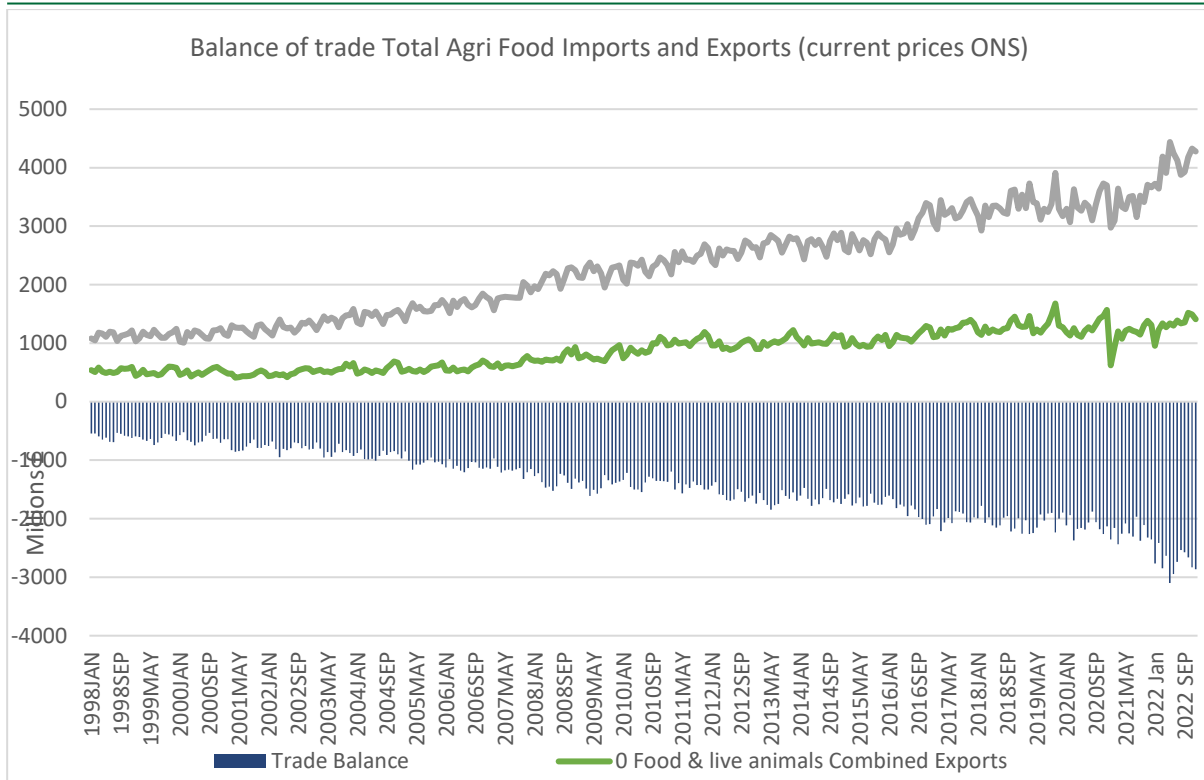
In 2022, the UK exported £15.57 billion worth of agri-food. This is up 17.3% on 2021 and approaching 2019 figures. In 2022, 75% of the value of Welsh food and drink goods exports went to the EU.

However, the apparent recovery of exports to the EU must be viewed through the lens of unprecedented levels of inflation. The food and drink sector has experienced particularly high inflation with businesses forced to raise prices to meet rapidly rising input costs. In this context, the 2021 to 2022 growth in export values does not necessarily represent increased exporting activity from businesses.

Unfortunately, in volume terms HMRC figures show a significant drop in exports of agri-food products since 2019. Overall volumes of agri-food are down more than 20% compared to 2019.

In 2022, the UK imported £47.6billion worth of food and live animals, up 25.6% on the year and 16.3% higher than 2019 figures. The increase in the value of imports, coupled with stagnation in the value of our exports, has led to a significant deterioration in the nation's Balance of Trade in Agri-food products (see below). The UK has been running a trade deficit in food and live animals of circa £2.7billion a month during 2022, compared to £2billion in 2019.





NFU Cymru has repeatedly made clear concerns that these and other liberal trade agreements will adversely affect our ambitions to sustainably grow the £8.1 billion Welsh food and drink industry – Wales’ biggest employer. Just as importantly, there are legitimate concerns as to the social and cultural impact of such trade deals and their effect on Welsh language and culture.

NFU Cymru is pleased that Welsh Government, through the consultation, recognises the need to protect livelihoods and keep farmers farming. In reality, the SFS does very little to deliver economic sustainability on Welsh farms in the challenging context set out above.

A long-term commitment to a stability payment needs to form a central facet of the Sustainable Farming Scheme to ensure that the continued delivery of economic, environmental, social and cultural outcomes by Welsh farming is secured.

- **Public support**

During difficult times, farmers continue to be sustained by the strength of support shown to them by the public.

A survey of 1,057 adults in Wales undertaken by international market research and data analytics company, YouGov, in November 2023, for example, found that 82% of those surveyed supported the Welsh Government providing financial support to farmers to produce food.

Interestingly, the data showed that support for Welsh Government providing financial support to farmers to produce food was actually higher in many urban regions than the national 82% average, for example it was 86% for those surveyed in Cardiff and South Wales Central.

When taking into account Welsh Government’s priorities, 72% of those surveyed said that supporting Welsh farmers was a good use of public spending.

74% of Welsh adults viewed food produced in Wales as high quality and 66% of Welsh adults thought that the amount of locally produced food in the public sector should be increased with 67% of people wanting UK food production to be as self-sufficient as possible and, of those who do, 70% think Wales can play a leading or have a major role to play in self-sufficiency.

This shows a high level of backing amongst the public for supporting farmers financially to produce food, also sending a strong signal to Welsh Government for the direction of future policy design.

## Summary

*NFU Cymru's key principles and vision for future agricultural policy are closely aligned to Welsh Government's own legislation including the Well-Being of Future Generations Act 2015 and the Agriculture (Wales) Act 2023 which establishes four Sustainable Land Management (SLM) objectives.*

*NFU Cymru identifies that the latest proposals have not evolved sufficiently from earlier proposals and the scheme design has not kept pace with the fundamental changes secured to the Agriculture (Wales) Act during its passage through the Senedd. The latest SFS proposals continue to prioritise the delivery of environmental outcomes. This imbalance must be addressed so that there is equal ambition for food production and the resilience of agricultural businesses alongside other SLM objectives.*

*NFU Cymru has long been clear that, in the context of the challenges to global food production, future agricultural policy must underpin and secure the continued supply of safe, high quality, traceable, affordable food. The precarious state of food production globally provides impetus for continuing government intervention in farming in the vast majority of developed countries. NFU Cymru remains clear that the ability of Welsh farmers to remain competitive is a structural issue that must be addressed through future policy so that farmers in Wales can compete on a level playing field with farmers in the rest of the UK, EU and globally in an increasingly volatile operating environment.*

*Welsh farmers continue to face a wide range of challenges and significant economic turmoil as a result of factors completely beyond their control. Given that the proposed SFS is to be the long-term programme to support the agricultural industry in Wales, it is important that the economic backdrop in which policy is being developed and introduced is recognised.*

*In this context, NFU Cymru is clear a long-term commitment to a stability payment within the SFS to recognise the economic, environmental, social and cultural contribution that Welsh farming makes to society and to underpin the resilience of food production in Wales and the continued secure supply of high quality, safe and affordable food from Wales is needed. Welsh Government must also commit to develop a comprehensive farm to fork food strategy for Wales with ambitious targets for the sustainable growth of the food and farming sector.*

## 2. The SFS framework

NFU Cymru continues to broadly support Welsh Government's proposed overarching Sustainable Farming Scheme structure based around the three structures of:

- Universal Actions – required of all participants of the scheme in return for the Universal Baseline Payment.
- Optional Actions – offering farmers the choice to prioritise and undertake actions appropriate to their circumstances.
- Collaborative Actions – offering farmers the chance to work with others to deliver change on a larger scale.

We continue to believe this framework has the potential to be a workable model for delivery, closer than earlier proposals to NFU Cymru's vision for future agricultural policy based around productivity, environment underpinned by a measure to deliver stability to farm businesses. However, NFU Cymru's support for this framework remains contingent on the principle of equal access for all active farmers and development of practical and deliverable actions within the Universal Action Layer that are achievable on all farms in Wales, irrespective of farming sector, system and locations. The Universal Baseline Payment that farmers receive for undertaking the Universal Actions must also deliver at least the same level of stability to farm businesses as the Basic Payment Scheme provides currently.

NFU Cymru is clear that Welsh Government's current proposals for the Universal Action Layer of the Sustainable Farming Scheme continues to fail on both counts. Welsh Government continues to approach the design of the scheme based largely on previous agri-environment schemes. This approach is fundamentally flawed when the Sustainable Farming Scheme is set to be the main mechanism of support to farming in Wales replacing both Pillar 1 and Pillar 2 support measures provided via the CAP.

On this basis NFU Cymru strongly rejects SFS proposals and we identify that very significant modification is required before moving forward.

We place on record our profound disappointment that, despite Welsh Government's apparent commitment to co-production, many of the issues set out in this response are concerns we have raised repeatedly, that have still not been addressed. Farmers across Wales are frustrated and disappointed that their efforts to provide feedback on successive consultations on the shape of future policy have been largely ignored. The high level of stress and anxiety within the farming industry about Welsh Government's plan to introduce the Sustainable Farming Scheme in 2025 when in its current iteration it is clearly not fit-for-purpose is palpable.

NFU Cymru remains clear that the issues raised, and reiterated below, represent a very real barrier to participation in the scheme. SFS proposals undermine Wales' agricultural capacity and the viability of 16,000 or so farm businesses that rely on the BPS currently. We would also highlight that the delivery of Welsh Government's environmental objectives is highly reliant on farmers being able to access the scheme. On this basis, the Sustainable Farming Scheme works for no one.

We identify that a review of the practicality and cumulative administrative burden associated with the Universal Action Layer of the scheme is needed before moving forward and we continue to highlight that, as proposed, there are likely to be resource capacity issues associated with farmers conducting new actions as part of the scheme. In its response to co-design 2, Welsh Government committed to undertaking a capacity assessment that included the availability of goods and equipment as well as expertise, we note, the consultation is silent on this matter.

NFU Cymru reiterates our commitment to work with Welsh Government in genuine partnership to ensure that the Sustainable Farming Scheme is overhauled so that the Universal Action Layer is truly universal<sup>8</sup> and it provides the necessary income stream to ensure it works for farmers, our rural communities, consumers and the supply chain as well as the environment.

- **Sustainable Land Management Outcomes**

We refer to Welsh Government's proposed Sustainable Land Management outcomes for the scheme and note, to a great extent, they mirror the SLM outcomes of the Agriculture (Wales) Act 2023. We are concerned, however, that these outcomes have not translated into the Universal Action Layer of the scheme. Despite revised SLM objectives and additional SLM outcomes being included within the Agriculture (Wales) Act 2023 during its passage through the Senedd, there has been insufficient focus to translate these changes into the Sustainable Farming Scheme. To be clear the Universal Actions mirror closely what was published in Welsh Government's July 2022 Outline Proposals document which was ahead of the Agriculture (Wales) Bill being introduced into the Senedd in September 2022 and in advance of the changes made as the Bill made its way through to the Senedd to ultimately become the Act that received the support of all the political parties.

Despite the efforts of Welsh Government to highlight the multiple outcomes, they believe, each of the Universal Actions will deliver, in some instances, this analysis is clearly highly questionable. It is impossible to deny that, of the 17 proposed Universal Actions, at least ten are heavily focussed on environmental delivery. In this regard we believe that Welsh Government is failing in its duty to give equal focus to each of the four SLM objectives. Support for actions to underpin food production and the resilience of agricultural businesses and their contribution to the local economy are woefully lacking.

In addition to the need to remodel the Universal Action Layer of the scheme so that it works for all farmers in Wales, we also identify the need to rebalance the Universal Actions so they are more closely aligned to the requirements of the Agriculture (Wales) Act whilst delivering economic, environmental, social and cultural outcomes in line with the Well-Being of Future Generations Act.

Turning to each of the Universal Actions, we would make the following comments:

- **Universal Action 1: Benchmarking**

NFU Cymru notes farmers will be required to undertake annual measuring and monitoring through the completion of both mandatory and additional optional Key Performance Indicators (KPIs). Farmers will be required to submit this data to Welsh Government via an online portal which will compare their performance with other farms.

Firstly, NFU Cymru would highlight that Welsh Government's failure to publish the full list of proposed KPIs has hindered proper consultation. Members have repeatedly told us that they are not prepared to provide detailed financial and business sensitive information to Welsh Government as part of this Universal Action.

NFU Cymru recognises the role that measuring performance can play, enabling farm businesses to compare their position with their own past performance and other farmers. We would emphasise, however, that benchmarking can be a blunt instrument – no two farms are the same and benchmarking performance can plummet as a result of one issue which could be beyond the farmer's control. Whilst Welsh Government has sought to provide reassurances that there will be no negative consequence for lower benchmarking performance, NFU Cymru is concerned that, through proposals, Welsh Government has paid insufficient consideration of the impact to the well-being of

<sup>8</sup> *Universal – something that is universal relates to everyone (Collins Dictionary)*



farmers under this level of scrutiny together with administrative burden of this Universal Action. Farmers were also concerned that efforts to improve performance of one KPI measure could negatively impact on another.

There is widespread concern about how KPI data provided to the Welsh Government online portal will be used and also safeguarded. The issue of data protection is covered later in this response, however, it is possible to foresee data through this Universal Action subject to information request and twisted to meet their own ends by aggressive campaigning groups with an agenda of attacking the farming industry in Wales.

NFU Cymru is disappointed that Welsh Government places no value on the data provided by farmers and only proposes to pay for the farmers time to gather and report the data, potentially undermining any value that the supply chain or others may place on this information in the process. If Welsh Government wants this data, then the data has a value and farmers must be properly rewarded for providing it.

We are also concerned about the costs of operationalising this Universal Action. The development of an online portal is likely to be a significant expense as will the proposed guidance and advice to support farmers. In this context, NFU Cymru remains wholly unconvinced of the cost-benefit of this Universal Action and we are clear that the marginal gains in performance that can be achieved through benchmarking will be insufficient to make up for loss of direct support through the BPS.

The consultation also fails to address Welsh Government's proposal for supporting farmers who are digitally excluded. More account is needed of Welsh Government's own [Digital Strategy](#) published in 2021 which states that *"For people who cannot, or decide not to, participate digitally, we will continue to apply the principles of user centred design so that there are alternative ways to access public services in Wales. The alternative access routes will be as good as those offered online"*.

Finally, Welsh Government's underlying assumption that farmers do not already undertake benchmarking is inaccurate. Many farmers participate in benchmarking via a number of mechanisms currently. To assume market failure in this area, therefore, demonstrates a lack of understanding of farming in Wales. Welsh Government's benchmarking approach will need to take account of this and be compatible with the data already collected to minimise bureaucracy for the farmer.

Overall, we remain concerned that Welsh Government continues to overplay the role that benchmarking can play in underpinning farm business viability in the absence of measures that provide stability. Whilst Welsh Government emphasises many factors affecting farm business performance are within the control of the individual farmer, the evidence is clear, farmers are also subject to significant volatility arising from environmental, economic and political factors beyond their control.

- **Universal Action 2: Continuous Personal Development (CPD)**

Welsh Government proposes that farmers participate in an annual training cycle comprising six online learning modules (including mandatory Health and Safety training) on an annual basis with the result that over a five-year period some 30 online modules will have been undertaken.

Firstly, NFU Cymru is supportive of efforts to improve the Health and Safety record on Welsh farms. The loss of life and injury on farms is deeply concerning to all of us and the safety record of the industry must be improved. NFU Cymru place a significant focus on promoting and highlighting Health and Safety messages through all our member communication and engagement work. We are a strong supporter of the Yellow Wellies campaign and an active partner in the Wales Farm Safety Partnership. We also recognise the role that Continuous Personal Development (CPD) can play in contributing to our vision of a productive, profitable and progressive farming industry in Wales. NFU

Cymru is proud that we have many award-winning farmers in Wales. Such achievements are not necessarily linked to educational attainment, however, Welsh Government should recognise that many farmers in Wales are often educated to degree level and beyond and are frequently better qualified than the advisers that are paid to advise them. In addition to formal education, many farmers in Wales are active participants in a broad spectrum of ongoing CPD activity.

We note that Welsh Government expects this prior and ongoing CPD to count, however, it is not clear how this will be operationalised, how equivalence will be determined, whether participation in alternative CPD programmes such as DairyPro, Nroso, BASIS etc will be recognised etc. Farmers attend conferences, NFU Cymru meetings etc. where they will also gain valuable information as part of their CPD and a system is needed that reflects all of these approaches.

It is also not clear how Welsh Government arrived at the proposal for there to be six courses undertaken annually and how Welsh Government aims to 'pitch' the training so that it is suitable and offers genuine value to all participating farmers who will possess a very broad range of prior learning and spectrum of age and ability.

Farmers were also disappointed with proposals to limit payment to covering the cost of farmers time for participating in the online training and there is not an element of incentive that has existed elsewhere, for example, we are aware the Irish government provided a top-up of €1300 to Direct Payments for attending a number of Teagasc knowledge transfer events.

Overall, there was an overwhelming feeling within the farming community that through this, and a number of the other proposed Universal Actions, Welsh Government believes farmers are unable to run their businesses effectively. Whilst the evidence presents a compelling case for farm support, we do not believe Welsh Government should use this to draw false conclusions about the capability of farmers, rather a primary function of support is maintaining competitiveness with farmers in the rest of the UK, EU and globally.

This Universal Action is also likely to come with a high investment cost for Welsh Government, particularly as it proposes to support this Universal Action with other learning activity, such as discussion groups and demonstration farms. We are concerned that Welsh Government may be simply repeating past investments it has made through the Farming Connect Programme. The cost-benefit of such interventions remains unclear, and more analysis is needed before moving forward.

Comments made earlier relating to digital exclusion are also relevant to this Universal Action.

- **Universal Action 3: Soil health planning**

NFU Cymru notes this Universal Action will include soil testing and nutrient planning. Welsh Government proposes to develop and refine this Universal Action over time – this has hindered consultation as has the lack of clarity about what Welsh Government proposes in respect of the biological and physical measures. NFU Cymru is clear that at this late stage in the scheme development process Welsh Government should be providing a clear picture of the requirements of each action it proposes.

That said, the benefits of soil analysis and nutrient management planning are well known, and it is a well-established practice on many Welsh farms. Soil analysis undertaken by farmers prior to joining the scheme within the last five years should be acceptable for the purposes of this Universal Action. The results of GPS soil testing should also be accepted.

The logistical and capacity challenges associated with this proposal are, however, likely to be significant. Farmers have pointed to nutrient management planning undertaken through Farming Connect where the results were received too late in the season to act upon them. We believe that

rather than testing on an individual field parcel basis it should be possible to group together field parcels that are under the same management. Similarly, the proposal to apply this action to enclosed semi-natural dry grassland when the management response is likely to be curtailed by regulation was questioned.

Farmers also highlighted the administrative burden associated with inputting data relating to soil analysis onto RPW online and significant concerns were raised about how Welsh Government would use the data and whether there would be an expectation on farmers to act on soil analysis results. Farmers queried if Welsh Government would, for example, be providing grant support for lime which has the potential to deliver significant agronomic and environmental benefit and climate change mitigation.

Given that Welsh Government proposes that electronic capture of the data will support monitoring, evaluation and national reporting, it is clear that this data has a value to Welsh Government. On this basis, Welsh Government's proposal to cover only the farmers time through the Universal Baseline Payment with no payment for data is unacceptable to us.

NFU Cymru is also highly concerned around the exploitation of the soil analysis data provided to Welsh Government and asks what safeguards there would be to protect individuals and the industry as a whole from information requests from campaigning groups who have a strategy of grossly misrepresenting farming for their own ends. This is an issue that contributes to high levels of stress and anxiety within the industry currently.

Moving to the specific soil sampling proposal, whilst standard soil analysis for P, K, Mg and pH is a widespread and well understood practice, testing for soil organic matter is more complex and costly. It is not clear what Welsh Government's purpose is in asking for this analysis to be undertaken, however, our discussions with experts suggests that yielding any meaningful results is likely to be challenging.

Turning to Welsh Government's proposals for basic nutrient accounts. Again, farmers highlighted the administrative burden associated with this as well as the requirement to keep records of land management. Whilst many farmers will be doing this formally or informally, the requirements to keep records which are 'inspection standard' will inevitably be a cause for anxiety and add to the record keeping workload. There was also widespread concern that the requirement for basic nutrient accounts could result in a 'consultants charter' with high costs to farmers just to meet scheme requirements.

NFU Cymru notes Welsh Government also proposes that farmers will need to incorporate Potassium and Phosphorus results into the Nutrient Management Plan for Nitrogen required for the Control of Agricultural Pollution Regulations (NVZs). NFU Cymru categorically rejects this proposal and identify that it is highly unusual for Welsh Government to be presenting this as a scheme requirement when such a requirement would clearly be linked to legislative change and should form part of the four-yearly review established within the Regulations alongside comprehensive consultation and impact assessment.

NFU Cymru strongly objected to Welsh Government's regulatory approach of applying a pan Wales NVZ which did not follow the evidence. We will not support further 'gold-plating' of this Regulation when on a daily basis we encounter farmers who are grappling with the current requirements Welsh Government has set in law, with profound impacts to farm business viability as well as mental health. Welsh Government's proposal is completely unacceptable to us and will be resisted in the strongest terms.

- **Universal Action 4: Multispecies cover crop**

Welsh Government proposes that a multispecies cover crop will be required on all land which would otherwise be left bare post-harvest for a period of more than 6 weeks.

Again, we note ambiguity in relation to the specific proposals for root crops grazed through the winter and also, whether a Rough Surface Risk Assessment will be permitted or not.

The removal of the Rough Surface Risk Assessment currently provided for through cross compliance is not acceptable. NFU Cymru has set out previously that allowing a rough surface offers significant and widespread benefits and fits into standard agronomic practice across a range of cropping systems. This includes the potato sector where crops are particularly vulnerable to poor seedbed preparation with impacts to yield and quality. We are concerned that this Universal Action may impact on the PGI status of Pembrokeshire Early Potatoes which has been granted on a set of conditions that included the method of production including soil preparation. This refers to soil preparation beginning in January with ploughing, with the field then left to weather to allow the upturned soil to break down.

Farmers queried Welsh Government's rationale for requiring a multi-species crop to be established. If the objective of this Universal Action is to protect soils from erosion then one species, such as ryegrass should be sufficient to meet this objective. Requiring multiple species adds cost and complexity without a corresponding benefit. A key requirement for a cover crop is having the ability to establish quickly and be fast growing, this can be better achieved by using only one species e.g. Westerwolds Ryegrass.

Similarly, farmers highlighted that they should be able to utilise farm saved seed, and therefore, in these circumstances it will not be possible to provide seed receipts. Farmers were also clear that there should be no restrictions on PPP use before and after the cover crop.

Concerns were also raised about Welsh Government's farming by calendar approach. NFU Cymru does not support proposals to establish the cover crop within 10 days of harvest which is too prescriptive. Weather and field conditions need to be taken into account and the requirement should be to establish the crop when conditions are appropriate. Similarly, farmers questioned the logic of the 15 February date for the retention of the cover crop when farmers are best placed to judge the appropriate timing to establish the next crop based on the prevailing weather and ground conditions.

With respect to the requirement that late harvested crops like maize must be undersown, it is important to recognise that this is not possible where the maize crop is grown in rotation, to be followed by a winter cereal.

Finally, the interaction between this Universal Action and the Growing for the Environment Scheme was queried. Welsh Government proposes that the Rural Investment Schemes currently available are likely to continue to be available during the transition period, subject to budget. It is not clear whether Welsh Government proposes to continue the Growing for the Environment Scheme specifically but it is important to recognise that this directly supports the establishment of cover crops. In contrast the payment for this Universal Action is expected to be based on an average across all farms whether the farm needs to establish a cover crop or not.

- **Universal Action 5: Integrated Pest Management (IPM)**

Welsh Government proposes that farmers will complete an annual assessment of plant protection products (PPP) and alternative methods employed to reduce chemical usage.



We note that Welsh Government proposes not to prescribe the format of this assessment. NFU Cymru would support this approach since various templates already exist for IPM including those provided by the Voluntary Initiative, LEAF etc. Similarly, Welsh Government requirements for this Universal Action should be compatible with IPM requirements for farm assurance etc.

NFU Cymru would also be keen to stress that the overarching aim of this Universal Action should not be a reduction in PPP usage per se, indeed, if that is the strategy then this is likely to have detrimental impacts on food production and specific Welsh Government policy agendas such as the desire to increase horticulture production in Wales. Welsh Government is also inaccurate in its assumed benefits of reduced PPP usage. Use of Pesticides are often an essential element of minimum tillage farming systems that can have benefits in terms of climate change mitigation / protecting soil carbon and organic matter. The benefits that Welsh Government envisaged from minimising the use of pesticides will only be realised if yields and profits are maintained. We would also highlight that the approval process for any pesticide is very thorough and includes environmental and human health considerations.

As with a number of the proposed Universal Actions, farmers have also expressed concern about how data provided to Welsh Government on PPP usage will be used by Welsh Government and what safeguards there will be to prevent its misuse by others.

- **Universal Action 6: Managing heavily modified peatland**

We note Welsh Government intends to show farmers if they have modified peatland and this Universal Action will require their active management.

NFU Cymru is concerned that Welsh Government has provided no definition of what it means by modified peatlands and as far as we are aware a mapping layer does not currently exist to show their location and extent in Wales. This has challenged our ability to consult properly with our members but it is possible to foresee issues arising with the proposed active management requirements set out in the consultation. For example, on a farm with a large extent of modified peatlands it is not realistic to require no supplementary feeding.

We also foresee issues with creating an accurate map and, given the poor experience many farmers have encountered with the recent mapping exercise for the Habitat Wales Scheme, an effective system for removing land that has been inaccurately mapped is going to be essential.

Overall, we question whether this Universal Action can be operational within Welsh Government's proposed timeframe for the scheme and, given the numbers of farmers it is expected to apply to is likely to be limited, this would sit more appropriately within the Optional Action Layer.

- **Scheme Rule: 10% Habitat**

Welsh Government proposes at least 10% of each farm should be actively managed as habitat<sup>9</sup>.

NFU Cymru notes that Welsh Government proposes that field scale habitats will be included alongside other habitat features such as ponds and scrapes, established broadleaf woodland and hedgerows that meet the definition of 'good condition'.

NFU Cymru is also clear that Welsh Government's proposed classification of habitats eligible for this scheme Rule is not comprehensive. It is also prejudicial for farmers in some areas of Wales where other features are likely to predominate. Welsh Government has provided no justification for the omission of a range of other habitats and features that have been included in previous agri-

<sup>9</sup> Habitat – the place where a plant or animal naturally or normally lives or grows

environment schemes. On this basis, in addition to the habitats proposed above, we believe there are clear benefits for a range of species to include the following additional habitat features:

- Riparian and water features such as streams, rivers, ditches and irrigation ponds.
- Other field boundary features such as earth banks and dry-stone walls.
- All tree features including coniferous forestry.
- Traditional farm buildings.
- Non-permanent features such as mixed cropping at a farm level – recognising the diversity of cropping and mixed farming is good for nature providing a range of habitat types.

Farms should be paid across each hectare of habitat they have / create and NFU Cymru welcomes the commitment from Welsh Government<sup>10</sup> that all broadleaf woodland in addition to the woody habitats, namely, traditional orchards, scrub, wood pasture and in-field trees will count towards both habitat and tree cover requirements.

We note that Welsh Government is proposing, where farmers have enough semi-natural habitats, subject to assessment, lesser quality habitats can be considered for tree planting, creating scrapes or restoration to higher quality habitats. What is not clear is if Welsh Government is prepared to change and relax the existing regulatory regime provided for through EIA to facilitate this.

NFU Cymru is concerned that Welsh Government proposes that only hedgerows that meet its definition of 'good condition' will be included in the 10% habitat calculation. Our specific comments relating to Welsh Government's hedgerow management are made later in this response, however, we strongly assert that all hedgerows should be included within any calculation of habitat extent.

- **Universal Action 7: Habitat Maintenance**

Welsh Government proposes that the habitats mapped will be classified as one of 11 proposed habitat categories, each with a management specification setting out the management outcomes, recommendations and restrictions. Our comments relating to Welsh Government's proposed mapping exercise are made later in this response.

We place on record our concerns that Welsh Government has only provided information on the management specification for 'Enclosed Semi-Natural Dry Grassland – Grazed Pasture' and not the full 11 habitat classifications. This has limited our ability to properly consult with our members, especially when Welsh Government has stated this is the final consultation on scheme design.

Whilst Welsh Government suggests it is adopting a more flexible approach to habitat management than existed previously, many farmers doubt this when the management specification for Enclosed Semi-Natural Dry Grassland suggests the opposite is the case. In reality, we identify that farmers will largely be in the hands of the RPW inspector on the day as to whether they receive a penalty or not. This is not an acceptable position for farmers to be put in.

Concerns have also been expressed that the prescriptive requirements of this Universal Action may interfere with pre-existing agreements, for example, with environmental charities, for the management of some farmland.

In respect of the management specification for 'Enclosed Semi-Natural Dry Grassland', NFU Cymru would express concern that, yet again, Welsh Government has resorted to prescriptive sward heights as a measurable outcome which farmers will be assessed against upon inspection. We are concerned that Welsh Government has taken no account of the fact that this habitat type may be

<sup>10</sup> E-mail communication

utilised as hay meadow with a crop taken in which case achievement of these sward heights between 15 May and 31 August will be unattainable.

Similarly, the requirement to remove livestock if conditions become too wet will be impossible where the farm supports a lot of this habitat type. How farmers are supposed to ensure that dead material does not cover 10% of the area overall when cutting or topping is limited to no more than 30% or rush or weed species is unclear. It is perverse to include the recommendation to graze natural grassland with cattle or horses when there is absolutely nothing in the entire SFS to support livestock grazing and wider Welsh Government policies such as those relating to bovine TB and NVZs have contributed to a decline in suckler cow numbers. The recommendation to apply lime to maintain a soil pH of between 5.5 and 6.5 on neutral grasslands is likely to be prohibitively expensive without grant support.

Analysis of the practical application of the management specification for this habitat type suggests similar detailed engagement with the farming sector is needed for all the other habitat types and we ask how Welsh Government proposes to facilitate this. How, for example, does Welsh Government propose that farmers manage dense bracken when use of the key tool in the box 'Asulox' has been prohibited, unfortunately Asulox has now been withdrawn altogether from the UK market.

Whilst the reference to potential derogations within the management specification is to be welcomed, it will provide cold comfort to farmers. In reality, the experience of farmers is that derogations are often too slow and extremely difficult to secure. Proposals provide very limited reassurance that farmers will be protected from penalties for issues relating to scheme delivery that are beyond their control.

In summary based on the example given on page 29 of the consultation document and given the wide range of factors, many of which will be completely outside the control of farming businesses e.g. weather, we do not see how any business would be able to sign an agreement confident in their ability to manage a habitat to the prescriptive nature provided in the consultation document.

- **Universal Action 8: Create temporary habitat on improved land**

Welsh Government proposes that where farmers do not meet the semi-natural habitat threshold, they will be required to create additional temporary habitat features with six options to choose from. The detailed requirements for one of these options, namely the establishment of mixed ley on improved land has been provided.

Again, Welsh Government's failure to provide this information across each of the proposed options has hindered proper consultation. It is simply impossible for farmers to judge whether the establishment of fallow crop margins, unfertilised, unsprayed and unharvested crop headlands and rough grass margins are feasible without the most basic information such as the width of the margin and the payment rate.

Members have highlighted to us that given the relatively small size of fields in Wales consideration needs to be given to the width of margins / headlands, otherwise many fields in Wales could easily become unviable for crop production.

Under this Universal Action, NFU Cymru would like to see a broader range of options available to suit all farming systems. In previous agri-environment schemes, unsprayed root crops followed by winter grazing; winter stubbles with limited winter grazing; and, undersown spring cereals were included as options.

Farmers have also queried when does a temporary habitat option become permanent and more guidance is needed to explain how the scheme which runs to the calendar year fits in with the cropping year on arable farms which starts in September.

In terms of payment, it's unclear how this Universal Action can be fairly rewarded and incentivised when creation of temporary habitats is likely to be costly, it is not clear whether farmers will be supported via the Growing for the Environment Scheme mechanism. Rates also need to be competitive to ensure a level playing field. In England, for example, we understand that the 'Establishment of Mixed Leys on Improved Land' currently provides a payment of £382 per hectare.

Welsh Government also needs a more comprehensive understanding of the cumulative impact of the Universal Action Layer of the scheme in terms of reduced agricultural area and the ability to meet its aspirations relating to increasing the area of horticulture cropping in Wales and protein cropping.

- **Universal Action 9: Designated Site Management Plans**

This Universal Action requires farmers with a designated site within their control to have a Management Plan in place with Natural Resources Wales (NRW) by 2029. There is a lack of clarity within the consultation whether this action applies solely to SSSIs or whether other site designations such as SACs will be included. We note Welsh Government suggests this applies to land which impacts on a river designated as a SSSI and also refers to buffers around designated sites, however, no information has been provided about what this means in practice. We are concerned this Universal Action could potentially affect significant numbers of farms.

We also question the feasibility of this proposal when NRW have confirmed to us that just 29.2% of the 1,084 SSSI have management agreements in place currently. Our understanding is that NRW has had to pause work in this area for the remainder of the financial year due to funding constraints. As a result, we are concerned that farmers with designated sites could be prevented from participating in the scheme or penalised at a later date for not having the required Management Plan in place due to factors completely outside their control.

Whilst describing such sites as the best examples of our natural environment and with a significant number of Wales' SSSI sites located on farmland reflecting positive management practices by farmers over generations, we are concerned and disappointed that Welsh Government suggests that, given the higher regulatory requirements underpinning SSSI sites, they will not be able to pay the associated habitat maintenance component of the Universal Baseline Payment on land within an SSSI.

NFU Cymru does not agree with Welsh Government's position which sends entirely the wrong message to farmers at a time when Welsh Government has increasing ambitions around targets for biodiversity<sup>11</sup>.

SSSI designations are made under the Wildlife and Countryside Act 1981. Section 28 provides powers for management schemes aimed at both conserving or restoring all or part of the site in accordance with guidance from Welsh Ministers. National Assembly for Wales Guidance (2001) states that agreements should not be used simply to prevent new operations that could destroy or damage SSSI features. They should contribute towards the positive management of SSSIs to sustain their special interest. The basis for calculating agreement payments must be based on income foregone, any additional costs resulting from the commitment and the need to provide an incentive to encourage positive management measures to be adopted. That Welsh Government seems to imply that favourable status can be achieved only through regulation is deeply concerning and misunderstands the legislation.

<sup>11</sup> [Environmental principles, governance and biodiversity targets: White Paper | GOV.WALES](#)



In this context, we are clear it is entirely possible to provide support via the Universal Action Layer of the scheme, in line with SLM objectives. Welsh Government's proposal not to pay the habitat maintenance element of the Universal Baseline Payment on these sites is perverse to us given the dominant narrative from Welsh Government in recent years has focussed on fair reward for the delivery of environmental goods.

Given the current limitations on NRW set out above and the lack of firm proposals for the Optional Action Layer of the scheme, farmers face the very real prospect of these sites providing no meaningful income stream to farm businesses, despite likely higher costs of management. Some farms have very large proportions of their farms under designation and are left financially exposed by this proposal. They are further disadvantaged that such designations are likely to place limitations on the delivery of other Universal Actions, for example, UA10.

Welsh Government's proposal that land within an SSSI is prioritised for inclusion within the scheme's Optional Action layer is wholly inadequate. By Welsh Government's admission the introduction of the Optional Action and Collaborative Action Layers will be subject to further development and budget availability.

In proposing that SSSIs are excluded from the habitat maintenance category of the Universal Baseline Payment, Welsh Government also incorrectly assumes that SSSIs are designated on the basis of the flora and fauna that the site supports when, in fact, SSSIs can also be designated in recognition of their geological or physiographical features.

We also highlight that the distribution and extent of designated sites may lead to the effects and impact of not supporting this land at the Universal Action Layer being felt more acutely in some regions and sectors such as Wales' SDA areas and coastal areas.

Overall, NFU Cymru is clear that Welsh Government's proposed approach to designated sites is without legal basis and places farmers with such sites in a disadvantaged position. They are effectively being penalised for areas they have been managing under strict conditions with NRW for many years. Given the importance of SSSI designations and the stated objectives of the Agriculture (Wales) Act 2023 we believe this position to be untenable.

- **Universal Action 10: Ponds and scrapes**

This Universal Action will require farmers to manage existing ponds and scrapes and create new scrapes in line with stated thresholds.

Given the objective of this Universal Action is to boost wildlife associated with water features on farm NFU Cymru is concerned at its narrow focus. There are a broad range of water habitats on Welsh farms ranging from rivers, streams, ditches, irrigation ponds and reservoirs and reedbeds – all of which are important for biodiversity. Given Welsh Government has placed significant emphasis on improving water quality in Wales, NFU Cymru believes all of these features should be recognised as habitat and included within the thresholds for this Universal Action. Welsh Government's proposal to exclude irrigation ponds and storage reservoirs is irrational given that these are important havens for wildlife and abstraction licences limit abstraction from these sites so that biodiversity is not impacted.

Welsh Government's proposed area thresholds have not been explained or justified, and they appear high across all farm sizes. An area of 1000m<sup>2</sup> on farms up to 80 hectares appears very significant and burdensome given that the minimum area to be eligible for the scheme is proposed to be 3 hectares and the average size of farm in Wales is 48 hectares. As a result we question whether these thresholds derive from Wales and work in a Welsh context.

The planning requirements associated with this Universal Action appear far from resolved. Ponds are likely to need either full planning or prior notification (minimum £1000 per feature). Most planning authorities are likely to require an ecological survey of the site (an additional £1000 per feature). Any body of water greater than 100m<sup>2</sup> will require a SuDS report (£2500 per report). If new ponds and scrapes remain accessible to livestock then some planning authorities are likely to insist upon a phosphates report (an additional £1000). The position with respect to scrapes is not clear, however, individual planning authorities / planning officers may decide that planning is required so the above costs will be applicable. Permission cannot be assumed recognising that it will be necessary to prove that the proposal is 'reasonably necessary for agriculture' which is a determinant factor in any application. Given that many farmers are likely to require multiple new features then it is possible to envisage that this Universal Action is going to have upfront costs of thousands of pounds in fees alone and it is far from clear that these costs are going to be covered in the Universal Baseline Payment.

In addition, members who have discussed with their contractors the costs associated with constructing ponds and scrapes to the required standard have been quoted figures that run into thousands of pounds.

In this context, NFU Cymru believes it is completely unrealistic to expect farmers to achieve this Universal Action, never mind, achieving it within the first year of joining the scheme.

Farmers highlighted that this Universal Action is also highly contradictory with a number of other proposed actions including UA4 which requires farmers to keep soils covered to protect soils from erosion and UA15 given the increased liver fluke and broader disease burden that is likely to arise e.g. Schmollenberg.

The level of concern is such that a team of scientists and vets from the Department of Life Sciences, Aberystwyth University, recently published an open letter in the Vet Record raising their concerns about this Universal Action and the liver fluke risk. Despite improved understanding and the availability of treatments, liver fluke still costs UK agriculture around £110 million annually. The letter identifies that climate change and drug resistance is causing further issues and the proposals will jeopardise the fluke free status on the 20% of Welsh farms that are estimated to be fluke free currently. NFU Cymru also wish to point out that there is no licenced product available to address liver fluke in dairy cows currently.

It is also important to recognise the Universal Action stands in the way of Welsh Government guidance to poultry keepers to maximise the distance between poultry units and places where wild birds congregate on ponds etc to reduce the risk of infected wild birds spreading notifiable diseases such as highly pathogenic avian influenza.

- **Universal Action 11: Hedgerow management**

Welsh Government proposes that hedgerows that are regularly shaped by trimming or cutting will need to meet the Welsh Government definition of 'good condition' by the end of the fifth year in the scheme.

Firstly, it is presumed that Welsh Government proposes this Universal Action should apply only to hedgerows under the farmers management control.

There was unanimous agreement that all hedges, irrespective of condition, should count towards as habitat and tree cover. Given that hedges are clearly a collection of trees which sequester carbon, their omission from the tree cover calculation is perverse. Their role in sequestration is increasingly recognised with, for example, a hedgerow carbon code being developed.

It is also important to recognise that hedgerows range from newly planted, recently laid or coppiced, through to dense established hedgerows through to tall and overgrown hedgerows. There is also significant regional variation. They are dynamic systems and, in our view, aiming to maintain them in one fixed state as per Welsh Government proposed definition of 'good' is neither possible nor desirable given the variation that exists currently.

Through adopting a fixed stance of what constitutes a hedgerow in 'good condition', we believe this Universal Action has the potential work against the SLM objective of conserving and enhancing the landscape by discouraging hedge laying – a practice that has taken place in Wales since the sixteenth century with each locality having its own particular style passed down through the generations. Hedging is a traditional country skill, central to Welsh culture and inherent to the Welsh landscape we see today, also providing valuable employment in our rural communities.

We also ask what analysis Welsh Government has undertaken to assess the condition of hedgerows currently against this benchmark. The consequences for farmers for not meeting the conditions of this requirement by the end of the fifth year are not clear but we are concerned that farmers who enter the Sustainable Farming Scheme are exposing themselves to significant liability with this Universal Action.

Farmers highlighted that achieving the proposed dimensions is likely to prove impossible in all parts of Wales for a variety of reasons e.g. wind, salt, depth of soil cover. Welsh Government is proposing these measurements from the top of the bank makes the requirement even more challenging and is baffling given that these are important habitat features in their own right. The requirements are also highly contradictory. It is not clear how trees can be established in hedgerows where the hedgerow already exists and it was also highlighted that trees kill a hedge and inhibit its ability to be stockproof.

The option on arable land, where the normal agricultural practice requires that a winter arable crop is planted before 31 August, farmers should continue to be able to cut back the relevant hedges or trees from 1 August, in line with the current GAEC derogation.

Overall, many farmers across Wales expressed the view that Welsh Government's definition of 'good condition' is too prescriptive and will be impossible to achieve.

- **Scheme rule: 10% tree cover**

The NFU Cymru policy position with respect to tree cover is set out in our [Growing Together](#) strategy. We are supportive of measures that facilitate and reward farmers for additional woodland planting in line with the 'right tree, right place' principle achieved through integrating trees into farming systems rather than replacing them. NFU Cymru, however, rejects in the strongest terms Welsh Government's proposals to mandate 10% tree cover as a requirement of the Universal Action Layer of the scheme.

Welsh Government suggests that the 10% tree cover requirement is routed from the UK Climate Change Committee (CCC) Balanced Pathway which recommends planting a cumulative 43,000 hectares of mixed woodland in Wales by 2030<sup>12</sup>. However, there is ambiguity in how these figures have been derived and it needs to be more clearly explained.

At NFU Cymru's Annual Conference in November 2023 the Head of Land, Agriculture and Nature at the CCC stressed that the race to achieve net zero cannot be achieved by '*throwing farmers under the bus*'. Achieving net zero cannot be at the expense of rural communities and they do not want to see a repeat of what happened to the mining industry in the 1980s.<sup>13</sup> Welsh Government's second Carbon Budget<sup>14</sup> (2021-2025) states that whilst they '*have accepted the recommendations from the*

<sup>12</sup> [Advice-Report-The-path-to-a-Net-Zero-Wales \(1\).pdf](#)

<sup>13</sup> [Adviser marks down government for climate policies | Wales Farmer](#)

<sup>14</sup> [42949 Second All Wales Low Carbon Delivery Plan \(2021-2025\) \(gov.wales\)](#)

*CCC about what the decarbonisation targets should be, they are setting out their own path about how to get there.....reflecting the geography, culture and economy of Wales'.*

NFU Cymru has long been clear that Welsh Government's climate policies must ensure that the burden of decarbonisation does not fall unequally on farming and our rural communities. Given the role of farming in meeting Welsh Government's climate objectives across agriculture, land use, land use change and forestry and heat and power, farmers are set to be one of the sectors most affected and policies are needed that progress Wales' ambitious targets in ways that are sustainable and fair safeguarding the multiple economic, environmental, social and cultural benefits that Welsh farming provides.

Welsh Government's second Carbon Budget is clear it is committed to a land sharing approach, however, the thresholds established within the Universal Action Layer suggests a land sparing approach with impacts for food production and the broader sustainability of rural areas.

Requirements for 10% tree cover, do not represent a just transition for family farms, particularly those businesses that fall way short of this target currently. Welsh Government's intransigence in continuing to mandate this is baffling and has been a source of significant frustration and anxiety within the industry, particularly, when the track record of restocking on Welsh Government's own Woodland Estate (WGWE) consistently fails to meet target, currently representing over 5% of the productive area or in excess of 5,300 hectares (or over 110 averaged sized farms).

There is widespread agreement that if the purpose of increasing tree cover is supporting Welsh Government's net zero goals, then surely the focus should be on carbon, as opposed to the numbers of trees planted, which would facilitate the consideration of a broader collection of actions. There are a range of options that could be more efficient in delivering decarbonisation and there is a need to enable, through policy, a more dynamic and varied approach.

In our response to Welsh Government's Outline Proposals for the Sustainable Farming Scheme, NFU Cymru set out the barriers that exist to securing 10% tree cover on all farms. These are widespread, as evidenced by Welsh Government's Co-design 2 process which found that 43% of respondents were unwilling to undertake this Universal Action – over two thirds of which said it was not feasible for their farm type or system.

NFU Cymru notes that Welsh Government has sought to address issues for the tenanted sector (covered later in this response). The area of permanent features such as roads, yards, hard standings, ponds are to be excluded from the 'plantable' area. Welsh Government also now recognises that it is not appropriate to plant trees on habitat land, though whether this extends to organo-mineral soils, BMV land and designated landscapes is unclear and, again, clarity is needed.

However, many other issues that NFU Cymru has highlighted are to be considered on a case-by-case basis adding to the already considerable administrative burden and levels of uncertainty for individual farmers. Natural constraints such as high altitude or coastal locations, Welsh Government suggests, can be addressed through careful selection of hardy species or planting on more sheltered plots – exemplifying Welsh Government's total lack of focus on the need for successful outcomes. Why any farmer in such a predicament would wish to pursue tree planting on their more sheltered plots when these are likely to be invaluable for livestock or crop production is also beyond comprehension and shows a complete lack of understanding of farming in Wales.

Other fundamental issues highlighted previously by NFU Cymru remain unaddressed and are repeated here:

- Farmers impacted by regulation and seeking to achieve compliance with the N limits from organic manures established in the Control of Agricultural Pollution Regulations (2021) (NVZ)



will be looking to maintain and expand their spreadable area and will not have the land to spare for trees.

- The current regulatory framework means that trees planted on agricultural land represents a permanent and irreversible change in land use.
- In many instances tree planting is likely to result in a reduction in the value of the land and no business can afford to reduce the value of the capital asset. Where that farm business has associated borrowings, then there are likely to be impacts for the loan to capital ratios. Banks are likely to prevent farmers from taking forward actions that lead to devaluation where they are lending money against the value of this land.
- The position in relation to licenses on land that prevents activities such as tree planting without prior agreement of the licensor e.g. on land adjacent to a wind farm.

It is disappointing that through latest proposals, Welsh Government further undermines the confidence of farmers in this requirement. We note, for example, at Universal Action 13, Welsh Government implies that capital funding for **all** tree planting options cannot be guaranteed. Similarly, Welsh Government suggests that maintenance and income foregone payments on newly created woodland **may be** for up to 12 years. This does not even match the current commitment made in the Woodland Creation Scheme and it has not escaped the notice of farmers that Welsh Government can guarantee payments of 12 years to drive the profits of external investors who have no interest in Wales or the rural communities affected but can make no similar assurances to family farms who are being mandated to deliver tree planting as part of a scheme.

We highlight again, that few farmers can afford to wait for a crop of timber to mature for their income; nor can the many local businesses dependent on farming for their livelihoods. As a result, farmers are unlikely to be able to afford to plant trees at scale without appropriate mechanisms to ensure planting and ongoing management costs are met and long-term financial support is provided to enable income to be derived on a regular basis as the trees grow. The economic rationale for tree planting is further undermined where the objective of planting is not commercial conifers and there is no crop to harvest at a future date.

Current proposals assume 100% tree survival passing all the risk and liability to farmers, when the on-the-ground experience is that tree establishment is unreliable, particularly in a changing climate and it is a case of not if but when the next tree disease emerges. There are also risks of failure due to pests, increasing risk of wildfire etc. There is also no reference of the need for home-grown saplings which will play a crucial role in preventing the importation of devastating pests and diseases and that are suited to local conditions.

We also identify that Welsh Government's current proposal not to pay farmers to meet legal obligations on SSSI land have also severely impacted on farmer confidence. Once established, trees are also protected by regulation and there is now a complete lack of trust and confidence in Welsh Government that this permanent change of land use will be supported after 2030 if similar principles are applied.

This is completely unacceptable. NFU Cymru is clear that what farming needs is long-term 'cast iron' guarantees that tree cover established through the scheme for the delivery of Welsh Government's climate change objectives will be properly rewarded. These assurances have not been forthcoming, and in the face of reduced agricultural productivity, reduced land values and the lack of guaranteed support beyond 2029 together with the risks and liabilities of delivering 100% success over this time period endeavouring to deliver 10% tree cover would be simply illogical on the vast majority of farms where this threshold is out of reach currently.

It is important to highlight that any devaluation in land as a result of tree planting has the potential to impact on the loan to value ratio requirements set by agricultural lenders with consequential impacts for farm business resilience.

On this basis, NFU Cymru remains clear that farmers cannot be mandated to plant 10% tree cover at the Universal Action Layer of the scheme. We advise Welsh Government that pursuit of such a proposal will never be accepted by the majority of Welsh farmers who fall below the 10% threshold currently and run counter to the delivery of Welsh Government's overall objectives. Instead, Welsh Government needs to focus its efforts on properly supporting farmers to deliver its net zero ambition in a partnership approach. We recognise that tree planting will form part of the solution but urge Welsh Government to consider and enable the delivery of the full range of alternatives to deliver net zero goals.

NFU Cymru would highlight that in advancing the 10% tree cover target, Welsh Government is overlooking and potentially impacting on the very substantial carbon stocks held in soils and grasslands. The ARCZero project in Northern Ireland, for example, assessed above ground and below ground Carbon on seven farms using aerial LiDAR and soil organic matter sampling to 1 metre depth and found that 97% of CO<sub>2</sub>e was in the soil. Research undertaken by Welsh Government's Soils Evidence Programme determined that activities associated with afforestation such as planting, management and harvesting, disturb soil and may cause soil carbon loss during first rotation forestry, clearly undermining decarbonisation efforts.

Without prejudice to the above, in September 2023, NFU Cymru described a range of alternatives to the arbitrary tree cover requirement. Alongside improving production efficiencies, this included:

- The inclusion of hedges within the 10%
- The inclusion of other woody features on farm such as scrub / gorse
- The inclusion of parklands on a whole parcel basis
- Tree planting density – planting more trees in a smaller space
- The inclusion of biomass crops such as Miscanthus, Willow and other short rotation coppice
- The role of biochar and other innovations such as enhanced rock weathering, methane inhibitors in the diet.

Despite Welsh Government references to renewable energy and energy efficiency as a SLM outcome, there is nothing on renewables within the scheme at all. This is a significant omission if a key objective is to support farming's journey to net zero. We again refer Welsh Government to NFU Cymru's Net Zero vision.

Given the strong resistance to Welsh Government's current proposals, NFU Cymru is calling for Welsh Government to undertake a review of the 10% tree cover scheme requirements, that considers the mandatory element of the requirement and the opportunity to consider alternatives that deliver the same outcome but using a range of approaches summarised above. Given the highly contentious nature of proposals and the apparent gulf that exists between farmers and government, NFU Cymru strongly recommends the formation of a science panel to look at and evaluate alternatives to tree planting. The tree planting requirement must be put on hold until the science panel has undertaken its evaluation.

Finally, NFU Cymru would reiterate our profound concerns, in the context of the challenges to global food production, about the impact this and the 10% habitat proposal will have on Wales' agricultural capacity, the viability of Welsh farms and levels of employment on farm and across the supply chain. We are clear that these Actions may see farms having to reduce production to a level that will result in their core business being unviable, whilst also undermining the 'critical mass' of Wales' key production sectors.

We have previously requested that Welsh Government undertake an assessment of the cumulative impact of the proposed tree cover and semi-natural habitat targets on Wales' agricultural productive capacity, food production and supply chain. It is disappointing that, at this advanced stage, this vital

analysis has not been undertaken and Welsh Government is pushing ahead from an unevidenced position.

- **Universal Action 12: Woodland maintenance**

NFU Cymru notes this Universal Action requires farmers to maintain existing woodland.

NFU Cymru continues to be concerned at Welsh Government's continued reference to the UK Forestry Standard (UKFS) within proposals which is the standard for commercial timber cropping and not farm woodlands.

Whilst Welsh Government proposes that this Universal Action will not require blanket stock exclusion, except where this is needed to meet the requirements of existing management plans or funding arrangements, in reality, delivery of the outcomes specified are likely to necessitate stock management and we are concerned that farmers are not going to be properly compensated for this or supported with the fencing and ongoing maintenance and management costs to allow this to happen. This represents another example whether the costs and liabilities are being passed on to the farmer for scant reward.

- **Universal Action 13: Create new woodland and agro-forestry**

This Universal Action requires farmers to integrate additional trees and woodland to meet the 10% tree cover scheme requirement. NFU Cymru's opposition to the 10% rule is set out earlier in this response.

Firstly, NFU Cymru is clear that all options to increase tree cover must be covered by capital funding.

We also highlight that the current disparity in fencing rates that exists between schemes that support tree planting are untenable and open to challenge. Welsh Government has uplifted payment rates to pay 100% of 2023's actual costs of woodland creation through both the Small Grants – Woodland Creation Scheme for agriculturally improved areas of less than 2 hectares and the Woodland Creation Scheme for establishing larger areas of woodland over 2 hectares. The revised payment rate for fencing under these schemes is now set at £8.32 per metre. In addition to payment for planting there are maintenance payments and an annual premium payment to compensate for the loss of agricultural income of £350 per hectare annually for 12 years. Payments under the Basic Payment Scheme (BPS) are approximately £123 per hectare with £112 paid on the first 54 hectares.

It has not escaped our notice that Welsh Government has opted not to provide a similar uplift to cover actual costs for the Small Grants – Environment Scheme with fencing, for example, remaining at £5.56 per metre. This scheme does not attract any annual premium or maintenance area-based payments.

NFU Cymru welcomes the reference to natural regeneration which could avoid some of the issues related to new planting such as sourcing of saplings and labour, rates of success, logistical issues such as steep, inaccessible slopes. The scheme would need to recognise that this is not cost neutral and there would be capital costs and income foregone costs associated with this option. NFU Cymru is also clear that regeneration is a long-term approach beyond the five years of the scheme and the entire parcel area should count towards the 10% without risk of penalty.

In addition to the examples of agroforestry put forward in the consultation, NFU Cymru would support hedgerow establishment which should also count in any tree cover assessment. Hedgerows are widely acknowledged as a form of agroforestry as are streamside (and other riparian) corridors which should also be included.

NFU Cymru notes proposals that farmers will be supported to plant trees with knowledge transfer and advisory activities. Our comments relating to advice and guidance provision are made later in this response, however, we are clear that this provision is going to be insufficient to unlock the resistance to tree planting described above. We are also concerned at the continuing reference to UKFS and the use of woodland planners is likely to result in a 'consultants charter' which adds cost and delivers funding to everybody except the farmer.

In terms of the measurable outcomes described, the labour requirements associated with vegetation control are likely to be significant and labour cannot be assumed to be available. This highlights the very real issues associated with mandating 10% tree cover and why advisors, in the main, recommend farmers start with relatively small areas that are manageable.

The requirement to ensure 100% tree survival is also likely to place an unrealistic cost and burden on farmers when the 10% requirement is likely to mean some very extensive areas of new planting on some farms. Farmers were extremely concerned that this could lead to significant penalties. Tree planting is not straightforward – successful establishment cannot be assumed. There are a range of issues that can affect newly planted and growing trees not least damage by pests and extremes in weather conditions such as prolonged dry periods – expected more frequently in a changing climate. This exposes farmers to costly risks and liabilities. Risks need to be fairly shared in future mechanisms for woodland creation. We are clear that current proposals do not facilitate this.

The extent to which carbon credits generated from new planting under Universal Action 13 could be eligible for trading in carbon markets remains unclear. The potential of this action, as well as the existing woodland creation schemes, to be accessible to those who are not actively farming leading to widespread land use change is also a major concern with the potential of tenanted farms being taken back in hand and farms not being made available for letting - reducing opportunities for young farmers and new entrants.

- **Universal Action 14: Historic environment – maintenance and enhancement**

NFU Cymru continues to be concerned that no accurate definitive map of historic environment features exists upon which to base this Universal Action, past experience has shown that many features have been identified erroneously.

Welsh Government's proposal to include traditional farm buildings into this Universal Action is highly concerning.

The maintenance of historic buildings has significant cost implications, particularly if the building is listed. Buildings requiring listed building consent are likely to face professional fees for ecology, structural survey and architects on top of the building costs. Even unlisted traditional buildings will require specialist input for maintenance and costs of £5,000 are likely for relatively modest repairs.

For such farms the costs and liabilities are such that they will be unable to participate in the scheme as it will end up costing them money. Comprehensive grant support will, therefore, be necessary.

Concerns about health and safety were also raised.

There are also specific issues for tenant farmers where traditional farm buildings are included within the tenancy. Where the repair liability falls to the landlord, the requirements of this Universal Action may not be met. The landlord may also use this as an excuse to take the traditional buildings out of the tenancy for other development purposes which depending on their location would be highly problematic for the tenant.



Proposals also include reference to historic boundary features which may include dry stone walls and traditional slate fencing. The cost of maintaining such features will be high and burdensome on some Welsh farms and so, again, need to be supported via capital grants.

Overall, the ambition of Universal Action 14 with the emphasis on both maintenance and enhancement is likely to place an excessive burden on farms with such features.

- **Universal Action 15: The Animal Health Improvement Cycle (AHIC)**

NFU Cymru supports the principle of continuous improvement of animal health and welfare on farm and believes it is a sensible use of public money. Healthy animals are productive animals which means they are more efficient and will have a lower carbon footprint. We also welcome the recognition by Welsh Government that a highly prescriptive approach would not work in this area as the health status and necessary actions will differ from farm to farm. It is therefore positive that as part of UA15 farmers and vets, working together, are able to analyse and identify areas of focus relevant to the individual farming enterprise.

Welsh Government currently has a [pilot project](#) underway to trial and test many of the elements of the AHIC. Alongside the practical elements of health planning, we hope that this project will also be collecting data about the cost incurred both in farmer / vet time to complete the plan but also about the interventions that are advised. We urge Welsh Government to share the findings of this trial with industry on an iterative basis and to work with farming stakeholders, such as NFU Cymru, to learn any necessary lessons.

We note that only the cost of farmer time (for meeting and reporting) and the cost of the vet visit are considered as cost incurred / income foregone for the payment. However, interventions to improve health and welfare may require capital investment in new or improved infrastructure and technology on farm. For example, improving ventilation in sheds / housing systems to reduce the risk of respiratory infections or installing / improving cow tracks to tackle lameness. However, on farm cash flow may limit a farmer's ability to invest in these areas, not least because many of them will require significant sums of money. If the payment rate for UA15 only covers the cost of farmer and vet time, we are concerned that there will not be the money available within the business to carry out the identified interventions. In this context we are concerned that the consultation is silent on the subject of capital grants as these would be a crucial tool for enabling farmers to make the on farm investments identified as part of the AHIC process.

Our members raised concerns about the consequences of not fully achieving the actions identified as part of this process as progress is often influenced by factors outside of the farmers direct control, for example climatic conditions. Disease eradication usually requires a long-term approach and any actions identified as part of the AHIC cycle must be proportionate and reasonably achievable within the defined timescale. In this context, we must also mention bovine TB as it must be recognised that a bTB outbreak on farm has the potential to severely limit or even reverse progress in other areas of animal health and welfare. We would not want to see farmers penalised for not completing actions set out in the AHIC, when they are limited by the bTB status of their farm.

Delivery of this Universal Action places most of the ownership onto private vets and farmers. Whilst we agree that these are the two groups arguably best placed to deliver improvements in health and welfare, there is a need to ensure consistency across Welsh farms and veterinary practises. Welsh Government must ensure sufficient and clear guidance is available to ensure this Universal Action is interpreted, implemented and monitored in a consistent way across Wales.

We are also concerned about how UA15 will be inspected. We note that the AHIC template itself will not need to be submitted but presumably, it must be made available during an inspection. Given the

inspector is unlikely to be veterinary trained, how will compliance with the AHIC be inspected and how will progress against the actions identified be established or measured.

We must also recognise that the farm animal veterinary resource in Wales is already stretched, we are concerned about the capacity of the veterinary sector to undertake this work across Wales. Welsh Government must ensure that the AHIC process and information collected / required is realistic and fits around the existing farming calendar so as not to unduly create additional burden for both farmers and vets.

The requirement to monitor, calculate and report antibiotic use on farm is already happening on many farms across Wales and is a key requirement within farm assurance. Welsh Government should explore with industry where best practise can be adopted from the already successful voluntary approaches. Welsh farmers are extremely concerned about sharing this data with Welsh Government particularly given how this data may be used / interpreted by aggressive anti farming groups with a single agenda. This aggregated data is potentially extremely valuable to Welsh Government and if provided then must be recognised in the applicable payment rates.

NFU Cymru members also wish to highlight that antibiotic use can be influenced by factors outside of a farmers control, for example, an abortion storm during lambing. Therefore, we would not want to see Welsh Government penalising farmers if the average antibiotic use they reported increased. We accept that if use dramatically increased there may be a need for further investigation, but Welsh Government must recognise that it is normal for averages to fluctuate.

This Universal Action also has a lot of overlap with the requirements of farm assurance, for example Red Tractor or FAWL schemes. NFU Cymru would advocate that given the level of overlap between Farm Assurance and the proposed AHIC that proof of active membership of Farm Assurance would mean that the farm is compliant with this Universal Action, we do not wish to see duplication of activity which is time consuming and costly for the farmer. This would be a positive example of the principle of earned recognition to demonstrate compliance with a government scheme requirement. Equally we recognise that a proportion of farmers in Wales will not be a member of a farm assurance scheme. Ultimately membership of a private assurance scheme is a decision of the farming business based on the value of assurance to the business and businesses that are not in farm assurance should not be discriminated against or penalised in the context of SFS.

- **Universal Action 16: Good animal welfare**

Animal welfare is a highly subjective area and Welsh farmers are proud to produce to some of the highest standards of animal welfare in the world. Whilst we agree there should always be an ambition to strive for improvement, policies in this area must be based on science and evidence.

It should be noted that farmers across Wales will already be undertaking – or employing a consultant to undertake on their behalf – regular body condition and mobility scoring. As part of day-to-day animal husbandry, any animals which are lacking condition or exhibit lameness on the farm will be treated or dealt with as appropriate on a case-by-case basis.

Whilst we accept that lameness and body condition are important indicators and there is always room for improvement, our members were concerned at the implication by Welsh Government in the wording of this Universal Action that the animal welfare on Welsh farms was compromised.

NFU Cymru members questioned how Welsh Government will ensure the online training in these areas is pitched at the right level. Many farmers will already be very capable and qualified in these areas, they may well be trained, qualified and experienced to levels above those that will be employed to provide the online training. Many farmers reported to us that they felt it was patronising

of Welsh Government to mandate training to individuals already qualified and experienced in this area.

Our members have also asked if contractors are able to undertake the training and if they can count as the trained individual that is required by UA16. This is not because farmers want to avoid the training but because some farm businesses may be using a contract shepherd or stockperson and so, they may be the correct person to undertake this activity, but they may not be directly employed (i.e. on the payroll) of the farm business as many people who offer this service are self-employed.

NFU Cymru has multiple concerns about the requirement to record the lame number of animals in the herd or flock each year. We are unclear if there is a requirement for this information (i.e. a number) to be submitted to Welsh Government or if the required self-declaration merely needs to confirm that the activity took place.

We would like to understand the purpose for which Welsh Government need the data and what they plan on using the data for. As discussed elsewhere in this response we have serious concerns about data ownership and protection which are very relevant in this context. We are especially concerned that any data submitted in this area could be obtained by organisations or individuals through a Freedom of Information request and subsequently, data which was submitted in good faith by farmers to Welsh Government could be used against them.

We understand from Welsh Government officials that at this stage, there are no plans to link performance (e.g. number of lame animals) to payment rates. NFU Cymru members would like to state on record that they would be very concerned if this intention was to ever change. There are multiple reasons for lameness or poor body condition, some of which are outside of a farmers control e.g. extreme weather conditions. In cases where there are clear and unequivocal animal welfare breaches there are existing mechanisms to address this.

As with the other Universal Actions related to animal health and welfare there is cross over with farm assurance schemes. Consideration should be given for where earned recognition can be found and how data collected or recorded as part of farm assurance can be utilised. For example, the Red Tractor Dairy Standards contain requirements around health planning and recording which include the use of mobility scoring and body condition scoring.

- **Universal Action 17: Good Farm Biosecurity**

NFU Cymru supports Welsh Government's ambition to take a proactive approach to disease control and prevention, based on the principle that "prevention is better than cure". In this respect, we believe that supporting farmers to have good biosecurity has merit provided it is practical and achievable across the range of farm types operating in Wales.

Our members have raised multiple questions about the requirement to have wash stations with disinfectant available on the entry and exit to the farm. We understand from Welsh Government officials that a bucket / brush would not meet this requirement and to be compliant, farmers would be expected to have a more formal structure or piece of equipment in place. Given the use of a bucket and brush with approved disinfectant is standard practise for visitors on many farms, including private and APHA vets, we would like to understand more from Welsh Government about what the additional risk they perceive is which necessitates investment in a more substantial wash station.

Our members have also questioned the positioning of the wash station, many farms have public rights of way (PROW) over their land or in some cases, through their farmyard. Many farms also operate across multiple sites. Farmers would therefore like to understand more about where the required wash stations should be positioned and how Welsh Government will inspect their use, for example it would not be feasible to expect a farmer to ensure every footpath walker, postman, milk

tanker, feed lorry, cleanse and disinfect their footwear and vehicles every time they enter or cross the farm.

Our members also raised questions about what constitutes a “livestock secure farm boundary”. For example, would electric fencing be sufficient or would Welsh Government expect a more permanent fence / hedge / stone wall. In this context, our members would like more information about how this requirement will be applied in situations where farms include unenclosed hill land (not common land) that, in many instances, is unfenced. In these systems, it would not be possible for an individual farmer to secure all their boundaries given the intrinsic nature of these landscapes. There are a significant number of boundary disputes or disagreements over farmland, Welsh Government must also recognise that it may not be within the gift of a farmer to secure the farm boundary if it does not belong to them. We would also highlight that this requirement may unfairly disadvantage tenant farmers where the boundaries of the land they rent may not be in good repair and the cost of installing / upgrading new fencing may be prohibitive, especially if on short term tenancies where there is less security of tenure. Many farms also have extensive boundaries with the Welsh Government Woodland Estate and there can be no assumption that NRW will maintain their boundaries to the standard required.

Welsh Government must also recognise that securing a farm boundary and installing new fences can be a significant investment for a business. It is not clear if the cost of installing or upgrading and maintaining boundaries is included in the cost incurred / income forgone calculations, we believe it should be.

There is a need to recognise that biosecurity can be compromised through public access e.g. gates left open.

Good farm biosecurity is an important part of disease prevention and control, so it is sensible for farmers to discuss their various protocols with their own private vet. The biosecurity assessment required evidence related to the disease status of incoming animals. We would highlight that whilst often herd health status will be declared at the point of sale, whether that sale be private or via an auction mart, it is not mandatory for this information to be displayed or made available for all diseases. A farmer therefore should not be penalised for not recording something they may not know.

It is important to highlight the frustration that farmers have with government in relation to biosecurity and bovine TB. Welsh Government is prepared to leave an extremely important vector in disease spread i.e. Infected wildlife, run rampant in parts of Wales, whilst mandating farmers to operate to strict biosecurity, movement and testing controls. This issue makes conversations between government and industry on wider biosecurity protocols challenging at best.

We would also like to understand what evidence Welsh Government will require that the biosecurity actions have been completed, for example it talks about quarantine, will farmers be required to photograph the animal in quarantine or will having facilities to allow this to happen be sufficient. In this context, it must also be noted that many farms may not have dedicated quarantine facilities and as such, may use for example a section of an existing livestock building gated off or even a field, that may vary depending on the nature and number of livestock or time of year e.g. harvest time or at certain times of year areas of the farm with quantities of acorns are not suitable for livestock grazing.

When considering the cost incurred / income foregone for this Universal Action, Welsh Government state payment will reflect farmer time, the cost of the vet visit and adherence to the biosecurity plan. We would like to understand more about what is meant by adherence to the biosecurity plan and what costs or income foregone Welsh Government plan to include. For example, will this include the up front cost of purchasing a wash station, if this is what Welsh Government require and stock proof double fencing.



We would also like to highlight that having a farm biosecurity policy is a key requirement of farm assurance. For example, 98% of the dairy industry is covered by Red Tractor Assurance, as part of this scheme members are required to have in place a documented biosecurity policy which must be updated with any changes in practice in relation to the farm health and performance reviews. The policy must consider the risks from incoming stock (bought-in and returning livestock), equipment, vehicles, farm visitors that have access to livestock, working dogs and domestic pets on the farm have a worming routine. There are also requirements to consider the access that grazing livestock have to muck heaps and land spread with slurry or manures. Similar requirements exist within the FAWL scheme for livestock. With this in mind, we believe that there should be a role for earned recognition in demonstrating compliance with the Universal Action (i.e. farmers compliant with Farm Assurance should automatically be deemed compliant with this Universal Action and not be expected to duplicate this activity for the SFS). In this context, the farmer is already required to keep records to demonstrate compliance with farm assurance, Welsh Government should seek to minimise duplication and should not require records in a different format or on a different pro-forma. We should note that not all farmers are members of farm assurance schemes and any farmer not in farm assurance should not be precluded from meeting this Universal Action.

Finally, we identify that clarification is needed on the requirements of this Universal Action on holdings that do not keep livestock.

- **Universal Code for Habitats**

Welsh Government proposes a Universal Code for Habitats which builds on the Whole Farm Code approach of previous agri-environment schemes, however, we note that Welsh Government appears to propose no payment for adhering with the Code which is at odds with previous approaches. This does not align with NFU Cymru's key principle that farmers should be fairly rewarded for the environmental outcomes they already deliver and will continue to deliver.

We seek clarification from Welsh Government that this Code will apply only to those habitats mapped in the Habitat Baseline Review. We also express concern that the Code has the potential to add to the complexity of the scheme, bearing in mind that participating farmers, it is proposed, will have to be compliant with a set of rules, all the requirements of the Universal Actions, including detailed specifications for each existing habitat type. We are concerned that the cumulative effect of all these requirements places a high burden on farmers to cross check what they can or can't do in multiple places; it will add complexity and increase the risk of breach at inspection; also contributing to high levels of stress and anxiety.

We note the Code will require farmers not to use supplementary feed on habitat land, except for the provision of licks or blocks to enable coarse forage to be utilised, or where required specifically for the welfare of livestock. We do not support this requirement and believe this to be overly restrictive, particularly on those farms that have a large extent of habitat land as is the requirement not to apply organic and inorganic manures.

Welsh Government itself recognises that many semi-natural habitats are dependent on livestock grazing to secure their long-term future and we believe that this requirement stands directly in the way. More emphasis is needed, in scheme design, to pro-actively support livestock grazing and we ask Welsh Government to consider what the impact of a reduction of 122,000 LSUs will be.

## Specific Considerations

Turning to the specific considerations set out by Welsh Government within the consultation. Firstly, NFU Cymru would place on record our disappointment, that despite the commitment from Welsh Government in its response to co-design<sup>15</sup> to continue to work with the specialist Working Groups to support the continued evolution of proposals, this has not happened. We identify a key opportunity to shape the latest iteration of SFS proposals so that they work for all farms has been missed.

- **Tenant Farmers**

NFU Cymru is pleased that Welsh Government continues to recognise that if the Sustainable Farming Scheme does not work for tenant farmers, it does not work at all.

With around 30% of land in Wales under some form of tenancy or let, is it vital that Welsh Government recognises that equal access to the Sustainable Farming Scheme is essential for tenant farmers for their continued farm business viability, together with the achievement of Welsh Government's own objectives for the scheme. NFU Cymru has long highlighted that a vibrant, thriving tenanted sector is also vital for Welsh farming as a whole providing opportunities for new entrants and young farmers.

NFU Cymru has welcomed the opportunity to participate in Welsh Government's Working Group on this issue to set out the specific challenges faced by the sector in the development of the Sustainable Farming Scheme and we are pleased that Welsh Government has made efforts to modify the scheme to address some of the concerns relating to accessibility that have been raised.

This includes amending the contract duration to annualised agreements and introducing a scheme rule so land can be removed, without financial penalty mid-way through the scheme year. Welsh Government also proposes that, where woodland and trees have been retained by the landowner or additional planting is precluded by the terms of the tenancy agreement, this land area will not be included in the 10% tree cover calculation.

Whilst Welsh Government proposals go some way to enabling tenant farmers to access the scheme, NFU Cymru is clear that within the latest proposals, a number of further fundamental issues for tenants arise with the result that current proposals do not facilitate equal access to the scheme and tenant farmers remain disadvantaged.

Specifically, tenant farmers may not have to meet the 10% tree cover requirement but nor will they be able to access the associated component of the Universal Baseline Payment. In trying to address one issue, the inability of many tenant farmers to meet the 10% requirement due to the nature of their tenancy agreement, Welsh Government have now created another issue in that the Universal Baseline Payment that tenants receive will be lower than would be the case if they owned a similar hectare of land, exemplifying yet again that the Universal Action Layer is not Universal. The proposals for tenant farmers are discriminatory and NFU Cymru is clear that it is unacceptable to disadvantage the tenanted sector in this way.

There are also concerns about the ability of tenant farmers to deliver a number of the other Universal Actions, for example, the creation of new features under, for example, Universal Action 8: Creation of temporary habitat on improved land and Universal Action 10: Ponds and Scrapes, and the extent to which these activities may be restricted by the terms of the tenancy. It is important to recognise that many tenancy agreements prohibit non-agricultural activity as defined in the Agriculture Act 1947. It is important to note that a breach of the terms in tenancy could lead to notice to quit.

