

Agenda – Economy, Trade, and Rural Affairs Committee

Meeting Venue:

Committee room 5 – Tŷ Hywel
and video conference via Zoom

Meeting date: 9 May 2024

Meeting time: 09.30

For further information contact:

Robert Donovan

Committee Clerk

0300 200 6565

SeneddEconomy@senedd.wales

Hybrid

Private pre-meeting

(09.15–09.30)

Public meeting

(09.30)

1 Introductions, apologies, substitutions, and declarations of interest

(09.30)

2 Papers to note

(09.30)

2.1 General scrutiny of the Cabinet Secretary for Climate Change and Rural Affairs

(Pages 1 – 6)

Attached Documents:

Letter to the Minister for Rural Affairs and North Wales, and Trefnydd – 21
March 2024



Letter from the Cabinet Secretary for Climate Change and Rural Affairs – 22 April 2024

2.2 The Scottish National Investment Bank

(Pages 7 – 11)

Attached Documents:

Letter from the Scottish National Investment Bank – 17 April 2024

2.3 Cross-Border Trade: Regulations

(Pages 12 – 18)

Attached Documents:

Letter from the Cabinet Secretary for Climate Change and Rural Affairs – Official Controls (Extension of Transitional Periods) (Amendment) Regulations 2024 – 19 April 2024

Letter from the Cabinet Secretary for Climate Change and Rural Affairs – Official Controls (Extension of Transitional Periods) (Amendment) Regulations 2024 – 24 April 2024

Letter from the Cabinet Secretary for Climate Change and Rural Affairs – Official Controls (Miscellaneous Amendments) Regulations 2024 – 25 April 2024

Letter from the Cabinet Secretary for Climate Change and Rural Affairs – Movement of Goods (Northern Ireland to Great Britain) (Animals, Feed and Food, Plant Health etc.) (Transitory Provision and Miscellaneous Amendments) Regulations 2024 ('the 2024 regulations') – 30 April 2024

2.4 Inter-Ministerial Group for Trade

(Page 19)

Attached Documents:

Letter from the Cabinet Secretary for Economy, Energy and Welsh Language – 22 April 2024

2.5 Development Bank of Wales

(Pages 20 – 21)

Attached Documents:

Letter from Samuel Kurtz MS to the Cabinet Secretary for Economy, Energy and Welsh Language – 22 April 2024

2.6 Future of Welsh Steel

(Pages 22 – 25)

Attached Documents:

Response letter from Carwyn Jones – 29 April 2024

Letter from the Minister for Industry and Economic Security at the Department for Business and Trade, UK Government – 29 April 2024

2.7 International Relations

(Pages 26 – 27)

Attached Documents:

Letter from the Chair of the Culture, Communications, Welsh Language, Sport, and International Relations Committee to the First Minister of Wales – 30 April 2024

2.8 Apprenticeship Levy

(Pages 28 – 31)

Attached Documents:

Letter from the Cabinet Secretary for Economy, Energy and Welsh Language – 30 April 2024

2.9 Scrutiny of the Draft Budget

(Pages 32 – 33)

Attached Documents:

Letter to the Chair of the Finance Committee – 1 May 2024

2.10 Development Bank of Wales inquiry

(Pages 34 – 36)

Attached Documents:

Follow up letter from the Chair to the Development Bank of Wales – 2 May 2024

3 Sustainable Farming Scheme – Farming Unions

(09.30–10.45)

(Pages 37 – 144)

Gareth Parry, Head of Policy, Farmers' Union of Wales

Aled Jones, President, National Farmers' Union Cymru

Dennis Matheson, Chair, Tenant Farmers Association

Dominic Hampson-Smith, Rural Affairs Vice Chairman, Wales Federation of Young Farmers Clubs (YFC)

Attached Documents:

Evidence paper – Farmers' Union of Wales

Evidence Paper – National Farmers' Union Cymru

Evidence Paper – Tenant Farmers Association

Evidence Paper – Wales Federation of Young Farmers Clubs (YFC)

Break

(10.45–10.50)

4 Sustainable Farming Scheme – Environmental organisations

(10.50–12.05)

(Pages 145 – 197)

Alex Phillips, WWF Cymru Policy and Advocacy Manager, Wales Environment Link

Andrew Tuddenham, Head of Policy, Wales, Soil Association Cymru, Wales Organic Forum

Rhys Evans, Wales Manager, Nature Friendly Farming Network

Rhys Owen, Head of Conservation, Woodland and Agriculture, Eryri National Park Authority, Tirweddau Cymru Landscapes Wales

Attached Documents:

Evidence Paper – Wales Environment Link

Evidence paper – Wales Organic Forum

Evidence paper – Tirweddau Cymru Landscapes Wales

Break

(12.05–12.15)

5 Sustainable Farming Scheme – External views

(12.15–13.15)

(Pages 198 – 227)

James Richardson, Interim Chief Executive, UK Climate Change Committee

Professor Janet Dwyer, Gloucestershire University

Attached Documents:

Evidence Paper – Professor Janet Dwyer

Research brief

Break

(13.15–13.35)

6 Inquiry: Green Economy – Skills Providers

(13.35–14.20)

(Pages 228 – 237)

James Powell, Marketing and Communications Director, Educ8

Jemma Parsons, Head of the Green Skills Academy

Matt Rees, Vice Principal – Work Based Learning and Commercial Activity,
Bridgend College, representing ColegauCymru

Attached Documents:

Research brief

7 Motion under Standing Order 17.42(ix) to resolve to exclude the public from the remainder of the meeting

(14.20)

Private

(14.20–14.30)

8 Consideration of evidence following the meeting

(14.20–14.30)

Lesley Griffiths MS
Minister for Rural Affairs and North Wales,
and Trefnydd

21 March 2024

Follow up to General Ministerial Scrutiny on 6 March 2024 – National Minimum Standards and next steps with the Sustainable Farming Scheme

Dear Minister,

Thank you for your time answering Members' questions on Wednesday 6 March. I am writing to seek some further clarification from the Minister responsible for Rural Affairs on the answers given regarding National Minimum Standards (NMS) and future agricultural support under the Sustainable Farming Scheme (SFS).

National Minimum Standards and "the regulatory baseline"

In the White Paper for the Agriculture (Wales) Bill published in December 2020 you said that you intended to consolidate existing rules, including cross-compliance, to make up NMS. Responding to the consultation outcomes you said that "further work will need to be carried out on the development of NMS proposals, including exploring both legislative and non-legislative options for delivering our ambitions".

During Stage 2 of the scrutiny process for the Bill, in March 2022, you said the Welsh Government was considering the need for legislation to consolidate rules and confirm the regulatory baseline. Legislation was not brought forward, and at our meeting on 6 March you told the Committee that the rules are on the Welsh Government website and that they include cross-compliance – complying with both statutory management requirements (SMR), which would apply whether or not a farmer receives BPS support, and Good Agricultural and Environmental Conditions (GAEC), which only apply to farmers currently receiving support. You stated:

"the regulatory baseline for agriculture, which is what we refer to as NMS, already exists, and what that does is establish the minimum requirements every farmer must comply with and the associated criminal offences for any serious contraventions. So, as I say, that's already there; it's not part of the consultation. Obviously, NMS, or the regulatory baseline, is kept under review, and if there are any changes required—agricultural pollution regulations is an example—we always, obviously, consult before we bring them in."

The Committee would appreciate further clarity on whether or not a farmer who does not subscribe to the SFS would still have to apply GAEC, i.e. is the regulatory baseline the same for farmers who remain outside the scheme?

Stakeholders' expectations about a consolidated new set of standards, whether statutory or otherwise, have been raised during recent consultations, and stakeholders from across the board have called for these to be implemented. The scale of recent protests by farmers also underlines the need to ensure the sector fully understands Welsh Government's approach. Given Welsh Government has now taken a position on what constitutes 'National Minimum Standards' and 'the regulatory baseline', it would therefore be helpful if you could explain how you intend to communicate that clearly to all stakeholders.

UK Committee on Climate Change (UKCCC) recommendations and the rationale for the 10 per cent tree cover target

The UKCCC's 2023 Progress report: Reducing emissions in Wales recommended the Welsh Government should:

"Maintain and enhance incentives to support agroforestry and hedgerows in the Welsh farmed landscape over the transition to the new post-CAP framework. Plant trees on 2% of farmland by 2025 while maintaining its primary use, rising to 5% by 2035, and extend hedgerows by 20% by 2035 and better manage existing hedgerows."

Following recent farmer protests, you made a joint statement with the First Minister on 27 February setting out some potential next steps including:

"Ensuring actions within SFS are appropriately targeted at improving the economic resilience of farms. This includes ensuring woodland and habitat requirements do not make farms unviable."

You were asked in Committee about why Welsh Government had set a 10 per cent tree cover target for the SFS when the UKCCC recommendation was 5 per cent by 2035. In response you referred to a requirement for "43,000 hectares of new woodland by 2030" but also to other targets set by the

UKCCC for 2035, including an increase in annual tree planting rates from at least 4,500 hectares per year by 2030 to 7,500 hectares by 2035, for agroforestry to plant trees on 2 per cent of farmland by 2035, and for an extension of hedgerows by 2035. In light of the degree of concern and unrest in the farming sector over the tree cover target it would be helpful if you could set out in detail the rationale for coming to the 10 per cent tree cover target for farmers arising from these different UKCCC recommendations.

Review of the consultation process and next steps

The Welsh Government has been consulting on the SFS scheme for years and has carried out co-design exercises and established specialist working groups. Despite this level of engagement we have seen strong protests from farmers, and so what in your view has not worked in terms of the process and how do you think this can be rectified going forward?

There was frank discussion in Committee of the possibility of needing to delay the introduction of the scheme in 2025 as you repeatedly stressed the importance of “getting it right”. What would be the implications of the scheme not being introduced in 2025 - in terms of farm businesses but also the environment, given Welsh Government’s net zero and biodiversity commitments?

Given that there will be further “more meaningful” economic modelling with a different set of assumptions, and that you have said there will definitely need to be changes to the scheme, can we expect further consultation to take place, and if so can you provide details of how and when you expect this to happen?

It is also expected that further engagement will take place with specialist groups, for example through the Commons working group. The need to find solutions for groups such as tenant farmers, young farmers and new entrants and farmers on common land was something the Committee raised early on in scrutiny of the Agriculture (Wales) Bill. It would therefore be helpful to receive more information about what policy changes and practical actions are planned or being implemented to address the concerns raised with us and in response to Recommendation 6 of our Stage 1 Bill report published in January 2023.

Thank you for continuing to engage with the Committee on these important issues for the rural economy in Wales and we look forward to your response.

Kind regards,



Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

Huw Irranca-Davies AS/MS
Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion
Gwledig
Cabinet Secretary for Climate Change & Rural Affairs



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Welsh Government

Our ref/ein cyf: HID-PO-122-24

Paul Davies MS
Chair: Economy, Trade and Rural Affairs Committee
Welsh Parliament
SeneddEconomy@senedd.wales

22 April 2024

Dear Paul

Thank you for your letter of 21 March to my predecessor Lesley Griffiths MS, the former Minister for Rural Affairs and North Wales, requesting further clarification on the answers given by my predecessor in relation to National Minimum Standards and the Sustainable Farming Scheme during her attendance at General Ministerial Scrutiny on 6 March.

Focussing on National Minimum Standards and “the regulatory baseline”, as my predecessor explained in March, the regulatory baseline (for agriculture) refers to the national minimum standards in law that all persons in Wales are required to comply with, and the associated criminal offence(s) for any contravention of those minimum standards. This legal threshold is often colloquially referred to by officials as NMS.

The regulatory baseline is distinct from scheme rules and guidance. Each scheme establishes specific rules relevant to its activities and outcomes, which often comes with tailored guidance published on our website. These rules may impose conditions on participants, in addition to triggering specific regulatory requirements which only apply to participants of that specific scheme.

For farmers claiming Basic Payment Scheme (BPS), one condition of grant is complying with cross compliance. This is a subset of the regulatory baseline made up of Statutory Management Requirements (SMR) or Good Agricultural and Environmental Conditions (GAEC).

The recent Sustainable Farming Scheme (SFS) consultation proposed compliance with the regulatory baseline would continue to be a condition of the SFS grant. Details of the final scheme rules, including checks of the regulatory baseline, and their use in SFS will be published before the launch of the Scheme.

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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.

Following the end of BPS, those farmers not in SFS will still be required to meet the regulatory baseline which includes the majority of the GAEC requirements.

Details for all GAEC standards are set out in the verifiable standards and guidance published every year for farmers within BPS, and a similar approach is expected to be adopted for SFS.

Turning to the UK Climate Change Committee (CCC) recommendations, and the rationale for the 10 per cent tree cover target, the Welsh Ministers have accepted advice from the CCC to increase tree cover in Wales as part of our managed pathway to net zero i.e. 43,000 ha of new woodland to be planted by 2030.

As farmers manage the majority of land in Wales, they are best placed to help achieve these targets and receive the benefits from them.

The latest [Progress Report: Reducing emissions in Wales \(theccc.org.uk\)](https://theccc.org.uk) from the CCC sets out their recommendation of the pathway to net zero for Wales. The CCC advice includes;

- reference to achieve annual tree planting rates of at least 4,500 hectares/year in Wales by 2030, rising to 7,500/year by 2035.
- agro forestry – to plant trees on 2% of farmland by 2025 while maintaining its primary use, rising to 5% by 2035, and extend hedgerows by 20% by 2035 and better manage existing hedgerows.

It is not a choice between the two – both need to be met as part of the CCC balance pathway.

The SFS proposal of 10% tree cover was intended to help spread this target across Wales to avoid large blocks of land use change, and enable all farmers to benefit from the funding as well as the direct and indirect benefits of additional tree cover.

In reference to the SFS consultation process and next steps, by involving farmers in the scheme design process including two phases of co-design, three consultations and through stakeholder engagement, we have been able to use farmer's input in a way we have not done previously. The continued intention is to design our future farm support so it is fit for Wales, recognising the strengths and opportunities farming provides.

The Sustainable Farming Scheme Roadshows were a valuable opportunity to speak to over 3,200 farmers about scheme proposals. They also allowed us to dispel some of the common misconceptions which, unfortunately, have become accepted by industry. Officials received lots of feedback about how useful those discussions were in providing clarity around the proposals.

It was also suggested we were not listening to the concerns raised, however, we have made a number of significant changes from previous versions of proposals based on industry feedback.

We are exploring how to better communicate directly with individual farmers along with representative stakeholders in the future. We will establish regular review points between the Welsh Government and the farming unions and representatives, in formulating final proposals, as set out in the Written Statement of 29 February.

The proposal is for the Scheme to be introduced from 2025, however, this can only be when the Scheme is ready. It is important we take the time to analyse the responses to the

consultation and consider what this means for the design of the Sustainable Farming Scheme.

We received approximately 12,000 responses to the consultation with the majority, 75% of them being submitted by email, so we have had an excellent response. This alongside the feedback from the ten SFS roadshows provides a strong evidence base to test and refine the proposals.

This was a genuine consultation, and no decisions will be taken on any element of the proposal, including how we support tenant farmers, common graziers and young farmers until we have conducted a full analysis of the consultation responses.

I fully expect to make some changes to the Scheme as a result of the consultation. I will share with you details of the proposed changes and practical details such as further engagement with the industry at the earliest opportunity.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Huw Irranca-Davies', written in a cursive style.

Huw Irranca-Davies AS/MS

Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
Cabinet Secretary for Climate Change & Rural Affairs



The
Scottish
National
Investment
Bank

Agenda Item 2.2

1-North Waverley Gate
2-4 Waterloo Place
Edinburgh, EH1 3EG

TheBank.Scot

17 April 2024

Dear Paul,

Thank you for your letter and for the opportunity to meet with the Committee. I'm glad the Committee found it to be a useful session and I hope the rest of your inquiry proceeds well.

I've set out below additional detail on our investment portfolio. This includes a brief description of each investment, their alignment with our missions, and the total Bank commitment. I have not included a sectoral split at this stage, as there is not an agreed set of sectoral definitions to draw on, but the descriptions of each, in addition to the information published on our website, should give a flavour of the investments. Further information about our investment portfolio is available at: <https://www.thebank.scot/portfolio>.

You had asked about the total size of each of our investments. We report the level of investment committed alongside the Bank by third parties at a portfolio level. Currently, more than £830 million has been crowded in alongside the Bank's capital. For some individual investments we do, in line with our remit as a development bank, invest 'between rounds' and so a "total size of investment" figure may not capture the full amount of investment crowded in over time by the Bank's investment. Our portfolio page, however, frequently reports on investment crowded in at an individual investee level.

You also requested information about the size of each of the businesses invested in. All but two of the businesses the Bank has directly invested in meet the definition of an SME. To expand on that, of the directly supported businesses that meet the definition of an SME, all have a staff headcount of less than 150 employees, with typical employee numbers ranging from 20 to 50, with many of those investees now progressing their plans to scale employee numbers as a result of the Bank's investment.

We report on the numbers of jobs supported at a portfolio level through our annual Impact Report. Our Impact Report 2023¹ estimated that the Bank's investments had directly supported around 1,200 jobs. It may be helpful to highlight, however, that we also report on our performance against a number of other indicators including: renewable energy generation; the amount of carbon reduced, removed or avoided; supply chain spend in Scotland; and patents registered amongst others. While the number of jobs supported is an important consideration, it forms only one part of our considerations as to the impact case for an investment. The Bank's Impact Report 2024 will be published in the coming weeks – that will include updated figures on jobs directly supported, as well as an updated methodology to account for indirectly supported jobs. I will be happy to provide the Committee with a copy subsequent to its publication.

	Description	Missions supported	Total Bank commitment
M Squared	Investment of growth capital in laser manufacturer	Innovation	£20.2 million
Thriving Investments	Fund commitment to support provision of Mid-Market Rent housing	Place	£40 million
Krucial	Investment of growth capital in communications and data service provider	Innovation	£4.3 million
FOR:EV	Investment of growth capital in electric vehicle network owner and operator	Net Zero, Place	£22 million
IndiNature	Investment to support development of natural fibre insulation manufacturer	Net Zero, Place	£8.5 million
Gresham House Forest Growth and Sustainability Fund	Fund commitment to support new forest creation	Net Zero	£50 million
Nova Innovation	Investment of growth capital in tidal turbine manufacturer	Net Zero, Innovation	£6.4 million
Sunamp	Investment of growth capital in thermal energy storage manufacturer	Innovation, Net Zero	£16 million
Iona Wind Partnership	Fund commitment to support onshore wind deployment	Net Zero	£13 million
Strathcarron Homes	Finance for the development of brownfield affordable housing	Place	£3.3 million

LBN	Investment of growth capital in gigabit broadband provider, targeting underserved rural areas	Place	£40 million
Highland Coast Hotels	Finance for the development of tourism infrastructure around North Coast 500 route	Place	£8.4 million
Port of Aberdeen	Finance to support the development of the new South Harbour project	Net Zero, Place	£35 million
Travelnest	Investment of growth capital in travel technology business	Innovation	£9.5 million
Circularity Scotland	Finance to fund start up costs	Net Zero	£9 million
Elasmogen	Investment in biologics company, to support drug development pipeline	Innovation	£3.5 million
Orbital Marine	Finance to support tidal turbine operation	Net Zero, Innovation	£5 million
pureLiFi	Investment of growth capital in global technology leader, supporting development of ultra high speed data transmission using the light spectrum.	Innovation	£10 million
Lost Shore	Finance provided to support development of new country park and leisure facility	Place	£38.8 million
Trojan Energy	Investment of growth capital in electric vehicle charging infrastructure manufacturer	Net Zero, Innovation	£28 million
Orbex	Investment of growth capital in orbital launch services company	Innovation, Net Zero	£17.8 million
Social and Sustainable Capital	Fund commitment to support provision of supported housing for vulnerable individuals	Place	£10.1 million

North Star Renewables	Finance to enable construction of offshore wind supply chain vessels	Net Zero, Place	£50 million
PneumoWave	Investment of growth capital in digital health business	Innovation	£5.2 million
Utopi	Investment of growth capital in real-estate data analytics platform provider	Net Zero, Innovation	£5 million
Forrit	Investment of growth capital in cloud-based CMS software developer	Innovation	£5 million
Verlume	Investment of growth capital in clear energy company, specialising in energy storage technologies for deployment offshore	Net Zero	£6.6 million
Cyacomb	Investment of growth capital in digital forensics company.	Innovation	£2.6 million
Par Equity	Fund commitment to cornerstone the launch of a new venture capital fund focussed on early stage technology companies	Innovation	£20 million
Cumulus Oncology	Investment of growth capital in cancer therapeutics development specialist	Innovation	£6 million
Aurora Energy Services	Investment of growth capital in renewable energy servicing, engineering and fabrication provider, with a focus on retraining of workers	Net Zero, Place	£20 million
Calcivis	Investment of growth capital in biotechnology firm supplying dental technology	Innovation	£4 million

Enterobiotix	Investment of growth capital pioneering life sciences firm	Innovation	£6 million
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Yours sincerely,

MIKE WEDDERSPOON
Strategic Engagement & Delivery
Scottish National Investment Bank



Llywodraeth Cymru
Welsh Government

Our ref/ein cyf: MA/HIDCC/0895/24

Paul Davies MS
Chair
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19 April 2024

Dear Paul,

I am writing to inform the Committee of my intention to consent to the UK Government making and laying the Official Controls (Extension of Transitional Periods) (Amendment) Regulations 2024 ('the 2024 regulations').