<sup>15</sup> [Sustainable Farming Scheme Outline Proposals: co-design response | GOV.WALES](#)

Our members also raised concerns about Universal Action 14: Historic environment – maintenance and enhancement. The ability of the tenant to meet the requirement to maintain traditional farm buildings in a stable condition is likely to be dependent on the terms of their tenancy agreement. The tenant may not have the resources to undertake this action which is likely to be prohibitively expensive. Whilst these traditional buildings may be redundant, it is important to recognise that many farmers would not want to see these features removed from the tenancy as their conversion to other uses by the landlord may not be desirable due to their location on the farmyard, interfering with farming activity.

Overall, scheme requirements have the potential to weaken the position of tenants with their landlord which is highly concerning. Tenant farmers are also concerned about Welsh Government's proposed payment methodology and the move to pay the Universal Baseline Payment on the basis of costs incurred and income foregone calculations. This, together with the fact that there is only a time limited stability mechanism, is likely to jeopardise many farm businesses, particularly tenant farmers with rent to pay and hindered by more limited diversification opportunities.

NFU Cymru also remains concerned around the long-term sustainability of the tenanted sector where the balance of incentives shifts away from food production towards environmental delivery. It is possible to foresee landlords taking their farms back in hand for tree planting or to take up the temporary habitat creation options – a trend that is increasingly being observed in England currently. Whilst we note a number of the proposed Universal Actions have been oriented towards the active farmer, we also observe a lack of safeguards to prevent landlords entering the Sustainable Farming Scheme, receiving the payment and passing on the contractual obligations to their tenants.

- **Cross Border Farms**

NFU Cymru notes agriculture and land management policy in Wales is the responsibility of Welsh Government and it will only be possible to fund activity on Welsh land. For the purposes of the Sustainable Farming Scheme, Welsh Government proposes that the business and the Welsh land will need to meet the eligibility requirement to qualify for the scheme.

Whilst, according to the consultation, Welsh Government proposes to continue to consider opportunities to ensure the scheme requirements are appropriate for cross border farms, NFU Cymru believes this issue has received insufficient consideration in the development of proposals thus far. There are some 600 or so cross border farms and there needs to be careful and thorough work to ensure there are no unintended consequences for individual businesses.

Every farm is different and it is possible to foresee cross border farms being disadvantaged through no fault of their own. A number of Universal Actions and scheme requirements are likely to prove difficult unless undertaken on a whole farm basis, for example, benchmarking, the animal health and welfare requirements and the carbon assessment. Cross border farms could be disadvantaged just because, for example, the tree cover or habitat land on their farm happens to be on the England side of the border.

Cross border farmers suffered many years of delayed payments as a result of ineffective working between RPA and RPW. It has been pleasing to see this issue has been resolved in recent years. It cannot be fair that we are now re-entering a system where cross border farmers will be discriminated against just because of the location of their farm.

NFU Cymru's comments relating to a level playing field are made earlier in this consultation response. Overall, NFU Cymru is concerned that the regulatory and bureaucratic burden for cross border farms is likely to be excessive, we are clear more work is needed in this area so that the implications for cross border farms are properly understood and addressed before moving forward.

We are disappointed that the Welsh Government commitment to set up a Working Group to consider the specific issues of Cross Border Farms has yet to be established.

NFU Cymru would also be supportive of a bespoke package of advice and support to ensure a smooth transition to the new approach.

- **Certified Organic Farms**

Welsh Government suggests that farmers with organic certification will be ideally placed for a smooth entry into the Sustainable Farming Scheme. Welsh Government also proposes to introduce a range of Optional Actions during the Transition Period many of which are aligned with organic practices.

In January, Welsh Government announced support payments to fully-certified organic farmers in 2024 recognising *'the viability of organic holdings is dependent upon receiving a premium for organic produce which is not always available'*. In this context, it is disappointing that Welsh Government appears not to recognise the need for specific organic support on a longer-term basis.

We note that Welsh Government proposes to introduce an additional element of financial stability through the Stability Payment during the Transition Period. However, we are clear that current proposals are anything but 'stable' and if Welsh Government is truly committed to organic production systems in Wales then these will need to be properly rewarded through future policy.

- **New Entrants**

As custodians of the countryside, every farmer wishes to leave their farm in a better position for the next generation. Eight years ago, NFU Cymru launched our Next Generation Programme, which now has its third cohort of members, to ensure the views of young farmers and new entrants are heard and promoted. Young people are the lifeblood of rural Wales and members of our next generation group are passionate about producing world renowned climate-friendly food for a growing population in an environment and landscape that provides habitats for our nature to thrive.

Last summer NFU Cymru launched a report titled "[Framing the future for the next generation](#)" at the Senedd as part of NFU Cymru's Celebration of Welsh Food and Farming Week. This report celebrated the contribution young farmers make in Wales and featured a list of 10 recommendations as to how Welsh Government can support the next generation of farmers in Wales. It included specific asks on the future Sustainable Farming Scheme in relation to ensuring the scheme worked for all farm types and tenures, a smooth transition period and the use of capital grants. It highlighted that accessing finance can be a huge barrier for new entrants and so we also suggested Welsh Government should explore opportunities to make it easier for the next generation of farmers to access finance.

Given the challenges that are faced in ensuring this policy works for the next generation of farmers, NFU Cymru was pleased to be invited by Welsh Government to join a Working Group as part of the co-design process to look at how this issue could be tackled. We actively participated in several meetings and felt there was value in bringing the sector together to discuss this complex issue. We therefore find it incredibly disappointing that this Working Group was not allowed to finish its work and that Welsh Government halted proceedings before a final report or recommendations could be made.

In the consultation document, Welsh Government state that new entrants and young farmers are important and bring new talent, ideas, and entrepreneurial energy into Welsh farming. However, with no apparent financial support or any other specific provisions available for new entrants in the current proposals, it is unclear how those warm words are translated into meaningful policy that tackles the barriers that exist for those starting out in farming. This is in stark contrast to policy elsewhere around



the world, for example under the current CAP, Member States are obliged to spend a minimum of 3% of their initial envelope for direct payments towards the objective of generational renewal. It is up to Member States to decide how to use this money but the intention to support the next generation of farmers is clear. This puts the next generation of farmers in Wales at a competitive disadvantage to their European farming counterparts.

Welsh Government rightly identify that access to skills can be a barrier and we welcome the commitment that Welsh Government will continue to offer skills development and mentoring to those starting out in our industry. Whilst there is a question mark about the extent to which advice and guidance makes in securing the viability of a farm, there is a productivity benefit which stems from an incentivised programme of knowledge exchange and advice. In this respect, there is a clear role for Farming Connect and the levy bodies to play in delivering this, so it is vital that programmes are cost effective, deliver value for money, are industry led and operate where true market failure exists. However, our members are keen to stress that no amount of advice and guidance can compensate for overly burdensome and prescriptive Universal Actions, which do not adequately reward farmers for the work undertaken.

Many young or new farmers enter the industry via the tenanted sector. Therefore, ensuring the scheme works and is attractive for the tenanted sector is not only central to the viability of the businesses concerned and for delivery of Welsh Government's objectives, but also to enable the scheme to support and facilitate new entrants.

Our Next Generation Group of members also wish to point out their concerns for the lack of stability offered by the transition period which is foreseen as part of these proposals. Without this stability, there is a risk that the investment that is necessary in Welsh farm businesses to support the next generation will not be made, succession plans will be stifled, and young people will leave both farming and rural Wales in search of a more secure and stable career path.

- **Common Land**

In 2022, NFU Cymru convened a Focus Group to explore the challenges and opportunities for farmers with common land as new agricultural policy is developed in Wales, the culmination of this work was a [policy position paper](#) launched at the 2022 Royal Welsh Winter Fair. In the intervening period, NFU Cymru welcomed the opportunity to participate in the Welsh Government Working Group on Common Land, though regrettably the work of this Group stalled midway through the process. NFU Cymru also arranged visits for the Minister for Rural Affairs and officials to improve understanding of the specific issues for farmers with common land as we transition to new schemes.

Common land is a vital resource to those farm businesses who hold common land rights, to the rural economy, particularly in Wales' upland areas and to wider society for the multiple benefits it provides. Common land also plays an invaluable role in our cultural heritage, language and traditions. Its ongoing management is central to the delivery of Welsh Government's climate, nature and wider objectives.

Almost 10% of agricultural land in Wales is common land – 94% of which is located within Wales' Severely Disadvantaged Areas (SDA). Common land is currently included as 'eligible area' for the purposes of Pillar 1 BPS Direct Payments and in excess of 3,000 farm businesses declare common land for the purposes of claiming BPS annually – in some instances making up the majority of their eligible area. In contrast, despite very significant investment in facilitation support via the Commons Development Officers, only around two thirds of common land was under collaborative Glastir Commons agreements.

NFU Cymru has long been clear, that without continuing support, the economic position of Welsh farms businesses who manage common land is threatened and further losses of the proactive

management, through grazing, so central to the condition of common land could occur. The right to graze the common is fundamental to the viability of the farming business and will have been for generations, the common land allocation being as integral to the viability of that business as the 'in-by' land of that holding.

In this context, NFU Cymru is profoundly disappointed and highly concerned at the latest Welsh Government proposals which do not include common land within the Universal Action Layer. This is because, Welsh Government say, common land rights holders cannot take sole responsibility for the management or condition of a fixed area of common land.

Yet again, Welsh Government is proposing a Universal Action Layer without having a comprehensive understanding of what is and what is not possible across the spectrum of Welsh farms with the result that key groups representing significant numbers of farmers will not have equal access. All in all, NFU Cymru believes Welsh Government's position with respect to the Universal Action Layer for farmers with common land is unsound and discriminatory.

Early in Chapter 2, Welsh Government states whilst the Universal Actions are mandatory, some Actions are not applicable to all farms. Indeed, from our analysis (above) it is clear the Universal Action Layer is far from universal. What is not clear is why Welsh Government appears prepared to introduce an element of flexibility in some instances without respecting that similar flexibility will need to be applied in other instances. We would highlight that across the proposed Universal Action Layer, there are a number, for example, UA1, UA2, UA15, UA16, UA17 that relate to the farm business itself.

With over 40% of common land understood to be designated SSSI, it is clear that common land rights holders are likely to be contributing significantly to the delivery of Welsh Government's climate and nature objectives already through the ongoing management of common land. It is illogical for Welsh Government to be advancing a scheme that does not see common land within the declared area for the Universal Baseline Payment.

Welsh Government's proposals for common land, via Commons Management Plans in the Collaborative Layer of the scheme are wholly inadequate and underpinned by flawed assumptions. For example, such an approach is reliant on achieving agreement when the evidence is clear this is not possible in all instances. Through this proposal, the viability of individual farm businesses is being put into the hands of others and this is grossly unfair.

The Collaborative Layer of scheme is yet to be developed and there is uncertainty around funding. We are concerned that this collaborative approach is also reliant on the owner of the common who may wish to pursue an approach to benefit financially that interferes with right of common, for example, tree planting. NFU Cymru is clear that the right of common must be protected.

Similarly, the proposal that the Commons Management Plan could also be developed with input from supporting organisations is also concerning. Wales has a long legacy of approaches on common land that have interfered with stocking and grazing regimes to such an extent that in some instances the ability to proactively manage the common has been lost leading to damaging impacts for wildlife and building up levels of vegetation that represent a significant risk of wildfire etc.

Farming on common land is a centuries old, traditional practice often with local, geographically distinctive native breeds of livestock. Many flocks are 'hefted' to graze particular areas of the common – a knowledge of belonging that is engrained and passed down from ewe to lamb, generation after generation. While farmers readily introduce new innovations and technologies to improve management and productivity, it is widely acknowledged that hefted flocks and the specialist skills required to keep them are central to the effective management of common land. In many instances, hefted flocks also retain resistance to key diseases such as those carried by ticks.

Naturally developed immunity to such diseases means that our hefted flocks are an irreplaceable resource, both genetically and for the ongoing management of common land. Hill breeds also form the foundation of Wales' stratified flock system. Despite their critical role, our hefted flocks and the skills needed to manage them are declining in many parts of Wales. The approach to future agricultural support must ensure the viability of these traditional farming systems is protected so that the sustainable management of common land is achieved for the benefit of all going forward.

We note that Welsh Government, in the development of their common land offer, proposes to set out how they expect funding to be allocated. However, the consultation provides scant reassurance to commoners that payment levels will be equivalent to the levels of support provided via the Basic Payment Scheme and Glastir Commons. Farmers on common land are already facing funding reductions in the transition to the Habitat Wales Scheme for 2024.

Welsh Government suggests it is proposing an additional element of financial support for individual graziers through the Stability Payment. Our comments relating to the proposed Stability Payment are made later in this response but clearly 'stability' is something of a misnomer. It is also not clear if Welsh Government is proposing that the Stability Payment on common land will include an additional payment to reflect agri-environment scheme payments as per farmers with organic certification.

Overall, NFU Cymru is clear that given the significance of common land to Wales, the Sustainable Farming Scheme must be accessible to all common land right holders across the proposed three layers of support. As with the BPS currently, common land must continue to be included as eligible for the purposes of future support, including the Universal Baseline Payment. This should be paid directly by Welsh Government to the farmer apportioned to rights held.

Future agricultural support for common land must be targeted at common rights holders (the occupier, including tenants, of the land who has the benefit of those rights) and not the owners of the common or any other party. Future policy must recognise that it is rights holders who actively manage commons through grazing, and it is this management that is central to the delivery of environmental outcomes. In addition, strategies are needed that maintain and restore grazing livestock, including cattle, native breeds to address undergrazing. Fundamentally, future policy on commons must recognise the crucial role of grazing and reward what is already there in terms of active management rather than driving destocking and further loss of this irreplaceable resource.

## Summary

*NFU Cymru believes the proposed framework for the Sustainable Farming Scheme has the potential to provide a workable model for delivery, however, our support for this framework is contingent on the principle of equal access for all active farmers and on the development of practical and deliverable actions within the Universal Action Layer that are achievable on all farms in Wales, irrespective of farming sector, system and location. The Universal Baseline Payment that farmers receive for undertaking the Universal Actions must also deliver at least the same level of stability to farm businesses as the Basic Payment Scheme provides currently.*

*Welsh Government continues to approach the design of the Sustainable Farming Scheme based largely on previous agri-environment schemes. This approach is fundamentally flawed when the scheme is set to be the main mechanism of support to farming in Wales replacing both Pillar 1 and Pillar 2 measures. A major overhaul of the scheme is needed and a review of the practicality and cumulative administrative burden associated with the delivery of the proposed Universal Actions must also be undertaken.*

*NFU Cymru is supportive of measures that facilitate and reward farmers for additional woodland planting in line with the 'right tree, right place' principle, however, we reject in the strongest terms Welsh Government's proposals to mandate 10% tree cover as a requirement of the Universal Action*

*Layer of the Scheme. Welsh Government's intransigence in continuing to mandate this is baffling and has been a source of significant frustration and anxiety within the industry. Fundamental issues highlighted previously remain unaddressed and Welsh Government's latest proposals have only served to further undermine the confidence of farmers in this scheme rule. Farmers need long-term 'cast iron' guarantees that tree cover established on Welsh farms for the delivery of Welsh Government's climate change objectives will be rewarded. These assurances have not been forthcoming, and in the face of reduced agricultural productivity, reduced land values, and the lack of guaranteed support beyond 2029 together with the risks and liabilities of delivering 100% success over this time period, endeavouring to deliver 10% tree cover would be simply illogical on the vast majority of farms where this threshold is out of reach currently.*

*We identify there are a range of options that offer significant potential to contribute to decarbonisation goals through a more dynamic and varied approach. A review of the 10% tree cover scheme rule is, therefore, needed and alternatives to tree planting should be examined by an independent science panel before moving forward.*

*NFU Cymru also continues to be highly concerned that the Universal Action Layer does not provide universal access for all active farmers in Wales. It is wholly unacceptable to us that Welsh Government proposes that the Optional and Collaborative Action Layers can be used as mechanisms to address the failings in design at the Universal Action Layer, for example, in respect of common land and SSSIs. NFU Cymru is clear Welsh Government must ensure equal access to the Universal Baseline Payment recognising:*

- The integral role that common land rights allocations provide in the economic viability of upland farms and the need for common land to be included within the Universal Baseline Payment that is made to the farming business.*
- Support for farmers with designated sites including the habitat maintenance element must be provided within the Universal Baseline Payment.*
- That tenant farmers are not financially penalised as a result of their inability to undertake all the scheme requirements at the Universal Action Layer.*



### 3. The Sustainable Farming Scheme Process

- **Scheme eligibility**

NFU Cymru has long argued that future support must be targeted at active farmers undertaking the financial risks associated with food production. We note Welsh Government's proposed eligibility criteria include undertaking agricultural or ancillary activities on agricultural land; having at least 3 hectares of eligible agricultural land in Wales or 550 standard labour hours; and, exclusive occupation and management control of the land for at least 10 months of the calendar year.

The definition of ancillary activity is provided for within the Agriculture (Wales) Act 2023. This provides policymakers with significant latitude to fund activities on land used for agriculture that are non-farming. Similarly, we believe the proposal that applicants have at least 3 hectares (for the Basic Payment Scheme it is 5 hectares) or be able to demonstrate more than 550 hours in agriculture or ancillary activities has the potential to open up the scheme to an increased number of non-farming claims. Welsh Government should undertake further work to understand this potential issue. NFU Cymru believe that support should be targeted at the farms that produce the majority of food and who rely on the farm for a significant proportion of their income. We remind Welsh Government that the sustainable production of food is the first of the four SLM objectives and the eligibility criteria should proactively enable the delivery of this important goal. A scheme that deemphasises agriculture in favour of ancillary environmental or forestry activity is likely to be a driver of land use change reducing Wales' productive agricultural capacity and opportunities for new entrants to farming.

In this context, NFU Cymru welcomes the fact that Welsh Government proposes a number of Universal Actions that are closely aligned to being an active farmer. However, Welsh Government also suggests that some Universal Actions are not applicable to all farms, so the extent to which a non-active farmer could be exempted and still receive some or all of the proposed Universal Baseline Payment is unclear.

We recognise that by proposing annualised agreements and that farmers applying for the scheme must have 'management control' of the land for 10 months of the year that Welsh Government are seeking to address issues that NFU Cymru have previously highlighted in relation to land tenure and rental arrangements that are commonplace in Wales. We do, however, highlight that maintenance with some of the land based Universal Actions for the full calendar year will likely pose challenges to many active farmers who will not have management control for the entire year. Further consideration should be given to this issue, to ensure that they are able to access the scheme on the same basis as those that own the land they farm, recognising that the current position in relation to BPS eligibility is that farmers are required to declare the land that they have at their disposal on the 15 May.

Welsh Government has provided no explanation of its proposal to deem features like 'ineligible ponds, rivers and streams' as not eligible for the scheme. This appears contrary to the SLM objectives.

Finally, we note that Welsh Government has opted not to include information on the proposed eligibility for the Collaborative Action Layer of the scheme. We note that earlier proposals referred to collaboration between farmers, land managers and potentially others. Whilst NFU Cymru recognises the role of collaborative approaches, Welsh Government must ensure that there are in-built safeguards to ensure that the scheme is limited to genuine farmer-led collaboration focussed on actions rather than being used as a core funding stream for environmental NGOs and campaigning groups.

- **Operating model**

NFU Cymru strongly supports proposals to use the Rural Payment Wales (RPW) operating model to deliver the scheme building on the success of RPW Online and the Single Application Form (SAF) process. We have long highlighted that SAF is an approach that farmers are familiar with, and which already has extensive mapping capability. Our vision was for the transition from the BPS to the SFS to be an evolution rather than a revolution, with different elements of the SFS being added to the SAF throughout the transition period to ensure a smooth and incremental transition.

NFU Cymru supports the annual SAF as the mechanism to apply for the Universal Baseline Payment and we agree that flexibility to accommodate changes in land or tenure and other matters will need to be maintained. We are supportive of Welsh Government proposals to maintain the proposed application window, closing on the 15 May.

We note Welsh Government suggests that applicants may be required to update customer records during the year to confirm the completion of Actions. Our specific comments relating to the Universal Action Layer are made above, in particular in relation to the collection, holding and use of data, however, NFU Cymru strongly believes that more work is needed to reduce the administrative and reporting burden associated with the scheme, as currently proposed. Farmers are already working very long hours, some of them off-farm or on diversified activities to supplement their farm incomes. Our assessment is that the scheme is excessive for both farmers and the agents and advisers that support them. We are highly concerned that the complexity is likely to lead to missed reporting deadlines and penalties. We are concerned that the increased complexity and reporting throughout the calendar year will impinge on the previous excellent delivery of payments to Welsh farming.

NFU Cymru also has concerns that the complexity of the scheme will result in high operational costs for Welsh Government and that funding will be drawn from the overall budget for the scheme, in contrast to previous CAP systems where operational costs were outside of the CAP budget.

- **Habitat Baseline Review and Data Confirmation**

NFU Cymru notes proposals for the Level 1 Habitat Baseline Review which will be used to determine the extent of tree cover, hedgerows, habitats and other features such as ponds and scrapes, historic features and designated sites. The process is expected to commence later this year with the Data Confirmation Exercise which will inform the Habitat Baseline Review.

NFU Cymru is supportive of an online process for the Habitat Baseline Review which is easier and more cost effective to operationalise than field surveys. Ahead of implementation, NFU Cymru believes full evaluation of the Habitat Wales Scheme should be undertaken. Applications for this scheme were invited via an Expression of Interest (EOI) process on Rural Payments Wales (RPW) Online where the area of eligible habitat land was mapped and presented to applicants. In addition to habitats supported under Glastir, habitat was identified using published maps on [DataMapWales](#). These maps were based on the Phase 1 Habitat Survey which took place over 30 years ago and, in many instances, did not stand up to ground truthing. This has led to many examples of land that were incorrectly identified as habitat and, conversely, land that is habitat not being included as eligible habitat for the purposes of the scheme.

Whilst Welsh Government sought to remedy this at the EOI stage by allowing farmers to remove incorrectly mapped habitat in 'exceptional circumstances', there remain a high number of farmers at the contract offer stage with inaccurate habitat maps which they are unable to amend, leaving many farmers in the invidious position of having to sign contracts they know to be wrong to secure part of the income they previously received via Glastir. We know that many farmers took the decision not to apply for the scheme due to the inaccuracies of the habitat maps on RPW online.

As a result of the mapping errors, implementation of the Habitat Wales Scheme has become extremely complicated and stressful for farmers and their advisers. On this basis, many farmers have lost confidence in the validity of the mapping process and there are clearly lessons to be learned before Welsh Government advances a similar process for the Habitat Baseline Review, remembering that habitat is just one of multiple features Welsh Government wants to confirm as part of this review. NFU Cymru has concerns about the administrative burden the data confirmation exercise will place on farmers and their agents. This is being exacerbated by an overtly complex and prescriptive suite of Universal Actions. For example, we identify mapping the status of hedgerows on Welsh farms against Welsh Government's definition of 'good condition' is, in itself, likely to be a very significant task.

Overall, Welsh Government must put more focus on ensuring the accuracy of mapping data presented to farmers. A clear process by which farmers can remove or add features that have been inaccurately mapped is needed that properly respects the fact that it is farmers that know their farms best and are likely to have a greater understanding of what is on their farms rather than a dated map.

It is also hoped that the feedback received to this consultation will lead to a revised suite of Universal Actions, that are, in fact, universal and that are less complex and prescriptive which will ultimately lead to a simplified mapping process.

Finally, NFU Cymru notes that Welsh Government is also proposing a more in-depth Level 2 Habitat Baseline Review to support the Optional Layer of the scheme. NFU Cymru is generally supportive of this approach but would welcome input into the development of this process to ensure it is efficient and cost effective.

- **Carbon calculator**

In 2019, NFU Cymru and NFU set the ambitious goal of reaching [net zero](#) greenhouse gas emissions (GHG) across the whole of agriculture in Wales and England by 2040<sup>16</sup>.

Farming, as both emissions source and sink, is uniquely placed as a sector to be part of the solution through climate-friendly food production; the trees, hedges, grassland and soils that store and sequester carbon together with on-farm renewable energy generation.

NFU Cymru's assessment is that Net Zero Agriculture can only be delivered if we act across a range of internationally recognised inventories. The NFU Cymru pathway has been discussed with the UK Committee on Climate Change (UKCCC) and is challenging, but attainable, with the right support.

Our analysis shows there is no single solution to this problem. To achieve our aim a range of measures are needed that fall under three broad headings of:

- Improving farming's productive efficiency to reduce our greenhouse gas emissions – enabling farming to produce the same quantity of food, or more, with less inputs in smarter ways;
- Farmland carbon storage in soils and vegetation – improving land management and enhancing land use to capture more carbon; and
- Boosting renewable energy and the wider bioeconomy to displace greenhouse gas emissions from fossil fuels and to create GHG removal through photosynthesis and carbon capture.

At the same time as reducing our impact on the climate, we are also clear that we should not reduce our capacity to feed consumers with high quality, affordable Welsh food. Wales must not achieve its climate ambitions by exporting Welsh production, or greenhouse gas emissions, to other countries.

<sup>16</sup> [achieving-net-zero.pdf \(nfu-cymru.org.uk\)](#)

This would not be a globally responsible or sustainable approach. It is also important to recognise that farmers are on the front line when it comes to climate impacts and associated disruption to food production.

It is now two years since NFU Cymru along with other industry organisations proposed the Low Carbon Farming Framework to Welsh Government (Annex 2). Funded via the domestic rural development funding, this proposal delivered Welsh Government's ambition for agriculture during the second Carbon Budget (2021-2025) and would have incentivised all farmers in Wales to undertake a simplified carbon assessment, via RPW Online, building on the detailed mapping data already provided to Welsh Government on an annual basis. For the first time, the carbon assessment process would have been mainstreamed on Welsh farms providing a baseline and informing action for individual farms, together with accurate emissions and sequestration data for the purposes of Welsh Government reporting.

It is a source of significant disappointment to us that, despite positive feedback from Ministers at the time, Welsh Government has not worked with us to advance this proposal. In the intervening period a lot has happened. Administrations in Northern Ireland and Scotland have supported carbon assessments through their policies. In the context of NFU Cymru's Net Zero ambition, many more farmers have become interested in understanding their carbon position and there has also been significant focus on carbon auditing from the supply chain with the result that proposals for carbon auditing within the Sustainable Farming Scheme will now need to take into account what is already happening on Welsh farms, so farmers are not duplicating effort. We would highlight that many supply chains already require some level of carbon assessment and have mandated which tool(s) to use, it would not be acceptable to us if these businesses were subsequently mandated to use another tool to satisfy the Welsh Government requirement.

We are also clear that any carbon audit tool must treat Welsh farms as systems and include carbon sequestration and renewables so that the full contribution across internationally agreed inventories is reflected.

Welsh Government would be wise to take note of results of a recently published DEFRA research project, 'Harmonisation of Carbon Accounting Tools for Agriculture'. Whilst this was a short-term project, it did clarify several issues:

- All of six calculators tested were able to provide farmers and growers with a baseline understanding of emissions and then help the business think about the next practical steps.
- No one calculator consistently gave the highest or lowest emissions when looking across different production systems and when carbon sequestration was included the differences between calculators increased.
- Calculators give different results for a number of reasons. For example, the tools ask for varying amounts of data. Generally, the less data a calculator asks for, the more assumptions it has to make but then it's easier to fill in.
- In addition, farm businesses can be very complex e.g. have different enterprises, use contractors etc, so it's very difficult for tools to capture all this diversity.

Taking the above into account we do question how Welsh Government will be able to specify a carbon calculator to use, be confident that it is the right one for all sectors and all farm types and continue to be the right one given the constantly evolving science and evidence in relation to this issue.



NFU Cymru is also clear that this data has a value to Welsh Government, in terms of reporting requirements. The proposal to simply cover the cost of the farmers time is, therefore, wholly inadequate as the basis of payment. A number of the tools are not free to use and they have accompanying annual subscription costs. We also identify, many farmers are likely to need support to undertake a carbon audit and the cost of this must be reflected in the payment rate as should proper recompense for the value of that data. Many farmers and their supply chain partners see this information as being valuable commercial data, data that their supply chain contracts may prevent them from sharing with other parties including government.

Overall, whilst NFU Cymru understands the intention behind this proposal, we consider that far more work is needed to make it operational. Welsh Government must recognise that the process of carbon auditing is no small task and in aligning the implementation of the proposal to coincide with the introduction of the Scheme this is likely to increase the burden on farmers who will already be grappling with the other SFS requirements, all of which will be new to farmers.

- **Scheme rules, validation, on-the-spot-checks, warnings and penalties**

Welsh Government proposes to develop scheme guidance and a set of verifiable standards setting out scheme rules, actions and evidence required to meet the conditions of the scheme. Payments to farmers may be affected if these rules are not met. NFU Cymru comments on the practicality and deliverability of the Universal Actions and scheme rules are made earlier in this response. We are clear that a number of the Universal Actions such as hedgerow management and tree planting pose an unacceptable level of risk and liability to farmers and, as such, they are not supported.

We highlight that farmers' perception of rules and regulations were summarised in the Public Health Wales report "Supporting farming communities at times of uncertainty"<sup>17</sup> published in 2019. This report identified that regulation, administration and digitalisation was a key challenge for farmers in Wales.

In that report stakeholders reflected on farming as being a highly regulated industry, including managing demands from inspections, paperwork, notifiable disease and crop pest outbreak management, and administration in some cases (if a farm spans England and Wales) across two systems.

Many reflected on high levels of stress due to the complexity, and anxiety about changing regulations and fear of making mistakes that can result in financial penalties. Some highlighted incidences where an inspection led to an immediate financial penalty without a discussion on whether it could be resolved quickly, nor consideration of the significant distress caused, especially if the farmer was already struggling financially. This was a frequently described scenario, particularly amongst those farmers who have gone on to develop poor mental health, and from farming partners commonly dealing with the consequences, including suicide. The move to digitalisation was also highlighted as a challenge, in particular, for those with lower levels of literacy or digital literacy, or in areas with poor internet connectivity, as well as a reluctance from some, particularly older farmers, to embrace digital technology.

In this context, whilst we accept that Welsh Government will need to develop scheme rules to outline the requirements of the scheme, we identify this will be a key area of concern to our members. On this basis we strongly believe that, in the development of scheme rules, Welsh Government must prioritise simplicity. Welsh Government must recognise that the Sustainable Farming Scheme is an

<sup>17</sup> [phw.nhs.wales/services-and-teams/knowledge-directorate/research-and-evaluation/publications/supporting-farming-communities-at-times-of-uncertainty/](https://phw.nhs.wales/services-and-teams/knowledge-directorate/research-and-evaluation/publications/supporting-farming-communities-at-times-of-uncertainty/)

entirely new approach and based on the past experiences of successive CAP reforms, it will take time for farmers to become familiar with the new requirements so flexibility will be needed.

We also identify that farmers are going to need considerable support to understand and implement the scheme at farm level. The Farm Liaison Service provides invaluable support to farmers on scheme related information and requirements. We also call on Welsh Government to ensure that the 'When the inspector calls' guide is updated to take account of the SFS and is provided to all SFS participants at the earliest opportunity.

We note that Welsh Government proposes that a number of the scheme rules will be consistent with previous support schemes and cross compliance. NFU Cymru does not support this proposal. We take this opportunity to highlight that whilst a number of cross compliance requirements i.e. Statutory Management Requirements are underpinned by legislation, this is not the case for the Good Agricultural and Environment Conditions (GAEC). Cross compliance is therefore a mixture of statutory requirements as well as obligations created by the competent authority (Welsh Government). Cross compliance is a frequent cause of complaint amongst our members as failure to meet any of these cross compliance requirements can result in a financial penalty, which is often out of proportion to the breach committed - a breach that may not have had any environmental or animal health / welfare impact.

On this basis we do not support proposals to 'cut and paste' cross compliance into the scheme rules for the Sustainable Farming Scheme. We believe that a thorough review and analysis of the current cross compliance regime needs to be undertaken prior to consideration of which elements should be incorporated into the scheme rules for the Sustainable Farming Scheme. Welsh Government should work with the industry to devise standards which are relevant to Wales.

The assumption that farmers can simply absorb the costs associated with meeting cross compliance requirements is also fundamentally flawed in the absence of the BPS, particularly, when farmers elsewhere continue to be supported. We strongly reject Welsh Government proposals to add further regulations into scheme rules such as legal responsibilities like Public Rights of Way and CRoW Open Access land, the new Workplace Recycling Regulations and invasive non-native species which represent 'gold plating' and expose farmers to 'double jeopardy'.

We highlight that existing public access legislation has long been a concern for NFU Cymru placing significant costs, burdens and liabilities on farmers in Wales. There are many examples of actions by access users that lead to increased costs and economic impacts on agricultural businesses. This includes damage to crops, livestock worrying, mixing of livestock management groups and animal health related issues such as Neospora. In this context, we have long emphasised the need for a partnership approach with the Local Authority and Local Access Forums with a system of prioritisation and with adequate funding to deliver an agreed programme of works.

We also believe that Welsh Government should also review notice of inspection periods, so they are more reasonable and also consider building in the option of voluntary checks prior to full inspection.

NFU Cymru is also highly concerned that Welsh Government is implementing such changes through secondary legislation with the specifics of each scheme provided for within scheme rules and guidance. Whilst this offers maximum flexibility for government, we believe this provides insufficient scrutiny and safeguards for farmers.

Digital connectivity also continues to be source of major frustration in many parts of Wales. There is the potential for farmers, who through no fault of their own have no broadband or limited access, being excluded from the necessary advice and guidance they need to comply with the future

regulatory landscape. It is vitally important that government and regulators recognise this and that those who are digitally excluded are not prevented from having the information that is required to ensure that they are aware of the scheme related requirements and kept up to date whenever any changes are made.

Overall, NFU Cymru is extremely concerned about the mounting levels of anxiety within the farming community and has called for the establishment of an Independent Review Group to consider the cumulative burden of regulations and policies on Welsh farming business also taking into consideration the wider economic and political context.

We note Welsh Government proposes to include an 'exceptional circumstances' provision to consider where scheme participants are prevented from fulfilling obligations or Actions due to events outside their control. NFU Cymru supports a force majeure clause within the scheme rules in addition to greater flexibility at the scheme development stage to ensure that the Universal Action Layer is practical and achievable. We highlight that regulation, as well as, the requirements of support schemes, is often heavily dependent on things outside of the farmer's control, such as the weather. Multiple aspects of the proposed Sustainable Farming Scheme are environmental and subject to complex biological processes reinforcing the need for flexibility and a sensible force majeure or exceptional circumstances provision. Making use of force majeure / exceptional circumstances provision should also be a tool available to the Inspector at the point of inspection rather than leaving the farming family with the stress and anguish of being penalised and having to go through the appeal process to get the penalty overturned.

The provisions need to extend to the consideration of ill health within a partnership / limited company. Many farm businesses operate as partnerships and limited companies, our experience to date is that this can make it difficult for ill health of one individual to be considered under the force majeure provisions. The reality is that within each business, various individuals will have their own roles and responsibilities, and some include parents whose practical involvement in the day-to-day farming activities is limited. NFU Cymru would welcome a more pragmatic approach to the consideration of ill health, which recognises the practical reality within the farming business, rather than focusing on a hypothetical assumption that where there is a partnership or limited company it is easy for obligations to be transferred to another individual.

We recognise that Welsh Government proposes different ways to monitor farms and check compliance including physical inspection and earth observations. Farmers need to be informed that the inspection is taking place and an opportunity to comment on the inspection prior to any penalty being applied. This is not always the case particularly with remote inspection techniques.

NFU Cymru continues to be concerned about the level of complexity Welsh Government is proposing for monitoring and checking, this is a significant source of anxiety amongst farmers. The aim should be for any monitoring and checking to be necessary and proportionate. Welsh Government and Rural Inspectorate Wales will also need to ensure that they do not overreach in the development of the inspection regime recognising that they do not hold the necessary knowledge in many aspects of the Universal Action Layer, for example, veterinary expertise.

Given the potential overlap with a number of the requirements of the Universal Action Layer and farm assurance, we would encourage Welsh Government to consider the role that earned recognition could play. Earned recognition is about using third party schemes to assess risk, and therefore, the need and frequency for the state or its agencies to inspect, respecting that ultimately, membership of a farm assurance scheme is a decision for an individual farming business based on the value of assurance to that business.

We note that in circumstances where there is a level of non-compliance, where it is 'felt' that financial penalties are required, Welsh Government propose a set of verifiable standards and a sanctions matrix.

It is important to recognise that the disproportionate system of penalties applied in previous schemes act to deter farmers from participating in future schemes as they are fearful of inspections and being found in breach. The impacts of these penalties can also be crippling for farm businesses and impact on health and well-being.

NFU Cymru strongly believes there should not be penalties for minor breaches and administrative errors. In many cases such minor breaches and administrative errors cause no environmental or animal health concern. NFU Cymru is also clear that it should not be possible to backdate penalties. Where Welsh Government 'feels' a sanction is appropriate then Welsh Government must consider a range of factors including proportionality. We strongly support the use of warning letters where possible. Overall, NFU Cymru is clear this is an opportunity to relook at the whole system in relation to warnings and penalties to deliver a more proportionate approach.

NFU Cymru would also support the introduction of a procedural code for inspectors and enforcers dealing with the regulation of farms. The code should aim to professionalise the inspection and enforcement regimes, setting standards for investigations and evidence collection, the enforcement approach, penalty application and appeals. The code should also provide safeguards for farmers, such as the right for farmers to know the evidence against them and to have a fair opportunity to answer the case against them before the decision to apply a penalty is made.

- **Appeals**

We note that Welsh Government proposes a change from the existing appeals process which includes an assessment by an independent panel and the final decision made by Welsh Ministers to a two-stage review process involving different officials to those who made the original decision.

There was widespread concern at this proposal which will limit access to justice for SFS participants. Whilst Welsh Government suggests that it intends to adopt a proportionate approach to non-compliance, farmers are yet to see this in practice in the context of highly complex and prescriptive scheme requirements. On this basis, NFU Cymru believes that an independent appeals panel must continue to be a feature of the appeals process. There is a lack of trust that it can be left entirely to Welsh Government officials to be prosecutor, judge and jury.

We also believe the independent appeals process should be strengthened and expanded from its very limited jurisdiction with the panel only being able to confirm whether RPW has followed the correct procedures in accordance with the regulations. We believe the appeal process established for the Sustainable Farming Scheme must have far more wide-ranging powers with the ability to investigate further the detail of the case, consider mitigating circumstances and whether the sanction applied is proportionate to the breach. The appeal procedure, staff and secretariat associated with the appeal process should be separate and independent of the Inspectorate.

We would suggest that whilst it is important a number of members of the independent panel have expertise in agriculture it will be important that there are also members who have legal and / or tribunal expertise. We would strongly recommend that the appeal process must operate to strict time periods. Our current experience is that many appeals within the RPW Independent Appeal process can take years between submission of the Stage 2 Appeal and an Appeal Hearing being undertaken. This is unacceptable, causing great strain and pressure on the appellants as they await the opportunity to put their case before the panel.



- **Advice and Guidance**

Welsh Government's proposal is to continue to offer a range of advice, guidance and learning. There are also numerous references to the provision of advice and guidance to support farmers within the SFS Universal Action Layer including with some specific Universal Actions; skills development and mentoring to new entrants; together with the possibility of facilitation support for common land management agreements.

Whether Welsh Government is proposing that advice and guidance is delivered via Farming Connect is unclear – we note that specific references to Farming Connect within the current consultation are limited, with two specific mentions of the Farming Connect programme (contrasting to 40 references to Farming Connect within the previous SFS Outline Proposals consultation). Overall, we identify that more information is needed to clarify Welsh Government's proposals for advice and guidance provision, including scope, funding allocations and sources of that funding.

We identify that advice and guidance may be required to address a number of needs. Firstly, there are the advice and guidance requirements associated with the operational aspects of the SFS including for those farmers that are digitally excluded, recognising the very significant change farmers are facing with the transition away from the legacy CAP architecture. Secondly, there is the advice and guidance provision including knowledge transfer relating to the development of farm businesses.

NFU Cymru welcomes Welsh Government's proposal to use Rural Payments Wales (RPW) online as the operating model for SFS. This approach most closely align with the key NFU Cymru principle for future agricultural policy which emphasises the need for a scheme that is simple to administer and apply for. We have long argued that the scheme should be designed so that any farmer, at the Universal Action Layer, should be able to apply, comply and complete all the Actions without the need for advisers and consultants. We believe advice and guidance provision should be prioritised for the Optional and Collaborative Action Layers which are likely to be more complex and delivered via bespoke contracts.

Traditionally, Farming Connect has not fulfilled the role of providing advice and facilitating access to support schemes such as BPS. Advice on the specific requirements of Welsh Government schemes has been provided via the Farm Liaison Service (FLS). Our members very much appreciate the trusted relationships they have developed with the FLS team across Wales, it is our strong recommendation that the FLS be retained and they build on their strong track record of delivery to provide support to farmers accessing the Sustainable Farming Scheme via the RPW online portal.

We also highlight that thousands of farmers are supported on an annual basis with the completion of their SAF by agents such as NFU Cymru County Advisers and Group Secretaries who also fulfil an invaluable role sharing scheme related information and appealing scheme related penalties etc. These representatives have developed trusted relationships with farmers over many years and are likely to continue to be the 'first port of call' for many farmers on matters relating to future support.

NFU Cymru would have concerns if Welsh Government proposed to provide additional investment in the Farming Connect programme that duplicated the current offer provided by the FLS and private agents where market failure does not exist. We highlight that Farming Connect would also possess limited operational experience in this field and is based around 'ad hoc' interventions of advice and general awareness raising which does not lend itself to the type of service required which is more iterative in nature. There is also the issue of liability over where responsibility and accountability would lie in the event that the advice / support provided was inaccurate leading to an adverse impact on the farm business.

NFU Cymru has concerns that, in addition to the annual declaration process, Welsh Government is currently proposing significant reporting requirements in relation to Universal Actions that will increase the burden on farmers and those who support them currently, also increasing the risk of scheme breaches as a result of overlooked reporting deadlines etc. We believe Welsh Government must do more to ensure the burden of reporting outside of the annual SAF process is more proportionate than currently proposed to avoid the capacity issues that are likely to arise.

In the context of limited funding, NFU Cymru does not believe that investment in advice and guidance provision to remedy an overly complex scheme design represents good value for money. That is not to say that NFU Cymru is not supportive of the provision of advice via Farming Connect to farmers for the delivery of specific scheme requirements. NFU Cymru would highlight that there is ambiguity within the current SFS proposals in relation to a number of Universal Actions and scheme requirements and whether it is proposed that Farming Connect will support their delivery, for example, Universal Action 1: Benchmarking, Universal Action 3: Soil Health Planning or the Carbon Calculator.

- **Advice and guidance provision relating to the development of farm businesses**

NFU Cymru has long been clear in its vision for future agricultural policy, based around a single, integrated, flexible framework of three cornerstones – productivity and environment underpinned by measures to provide stability and address volatility. NFU Cymru believes the latest scientific research, development of innovative tools, technologies and practices and knowledge exchange are all critical to solving the productivity and resource efficiency challenges that Welsh farmers face. In this context, NFU Cymru is supportive of targeted and integrated knowledge exchange, advice and incentives across a range of themes to drive forward productivity and deliver measurable improvements in economic and environmental performance. Examples of key themes include climate change mitigation measures, animal health and welfare, environmental management and enhancement, grassland management, soil and nutrient management and health and safety. Skills and training in key areas such as machinery and equipment are also very important, particularly for new entrants and young farmers.

We are clear, however, that the potential contribution of advice and guidance from Farming Connect, or indeed other providers, is overstated by Welsh Government. It is not the ‘silver bullet’ and will be insufficient to make up for the loss of a stability mechanism to underpin farm business viability and support farmers to address volatility associated with factors beyond their control. This is evidenced by the independent evaluation<sup>18</sup> of Farming Connect which concluded that *“Farming Connect plays an important role in creating the foundations for change leading to **small scale incremental changes**”*<sup>19</sup>. On this basis increased levels of investment in advice and guidance measures above current levels without a clear business case would be highly concerning to us.

We also highlight that advice and guidance on technical and farm business development matters is available to farmers from a range of sources. We have long highlighted the need for better co-operation and collaboration to avoid duplication, repetition and event saturation. This includes the unions, AHDB, HCC, agriculture suppliers, banks, accountants, solicitors etc. We identify fuller analysis of market failure in this sphere would be helpful. A full evaluation to understand impact and modelling to demonstrate the likely cost benefit of advice and guidance interventions is also needed.

The independent evaluation of Farming Connect also identifies that many businesses are *“capacity and resource constrained”*, underscoring the need for investment support to drive improved productivity. In this context we believe the SFS must include greater emphasis on grant support to facilitate the investment in modern on-farm infrastructure, the latest technology and innovations.

<sup>18</sup> [Evaluation of the knowledge transfer, innovation and advisory services programme: final report | GOV.WALES](#)

<sup>19</sup> Emphasis added

Overall, we identify that Welsh farmers are likely to require significant scheme related support ahead of and during the transition to the Sustainable Farming Scheme. NFU Cymru would support the establishment of a government and industry implementation group to ensure the support is appropriate and fit-for-purpose.

## Summary

*NFU Cymru is supportive of Welsh Government proposals to use the Rural Payments Wales (RPW) operating model and the annual Single Application Form (SAF) mechanism for administering the Universal Baseline Payment of the Sustainable Farming Scheme. These systems and processes are familiar to farmers, however, we identify more work is needed to ensure the administrative and reporting burden associated with the scheme is greatly reduced. We are concerned that the increased complexity and reporting throughout the calendar year will lead to missed reporting deadlines and penalties and impinge of the previous excellent delivery of payments to Welsh farming.*

*NFU Cymru is also supportive of an online process for the Habitat Baseline Review which is easier and more cost effective to operationalise. However, ahead of implementation, full evaluation of the Habitat Wales Scheme must be undertaken and lessons must be learned.*

*In the development of scheme rules, Welsh Government must prioritise simplicity. NFU Cymru does not support proposals for scheme rules to be consistent with cross compliance with the addition of other legislative requirements. We highlight that a number of cross compliance requirements are underpinned by legislation, this is not the case for the Good Agricultural and Environment Conditions (GAEC). The assumption that farmers can simply absorb the costs associated with meeting cross compliance requirements in the absence of BPS is fundamentally flawed. NFU Cymru is extremely concerned about the mounting levels of anxiety within the farming community and calls for the establishment of an Independent Review Group to consider the cumulative burden of regulations and policies on Welsh farming businesses.*

*NFU Cymru supports a force majeure clause within scheme rules. We strongly believe there should not be penalties for minor breaches and administrative errors, warning letters should be used where possible. NFU Cymru believes that the independent appeals panel must continue to be a feature of the appeal process and the process should be strengthened and expanded.*

*Whilst NFU Cymru is supportive of targeted and integrated knowledge exchange, advice and incentives across a range of themes to drive forward productivity and improvements in economic and environmental performance, NFU Cymru does not believe that investment in advice and guidance provision to remedy an overtly complex scheme design represents good value for money. Future advice and guidance provision should not duplicate the current offer provided by the FLS and private agents.*

*Welsh farmers are likely to require significant scheme related support ahead of and during the transition to the Sustainable Farming Scheme. NFU Cymru would support the establishment of a government and industry implementation group to ensure the support is appropriate and fit for purpose.*

## 4. Payment Methodology

- **Funding**

Welsh Government has confirmed that it does not have budget certainty beyond the financial year 2024-25.

NFU Cymru recognises that all areas of Welsh Government expenditure continue to face unprecedented levels of strain and that the rural affairs budget is no exception to this. NFU Cymru warmly welcomed Welsh Government's announcement in December that the payment rates for the Basic Payment Scheme in 2024 would be the same as those in 2023 and 2022. In the context of the significant inflationary pressures and escalating costs, we believe that maintaining direct payments at the current rate should be a priority for Welsh Government given the economic, social and cultural benefits which accrue from supporting domestic primary production, providing much-needed certainty to a sector which is going through an extremely challenging time at present.

We are clear, however, that in order to meet our ambition to deliver sustainable growth of the food and farming sector, to further improve our environmental performance and the delivery of environmental outcomes for society alongside net zero, a well-funded, multi-annual budget for Welsh farming must be secured.

NFU Cymru strongly believes that support for agriculture, so vital to underpin our rural communities, represents a very good return on investment for the Welsh Government. The total Rural Affairs budget for 2023-24, including the Basic Payment Scheme at £238 million was originally set at £482 million, and represented 2.1% of a total Welsh Government budget of £22,968 million. In exchange for this very modest outlay, farmers look after over 80% of the geographical area of Wales and produce the safe affordable food we all eat. This food which also enjoys a fantastic reputation for quality, provenance and environmental credentials around the UK home nations and in a range of export markets near and far. By supporting Wales' farmers through the Basic Payment Scheme (BPS) in 2022 to the tune of £238 million, the sector produced a gross output of £2.1 billion in the same year. Investment in support for agriculture by the Welsh Government, therefore, produces a return on investment of almost £9 for every £1 given in support.

In terms of future funding, NFU Cymru has long been clear that '*not a penny less*' in line with Ministerial commitments means the value of Pillar 1 and Pillar 2 funds including the domestic co-financing obligation on Welsh Government for rural development together with the monies arising as a result of the Bew Review, in total circa £380 million per annum.

However, it is important to recognise that this figure is based on the EU budget which was set at the end of 2013 ahead of the 2014-2020 CAP programming period so its real terms value has been steadily eroded by inflation, particularly over the last two years which have seen very high rates of agricultural inflation. The Bank of England Inflation calculator for example, shows the BPS budget would need to increase by £79 million to £317 million just to keep pace with the inflation which we have seen over the last decade or so, or expressed another way, the budget is worth over 30% less in real terms than it was when it was set in 2013. The total CAP replacement funding of £380 million needs to increase to over £507 million – just to keep up with inflation.

We are clear, that if Welsh Government has genuine ambitions for environmental delivery beyond current levels, this ambition needs to be appropriately and sustainably resourced through the provision of a realistic, multi-annual funding commitment commensurate with the scale of this ambition. Farmers will only be in a position to invest in productivity and deliver environmental outcomes for society from a position of stability.



The confidence of Welsh farmers in Welsh Government's support for the sector has been rocked by the in year 7.8% budget cut to the 2023-24 Welsh Government Rural Affairs Budget in October followed by the 10.5% cut to the 2024-25 budget announced in December.

We reiterate our call from earlier consultation responses that a funding plan is needed to make the case to the Welsh and UK Treasury. The failure to undertake this work represents a fundamental failing in our view and leaves Welsh Government's Rural Affairs budget exposed and vulnerable, as demonstrated with the recent in year budget cut and subsequent cut to the 2024-25 draft budget which have dwarfed the cuts to other departments.

Given the scale of Welsh Government's ambition we strongly believe there are compelling arguments that the scheme, could in part, be funded from other budget lines, such as climate change (13% of Welsh Government's budget) recognising the contribution of agriculture towards the delivery of these policies.

Ahead of the next Westminster General election NFU Cymru will press all the main political parties to make funding available to support agriculture across the home nations for the length of the next Parliament. The budget made available should be uplifted to take account of the significant inflationary pressures we have been subject to over the last few years, whilst also taking account of the additional requirements and undertakings being asked of farmers in relation to food production, the environment and climate.

In conjunction with this funding commitment, we would like to see a corresponding commitment from Welsh Ministers that funds allocated by a future UK Government to support farmers are spent for those purposes and those purposes alone. We would see such a commitment on the part of Welsh Ministers as the natural corollary of the obligation the Agriculture (Wales) Act already imposes on Welsh Ministers at Section 11 regarding the preparation of multi-annual support plans giving information about the expected use of Welsh Ministers' powers to provide support under Section 8.

In summary, NFU Cymru is very much of the view that support for agriculture represents a good return on investment for Welsh Government, with a modest outlay of just 2% securing a host of positive benefits for Wales. Our view is that these funding allocations should be uplifted to take account of the fact that we are now over ten-years on from when the baseline was established. In the intervening time there have been periods of very high inflationary pressure together with the higher level of ambition Welsh Government now has for farming in delivering key climate and nature objectives alongside securing the stable supply of safe, high quality and affordable food.

Outside of the CAP and during this period of transition, we are concerned about the lack of transparency in relation to replacement rural development funding, including the £40 million Welsh Government domestic co-financing element. The annual budget for the Glastir area-based contracts, for example, was circa £34 million. As far as we are aware the budget for the replacement interim habitat scheme has not yet been published, if it is less than the £34 million allocated to Glastir, then how has the remainder of this funding been used to support farming. A similar level of clarity is sought in respect of the £20 million announced to support farmers with compliance with the Control of Agricultural Pollution Regulations (2021).

- **Payment methodology**

Welsh Government proposes to provide farmers with a Universal Baseline Payment for carrying out a set of Universal Actions. NFU Cymru's feedback on the practicality of the suite of Universal Actions proposed are set out earlier in this response.

We understand that the Universal Baseline Payment will be based on the area of the farm and made up of four separate payment categories; namely the maintenance of existing woodland, woodland

creation, habitat maintenance and a payment value per hectare covering all the other Universal Actions on the total eligible area. Our members have expressed profound disappointment at the omission of a specific payment category for food production.

Welsh Government has opted not to provide information on payment rates for the Universal Baseline Payment and this has been a source of very significant frustration within our membership; severely hampering our ability to consult properly on proposals. That Welsh Government expects farmers to properly analyse the proposed scheme and what they will be required to deliver in the absence of this basic information is quite honestly beyond comprehension.

We note that Welsh Government now proposes that the Universal Baseline Payment will be based on costs incurred / income foregone calculations. This proposal is wholly inconsistent with Welsh Government's stated position thus far and the findings at the co-design stage<sup>20</sup> which emphasised the need for sufficient funding to carry out the actions and sustain a viable farm business.

In 'Brexiteer and our Land' (2018), for example, Welsh Government stated that *'Glastir is limited, providing funding that is restricted to costs incurred and income foregone. This leaves insufficient incentive for participation'* and *'By supporting the delivery of public goods from land, Welsh Government's objective is to provide a valuable new income stream.....for the long-term'*.

In 'Sustainable Farming and our Land' (2019), Welsh Government identified *'providing a meaningful and stable income stream to farmers going beyond cost incurred, income foregone'* as a key objective to the scheme.

The Agriculture (Wales) Bill White Paper published in late 2020 stated *'the Sustainable Farming Scheme should reward farmers appropriately for the production of outcomes rather than compensate for the cost of inputs'* and *'We propose moving away from traditional agri-environment schemes which paid farmers on the basis of compensation for income foregone and additional costs incurred'*.

Welsh Government's SFS Outline Proposals in 2022 stated *'Payment rates will consider factors beyond a cost incurred, income foregone model and give farmers a fair and stable income'* and in developing a baseline payment, *'we will need to take account of a range of factors including outcomes, the cost to farmers for undertaking actions plus any necessary incentive to encourage uptake'*.

It is interesting to observe that simultaneous to making the above commitments, Welsh Government apparently commissioned a partnership of organisations led by ADAS to estimate farm-level costs of Universal Action delivery<sup>21</sup>. It is surprising to us that, despite the reassurances above, this study was undertaken on costs incurred / income foregone basis. The study identifies that this is a dominant basis for setting agri-environment payment rates despite acknowledged weaknesses. We remind Welsh Government, that the scope of the SFS is established in law and extends well beyond designing a replacement for Glastir.

NFU Cymru is shocked and dismayed that Welsh Government now expects farmers to deliver the onerous requirements of the Universal Action Layer on the basis of zero margin or incentive.

Even within the constraints of the cost incurred / income foregone payment methodology, recognition of the need to provide an element of incentive is well established. EC RDR 1257/99, for example, allowed an additional 20% of costs plus income foregone as an incentive.

<sup>20</sup> [Sustainable Farming Scheme Co-design final report \(gov.wales\)](#)

<sup>21</sup> ADAS: Potential economic effects of the Sustainable Farming Scheme. Phase 2 Report on estimating farm-level costs of Universal Action delivery (December 2022).

National Assembly for Wales Guidelines on Management Agreement Payments (2001) on SSSIs states the basis for calculating agreement payments must be based on income foregone, any additional costs resulting from the commitment and the need to provide an incentive to encourage positive management measures to be adopted.

Defra have also recognised the challenges that income foregone plus costs poses to farmers and, in 2021, confirmed that this was not always the most effective way to reward farmers.

Farmers the length and breadth of Wales have been aghast at Welsh Government's about turn on this issue and it has contributed significantly to the high levels of anger and frustration that has accompanied this consultation.

The economic position of farmers is set out earlier in this consultation response. This position and the role of the BPS in underpinning farm business viability, are matters that Welsh Government is fully cognisant of, as evidenced in earlier consultation responses and in annual Farm Business Income figures published by Welsh Government. That Welsh Government would wish to pursue a course of action that will leave a large proportion of farm businesses struggling for survival is inconceivable to us and entirely contradictory with the title of the consultation '*Keeping Farmers Farming*'.

In this context, NFU Cymru categorically rejects Welsh Government's proposal that SFS payments will be calculated on a cost incurred / income foregone basis. We are clear that farmers should be fairly rewarded for the environmental / public goods that they already deliver and will continue to deliver in the future. If Welsh Government wants to secure environmental delivery on Welsh farms, farmers cannot work for nothing and they need fair treatment by government. Payment rates need to be geared to provide meaningful income and incentive.

We note that Welsh Government suggests it is considering how payment rates can include factors beyond costs incurred / income foregone recognising the social value provided by the outcomes being delivered but this will take time. Farmers have expressed the view that Welsh Government has had plenty of time to do this work already. The fact that this work hasn't been prioritised demonstrates a very weak commitment from Welsh Government to provide fair reward to farmers in reality.

NFU Cymru's position is that the Universal Baseline Payment must go beyond costs incurred / income foregone, recognising the value to society of the actions being undertaken, including food production, by Welsh farmers and also incentivising the actions Welsh Government want undertaken on Welsh farms.

NFU Cymru notes Welsh Government's comments relating to capping and the suggestion that capping proposals would be consulted on through the stakeholder group in advance of the introduction of the scheme. NFU Cymru strongly believes all aspects of the scheme design should be subject of proper consultation and comprehensive modelling to understand the redistributive effects on individual farms businesses, as has been the case in past reforms of the CAP. Decisions relating to the final scheme design must be evidence-led. We identify that Welsh Government's decision to apply capping, without consultation and modelling, within the Habitat Wales Scheme is severely impacting some farm businesses and represents a substandard and unevicenced approach to policymaking.

Without prejudice to our stated position above and turning specifically to the cost incurred / income foregone for each of the four Universal Baseline Payment categories:

With respect to the Universal – Maintenance of existing woodland category, firstly as highlighted earlier in this response, NFU Cymru strongly rejects Welsh Government's assertion that it will be unable pay on SSSI land and we ask Welsh Government to look at this again.

In terms of the Universal – Woodland Creation, we note that Welsh Government proposes to cover the costs of managing the area of newly established woodland and the income foregone with regard to the area of additional newly created woodland. Welsh Government states the payment **may be** payable for up to 12 years from planting. It has not escaped our attention that tree planting undertaken under the Woodland Creation Scheme guarantees support for 12 years and it is unclear why Welsh Government is expecting farmers participating in the Sustainable Farming Scheme to undertake tree planting on unequitable terms.

With respect to the Universal – Habitat maintenance, we note Welsh Government proposes to cover the cost of managing existing semi-natural habitat and the costs (including income foregone) of creating and managing newly created temporary habitat. Again, our comments relating to Welsh Government's proposal to exclude SSSI land have been made earlier in this response. We strongly reject Welsh Government proposal.

Welsh Government also fails to consider what, in many circumstances, will be a significant devaluation of land values.

In respect of the Universal Actions, NFU Cymru is clear that the aspects Welsh Government is prepared to consider for the payment is far from comprehensive as shown by the examples in the following table:



Universal - Actions	Costs incurred and income foregone considered for the payment	Cost incurred and income foregone not currently considered could include
<b>UA1 - Benchmarking</b>	Data gathering and reporting time for Key Performance Indicators	Farmer time Gathering information including time with accountant / other advisers. Cleansing data Record input onto database. Programme and IT costs. Liaising with experts to discuss the data and findings. Benchmarking
<b>UA2 - Continuous Personal Development</b>	Time cost to complete mandatory learning	Cost of training attendance fee Farmer time including cost of cover labour. Not all learning courses may achieve the required pass mark first time. Travel time and cost. IT and internet connection costs. Farming is a skilled occupation and should be reflected in the rate per hour allocated.
<b>UA3 - Soil Health Planning</b>	Farmer time to undertake actions  Sample kit/postage costs	Format and mode of reporting will be critical in working out the farmer time. Will have to arrange replacement labour if doing the work himself. Farmer will need a suitable augur and testing kit. Some will choose professional to do the sampling work and this has to be factored in it costs incurred.  Lab fees can be significant per sample particularly where carbon is required to be measured.  Digging soil trenches and counting earthworms significantly adds to the costs incurred and need recognition in the payment for this action
<b>UA4 - Multispecies Crop Cover</b>	Costs of establishing and managing an appropriate cover crop	Establishment and termination. Machinery and labour costs, fertiliser for establishment, herbicide when crop is terminated. Alterations to the normal timing of field operations for subsequent land use in a rotation. Cropping sequency changes Obligation to have multispecies significantly increases the cost and may need more than one field pass. Value of the crop as feed or fodder likely to be minimal
<b>UA5 - Integrated Pest Management</b>	Planning and reporting time	Time allocation for each of the following collect, record and report. Reading of detailed guidance material related to safe use and application of pesticides and recording in office and pesticide store. IPM assessment will involve external advice and further reading of detailed guidance material
<b>UA6 - Managing heavily modified peat</b>	Costs of not exposing peat to additional degradation or erosion	Upfront capital works block grips and revegetating bare peat. Subsequent on-going management costs. Income foregone from displaced farming activities. Diversion of land from dairying or horticulture to extensive or no grazing (latter would also require scrub and invasive weed control). Reduced stocking on beef and sheep system. Fall in land value where drainage maintenance will not be allowed and incursion of rushes.
<b>UA9 - Designated Site Management Plans</b>	Farmer time for developing an appropriate management plan	Time involved here should not be underestimated. Involves one or often several site visits detailed discussion with more than one NRW staff member involving multiple visits before coming to an agreed plan. Subsequent regular scrutiny of that plan
<b>UA10 - Ponds and scrapes</b>	Ongoing costs of maintenance of scrapes and ponds  Costs of scrape creation  Costs of pond restoration	Costs of ponds and scrape creations and associated planning costs Pond / scrape maintenance cleaning inlets, debris, fallen trees, scrub clearance bank repair excess algal growth clearance. Feeder ditches maintenance Loss of Gross Margin as these must be created on improved grassland/arable fields. Field management costs will increase based on where they are sited. Liver fluke control cost Lamb losses Additional shepherding
<b>UA11- Hedgerow management</b>	Hedge management and small maintenance tasks e.g., gapping up	This will be a significant cost to bring all traditional boundaries up to the specified standard by year 5.  Extra cost for stockproof hedge/earth bank maintenance

<b>(include all traditional boundaries)</b>		<p>Extra cost for stockproof wall/ stone faced bank maintenance.</p> <p>Coppicing, hedge laying, hedge trimming, weed control gapping up hedges and walls, import of stones.</p> <p>Safeguarding of hedgerow trees during hedge maintenance – sapling cost, individual tree maintenance, additional cost of hedge trimming, tree care during spraying</p> <p>Buffer zone maintenance including reduction in stock carrying capacity.</p>
<b>UA14 - Historic environment – maintenance and enhancement</b>	Routine maintenance and management costs	<p>Scrub clearing and repairing erosion.</p> <p>Temporary fencing when work is being done.</p> <p>Re-siting of feeders</p> <p>Rabbit control</p> <p>Loss of production in not being allowed to drain and subsoil.</p> <p>Reduced stocking loss of income</p> <p>Restrictions on stone gathering from sites which could be used for gateways etc elsewhere on the farm.</p> <p>Derelict buildings wall capping costs to prevent further deterioration- this is a significant cost.</p>
<b>UA15 - Animal Health Improvement Cycle</b>	<p>Farmer time to meet with their vet</p> <p>Cost of vet visits</p> <p>Reporting time (e.g. antibiotic use)</p>	<p>Plan advice and implement which involves both the farmer and his vet and third parties and including lab fees and interpretation. Recording requirements are quite detailed and have to be factored in whether treatment involves one animal or a thousand animals often needing individual animal ID.</p>
<b>UA16 - Good Animal Welfare</b>	Farmer time to complete proficiency training and complete mobility and lameness scoring	<p>Time and skill requirements for doing condition scoring and lameness and mobility scoring should not be underestimated. It must be done across the whole of the herd or flock with an additional split of potentially several different groups. Subsequent discussion with the vet needs to be factored in as is the cost of treatment management changes, culling or feeding that will be required following the action.</p>
<b>UA17 - Good Farm Biosecurity</b>	<p>Farmer time to meet with their vet</p> <p>Cost of vet visit</p> <p>Adherence to biosecurity plan (e.g., cleansing and disinfection, monitoring)</p> <p>Farmer time to review and revise biosecurity plan</p>	<p>Costs incurred will vary enormously as to what capital spend must be incurred to meet UA. Wash stations what type and how many. Length of fencing to make farm perimeter stockproof. Cost to farmer of vet visits ongoing adherence cost disinfection clothing etc and a regular review of the plan. Significant differences depending on type and number of enterprises on the farm.</p>
<b>Carbon Calculator</b>	Farmer time to complete	<p>Farmer time can be significant to complete. Data collection significant</p> <p>If Welsh Government decide that only a specified calculator is used this means starting from scratch for many.</p> <p>Calculators need expert advice during inputting data and subsequent interpretation of the data will be an incurred cost.</p> <p>Costs will be very different if calculator must be done every year or done in the first or last year of the agreement. This is not clear in the consultation.</p>

Overall NFU Cymru is clear that the payment methodology as currently proposed is unequal and discriminatory towards certain groups of farmers including tenant farmers, farmers with common land and farmers managing SSSI land.

Proposals for the Universal Baseline Payment based on cost incurred / income foregone converted into an area based payment has the potential to discriminate against smaller farms where the costs of delivering 17 Universal Actions are likely to greatly exceed the area payment received.

We are highly concerned that Welsh Government's proposed payment methodology does not provide the replacement income stream to farmers that it has promised. We are clear that farmers will be

unable to participate in the scheme if economic sustainability is not put on an equal footing with the environmental outcomes Welsh Government wants farming to deliver.

The payment methodology also takes no account of the value of the data provided by farmers to government. Asking farmers to pass over the ownership of this valuable data to government without paying for the data is unacceptable. Proposals are also almost entirely silent on the matter of capital grants to support the high investment costs of participating in the scheme particularly in the first year. It is not realistic to expect farmers to pay these costs without capital grant support across the relevant Universal Actions.

Welsh Government's proposal to review costs incurred and income foregone following consultation and routinely as part of the scheme development will provide cold comfort to farmers. A payment methodology based on this approach is wholly inadequate and cannot be supported.

- **Stability Payment**

NFU Cymru has long highlighted the need for future policy to be oriented around the three cornerstones of productivity and environment underpinned by measures to provide stability and address volatility. Farmers are subject to significant levels of income volatility driven by environmental, economic and political factors completely beyond their control. Recent events such as the global pandemic, the tragic war in Ukraine, economic instability, escalating costs and trade policy as well as extreme weather events have highlighted that volatility / instability is as much an issue today as it has ever been.

The importance of the current mechanism for providing stability to farm businesses – the Basic Payment Scheme – is widely understood. Welsh Government, in its 'Brexit and our Land' consultation (2018) highlighted the significant role that CAP support plays in the financial viability of medium and large farms.... *'forming the major component of farm business income'*<sup>22</sup>. In December 2023, the Minister for Rural Affairs, Lesley Griffiths MS prioritised maintaining the BPS ceiling at £238 million for 2024 despite the significant pressures across Welsh Government budgets<sup>23</sup> - a move that was very much welcomed by the industry.

On this basis, NFU Cymru has continually emphasised the need for future policy to include a stability payment; we are clear that it is only from a position of economic stability that farmers can continue producing high quality, affordable food for consumers, deliver environmental outcomes for society and invest for the future.

NFU Cymru is, therefore, extremely disappointed with Welsh Government's derisory attempt at a Stability Payment within proposals which are wholly inadequate and not fit-for-purpose. Concerns are compounded by Welsh Government's disregard of the need to provide an element of economic stability via the Universal Baseline Payment which is entirely absent within a cost incurred / income foregone payment structure. We are clear that to describe what Welsh Government currently proposes as a Stability Payment is highly misleading. It is anything but stable and provides no stability to farm businesses<sup>24</sup> given that it is declining to zero within a very short period of time. This is not a stability payment, it is a transitional payment between two fundamentally different schemes. Even less stability is provided for many tenant farmers, farmers with common land and SSSI sites who face the prospect of much reduced or zero Universal Baseline Payment on part of their holdings.

We highlight that the stability of thousands of farm businesses has already been impacted by the transition to the current system of direct support from the Single Payment Scheme to the BPS and

<sup>22</sup> [Brexit and our land - securing the future of Welsh farming \(gov.wales\)](#)

<sup>23</sup> [Written Statement: Publication of Basic Payment Scheme \(BPS\) financial budget ceiling for 2024 and BPS 2023 balance payments \(19 December 2023\) | GOV.WALES](#)

<sup>24</sup> Stability – a situation in which something is not likely to move or change (Cambridge Dictionary)

bringing all entitlements to a flat rate by 2019; the Glastir 'cliff edge' compounded by the fact that inflation has significantly eroded the real terms value of what is, in effect, levels of support that were established over ten years ago. The resilience of many farm businesses has already been tested to the absolute limits.

We question whether the 'Stability Payment', which it is proposed, will reflect last year's BPS payment rate will be sufficient to induce farmers over to the SFS and Welsh Government seems to be ignoring the high costs, effort and administrative burden of delivering the Universal Actions.

Our vision for transition was for an evolution from the BPS to the SFS with the stability payment (BPS) maintained but additional sustainability actions and indicators added onto the stability payment incrementally from 2025.

Finally, we note that Welsh Government suggests that the proposed payment methodology provides flexibility to reflect future changing budget scenarios and priorities. We do not believe this statement aligns with the obligations on Welsh Ministers set out at Section 11 in the Agriculture (Wales) Act 2023 and highlight that this provides absolutely no certainty to participating farmers. It is perverse that, at the same time, Welsh Government is expecting those same farmers to make a permanent commitment to land use change, limiting their ability and that of future generations, to make a living from the land in perpetuity. On this basis alone, we believe it is totally unrealistic for farmers to enter the scheme as currently proposed.

Overall NFU Cymru's position is that stability must mean stability. A long-term commitment to a stability payment within the SFS is needed that recognises the economic, environmental, social and cultural contribution that Welsh farming makes to society and to underpin the resilience of food production in Wales and the continued secure supply of high quality, safe and affordable food from Wales.

## Summary

*NFU Cymru has long been clear that, in order to meet our ambition to deliver sustainable growth of the food and farming sector, to further improve our environmental performance and the delivery of environmental outcomes for society alongside net zero, then a well-funded, multi-annual budget for Welsh farming must be secured. In terms of future funding, 'not a penny less' in line with Ministerial commitments means the value of Pillar 1 and Pillar 2 including the domestic co-financing obligation on Welsh Government together with the monies arising as a result of the Bew Review, circa £380 million annually. Taking inflation into account this needs to increase to over £507 million. The Rural Affairs Budget is just 2% of the Welsh Government's overall expenditure currently and we are clear that a budget is needed that matches the scale of ambition for Welsh farming with compelling arguments for the scheme to receive funding from other budget lines such as climate change.*

*Welsh Government's decision not to provide information on payment rates for the Universal Baseline Payment within the consultation has been the source of very significant frustration. Current proposals to base the Universal Baseline Payment on cost incurred / income foregone calculations are wholly inconsistent with Welsh Government's stated position thus far and has left farmers aghast. That Welsh Government would wish to pursue a course of action that will leave a large proportion of farming businesses struggling for survival is inconceivable to us and entirely contradictory with the title of the consultation 'Keeping Farmers Farming'. NFU Cymru categorically rejects this proposal and is clear that the Universal Baseline Payment must go beyond cost incurred / income foregone and provide meaningful income and incentive recognising the value to society of the actions being undertaken by Welsh farmers. A Welsh Government cross departmental group with key stakeholder involvement is also needed to consider how payment rates for the Universal Baseline Payment can properly recognise the social value of the outcomes being delivered that extends beyond*



*environmental public goods. No decision on payment rates can be made until this work has been completed.*

*NFU Cymru has also continually emphasised the need for future policy to include a stability mechanism and we are clear that Welsh Government's derisory attempt at a stability payment within proposals are wholly inadequate and not fit for purpose. Concerns are compounded by Welsh Government's disregard of the need to provide an element of economic stability via the Universal Baseline Payment which is entirely absent within a cost incurred / income foregone payment structure. We are clear that to describe what Welsh Government currently proposes as a 'Stability Payment' is highly misleading. It is anything but stable and provides no stability to farm businesses given that it is declining to zero within a very short period of time. Even less stability is provided for many tenant farmers, farmers with common land and SSSI sites who face the prospect of much reduced or zero Universal Baseline Payment on part of their holdings.*

## 5. Transition Period

Welsh Government proposes the Transition Period will commence in 2025 and end in 2029.

NFU Cymru's position has been and remains that the transition should not be attempted until all relevant aspects are ready to commence the transition process (including the development of policy, the application process and IT systems). We also believe the transition cannot start until there is confidence that new schemes provide the same level of stability to farm business, our rural communities and the supply chain as the BPS currently does.

Based on current proposals and the economic analysis provided in Chapter 8 of the consultation, NFU Cymru does not have that confidence. We also question whether a transition which, in reality, is four years not five, provides sufficient time for farm businesses to adapt. In this context, NFU Cymru strongly believes that retaining flexibility over the start date, duration and flexibility to pause the transition would be prudent to safeguard jobs.

- **Optional Action Layer**

NFU Cymru has long recognised the need for the Sustainable Farming Scheme to include a higher tier of actions that farmers can opt to deliver over and above the Universal Action Layer.

The Optional Actions, we expect, to be more complex and targeted than the Universal Action Layer and it is at this level that NFU Cymru believes that on-farm specialist advice may be needed. From past experience we would like to see contracts for delivery at the Optional Action Layer developed in partnership with the farmer and based on what is practically achievable on the ground. NFU Cymru would also support a strong emphasis on measures that improve on-farm productivity including capital grant funding alongside support to deliver environmental outcomes.

Whilst the delivery mechanism for the Optional Action Layer is unclear, we do have some concerns about the complexity of a model based on the current Rural Investment Schemes approach (plethora of different schemes, application windows and deadlines) which will further add to the administrative burden on farmers participating at the Universal Action Layer.

NFU Cymru is concerned that based on the information provided proposals for the Optional Action Layer of the scheme have progressed little from earlier consultations and will require proper consultation when proposals are further developed.

- **Collaborative Action Layer**

Limited information is provided within the consultation on the Collaborative Action Layer of the scheme which Welsh Government say will support a range of activity including landscape scale action, innovation and knowledge transfer, co-operation and added value.