I have received a letter from the Minister of State for Biosecurity, Animal Health and Welfare, Lord Douglas-Miller, asking for consent to these Regulations. The Regulations intersect with devolved policy and will apply to Wales. The Regulations will extend to England, Scotland, and Wales and a similar request for consent has been sent to Scottish Ministers.

The Regulations will be made in exercise of the powers conferred under:

- paragraph 2 of Annex 6 to, Regulation (EU) 2017/625 of the European Parliament and of the Council on official controls and other official activities performed to ensure the application of food and feed law, rules on animal health and welfare, plant health and plant protection products, and
- paragraph 11A of Schedule 2 to the Trade in Animals and Related Products Regulations 2011.

The purpose of the 2024 Regulations, in conjunction with a second SI, is to implement the second milestone of the Border Target Operating Model from 28 April 2024. The 2024 Regulations amend the Transitional Staging Period end date from 29th April 2024 to 31 January 2025 so the second stage of the TOM can begin from 30th April 2024.

It will also amend the Meat Preparations (Amendment and Transitory Modification) (England) (EU Exit) Regulations 2020. I have made equivalent provisions for Wales in the Meat

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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.

Preparations (Amendment) (Wales) Regulations 2024 which was laid before the Senedd on the 12 April.

We have not yet agreed with the UK and Scottish governments a date for physical checks to begin on imports from Ireland but in any event, we have already announced that our facilities will not be ready before spring 2025 so a further extension will be required from the end of January 2025.

The Regulations do not commit Welsh Ministers to adopting any future UK Government position on biosecurity. The Regulations do not diminish or undermine the powers of Welsh Ministers in any way.

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 this instrument to apply to Wales as there is no policy divergence between the Welsh and UK Government in this matter. This ensures a coherent and consistent statute book with the regulations being accessible in a single instrument. I consider that legislating separately for Wales would be neither the most appropriate way to give effect to the necessary changes nor a prudent use of Welsh Government resources given other important priorities.

I am writing in similar terms to the Chair of the Legislation, Justice and Constitution Committee.

Yours sincerely



Huw Irranca-Davies AS/MS
Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
Minister for Climate Change and Rural Affairs

Huw Irranca-Davies AS/MS
Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion
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Cabinet Secretary for Climate Change & Rural Affairs



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Ein cyf/Our ref MA/HIDCC/0895/24

Paul Davies MS
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24 April 2024

Dear Paul,

I am writing to inform the Committee that I have given my consent to the Minister of State for Biosecurity, Animal Health and Welfare to lay the Official Controls (Extension of Transitional Periods) (Amendment) Regulations 2024.

I have laid a Written Statement which can be found at:

<https://senedd.wales/media/4pynmxgb/ws-ld16460-e.pdf>

These Regulations have been made using powers in

- paragraph 2 of Annex 6 to, Regulation (EU) 2017/625 of the European Parliament and of the Council on official controls and other official activities performed to ensure the application of food and feed law, rules on animal health and welfare, plant health and plant protection products, and
- paragraph 11A of Schedule 2 to the Trade in Animals and Related Products Regulations 2011.

Consent has been given for the UK Government to make these Regulations following the agreement on, and publication of, the Border Target Operating Model (TOM).

In conjunction with the Official Controls (Miscellaneous Amendments) Regulations 2024, this statutory instrument will implement the second milestone of the TOM from 28 April 2024. The purpose of the SI is to amend the Transitional Staging Period ('TSP') end date, from 29th April 2024 to 31 January 2025 so the second stage of the TOM can begin from 30th 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.

It also amends the Meat Preparations (Amendment and Transitory Modification) (England) (EU Exit) Regulations 2020. I have made equivalent provisions for Wales in the Meat Preparations (Amendment) (Wales) Regulations 2024 which was laid before the Senedd on the 12 April.

We have not yet agreed with the UK and Scottish governments a date for physical checks to begin on imports from Ireland and have already announced that our facilities will not be operational until spring 2025 so a further extension to the transitional staging period will be required from the end of January 2025.

The Statutory Instrument is subject to the negative procedure and was laid before Parliament on 22 April 2024 and will come into force on 28 April 2024.

I would like to reassure this Committee that while it is normally the policy of the Welsh Government to legislate for Wales in matters of devolved competence, in certain circumstances there are benefits in working collaboratively with the UK Government where there is a clear rationale for doing so. I have therefore given my consent to these Regulations for reasons of efficiency and expediency, and cross-UK coordination and consistency.

I am writing in similar terms to Sarah Murphy MS, Chair of the Legislation, Justice and Constitution Committee.

Yours sincerely,



Huw Irranca-Davies AS/MS

Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
Cabinet Secretary for Climate Change & Rural Affairs

Huw Irranca-Davies AS/MS
Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
Cabinet Secretary for Climate Change & Rural Affairs



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Ein cyf/Our ref: MA/HID/5010/24

Paul Davies MS
Chair
Economy, Trade and Rural Affairs Committee
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25April 2024

Dear Paul,

Further to my letter of 18 March 2024. I am writing to inform the Committee that I have given my consent to the Minister of State to lay the Official Controls (Miscellaneous Amendments) Regulations 2024. I have laid a Written Statement which can be found at:

[WS-LD16459 - The Official Controls \(Miscellaneous Amendments\) Regulations 2024](#)

Consent has been given for the UK Government to make these Regulations in order to implement to implement the milestones of the Borders Target Operating Model (BTOM). The Regulations intersect with devolved policy and will apply to Wales. The Statutory Instrument (SI) is subject to the negative procedure and was laid before Parliament on 22 April 2024 with a commencement date of 30 April.

I am writing in similar terms to Sarah Murphy MS, Chair of the Legislation, Justice and Constitution Committee.

Yours sincerely,

Huw Irranca-Davies AS/MS
Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
Cabinet Secretary for Climate Change and Rural Affairs

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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.



Our ref/ein cyf: MA/HIDCC/5032/24

Paul Davies MS
Chair, Economy, Trade and Rural Affairs Committee
Senedd Cymru

SeneddEconomy@senedd.wales

30 April 2024

Dear Paul,

I am writing to inform the Committee of my intention to consent to the UK Government making and laying the Movement of Goods (Northern Ireland to Great Britain) (Animals, Feed and Food, Plant Health etc.) (Transitory Provision and Miscellaneous Amendments) Regulations 2024 ('the 2024 regulations').

We have received a letter from the Rt Hon Lord Benyon, the then Minister for Biosecurity, Marine and Rural Affairs, asking for consent to these Regulations. The Regulations intersect with devolved policy and will apply to Wales. The Regulations will extend to England, Scotland, and Wales and a similar request for consent has been sent to Scottish Ministers.

The Regulations will be made in exercise of the powers conferred under:

- Section 8C(1) of, and paragraph 21(a) of Schedule 7 to, the European Union (Withdrawal) Act 2018

The purpose of the 2024 Regulations is to preserve and sharpen the benefits of unfettered market access for qualifying Northern Ireland goods by applying the regime of sanitary and phytosanitary ("SPS") controls to non-qualifying goods entering Great Britain ("GB") from Northern Ireland ("NI"), as applied to European Union ("EU") / European Economic Area ("EEA") goods under the Transitional Staging Period. The 2024 Regulations make consequential amendments to the qualifying Northern Ireland goods definition referenced in existing legislation.

The Regulations do not commit Welsh Ministers to adopting any future UK Government position on biosecurity. The Regulations do not diminish or undermine the powers of Welsh Ministers in any way.

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 this instrument to apply to Wales as there is no policy divergence between the Welsh and UK Government in this matter. This ensures a coherent and consistent statute book with the

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regulations being accessible in a single instrument. I consider that legislating separately for Wales would be neither the most appropriate way to give effect to the necessary changes nor a prudent use of Welsh Government resources given other important priorities.

I am writing in similar terms to Sarah Murphy MS, Chair of the Legislation, Justice and Constitution Committee.

Yours sincerely



Huw Irranca-Davies AS/MS

Ysgrifennydd y Cabinet dros Newid Hinsawdd a Materion Gwledig
Cabinet Secretary for Climate Change and Rural Affairs

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Jeremy Miles AS/MS
Ysgrifennydd y Cabinet dros yr Economi, Ynni a'r Gymraeg
Cabinet Secretary for Economy, Energy and Welsh Language

Agenda Item 2.4



Llywodraeth Cymru
Welsh Government

Paul Davies MS
Chair of Economy, Trade, and Rural
Affairs Committee

Sarah Murphy MS
Chair of Legislation, Justice and Constitution
Committee

SeneddEconomy@senedd.wales

SeneddLJC@assembly.wales

22 April 2024

Dear Paul, Sarah

I am writing in accordance with the inter-institutional relations agreement to inform you that I attended the Inter-ministerial Group for Trade on Tuesday 16 April 2024.

The meeting was attended by Greg Hands, Minister of State at the Department for Business and Trade, Minister Conor Murphy of the Northern Ireland Executive, a senior Scottish Government official and representatives from the Wales, Northern Ireland and Scotland Offices.

We discussed some of the outcomes from the World Trade Organisation's 13th ministerial conference (MC13), as well as the ongoing negotiations with the Gulf Co-operation Council and India.

I will write to you again to inform you of the date of the next meeting.

Yours sincerely,

Jeremy Miles AS/MS
Ysgrifennydd y Cabinet dros yr Economi, Ynni a'r Gymraeg
Cabinet Secretary for Economy, Energy and Welsh Language

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Jeremy Miles MS
Cabinet Secretary for Economy, Energy & Welsh Language
Welsh Government
Cardiff
CF99 1SN

22nd April, 2024

Annwyl Jeremy,

I am writing following a concerning news story relating to the £200,000 donation received by the current First Minister, Vaughan Gething, and its links to the Development Bank of Wales (DBW).

In a Nation Cymru article published 20th April, 2024, titled: "Was Welsh Government loan money used to donate £200k to Vaughan Gething?" the article goes on to say:

"Companies run by a convicted criminal that bankrolled Vaughan Gething's Welsh Labour leadership campaign owe £400,000 to a bank wholly owned by the Welsh Government, newly published accounts filed at Companies House have revealed."

As the Cabinet Secretary responsible for DBW, I would ask that the following questions are given your urgent attention:

- 1) How long before 13th December 2023 did DBW agree further financing for companies associated with David Neal?
- 2) What meetings did officials from the office of the then-Economy Minister and representatives of DBW have with David Neal and representatives of companies of which he is a director before extending business finance to him?
- 3) For what reasons did DBW deem it necessary to loan a total of £400,000 to companies associated with David Neal, and for what purpose were the loans?
- 4) Since the DBW finance was extended - and secured by a debenture - when did the former economy minister become aware of the intention of David Neal to enter into a debt purchase/invoice financing agreement with HSBC bank?
- 5) What is the debenture's priority over existing charges in favour of DBW, HSBC, and the Julian Hodge Bank relating to multiple companies of which Mr Neal is director, all of which are recorded as outstanding at Companies House?

Given that the Welsh Government owns 100% of the shares of DBW, this calls into question the independence of their financing decisions, the use of public funds and the influence of the then-Economy Minister.



If the companies associated with David Neal needed to borrow £400,000, how were they then in a position to donate £200,000 to Vaughan Gething MS, who was the Minister responsible for the Development Bank of Wales, at the time?

I have sent a copy of this letter to Paul Davies MS, chair of the Economy, Trade and Rural Affairs committee, with whom the Development Bank of Wales sits for scrutiny.

Kind regards,

Samuel Kurtz MS
Shadow Minister for Economy and Energy

CC:
Paul Davies MS – Chair, Economy, Trade, and Rural Affairs Committee

Agenda Item 2.6

Response from Carwyn Jones to letter sent on 15 April 2024 – The Future of Welsh Steel – Committee scrutiny

EVIDENCE TO ECONOMY, TRADE AND RURAL AFFAIRS COMMITTEE

I thank the Committee for inviting me to give evidence regarding the TATA steelworks at Port Talbot. I should say at the outset that I do have first-hand experience of the events in 2016 but inevitably, my views on the current situation will contain an element of speculation.

It is worth emphasising at the outset that the circumstances in 2016 and those of 2024 differ significantly. In 2016, TATA announced that they were putting their UK operations up for sale whereas this year, TATA have announced the closure of the heavy end at the Port Talbot works as part of a deal with the UK government, leaving the Welsh Government with precious little room for manoeuvre compared to 2016. It is regrettable that The UK Government seem not to have engaged with the Welsh Government during this process leaving the Welsh Government in a position of dealing with what appears to be a “done deal”.

In 2016, there was a great deal more flexibility in the situation and I prioritised contact with TATA in an effort to work with them to secure Port Talbot’s future. This involved numerous conversations as well as a visit to Mumbai to talk to members of the TATA board. I felt it was essential to keep up communications with TATA in order to show the Welsh Government’s concern. In my view, this proved effective and subsequently, this was confirmed to me by a TATA representative. It is worth pointing out that at this stage, TATA’s board were concerned about how the business was perceived. Their image mattered to them.

The situation this time around is different; an agreement has been made between TATA and the UK Government and so the scope for persuading TATA to take a different course is negligible. I do not think that the approach taken in 2016 would have worked this time. In addition, TATA seem less concerned about how they are perceived than was previously the case.

I have been asked about how important the links are between Wales and India and how well they work. When I was First Minister we had three offices in the country, all locally staffed. All of them reported directly to me every month. I also visited India on several occasions. The Welsh Government offices in India, and indeed around the world are invaluable; they give us access to intelligence on the ground that we would not otherwise have. They have also worked effectively with UK embassies and consulates as well as with trade organisations. In addition, Ministerial visits abroad are important as they open doors that would otherwise be shut. Ministers in other governments tend only to agree to meetings with those of equivalent rank. They do not usually meet officials. It follows then that when a Welsh Government Minister travels abroad, they will be able to secure meetings that would otherwise not be available and create relationships at a higher level.

One of the key differences between 2016 and now is the working relationship between the Welsh and UK Governments . In 2016, both governments were very much “on the same page” and when I visited Mumbai, Sajid Javid was also there as a Secretary of State. We met

and discussed the issue at length. Similarly, I had the impression that David Cameron, as Prime Minister, took a personal interest in the future of Port Talbot. The UK Government's interest waned after his resignation. This time however, it appears to me that TATA and the UK Government have been negotiating with each other without the involvement of the Welsh Government which is a mistake in my view. Despite the political tensions that are inevitable between the governments, it is possible to work together on common goals and this should have been an opportunity for the UK Government to demonstrate such a willingness by involving the Welsh Government in the original discussions with TATA. It is now extremely difficult for the Welsh Government to make any representations on behalf of the Port Talbot workforce because an agreement has already been reached.

I am surprised by TATA's comments of late. They have said that they are losing one million pounds a day in the UK, a figure that has gone largely unchallenged in politics and the media. Yet they were also saying this in 2016. I would ask whether TATA has really been losing such a sum on a daily basis since 2016 and have simply carried that loss for all this time. I am also aware that until quite recently, TATA were opposed to the idea of an electric arc furnace (EAF). I attended a meeting of the All-Party Group on Steel at the Senedd in the autumn of 2021 and the TATA representatives there were clear that they did not think that the technology worked for them. In addition, nobody until now has suggested that Port Talbot could operate using only EAF technology. The assumption has always been that there would also need to be a blast furnace in place to supplement it. There are also questions about the EAF such as where the feedstock will come from and how it will be powered given that energy costs were always a concern for companies such as TATA operating in the UK. I would also question whether there are sufficient safeguards in place to ensure that the EAF is actually delivered in the future or whether there is a danger that it will fall by the wayside.

Finally, I have been asked about the structures that have been put in place to help with transition. I have not been involved with this so feel unable to comment. However, what is essential is for there to be more time for the transition to take place, as requested by some of the trades unions. The whole process is very rushed and there will be a significant gap between the end of blast furnace production and the introduction of the EAF. The UK Government, through its provision of money to TATA is in a position to exercise more leverage over the company to convince them to extend the life of at least one of the blast furnaces until the EAF is fully operational. There is no question in my mind that an EAF is a much greener and more sustainable way of making steel but the transition towards it could have been extended to give the workforce and the town time to adapt. Sadly, that has not happened.

I am willing of course to assist the Committee in any way and hope that these submissions will be of assistance.

Carwyn Jones



Department for
Business & Trade

Alan Mak MP
Minister for Industry and Economic Security
at the Department for Business and Trade and
Minister for Investment Security at the Cabinet
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Our ref: MCB2024/03690

By email: SeneddEconomy@senedd.wales

29 April 2024

Dear Paul,

Thank you for your correspondence of 21 March, regarding the Welsh Parliament's Economy, Trade and Rural Affairs Committee's concern around Tata Steel securing sufficient scrap steel to supply their new electric arc furnace (EAF) at Port Talbot.

This Government recognises the impact that transforming the Port Talbot to EAF production will have on workers and the wider community. This is why we have established a Transition Board, with membership from the local authority, Welsh Government and Tata. The Board has £100 million of funding, £80 million from the UK Government and £20 million from Tata, for projects to support the communities affected.

Without this joint investment package, there was a risk of the whole business closing, which would have put all 8,000 jobs at Tata Steel sites around the country at risk along with thousands more in the supply chain. The deal we have reached with the company is expected to safeguard 5,000 jobs and secure a sustainable future for Port Talbot.

On scrap steel supplies, I can confirm that government officials continue to be in close contact with UK steel producers and metal recyclers on future scrap supply. UK Steel, the trade association for steel producers, convened a roundtable on scrap on 4 April, with the steel industry, metal recyclers, academics, UK Research and Innovation, and senior officials from the Department for Business and Trade (DBT) and DEFRA.

The UK currently produces 11 million tonnes of scrap a year but only utilises circa 2.7 million tonnes based on current domestic use. Even after the installation of Tata's EAF, there will remain a significant surplus of supply of scrap in the UK.

There will, however, need to be effective scrap sorting to make sure there is the appropriate quality of scrap, with low residuals. My officials are engaging with metal recyclers to understand what commercial progress is being made on developing higher quality scrap flows, helping to cut costs and significantly improve carbon efficiency.

We continue to engage closely with the sector on this important matter and pay close attention to how the scrap market is responding to these new domestic opportunities. We remain committed to assisting the sectors find a market-based solution to these challenges but will consider further options if necessary.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Alan Mak', is centered on the page.

Alan Mak MP

Minister for Industry and Economic Security at the Department for Business and Trade and
Minister for Investment Security at the Cabinet Office

**Culture, Communications, Welsh Language,
Sport, and International Relations
Committee**

Vaughan Gething MS
First Minister
Welsh Government

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30 April 2024

Annual scrutiny

Dear Vaughan

I would like to take this opportunity to congratulate you on your recent appointment as First Minister.

You will be aware, of course, that the Committee's international relations remit includes scrutiny of the Welsh Government's international activity and how it is resourced.

As a Committee, we look forward eagerly to a number of key milestones being reached in the time that remains before the end of the Sixth Senedd, including the implementation review of the UK-EU Trade and Cooperation Agreement, the renewal of the Wales-Ireland Shared Statement and Joint Action Plan, and the soft "refresh" of the Welsh Government's International Strategy, as outlined by the former First Minister.

We would welcome the opportunity to explore these, as well as other topical international issues with you at our annual scrutiny session on 19 June 2024.

I would like to take this opportunity to wish you well in your new role, and we look forward to working with you on international relations during the remainder of this Senedd term.

I am copying this letter to the Chairs of the Legislation, Justice and Constitution Committee and the Economy, Trade and Rural Affairs 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 2.8

Jeremy Miles AS/MS
Ysgrifennydd y Cabinet dros yr Economi, Ynni a'r Gymraeg
Cabinet Secretary for Economy, Energy and Welsh Language



Llywodraeth Cymru
Welsh Government

Paul Davies MS, Chair
Chair of Economy, Trade and Rural Affairs Committee

SeneddEconomy@senedd.wales

30 April 2024

Dear Paul,

The previous Minister for Economy attended a general scrutiny session before the committee on 13 December. At this session, Hefin David MS posed a question on apprenticeship levy funding. My predecessor committed to write to the committee concerning this matter. I have attached to this letter a note setting out the information requested.