Welsh Government has opted not to set out the proposed eligibility criteria, previously suggesting that just two farmers would be required to be part of a collaborative project supported under this measure. Whilst NFU Cymru recognises the role of collaboration, we are clear that within the Sustainable Farming Scheme the focus should be on ensuring that action is farmer-led and pressures to design approaches more suited for eNGOs should be strongly resisted. The Sustainable Management Scheme, for example, proved largely inaccessible for farmers and projects funded via this approach and led by environmentalists were accompanied by high management / administration costs and comparatively lower levels of action on the ground and so did not represent good value for money in general.

Great care will also be needed to ensure that knowledge transfer and innovation activity does not duplicate or replicate the activities of other providers such as the levy bodies who receive funding from farmers and who have an industry development role as part of their remit.

Similarly, whilst respecting that Welsh farming underpins a multi-billion pound food and drink sector in Wales, NFU Cymru believes that added value and supply chain opportunities are of such importance to the wider economy of Wales that investment in such projects to, for example, increase levels of local and regional processing should be prioritised in regional economic funding streams in line with a comprehensive farm to fork food strategy with ambitious targets for the sustainable growth of the food and farming sector. Rather than the SFS investing in the supply chain directly, we identify the most important objective of the policy from a supply chain perspective should be maintaining and enhancing levels of production on farm so that critical mass is maintained and the investment that Welsh Government has made in the supply chain previously is protected.

- **Rural Investment Schemes**

Ahead of the introduction of the full Optional and Collaborative Action Layers, Welsh Government proposes to continue to deliver a range of procured and demand-led agricultural and environmental schemes, subject to budget availability. We note the examples provided and we ask Welsh Government to provide the objective criteria by which schemes will be prioritised. With the falling away of comprehensive rural development programming, we identify that strategic planning, effective scrutiny and oversight is lacking. We are concerned that the recent budget cuts to the Rural Affairs Budget announced by Welsh Government in October and December appear to have impacted on the Rural Investment Schemes budget hardest. This does not engender confidence in government support for investment activities on farm.

A number of examples, we suggest, are targeted less at farmers and more at other actors such as eNGOs. We are also confused at Welsh Government's reference to the Animal Health and Improvement Cycle Pilot which we understand will involve a small number of vets (22) each working with three farms to test the deliverability and scalability ahead of the SFS introduction in 2025.

Overall, we identify that Welsh Government appears to propose that the Optional Action and Collaborative Action Layers can be used as mechanisms to address the failings in design at the Universal Action Layer, for example, in respect of common land and SSSIs. This is totally unacceptable and, in reality, there is a lack of meaningful information within the consultation on timeframes, budgets and payment methodology to provide anything like the much-needed level of reassurance to farmers. On this basis, you cannot blame farmers in this situation from delaying the transition to SFS for as long as possible. Welsh Government's suggestion to prioritise access to the Optional Action, Collaborative Action as well as the transitional schemes to those who have joined the SFS seems unfair and further disadvantages farmers who are already disadvantaged by scheme design. There is also a lack of clarity about how this proposal would see groups of farmers treated, for example, on common land some of whom may have transitioned to SFS and others may not.

## Summary

*NFU Cymru's position is that stability must mean stability and a long-term commitment to a Stability Payment within the Sustainable Farming Scheme is needed. NFU Cymru is also clear that the transition to new schemes should not be attempted until all relevant aspects are ready to commence the transition process (including the development of policy, the application process and IT systems). The transition cannot start until there is confidence that the new scheme provides the same level of stability to farm businesses, our rural communities and the supply chain as the BPS currently does.*

*NFU Cymru is concerned that based on the information provided proposals for the Optional Action and Collaborative Action Layers of the scheme have progressed little from earlier consultations and*

*will require proper consultation when proposals are further developed. Welsh Government's proposal to prioritise access to the Optional Action, Collaborative Action as well as the transitional schemes to those who have joined the SFS seems unfair and further disadvantages farmers who are already disadvantaged by scheme design.*



## 6. Basic Payment Scheme

The importance of the Basic Payment Scheme to the majority of farmers as a major component of farm business incomes is well known. This is particularly the case in Wales where smaller family farms tend to predominate and where around 80% of agricultural land is designated Less Favoured Area (LFA). The challenging climate and terrain limit the range of products from these areas and their remoteness means they are isolated from markets, with infrastructure and services logistically more difficult.

The proposal is that the BPS will be phased out over the transition period to zero in 2029 to be replaced by the SFS which is to be the primary long-term mechanism of support for the agricultural industry in Wales. In reality, as we have highlighted earlier in this response, the payment methodology for the SFS as currently proposed is not a support mechanism and there is no commitment from Welsh Government to provide the long-term stability measure that is needed to replace the BPS. On this basis, NFU Cymru cannot support the proposed model of tapering which is too rapid and allows insufficient time for farm businesses to adjust.

We also note that previously, in its response to co-design, Welsh Government made a commitment to test new approaches to make sure they work before removing existing support.

In terms of BPS entitlements and proposals to restrict the transfer of BPS entitlements, we identify that, ahead of the rules being published later this year, more scenario planning would be beneficial to ensure that no-one is disadvantaged through no fault of their own.

### Summary

*The importance of the Basic Payment Scheme to the majority of farmers as a major component of farm business income is well known. On the basis of Welsh Government's proposed payment methodology for the Sustainable Farming Scheme and diminishing stability payment, NFU Cymru cannot support the proposed model of tapering for the BPS which is too rapid and allows insufficient time for businesses to adjust.*

## 7. Regulations

NFU Cymru understands and accepts the need for sensible and proportionate regulations not only as a government tool for controlling, directing, or managing an activity, but also as a means to protect the environment, human and animal health, and consumers' economic interests. Farming and food production intersect with many of these areas and therefore attracts a range of different regulations often from a range of different regulators.

Good regulation promotes the fundamental value of an economic activity by setting enabling rules while applying appropriate controls on that activity so that the risk of harm, economic or otherwise, is minimised. While an absence of regulation might lead to a failure to control risky behaviour, it should also be noted poorly drafted or implemented regulation can lead to burdens on business that are disproportionate to the benefit derived.

Such rules may restrict businesses from undertaking activities that are valuable to society, create perverse impacts, or fail to provide the protections intended. NFU Cymru wants to see a regulatory environment that encourages sustainable business growth and investment.

Given the extent that regulation influences farm practice, it is not surprising that farmers have had their fair experience of bad regulation NFU Cymru has therefore long campaigned for reform. Calls for regulatory reform do not necessarily mean an opposition to regulation but rather a desire to see the details of design and implementation of regulation improved. Many potential issues that we come across are a result of poor design or implementation, rather than any inherent failure in the identification of an issue requiring a regulatory solution.

Farmer confidence surveys undertaken by the union have repeatedly shown most farmers believe that regulation and legislation have a negative effect on their businesses. Poor regulation is characterised by approaches that have not engaged in advance with businesses to consider how regulation is best targeted or implemented. Often it is related to administrative burdens that are disproportionate to the desired outcome, regulation that damages productivity and regulation that often appears to unnecessarily tie up both the farmers and regulators' time in what would otherwise be avoidable work.

Whenever Welsh Government regulate, they need to consider any areas of regulatory duplication as well as overlap between regulators and their work, the coherence between different regulations, as well as the lack of information, misunderstanding and misinterpretation which often surrounds regulation.

Having left the European Union there is of course now a scope for regulatory divergence between the UK home nations which did not exist when we were part of the EU. NFU Cymru is of the view any race to the bottom in terms of standards of animal and human health and protection of the environment amongst the home nations should be resisted. That does not however mean that the desirable corollary to this is to increase the regulatory baseline, and we would suggest that Welsh Ministers should be very careful about any ratcheting up of standards in Wales, particularly if the regulatory baseline in the other home nations is standing still or indeed is falling. To demand higher standards of Welsh farmers than those standards which might be operative in other parts of the UK will only serve to place Wales' farmers under a competitive disadvantage, particularly when we consider the impact of the UK Internal Market Act 2020.

As a Union we opposed the approach of the Retained EU Law Act 2023 on the basis that we considered what was set out in the Act to be haphazard, unpredictable, and risky. We do though recognise that our departure from the EU has opened up some possibilities in terms of regulatory reform, and we believe that there is now an opportunity for Welsh Government, working with

stakeholders such as NFU Cymru to look at regulatory requirements which are redundant (and can be done away with), which may overlap or be duplicated between bodies or which can be reformed and simplified.

NFU Cymru believes that rules should be designed in such a way that reflects how farm businesses operate in practice. Failure to do so can result in issues with compliance or unnecessary artificial changes to farm activity. We therefore welcome the intention stated in the second paragraph of Chapter 7 which speaks of support schemes which are more responsive, adaptable, and flexible to meet the needs of our Welsh agricultural industry.

As a union, NFU Cymru is opposed to the publication of information about support. We would like to take this opportunity to re-state our position that if Welsh Government is minded to publish information about levels of support paid, then we would ask that a de minimis threshold of £1250 is introduced, with recipients of sums below this threshold published in an anonymised format only.

NFU Cymru accepts and understands that where public money is spent there should be mechanisms to ensure that it is spent correctly and that on occasion this will involve the use of appropriate checks. Checks should not be conducted in an insensitive or heavy-handed manner and we would also add that any check and penalties applied should be proportionate.

We note and understand that the content of secondary legislation is not being consulted upon as part of this consultation. We would however ask that when it comes to the exercise of regulation making powers under Sections 10 and 12, and indeed the exercise of any regulation making power under the Agriculture (Wales) Act, that the Welsh Government consult fully with stakeholders on proposed regulations before any draft is laid before the Senedd.

NFU Cymru would also make the point that where data is collected in supporting of monitoring the impacts of a scheme, that the strongest possible safeguards are put in place around the collection, processing, retention, and handling of such data. Further consideration must be given in relation to how data will be used, the privacy of the data considering GDPR and FOI legislation, and the value of the data being provided by farmers in relation to government needing this data to meet its statutory obligations.

It is highly concerning that Welsh Government's approach to secondary legislation and scheme rules gives wide-ranging powers to Welsh Government to unilaterally and fundamentally alter scheme requirements and rules. For example, the tree cover rule could be increased in the future.

NFU Cymru reiterate the need for the establishment of an Independent Review Group to consider the cumulative burden of regulations and policies on Welsh Farming Business also taking into consideration the wider economic and political context.

## Summary

*Farmer confidence surveys undertaken by the union have repeatedly shown most farmers believe that regulation and legislation have a negative effect on their businesses. NFU Cymru wants to see a regulatory environment that encourages sustainable business growth and investment and believes rules should be designed in such a way that reflects how farm businesses operate in practice.*

*We note and understand that the content of secondary legislation is not being consulted upon as part of this consultation. It is highly concerning to us that Welsh Government's proposed approach to secondary legislation and scheme rules gives wide-ranging powers to Welsh Government to unilaterally alter scheme requirements and rules.*

## 8. Evidence

Good and effective policy making relies on strong and robust evidence and analysis to inform and underpin it. Our reflections on the evidence and analysis undertaken thus far is that it focusses, in the main, on the environmental outcomes delivered via the scheme. It reflects neither the SLM objectives of the Agriculture (Wales) Act or the well-being goals of the Well-Being of Future Generations Act. There is need for the evidence and analysis to provide equal recognition and align with the SLM outcomes including food production, the role of farming in helping rural communities to thrive, the resilience of agricultural businesses, sustaining the Welsh language and landscape.

Other countries know and appreciate the social value of a stable supply of food, that is why there continues to be a robust Common Agricultural Policy in the EU and we identify that a Welsh Government cross departmental group with key stakeholder involvement is needed to consider how payment rates for the Universal Baseline Payment can properly recognise the social value of the outcomes being delivered that extends beyond environmental public goods.

NFU Cymru would highlight that in the most recent CAP Reform policy development period (2011-2015 CAP Reform period) just such a group was established involving key stakeholders alongside Welsh Government policy officials from a range of departments. This group was responsible for commissioning work and analysing and refining all papers produced against a set of clear objectives that had been agreed by the group.

The group undertook extensive work modelling a wide range of different scenarios with the aim of seeking to minimise disruption for Welsh agriculture against a backdrop of significant uncertainty. Stakeholders and government found great value in this group and the outputs achieved. This is in stark contrast to our involvement in the evidence supporting this consultation paper which has involved one meeting by Welsh Government officials at which the completed evidence was presented to stakeholders.

There is still an opportunity to address this issue and NFU Cymru is committed to providing the resource necessary to support government if such a group were to be established.

A key and immediate piece of work would be to commission a socio-economic assessment to:

- Assess the impact on Welsh farming, rural communities and the wider supply chain of the withdrawal of the BPS.
- Assess the impact of the current SFS proposals on Welsh farming, rural communities and the supply chain.

We are clear that no decisions on next steps should be undertaken until the economic assessment has been completed.

For the longer term we would ask that Welsh Government commit to the establishment of a food, farming, rural businesses and supply chain impact assessment and modelling programme that provides the same level of detail and advice that the ERAMMP model provides for the environment.

NFU Cymru recognises and values the work undertaken by ERAMMP, we have firsthand experience of this based on our involvement in the Brexit Scenarios work that modelled changes in land use in a range of post Brexit trade scenarios. It is worrying that no similar level of modelling or analysis has been undertaken to model the economic, social and cultural impact of policy interventions by government in relation to the SFS.

The Welsh Government commissioned agricultural economic modelling research from an ADAS-led consortium paints a truly shocking scenario for Welsh Agriculture. Whilst we respect that Welsh



Government are at pains to point out that this work was undertaken on an earlier version of the proposals and whilst we fully respect that any modelling and impact assessment must make a number of assumptions, nevertheless, it is hard to fathom how Welsh Government has not taken greater consideration of this work in advance of publishing what they term the final consultation on this issue. The failure to address this matter gives the impression that Welsh Government are at best prepared to accept this scenario becoming a reality or at worst, complicit in seeing this as a scenario that meets their policy aspirations.

Welsh Government have told us that the modelling undertaken assumed stock exclusion / reduction limits present in earlier versions of the proposals that are not now in the current proposals. Whilst that may be the case, it would be our opinion that the outcomes being sought by Welsh Government have not changed and therefore whilst the current consultation may not explicitly request stock exclusion / reduction the reality is that to achieve the outcomes required this will still be the case.

We note that in the First Minister / Minister statement dated 27 February 2024 makes reference to an updated economic analysis being undertaken. Without prejudice to our comments above in relation to the need for a more comprehensive economic analysis we question how different the results will be if the modelling is repeated on the current proposals.

It is clear from reading the evidence published in relation to the economic effects of the Sustainable Farming Scheme that Welsh Government continue to view the scheme through the lens of an agri-environment scheme rather than as a replacement for all Pillar 1 and Pillar 2 schemes of the CAP. This is a critical weakness.

By not including fixed costs / capital costs in the costs incurred / income foregone methodology a significant element of a farming business' costs in complying / undertaking actions within the SFS are excluded. It is also clear that the work undertaken shows the weakness of what Welsh Government term a 'Universal Action' when many of the actions are not 'universal' to all. An example of this being the use of the average cost of complying with UA4 (Multispecies Cover crop) across all farm types being unfair on arable growers who will bear the full costs of undertaking such a requirement. Similar examples exist for many other Universal Actions reiterating our call for the Universal Actions to be truly 'universal'.

Our position with regards to Welsh Government's decision to base the Universal Baseline Payment solely on a costs incurred / income foregone methodology are made in our comments in relation to Chapter 6 of the consultation and will not be repeated here. Save to say that we believe Welsh Government have ample opportunity to consider innovative ways to go beyond costs incurred / income foregone. For example, the UK allocation under the WTO Agreement on Agriculture (AoA) for 'Amber Box' support provides ample headroom for Welsh Government to consider making use of this support mechanism. 'Amber Box' support comes under the WTO Aggregate Measure of Support (AMS). The UK has a limit of some €6 billion under the AMS deriving from the allocation we received on our departure from the EU. The levels of funding we would require in Wales to provide a genuine incentive / margin for the Universal Baseline Payment, even if use of the Amber Box was required, would be relatively insignificant set against the total headroom that the UK has secured.

Throughout the consultation period NFU Cymru has engaged closely with supply chain partners. Many attended our roadshows, a number have invited us for further discussions on the proposals and on the 27 February nearly 100 different supply chain organisations attended a meeting hosted by NFU Cymru to discuss the impact of the current proposals beyond the farm gate. The organisations we have met range from local agricultural contractors to machinery dealers and vet practices up to the major milk and meat processors, food service companies, banks, and retailers. We have met with representatives of a significant proportion of the £8.1 billion food and drink supply chain, who employ 233,500 people in addition to those businesses who rely on the £1.4 billion annually that farmers spend on key inputs and services.

There is widespread concern at the impact the proposed SFS could have on the entire supply chain, with Welsh Government's own impact assessment predicting a £200 million hit to farm income and around 11% less livestock in Wales, every business could see the negative consequences this could potentially have for their businesses. We must have a policy which protects jobs on farm and within the wider supply chain.

The future prosperity of the agri-food supply chain is not just an issue for rural Wales, the sector has successful thriving businesses the length and breadth of Wales, located in and employing people from rural and urban Wales. The consequences of a Sustainable Farming Scheme that impacts on Welsh farming's productive capacity will likely have a similar impact on the whole agri food supply chain.

Welsh dairy production is worth almost £850 million to the Welsh economy and accounts for almost half (47%) of the total output of Welsh agricultural production. Around 50% of milk produced in Wales is processed in Wales, the sector supports 1,250 jobs in the wider dairy manufacturing sector. If the modelling undertaken became a reality on Welsh farms, then it could see Wales producing over 368 million litres less milk. To put this into context, that is equivalent to taking over 648 million pints of milk off the shelves around the world.

PGI Welsh Lamb and Beef exports are worth around £270 million to the economy of Wales. We have a global reputation for quality, and we have an ambition to grow both volume and value of high quality, climate-friendly PGI Welsh Lamb and Beef in both current and new export markets across the globe. Welsh Government's own economic appraisals put the value of the Welsh meat and meat products sector at £1.4billion, with 64 business units located across Wales and 6,000 employed in these units. Many of these plants rely on a critical mass of produce so cannot afford to see a reduction in stock numbers from farms in Wales.

Specific modelling is needed to understand the impact of proposals on the supply chain.

Analysis presented on the social value of outcomes is flawed in that it considers only the values associated with environmental outcomes delivered via the scheme. It reflects neither the SLM objectives of the Agriculture (Wales) Act or the well-being goals of Well-Being of Future Generations Act. In determining social value, Welsh Government will also require analysis on wider social values to align comprehensively with the SLM outcomes including food production, the role of farming in helping rural communities to thrive, the resilience of agricultural businesses, sustaining the Welsh language and landscape.

Welsh Government state that it is still their intention to consider the social value in their payment methodology, but they say it will take time to get right. If that is the case, then the SFS should be paused until such time as it is possible to get this right. Providing equal access and reward with no postcode lottery for the benefits to society farmers are undertaking through their participation in the Sustainable Farming Scheme alongside a long-term stability payment to recognise the economic, environmental, social and cultural contribution that Welsh farming makes to society and the resilience of food production in Wales are so important that the transition to the SFS cannot begin until these matters have been resolved.

## Summary

*Good and effective policymaking relies on strong and robust evidence and analysis to inform and underpin it. Our reflections on the evidence and analysis undertaken thus far is that it focusses, in the main, on the environmental outcomes delivered via the scheme. There is need for the evidence and analysis to provide equal recognition and align with the SLM outcomes including food production, the role of farming in helping rural communities to thrive, the resilience of agricultural businesses, sustaining the Welsh language and landscape.*

*A policy is needed that protects jobs in farming and the supply chain and Welsh Government must commission socio-economic assessments to understand the impact on Welsh farming, rural communities and the wider supply chain of the withdrawal of the BPS together with the impact of SFS proposals. NFU Cymru is clear that no decisions on next steps can be undertaken until this economic assessment has been completed and considered in regular SFS meetings with the Minister and NFU Cymru leaders.*

*For the longer term, NFU Cymru would ask that Welsh Government commit to the establishment of a food, farming, rural business and supply chain impact assessment and modelling programme that provides the same level of detail and advice that the ERAMMP model provides for the environment.*

## 9. Data Processing and Reporting

Part 3, Chapter 1 of the Agriculture (Wales) Act 2023 provides Welsh Ministers with powers to enable data to be collected from the agricultural sector. We note that Welsh Government indicates that it may share information collected with a range of government agencies and data will be managed and used by Welsh Government in accordance with legal obligations including the Freedom of Information Act 2000, Data Protection legislation and Environmental Information Regulations 2004. NFU Cymru is disappointed that compliance with the relevant data protection legislation was not set out explicitly within the provisions of the Act.

Farmers have a long track record of supplying a range of data as part of the requirements of receiving support under various CAP schemes such as the Basic Payment Scheme and Glastir and in return for providing this information (amongst other outcomes) the farmer has received payment.

In the development of both the Agriculture (Wales) Act and the Sustainable Farming Scheme, NFU Cymru has emphasised that any data collection should only be if it is absolutely necessary and proportionate to the purposes for which the data is required. Thought should be given to the burden placed on farm businesses to provide the data.

With the publication of Welsh Government's consultation, the extent of the data provision requirements for SFS participants has become much clearer. The requirements of a number of the Universal Actions including UA1, UA3, UA5 and UA16 mean that both the volume and level of detail are an order of magnitude greater than existing scheme requirements. Many farmers feel this is highly intrusive. The purpose for the data collection in many instances has been poorly explained and there is significant opposition to pass ownership of valuable data from farmers to government. Welsh Government must be clear with whom data collected will be shared and why it needs to be collected.

Whilst we accept, in principle, that data collected may be considered essential for compliance with the scheme and other data may be requested by government to support farm businesses to improve their performance, NFU Cymru remains absolutely clear that where data provided to Welsh Government has value, for example, in evidencing national and international reporting obligations, then this data should have a value attached to it and be included within the Universal Baseline Payment. Based on the information provided on the payment methodology in Chapter 4 this does not appear to be the case.

NFU Cymru is also extremely concerned that, once provided to Welsh Government, private information about farm businesses may be subject to information requests by individuals and campaigning groups with an anti-farming agenda. The administrative burden associated with a greater volume of subject access requests in future also merits consideration. Welsh Government has also not set out its proposals for data retention in relation to the scheme. Overall, much closer analysis of the data requirements associated with the scheme is needed with this in mind.

Welsh Government will also be aware of past data breaches that have exposed farming families to an unacceptable burden of anxiety and risk. It is also possible that data provision associated with the scheme could undermine the market, for example, where processors or retailers currently support and reward producers for the provision of carbon assessment related data.

NFU Cymru also believes that the administrative burden on farm businesses associated with the Universal Action Layer are excessive and should be streamlined. Welsh Government needs to remember that it is also proposing that existing cross compliance, and with it a significant record keeping burden, are moved across to scheme rules for the scheme.



Proposals for data submission to RPW online and the Welsh Government online portal described under Universal Action 1 adds an additional layer of complexity. A strategy for the digitally excluded is also needed.

- **Reporting, monitoring and evaluation**

In terms of information gathered to determine how well the scheme is working from an operational perspective, making adjustments where necessary etc, NFU Cymru identifies it is important that Welsh Government embeds this level of flexibility into the scheme design so lessons can be learned.

NFU Cymru would suggest the continuation of the RPW stakeholder group which has been invaluable in supporting the delivery of CAP schemes. In addition to the monitoring of information provided by scheme participants, Welsh Government should also collect basic data relating to monitoring, breaches, enforcement, appeals etc recognising that breaches, rather than reflecting on the farmer can be reflective of poor scheme design. We also strongly believe that external scrutiny in an advisory capacity is needed that is able to support delivery given that Senedd scrutiny will be largely retrospective.

#### Summary

*The requirements of a number of the Universal Actions including UA1, UA3, UA5 and UA16 mean that both the volume and level of detail are an order of magnitude greater than existing scheme requirements. Many farmers feel this is highly intrusive. The purpose for the data collection in many instances has been poorly explained and there is significant opposition to pass ownership of valuable data from farmers to government.*

*In the development of both the Agriculture (Wales) Act and the Sustainable Farming Scheme, NFU Cymru has emphasised that data collected by Welsh Government is absolutely necessary and proportionate to the purposes for which the data is required. Further consideration must be given in relation to how the data will be used, the privacy of the data considering GDPR and Freedom of Information legislation, and the value of the data being provided by farmers in relation to Government needing this data to meet its statutory obligations.*

*In terms of information gathered to determine how well the scheme is working from an operational perspective, it is important that Welsh Government embeds this level of flexibility into the scheme design so lessons can be learned. External scrutiny in an advisory capacity is needed that is able to support delivery given that Senedd scrutiny will be largely retrospective.*

## 10. Effects on the Welsh language

The Well-Being of Future Generations Act places a duty on public bodies to work to enhance economic, environmental, social and cultural well-being in Wales. This includes working towards seven key well-being goals which includes 'A Wales of vibrant culture and a thriving Welsh language'. The fourth objective of the Agriculture (Wales) Act 2023 establishes the objective of '*conserve and enhance the countryside and cultural resources and promote public access to and engagement with them, and to sustain the Welsh language and promote and facilitate its use*'. Therefore, culture and heritage, including the Welsh language, are considered as a key aspect of the future of farming in Wales, alongside the objectives relating to food production, climate change, and ecosystem resilience.

The Welsh Government Strategy 'Cymraeg 2050 - A million Welsh speakers' – a strategy document for the promotion and facilitation of the use of the Welsh language - identifies the Welsh language as '*one of the treasures of Wales*' and establishes a vision for 2050 of a Welsh language that is thriving, where the number of Welsh speakers has reached a million and where there is recognition by all of its contribution to the culture, society and economy of Wales.

In this context we would refer to evidence that recognises the role of Welsh farmers as key promoters and protectors of our culture, heritage and the Welsh language. The Welsh Government Agriculture in Wales document from 2019 provides a summary of the number of Welsh speakers based on 2011 census results. Overall, 43% of workers in Agriculture, Forestry and Fisheries speak Welsh compared to an average of 17% across all workers in Wales. This figure is the highest percentage of any sector. Four of the top six counties in terms of the proportion of Welsh speakers are also four of the top six counties in terms of the population employed in Agriculture, Forestry and Fisheries (Gwynedd, Anglesey, Ceredigion, Carmarthenshire).

Farming Connect's '[Iaith y Pridd](#)' - a project funded via Welsh Government's Rural Development Programme 2014-2020 - concluded that the relationship between the various factors – both positive and threatening – which face the agricultural industry, rural Wales and the Welsh language, overlap to such an extent that there is no point, nor is it possible, to separate one from the other – in protecting and expanding an individual factor, the other will also benefit, but by threatening an individual factor, they will all lose out.

Overall, NFU Cymru would highlight the evidence is unambiguous in highlighting the role of farming within our communities in terms of the preservation of the Welsh language. It is our strong view that a thriving Welsh language in rural areas is underpinned by thriving Welsh farms now and in the future; proposals or policies that weaken family farms and the farming sector will ultimately weaken our Welsh language and what defines us as a people and a nation.

In this context it is important to recognise there are no Universal Actions in the SFS relating to the Welsh language. Welsh Government's modelling demonstrates how the economic sustainability of farm businesses is undermined by SFS proposals as they currently stand with the direct loss of 11% on farm labour. NFU Cymru is clear that there is insufficient emphasis on supporting the continuation of farming through the scheme and this undermines the ability of rural communities to thrive and safeguard the use of the Welsh language for current and future generations.

## Annex 1 - The Contribution of Agriculture to the Well-Being of Wales

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

Well Being of Future Generations Act: Well-being Goals	NFU Cymru: Agriculture is the Answer
<b>A prosperous Wales</b>	<ul style="list-style-type: none"> <li>• 50,400 employed full or part time in farming in Wales</li> <li>• £2.1billion Gross Output</li> <li>• Farming underpins a food supply chain worth over £8.1billion</li> <li>• Over 233,500 people in Wales are employed in the agri-food sectors –Wales’s biggest employer</li> <li>• The Welsh countryside managed by farmers provides the backdrop for the tourism industry worth over £2.8billion</li> <li>• <b>The Welsh agricultural industry is a key generator of wealth and employment for the people of Wales</b></li> </ul>
<b>A resilient Wales</b>	<ul style="list-style-type: none"> <li>• Farmers care for 81% of total land area of Wales – that’s over 1.84m hectares</li> <li>• Farmers care for over 90% of the land area of Wales</li> <li>• 600,000 ha of environmentally designated areas</li> <li>• Farming supports a diverse range of species, habitats and ecosystems</li> <li>• Farmers provide a range of ecosystem services including carbon sequestration and management, water quality and water quantity management for flood alleviation</li> <li>• Nearly 30% of agricultural land in Wales is tenanted</li> <li>• 106,000km of hedgerows and dry stone walls across Wales</li> <li>• Wales woodland and forestry cover extends to 306,000 hectares</li> <li>• Low carbon, local energy installations have the potential to meet 57% of Wales’s electricity consumption and the evidence shows a large proportion of projects are located within Wales’s rural local authorities</li> <li>• GHG emissions from agriculture have declined by 20% since 1990 and further decreases are being achieved through production efficiency measures</li> <li>• <b>Welsh farmers play a key role maintaining and enhancing our natural environment and supporting the provision of a full range of ecosystem services</b></li> </ul>
<b>A healthier Wales</b>	<ul style="list-style-type: none"> <li>• Welsh agriculture is a key provider of safe, nutritious, high quality Welsh food which plays a fundamental contribution in supporting the physical and mental well-being of the people of Wales</li> <li>• Welsh farmers are known to operate to some of the highest standards of welfare and production in the whole world</li> <li>• Welsh farming also delivers a significant proportion of Wales’s access provision which includes 16000 miles of footpaths, 3000 miles bridleways, 1200 miles of cycle network, and 460,000 ha of open access land</li> <li>• <b>Welsh farming makes a key contribution to the physical and mental well-being of the people of Wales</b></li> </ul>

<b>A more equal Wales</b>	<ul style="list-style-type: none"> <li>Rural Wales is home to 33% of the Welsh population.</li> <li>The vitality and potential of rural areas is closely linked to the presence of a competitive and dynamic farming sector. The NFU Cymru 'Why farming Matters to the Welsh Economy' shows that each family farm is typically economically linked to some 40-80 other businesses in the region</li> <li><b>Through direct and indirect employment in rural communities, Welsh farming underpins the rural economy and contributes to a more equal Wales</b></li> </ul>
<b>A Wales of cohesive communities</b>	<ul style="list-style-type: none"> <li>Farming in Wales is predominantly made up of small family farms with the average size of 48 hectares.</li> <li>Local communities in rural Wales are heavily dependent on agriculture for financial and social prosperity.</li> <li>Leadership and voluntary roles in rural communities</li> <li><b>Welsh farmers make a key contribution towards the provision of attractive, viable, safe communities in rural areas</b></li> </ul>
<b>A Wales of vibrant culture and thriving Welsh language</b>	<ul style="list-style-type: none"> <li>Agriculture has the highest proportion of Welsh speakers of any sector.</li> <li>43% of workers in Agriculture, Forestry and Fisheries speak Welsh compared to an average of 17% across all workers in Wales.</li> <li>Farming is the bedrock of rural communities across Wales which have been shaped by farming activity spanning hundreds of years. Farmers continue to maintain these traditions, preserving rural culture and sense of place</li> <li><b>Welsh farmers are key promoters and protectors of our culture, heritage and the Welsh language</b></li> </ul>
<b>A globally responsible Wales</b>	<ul style="list-style-type: none"> <li>Current levels of self-sufficiency at a UK level are at 60%</li> <li>Future challenges to our global food production system include climate change, a growing UK and global population, water scarcity. Given its climate and rainfall, Wales is predicted to be an area of favoured production in the future</li> <li><b>Welsh farmers have a key role to play feeding the people of Wales and in contributing to global food security now and in the future.</b></li> </ul>



## Annex 2 – Industry proposals for Low Carbon Farming Framework

### Policy context

In April 2019, Welsh Government declared a 'climate emergency' signalling greater ambition for climate action in Wales. For agriculture<sup>1</sup>, Welsh Government's second Carbon Budget (2021-2025) identifies that this will be a period of transition as a future domestic agricultural policy outside the EU is developed and implemented.

In the coming months, Welsh Government is expected to bring forward the Agriculture (Wales) Bill to the Senedd. This will establish the primary legislation for future agricultural policy and support. Welsh Government identifies the Agriculture Bill will be fundamental to delivering the long terms aims of agricultural reform and the 'climate and nature emergencies' over the next 15-20 years.

Sustainable Land Management has been put forward by Welsh Government as the overarching principle for future agricultural policy delivered through the proposed Sustainable Farming Scheme (SFS). Key outcomes for the SFS include reduced GHG emissions and increased carbon storage, aligning with the farming industry's ambition for net zero agriculture by 2040.

The timeline for the period of transition was set out by the Minister for Rural Affairs in September 2021. In summary, the Basic Payment Scheme (BPS) is expected to continue in 2022 and 2023 with an indicative budget allocation of £238m in 2024-25 included in the draft Welsh budget.

Extensions to Glastir Advanced, Commons and Organics will be offered to contract holders for 2022 and 2023 in line with Rural Development Programme (RDP) 2014-2020 N+3 rules. Other RDP funded projects aimed at supporting the transformation of the sector including the Red Meat Development Programme, the Dairy Improvement Programme, the Sustainable Production Grant, Farm Business Grant and Farming Connect will also end in 2023.

The Sustainable Farming Scheme is not expected to start until 2025.

Through Carbon Budget 2, Welsh Government has committed to a range of pilots and interventions supporting the transition to the SFS to encourage the uptake of low carbon farming practices quickly and at scale.

The recent draft Welsh Budget includes indicative allocations of £6.8m in 2022-23, £79m in 2023-24 and £118m in 2024-25 for the Rural Economy and Sustainability Programme (the successor RDP) providing a potential funding mechanism. <sup>1</sup> 14% of all Welsh Greenhouse Gas (GHG) emissions in 2019

### Net Zero Agriculture

Welsh farming is already a world leader in sustainable food production; through climate-friendly food production, the trees, hedges, grassland and soils that store carbon on Welsh farms together with on-farm energy generation, agriculture in Wales plays a key role in tackling climate change and is uniquely placed to be integral to the solution whilst continuing to make a positive contribution to global food security and the rural economy.

It is recognised that industry efforts to combat climate change need to go further and faster and this requires a focus in the three key areas of:

- Improving farming's productive efficiency
- Enhancing land use to capture more carbon
- Boosting renewable energy and the bioeconomy

There are no ‘silver bullet’ solutions to tackling climate change and a long-term commitment to a range of policy measures supporting the transition to net zero agriculture will be needed.

It is also recognised that every farm is unique and is starting the journey from a different place. For individual farmers determining the starting point or baseline is, in itself, a difficult process given the complexity and lack of standardisation of the carbon audit tools available on the market. This limits confidence in the results and hinders the on-farm action needed to make progress. Improved data capture is now urgently needed so farmers are able to better understand their own farm carbon balance as well as the impact of changes in farming practice and uptake of techniques to reduce GHG emissions.

## The Low Carbon Farming Framework

In line with Welsh Government policy and the farming industry’s commitment to maximising the contribution of agriculture to a net zero economy, this paper puts forward proposals for a Low Carbon Farming Framework funded via the Rural Economy and Sustainability Programme. This industry-led, national pilot for the period 2023-2025 meets Welsh Government’s key policy objective of promoting the uptake of low carbon farming practices quickly and at scale; providing clear line of sight to the proposed future Sustainable Farming Scheme.

Through the Low Carbon Farming Framework, Welsh farmers will be supported to understand their own farm carbon balance. This would be achieved by developing the RPW online capability and building on the mapping and cropping data already supplied annually. Data provision is central to facilitating an iterative process of measurement, action and review so that progress towards net zero can be determined at farm, sectoral and Wales level. The Low Carbon Farming Framework incentivises change working across the key areas of improving farming’s productive efficiency, evidencing and potentially capturing more carbon and boosting renewable energy; also linking to other policies and initiatives (for example, the proposed Welsh Government Woodland Creation Scheme).

The proposal serves as a pan-Wales national scale ‘proof of concept’, providing a model that can be replicated across a wider suite of public goods supported in the future Sustainable Farming Scheme.

## Low Carbon Farming Framework

The underlying concept is based on supporting farmers through an iterative process of measurement, action and review.

The components of the Low Carbon Farming Framework combine to form a clear pathway by which the baseline is established, areas of improvement are identified and progress is measured on an annual basis with farmers supported to take action that is targeted to their business need; This outcome focussed delivery will encourage an accelerated rate of change at farm and industry level when compared to existing interventions:

**Carbon data capture mechanism** – A carbon data capture mechanism delivered by building the capability of the existing RPW online portal will capture the farm level data required to determine a basic but standardised and ‘benchmarkable’ farm carbon balance that takes into account carbon sources and sinks. This will provide a carbon baseline for individual farm businesses from which action can be taken; also enabling the carbon position for ‘Welsh farming plc’ to be determined and year on year progress to be measured.

**Incentivised data provision** - The provision of data to the carbon data capture mechanism, comprising mapping and relevant farm business Key Performance Indicators, is rewarded to secure widespread uptake across the farming industry; recognising the farmers time and effort involved as

well as some baseline sampling costs such as Soil Organic Matter (SOM). Measurement Review Action Widespread uptake is needed to meet Welsh Government's objectives of promoting uptake of low carbon farming practices quickly and at scale. An incentivised approach also provides the critical mass required to determine the net carbon position of Welsh farming as well as the quantitative data required to assess the effectiveness of the full range of policy interventions through the evaluation process.

**Farm Carbon Balance** – The data provided is subject to analysis via the RPW online portal providing key outputs including an individual Farm Carbon Balance showing the farms net position taking into account all GHG sources and sinks. The analysis will include recommendations to focus next steps (i.e. engagement in the Low Carbon Farming Scheme) using a traffic light red, amber, green approach determined through analysis and benchmarked against the industry average.

**Welsh Farming Carbon Balance** – Based on the data provided it will be possible to determine the net carbon position of 'Welsh farming plc' enabling further analysis to meet Welsh Government climate budget reporting requirements.

**Low Carbon Farming Scheme** – The Farm Carbon Balance recommendations will guide the farmers' engagement in the Low Carbon Farming Scheme and is evidence led targeting the most beneficial actions for the individual farm.

The Low Carbon Farming Scheme comprises integrated knowledge transfer, advice, skills, incentives and investment support driving farm level action. The scheme works across the three key focus areas of improving production efficiency; enhancing carbon sequestration and energy and renewables; also linking to wider Welsh Government measures and interventions such as the proposed Woodland Creation Scheme to reduce duplication and maximise impact.

**Annual Carbon Review** – farmers provide data to the Carbon Data Capture Mechanism via the RPW online portal on an annual basis enabling the iterative process of measurement, action and review. This facilitates targeting of interventions at the farm level; builds individual and collective knowledge on effectiveness of those interventions ensuring maximum impact and value for money; whilst also demonstrating measurable progress in the areas of reduced GHG and increased carbon storage during Welsh Government's second Carbon Budget.

The above framework will build on the knowledge and experience of the HerdAdvance and Stoc+ projects delivered by AHDB and HCC as part of the Dairy Improvement Programme and the Red Meat Development Programme. Although these projects are focussed on improving Animal Health and Welfare, the same principles apply to this 'proof of concept'. This area of work will also benefit from other development work being undertaken by both organisations.

## Annex 3 - NFU Cymru Key Policy Asks

### SUSTAINABLE FARMING SCHEME

#### Stability must mean Stability

- A long-term commitment to a Stability payment within the SFS to recognise the economic, environmental, social and cultural contribution that Welsh farming makes to society and to underpin the resilience of food production in Wales and the continued secure supply of high quality, safe and affordable food from Wales.
- A Universal Baseline Payment that goes beyond costs incurred / income foregone, recognising the value to society of the actions being undertaken by Welsh farmers and that incentivises the actions that Welsh Government want undertaken on Welsh farms.
- A review of the practicality and cumulative administrative burden associated with the delivery of the proposed Universal Actions.

#### Universal must mean Universal

- A review of the 10% tree cover scheme requirements, that considers the mandatory element of the requirement and the opportunity to consider alternatives that deliver the same outcome but in different ways (e.g. Northern Ireland work).
- The formation of a science panel to look at and evaluate alternatives to tree planting. The tree planting requirement to be put on hold until the science panel has undertaken its evaluation.
- Ensuring that the Universal Baseline Payment provides equal access and fair reward to all active farmers, recognising:
  - The integral role that common land rights allocations provide in the economic viability of upland farms and the need for common land to be included within the Universal Baseline Payment that is made to the farming business.
  - Support for farmers with designated sites including the habitat maintenance element of the Universal Baseline Payment
  - That tenant farmers are not financially penalised as a result of their inability to undertake all the scheme requirements.

#### Immediate Actions that can be undertaken within the consultation period:

- An urgent meeting for NFU Cymru with the Minister.
- The Minister to establish and Chair regular SFS meetings with NFU Cymru leaders between now and the final scheme design / payment rates being published. All additional work commissioned / groups established to report back to these meetings.
- Commitment that the Minister / Welsh Government will consider every response to the SFS consultation from those living in Wales and directly impacted by the proposals.
- Commitment that all views and opinions in relation to the SFS expressed by farmers at the Welsh Government SFS Roadshows are considered – government to publish a



summary of the views expressed at the Roadshows.

- Recognition and due regard given to the fact that the NFU Cymru consultation response represents the views of many thousands of farming businesses and has been formulated following meetings where thousands of members have expressed their views.
- A Socio-Economic Assessment to be undertaken that:
  - Assesses the impact on Welsh farming, rural communities and the wider supply chain of the withdrawal of the BPS
  - Assesses the impact of the current SFS proposals on Welsh farming, rural communities and the supply chain.
- No decisions on next steps to be undertaken until the economic assessment has been completed.
- A long-term commitment to the establishment of a food, farming, rural businesses and supply chain impact assessment and modelling programme that provides the same level of detail and advice that the ERAMMP model provides for the environment.
- Recognition and fair reward for the value of the data that farmers will be providing to Welsh Government. Further consideration to be given in relation to how the data will be used, the privacy of the data considering GDPR and FOI legislation, and the value of the data being provided by farmers in relation to government needing this data to meet its statutory obligations.
- A Welsh Government cross departmental group with Key Stakeholder involvement to consider how payment rates for the Universal Baseline Payment can properly recognise the social value of the outcomes being delivered that extends beyond environmental public goods. No decision on payment rates to be made until this work has been completed.

## **OVERARCHING POLICY ASKS**

- The establishment of an Independent Review Group to consider the cumulative burden of Regulations and Policies on Welsh Farming Business also taking into consideration the wider economic and political context.
- A commitment to develop a comprehensive farm to fork food strategy for Wales with ambitious targets for the sustainable growth of the food and farming sector in Wales.

## **WIDER POLICY ASKS**

### **BOVINE TB**

- Welsh Government to immediately agree changes to the On Farm Slaughter Policy in line with the recommendations of the NFU Cymru TB Focus Group.
- The TB Programme Board, once established, to be able to commission an independent evaluation of bovine TB eradication strategies around the world and their relevance to the disease situation in Wales, providing recommendations independent of government to the Minister.

**WATER QUALITY**

- The £20m announced by the Minister in October 2022 to be made immediately available to the industry to support investment on farm.
- A Wales Wide Review of Planning authorities and NRW's approach to applications for new infrastructure on farm with the aim of Welsh Government issuing guidance to LPAs to streamline and reduce the burden in undertaking work on farm to meet regulatory requirements and for environmental betterment.
- The 4-year Review of the Control of Agricultural Regulations to be expedited and undertaken prior to 31<sup>st</sup> December 2024. A review group to be established involving government and Industry to allow for proper consideration of alternative measures under Article 45 of the Act that could be introduced from 1<sup>st</sup> January 25, when the current Enhanced nutrient management approach is due to end.





 **NFU**  
CYMRU

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*#NiYwFfermio Cymru*

Pack Page 125  
Submitted on Thursday 7 March





# Sustainable Farming Scheme

Keeping farmers farming

Welsh Government Consultation Response

by the Farmers' Union of Wales

7th March 2024



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## 1.0 Summary

The Farmers' Union of Wales (FUW) has discussed the Sustainable Farming Scheme: Keeping farmers farming consultation with members from all regions of Wales and all sectors in thirteen regional meetings; each of which were attended by hundreds of members, 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 Executive 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. Recent protests have made a clear statement about the strong feeling of frustration and the groundswell of concern with regards to the current situation and future direction of agricultural policy in Wales.
2. The significance of these proposals for the future direction of agriculture in Wales cannot be underestimated and therefore farmers expressed frustration at the fact that the consultation paper was published two weeks before Christmas and closes during one of the busiest times in the farming calendar.
3. The Sustainable Farming Scheme (SFS) in its proposed form is immensely bureaucratic for both farmers and administrators, and would be detrimental to Welsh agriculture and the thousands of rural businesses which rely either directly or indirectly on agriculture for a proportion of their income.
4. This is highlighted in part by the modelling results of the potential economic effects of the SFS which demonstrate the varying degrees in which the scheme would be unsustainable for Welsh agriculture and the wider rural economy.
5. While the Agriculture (Wales) Act 2023 outlines the four Sustainable Land Management (SLM) objectives which now provide the legislative framework for the SFS, these latest proposals still fail to encompass wider Welsh goals and objectives including those defined in the Wellbeing of Future Generations Act 2015 - most notably economic and social objectives.
6. The FUW has always advocated that protecting family farms and food production must be placed at the heart of any future policy. It is therefore disappointing to see no mention of the 'social value' or financial reward for producing sustainable food despite the fact that the first SLM objective is 'to produce food and other goods in a sustainable manner'.

7. Achieving the SLM objectives and other Welsh Government targets relies on the uptake of the SFS by the vast majority of active farmers in Wales. As such, the scheme must be accessible and provide equal rights to all active farmers.
8. The Welsh Government must ensure all Universal Actions and Scheme Rules are accessible and achievable by all and do not represent barriers to scheme entry. The 10% tree cover requirement, for example, represents a major barrier to scheme entry and will result in a significant reduction in farm output and land value.
9. This should be facilitated by the re-establishment of the common land, new entrants and tenants working groups to relook at the barriers which remain for these specific groups of farmers, as well as the establishment of other relevant groups.
10. Farmers in Wales continually feel targeted for having to make progress towards net zero and to make extra efforts to offset the emissions of other sectors. The agricultural sector accepts the need for change and improvements in the context of a post-Brexit policy framework and the climate emergency; however, the Welsh Government must rethink its environmental proposals to develop a sustainable pathway to net zero.
11. The FUW therefore calls on the Welsh Government to establish an independent panel tasked with evaluating the science around net zero and carbon sequestration to help develop the SFS in such a way that takes into account all actions farmers can undertake to make progress towards net zero in a sustainable way.
12. The proposed policy framework remains relatively unchanged compared with the proposals that were published in 2021, and there remain some huge gaps of fundamentally important detail relating to scheme rules and verifiable standards, especially given the Welsh Government's ambition to launch the scheme in around ten months' time.
13. As such, the FUW believes that the current timescale and expectation for Welsh farming businesses to be able to transition into an entirely new scheme by 2030 is unrealistic. The introduction of the scheme should be paused to allow for a rethink through genuine co-design between the Welsh Government and both farming unions.
14. There was also a great deal of frustration amongst farmers given the absence of any financial information within the final consultation. The lack of such detail has made it extremely difficult for farmers to provide comments and views on various proposals in regards to their specific circumstances.
15. Members noted that the SFS proposals advocate replacing all forms of direct support with a high-level agri-environmental scheme, using a costs-incurred/income foregone payments model and a budget similar to the current BPS budget. The economic modelling paper which accompanies the consultation confirms this, and quantifies the inevitable devastating economic and production impacts of such a plan.



16. The Welsh Government's abandonment of previous legal objectives relating to maintaining food production and the economic sustainability of farm businesses and rural communities, in place previously for almost eight decades, should be reversed - if necessary by amending the Agriculture (Wales) Act 2023.
17. To this end, it is imperative that scheme payment rates are calculated in agreement with farming unions by using evidence gathered from economic impact assessments and farm business data to ensure payments go beyond income foregone and costs incurred and thereby ensure the scheme is economically sustainable for farm businesses and others involved in agricultural supply chains.
18. The Universal Baseline Payment must provide long-term stability for farming businesses and the wider rural economy that relies on agriculture. It must also provide a meaningful income stream for farming businesses which properly rewards farmers for undertaking Universal Actions and compensates for the loss of the BPS. The payment rates must also recognise the innumerable social and cultural contributions farming makes to rural communities.
19. Such payments must also be capped and favour family farms under any future policy in order to ensure 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 Common Agricultural Policy (CAP) in general. Such capping and other mechanisms should take account of the number of families and individuals supported by each farm business.
20. The Welsh Government should be submitting a strong case to the UK Treasury for a long-term funding commitment for Welsh agriculture in order to properly finance ambitions that include those referred to at 17. and 18. and avoid further cuts to the rural affairs budget.
21. Since key competitors in other countries and regions will continue to receive direct support, such as Scotland with their recent announcement to maintain a 70% direct payment, Welsh farmers would be placed at a competitive disadvantage if these 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.
22. Notwithstanding the above concerns, members noted that even if the SFS proposals were adequately funded and fully supported by all stakeholders, their implementation represents such a step change in terms of mapping, administration and other requirements that their introduction in January 2025 would inevitably lead to major problems. This would represent a significant departure from Wales' legacy over the past two decades in terms of having introduced new schemes relatively smoothly compared with other UK administrations.

## 2.0 About the Farmers' Union of Wales

The FUW was established in 1955 to exclusively represent the interests of farmers in Wales. Since 1978 the union has been formally recognised by UK Governments, and subsequently by Welsh Governments, as independently representing those interests.

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 over thirty full-time members of staff, the FUW Group has another 80 members of staff based in twelve regional offices around Wales providing a broad range of services for its 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 (Wales) Act 2023

The Agriculture (Wales) Act 2023 ("the Act") now provides the legislative framework through which the Welsh Government can provide support to farmers to make progress towards the four Sustainable Land Management (SLM) objectives, namely:

1. To produce food and other goods in a sustainable manner
2. To mitigate and adapt to climate change
3. To maintain and enhance the resilience of ecosystems and the benefits they provide
4. To conserve and enhance the countryside and cultural resources and promote public access to and engagement with them, and to sustain the Welsh language and promote and facilitate its use

It is a major concern that the Welsh Government proactively opposed efforts to include the economic sustainability of farming and agriculture as an objective, representing a departure from principles put in place by the Labour Party in its 1947 Agriculture Act, and continued under the Treaty of Rome and the Lisbon Treaty until the UK's departure from the EU.

While the FUW supported the inclusion of food production and the Welsh language through working closely with Members of the Senedd and other stakeholders in amendments to the Act, it remains a concern that these two objectives and various other Wellbeing Goals and the economic sustainability of family farms are not explicitly supported within the Sustainable Farming Scheme (SFS) proposals.

Given that the Welsh rural affairs budget now relies almost entirely on EU Common Agricultural Policy (CAP) legacy funding from the UK Treasury and the Welsh Government's allocation of such

funding for agriculture, the need to justify the spending of public money on agriculture is often referred to as an explanation to implement an environmentally based scheme or re-prioritise funding to other departments.

It should be noted that the Welsh rural affairs budget for 2024-25 has been cut by a total of £62 million (around 13%) year on year despite the fact that this budget represents just 2% of overall Welsh Government spending.

The FUW would also draw attention to the 2021-2027 CAP framework which encompasses nine specific objectives that are based on economic, social and environmental outcomes, namely:

1. To ensure a fair income for farmers
2. To increase competitiveness
3. To rebalance the power in the food chain
4. Climate change action
5. Environmental care
6. To preserve landscapes and biodiversity
7. To support generational renewal
8. Vibrant rural areas
9. To protect food and health quality

The FUW believes these principles go much further than the SLM objectives outlined within the Act and encompass both the FUW-NFU Cymru Welsh Way Forward principles (see 4.0 Welsh Way Forward), those described by the Wellbeing Goals and other priorities for Wales.

Whilst it could be argued that some of the CAP objectives are included within the list of purposes set out in the Act for which Welsh Ministers may provide support, they are excluded from the overarching SLM objectives, the objectives of which will be used as a measure of success within progress reports and so forth.

As such, the FUW maintains that the SLM objectives should have included objectives such as those set out within the CAP framework. This is a framework farmers in Wales have worked with since 1973 which provides a far broader set of priorities through which the Welsh Government could have used to better justify public spending on agriculture - and it is also a framework that will continue to support farmers in the EU.

Nevertheless, the SFS must at the very least provide meaningful support and income to active farmers in Wales for producing sustainable food in line with the first SLM objective, namely 'to produce food and other goods in a sustainable manner'.

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 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's definition within the SFS consultation refers to "a holistic approach to incorporate environmental, economic, cultural and social resources in such a way that the needs of the current generation are balanced with our obligations to future generations" rather than a broader range of Welsh objectives.

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.

The FUW therefore maintains that the SFS framework should encompass the broader objectives of the Wellbeing Act in such a way that ensures the positive outcomes which fall directly within the scope of the Wellbeing Act, such as jobs, prosperity, language and education, are achieved as a result of a policy designed with such objectives clearly in mind.

Furthermore, such concerns also relate to the numerous reports the Welsh Government will be required to produce setting out future plans and measuring progress towards the SLM objectives.

The FUW believes that these reports should go beyond the SLM objectives outlined in the Act and take into consideration the Wellbeing Goals as well as other Welsh objectives, including current and future economic challenges and competition faced by farm businesses and rural communities. Current and future challenges must not be underestimated in the context of global pandemics and ongoing conflicts.

The evaluation of the SFS must also take into account a broad range of farm business data including, but not limited to, the cost and amount of time required to undertake each Universal Action, impact on livestock numbers and farm output, any resultant land devaluation and the level of employment on-farm and within rural businesses which rely directly or indirectly on agriculture for a proportion of their income.

## 4.0 A Welsh Way Forward

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

Following consultation 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 SLM 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
  - Our industry continues 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 has created 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 previous 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

Notwithstanding the fact the Welsh Way Forward policy framework was published in 2018, the FUW maintains that any future Welsh agricultural policy must consider each of these five key principles on equal footings.

The SFS in its proposed form equates to a high-level environmental scheme which would fail to provide long-term economic stability to family farm businesses and be detrimental to rural communities and Welsh jobs.

As such, the FUW calls on the Welsh Government to pause the introduction of the SFS to allow adequate time for a rethink of the proposals through genuine co-design with both farming unions.

## 5.0 Sustainable Farming Scheme process

### 5.1 Scheme eligibility

The FUW has no clear objections to the proposed scheme eligibility. The Welsh Government's shift away from an 'open to all' policy originally proposed in the Brexit and Our Land consultation has previously been welcomed. However, a definitive active farmer criteria must be retained in order to avoid a significant increase in the number of companies or land-based charities being eligible for the scheme, and in so doing taking money away from genuine family farms and working people.

It is therefore vital that the Welsh Government appropriately interprets the definition of agriculture and ancillary activities that are defined within the Act in a way which recognises the economic needs of genuine family farms.

Considering the production of food and the management of agricultural land in situ will be essential for avoiding the creation of loopholes, although the Welsh Government and Rural Payments Wales (RPW) will need to recognise situations whereby 'farmers' have low stocking rates on large areas of agricultural land.

Similarly, the FUW is not opposed to the lower criteria of having at least 3 hectares of eligible land or demonstrating at least 550 standard labour hours. However, the Welsh Government must assess how any changes might result in increases in those registering for support with RPW given the impact on the overall budget and the dire problems experienced in England in 2005.

In most cases, the requirement to have exclusive occupation and management control of the land for at least 10 months of the year will not affect farmers with Farm Business Tenancy (FBT) agreements.

However, FUW members have questioned how farmers who have management control of land parcels for 10 months of the year will be able to comply with the Universal Actions associated with that land for the full 12 months.

Agreements involving short-term grazing licences where the landlord retains full management control of the land throughout the year also need to be considered in this context.

Grazing licences are becoming increasingly popular as farmers allow multiple farmers to graze their land during different times of the year and as more intensive farming systems seek more land for grazing, forage and/or to comply with the Control of Agricultural Pollution regulations.

In almost all cases, the landlord retains full management control of the land and currently receives a Basic Payment Scheme (BPS) payment. The Welsh Government must consider how landlords can continue to access support through the SFS under these circumstances without creating a two-tiered renting market for graziers.

## 5.2 Operating model

The FUW has always advocated for the current RPW Online and SAF systems to 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.

The current RPW Online system has been developed in true partnership with stakeholders which has led to a system which 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 around 90% of Wales land area and the overwhelming majority of Welsh farm businesses.

The FUW therefore welcomes the proposals to retain current RPW Online and associated systems as the main mechanism for data collection, payments and administration for farmers and the Welsh Government.

However, the RPW Online system should be developed throughout a transition period to include new data provision requirements rather than introducing an overly complex operating system from the outset. This approach would minimise significant risks such as system failure and data inaccuracies and reduce the pressure on the Welsh Government's RPW department that is already under-resourced.

In this context, it is notable that previous agri-environment schemes have only ever been able to secure a few hundred contracts in any single year, whereas the SFS will replace all current support mechanisms and therefore may require the production of 16,000 or more contracts over a short time period or single year. It is also notable that the Welsh Government has been unable to implement what is by comparison a relatively small number of Habitat Scheme contracts in a timely fashion, and has had to resort to forcing farmers to accept major mapping inaccuracies as being definitive.

Whilst a move away from resource-intensive processes such as the farm sustainability review is welcomed, SFS contracts and annual declarations will undoubtedly involve a greater amount of data than current SAF applications and therefore the successful processing of such contracts will have to be considered.

Alignment between RPW Online and other data collection systems such as EID Cymru and BCMS would also allow for a central system where farmers can submit and access their data to avoid duplication.

The evolution of RPW Online should also include the continuation of the RPW Online Stakeholder group which allows industry representatives to provide feedback on the development process.



The FUW is also supportive of the move from multi-annual contracts to SAF-type annual declarations. This process is well-known by Welsh farmers and FUW staff who offer support in completing such forms on an annual basis and therefore retaining the current application window dates is also welcomed.

However, some farmers questioned whether the split payment dates in October and December would continue to be appropriate under the SFS given when the costs for undertaking various Universal Actions would be incurred and when data collection would have to be completed.

The Welsh Government must also provide clarity around the penalty matrix that may apply, including for farmers who cease to participate in the scheme after a number of years but are unable to complete actions they had agreed to over a longer period.

This process will need to be flexible to accommodate for changes in land tenure and for those that may cease to participate due to matters outside of their control.

### 5.3 Habitat baseline review

As outlined above, the move away from resource-intensive processes such as the farm sustainability review which would have required repeated visits by consultants is welcomed.

However, the Habitat Wales Scheme identified major flaws and inaccuracies within the mapping data provided by RPW as part of the Expression of Interest process. These included but were not limited to:

- a. Entry level Glastir habitat options were not identified on the maps
- b. Various examples of habitats being mapped incorrectly
- c. Commercially planted coniferous woodlands being incorrectly identified as permanent dry grassland (no inputs), open country or enclosed wetland
- d. Sites of Special Scientific Interest (SSSI) land being identified incorrectly as eligible land
- e. Multiple habitats being incorrectly identified within the same field parcel

As this process has highlighted, there is certainly a need for the Data Confirmation process to take place in sufficient time to ensure all mapping errors and inaccuracies are corrected before the SFS is launched. This is imperative given how the Welsh Government intends to administer the scheme using habitat classifications and remote sensing as a way of measuring compliance and calculating payments.

As such, the Data Confirmation process should take place over as long a time as possible to allow time for farmers, or FUW staff on their behalf, to make corrections. However, the Welsh Government must also acknowledge the resources required to undertake this task given that it may involve multiple meetings and visits with each member.

Many FUW members who had requested to make changes to their Habitat Wales Scheme maps during the Expression of Interest (EOI) process received contract offers with various changes which did not correspond with their requests, while others received contract offers that simply refused to acknowledge notified corrections. Those members questioned whether they would have further opportunity to amend their maps following the Data Confirmation process and Habitat Baseline Review if the Welsh Government for whatever reason does not agree to make those changes.

In this context, it's also important to acknowledge problems experienced by farmers in relation to previous agri-environment contracts:

- a. Confusing and complex contracts that lead to inadvertent breaches and subsequent penalties
- b. Repeated changes to contract versions, often without the knowledge of farmers
- c. Contradictions between contract requirements and Natural Resources Wales (NRW) objectives in relation to protecting SSSIs
- d. Widespread errors in mapping layers leading to inappropriate and/or impractical contract specifications and decisions

#### **5.4 Carbon calculator**

In principle, the FUW supports the proposal for every farmer to undertake a carbon assessment on their farming business. The agenda around carbon emissions and making progress towards net zero is growing rapidly and therefore understanding current emissions as an agricultural sector and as individual units at the very least will help identify areas for improvement.

It will be important to take into consideration the fact that some farm businesses have already completed a carbon assessment through Farming Connect or as a requirement for their milk buyer whilst the majority will have no experience with such complex data collection and input.

The effectiveness of carbon calculators relies almost entirely on the quality of the data provided. Many carbon calculators require large amounts of technical data which can take months to collect. The Welsh Government must consider developing a system whereby data farmers already provide through various systems can feed into these carbon calculations in order to avoid duplication, while also using such generic data to automatically provide generic estimates of carbon footprints.

The FUW also supports the Welsh Government's recognition of the need to agree on a standardised calculator. It has been proven that inputting the same data into various carbon calculators will provide highly variable results and make benchmarking between farms almost impossible.

As such, the FUW believes that a stakeholder group should be established in conjunction with the Welsh Government to identify and agree on a standard calculator that farmers can use themselves for this process, using as much information already collected by Government bodies (IACS, EID Cymru, BCMS etc.) as possible.

It is also essential that any carbon calculator provides consistency and takes into account all carbon stores through land use, land use change and forestry, as well as renewable energy production, as part of calculating the farm business' carbon footprint in its entirety.

The majority of carbon accounts consider agriculture and land use, land use change and forestry as two different sectors and therefore a farm business' carbon footprint does not necessarily decrease if agricultural land is converted into forestry or any other use.

This is a crucial point to consider if Welsh data is to be compared with carbon information from other UK or global countries where their methods of measuring carbon may differ significantly in such a way that suggests food produced in other parts of the world is being produced using more efficient farming methods. Moreover, assessments of the carbon footprints of farms must be honest in terms of taking account of farms in their entirety in order to ensure that farmers and the public value actions taken on farmland.

FUW members raised serious concerns with regards to how data captured through carbon assessments and other Universal Actions such as benchmarking would be used by RPW Online and the Welsh Government in future.

The completion of a carbon audit undoubtedly provides useful data for the farm business and identifies areas for improvement. However, there is certainly a feeling of concern amongst farmers that this data will be used by the Welsh Government to enforce new regulations or additional scheme requirements in future, or that it may be used by private companies in a way that is detrimental to sectors, regions or individual businesses.

As such, it is essential that such data is anonymised if it is to be used to demonstrate the sector's overall footprint as well as benchmarking between others within sectors or regions of Wales. The Welsh Government must also recognise the value of this data and the time involved in providing such information within the payment methodology.

## **6.0 Payment methodology**

The FUW has previously welcomed the provision of a universal baseline payment for all farmers entering the scheme, based on the assumption that this would provide genuine income akin to that provided by the BPS.

Currently around £238 million (75% of the EU CAP legacy funding) is provided to Welsh farmers annually under the BPS system which makes up around 80% of Welsh farm incomes. Around half of the remaining 25% of CAP funding was previously provided to businesses in the form of income foregone and costs incurred payments through primarily Glastir schemes.

The BPS underpins the majority of farm businesses in Wales and supports such businesses to produce sustainable food, manage the environment and play a pivotal role in Wales' communities and the rural economy.

Any reductions in direct farm support would result in detrimental impacts on Wales' livestock supply chains (see 8.0 Universal Actions modelling results and 9.0 FUW modelling on direct farm support).

Therefore, the value of current BPS direct farm support payments cannot be compared to the universal baseline payment that is currently being proposed by the Welsh Government.

Current direct payments are a legacy of EU direct payments, which by law were designed “...to function as a safety net and make farming more profitable, guarantee food security in Europe, assist them in the production of safe, healthy and affordable food and reward farmers for delivering public goods not normally paid for by markets.”

Under the SFS proposals, the Welsh Government intends to abandon these longstanding EU principles by calculating universal baseline payments using values for costs incurred and income foregone - notwithstanding the possibility of a 'social value' payment for each of the four payment rates.

Such a complete departure from previous principles would represent an inevitable and catastrophic loss in terms of the *safety net, increased profitability, guaranteed food security and assistance in the production of safe, healthy and affordable food* previously in place.

The Welsh Government has consistently assured the industry that payments under this scheme would go beyond costs incurred and income foregone and would properly reward farmers for undertaking various actions and maintaining existing environmental features on their farm.

As such, if farm incomes are not to be impacted severely and catastrophically by proposed changes, baseline payments must, by the end of a transition period, equate to the sum of costs incurred and income foregone *and* the loss of direct support.

Moreover, as costs incurred and income foregone values are typically calculated using averages, it might be assumed that half of the farmers participating in the scheme would be at a net loss in terms of the costs of complying with the Universal Actions under this proposed payment methodology, while in any case the vast majority would see a reduction in farm income in the absence of some form of additional payment akin to the BPS; this is a basic assumption that appears to be confirmed by the published modelling.

Furthermore, given that under the proposals it is only the 'social value' element of the payment that will compensate for the loss of BPS payments, and the timescales involved, it is a serious concern that the Welsh Government is still trying to identify ways to incorporate an extremely complex and significant 'social value' matrix into the payment methodology - something that is already inbuilt in the EU principles recently abandoned and proactively opposed by the Welsh Government.



It should also be noted that the consultation paper and Environment and Rural Affairs Monitoring and Modelling Programme (ERAMMP) report on natural capital only make reference to the 'social value' of environmental outcomes and do not refer to the 'social value' of sustainable food production, Welsh jobs and all of the other socio-economic contributions farmers make to rural Wales.

The ERAMMP report also suggests that the 'social value' of various environmental outcomes could vary between different areas of Wales due to variables such as population densities. This has the potential to create a postcode lottery whereby farmers in different parts of Wales receive different payments for carrying out the same actions at the same cost, a concern the FUW has raised on numerous occasions since the initial proposals to introduce a 'public goods' scheme.

For farmers with higher than average costs incurred and income forgone values, assigning provenance dependent 'social value' payments will compound any existing SFS income disparity if such producers also reside in an area classified as being of lesser social value. This would represent an unfair and anti-competitive scenario and moves to avoid such payment disparity must be sought.

The FUW maintains that all farmers that participate in the scheme should receive a universal baseline payment as a direct payment which provides long-term stability for farming businesses and the wider rural economy that relies on agriculture. It must also provide a meaningful income stream for all farming businesses which properly rewards farmers for undertaking Universal Actions and compensates for the loss of the BPS. The payment rates must also recognise the innumerable social and cultural contributions farming makes to rural communities.

As such, in addition to having major concerns regarding the impact of the proposals for all farms, which the modelling work suggests would be catastrophic for large numbers, the decision to exclude commoners from accessing baseline payments, despite repeated assurances to the contrary by Minister Lesley Griffiths, means that thousands of Welsh farm businesses which rely on common rights would be affected even more acutely should the SFS be introduced in its current form.

The Scottish Government recently announced plans to provide 70% of future support in the form of direct payments from 2027 onwards with the remaining 30% being targeted at environmental measures alongside the continuation of Less Favoured Area (LFA) payments.

The FUW would support such plans in Wales in order to provide economic stability to farming businesses and ensure parity between UK nations which avoids placing Welsh food producers at a competitive disadvantage within the UK internal market and in an even less favourable position against global competitors.

However, it should also be noted that Welsh farmers are already having to contend with higher regulatory baselines which include bureaucratic and costly Control of Agricultural Pollution regulations and the tightening of bovine TB restrictions.

There was also a great deal of frustration amongst farmers given the absence of any financial information within the final consultation. The lack of such detail has made it extremely difficult for

farmers to provide comments and views on various proposals in regards to their specific circumstances.

It is imperative that scheme payment rates are calculated in agreement with farming unions by using evidence gathered from modelling reports and farm business data to ensure payments go beyond income foregone and costs incurred. If the Welsh Government is unable to properly reward farmers for undertaking the Universal Actions and complying with the scheme rules, the scheme must be redesigned in such a way that reduces the amount of the budget that is used to compensate for costs incurred and income foregone.

The Welsh Government should also use this opportunity to review ways in which they can reward farmers for maintaining SSSI designated sites through the universal baseline payment given the value of these areas to the natural environment.

The FUW would also question how the Welsh Government will be able to promise payments for long-term Universal Actions which involve permanent land use change, such as up to 12 years for woodland creation, given the uncertainty around future funding from the UK Treasury.

In this context, the £331 million the Welsh Government received per year on average for agriculture and rural development during the 2014-2020 EU CAP period is now worth around £450 million according to the Bank of England Inflation Calculator, which uses CPI inflation data from the Office for National Statistics.

The Welsh Government should therefore be either:

- a. Submitting a strong case to the UK Treasury for a long-term funding commitment for Welsh agriculture of around £450 million per year in EU CAP legacy funding in order to properly finance a renewed scheme that meets ambitions that are akin to those in the EU and fit their overarching principles, and deliver objectives that are within the means of such a budget, or
- b. Calculating the total cost of delivering and paying for the SFS in its current form while maintaining farm incomes and food production at current levels, and submitting these to the UK Treasury to demonstrate total funding requirements.

## 6.1 Payment capping

The FUW has supported the capping of direct agricultural payments since 2007 (after farm employee wages, number of partners and other factors are taken into account) on the grounds that this ensures 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.

For similar reasons the FUW also proposed that redistributive payments should be allowed under EU regulations - which the EU accepted. The FUW therefore successfully lobbied for the introduction of

both payment capping and redistributive payments in Wales at the lowest rates allowed by EU Regulations at the time.

No such systems were introduced in England, meaning there is no limit to what larger farms and estates can claim.

Under the current system, around 77% of Welsh farmers receive less than £20,000 through the BPS per year and the average payment is £15,000, whilst some e-NGO's, (including those which are amongst the UK's richest charities) and businesses receive over £2 million per year (including payments made from English land).

In 2020, the top three recipients of (direct) farm payments (BPS) in the UK were:

1. National Trust (England) - £2,984,000
2. Beeswax Dyson Farming Ltd. (England) - £2,845,000
3. RSPB (Scotland) - £1,587,000

In 2020, the top three recipients of all (CAP) payments in the UK (including Rural Development Programme (RDP) payments, which were not capped in any of the UK nations) were:

1. National Trust - £12,222,000
2. Menter a Busnes - £11,194,000
3. RSPB - £10,178,000

Welsh Government modelling in 2013 and 2014 demonstrated categorically the degree to which redistributive payments increase support for small and medium sized farms, thereby recognising economies of scale, while preventing the loss of monies from regions and counties where average farm sizes are smaller. An equivalent principle was previously applied under the Tir Mynydd LFA Scheme.

The Welsh Government's own modelling demonstrates that failure to introduce a payment cap and some form of redistributive/tapered payment will disadvantage the majority of Welsh farmers and lead to the loss of large sums of money from many Welsh regions and counties.

The FUW therefore maintains the view that payment capping and redistributive payments should be maintained under future policies, coupled with a strict 'active farmer' rule, to ensure money goes to the family farms that make the greatest contribution to rural economies and communities, and that the capping and redistributive rates should be lowered subject to careful consideration of factors such as the number of families a farm supports as partners and employees and the direct and indirect impact on businesses.

### 6.3 Stability payment

The phasing out of a stability payment throughout the transition period equates to the phasing out of stability, and clearly suggests that the universal baseline payment will not provide the stability farm businesses currently/previously received through the BPS and EU agri-environment schemes.

Even with the additional 'top-up' stability payment, the modelling results suggest economic losses of between £59 million (25%) and £82 million (35%) in Farm Business Income across Wales (see 9.0 Universal Actions modelling results).

If the scheme was to provide a universal baseline payment the value of which incorporated the principles already in place under (EU) direct payments, as suggested above (6.0 Payment Methodology), a 'top-up' stability payment would not be necessary.

As such, while the FUW acknowledges the Welsh Government's recognition of the need for a smooth transition, what is proposed is a general transition from relative financial stability to major losses for the vast majority of businesses, due to the failure of the universal baseline payment to compensate for the stability currently provided by the BPS.

It is also concerning to note that new entrants will not be eligible for the proposed stability payment if they enter the industry after 2024, which risks placing them at a competitive disadvantage if the universal baseline payment comes nowhere near to current BPS levels.

### 6.3 Basic Payment Scheme

Notwithstanding the views expressed above in regards to the payment methodology and stability payment that genuinely replace BPS derived income, the FUW accepts the need to phase out the BPS during the transition period.

However, the Minister for Rural Affairs, North Wales and Trefnydd, Lesley Griffiths, has on numerous occasions assured the industry that the SFS will not be launched until it is ready. The FUW welcomes this statement given the lessons to be learnt from farmers in England who have already lost around half of their BPS payments on average while the UK Government has failed to phase in a universal replacement scheme.

In light of this, and given the FUW's view that the scheme in its current form will not be sustainable and the need to rethink some predominant proposals over such a short timeframe, the Welsh Government must consider extending the BPS at current rates until the SFS is genuinely ready and fit for purpose.

The FUW commends the Welsh Government for acknowledging the need to proceed with a longer timeframe than was originally proposed in the Brexit and Our Land consultation; however, it is



imperative that the Welsh Government does not fall at the final hurdle following six years of discussions.

Given the significant changes these proposals represent for the farming industry, FUW members expressed the view that the transition should take place over a 10 year period to provide a smoother process for all. This will naturally depend on how proposals around the Universal Actions and payment methodology develop.

In regards to BPS entitlements, the continuation of trading and/or leasing of entitlements will be crucial for those that do so on an annual basis and in cases of inheritance or succession. However, any restrictions in regards to the trading and/or leasing of entitlements may discriminate against those that have no intention of participating in the SFS and wish to receive BPS, albeit at a tapering amount, until the end of the transitional period.

The FUW therefore proposes that the rules around BPS entitlements should remain as they are until the BPS is phased out. The Welsh Government would still have the ability to use 2024 claim values as a benchmark for the stability payment; similarly this is influenced by the final scheme design around the payment methodology.

## 7.0 Universal Actions

The current proposals around the completion of 17 mandatory Universal Actions attempts to place every farm business in Wales in the same box and does not provide flexibility for farmers to undertake actions which will provide the best outcomes for their businesses, the environment and Welsh society.

The Welsh Government must ensure all Universal Actions and Scheme Rules are accessible and achievable by all and do not represent barriers to scheme entry. The 10% tree cover scheme rule, for example, represents a major barrier to scheme entry and will result in a significant reduction in farm output and land value for most farms who did accept such a rule.