I look forward to working with the committee.

Yours sincerely,

Jeremy Miles AS/MS

Ysgrifennydd y Cabinet dros yr Economi, Ynni a'r Gymraeg
Cabinet Secretary for Economy, Energy and Welsh Language

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Information Requested by the Economy, Trade and Rural Affairs Committee

Apprenticeship Levy

1. The apprenticeship levy was introduced through the Finance Act 2016.
2. The levy is paid by large employers with a pay bill of over £3 million. Currently, only a very small percentage of employers pay the levy, which is set at a rate of 0.5% of their total annual pay bill.
3. In England, every employer who pays the levy has a digital account where they can access their levy funds to spend on apprenticeship training. The UK Government also applies a 10% top up to the funds in each account. While only the biggest businesses pay the levy, the funding generated by it also funds apprenticeship training for other employers who want to take on apprentices. Smaller employers – those with a total annual pay bill of less than £3 million – pay just 5% of the cost of their apprenticeship training and the UK Government pays the rest.

Levy funding deal for devolved administrations

4. The levy was introduced as a means of implementing skills policy and achieving commitments made for England and so did not take into account or cater for the economic backdrop or apprenticeship policies of the devolved administrations.
5. However, the UK Government's committed to provide the devolved administrations with a 'fair deal' to be based on population share.
6. The table below shows funding provided to the devolved administrations based on population share¹:

Population share of levy funding (£m)	2017-18	2018-19	2019-20
Scottish Government	221	230	239
Welsh Government	128	133	138
Northern Ireland Executive	76	79	82

7. The aim initially was to provide devolved administrations with funding certainty as the UK Government would manage any difference between the levy forecast

¹ Source: <https://www.gov.uk/government/news/uk-government-agrees-apprenticeship-levy-funding-deal-with-devolved-administrations>

and actual levy revenues. This population-based agreement was thought to be consistent with the UK's general approach to sharing UK-wide revenues. Beyond 2019-20, once the levy was embedded, the normal operation of the Barnett Formula was expected to provide a similar outcome. It was for the devolved administrations to decide how to allocate this funding to their devolved responsibilities.

8. The fact that the Welsh Government was funded via a share of revenues from the levy in the early years, rather than Barnett consequentials from the associated planned spending in England, may be seen as at least partly a recognition of the difficulties caused by its introduction.
9. However, whilst at the 2015 UK Spending Review the UK Government allocated resources to Whitehall Departments to cover programmes financed by the apprenticeship levy, these additions were offset by cuts to other programmes, including existing apprenticeship programmes. In aggregate, the UK Government's Spending Review 2015 meant that the Welsh Government's budget was reduced in real terms.

Impact of UK Government apprenticeship programmes on Welsh Government budget - Post 2015 Spending Review (£m)			
	2017-18	2018-19	2019-20
Apprenticeship levy funding (population share of expected UK revenues)	128	133	138
Consequentials from closure of existing apprenticeship programmes in England	-90	-90	-90
Net change to Welsh Government funding	38	43	48
Estimated cost of levy to Welsh public sector bodies	-30	-30	-30
Net impact of changes to apprenticeship funding on devolved public sector	8	13	18

10. From 2020-21, the levy and revenues raised from it are irrelevant from a Welsh Government budgetary point of view. The levy is a source of funding to the UK Government, but the Welsh Government block grant funding depends on changes to the funding of those public services in England which are devolved to Wales, not on UK tax revenues.

Apprenticeship levy payments made by employers in Wales

11. According to the ONS, on average 4% of the total apprenticeship levy comes from Wales. The ONS publishes an estimate of apprenticeship levy revenues from Wales, most recently £122m for 2021-22. It was estimated to be £99m in 2019-20. This suggests that levy-related funding coming to Wales may be higher than revenues collected in Wales. However, this is uncertain as the ONS revenue statistics are estimates due to data limitations. They are apportioned based on workforce and earnings data, rather than the address of employers paying the levy.

12. In addition, the funding was never fully additional in the first place, because of the closure of previous apprenticeship programmes in England coinciding with the introduction of the levy. As such, the net impact on Welsh Government funding was less than the revenues collected from the levy as was the case in the other devolved administrations.
13. From 2020-21 onwards, the revenues from 2019-20 were baselined and the Welsh Government now receive consequentials from overall changes to the Department of Education budget. Changes specifically from apprenticeship spending are not identifiable within these consequentials. So, although the Welsh Government knew the actual amounts transferred over the first three years of the levy's introduction, we now have no knowledge of what these amounts are.
14. Likewise, we are not able to find out what individual employers pay in levy. However, at the time when the levy started the Welsh Government estimated the cost to the public sector at around £30million.

Economy, Trade, and Rural Affairs Committee

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Peredur Owen Griffiths MS

Chair

Finance Committee

1 May 2024

Annwyl Peredur,

Scrutiny of the Draft Budget

Thank you for your letter of 22 March seeking views on the documentation provided by the Welsh Government to support scrutiny of the Draft Budget. The Committee considered this at its meeting on 24 April and would like to make the following points:

- It is vital that evidence is provided in a timely manner and Members would like to highlight the need for the Government to stick to the timings set out in the budget protocol;
- Information shared this budget round (Draft Budget 2024-25) was useful. There were a few gaps noted around specific outcomes, e.g. on the Export Action Plan, where a greater level of detail would have been useful. However in general Committees need as much specific information as possible to be able to properly understand and drill down into the draft budget;
- The narrative shared with Budget Expenditure Line (BEL) tables and on individual programmes was helpful, as were updates on topical issues, e.g. on costs related to Border Control Posts and implementing the Border Target Operating Model. The Committee would like to see this provided in future budget scrutiny rounds and if more detail is provided on each BEL Members would also appreciate further narrative explanations to accompany that detail;



- The Committee uses its regular scrutiny sessions with Ministers to cover budget issues in-year. However, ahead of the next Welsh Government Draft Budget 2025-26 we will write to the Cabinet Secretaries to ask them for progress against last year's Committee report recommendations as part of the budget scrutiny process; and
- The Committee will also highlight the Finance Committee's consultation to our stakeholders more clearly. Very useful responses were received from a small number of the Committee's key stakeholders, but we want to encourage more engagement from all our stakeholders with that coordinated consultation process.

Taken together, all these elements should serve to inform and enhance future budget scrutiny.

I hope this response is helpful to your Committee,

Cofion cynnes,



Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English

**Economy, Trade, and
Rural Affairs Committee**

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Giles Thorley
Chief Executive Officer
Development Bank of Wales

2 May 2024

Dear Giles,

Thank you for attending Committee on 24 April. Due to time constraints there were a number of questions we could not cover in the session.

Equity Investments

Please can you provide some more detail on the Bank's processes around equity investments:

- What guidance is given to businesses in order for them to understand everything involved with an equity investment?
- Do you ever appoint the same Investor Director to sit on the boards of multiple companies that the Development Bank has invested in?
- What degree of control does the Development Bank have on the way an Investor Director operates and the decisions they take once appointed?

In order to reconcile information relayed to the Committee during the session with written evidence we have received, I would also be grateful if you could confirm how the remuneration of Investor Directors is agreed. Rhian Elston stated that "the remuneration is a discussion between the company and the investor director" and "they make the decision there around how much that individual should be paid". However, the Committee has received written evidence that suggests that the Development



Bank might play, or perhaps has in the past played, a role in determining the remuneration of Investor Directors.

Complaints

In our session you explained that the Bank had 17,065 applications last year and received 11 complaints. I am interested to know if this is a usual level of complaints both for the Bank and financial lending industry more generally. Please could you let me know:

- How many complaints has the Development Bank received in each year over the last 5 years?
- Has the Development Bank undertaken any benchmarking against other comparable institutions on a usual level of complaints they might expect to receive? If so are the current complaints in line with the Bank's findings?

On a wider point, I would also be grateful to know whether the Bank has undertaken any work to understand how the Bank is viewed by businesses that have either been unsuccessful in securing funding from the Bank or have never applied to the Bank for support.

The Development Bank of Wales annual accounts

I note press reports regarding losses of over £62 million stated in the Development Bank's accounts for 2022/23. In the reports a spokeswoman for the Bank has been quoted attributing these losses to "significant increases in the loss rates used to calculate the provisions charge" which has led to a 41% increase in the loss allowance and a "reduction in fair value of our investments."

In 2017 the Committee's predecessor recommended that Finance Wales, the Development Bank's predecessor, should "produce information alongside its annual accounts which would allow any interested member of the public to see whether the organisation has covered its costs in the preceding year." This recommendation was aimed at increasing transparency around Finance Wales's finances and to allow the average Welsh citizen to understand the current health of the Bank and its investments. It is worth noting that, back in 2017, Gareth Bullock acknowledged that "...technical accounting actually gets in the way of what I might call the ordinary, day-to-day understanding of what we do."

As you are aware, the Committee decided to hold a fuller Inquiry into the work of the Development Bank this year in place of our usual annual scrutiny session that would have considered the Bank's annual report for 2022-23. I would therefore like to take this opportunity to ask the following questions:

- Will the loss of over £62 million reported for the financial year 2022/23 have any impact on the Development Bank's ability to meet the aims and objectives set by the Welsh

Government, and will said losses decrease the amount of money available for the Bank to loan out going forward?

- Whilst I appreciate the Bank's explanation of its finances set out in the press article linked above, and I understand the world of finance is complex, I do not feel the Bank's response is one that the average Welsh citizen would easily understand. In line with the Fifth Senedd's Economy, Infrastructure and Skills Committee's recommendation, I would encourage the Development Bank to publish information alongside its annual accounts – in plain English and Welsh - that would allow any interested member of the public to see whether the organisation has covered its costs in the preceding year and to understand the practical effects of any losses or surpluses identified in the accounts.

The Committee also intends to hold an annual scrutiny session with the Bank as soon as possible after it has published its 2023/24 annual report.

I would welcome your response to the questions above by 16 May as this will help the Committee finalise its report for this inquiry in a timely manner.

Kind regards,



Paul Davies MS

Chair: Economy, Trade and Rural Affairs Committee

We welcome correspondence in Welsh or English



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)

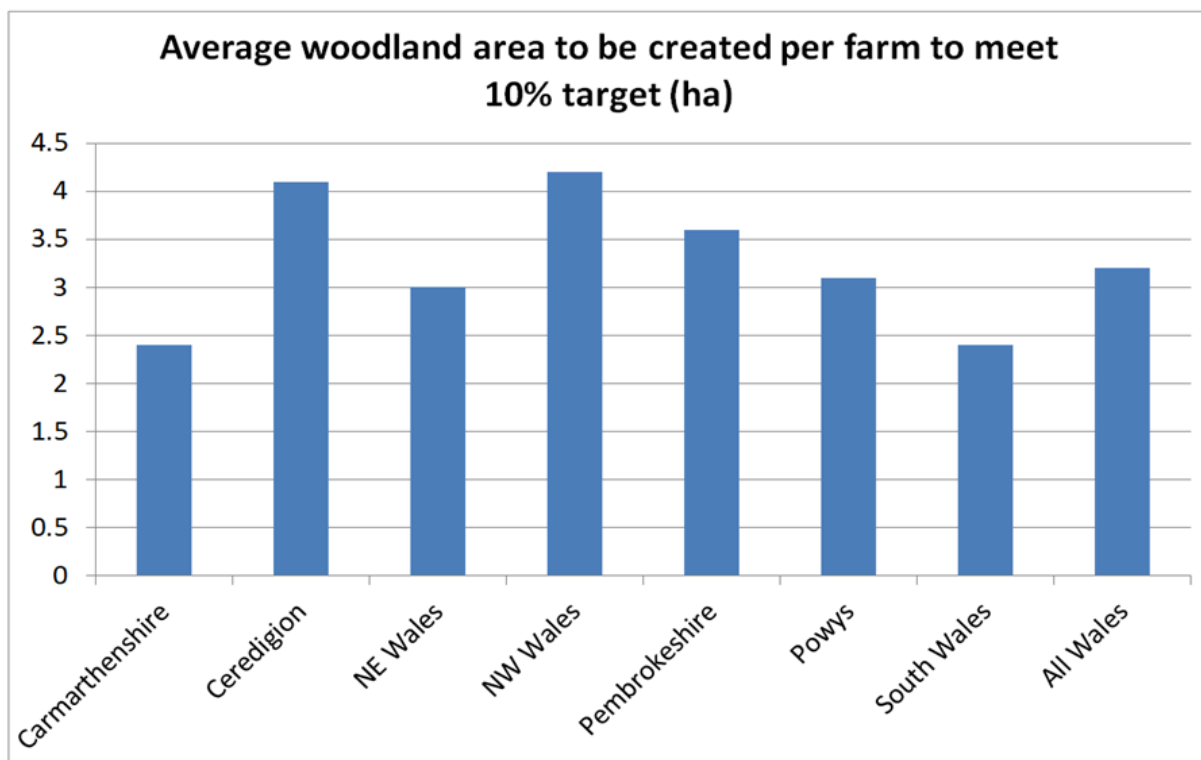


Figure 1

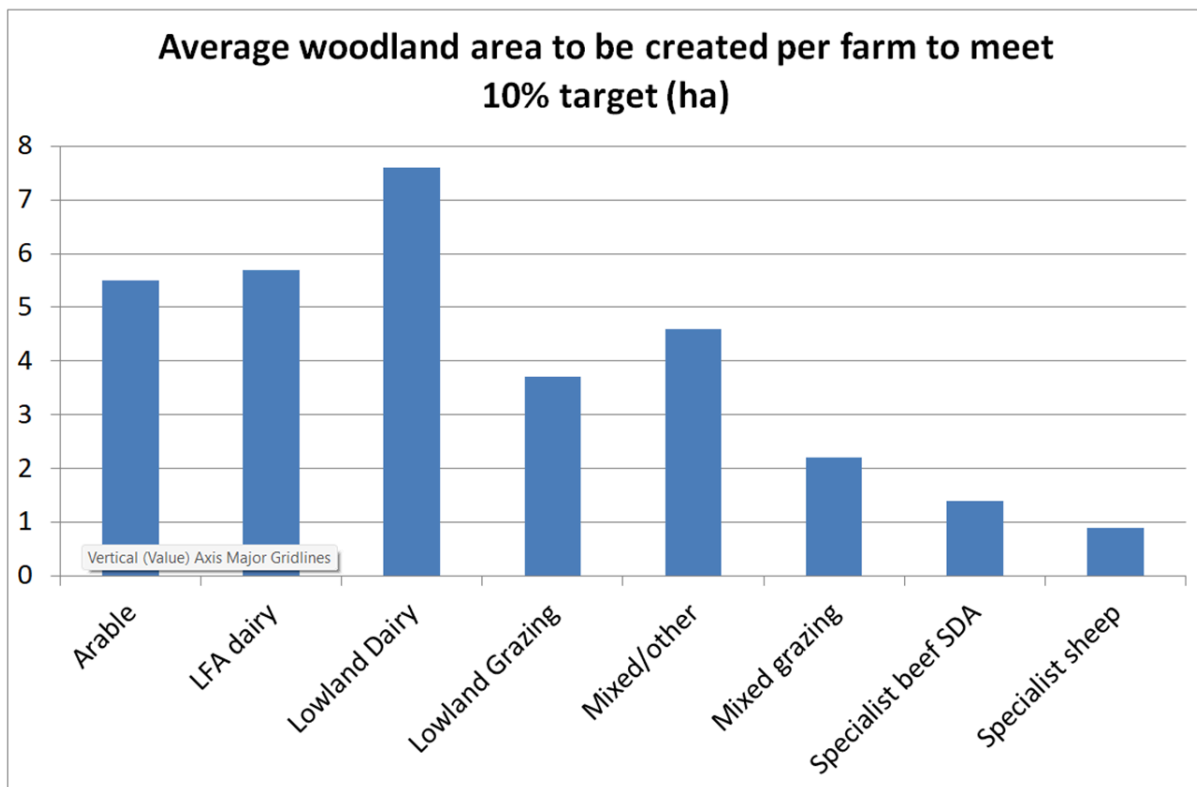


Figure 2

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 CO₂, 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 200m² and 330m² 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”.¹ 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

¹ 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

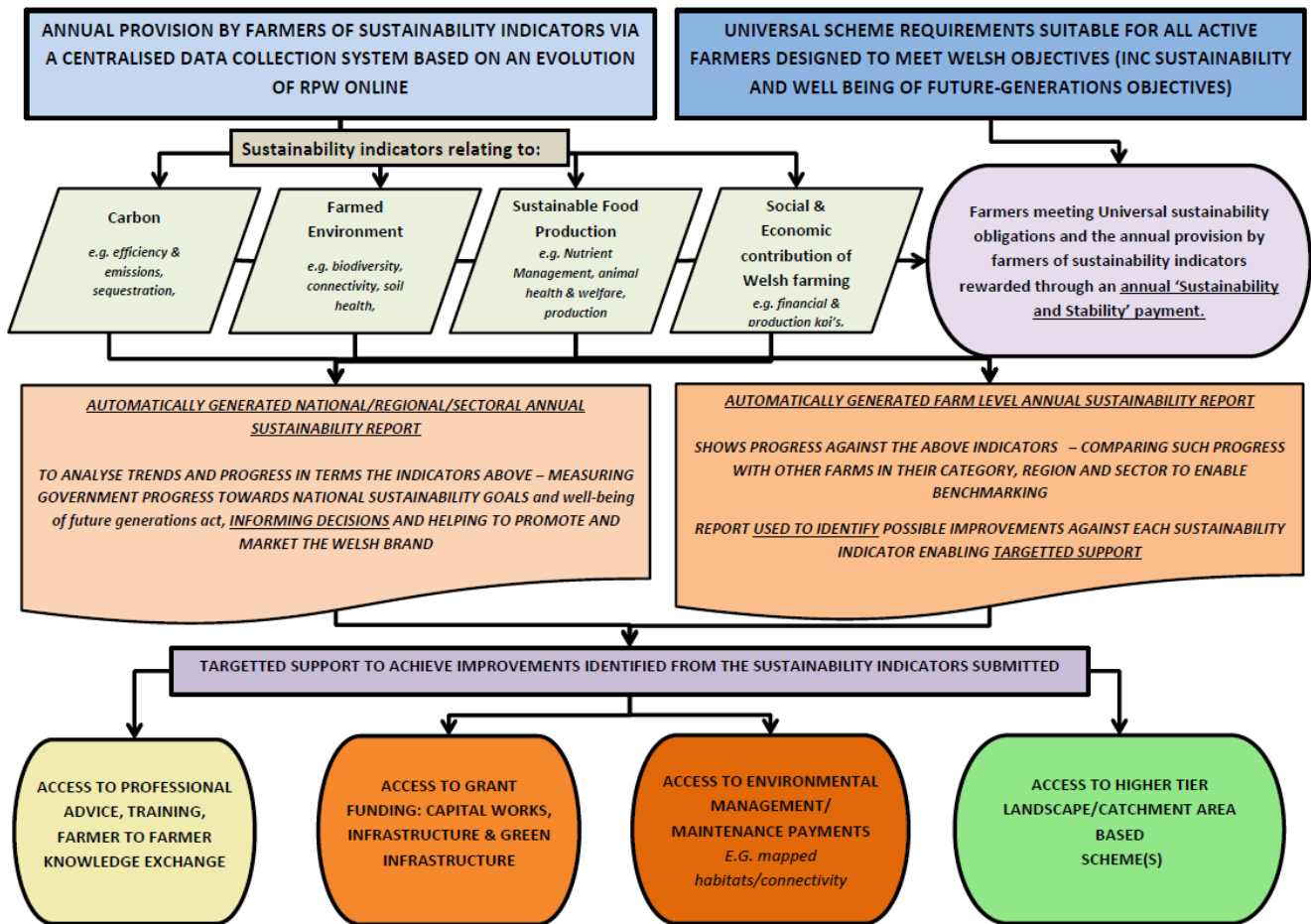


Figure 3: The jointly proposed FUW - NFU Cymru Sustainable Farming Scheme framework, 2021

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 km² 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).

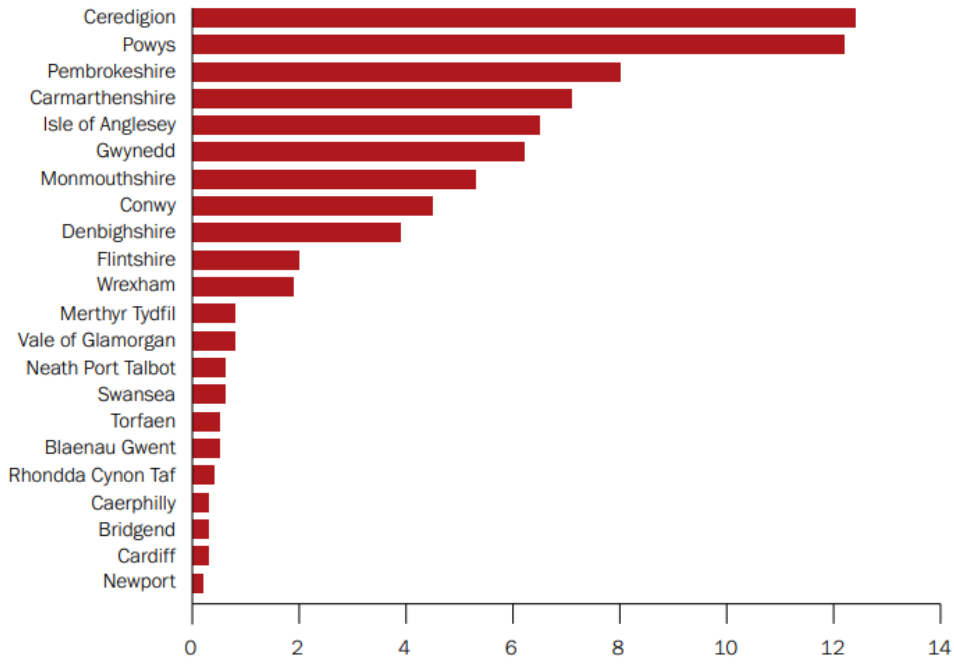
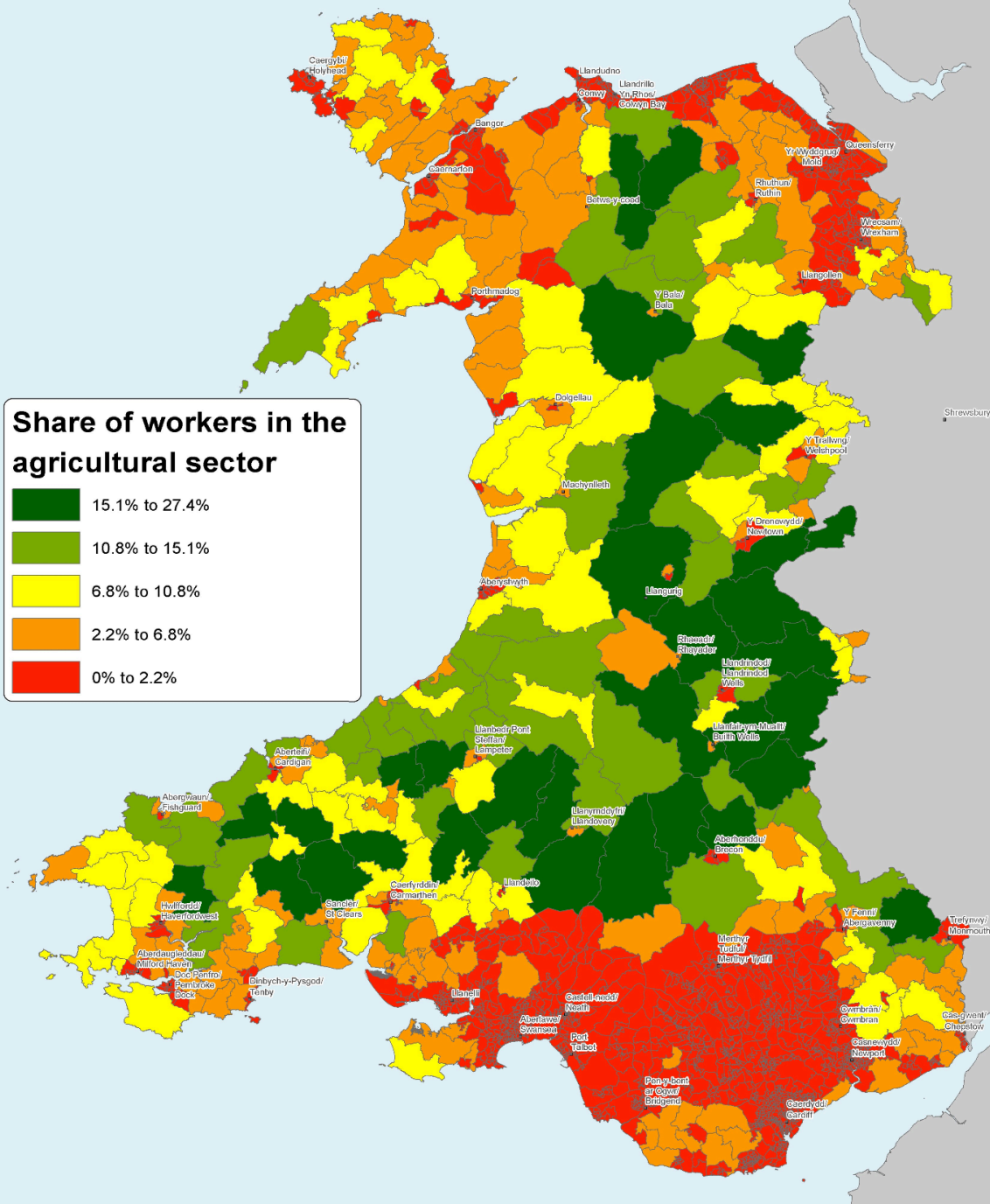


Figure 4: Workplace jobs in agriculture, forestry and fishing by Welsh local authority, 2017 (source: Welsh Government)

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)



FUW Key Asks

Sustainable Farming Scheme

7th March 2024

1. The SFS must provide meaningful support and income to active farmers in Wales for producing sustainable food in line with the first Sustainable Land Management objective
2. 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
3. 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
4. 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
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. 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
8. The Welsh Government should 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
9. 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
10. The Universal Baseline Payment must 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

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



President's Foreword

Over the course of the consultation period 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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NFU Cymru's Key Principles and vision for future agricultural policy

Following the EU Referendum, NFU Cymru 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. All of these three cornerstones are fundamental to the long-term policy framework for agriculture in Wales. It is against these principles and vision that NFU Cymru judges Welsh Government's proposals for the Sustainable Farming Scheme.

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.

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

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 Sustainable Farming Scheme framework

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.

NFU Cymru's comments on the seventeen Universal Actions, two Scheme Rules and carbon assessment are summarised below: -

UA1: Benchmarking

Members have repeatedly told us that they are not prepared to provide detailed financial and business sensitive information to Welsh Government. They are concerned how this data will be used and also safeguarded. Welsh Government's benchmarking approach will need to take account of the benchmarking farmers already participate in and be compatible with the data already collected to minimise bureaucracy. It will need to consider farmers who are digitally excluded. NFU Cymru is disappointed that Welsh Government fails to recognise the value of this data.

UA2: Continuous Personal Development

Welsh Government should recognise that many farmers in Wales are already highly educated / have undertaken significant CPD and are frequently better qualified than the advisers that are paid to advise them. We note that Welsh Government expects prior and ongoing CPD to count, however, it is not clear how this will be operationalised and how equivalence will be determined. NFU Cymru is supportive of efforts to improve health and safety on farms, we place significant emphasis on promoting and highlighting health and safety messages to our members. Welsh Government proposals which mean farmers will have to undertake thirty online modules over a five-year period is likely to come at significant investment cost to Welsh Government.

UA3: Soil Health Planning

This UA will include soil testing and nutrient planning. Soil analysis undertaken by farmers prior to joining the scheme within the last five years should be acceptable for the purposes of this UA. The logistical and capacity challenges associated with this proposal are likely to be significant. 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. The administrative burden associated with inputting data relating to soil analysis onto RPW online has been highlighted and significant concerns were raised about how Welsh Government would use the data. 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.

UA4: Multispecies cover crops

This UA requires a multispecies cover crop on land that would otherwise be left bare post-harvest for a period of more than six weeks. The removal of the Rough Surface Risk Assessment currently provided for through cross compliance is not acceptable as this offers significant and widespread benefits and fits into standard agronomic practice for a range of cropping systems e.g. Pembrokeshire Early Potatoes. 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. Requiring multiple species adds cost and complexity without a corresponding benefit. 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. 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.

UA5: Integrated Pest Management (IPM)

NFU Cymru would support this approach for an annual assessment of plant protection product (PPP) usage since various templates already exist for IPM including those provided by the Voluntary Initiative. Welsh Government requirements for this UA should be compatible with IPM requirements for farm assurance etc. NFU Cymru would also be keen to stress that the overarching aim of this UA should not be a reduction in PPP usage per se. 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.

UA6: Managing Heavily Modified Peatlands

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. 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. 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

NFU Cymru is clear that Welsh Government's proposed classification of habitats eligible for this scheme Rule is not comprehensive. 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. We believe there are clear benefits for a range of species to include the following additional habitat features such as streams, rivers, dry stone walls and 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 should also be included.

UA7: Habitat Maintenance

Concern 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. Whilst Welsh Government suggests it will be adopting a more flexible approach to habitat management than existed previously, many farmers doubt this based on the management specification included for Enclosed Semi-Natural Dry Grassland- Grazed Pasture in the consultation. In reality, we identify farmers will largely be in the hands of a 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.

UA8: Create Temporary Habitat

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. In terms of payment, it's unclear how this UA can be fairly rewarded and incentivised when creation of temporary habitats is likely to be costly. We 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. Welsh Government also need to understand the cumulative impact of reduced agricultural areas and the loss of productive capacity.

UA9: Designated Site Management Plans

We question the feasibility of this proposal which will require all designated sites to have a NRW management plan in place by 2029 when just 29.2% of the 1,084 SSSI have management agreements in place currently. 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. Welsh Government suggest 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 this position which sends entirely the wrong message to farmers at a time when Welsh Government has increasing ambitions around targets for biodiversity. Farmers are effectively being penalised for areas which they have been managing under strict conditions for many years. We believe this position to be untenable.

UA10: Ponds and scrapes

NFU Cymru believes it is completely unrealistic to expect farmers to achieve this UA, never mind, achieving it within the first year of joining the scheme. NFU Cymru believes features such as rivers, streams, ditches, irrigation ponds should be recognised as habitat and included within the thresholds for this UA. Welsh Government's proposed area thresholds have not been explained or justified, and

they appear high across all farm sizes. The planning requirements associated with this UA are far from resolved. Farmers highlighted concern around animal health & welfare impacts such as liver fluke risk and AI.

UA11: Hedgerow Management

All hedges, irrespective of condition, should count towards habitat and tree cover. The consequences for farmers for not meeting the condition of this requirement by the end of the fifth year are not clear and 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. 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 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 their 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. 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.

NFU Cymru have 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. These actions may see farmers having to reduce production to a level that will result in their core business becoming unviable, whilst also undermining the 'critical mass' of Wales' key production sectors. 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.

UA12: Woodland Maintenance

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. 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.

UA13: Create new woodland and agro-forestry

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

UA14: Historic environment

NFU Cymru continues to be concerned that no accurate definitive map of historic environment features exists upon which to base this UA. The proposal to include traditional farm buildings is highly concerning. The maintenance of historic buildings has significant cost implications, particularly if the building is listed. Concerns about health and safety were also raised. The cost of maintaining such

features such as dry stone walls and traditional slate fencing will be high and burdensome and will need to be supported via capital grants. 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 UA may not be met or the landlord may use this as an excuse to remove the building from the tenancy, which could be highly problematic for the tenant.

UA15: Animal Health Improvement Cycle

NFU Cymru is supportive of continuous improvement of animal health and welfare on farm and of farmers working with their vets to identify areas relevant to the individual farm business. However, we question what the consequences would be of not meeting the targets identified or if antibiotic usage increased, particularly given animal health and drug use can be influenced by external factors. We raise concern about the lack of capital support available for actions, and question if there is sufficient vet capacity in Wales to resource this UA and raise concerns about how data submitted to Welsh Government will be used, protected and valued. NFU Cymru also highlight the role for earned recognition given the significant cross over with existing farm assurance schemes.

UA16: Good Animal Welfare

Farmers across Wales will already be undertaking regular body condition and mobility scoring, with any animals needing attention treated on a case-by-case basis. NFU Cymru question how the online training would be pitched appropriately given many farmers will already be very qualified in this area and sought clarity about the ability of contractors e.g. contract shepherds, to count as the 'trained individual' in the context of this UA. We also question how any data submitted to Welsh Government would be used and protected. We also highlight the crossover with farm assurance and suggest there should be a role for earned recognition.

UA17: Good Farm Biosecurity

NFU Cymru members have raised multiple questions around both the nature and positioning of the wash station. They have raised concerns about how this requirement would work where a farm has public rights of way (PROW) over their land/ through their farmyard and that operate over multiple sites. We question what constitutes a "livestock secure farm boundary", for example, would electric fencing be sufficient and asked how this requirement will be applied in situations where farms include unenclosed hill land that is often unfenced or where land is occupied on short term tenancies. We pointed out that securing a farm boundary and installing new fences can be a significant investment for a business and this cost, alongside the upfront cost of the wash station, should be included in the applicable payment rate. We also highlighted the frustration that farmers have with government in relation to biosecurity and bovine TB.

Carbon calculator

Welsh Government require all farmers to complete a carbon assessment within the first year of joining the scheme, with a need to repeat this assessment as part of the 2029 scheme year, although they would prefer it completed annually. We do question how Welsh Government will be able to specify which carbon calculator to use and be confident that it is the right one for all sectors and all farm types. 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. A number of the tools are not free to use and they have accompanying annual subscription costs. 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 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.

The Sustainable Farming Scheme Process

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 on the previous excellent delivery of payments to Welsh farming.

NFU Cymru is supportive of an online process for the Habitat Baseline Review. However, ahead of implementation, full evaluation of the Habitat Wales Scheme must be undertaken, and lessons 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 whilst 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 Farm Liaison Service and private agents.

Payment Methodology

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 annually. 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

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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.

Transition Period

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 strongly believes that retaining flexibility over the start date, duration and flexibility to pause the transition would be prudent to safeguard jobs.

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.

Basic Payment Scheme

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.

Regulations

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.

Evidence

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.

Throughout the consultation period NFU Cymru has engaged closely with supply chain partners, there is widespread concern at the impact the proposed SFS could have on the entire supply chain.

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.

Data Processing and Reporting

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 should only be collected by Welsh Government if it 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.

This document is a summary of NFU Cymru's comprehensive response to the Welsh Government's Sustainable Farming Scheme consultation. The full response is available on the [NFU Cymru website](#).



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Full response submitted on Thursday 7 March
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Visit the [NFU Cymru website](#) to read the full response

Tenant Farmers Association (Wales)

Welsh Parliament Economy, Trade, and Rural Affairs Committee

Inquiry into the Sustainable Farming Scheme (SFS)

1. Introduction

- 1.1 The Tenant Farmers Association in Wales (TFA Cymru) welcomes the opportunity of providing evidence to the Economy, Trade, and Rural Affairs Committee as part of its Inquiry into the 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 CO₂. 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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19 April 2024
GWD/1609

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Dear Rural Affairs Minister,

Introduction

The Wales Federation of Young Farmers Clubs' (YFC) is the largest voluntary youth organisation operating throughout rural Wales and has been providing services and support to young people and their communities for nearly 90 years.

It is governed as a charitable company limited by guarantee, with the YFC priding itself on being a truly democratic organisation, that is run by young people for the benefit of young people.

A bilingual organisation, the membership of the YFC in Wales at the end of the last membership year stood at over 5,500 young people from 157 clubs and twelve counties throughout Wales, all aged between 10 and 28 years of age.

Operating through a climate of equality the aims and objectives of the YFC are to seek to meet the needs of rural young people through a variety of educational, training and social programmes that encourage community involvement, personal development, understanding of rural life and concern for the environment.

As is outlined in the Wales YFC Impact Report 2023 the YFC membership values the organisation for "*giving members skills to support their communities and using local services and keeping money in the rural economy*". In addition, over 70% of the members have told Wales YFC that being a member of Wales YFC supports Rural Sustainability by bringing skills and opportunities to young people in rural communities as well as bringing events to the local community. All of which are fundamental for a thriving rural community and we urge the Welsh Government to talk to us as present and future farmers to ensure that rural sustainability or food production is lost.

As the **PRESENT AND FUTURE OF WELSH AGRICULTURE**, we are unanimous that something needs to be done to ensure that we have a thriving future, however the proposal in its current form is **NOT** fit for purpose. Before being able to commit to the scheme **we need more information and payment rates to be able to further consider and fully analyse** as we believe that there remains to be a lot of unknowns regarding the proposal.

We urge the government to review every response in order to create the most sustainable and efficient policy to allow us as present young farmers and future young farmers to be able to feed the nation and also to keep our rural communities thriving. Wales YFC is the present and future generations of Welsh farmers'; we want to ensure and are willing to co-work to achieve a fully prosperous industry!

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As Wales YFC, we strongly request the following two scenarios to ensure fairness and longevity of our industry.

- a. We urge the Government to release economic analysis models, as in its current form it is unrealistic to ask the industry to agree to a scheme without financial evidence! This will allow the industry to have all resources required to conduct a true and fair response.
- b. We urge the Government to launch a further consultation following the inclusion of the industry's views. Not only does the scheme in its current format show lack of industry knowledge but also a lack of respect toward individuals, organisations and rural businesses that answered the previous consultation. We as a movement have reviewed our previous response and can clearly see that **none** of our suggestions have been implemented! As the current and next generation of farmers, this is a very daunting feeling that our views aren't being respected by policy makers and our Welsh Government!

As the proposal currently stands, Wales YFC can only see a harmful effect on rural Wales, including the loss of communities and the loss of our language which will have a detrimental effect on the Welsh Governments' target of achieving a million Welsh speakers by 2050.

The regulations show strong connections to environmental elements, can the Welsh Government assure us that the policy makers have no direct connection to environmental bodies which would drive the scheme in a specific direction by not taking into consideration the recommendations made by the farmers of Wales. The scheme in its current configuration, if not refined will have a detrimental effect on farm businesses, livelihoods and our rural communities.

With the comments made by key politicians during the consultation period, we are highly concerned that the future of Welsh Agriculture is in jeopardy and Wales YFC officials wish to meet with Welsh Government officials to discover a way to combine our needs as people who feed the nation and on whom the public rely to provide three meals a day, 365 days a year, whatever their dietary needs and the Governments' environmental requirements. We wish to be informed on the level of practical experience of the policy makers within the agricultural sector? The requirements of the hedge dimensions alone show a lack of practical knowledge and understanding. Furthermore, we believe that many of the UA's aspects are not fit for purpose to be used as a 'blanket' approach over Wales. As mentioned, Wales YFC have members from all over Wales, and from discussions with the membership, it is evident that most UAs are fully unpractical.

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Wales YFC propose and wish to have further discussions with the Minister and policy makers to discuss and ask the following:

- Wales will be in direct competition with England and Scotland, which will not have as extreme environmental regulations as Wales and therefore will have competitive advantage in open markets.
- If the tree plantation **must** be introduced, we suggest that it should be introduced within the collaborating actions. **Wales YFC members strongly believe that it is easier to add trees as needed but impossible to remove and still use the land as a productive area.**
- When considering the 10% tree plantation and 10% natural habitat on each farm, we request to be **provided with scientific evidence which shows the relevance of 10%**
- Members are concerned that if the Welsh Government does not listen to the industry, and reconsider the tree plantation, the farms which will opt into the SFS in its current structure will all be purchasing trees at the same time, which will result in the following:
 - Increase in the price of trees
 - Decrease in the price of stock, as our members strongly believe that they will have to reduce stock numbers to allow trees to be planted
 - We are concerned that planting trees may lead to the introduction of diseases.
- The UAs should be achievable to all farms without being detrimental to their futures and we wish to discuss alternative UAs that we consider to be more achievable.
- From the 17 UAs, we suggest that farmers should be allowed to choose which ones they opt for. Instead of forcing the 17 UAs as a blanket approach, Each farm needs to have the ability to tailor the UAs in order to address the ability of each farm. **A blanket approach will not work.**
- Wales YFC members consider most UAs as **extreme** measures - we wish to have further discussions and understand the policymakers background and level of practical agriculture knowledge.
- We are highly concerned that all our suggestions from the last consultation have not been implemented and we feel that our Welsh Government is not concerned about our future.
- In its current shape, the SFS will massacre rural communities which will have a negative effect on the Welsh language and the Governments' aim of achieving a million Welsh speakers.
- The SFS in its current structure contradicts what is said within the Wellbeing of the Futures Generation Act and will decimate the future of rural Wales and we strongly believe that current proposals do not support the main goals within the Act.
 - Prosperous Wales - the current SFS proposals do not encourage wealth and success as the 5,500-job loss clearly demonstrates. It will create greater poverty within a climate that is living through the cost-of-living crisis.
 - Resilient Wales - with less people working within the industry and considerably less livestock, there will be increased pressures on individuals as there won't be an economy of scale.