The scheme proposals in their current form would be immensely bureaucratic and take a significant amount of time for each and every farming business to undertake.

However, FUW members remain concerned about the future direction of agricultural policy in Wales and therefore raised questions regarding the Welsh Government's ambitions for some of the Universal Actions following the transition period. There is a natural concern that some requirements that already restrict businesses will become more stringent in future without any additional financial reward as the industry has previously experienced with farm assurance schemes.

As highlighted above, the lack of any financial information has made it extremely difficult for farmers to provide comments and views on various proposals in regards to their specific circumstances.

According to the economic modelling report, approximately 53,000 hectares of woodland and habitat would be created as a result of the current proposals if all farms agreed to participate. As such, farmers are questioning their ability to change the use of this land in future if they decide to cease their participation for any reason.

Many of these actions also require online resources, complex data collection and input and the annual declarations will undoubtedly involve a greater amount of data than current SAF applications. The Welsh Government must therefore consider how to ensure fair access for elderly farmers and/or those who aren't IT literate or don't have a broadband connection.

Finally, the consultation paper and the recent statement from the First Minister and Minister for Rural Affairs suggest that the basic principles of data protection have not been considered when designing this scheme, namely:

- a. Lawfulness, fairness and transparency
- b. Purpose limitation
- c. Data minimisation
- d. Accuracy
- e. Storage limitation
- f. Integrity and confidentiality (security)
- g. Accountability

Under the Information Commissioner's Office (ICO) Guidance for privacy notices, the information supplied to the data subject prior to the collection of such data needs to be clear and specific in order for the individual to make an informed decision and ensure transparency.

The principle of Data Minimisation refers to collecting the required data for that given purpose. The primary purpose of data collection in this instance is to administer and verify SFS payments.

Any privacy notice should also be clear when mentioning any other use of data therefore the repeated use of the word 'may' in chapter 9 of the consultation provides little clarity with regards to how and where this data will be used.

The retention and storage of any data collected through this scheme must also be clarified as well as any reasoning why such data is shared with other departments or third parties.

## **7.1 UA1: Benchmarking**

A large proportion of dairy farmers in Wales will already have experience with measuring Key Performance Indicators (KPIs) and benchmarking through discussion groups or requirements within their milk contracts, however, the Welsh Government should not assume that this is the case for all farming systems. In fact, the majority of those who are likely to enter the SFS won't have had any previous experience with data collection or input at this level.

In which case, the Welsh Government must ensure that the list of mandatory and enterprise-specific KPIs are kept as simple and straightforward as possible to reduce the need for support from consultants, which would inevitably dilute the recognition of the value of such data. This is also pertinent given that consultancy costs are likely to be outside the calculations for costs incurred payments.

However, for those few farming businesses that already collect and provide some of this data through established systems such as EID Cymru, BCMS and NMR, the system must be able to retrieve this information automatically in order to avoid duplication and further bureaucracy.

FUW members also questioned the reliability of some data for the purpose of benchmarking. Comparisons between individual businesses across different parts of Wales can be misleading if variable factors such as farming systems or extreme weather events aren't taken into account.

Farmers are particularly concerned about their businesses being effectively controlled by the Welsh Government and the potential impact it could have on their mental health if they were seen to be in the bottom 10% of a category of producers due to inconsistencies between data sets or factors outside the farmers' control.

The FUW therefore proposes that the SFS should provide the framework (system and support) for farmers to record various KPIs for their own business and to make their own improvements with support through the Optional Layer of the scheme.

Similarly, as highlighted above, there are broader concerns around how this data could be used in future to legislate or introduce additional requirements, and ensuring that this process is GDPR compliant.

The Welsh Government must also consider:

- a. The time it will take farmers to collect and input this data (costs incurred)
- b. The transition for farmers to reach the point in which they have the ability and capacity to collect such data
- c. Understanding the extent of data already collected by farmers - this should influence which KPIs are mandatory from day one and allow for a transition to introduce others over time
- d. The value of this data to the farmer and to the Welsh Government (reward through universal baseline payment)

## **7.2 UA2: Continuous Personal Development**

Many FUW members felt that the proposals relating to Continuous Personal Development (CPD) are patronising and insulting to the agricultural industry in Wales, and many highlighted that there is a

far greater need to educate the civil servants who formulate agricultural policies regarding basic farming principles, as well as providing them with practical experience of farming.

The FUW would question the Welsh Government's decision to require farmers to undertake a minimum of 6 CPD modules every year. Whilst acknowledging the fact that training can be beneficial, particularly in regards to health and safety, having a minimum requirement of 6 will not provide best value for public money as farmers will be expected to complete modules which have no relevance to their businesses or farming systems, resulting in a perfect example of a tick box exercise.

It's also important to note that these current proposals would require a sole trader to undertake the same amount of training as a family partnership or a limited company. The minimum amount of training needs to be flexible and take into account the size of the business and/or type of enterprises.

The Welsh Government must also clarify how previous training and qualifications will be considered in regards to this Universal Action. Social alternatives such as discussion groups or demonstration farm visits should also be included.

Many farmers through farm assurance and other schemes already complete courses, therefore FUW members questioned whether these would count as equivalent modules and if there could be an option to complete fewer modules on a multi-year rotational basis.

Finally, the average age of Welsh farmers is now over 60 and the majority above this age currently rely on family members or support from farming unions to complete various tasks electronically, while many still do not have access to reliable broadband. The ability of these individuals and those located in hard to reach places to access online modules and undertake assessments will be extremely limited.

The Welsh Government's own figures suggest that 170,000 people in Wales (7% of the population) are not online.

Furthermore, a survey carried out in 2021 by the FUW, in cooperation with the National Federation of Women's Institutes-Wales (NFWI-Wales), Country Land and Business Association (CLA), National Farmers Union Cymru (NFU Cymru) and Wales Federation of Young Farmers Clubs (Wales YFC) found that 66% of respondents from a rural area in Wales stated that they, or their household, had been impacted by poor broadband.

### **7.3 UA3: Soil health planning**

The FUW welcomes moves away from previous proposals for every farmer to soil test 100% of their holding at the time of scheme entry.

However, before the SFS is launched, the Welsh Government should evaluate the capacity in laboratories across Wales to undertake soil testing, even at the proposed rate of 20% per year. There

is also a cost associated with each of these samples which could increase significantly if it were to be introduced as a mandatory requirement for every farm in Wales.

The FUW would also question why the 20% testing requirement includes habitat areas classed as enclosed semi-natural dry grasslands when the Universal Code for Habitat prevents the application of any fertilisers or lime to improve the soil quality. In that context, farmers have questioned whether they would be penalised for not following the proposed management actions as a result.

As farmers across Wales get to grips with the record keeping requirements of the Control of Agricultural Pollution regulations, the proposal to incorporate potassium and phosphorus results into the already complex workbook raises concern. There is also a lack of detail with regards to how the Welsh Government intends to use this data and/or amend the requirements of this Universal Action once all farms have tested 100% of the applicable areas.

There is also a risk associated with making it compulsory for tenants and/or landlords to share any previous soil testing information with the incoming farmer and whether this could have an effect on the purchase or rental value of these field parcels.

#### **7.4 UA4: Multispecies cover crop**

The FUW welcomes the recognition of the over-winter grazing of fodder crops such as stubble turnips which are becoming an increasingly popular alternative to concentrate feed.

It is also noticeable that the cover crops should be sown 'as early as possible' although the final scheme rules and verifiable standards should include exemptions for poor weather conditions which would prevent sowing from taking place within 10 days as suggested.

The Welsh Government should also consider further exemptions for various crop types and production systems. For example, many will decide to allow six weeks after sowing maize before undersowing another crop to avoid competition between both species; timescales will differ based on characteristics such as topography.

This is especially pertinent for organic arable systems whereby undersowing increases crop moisture which causes germination in storage post-harvest and increased disease risk with limited options for control.

There also needs to be consideration for those that don't currently sow a cover crop over winter in order to reduce their use of herbicides and sow spring crops earlier. This Universal Action will increase costs and herbicide use within such systems and will contradict the aims of Universal Action 5: Integrated Pest Management.

In terms of all such exemptions, these should be available retrospectively rather than requiring farmers to apply for exemptions before they are necessary, since experience with BPS, Glastir and



other schemes has shown that the Welsh Government is slow in processing and responding to such applications, often to the extent that responses are not issued until after they are needed. It is also the case that sudden changes in circumstances, such as weather conditions, mean exemptions would effectively be needed instantaneously.

## **7.5 UA5: Integrated Pest Management**

These requirements are already in place and overseen by farm assurance schemes. As such, it is essential that procedures and records already in place are recognised in order to avoid duplication.

## **7.6 UA6: Managing heavily modified peatland**

FUW members didn't have any particular comments or concerns to raise with regards to the management prescriptions of this Universal Action.

As highlighted above (5.3 Habitat Baseline Review), the accuracy of the habitat maps on RPW Online for the administration and verification of the scheme will be crucial.

## **7.7 Universal Code for Habitats**

Many farmers that have engaged with previous agri-environment schemes will be familiar with these management prescriptions, and their inclusion once again emphasises the fact that the SFS as proposed is a high level environmental scheme that will place major restrictions on farms while delivering what will, in the absence of a major increase in the CAP replacement budget, likely to be a fraction of the total payments previously in place for participants of such schemes.

The accuracy of the habitat maps on RPW Online will be crucial, particularly in regards to the requirements referring to the spreading of slurry or any other organic and inorganic fertilisers on effectively any land which has a composition of less than 25% sown agricultural species.

This is in complete contradiction with the Control of Agricultural Pollution regulations whereby farmers must calculate their nitrogen loading on the amount of spreadable area available.

With a proposed payment methodology of which two-parts rely on calculations for income foregone and costs incurred, the Welsh Government must take into consideration how such management prescriptions could cause secondary impacts such as non-compliance with other Welsh Government regulations or clauses within milk supply contracts.

## 7.8 UA7: Habitat maintenance

While FUW members appreciate the need for appropriate management and maintenance of existing habitats, the need for flexibility and the correct identification of habitat, and rules that are appropriate for business needs were highlighted.

The FUW therefore opposes the prescriptive nature of the current proposals given the degree to which they fail to take into account local habitat requirements and business needs, historic land use and developments in terms of scientific understanding of the benefits of certain practices.

In this context, members noted that a vast area of Wales used for hundreds of years to grow arable crops was now considered to be habitat, while recent research by Aberystwyth University has highlighted that flooding could worsen unless liming practices on uplands are restored and maintained, since lime encourages earthworm populations which in turn increases water infiltration.

If such a requirement is introduced, the accuracy of the habitat maps on RPW Online will be crucial as will be both the Data Confirmation process and Habitat Baseline Review in ensuring that farmers are in agreement with the maps provided. The burden for RPW of processing corrections to what are widely accepted as grossly inaccurate maps cannot be underestimated, highlighting the need for a realistic SFS implementation date and transition period.

For all habitat types, the Welsh Government must consider and review any of the aims, outcomes, recommendations, restrictions and derogations if for any reason they result in unintended consequences and the targeted results are not achieved. In this scenario, members questioned whether penalties would apply if the desired outcomes were not achieved.

Reductions in Livestock Units (LUs) may also create challenges for managing certain types of habitats which thrive on the mixed grazing of cattle and sheep.

The FUW would welcome further discussions with the Welsh Government in finalising the details around the aims, outcomes, recommendations, restrictions and derogations for each habitat type. The practicalities of these management prescriptions must be considered in the context of costs incurred and income foregone at the very least given that, for example, reducing stocking rates on enclosed semi-natural grasslands to 0.7 LUs per hectare could mean having to purchase hundreds of extra silage bales due to a shortage of fodder over winter.

## 7.9 Scheme rule - at least 10% of each farm is managed as habitat

The FUW is completely opposed to making it mandatory for every farmer within the scheme to manage at least 10% of their land as habitat.

This scheme rule would reduce the productivity and economic viability of vast numbers of farms, potentially by up to 10%, and currently poses a significant barrier for entering the scheme, especially

for those farming improved areas of Wales. It would also compromise the quality of vast areas of higher grade land that should be preserved for food production.

Nevertheless, the Welsh Government's inclusion of hedgerows and the ground flora of certain woodland areas into the definition of habitat is welcomed.

The SFS proposals represent the biggest change in agricultural policy in Wales since the UK joined the EU CAP in 1973. As such, the Welsh Government must appreciate that farmers will not be able to comply with this scheme rule within 12 months as they face a plethora of other challenges and many will choose not to participate.

Therefore, the FUW believes the Welsh Government should withdraw this as a scheme rule and instead introduce an overarching scheme aim of increasing areas of habitat by a proportion that is manageable and realistic, and does not compromise production or the economic viability of farming businesses (see 10.0 FUW proposals for a Sustainable Farming Scheme framework).

This would allow farmers to continue to receive support to maintain and manage current habitat areas with the option of creating new habitat through the Optional Actions layer of the scheme.

#### **7.10 UA8: Create temporary habitat on improved land**

In light of the above, the FUW believes that this Universal Action should be offered as an Optional Action.

FUW members also questioned whether the establishment of mixed leys or wildlife cover crops on improved land would require the use of herbicides to spray off the productive grass ley beforehand.

#### **7.11 UA9: Designated Site Management Plans**

The FUW is particularly concerned by the fact that the Welsh Government is unable to support farmers to maintain and manage SSSIs through the universal layer of the scheme. Some farms are almost entirely categorised as SSSI and would therefore be placed at a severe disadvantage compared to other producers across Wales if they don't receive maintenance payments - thereby having the perverse effect of penalising those farming what have been categorised as Wales' most precious land.

Furthermore, the FUW believes that further support should be made available through the Optional Layer of the scheme to support the implementation of these management plans.

Due to budgetary pressures, Natural Resources Wales (NRW) took the decision in October 2023 to pause the signing of further Section 15 Management Agreements for SSSIs until the end of the

current financial year. The ability of NRW to continue with these plans during the next financial year also remains unclear.

The Welsh Government must therefore seriously consider NRW's capacity to issue management agreements for all SSSI areas over the next five years.

## 7.12 UA10: Ponds and scrapes

In light of the comments regarding the scheme rule of having at least 10% of each farm being managed as habitat, the FUW also believes this Universal Action should be included as an Optional Action.

It is clear from the consultation paper that the Welsh Government has failed to consider the practicalities of creating new ponds and scrapes and the hazards they bring.

The creation of new ponds and scrapes will be limited by a number of factors such as soil type, Environmental Impact Assessments (EIAs) and planning permission, as well as the need to obtain permission from the landlord.

Whilst the management prescriptions for ponds allow for greater flexibility in terms of stock exclusion, the Welsh Government should at least provide capital grant support to do so if the farmer requires as such water features can act as favourable breeding grounds for livestock infections such as fluke and for the transmission of avian influenza and *Escherichia coli*.

## 7.13 UA11: Hedgerow management

The FUW is generally supportive of this Universal Action and the need to maintain hedgerows in good condition.

However, the practicalities of some of the management prescriptions must be addressed. The height and width of hedgerows is often restricted by physical barriers such as ditches, roads and other permanent features. Exemptions to the 1.5 / 2 metres height or width requirements should therefore apply to take these into consideration as moving other features can be costly and unrealistic.

It's also worth noting that hedgerows of less than 1.5 / 2m can provide better shelter and habitat for wildlife species in some cases. In coastal areas, these criteria should be reduced to a more realistic target such as 1m.

The requirement to have standard trees spaced along the length of the hedgerows with a minimum of 1 tree per 50m length on average is also unrealistic. Some hedgerows may be made up of species that do not naturally grow into full trees, meaning gaps would have to be created within hedgerows large enough for an individual tree to be planted - likely causing environmental damage.

This also has the potential to result in boundary disputes and complications between landlords and tenants when trying to decide who owns and has management control of those individual trees within hedgerows.

It should also be noted that for certain types of boundaries, such as cloddiau (banks) with hedges on top, allowing trees to grow above a certain height will increase the risk that they are uprooted by wind, causing severe damage to the habitat provided by the clawdd. This is particularly the case in coastal areas, where such boundaries often predominate.

Having hedgerows that are stock proof in their own right is also often impractical and therefore the annual side trimming of certain boundaries should be permitted if there are animal welfare issues with livestock, and especially youngstock, getting caught in vegetation.

It should also be noted that some hedgerows, due to the restricted size of many fields across Wales, are less than 20m in length although they should still be considered as habitat.

It is also disappointing to note that other boundaries such as traditional stone walls which offer unique habitat to certain wildlife species are not being considered as habitat features within the scheme, and such boundaries should therefore be included.

#### **7.14 UA12: Woodland maintenance**

As with maintenance of current habitat features, the FUW appreciates the need to appropriately manage and maintain current woodland areas on-farm.

Given that current BPS recipients do not receive a payment on these areas, support payments to maintain these areas and reward farmers for doing so would be welcomed. However, such funding must reflect the full costs that management entails.

As highlighted above in regards to ponds and scrapes, although it will not be a scheme requirement to stock exclude these areas, most farmers would prefer to do so given the risks associated with livestock wandering into woodlands. As such, the Welsh Government should consider offering capital grants for those that wish to fence off existing woodland areas on their farms.

#### **7.15 Scheme rule - at least 10% under tree cover as woodland or individual trees**

This proposal remains the most controversial and significant barrier to scheme entry for vast numbers of farmers, and it is disappointing that only limited concessions have been made since it was originally proposed. This is despite the fact that the FUW and others have consistently highlighted the problems inherent to the proposal, and the co-design results highlighted that 43%



would not be able undertake this action, completely undermining the Welsh Government’s ambition to ensure more than 16,000 farm businesses enter the SFS.

The average economic and employment value of forestry per unit area is consistently a fraction of that of agriculture, while for deciduous woodland the figures are so low as to be close to zero. Similarly, the value of woodland per hectare is generally lower than that of agricultural land.

Such factors, coupled with the fact that once agricultural land is converted to woodland it is effectively permanently lost to agriculture due to legislation, combine to make the planting of large areas of farmland with trees highly unattractive for Welsh farm businesses, particularly from an economic point of view.

This is highlighted in the economic impact assessment published alongside the consultation, which also underlines the areas of Wales and sectors where the 10% target represents the biggest challenges (Figures 1 and 2 below)

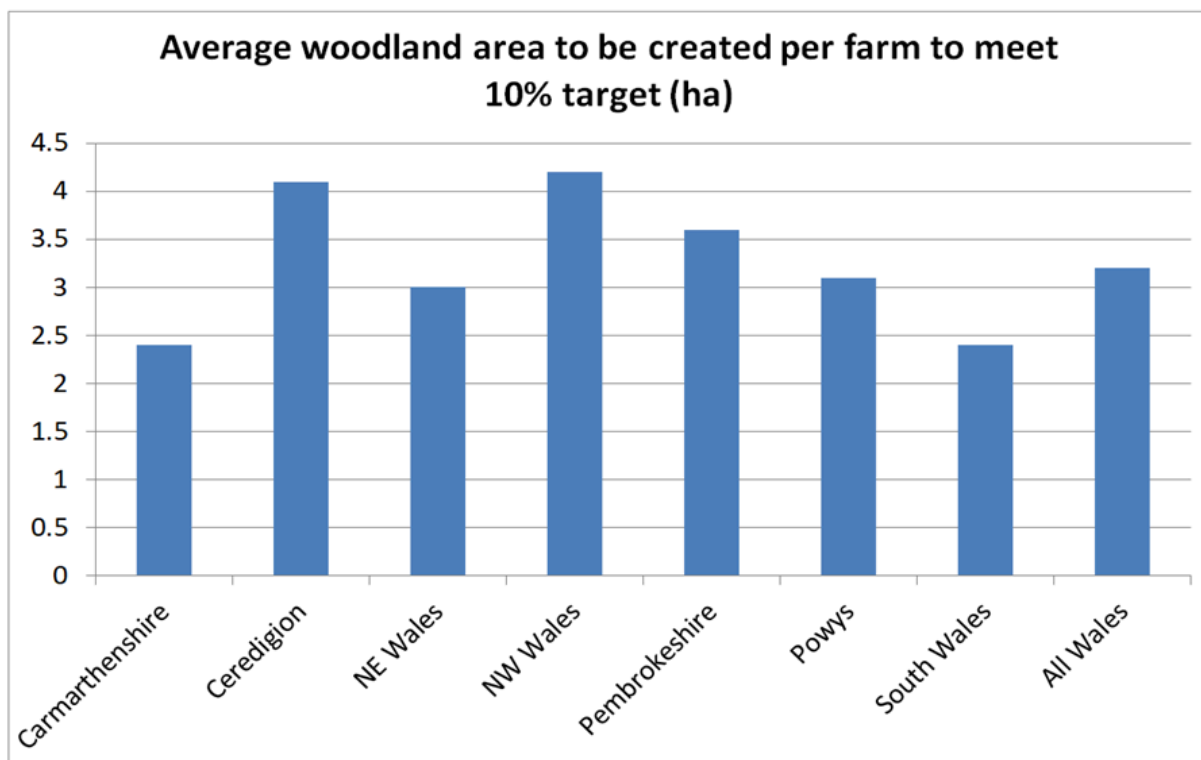


Figure 1

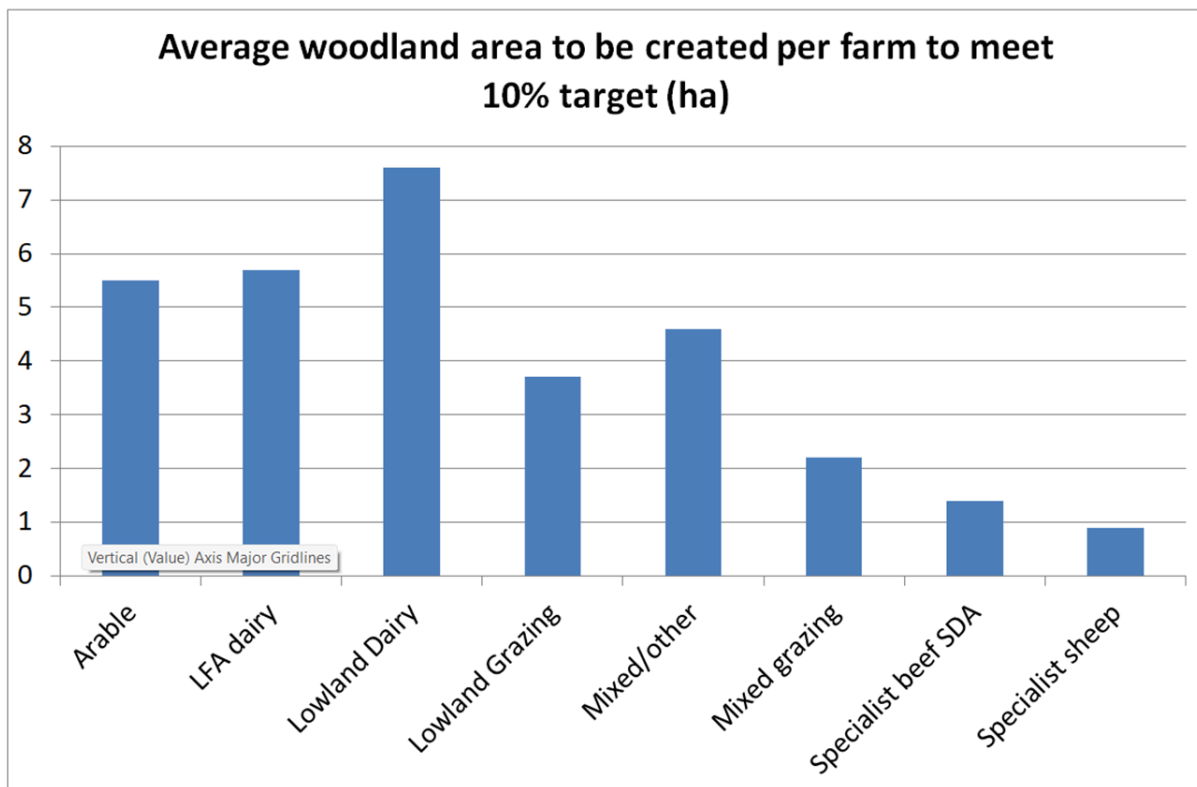


Figure 2

The significant barriers for all sectors, and in particular for arable and dairy farms, represented by the 10% target are apparent from these figures, and these, combined with the huge estimated falls in Farm Business Income brought about by the loss of productive farmland to tree planting and other adverse impacts from proposed SFS scheme rules clearly show why large numbers of businesses will not participate in the scheme in its current form.

It is also notable that the requirement to plant more than 28,200 hectares of woodland if all farms sign up to the SFS represents the planting of more trees in Wales in the coming five years than have been planted over the past fifty - a goal that brings with it huge challenges in terms of labour and the supply of saplings.

The modelling also highlights the likelihood that Welsh food production will be significantly reduced as a result of such tree planting, leading to a likely increase in food production and imports from countries which have far lower environmental (and health and welfare) standards than those in place in Wales - leading to potential increased deforestation in those countries that outweighs the positive impacts of any additional tree planting in Wales. This would be a perverse outcome that would go against Wales' wellbeing objective in terms of being globally responsible.

The Welsh Government's proposals around 10% tree cover clearly originate from its target to plant a total of 180,000 hectares of trees by 2050 in Wales, which in turn has stemmed from advice received by the UK Climate Change Committee (CCC).

The purpose of the UK CCC is to 'advise the UK and devolved governments on emissions targets and to report to Parliament on progress made in reducing greenhouse gas emissions and preparing for and adapting to the impacts of climate change'.

Calculations around future carbon budgets are extremely complex, therefore at best the advice the UK CCC is able to provide to each of the UK nations is based on complicated algorithms and desktop assumptions. It is not the role of the UK CCC to advise each of the UK nations on how to achieve these targets.

However, the Welsh Government has implemented this 2050 tree planting target without any thought around how to achieve it in practical terms and therefore farmers feel unfairly targeted by this proposed scheme rule as a result of the Welsh Government's inability to consider net zero in a holistic way.

To this end, the UK CCC, the FUW and many other organisations have supported a 'right tree in the right place' policy and yet this message has been lost within the Welsh Government during the development of the SFS. In this context, FUW members do recognise the fact that individual trees and woodland do provide some benefits such as shaded areas for livestock and habitat for wildlife species. However, it has been proved in many cases that tree planting can be hugely damaging to ground nesting birds such as the endangered curlew.

The FUW fully appreciates the pressures created by the climate emergency and the need for every individual and sector in Wales to work towards net zero. However, there is a need to generate a far better understanding of carbon emissions and sequestration on-farm first and foremost in order to fully understand the options available to farmers to play their part.

For instance, it is estimated that around 410 million tonnes of carbon is currently stored in Welsh soils and yet this is likely to be extremely variable and therefore there is a need to understand the relationships between different land management practices and carbon cycles. The Environment and Rural Affairs Monitoring & Modelling Programme (ERAMMP) suggest that actively changing land use from grassland to woodland involving tree planting can lead to initial losses of soil carbon, whereas other studies have found that soil carbon declines by 10% when converted to forestry.

It is clear from research studies to date that there are many tools in the box farmers can use alongside tree planting to work towards the same end goal.

Research conducted by Farming Connect found that the greenhouse gas emissions (GHG) of beef enterprises in Wales are already 17% less than the benchmark future for upland suckler spring calving cows published in The Farm Management Handbook 2022/23.

For sheep enterprises, Welsh emissions on a per kg of deadweight basis were 9.3% lower than the UK benchmark figure for hill ewe flocks.

Hybu Cig Cymru - Meat Promotion Wales (HCC) has also found that a combination of management practices which improve production efficiencies can reduce emissions by more than 20% for the sheep sector and 11% for the beef sector.

Whilst barriers to on-farm renewable energy production still exist, these developments offer solutions which work alongside food production, support UK energy security and Welsh Government targets for renewable energy production, and are options farmers are willing to explore.

While figures vary significantly depending on a number of variables, solar panels can be considered to reduce carbon emissions by orders of magnitude more carbon per unit area compared with tree planting.

For example, a hectare of deciduous trees can capture between 300 and 350 tonnes of carbon over a 100 year period - equating to between 3 and 3.5 tonnes of carbon, or between 11 and 13 tonnes of CO<sub>2</sub>, per year.

By comparison, given that solar panels in the UK can be expected to produce between 150 and 200kWh of electricity a year per square metre, and that the carbon intensity of UK electricity production is around 0.265kg per kWh (a figure which includes existing renewable energy production, and therefore underestimates the positive impacts of offsetting), an area of between 200m<sup>2</sup> and 330m<sup>2</sup> of solar panels can be expected to offset as much carbon production as an entire hectare of trees.

Such figures equate to solar panels being between 30 and 50 times more effective than tree planting per unit area in terms of offsetting carbon emissions. While the FUW certainly does not advocate the inappropriate use of agricultural land for solar energy production, it is notable that achieving the carbon equivalent of the 10% tree planting target by using solar power would mean farms giving up an average of not 3% (as is the case for meeting the tree planting target) , but 0.1% of their farmland.

Similarly, a single 15kW wind turbine or 10kW hydro turbine on a farm might be expected to reduce carbon emissions by around the same amount as planting a hectare of trees, and such benefits would be far greater for the larger turbines of the type already present on a number of farms.

The FUW is of the view that there is clearly a significant opportunity for utilising renewable energy production on Welsh farms in ways which are far more effective than tree planting at mitigating climate change, and in ways which would bolster UK energy security without compromising significant areas of farmland.

The FUW therefore calls on the Welsh Government to establish an independent panel tasked with evaluating the science around net zero and carbon sequestration to help develop the SFS in such a way that takes into account all actions farmers can undertake to make progress towards net zero in a sustainable way.

Other points the Welsh Government must consider as part of this process include:

- a. Implications for tax relief on agricultural land that is planted with trees
- b. How the carbon sequestered by trees is managed within carbon markets
- c. Whether there are enough saplings and available workers to reach tree planting targets
- d. The liability on the farmer if trees are destroyed by disease i.e. ash dieback or by wildfires (this also applies to UA12: Woodland maintenance)
- e. How the requirement conflicts directly with the Control of Agricultural Pollution regulations, whereby farmers must calculate their nitrogen loading on the amount of spreadable area available
- f. Clear guidance on exemptions for tenants which addresses how trees on all rented areas of land will be considered
- g. How costs incurred and income foregone calculations will include depreciation in land value
- h. How such depreciation will be dealt with by banks which have accepted agricultural land as security against loans and overdrafts
- i. Implications for wildlife populations and disease risk, and the need to provide support for species management to improve the condition of existing woodland and the establishment of new woodland

In light of the above, the FUW is fully opposed to making it mandatory for every farmer within the scheme to have at least 10% tree cover on their farm.

The FUW believes the Welsh Government should withdraw this as a scheme rule and instead use the findings of the independent panel to introduce an overarching scheme aim which focuses on reducing the carbon footprint of the agricultural sector in a sustainable way, which is manageable and realistic, and does not compromise production or the economic viability of farming businesses (see 10.0 FUW proposals for a Sustainable Farming Scheme Framework).

This would allow farmers to continue to receive support to maintain and manage current woodland areas with the option of looking at ways to reduce their carbon footprint, which may include the creation of new woodland, through the Optional Actions layer of the scheme.

## **7.16 UA13: Create new woodland and agro-forestry**

In light of the above, the FUW believes that this Universal Action should be offered as an Optional Action alongside other actions which target support towards more efficient farming methods.

The Welsh Government should also rethink its intention to plant 'less productive areas' of Wales given that the areas of Wales categorised as Less Favoured Areas (LFA) and Severely Disadvantaged Areas (SDA) are 79% and 56% respectively.



## **7.17 UA14: Historic environment - maintenance and enhancement**

FUW members questioned how the Welsh Government will expect farmers to maintain certain historical features such as traditional farm buildings and to what extent. It may be uneconomical to repair certain features without support that may run into tens of thousands of pounds, and therefore this will have to be factored into the payment methodology.

It is also unclear whether, under the SFS, the onus would be on the farmer to repair third party criminal damage to historical features or damage caused by wildlife and whether failure to do so would result in a financial penalty.

This is another Universal Action that needs to consider tenancy agreements given that in the majority of cases the landlord retains the control of any historical buildings or features. The tenant may need to seek permission from the landlord to undertake certain maintenance works.

These requirements may also place yet further barriers on those that may seek to renovate derelict agricultural buildings into residential properties or holiday accommodation.

Similarly, the FUW would welcome further discussions and co-design with the Welsh Government on finalising the list of measurable outcomes and restrictions for each historical feature.

## **7.18 UA15: The Animal Health Improvement Cycle**

FUW members were not opposed to this Universal Action in principle. However, they questioned the need for it to be included given that the majority of farmers already complete Animal Health Improvement Cycles as part of their farm assurance. The FUW would oppose any moves to implement an AHIC that goes above and beyond current farm assurance requirements. Aside from the lack of any evidentiary support for an increase in standards, there is concern that this could result in an animal health 'arms race' as buyers continue to strive to differentiate their product from the current welfare baseline, which is already above that in the vast majority of countries around the globe - countries which are increasingly at liberty to import sub-standard products into the UK.

As such, it's imperative that the RPW Online system can automatically communicate with other data collection systems in order to avoid duplication and increased pressure on veterinary practices.

## **7.19 UA16: Good animal welfare**

Please note section 7.2 UA2: Continuous Personal Development.

The Welsh Government should also consider exemptions for those that have i) already completed training on lameness and body condition scoring and/or ii) body condition score their stock and check for lameness on a regular basis.

## 7.20 UA17: Good farm biosecurity

The FUW maintains that the need to have wash stations on each and every farm must be considered in the context of cost and effectiveness.

The installation of wash stations will be costly in terms of concrete, running water systems in some cases and the purchase and disposal of chemicals, all of which will have to be compensated for within the payment methodology. The Welsh Government should provide guidance on how farmers should dispose of their waste chemicals and whether a costly permit from NRW is required.

FUW members also queried how such a proposal would be implemented and cost effective on farms with multiple access points, including those that are split into discrete units and separate holdings.

Members questioned the effectiveness of having wash stations available for certain individuals to clean their equipment when focussing on the biosecurity risk of public rights of way may be more beneficial in terms of animal health - particularly on farms which are crossed by busy National Trails such as the Wales Coastal Path.

The ability of farmers to secure all land boundaries may also be difficult in some circumstances when it is the legal responsibility of neighbouring landowners to do so - including those who may not be farmers and may not be participants in the SFS. In this context, FUW members continue to experience issues with the poor maintenance of boundaries along Welsh Government owned land managed by NRW.

The wording around the requirement to undertake a biosecurity assessment with the vet on the disease risks associated with sourcing and the introduction of incoming animals also suggests that this would require a vet visit every time a farmer brings new stock onto the farm, given that the disease risk will differ between groups of animals. Veterinary practices are already under immense pressure and such an approach would only increase bureaucracy for both farmers and vets.

As part of the biosecurity risk assessment, both the disease status and provenance of incoming animals must be recorded. As per the FUW's response to the Welsh Government's 2021 Refreshed Bovine TB Programme consultation, there is significant concern amongst members that this UA could lead to financial penalties for purchases classified as risky and that this could lead to a two tier market and the devaluation of low risk stock from high risk areas.

The ability to evaluate the disease risk of livestock will heavily rely on the diseases in question and the health data that's available for those animals at time of purchase. It is unclear whether the

biosecurity risk assessment pertains to a set of predetermined diseases or whether farms can prioritise those diseases that have the most meaningful impact upon their own individual business.

Whilst the FUW does not oppose the principle of risk based trading, discussions surrounding risk based trading must recognise the balance between the need for information, the burden of collating such information and the resultant detrimental effects on some flocks and herds. Defining the overall disease risk of a potential purchase is complex and multi-faceted and requires significant further discussion with industry and veterinary experts prior to implementation. As such, the FUW would oppose moves within the SFS to introduce risk based trading by the back door.

## 8.0 Universal Actions modelling results

The FUW has consistently called for rigorous economic modelling and analysis to be undertaken that includes the impact on those directly working within agriculture but also secondary and tertiary businesses based in rural areas that rely directly or indirectly on agriculture for a proportion of their income.

The FUW therefore welcomed the publication of the ADAS modelling results of the potential economic effects of the SFS alongside the consultation. However, for such an important scheme as the future of agriculture in Wales, the modelling is simplistic and clearly hasn't received the attention an analysis of this type deserves.

The Minister for Rural Affairs also claims that this modelling report is based on an earlier version of the scheme and is therefore out of date. The FUW would seriously question the inability of the Welsh Government to at the very least publish a valid economic impact assessment alongside the final consultation.

This is particularly the case given that vast sums have been spent over many years by the Welsh Government on environmental modelling (ERAMMP), resulting in the publication of numerous reports comprising hundreds of pages. While such modelling is welcome, the disparity between this and the 23 page report on economic modelling published at the 11th hour suggests an indifference on the part of the Welsh Government to the impacts of its plans on Welsh businesses and jobs, and the Welsh economy.

In summary, the modelling results suggest:

- a. A reduction of up to £199 million in Farm Business Income (a reduction of 85%)
- b. A loss of up to £125 million in farm outputs
- c. 122,000 fewer Livestock Units
- d. 11% fewer Standard Labour Requirements (SLRs) on-farm (between 2,500 and 5,500 jobs)
- e. Even with the additional 'top-up' stability payment, the modelling results suggest economic losses of between £59 million (25%) and £82 million (35%) in Farm Business Income

- f. Close to 100% of farms experiencing a reduction in Farm Business Income in all scenarios considered

The modelling report also shows the average area of every farm in different parts of Wales that would need to be planted with trees to reach the current 10% tree cover target. While the average for all of Wales is around 3.5 hectares per farm, for some areas such as Ceredigion and northwest Wales the average is over 4 hectares which would equate to a financial loss of up to £100,000 worth of productive agricultural land, in addition to possible tax implications of converting farmland to woodland.

It should be noted that this report assumes an uptake of 100% and fails to take into account any economic impacts beyond the farm gate. As such, and given the fact that during selected FUW regional meetings only 10% of the farmers present expressed the view that they would consider entering the scheme in its current form (mainly due to financial reasons rather than aspirations), the potential economic impacts of the scheme are likely to be far greater.

Even if the modelling report is based on an earlier version of the scheme, the policy framework proposed by the Welsh Government has not changed greatly since 2021 and therefore the economic analysis is likely to remain valid, meaning the scheme in its current form still remains to be unsustainable for Welsh agriculture and the rural economy.

The UK's susceptibility to recent global events has rarely been exposed so starkly as during the past three years. The Covid-19 pandemic and the conflict in Ukraine have demonstrated the volatility of global supply chains and the UK's reliance on imports of key commodities such as oil and gas.

It's also important to note that the demand for animal products in developing countries is anticipated to more than double by 2030 and that 60% more food will be needed worldwide by 2050 to feed an estimated 9.7 billion people.

Any reduction in livestock numbers represents a serious threat for the future of food production in Wales and the impact that will have on UK food imports, food miles and the offshoring of emissions to other countries. It's therefore vital that the SFS underpins the supply of high quality sustainable food produced by family farms in Wales. This cannot be underestimated in the context of current events, and it must also be noted that reductions in livestock numbers, such as those estimated in the modelling results, will threaten the viability of Wales' food processing sector which requires a critical mass of throughput to be economically sustainable.

The SFS must be sustainable in all meanings of the word - socially, environmentally and economically. The Welsh Government must distinguish the difference between a resilient agricultural industry e.g. being able to recover quickly from difficult conditions, and a sustainable agricultural industry e.g. able to be maintained at a certain level.

It is therefore imperative that the Welsh Government analyses this data to rethink the scheme through genuine co-design with both farming unions and to avoid these detrimental impacts.

## 9.0 FUW modelling on direct farm support

The FUW recently published a report entitled “The Role of Farm Support in Wales’ Livestock Supply Chains”.<sup>1</sup> Under two scenarios, whereby BPS payments are reduced by 50% or removed altogether, this report models how, where farms make no other changes to their farming practices, farm profits for each farm might be maintained at average levels through:

1. Increases in profit received for livestock from the market
2. Increases in profit received per hectare of land farmed or
3. Reductions in selected input costs

In the context of these results, it should be noted that the ADAS modelling report predicts reductions in FBI of between 25% (with a diminishing ‘top-up’ stability payment) and 85% under an assumption of 100% uptake. The figures summarised below for both the scenarios whereby BPS payments are reduced by 50% for those that enter the scheme and such payments are removed altogether for those that cease to receive any form of direct farm support in future are therefore analogous in many respects to the current SFS scheme proposals.

### 9.1 Model 1: Increases in profit received for livestock

The modelling shows that, in the absence of other changes to farm businesses, the increases in profit received for livestock enterprises required to maintain farm incomes, where BPS payments are reduced by 50% and 100%, are significant for all farm categories considered.

For the scenario where the BPS is reduced by 50%, these range from a required increased profit per ewe of between £18.09 (hill cattle and sheep) and £24.06 (lowland cattle and sheep) coupled with an increased profit per cow of between £120.63 (hill cattle and sheep) and £160.39 (lowland cattle and sheep).

If it were assumed that all offspring (i.e. lambs and calves) are ultimately sold as finished animals at average weights (i.e. 32kg for lambs and 480kg for calves), then based on the Welsh Government’s 2021 liveweight prices of £2.65/kg for lamb and £2.23/kg for finished cattle, market prices would have to rise by between 16% and 21% for lamb and by between 13% and 17% for finished cattle under a scenario whereby BPS payments are cut by 50% in order to maintain farm incomes.

This equates to increases in market prices of between 35% and 43% for lamb and between 26% and 33% for finished cattle for the scenario whereby BPS payments are cut by 100%.

Such increases would necessitate either farmers receiving a far greater share of the profits made by processors and retailers further along the supply chain, an increase in the prices paid by consumers, or a combination of both. However, such changes may be difficult to sustain given pressures on

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<sup>1</sup> [https://www.fuw.org.uk/images/pdf/the\\_role\\_of\\_farm\\_support\\_in\\_wales\\_livestock\\_supply\\_chains-fuw\\_november\\_2023.pdf](https://www.fuw.org.uk/images/pdf/the_role_of_farm_support_in_wales_livestock_supply_chains-fuw_november_2023.pdf)



processors' margins and household incomes as well as increased competition from cheaper imports from countries that continue to benefit from significant farm support (for example EU countries) or lower production standards and economies of scale (for example Australia).

## **9.2 Model 2: Increases in profit received per hectare**

Given the area-based and redistributive elements of BPS payments, the increases in profit per hectare required to maintain farm profit for all farm types were found to be similar, with figures highest for upland and lowland cattle and beef farms - reflecting the generally smaller size (and therefore larger contribution of redistributive payments) of such farms.

While this reflects obvious impacts per hectare of reductions in an area based payment scheme, the figures do highlight the challenges of increasing profitability per hectare given reductions in support payments.

For example, lowland cattle and sheep farms would have to increase their profits received per hectare by £88 in order to maintain farm income for the scenario whereby BPS payments are cut by 50%. This increases to £176 for the scenario whereby BPS payments are removed altogether.

Moreover, while some have rightly highlighted the role that Government supported investments in technology, equipment and infrastructure can play in improving, for example, productivity and animal health and welfare, it is difficult to envisage scenarios whereby such investments increase profits per hectare by hundreds of pounds, as would be required to make up for the loss of part or all of the BPS or similar direct support.

This is particularly the case given that, while such investments on more productive/intensive (for example arable) farms might be expected to increase profits per hectare by tens or scores of pounds, such increases are far more difficult to realise on the far less productive LFA and SDA land that makes up around 80% of Welsh farmland.

## **9.3 Model 3: Reductions in input costs**

The results highlight the significant savings that would have to be made for all farm types if farm profits were maintained purely by reducing expenditure on key inputs, with annual reductions for different categories ranging from £113 (upland cattle and sheep expenditure on other contracting/machinery hire) where BPS payments are cut by 50% to £6,708 (hill sheep expenditure on feeds) where BPS payments are cut by 100% (see Table 3 in Appendix 1).

While it is clearly unrealistic for such significant cuts to be made without severe impacts for farm infrastructure, productivity, animal health and welfare etc., and that different farms and sectors would choose to make cuts in different areas depending upon circumstances, by apportioning cuts

proportionately to current expenditure the model provides useful insights into the potential direct and knock-on effects of cuts.

However, as already stated, different farms and sectors would choose to make cuts in different areas depending upon circumstances, and while efficiencies might be found in all categories, costs in some would be deemed more expendable than others, and therefore be more vulnerable to cuts, irrespective of the scale of these.

For example, while expenditure directly related to production, such as feed and fertiliser costs, might remain relatively unchanged on an individual farm in order to maintain levels of production (at least in the short term), this would necessitate major cuts in other areas, such as those relating to the more general maintenance of the farm (fences, hedges etc.) and farm machinery (machinery repairs and maintenance) and/or animal health and welfare (reductions in vet visits, vaccination programmes etc.).

While such cuts might make up for the loss of payments in the short term, they would inevitably have long term implications for farm productivity.

Above all else, such reductions in expenditure highlight the impacts for the wider economy, and in particular the rural economy, and the potential impacts on businesses such as veterinary practices, agricultural merchants, garages etc. - with clear consequences for rural employment. Such impacts would extend to those businesses that are not necessarily regarded as agricultural, but which rely directly or indirectly on farms for a proportion of their income.

Furthermore, these results, based on the scaling up of such figures based on the total number of farms in the Farm Business Survey (FBS) data set (8,937), provide a useful illustration of the total falls in income for businesses linked directly and indirectly with agriculture that might be experienced in the scenarios considered.

Moreover, given that these reductions represent only a proportion of the total expenditure in those categories, it should be noted that the figures in the report by no means represent maximum possible reductions.

For example, while a total reduction of £12.15 million for veterinary and medicine expenditure might be expected if all farms reduced their expenditure proportionally across key input areas in order to maintain profit levels if the BPS was removed altogether, the total expenditure in that category for all farms in the FBS livestock categories is estimated to be £34.61 million.

As such, while it is impossible to precisely model the impacts of cuts to BPS or equivalent funding on those who rely directly or indirectly on expenditure by farms, it is clear that such cuts would have a major knock on effect on many Welsh non-farming businesses, with some sectors potentially losing tens of millions in income, with inevitable impacts for business viability, employment and so forth.

In reality, the ways in which farms, farm types and sectors would react to the loss of part or all of the funding that, on average, makes up 96% of livestock farm profits (without taking account of unpaid labour costs) would vary significantly.

For example, some may be able to change to what have over recent years been more profitable agricultural sectors, such as dairy or poultry production, while others may successfully diversify into tourism or other sectors.

However, as well as being limited for many by affordability, land topography and fertility etc. and restrictions such as landscape designations - not to mention environmental restrictions - the scope for diversification into any area is also limited by ceilings relating to market saturation, as experienced recently by many farms that have diversified into certain types of holiday accommodation.

It should also be noted that the skillset of a vast proportion of those who may attempt to diversify their income by working off-farm will be primarily in agriculture - a sector that, by definition, would be far less able to afford the services of those with such a skillset in the advent of such cuts to support.

As such, policy makers and others must be sober and realistic about the limited scope for diversification to make up significantly for losses imposed as a result of such changes.

It should also be noted that a significant proportion of expenditure in the wider economy by the circa 6,000 farms not included in the FBS population is also derived from BPS payments - expenditure amounting to tens of millions which is not accounted for in this analysis.

Given the focus of the Welsh Government's SFS proposals on environmental outcomes, it should be noted that agri-environmental payments made from the rural development budget have not been factored into this analysis.

This is justified on the grounds that under EU Regulations, and in line with World Trade Organisation rules, payment rates were calculated based on the costs incurred and income foregone of compliance with agri-environment scheme rules, and therefore should not, on average, have contributed directly to profits.

In this context, it is worth noting that while the Cross Compliance rules associated with the Basic Payment Scheme (Statutory Management Requirements and Good Agricultural and Environmental Conditions rules) will generally have costs associated with them, and therefore undermine the contribution of the BPS to farm profit, any replacement regime that has far more stringent restrictions will significantly undermine overall farm profitability, thereby requiring either higher associated scheme payments, or increases in returns or cuts to expenditure as described to maintain current levels of farm profit.

This is a factor already exemplified by the fact that many dairy farmers have stated that participating in the SFS would not make economic sense for their businesses based upon current proposals. Such

valid business decisions should naturally raise concerns in terms of any future scheme attracting sufficient numbers of farms to ensure a critical mass of Welsh land is entered into the scheme such that desired economic, environmental, social and cultural aspirations are met.

## **10.0 FUW proposals for a Sustainable Farming Scheme framework**

In light of the various concerns raised throughout this consultation response in regards to each individual Universal Action and the proposed payment methodology, and given that:

- a. These proposals come against a backdrop of continuous and costly (including in terms of mental health) bovine TB breakdowns and bureaucratic agricultural regulations - most notably in terms of the agricultural pollution regulations
- b. The proposed policy framework remains relatively unchanged compared with the proposals that were published in 2021
- c. There remain some huge gaps of fundamentally important detail relating to the payment methodology, scheme rules and verifiable standards
- d. The Welsh Government intends to launch the SFS in around ten months' time
- e. The economic analysis undertaken to date suggests impacts that would be extremely detrimental to Welsh agriculture and the rural economy

The FUW calls on the Welsh Government to pause the introduction of the SFS to allow adequate time for a rethink of the proposals through genuine co-design with both farming unions.

In 2021, the FUW and NFU Cymru proposed an alternative SFS framework and presented it to the Welsh Government as outlined below.

## Sustainable Farming Scheme Framework

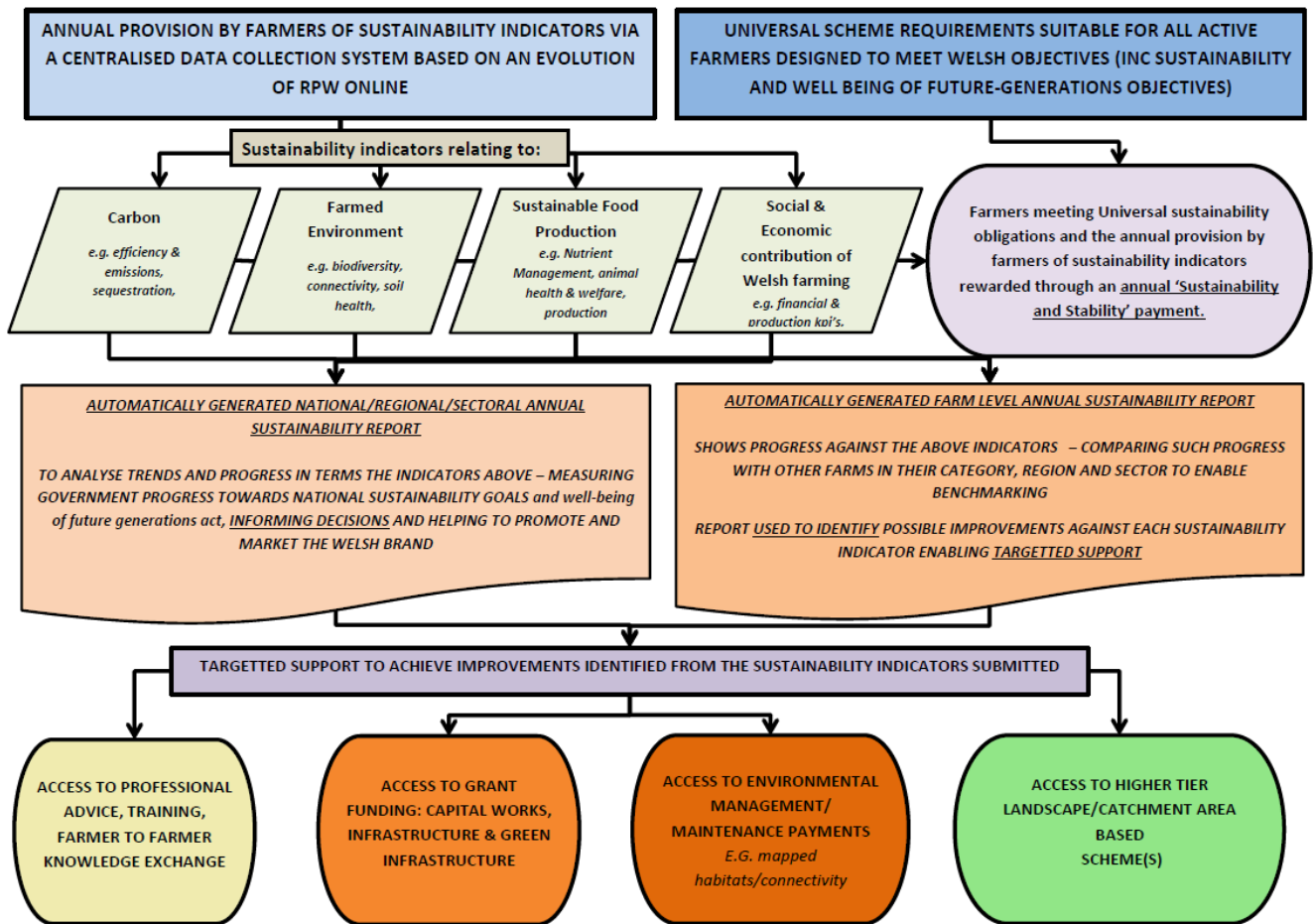


Figure 3: The jointly proposed FUW - NFU Cymru Sustainable Farming Scheme framework, 2021

In broad terms, this proposal is not dissimilar to that currently being proposed by the Welsh Government i.e. the receipt of a sustainability and stability payment for providing annual data and undertaking universal scheme requirements designed to meet Welsh objectives, with data then used to target further support in the form of professional advice, grant funding, higher environmental payments or collaborative catchment-area based funding i.e. Optional and Collaborative Actions.

In reflection of the current SFS proposals and the joint FUW - NFU Cymru proposals, the FUW believes that the revised framework outlined below should be used as the basis for further co-design between both farming unions and the Welsh Government.

The FUW therefore welcomes the Welsh Government’s recent commitment to genuinely consider how the SFS should be redesigned in order to allay the broad range of concerns and fears expressed by Welsh farmers over recent weeks, and proposes the following course of action:

1. The Welsh Government and key stakeholders, notably the Welsh farming unions, should agree on revised overarching objectives of the SFS, such that they align with the Welsh Way



Forward principles and the nine objectives that underpin the 2021-2027 EU CAP framework that governs our main competitors

2. Those overarching objectives must include *minimising adverse economic impacts and disruption for businesses, sectors and regions*. If necessary, changes reflecting this should be made to the Agriculture (Wales) Act 2023
3. A small focussed SFS design stakeholder group that includes the farming unions should be established to consider changes to the SFS and associated payment rates, with the option to create sub-groups or panels that consider the details of different elements of the SFS - for example, in relation to broad policy areas such as woodlands, animal health etc.
4. Possible changes considered or proposed by the group/sub-groups should then be assessed using the economic model developed by ADAS, and evaluated in terms of meeting the overarching objectives - particularly those relating to economic sustainability
5. The group should also assess the overall budget required to deliver different versions of the SFS, such that a case can be made to the UK Government for funding, and changes can be made to the final scheme if that funding falls short of what is required
6. The group should also consider options for transitioning from the BPS to the final SFS scheme and ensure that the final SFS proposals are practical in terms of their administration by Welsh Government
7. As already stated, the FUW believes that the introduction of the SFS should be delayed until properly assessed improvements, as described above, have been made to ensure it is fit for purpose

The above approach has previously been successful in introducing major changes to schemes, including over relatively short timescales, and has been advocated by the FUW in terms of the SFS since 2018.

## 11.0 Optional and Collaborative Actions

As highlighted above, the FUW is generally supportive of the framework to allow further funding opportunities through the Optional and Collaborative layers of the scheme. Fair and equal access to these options for all active farmers in Wales irrespective of whether they receive a universal baseline payment is also welcomed.

While it's understandable that the Welsh Government has focussed its attention on developing the Universal Actions within the scheme design, it is disappointing to note that the Optional and Collaborative layers have received very little attention over the past two years given that many

farmers in specific circumstances i.e. grazing large areas of common land or SSSI areas will undoubtedly rely heavily on this additional funding.

As such, the FUW believes that these options should be prioritised and introduced at the earliest possible opportunity:

- a. Funding for managing designated SSSIs
- b. Payments for common land (in addition to baseline payments on common land)
- c. Support for certified organic producers
- d. Financial support for on-farm renewable energy production as an alternative to tree planting to offset carbon emissions
- e. Shortening of supply chains for Welsh products

The FUW also supports the continuation of current Rural Investment Schemes alongside the SFS.

## 12.0 Specific considerations

### 12.1 Tenants

While the FUW welcomes the concessions for tenants with regards to the 10% tree cover requirement and the move to annual declarations for those with shorter term agreements, FUW members have raised a number of practical examples which must be addressed to ensure that tenants have fair and equal access to the scheme.

For instance, the Welsh Government will need to clarify how land that is rented for between 10 and 12 months of the year will be considered given that the tenant will have management control of that land for the required number of months but will be unable to guarantee that land complies with the Universal Actions for the full year.

Historical tenancy agreements have also prevented tenants from entering agri-environment type schemes such as Glastir. Such clauses will need to be considered in the context of complying with habitat management requirements i.e. creating ponds or cleaning ditches without permission from the landlord, and conflicts with the good husbandry requirements within tenancy agreements.

In regards to grazing licences, landlords typically retain full management control of the land and receive a BPS payment and therefore should be eligible to enter the SFS. However, this may require the landlord to receive confirmation from the grazier that they have undertaken the Universal Actions i.e. enterprise specific benchmarking, CPD etc, and poses the risk of creating a two-tiered market whereby the landlord only seeks graziers who have entered the scheme.

The FUW would welcome further meetings of the tenancy working group to address these practical and legal issues before the scheme is launched. The Minister has on numerous occasions stated that

if the scheme doesn't work for tenants it doesn't work at all, and therefore it is crucial that these concerns are addressed.

## **12.2 Cross border farm businesses**

The FUW appreciates the inability for the Welsh Government to pay for any actions on land in England. However, the Welsh Government must take into account and align any whole farm actions and data collection exercises between policies on both sides of the border wherever possible.

## **12.3 Certified organic farms**

The FUW welcomed the recent Welsh Government announcement of an organic support scheme for certified producers for this year in light of the loss of the Glastir Organic scheme. Whilst on average the payment rates offered this year are around 30% lower than those received under Glastir, it is positive that this will be used to incorporate an additional stability payment for organic producers throughout the transition period.

As the Welsh Government has previously acknowledged, such support will be welcomed by the sector as the majority rely on support to produce food using organic practices as the premiums they receive for their products vary rarely reflect the additional challenges and costs associated with farming in this way.

As such, it is crucial that the Welsh Government avoids any gap in support for organic producers and prioritises additional support for the sector through the Optional and Collaborative layers of the scheme.

## **12.4 New entrants to farming**

Although the Welsh Government claims to have removed barriers for new entrants to the industry, such as removing the need for entitlements, the FUW remains concerned that the issues discussed by the new entrants working group have been dismissed, including the need to provide additional financial support to young and new entrants.

Whilst all farmers who choose to enter the SFS will be expected to surrender their entitlements, this will be particularly impactful for new entrants who may have recently had to spend thousands of pounds buying entitlements as a considerable investment.

As highlighted above, it is also concerning to note that new entrants will not be eligible for the proposed stability payment if they enter the industry after 2024 which risks placing them at a

competitive disadvantage if the universal baseline payment comes nowhere near to current BPS levels.

The FUW maintains that the SFS must provide a mechanism for new and young entrants to receive additional financial support.

## 12.5 Common land

As already highlighted, commoners must have access to baseline payments if severe economic impacts are to be avoided for the circa 3,000 commoners who currently receive BPS, some 2,000 of whom rely on common land for between 25% and 100% of their BPS payments. Such dire economic impacts would extend to entire communities in vast areas of Wales, given the predominance of common land in many Welsh parishes where the majority of farmers rely on common land.

Minister Lesley Griffiths has repeatedly provided assurances that commoners would receive baseline payments, and this commitment should be honoured.

The fact that common land has been eligible for area based payments, in the form of Tir Mynydd, the Single Payment Scheme and the Basic Payment Scheme, for more than 20 years where they comply with universal scheme requirements demonstrates that it is possible to continue such an arrangement. The Welsh Government's decision to ignore the calls of the FUW and others to ensure the SFS allows access by thousands of commoners to baseline payments therefore represents a dire failure on its part that must be rectified.

Whilst separate agreements akin to Glastir Common Land Element may be a viable alternative on some commons, the large number of Welsh commons that were effectively excluded from such agreements due to varying circumstances demonstrates the obstacles that exist for many, and why it is essential that commoners continue to have access to a baseline payment. Members also highlighted that any Optional and Collaborative Actions agreements for common land should be administered through a central system such as RPW, and certainly should not require the establishment of Commons Councils.

It should be noted that Commons Councils are unlikely to address 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 further disenfranchise and discriminate against graziers compared with their non-commoner counterparts.

The FUW would support the re-establishment of the common land working group to identify ways in which management agreements could operate and how payments could be administered.

### **13.0 Business advice and support**

The FUW is supportive of the continued provision of business advice and support through the Farming Connect model - the benefits of such support to date are undeniable.

However, as highlighted above, the SFS represents the biggest change in agricultural policy in Wales for decades and involves a far greater emphasis on environmental actions and outcomes. The majority of farmers will have limited experience in areas such as online training, recording KPIs, soil testing and woodland and habitat management.

Previous Farming Connect programmes have included little focus on some of these areas and it is therefore envisaged that the future providers of such a service will be required to find the relevant expertise to provide bilingual support across these key areas.

Further support will also be required in the form of business advice to support farmers in adapting their businesses as a result of the additional requirements of the SFS or ceasing to receive any direct farm support e.g. reducing livestock numbers or productive areas of land. In this context, those that decide not to enter the SFS should still be able to access advice and support through Farming Connect.

However, in light of current and future budgetary pressures within the Welsh Government and given the fact that funding for business advice and support will ultimately result in less money being directed to farm businesses, the FUW maintains that such support must be relative to the overall SFS budget and the number of participants.

### **14.0 Regulatory framework**

The FUW welcomes the suggestion to align the scheme rules with current cross compliance rules. However, the FUW is opposed to expanding the scheme rules to include the proposed 10% tree cover and 10% habitat targets as highlighted above, or additional requirements such as workplace recycling etc.

The majority of farmers in Wales already produce food to a much higher standard than cross compliance in accordance with farm assurance schemes such as Red Tractor and FAWL and therefore the Welsh Government shouldn't be looking to increase complexity and bureaucracy within the SFS.



The Welsh Government must also ensure that the regulatory framework of the scheme, to include the scheme guidance, verifiable standards, scheme rules etc., are all finalised and made available in good time ahead of the SFS being introduced. These crucial details must be clear and concise for farmers to be able to make an informed decision on whether to enter the scheme or not - lessons can be learned from the Welsh Government's decision to expect farmers to comply with the Habitat Wales Scheme requirements from 1st January before being offered a contract.

The FUW would also take this opportunity to once again emphasise members' opposition to introducing National Minimum Standards and Civil Sanctions where those standards are not present or only are in place for those participating in support schemes in countries producing food that competes with Welsh produce.

### **14.1 Appeals process**

In light of the comments and concerns raised throughout this response, FUW members believe that the current appeals process and independent appeals panel should be retained.

As farmers adapt to such significant changes to the future of farm support, members felt the need to retain the current appeals process given the increased risks of mistakes and administrative errors, including by the Welsh Government.

### **15.0 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 (Breton, 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 around 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.

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 obtained figures which allowed this figure to be further refined, revealing that 43% of those in the category are able to speak Welsh.

Based on the number of workers per km<sup>2</sup> of agriculture compared to forestry, and the differences in GVA, it's fair to assume that the majority of Welsh speakers within the Agriculture, Forestry and Fishing sectors are in fact employed within the agricultural sector.

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%. In many parts of Wales the farming community remains crucial to the retention of the language as a living community language.

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 estimated job losses suggests that the current proposals represent just such a threat.

In this context, it is worth highlighting that employment in the Office for National Statistics' 'agriculture, forestry and fishing' category represented 3.2% of workforce jobs in Wales in 2018 (almost three times higher than the UK average), this figure is significantly watered down by non-agricultural employment in Wales' large, heavily populated urban areas.

As such, agricultural employment in rural Local Authority areas is far higher than the Welsh average; for example, in 2017 employment in the category in Ceredigion, Powys, Pembrokeshire and Carmarthenshire made up circa 12%, 12%, 8% and 7% of workforce jobs respectively (Figure 4), while in 2011 across vast areas of rural Wales between 15% and 27.4% of workers main work was in agriculture (Figure 5).

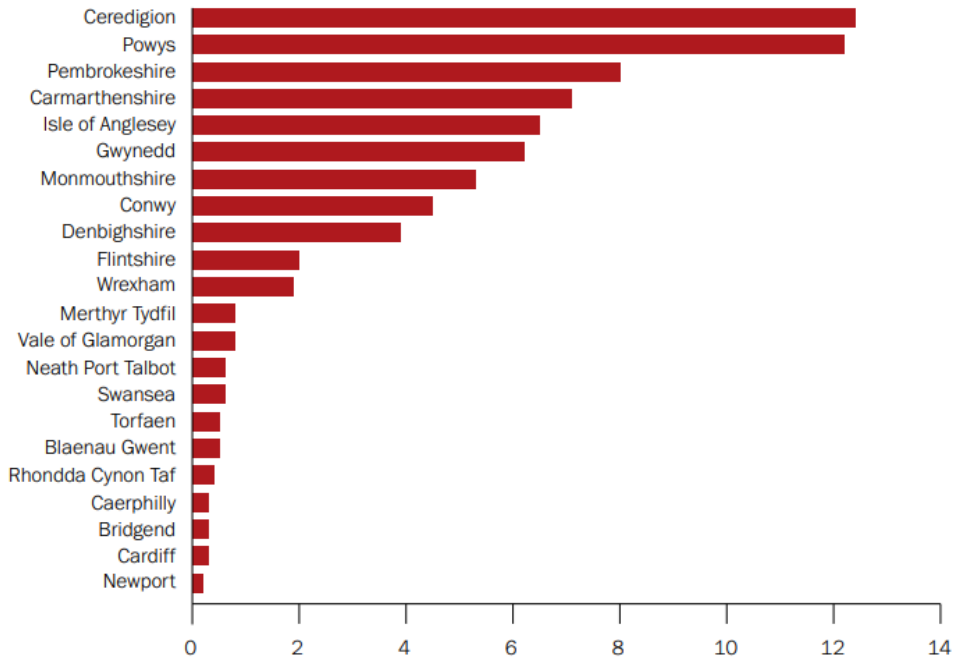
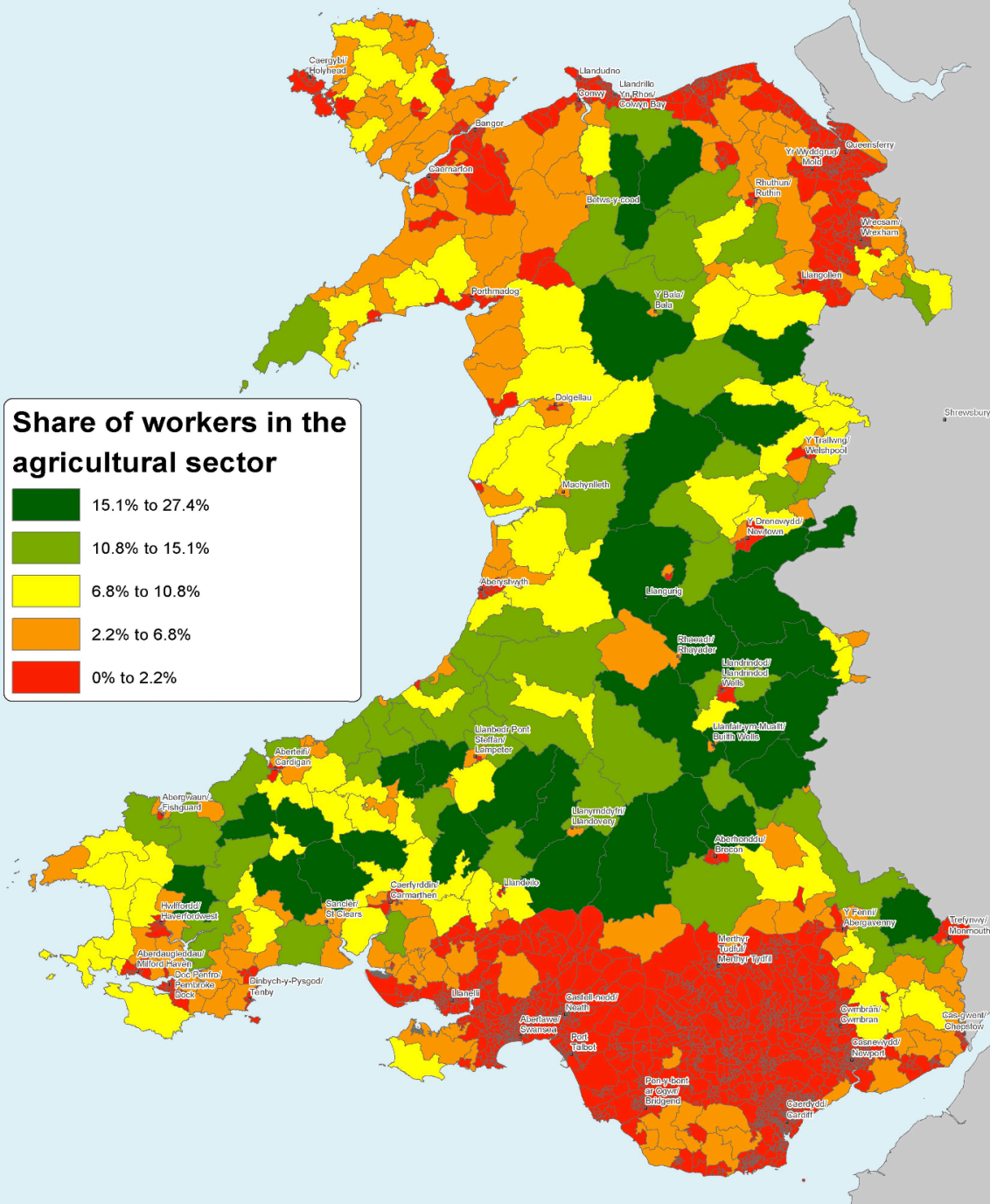


Figure 4: Workplace jobs in agriculture, forestry and fishing by Welsh local authority, 2017 (source: Welsh Government)

## 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 5: Share of workers in the agricultural sector, 2011 (source: Welsh Government)

## **Tenant Farmers Association (Wales)**

### **Welsh Parliament Climate Change, Environment and Infrastructure Committee**

#### **Inquiry on the Welsh Government's proposals for a Sustainable Farming Scheme (SFS)**

##### **1. Introduction**

- 1.1 The Tenant Farmers Association in Wales (TFA Cymru) welcomes the opportunity of providing evidence to the Climate Change, Environment and Infrastructure Committee as part of its Inquiry on the Welsh Government's proposals for a Sustainable Farming Scheme (SFS).
- 1.2 TFA Cymru is the only organisation dedicated to representing the interests of those in Wales who do not own the land they use for agriculture, whether through tenancies or other means. Its membership comprises farms of all types and sizes but active, family farms predominate. TFA Cymru welcomes the opportunity of responding to this important consultation on the launch of the Sustainable Farming Scheme in 2025.

##### **2. Background**

- 2.1 TFA Cymru believes that it is important for Welsh Government and the farming community to work in partnership to deliver policies that will tackle the dual challenges of climate change and nature recovery. However, this must not be at the expense of damaging food security and the resilience of Welsh agriculture which would have catastrophic consequences for the people of Wales, the farmed landscape and the very environmental outcomes that the Welsh Government seeks to secure.
- 2.2 TFA Cymru also accepts and appreciates the huge financial challenges under which the Welsh Government is having to operate. However, the entire rural affairs budget in Wales last year was some £482 million which represents just 2% of the overall Welsh budget. Bearing in mind that this is targeted at nearly 90% of the land area of Wales, producing food, fibre, landscape, biodiversity, and carbon services, pound for pound, this is excellent value for money.
- 2.3 It is also important to recognise that whilst it has been a blunt instrument, the Basic Payment Scheme has delivered support to farmers on an annual basis. These payments have been, in many cases, the difference between profit and loss for farm businesses within Wales who are already contributing to the climate and nature goals being articulated by Welsh Government. As we move to a new platform for rewarding farmers, it must not be done in a way which destabilises this. That would be entirely counter-productive.



- 2.4 Without a huge shift in returns to primary producers from the marketplace, which looks unlikely, public support will continue to be needed to deliver a sustainable farming environment in Wales into the future. Whilst we acknowledge the need for reform, any change must be carried out at a considered pace to allow as many farm businesses as possible to adjust to the new environment. That change must also take into consideration the context within which agriculture operates including in respect of trade, supply chains, planning, tenancy legislation, wider environmental legislation, plant and animal diseases and variable weather and climate.
- 2.5 Whilst there is an expressed aspiration to assist farms to be resilient and sustainable, TFA Cymru is concerned that the scheme as proposed by Welsh Government pays insufficient attention to the financial security of farm businesses as against the wider environmental objectives. It is vital that the new scheme balances the priorities for economic, environmental, and social outcomes. Keeping profitable farm businesses across Wales is important for the Welsh economy, the Welsh environment and Welsh culture and language.
- 2.6 TFA Cymru welcomes the recognition by Welsh Government as articulated in its consultation document that producing safe, high-quality food is vital for Wales. TFA Cymru also understands the environmental, climate change and financial challenges being faced and that agriculture in Wales needs to play its part. However, TFA Cymru believes that Welsh agriculture is already playing a major role in delivering against these wider policy goals. On carbon emissions for example, it is estimated that Welsh agriculture is responsible for 14% of overall emissions within Wales. Bearing in mind that it is occupying 88% of the land area of the country, acre for acre it is delivering a hugely efficient carbon position against the 12% of the area of Wales producing 86% of overall carbon emissions. In addition, through the management of land with cattle and sheep, Welsh farmers are responsible for the sequestration and storage of vast amounts of carbon in their soils, hedgerows, and existing woodlands on farms.
- 2.7 Care must be taken not to allow domestic sources of food, particularly red meat and dairy, to be diminished only to be sourced for consumers from abroad from countries who are less efficient in terms of carbon management, thereby offshoring our emissions of CO<sub>2</sub>. Equally, farming should not be the scapegoat for the rest of society in having to sacrifice vast amounts of land for tree planting to soak up carbon emissions from other parts of society including transportation and energy production. Red meat and dairy production are often popularly, but wrongly, castigated for their impact on carbon emissions when in fact through their grassland and soil management they are doing much to benefit our net carbon position. It will be important to ensure that we avoid knee-jerk reactions which could make our net carbon position, on a global basis, worse rather than better. There are also severe doubts about the extent to which tree planting will enhance net carbon sequestration particularly when

there is poor site selection for planting which would be engendered by a blanket approach to tree cover as promoted by the new scheme.

- 2.8 The Sustainable Farming Scheme must work to secure the continuation of productive and resilient agriculture which can continue to provide the beneficial ecosystems services to the rest of society through farming's wider management of the environment and its biodiversity. Taking the proposals for the scheme in the round, TFA Cymru is concerned that it will fail to deliver the necessary balance and a major rethink is essential before the scheme is launched next year. If that means adding a further year to the transition, then so be it. For such a major policy change, it is vital we get this right.