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- A healthier Wales - the nation will need to import produce from countries that do not produce to the same standards of animal welfare as we have in Wales nor to the same farm assurance and food production standard. Wales will be far poorer and we strongly believe the Welsh Government should supply more resources into ensuring Wales becomes more self-sufficient to guarantee nutritional health to the nation.
- More equal Wales - the current SFS proposals will result in rural Wales residents having less opportunities than younger residents living in urban areas in terms of employment, social interaction and Welsh language development.
- More cohesive communities - With 5,500 less jobs within the sector alone without considering the job losses within all other sectors associated with agriculture, the number of residents within rural communities will decrease community activity.
- Vibrant culture and thriving Welsh language - Welsh Governments' own research shows that the agriculture industry has the largest percentage of Welsh speakers in Wales and within the YFC over 60% of members speak Welsh. Therefore, without vibrant rural communities; the one million Welsh speakers will become an impossibility.
- Globally responsible Wales - If more resources are inputted into Welsh Agriculture there will be a possibility to become more Globally responsible by lowering the carbon footprint of imported produce - however without this effort, this is the seventh goal which will become truly unachievable.

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Response to the Official Consultation Questions

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?

As young farmers, we are concerned about the five-year outlook on the current scheme, as this does not allow time to viably apply changes sustainably and ensure business continuity. Many of the changes required within the Universal Actions (UA) will result in adjustment to farm business models and will only be able to change over a vast period of time.

Wales YFC feel tremendously demoralised and extremely concerned that within the title it mentions “keep farmers farming”, however, there is no reference to agricultural practices until UA15, 16 & 17. Our members feel very alarmed that food production is forgotten within the scheme considering that every human needs farmers three times a day, every day of the year. We propose that food production must be a priority, as without health there is no life.

We question;

1. Following planting trees, will the industry as a whole be required to re-plant any area of land following the falling of trees?
2. What variety of trees will be advised to plant? And from where should the industry source the trees from?
3. We have seen during the last 12 months an increase in the number of forestry related diseases which have resulted in falling of trees - surely the Welsh Government must be able to see that there are ways to be far more “sustainable” to sequester carbon.

The lack of reference to the optional and collaborative aspects of the scheme is also an area of concern. Asking for a true and honest response without key details is supremely concerning.

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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?

Before being able to fully and comprehensively answer this question we require clear and lucid definitions:

1. *What identifies as suitable land?*
 - i. Within the Wales YFC membership questions and queries have been raised in terms of the new Habitat Wales scheme, as what is deemed as suitable land by the practical farmers and the policymakers are nothing very different. Therefore, farmers must have the ability to identify their suitable land.
2. *What does the Welsh Government mean by 'habitat'?*
 - ii. Our Welsh countryside is full of habitat and is very biodiverse at present, therefore we require further information on the definition. Evidently from the past Glastir and Tir Comin schemes, when farmers did not have a say on the grazing periods and as a result many rare flowers never grew again. **Balance is the key.**
3. Density of trees - there is no indication of density information within the proposals.
4. Do they need to be evenly spaced or can it be planted close together?
5. In terms of establishment rate, if trees do not grow, will you be punishing farmers?
6. Does the Welsh Government understand that it will take longer than five years to see tree grow successfully and with the varying climate, dependant on the area this may have a severe effect on growth
 - iii. Planting trees on a floodplain - there will be flooding likely at several times during the year
 - iv. Planting trees on hills and mountain - they will be exposed to wind that can cause destruction by falling trees etc

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v. AS CAN BE SEEN A BLANKET APPROACH ACROSS EVERY FARM IN VARIOUS LOCATION WILL NEVER WORK

We strongly feel that there is too much fundamental information missed off the consultation in order to make a fully comprehensive decision.

Wales YFC strongly disagrees with the concept of planting 10% of farmland with trees. To be able to sacrifice 10% of land, will the Welsh Government demand that the Welsh population eat 10% less food, or consequently will the Welsh Government be willing for more food to be imported and increase the carbon footprint of the produce eaten in Wales? Surely, the Welsh Government can see that they will cause more environmental harm in importing produce.

Wales YFC fully believes in the concept of the right tree, in the right place, for the right reason which can be utilised as shade for our livestock. However, by this bizarre blanket approach, does the Welsh Government accept that they will be responsible for the increase of certain diseases in livestock, such as Bluetongue and Schmallenberg due to the increase in midges and gnats close to woodland and the changing climate underneath tree canopies.

We, as Wales YFC, are highly concerned about the approach taken by the Welsh Government as it will undoubtedly have a detrimental effect on animal health and also on land value. This needs to be taken into consideration!

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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?

Wales YFC Rural Affairs Committee welcomes the recognition of good animal welfare as part of the scheme; however, we are highly concerned that it is not recognised earlier in the proposal!

However, the need to pay consultants and advisors to deliver several aspects of the scheme is an area of concern. Again, we highlight that without any financial figure, it is near impractical for us to be able to give honest feedback on the benefits questioned.

To some extent, we also welcome the inclusion of the CPD - however strongly believe that any individual from within the business should be allowed to undertake the training to develop future farm business owners as well as farmers. Farming Connect delivers various training courses, and we question whether this will be sufficient for the CPD aspect. The details are insufficient for us to be able to comment further.

Wales YFC are highly worried that with increased paperwork there will be a greater need for farmers to be away from the farmyard to complete several aspects of the proposals. As a result, will the Welsh Government ensure that the food that will need to be imported from other unregulated countries will have the same animal welfare standards - we believe not!

The Welsh Government are regularly introducing more restrictions and red tape, and as a result the industry is witnessing greater mental health implications, meaning greater financial support needed from the Welsh Government to fund the lifesaving charity services. As of February 2024, the DPJ Foundation has witnessed a 73% increase in the number of phone calls which have been referred to a counselling service. Surely this is not a figure that can be sustainable within the industry! The only people with the ability to change this is the Welsh Government, and the only way is to fully listen to the industry and science!

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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?

No, we strongly disagree with the data reporting.

Within every other industry there is business confidentiality. Therefore, why should we be required to share details (as business people, who feed the population three times a day, every day of their lives)?

Wales YFC question, if we must share our data with the Welsh Government, how will the data be used and for what purpose? This is yet another grey area within the proposals.

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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?

This question again shows the grey areas included within the scheme.

As of yet, we have not been made aware of what the optional and collaborative actions are and what will be the requirements.

Therefore, to make a reasonable response without evidence is not only unethical but also impractical.

As no financial information has been made available, how are we to know that we would be rewarded for the work undertaken and ensure that we are not undercut?

This would not only make a large proportion of businesses un-viable but also make the Welsh and British markets highly unsustainable and volatile. It is clearly understood within the industry that the proposals fully support an income for loss?

We demand that in order to make a fair and reasonable judgement, financial modelling and analysis must be made available!

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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?

Regarding the management of land, we have more questions that need to be answered before we can formulate a realistic answer:

1. What happens if the let of land changes within that period of time?
2. Many farmers have either summer grazing or winter grazing contracts that are less than 10 months, who has the management responsibility for this?
3. On rented ground, who has the sole responsibility and the control?

Again, there is key information missing from the proposal that is required to deliver a true and fully reflective answer.

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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?

Wales YFC will only agree to a single carbon calculator if the industry is involved with the creation of the calculator, to ensure a fair and reliable calculator which considers specific aspects of agriculture, i.e. the creation of green energy, hedgerow, grassland etc.

We worry that if a single carbon calculator is used and selected through a tendered process, how can the Welsh Government ensure continuity?

If the carbon calculator changes, how can the Welsh Government guarantee that the data collected can be used in following years and that the information collected is fair and reliable.

Wales YFC question who will gain the carbon credits and who can use it?

Again, clarity is required to make informed decisions.

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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?

Wales YFC strongly feel this is a leading question!

Again, we question what additional requirements are to be involved?

We are highly concerned about the risk associated with food security by importing food from countries that have lower standards than Welsh Farmers.

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Q9. Adopting the Welsh Government appeals process will provide an effective and efficient mechanism. Is there any reason we should deviate from this?

Wales YFC are greatly against the idea of the loss of an independent appeals panel.

Hearing that the Welsh Government deems the independent panel as “*too expensive*” when no budget is announced is ludicrous. Yet, there will be a need for us, as an industry, to use external consultants and advisors to achieve various UAs is farcical.

If anyone would go to appeal it needs to be an unbiased process and we do not deem a panel made specifically out of Welsh Government officials the most effective nor fair process. The panel should demonstrate a fair cross section of industry representatives.

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Q10. We would like to know your views on the proposed approach to:

- a) the SFS universal baseline payment
- b) the SFS stability payment

As no figures are available there is no way to do any realistic response.

We again call for all details to be made available and for financial modelling and analysis to be done. This fundamental information needs to be made available!

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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?

This question has resulted in more questions requiring answers than being able to comprehensively answer.

1. Will farmers be required to do all the UAs to be eligible for the Optional and Collaborative actions?
2. How should farmers prioritise the UAs in order to be eligible for the Optional and Collaborative actions?
 - a. As growing a hedgerow and growing a tree will take much longer than the 5 year life of this scheme!
3. Can farmers opt to join the SFS at a later date?
 - a. If so, how will the initial UAs be regulated due to the facts above?
4. In terms of planning permission
 - a. Have all local authorities got the capacity to be able to deal with an increased demand for planning permissions to create ponds for example?
 - b. Will all authorities be able to process increased requests in a timely manner?
5. What will the optional and collaborative actions include?

As Wales YFC, we would appreciate the opportunity to meet with policy makers and the Minister to understand the full vision of these actions.

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Q12. What actions and support within the Optional and Collaborative layers do you believe should be prioritised?

As mentioned, several times within this response, there is no relevant information available for us to make an informative decision or response regarding the Optional and Collaborative actions.

We again call for all details to be made available and for another consultation to be done to enable the industry to have all the resources required to be able to make fully reliable and well-informed feedback.

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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.**

An area of major concern is that this consultation is called 'Keep Farmers Farming' however the proposed scheme shows no respect or emphasis on farming practices only environmental practices.

As a **YOUNG FARMER** movement, Wales YFC are majorly disheartened that there is no support available for new entrants. The Welsh Government, if the SFS in its current form is not amended, will make it impossible to get new blood into the industry. Within the previous consultation response, Wales YFC highlighted and called for changes to be done to introduce greater support mechanisms, this once again has been fully ignored from the proposed scheme. We request again for support mechanisms to be made a part of the proposals to ensure the continuity and longevity of our industry.

Because of the lack of encouragement to get young people involved within the industry, Wales YFC worries that this scheme will demolish family farms which have been a backbone to rural communities, rural schools, rural places of worship and rural villages for centuries. Not only will the rural communities suffer detrimental effects but our movement will also be affected - and this is something we do not wish to happen. As outlined in the Impact Report 2023, the movement creates leaders within Wales and Rural Wales which brings wealth to areas.

With this scheme only being planned for 5 years, Wales YFC have major concerns that it will be near impossible for farm businesses, farming families and new entrants to create a long-term plan which includes introducing new blood into the industry and the continuity of creating sustainable and highly nutritious food.

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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.

Wales YFC as younger farmers are highly concerned about the increased legislation being introduced yearly to the industry and demand that no aspect of the scheme should become regulatory. As can be seen with the continuously rising temperatures within the industry; the NVZ and TB policies are causing endless mental health and affecting businesses, and we urge the Welsh Government to reconsider the proposals within the SFS in order to support farmers and not to be the burden of increased red tape and instability.

Wales YFC questions, if any farmers do not opt into the SFS scheme in its current format, can the Welsh Government confirm that there will be no consequences on those farms?

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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.

Wales YFC cannot possibly comment on economic modelling without the foundations of payment values.

As is a clear theme throughout our response that lack of evidence, information and plans makes it nearly impossible to fully understand the effects that the SFS will have and respond in a practical manner to the questions asked.

However, the evidence that is published under the ADAS research clearly demonstrates that 5500 jobs will be lost within the primary sector, with clear evidence that this will have a greater impact on the economy as a whole. The reduction in 11% is astronomical, and will reduce the value of businesses as well as resulting in the need to import more meat from countries which do not have the same level of animal standards nor the same rules and regulations as Wales has to follow. As the Welsh Government's own modelling shows such a detrimental effect on the industry and wider industry, we **demand** that the content of the scheme is re-looked at. The Minister for Rural Affairs and Trefnydd; Lesley Griffiths has noted on several occasions within the press that the ADAS statistics are based on previous plans; therefor as Wales YFC we recommend that the research is re-done as a matter of urgency as if the research shows greater losses than the 5,500 primary roles outlined then that should be seriously considered as the failure of the scheme.

Wales YFC members are the present and the future of Welsh agriculture, **we demand that the Minister releases a full analysis including payment values as well as the guarantee that any extreme changes we do to our land will be rewarded beyond the five years. Planting fully productive land with trees will SEVERELY lower the value of land as well as making it UNWORKABLE for decades to come!**

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Monitoring & Evaluation

Q16. We would like to know your views on which information and evidence should be used to monitor and evaluate the Scheme.

As clearly stated by ADAS the loss of jobs and stock reductions is a **key area** that needs addressing. We urge the Welsh Government to listen to the industry and use the Farm Business Survey as evidence and to fully understand the current situation of the industry.

Wales YFC **urges the Welsh Government to not only monitor the environment BUT MUST take farm business needs into consideration when launching this scheme.**

As the scheme stands, Wales YFC are highly concerned that the main outcome will be a large decrease in the number of family farms which will have a detrimental effect on rural communities.

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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?

Due to the nature of the current scheme and the potential loss of jobs within the industry, it will undoubtedly have a detrimental effect on the Welsh language. Considering that the agricultural sector is considered as one of the sectors with the highest proportion of Welsh speakers. The last census showed that the areas with the highest percentage of Welsh speakers were predominantly the rural areas. The Welsh Government's own research also highlights that the agricultural industry has the largest percentage of Welsh speakers and this must be protected and encouraged.

Wales YFC are highly concerned that the loss of jobs will be the perfect storm to demolish rural communities as it will undoubtedly result in closure of local schools, YFC Clubs, local agricultural shows and many other establishments associated within rural Wales. These aspects make the rural communities unique and create both financial and social wealth and as our Welsh Government, this should be considered as a priority when considering future steps.

Wales YFC highly doubt that with the implementation of the scheme in the current format, the Welsh Government will never achieve their desired million Welsh speakers by 2050. Considering only from within the Wales YFC membership, over 60% are Welsh speakers with jobs primarily linked to the agricultural and rural communities. This will threaten and challenge our organisation! Which would lead to social poverty!

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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?**

As it stands, the scheme has a huge threat and demonstrates no known positive effects on the Welsh language. Wales YFC can clearly see that it will result in less work within rural communities which will result in the Welsh language being eradicated out of communities.

Wales YFC urges the Welsh Government to **change the current SFS proposals to encourage more people to enter the industry which will encourage greater use of the Welsh language.**

Wales YFC urges the Welsh Government to work with the sector in a collaborative way and listen to the concerns and implement the concerns into the current proposals.

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Q19. Do you have any additional comments on any aspect of the consultation document?

Following the negative effects of this scheme, we believe as Wales YFC this will certainly have a detrimental effect on us as an organisation. If the scheme is to go through in its current form and we are to see the predicted 5,500 job losses. This is sure to force families of our rural communities to move to towns and cities or other countries in search of work and financial security. This would be the first falling domino in a devastating series of events that would lead to a decrease in membership and uptake within clubs and counties, therefore inevitably reducing the numbers of members becoming involved in the running of our organisation.

Wales YFC prides itself on producing influential citizens within rural Wales. Many past and present members of Wales YFC are involved with local councils, show committees and other important pillars of any rural area. With a reduction in members this will then have an impact on the numbers of people within the communities gaining the vital skills and confidence that YFC instils into every member associated.

The Welsh language is another important part of Wales YFC with over 60% of our members speaking it as a first language. We feel that the Welsh language is at the heart of who we are and is something that will work tirelessly to promote and share.

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Response analysis

Following the response form published by Wales YFC, over 350 young farmers and friends of the movement responded.

Shown below in **figure 1** is the age range of the respondents ages.

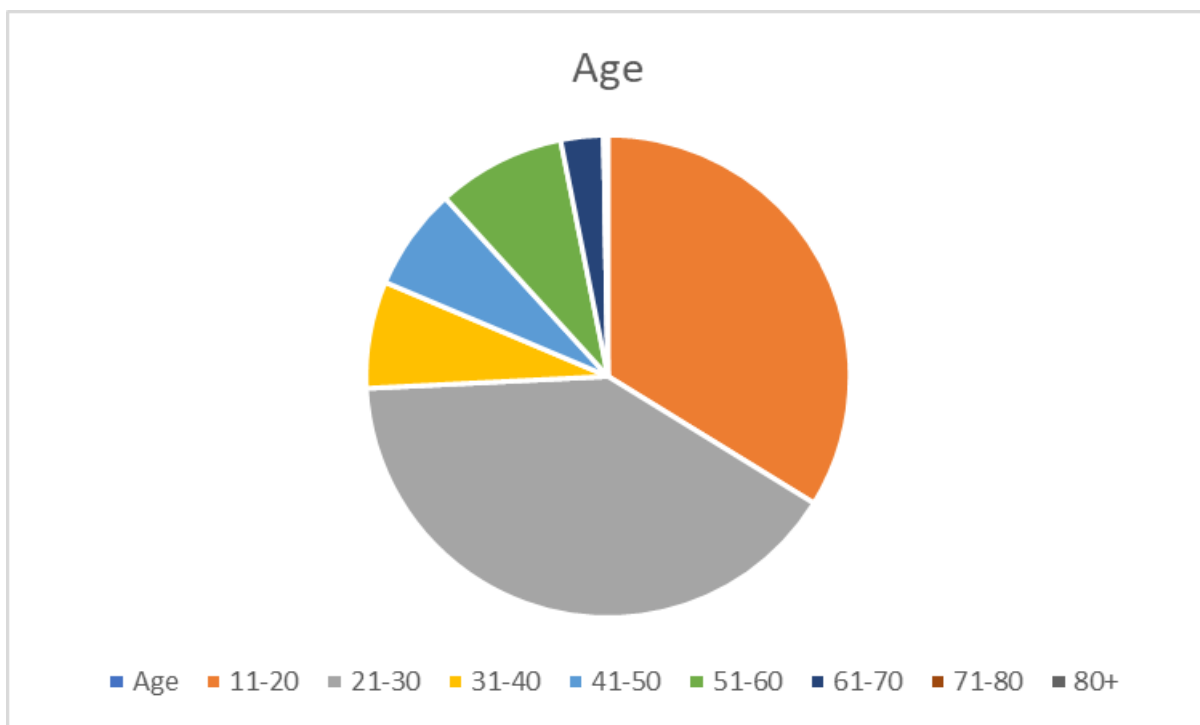


Figure 1 - Age of respondents

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The respondents within the Wales YFC responses represent 110 clubs through Wales, and have the following county density as can be seen in **figure 2**.

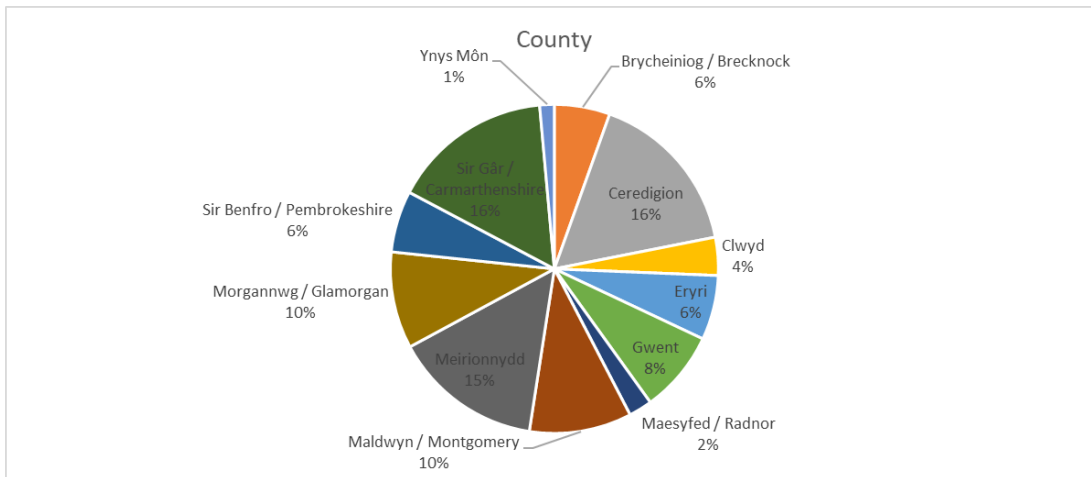


Figure 2 - Counties responded

Figure 3 shows that 70% of attendees are fluent Welsh speakers and 12% are learning which strengthens the argument that the rural community that rural communities are key in ensuring the continuation of the Welsh language and to achieve the Welsh Government's target of a million Welsh speakers by 2050.

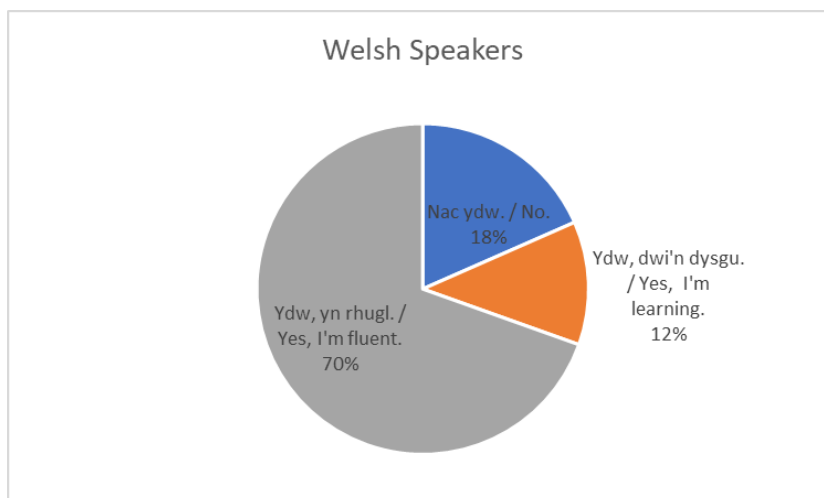


Figure 3 - Welsh speakers

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206 respondents noted that they primarily work within the agriculture sector alone, and the other respondents' work can be seen in the responses which includes tourism, public and private sector, vets etc.

68% of the respondents are present members of Wales YFC as can be seen in **figure 4**, considering that the vast majority of respondents work primarily within the agriculture sector this is the voice of present and future generations of Welsh agriculture.

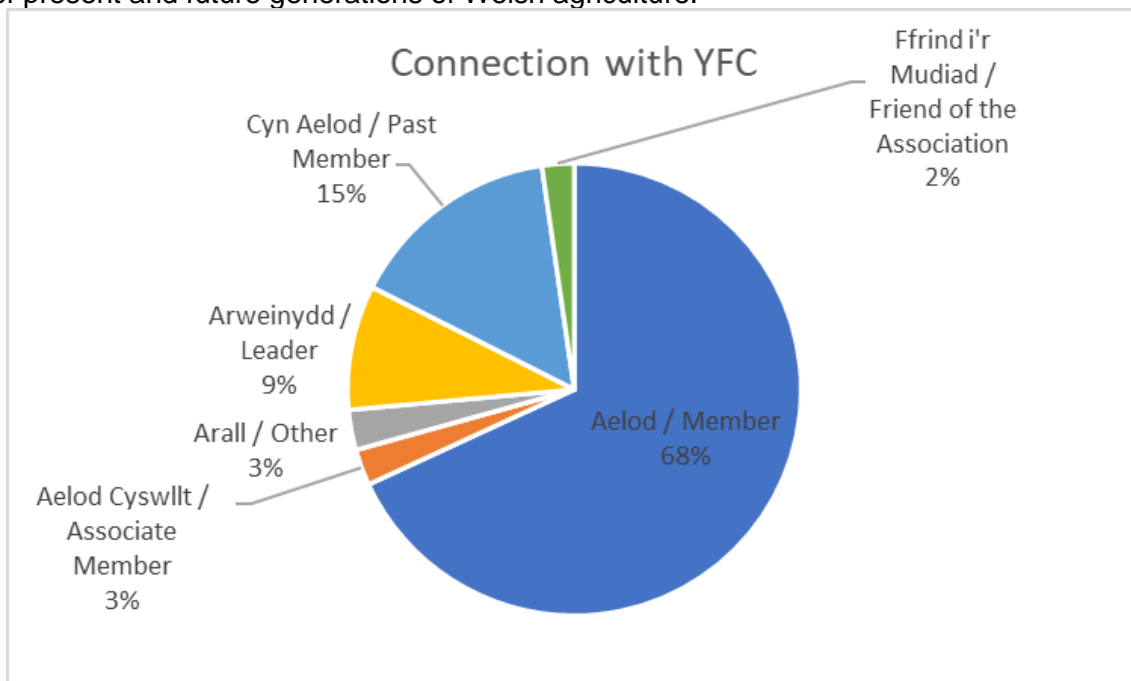


Figure 4 - Connection to YFC

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Considering the projection of 5500 jobs losses within the sector, **figure 5** demonstrates that the 74% of respondents are responding from smaller farms which only have between 1-3 people working on the farm. This would account for 2750 farms losing their workforce from our research alone.

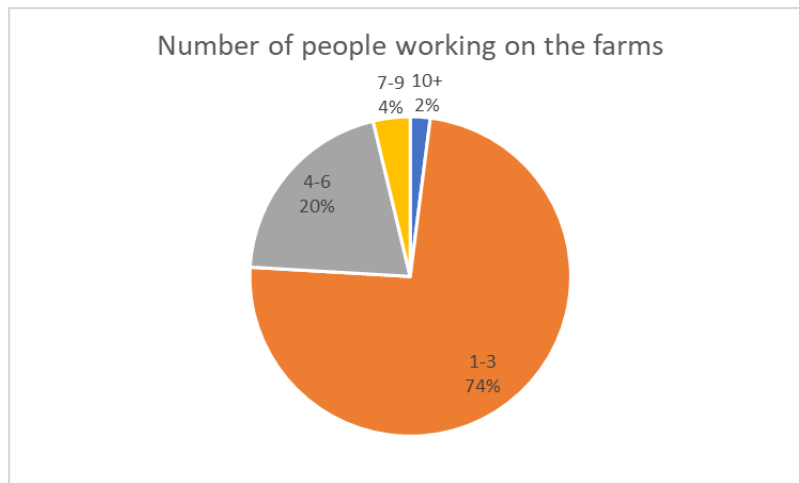


Figure 5 - Number of people working on the farms

Figure 6 shows that from all respondents, over 50% supported over 10 local businesses, this shows that the money invested into agriculture is used within the local area and therefore benefits local communities, ensuring jobs and an opportunity for more families to work and live within rural areas.

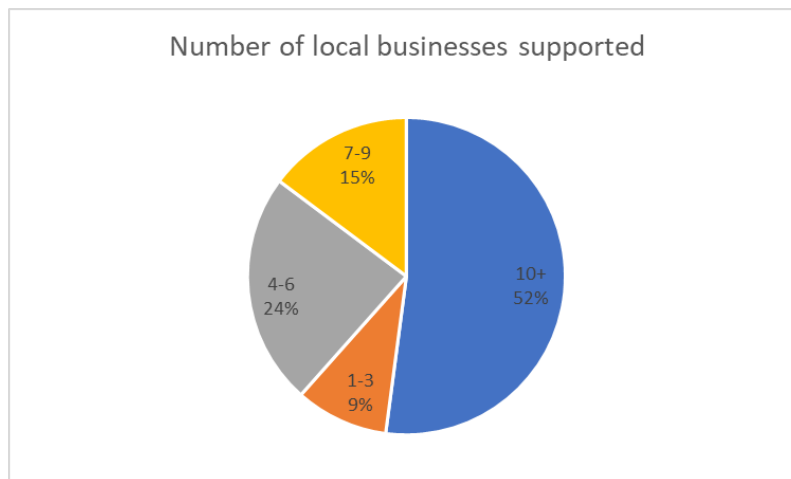


Figure 6 - Number of local businesses supported

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Figure 7 shows that an astounding 95% of respondents believe that the SFS will have a negative impact on their farm businesses.

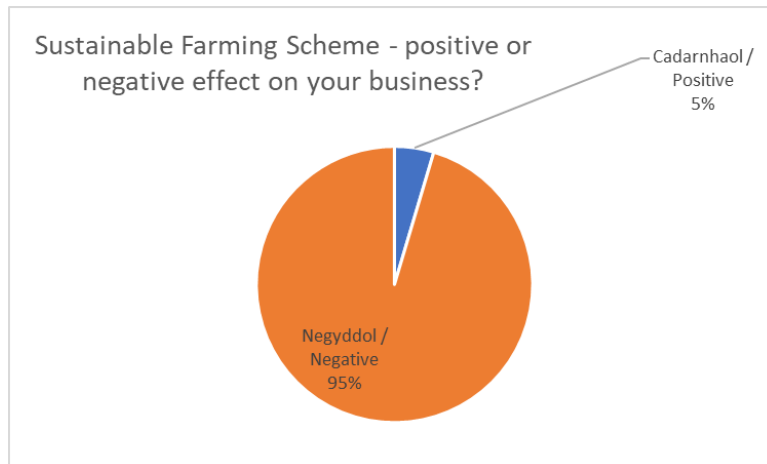


Figure 7 - Positive or negative effect on businesses

Wales YFC urges the Welsh Government to reconsider the proposals made and we as a movement are more than willing to have further conversations with the Government to ensure a prosperous future for us as the present and future generations of Welsh farmers.

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.¹

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

¹ <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.² Food

² <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 Report³, 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

³ <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 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 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 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 pollinators⁴.

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.⁵ 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

⁴ <https://www.buglife.org.uk/our-work/b-lines/b-lines-wales/>

⁵ <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 2013.⁶ 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.

⁶ <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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Evidence to the Economy, Trade and Rural Affairs Committee enquiry into the Sustainable Farming Scheme

April 2024

The Welsh Organic Forum

The Welsh Organic Forum was established in 2017 to represent the interests of organic farmers and the post farm-gate supply chain dependent on the primary production of Wales' organic farms. It includes representatives from Wales' certification, growing, marketing, processing and retail sectors for the horticulture, arable, dairy and red meat supply chains. It is attended and addressed regularly by stakeholders in the sector including HCC, the Organic Trade Board and Welsh Government. It is the only dedicated representative organisation for the Welsh organic supply chain and functions on a voluntary basis with support from the certification bodies.

1. The Forum's engagement with Welsh Government and involvement in SFS co-design

1.1 SFS Consultations

1.2 The Welsh Organic Forum responded to the full series of SFS consultations:

- Brexit and our Land (2018)
- Sustainable Farming and our Land (2019)
- Agriculture (Wales) White Paper (2020)
- Sustainable Farming Scheme: Outline Proposals for 2025 (2022)
- Sustainable Farming Scheme: Keeping Farmers Farming (2023)

1.3 The Forum also produced a report on the 'Potential contribution of organic farming and growing to Sustainable Farming in Wales' in 2020 and shared this with Welsh Government officials.

1.4 SFS co-design: engagement with organisations

1.5 Prior to 2023 organic bodies were not represented on the various SFS stakeholder groups that Welsh Government originally established in 2017 to inform the development of its post-CAP policy and provide a platform for stakeholder communications. Whilst no SFS working group for organic farming was established, the Forum engaged directly with officials within the Land Management Reform unit through bilateral meetings, farm visits and as part of a SFS consultation webinar for organic farmers in February 2024. The Minister for Rural Affairs and North Wales, and Trefnydd visited Rhug Estate (Forum members) in August 2023, and the Cabinet Secretary for Climate Change and Rural Affairs visited the Forum chair's organic farm in April 2024.

1.6 It should be noted the bulk of the Forum’s contact with Welsh Government has been through the Agriculture - Sustainable Development Division and the Food Division. An official from the Agriculture - Sustainable Development Division attends Forum meetings.

1.7 SFS co-design: direct engagement with farmers

1.8 Welsh Government’s online survey of farmers within the second phase of SFS co-design (2022) generated responses from 145 organic farmers, representing 10% of the total sample. The “Sustainable Farming Scheme Co-design Final Report” (2023)¹ noted that the survey had an over-representation of organic compared to non-organic producers. Many of the proposed SFS actions were already practised by organic farmers, and organic farmers were more likely to be willing to undertake a proposed action than non-organic (although the small sample size for organic farmers relative to non-organic may have impacted on the strength of these findings).

1.9 Welsh Government’s response to the Forum’s feedback

1.10 Since 2018 the Forum has welcomed the commitment from Welsh Government to supporting farming and rural areas in Wales and to communicating the benefits of Sustainable Land Management (SLM).

1.11 The Forum consistently advocated to Welsh Government that

- organic farming systems deliver SLM objectives across the whole-farm and this brings additional public benefits – the organic system offering more benefit than the sum of its parts, given that
 - o land managed organically in Wales exceeds regulatory requirements for soils, water and biodiversity
 - o organic certification offers significant guarantees to the public purse that are delivered without need for additional monitoring
 - o the high proportion of Welsh farmland under organic management underpins the ‘green’ brand credentials of the Welsh food sector

- there is a need to support organic farming directly

1.12 Prior to the publication of the “Sustainable Farming Scheme: Outline Proposals for 2025” (2022) Welsh Government officials indicated to the Forum that certified organic farms would be well placed to access support payments under the SFS. The outline SFS proposals (2022) contained a set of broadly agroecological proposed scheme actions and requirements that would to some extent be ‘organic-friendly’. The outline SFS also proposed to explore how farmers could use

¹ <https://www.gov.wales/sites/default/files/publications/2023-07/sustainable-farming-scheme-co-design-final-report.pdf>

‘earned recognition’ through membership of farm assurance and certification Schemes that included organic certification.

1.13 However, the outline SFS (2022) lacked proposals for specific support for certified organic farms. The Forum’s feedback on the outline SFS proposals noted that ‘the existing actions outlined in the SFS do not explicitly recognise the benefits delivered by schemes that certify whole farm systems, particularly organic farming’.

1.14 Following the Forum’s campaign in 2023 to maintain continuity in organic support post-Glastir Organic, Welsh Government introduced the Organic Support scheme 2024. A written statement from the Minister for Rural Affairs and North Wales, and Trefnydd² (January 2024) acknowledged that the sustainable land management practices employed by organic farmers benefitted local ecology, often in areas vulnerable to biodiversity loss and that the viability of organic holdings is dependent on receiving a premium for the organic produce, which is not always available.

1.15 The “Sustainable Farming Scheme: Keeping Farmers Farming” (2023) consultation published in December 2023 contained proposals for a Stability Payment for organic farming and Optional actions for certified organic farming practices.

1.15 To conclude, Welsh Government have readily engaged with the Forum and with organic farmers. Whilst the Phase 2 co-design farmer interviews may not have allowed sufficient examination of the needs of organic farmers, the latest SFS proposals now reflect the Forum’s call for specific support for organic. The Forum would welcome a more cross-departmental approach to future engagement to ensure a smooth transition to the SFS.

2 Summary of the Welsh Organic Forum’s response to the ‘Sustainable Farming Scheme: Keeping Farmers Farming’ consultation (March 2024)

2.1 A **Welsh Organic Action plan** is needed to provide a strategic, joined-up approach to organic food, farming and public procurement.

2.2 Welsh Government should provide stakeholders with a **clear strategic route map** for the SFS, setting out the interaction between current schemes and incoming SFS layers.

2.3 The **proposal that organic farmers in receipt of the Organic Support Payment 2024 and BPS should receive an equivalent income level within the SFS in 2025 is welcome.**

² <https://www.gov.wales/written-statement-announcement-organic-support-payment-2024>

2.4 However, **Optional actions for organic farming should be introduced at the earliest opportunity – by 2026** – to achieve a seamless transfer from Organic Support 2024 to the SFS.

2.5 The SFS economic modelling suggests that the proposed changes to a basic level of farm support may yet be insufficient to address all SLM objectives. This underscores the need to **reserve budget for Optional and Collaborative actions**.

2.6 Support for Optional/Collaborative actions should be reserved for those farmers within the Universal layer of the scheme as per the original concept of the SFS operating as one single scheme.

2.7 **Advisory services are crucial**, particularly those promoting agroecological practices.

2.8 **The annual organic certification process should be recognised as Continuous Personal Development** and equivalent to undertaking a training module within UA2: Continuous Personal Development

2.9 Organic farming is proven to fit well with the ambition for the 10% habitat requirement. Organic farms are more ecologically diverse and on average hold 50% more wildlife than non-organic. SFS payments to establish mixed swards if required to meet the 10% habitat rule should reflect the higher costs of organic seed.

2.10 The Universal Baseline payment should be informed by the social value of scheme actions. If area payments continue to be based on a costs-incurred and income foregone model, they are likely to 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.

2.11 SFS benchmarking should be for both biodiversity and carbon, not just for carbon as carbon alone as a climate health indicator would not meet the complex set of challenges everybody in Welsh food and farming are facing today.

2.12 The use of legumes to supplement/replace manufactured nitrogen should be a Universal action, not an Optional action.

2.13 A consolidated National Minimum Standards (NMS) framework, applicable to all farmers is overdue and required to provide a fair and effective regulatory baseline to protect natural resources.

2.14 A proportionate approach to scheme penalty should accommodate a wider range of Force Majeure scenarios, particular given the SFS proposals towards Collaborative actions.

2.15 This should not be the final consultation on the SFS. The Optional and Universal layers require further stakeholder input to their design.

Ymateb gan Fforwm Organig Cymru i ymgynghoriad Llywodraeth
Cymru ynghylch y Cynllun Ffermio Cynaliadwy

Response from the Welsh Organic Forum to the Welsh
Government consultation on the Sustainable Farming Scheme

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:

Name	Haydn Evans, Chair	
Are you responding as an individual or as an organisation?	On behalf of an organisation: Welsh Organic Forum	
Are you or your organisation based in Wales?	Yes	X
	No, but I or my organisation operates in Wales	
	No - not based in Wales and does not operate in Wales	
If you are answering as an individual, do you identify as Welsh speaking?	Yes	
	No	
First half of postcode (4 digits)		

Please indicate which of these best represent you or your organisation (please select only one)	Farming	X
	Forestry	
	Environmental	
	Veterinary	
	Tourism/Hospitality	
	Food and timber supply chains	
	Public Sector	
	Private Sector	
	Third Sector	
	Trade Union/Representative	
	Research/Academia	

	Other	
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If you have indicated that you are a farmer, please identify your main farm activity (please select only one).	Sheep	
	Beef	
	Dairy	
	Arable	
	Horticulture	
	Poultry	
	Mixed	
	Other	

Do you currently have rights to graze stock on a common?	Yes	
	No	

Are you a tenant farmer?	Yes	
	No	

Are you a BPS recipient?	Yes	
	No	

If you are responding as an individual, what age bracket are you in?	Under 18	
	18-34	
	35-49	
	50-64	
	65+	

Are you currently a participant in any agri-environment schemes?	Yes	
	No, but I have participated in agri-environment schemes in the past	
	No, I have never participated in any agri-environment schemes.	

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 success of the SFS hinges on the integration of the SFS in community food systems, long-term budget certainty, effective advisory services and a robust regulatory framework. These are key to a resilient and sustainable farming sector and to the delivery of Sustainable Land Management objectives.

Public procurement should play a critical role in achieving Sustainable Land Management through local agroecological supply chains. Support for organic farming should be delivered within a strategic, joined-up approach to food, farming and public procurement. **A Welsh Organic Action plan is needed to shape this approach**, given that the previous plan (2005-2010) pre-dated the introduction of legislation and policy tools that could now help to develop the supply and local consumption of sustainably produced food.

The shift from seven-year Common Agricultural Policy (CAP) cycles to shorter Welsh Government budget cycles poses a significant challenge to the success of the SFS. The SFS must provide long-term certainty to scheme applicants. Whilst the Forum understands the constraints of the budget cycle, we are concerned that stakeholder confidence has not been helped by the lack of a clear strategic route map for the SFS. A route map should set out the interaction between current schemes and incoming SFS layers. The Forum suggests that Scotland's Agricultural Reform Route Map (June 2023) provides a helpful template.

A consolidated National Minimum Standards (NMS) framework, applicable to all farmers is overdue and required to provide a fair and effective regulatory baseline to protect natural resources. 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. An effective regulatory baseline must be maintained for all farmers in Wales, not just those within the SFS.

Advisory services are crucial in this transition, particularly those promoting agroecological practices.

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?

The Forum recognises that the requirement for 10% tree cover is problematic for some farmers particularly those producing on areas of clean land. The impact of this could be disproportionately high and a barrier to entry for many, thus excluding farmers already delivering benefits the scheme is seeking to extend.