### **3. The Sustainable Farming Scheme Framework**

- 3.1 The TFA recognises that the Sustainable Farming Scheme will sit above the minimum requirements set out in law. In that respect, as we move away from the direct payments model which has had cross compliance, it is accepted that a new regulatory framework will be required. This framework must be rooted in a sensible, proportionate and enforceable new regulatory system. However, in creating this new framework TFA Cymru argues that Welsh Government must not take the opportunity to raise the regulatory bar.
- 3.2 One area in which we fear that this is already occurring is in relation to the new agriculture pollution control regulations operating within Wales. There are specific issues for tenant farmers where fixed equipment on their holdings is the responsibility of their landlords in terms of ensuring compliance with statutory and regulatory requirements. Tenant farmers who are doing all they can on a reasonable basis to comply, notwithstanding their landlords' positions, should not be penalised in respect of their access to the scheme. TFA Cymru is also concerned to ensure that land covered by statutory designations (for example earmarked as SSSIs) should have full and unimpeded access to the new arrangements rather than seeking to force individuals to produce environmental outcomes purely through the regulatory regime.

### **4. Universal Actions**

- 4.1 Whilst the three-tier structure of Universal, Optional and Collaborative Actions proposed by the recent consultation makes sense, the key will be to ensure that the measures allocated to each action are appropriate and proportionate. Universal Actions should, by their nature, be those actions which most farms within Wales can adhere to where applicable to the nature of their farming operations.
- 4.2 The TFA acknowledges the benefit of benchmarking and understands the benefit of building this practice into the Universal Actions of the scheme. However, it will be essential to ensure that the KPIs identified are widely acknowledged as being beneficial whilst at the same time being relatively easy to collect. It must operate in a way which allows farmers to assess, collect and

report the data without having to use agents or consultants and there will need to be a clear route for those who do not have digital access.

- 4.3 As with benchmarking, the TFA acknowledges the benefit of continuous professional development for farmers. Whilst some farmers will undertake little, if any, activities which benefit their continuous professional development, there will be many who will be at a stage over and above what is been required under the Universal Actions. There will need to be provision made for individuals to opt out of the modules if they are involved in other, valuable CPD arenas. TFA Cymru believes that it will be essential to draw up a list of exemptions where individuals can use earned recognition to show compliance with the Universal Actions which are intended to show understanding, knowledge and expertise. Equally, for those who may need to tap into the modules being provided by Welsh Government, consideration will need to be given to how those without digital access will be able to participate.
- 4.4 The management of soils is a key activity for farm businesses, and TFA Cymru shares the aspiration of Welsh Government to improve soil health planning including through soil testing. However, before this is introduced as a Universal Action, we will need to be clear that sufficient capacity exists for the amount of additional soil testing that will be required and that there is a suitable framework within which issues such as soil carbon and soil organic matter can be appropriately measured. Again, access to recording information for those without digital capability will need to be properly thought through.
- 4.5 In addition, it will be essential to ensure that the person who is recording the data is the person who owns the data. Whilst it might be used on an anonymous basis as part of an aggregated reporting framework, the consent of the data provider, as owner, must be sought before any of the individual data is passed onto other individuals including in respect of an end of tenancy situation which can be quite sensitive if there are issues of compensation and dilapidations being considered as between landlords and tenants. TFA Cymru can foresee situations where there would be pressure for this information to be provided to other bits of the food supply chain. This must be resisted, and processors and retailers must be put on notice that they cannot insist upon this data being released to them either by Welsh Government or by those participating within the scheme.
- 4.6 TFA Cymru understands the benefits that can be delivered through the use of cover crops over winter. However, where there is the retention of stubbles over winter, TFA Cymru would argue that such land should not be required to have a planted cover crop included in addition.
- 4.7 It is difficult to understand what is being asked of farmers under the Integrated Pest Management Universal Action proposed by Welsh Government. Whilst there is some collection of data in respect of plant protection products, there is a lack of clarity over what actions farmers will be expected to undertake as

integrated pest management. The consultation document issued by Welsh Government referred to appropriate cultivation techniques, diverse crop rotations and tailored use of inputs, but it is not clear how this will operate as a Universal Action. Again, any recording of data necessary will need to address the lack of digital access by some farmers.

- 4.8 TFA Cymru recognises the sensitivity of peatland habitats, but in the prescriptions proposed in the Welsh Government consultation, TFA Cymru is concerned that there is too strong an emphasis on stocking levels as opposed to grazing management. Welsh Government needs to recognise the benefits of mixed grazing systems which will assist in the delivery of both landscape and biodiversity within these important habitats.
- 4.9 TFA Cymru notes that the Universal Action for habitat will, for all intents and purposes, replace the Habitat Wales Scheme operated in 2024 is a one-year bridge between Glastir and the new Sustainable Farming Scheme. It is therefore essential that the reward for this Universal Action is at least at the level offered under the Habitat Wales Scheme and, in addition, take into consideration the BPS payments that have previously been applicable. TFA Cymru notes that this Universal Action will not be applicable to land designated as SSSIs which will have their own bespoke plans. However, that should not be a justification for not paying for land under SSSI designations at a lower level under the Sustainable Farming Scheme. Given the special status of SSSI and other designated land and the higher than usual regulatory requirements that will apply, the basic payment for Universal Actions on this land must be at least at the level as payments made elsewhere.
- 4.10 TFA Cymru is hugely concerned about the proposed requirement that at least 10% of each farm is managed as habitat. Specifically for the tenanted sector of agriculture, such a requirement could fall foul of tenancy agreements and the legislation which governs them, including the definition of agriculture and the Rules of Good Husbandry. This would be the case particularly where the habitat is to be provided on a permanent basis and where there is no specific agricultural use related to that habitat land. It is essential that a land sharing approach is taken to this element rather than a land sparing approach.
- 4.11 It will also be the case that many features identified as potential habitats could be reserved out of existing tenancy agreements. This would include things like woodlands, ponds and watercourses. Tenant farmers could find themselves at a disadvantage where such features are outside of their management control but otherwise exist on the holdings that they farm and wish to bring into the scheme. The use of remote sensing and aerial photography to map habitat features will be able to determine the physical presence of those features but will be unable to understand the legal position with regard to management control. This is an issue which will need to be addressed by Welsh Government.

- 4.12 There should be no requirement upon tenant farmers to establish permanent habitat features on their holdings which would be a breach of their tenancies and would potentially damage the reversionary interest to their landlords. Tenant farmers should be able to use a full range of temporary habitat options which, if necessary, can be reversed at end of tenancy by the landlord or incoming tenant if needed. In addition, in the context of tenants having the ability to object to their landlords' unreasonable refusal to allow access to a scheme, it would be helpful if Welsh Government would highlight that, in its opinion, a landlord who refused a tenant consent to take part in the Sustainable Farming Scheme in the context of utilising temporary habitat options would be considered to be acting unreasonably.
- 4.13 Welsh Government must address the interactions between the Rules of Good Husbandry and the scheme requirements. Tenant farmers with agreements under the Agricultural Holdings Act 1986 are required to make maximum efficient use of the land that they farm. Many Farm Business Tenancy agreements will also refer to the Rules of Good Husbandry as a matter of contract. Whilst this needs to be looked at generally (with perhaps an amendment to the Rules of Good Husbandry which were drawn up in 1947) this is a particular issue in respect of the proposed hedgerow management standards within the Sustainable Farming Scheme. Whilst TFA Cymru understands the aspiration for having slightly higher and wider hedges than would ordinarily be required for farming purposes, we have had circumstances within which landlords have successfully challenged tenants to cut their hedges more tightly which is clearly unhelpful to the wider aspiration of environmental management. In addition, tenant farmers will be restricted in planting trees and whatever trees do exist may already be reserved to the landlord. The requirement to have one tree per 50 m of hedge should therefore be exempted for tenant farmers. In addition, the impact of interspersed trees in hedgerows needs to be considered given that hedge plants near to trees tend to dieback and recede which could create unwelcome gaps.
- 4.14 Another interaction that Welsh Government will need to consider is in respect of hedgerows where landlords with sporting interests require tenants to maintain gaps within hedgerows to enable them to fully enjoy reserved rights to shoot for example. Tenants must not be required to gap up hedges where they have been required by their landlords to keep those gaps in place.
- 4.15 in most cases trees and woodlands will be reserved out of tenancy agreements so are not under the management control of tenant farmers. Even though woodland may be mapped as part of the holding of a Sustainable Farming Scheme applicant, tenants must be able to exclude any trees or woodland from any applicable actions.
- 4.16 TFA Cymru would wish to record its thanks to the Welsh Government for responding positively to the point made previously by TFA Cymru in respect of



the proposed rule that all farmers should have 10% of their land under trees. We welcome the exclusion of tenanted land from this rule. However, we would also question more widely how applicable it is to use this 10% tree cover as a basic rule within the scheme architecture for non-tenanted land. TFA Cymru holds that it would sit better as an optional element rather than one which applies universally.

- 4.17 In managing participation in the Sustainable Farming Scheme in respect of the Universal Action for the historic environment, care will need to be taken to ensure that tenant farmers are not being required to carry out any work in relation to features which are excluded from their tenancy agreements. This might be because buildings have been made redundant or because scheduled ancient monuments fall outside the scope of their agreements. We would also be cautious about requiring individuals to be involved in positive management of these sites as a universal requirement. Of course, individuals should operate in a way which does no harm to these sites, but often these sites will require very specialist management which should be carried out by individuals with the knowledge and skills to do so.

## **5. Scheme eligibility**

- 5.1 Following the commitment given by the Minister for Rural Affairs at Report Stage of the Agriculture Bill in June of last year during which Amendment 55 on active farmers had been accepted and subsequently overturned by a Government amendment, TFA Cymru welcomes the clarification given as to the eligibility for participation in the scheme. In particular, TFA Cymru welcomes the fact that landlords will not have access to the scheme through clauses in tenancy agreements which purport to give them "management control". However, we would also ask that individuals applying as an owner occupiers should be required to declare that the land being brought into the scheme had not been previously let in the 12 months prior to their application being made. This will limit the incentive on landlords to remove land from the tenanted sector of agriculture so that they can apply for the scheme in their own names whether they end up farming in hand or using contractors.
- 5.2 it is noted that scheme participation will require all land registered under a Customer Reference Number to be included. However, tenant farmers will need to have the ability to exclude any land where, for whatever reason, they are unable to enter it into the scheme due to restrictions applied by their landlords. Tenant farmers should be required to enter on all the land they can, rather than all the land they farm.
- 5.3 TFA Cymru would oppose any extension of the eligibility criteria to include things like compliance with Rights of Way legislation, compliance with workplace recycling regulations or compliance with The Wildlife and Countryside Act 1981 provisions. These will all have their own enforcement

frameworks which should be followed rather than creating a “double jeopardy” situation in terms of restricting access to the Sustainable Farming Scheme.

- 5.4 TFA Cymru welcomes the fact that the Sustainable Farming Scheme will be open to new entrants from day one. However, we look forward to further discussions with Welsh Government as to how new entrants can be encouraged into the sector by improving access to land and finance.

## **6. Payment methodology**

- 6.1 A limiting factor in being able to provide views was the absence of any payment or reward architecture included within the consultation issued by Welsh Government. To this end, it was a surprise to hear from Welsh Government during announcements made in the summer of last year that Welsh farmers will face a choice in January of next year either to continue to be in receipt of BPS payments over a transition period or take the path provided by the new Sustainable Farming Scheme. It is further understood that this will be an annual choice until the end of the transition away from the BPS. TFA Cymru is aware of the aspiration of Welsh Government to achieve a significant uptake of the Sustainable Farming Scheme in its first year. To achieve that, payments available will have to be sufficiently rewarding vis-à-vis the current level of BPS payments and the increased level of risk and cost to Welsh farmers in taking part in the new scheme. TFA Cymru would put down a marker at this point that it would be unacceptable for Welsh Government to severely limit the value of BPS payments to artificially create the circumstances within which the Sustainable Farming Scheme delivers a higher return.
- 6.2 Whilst welcoming the proposal of a stability payment which will make up any potential shortfall between the payments to be made under the new scheme and those made under BPS, this will not take into consideration the increased costs involved in compliance with the new scheme’s provisions.
- 6.3 TFA Cymru notes the intention to introduce a stability payment alongside a payment for compliance with the Universal Actions. TFA Cymru would oppose the capping of payments which would be unfair to larger, upland farms in particular.
- 6.4 The phasing out of BPS payments over five years is noted by TFA Cymru but it will be essential to ensure that the new Sustainable Farming Scheme is fully up and running by the end of the transition period and that payments are commensurate with the budget for both BPS and agri-environment payments made historically. This will be particularly important due to the increasing costs involved in complying with the provisions of the new scheme.

## **7. Conclusion**

- 7.1 Much detail needed to provide a definitive view about the proposed Sustainable Farming Scheme was lacking in the recent Welsh Government consultation

document, not least in respect of payment rates. There will also need to be a very careful assessment made of the impact of this scheme to ensure that it does not severely damage food security and the resilience of farming in Wales per se which will, in turn, damage the ability of the sector to deliver on desirable environmental outcomes. Replacing domestic production with imports is not a sustainable outcome.

- 7.2 Welsh agriculture has much to offer in terms of food production and wider social and environmental outputs. However, returns to the sector are routinely low in comparison to the level of risk, uncertainty, investment and working capital employed. It is therefore essential that the new Sustainable Farming Scheme rewards farmers over and above income foregone, as it seeks to replace both the Basic Payment Scheme and legacy agri-environment schemes which have bridged the gap between profit and loss for many farm businesses across Wales.
- 7.3 TFA Cymru concludes that a great deal more work is required before the Sustainable Farming Scheme is ready to be launched in January 2025 as the replacement to the Basic Payment Scheme and legacy agri-environment schemes.

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# Agenda Item 3

## NFFN Cymru: Sustainable Farming Scheme Key Points

On 14<sup>th</sup> December 2023, the Welsh Government (WG) published its latest [Sustainable Farming Scheme](#) consultation. Subtitled, *Keep Farmers Farming*, this consultation is the final step in delivering the Sustainable Farming Scheme (SFS) which is the start of a new long-term programme to support the agricultural industry in Wales. The consultation will run until **7 March 2024**.

This paper outlines some of NFFN Cymru's initial thoughts on the proposals. It includes what we consider to be the positives as well as areas of weakness and concerns. For an overview of the consultation read our [NFFN Cymru Summary Document](#).

### NFFN Cymru's 5 Key Asks

1. Provide a proper funding package for nature-friendly farming.
2. Ensure that no farmer gets left behind.
3. Follow the principle of the right tree in the right place for the right purpose.
4. Payments that deliver genuine outcomes.
5. The right advice, guidance and support for farm-level change.

### Positive Intentions

- The scheme's intentions, particularly the Sustainable Land Management Objectives are positive. We welcome the WG's recognition that food production, nature, climate and socio-economic outcomes can be delivered together, sometimes on the same land, by adopting a holistic land sharing approach. The Rural Affairs Minister's foreword speaks of the vital role that farmers can play in producing food and fibre whilst delivering these multiple benefits on farms. Many [nature-friendly farmers](#) across Wales are already delivering the scheme's objectives, and the SFS must continue to reward those farmers that are doing excellent work, as well as supporting others in the transition.

### Facilitating Nature-friendly Farming

- Nature features prominently within the proposals and many of the Universal Outcomes can help maintain and enhance farmland biodiversity. We particularly welcome the Scheme Rule that at least 10% of each farm is managed as habitat. Payment for actions such as appropriate hedgerow management, cover cropping, creating wetland features and agroforestry can play a big role in improving farmland nature and farm business resilience. This is a big improvement on the Basic Payment Scheme (BPS) which included very little environmental obligations.

### Budget Concerns

- Whilst the SFS's ambition is commendable, the scheme needs to be adequately funded if we are to deliver the scheme's objectives. The overall costs of meeting environmental priorities through land management in Wales are estimated at over [£500m per annum](#). The Welsh Government's entire Rural Affairs budget for 2023-24 was around £480 million (which represents about 2% of the total budget). However the 2024-2025 Rural Affairs budget has seen a cut of £62m - a reduction of 13% from the previous financial year. Furthermore, [Economic Modelling](#) estimates that farm business income will reduce by £199m under the SFS Universal Action payments. Coupled with stability payments (valued at £117.3m) this is reduced to £81.6m. The SFS is clearly under-budgeted. The level of funding must match the level of ambition outlined in the consultation

**Key ask: Provide a proper funding package for nature-friendly farming to adequately reward farmers for delivering genuinely sustainable land management alongside food and fibre production.**

### Payment Rates Uncertainty

- There remains uncertainty regarding future SFS payment rates. If the [Habitat Wales Scheme \(HWS\)](#) payment rates (£69/ha for habitat and £62/ha for woodland) are indicative of future SFS payment rates, then many [nature-friendly farmers will stand to lose out financially](#).

The NFFN, in partnership with the Soil Association and other farming organisations, surveyed 20 farms which showed an average loss of 76% in support under the HWS compared to Glastir. The main reasons being capping payments on larger farms and previous Glastir Advanced payment rates being significantly higher.

- Hay meadow conversion @ £235/ha
- Marshy grassland (pasture) @£241/ha
- Woodland stock exclusion @£80/ha
- Wood pasture @£78/ha
- Wildlife cover crop @£604
- Unsprayed cereals with winter stubbles @£440/ha

England's Environment Land Management Scheme (ELMS) habitat payment rates are also considerably higher (e.g. species-rich grassland at £642/ha).

Under a blunt area-based arrangement similar to the BPS, capping payments at a certain level, or introducing a system where payments diminish over a certain threshold makes sense. However, a similar approach severely disadvantages larger farms that are delivering multiple societal benefits side by side with food and fibre production.

The SFS payment rates must sufficiently reflect the associated costs, time, effort and value delivered.

### Optional and Collaborative Layers

- We broadly welcome the Universal Actions layer of the Scheme. However, farmers who are delivering above and beyond the Universal Actions layer, or want to do so, will be looking towards the Optional and Collaborative Actions for additional payments and opportunities. The WG proposes to introduce these additional layers over the Transition Period (2025-2029) meaning that many nature-friendly farmers stand to lose out in the short term.

For example, the additional benefits that organic farming delivers won't necessarily be recognised in the Universal Actions, and with the absence of any long-term organic support payments this poses a threat to the sector. Furthermore, the WG proposes that land designated as Sites of Special Scientific Interest (SSSIs) is prioritised for inclusion in the Scheme's Optional Actions to reflect the more bespoke and targeted management which may be required on these special sites. As a result, those farms that have often done the most using previous agri-environment scheme funding, such as those found in our upland, marginal and common land, risk taking a major funding hit, with farm incomes and biodiversity both likely to suffer.

**Key ask: Ensure that no farmer gets left behind by delivering all scheme elements by 2026 including the optional and collaborative layers to support the most ambitious land management actions.**



### Right tree in the right place for the right purpose

- NFFN Cymru welcomes plans to increase woodland cover on farms. Agroforestry, silvo-pasture, orchards, hedgerow trees and appropriately planted woodlands can form an [important component](#) of the farmed landscape. Trees can play a vital role in storing carbon, enhancing biodiversity, reducing flood risk, improving landscape quality and amenity, whilst also improving farm productivity and providing an alternative income stream.

However, tree planting in the wrong areas can lead to biodiversity net loss, crowding out rare plant species or leading to carbon losses from the soil. These unintentional outcomes highlight some of the complexities of developing an effective climate mitigation strategy at the farm level. When it comes to tree planting, we *must* plant the [right tree in the right place](#) based on sound strategy.

Equal consideration should be given to other carbon-rich agricultural habitats. [Evidence](#) shows that nature-based solutions such as agroforestry, restoring and creating species rich grasslands and establishing multi species leys, peatland restoration, establishing wildflower field margins, wetland and hedgerow creation should be prioritised to deliver twin nature and climate benefits.

**Follow the principle of the right tree in the right place for the right purpose to harness the benefits of integrating trees on farmland while avoiding trade-offs**

### Habitat Management

- There is insufficient information regarding habitat maintenance requirements for the broad habitat types within the scheme. The sole example given is for enclosed semi-natural dry grassland, which follows the traditional payment system that is management based, prescribing when or what the farmer must do or must not do to receive a payment. Whilst the aims for this habitat type are welcomed, we don't believe the management requirements will lead to the desired outcomes. For example, compliance with seasonal sward height requirements - which can be as low as 5cm during the summer - is not a guaranteed recipe for successful semi-natural grassland management.
- We urge the WG to move away from this traditional approach and transition towards a [results-based payment approach](#). This approach offers farmers the flexibility to use their knowledge and experience to manage the land in a way that delivers agreed environmental results alongside their food and fibre production activities. The farmer is in principle free to do what fits the site, the weather of the year, the farm and her or his own situation - it is only the environmental results that counts. Results can be measured robustly and effectively via an annual scorecard assessment which factors criteria such as key indicator species, their frequency, as well as structural diversity.

**Key Ask: Payments that deliver genuine outcomes through schemes that are more flexible, reward results and harness existing farmer knowledge**

### Habitat Maps

- The WG's intention is to provide and agree with farmers a digital map and associated information compiled to show the habitat, hedgerows and trees present on farms as held in the RPW mapping system. Farmers must then check and update the information. However there are questions over the accuracy of WG habitat maps.

It has been estimated that 70% of Habitat Wales scheme applications include serious errors in terms of habitat mapping, with out-dated and incorrect data included, as well as habitat being omitted. The Universal Actions payment methodology includes an area-based payment for habitat land and woodland; therefore maps must be up to date and accurate. We call on the WG to urgently update and rectify these inaccuracies prior to the scheme launch.

### Carbon Assessment

- There are many benefits of undertaking a farm carbon assessment; it quantifies a farm's carbon footprint and identifies areas on the farm that can be the focus of attention to improve efficiency and reduce greenhouse gas emissions. This can improve both economic and environmental performance.
- However, carbon calculators are known to be inaccurate and inconsistent, particularly when measuring carbon sequestration. Many calculators estimate soil carbon stocks based on a postcode district look up table - this gives a soil t C/ha potential sequestration value, rather than a bespoke individual farm calculation.
- Furthermore, a farm's *performance* will depend on how the carbon footprint is measured.
  - **CO2 equivalent per kg of farm output** which measures efficiency of production. More intensive and efficient farm units are likely to fare better using this measure.
  - **CO2 equivalent per ha of farm** which looks at the overall balance of the farm and is likely to provide more favourable results for more extensive farms, with trees and carbon sequestering soils.

Many calculators use the former criteria, meaning intensive farms generally have more favourable results than extensive farms, even if overall emissions are lower in extensive systems. We are concerned that nature-friendly farms are encouraged to intensify in the name of efficiency, which could lead to both negative economic and environmental performance.

The Network's [Biodiversity & Carbon Auditing Project](#) provides further information on the complex nature of these assessments.

### Key Performance Indicators (KPIs)

- One of the Universal Actions involves farmers completing a self-assessment every year based on a list of standardised KPIs. Setting effective KPIs can help farms improve their economic and environmental performances, thus improving overall sustainability.

However we are concerned that some production focused KPIs could result in perverse economic and environmental outcomes. For example, whilst improving overall yield, reducing age of slaughter or daily liveweight gain can certainly help farms to be more efficient and profitable, and even improve environmental performance - it can also drive intensification and encourage purchasing ever-increasing costly inputs (fertilisers, feed, chemicals and veterinary medicines).

These KPIs could well encourage more grain fed livestock systems, as opposed to pasture fed systems. Consider also that [slow grown beef and lamb](#) reared on diverse pastures, as well as [slow grown poultry](#), are more nutrient dense than fast-grown meat that relies on external inputs. As such, when comparing KPIs it would be beneficial and more accurate to compare KPIs relative to similar farming types and systems. We also urge the WG to undertake a better analysis of where certain KPIs might compromise or undermine others e.g. carbon vs biodiversity

### Advice and Guidance

- Navigating a new scheme with its various rules, requirements, monitoring, data gathering and inputting may cause additional stress to farmers. We therefore welcome WG's commitment to continue providing advice, guidance and training to farmers. Advice can help farmers better understand and comply with scheme rules, increase participation and help change farmer's attitudes towards nature friendly farming, developing trust between the industry and Government.

When farmers understand *why* they are doing something, they are more likely to take ownership of environmental outcomes. Advisors should be local and independent, and separate from the function of the regulator. Employment of appropriate individuals, sensitive to the needs of farmers is needed *throughout* the duration of SFS contracts.

**Key Ask: The right advice, guidance and support for farm-level change through increased investment and capacity for face-to-face advisory services and farmer to farmer knowledge exchange**

### Next Steps

While there is much to welcome in the consultation proposals, more is needed to put Welsh farming on a genuinely sustainable path. The decisions made now will play a pivotal role in delivering a better future for Wales; its economy, environment and society. Welsh farmers stand ready to deliver thriving, resilient landscapes that deliver the outcomes that people need.

NFFN Cymru will be responding to the consultation and we are urging our members to send their own individual responses.

Perhaps you might find some inspiration in our [NFFN Cymru Policy and Views?](#)

Get in touch with [rhys.evans@nffn.org.uk](mailto:rhys.evans@nffn.org.uk) to share your thoughts and for support to submit a response.

Will you be joining the SFS? If so, here is a list of NFFN resources that may help farmers with the transition.

- Nature Means Business Wales / Mae Natur yn Meddwl Busnes yng Nghymru
- Rethink Farming: A Practical Guide for Farming, Nature, Climate
- Farming for Climate Action: What are we waiting for?
- Nature-friendly hedgerow management
- Grazing management to preserve pastures and grasslands
- A Practical Guide to Integrated Pest Management
- A Practical Guide to Climate Action for UK Farming
- New booklet: Nature-Friendly Farming in Action
- Farming at the Sweet Spot
- Rethink Food – A Plan for Action
- Nature Means Business - the business case for nature-friendly farming

## NFFN Cymru: SFS Consultation Response

### Framework

**Q1. The Scheme will provide a long-term approach to support for our agricultural sector to respond to evolving challenges and changing needs, contributing to the Sustainable Land Management objectives. In your view, what may strengthen this support?**

The scheme's intentions, ambition and principles are positive. We welcome the WG's recognition that food production, nature, climate and socio-economic outcomes can be delivered together, sometimes on the same land, by adopting a holistic land sharing approach. The Rural Affairs Minister's foreword speaks of the vital role that farmers can play in producing food and fibre whilst delivering these multiple benefits on farms - we welcome this statement. The NFFN's Rethink Farming report includes numerous examples of farmers delivering positive environmental outcomes alongside food production.<sup>1</sup>

Rightly so, the scheme has a strong focus on maintaining and enhancing the environment. Biodiversity loss and climate change are identified as risk to the world economy in general and to food security specifically.<sup>2</sup> Similarly, the twin nature and climate crises are among the biggest medium to long term risks to UK domestic food production, alongside other factors, including soil degradation and water quality.<sup>3</sup> Producing sustainable food in ways that tackle climate change and enhance biodiversity is therefore of utmost importance.

However we must achieve these multiple benefits in a socially responsible way - acknowledging that agriculture is the cornerstone of our rural communities and supports countless rural jobs and services. It underpins Wales's rich cultural heritage; be it through associated social and cultural clubs, events and activities, inspiring literary works or helping the Welsh language thrive in many rural populations across Wales. A *just* transition in food and farming needs to account for all four elements of sustainability; environmental, economic, social and cultural.<sup>4</sup>

Over 1,200 people have signed NFFN Cymru's [open letter](#) to the Rural Affairs Minister outlining our 5 key asks.

1. Provide a proper long-term funding package for nature-friendly farming to adequately reward farmers for delivering genuinely sustainable land management alongside food and fibre production.
2. Ensure that no farmer gets left behind by delivering all elements of the scheme by 2026 including optional and collaborative elements to support the most ambitious land management action.
3. Follow the principle of the right tree in the right place for the right purpose to harness the benefits of integrating trees on farmland while avoiding trade-offs.
4. Payments that go beyond income foregone and costs incurred that deliver genuine outcomes through schemes that are more flexible, reward results and harness existing farmer knowledge.
5. The right advice, guidance and support for farm-level change through increased investment and capacity for face-to-face advisory services and farmer to farmer knowledge exchange.

The SFS must be a *genuine* partnership between farmers and the Welsh Government based on mutual trust and respect. Welsh farmers stand ready to deliver on all the SLM outcomes outlined in the consultation, helping to maximize value for public expenditure. However, to secure all these multiple benefits farmers must be rewarded fairly and supported sufficiently.

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<sup>1</sup> Rethink Farming: A Practical Guide for Farming, Nature, Climate

<sup>2</sup> The Economics of Biodiversity: The Dasgupta Review

<sup>3</sup> United Kingdom Food Security Report 2021

<sup>4</sup> Well-being of Future Generations (Wales) Act 2015

## The SFS Budget

The SFS's ambition is commendable, and farmers are uniquely placed to help address many societal issues and support the WG in meeting many of its legal obligations and targets. However, to do this the scheme needs to be adequately funded.

The overall costs of meeting environmental priorities through land management in Wales are estimated at over £500m per annum.<sup>5</sup> However this does not estimate the total budget needed for future farming policy. For example, the model does not cost supporting investments such monitoring and evaluation, transaction costs or wider funding associated with rural development. Yet investment in these aspects will need to be significant, meaning that the total figure is likely to be much higher.

The Welsh Government's entire Departmental Rural Affairs budget for 2023-24 was around £480 million (which represents about 2% of the total budget). However the 2024-2025 Rural Affairs budget has seen a cut of £62m - a reduction of 13% from the previous financial year. The SFS is clearly underfunded (as evidenced by WG's own SFS economic modelling).<sup>6</sup> The level of funding *must* match the level of ambition outlined in the consultation.

**Key ask: Provide a proper long-term funding package for nature-friendly farming to adequately reward farmers for delivering genuinely sustainable land management alongside food and fibre production.**

## Universal Actions

**Q2. There will be Universal requirements in the SFS to have woodland cover at least 10% of suitable land, and to manage a minimum of 10% of your farm for biodiversity.**

- a) What are your views on these requirements?**  
**b) What support might you need to achieve them?**

### 10% Biodiversity

We welcome the Scheme Rule that at least 10% of each farm is managed as habitat. Research has demonstrated that regardless of management approach, the critical factor governing on-farm biodiversity is the presence and abundance of semi-natural habitat.<sup>7</sup>

Evidence also shows that integrating a diverse range of habitats and features on farmland can maintain and even increase yields<sup>8</sup>. For livestock systems, studies have demonstrated increased yield in grassland because of increasing plant diversity and species richness.<sup>9, 10, 11</sup> Furthermore, soils under low intensity management with high species diversity are shown to have significantly higher carbon content, whilst intensive grassland management reduces soil carbon stocks.<sup>12</sup> From an arable perspective, a large-scale study found that incorporating nature friendly habitats on just 8% of farmland boosted the yield of flowering crops by 25% and resulted in no losses of yield for wind-pollinated crops due to an increase in pollinators and crop pest predators arising from wildflower margins and other habitats.<sup>13</sup>

<sup>5</sup> An assessment of the financial resources needed for environmental land management in the UK

<sup>6</sup> Potential economic effects of the Sustainable Farming Scheme

<sup>7</sup> Gains to species diversity in organically farmed fields are not propagated at the farm level

<sup>8</sup> Long-term evidence for ecological intensification as a pathway to sustainable agriculture

<sup>9</sup> Biodiversity for multifunctional grasslands: equal productivity in high-diversity low-input & low-diversity high-input systems

<sup>10</sup> Overyielding in experimental grassland communities – irrespective of species pool or spatial scale

<sup>11</sup> Long-term enhancement of agricultural production by restoration of biodiversity

<sup>12</sup> Legacy effects of grassland management on soil carbon to depth

<sup>13</sup> Wildlife-friendly farming increases crop yield: evidence for ecological intensification



Basically, if food is not produced sustainably, stability and utilisation are threatened, which risks long-term availability and access.<sup>14</sup>

NFFN Cymru's latest report presents evidence of an average increase in farm profitability of 42% when farms actively work with the natural environment to manage production sustainably, restore nature and cut input costs.<sup>15</sup> Furthermore, an analysis of 165 farm business accounts across the UK finds that maximising production is both financially and environmentally unsustainable if reliant on large quantities of fossil fuels, artificial fertilisers, and animal feed, while a shift to nature friendly farming resulted in a 45% increase in commercial return.<sup>16</sup> Empirical evidence shows the huge potential and radical opportunities that agroecology offers to farmers that could (and should) be the basis for the future transformation of agricultural policies, since agroecology not only allows for more sustainable production of healthier food but also considerably improves farmers' incomes.<sup>17</sup> The evidence disproves the misconception that dedicating 10% of land towards habitat means taking land out of production.

We believe that dry stone walls, such an iconic feature of the Welsh landscape, should be eligible for inclusion within the 10% habitat scheme rule as they provide numerous biodiversity benefits.<sup>18</sup>

Crucially this scheme rule must reflect the Environment (Wales) Act 2016 DECCA Approach to ecosystem resilience, which means allowing spaces for nature across the *whole* farm. Nature mustn't be confined to a single habitat or to one section of a farm. Over time, this scheme rule should aspire to replicate the [Fair to Nature](#) farmland biodiversity standard.

Minimum of 10% well-managed for nature (enclosed land)	
Habitats	Area requirement
Semi-natural habitat	No minimum % Can include existing native broad-leaved woodland <sup>1</sup>
Hedges, edges, trees and scrub	Minimum of 2%
*Ponds and other wet features	1 per 50 ha Or one per farm if total area is less than 50ha
**Flower rich habitat	Minimum of 4%. Existing (flowering) semi-natural habitats can contribute. Does not include woodland
***Seed rich habitat	Minimum of 1% Only applies if 10% of farm is arable/temporary grassland
<sup>1</sup> Existing Woodland –management advice via the <a href="#">woodland wildlife toolkit</a>	
<sup>2</sup> Where present all <b>unenclosed/upland semi-natural habitats</b> will also be well-managed for nature i.e., in addition to the minimum of 10% enclosed land well-managed for nature.	
<b>Woodland creation</b> is additional to the 10%, unless it contributes directly to target habitats e.g. stream-side corridors (in hedges, edges, trees and scrub). New woodlands must avoid negatively impacting important wildlife habitats, species and deep peat.	

This approach would help ensure a **diversity** of habitats across farms, increasing habitat **extent** and **connectivity** for wildlife - all helping towards improving habitat **condition**, building resilience and **adaptability**.

Farming isn't a battle against nature, but a partnership with it. We recommend that Farming Connect produce a farmer-friendly guidance booklet that clearly outlines the habitats that qualify towards the 10% habitat scheme rules. It should expand on their associated benefits for both the environment and the farm business. This can help debunk the notion that creating or managing land for habitat means sacrificing food production, but rather forms an essential component of it.

<sup>14</sup> Food Security and Nutrition Building a Global Narrative Towards 2030

<sup>15</sup> Nature Means Business Wales / Mae Natur yn Meddwl Busnes yng Nghymru

<sup>16</sup> Farming at the Sweet Spot

<sup>17</sup> The economic potential of agroecology: Empirical evidence from Europe

<sup>18</sup> Farm Wildlife: Dry Stone Walls

## 10% Woodland Cover

NFFN Cymru welcomes support to increase woody habitats on farms. Similar to the 10% habitat requirement, there's a narrative at play that pits agriculture against trees - a belief that farmers must choose between producing food or planting trees. This is a shame, as agroforestry, silvo-pasture, orchards, hedgerow trees, in-field trees and appropriately planted woodlands can form an important component of the farmed landscape. Trees can play a vital role in delivering ecosystem services,<sup>19</sup> improving agricultural productivity and resilience,<sup>20, 21, 22</sup> improving animal health and welfare,<sup>23, 24</sup> and providing an alternative income stream.<sup>25</sup> Fruit and nut trees can also contribute towards food security. This evidence challenges the notion that planting trees means taking land out of production.

However, a gung-ho approach to woodland creation can result in planting trees in the wrong areas. The WG's tree planting targets are driven solely by the need to sequester carbon, however we also need to consider biodiversity, efficiency and productivity gains, as well as economic opportunities. A narrow focus on carbon sequestration could lead to perverse outcomes, such as biodiversity net loss or even carbon losses from the soil, as well as an unnecessary reduction in food production. These unintentional outcomes highlight some of the complexities of developing an effective climate mitigation strategy at the farm level. When it comes to tree planting, we *must* plant the right tree in the right place based on sound strategy.<sup>26</sup> Spatial targeting in the woodland planting to help prioritise areas for tree planting.<sup>27, 28, 29</sup>

**Key Ask: Follow the principle of the right tree in the right place for the right purpose to harness the benefits of integrating trees on farmland while avoiding trade-offs.**

Whilst we acknowledge that increasing tree cover on farms can yield multiple positive outcomes for both the farm business and the environment; we do have reservations about a *one size fits all* policy approach to tree planting. It fails to acknowledge that every farm is different, and therefore priorities and outcomes will differ accordingly.

We welcome clarity that the 10% tree cover requirement will not necessarily be calculated on the whole farm area, but rather on the remaining area once unplanted areas have been removed. Whilst this is welcomed, flexibility, it could be argued that this added flexibility relates mostly to upland farms due to the more likely presence of priority habitats/ designated land/ unsuitable planting areas. Many upland farms that have less than 10% tree cover will meet the scheme rule due to this added flexibility, leaving little incentive to plant more trees. The burden of planting therefore falls heavier on lowland, more productive farms.

As a compromise, the 10% tree cover threshold could be lowered to ~7% (average woodland cover on Welsh farms) and beyond this point farmers would receive an incremental payment increase (£/ha) for every % increase in tree cover on their farms. This could be capped at around 25% to avoid entire farms being planted.

This flexible approach could achieve three things.

- 1) Make the scheme more accessible for more productive farms on better agricultural soils
- 2) Reward farmers who already exceed 10% tree cover on their farms
- 3) Encourage and reward farmers to plant more trees

<sup>19</sup> Reconciling productivity with protection of the environment: Is temperate agroforestry the answer?

<sup>20</sup> Tree and livestock productivity in relation to tree planting configuration in a silvopastoral system in North Wales, UK

<sup>21</sup> Agroforestry for livestock systems

<sup>22</sup> Trees on farms to support natural capital: An evidence-based review for grazed dairy systems

<sup>23</sup> Pairing agroforestry with livestock: the major benefits

<sup>24</sup> Agroforestry options

<sup>25</sup> Broadleaf Wales

<sup>26</sup> NFFN Cymru: Tree Planting is Not a Silver Bullet for Tackling Climate Change

<sup>27</sup> Spatial targeting of woodland creation can reduce the colonisation credit of woodland plants

<sup>28</sup> Opportunity mapping – targeting woodland creation for water objectives

<sup>29</sup> Hedges & edges: Spatially targeting woodland creation in fragmented landscapes

Rather than aspire to have every individual farm achieving 10% tree cover, perhaps we should be looking to achieve a 10% average across the sector.

We suggest that hedgerows over 3m tall count towards the 10% tree target as this would;

- a) Encourage farmers to establish more hedgerows
- b) Encourage better (less frequent) management
- c) Make the scheme accessible to more farmers without compromising scheme ambition

We note that the ground layer of woody habitats can contribute to the 10% habitat requirement, while the tree canopy in the same area could contribute to the 10% tree cover requirement. This essentially means that if a farmer has 10% broadleaf woodland cover, they will automatically meet the 10% habitat requirement. Whilst this will certainly increase scheme participation, it could also disincentivise habitat creation. Furthermore, if a farmer has less than 10% tree *and* habitat on their farm, the easiest way to achieve both targets would be to plant trees. This approach will make tree planting the simplest way of complying with the scheme rules - regardless of whether it's the most suitable or beneficial option for the farm.

We reiterate our concerns that a narrow focus on creating one specific habitat type, driven by a sole objective, is at odds with the DECCA approach to ecosystem resilience.<sup>30</sup> In the drive towards achieving net-zero, equal consideration should be given to other carbon-rich agricultural habitats. Evidence shows that nature-based solutions such as agroforestry, restoring and creating species rich grasslands and establishing multi species leys, peatland restoration, establishing wildflower field margins, wetland and hedgerow creation should be prioritised to deliver twin nature and climate benefits.<sup>31</sup>

There may be merit in placing the 10% tree requirement in the optional layer. However, woodland planting schemes already exist in Wales, and uptake is low,<sup>32</sup> therefore we question whether this approach would incentivise tree planting. Should this scheme rule be moved to the Optional Actions, it will need to be backed up by generous payments to encourage farmers to plant trees.

Whatever shape or form this scheme rule takes, the WG must better communicate the requirements to farmers. The current proposals are *still* misinterpreted by some as having to plant an additional 10% of their land in addition to existing tree cover, whilst an assumption exists that meeting this requirement means taking land out of production. Farming Connect can play a role in outlining what the scheme rules are, whilst demonstrating how to effectively integrate trees on farms in a way that delivers multiple benefits for biodiversity, climate, water management, efficiency and productivity gains, as well as creating economic opportunities. This can help counter the narrative that pits agriculture against trees and the belief that we must choose between producing food or planting trees.

### Habitat and Tree Cover Maps

The WG's intention is to provide and agree with farmers a digital map and associated information compiled to show the habitat, hedgerows and trees present on farms as held in the RPW mapping system. Farmers must then check and update the information. However there are questions over the accuracy of these maps. It has been estimated that 70% of Habitat Wales scheme applications include serious errors in terms of habitat mapping, with out-dated and incorrect data included, as well as habitat being omitted.<sup>33</sup> The Universal Actions payment methodology includes an area-based payment for habitat land and woodland; therefore maps must be up to date and accurate. We call on the WG to urgently update and rectify these inaccuracies prior to the scheme launch. Process must be in place for farmers to challenge and correct any inaccurate data held by WG.

<sup>30</sup> Ecosystem Resilience in a Nutshell 1: What is ecosystem resilience?

<sup>31</sup> Sustainable climate change mitigation in UK agriculture

<sup>32</sup> Why is Wales missing its tree planting targets?

<sup>33</sup> FUW: Farmers angered by Habitat Wales scheme errors and payments

### Advice, Guidance and Support

Navigating a new scheme with its associated rules, requirements, monitoring, data gathering and inputting will be challenging for many. Around 16,000 farmers receive the BPS in Wales, but only some 3,000 farms entered Glastir AES agreements. The SFS therefore marks a culture change for many farmers.

As such, we need the right advice, guidance and support to help transition to and deliver the SFS.

- Advice can help farmers better understand schemes, increase participation and help change farmer's attitudes towards nature friendly farming, developing trust between the industry and Government.
- High quality advice (including farmer-to-farmer knowledge exchange) can help farmers to follow best practice and to ascertain why management has or has not led to the desired outcome, thus improving the standard of schemes.
- When farmers understand *why* they are doing something, they are more likely to take ownership of outcomes.
- Expert advice can help facilitate, coordinate and develop a better understanding of targeted, more complex landscape scale schemes.
- It can help incorporate and develop a greater understanding of how nature friendly farming can improve the farm business and productivity.
- Advisors should be local and independent, and separate from the function of the regulator.
- Employment of appropriate individuals, sensitive to the needs of farmers is needed *throughout the duration* of SFS contracts.
- Advice should be available in relation to all the Sustainable Land Management (SLM) outcomes. As such it's imperative that farmers don't receive conflicting/ siloed advice, particularly in relation to economic and environmental outcomes. Advice should identify *win-win* scenarios where farm business economics and the environment benefits overlap.

### **Key Ask: The right advice, guidance and support for farm-level change through increased investment and capacity for face-to-face advisory services and farmer to farmer knowledge exchange**

We welcome the WG's commitment to continue to deliver a range of agricultural and environmental schemes supporting a range of outcomes ahead of the introduction of the full Optional and Collaborative layers. In the absence of the most ambitious tiers of the SFS, interim capital support schemes must be available to help farmers meet both scheme rules, as well as the other 17 Universal Actions.

### **Q.3 Aside from the 10% woodland and habitat requirements, will the Universal Actions:**

**a) Provide benefit for your farm business?**

**B) Provide an achievable set of actions paid for through the Universal Baseline Payment?**

#### **UA1: Benchmarking**

Benchmarking and measuring performance make sound business sense. Indeed, numerous agricultural organisations actively encourage farmers to record performance and partake in benchmarking exercises.<sup>34, 35,36</sup> As such, we believe that encouraging farmers to benchmark through government policy is a sensible idea - better yet if there's a payment attached to the action. Ideally, performance monitoring should be relevant to what certification/ assurance schemes and the food supply chain are asking for.

<sup>34</sup> HCC Red Meat Benchmarking Project - driven by data

<sup>35</sup> Farming Connect Benchmarking Programme

<sup>36</sup> National Sheep Association - Checking Business Health

However we do have reservations that some production focused KPIs could result in perverse economic and environmental outcomes. For example, whilst improving overall yield, reducing age of slaughter or daily liveweight gain can certainly help farms to be more efficient and profitable, and even improve environmental performance - it can also drive intensification and encourage purchasing ever-increasing costly inputs (fertilisers, feed, chemicals and veterinary medicines). These KPIs could well encourage more grain fed livestock systems, and place pasture fed systems at a disadvantage. Consider also that slow grown beef and lamb reared on diverse pastures, as well as slow grown poultry, are more nutrient dense than fast-grown meat that relies on external inputs.<sup>37, 38</sup> We urge the WG to undertake a better analysis of where certain KPIs might compromise or undermine others.

Every farm in Wales is different - so one farmer's success might be another farmer's problem. As such, when comparing KPIs it would be beneficial and more accurate to compare KPIs relative to similar farming types and systems. For example, many upland hill farmers on rough ground usually have lower lambing scanning % compared to their lowland counterparts, and ewes are more likely to rear single lambs than twin lambs. However, many upland systems prefer this as having too many twins can place too much pressure on the in-bye land during the summer (as twins and their mothers don't normally go up to the mountain, or if they do, the mothers will go up after weaning). When comparing farms, KPIs such as mortality rates/ livestock losses would be preferable as they are applicable to all farming systems and are generally an indication of good husbandry and improved economic and environmental performance.

We very much support setting KPIS for metrics like gross margin/ full economic cost of production. Success in farming is often characterised by revenue/ sales, with margins/ cost of production of lesser importance. High revenue doesn't guarantee profitability<sup>39</sup>; therefore we welcome closer analysis of farms' overall financial performances. We would suggest encouraging farm businesses to analyse their production costs in more detail - looking specifically at fixed costs, productive variable costs and corrective variable costs - with the view of calculating their Maximum Sustainable Output.<sup>40</sup>

Although we welcome this action in principle - guidance and advice must be provided to support farmers. The process of recording and inputting data must avoid being overly bureaucratic and time-consuming.

### **UA2: Continuous Personal Development**

Continuous personal development and training are common practices in most occupations and can help keep skills and knowledge up to date, prepare for greater responsibilities, boost confidence, enable better decision making. Undertaking a minimum of six online CPD modules each year by a registered partner within the business, each consisting of approximately one hour of online learning and a short assessment, sounds reasonable. Support should be available for farmers to complete modules - particularly those who lack computer literacy skills. However, is there any evidence that farmers find this an effective way of learning? Could this be complimented by farm visits and face-to-face discussions instead? We agree that a Health and Safety module should be mandatory. The e-learning modules need to be of a high standard and relevant to the farming business to make this action worthwhile. This action should not be a tick box exercise for farmers and the Welsh Government.

### **UA3: Soil Health Planning**

We welcome actions to support farmers to measure and improve soil health. However, for this action to be truly worthwhile farmers need to receive high quality advice on how to improve soil health. To date, soil testing analysis is usually accompanied by recommendations to apply inputs in the form of artificial fertilizers

<sup>37</sup> Nutritional Benefits from Fatty Acids in Organic and Grass-Fed Beef

<sup>38</sup> Slow-growing broilers are healthier and have more positive welfare

<sup>39</sup> Nature Means Business - the business case for nature-friendly farming

<sup>40</sup> Nethergill Associates: MSO



or lime to improve soil health. This very much follows the mantra that the *solution is in a bag*. However these inputs are becoming increasingly expensive and are now unaffordable to many farmers. We believe that advice in relation to soil health should concentrate more on providing holistic, nature-based solutions to improving soil health.<sup>41</sup> This might include increasing species diversity in swards<sup>42,43</sup>, effective grazing management<sup>44,45,46,47</sup> or agroforestry.<sup>48,49</sup>

Support should be made available for farmers who want to test more than 20% of their land each year. We also support encouragement for visual soil health inspection such as undertaking a spade test<sup>50</sup> or soil water infiltration testing.<sup>51</sup> Perhaps these visual assessments could form a component of CPD training?

#### **UA4: Multispecies cover crop**

The benefits of establishing cover crops are well documented.<sup>52</sup> Farmers must be supported and rewarded appropriately for undertaking this action and must include payments that go beyond income forgone and costs incurred.

#### **UA5: Integrated Pest management**

We welcome this action, provided farmers receive sufficient support to comply. For this action to be truly worthwhile farmers should also receive quality advice and support to reduce reliance on plant protection products, bearing in mind that Wales has signed up to reduce the use of pesticides by 50% by 2030 through the UN Convention on Biological Diversity COP15.<sup>53</sup>

#### **UA6: Managing heavily modified peatland habitat**

We welcome this action. Support must also be available to reward farmers to restore modified peatland, as opposed to solely preventing further damage.

#### **UA7: Habitat maintenance**

There is insufficient information regarding habitat maintenance requirements for the broad habitat types within the scheme. The sole example given is for enclosed semi-natural dry grassland, which follows the traditional payment system that is management based, prescribing when or what the farmer must do or must not do to receive a payment. Whilst the aims for this habitat type are welcomed, we don't believe the management requirements will lead to the desired outcomes. For example, compliance with seasonal sward height requirements - which can be as low as 5cm during the summer - is not a guaranteed recipe for successful semi-natural grassland management.

We urge the WG to transition away from this traditional approach towards a results-based payment approach.<sup>54</sup> This approach offers farmers the flexibility to use their knowledge and experience to manage the land in a way that delivers agreed environmental results alongside their food and fibre production activities.<sup>55</sup>

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<sup>41</sup> NFFN Cymru: Farmers in South Wales learn how to weatherproof farming against drought and floods

<sup>42</sup> Can increasing plant species richness in grassland maintain yield and improve soil carbon storage?

<sup>43</sup> Multi-species grassland: Is it time to consider your roots?

<sup>44</sup> Managing Grazing to Restore Soil Health, Ecosystem Function, and Ecosystem Services

<sup>45</sup> Rotational grazing shown to increase soil organic matter on Welsh farm

<sup>46</sup> Learnings on soil health, regenerative grazing and whole-farm planning

<sup>47</sup> The importance of how we graze our cattle and sheep - a look at Mob grazing

<sup>48</sup> Agroforestry: an opportunity for sustainable intensification of farmland to improve productivity and reduce environmental impact

<sup>49</sup> Agroforestry for soil health

<sup>50</sup> How to take the perfect spade sample

<sup>51</sup> AHDB: Water infiltration test

<sup>52</sup> AHDB: Why grow cover crops?

<sup>53</sup> COP15: historic global deal for nature and people

<sup>54</sup> Results Based Payments Network

<sup>55</sup> Biodiversity indicators for result-based agri-environmental schemes - Current state and future prospects

The farmer is in principle free to do what fits the site, the weather of the year, the farm and her or his own situation - it is only the environmental results that counts. Results can be measured robustly and effectively via an annual scorecard assessment which factors criteria such as key indicator species, their frequency, as well as structural diversity.<sup>56</sup> This approach can help with facilitating behavioural change towards habitat management.<sup>57</sup> We recommend that the WG continue supporting trial work for this approach in Wales, similar to the Llŷn Payment for Outcomes Trial.<sup>58</sup>

### **Universal Code for Habitats**

The Universal Code for Habitats includes an extensive list of what farmers cannot do on habitat land. Whilst do's and don'ts can form an important component of habitat management, and over-reliance on this approach can be counter-intuitive as the whole process becomes too rigid and constrictive. For example, many nature-friendly farmers apply organic manure on their hay fields, whilst other supplementary feed hay during the winter e.g. bale grazing in conjunction with deferred grazing.<sup>59,60</sup> The Universal Code for Habitats could threaten good management practice unless flexibility is incorporated.

### **UA8: Create temporary habitat on improved land**

We would welcome more information on the requirements associated with all the habitats included in this list. The only example given is for the establishment of mixed leys on improved land. The requirements should encourage best management practice for herbal leys to maximize their benefits. For example, the Calon Wen Organic Milk Cooperatives' Pasture for Pollinators Project outlines how herbal leys could be incorporated onto dairy farms to increase pollinator populations without compromising yield.<sup>61</sup> The farmers used a combination of techniques, including using diverse herbal leys with a high proportion of flowering plants compared to standard rye grass/ clover leys, leaving margins uncut at silage time, or ungrazed to provide a refuge for pollinators. In nearly all cases, pollinator numbers were significantly higher in the uncut/ ungrazed margins compared to cut/ grazed margins, indicating that leaving these refuges was effective in ensuring a continuous supply of food for pollinators, with pollinator numbers rising from 12 in the cut part of the field to 189 in the uncut margin on one of the farms.<sup>62</sup>

### **UA9: Designated Site Management Plans**

We welcome this action; however we are concerned whether NRW has sufficient resources and capacity to engage in meaningful and constructive discussion with farmers on how to best manage designated sites. We have similar concerns regarding NRW's capacity to effectively monitor designated sites. We are also extremely concerned about the delay in providing appropriate payments for designated sites management - a point which we expand on later.

### **UA10: Ponds and scrapes**

Provided farmers are supported and rewarded appropriately, beyond income forgone and costs incurred, we welcome this action. Wales has many aquatic and riparian habitats, including lakes, rivers, streams and ditches. However, smaller bodies of standing water habitats are less common in the farmed landscape. Advice and support should be provided for farmers to determine most suitable areas for wetland creation. Again, this should not be a tick box exercise for farmers - it will require strategic thinking that should consider existing features within the wider local landscape.

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<sup>56</sup> Developing payment-by-results approaches for agri-environment schemes: Experience from an arable trial in England

<sup>57</sup> Result-oriented agri-environmental schemes in Europe and their potential for promoting behavioural change

<sup>58</sup> National Trust Payment for Outcomes Trial, Llŷn, Wales

<sup>59</sup> Bale grazing as an effective livestock overwintering strategy

<sup>60</sup> Outwintering Strategies for Livestock

<sup>61</sup> Calon Wen – Pastures for Pollinators

<sup>62</sup> Farm Wildlife Case Study: Pastures for Pollinators

#### **UA11: Hedgerow management**

We very much welcome this action, provided farmers are supported and rewarded appropriately for doing so. Most of the UK's hedgerows are in poor condition, with local hedgerow surveys across the UK suggest that only 41% of hedges are in favourable condition.<sup>63</sup> We consider over-management caused by excessively tight trimming early in the cutting season, and on an annual basis, as the main reasons for this. This is a mindset that is unlikely to change unless this action is included in the Universal Layer of the scheme. Better hedgerow management can deliver a host of benefits, including for biodiversity<sup>64</sup>, pollinators<sup>65</sup>, climate<sup>66</sup>, natural flood defence<sup>67</sup>, pest control<sup>68</sup>, soil health<sup>69</sup>, animal health and welfare<sup>70</sup>. Although the requirement for hedgerows to be stockproof in its own right, without fence lines, might be a challenge - particularly for sheep farmers.

#### **UA12: Woodland management**

Flexibility in terms of how woodlands are managed is also welcome, as opposed to having a blanket stock exclusion from all woodlands. Again, there should be flexibility in terms of the proposed restrictions. For example, it may be required to feed hay in woodlands during periods of adverse weather. Capital support should be made available to help manage woodlands, for example establishing secure boundaries or pest control (e.g. grey squirrels). We consider retaining all deadwood, and prohibiting its use as firewood for example, to be excessive.

#### **UA13: Create new woodland and agroforestry**

We welcome support for farmers to plant trees on their farms. However, we reiterate that this action must ensure we plant the right tree in the right place, avoiding major trade-offs and perverse outcomes for other objectives. Support must be generous and move beyond income-forgone and costs incurred to reflect the associated multiple benefits. Welcome natural regeneration of woodland as an option to increase tree cover.

#### **UA14: Historic environment - maintenance and enhancement**

We don't have significant comments to make on this action, only that if it's included in the final scheme design, farmers must be supported and rewarded sufficiently for maintaining and enhancing historic features on their farms.

#### **UA15: The Animal Health Improvement Cycle**

We welcome support to improve animal welfare and health on farms. The actions appear sensible; however we have concerns regarding the capacity of vets to be able to support this action. There's also a risk that this action will be costly as it needs to account for both the farmer and vet time.

#### **UA16: Good Animal welfare**

Recording animal condition and mobility makes good business practice. We do question the effectiveness of completing an *online* proficiency training on body condition scoring. Any training for this purpose would surely need to involve being in the presence of live animals. We reiterate that this shouldn't be a tick-box exercise for farmers and WG and avoid being overly bureaucratic and time consuming. Otherwise funding would be of better use elsewhere on more worthwhile actions.

#### **UA17: Good Farm Biosecurity**

The measures within this action appear sensible, provided farmers receive sufficient support to comply.

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<sup>63</sup> [Hedgelink - Importance of Hedgerows](#)

<sup>64</sup> [Long-term effects of hedgerow management policies on resource provision for wildlife](#)

<sup>65</sup> [The benefits of hedgerows for pollinators and natural enemies depends on hedge quality and landscape context](#)

<sup>66</sup> [Soil Association: Why are hedgerows important?](#)

<sup>67</sup> [The potential of tree and hedgerow planting to reduce the frequency and impact of flood events in the UK](#)

<sup>68</sup> [Sustainable pest regulation in agricultural landscapes: a review on landscape composition, biodiversity and natural pest control](#)

<sup>69</sup> [Hedgerows as Ecosystems: Service Delivery, Management, and Restoration](#)

<sup>70</sup> [Effects of heat stress on the welfare of extensively managed domestic ruminants](#)

**Q4. On-farm data reporting allows the Welsh Government to confirm actions are being undertaken and help you to make decisions about your farm. In your view, is the reporting requirement for the Universal Actions appropriate?**

In its current format, the Universal Actions require farmers to collect and report on an extensive list of on-farm data. The Optional and Collaborative Actions will no doubt create additional requirements. It would be useful for WG to collate all these data recording requirements, as well as the required mechanisms for reporting, so that farmers know exactly what is expected under the SFS. Furthermore, farmers will want clarity as to how their data will be used and shared. Whilst we acknowledge there are numerous benefits in relation to the actions that require data gathering (e.g. benchmarking, soil health planning, animal health and welfare etc) the process of collecting and reporting data needs to be engaging and simple. WG should seek to minimise the administrative burden on farmers to achieve the Universal Actions.

Follow up visits from contract managers/ advisors are still required to measure progress. Many will want to be reassured that they're undertaking appropriate management or are on the right path towards achieving agreed actions - particularly due to WG's historic heavy-handedness in relation to minor administrative errors. Waiting towards the end of the contract period to review and agree to any corrective action is not a sensible approach. Farmers should be able to arrange follow up visits with their contract manager/ advisor to rectify management and check progress in relation to Universal Actions as early as possible, giving farmers the peace of mind that they're complying with scheme rules. This is vital to foster a better relationship between farmers and WG, to improve the quality of the scheme and ensure value for money.

This is applicable to the Habitat Baseline review process as well. Whilst it's important that farmers can check and amend data that is provided, this may be challenging. There is a lot of habitat information that cannot be reliably verified without field observation, at a suitable time of year, and by those with appropriate expertise. It is unclear whether there will be any resource for such ground truthing, or for the considerable time requirement for data correction and management? What is as important as reporting is their validation. For the SFS to function effectively, it will be essential for the government to dedicate adequate resources towards validating the results generated by on farm reporting. This is not only to check accuracy and compliance, but also represents an effective means of assessing the appropriateness and workability of scheme requirements.

**Q5. The Stability Payment will provide additional support during the Transition Period. In your view, is this appropriate whilst the Optional and Collaborative Actions are being introduced?**

Whilst we welcome elements of the Universal Actions layer of the Scheme, farmers who are delivering above and beyond this baseline, or want to do so, will be looking towards the Optional and Collaborative Actions for additional payments and opportunities. WG proposes to introduce these additional layers over the Transition Period (2025-2029) meaning that many nature-friendly farmers stand to lose out in the short term.

For example, the additional benefits that organic farming delivers won't necessarily be recognised in the Universal Actions, and with the absence of any long-term organic support payments this poses a threat to the sector. Furthermore, the WG proposes that land designated as Sites of Special Scientific Interest (SSSIs) is prioritised for inclusion in the Scheme's Optional Actions to reflect the more bespoke and targeted management which may be required on these special sites. Bear in mind as well that the stability payment decreases annually as the BPS is phased out. As a result, those farms that are managing high quality habitats and delivering well above the SFS baseline, such as previous agri-environment scheme contract holders, (including common land graziers) risk taking a major funding hit, with farm incomes and biodiversity both likely to suffer. In the absence of the ambitious elements of the scheme, we welcome the introduction of a stability payment. However we're extremely concerned that those who are already developing multiple scheme objectives are being left behind.

**Key ask: Ensure that no farmer gets left behind by delivering all scheme elements by 2026 including the optional and collaborative layers to support the most ambitious land management actions.**

## Scheme Operation

**Q6. We have proposed that applicants should have sole management responsibility for the land for 10 months and ensure completion of the Universal Actions for the full scheme year (12 months). In your view, is the 10-month period sufficient?**

NFFN Cymru are content with this approach.

**Q7. We are proposing the use of a single carbon calculator for everyone in the Scheme. Do you agree and how might we best support you to complete this?**

There are many benefits of undertaking a farm carbon assessment; it quantifies a farm's carbon footprint and identifies areas on the farm that can be the focus of attention to improve efficiency and reduce greenhouse gas emissions. This can improve both economic and environmental performance.

However, carbon calculators are known to be inaccurate and inconsistent, particularly when measuring carbon sequestration. Many calculators estimate soil carbon stocks based on a postcode district look up table - this gives a soil t C/ha potential sequestration value, rather than a bespoke individual farm calculation.

Furthermore, a farm's performance will depend on how the carbon footprint is measured.

- **CO2 equivalent per kg of farm output** which measures efficiency of production. More intensive and efficient farm units are likely to fare better using this measure.
- **CO2 equivalent per ha of farm** which looks at the overall balance of the farm and is likely to provide more favourable results for more extensive farms, with trees and carbon sequestering soils.

Many calculators use the former criteria, meaning intensive farms generally have more favourable results than extensive farms, even if overall emissions are lower in extensive systems. Therefore there's a concern that GHG efficiency is conflated with GHG reductions. We are concerned that nature-friendly farms are encouraged to intensify in the name of efficiency, which could lead to both negative economic and environmental performance. The NFFN's Biodiversity & Carbon Auditing Project provides further information on the complex nature of these assessments.<sup>71</sup>

Carbon assessment is a new concept in Wales, and most farmers have very little experience in this field. This can contribute towards inconsistencies in the data that is inputted into these calculators as farmers might interpret data, and what should be submitted, differently. As such we would expect support to be available, particularly when undertaking the initial assessment.

Carbon calculators are generally inconsistent, not least because there are numerous calculators available for farmers to use, and we're aware that these calculators generate different results depending on which one is used. In order to achieve consistency and allow for accurate benchmarking there would be merit in asking all farmers to use a single calculator in the scheme. However, requiring potentially 16,000 farmers to use a specific calculator could distort the market.

We would welcome clarification on how the data is to be used. Due to the aforementioned issues, we would caution against using the data to benchmark or provide an in-depth analysis of the sector's road to achieving net zero. As such, for the time being we would recommend that farmers choose between a list of the most reputable and accurate calculators to help identify ways for reducing emissions and sequestering carbon.

<sup>71</sup> NFFN NI: Biodiversity & Carbon Auditing Project



**Q8. To ensure continued high standards on our farms, we have outlined a proportionate approach to controls and sanctions, including compliance with additional legislation as a condition of Scheme payment. Do you have any views on this approach?**

NFFN Cymru would welcome the creation of National Minimum Standards that consolidate existing legal standards into one place, thus making it easier for farmers to understand and comply. Payments under the SFS should be conditional on undertaking actions that deliver sustainable land management outcomes at a level above those set by regulation. Regulation creates a level playing field, with all farmers and land managers bound by the same rules. The regulatory framework should apply to all farmers, irrespective of whether they receive financial support from the Welsh Government. This is necessary to make farms more sustainable whilst ensuring that the environmental benefits that farmers deliver through schemes are not undermined by damaging practices elsewhere.

Scheme enforcement should be fair and proportionate to the offence. Farmers should be given time to address any breaches or failings to become compliant, with follow up inspections to assess progress before any penalties are applied. For too long, minute administrative errors have been met by disproportionate financial penalties, eroding the trust between farmers and Government and affecting farmer's mental health. Enforcement must cover all farmers and land managers - not just those receiving support under the SFS. Inspections should be targeted at repeat offenders and those blatantly or purposefully breaking the rules. This is a huge source of frustration for farmers who are compliant with regulation and producing food in a way which doesn't harm the environment. It reflects badly on the industry as a whole and poses the risk of every farmer being painted with the same brush. As such, enforcement must be sufficient to eradicate this practice and change behaviour.

**Q9. Adopting the Welsh Government appeals process will provide an effective and efficient mechanism. Is there any reason we should deviate from this?**

NFFN Cymru are supportive of adopting any measures that deliver a more efficient, fair and effective appeals process as part of the SFS. However, we have concerns about removing the independent and impartial panel in favour of an approach where all levels of the potential dispute involve only WG officials.

**Payment Methodology**

**Q10. We would like to know your views on the proposed approach to:**

- a) the SFS universal baseline payment
- b) the SFS stability payment

NFFN Cymru are frustrated that uncertainty remains surrounding SFS payment rates. Bearing in mind that this is the final comprehensive consultation on the SFS, it is very difficult to make informed decisions and plan. The SFS payment rates must sufficiently reflect the associated costs, time, effort and value delivered and therefore must go beyond income forgone and costs incurred.

We welcome proposals to pay farmers for the areas they have under tree cover. Excluding payments on wooded areas under the BPS penalised farmers for having trees, therefore it's good to see this arrangement being flipped on its head. We reiterate our suggestion that the 10% tree cover threshold could be lowered (~7% which is average woodland cover on Welsh farms) and beyond this point farmers would receive an incremental payment increase (£/ha) for every % increase in tree cover managed on their farms. This could be capped at a certain point (~25%) to avoid entire farms being planted. Supporting farmers to plant the right tree in the right place, must be backed by generous payments.

If the Habitat Wales Scheme<sup>72</sup> (HWS) payment rates (£69/ha for habitat and £62/ha for woodland) are indicative of future SFS habitat payment rates, then many nature-friendly farmers will stand to lose out financially.<sup>73</sup> The NFFN, in partnership with the Soil Association and other farming organisations, surveyed 20 farms which showed an average loss of 76% in support under the HWS compared to Glastir. The main reasons being capping payments on larger farms and previous Glastir Advanced payment rates being significantly higher.

- Hay meadow conversion @ £235/ha
- Marshy grassland (pasture) @£241/ha
- Woodland stock exclusion @£80/ha
- Wood pasture @£78/ha
- Wildlife cover crop @£604
- Unsprayed cereals with winter stubbles @£440/ha

England's Environment Land Management Scheme (ELMS) habitat payment rates are also considerably higher (e.g. species-rich grassland at £642/ha).<sup>74</sup>

Fundamentally the Universal Actions need to be ambitious enough to drive real change to maximise SLM outcomes, but at the same time they shouldn't be unrealistic or unachievable. Baseline payments for delivering Universal Actions also need to be attractive enough to encourage scheme enrolment, but not overly generous as to deter farmers from taking up Optional Actions.

**Key Ask: Payments that go beyond income foregone and costs incurred that deliver genuine outcomes through schemes that are more flexible, reward results and harness existing farmer knowledge.**

## Transition Period

**Q.11. Farmers outside the Scheme may wish to access support for actions similar to those offered in the Optional and Collaborative Layers. In your view, should farmers within the Scheme receive priority support to undertake these actions?**

In general, NFFN Cymru agrees that farmers already in the SFS should be prioritised for support in the Optional and Collaborative layers. However, for Collaborative Actions it may be essential that landowners not in SFS are included for interventions to be effective, particularly those involving landscape scale ecosystem enhancement projects. Perhaps there could be a competitive process for non-SFS farmers to access the Optional layer.

**Q12. What actions and support within the Optional and Collaborative layers do you believe should be prioritised?**

We reiterate that both the Optional and Collaborative layers of the scheme need to be introduced within 12 months of the launch of the SFS. These layers must be well resourced and payments must reflect the benefits they provide. All proposed actions should be brought forward as a matter of urgency, however if this isn't financially possible, we would consider the following a priority.

### Optional Actions

- Designated sites management
- Manage and enhance habitats through more tailored and bespoke site-specific actions (over and above the Habitat Maintenance Universal Action).

<sup>72</sup> Habitat Wales Scheme

<sup>73</sup> NFFN Cymru: Habitat Wales Scheme fails to back nature-friendly farming

<sup>74</sup> Environmental land management in 2024: details of actions and payments

- Habitat creation
- Natural flood management
- Improve soil biology for example through diverse planting, graze and rest practices, minimum or no till, use of anthelmintic plants or habitat management.
- Capital support for the infrastructure for graze and rest and/or to expand into other agricultural enterprises which enhance pasture management and livestock production.
- Payment for no artificial fertilizer use
- Payment for no pesticide use
- Traditional boundary restoration and creation (hedges and dry-stone walls)
- Capital support to help comply with the Compliance with The Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021
- Support for no-fence collars to facilitate habitat management with cattle grazing
- Support and advice for renewable energy generation
- Support to grow crops to lower the amount of (and reliance on) bought-in feed.

Organic support schemes must be maintained in the absence of additional support via the Optional Actions.

#### Collaborative Actions

- Landscape scale action, for the delivery of nature-based solutions <sup>75, 76, 77</sup>
- Innovation and knowledge transfer in agriculture for the development of new processes, techniques and technologies, and the development of solutions to solve sector challenges
- Trialling results-based payment schemes with farmer cluster groups.
- Support to invest in the sharing of facilities and resources to increase the profitability and resilience of farm businesses
- Actions to support increased resource efficiency and new supply chain opportunities to support increased local high quality food supply
- Common land management

Under a blunt area-based arrangement similar to the BPS, capping payments at a certain level, or introducing a system where payments diminish over a certain threshold makes sense. However, a similar approach for the optional and collaborative layers severely disadvantages larger farms that are delivering multiple societal benefits side by side with food and fibre production.

We also believe there should be an element of support for young farmers in the SFS.

#### BPS

**Q13. Do you agree with the proposed changes to BPS from 2025? This includes:**

- a) The rate at which BPS payments are reduced.**
- b) Closing the National Reserve to new entrants.**
- c) Thresholds for capping.**
- d) Restricting the transfer and lease of entitlements.**

The proposals to transition from the BPs to the SFS appears sensible. It allows farmers time to decide when to access the new SFS arrangement and avoids a cliff edge transition to the SFS. However, this transition needs to happen sooner rather than later; therefore we support measures that encourage farmers to join the SFS in the early years. Any underspend in the BPS budget in any year of transition should be re-distributed to the SFS.

<sup>75</sup> NFFN: Ffermwyr yr Wnion Natural Flood Defence Farm Project

<sup>76</sup> Saving the cirl bunting from extinction in the UK

<sup>77</sup> Pitsford Water Friendly Farming

## Regulations

**Q14. We would like to know your views on our proposed approach to secondary legislation, which will support BPS and the introduction of support schemes under the powers in the Agriculture (Wales) Act 2023.**

We ask that the Welsh Government consult with relevant stakeholders on the development of secondary legislation relating to agricultural support.

## Evidence

**Q15. Economic analysis and modelling will conclude in 2024 and will provide evidence to inform the final decision on Scheme implementation by Welsh Ministers. We would like to know your views on the existing analysis and evidence required.**

Understandably, farmers will be extremely concerned by the latest SFS economic analysis and modelling which paint a potentially bleak picture of the future.<sup>78</sup> As modelled, farmers are being asked to deliver more (e.g. in terms of environmental delivery) for approximately the same level of support funding. We reiterate our concerns that the SFS is significantly under-budgeted. The estimated impacts make for difficult reading.

- Welsh livestock units will reduce by 122,200 (10.8% reduction)
- Agriculture output will reduce by £125.3m
- Farm business income will reduce by £199 under the SFS Universal Action payments. Coupled with stability payments (valued at £117.3m) this is reduced to £81.6m.
- Standard labour requirement on Welsh farms will reduce by 11%

However, the estimated impacts fail to consider the optional and collaborative actions, which will form an important component of the SFS. This is why we're calling for the WG to introduce these additional SFS elements by 2026 at the latest, particularly as adopting agroecological farming practices and higher agri-environment payments increases income stability and raises farm income.<sup>79</sup> Future modelling must consider these scheme elements.

We also challenge some of the assumptions made in the modelling.

Firstly, less output doesn't necessarily mean losses at the farm business level. Research shows that farm profitability can increase substantially if farms actively work with the natural environment to manage production sustainably, restore nature and cut input costs.<sup>80, 81</sup> It is often assumed that as a business grows, financial performance will also increase due to economies of scale. The results of Hybu Cig Cymru's Red Meat Benchmarking Project demonstrated that this is not always the case.<sup>82</sup>

Secondly, the modelling also fails to consider emerging evidence that working with natural processes, such as increasing grassland species diversity and adopting effective grazing management via rotational and mob grazing systems can increase productivity and profitability while maintaining or increasing levels of output.<sup>83</sup>

Thirdly, we challenge the notion that habitat management assumes an automatic reduction in livestock numbers.<sup>84</sup> Welsh agri-environment schemes have focused on paying farmers to reduce livestock numbers, particularly on upland land parcels. Where historic overgrazing occurred, this approach has successfully

<sup>78</sup> Potential economic effects of the Sustainable Farming Scheme Phase 4 Universal Actions Modelling Results

<sup>79</sup> Stability of farm income: The role of agricultural diversity and agri-environment scheme payments

<sup>80</sup> Nature Means Business Wales / Mae Natur yn Meddwl Busnes yng Nghymru

<sup>81</sup> Farming at the Sweet Spot

<sup>82</sup> Hybu Cig Cymru: Red Meat Benchmarking Project – Driven by Data

<sup>83</sup> Rotational grazing and multispecies herbal leys increase productivity in temperate pastoral systems – A meta-analysis

<sup>84</sup> The importance of livestock grazing for wildlife conservation

restored habitat. However, some areas that were never overgrazed are now *undergrazed*, leading to a deterioration in habitat quality and species populations.<sup>85</sup> We mustn't repeat past mistakes - blanket policy approaches must be replaced by more well-thought out and strategic interventions.