The Forum recognises that the 10% for 'semi natural' habitats will be problematic for some farmers for the reasons outlined in the previous point. The whole farm nature of organic certification will already be delivering environmental benefit. Incentives to encourage mixed farming of sheep, cattle and cropping would add to the delivery of scheme outcomes.

b) What support might you need to achieve them?

The Forum asks Welsh Government to recognise that organic farming is proven to fit well with the ambition for the 10% habitat requirement. Organic farms are more ecologically diverse and on average hold 50% more wildlife than non-organic. A threefold increase in the area of land farmed organically in Wales could boost biodiversity by up to 25% (Lampkin (2020)). 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. We call for Welsh Government to provide additional support to help organic farmers establish these swards if required to meet the 10% habitat rule. The Forum is also concerned that UA8: *Create temporary habitat on improved land* could 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 the 10% rule could be fairly applied to organic grassland systems.

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?

Universal actions – these are effectively a recognition of existing farming practice and support farm income for existing good practice as followed by the majority of farmers. There will be minimal additional costs and any penalties applied for non-compliance will be limited to the scheme year in which they are identified.

The annual organic certification process should be recognised as Continuous Personal Development and equivalent to undertaking a training module within UA2: Continuous Personal Development.

Many of the individual practices of organic farming can be seen in the proposals but the specific support for certified organic farms is needed. This is addressed in our response to Q12.

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?

All organic food and drink must go through an inspection and certification process. All organic farmers must be annually certified and must comply with UK organic regulations, which sit on the UK legislature and are legally binding. Organic therefore offers significant guarantees to the public purse that are delivered without need for additional monitoring. We would also call for benchmarking to be encouraged for both biodiversity and carbon, not just for carbon as carbon alone as a climate health indicator would not meet the complex set of challenges everybody in Welsh food and farming are facing today.

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?

On the assumption that Optional actions for organic farming are available in 2026 the Forum supports the proposal that **organic farmers in receipt of the Organic Support Payment 2024 and BPS should receive an equivalent income level within the SFS in 2025**. Without a clear pathway for organic support in the SFS the SFS stability payment for organic would likely be insufficient to prevent further loss of organic farms from the sector and decline in the area of organic farmland in Wales.

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?

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?

This would be a highly provocative market intervention and it would be better to set a requirement to undertake a carbon calculator exercise to a generic standard. Carbon calculators should provide output by category, GHG and scope 1, 2 or 3. Furthermore an organic system, particularly for beef and lamb, will normally be carrying fewer livestock per Ha but may not receive any credit for it within the carbon calculation. Other carbon calculators may take this into account, any SFS standard required by the Welsh Government certainly should do.

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?

We believe the current regulatory framework across Wales is too fragmented and therefore support 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 latest SFS consultation refers 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.

Q9. Adopting the Welsh Government appeals process will provide an effective and efficient mechanism. Is there any reason we should deviate from this?

There is currently an appeals mechanism for farmers who have been penalised but believe regulations have not been applied correctly to their business. Overall the mechanism works well but is inflexible in that even a business with a demonstrable record of historic compliance can be penalised heavily for a technical infringement when the matrix currently used to allocate penalties is applied. This inflexibility extends to events outside the businesses control where the current strict definition of Force Majeure cannot be applied, including illness and sudden death. A proportionate approach should accommodate a wider range of Force Majeure scenarios, particular given the SFS proposals towards Collaborative actions. Penalties should be applied dependent on non-delivery of the outcome at the end of the scheme period, and not according to breach of interim deadlines or detailed rules where an equivalent or superior option has been implemented. Adaptation of detailed actions should be achievable by liaison with a transparent hierarchy of decision makers within Welsh Government with reference to the existing Independent Appeals Panel should a Ministerial decision be required.

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

On the assumption that Optional actions for organic farming are available in 2026 the Forum supports the proposal that organic farmers in receipt of the Organic Support Payment 2024 and BPS should receive an equivalent income level within the SFS in 2025. Without a **clear pathway for organic support in the SFS** the SFS stability

payment for organic would likely be insufficient to prevent further loss of organic farms from the sector and decline in the area of organic farmland in Wales.

The Forum believes that the Universal Baseline payment should reflect the social value of scheme actions. If area payments continue to be based on a costs incurred and income foregone model, they are likely to 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 impart true financial value to elements of farming that have not received support through direct payments, for example trees, hedges and habitats.

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?

The Forum believes that support for Optional/Collaborative types of action should be reserved for those farmers within the Universal layer of the scheme as per the original concept of the SFS operating as one single scheme. Unless National Minimum Standards mirror the SFS Universal rules (UA actions) the consultation proposal could enable some farmers to bypass the Universal layer, creating a two-tier approach to scheme standards and support and weakening the delivery of SLM objectives.

Q12. What actions and support within the Optional and Collaborative layers do you believe should be prioritised?

- Optional actions – farmers will be incentivised to undertake these additional actions if the payments adequately recognise the costs involved according to the benefit to the farm and the social benefit or public goods value of the actions. The payments must recognise the additional time input required to deliver the outcome at the national minimum wage

The Forum supports the optional actions but in our response to the 2022 Outline SFS Proposals we presented the case for the inclusion of an element that specifically supports organic farming and growing, as this would aid the delivery of scheme outcomes.

While many of the individual practices of organic farming can be seen in the proposals, the scheme insufficiently acknowledges and rewards the systems approach that is at the heart of organic farming and growing: non-organic growers can pick and choose which practices they implement. Certified organic producers are required by the organic regulation to implement all of the practices all of the time, and this brings additional benefits – the system is more than the sum of its parts. The benefits of the systems approach has been long recognised by Welsh Government and rewarded through various support schemes dating back to 1999, and most recently through the organic conversion scheme earlier this year.

If instead the SFS policy is to offer support for specific farming practices rather than a whole system reward, a set of **Optional actions required for organic farming** can be identified in the consultation proposals, as per the Forum's analysis of the 2023 outline scheme:

- * 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

The Forum suggests that the robust, external inspection and certification process that organic producers undergo would provide a guarantee to Welsh Government that any of these Optional actions are being delivered on the ground.

The Forum urges the Welsh Government to **introduce Optional actions for organic farming at the earliest opportunity – by 2026** – to achieve a seamless transfer from the Organic Support Payment 2024 to the SFS.

The Forum believes that the use of legumes to supplement/replace manufactured nitrogen should be a Universal action, not an Optional 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 – The Forum supports the development of actions on an extended scale including catchments and landscape level. There are already examples of farmers co-operating on an extended scale and existing contributions should be recognised where they provide an effective foundation for further development. The time input required to encourage engagement, develop a plan and resolve differences must be recognised in the payments.

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.

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.

No response

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.

The Forum notes 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. 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.

Nevertheless, the modelling suggests that the proposed changes to a basic level of farm support may yet be insufficient to address all SLM objectives. This underscores the need to **reserve budget for the Optional and Collaborative layers.**

Monitoring & Evaluation

Q16. We would like to know your views on which information and evidence should be used to monitor and evaluate the Scheme.

No response

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?

Welsh language is widely spoken in rural communities and many of our licensees are Welsh speaking. We think that by reinforcing the viability and vitality 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. This would be in line with the stated objectives in the Well-being of Future Generations Act.

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?

Q19. Do you have any additional comments on any aspect of the consultation document?

The Forum feels that this should not be the final consultation on the SFS. The Optional and Universal layers require further stakeholder input to their design.



Introduction

Designated under primary legislation, the eight Designated Landscapes (DLs) in Wales are working together in partnership as Tirweddau Cymru Landscapes Wales (TCLW). Our DLs have a critical role to play in the future of farming in Wales, their designation recognises their value as landscapes and contribution to nature, culture and heritage. Our Designated Landscapes continue to be shaped by farmers and are currently a key delivery mechanism for action on both the nature and climate emergencies.

A resilient and sustainable incentive system for farming is crucial for their future. Alignment with the work of the designated landscapes will incentivise the agricultural sector and secure long term integrated and collaborative ways of working, which is required in achieving on our purposes and duties.

Welsh Government (WG) have stated that the Sustainable Farming Scheme (SFS) is the start of a long term programme to support our agricultural industry in Wales. If this is to become reality then any new scheme must be adequately resourced, both in terms of funding and staff, to deliver for farmers and land management now and into the future.

Key messages

- Designated Landscapes have been shaped by farmers and other land managers for generations and the majority of land within our designated landscapes continues to be farmed
- Farming is one of the central contributors to landscape character and quality.
- Designated Landscapes have worked collaboratively with farmers since their creation and maintain a close and practical working relationship with them.
- The development of the SFS provides an opportunity to integrate the purposes of Designated Landscapes with incentives for positive farming practice
- 10% woodland cover requirement requires further thought and understanding of land tenure and pragmatic information about growing trees in various systems and environments.

- Given the proven track record of Designated Landscape teams as collaborators and facilitators the potential for developing their role in providing support for farming is significant.
- Designated Landscape staff can facilitate local conversations with farmers and land managers to co-create a compelling vision for future food and farming.
- Specialist advisors, embedded in Designated Landscapes but working in partnership through TCLW, would enable a more consistent approach to farmer and land manager engagement

We welcomed the statement in the SFS consultation document: *“Support to deliver more for protected landscapes. These actions will be bespoke to the farm and surrounding area and will align with the special qualities of Areas of Outstanding Natural Beauty or a National Park.”* We stressed that the SFS needs to align with the *purposes* of AONBs (now National Landscapes) and National Parks, while also ensuring consistency with WG policy approaches in planning, shoreline management planning and nutrient management.

The purposes of National Parks are:

- To conserve and enhance the natural beauty, wildlife and cultural heritage of their areas

In addition

- To Promote opportunities for the understanding and enjoyment of the special qualities of national parks by the public

In carrying out these purposes, National Park Authorities are also required to seek to foster the economic and social well-being of local communities in the National Park.

AONBs (now National Landscapes) share these purposes as far as natural beauty and increasing the understanding and enjoyment of the designated landscapes. Both NPAs and AONBs seek to foster the economic and social well-being of local communities through effective partnerships.

SFS has been anticipated as a fundamental game changer in land management to deliver the aspirations of many organisations and the agricultural sector itself. Reduction in the rural affairs budget is extremely disappointing, especially when consideration is given to the economic multiplier effect of funding delivered in our rural communities (x7 for conservation capital works as one example).

This undermines WG ambition to deliver on sustainable policies, innovative strategies and collaborative efforts to mitigate the effects of climate change, the loss of biodiversity, delivery of 30x30 targets, and tackling fuel and child poverty in rural communities. Like previous agri-environment schemes in Wales, the SFS will be the 'biggest show in town' to help nature's recovery. So, it is also the biggest tool available to Designated Landscapes and must therefore be designed with our farmers in mind.

Sufficient resources for the scheme are essential if WG are to honour its plan to begin and maintain a "relationship" with land managers and to be more inclusive of ideas and experience from the people managing the land. The Welsh Government co-design progress of the SFS has yet to reflect this developing relationship and taking forward ideas and experience of those managing the land as well as considering past agri-environment successes and failures. We are aware for example of successful, locally-led schemes elsewhere such as Ireland's "The Burren Programme – *Farming for Conservation.*"

We recommend that an advisor-based support model would mitigate and avoid unintended consequences in real time as well as maximise beneficial outcomes in a way that the current proposed SFS cannot, would have the ability to draw in additional support from local networks of experts and to conserve and enhance local distinctiveness.

The intentions of SFS include improving environmental outcomes on farms, which in turn will improve product quality. These gains will differ throughout Wales's regions but a common thread is the link between good quality food, people's eating choices, the cost and

availability of fresh produce and the low understanding of the role of Welsh agriculture and its contribution to Welsh rural life, economy and landscapes.

As the drive for achieving net zero GHG emissions intensifies, Wales has the chance to re-position Welsh farming as a significant solution to this, to people's healthy eating habits, well-being and sense of identity. Wales can re-position red meat production and domestic consumption in terms of lower input, higher quality and sustainable consumption of higher quality products. Wales's Designated Landscapes are the *prime* place to lead this work.

We are concerned like others that the 10% woodland cover requirement is an arbitrary target that has been selected in response to WG planting targets, requiring further thought and understanding of land tenure and pragmatic information about growing trees in various systems and environments. This requirement currently lacks safeguards against inappropriate or detrimental planting being undertaken with numerous unintended consequences. We have seen this already through the Glastir Woodland Creation Scheme. Safeguards are required especially in our Designated Landscapes against such consequences.

We have suggested a combined total percentage target for woodland and habitat on holdings. This would accommodate fertile, improved ground in landscapes such as Llyn, Ynys Môn, Pembrokeshire and other areas that genuinely cannot accommodate 10% tree cover regardless of changes in land-use. In parts of coastal Pembrokeshire, the Local Planning Authority is receiving objections from NRW to tree planting landscaping schemes submitted to the LPA on the basis that there is no chance of these trees actually surviving in such locations.

Using this approach with temporary habitat formation may yield more for biodiversity and elements such as invertebrates and farmland birds, and be more palatable for land managers.

We recommend that final woodland proposals are assessed in a revised Integrated Impact Assessment that includes the principles for the Environmental Guidance Body for Wales, i.e. integration, precautionary, prevention, rectification at source, and polluter pays.

Another approach that could be adopted is Net Benefit gain for Biodiversity, a 2-3% net gain would mean that new planting could be targeted on a landscape level, e.g., coed-cae, to complement our current habitats in a synergistic way instead of fragmenting the countryside with poorly managed un-connected blocks of woodland. We recommend considering a sliding scale of payment to be available on the woodland management portion of the payment to stimulate people to start planting rather than turning them away/off altogether from the concept. We suggest it would be better to increase woodland cover by a few % with well positioned and maintained trees rather than having low uptake, or poorly thought-out sites and species that were then not maintained. Designated Landscape teams are experienced in this way of working.

We recommend that pursuing this requirement requires consideration of individual landscape types to avoid adverse, unintended consequences. Input on individual landscapes would also help highlight opportunities e.g. the traditional landscape of Gower is a small scale mosaic which could absorb much in the way of small scale tree planting and extensive hedgerows. Our landscape character assessments allow us to identify where woodland or other priorities will help to enhance landscape and nature.

Current proposals raise concerns about the fairness of the option of planting exemptions in the scheme available for tenant farmers, which could force owner occupiers to plant, with adverse consequences and substantial impact on asset values. We are concerned that such actions may not align with the principles the Wellbeing of Future Generations Act in being fair and equitable. In Designated Landscapes, this could undermine landscape character, which has a cultural element too.

A further concern, for uplands in relation to 10% tree planting requirement would be the continued decline of cattle grazing from the uplands. With limited improved ground, the need for additional planting on some units will reduce their harvesting potential putting greater costs of carrying in feed on a marginal system economically which could lead to the demise of upland cattle grazing which are fundamental in conservation grazing. Cattle enhance biodiversity through their grazing patterns with additional effects on supporting systems such as livestock markets etc.

In light of this, we recommend that marginal (old SDA and LFA) beef producers should be supported where beef suckler cows are retained to enhance capacity for conservation grazing and enhanced diversity of grazing, in particular for the smaller herds where economies of scale are not available (<30 cows). We are already seeing upland herds shrinking at alarming rates with the demise of Glastir habitat payments. Waiting for the optional and collaborative layers to become active will be too late for many. An underpinning payment for suckler cow retention could be a basis for further Optional Actions to enhance this with production efficiencies etc.

Mixed grazing with cattle could also provide the biodiversity requirement/gain for those units that struggle with habitat/tree cover % targets.

Mandatory tree planting could lead to poor sites, species and specimens being planted, high failure rates or stunted growth and a high probability of the plantings being destroyed should scheme rules change which will have wasted public funds.

There are also potential negative landscape, archaeological and conservation impacts depending on the type of planting introduced, the existing habitat and landscape character.

There are concerns in relation to lack of assurance in terms of native and local provenance of plants and lack of limits for coniferous/fir component of planting, which would be particularly important for upland areas in our Designated Landscapes where most of the areas are sensitive to acidifying soils and the effects on its water courses.

We advise that tree planting might require an Environmental Impact Assessment and potentially a Habitat Regulations Assessment, each of which will include alone and in-combination considerations. Where additional operations are included, for example farm / forestry tracks built under permitted development rights, these will require prior notification to the local planning authority, so will need to accord with LDP policies.

Planting in Designated landscapes should be undertaken following consultation with the DL teams, with refined data sets including local guidance, supported by visual impact, archaeological assessment and ecological impact assessments. Failure to do so could lead to significant areas or blocks of inappropriate planting being undertaken in sensitive areas. Such consultation will help buffer sites with significant landscape, seascape implications, habitat or historic environment impacts. NRW sensory data would be paramount in consideration, as well as the DLs' own landscape character assessments, again lending greater consideration to placing the objective as a Optional Action.

The Biodiversity and Resilience of Ecosystems Duty (the Section 6 duty) set out in the Environment (Wales) Act 2016 requires that public authorities must seek to maintain and enhance biodiversity so far as consistent with the proper exercise of their functions, and in so doing, promote the resilience of ecosystems. We have concerns that the Habitat Review will not successfully identify Section 7 priority habitats (Environment (Wales) Act 2016) in the proposed self-service model, which will result in planting of other habitats of high value. We recommend that where a farm supports more than 10% habitat already, this is rewarded by the SFS and avoids perverse outcomes such as a lack of tree cover leading to

other habitat being planted, resulting in a loss of overall habitat diversity. Diversity is one of the Welsh Government's principles of sustainable management of natural resources.

Section 7 of that Act also lists the species of principal importance for the purpose of maintaining and enhancing biodiversity in relation to Wales. The species list consists of 17 mammals, 51 birds, 8 reptiles, 188 invertebrates and 77 vascular plants but the scheme has not considered these at all.

These species have a wide range of habitat needs and cannot be sustained on 'high quality' or Priority Habitats alone and instead rely on a mosaic of Priority and 'lower quality' habitats as well as other landscape features.

Notwithstanding our earlier comments, the pressure of the scheme (double counting trees as habitat and tree cover) will direct farmers to reduce habitat suitable for a whole suite of Section 7 species i.e. you could say it is an anticipated loss.

This impact is not acknowledged or assessed or mitigated in the Biodiversity Impact Assessment so it is difficult to see how WG would be discharging its duty under this Act, let alone according with the new duties to be introduced under the Environmental Governance Body.

We recommend that nature networks mapping, Priority Ecological and Resilient Ecological Networks mapping tools developed by NRW are used to help advise farmers as they develop proposals for the optional and collaborative actions.

We recommend that other options to 'save' carbon should be supported, including small scale renewables, anaerobic digesters, energy crop harvesting (e.g. bracken, *Molinia*) and peat restoration.

TCLW feels there is significant potential in renewable energy production as part of the UA layer, in particular for those holdings with difficulty in achieving 10% tree cover.

PV cells on existing buildings has considerable potential:

- Immediate carbon reductions
- Minimal landscape implication (the buildings are already there),
- Permitted development process in place.
- Develops a green industry in rural Wales.
- Readies rural Wales for a fossil free future, can initiate local energy networks.
- Pushes regulators to remove “zombie loadings” from the network (undeveloped applications that have “booked” network capacity).
- Zero habitat implications.
- Reduces fuel and child poverty
- Available to most owned and tenanted farms.

Further Scheme development

1. Manage and enhance habitats through site-specific actions over and above the Universal layer. This has the potential to pull in many of the other options offered such as additional water bodies and tree planting on habitat land, natural flood management structures and practices, also, tree surgery to vary riparian tree canopies (so that aquatic species benefit from dappled light), beneficial natural boundaries (hedgerows, green banks, dry stone walls, and slate fencing are important homes for pioneer species and offer shelter to wildlife and livestock), encourage the protection and spread of Celtic rainforests (this might involve eradication of invasive/problem species such as *Rhododendron ponticum* and ground preparation for spread), bespoke grazing plans for commons with facilitation included, wildfire prevention and control, and many more.

2. Darken skies. The effect of light pollution on nature and people has been underestimated in policy but increasingly well documented in the science literature. Knowledge exchange

and suitable light fitting/retrofitting should be supported as a priority (potential to reduce energy consumption as well).

3. Support UK native breeds at risk (cattle, sheep, equines) and better understand their behaviour and the genetic resource they and heritage crops offer to help navigate challenges.

4. Support the management/eradication of invasive non-native species and other problem species.

5. Guide and support the use of natural soil applications such as fungal composts and biochar.

6. Encourage the development and use of measuring and monitoring technologies aimed at natural cycles (carbon, nitrogen, water).

7. Assist scheme participants with the decarbonisation of farming operations to include renewable energy generation and energy generated through 'waste' utilisation (anaerobic digestion, wood waste generated heat and power, biochar production etc.) encouraging on-farm/local nutrient and energy-based circular economies).

8. Establish or adapt options which help people engage with and access the natural environment. Include strategically prioritised paths which are enhanced to enable wider use and better interpretation of surroundings, integrated with the Public Rights of Way network.

9. Upgrading existing PRow and establishing new access are delivered to British Standards and in consultation with the statutory RoW authority, along with strategic access to water, open water swimming, canoeing etc. developed in a strategic and collaborative mode with adequate controls and protocols, with flow gauges, access and exit points with biosecurity measures etc. and enabling farmers to obtain a financial return for this access provision.

10. Support to deliver more for protected landscapes aligning with the landscape features of each area.

11. Utilize existing ambassador schemes such as the Bannau Brycheiniog and Eryri Ambassador Schemes as part of the Continuous Professional Development offering.

Agenda Item 5

Assessment of the Welsh Government's proposals for the Sustainable Farming Scheme

Submission from Janet Dwyer, Professor of Rural Policy, University of Gloucestershire

1. Thank you for the opportunity to give written and oral evidence to the Committee's inquiry. I would like first to acknowledge that a major contribution to this evidence comes from the work of Theo Lenormand, a PhD student whom I have been supervising since 2019 and whose thesis will be submitted for examination by the time that you are reading this note. His work was co-sponsored by the Welsh Government but I can confirm that it was undertaken independently, and that none of his findings have been subject to any editorial scrutiny or amendment by anyone within the Welsh Government (WG).
2. Theo's topic was the analysis of current farming systems across the principality of Wales, considering how they might respond to the ongoing and proposed changes in Welsh agricultural policy, and particularly the Sustainable Farming Scheme. His work combined detailed farming systems analysis in contrasting Welsh landscapes, with analysis of a wide range of secondary data and literature on relevant topics. It included in-depth interviews with approximately 230 farmers within these contrasting areas, economic analysis of typical farm systems and businesses in each area, as well as modelling how the SFS proposals (2022-3) would be likely to affect them; altogether providing a rich and detailed evidence base. To this, I have added my own experience and insights as an analyst and evaluator of UK and European agricultural policies for the last 35 years.
3. I have organised this submission as follows:
 - overview comments concerning the proposed SFS and the process by which it has taken shape, thus far;
 - more detail on its proposed components and coverage, noting some key issues;
 - a commentary on the way in which the draft SFS and accompanying economic assessment were published in December 2023, considering how this may have affected stakeholder reception of the package;
 - some suggestions for improving the SFS package and responding to the current negative issues surrounding the scheme development and implementation.

A. Overview comments

4. The SFS scheme aims to respond to the Welsh Government's goals for agriculture as set out in the Agriculture Bill 2023. These **goals are very broad, encompassing food production alongside the generation of broader environmental, social and economic benefits** for society. In contrast to the scope of the future schemes in England, Wales is notable for having identified and affirmed the **social and cultural value** of farming and farmed landscapes in Wales, which it plans to support through the scheme in addition to supporting environmentally-sustainable agriculture and food production. Particular mention is made of **the importance of farming communities for sustaining the Welsh language in rural areas, as well as for maintaining rural vitality** more generally. Furthermore, the government has signalled an intention to reflect these broad goals in its approach to setting payments under the new scheme, **to go beyond the WTO green-box 'income foregone' formula for environmental payments** (which is based on a compensatory principle in which business income and environmental goods and services are seen as essentially in competition with one another). Based upon long experience of assessing schemes, **I strongly support these principles and features in WG plans for the new scheme, which offer a more holistic, resilient and sustainable approach than those of other UK nations, currently.**

5. The process through which the SFS proposals were developed also appears positive, involving dialogue and co-development in a series of working groups and events that has been – at least up to 2023 – appreciated by the range of stakeholders involved, including farming, environmental and community interests. However, these groups were suspended for the formal SFS consultation period and it seems that in the months since then, WG has gone through some organisational change and the stakeholder community has felt increasingly concerned and anxious about the future policy. This has been in a context where Welsh farming is facing significant unexpected volatility in markets and operating conditions, due to a complex mix of biophysical (climate-linked) and socio-economic factors including Brexit, Covid and international conflict. As a result, the widespread initial reaction to publication of the more detailed SFS proposals in December, published along with a rather constrained economic impact assessment, has been quite strongly negative. There have been protests and campaigning which have suggested that the Welsh Government has abandoned its interest in food production and farming. Welsh farming unions have called for major changes to the package prior to its roll-out, which was proposed to start in 2024/5.
6. The proposals are hard to judge thoroughly because they lack critical detail on payment rates and definitions, which will be needed before farmers can clearly assess ‘what is on offer’, for their businesses, families and futures. Nevertheless, I have drawn upon Theo’s modelling and analysis to help identify some main issues of concern in the draft SFS (2023), as it stands.

B. Assessing Scheme Details and Farmer Uptake Choices

7. Theo’s analysis considered how different types of farms and enterprise-mixes in Wales might react to the various elements in the scheme. He separately assessed more intensive types of farm in lowland areas including dairying, potatoes and arable; very extensive types of pasture-based farm in the higher uplands focused on beef and sheep or sheep alone; and a mixed range of farms in intermediate areas including grazing livestock, dairying, poultry and highly diversified enterprises. Scenarios were developed based on assumptions concerning the scheme payments (using budgets and payment rates similar to those seen in previous schemes), also other requirements, including regulatory changes (notably, extension of NVZs across Wales) and with sensitivity analysis for trends in input, output and land markets (e.g. high or low prices) as farms adjust to the new policies. We then discussed how the SFS would be received, in this context.
8. The first conclusion is that the scheme is overly complex, and sending very mixed signals to farms about what the WG is really seeking to achieve. Joining the scheme requires actions which take a relatively blunt ‘land-sparing’ approach; requiring 10% of the farm area to be woodland/under tree cover (argued as being for both carbon and biodiversity reasons) and requiring (perhaps a further) 10% to be under some form of ‘habitat’. These requirements have implications that overall agricultural land use will be reduced – although it would be possible to envisage agricultural options for tree cover, including new orchards or agroforestry, and many types of ‘habitat’ will likely remain farmed. On the other hand, the scheme rhetoric and its suite of management options place emphasis on ‘land-sharing’ approaches, where funding promotes management to maintain agricultural production across Wales whilst simultaneously generating environmental benefits. However, the payment rates are not specified, so there is no guarantee that they would offset any negative economic impacts of a reduced farmed area, for those coming into the scheme. This will be an up-front concern for any farms which cannot already meet the required 10% thresholds prior to entry, and could also be a concern for any farms which anticipate growth in the near future, as this could also affect their requirements. The complex mix of the obligatory but not fully specified 10% entry requirements and a range of 17 very varied and uncosted obligatory management actions in the Universal layer of SFS is impossible for a reader to assess in a robust way, as it stands. Emphasizing compliance

requirements over incentives, in this way, creates an impression that scheme entry could be challenging and onerous, with unclear rewards.

9. Despite supportive rhetoric, the SFS menu lacks a specific element to support organic farming, and there is no concrete proposal for targeted support to help attract new entrants. We see these as gaps in the offer, because they back-track on elements which the WG has previously committed to, and for which there has been widespread support. Whereas a typical 'conventional' farm can potentially benefit from choosing from the mix of options available in the basic SFS Universal layer, organic farms face lower payments than under current schemes, within which they are already delivering a higher level of sustainable management than SFS Universal layer will offer. Similarly, new entrants to farming may face a range of specific, added challenges to SFS entry compared to established farm businesses, including how to meet their 10% requirements, as they tend to build up their holdings gradually through a mix of rental arrangements, in which allocating land to non-agricultural uses and even developing a concrete business plan against which to raise investment, can be costly and difficult.
10. Recognizing that SFS will be launched at the same time as the WG proposes to extend its regulations on nitrate pollution from farming (formerly the NVZs/nitrates regulations) to cover the whole of Wales, Theo's analysis suggests that farms on the most productive and versatile land, in dairying, arable and mixed areas of the lowlands, are unlikely to be attracted to the scheme because of the opportunity cost of either reducing their farmed area or having to rent or buy-in some woodland and semi-natural areas in order to enter the SFS. For the time being, they seem likely to avoid scheme constraints and focus on maximising market revenues whilst adjusting to the stricter conditions imposed by the new regulations, which will involve additional costs for many. The SFS will likely be viewed as unhelpful in these contexts.
11. By contrast, farms in the most marginal landscapes of the higher uplands and Welsh mountains will have to join the scheme in order to survive economically, as the funding from the BPS transfers into the SFS. However, in the short term they will be joining a scheme which pays them less than current schemes (i.e. BPS plus Glas Tir), relying on the proposed 'transition' payments to bridge that gap and having to trust that, as the higher layers of the scheme are rolled out, they will be able to find enough new options to rebuild their payments without compromising their income from agricultural and other outputs. The lack of specific details about higher tier options could be a significant source of stress and challenge for farms in these situations, given its central role in determining their future viability and resilience.
12. In between these two extremes, Wales has a lot of 'intermediate upland' areas where recent farm change has been quite marked and in which restructuring and new enterprise types have been prominent. Among these, there are grazing livestock farms with poultry units where income from the latter helps to support the former. These may have to rethink their strategies once nitrogen restrictions come into effect as the poultry/egg production systems also generate high levels of nitrogen surplus, which will have to be exported or reduced *in-situ*, somehow. These intermediate areas also have many farms that use pastures in quite 'intensive' or specialised systems, for whom the 10% requirements of the SFS could be particularly difficult to meet: these include beef and sheep finishers, dairy young-stock rearers, and spring-calving dairy systems using tight management of rotational grazing over a long season to maximise the value of their grass. Many of these farms are more labour-intensive than those in the high uplands because they add more value to their outputs, meaning that they make a significant contribution to rural communities and the continuation of Welsh-speaking in rural Wales.
13. Compared to the current support system, SFS appears to offer these intermediate-area farms some options to maintain the income that they derive from public funding, but in return for a more demanding set of actions and constraints. It is possible that they will be able to increase this income when the more ambitious scheme layers are launched, but as yet this is uncertain as

they cannot scrutinize the full package or assess its overall contribution to their income. We are therefore concerned that their immediate reaction could be either to look for more certain short-term income-enhancing strategies based on market opportunities currently favouring higher-input, higher output enterprises, or to decide to quit farming and sell or lease their land to neighbours, to be absorbed into fewer, larger farms with less labour use or higher environmental and carbon footprints. Either way, the result could be a reduced level of environmental and social/cultural benefit to wider society. Lower employment will also mean lower land management capacity, fewer families being able to stay in farming and support these communities and their use of the Welsh language, and a loss of indigenous knowledge about the cultural landscape which could be critical for sustaining ecological value and ecosystem services.

14. These risks of negative outcomes are related in part to the basic SFS design, but also to the incomplete nature of the scheme details so far published, and the proposed strategy for roll-out. The next section considers these issues in more detail.

C. Scheme development and implementation issues

15. The consultation explains that the plan is to start already, in late 2024, reducing BPS in order to launch the new scheme with the funds generated by the reductions, in a gradual way. SFS will start with just the Universal layer and then introduce higher layers in later years. In contrast to the process in England, the WG says it will offer a transition payment to protect the level of public funding that individual farms have previously received, if their cuts to BPS cannot be replaced by the payments and options on offer to them under SFS, in the short-term. In principle this is designed to be reassuring. However, without publishing the actual rates of payment for any scheme layers, nor the menu of options that will make up higher layers, it fails to reassure.
16. At the same time, the 10% area requirements to enter the SFS Universal layer appear as significant new conditions, compared to the current situation. In the consultation document, these lack the critical detail that is necessary to enable farmers to gauge how significant they would be for each farm's individual circumstances: e.g. how the 10% is measured (trunk or canopy extent and density, total farm area inclusive of farm buildings/other non-productive land; how will scrub on fridd be treated?), and what kinds of tree cover can qualify (linear as well as blocks, agroforestry, energy coppice and orchards as well as dedicated woodlands, non-native as well as native species?). I understand that WG has since clarified that the definition will include a variety of types of tree cover, but as past experience with cross-compliance conditions has demonstrated, this sort of detail can often prove costly and contentious to monitor and enforce in a fair and timely fashion. Indeed, considering the whole package of the Universal layer suggests that controls and penalties could become a major cost and challenge for farmers and funders alike, at least in the initial years, which seems unlikely to be a cost-effective or popular strategy.
17. Finally, the publication of the economic assessment (Moxey, Thomson and Lewis-Reddy, 2023) alongside the SFS consultation may have sought to demonstrate WG transparency by comparison with Defra's approach in England, where no such assessment was published for the agriculture transition and ELMs. However, the assessment is subject to a number of assumptions which have particularly negative implications for its readership, and appear to contradict some of the broad and more positive commitments given in WG statements about the future scheme and their goals for Welsh agriculture – particularly their social and economic goals.
 - The assessment's assumed SFS payments are not generous because only the Universal layer is modelled in full, and it takes current scheme budgets, removes a share for new transaction costs and then assumes no-loss (but also no gain) uptake by all Welsh farms at once, meaning that the available funding is spread very widely and more thinly than current Glas Tir (and BPS is widespread, but with lower transaction costs). It also includes no dynamic

adjustment of businesses in response to the changes in funding; i.e. measuring a one-off, unmitigated impact of the new package (in economic terms, a comparative static 'shock').

- As the authors explain, its assumed transition funds would not 'bridge the gap' for farms who enter SFS Universal layer and then await the higher layers whilst their BPS is being reduced, because it assumes the additional costs of compliance with Universal layer management would not be covered.
- It assumes that the 10% land under trees would not produce agricultural income and the 10% in semi-natural cover would require some land to produce lower output than before, thus reducing the value of total Welsh agricultural output and returns to farms from this source, in direct proportion to the areas of land affected. It therefore estimates that the policy change will lead to reduction in the number of farms and the agricultural workforce as well as the volume and value of agricultural output and farm business income across Wales.

18. Taken together, it is not difficult to understand why the general reaction to these publications and proposed processes has been markedly negative among farmers and their representative organisations. However, it is also relatively simple to identify how these things could have been differently planned and published, so as to encourage a much more positive reception.

- Providing more detail on the critical points of payment rates and definitions of the 10% conditions could have been valuable in reassuring farmers that the commitment to continued support was still strong and that the WG was willing to accommodate a variety of environmentally-positive and creative ways to achieve the 10% conditions without losing significant agricultural production potential.
- Modifying the assumptions made in the impact assessment to ensure a more accurate 'like for like' approach to the funding actually on offer to farmers, independent of transaction costs and administrative overheads, and considering the new management costs involved, as well as assuming a more realistic level of uptake of the new scheme and its various elements over time, could have significantly reduced the predicted fall in farm and farmer numbers, and agricultural output, thereby giving a much more positive signal to the sector about its future trajectory.

D. Suggested modifications to improve scheme design and implementation

19. Theo Lenormand's modelled scenarios of SFS uptake by different farms across Wales, using slightly more generous assumptions than those of the economic assessment, concluded that SFS could play a valuable role in the short and medium-term in reducing farms' exposure to price volatility in markets and offering slightly greater added-value from agricultural production, even for relatively 'intensive' farms in the intermediate and lowland landscapes of Wales (with the exception of the largest specialist dairy and other indoor livestock systems). However, the greatest economic gains from the scheme would take some years to become evident, as structures are modified to maximise incomes from the new offer. This suggests that **in the first few years of implementation it will be essential to offer more than just the Universal layer to applicants, as it will be in the higher scheme tiers (optional and collaborative) where they have the opportunity to build a package of options to suit their own particular situation and their business aspirations.**

20. However, he also found that organic farms and the largest extensive hill farms would see reductions in overall support compared to the current situation. With his assumption that SFS would, like BPS, operate a redistributive payment to give a boost to small farms, overall scheme payments would then be spread more evenly across the farmed landscape than the current pattern of support. Currently, those in the most marginal areas actually get better funding than those elsewhere, and there is evidence that this gives them advantages in the land market which can 'squeeze out' smaller farms with slightly better-quality land who might wish to expand.

21. I therefore suggest that **SFS could be modified to avoid disincentivising organic farms, by including targeted additional payments to cover both transition to organic farming and to sustain it, following transition – along similar lines to the previous provisions.** There would seem to be no benefit in removing this provision from the future package, as its overall impact on scheme budget seems unlikely to be significant but it sends a reassuring message to the organic sector about its continued value and relevance to WG goals for agriculture.
22. I suggest it should also be a priority to address the concerns of farmers on the issues surrounding the 10% woodland conditions. **If the main aim of requiring 10% tree cover on all SFS farms is to increase carbon sequestration as a climate mitigation measure, the conditions of the provision should give maximum flexibility to farmers to determine how they could achieve it with minimal loss of farming area/capacity.** So, linear features must qualify towards the 10%, as well as orchards, short-rotation coppice and agro-forestry, and the scheme should allow for neighbouring farms to make and agree plans together to reach the 10%, rather than insisting that each individual farm achieves this threshold, alone. Provision should also be made to exempt new entrants or others whose holdings are wholly held on FBT tenancy agreements or short-term grazing licences, from this condition, as it will often be beyond their responsibility. Finally, it could be helpful to offer those farms for which carbon storage in peaty soils plays a much more significant climate mitigation role, an alternative to tree-planting which can better restore and protect the carbon within their soils, as a condition of scheme entry. The current position is apparently that peat areas are simply excluded from the assessment of the 10% requirement for trees; in my view this does not go far enough to signal where priorities lie, for these kinds of farm, i.e. focusing positively on peatland protection and restoration.
23. I believe that a case can be made for some **additional provisions for young farmers and/or new entrants within the scheme** – perhaps to offer additional advisory support to integrate sustainable farming into their business models and to encourage networking and peer-to-peer learning, and also to ring-fence some funds for special case support to overcome potential barriers linked to accessing investment in the early years of establishing a new farm business, that SFS entry might otherwise pose. WG could specifically work on the details of such an offer through a co-design process, in the current planning period.
24. **The value of transition payments should be guaranteed as offering ‘like for like’ replacement support to those who enter SFS at a short-term loss,** compared to what they currently receive from BPS and other schemes, but also **taking into full account the additional management costs that SFS will entail.**
25. **The menu of items and payments that will be on offer under higher layers of the scheme should be confirmed as soon as possible this year, before farmers have to make their initial decisions about SFS entry, and roll-out of these elements of the scheme should follow closely on, in the same year that the scheme is officially launched.** This should reduce the risk of significant structural change in the sector that will work against WG goals, as the new scheme is rolled out.
26. **The overall structure of the scheme seems unnecessarily complex, as it stands. I think the Universal layer could be presented in a simpler way with fewer individual elements, to achieve equally positive outcomes** and to give farmers more assurance that entry will be quick and straightforward for them. There is a risk with the current model that a lot of initial time is spent on ensuring compliance with thresholds and conditions, rather than focusing on stimulating active management for environmental and social benefit, on the farmed area.
27. **Good quality and impartial advice should be made available to all farmers alongside scheme launch, at low or no-cost to each farm business, using trusted providers that can cover both agronomic/economic and ecological/climate aspects of the scheme and its application on-farm,** including farming connect and FWAG Cymru as well as other respected and relevant NGOs.

Integrated provision of this breadth of advisory support at the farm gate would be essential. Some common standards of CPD/training should be required for all assessors, enabling them to be 'certified' in this key role. I applaud the WG's continuing commitment to the importance of public funding for this kind of advice, which represents an investment in better securing the public benefits that the scheme aims to deliver. Opportunities for high quality and regular peer-to-peer learning in the early years of scheme rollout should also be eligible for WG support.

28. The Welsh Government should commit to continuing work in the co-design groups that earlier helped to develop and scope the SFS, initiating a process of rapid review and modification to different elements of the scheme to better address stakeholder concerns and aspirations. These groups' membership must combine those who can benefit financially from SFS with those whose interests are directly affected by the extent and variety of environmental and social/cultural benefits that SFS seeks to generate. As part of this partnership approach, the WG should also publicly acknowledge the shortcomings of its publications to date on SFS, and commit to listening and learning from its stakeholder partners as it completes the package on offer, prior to scheme launch.

My own view is that the process from here on is as important as the scheme design. Both will require new effort now by WG to re-engage the wider stakeholder community in constructive partnership, to give the scheme the best chance of success, in meeting WG's goals and attracting a good uptake following its launch.

Professor Janet Dwyer OBE, 22 April 2024, Cheltenham.

Reference:

Moxey, A., Thomson, and Lewis-Reddy, E., 2023. Potential economic effects of the Sustainable Farming Scheme. Phase 4 Universal Actions Modelling Results. A report to Welsh Government under project C280/2019/2020. Welsh Government, December 2023, Cardiff.

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Agenda Item 6

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