Finally, the agricultural sector is already suffering from a decline in employment. The number of people working in agriculture in Wales declined by 13.6% between 2015 and 2021, due to the loss of 4,252 regular employees, salaried managers and casual workers and 3,666 farmers, business partner, directors and spouses.<sup>86</sup> 8,000 jobs in agriculture were lost between 2011 and 2021.<sup>87</sup> This loss exceeds the worst-case scenario identified in the latest economic analysis. The status quo is not a viable option. The wider economic and employment benefits of nature friendly farming must also be considered.<sup>88, 89,90</sup>

To avoid these potential devastating impacts and to realise a more positive vision for the future, the Welsh Government must properly invest in schemes that support an ambitious farming transition in Wales that delivers for food, farmers, nature and climate.

## Monitoring and Evaluation

### Q16. We would like to know your views on which information and evidence should be used to monitor and evaluate the Scheme.

Information on the following areas would be useful to monitor and evaluate the scheme.

- Farm input use (e.g. fertilizers, pesticides and bought in feed)
- Cost of production
- Area of habitat on farms
- Profitability
- Number of farms in the scheme
- Area of farmland in the scheme
- Veterinary medicine usage
- Greenhouse Gas Emissions
- Favourable Conservation Status of Designated Sites

## Other

**Q17. What, in your opinion, would be the likely effects of the SFS on the Welsh language? We are particularly interested in any likely effects on opportunities to use the Welsh language and on not treating the Welsh language less favourably than English.**

**Q18. In your opinion, could the SFS be formulated or changed so as to: have positive effects or more positive effects on using the Welsh language and on not treating the Welsh language less favourably than English; or mitigate any negative effects on using the Welsh language and on not treating the Welsh language less favourably than English?**

The continuation of farming in rural Wales is vital for the future of Welsh language and culture. In certain areas most farmers are first language Welsh speakers. Employing bilingual contract managers/ regulatory officers/ monitoring officers can perhaps facilitate a smoother transition to new schemes and break down perceived barriers. The provision of written advice and guidance should be made available bilingually (or any other written correspondence from WG for that matter).

<sup>85</sup> Graze with livestock to maintain and improve habitats

<sup>86</sup> The Farming Sector in Wales Research Briefing

<sup>87</sup> Farming facts and figures: 2022

<sup>88</sup> Hedge fund: investing in hedgerows for climate, nature and the economy

<sup>89</sup> The impact of green economy measures on rural employment: Green jobs in farms

<sup>90</sup> Jobs for a green recovery Levelling up through nature



## **Summary of Soil Association Cymru's response to the Sustainable Farming Scheme: Keeping farmers farming Consultation**

March 2023

Andrew Tuddenham

Head of Policy, Cymru

### **Headlines**

- The SFS proposals provide a framework that has real potential to help more farmers adopt agroecological approaches to farming. However, the SFS must also support those who are already farming in this way.
- The SFS provides a critical opportunity to move away from BPS and impart true financial value to trees, hedges and habitats on farms.
- The SFS Universal layer should not be designed to meet the specific needs and constraints of the largest and most intensive farms in Wales (a blend of government and market solutions offers better value for public funds)
- Whole Farm Plans could help to integrate more trees onto more farms if a SFS target for woodland creation were implemented through the Optional layer and tailored around the specifics of the individual farm.

### **What may strengthen the SFS?**

- A strategic route map for the SFS transition

### *Targets*

- Specific SFS targets tied to biodiversity and its restoration
- SFS target for farm woodland area to double by 2050, as a contribution to any Wales woodland target.
- SFS target for zero-loss of ancient woodland on farms
- A minimum of 75% of ancient and native woodlands on farms, in either good condition or improving condition for nature, by 2030.
- Support to establish supply chains and supply chain services for a smaller scale of agroforestry and farm woodland

### *Integrated food and farming policy*

- A Welsh Organic Action plan
- Public procurement that incentivises and reaps the benefits of expanding horticultural production

### *Advice and training*

- A significant investment in advisory services.

- Clear direction and support from WG to agricultural colleges and training bodies to help them prepare the upcoming generation of farmers with the essential knowledge required for the SFS.

## Trees

- Welsh Government must ensure farmers know what they are going to need to do to meet statutory targets, and it must also provide information and support to enable farmers to make informed choices within the SFS.
- Optional and Collaborative actions will have a range of potential benefits for climate and nature targets, but in the context of the 10% tree rule debate we note that the Climate Change Committee's advice is that there is no credible route to achieving net zero without an increase in tree cover.
- We continue to commend Welsh Government for maintaining a focus on tree cover on farms within the SFS
- UA12 *Woodland maintenance* offers a significant opportunity to better integrate farm woodlands into the farming system
- Farmers will need to be supported to achieve a balance between functional livestock benefits and woodland condition if livestock can access woodlands. UA12 should recognise the opportunity for on-farm use of timber products or potential off-farm sales
- Whole Farm Plans could help to integrate more trees onto more farms if a SFS target for woodland creation were implemented through the Optional layer and tailored around the specifics of the individual farm.
- Farmers will need practical agroforestry/forestry training, peer-to-peer learning networks and demonstration sites
- A clear regulatory distinction should be made between trees outside woodland on farm (agroforestry systems) and farm woodland that meets the legal definition for woodland.

## Habitats

- The 10% habitat scheme rule is appropriate for the Universal layer
- The proposed temporary habitats required to meet a shortfall in the 10% rule are entirely compatible with sustainable food production.
- Additional support may be required to help organic farmers establish mixed leys on improved land if required to meet the 10% habitat rule.
- The scheme should move towards a results-based approach to scheme payments for habitats.

## Other Universal actions

- UA2: *Continuous Personal Development* - the annual organic certification process should be recognised as Continuous Personal Development and equivalent to undertaking a training module within UA2.
- UA3: *Soil Health Planning*

- In isolation this would not go far enough to incentivise the reduction in manufactured fertiliser use on the scale that is needed to restore soil health
- the SFS should provide generic guidance to the farmer that addresses all SLM options in return for the upload of their soil test results.
- summary data from soil assessments should be published as part of the reporting and evaluation of the SFS.
- UA5: *Integrated Pest management* - should be accompanied by further Optional Actions which reward them to put these approaches into practice
- UA9: *Designated Site Management Plans* - all stakeholders need confidence that NRW will have the capacity to deliver the required volume of designated site Management Plans during the transition period.
- UA15: *The Animal Health Improvement Cycle* & UA16: *Good Animal welfare* - lameness and body condition scoring should be integrated into the AHIC
- UA16: *Good Animal welfare* - third party verification is required to validate the quality of welfare outcome assessments
- UA16: *Good Animal welfare* - we would like to see expansion of the use of welfare assessment across other livestock species.

### **Data reporting and SFS KPIs**

- The policy intent for benchmarking actions should be made clearer, setting out the case for how these actions benefit farmers and government.
- Farmers should be able to access previous data.
- Additional benchmarking requirements could be attached to specific Optional and Collaborative layer actions.
- We welcome the inclusion of input costs (pesticides and diesel use in arable) and net margins in the illustrative list of KPIs.
- A singular focus on daily liveweight gain militates against slow growing native breeds
- If taken in isolation, single KPIs could drive unsustainable outcomes.

### **Carbon calculator**

- It could be a very provocative market intervention if Welsh Government were to require a specific carbon calculator product.
- A SFS standard for carbon calculations should be provided
- Carbon calculators should provide output by category, GHG and scope 1, 2 or 3 and take into account organic farming which typically involves fewer livestock per ha than non-organic.

### **Controls, standards and compliance**

- An effective regulatory baseline (National Minimum Standards) must be maintained for all farmers in Wales, not just those within the SFS.
- Organic certification provides a model that Welsh Government can draw on

- Welsh Government must prioritise the development of an ‘earned recognition’ framework within the scheme, drawing from input from farm assurance body stakeholders.

### **Universal Baseline payment**

- If area payments within the Universal Baseline Payments are based on a costs incurred and income foregone model they will be too low to support those farm systems that are already delivering or capable of delivering sustainable land management improvements for nature, water and soils. We support a move to paying for social value underpinned by a natural capital approach.
- Very small farms such as small-scale horticulture producers are unlikely to receive sufficient financial incentive from an area-based Universal Baseline payment model.
- We query Welsh Government’s view that the Universal Baseline payment habitat element cannot reward the maintenance of SSSI land

### **Stability payment**

- We support the proposal for a Stability Payment during transition.
- We welcome the proposal to provide a Stability Payment for organic farmers to reflect their previous income from BPS and the Organic Support Payment 2024.
- The Stability Payment must operate as a temporary measure for the 2025-2029 transition whilst a suite of Optional and Collaborative actions are brought forward at the earliest opportunity in transition.

### **Access to support for actions similar to those offered in the Optional and Collaborative Layers.**

- Only those farmers within the Universal layer should be able to access support for actions contained in the Optional and Collaborative layer.

### **Priorities for Optional and Collaborative layer actions**

- SFS should introduce Optional and Collaborative layer support for agroecological and organic practices by 2026 and allocate at least 50% of the scheme budget to the Optional and Collaborative layers by the end of the transition period.
- Collaborative actions to manage and create joined up woodlands across landscapes and to reduce nitrogen losses at catchment scale should be prioritised
- Scheme advice and actions should directly acknowledge the soil degradation linked to chemical inputs.

### **Secondary legislation**

- Secondary legislation as proposed should undergo public consultation and be subject to Affirmative Resolution vote in the Senedd.

### **Economic analysis of the proposals**

- We do not anticipate significant impact on stocking levels from the revised 10% habitats rule, and significant exemptions are now available in the 10% tree rule.

### **Monitoring and evaluating the scheme**

- A farm practices survey in Wales would help to reveal the impact of SFS support



## Consultation Questions

Confidentiality
Responses to consultations may be made public on the internet or in a report. If you do not want your name and address to be shown on any documents we produce please indicate here
If you do not want your response to be shown in any document we produce please indicate here

Demographic questions:

<b>Name</b>	Andrew Tuddenham, Head of Policy, Cymru [REDACTED]	
<b>Are you responding as an individual or as an organisation?</b>	Soil Association Cymru	
<b>Are you or your organisation based in Wales?</b>	Yes	X
	No, but I or my organisation operates in Wales	
	No - not based in Wales and does not operate in Wales	
<b>If you are answering as an individual, do you identify as Welsh speaking?</b>	Yes	
	No	X
<b>First half of postcode (4 digits)</b>		

<b>Please indicate which of these best represent you or your organisation (please select only one)</b>	Farming	X
	Forestry	X
	Environmental	
	Veterinary	
	Tourism/Hospitality	
	Food and timber supply chains	X
	Public Sector	
	Private Sector	
	Third Sector	X
	Trade Union/Representative	

	Research/Academia	
	Other	

<b>If you have indicated that you are a farmer, please identify your main farm activity (please select only one).</b>	Sheep	
	Beef	
	Dairy	
	Arable	
	Horticulture	
	Poultry	
	Mixed	
	Other	

<b>Do you currently have rights to graze stock on a common?</b>	Yes	
	No	X

<b>Are you a tenant farmer?</b>	Yes	
	No	X

<b>Are you a BPS recipient?</b>	Yes	
	No	X

<b>If you are responding as an individual, what age bracket are you in?</b>	Under 18	
	18-34	
	35-49	
	50-64	
	65+	

<b>Are you currently a participant in any agri-environment schemes?</b>	Yes	
	No, but I have participated in agri-environment schemes in the past	

	No, I have never participated in any agri-environment schemes.	
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## Framework

**Q1. The Scheme will provide a long-term approach to support for our agricultural sector to respond to evolving challenges and changing needs, contributing to the Sustainable Land Management objectives. In your view, what may strengthen this support?**

1.1 We firmly believe that agroecological approaches to farming secure the best outcomes for climate, nature and people. A recent study by the French Institute IDDRI and the Food, Farming and Countryside Commission found that, alongside dietary change and a reduction in food waste, a UK-wide uptake of agroecology would allow for significant reductions in agricultural greenhouse gas emissions, and a pattern of land use that would be better for nature<sup>1</sup>. We believe that structuring policy to support a transition to agroecological farming offers a way to produce resilient, nutritious food, with high levels of animal health and welfare whilst simultaneously providing good return on investment through the provision of public goods such as improved soil health, water quality, carbon storage and enhanced biodiversity.

**1.2 The SFS proposals provide a framework that has real potential to help more farmers adopt agroecological approaches to farming. However, the SFS must also support those who are already farming in this way.** We are concerned that the significantly reduced funding for the Habitats Wales Scheme relative to Glastir sets a poor precedent for the SFS and has created a pressing need for support that will not be helped by the delayed implementation of the Optional and Collaborative layers of the SFS. This lack of support is already causing some agroecological farmers to scale back their ambition, putting the long-term viability of their business at risk. Welsh Government should commit to introducing Optional and Collaborative layer support for agroecological and organic practices by 2026 and allocate at least 50% of the scheme budget to the Optional and Collaborative layers by the end of the transition period.

### *Targets and strategy*

1.3 The Agriculture (Wales) Act 2023 places a duty on Welsh Ministers to set indicators and targets to measure progress towards achieving the Sustainable Land Management (SLM) objectives. These indicators and targets will help define a vision for sustainable land management in Wales, initially for the transition period. To connect farmers in the SFS to the SLM objectives there should be clear read across

<sup>1</sup> Poux, X. et al (2021) Modelling an agroecological UK in 2050 – findings from TYFAREGIO (Paris: Institute for Sustainable Development and International Relations)

between these indicators and scheme actions that farmers are required to undertake in the SFS. **Farmers should be able to see how their actions at farm level contribute to SLM indicators and targets.** For example, benchmarking requirements in the scheme should directly inform all four SLM target/s. Establishing a comprehensive dataset and standards for benchmarking, such as a standardised approach to carbon accounting, applicable across all land-based businesses, would pave the way for emerging markets for public goods. This robust data is essential for farmers and land managers to establish new producer consortiums, offering their public goods at landscape or catchment level within the emerging markets for nature and carbon. Benchmarking plays a crucial role in the ongoing refinement of the SFS, allowing adjustments over time as more farms achieve the target sustainability levels.

1.4 Scheme targets should encompass all aspects of ecosystem resilience, including habitats, species, the condition of protected sites, scale and connectivity. The Sustainable Farming Scheme will be a crucial driver in achieving COP 15 biodiversity restoration targets. The CCERA committee called this a "once in a generation opportunity" and recommends that **specific targets tied to biodiversity and its restoration should be incorporated into the SFS targets.**

1.5 As a principle, we believe targets based on numbers of trees should be avoided and, in our view, the following targets should be adopted:

- **An agreed management plan (whole farm plan) for all farm woodland by 2030**
- **Farm woodland area to double by 2050, as a contribution to any Wales woodland target.**
- **50% of farm enterprises with agroforestry systems in place by 2030**
- **A zero-loss target for all ancient woodland on farms**
- **A minimum of 75% of ancient and native woodlands on farms, in either good condition or improving condition for nature, by 2030.**

1.6 While recognizing existing Welsh Government targets for woodland creation, we propose setting SLM targets for the extent of priority habitats, with indicative sub-targets for specific habitats like hay meadows, where significant habitat loss has occurred since the 1930s. Connectivity of habitats could be measured through targets for hedgerows in good condition and targets for organic land area. The area of certified organic farmland would provide an indicator for sustainable, high animal welfare food production. Monitoring these outcomes is crucial to substantiate the sustainable brand values of Welsh food production.

1.7 We believe that **the SFS urgently requires a strategic route map** that clearly sets out what transitional schemes, SFS layers and SFS actions will become operational during transition and what will happen to legacy schemes during this time. Scottish Government's Agricultural Reform Route Map (June 2023) offers a model to help the farming sector plan ahead.

## *Integrated food and farming and rural development policies*

### *Strategic market development*

1.8 There is a clear need to support market growth for the types of farming that help Welsh Government meet its environmental obligations while improving livelihoods and reducing pressure on public funds. SFS support for sustainable food production should be delivered within a strategic, joined-up approach to food, farming and public procurement to increase the supply and local consumption of sustainably produced food. For organic, a **Welsh Organic Action plan is needed** to shape this approach – the previous plan expired nearly 15 years ago.

### *Public procurement*

1.9 Refocusing public procurement is a strong way Welsh Government can focus the market and ultimately incentivise SLM. **Public procurement should be used to incentivise and reap the benefits of expanding horticultural production** in Wales in particular. Food Sense Wales' Welsh Veg in Schools pilot is generating relevant insights into the operational approaches required to establish new local agroecological (organic or in conversion to organic) supply chains for schools. Public sector food procurement in Wales is worth approximately £84.7 million per annum, with Local Government and NHS Wales together accounting for more than 80% of that. Food in schools and public institutions sets norms for the public and consumers, signals values, and gives integrity to government priorities and policies. Making the most of public procurement could be game-changing. Wales could improve the health and food habits of the next generation by further upping ambitions for school food, including by encouraging schools to work towards achieving the Food for Life School Awards. It could also help drive demand for food that meets the highest standards, helping to achieve economies of scale in processing and lowering consumer prices.

### *Forestry sector and trees on farms*

1.10 In the forestry sector Soil Association wants change to support the **establishment of supply chains and supply chain services that are adapted to smaller scale of agroforestry and farm woodland**, to ensure that the full market and on-farm substitution benefits from harvested products (food and timber) can be realised.

1.11 Farmers will need confidence that the market for the products resulting from their investment in the trees on their farms. Supply chains and supply chain services will need to be incentivised to adapt to the more sporadic nature of supply and small-scale working. Mechanisms such as cooperatives and group schemes have the potential to mitigate small scale working on individual farm enterprises, to ensure profitability and economic resilience.

1.12 To realise the full benefits of woodland cover restoration, the forestry sector also needs to be supported to adapt to provide supply chain services at a smaller scale and direct to farmers. In addition, many farmers themselves are well

positioned to take the opportunities to diversify their livelihoods and provide a range of small-scale forestry services such as planting, fending, tending and harvesting. Establishment of a vibrant farm woodland economy is key to long term achievement of both public benefits, farm enterprise economic resilience and rural diversification.

#### *Regulatory framework*

1.13 We believe the current regulatory framework across Wales is too fragmented and therefore supported the Agriculture White Paper (2020) proposals to consolidate existing legislation under a set of National Minimum Standards (NMS), applicable to all farmers in Wales. It is a concern that the SFS consultation proposals refer only to scheme rules and not to the NMS framework. There are potential risks to soils, water, and biodiversity arising from further intensification of agriculture if farmers choose not to participate in the SFS. Furthermore, value for public money is reduced if SLM gains secured through scheme payments are offset by regulatory failure to control damaging practices or pollution on the same farm or elsewhere. **An effective regulatory baseline must be maintained for all farmers in Wales, not just those within the SFS.** We present further feedback on regulation in response to Q8.

#### *Budget, multi-annual financial framework and scheme agreement lengths*

1.14 We believe that the transition to a framework of farm support oriented around environmental outcomes which are not rewarded by the market is an important step in achieving Sustainable Land Management objectives in Wales and offers value for money to the taxpayer. This will require long-term certainty for investment in soil health and farming with trees as these require multi-annual scheme agreements. The priority strategic issue in this regard is the move from the certainty provided by seven year CAP budget cycles to 1-3 year Welsh Government budget cycles where the agricultural budget is not ring-fenced. Essentially farmers who are below the 10% tree and woodland target are being asked to commit to the SFS based on a lack of certainty about whether the budget for maintaining anything they create will be there in future.

1.15 We believe the Optional and Collaborative tiers are essential to the success of the SFS. **Welsh Government should commit to introducing Optional and Collaborative layer support for agroecological and organic practices by 2026 and allocate at least 50% of the scheme budget to the Optional and Collaborative layers by the end of the transition period.**

#### *Advisory support*

1.16 References to Farming Connect within this consultation are limited, with two specific mentions of the Farming Connect programme (contrasting to 40 references to Farming Connect within the previous SFS Outline Proposals consultation). The reason for this is not clear. There is, however, a proposal from Welsh Government to continue to offer a range of advice, guidance and learning in the years to come and numerous references to the provision of advice and guidance to support farmers



with the SFS including with some specific Universal Actions; skills development and mentoring to new entrants; and the possibility of facilitation support for common land management agreements.

As per our feedback in response to the Agriculture (Wales) White Paper 2020:

1.17 Soil Association would like to see a **significant investment in advisory services**. We believe that advisory services offer value for money and will secure the delivery of the sustainable farming scheme objectives. This shift towards a SLM approach presents an opportunity for Welsh Government-led advisory services to be reviewed to address the need for fundamental change in farming practice to meet the significant challenges from climate change, and to mitigate the impact upon agriculture of climate breakdown. Agroecological practices should be at the heart of these advisory services. This should operate alongside a wider move within the agricultural curriculum to train the next generation of farmers and farm advisors to equip Welsh food and farming sectors for the future.

1.18 The wider implications of sustainable land management and ecosystems should be factored into the scale of advice delivery, and advisory services should look to farmer-led approaches that include land managers in the development and delivery of schemes, building an advisory and knowledge-exchange network that is fit for purpose in a changing world. Advisory services should foster collaboration between land managers, enabling landscape scale conservation. This approach could deliver public goods such as flood prevention or improved biodiversity through the creation of 'biodiversity corridors.

#### *Agricultural education*

1.19 Agricultural education at degree level is responding to the growing interest in environmentally sustainable farming. There is less evidence of this shift occurring at HND level. To strengthen the support offered by the SFS, **agricultural colleges and training bodies will need clear direction and support from WG to help them prepare the upcoming generation of farmers with the essential knowledge required for the SFS**. This includes fundamental issues of soil husbandry and farming systems and practices that restore soil health, water quality and biodiversity, as well as straightforward adjustments in land management to enhance livestock health and soil fertility. Agricultural college training in crucial approaches like integrated pest management (IPM) and agroforestry is also currently lacking, with these topics often receiving minimal attention, if any, in college curricula.

#### *Baseline assessments and opportunity mapping*

1.20 To help secure a harmony between environmental, economic and social outcomes we would like to see the Habitat Baseline Review process enable farmers to identify relevant SFS actions within the Optional and Collaborative layers. This guidance could be offered through use of GIS opportunity mapping within the Habitat Baseline Review in the Universal layer of the scheme, and within a whole

farm plan approach to the Optional and Collaborative layers of the scheme, which we explore later in this response.

## Universal Actions

**Q2. There will be Universal requirements in the SFS to have woodland cover at least 10% of suitable land, and to manage a minimum of 10% of your farm for biodiversity.**

**a) What are your views on these requirements?**

2.1 Recent agricultural policy has tended to view productive farming as separate from measures to promote tree planting or measures to protect or restore nature, when sustainable productivity is dependent on maintaining and restoring natural resources. This has to change, and we should be aiming to move trees as a forestry programme to trees as a tool to achieve farming objectives and move nature from the margins to the middle of the field. At the same time, we should be changing the balance of what we produce, with less land used for growing crops to feed to animals and more domestic fruit, vegetable and pulse production.

*10% tree cover rule*

2.2 We believe that every farmer should be supported to find a resilient and profitable pathway to agroecological farming, bringing trees and abundant nature back into our farmed countryside. Through careful design, the integration of agroforestry and farm woodland into farming systems has the potential to enhance the performance and resilience of food production in Wales. Furthermore, we believe that the net environmental benefit from a shift to more integrated systems of agroforestry and farm woodland is likely to be greater than converting to woodland at a whole farm scale. **We continue to commend Welsh Government for maintaining a focus on tree cover on farms within the SFS** and we note that the messaging to farmers now leads on the case for potential productivity gains within the farm system. The evidence base is building that the careful and deliberate integration of trees and woodlands into farming systems as a land sharing or agroecological approach will not only boost productivity, rather than reduce productivity through loss of productive area, but also help to de-risk farming in a changing climate due to the huge range of functional benefits to livestock and even grass growth, from the integration of trees.

2.3 Nevertheless it has become clear since the previous SFS consultation that significant numbers of farmers do not see these opportunities or are not persuaded that their business model could be adapted to enable greater integration of trees on farm.

2.4 We recognise that sensible exemptions to the 10% rule are already proposed for tenant farmland and for those areas unsuited to woodland cover, and that it is possible to envisage further flexibility, such as to prioritise the most capable and versatile grades of land. However, further exemptions to the 10% rule risk adding further complexity to what is already seen by some farmers to be a prohibitively complex Universal layer. Taken further, delivery of the Universal target could no

longer be considered truly universal, whilst the principal issue of contention – that fundamental land use and business choices are to be mandated by government as a condition of financial support – remained unresolved. Without buy-in from farmers the SFS will fall short in its delivery of Sustainable Land Management objectives.

#### *10% habitat rule*

2.5 We see no conflict between sustainable food production and a requirement to hold at least 10% land managed as habitat as defined in the proposals. We do not anticipate significant impact on stocking levels from the 10% habitat rule.

**2.6 We believe that the 10% habitat scheme rule is appropriate for the Universal layer** as the habitats required to meet a shortfall in the 10% rule have no little to no impact on production. The temporary habitats may be ecologically modest relative to priority habitat types but if created at scale could make a significant contribution to nature in Wales. From a sustainable food production stance we see no compelling reason for Welsh Government to make the 10% habitat scheme rule optional.

#### **b) What support might you need to achieve them?**

#### *UA12 – Woodland maintenance*

**2.7 We believe UA12 (Woodland maintenance) offers a significant opportunity to better integrate farm woodlands into the farming system**, including in some cases the development of new enterprises. Almost all woodlands will be providing functional benefits such as shade, shelter, browse and also soil improvement on the woodland edge due to higher levels of organic matter and mycorrhizal interactions. These functional edge benefits can be extended into the woodland through careful management, so the proposal to avoid a blanket stock exclusion is welcomed.

2.8 However, **farmers will need to be supported to achieve a balance between functional livestock benefits and woodland condition if livestock can access woodlands**. This would be best achieved through support for whole farm planning, where tools like Scottish Forestry's Woodland Grazing Toolbox can provide a model for using livestock as a woodland management tool.

2.9 It should also be recognised that good woodland condition will often require tree felling and regeneration will always be required. **UA12 should therefore recognise the opportunity for on-farm use of timber products or potential off-farm sales** from some farm woodlands as diversification and farm enterprise development options. This would be true integration of woodland into the farm enterprise. This management of existing woodland could also be linked through a whole farm tree plan approach to provide tailored plans for those farmers wishing to increase the treescape on their farms as new woodlands, new hedgerows or agroforestry. Soil Association is piloting these in England and Farming Connect are funding an equivalent approach in Wales.

**2.10 The Universal Baseline payment should reflect the social value of UA12 woodland management actions.** We are concerned that if area payments continue to be based on a costs incurred and income foregone model, they will be too low to support those farm systems that are already delivering or capable of delivering sustainable land management improvements for nature, water and soils. We support a move to paying for social value underpinned by a natural capital approach. **The SFS provides a critical opportunity to move away from BPS and impart true financial value to trees and woodland on farms.**

2.11 In addition, Welsh Government should consider working with UK and other devolved governments to ensure that the UK Forestry Standard is fit for purpose in regulating woodland on farms into the future.

#### *Woodland creation*

2.12 We note that the dairy sector appears to have greatest difficulty in accommodating the proposed 10% trees scheme rule, in terms of current levels of tree cover and the apparent capacity of this farm type to hold more trees. We suggest that this reflects that many of these systems are constrained by farming intensity.

2.13 The SFS economic impact assessment (*Potential economic effects of the Sustainable Farming Scheme: Phase 4 Universal Actions Modelling Results*) shows that under the 2022 proposals lowland dairy would need to make the largest increase in tree cover for a given farm type (77.6%) to meet the 10% rule, whilst delivering just 9% of the total woodland creation across all farm types, a figure which may be an overestimate given that the current proposed SFS exemptions were not modelled.

2.14 Intensive dairying is highly geared around the amount of land available for manure spreading and silage production. Whilst tree expansion in the form of low density silvopasture and wider hedges offers clear benefits for health and productivity for dairy livestock and soil health in these systems, additional trees would reduce the area available for manure spreading, requiring the farm to either hold fewer livestock and/or bring in additional grassland for spreading or capital-intensive solutions for manure and slurry processing.

2.15 We recognise that it is difficult for intensive agriculture to accommodate the type of ambitious targets required to meet statutory targets for climate and nature. However, **we do not believe that the SFS Universal layer should be designed to meet the specific needs and constraints of the largest and most intensive farms in Wales**, which are also the least reliant on current support. Not all farm holdings, notably very small ones, have been able to take advantage of farm support from the CAP. The SFS has the potential to rectify this and support a majority cohort of small, less intensive farms which are better placed to deliver on-farm benefits for sustainable food production using trees and habitats. Government support alone is unlikely to deliver a transition to sustainable farming for the most intensive systems in a way that does not use up the majority of the

budget. Welsh Government has an opportunity to establish a Sustainable Land Management pathway for all farms in Wales but must also bring regulation, private finance and other market solutions into play alongside scheme support payments in a way that works for these intensive systems and secures best value for public money.

#### *Whole farm plans and woodland creation*

2.16 Many organisations, including the Soil Association, advocate for a whole farm approach as part of the shift towards more sustainable farming. **We suggest that this approach could help to integrate more trees onto more farms if a SFS target for woodland creation were implemented through the Optional layer and tailored around the specifics of the individual farm using a whole farm plan.**

2.17 Under this model current tree cover should be rewarded within the Universal Baseline payment through UA12, as discussed above.

2.18 Whole farm approach terminology is now part of the Scottish Government's proposed framework for post-CAP agricultural support, which states the development of a Whole Farm Plan could be mandatory for those in receipt of the basic payment. The SFS proposals in the Sustainable Farming and our Land consultation (2019) described an adviser-facilitated Farm Sustainability Review. We note that a much simplified and fragmented version of this process is contained in the current SFS proposals. Concerns have been raised by some farming stakeholders regarding the level of resource required to deliver the Farm Sustainability Reviews as proposed in 2019, on the premise that this would divert budget away from farm payments. The suggestion of increased bureaucracy or 'red tape' is also likely to trigger a negative response from some farmers who already consider the burden of paperwork required to comply with government policy or private accreditation schemes to be excessive.

2.19 However the current debate around the proposed 10% tree cover rule highlights the reality that farms are complex, interconnected ecological systems and that the delivery of one scheme target – an expansion of tree cover – may be difficult to achieve using a generic and mandatory approach within the Universal layer.

2.20 We suggest there are clear benefits in taking a step back to consider the whole rather than focusing on individual elements. A whole farm plan can provide a decision-making framework that takes the entire holding and its assets into consideration, integrating the different enterprises on farm and making the most of available resources. Whole farm planning embraces the concept of circularity, where outputs from one part of the farm can become inputs in another. It can also ensure that ecologically sound practices on one part of the farm are not compromised by intensive practices on another. In the context of woodland creation, this could mean an increase in fertiliser applications to grassland. In a wider context, the biodiversity benefits from pollinator strips in field margins, or beetle banks in arable fields, may be undermined by continued use of chemical pesticides on other parts of the farm.

2.21 The key to true integration of trees and woodlands into farming systems (as distinct from meeting a rule for 10% tree cover simply to access the SFS), will be to use a whole-farm plan approach to indicate the direct benefits to a given farm's productivity and long-term farm sustainability and resilience. This will mean (at least) that a whole farm plan approach properly acknowledges and helps inform the farmer about the current farm productivity benefits from existing trees and woodlands on farms e.g. shade, shelter, on-farm water management, on-farm use of wood products etc. The planning process would support farmers with applied evidence as to how the better management of existing trees and woodlands, as well as planting of new trees and woodlands, can further enhance productivity and farm level sustainability e.g. evidence for how well-designed shelter can reduce supplementary feed costs, increase live-weight gain, facilitate outdoor poultry or lambing, extend the period for livestock outside sheds and help implement rotational grazing systems. The whole farm plan approach would take the entire holding and its assets into consideration, integrating the different enterprises on farm (and potential for tree-related income) and making the most of available resources.

2.22 Allied to this would be a need for scheme advisory services to

- **Support farmers with practical training**, so that most farmers existing skills for agronomy and husbandry, can be transferred to tree establishment and management. The Soil Association has a number of open-source farmer assets including the Agroforestry Handbook<sup>2</sup> and the online course 'Opportunities and options for agroforestry and farm woodlands'<sup>3</sup> available in English and Welsh.
- **Support farmers with knowledge transfer, through peer-to-peer learning networks and demonstration sites**. e.g. Innovative Farmers field labs for agroforestry<sup>4</sup>

### *Regulation*

2.23 **We recommend that a clear regulatory distinction is made between trees outside woodland on farm (agroforestry systems) and farm woodland that meets the legal definition for woodland.** The trees outside woodland that are part of the farming system should not be managed in line with the UK Forestry Standard (UKFS). The UKFS is not designed for agroforestry systems, including silvoapasture (e.g. wood pasture, grazed orchards or scattered trees for livestock including poultry ranging) or silvoarable, where trees are integrated into arable or horticultural systems. We recommend that agroforestry is regulated as an agricultural activity and not as a forestry activity, and that we avoid the risks of dual regulation by linking the UKFS to any agroforestry activities.

2.24 However, we do agree that it is appropriate that the woodland on farm that does meet the definition of woodland, should be managed to the UKFS, although as

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<sup>2</sup> [Download the Agroforestry Handbook \(soilassociation.org\)](https://soilassociation.org)

<sup>3</sup> [Agroforestry and farm woodland e-learning | Soil Association.](#)

<sup>4</sup> [Twelve year field lab into the benefits of silvopasture launched \(innovativefarmers.org\)](https://innovativefarmers.org)



per earlier comments for UA12, this regulatory baseline does need to evolve to better reflect the functional benefits of farm woodland.

2.25 In addition to our general support, we offer the following advice on eligibility for inclusion as part of any tree cover requirement, on the measures required for successful implementation and also on the emphasis for Optional or Collaborative actions:

2.26 Eligibility for a tree cover requirement. It will be important to adopt a consistent approach to how trees outside woodlands are assessed as part of a target to achieve a desired minimum tree cover or proportional increase in tree cover. The assessment proposed will involve a calculation of tree canopy cover on a farm, including trees outside woodlands (including hedgerows). We believe this should involve some formulae to be applied to calculate future canopy cover for less mature trees outside woodlands and newly planted hedgerows.

2.27 Another option is to consider a refinement of the target, to allow field parcels intentionally planted with in-field trees as an agroforestry system, to count in full towards a tree cover measurement, as well as the linear strip between a double-fence for hedgerows.

2.28 We recognise that some parts of Wales may not readily support trees/woodland due to natural constraint, such as blanket bogs and many coastal locations, or due to conflict with conservation objectives on SSSI/SAC sites. For such areas we suggest that there should be a requirement to achieve any shortfall on tree cover by providing a greater extent of ecologically similar habitat eg scrub thickets on sheltered slopes or field corners.

2.29 Finally, it will be important to recognise the management cycle for trees on farms and implement a robust and consistent measure that does not penalise for a temporary loss of cover e.g. due to hedge management or in-field tree felling and replanting.

*UA8: Create temporary habitat on improved land*

2.30 Temporary diverse leys including red clover options as proposed under UA8: *Create temporary habitat on improved land* are achievable within organic farming systems and deliver multiple benefits for SLM, but costs of establishment can be greater for organic farms due to the higher costs of organic seed and restrictions on soil additives that may be required to achieve suitable soil status for sward establishment. **Additional support may be required to help organic farmers establish mixed leys on improved land if required to meet the 10% habitat rule.** The Universal action may also create situations where organic farms are required to establish temporary leys on permanent pastures that are not classed as habitat but hold valuable soil carbon stores that would be degraded by cultivation. Given that herbicide use is prohibited in organic farming we request that Welsh Government considers how UA8 could be applied to organic grassland systems without net reduction in SLM.

**Q.3 Aside from the 10% woodland and habitat requirements, will the Universal Actions:**

**a) Provide benefit for your farm business?**

**B) Provide an achievable set of actions paid for through the Universal Baseline Payment?**

*UA2: Continuous Personal Development*

3.1 The Sustainable Farming Scheme will require a significant amount of training and advice to be made available to the sector. We welcome the holistic approach to learning whereby UA2 requires farmers to select learning modules from five categories based on the scheme characteristics and is intended to support farmers in the delivery of other actions in the scheme. Whilst online learning may be efficient to deliver, there are evident concerns that this approach may present a barrier for some farmers. Alternatives to online learning should be considered. Finally, we believe that **the annual organic certification process should be recognised as Continuous Personal Development and equivalent to undertaking a training module within UA2.**

*UA3: Soil Health Planning*

3.2 We welcome the inclusion of this Universal action as a vital first step in optimising the use of nutrient inputs. **In isolation UA3: Soil Health Planning would not go far enough to incentivise the reduction in manufactured fertiliser use on the scale that is needed to restore soil health** - we believe there should be an Optional action available for farmers using no manufactured fertiliser (see Q12).

3.3 The test results will require interpretation to ensure that appropriate management responses and potential SFS actions are identified. We feel that the SFS should provide guidance to help all farmers in the scheme understand soil structure and any soil biology results if these are developed. The 2022 proposal suggested that Farming Connect would provide support for technical advice. The 2023 proposal does not refer to this or provide detail as to what advice will be provided to enable farmers to use their soil test information to operate more efficiently and reduce their environmental impact. It would be preferable to **provide generic guidance to the farmer that addresses all SLM options in return for the upload of their soil test results.**

3.4 We foresee scope to involve remote sensing technology to help target areas for in-field assessment, and for in-field assessment to help refine remote sensing data. Soil Association is a delivery partner in a Horizon Europe Framework Programme project to validate and develop soil health indicators. This work may provide helpful learnings and products for use in the SFS. The project will co-design, create, and maintain an open access European-wide digital infrastructure, termed "AI4SoilHealth"<sup>5</sup>. The infrastructure will be used for assessing and continuously monitoring soil health metrics by land use and/or management.

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<sup>5</sup> [Funding & tenders \(europa.eu\)](https://europea.eu)

3.5 The soil testing action will establish a national SFS dataset for soils, which creates significant opportunity for research, for example through integration/cross reference to remote sensing research as outlined above. Clarity is needed as to how the information will be held and who can access it. We would like to see **summary data from the soil assessments published as part of the reporting and evaluation of the SFS.**

*UA4: Multispecies cover crop*

3.6 We support the aim of this action and its inclusion in the Universal layer but we note that the requirement to establish a post-harvest cover crop may not be practical during winter vegetable harvest periods.

*UA5: Integrated Pest Management*

3.7 We support the focus on Integrated Pest Management, and the whole farm approach that underpins the proposals. However, **the requirement for all farmers to complete an IPM assessment should be accompanied by further Optional Actions which reward them to put these approaches into practice**, and these should be reviewed and improved every 3-5 years. We recognise that financial support is needed to help farmers transition to low/zero use of synthetic pesticides and suggest that Welsh Government should consider the circumstances in which an Optional action payment could incentivise a reduction in pesticide use - rather than exclusively framing the incentive around the money farmers could save by reducing their reliance on chemical inputs. We believe that an Optional action payment should be available for farmers using no synthetic pesticides/herbicides (see Q12).

*UA7: Habitat maintenance*

3.8 We support this proposal including the proposed Universal action and the proposal that scheme requirements for specific habitat types will adopt a more flexible approach to some aspects of habitat management compared to previous schemes such as Glastir. We encourage Welsh Government to **move towards a results-based approach to scheme payments for habitats.**

3.9 We are concerned that if area payments within the Universal Baseline Payments are based on a costs incurred and income foregone model they will be too low to support those farm systems that are already delivering or capable of delivering sustainable land management improvements for nature, water and soils. We support a move to paying for social value underpinned by a natural capital approach. The Habitat Wales Scheme provides a poor template for scheme payments in the SFS Universal layer. **The SFS provides a critical opportunity to move away from BPS and impart true financial value to habitats on farms.**

*UA8: Create temporary habitat on improved land*

3.10 We recognise that this action is required to enable the 10% habitat scheme rule to operate on a 12-month cycle, like BPS, and to remove a barrier to scheme

uptake for those farmers concerned about improved land being captured by EIA regulation.

**3.11 The proposed temporary habitats required to meet a shortfall in the 10% rule are entirely compatible with sustainable food production.** The temporary habitats may be ecologically modest relative to priority habitat types but if created at scale could make a significant contribution to nature in Wales. However, better value for public money would be secured if the action for mixed leys on improved land were delivered by an Optional action using a longer-term scheme agreement and coupled with advice for graze and rest management to ensure longevity of legumes and herbs in the sward. The proposal as drafted may allow for annual re-establishment of these swards on the same field, potentially to the detriment of soil health.

*UA9: Designated Site Management Plans*

**3.12 All stakeholders need confidence that NRW will have the capacity to deliver the required volume of designated site Management Plans during the transition period.**

**3.13 We query Welsh Government's view that the Universal Baseline payment habitat element cannot reward the maintenance of SSSI land** given that UA9 requires the maintenance of a Management Plan, and UA7 requires specific management outcomes for all habitat land, which may go beyond the SSSI duty to ensure that designated features are not damaged.

*UA11: Hedgerow management*

3.14 We welcome this action and its inclusion in the Universal layer. If coupled with adequate reward this action has potential to make a significant contribution to landscape scale benefits for nature and sustainable food production.

*UA15: The Animal Health Improvement Cycle*

3.15 We support this action but believe that the interaction between animal health and agroecological farming practices should be examined within the Animal Health Improvement Cycle. We see improvements in animal health and productivity through changes to stocking, breed and grazing regime to support a shift to a low-input system, with corresponding gains in animal nutrition. In addition the introduction of trees on farm has multiple health benefits to livestock from reducing worm burdens, fluke risk, lamb mortality and heat and cold stress. These links to the benefits of using trees within the whole farming system need to be captured within the health planning approach.

**3.16 The lameness and body condition scoring being completed under UA16 should be integrated into the AHIC.** This will embed the importance of welfare outcome assessment as an ongoing priority for the farmer. The measures of mobility and BCS are so linked to health risks and productivity constraints,

especially fertility that it is essential that they are linked to both health planning and welfare monitoring.

#### *UA16: Good animal welfare*

3.17 It's very positive to see this integration of welfare outcome assessment as part of the UA. It is understood that this "entry level" light touch approach is to capture farms that aren't currently routinely carrying out mobility or BCS on their stock, but there needs to be scope to **ensure third party verification can validate the quality of welfare outcome assessments** being completed to drive continuous improvement.

3.18 There is good scope to validate this activity through farm assurance schemes and integration with the AHIC to ensure vets are reviewing the assessment data that is being captured and can assist in training gaps and advise on improvement.

**3.19 We would like to see expansion of the use of welfare assessment across other livestock species.**

**Q4. On-farm data reporting allows the Welsh Government to confirm actions are being undertaken and help you to make decisions about your farm. In your view, is the reporting requirement for the Universal Actions appropriate?**

#### *Benchmarking actions*

4.1 Universal Actions UA1, UA3, UA5 and UA15 appear to be intended to enable improvements to farm management and performance, but **the policy intent for benchmarking actions should be made clearer, setting out the case for how these actions benefit farmers and government.** Likewise, the rationale for the carbon calculator proposal could be clearer. A clearer case should also be made to farmers regarding the benefit of knowing their true worth in performance and natural capital terms as required to survive into the future. Data verification issues mean that a government dataset collated from SFS returns could not be fully relied upon to inform scheme targets.

4.2 We strongly support the ambitions outlined for farmers to have access to their data. Data collection should provide value for farmers enabling benchmarking which can inform their management practices and enable them to demonstrate the sustainability credentials of their business. To achieve this, it is essential that farmers can observe change on farm overtime, we therefore think it is important that retaining **the ability to access historic data** is outlined in the proposals.

4.3 The sheep and beef sector has typically less requirement to measure and report to meet supply chain standards compared to the dairy sector. A reduced set of mandatory KPIs for the Universal layer may be necessary for these producers. We suggest that **additional benchmarking requirements could be attached to specific Optional and Collaborative layer actions.**

4.4 From an agroecological stance **it is encouraging to see the inclusion of input costs (pesticides and diesel use in arable) and net margins included in the illustrative list of KPIs.** KPIs could help to embed a Maximum Sustainable Output approach, with a focus on the ‘corrective variable costs’ (artificial fertilisers, purchased feed, vet/medicine costs to a degree), and fixed costs, particularly machinery within the farm enterprise. Honing the cost of production KPIs down to these costs for sheep and beef would provide a focus on the critical profit-eroding practices in the farm system. It would also simplify the accounting workload for the farmer, a significant consideration given that only around 40% of Welsh farmers know their costs of production (Farming Connect, 2018). Recording of medicine use is a statutory requirement, records of purchased feed are required in farm assurance schemes such as Red Tractor and records of all feed inputs are required for organic certification.

4.5 We note that daily liveweight gain is not listed in the example KPIs on p16. Whilst many farmers use this metric to measure feed conversion efficiency and associated emissions intensity not all farms have the means to accurately record this using weighing scales. Critically **a singular focus on daily liveweight gain militates against slow growing native breeds** that have an important role in low input systems and the management of habitats and biodiversity.

4.6 **If taken in isolation, single KPIs could drive unsustainable outcomes.** Care is needed to ensure that slow-maturing, nature-friendly livestock systems that deliver local environmental benefit through habitat management are not disincentivised. There’s a need to avoid improvements in efficiency solely being used to increase production output, which could have a negative effect on mortality rates and fertility (resulting in waste and inefficiency), increase or maintain negative environmental impacts or constrain the uptake of nature friendly farming practices. According to the Centre for Innovation Excellence in Livestock’s Net Zero Carbon & UK Livestock Report (2020)<sup>6</sup>, “typically outputs do increase when efficiency increases i.e. more is produced and so net emissions remain comparable. This needs to be avoided to achieve net zero.”

4.7 This points to a need to combine KPIs in insightful ways, as illustrated below in this figure from the CIEL Net Zero Carbon & UK Livestock Report (2020), comparing emissions intensity (kg CO<sub>2</sub> eq/kg liveweight gain) against daily liveweight gain:

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<sup>6</sup> [Net Zero Carbon & UK Livestock Report October 2020 | CIEL \(cielivestock.co.uk\)](https://www.cielivestock.co.uk/)



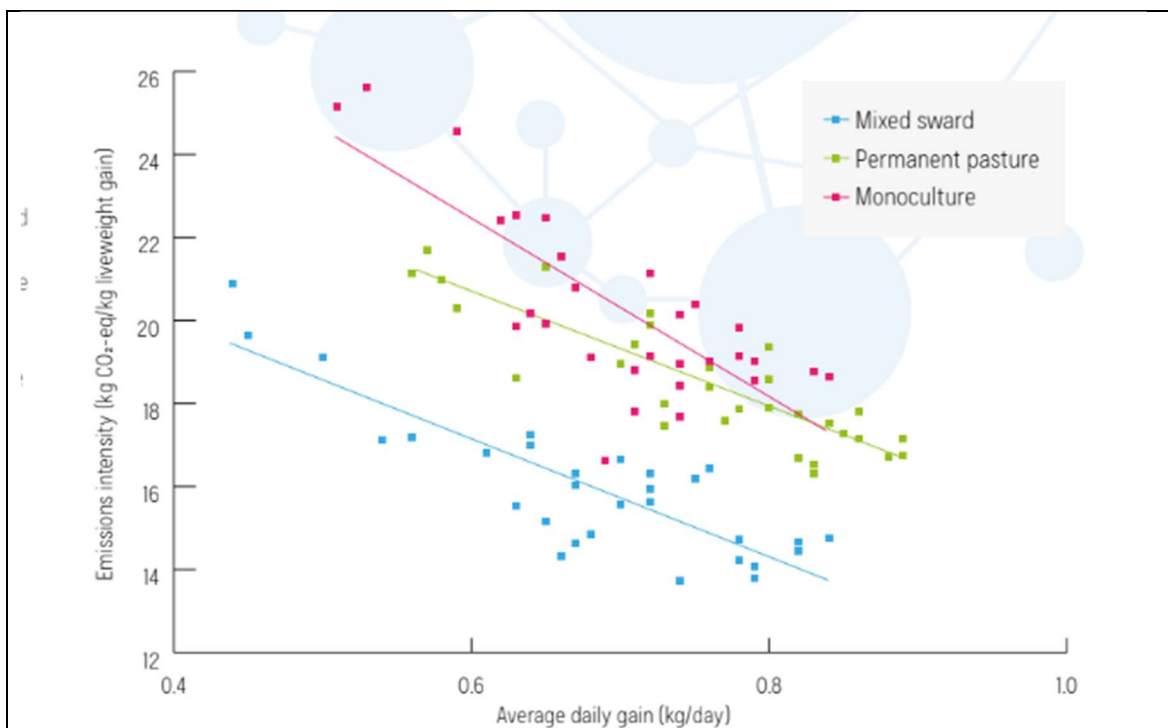


Figure 5. The relationship between carbon footprints and average daily gains for finishing cattle.

4.8 We suggest that there is a role for academia to accelerate the development of UA1.

**Q5. The Stability Payment will provide additional support during the Transition Period. In your view, is this appropriate whilst the Optional and Collaborative Actions are being introduced?**

5.1 We would like to see every opportunity taken within the SFS process to incentivise farmers to aim high in the scheme, opting to undertake further actions within the Optional and Collaborative layers.

5.2 We therefore **support the proposal for a Stability Payment during transition**. We recognise that support will be needed to encourage farmers to transfer from BPS to the Universal Layer of the SFS prior to the availability of Optional and Collaborative Actions. The phased withdrawal of the Stability Payment, mirroring the reductions in BPS, establishes a financial incentive for the uptake of Optional and Collaborative actions.

5.3 To provide clarity and demonstrate a commitment to SLM we encourage Welsh Government to **operate the Stability Payment as a temporary measure for the 2025-2029 transition whilst ensuring that a suite of Optional and Collaborative actions are brought forward at the earliest opportunity in transition**. Given the urgent need to focus the Welsh food system onto climate and nature objectives that deliver against current and forthcoming legal targets, the Stability Payment should not be used as a policy safety-net to enable Welsh Government to extend transition in response to political or financial pressures. An extension of transition beyond 2030 in these circumstances would signal to stakeholders that business-

as-usual policy is acceptable, undermining government's ability to lead meaningful change in farming and land management.

#### Scheme Operation

**Q6. We have proposed that applicants should have sole management responsibility for the land for 10 months and ensure completion of the Universal Actions for the full scheme year (12 months). In your view, is the 10-month period sufficient?**

6.1 No response.

**Q7. We are proposing the use of a single carbon calculator for everyone in the Scheme. Do you agree and how might we best support you to complete this?**

7.1 If the policy intent is to help farmers make improvements to farm management and performance we suggest that where a carbon calculation is required in the SFS the requirement should be that the calculator must meet a scheme minimum standard, rather than a scheme requirement to use a particular calculator provided by third parties or government. **Carbon calculators should provide output by category, GHG and scope 1, 2 or 3 and take into account organic farming which typically involves fewer livestock per ha than non-organic. It could be a very provocative market intervention if Welsh Government were to require a specific carbon calculator product.** A clearer case should also be made to farmers regarding the benefit of knowing their true worth in performance and natural capital terms as required to survive into the future.

**Q8. To ensure continued high standards on our farms, we have outlined a proportionate approach to controls and sanctions, including compliance with additional legislation as a condition of Scheme payment. Do you have any views on this approach?**

8.1 We believe the current regulatory framework across Wales is too fragmented and we supported the Agriculture White Paper (2020) proposals to consolidate existing legislation under a set of National Minimum Standards (NMS), applicable to all farmers in Wales. It is a concern that the SFS consultation proposals refer only to scheme rules and not to the NMS framework. There are potential risks to soils, water, and biodiversity arising from further intensification of agriculture if farmers choose not to participate in the scheme. **An effective regulatory baseline must be maintained for all farmers in Wales, not just those within the SFS.**

8.2 We supports the intention to retain GAEC 4 into SFS scheme rules to introduce statutory regulations to protect soils in Wales. It is not clear why there is no proposal to retain GAEC 5 into SFS scheme rules. Taken together these measures would provide more comprehensive measures to protect soil structure, prevent nutrient loss and erosion. GAEC 4 and 5 however do not equally protect the biological activity of soils. Soil biology is very important for farming and the environment because the activities of soil organisms affect the functioning of whole ecosystems.

8.3 We know that agricultural intensification reduces the abundance of soil organisms and changes the way that ecosystems in soils function. The reasons for this include:

- A reliance on inorganic fertilisers, which has reduced organic matter levels, reducing the habitat quality for soil organisms.
- The rise of monocultures, which fail to provide the variety of conditions necessary for the diverse range of soil organisms to thrive.
- Pesticides that can kill not only the intended target, but also other beneficial organisms.

8.4 We propose that SFS rules should support farming practices which reduce the prevalence and impact of the actions above, to protect Welsh soils.

8.5 It is essential for the SFS rules and future National Minimum Standards to be backed by a robust inspection regime. **Organic certification provides a model that Welsh Government can draw on** as the annual inspections, regular reporting and whole farm planning involved in organic certification make it the most transparent and well-regulated food and farming sector. More regular inspection does not need to be burdensome for the farmer, in fact an organic inspection can deliver joint inspections with other schemes such as Red Tractor, Pasture for Life and FAWL.

8.6 Through working closely with organic certification through a system of earned recognition Welsh Government could monitor and verify compliance to national standards. This would be both a robust and cost-effective method of monitoring compliance for Welsh Government and least onerous for farmers. We call on Welsh Government to **prioritise the development of an 'earned recognition' framework within the scheme, drawing from input from farm assurance body stakeholders.**

**Q9. Adopting the Welsh Government appeals process will provide an effective and efficient mechanism. Is there any reason we should deviate from this?**

9.1 No response

#### **Payment Methodology**

**Q10. We would like to know your views on the proposed approach to:**

- a) the SFS universal baseline payment**
- b) the SFS stability payment**

10.1 We have provided comments elsewhere in relation to the area payments for habitats and tree cover and payments for SSSI land.

10.2 We **welcome the proposal to provide a Stability Payment for organic farmers to reflect their previous income from BPS and the Organic Support Payment 2024.** Under current proposals the Organic Support Payment 2024 will

not be available in 2025, but payment levels would be maintained if the farmer enters the SFS. We feel that this creates unfair pressure on organic farmers to enter the SFS in 2025. Welsh Government should therefore confirm in 2024 what specific Optional actions for organic will be available in the SFS – we are calling for these actions to be available in 2026 - to provide a clear choice to organic farmers. If Optional actions for organic are not available until later in the transition phase a gap in support could otherwise be created.

10.3 We believe that **very small farms such as small-scale horticulture producers are unlikely to receive sufficient financial incentive from an area-based Universal Baseline payment model**. Additional support would likely be required to help these producers enter the SFS Universal layer to gain access to the Optional and Collaborative layers.

#### Transition Period

**Q.11. Farmers outside the Scheme may wish to access support for actions similar to those offered in the Optional and Collaborative Layers. In your view, should farmers within the Scheme receive priority support to undertake these actions?**

11.1 The proposal suggests that there could be a parallel approach to farm support / investment, with non-SFS schemes replicating some of the actions supported by the Optional and Collaborative layers of the SFS. A land-based business could, for example, access capital grants directly or independent of the SFS without a requirement to deliver the SLM actions of the Universal layer. This could divert scheme resources and weaken delivery of Sustainable Land Management objectives, unless the Universal layer actions were to be incorporated into mandatory National Minimum Standards applicable to all land managers. We believe that **only farmers within the Universal layer should be able to access support for actions contained in the Optional and Collaborative layer**.

11.2 See previous comment (10.3) regarding very small farms such as small-scale horticulture producers.

**Q12. What actions and support within the Optional and Collaborative layers do you believe should be prioritised?**

12.1 We would like to see a **direct acknowledgement of the soil degradation linked to chemical inputs**. Manufactured fertilisers, for instance, displace organic matter inputs that provide the food necessary to soil life. They also reduce beneficial microbes necessary to efficient nutrient recycling, which make nutrients more available to crops. Similarly, most pesticides pose a serious threat to soil invertebrates, which are themselves key to healthy soil functions. Optional Actions to benefit nutrient use and soil condition should therefore be available for the reduction of pesticides/herbicides and manufactured fertilisers, as outlined above. We provide a set of suggested Optional actions for zero use of manufactured fertilisers and herbicides (as per organic farms) below.

### *Optional actions for organic farming*

12.2 Soil Association advocates for scheme actions that specifically support organic farming practices or systems. Organic farming is proven to be a highly effective system for the delivery of Welsh Government's Sustainable Land Management goals as it is the only standard that bans the use of artificial nitrogen and severely restricts the use of pesticides on a whole farm basis. We are therefore encouraged that the consultation document acknowledges that the cumulative impacts of organic farming can make a significant contribution to a more sustainable industry, and we welcome Welsh Government undertaking to engage with the organic sector to develop Optional actions which fully recognise and reward the public goods provided by whole farm and organic systems.

12.3 The Universal and Optional actions proposed offer reward for some practices that are common to organic farming, but the proposals do not acknowledge the sum total of the SLM benefits that are secured through organic status, or the financial costs of organic conversion.

12.4 The Organic Support Payment 2024 offers financial support for certified organic farming at the whole farm/system level, in contrast to the 'actions-based' approach of the SFS. Assuming that the SFS uses the actions-based approach to offer support to organic farmers, the organic certification process is such that an organic farmer undertaking one specific SFS Optional action would also be delivering a raft of associated organic farming actions and benefits irrespective of whether these were available as SFS Optional actions.

12.5 The Welsh Organic Forum's gap analysis (2023) identifies a set of Optional actions required for organic:

- Farming without use of manufactured nitrogen and with a reliance on organic matter from crops and livestock, crop rotation standards, legumes, nutrient cycling, crop rotations and avoidance of bare soil
- Farming without use of herbicides or growth regulators, and with a reliance on cultural controls and natural predators
- Restrictions on non-organic inputs
- Limited use of a number of permitted pesticides derived from natural sources
- Requirement to use breeds suited to local conditions
- At least 60% of livestock diet derived from the farm holding
- Stocking density limit
- Farming to promote biodiversity across whole farm area, guided by a conservation plan for all habitats, including non-designated sites
- System-level approach to disease risk, achieved through:
  - Animal health plan with annual review
  - No chemical allopathic vet meds for preventative use
  - Restrictions on number of treatments
  - No hormones, embryos and cloning
  - No growth promoters and synthetic amino acids

- Conversion to organic farming system
- History of continuous organic farming

12.6 We urge Welsh Government to **introduce Optional actions for organic farming in 2026** to enable a seamless transfer from the SFS Universal layer in 2025 (with Stability Payment applied for recipients of Organic Support Payment 2024).

12.7 Soil Association believes that the use of legumes to supplement/replace manufactured nitrogen should be a Universal action. Reducing the use of manufactured nitrogen is critical to reducing farm greenhouse gas emissions and in helping to improve soil health, and we believe the evidence base is strong.

#### *Collaborative actions for trees and woodlands*

12.8 It will also be important to support on-farm woodland management, so that the large farm woodland resource in Wales (circa. 124,000 hectares, Forestry Statistics 2022) becomes a viable and valuable component of the farm enterprise and contributes more fully to SFS objectives.

12.9 This viability will be achieved through a number of measures including:

- Support for on-farm use of timber e.g. fencing, farm buildings etc.
- Support for managed livestock interventions in woodland to benefit woodland biodiversity and stock management
- Support to deal with challenges of small-scale woodland management through cooperative and similar mechanisms.
- Support for on-farm and small scale timber harvesting and processing e.g. farm machine adaptation and machinery rings etc.
- Support for farmers to access voluntary payments for nature-based solutions delivered by farm woodland creation and management

#### ***Collaborative actions for projects to manage and create joined up woodlands at a scale larger than the individual farm***

12.10 Viable farm scale forestry has long been neglected by successive policymakers, and it is no accident that the dominant forestry model in Wales and the wider UK is based on a large-scale industrial model for timber production. However, to achieve the real opportunity for the integration of trees and woodlands into farming, there needs to be significant support for on-farm innovation and supply chain capacity and capability, to help develop viable farm scale forestry models that include timber production.

12.11 These innovations and developments are inherently collaborative, recognising the different actors along supply chains and also the collaboration required to deal with challenges of scale implicit in farm-scale forestry.



12.12 As proposals are developed for Collaborative actions that will receive support, these structural fundamentals of farm-scale forestry should inform and influence the support that is developed, including eligibility and requirements.

12.13 The Soil Association would be pleased to participate in further co-design work on these themes.

### ***Collaborative actions for nitrogen reduction***

12.14 The 2022 consultation proposed a Collaborative action to support farmers and other landowners to develop Shared Nitrogen Action Plans. This is not included in the latest consultation – the development of a Collaborative action is urgently required. Joined-up activity at a catchment level will be critical to improving water quality and helping to halt the ecological collapse of many Welsh rivers impacted by diffuse nutrient pollution from agriculture. Reducing the use of manufactured nitrogen is also critical to reducing farm greenhouse gas emissions and in helping to improve soil health, and we believe the evidence base is strong.

## **BPS**

**Q13. Do you agree with the proposed changes to BPS from 2025? This includes:**

- a) **The rate at which BPS payments are reduced.**
- b) **Closing the National Reserve to new entrants.**
- c) **Thresholds for capping.**
- d) **Restricting the transfer and lease of entitlements.**

13.1 No response

## **Regulations**

**Q14. We would like to know your views on our proposed approach to secondary legislation, which will support BPS and the introduction of support schemes under the powers in the Agriculture (Wales) Act 2023.**

14.1 The proposal is to introduce a single regulation to enable the introduction of the SFS and any future updates to this scheme and to allow the introduction of new schemes. Whilst we understand that this offers Welsh Government flexibility to revise the SFS and other schemes and introduce new support to deliver SLM objectives we would be concerned if this reduces the opportunity for Senedd input to future changes to farm support. This would not be helpful to the production of sound regulation or to building trust with stakeholders. **We believe that secondary legislation as proposed should undergo public consultation and be subject to Affirmative Resolution vote in the Senedd.**

## **Evidence**

**Q15. Economic analysis and modelling will conclude in 2024 and will provide evidence to inform the final decision on Scheme implementation by Welsh Ministers. We would like to know your views on the existing analysis and evidence required.**

14.2 We commend Welsh Government for taking a transparent approach and releasing this economic analysis and modelling, although it is regrettable that the economic impact assessment was not updated to reflect the latest SFS proposals for the 10% tree/woodland and 10% habitats Universal requirements.

**14.3 We do not anticipate significant impact on stocking levels from the revised 10% habitats rule, and significant exemptions are now available in the 10% tree rule.** We note that the economic impact assessment figures for the number of hours worked are not necessarily themselves indicative of likely changes in the number of farm based workers and should be viewed alongside income / livelihood indicators.

14.4 Furthermore, ‘dynamic responses’ are not modelled eg changes to grazing practices to maintain stocking, farm business diversification responses, and long term productivity responses from soil health improvement and agroforestry are not modelled. All of these factors are driven by and impacted upon by intensifying climate impacts, which are also not modelled.

14.5 Nevertheless the economic impact assessment appears consistent with expectations that a change in basic farm support, coupled with adverse trading environment risks diminution in farm revenue, perhaps land values (partly depending on other factors) and net farm business income. This also underscores the need to reserve budget for the Optional and Collaborative layers of the scheme and to use a Whole Farm Plan process to deliver scheme actions that are appropriate to the farm to improve outcomes for eg soil management, farmed habitats and agroforestry.

14.6 As previously stated, we are concerned that if area payments within the Universal Baseline Payments are based on a costs incurred and income foregone model they will be too low to support those farm systems that are already delivering or capable of delivering sustainable land management improvements for nature, water and soils. We support a move to paying for social value underpinned by a natural capital approach.

## **Monitoring & Evaluation**

**Q16. We would like to know your views on which information and evidence should be used to monitor and evaluate the Scheme.**

16.1 Taking each SLM objective in turn we provide suggestions for some of the information and evidence that would help to reveal the impact SFS support, comparing farms in the scheme against those outside the scheme:

- sustainable food production (farm practices surveys; FERA pesticide usage survey data to enable tracking of SFS outputs against a Wales dataset; annual fertiliser survey data; organic production volumes; farm assurance scheme)
- climate mitigation and adaptation (use of manufactured nitrogen; area of organic land and area of land in conversion to organic)
- ecosystem resilience (SoNaRR reporting cycle; designated sites condition monitoring; future statutory biodiversity targets)
- cultural and social (use of Welsh language; community engagement on farm)

16.2 It will be hugely helpful to farmers if the data collected on farms can be used by the farmers themselves to demonstrate their sustainability credentials and track progress. **Data should be directly related to on farm sustainability** eg:

- Promote the health, welfare or traceability of animals.
- Promote the health of plants.
- Minimise adverse environmental effects of activities connected with agri-food supply chains or agricultural activities.

16.3 To be able to demonstrate sustainability credentials additional data points would be needed such as on soil health, soil organic matter, farm nutrient balance, farmland plant diversity, farming practices supportive of enhanced biodiversity. Utilising data collection and self-assessment is high risk and caution should be exercised as it is essential that monitoring remains robust and achievable on farm. We are aware that farmers do not readily find or prioritise the time to collect their own soil data, for example.

16.4 **Making this data available and useful to inform farm management** is essential. Farmers should be able to benchmark themselves and utilise this data to progress through the sustainable farming scheme, increasing their commitments and performance.

16.5 Making this data available also to certification bodies and private standard owners could improve efficiency in inspection and monitoring processes. Data could inform decision making in these organisations and help to reduce the burden of data collection and monitoring for farmers. This will ultimately reduce costs and increase the time which farmers can dedicate to farming sustainably.

Other

**Q17. What, in your opinion, would be the likely effects of the SFS on the Welsh language? We are particularly interested in any likely effects on opportunities to use the Welsh language and on not treating the Welsh language less favourably than English.**

**Do you think that there are opportunities to promote any positive effects?**

**Do you think that there are opportunities to mitigate any adverse effects?**

17.1 Welsh language is widely spoken in rural communities and many Soil Association Certification licensees are Welsh speaking. Soil Association

Certification think that by supporting the resilience of rural businesses the proposals could make a significant contribution to maintaining the Welsh language, and could further encourage the adoption of Welsh through locally focussed food and supply chain industries such as farm shops and holiday accommodation.

**Q18. In your opinion, could the SFS be formulated or changed so as to:**

- have positive effects or more positive effects on using the Welsh language and on not treating the Welsh language less favourably than English; or
- mitigate any negative effects on using the Welsh language and on not treating the Welsh language less favourably than English?

18.1 There is a broad assumption that where the language is used on a daily basis equates to those areas where changes in agricultural support will be most impactful. The transition to the SFS will be critical to ensure that the skills and capacity required by the new scheme are available within the community such that the Welsh language will continue to be a defining aspect of rural Wales.

**Q19. Do you have any additional comments on any aspect of the consultation document?**

19.1 Welsh Government must communicate the regulatory pathway and timeline for agriculture's share of the transition to net-zero to provide clarity to farmers and the wider sector. Five-year carbon budget cycles are not providing the long-term view of agriculture's pathway to 2050. Farmers are also increasingly expected to align with large retailers' net-zero goals and decarbonise their operational contribution to emissions in the food supply system. Within the SFS, many scheme actions under consideration will deliver emissions reductions or increased on-farm carbon storage. **Welsh Government must ensure farmers know what they are going to need to do to meet statutory targets, and it must also provide information and support to enable farmers to make informed choices within the SFS.** Optional and Collaborative actions will have a range of potential benefits for climate and nature targets, but in the context of the 10% tree rule debate we note that the Climate Change Committee's advice is that there is no credible route to achieving net zero without an increase in tree cover.

## Sustainable Farming Scheme March 2024

### Introduction

WEL members have strongly advocated for a Sustainable Farming Scheme for Wales since 2017. Our vision for this was that it would represent a step change in how our land is managed, supporting farmers to produce food in ways that worked alongside nature, helping to restore biodiversity, reduce carbon emissions from agriculture and to tackle the increasing problem of agricultural pollution of our rivers, soil and air. Wales has recognised the need for urgent action to restore nature by (a) [the Senedd declaring a Nature Emergency in 2021](#), and (b) in 2022 Welsh Government endorsing the [Kunming-Montreal Global Biodiversity Framework](#) (GBF).

The GBF has 23 targets for achievement by 2030 as a prerequisite to address the global loss of biodiversity and restore natural ecosystems (by 2050). Targets of particular relevance to agriculture, which occupies approx. 90% of Welsh land, include:

- Targets 2 & 3: protect and effectively manage 30% of terrestrial, inland water, and coastal and marine areas by 2030 (aka 30 x 30) ...especially areas of particular importance for biodiversity and ecosystem functions and service...
- Target 4: take “urgent management actions” to halt extinction of threatened species, and to significantly reduce extinction risk.
- Target 7: reduce pollution risks and the negative impact of pollution from all sources, by 2030, to levels that are not harmful to biodiversity and ecosystem functions and services, considering cumulative effects. This target specifically includes:
  - reducing excess nutrients lost to the environment by at least half;
  - reducing the overall risk from pesticides and highly hazardous chemicals by at least half; and
  - working towards eliminating plastic pollution.

Welsh Government has stated the SFS provides a significant opportunity to help Wales meet these commitments.<sup>1</sup>

We welcome the work that the Welsh Government has put into developing the current Scheme and recognise both the direction of travel and the flexibility that has gone into the current proposals. If further changes are to be made to the Scheme, we strongly encourage the Welsh Government to ensure that changes in design make the Scheme more effective, both for the environment and for farmers, rather than simply weakening environmental requirements.

We recognise that the pressures of competing within a global food system mean that farmers need financial support and access to independent, and often bespoke, advice to do this effectively and without detriment to their farm business. Unfortunately, the Scheme as it currently stands cannot provide reassurance on the key issue of financial support because payment rates are still unknown.

We acknowledge that the extreme budgetary pressures the Welsh Government is under have made it difficult to launch the Scheme in full. However, to be less than a year from launching the Scheme and for payment rates to be unavailable is highly concerning. We want to see this Scheme succeed, but farmers cannot plan to participate if they don't know what their income under the Scheme will be. Recent rates under the Habitats Wales Scheme have not given farmers confidence that the Sustainable Farming Scheme will be economically viable for them, and this is a key driver of resistance to the Scheme's requirements.

The heavy resistance to some of the Scheme's requirements has, we believe, led the Welsh Government to reign in some of its ambition for the Universal Actions. Many of the Universal Actions are welcome, but there are some that are questionable as to whether they provide the taxpaying public with value for money in terms of protecting and enhancing the rural environment.

[The Rural Wales Public Survey 2022](#), a survey of 1000 respondents from North, Mid and West Wales, carried out by Opinion Research Services, was the first of its kind to

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<sup>1</sup> <https://www.gov.wales/sites/default/files/consultations/2023-12/sustainable-farming-scheme-integrated-impact-assessment.pdf> (p127)



comprehensively survey residents of rural Wales. It revealed that 96% of residents in rural Wales agree that Welsh farmers have an important role to play in protecting nature and 88% agree that farmers have an important role in tackling climate change. At the same time, only around a third of residents (34%) agree that farmers are already doing enough for nature and the majority (60%) agree that government financial support should only be given if farmers make changes to protect nature and the climate. This is in stark contrast to the current area-based payments and is a timely insight into what people in rural Wales think farming policy should be delivering.

**Question 1: The Scheme will provide a long-term approach to support for our agricultural sector to respond to evolving challenges and changing needs, contributing to the Sustainable Land Management objectives. In your view, what may strengthen this support?**

It is difficult to judge how well the Scheme will provide long-term support for the agricultural sector to contribute to the Sustainable Land Management objectives because much depends on the payment rates available, and the consultation provides no information on this. WEL members also consider that the optional and collaborative layers of the Scheme have the greatest potential to restore nature and reduce carbon emissions and pollution, as well as providing landscape scale benefits such as flood mitigation or providing improved access to the countryside for rural communities and visitors. We know that these layers will be delayed but the consultation also provides no information on what proportion of the budget will be ringfenced for the optional and collaborative layers in future. We are concerned that the ongoing commitment to paying BPS during the transition period will leave little budget for these important parts of the Scheme during the transition period.

Welsh Ministers have a duty under the 1995 Environment Act to have regard to National Park purposes, which includes conserving and enhancing the natural beauty, wildlife and cultural heritage of National Parks and Landscapes. However, beyond a small mention of protected landscapes in the outlined Optional Actions list, the current Scheme fails to demonstrate how Designated Landscape bodies will be fully utilised in delivering the aims of the Scheme, or indeed how the SFS is specifically designed to help enhance the purposes of National Parks and Landscapes.

The Welsh Government could address this weakness and strengthen the scheme's support for the Sustainable Land Management Outcomes by including a 'Sustainable Farming in Designated Landscapes' programme (which includes funding for multi-year projects and the support of project coordinators and farming advisors within each landscape).

This could be supported through the optional or collaborative layer, but much greater clarity is required at this early stage to explain how farmers in Designated Landscapes will be supported under the optional and collaborative layers and what the timetable for this will be so that land managers and Designated Landscape bodies can sufficiently prepare for the Universal layer and beyond. If instigated earlier than expected in 2027, optional or collaborative actions could unlock significant improvements within Designated Landscapes to help meet the deadline in the COP15 Convention on Biological Diversity of protecting 30% of land and sea for nature by 2030.

**Question 2: There will be Universal requirements in the SFS to have woodland cover at least 10% of suitable land, and to manage a minimum of 10% of your farm as habitat.**

**a) What are your views on these requirements?**

**b) What support might you need to achieve them?**

WEL members strongly support the requirement for 10% managed as habitat on farms and they also support increasing tree cover on farms. We are facing a global biodiversity crisis and we know that 1 in 6 species are at risk of extinction from Wales. Farmland covers over 80% of Wales, so if nature cannot be restored on farmland, we will be unable to meet our targets to protect and restore biodiversity in 30% of our land and sea. The Welsh agricultural sector is also set to become the largest emitter of greenhouse gases by 2035, highlighting the need for a range of actions (including tree planting) to help farming achieve net zero targets.<sup>2</sup> Food

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<sup>2</sup> <https://www.wcpp.org.uk/commentary/how-can-wales-feed-itself-in-the-biodiverse-carbon-neutral-world-of-the-future/#:~:text=Here%20in%20Wales%2C%20current%20unsustainable,emissions%20are%20falling%5B3%5D>.

production relies on healthy ecosystems, as highlighted in the most recent UK Food Security Report<sup>3</sup>, and farmers must play their part in restoring nature so that they can continue to farm into the future. These two requirements, to manage habitat and increase tree cover, are important to the success of the Scheme, which would be undermined without them. We believe the most important support for farmers to achieve these requirements is fair funding and easy access to independent advice that will allow them to build a bespoke plan for their farm.

We note the strong resistance to the 10% tree cover requirement and the misinformation that is currently circulating about this requirement. WEL supports the SFS's proposals to increase tree cover on suitable land on farms to at least 10%, noting that average tree cover on farmland is already at 6-7%. We welcome steps that have been taken by Welsh Government through the co-design process to increase flexibility to enable farms to meet this requirement. We encourage Welsh Government to maintain a flexible approach by embracing agroforestry as the main method through which all farms can increase their tree cover without making the land unproductive from a livestock perspective. Coed Cadw/The Woodland Trust has produced a series of [recommendations on how 10% can be achieved at a farm level](#), and we encourage Welsh Government to take them forward.

WEL believes that the net environmental and agricultural benefit from a shift to more integrated systems of agroforestry and farm woodland is likely to be greater than converting to woodland at a whole farm scale. This conversion, such as through private investment projects, is often to the exclusion of agriculture. If we fail to effectively integrate increased tree cover into the SFS then a significant risk remains that the current trend of land conversion continues.

From a farm business perspective, we strongly believe that, far from devaluing agricultural land, if an agroecological approach to tree cover is taken, trees can be integrated in a way that complements and benefits farm operations as well as

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<sup>3</sup> <https://www.gov.uk/government/statistics/united-kingdom-food-security-report-2021/united-kingdom-food-security-report-2021-theme-2-uk-food-supply-sources#:~:text=The%20biggest%20medium%20to%20long%20term%20risk%20to%20the%20UK%E2%80%99s%20domestic%20production%20comes%20from%20climate%20change%20and%20other%20environmental%20pressures%20like%20soil%20degradation%2C%20water%20quality%20and%20biodiversity.>

providing benefits for the environment. However, despite these productive benefits, WEL recognises that some intensive livestock farms are highly dependent on the area of grassland available for manure spreading and silage production, and that this constrains their ability to meet the 10% tree requirement. SFS payments would need to be sufficient to help these farms restructure their business around fewer livestock, likely at considerable public cost, which we believe would be inappropriate.

This raises a question as to whether the SFS Universal Layer should be designed around or funded to meet the specific needs and constraints of the largest and most intensive farms in Wales, or bespoke support for a transition for this sector should be developed beyond the SFS. In making this point we note that these intensive livestock farms are often the least reliant on current support, rather than the majority cohort of smaller, less intensive farms. Consequently, it is important that any bespoke support for a sustainable transition for this sector delivers real value for public money. For example, support for farmers to implement the [Maximum Sustainable Output \(MSO\)](#) model to help intensive farms move towards a more sustainable model that can accommodate more nature, would be a useful approach.

We do have concerns that the 10% habitat and tree cover requirements are not drafted in such a way as to guarantee a range of suitable habitats across a farm. Professional, independent, farm level advice is particularly important for these requirements to ensure that each farm is managing a diverse range of farmland habitats. Advice is also important to ensure any tree planting is well-situated so that it does not damage existing habitat or impede any existing public access. Species-rich grassland habitats are particularly vulnerable to being devalued by an inexperienced eye. These habitats have seen significant losses in recent years, which may not be restored in the Optional Layer if potential land is lost in the Universal Layer. This is why the SFS needs to include strong mechanisms to identify and protect other areas of important habitat potential, so that these opportunities are not lost before the Optional and Collaborative Layers are introduced. Following the Woodland Trust's recommendations on achieving 10%, with its focus on hedges and edges, and agroforestry, should also help to avoid scenarios that damage the potential to protect and restore other valuable habitats.

We recognise that farmers have been working within the CAP system, which has driven unsustainable practices and driven inequality with its area-based payments. For example, this system has driven the removal of tree cover on farms in many cases, so it is important to note that the new system will value trees outside woodlands for the first time. However, it is important that payment rates for creating and managing habitat, including woodland habitat, are sufficiently robust to support farmers to make these changes. These requirements are eminently achievable, with the right advice and financial support.

Our members are very concerned that, if the scheme rules for habitats and trees are simply weakened, rather than applied with care through the Habitat Baseline review process and appropriately rewarded, then the Universal Base Payment could become no different from the current EU-derived Basic Payment Scheme. With little information available on the optional and collaborative layers of the Scheme, and no guarantee that there will be sufficient budget for these, it becomes difficult for environmental NGOs to endorse flexible options that might utilise these layers instead. Budget should be allocated to each layer of the scheme to reflect the level of benefit the actions in those layers provides. If the Universal Layer is simplified and involves little change to the status quo for habitats and trees, the budget allocation should accordingly transfer to the Optional and Collaborative layers of the scheme to ensure effective and fair delivery of SLM goals through these layers.

While many of the temporary habitats listed to help farmers meet the 10% habitats will benefit nature, there is one notable exception, which is of concern. The management of Herbal Leys (as presented in the consultation) risks 'expensive greenwash' as it may be popular, but it will not guarantee flowering plants for pollinators. A diverse sward can provide benefits for wildlife such as pollinators, however these benefits will only be realised if the sward is diverse and allowed to flower.

Herbal leys are often managed through cutting and regular grazing which will limit benefits to nature. They can also become an ecological trap if cut during the breeding bird season. Herbal leys can be attractive to ground nesting birds, but these nests are vulnerable to cutting and other field operations. Herbal leys are therefore not a good substitute for flower rich habitats that are sown or maintained specifically for wildlife

benefit. Consequently, care must be taken when determining how herbal leys are funded through agri-environment schemes. Temporary scrapes also need to be managed carefully, to ensure these are not being placed in areas of existing habitat, or areas that would be more suitable for permanent habitat.

WEL members also consider that some of these temporary habitats would have much more benefit if they were permanent, for example field margin habitat. Temporary habitat, whilst better than nothing, means that damage is caused to the soil structure and organisms using it (nesting bees, beetles, overwintering larvae etc) when it is ploughed to create and remove the habitat. Habitat in nature, though successional, is not regularly and deliberately destroyed, often with the use of harmful chemicals. Also, with planted habitat, the flowering period is generally shorter than an area of semi-natural habitat which will support different flowering plants from Spring to Autumn. If certain habitats are beneficial as temporary features, they are of course more beneficial if left in place and we feel more could be done to encourage this.

Dry stone walls and hedgerows are hugely valuable for wildlife, as well as being key features of the traditional landscapes of our National Parks and National Landscapes. Farmers should be rewarded for retaining and maintaining them. Consideration should be given to including dry stone walls in the 10% habitat threshold. We note that hedgerows have their own management action within the Universal layer, with further actions hinted at in the list of optional actions. We discuss the hedgerow action in more detail in our response below.

WEL members strongly recommend that the Welsh Government invests in provision of on the ground advice to farmers on the habitat and trees requirements so that they benefit both the environment and the farm business. This includes the need for Farming Connect to fill the worrying skills gaps they currently have in relation to ecological advice.

**Question 3: Aside from the 10% woodland and habitat requirements, will the Universal Actions:**

**a) Provide benefit for your farm business?**



## **b) Provide an achievable set of actions paid for through the Universal Baseline Payment?**

Without information about payment rates it is difficult to assess whether the actions required are achievable financially for those farmers that are not already working in this way. However, the Universal Actions required are the minimum that is needed for protection and restoration of nature and to deliver a Scheme that provides the wider public benefits that taxpayers in Wales will be funding. It is important to note that there are many farmers that are already working beyond this level, and delivering more for nature than the Universal Actions will support. We are concerned that these farmers will be disadvantaged by the delayed access to the Optional and Collaborative Layers, where their activities would be better supported.

Given that the Welsh Government knows that it will be able to continue to pay farmers an amount, via a combination of Universal Basic Payment and Stability Payment, that will at least equal what they would have received under a notional BPS payment, we consider that more could have been done to set out the current thinking on likely payment rates for the Universal Actions. We recognise that the budget forthcoming from the UK Government is not yet confirmed, but farmers need to understand the ambition for the Scheme, even with the caveat that future budget announcements may result in some changes. The total lack of information on likely payment rates is driving uncertainty and unrest.

### **The Actions**

In addition to the actions on habitats and trees, we are pleased to see actions to improve soil health (with appropriate links to the Control of Agricultural Pollution Regulations) and in relation to good hedgerow management, management of ponds and scrapes, management plans for protected sites, management of woodland, agroforestry and integrated pest management. However, some of these could still be improved to provide more environmental benefit and value for public money.

UA11 on hedgerow management has a simple definition of good condition and specifications for trimming/cutting and for gapping up. There are practical issues with some of the suggested requirements. This could create an incentive to stop trimming hedgerows (because the definition of good condition only applies to those regularly

trimmed). Could the way that this is worded allow farmers that stop trimming hedgerows to no longer be subject to this action? Further thought may need to be given to what could be done under the Universal Action to get hedgerows into really good condition, and this is an area that may need more of an incentive to improve.

UA12 on the maintenance of all existing woodland (native and non-native) provides simple management actions rather than proactive management that we would expect to see in the higher levels of the Scheme. The list of measurable outcomes and list of restrictions seem reasonable. However, our members are concerned about the fact that there is no requirement for stock exclusion. Whilst there are guidelines to define what would be unacceptable grazing damage, we are not convinced that these are sufficient to protect the forest ecosystem as they stand. The Woodland Trust will have further, detailed recommendations on how to improve this.

We particularly welcome the requirement to create management plans for SSSI's but we have some concerns about how this action will be delivered. Plans need to be based on an accurate understanding of the SSSI's current condition and pressures affecting it. The majority of SSSIs in Wales have not had a formal condition assessment in the last 5 years or more, due to insufficient NRW resource, and there is currently no statutory target or national plan to address this. While remote sensing and pre-existing datasets may be of some use, gaining an accurate picture of SSSI condition and drivers behind requires an in-person site visit and specialist advice to support the farmer to include the right management choices in their plan, to ensure the plan will be effective. We would like to understand what consideration has been given to this and how the associated resource implications for both condition assessment and management advice provision will be addressed.

While the development of a plan is welcome, there is currently no requirement in place to deliver on that plan (this is also an issue with farm planning based on the annual benchmarking action). Having a management plan for a SSSI does not mean that the SSSI is being well managed – this would only be the case if the plan were being delivered and its outcomes being monitored. This is now recognised practice in England where Natural England no longer accepts existence of a management plan alone to indicate a SSSI is in recovering condition.

Under current SFS proposals, there is also no required deadline by which to produce a plan, other than within the 5 years of the agreement. This means that a SSSI included in the scheme today may not have a management plan in place before 2029, leaving only one year to make any sort of progress towards the global 30x30 commitment. We recommend there should be a requirement to produce a plan within the first year of the agreement under Universal Actions and we would expect delivery of the plan to be prioritised and appropriately incentivised through the Optional Actions and Collaborative Actions.

We welcome the action on Continuous Personal Development and feel this provides opportunities for farmers to learn skills that will help them transition to more sustainable practices. However, we question whether online-only training provision is the most appropriate and useful delivery mechanism? We appreciate that there are budgetary advantages in delivering training online, and it does mean that farmers aren't required to travel to complete their training and that they can work training around their schedules. However, offering some face-to-face options for groups of farmers may be helpful, particularly for those that are less used to working online. We also would not like to see this action replace the provision of expert advice, particularly in relation to woodland and habitat management.

UA17 on good farm biosecurity only focuses on livestock and seems a missed opportunity to consider other biosecurity issues such as tackling tree diseases or invasive species. Plant biosecurity is also not currently considered for the optional actions as suggested in the Annex.

### **The balance between regulation and incentives under the Scheme**

We have concerns around the balance between formal regulation and SFS compliance. Universal Action 4, Multi-species Cover Crop, illustrates this well.

This is an important requirement within universal actions. We would question whether this should be part of the SFS at all and should really be included in regulation. This could be achieved by bringing chapter 4 of the Code of Good Agricultural Practice (CoGAP) (Soil Husbandry) into legislation in the way that the Control of Agricultural Pollution Regulations brought chapter 5 into legislation. Climate change is leading to more severe rainfall events, causing flooding. Six of the

benefits are on-farm leading also to biodiversity gain, while benefit E, managing flood and drought risk, has a wider societal benefit. Benefit E should take this Universal Action from out of the SFS and into a universal requirement in regulation. Even where the rainfall is so exceptional, as to make flooding almost inevitable, the benefit of holding as much water as possible in and on the land is hard to underestimate.

Outside wider societal benefits of E, the other benefits of multi-species cover crops are too important to be dependent on whether a farm joins the SFS. If this action remains as part of the SFS for now, the situation must be reconsidered if the majority of a whole sector, such as intensive dairy, chooses to remain outside the scheme.

Another concern around this Universal Action is the status of forage crops such as fodder beet and stubble turnips. 5m buffer strips are suggested but is this sufficient? Such crops provide little cover and fields are poached by foraging animals. The risk of run-off is great.

We note the preference for grazing off and mechanical means of removing cover crops prior to replanting, but chemical use for termination would still be allowed. This causes concern as the planting of maize on land liable to flooding, contrary to CoGAP, is an issue. This is perhaps another argument for codification of chapter 4.

**Question 4: On-farm data reporting allows the Welsh Government to confirm actions are being undertaken and help you to make decisions about your farm. In your view, is the reporting requirement for the Universal Actions appropriate?**

We also recognise the need for regular monitoring and reporting, so that farmers have the data to be able to make informed decisions about sustainable land management on their farm, and to ensure that public money is being spent wisely. Farm reporting should be easy for farmers to do. Most importantly it must also be independently verified to ensure that public funds are being spent wisely. We ask that the Welsh Government ensures there is appropriate resourcing given to appropriate verification of the data collected and also to support farmers with their monitoring and reporting.

We are interested in the process of setting KPIs and how this information and farm plans will be used to make progress in areas that are identified as needing improvement. Will this information be made publicly available?

**Question 5: The Stability Payment will provide additional support for common graziers during the Transition Period. In your view, is this appropriate whilst the Optional and Collaborative Actions are being introduced?**

WEL members understand the need to support farmers during the transition to the new Scheme, particularly as the Optional and Collaborative actions are not going to be introduced at the same time as the Universal Actions. However, WEL members question whether the provision of a Stability Payment would be necessary if the Optional and Collaborative Actions were available to farmers.

WEL members would like to see the Optional and Collaborative Layers of the Scheme introduced within 12 months of the Scheme launching, with information on payment rates for these published as soon as possible. Assuming the rates for these actions are sufficiently attractive and fair, this should encourage more farmers to join the Scheme. We hope that this would then negate the need for a Stability Payment, which currently functions to maintain the status quo, rather than being an incentive for farmers to undertake actions that will deliver real benefits for the environment and for the farm business.

**Question 6: We have proposed that applicants should have sole management responsibility for the land for 10 months and ensure completion of the Universal Actions for the full scheme year (12 months). In your view, is the 10-month period sufficient?**

WEL is content with this.

**Question 7: We are proposing the use of a single carbon calculator for everyone in the Scheme. Do you agree and how might we best support you to complete this?**

WEL supports the use of a single carbon calculator to ensure comparability. We don't recommend a particular calculator but would suggest that it should conform to

international best practice such as ISO standards and the forthcoming GHG Protocol Land Sector & Removals (LSRG) guidance. We consider that a modular element could also be adopted that can integrate data from specialist carbon calculators that might apply to specific parts of the farm business, such as the Woodland Carbon Code and Peatland Code, and possibly from the Agroforestry Carbon Code currently under development. We are aware that RSPB has recently completed an on-farm review of three carbon calculators and will share this information with WG as soon as it's available.

WEL members would also like to see gains from sequestration on farms treated separately to reductions in emissions from farm activities. It is important that farmers are supported to sequester carbon and to make an income from this where it is providing a benefit to the environment. However, this should not exempt farmers from reducing their own emissions. Agriculture is one of the few sectors where emissions are rising. If other sectors must consequently make deeper cuts to their own emissions to compensate for this, it could result in more productive farmland being bought and repurposed for carbon sequestration, with the unintended consequences that may result for farm businesses, rural communities, and potentially biodiversity.

**Question 8: To ensure continued high standards on our farms, we have outlined a proportionate approach to controls and sanctions, including compliance with additional legislation as a condition of Scheme payment. Do you have any views on this approach?**

WEL members have always argued that it is essential that the Scheme pays for actions that go beyond the requirements of regulation. We strongly support the need for Scheme entrants to be compliant with existing farming regulations to ensure public value for money. We remain disappointed that a full National Minimum Standards framework has not been introduced, and that there is no certainty around future plans for this. In particular, this would provide a wider range of proportionate sanctions for non-compliance with farming regulation.

As highlighted under question 3 we have concerns around the balance between formal regulation and SFS compliance. Universal Action 4, Multi-species Cover Crop, illustrates this well, as we believe that this shows a missed opportunity that could



have been dealt with under National Minimum Standards if we had a framework that could close important gaps in regulation.

We would expect to see a sanctions matrix clearly setting out consequences for non-compliance with Scheme rules as set out and agree with the need for financial penalties for non-compliance. We would like to see an approach that will pick up repeat offenders in areas such as water pollution, to ensure that minor infringements do not escalate into more serious pollution events. We also note feedback from access officers that cross-compliance has historically been a useful tool for ensuring maintenance of open public rights of way. Whilst we would hope that all farmers entering the Universal layer of the Scheme would be compliant with existing legislation on rights of way (and welcome the proposal on page 61 of the consultation to include this as a Scheme rule), we also see merit in this being picked up through cross-compliance checks in the new Scheme.

The SFS is primarily a means of paying farmers and in return they must farm sustainably, safely and in a way that enhances nature, helps minimise climate change and minimises the effects of climate change. It will apply only to those who join the Scheme. Compliance will need to be monitored effectively. Rural Payments Wales have the task of ensuring compliance. Existing environmental legislation, including the Control of Agricultural Pollution Regulations, must be enforced and NRW must be resourced to achieve this. It must also demonstrate the will to require compliance. The range of enforcement options should be extended to assist in this.

**Question 9: Adopting the Welsh Government appeals process will provide an effective and efficient mechanism. Is there any reason we should deviate from this?**

Our members agree that the sanctions and appeals process is currently complex and time consuming. WEL supports adopting a more efficient and effective appeals process as part of the SFS. This should be kept under review given the change from current RPW processes and potential for it to have negative impacts on farmer welfare. We recommend continued engagement with farmers and representative bodies to monitor the impact of the change with a view to assess its implications at the end of the transition period.

**Question 10: We would like to know your views on the proposed approach to:**

**a) the SFS universal baseline payment**

**b) the SFS stability payment**

WEL supports the proposal to split the payment into four categories. The key factor will be setting the value of these four categories appropriately. We note that farmers will, for the first time, receive a payment proportional to the area of tree cover they have. This is not just for woodland but also includes a welcome and significant recognition of the importance of other trees - in hedgerows, fields, scrub and other examples of agroforestry. This a welcome reversal of the current subsidy arrangements, which specifically remove land under tree cover from eligibility for payments.

We also note that the payment relating to woodland maintenance is a smaller payment than those who need to create more. This is based on the presumption that the payment to create new woodland (based on income forgone) is likely to be larger than that for managing existing woodland. It is correct that the payment system recognises the true cost of change. However, we would like to see the Welsh Government consider how to encourage those with existing woodland cover beyond the 10% requirement to keep this as well managed and not seek to level down. This could be achieved by an increased management payment for each hectare a farm has beyond 10%. The advantage of this idea is that it strengthens the Universal Layer of the Scheme. Better maintenance of existing woodland could also be achieved by swiftly introducing a woodland management grant, or indeed a wider trees and habitats grant, to support farmers to manage their existing woodland and habitats and reward those progressive farmers that are already farming with nature.

WEL members are also concerned about the proposal to exclude SSSI land from the habitat maintenance component. Having and maintaining a management plan, and the liaison entailed, is a maintenance requirement. Maintaining the condition of a SSSI is a regulatory requirement for public bodies rather than directly for farmers. Welsh Government and NRW have overall responsibility for getting SSSIs into good condition, so we feel that payments to farmers for appropriate management would be a means of them doing this.

A wider point to recognise is that the Universal actions beyond woodland and semi-natural habitat payments are ultimately best described as best practice. As such they represent a low bar for many farms already pursuing more sustainable business models. We recommend that the payment reflects this, and the demands of those actions are increased over time as farmers establish themselves in the Scheme. Over time we expect to see actions which are scheduled to be included in the Optional Layer (such as responses which actually improve soil health) are progressively moved into the Universal list to enable and support the sector to improve over time.

WEL recognises the pressures concerning the decision to introduce a stability payment for the transition period. We remain concerned that money which could have been invested in the rapid development and delivery of the Optional and Collaborative layers will instead now be locked away in a stability payment, rather than supporting on farm action. Nonetheless, we recognise the value the stability payment could play in making entry to the SFS more attractive to farmers. As SFS is the future of funding, it should be the more attractive option to farmers financially in each year of that transition. Given this, we would welcome use of the stability payment to ensure the amount of money a farmer receives for entering the SFS is always meaningfully more than they would have by remaining in BPS.

**Question 11: Farmers outside the Scheme may wish to access support for actions similar to those offered in the Optional and Collaborative Layers. In your view, should farmers within the Scheme receive priority support to undertake these actions?**

WEL agrees that farmers that are already participating in the Scheme should receive priority support to undertake actions within the Optional and Collaborative Layers. However, we do not think that farmers and other land managers that are not participating in the Universal Actions should be excluded from accessing support for actions in these higher layers, where there is a strategic and public benefit reason for them to access this support. It is possible that land that has not been included the Universal layer of the scheme may be critical to the successful delivery of collaborative actions and outcomes e.g., peat restoration at scale or improving river corridors. It's also possible that excluded land wasn't by choice, e.g., excluded

holdings may fall outside of the minimum size for entry into the Scheme or landowners may not have permitted tenanted land to enter.

Whilst there may be occasions where it is appropriate for farmers outside the Scheme to be included, this would need to be subject to strict compliance with regulations and best practice for their farm. Such access would be unfair to farmers already participating in the Scheme unless there were a particular reason why inclusion in a higher tier action only would provide significant public benefit.

**Question 12: What actions and support within the Optional and Collaborative layers do you believe should be prioritised?**

WEL members believe that these layers provide the greatest opportunity for tackling the nature and climate crisis. They will also provide opportunities to tackle issues such as flooding and pollution, provide improved access to the countryside and make the most of the contribution that our designated landscapes can make within the Scheme. We would like to see these layers introduced as soon as possible after the launch of the Scheme, to provide farmers with the necessary financial support to make a real difference to some of the biggest environmental issues that are already affecting their farm businesses. We would also like to see these layers well-resourced: it is a significant concern that the budget required for the Universal Layer, Stability Payments and BPS payments could mean a long delay in introducing the more advanced layers of the Scheme, and that the Universal Layer may take up a disproportionate amount of the Scheme's budget.

In particular we believe that the optional layer should include:

- specific actions to support at-risk species;
- actions to increase the area of habitat that is well-managed for the long term;
- actions to restore and enhance habitats;
- actions to improve accessibility to rights of way on farms, or to create new routes (as mentioned in the optional list), including access to blue spaces;
- actions to reduce the carbon intensity of farm operations;
- actions to provide resilience against flooding and drought;
- actions to further reduce pollution (beyond regulatory and universal requirements);

- actions to improve soil health and sequestration;
- actions to improve plant biosecurity and tackle invasive species; and
- support to help farmers to implement Maximum Sustainable Output (MSO) on their farms.

We think that actions within the collaborative layer are particularly well suited to:

- connect habitats across a wide area, providing wildlife corridors and greater resilience for species in a changing climate;
- connect up access routes, particularly where it will help rural communities reduce reliance on car travel for short-medium journeys, or to improve opportunities for tourism and recreation;
- tackle issues on a catchment scale, such as flooding, drought and pollution;
- actions which add value into the supply chain and develop new approaches to the food system like local food hubs and procurement;
- training opportunities for farmers to diversify into agriculturally adjacent roles such as forestry and nature-based tourism; and
- support for traditional farming jobs outside of direct agriculture such as hedgerow management and drystone wall maintenance given their cultural value in addition to environmental benefit.

As mentioned in the answer to question 1, either the optional or collaborative layer could include a 'Sustainable Farming in Designated Landscapes' programme (which includes funding for multi-year projects and the support of project coordinators and farming advisors within each landscape).

**Question 13: Do you agree with the proposed changes to BPS from 2025? This includes:**

- a) The rate at which BPS payments are reduced.**
- b) Closing the National Reserve to new entrants.**
- c) Thresholds for capping.**
- d) Restricting the transfer and lease of entitlements.**

Given that the decision has been taken to retain the BPS during the transition period, the proposal for phasing this out seems sensible. We remain concerned that the requirement to pay BPS whilst also introducing the new Scheme will result in long

delays to the introduction of the optional and collaborative layers, and that these layers will be poorly resourced due to the resulting budget squeeze. We think the additional budgetary pressure from continuing to pay BPS until 2029 could also result in lower payment rates for the Sustainable Farming Scheme at all levels, making it unattractive to farmers. The Stability Payment is in place to ensure farmers are not receiving less than they would have under BPS during the transition period.

WEL suggests that Welsh Government look to accelerate the reduction of BPS payments where possible so that more money can be invested in farms via the higher layers of the SFS. This could be achieved by revisiting this 20% per year approach in 2027 when there will be a fuller understanding of the rate at which farmers are entering the SFS. Should we be in the situation where the majority of farms are already in the SFS, then a case could be made to further accelerate the reduction in BPS payments so that more farms within the Scheme can benefit from the money.

It is also critical that any underspend in the BPS budget in any year of transition is not lost to the agricultural sector. There should be a commitment within the Scheme that it is always recycled into the SFS that year. This should be achievable given the requirement for farmers to pick between BPS and SFS at the beginning of each year.

We agree with the proposals to close the National Reserve to new entrants; they should be directed to the new Scheme. We also agree with thresholds for capping, and for restricting the transfer and lease of entitlements.

**Question 14: We would like to know your views on our proposed approach to secondary legislation, which will support BPS and the introduction of support schemes under the powers in the Agriculture (Wales) Act 2023.**

The outlined approach to secondary legislation seems sensible but we would urge the Welsh Government to consult on the draft regulation before it is finalised. We would also urge the government to make secondary regulations subject to an affirmative vote in the Senedd to add greater democratic legitimacy. We note that the regulation is intended to cover all future Schemes, so it will not contain particulars about monitoring compliance and enforcement of the Sustainable



Development Scheme, which will be contained in Scheme rules. Again, stakeholders should be consulted on Scheme rules before they are finalised.

We think it is important for the Scheme to be effectively monitored and enforced. There is currently no indication of how non-compliance will be managed within the Scheme, which is critical information for both farmers and environmental stakeholders to understand.

**Question 15: Economic analysis and modelling will conclude in 2024 and will provide evidence to inform the final decision on Scheme implementation by Welsh Ministers. We would like to know your views on the existing analysis and evidence required.**

WEL welcomes the Welsh Government's approach to analysis and modelling and appreciates the difficulty it has had through a natural capital approach to quantify the value of actions spatially. WWF Cymru has done work in this area which could provide further data to inform this. Welsh Government may also wish to consider RSPB's [Land Use Scenarios Project \(LUSP\)](#) in its analysis of land use and management and the achievement of Scheme's objectives. This project is intended to help us understand more about how different ways of using land in the future will impact on net greenhouse gas emissions, potential habitat for breeding birds, and production of food, timber, and biomass fuel. Through modelling different scenarios, the project discovered that a move to agro-ecological farming coupled with increased habitat creation and restoration (particularly as Nature-based Solutions) could drastically cut UK emissions whilst also benefiting some species.

WEL members are particularly keen for the wider benefits of on-farm actions to be reflected at the national level. Actions on farms also affect areas away from the farm, particularly when considering issues such as flooding, drought, air and water pollution and biodiversity loss. For example, water quality and flood management actions (or lack of action) impact areas many miles downstream and often well into urban areas. From a biodiversity perspective, wildlife corridor enhancement is also of a great benefit. While the individual action on farm might be small, the value of

providing that connectivity at a national scale might be significant – as shown with the recent B-lines project for pollinators<sup>4</sup>.

It is clear from the increasingly hostile public debate about the future of the SFS that the projected decline in direct agricultural jobs is an issue that the Welsh Government need to address and overcome. In large part this can be achieved through the acceleration in delivery of the Optional and Collaborative tiers due to their higher labour requirements. Equally the Government could better support its case by laying out that these ‘worst case scenario’ predictions are consistent with the downwards trend in historical direct employment numbers we have been seeing in recent years.<sup>5</sup> We also think that it needs to be made clearer that many family farms have been lost under the current subsidy system, which has not been good for farm viability or for the environment. This suggests that the status-quo is not a viable option for Welsh agriculture.

Further analysis is required of the impact of the SFS on the wider rural economy, including the sustainable long-term jobs that could be created through the expansion of practices such as woodland management and nature-based tourism alongside direct agricultural employment. For example, a recent study by the RSPB found that approximately 7,000 nature-based green jobs that could be created over the next decade under a [Nature Service for Wales](#).

**Question 16: We would like to know your views on which information and evidence should be used to monitor and evaluate the Scheme.**

Data is an essential component of this scheme to provide an understanding of the scheme’s effectiveness. We recognise that business sensitive data such as farm assessments also presents risks to that farmer. As such we would urge the government take all necessary efforts to anonymise the data as far as possible when sharing it with the listed groups.

We recommend that data is collected on each action to ensure compliance and to understand the effectiveness of actions. Data should also be collected in a manner

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<sup>4</sup> <https://www.buglife.org.uk/our-work/b-lines/b-lines-wales/>

<sup>5</sup> <https://research.senedd.wales/media/iuch3jz1/22-47-farming-sector-in-wales.pdf>

which is consistent with the emerging biodiversity targets legislation, given that the SFS will likely be the primary policy vehicle that will guide whether such targets are met. At the present time we do not know the full shape of those targets, however we will by the time the scheme is operational in 2025. In the meantime, focus should be around key areas which are highly probable to feature in those targets. Such as, species condition/extent, habitat condition/extent, fertiliser/pesticides use as part of wider nutrient management, air and water quality, and the condition of protected sites.

WEL members are keen to contribute to the development of indicators and targets within the Scheme and would hope that these will be the subject of further consultation.

**Question 17: What, in your opinion, would be the likely effects of the SFS on the Welsh language? We are particularly interested in any likely effects on opportunities to use the Welsh language and on not treating the Welsh language less favourably than English.**

- **Do you think that there are opportunities to promote any positive effects?**
- **Do you think that there are opportunities to mitigate any adverse effects?**

WEL notes that the CAP system has presided over the loss of over 800 farms since 2013.<sup>6</sup> We believe this loss will have had a negative impact on the Welsh language, and rural communities as these losses have predominantly affected traditional family farms. This is why WEL members believe that the SFS marks a necessary change to an approach that supports traditional family farming to become more sustainable and viable.

The new Scheme will require advisors to support farmers transition to and then continue to deliver SLM actions, so we also see clear opportunities here for investing in jobs that require good Welsh language communication skills. Job creation through the Nature Service Wales could also support this sector and create Welsh language opportunities as well.

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<sup>6</sup> <https://www.gov.wales/sites/default/files/publications/2021-03/agriculture-in-wales-evidence.pdf>

**Question 18: In your opinion, could the SFS be formulated or changed so as to:**

- **have positive effects or more positive effects on using the Welsh language and on not treating the Welsh language less favourably than English; or**
- **mitigate any negative effects on using the Welsh language and on not treating the Welsh language less favourably than English?**

We do not have any specific suggestions for change in relation to the Welsh language.

**Question 19: Do you have any additional comments on any aspect of the consultation document?**

The Welsh Government has a duty under the 1995 Environment Act to have regard for National Park Purposes, which include conserving and enhancing the natural beauty, wildlife and cultural heritage of the National Parks. The Welsh Government should therefore design the new scheme to ensure that it helps deliver these purposes, making the National Park Authorities and National Landscapes partners in delivery. If this is not done, the SFS is at risk of following previous agri-environment funding regimes in delivering no better results inside Designated Landscapes than outside.

The WG's 2018 Valued and Resilient review of Designated Landscapes endorses this approach. It highlighted the need to "take a spatial approach to get the most from land [...] proposing an approach where future land management support can be targeted to particular areas."

Central to this vision was the need to support public bodies in more actively administering schemes: "the potential for National Park Authorities, amongst others, to take an active role in the administration of schemes will be explored."

Wales' Designated Landscapes are cherished areas and biodiversity hotspots that should play a crucial role in conserving and nurturing our threatened wildlife. If the SFS is not able to make a difference for wildlife in these areas, it will have failed to fulfil its potential.

There is a significant role for Natural Resources Wales (NRW) to support the delivery of the SFS, including producing SSSI management plans, guiding woodland creation decisions and ensuring compliance with environmental regulations. It is essential that NRW is adequately resourced to undertake the various functions required of it to ensure the effective delivery of the scheme and underpinning regulations.

We are pleased to see that the threshold for eligibility into the Scheme has been reduced to either 3 hectares or an ability to demonstrate at least 550 hours of work. This should help to provide support for small farms that are already providing fresh fruit and vegetables and other sustainable products, but that were previously excluded from accessing public subsidies.

Wales Environment Link (WEL) is a network of environmental, countryside and heritage Non-Governmental Organisations in Wales. WEL is a respected intermediary body connecting the government and the environmental NGO sector. Our vision is a thriving Welsh environment for future generations.

This paper represents the consensus view of a group of WEL members working in this specialist area. Members may also produce information individually in order to raise more detailed issues that are important to their particular organisation.



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## **The Proposal for a Sustainable Farming Scheme (SFS) Inquiry – Climate Change, Environment, and Infrastructure Committee of the Senedd**

*This evidence is written by Dr Ludivine Petetin from Cardiff University's School of Law and Politics and the Wales Governance Centre. She is Reader in Law with expertise in agri-environmental issues and co-wrote the book, [Brexit and Agriculture](#). Dr Petetin engages with stakeholders across the UK on agricultural law and policy.*

### **General comments**

The amount of required land allocated for environmental purposes appears to be problematic as the proposed Sustainable Farming Scheme imposes on all farms that want to receive financial support to allocate at least 10% of their land to tree planting and an additional 10% of land to semi-natural habitats. Farmers are concerned about the impact of this requirement on food production (including food security of the UK) and their livelihoods/incomes.

The idea with Brexit was to do things and take decisions more locally that would be in line with the local and rural context. And yet, such blanket decisions, such as the Scheme's rule on 10% tree cover and a further 10% managed as habitat are not adaptable to all local conditions across Wales. These matters recall the 'land sparing' versus 'land sharing' argument.<sup>1</sup>

Issues with the Proposal bring us back to the quality, loopholes and issues included in the Agriculture (Wales) Act. In particular the fact the entire Act is underpinned by an international concept without any link back to Wales and its cultural, geographical specificities. This is an argument that Mary Dobbs and I raised in front of this Committee during the Inquiry on the Bill in November 2022 and also something mentioned in our blogposts on the matter.<sup>2</sup>

The two scheme rules are generally positive to help improve the environment and enhance biodiversity. But, and in relation to both, no consideration is given to the type of farming undertaken or the geographical or topographical situation of the farm. For example, can hill farmers plant the amount of trees required by the Scheme especially where it is very steep, windy and the ground does not enable them to do so?

The Proposal states that it supports farmers to go beyond regulatory requirements. Here the aim is to apply the polluter pays principle. However, this is not always the case as demonstrated for example with UA3 on Soil Health Planning – an action that clearly enables farmers to meet regulatory requirements.

Various issues face by the Sustainable Farming Scheme and more generally agricultural policy could be lessened by relying on different approaches – two of which are of particular importance: resilience in agriculture and agri-food democracy.

Utilising resilience as a clear overarching and ambitious objective provides an encompassing lens that reflects the multifunctional nature of farming and its interconnectedness with ecosystems and society to transform towards improved social-

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<sup>1</sup> <https://royalsociety.org/blog/2014/12/land-sharing-vs-land-sparing-can-we-feed-the-world-without-destroying-it/>.

<sup>2</sup> <https://www.brexitenvironment.co.uk/2023/02/22/the-agriculture-wales-bill-part1/> and <https://www.brexitenvironment.co.uk/2023/02/23/the-agriculture-wales-bill-getting-support-right-part-2/>.

ecological services functioning.<sup>3</sup> More importantly, it aims to tackle the vulnerabilities posed to and by agriculture, enabling it to withstand future shocks.<sup>4</sup>

Four essential components of an agri-food democracy model (that builds upon traditional concepts of democracy) would strengthen agricultural policy and resilience in agriculture: (i) true information, genuine choice and alternative products being offered to consumers; (ii) upstream engagement and bottom up approach in the decision-making process; (iii) improvement of the rights of farmers and agricultural workers and their opportunities; and, (iv) restoration of faith and trust in the food system, its institutions and in farmers.<sup>5</sup>

### **Issues with a ‘one size fits all’ approach**

In the eligibility criteria, Wales is unfortunately keeping farmers below 3 hectares out unless they can demonstrate 550 standard labour hours – potentially including small farmers. This does not fully deliver on opening financial support all that produce food. Further, the Scheme does not include any measures on facilitating the help and support of small farmers/producers and their specific needs.

The main issue is with the Proposal is that it adopts a ‘one size fits all’ approach rather than looking at the different types of farming, sizes and location. For example, hill, organic, young/new entrant farmers. The most vocal in the protests have tended to be dairy producers and/or big farmers as they appear the most affected by the Sustainable Farming Scheme. Yet, it does not have to mean that those who are not vocal are necessarily unhappy with the Proposal.

It is also important to note that organic or environmentally-friendly farmers would struggle to meet some of the requirements of the scheme.

### **Major gaps and issues with the current Proposals**

There is no requirement link to (i) the type of tree that should be (or not) planted or (ii) the location of these trees, i.e. where they should be planted. Further, hedgerows are not included in the rule. This seems rather odd as they constitute woodland edge area and contain in majority woodland species. Perhaps this was decided to avoid double funding between the two rules. But if this is the case, this should have been explained.

Further:

- 17 actions (if all applicable to a farm) to undertake appears like a lot of requirements for what may be very little money available.
- Focus on actions, so ‘does and don’ts’ towards outcomes rather than the outcomes themselves are not being targeted directly. Therefore, the Scheme does not fully deliver

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<sup>3</sup> L. Petetin and M. Dobbs, *Brexit and Agriculture* (Legal Perspectives on Brexit, Routledge 2022) Chapters 4 and 6.

<sup>4</sup> L. Petetin and M. Dobbs, *Brexit and Agriculture* (Legal Perspectives on Brexit, Routledge 2022) Chapters 4 and 6.

<sup>5</sup> L. Petetin, ‘The COVID-19 Crisis: An Opportunity to Integrate Food Democracy into Post-Pandemic Food Systems’ (2020) 11(S2) *European Journal of Risk Regulation* 326-336 <https://www.cambridge.org/core/journals/european-journal-of-risk-regulation/article/covid19-crisis-an-opportunity-to-integrate-food-democracy-into-postpandemic-food-systems/486D3CB338D1043228183A942E8CF8C9> (open access).

on public money for public goods. It appears that in order to deliver on the public promise of public money for public goods the middle ground found by the Welsh Government is to ensure trees and habitats on the farm hoping that the rest will follow. But due to the limitation of the rules mentioned above, this may be difficult to achieve.

- Payments based on acreage (rather than based on the delivery of outcomes as originally intended).
- A very siloed approach is used throughout especially without considering how synergies could be built with an agri-food strategy and an agri-food policy to build agri-food resilience (more on this below).
- Nothing on the type of food we want to encourage growing. For example, growing fruit and vegetables is not promoted.
- There is very little incentive (apart from agro-forestry) to move agricultural practices towards regenerative farming, i.e. organic, agroecology, low-input, permaculture or biodynamic.

### **Matters around the Universal Actions (UA)**

UA1: Benchmarking: (i) this looks like self-regulation. However, care should be adopted when regulatees can self-assess and decide about their situation and business; (ii) Enabling comparisons within and across sectors. This is very positive so that farmers can have a better idea of where they are at/situated. It also gives farmers solutions to issues and offers support.

UA2: Continuous Personal Development: this is key to keep on top of developments, especially with new technologies always emerging and developing.

UA3: Soil Health Planning: this is very welcome as soil is often forgotten about in agricultural policies and schemes. The action is directly linked to the Carbon Calculator as well as the Nutrient Management Plan for nitrogen under The Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021. Having clearer links with how to meet existing legal requirements is crucial for farmers, it makes it easier for them to comply with the law as well as making it more understandable. Soil testing is also undertaken incrementally, 20% each year over five years so that at the end of year 5 all the land has been tested enabling farmers to get access to information that is key for them to farm.

UA4: Multispecies cover crop: it provides another important way forward as bare soil leads to poor quality soil, soil erosion and degradation. It is critical to use catch crops or nitrogen fixing crops (at least two species) on areas that will have no cover for more than 6 weeks post-harvest over the winter months. It could be fodder crops, lentils or peas. However, use of chemicals is permitted to remove the crops, which could lead to pollution.

UA5: Integrated Pest management: with this action, this is very unclear how such actions could lead to more appropriate use of plant protection products. Having a record of use of such products does not necessarily lead to better/more targeted use. A clearer, incremental obligation to reduce the utilisation of plant protection products should be included.

UA6: Managing heavily modified peatland Habitat; UA7: Habitat maintenance; UA8: Create temporary habitat on improved land; UA9: Designated Site Management Plans; UA11: Hedgerow management; UA12: Woodland management; UA13: Create new woodland and agro-forestry; UA14: Historic environment - maintenance and enhancement Universal Code for Habitats: these actions are examples of the Welsh Government being keen to work with and give information to farmers as well as trying to accommodate the constraints placed on farmers and finding solutions together with farmers over a certain period of time, i.e. not all

requirements must be fulfilled straight away and as such this eases the burden placed on farmers.

UA16: Good Animal welfare: again, this looks like self-regulation and all the negative consequences that this could have.

### **The lack of just transition**

Many requirements/components are incremental so not all actions have to be fully undertaken straight away, which gives farmers time to adjust to the new rules but they all need to be complied with by 2029, which is very quick. Further, the doubt around the budget for agricultural support is creating further uncertainty for farmers and how much they will be financially supported. If the Scheme is not financially viable for farmers, this could result in a low take-up, which would negatively impact the environment and reaching net zero.

Another point to make is that farmers have historically been compliant with changes (box ticking) in the various CAP and schemes' regimes so if there is unrest then it means there is an issue. For example, when the CAP support system was overhauled in 1992, with the MacSharry reforms, from coupled production/support to area payments and headage payments, farmers felt that the new system was providing sufficient financial security for them to accept it. EU farmers did not protest despite the radical change to financial support the industry faced as the financial incentives made sense.

Further, to keep costs low and 'feeding the world' (as a rhetoric and burden placed on farmers albeit wrongly), increased intensification and livestock heads have often led to environmental degradation and possible pollution (air, water, soil)) whilst concomitantly forcing farmers to spend huge amounts of money on technology and infrastructure – often also to comply with rules.

To be fair to farmers, it is difficult to understand how and why farmers are being subject to such dramatic change so rapidly as per the proposed Sustainable Farming Scheme. Whilst other industries are neither subject to the same pressures to change or timescale. Various examples exist including the extractive industries, little development of electric trucks despite their negative consequences on climate change. The lack of a just transition towards net zero appears to apply more rigorously to farmers, which could affect agri-food supply chains and rural communities.

### **Issues around co-design/co-creation**

The Sustainable Farming Scheme document repeatedly mentions co-design, stakeholder events and the good relationships with farmers to build the Sustainable Farming Scheme and yet the recent protests across Wales show otherwise. So, from a process perspective, the Welsh Government should re-work its approach to co-design as farmers do not feel that they are being listened to.

Further, the First minister and the Minister for Rural Affairs, at least at the start, refused to listen to farmers whilst governments in other European countries are and were. Dialogues and discussions are central to moving this issue forward.

## **Relationship between farming, environment and food production: The need for an agri-food policy**

The interconnectedness of farming, the environment and food production is much stronger than in other proposals or regimes across the UK. This is essential to farm for the 21<sup>st</sup> century as these three components need to be seen as complementary due to the crucial role played by farming delivering on food production and both environmental and social outcomes over the long-term. Further, producing cheap food is an issue as it often results from intensive methods of production that can damage the environment. Also, closer links should be made with the production of healthy food and linked to tackling obesity and alcohol consumption issues more directly through the development of an agri-food policy.

## **Potential economic impact of the Sustainable Farming Scheme**

The economic impact/modelling of the Scheme mentions the possibility of losing around 5,500 jobs. This information received very little attention from the media until the farmers started to protest. This tremendous change will have dramatic consequences for the countryside and rural communities. In contrast, the loss of so many jobs in other sectors of the economy (comparing for example with Tata Steel announcing the loss of around 2,800 jobs) is seen as outrageous and unacceptable.

It is important to note, however, that this modelling does not consider how many jobs could be created from modifying farming practices, developing shorter supply chains and diversification as such practices would likely relocalise jobs locally.

## **Uncertainty around the budget/funding**

There is a lack of certainty regarding the level of future funding available for agricultural support as the budget is only guaranteed until 2024-2025 creating much uncertainty for farmers and their future.

Future support is set out in the Multi-annual Support Plan (MASP), which provides five years of planning for agricultural support schemes (page 76). However, with uncertainty around the budget/funding available how can this be undertaken by the Welsh Government. Further the Sustainable Farming Scheme document states that ‘The Welsh Government will pursue, at least, the same total level of funding for farmers and land managers from the UK Government as we will receive in 2024/25’ (page 64) but, and again, how can this be guaranteed when the level of funding from Treasury has not been confirmed after 2025.

## **Obligation of reporting but lack of evaluation**

Various reports (annual report; impact report; Sustainable Land Management report), targets and indicators are going to be set up and written to assess the effectiveness of the financial support towards the purposes of the scheme and more widely to assess the progress towards the Sustainable Land Management objectives. However, there is nothing in the text mentioned about what would happen if the objectives are not met. So, what are the consequences if there is no or little progress? What if the schemes are not effective?

## **A perfect storm?**

When assessing whether the Sustainable Farming Scheme will work for farmers and the environment, the national, UK and international context, parameters and challenges cannot be ignored.

### **National context**

There are combined pressures from the Welsh Government through its intervention or lack thereof in terms of:

- Water regulations: ie the designation of Nitrate Vulnerable Zones and the limit imposed to farmers for storing and spreading manure and slurry (which is effectively imposed to all farmers across Wales as the whole of Wales is under the NVZ designation).
- Bovine TB management issues: some argue that increasing habitat for wildlife without controlling TB carriers such as badgers exacerbates the problem of increasing habitats for wildlife. The on-site slaughter of animals, who carry the disease, is also problematic.
- There is also too much red tape and bureaucracy (which has highly increased since Brexit whilst a key goal of Brexit was to reduce red tape in agriculture).

### **UK context**

Northern Ireland and Scotland keep direct payments (whilst farming conditions tend to be similar to those in Wales). This means that Northern Irish and Scottish farmers will receive support to meet the minimum regulatory baseline. This situation does not soften the burden placed on Welsh farmers. Such differences could lead to unfair competition in the medium term, i.e. when the new programmes/schemes are in place and putting Welsh farmers at a disadvantage.

Further, matters around fairness in the agri-food supply chain are not being addressed whilst farmers are paid very little money for their produce by distributors and retailers. They are stuck between powerful distributors and retailers and agrochemical companies. When the cost of fully grown fruit and vegetables is cheaper to buy in the supermarket than buying a pack of seeds (despite the time, energy, resources used to grow the fruit or vegetables) then it is dispiriting and unfair for farmers.

Rural communities also feel left behind, are not catching or listened to. This is also demonstrated in the lack of funds available under the Levelling Up programme as well as how little of those funds have come to Wales. The lack of such funds is also impacting on the lack of just transition.

### **Combination with a changing context on the international scene**

UK farmers have been faced with increased food prices and price pressures (energy and input prices), cost of production and inflation.

Trade is also at the centre of farmers discontent/dissatisfaction. The recent FTAs signed by the UK especially those with Australia and the CPTPP do not support the high environmental and animal welfare standards of the UK. Over the next 10 years, agri-food products, especially meat and eggs, will be fully liberalised, which means that products from these countries will enter the UK tariff-free. For example, Mexico, a country party to the



CPTPP, is the fourth largest producer of eggs in the world almost entirely coming from caged systems whilst this is a production method that has been banned in the UK since 2012. Wales is particularly at risk when it comes to imported eggs as around 89% of Welsh hens are free range.<sup>6</sup>

Further, the lack of coherent behaviour between signing trade deals not beneficial to our farmers whilst the Prime Minister supports farmers protests create further uncertainty and misunderstanding amongst the industry.

Policy coherence is needed across policies and sectors as well as governments across the four UK nations.

Further and problematically, that EU has first dropped its environmental commitments included in the ongoing CAP reform, the European Green Deal rather than looking at issues affecting farmers and farming holistically. Issues of international trade (talks on a possible EU/MERCOSUR trade agreement) and fairness in the agri-food supply chain have largely been neglected by the EU. This has sent the wrong signal to farmers in the EU and the UK that environmental requirements could be scrapped if persistent.

### **Leading to the end of agri-food exceptionalism**

UK trade policy constitutes a big departure from the EU approach to agri-food exceptionalism (market access protection), which aims at exporting as much as possible whilst maintaining high tariffs for imports to protect the agri-food industry. The end of this agri-food exceptionalism in UK trade policy can also be seen in the changes to financial support given to farmers with the end of direct payments. These tremendous changes will impact farmers and agriculture for decades to come.

### **The temporality of decisions and policies**

A key aspect to bear in mind is that farming and rural policy should be thought over the long-term rather than short-termism. It is key to think what the consequences of choices made now will look like over the next 10, 20 and 30 years. Some of the content of Sustainable Farming Scheme does not always reflect such an approach especially in relation to tree planting and how there is no obligation to plant native trees or where to plant them.

A similar approach should also be utilised for trade and signing new FTAs, especially when full liberalisation of certain products, like agri-food products, is on the cards.

Assessing how the landscape (including economic and financial) and the environment will look like not just over the next few months but over the next few decades is key.

Overall, one key discontent is the lack of future prospects which is directly facing farmers whether they will still be there in the next 10 to 20 years and whether they can pass on their legacy to the next generation. Such concerns cannot be left to rot, they need to be addressed. We need farmers on the land to both produce food and protect the environment. Both go hand in hand.

March 2024.

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<sup>6</sup> <https://businesswales.gov.wales/foodanddrink/food-sectors/poultry-and-eggs>.

From: Professor Iain Donnison

Head of IBERS\*, Aberystwyth University, Gogerddan, Aberystwyth, SY23 3EE (\*IBERS also a BBSRC strategically sponsored Institute and a national capability for grassland and plant breeding research).

**Future of Agriculture and net zero.** There are different ways of looking at the future of agriculture:

- 1) What we do now but more efficiently, so with more productivity and less waste/ environmental impact, by developing and adopting the latest technologies, eg crop and livestock breeding, equipment, crop agronomies and targeted interventions.
- 2) Using the same crops and maintaining the same landscape (eg grassland) but with new uses, for example as feedstocks for grassland based biorefineries, with outputs including proteins for monogastrics (reducing the need for imported soya) as well as industrial feedstocks, platform chemicals and pharmaceuticals.
- 3) Development and adoption of new crops and agriculture, with new value chains complementing existing agriculture but addressing new needs and markets.

Sustainable agriculture and land management, objectives of the Sustainable Farming Scheme (SFS), are important for ensuring that future generations can continue to sustainably produce food, feed and biobased resources in Wales whilst enjoying its countryside and landscapes. At the same time humanity is having to adapt to a changing climate and mitigate the causes of it, through reducing greenhouse gas emissions. Farming is in the unique position of being both an emitter of greenhouse gases and having the opportunity to reverse past emissions through land-based greenhouse gas (GHG) removal approaches. This is also part of the reasoning behind the NFU's commitment for farming to reach net zero by 2040 (NFU, 2019), as society the negative emission contributions that agriculture can provide to compensate for the hard to decarbonise industrial sectors.

There are a number of **mega trends**, that particularly relate to agriculture and land use, which are:

- Climate change, and the challenge of adaptation, the need to reduce GHG emissions, and the opportunity for mitigation including through negative emission technologies (i.e. afforestation, peatland restoration, bioenergy with carbon capture and storage (BECCS), incorporation of biochar and use of basalt for accelerated weathering) to achieve net zero.
- Increasing diversity of crops, to increase resilience and address opportunities for improved human diet and health. In other words, moving away from the dominance of six crops on the supply of the majority of global calories. This will be facilitated by the ability to adopt technologies developed in model plants and major crops and apply them to those crops that have so far received less attention.
- Adoption of new technologies including genomics (including genomic prediction and gene editing), phenomics, AI, automation and robotics. Global population size is still increasing whilst climate change is making agriculture more challenging. The development and adoption of new technologies will be critical for the sector in continuing to provide humanity with the food and biobased natural resources it needs to sustain and improve life chances.

Most of these trends have been quite obvious over recent decades with the result that academia and industry have been helping to prepare agriculture for the future. In grassland-based agriculture, this includes forage crop (eg perennial ryegrass, red and white clover) varieties that are deeper rooting (increases crop resilience as well as reducing flood risk and run off). Deeper rooted grasses and clovers are typically more resilient to the impacts of climate change and can compact following flooding events, as well as flooding risk, through increasing soil porosity (Macleod et al., 2013), as well as potentially storing more carbon at depth in the soil profile where microbial activity (and therefore soil respiration) is lower. In addition to such production and public good benefits, varieties with enhanced feed properties, eg the high sugar grasses can increase production (milk yield and live weight gain) and reduce the risk of nitrogen pollution. Such

production gains should also deliver benefits in terms of fewer greenhouse gas emissions per unit of production. There is also an interesting and increasing opportunity to reconnect urban and rural economies that became increasingly separated following the industrial revolution.

**Biomass crops as an Optional Action:** the Welsh Government has accepted the CCC recommendation on tree planting, but seemingly not accepted the recommendations on biomass crops. Perennial biomass crops could reasonably be planted on some farms in lieu of trees, providing flexibility to farmers who are either restricted by tenancy agreements or looking for a more regular income stream. Perennial biomass crops (e.g. Miscanthus, short rotation coppice willow, short rotation forestry poplar) also have the potential to help decarbonise industrial sectors, for example providing carbon in the manufacture of green steel, and would therefore have the potential to feed into local supply chains within Wales. Care would be needed not to incentivise biomass crop planting on high carbon soils (as for trees). The measurement of soil organic carbon should ideally be part of any initial on-farm assessment of land suitability for biomass crops, with potentially greater benefits on those soils with lower initial carbon contents.

Other approaches to reconnecting urban and rural economies include the adoption of controlled environment agriculture, including the potential to produce food in cities using vertical farming approaches and/ or the ability to use low grade waste heat and CO<sub>2</sub> from industry in protected cropping (McDonald et al., 2023), as well as providing feedstocks for green construction materials.

**Approaches to implementation of net zero targets.** In the SFS a provisional target of 10% of land has been devoted to woodland. Afforestation is one approach discussed by IPCC, UK Climate Change Committee (CCC), and National Infrastructure Commission, other approaches for GHG removal that are typically also highlighted include bioenergy with carbon capture and storage (BECCS) and peatland restoration. Recently it has been indicated that the 10% woodland target within the scheme may be subject to change to include 'equivalent measures'. Such flexibility would be welcomed. A more flexible approach is also consistent with the concept of Stabilisation (or Princeton) Wedges, where the task of tackling the scale of climate change can only be achieved by identifying a range of measures that collectively achieve the target which is unachievable by a single approach alone (Pacala & Socolow, 2004). It will though be important to start with a definition of what terms of equivalence are required. Potential elements of a definition, and other factors to consider, might include:

- Likelihood of permanence of land use change, e.g. woodland maybe more permanent than other land uses, but standing trees are also at risk of fire, storm, disease and drought. Bioenergy may be less permanent as a land use, but geological storage through CCS could be substantially more permanent.
- Not all land is equal, with factors being land classification, climate, topography, farm business specifics including size. The land most suited to horticulture (typically best and most versatile, BMV) for example should be prioritised for that use, especially in Wales where the area is relatively small (approx. 297,000ha, 20% of total land, Keay & Hannam, 2020).
- What are the counterfactuals, for example the impacts will typically be very different for grassland vs arable land use transitions.
- Risk of double counting with other targets and whether additionality is required (e.g. peat restoration might give equivalent reductions in carbon emissions, but can be assumed to occur elsewhere within carbon budgets).
- Extent to which equivalence maps onto hectares (e.g. elements of existing targets in carbon budgets are based on areas as opposed to any carbon equivalence).
- There is the possibility to stack some GHG removal approaches such as perennial biomass crops and biochar to increase the benefit per land area, but there can be trade-offs, eg from planting trees on upland shallow peat. Land use transitions, including afforestation, will typically also result in carbon deficits for a number of years, depending on the starting carbon content of the soil and the agricultural system (eg Paul et al., 2002; Upson et al., 2016; Renna et al., 2024), so some locations will be more likely to achieve the desired benefits whilst others, eg in high organic matter soils (such as grassland) and shallow peat are more likely to be deleterious.

- To what extent may farmers who already have greater than 10% woodland cover encouraged to maintain this woodland, and/or that excess tradeable to offset farmers that don't plant trees or adopt other approaches to tackling climate change.
- Equivalent benefits also apply to biodiversity (e.g. production forestry is very different to mixed native broadleaf forestry). For some habitats, degree of permanence also significantly impacts biodiversity benefits, with permanence typically being associated with greater biodiversity. However, a mixture of land uses and stages of transitions between them is also important.

**The Challenge of developing funding support structures.** There is a challenge for running agricultural support structures, such as the proposed SFS, which include some of the examples above and:

- The need to have annual payments to support farmers and rural businesses when environmental targets have benefits that will take many years and even decades to accrue but can be lost within a small number of years. This is particularly true for UA7 of the SFS. Many measures that might be supported under OAs and CAs would also require support for periods of 3-5 years minimum.
- The challenge when measures could potentially contribute to sustainable land management, but there is a lack of evidence that they will, either because the data hasn't been gathered yet under relevant conditions (climate, soils, wider environment) or they are fundamentally very difficult to validate with the tools we currently have other than expensively and over long periods of time (eg soil carbon). There is also a need to develop proxy methods for delivery of sustainable land management that allows the monitoring of direction of travel and ideally that farmers themselves can use and so see relatively rapidly feedback on the interventions made. There is the potential to incentivise the development of innovative monitoring devices, tools and services as a means for achieving this.
- How will existing natural capital including stored carbon in forestry or on grassland, and biodiversity be treated compared to new schemes to accumulate it.
- What will be the consequences of changing land use on the wider rural community now and for future generations.

Another way that agricultural priorities can be considered is in terms of land functions, so that in typically lowland areas the land use will be dominated by production-based agriculture, whilst in the uplands it will be more dominated by environmental management and conservation. The area in between represents the greatest challenge in identifying the most appropriate patchwork of agricultural production and environmental services to adopt and/ or support. This has been referred to as the squeezed middle in Scotland (Slee et al., 2014) and this intermediate zone is one where diversification approaches can also be appropriate to support production (Donnison & Fraser, 2016).

**Use of Carbon Calculators.** It is desirable that a standard carbon calculator is used in schemes such as SFS, in order to minimise confusion amongst farmers and wider society. Key features from a technical perspective would be that: a) it must allow cross referencing with IPCC emissions categories in order to provide data useful to Welsh Government when calculating carbon budgets; b) it takes account of where carbon accounting is done according to tier 1, 2 and 3; c) identifies the ways in which a carbon footprint calculation differs from GHG accounting principles; d) is transparent in its underlying calculation methods; e) allows some comparison with carbon footprint calculators that may arise from other sectors (e.g. supermarkets wishing to report on their scope 3 emissions, future targets within the Red Tractor scheme). The farming sector has the rare opportunity, compared to many other industries, to both decrease its own emissions and to help mitigate climate change further, for example through land based renewable electricity generation or land-based carbon sequestration. This is to be welcomed but care will be needed though in distinguishing offsets with other IPCC categories from the need to decrease agricultural emissions per se according to the IPCC definition of the sector.

The benefits of sustainable land management go far beyond agriculture, and this provides routes for additional funding into farming. For example, where measures such as peat restoration, deep

rooted grasses or perennial biomass crops, result in improved flood resilience, this could potentially come out of budgets allocated to flood prevention, and measures improving access to the countryside could come from health budgets. This also provides the opportunity for measures to be compared for cost effectiveness at delivering impact, eg where work on a catchment reduces flood risk downstream could be compared with the cost of installing flood defences in a town.

**Scale at which benefits are delivered and measured.** Collaborative actions; eg flood risk needs to be tackled at the level of a catchment (regardless of what proportion of farmers in the area are already in a scheme such as SFS), creating wildlife corridors to address habitat fragmentation in particular landscapes will require collaboration between specific landowners, water quality improvements are also best addressed at catchment level. Priorities will need to be made such as for example, where the benefits of flood mitigation benefit a greater number of households, this would be expected to be preferred over an equivalent scheme that benefit relatively few households.

**Concluding comments.** We live in a time of change, where global population is still increasing (but approaching a plateau), where the impacts of climate change are having significant impacts on where and how successfully we can grow food, and where the energy sources that have driven our economy for the last century and longer (i.e. fossil fuels) need to be transitioned because their use results in geologically stored carbon being released to the atmosphere. Agriculture and land use is unique in that although it is an emitter of GHG, it also has the ability to be the only realistic solution for tackling climate change through GHG removal approaches in the period to 2050 which is the timeframe that really matters to humanity having a chance of achieving climate change targets such as those set at recent COPs. Alongside this there is a once in a generation opportunity to develop an agricultural support scheme (ie post CAP) for current and future generations. Such a scheme needs to be sufficiently attractive and flexible enough to the farming sector to ensure that the aims of the SFS are also realised for current and future generations. If this can be achieved there is a real opportunity of incentivising sustainable land management practice at scale for the benefits of farmers and society, that goes far beyond the agriculture sector in terms of its benefits.

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**Culture, Communications, Welsh Language,  
Sport, and International Relations  
Committee**

Rt Hon Michelle Donelan MP  
Secretary of State for Science, Innovation and  
Technology  
HM Government

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19 February 2024

## **National Underground Asset Register**

Dear Michelle,

I am writing to you following the Committee's consideration of a [Supplementary Legislative Consent Memorandum](#) related to the Data Protection and Digital Information (No.2) Bill ("the Bill"). During the reporting stage of legislative proceedings in the House of Commons, you introduced amendments to the Bill relating to establishing a National Underground Asset Register.

As you will be aware, there are hundreds of owners of underground assets across the country, ranging from local government to utility companies. All these owners will have their processes for holding such data. Whilst we do not have a specific position on the establishment of such a register, we do have concerns that the amended Bill transfers powers to the Secretary of State, through regulation-making powers, to make decisions on a National Underground Asset Register as it relates to Wales.

The Welsh Government has expressed "constitutional policy concerns" around regulation-making powers under the New Roads and Street Works Act 1991 being transferred from Welsh Ministers back to the Secretary of State (as set out in paragraph 22 of the [Supplementary Legislative Consent Memorandum No.3](#)). We are not sure, however, about its view or involvement on this policy matter more generally.

We would like to know what discussions you, or your officials, have had with the Welsh Government regarding the establishment of a National Underground Asset Register. We would like particularly to know what considerations are being given to devolved competencies and how they will be managed.

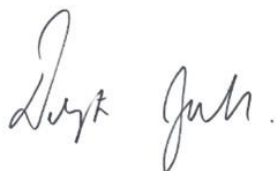


We would also welcome an outline from you about the Welsh Government's involvement in developing the policy for such a register.

As it stands, the lack of detail and transparency in the Welsh Government's Supplementary Legislative Consent Memorandum about the amendments to the Bill (identified as requiring the legislative consent of the Senedd) has hindered our ability to assess the policy implications of these changes. We would therefore welcome clarity about your discussions with the Welsh Government to assist our considerations.

As the Bill is proceeding through the House of Lords, we would be grateful to receive an urgent response to this matter. I am copying this letter to the Chairs of the Senedd's Climate Change and Environment Committee and Legislative, Justice and Constitution Committee for their information.

Yours sincerely,



**Delyth Jewell MS**  
**Committee Chair**

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

# Agenda Item 5.2

Y Pwyllgor Deisebau

20 February 2024

Petitions Committee

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Llyr Gruffydd MS, Chair

Climate Change, Environment and Infrastructure

Committee

Tŷ Hywel

Cardiff Bay

CF99 1SN

Dear Llyr,

## P-06-1388 Remove the requirement for farmers to have at least 10% tree cover to access the new Sustainable Farming Scheme

The Petitions Committee considered this petition at our meeting on 29 January 2024. It was agreed to write to request whether the issues raised can be considered as part of any future work undertaken by your Committee on the Sustainable Farming Scheme.

We are also writing to the Chair of the Economy, Trade and Rural Affairs Committee.

In light of the work that is likely to be undertaken by other Committees on this issue, Members agreed to close the petition and thank the petitioner.

You may also wish to note that a petition calling to scrap the Universal Actions in the Sustainable Farming Scheme has amassed 10,000 signatures since it was started earlier this month. You may also be interested that another petition created this week calls to Scrap all Welsh Government policies from Agenda 21/Agenda 2030/Sustainable Development including Net Zero

Further information about the petition, including related correspondence, is available on our website at:

<https://business.senedd.wales/mglssueHistoryHome.aspx?lId=42610>

If you have any queries, please contact the Committee clerking team.

Yours Sincerely,



Jack Sargeant MS

Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



Paul Davies MS  
Chair, Economy, Trade and Rural Affairs  
Committee

21 February 2024

Dear Paul,

### Consideration of proposals for Sustainable Farming Scheme

The Climate Change, Environment and Infrastructure Committee (the Committee) has agreed to undertake a short piece of work on the Welsh Government's **proposals for a Sustainable Farming Scheme** (SFS).

The Committee will be holding a stakeholder event on Wednesday 13 March to gather views on the proposals from a range of organisations and individuals. Given your Committee's shared interest in the SFS, I would like to invite your Committee to take part in the event.

To further inform our work, we will be holding oral evidence sessions with representatives from the farming and environmental sectors, among others, at our meeting on 21 March. The sessions will focus on the environmental aspects of the proposals as they relate to the Committee's remit. Should any of your Members wish to participate in the sessions, they are, of course, welcome to do so.

If you or your Committee's members require any further details, I would be happy to meet to discuss. Alternatively, the Clerking team will be available to answer any queries from you or your Clerking team.

Regards,

A handwritten signature in black ink, appearing to read 'Llyr', is centered within a light yellow rectangular box.

Llyr Gruffydd MS,  
Chair, Climate Change, Environment and Infrastructure Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



Lesley Griffiths MS

Minister for Rural Affairs and North Wales, and  
Trefnydd

21 February 2024

Dear Lesley,

### Consideration of proposals for Sustainable Farming Scheme

I thought it would be helpful to notify you that the Climate Change, Environment and Infrastructure Committee has agreed to undertake work on the proposed Sustainable Farming Scheme (SFS) insofar as it relates to the Committee's remit.

The Committee intends to complete evidence gathering by the end of March, with a view to reporting in May. I trust this will provide sufficient time for you to take account of the Committee's recommendations before finalising the SFS.

We do not anticipate inviting you to give evidence at this stage, but should this change I will ask the Clerking team to contact your office.

I am copying this letter to Julie James MS, Minister for Climate Change, and Paul Davies MS, Chair of the Economy, Trade and Rural Affairs Committee.

Regards,



Llyr Gruffydd MS,  
Chair, Climate Change, Environment and Infrastructure Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.





Lesley Griffiths AS/MS  
Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd  
Minister for Rural Affairs and North Wales, and Trefnydd

Agenda Item 5.3



Llywodraeth Cymru  
Welsh Government

Llŷr Gruffydd MS  
Chair,  
Climate Change, Environment, and Infrastructure Committee  
Senedd Cymru  
[SeneddClimate@senedd.wales](mailto:SeneddClimate@senedd.wales)

20 February 2024

Dear Llŷr,

**The Plant Health (Fees) (England) and Official Controls (Frequency of Checks) (Amendment) Regulations 2024.**

I wish to inform the Committee of the intention to consent to the UK Government making and laying The Plant Health (Fees) (England) and Official Controls (Frequency of Checks) (Amendment) Regulations 2024 ("The Regulations") by 4 March 2024.

I received a letter from Rebecca Pow MP, on behalf of Lord Benyon, Minister for Biosecurity, Marine and Rural Affairs, requesting consent to provisions within the Regulations. These provisions within Part 3 of the Regulations will be made by the Secretary of State for Environment, Food and Rural Affairs, in exercise of the powers conferred by Articles 54(3) and 144(6) of, and paragraph 3(2) of Annex 6 to, Regulation (EU) 2017/625. Article 3(2B) of the Regulation (EU) 2017/625 provides that such Regulations can be made by the Secretary of State with the consent of the Welsh Ministers.

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

On 30 April 2024, under the Borders Target Operating Model, imports of medium risk plants and plant products from the EU, Liechtenstein and Switzerland will become subject to risk-based import checks at Border Control Points. Additionally, the frequency of documentary checks for these goods will also be reduced so they are aligned to the frequency of ID and Physical checks. As per the Borders Target Operating Model, these changes will not be introduced at “relevant ports” on the West Coast, including Fishguard, Holyhead and Pembroke, until 31 October at the earliest.

The Regulations expand SI 2022/739 to include the medium risk goods from the EU, Liechtenstein and Switzerland within its framework for determining the frequency of physical and ID checks. They will amend Annex 6 of the Official Control Regulation to ensure the ‘appropriate frequency rate’ for medium risk goods from the EU, Liechtenstein and Switzerland is established by Article 53.

The Statutory Instrument (SI) is subject to the affirmative procedure and is due to be laid before UK Parliament on 4 March 2024. The Regulations will come into force on 30 April 2024.

Although the Welsh Government’s general principle is that the law relating to devolved matters should be made and amended in Wales, on this occasion, it is considered appropriate for the Regulations to be laid by UK Government. The Regulations relate to a devolved area, however, they impact on imports of plant and plant products are GB-wide. Many of the changes in the Regulations relate to the importation of plants and plant products. Most of these goods which enter Wales come through English ports and would be subject to their importation legislation. Introducing separate regulations in Wales and England may cause additional burden on the Animal and Plant Health Agency (APHA), business, traders and growers. Regulating on a GB-wide basis ensures a coherent and consistent statute book with the regulations being accessible in a single instrument with no risk of legislative divergence in Great Britain. Additionally, doing Wales-only Regulations for some provisions within this SI would likely have implications on delivery of the wider Borders Target Operating Model.

I would like to reassure this Committee it is normally the policy of the Welsh Government to legislate for Wales in matters of devolved competence. Therefore, I am giving my consent to the provisions within these Regulations. There is no policy divergence between the Welsh and UK Government in this matter.

The Welsh Government is making the other provisions of the Regulations as Wales-only through The Plant Health etc. (Miscellaneous Fees) (Amendment) (Wales) Regulations 2024.

I have written similarly to Huw Irranca-Davies MS, the Chair of the Legislation, Justice and Constitution Committee (LJCC).

Yours sincerely

A handwritten signature in black ink that reads "Lesley Griffiths". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

**Lesley Griffiths AS/MS**  
**Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd**  
**Minister for Rural Affairs and North Wales, and Trefnydd**

Lesley Griffiths AS/MS  
Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd  
Minister for Rural Affairs and North Wales, and Trefnydd



Llywodraeth Cymru  
Welsh Government

Llŷr Gruffydd MS  
Chair,  
Climate Change, Environment, and Infrastructure Committee  
Senedd Cymru

[SeneddClimate@senedd.wales](mailto:SeneddClimate@senedd.wales)

5 March 2024

Dear Llŷr,

**The Plant Health (Fees) (England) and Official Controls (Frequency of Checks) (Amendment) Regulations 2024.**

I refer to my letter to you of 20 February 2024. I wish to inform the Committee I have given my consent to the Minister of State to lay the Plant Health (Fees) (England) and Official Controls (Frequency of Checks) (Amendment) Regulations 2024 in relation to Wales. I have issued a Written Statement which can be found [here](#).

The Regulations intersect with devolved policy and provisions within them will apply to Wales. These provisions extend to England, Scotland and Wales. The Statutory Instrument (SI) is subject to the affirmative procedure and was laid before the UK Parliament on 4 March 2024 with a commencement date of 30 April 2024.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Although the Welsh Government's general principle is that the law relating to devolved matters should be made and amended in Wales, on this occasion, it is considered appropriate for the Regulations to be laid by UK Government. The Regulations relate to a devolved area, however, they impact on imports of plant and plant products are GB-wide. Many of the changes in the Regulations relate to the importation of plants and plant products. Most of these goods which enter Wales come through English ports and would be subject to their importation legislation. Introducing separate regulations in Wales and England may cause additional burden on the Animal and Plant Health Agency (APHA), business, traders and growers. Regulating on a GB-wide basis ensures a coherent and consistent statute book with the regulations being accessible in a single instrument with no risk of legislative divergence in Great Britain. Additionally, doing Wales-only Regulations for some provisions within this SI would likely have implications on delivery of the wider Borders Target Operating Model.

I have written similarly to Huw Irranca-Davies MS, the Chair of the Legislation, Justice and Constitution Committee (LJCC).

Yours sincerely,

A handwritten signature in cursive script that reads "Lesley Griffiths". The signature is written in a dark ink and is positioned below the "Yours sincerely," text.

**Lesley Griffiths AS/MS**  
**Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd**  
**Minister for Rural Affairs and North Wales, and Trefnydd**

**Economy, Trade, and  
Rural Affairs Committee**

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Mabon ap Gwynfor  
Member of the Senedd for  
Dwyfor Meirionnydd

27 February 2024

**Internal Drainage Districts**

Dear Mabon,

Thank you for raising your concerns about Internal Drainage Districts with me. Broadly I would suggest IDD's fit more firmly in the Climate Change, Environment, and Infrastructure Committee's remit. However I share your concerns regarding the loss of fertile/productive land and those issues fit very much with the Economy, Trade and Rural Affairs Committee. So, I am happy to undertake some exploratory work on the matter.

Due to constraints on Committee's time we will initially undertake this work via correspondence. I will write to the Welsh Government, Natural Resources Wales and the Farming Unions to gather views. Once I have responses I will discuss them with the Committee and we will decide how to proceed. I will keep you updated on our progress.

I have copied this letter to Llyr Gruffydd MS in his capacity as Chair of the Climate Change, Environment, and Infrastructure Committee.

Kind regards,



Paul Davies MS  
Chair: Economy, Trade and Rural Affairs Committee



## Mabon ap Gwynfor

Aelod o'r Senedd dros  
Dwyfor Meirionnydd

—  
Member of the Senedd for Dwyfor  
Meirionnydd

3a Bank Place  
Porthmadog  
LL49 9AA  
0300 200 7175

12/03/2024

Dear Llyr,

IDDs

I write to you as Chair of the Climate Change, Environment and Infrastructure Committee with a request for the Committee to undertake an inquiry into IDD areas in Wales.

In the face of the financial crisis and climate crisis we are currently living through, it is becoming increasingly clear that the current IDD regime cannot continue. In light of the other needs facing NRW, the work necessary to maintain these lowlands and to keep the sea from claiming them is not practicable. There is a real danger that we will lose some of Wales's most fertile and productive land over the next few decades if there is no change in how NRW operates within the IDD regime.

As NRW work is directed by political decision, it is only through political decision that a solution to the challenges facing IDD areas will be found.

I originally wrote to the ETRA Committee thinking they were the most suitable committee, but they suggested the Climate Change Committee was better placed. That notwithstanding, its Chair, Paul Davies has committed to writing to the relevant bodies to seek their opinion on the matter.

I know that your forward work programme is full and that it would therefore be very difficult to undertake an inquiry into the matter in any depth. The Committee may therefore wish to hold a short inquiry to gain a better understanding of the issues before deciding to proceed further.

Thank you for your time and I hope that the Committee will look favourably on my request. Yours sincerely,

## Senedd Cymru

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Mabon ap Gwynfor MS

Llyr Gruffydd MS  
Chair  
Climate Change, Environment and Infrastructure Committee  
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[SeneddClimate@senedd.wales](mailto:SeneddClimate@senedd.wales)

29<sup>th</sup> February 2024

Dear Llyr,

### **The Environment and Rural Affairs (Revocation and Consequential Provision) Regulations 2024**

I wish to inform the Committee of the intention to consent to the UK Government making and laying The Environment and Rural Affairs (Revocation and Consequential Provision) Regulations 2024 (“the Regulations”). The Regulations will be made using powers in Section 14 of The Retained EU Law (REUL) (Revocation and Reform) Act (“the REUL Act”).

The Regulations will revoke legislation identified as redundant following the UK’s exit from the EU, which was not included in Schedule 1 of the REUL Act. Revocation of these instruments will have no policy effect in Wales and will reduce unnecessary complexity in the statute book.

Although the Welsh Government’s general principle is that the law relating to devolved matters should be made and amended in Wales, on this occasion, it is considered appropriate for the UK Government to legislate on a GB-wide basis. This approach would ensure redundant legislation is revoked equally across the nations to which they applied.

The Regulations will be laid before the UK Parliament on 11 March.

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I have written similarly to Huw Irranca-Davies MS, Chair of the Legislation, Justice and Constitution Committee and Paul Davies MS, the Chair of the Economy, Trade and Rural Affairs Committee.

Yours sincerely,

A handwritten signature in black ink that reads "Lesley Griffiths". The signature is written in a cursive style with a large, sweeping 'L' and 'G'.

**Lesley Griffiths AS/MS**  
**Y Gweinidog Materion Gwledig a Gogledd Cymru, a'r Trefnydd**  
**Minister for Rural Affairs and North Wales, and Trefnydd**

Julie James AS/MS  
Y Gweinidog Newid Hinsawdd  
Minister for Climate Change

Lee Waters AS/MS  
Y Dirprwy Weinidog Newid Hinsawdd  
Deputy Minister for Climate Change

Ein cyf/Our ref: MA/JJ/05264/24

Llŷr Gruffydd MS  
Chair  
Climate Change, Environment and Infrastructure Committee  
Welsh Parliament  
Cardiff Bay  
Cardiff  
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1 March 2024

Dear Llŷr,

Thank you for the Climate Change, Environment and Infrastructure Committee's report on its Scrutiny of the Government's Draft Budget 2024 – 25. We are grateful for the Committee's work on this. Please find attached the Welsh Government's response.

Yours sincerely,



**Julie James AS/MS**  
Y Gweinidog Newid Hinsawdd  
Minister for Climate Change



**Lee Waters AS/MS**  
Y Dirprwy Weinidog Newid Hinsawdd  
Deputy Minister for Climate Change

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

# Response to Climate Change, Environment and Infrastructure Committee’s report on its Scrutiny of the Government’s Draft Budget 2024 – 25

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## **Transport**

### **Recommendation 1**

The Minister should explain the discrepancy between the written evidence of £150 million reallocated and the TfW revenue Budget Expenditure Limit (BEL) of £110.8 million, specifying where the approximately £40 is held, and how / when it will be used

#### **Response: Accept**

TfW's initial cost estimate received last summer indicated a gap with last year's published indicative budget of approximately £150m. In light of the cross-WG budget challenge, we have since worked closely with TfW to manage this gap including a review of both costs and revenues which has resulted in a reduction in their budget requirement of £11m. In addition, we expect additional revenue from other income next year to increase by around £19m including a change in the process of allocating and estimating the funding from the UK Government to operate, maintain, and renew the CVL infrastructure agreed at the time of transfer of the ownership of this infrastructure. The final value of these income streams will not be known until next financial year. However, given the uncertainty and the ongoing budget pressure, we continue to work with TfW to identify options to further reduce costs and increase revenues over the coming months.

### **Recommendation 2**

The Minister should outline a clear and detailed plan, including timelines, for reducing the gap between rail costs and farebox revenue in the context of changing passenger use patterns and high inflation. This plan should articulate when additional funding provided to TfW will no longer be necessary.

#### **Response: Reject**

It is likely that rail services in Wales will always be dependent on a certain level of public funding, however it is a priority for the Welsh Government and Transport for Wales to reduce this level of subsidy to a sustainable level. Patronage and passenger revenue are recovering with longer distance services busier than pre-pandemic averages, with Sundays in particular seeing growth. This is beginning to reduce the gap between costs and income, and we are also working closely with Transport for Wales on a range of rail affordability measures to further reduce the gap.

It is not currently possible to set a date when additional funding above the subsidy level set in 2018 will no longer be required. This is due to the continuing change in passenger demand and usage of rail services compared to those planned for in 2018. The rail affordability measures Transport for Wales are delivering will be included in their business plan which we will monitor via existing governance processes and enhanced mechanisms.

### Recommendation 3.

The Minister should provide assurance that appropriate controls are in place to manage the delivery of the Metro project and the replacement of rolling stock.

#### Response: Accept

The committee can be assured that there are several layers of governance overseeing the Core Valley Lines Transformation Programme, the wider South Wales Metro programme, and our rolling stock investment. Welsh Government officials are engaged in the detail of schemes through direct engagement with delivery teams, as well as routine strategic oversight at a senior level.

Transport for Wales utilise a specifically developed reporting system which provides safety, cost, programme, performance and risk information direct from the delivery projects to support monthly director level reviews. The complex engineering and delivery programme integration between new infrastructure and new rolling stock testing is monitored daily with multiple contributing organisations and disciplines, to ensure that any challenges in the fleet introduction programme are resolved quickly. We have been working hard with Transport for Wales to increase accountability, scrutiny, and importantly transparency. New forums and reports have been introduced to share and publish information. This is particularly important in the context of increasing responsibilities and budgets.

We are now entering the final phases of the Core Valley Lines transformation, and the majority of the new rolling stock is now delivered.

### Recommendation 4.

The Minister should update the Committee on the introduction of rolling stock, including the total number of trains on order of each type, where each will operate, how many have been delivered and the planned phasing for the remainder.

#### Response: Accept

The table below summarises the current position for rolling stock ordered for the current franchise:

Class of Train	Delivered	Awaiting	Total	Total delivered %	In daily service	In service %
230	5	0	5	100%	2	40%
231	11	0	11	100%	8	73%
756	24	0	24	100%	0	0%
398	14	22	36	39%	0	0%
197	43	34	77	56%	32	42%
Mark 4	7	0	7	100%	4	57%
Total	104	56	160	65%	46	29%
Trains required for average weekday services				111		
Percentage of trains in service which are new				41.4%		

Mark 4s and Class 197s are inter-regional trains operating longer main line services. Class 197s can be operated on any of the Wales & Borders services and will all be available for service by mid-2025. They currently operate on inter-regional services and on the Wrexham-Bidston Line. Class 230s operate exclusively on the Wrexham-Bidston Line.

Class 231s operate on the Rhymney Line to Penarth. These will be reassigned to wider South Wales Metro area services in the future. Class 756 trains and Class 398 tram-trains will operate on the Core Valley Lines and are dependent on overhead electrification. There will be phased introduction from mid-2024, ending in mid-2025.

### **Recommendation 5.**

The Minister should ensure that TfW and local authorities are engaging effectively with passengers and other citizens to better explain the vision of a multi-modal public transport system and the process that is being taken to achieve that.

#### **Response: Accept**

Transport for Wales are supporting Local Authorities and Corporate Joint Committees in developing their Regional Transport Development Plans (RTPs) which will set out each region's vision for a multi-modal integrated transport plan. This will involve engagement with all citizens (passengers and non-passengers) to understand their priorities and how we can make our public transport as safe, accessible and welcoming as possible.

### **Recommendation 6.**

The Minister should set out what work has been undertaken to assess the impact of the allocations in the 2024-25 budget on bus service levels considering the broadly flat revenue budget and the effects of inflation.

#### **Response: Reject**

It is the legal duty of local authorities to secure appropriate passenger transport. The vast majority of local authorities supplement the revenue support from Welsh Government with their own funds. It is therefore not possible to assess the impact of our budget on bus service levels.

The budget allocation for this year will mean that over £115m will directly support the provision of bus services.

### **Recommendation 7.**

The Minister should provide further information on the change of approach to bus funding, including details of the new Bus Ancillary funding stream and its purpose, as

well as how this differs from each of the discontinued funding streams giving the benefit in each case.

**Response: Accept**

This was an administrative change amalgamating various smaller budget lines. This change will allow us to manage the budget more dynamically. I will be happy to set out the detail of this following publication of the final budget.

**Recommendation 8.**

The Minister should publish guidance for local authorities on the operation of the Bus Network Support Grant.

**Response: Accept**

Officials are presently finalising the Bus Network Grant (BNG) guidance and conditions for Lead Authorities to use in securing bus services through their statutory duties and in administering the scheme with local authorities in their region. This will be provided as annexed schedules within the grant award letters that will be issued to Lead Authorities before the commencement of the new scheme.

**Recommendation 9.**

The Minister should clarify the criteria for allocating the Bus Network Support Grant and how it will interact with the existing Bus Services Support Grant. The Minister should update the Committee on the operation of the grant within the next six months.

**Response: Accept**

Officials have had a number of discussions with ATCO and WLGA to determine and agree the allocation of BNG across all regions which was accepted at the WLGA executive board meeting that was held on 19 January 2024.

Officials have already had a number of discussions with bus industry stakeholders including trade associations, local authority transport representatives (ATCO) and the Welsh Local Government Association to explain the interaction between BNG and the existing Bus Services Support grant (BSSG). BNG will be introduced as a mechanism to fund local authorities to secure socially necessary bus services that will not be provided commercially when the BTF scheme comes to an end on 31 March 2024 and over and above what is already provided through BSSG. BNG will run for FY2024 – 2025 whilst a review of BSSG takes place due to the complexity of the scheme, with the aim of combining both schemes into one from 1 April 2025, acting as a bridge to franchising. It will also provide local authorities with greater control to plan bus services in their regions as well as bringing stability to bus networks across Wales.

### **Recommendation 10.**

The Minister should provide details on the progress of cross-government efforts to address transport barriers that young people face in accessing education and employment.

#### **Response: Accept**

Enabling more children to walk, scoot and cycle to school is a key priority for the Welsh Government. All local authorities must plan networks of walking and cycling routes, and we have made it a condition that all schools must be served by active travel routes. We are also encouraging local authorities across Wales to introduce School Streets, which involve road closures around schools at the start and end of the school day.

We are making roads safer and more welcoming for children to walk, cycle, and to play out, by setting speed limits on streets in built up areas to 20mph as a default – but giving Councils the ability to exempt roads.

One of the key aims of the Welsh Government's Transport Strategy, Llywybr Newydd, is to reduce the cost of sustainable travel for everyone in Wales, including young people, and we are currently looking at a range of options to make travel by public transport and active travel choices easier and more affordable for all in the community. However the challenging budget position means we have had to prioritise funding to ensure essential services are maintained whilst keeping fares as low as possible

### **Recommendation 11.**

The Minister should provide an update to the Committee on efforts to address local government capacity and capability issues in relation to active travel. The Minister should set out what actions are being taken to encourage local authorities to increase collaboration to maximise capacity.

#### **Response: Accept**

CJCs will work collaboratively with TfW to include their Active Travel priorities within their Regional Transport Plan and Strategic Development Plan to ensure that active travel is integrated with other transport modes in future planning and delivery of transport services.

### **Recommendation 12.**

The Minister should clarify whether the allocated funding for active travel will be sufficient to fund proposed schemes and, if not, what criteria will be used for prioritising these schemes.

**Response: Accept**

The majority of funding from the Active Travel Fund is allocated on the basis of a competitive application process, with the strongest applications being awarded funding. The application guidance and scoring criteria were issued to local authorities in December 2023, after local authorities received the outputs from the route prioritisation tool in October.

**Recommendation 13**

The Minister should provide an update within the next six months on progress taking forward the recommendations from the Cross-Party Group on Active Travel.

**Response: Accept**

We will provide an update before summer recess.

**Recommendation 14.**

The Minister should clarify whether funding has been allocated to local authorities for the promotion of active travel as per their new duties under the Air Quality and Soundscapes Act.

**Response: Accept**

There has been no funding allocation to local authorities specifically for their new duties under this Act, which will come into force by the end of 2024 when the relevant provisions will be commenced. Before then, we will develop statutory guidance, in consultation with local authorities.

**Recommendation 15.**

The Deputy Minister should provide further details on plans for encouraging electric bike use, including whether innovative financing opportunities have been explored.

**Response: Accept**

We have extended funding for the E-move project and the 'Seeing cycling differently' projects until the end of the 2023-24 financial year and both schemes continue to gather monitoring data which provides valuable insights on the use of e-cycles and e-cargocycles. Sustrans, who deliver E-move, are in discussions with a range of organisations to discuss the best options to enable continued beneficial use of the fleet cycles. Planned work on setting up an interest free e-bike purchase loan scheme, using Financial Transactions Capital has had to be put on hold due to budget pressures that meant that scheme administration costs could not be funded.

**Recommendation 16.**

The Minister should provide a breakdown of the Bus Capital BEL and active travel funding, including the spend per capita. We ask that a five-year time series be provided for each as in past years.

**Response: Accept**

We will provide a breakdown of the Active Travel capital funding in May 2024.

**Recommendation 17.**

The Minister should clarify how the sustainable transport hierarchy is reflected in budget allocations, both in terms of the budget process and the specific funding levels allocated to each level.

**Response: Accept**

The Wales Transport Strategy prioritises making best use of existing transport infrastructure by maintaining and managing it well and adapting it to climate change and more sustainable transport choices. When new infrastructure is required, we will give priority to interventions that support walking and cycling, public transport and ultra-low emissions vehicles over other private motor vehicles.

The hierarchy is used to guide decisions on the projects Welsh Government takes forward or supports. This does not necessarily mean that funding will be allocated in proportion to the hierarchy because different interventions have different costs. For example, one new rail investment project may cost many times the amount of maintaining existing infrastructure.



## **Biodiversity**

### **Recommendation 18.**

Should the Welsh Government's financial circumstances improve, the Minister should consider increasing the budget allocation for 2024- 25 to expand and scale up the Nature Network Programme.

#### **Response: Accept**

If additional funding were to become available, I will consider increasing the budget allocation for the Nature Networks Programme in line with the biodiversity deep dive recommendation to increase the scale and pace of delivery to help meet our 30x30 target.

Given the pressures on the public purse we will continue to explore the opportunities for additional funding from other sources to support our nature recovery ambitions.

We will also look to align capital investment where there are shared outcomes such as the Teifi catchment proposal which has the potential to deliver multiple outcomes.

### **Recommendation 19.**

The Minister should commit to ensuring the revised Nature Recovery Action Plan is costed to support strategic public investment in nature, enhance transparency and support scrutiny.

#### **Response: Accept in principle**

Developing costed long term actions are challenging given inflationary price pressures. I am, however, willing to consider costing the strategic short term actions.

The plan will demonstrate, however, how 'Team Wales' will collectively take action to address the priorities and actions contained in the plan and will be regularly reviewed as part of the governance arrangements.

Alongside the biodiversity target development work we will be refreshing the Nature Recovery Action Plan to reflect these emerging targets and will constitute our strategy and action plan in response to the targets agreed as part of the Global Biodiversity Framework. A suite of indicators will also be developed to monitor progress.

### **Recommendation 20.**

The Minister should explain how she is working in collaboration with the Minister for Rural Affairs to maximise the impact of limited funds for biodiversity, including through the proposed Sustainable Development Scheme.

**Response: Accept**

I work closely with cabinet colleagues including the Minister for Rural Affairs to ensure biodiversity is integrated into decision making across cabinet to make sure we are meeting our PfG commitment to tackle the climate and nature emergencies.

The Sustainable Farming Scheme (SFS) will be key in delivering our ambitions in relation to 30x30 and nature emergency, especially through optional and collaborative elements. We have included proposals in the Universal Layer of SFS that 10% of each farm will be managed as habitat which will also benefit a wide range of species.

Following the closure of the current consultation, I along with officials will continue to work closely with the Minister for Rural Affairs and colleagues including NRW to ensure SFS delivers for biodiversity when launched in 2025 and through the transition period as the scheme further develops.

**Recommendation 21.**

Within six months of the publication of this report, the Minister should report to the Committee on progress made towards developing an innovative and sustainable finance model to deliver nature recovery. This should include the draft guiding principles for responsible private investment to support nature recovery.

**Response: Accept**

I will report to the Committee on the progress made towards developing a sustainable delivery model for nature recovery in six months, including the draft principles. Increasing the scale and pace of action to tackle biodiversity loss and meet global goals by 2030 will require diversifying available funding. I will continue to work with stakeholders to identify opportunities for additional funding that avoids greenwashing, and reflects a values led, high-integrity market for responsible investment that helps deliver positive, social, economic, environmental and cultural well-being of Wales.

**Recommendation 22.**

The Minister should commit to ensuring the innovative and sustainable finance model is finalised ahead of the budget planning process for 2025-26 and used to inform spending decisions.

**Response: Accept in principle**

The sustainable delivery model is an important part of scaling up the pace of delivery for nature recovery, however, its focus is primarily on looking at funding additional to that provided by the public sector, My officials, alongside the environmental sector, have, however, been working with Welsh Treasury and the Business Improvement

Advisory Group (BIAG) to ensure biodiversity has been included in the latest Welsh Treasury Business Improvement Plan under Prevention alongside Climate change. This will ensure biodiversity is better integrated into Budget Planning and used to inform spending decisions.

### **Recommendation 23.**

The Minister should clarify how much funding has been allocated in the draft budget 2024-25 to support the delivery of the Biodiversity Deep Dive recommendations and actions and commit to publishing the second biannual update on progress towards delivering the recommendations and actions before the end of February 2024.

### **Response: Accept**

It is difficult to provide a specific allocation but circa £19m has been allocated to continue to deliver initiatives that support the delivery of the recommendations such as the Nature Networks, Marine Protected Area and National Peatlands Action Programmes, LIFE projects and Natur am Byth. We have also provided funding for Local Nature Partnerships and through the Coastal Capacity Building scheme to support local action.

Funding allocated to other divisions also support the delivery of the recommendations for example through Local Places for Nature and support for farmers through the Habitat Wales scheme.

A further £500k has been allocated to continue the work of the biodiversity taskforce whose aim is to coordinate the PfG commitment of mainstreaming decision making across government and with partners for the benefit of biodiversity.

Some of the recommendations have not required specific funding to be allocated to them but are being taken forward. For example the development of legally binding targets for biodiversity and refreshing the Nature Recovery Action Plan and implementing the policy protection afforded to SSSIs through Planning Policy Wales.

I am committed to publishing the second biannual update, however due to resource pressures on developing and publishing the white paper on targets it will now be published in March 2024.

## **Marine**

### **Recommendation 24.**

The Minister should reassure the Committee that the reduction in revenue funding from £1.9 million to £1.7 million will not adversely impact critical marine policy areas, particularly ongoing projects such as the "Assessing Welsh fishing activities in MPAs" project.

#### **Response: Accept**

Funding across marine programmes has been prioritised to ensure that critical delivery of existing programmes is not impacted by the reduced budget allocation this year. I can confirm that funding, equivalent to that of last year, has once again been allocated to the Assessing Welsh Fishing Activities (AWFA) project, for the next round of assessments.

### **Recommendation 25**

The Minister should provide details regarding alternative funding streams and partnership opportunities being explored to mitigate the impact of the £250,000 budget reduction. This should include specific strategies for funding projects in crucial areas like seagrass conservation.

#### **Response: Accept**

Alternative funding mechanisms are available including the Nature Networks Fund which seeks proposals to improve the condition of the MPA network. The MPA Management Grant Scheme is, similarly, a mechanism inviting proposals which improve the resilience and management of the network. Key stakeholders involved in seagrass conservation have been made aware of these schemes. Furthermore, the Coasts and Seas Partnership are developing a voluntary funding mechanism, the Marine Resilience and Improvement of Natural Ecosystems (MARINE) Fund Cymru to support both ecologic and socio-economic actions to improve the resilience of the marine environment.

### **Recommendation 26.**

The Minister should reiterate the commitment to the Marine Conservation Zone (MCZ) designation programme and confirm that the latest budget allocations will not hinder the progress of the formal consultation on proposed MCZ sites scheduled for Spring 2024.

#### **Response: Accept**

I remain committed to the delivery of the Marine Conservation Zone designation programme. Officials continue to develop and assess recommendations for potential future sites that will meet the habitat shortfalls in our network. Budget allocations will

not impact on this project, however, timescales for consultation have been delayed to winter this year.

**Recommendation 27.**

The Minister should provide a clear and detailed timetable for delivering regulatory impact assessments and site location decisions for completing the Marine Protected Area (MPA) network.

**Response: Accept**

An invitation to tender will be released this month to deliver a regulatory impact assessment for proposed sites. This assessment will comprise a critical component of final recommendations for proposed sites to be taken forward for consultation in winter this year.

**Recommendation 28.**

The Minister should explain how she is working in collaboration with the Minister for Rural Affairs to maximise the impact of limited funds for marine policies, particularly through allocations for fisheries and associated matters.

**Response: Accept**

I have worked in close collaboration with the Minister for Rural Affairs to maximise the impact of fisheries funding on the marine environment. This includes the Wales Marine and Fisheries Scheme which provides funding for both fisheries and the marine environment. For example, the Coastal Capacity Building Fund as part of this scheme is providing around £1m to support involvement of local communities in managing the marine environment.

## **Decarbonisation of Housing**

### **Recommendation 29.**

The Minister should explain the expected outcomes from the £35m capital investment in the Warm Homes Programme for 2024-25, including a projection of the number of homes that will benefit from energy efficiency measures.

#### **Response: Accept**

The budget allocation for the Warm Homes Programme in 2024-25 is £30m for the new demand-led scheme and £5m of grants to local authorities for remedial works related to historic schemes. The £30m will help us deliver the scheme's twin objectives of tackling fuel poverty and the climate emergency by assisting those least able to pay to respond to the cost-of-living crisis and ensuring a just and affordable transition to low carbon homes. The number of homes treated will depend on the mix of properties that applicants bring forward for support and consequently the complexity of measures recommended. However, our estimate is for 1,500 low-income households to benefit per annum.

There will be significant positive outcomes for individuals because of this programme. We are seeking an aggregate total of £45 million reduction in energy bills over the lifetime of the programme. It is anticipated that the energy efficiency improvements will also enable households in fuel poverty to heat their homes to a more comfortable level and in addition to thermal comfort, warmer and dryer homes will bring health benefits to residents.

We also expect to see significant benefits to society because of the reduction in carbon emissions, modelled at over 2 million tonnes over the lifetime of the programme. Installers and manufacturers of low carbon technologies will also benefit, as the contract with the delivery agent requires the use of installers based in Wales. This will bring more income for these local trades and will generate the need for more skilled workers within these businesses. This additional revenue for the local trades is likely to be spent locally, further spreading the positive impacts of the scheme. Supporting the installation of low carbon technologies will build the supply chain which will be crucial in the wider transition to a low carbon economy.

### **Recommendation 30.**

The Minister should provide an indicative timeline for the development of a fully costed plan for decarbonising existing social housing stock.

#### **Response: Accept in principle**

Progress has been made under the Optimised Retrofit Programme (ORP), to understand how to retrofit the Welsh social housing stock in the most efficient and cost-effective way. Providing an accurate cost however is challenging as social housing in Wales is diverse and therefore it would be naïve to apply a one size fits all

approach. Building on the progress from the ORP, the Welsh Housing Quality Standard 2023 launched last October with additional requirements for all social landlords in Wales to undertake Whole Stock Assessments and create Targeted Energy Pathways for each home by 31 March 2027. This was introduced to provide a more accurate understanding of the work to be completed to decarbonise the existing social housing stock and for a costed and planned approach for all existing social housing to meet EPC A.

The difficulty in providing an accurate depiction of costs is further exacerbated by the difficulties social landlords are having in procuring appropriate suppliers of products & services especially those accredited to the appropriate standards. Through ORP, we are currently working with social landlords to understand the true costs, the ease of access of supply chains and the availability of skilled professionals to undertake the work.

To understand the scale of the challenge, every angle needs to be understood and factored including landlords' ability to access finance to help undertake the work. Welsh Government intervention will only represent part of the solution to decarbonisation of social housing. Working in partnership with a number of local authorities and registered social landlords, a task and finish group is exploring the financing options available social landlords, including financial models, piloting options and knowledge share.

### **Recommendation 31.**

The Minister should report back to the Committee on: Scrutiny of the Welsh Government Draft Budget 2023-24

- the findings of the review of the distribution of Optimised Retrofit Programme funding; and
- progress towards agreeing a long-term funding approach to support the social housing sector to decarbonise.

### **Response: Accept**

Early feedback from social landlords and Welsh Government Officials is positive about the operation of the current iteration of the Optimised Retrofit Programme (ORP). In particular, that it promotes equality and inclusivity especially since the move to a stock-based system as opposed to a competitive bidding process. Preliminary evidence suggests that many of those social landlords that were on the beginning of their decarbonisation journey at the start of ORP have accelerated to similar levels and at times match those that have been on the journey longer. Officials continue to assess the current round of ORP, through the revised distribution mechanism and are looking at methods to improve the distribution of funds in the 24-25 financial year in particular to enable funds to be distributed as early as possible in the year.

Officials will begin to review the outcomes in depth in the 24-25 financial year. To date significant quantitative and qualitative data has been and continues to be gathered by the team. This information should lay a solid foundation to understand



what is needed next and when combined with the Route Map for Residential Decarbonisation being drafted by the Decarbonisation Implementation Group should help set a clear strategy and pathway forward.

The Net Zero Carbon Hwb (<https://zerocarbonhwb.cymru/>) has been recently launched which includes a dedicated finance workstream to help understand and steer potential funding approaches for the decarbonisation of the social housing sector. This combined with the task and finish group mentioned above in recommendation 30, should help analyse and understand the funding options available. A long-term funding approach however is not solely for Welsh Government, this is for social landlords to truly understand their stock and create financial plans based on the enabling information and tools provided including those provided by Welsh Government.

The Hwb has a number of workstreams including Net Zero Skills, supply chain and a policy forum. The Hwb online community made up of members of staff from Local Authorities, Registered Social Landlords and Welsh Government is scheduled to launch in April. Its focus is to share lessons learnt.

### **Recommendation 32.**

The Minister should explain how the Welsh Government is engaging with the ‘able-to-pay’ sector to actively encourage householders to retrofit their homes.

### **Response: Accept**

It has been no secret that to date Welsh Government has targeted the decarbonisation of socially owned homes in the first instance, agreeing to prioritise investment in social housing through the funding made available to social landlords through the Optimised Retrofit Programme (ORP).

Our Warm Homes Programme focuses on households who are least able to pay for improvements themselves in the owner-occupier, private rented and housing co-operative sectors. We are on track to launch our new Warm Homes Programme on 1 April. The new scheme will continue to be our primary mechanism for tackling fuel poverty and also serve the objective of reducing the climate impacts of our housing stock. All households in Wales, not just those in, or at risk of fuel poverty, will continue to be eligible to access the new programme for advice and support on how best to fund these measures. Welsh Government recognise householders require good quality and trusted advice to undertake their decarbonisation journey and we believe to maintain confidence in the advice provided, it is important for the advice afforded under the Warm Homes Programme be independent from any installations undertaken by the scheme.

As noted below in recommendation 33, we are also in the process of developing a ‘test and learn’ pilot with Development Bank of Wales which will target the ‘able to pay’ sector that we hope to have operational in the 24-25 financial year.

The Public Domain area of the recently launched Net Zero Carbon Hwb offers insights in to case studies Owner Occupiers can view to help understand retrofit activities.

The Decarbonisation Implementation Group have been challenged to create a 'Route Map for the decarbonisation of all existing homes in Wales' including the 'able to pay' sector. This should set out ambitious targets, innovative solutions, and an action plan for Welsh Government to consider.

The Route Map along with the learnings from ORP should enable a future policy programme and costings to be developed to engage with the 'able to pay' sector and normalise the requirement to ensure Welsh homes are healthy and of good quality.

### **Recommendation 33.**

The Minister should: ▪ clarify the level of funding available for 2024-25 to support the 'test and learn' pilot scheme for able-to-pay owner occupiers; and ▪ provide further details of the pilot scheme, including its duration and how the outcomes of the scheme will be monitored and evaluated.

### **Response: Accept in principle**

The Scheme including its evaluation and monitoring criteria are currently in development however the final iteration has not been agreed or finalised until the funding situation is clear. This is to recognise that staffing resources are limited and need to be prioritised on the right things at the right time. Should the funding bid be successful, further details of the scheme will be published.

We are currently undertaking internal finance discussions to understand the complete requirements and the possible composition of this pilot scheme. It will also be subject to final budget allocations and a successful FTC bid. This pilot will be delivered by the Development Bank for Wales in partnership with Welsh Government. FTC funding is valid for one financial year however subsequent bids can be made for future years.

## Renewable Energy

### Recommendation 34.

The Minister should:

- provide details of work undertaken by the Welsh Government to assess short and medium-term investment needs for the delivery of its new renewable energy targets; and
- explain how these targets have influenced the draft budget 2024-25 allocations.

#### Response: Accept

Our work implementing the recommendations from the Renewable Energy Deep Dive and embedding the actions into our work across government will support the action needed to reach our targets. The area planning work is underway and evidence from this work will provide further clarification on how to decarbonise energy generation in Wales. With Awel y Mor having now received its consent, this will contribute towards our targets. We are working with developers across all technologies to deliver sustainable energy for communities in Wales. We are working with stakeholders to continuously improve our consenting regimes.

### Recommendation 35.

The Minister should explain how she is working in collaboration with the Minister for the Economy to build skills and expertise within the workforce to support the delivery of the new renewable energy targets.

#### Response: Accept

Net Zero Skills Action Plan for Wales has provided an overarching framework to deliver the skills required to support the opportunities we have in Wales. We are working closely with the schools, Universities, Colleges, and industry to ensure we have the skills we need for the renewable energy sector. The Regional Skills Partnerships which operate across the 4 regions of Wales, provide invaluable insight into the skills required across Wales.

### Recommendation 36.

The Minister should provide further details of the aims of Trydan Gwyrdd Cymru; its short, medium, and long-term objectives; and operational arrangements between the company and the Welsh Government.

#### Response: Accept

Trydan Gwyrdd Cymru will be launched in April 2024. Its purpose is to retain as much as possible of the economic and social benefits of renewable developments on

Welsh public land, which can be used to deliver for the people of Wales. Initial priorities will be around establishing a pipeline of potential projects. We will publish more information once the body is launched.

### **Recommendation 37.**

The Minister should clarify: ▪ the revenue allocation in the draft budget 2024-25 to support the work of Trydan Gwyrdd Cymru; and ▪ which BEL the £4.5m capital allocation for Trydan Gwyrdd Cymru sits within, and what outputs this allocation is expected to deliver.

#### **Response: Accept**

The allocation in 2024-25 will be finalised closer to the company's launch. The capital allocation sits in BEL 2809. The funding will support development of renewable energy projects.

### **Recommendation 38.**

The Minister should ensure that, for future draft budgets, Trydan Gwyrdd Cymru has a separate BEL (in line with the approach taken for Ynni Cymru and the Welsh Government Energy Service) to improve transparency and support scrutiny.

#### **Response: Accept in principle**

Trydan Gwyrdd Cymru is one of several mechanisms through which the Welsh Government is supporting the deployment of renewable generation. Project development depends on several variables outside the Welsh Government's control. The current structure allows flexibility to allocate funding where delivery can best be achieved in any year.

### **Recommendation 39.**

The Minister should provide an update on work to develop funding approaches to ensure Welsh ownership of future large-scale renewable energy projects on the public estate can be retained.

#### **Response: Accept**

This work will be progressed by joint working between Welsh Government, Trydan Gwyrdd Cymru and other organisations. Welsh Government will be happy to provide an update, which will follow the establishment of Trydan Gwyrdd Cymru and agreement with the company on the resourcing and timing of this work.

**Recommendation 40.**

The Minister should clarify what projects/outputs the £10m capital allocation for Ynni Cymru is expected to deliver.

**Response: Accept**

Ynni Cymru will expand community owned renewable energy and smart local energy systems, which retain the benefits in Wales. Officials are currently developing the business case for Ynni Cymru, to outline its scope, remit, and parameters of work. In conjunction with this they are developing and accessing a pipeline of potential projects for Ynni Cymru to support.

A further update on progress will be provided later in the financial year.

## **Waste**

### **Recommendation 41.**

The Minister should clarify whether grant funding for local authorities for 2024-25 will be maintained to support the delivery of the statutory target of 70% recycling by 2025.

#### **Response: Accept**

The allocation of capital funding (£46.853m) to support Local Authorities is informed by engagement with them on the projects they have in development, and the size and timing of their funding needs. We will also be retaining as much as possible of the revenue funding through the Sustainable Waste Management Grant (SWMG) which supports Local Authorities' operational costs to improve their performance. The exact level will be clarified once the final budget breakdown in this area has been determined.

### **Recommendation 42.**

The Minister should explain how the impact of the reduction in revenue and capital allocation for 2024-25 on progress towards waste targets for 2025 (set out in Beyond Recycling) will be monitored.

#### **Response: Reject**

The capital funding allocated (£46.853m) is commensurate with our understanding of the funding requirements of the Local Authority projects under development and in delivery for 24-25 and we will be retaining as much as possible of the revenue funding via the Sustainable Waste Management Grant so there will be no significant reduction impacting the delivery of recycling targets to track. Based on the Local Authority plans currently in the pipeline sufficient resources have been allocated for the 2024-25 financial year. We will however continue to monitor delivery by Local Authorities against the statutory minimum targets and the development and delivery of their plans to improve.

### **Recommendation 43.**

Within six months of the publication of this report, the Minister should report back to the Committee on progress towards the development of new statutory recycling targets. Scrutiny of the Welsh Government Draft Budget 2023-24.

#### **Response: Accept in principle**

We will continue to update the Committee on progress, including on the work to update the Blueprint where we have already begun to engage with key stakeholders on the approach to the development of future recycling targets

#### **Recommendation 44.**

The Minister should provide details of budget allocation for 2024-25 to prepare for the introduction of the Deposit Return Scheme and Extended Producer Responsibility for packaging.

#### **Response: Accept in principle**

The Deposit Return Scheme and Extended Producer Responsibility scheme for packaging are both being delivered as joint projects across the UK. As such, the funding for the introduction of the schemes in Wales is part of the wider allocation by HM Treasury from UK funds to DEFRA.

Discussions with DEFRA on the financial implications of the schemes are ongoing, for example around the funding needed for Natural Resources Wales to prepare for its role in regulating the schemes. Welsh Government costs are drawn from existing programme budgets

#### **Recommendation 45.**

Within six months of the publication of this report, the Minister should report back to the Committee on progress towards the introduction of the Deposit Return Scheme. This should include whether the DRS remains on track to go live in October 2025.

#### **Response: Accept**

Officials continue to work closely with those from the three other nations on the development of the Deposit Return Scheme. Timelines are however in the process of being reviewed following the impact of the UK Internal Market Act decision which halted the DRS scheme from going live in Scotland and has had a knock-on effect with the need to look at the implications to the interoperability of the schemes across the four nations. I will report to the Committee on the outcome of the review and the impact on the go live date as requested.

#### **Recommendation 46.**

The Minister should:

- explain how the impact of the reduction in funding for the Landfill Disposals Tax Communities Scheme will be monitored; and
- clarify her position on the future of the Scheme.

#### **Response: Accept**

Outputs from the Landfill Disposals Tax Communities Scheme will continue to be monitored by the Wales Council for Voluntary Action who administer the scheme on behalf of Welsh Government. This will include quarterly reporting and a published annual report.



Although we will not be able to open the Landfill Disposals Tax Communities Scheme to new project proposals at the start of the financial year, we are maintaining funding to support existing projects. The budget will be available to support some further projects. I intend to set out our plan for the future of the Scheme which will be informed by an assessment of its impact and engagement with stakeholders.

## **Natural Resources Wales**

### **Recommendation 47.**

The Minister should provide a detailed outline of the next phase of developing Service Level Agreements (SLAs). This should include the areas to be covered and timelines for their implementation.

#### **Response: Reject**

As provided by NRW in its evidence to this Committee, it has been jointly agreed that further work on the SLAs has ceased due to focussing on other statutory and Government priorities. However, their expected outcomes, outputs and timelines are captured within agreed WG/NRW Governance Framework processes namely the five year Corporate Plan and the supporting yearly Business Plans. This Framework indicates the Minister's role being to approve the NRW produced Corporate Plan, note implementation activities within the yearly Business Plans and to issue a Term of Government remit letter. Accordingly, details of NRW's delivery areas and timelines for their implementation can be viewed by reference to the publicly available Corporate Plan and Business Plans.

### **Recommendation 48.**

The Minister should engage in further discussions with NRW about the impact of the real-terms reduction in funding on NRW's ability to deliver its services. The Minister should report back to the Committee on the outcomes of these discussions and should include information about the service areas that will be affected.

#### **Response: Accept**

The Welsh Government budgetary pressures for 2024-25 are well documented and no organisations are immune to extremely tough budgetary conversations and subsequent decisions.

Welsh Government continues to successfully and positively engage and support NRW as it considers its remit and critically reviews all activities, whilst recognising that delivery of core functions and statutory duties take priority.

Detail on the outcome of NRW's prioritisation exercise will be made available in due course through its 2024-25 Business Plan.

### **Recommendation 49.**

The Minister should update the Committee within the next six months on progress towards restructuring NRW's funding model regarding timber income.

#### **Response: Accept**

As the Committee are aware, the volatility of wood prices and buoyancy of the timber sales market hugely influences NRW's ability to manage its finances and consequently limits the range of activities that they can undertake to manage its forestry estate.

Welsh Government continues to work with NRW to explore and develop alternative arrangements which should provide stability to NRW with respect to financing its forestry operations. The intention is to introduce new arrangements for 2024-25 FY.

Once these arrangements have been finalised and agreed, further detail will be shared with the Committee.

## **Flooding and Water**

### **Recommendation 50.**

The Minister should explain how the findings of NRW's report, Long Term Investment Requirement for Flood Defences (January 2024), will be used to help shape future investment decisions concerning flood and risk management.

#### **Response: Accept**

We will consider the findings of NRW's LTIR report, alongside other reviews (e.g. the National Infrastructure Commission for Wales Review) which are due to report soon. The findings of these reports will be considered by Welsh Government policy teams, supported by the Flood and Coastal Erosion Committee and Flood Risk Programme Board, to ensure investment is prioritised to minimise the impact of flooding across Wales.

### **Recommendation 51.**

The Minister should explain how the impact of the reduction in revenue allocation on flood risk preparedness and the response to future flood events will be monitored.

#### **Response: Accept**

There have been no reductions in revenue allocation made to Risk management Authorities in Wales. The revenue allocation for each Local Authority will remain at £225,000, additionally the revenue allocation for Natural Resources Wales will remain at £24.5M. The challenging financial position and pressures facing all public service across Wales has meant that we have been unable to support the planned £8M revenue uplift to flood and coastal erosion risk management (FCERM) next FY.

### **Recommendation 52.**

The Minister should explain the £22m reduction in capital allocation for 2024-25 for flood risk management and water policy delivery.

#### **Response: Accept**

*From 2024-25 it has been recognised that, as a significant proportion of FCERM is delivered via National Resources Wales, it would be clearer to show the budget on the NRW BEL. This is a presentational change. Significant progress on delivery of NRW schemes resulted in additional spend being brought forward to the 2023-2024 financial year. The NRW budget for 2024-2025 has therefore been amended as a result to reflect the money that has already been paid.*

### **Recommendation 53.**

The Minister should provide a breakdown of the £40m allocation between 2022-2023 and 2024-25 to improve water quality. This should include allocation to date, actions delivered, and details of allocation for 2024-25.

### **Response: Accept**

The breakdown of the £40m allocation is as follows:

2022-2023- £10m

2023-2024- £15m

2024-2025- £15m

The money has been spent on a programme of work targeted at tackling barriers so that we can achieve our duties under the Water Framework Directive of preventing deterioration and improving all water bodies to good status by 2027. Work has been delivered across opportunity catchments, national scale projects, river restoration and protected areas e.g. Special Areas of Conservation (SAC) rivers. The programme for 2024-2025 is due to be agreed imminently.

## **Environmental Governance**

### **Recommendation 54.**

The Minister should:

- clarify the budget allocation for 2024-25 for the Interim Environmental Protection Assessor for Wales's (IEPAW) functions. If the budget does not include a £75,000 uplift, she should explain the reason; and
- commit to ensuring adequate funding for the IEPAW service is made available until such time as the new environmental governance body is established.

### **Response: Accept**

I can confirm that funding of £120,000 has once again been allocated to the Interim Environmental Protection Assessor, for Wales's (IEPAW) functions for 2024-25. The budget continues to include the £75,000 uplift.

Llyr Gruffydd MS  
Chair of the Climate Change, Environment and Infrastructure Committee

5<sup>th</sup> March 2024

Dear Llyr,

**Written follow-up further to TfW's appearance at the Climate Change, Environment and Infrastructure Committee**

Thank you for your invitation to address the Climate Change, Environment and Infrastructure Committee on 22<sup>nd</sup> November 2023. During the session, I promised to follow up on a number of points in writing, and have now collated those points below:

**1. Provide the latest strategic update about TfW's planning for football matches, including TfW's latest meeting with the Football Association Wales (FAW).**

We have held several sessions with the Football Association Wales (FAW) to discuss and share details around upcoming events. Together with members of my senior team, I met with the FAW on 9<sup>th</sup> January to discuss TfW's planning and event strategy for football matches in Wales; we will continue working to build this key relationship over the coming year with regular engagement.

Our Special Events team also presented to the Football Supporters Association on the 15<sup>th</sup> February at Cardiff City Stadium around upcoming customer and operational plans. This also included a deep dive around lessons learnt from previous fixtures. This was well received and the team committed to reattend after the Euro qualifier events on 21<sup>st</sup> and the 26<sup>th</sup> of March. The collaboration between the Special Events Team and the FAW to continue with regular meetings is now planned throughout the year. Customer and operational delivery plans for the Euro Qualifier events on 21<sup>st</sup> and 26<sup>th</sup> March are progressing well, with all additional and strengthened services now showing in planning systems. Agreed messaging will be shared in early March, whilst a robust customer support/event plan is in place for both fixtures, with contingency plans in place around key services. We will have a visible management presence in place on the ground to focus on customer engagement and ensure the best delivery possible on the day.

**2. Provide confirmation of the latest gender pay gap figures for both TfW Rail and Non-Rail, and outline work ongoing to ensure equality.**

The Non-Rail median gender pay gap (GPG) for FY 2022/23 is 14.1%. This has decreased year-on-year since 2020, with GPG decreasing from 32.8% in FY 2021/22, which was a decrease from 33.2% in FY 2020/21.





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The Rail median GPG for FY 2022/23 is 16.2%. This is also decreasing year-on-year, having decreased from 19.2% in FY 2021/22, and from 21.2% in FY 2020/21.

We are currently in the process of drafting our Gender Pay Gap Report for 2023, which will report both entities as one. Our combined GPG figure is yet to be calculated.

In terms of our work towards achieving equality:

- We launched our Employee Resource Groups (ERGs) during National Inclusion Week 2022. Among the groups created is a group which focuses exclusively on gender. Our ERGs are helping us to build a more inclusive workplace environment and address diversity and inclusion in a more holistic, community-based way. Our ERGs provide a safe space for staff who share common interests, issues or concerns to address those issues. The ERGs will support national campaigns and internal events relevant to their subject areas, and also support the development of our 'employee led' EDI objectives.
- In collaboration with the Welsh Government and PTI Cymru, funding was agreed for the Women in Transport Wales Hub, which launched in November 2022. The Hub provides a central point of support and professional development for women already working in transport and for those considering a career in the sector.
- Although a challenging time, the pandemic gave us the opportunity to become more flexible and integrate a hybrid way of working for our support functions and colleagues working in some other areas. This approach is helping to attract and retain talented people who are committed to our purpose and continue to develop flexible ways of working.

### **3. Outline provision of conflict management training and support for frontline staff dealing with aggressive customers.**

In 2024, the Security and Resilience team will undertake a full review of Tfw's conflict avoidance policy and the supporting mitigations in place across the organisation. This will include a revision of the existing policy and associated procedures, while workshops will be provided for frontline colleagues to ensure we fully understand their views and concerns. The first of these workshops is due to take place on the 19<sup>th</sup> March. We will also review our security incident reporting process and dashboard, so that we may better analyse where issues occur across the network and take action where escalating trends require intervention.

We will also be introducing the use of temporary/mobile CCTV to deter and capture incidents which go undetected at present. Finally, conflict avoidance training will be made available to all frontline teams.



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#### **4. Provide the latest update about services to Maesteg, Cheltenham and Ebbw Vale.**

##### Maesteg

Our brand-new Class 197 trains were introduced to the Maesteg - Cheltenham line on 19<sup>th</sup> February. These new trains, built here in Wales, have a number of modern, accessible features to significantly improve customer experience. The Class 197s provide greater capacity, comfortable seating, accessible toilets and spaces, bilingual visual information screens, priority seating, Wi-Fi, charging sockets and bicycle spaces. They will also be significantly more reliable than the older Class 150 trains which have been operating along the line, making disruption less likely; though the Class 150s will still operate some services as we continue introducing our Class 197s during the ongoing transition period from old trains to new. We will also continue working closely with Network Rail and other rail partners to ensure further resilience to services operating between the Tondy signal box and Maesteg.

##### Cheltenham

Together with the Welsh Government, TfW is reviewing its existing timetables and the upcoming changes scheduled for future timetable changes to recognise the significant changes to post-pandemic travel patterns and ensure that our timetables best meets the demands of customers. All timetable changes are within the scope of this review.

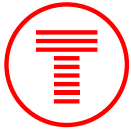
As noted above, we have now introduced Class 197s on the Maesteg line, which operates as far as Cheltenham. We are currently working closely with CAF, who build the Class 197s trains, to understand when the remaining deliveries will take place and when the fleet will be large enough to support these extra services.

##### Ebbw Vale

I am also pleased to confirm that regular rail services between Ebbw Vale and Newport were introduced for the first time in more than 60 years on 1<sup>st</sup> February, thanks to a £70m investment from the Welsh Government and a close collaboration between TfW, Network Rail and Blaenau Gwent council. Work included the extension of a passing loop between Crosskeys and Aberbeeg, upgrades to signalling, and the installation of new platforms and lifts at both Newbridge and Llanhilleth stations. As a result of this significant investment, the frequency of trains along the Ebbw Vale line has doubled, making a considerable difference to all the communities along the route. We will also introduce new trains to the line in spring 2024.

#### **5. Outline the different challenges posed by summertime and wintertime conditions on the cancellation of rail services and provision of rail-replacement bus services.**

Extreme summertime and wintertime weather conditions can impact rail services for a number of reasons. The steel railway tracks may absorb too much heat in high temperatures, which could result in the track expanding or even buckling.



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Railway tracks are installed to a Stress-Free Temperature (SFT) of 27c, and a series of mitigations are in place to minimise disruption and ensure safe operation of the railway when this temperature is reached or exceeded. When temperatures exceed 27c, a dedicated watchman is placed on site to monitor lateral movement of the rail and impose speed restrictions if necessary (or to place the line on stop in extreme cases).

To prevent this happening in the first place, tracks are painted white in areas prone to high rail temperatures, while we have also installed weather stations across the CVL to monitor air temperatures and now have 12 months' worth of data to indicate trends.

While we work to source alternative road transport when services are disrupted or cancelled as a result of extreme heat, it is important to note that this can also be impacted by specific summertime challenges. The number of buses available to provide alternative road transport for rail passengers can be impacted by operators completing summer tours and also increased demand for travel to and from popular holiday destinations.

In addition, the number bus drivers available to provide this service is also impacted during the summer holidays as many take annual leave during this period.

Finally, an increase in road traffic to and from popular holiday destinations during the summertime can slow down the arrival of a rail-replacement bus service, causing delays, while extreme heat may also impact vehicle reliability.

Extreme weather in the wintertime, such as heavy rain and flooding, snow and ice, can also impact the running of the railway. Flooding may damage the electrics of signalling equipment, while speed restrictions are often imposed on trains travelling along flooded tracks, delaying services. Snow and ice can adversely impact the tracks, while trains cannot run in deep snow. Train reliability is also adversely impacted by extreme winter weather, meaning they require more maintenance and repair.

To mitigate against this, winterisation management plans are put in place each year for our fleet and our trains are prepared for cold weather conditions in line with vehicle maintenance instructions. Additional materials and spare train parts are stocked in stores at key locations, while we ensure all operational staff are familiar with rule book requirements during cold weather conditions.

While we work to source alternative road transport for passengers when services are disrupted or cancelled as a result of extreme winter weather, it is important to note that this can also be impacted by specific wintertime challenges. Extreme winter weather can impact road conditions, station accessibility, the speed of a rail-replacement bus service and the ability of operators to deploy buses to every corner of the TfW network. Extreme winter cold may also impact vehicle reliability.



## **6. Outline the power constraints encountered for the electrification of the Rhymney line.**

The initial designs for the CVL transformation in Rhymney included a connection to the National Grid in the Rhymney area to provide the power needed to charge the batteries of the tri-mode trains (both during the turnaround at Rhymney Station as part of the timetabled service, as well as overnight while stabled in Rhymney Sidings).

Through development of the Rail System design, we worked with our supply chain and Western Power to refine the electrical loading details that powering the tri-mode trains would have on the local electricity network. Design development concluded that the initial “in rush” load from the connection of the trains to the power supply, as well as the potential fault loading if issues occurred, would overwhelm the local grid network.

In order to provide sufficient power, which is essential for operation of the tri-mode trains in the area, the CVL Transformation Programme considered multiple options, including upgrades to the existing grid network, installing a dedicated renewable supply (solar), providing a cable connection to the planned rail power network, and extending the railway overhead line to provide a route for the power from the planned rail power network.

From a commercial, programme and operational resilience point of view, extension of the overhead line above the railway was selected to provide the necessary power to the Rhymney area. In addition to being the lowest cost solution, the extended overhead line provides an increase to operational resilience by allowing the train to run on electrical supply (rather than battery) between Bargoed and Rhymney.

## **7. Provide an update on the electrification of the North Wales line, including the latest communications from UK Government/Network Rail and an outline of any timescales.**

At this stage, the potential cost of electrifying the North Wales line, as well as the funding package and any requirements of TfW, remain unknown. Further collaboration with Network Rail, Welsh Government, UK Government and other relevant stakeholders is needed to fully understand the feasibility and full cost of this work.

Network Rail engaged TfW as a key stakeholder and then developed a paper outlining initial thoughts and recommendations. The resulting paper builds upon the extensive North Wales Metro development work led by TfW over the past few years, but with the additional scope of electrification and the resulting journey time improvement. It is important to note that so far to date, TfW has served only as a consultee in this process.

In a stakeholder briefing issued in January, Network Rail advised that the UK Department for Transport (DfT) will consider these recommendations when discussing funding arrangements and any conditions/targets that will accompany it. It is likely that DfT will engage with Network Rail in the new financial year (FY 2024/25) to explore the next steps for development work and delivery (if discussions progress positively).



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I trust the committee will find the content of this written follow-up to be detailed and informative, and I welcome any additional questions you may have. If I can be of any further assistance, please do not hesitate to get in touch.

Yours sincerely,

James Price  
Chief Executive, Transport for Wales.



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Llyr Gruffydd MS  
Chair of the Climate Change, Environment, and Infrastructure Committee

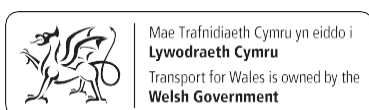
05 March 2024

Dear Llyr,

I wish to provide you and the committee with an update on the plans Transport for Wales have developed for the Euro 2024 qualifier play-off match between Wales v Finland at Cardiff City Stadium on 21 March, before facing either Poland or Estonia on Tuesday 26 March, which as you know may be a play-off final or international friendly depending on the result of the Finland game. We in Transport for Wales recognise the significant role we play in supporting the success of these events and welcome your challenge in ensuring we provide the best service we can for fans from across Wales.

I recognise that TfW has previously faced operational challenges when delivering services on international football match days - especially for fans travelling between North and South Wales. We have heard strongly the concerns raised by fans and we want to improve our offer and build the trust and confidence with those traveling fans. I'd like to reassure you and the committee that I have personally met with the Football Association of Wales in early January 2024, to ensure that lessons learnt from previous fixtures are put into action in advance of the upcoming matches. I was grateful for the feedback from FAW and the supportive way they have approached facilitating conversations between ourselves and Wales football fan representatives. TfW's special events team presented and briefed the FAW and the Football Supporters Association (FSA) at Cardiff City Stadium on the 15 February, outlining the upcoming arrangements for both fixtures. An agreement has been reached to attend follow up sessions with the FSA, and scheduled meetings throughout the remainder of the year have also been agreed.

I have summarised on the following page the plans we now have in place for the forthcoming fixtures. The details are already in journey planning systems and we expect to publish the full details through a public announcement shortly.



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### Service overview

Strengthening of key North - South rail services are scheduled for the following:

#### Inbound

- 10:40 departing Holyhead – arriving at Cardiff Central 15:10
- 12:30 departing Manchester Piccadilly – arriving at Cardiff Central 15:42

#### Outbound

- 22:47 departing Cardiff Central – arriving at Wrexham 01:32, Chester 01:48 & Crewe 02:14\*
- 23:39 departing Cardiff Central – arriving at Hereford 00:42

\*The late departure will allow time for customers to make their way from the stadium should there be any additional extra time/penalties at the match.

To support the above, we have strengthened the first service heading north the following day (22nd March which will coincide with hotel check-out times. This is the 11:25 from Cardiff Central, arriving at Holyhead 16:15.

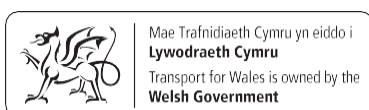
We have explored the aspiration to run a service through to Holyhead post-match, but this would prove particularly challenging due to scheduled engineering works, the need for extended signal box staffing and additional train crews. The team did investigate the option, but it was evident that if we were to operate, our customers wouldn't arrive until approximately 05:00 the following day. We have also scheduled strengthening of services on the following key routes:

- Cardiff Central to Ninian Park, Ninian Park to Cardiff Central – Pre & post-match
- Cardiff Central to Newport – Post match
- Cardiff Central to Hereford – Post match
- Treherbert to Cardiff Central (vice versa) – Post match
- Rhymney to Cardiff Central (vice versa) – Pre & post-match
- Merthyr to Cardiff Central (vice versa) – Post-match
- Aberdare to Cardiff Central (vice versa) – Post-match

The last services west are the 23:15 departing Cardiff Central, arriving Carmarthen 01:42, and the 23:59 departing Cardiff Central, arriving Swansea 00:52.

### Engineering works

To deliver the above plans, we have requested midweek night engineering works to be amended – this allows normal service and additional services to operate in line with the event plan. We have worked closely with our partners in Amey Infrastructure Wales and Network Rail to facilitate these requests to allow the following routes to operate as normal:



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### 21 March 2024

- Treherbert Line
- Rhymney Line
- Merthyr Tydfil/Aberdare – Radyr Line(s)
- Two track possession at Newport station
- A protective path between Ninian Park – Chester to stop any additional engineering work.

### 26 March 2024

- Treherbert Line
- Ebbw Vale Line
- Rhymney Line
- Protective paths between Cardiff Central – Barry Island/Swansea/Chester to stop any additional engineering work.

There was a desire to run services further west for these fixtures, however, due to a 10-day engineering blockade between Whitland and Pembroke Dock, and despite requesting the cutback with Network Rail, we were unable to progress this further. It would have added an additional 2 days of engineering work onto the existing schedule.

### **Standby bus provision**

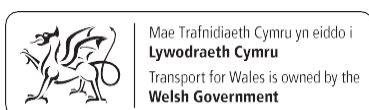
We will have standby bus and coach provision available at key locations along the Marches line and at Cardiff Central, if customer numbers are higher than anticipated.

### **Customer delivery**

We will be working closely with station staff, British Transport Police, and our security colleagues to monitor all services. We will have an events manager onboard two of the key services to and from North Wales (the 10.40 from Holyhead and the 11.25 to Holyhead) who will accompany supporters and advise passengers throughout their journey.

In addition, we will have a crowd management plan in place at Cardiff Central and at Ninian Park, where colleagues will be on hand to assist customers, as well as monitor passenger numbers both before and after the match.

I would like to reassure the committee that robust planning and contingency plans have been implemented to protect the key services we expect supporters to be using. Colleagues at TfW's special events team have dedicated planning and delivery managers in place, and our collaborative work with the FAW, and on other major sporting events across the network recently, have provided confidence in our position to deliver for these upcoming fixtures.



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I would urge fans travelling to continue to check for the latest travel updates before they travel, and throughout the day, via our website, journey check and social channels for the most up to date information.

I hope the above is useful and if you have any further questions, please do not hesitate to contact me. My office would be happy to arrange a technical briefing to take place should you wish to do so prior to the fixture.

Kind regards,

James Price  
Chief Executive, Transport for Wales.



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# Agenda Item 5.8

Julie James AS/MS  
Y Gweinidog Newid Hinsawdd  
Minister for Climate Change



Llywodraeth Cymru  
Welsh Government

Ein cyf/Our ref: JJ/PO/0070/24

Huw Irranca-Davies MS  
Chair  
Legislation, Justice and Constitution Committee

Llŷr Gruffydd MS  
Chair  
Climate Change, Environment and Infrastructure Committee  
Welsh Parliament  
Cardiff Bay  
Cardiff  
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6 March 2024

Dear Huw, Llŷr,

I am writing in accordance with the inter-institutional relations agreement, to report on the latest meeting of the Net Zero, Energy and Climate Change Inter-Ministerial Group, held on 21 February 2024. The meeting focused on the next set of consultations for changes to the UK Emissions Trading Scheme.

The meeting also was attended by Mairi McAllan MSP, Cabinet Secretary for Net Zero and Just Transition, Andrew Muir MLA, Minister of Agriculture, Environment and Rural Affairs, Conor Murphy MLA, Minister for Economy, Lord Martin Callanan, Parliamentary Under Secretary of State Minister for Energy Efficiency and Green Finance, Lord Byron Davies, Parliamentary Under Secretary of State for Transport, Gareth Davies MP, Exchequer Secretary to the Treasury.

Yours sincerely,

**Julie James AS/MS**  
Y Gweinidog Newid Hinsawdd  
Minister for Climate Change

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Julie James MS

Minister for Climate Change

8 March 2024

Dear Minister,

**Ffos-y-Fran opencast mining site**

I am writing to follow up on my letter, dated 11 January 2024, regarding the Ffos-y-Fran opencast coal mine. You will be aware that I requested a response to that letter by 22 February 2024. It is disappointing that the response is now two weeks overdue.

As you know, the Committee is deeply concerned about the restoration of Ffos-y-Fran and is keen to understand the role of the Welsh Government now that the legal action against the site operators has long ended, alongside wider matters.

I should be grateful if you could respond to my letter of 11 January 2024 as a matter of urgency.

Yours sincerely,



Llyr Gruffydd MS,  
Chair, Climate Change, Environment and Infrastructure Committee

Croesewir gohebiaeth yn Gymraeg neu'n Saesneg. We welcome correspondence in Welsh or English.



Ein cyf/Our ref JJ/PO/104/24

Llyr Gruffydd MS  
Chair, Climate Change, Environment and Infrastructure Committee

[SeneddClimate@Senedd.Wales](mailto:SeneddClimate@Senedd.Wales)

15 March 2024

Dear Llyr

Thank you for your letters of 11 January and 8 March asking for further information about the Ffos y Fran site. I apologise for the delay in responding.

*1. It has been reported that the mining company had put aside only £15 million for restoration. In your letter, you refer to this as a “£15 million pound deposit” that “is intended to fund some restoration in the event the site operator fails to comply with the restoration conditions”. Is it the case that the mining company has put aside no funds beyond an initial deposit?*

Only Merthyr (South Wales) Ltd know how much funding they have put aside to restore the site. According to the last accounts filed with Companies House, for the year ended 31 December 2021, the company was making provision for just over £71 million for liabilities. How much of that figure remains available for restoration is not clear, and it is also not clear whether it includes the £15 million held in escrow account by Merthyr Tydfil County Borough Council, which I referred to in my previous correspondence as a “£15 million pound deposit”. The company is reluctant to release details of the agreement it has with the council that would explain how the funds held in the escrow would be released. It remains a particular concern to me that the company is apparently unwilling to share information relating to the site’s operation and condition.

*2. Estimated remediation costs for the site reportedly range from £120m to £175m. What, if any, assessment has the Welsh Government made of the total restoration cost for the Ffos-y-Fran site?*

As part of their role monitoring operations under the planning permission, it has been a matter for the council to keep restoration plans under review. The Welsh Government has not made an assessment of the total restoration cost for the Ffos-y-Fran site beyond that

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contained in the report 'Research into the Failure to Restore Opencast Coal Sites in South Wales' ("the research report"), which provides an estimate of costs based on information available at that time.

*3. What measures are available to the Welsh Government to ensure the mining company fulfils its financial obligations for restoration? What contingency planning has taken place should the company fail to meet these obligations?*

The policy and guidance in Planning Policy Wales (PPW) and Minerals Technical Advice Note 2 Coal (MTAN 2) is clear that operators must meet their restoration obligations. This is a key basis on which the granting of planning permission is possible.

Planning conditions are the main mechanism to ensure land affected by mineral extraction is restored to a high standard suitable for its agreed after use and at the earliest opportunity. Operators and landowners should ensure that sufficient finance is set aside to enable them to meet restoration obligations and the local planning authority should require financial guarantees, to ensure that restoration will be fully achieved. They can do this by way of a section 106 obligation as part of the approval of planning permission. Local Acts apply in certain areas (The Dyfed Act (1987), the West Glamorgan Act (1987), Mid Glamorgan County Council Act (1987)), which enable bonds and financial guarantee mechanisms to be imposed by condition on planning permissions for coal mines, so if no bond is in place, planning permission would not be given and companies not fulfilling their financial obligations can be prosecuted.

*4. In your letter, you said that, in the absence of adequate funds, it would fall to the Council to make the site safe and, in the longer term, complete the restoration. You explained that multiagency talks are underway to prepare contingency arrangements should the site be abandoned. Could you provide an update on progress?*

While it does fall to the council to secure the site and pursue restoration should the site operator and landowner enter administration, we have made offers of assistance and we believe they have all the information they need from us to prepare contingency arrangements. Multi-agency support for the council has continued through monthly meetings of officials.

*5. What types of agreements exist across Wales to fund the restoration of sites after operations cease? Are you satisfied there are sufficient safeguards in place to ensure the funds are sufficient for full site restoration or remediation?*

In my answer to question 3, I set out the mechanisms for securing restoration. The research report considered the effectiveness of the varying approaches and noted the difficulties involved in setting appropriate bond or insurance arrangements. While I consider the legislative framework would enable appropriate protection if new sites were to come forward. I am disappointed we are left to deal with the legacy resulting from bad practice. The privatisation arrangements put in place by UK Government to grant companies immunity from bond requirements for a 10 year period and the culture that this emboldened has had a profound effect on the ability of public bodies to secure sufficient funds and safeguards to deliver full restoration. Across the coalfields, companies appear to have put profit before responsibility to the communities they have operated in. There is a lack of funding affecting sites that will mean difficult and unsatisfactory decisions will need to be made about revised restorations plans.

*6. Are there specific active or inactive opencast sites that raise particular concern that the monies accrued (through bonding and other mechanisms) fall short of the financial liabilities associated with restoration and aftercare to agreed planning conditions?*

The research report looked at most opencast coal sites across Wales and identified the risks associated with restoration for those sites.

*7. Has the Welsh Government undertaken any work on issues relating to opencast remediation since its 2014 report "Research into the failure to restore opencast coal sites in South Wales"? What, if any, action did the Welsh Government take in light of the report's findings?*

In 2016, the Welsh Government and the Coal Authority worked with stakeholders to prepare best practice guidance on the calculation, accumulation and management of bonds which would seek to establish a consistent basis for negotiations across Wales.

<https://www.gov.wales/restoration-surface-coal-mines-guidance>

*8. In your letter, you refer to several programs and initiatives intended to support former workers at the site. Can you provide an update on the progress of this work and its success so far in finding alternative employment for the workforce?*

I understand that those made redundant have been highly sought after due to their skills and experience, so most people affected have already secured alternative employment.

Support organisations have engaged directly with the company and individual workers to signpost support and we remain committed to making sure that anyone who would benefit from that support is able to access it.

Yours sincerely



**Julie James AS/MS**  
Y Gweinidog Newid Hinsawdd  
Minister for Climate Change



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11 Westferry Circus, Canary Wharf, London E14 4HD

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By email

14th March 2024

## Re: Ofwat investigation into Dŵr Cymru

I am writing to inform you that following an investigation by Ofwat, which found Dŵr Cymru misled customers and regulators about its record of tackling leakage and water use, the company will have to pay nearly £40 million to benefit customers as part of a proposed enforcement package.

We formally opened an investigation in May 2023, which came after Dŵr Cymru notified Ofwat that it had identified inaccuracies with the figures it had previously reported for its performance in 2020–21 and 2021–22. This had been identified as a result of the requirements Ofwat puts on companies to assure the data they submit to us. Our subsequent investigation found evidence that a significant failure of governance and management oversight led to the water company misreporting its leakage and per capita consumption ('PCC') performance figures over a period of several years, significantly underplaying its poor performance.

You may recall that following our opening the investigation in May, Dŵr Cymru apologised to its customers, and [announced](#) it would be providing £15m in compensation. In addition, as part of the enforcement package, Dŵr Cymru will have to provide £9.4m to lower bills for customers, and a further £15m of costs will be absorbed by Dŵr Cymru, rather than passed on to customers.

As part of today's announcement, Ofwat has launched a public consultation on its provisional decision [here](#).

Ofwat is determined to transform performance in the water industry so that it delivers better outcomes for customers and the environment, and no company should be in any doubt about the importance of reporting accurate and transparent information.

Companies need to invest a significant amount over the next 30 years to reduce pollution and ensure that our water infrastructure can grow with our population and adapt for climate change. In the context of increasing challenges for the sector, the public's trust depends on companies acting with integrity and transparency, with a visible commitment to serving the interests of customers and the environment.

Lynn Parker, Senior Casework, Enforcement and Customers    m. 07464 640382  
lynn.parker@ofwat.gov.uk

## Ymchwiliad Ofwat i Dŵr Cymru

Ysgrifennaf atoch i'ch hysbysu, yn dilyn ymchwiliad gan Ofwat, a ganfu fod Dŵr Cymru wedi camarwain cwsmeriaid a rheoleiddwyr ynghylch ei hanes o fynd i'r afael â gollyngiadau a defnydd dŵr, y bydd yn rhaid i'r cwmni dalu bron i £40 miliwn er budd cwsmeriaid fel rhan o pecyn gorfodi arfaethedig.

Gwnaethom agor ymchwiliad yn ffurfiol ym mis Mai 2023, a ddaeth ar ôl i Dŵr Cymru hysbysu Ofwat ei fod wedi nodi anghywirdebau yn y ffigurau yr adroddwyd arnynt yn flaenorol ar gyfer ei berfformiad yn 2020-21 a 2021-22. Roedd hyn wedi'i nodi o ganlyniad i'r gofynion y mae Ofwat yn rhoi ar gwmnïau i sicrhau'r data y maent yn ei gyflwyno i ni. Canfu ein hymchwiliad dilynol dystiolaeth bod methiant sylweddol o ran goruchwyliaeth llywodraethu a rheoli wedi arwain at y cwmni dŵr yn cam-adrodd ei ffigurau perfformiad gollyngiadau a defnydd y pen ('per capita consumption', PCC) dros gyfnod o sawl blwyddyn, gan danbrizio ei berfformiad gwael yn sylweddol.

Efallai y byddwch yn cofio, ar ôl i ni agor yr ymchwiliad ym mis Mai, ymddiheurodd Dŵr Cymru i'w cwsmeriaid, a [chyhoeddi](#) y byddai'n darparu £15m mewn iawndal. Yn ogystal, fel rhan o'r pecyn gorfodi, bydd yn rhaid i Dŵr Cymru ddarparu £9.4m i ostwng biliau cwsmeriaid, a bydd £15m pellach o gostau yn cael eu hamsugno gan Dŵr Cymru, yn hytrach na'u trosglwyddo i gwsmeriaid.

Fel rhan o'r cyhoeddiad heddiw, mae Ofwat wedi lansio [ymgyngoriad cyhoeddus](#) ar ei benderfyniad dros dro.

Mae Ofwat yn benderfynol o drawsnewid perfformiad yn y diwydiant dŵr fel ei fod yn sicrhau canlyniadau gwell i gwsmeriaid a'r amgylchedd, ac ni ddylai unrhyw gwmni fod ag unrhyw amheuaeth ynghylch pwysigrwydd adrodd ar wybodaeth gywir a thryloyw.

Mae angen i gwmnïau fuddsoddi swm sylweddol dros y 30 mlynedd nesaf i leihau llygredd a sicrhau y gall ein seilwaith dŵr dyfu gyda'n poblogaeth ac addasu ar gyfer newid yn yr hinsawdd. Yng nghyd-destun heriau cynyddol i'r sector, mae ymddiriedaeth y cyhoedd yn dibynnu ar gwmnïau'n gweithredu'n onest ac yn dryloyw, gydag ymrwymiad gweladwy i wasanaethu buddiannau cwsmeriaid a'r amgylchedd.

I hope you find this update useful - Gobeithio y bydd y diweddariad hwn yn ddefnyddiol i chi.

Yours sincerely - Yr eiddoch yn gywir,



**Lynn Parker**

**Senior Director, Casework, Enforcement and Customers /**

**Uwch Gyfarwyddwr Gwaith Achos, Gorfodi a Chwsmeriaid**

Julie James AS/MS  
Y Gweinidog Newid Hinsawdd  
Minister for Climate Change



Llywodraeth Cymru  
Welsh Government

Eich cyf/Your ref  
Ein cyf/Our ref JJ/PO/101/24

Llyr Gruffydd MS,  
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14 March 2024

Dear Llyr Gruffydd MS,

Thank you for your letter of 5 February on behalf of the Climate Change, Environment and Infrastructure Committee, enclosing the Committee's *Report on performance of Dŵr Cymru*. Our water sector is facing immediate and unprecedented challenge; it must achieve decarbonisation, climate resilience and reverse biodiversity loss, all against the backdrop of the current cost of living crisis. I have, however, said many times before, both in and out of the Senedd, that Welsh Government expects both water companies in Wales to work much harder to deliver excellent services for customers across all areas of operation.

I note that of the 12 recommendations outlined in the report, eight are directed to Dŵr Cymru and Ofwat. They will respond separately and I will read their response with interest expecting to see ambition, partnership in approach and a drive for improvement. Please find a response to each of the remaining four recommendations directed at Welsh Government, as follows:

**Recommendation 4.** *The Welsh Government should seek to introduce a ban on wet wipes containing plastic as soon as possible. It should report back to the Committee on the outcome of the joint consultation on a proposed ban and on the timeframe it is working towards for the introduction of a ban in Wales.*

**Accept in principle:** Following the recent UK-wide consultation, we are analysing the responses, some of which have been detailed and scientific in nature. We will publish a Summary of Responses report shortly. This will outline our next steps and provide an indicative timetable for any future actions. I will write to the Committee and the Senedd as part of the publication process.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

**Recommendation 8.** *The Welsh Government and its key partners, including Dŵr Cymru, should identify ways to effectively communicate Wales' approach to tackling sewage discharges from storm overflows to improve public understanding of the approach.*

**Accept:** The Welsh Government has regularly made our approach to tackling storm overflows public through Senedd Written and Oral Statements, including the Oral Statement on Water Quality I most recently delivered on 12 December. As the Committee will be aware, I have also given evidence on our approach to storm overflows at your evidence sessions. Additionally, I have provided written evidence to the UK Parliament's Welsh Affairs Committee Inquiry into Water Quality (see [Water quality in Wales - Committees - UK Parliament](#)). We will continue to communicate our approach through these formal avenues, as well as more informally via the Welsh Government's social media channels, to ensure the greatest public understanding of our approach. Furthermore, both I and my officials regularly meet with Dŵr Cymru to discuss all areas of operation and we will continue these discussions, including on communication of storm overflows.

**Recommendation 10.** *The Welsh Government should consider extending NRW's enforcement powers to enable the regulator to accept environmental undertakings for permit breaches under the Environmental Permitting Regulations (England and Wales) 2016. It should report back to the Committee on the outcome of its consideration.*

**Accept in principle:** Civil sanctions such as Environmental Undertakings (EU) can be a useful enforcement tool in addition to other enforcement powers. I note that Natural Resources Wales already has powers to use EU in certain instances although this is not currently extended to the Environmental Permitting Regulations. We will consider this recommendation further and report back to the Committee in due course.

**Recommendation 12.** *The Minister should provide an update on action taken to relieve pressure on the sewage system since the publication of the Committee's Report on storm overflows in Wales (March 2022). This should include progress towards implementation of the recommendations arising from the review of Sustainable Drainage Systems.*

**Accept:** In July 2022, the Better River Quality Taskforce was established across government and industry to evaluate the current approach to the management and regulation of overflows in Wales and to set out detailed plans to drive rapid change and improvement. It has published a storm overflows roadmap for Wales, available online at [Wales Better River Quality Taskforce | GOV.WALES](#). These plans set out clear objectives and measurable outcomes for delivering improvements to overflow management from the immediate through to the long term.

With regards to Sustainable Drainage Systems (SuDS), the Committee will be aware that the review undertaken by Arup was [published](#) in July 2023 and made more than 70 recommendations covering legislation, guidance and implementation. My officials have since undertaken a programme of review and stakeholder engagement to develop an implementation strategy for the recommendations. We have made good progress so far. This includes establishing a Community of Practice (CoP) group, which first met in December; scoping an All-Wales Commuted Sums Calculator; and developing a SuDS Action Plan, which I will publish in due course.

May I take this opportunity to thank the Committee for its continued work to scrutinise the actions being taken to improve our water quality in Wales. There is much still to do, but I am

confident we are on the right track to continue delivering meaningful improvements for our water environment.

Yours sincerely

A handwritten signature in blue ink that reads "Julie James". The signature is written in a cursive, flowing style.

**Julie James AS/MS**  
Y Gweinidog Newid Hinsawdd  
Minister for Climate Change

# Agenda Item 8

By virtue of paragraph(s) vi of Standing Order 17.42

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# Agenda Item 10

By virtue of paragraph(s) vi of Standing Order 17.42

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