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Gweinidog yr Amgylchedd, Ynni a Materion Gwledig
Minister for Environment, Energy and Rural Affairs



Llywodraeth Cymru
Welsh Government

Mike Hedges AM
Chair of Climate Change, Environment and Rural Affairs Committee
National Assembly for Wales
Cardiff Bay
Cardiff, CF99 1NA

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Dear Mike,

Thank you for your letter dated 27 November 2018 regarding the outcomes-based approach to the public goods scheme, as set out in the 'Brexit and our land' consultation. I have addressed the Committee's questions broadly in the order they were raised, in some cases grouping answers where it helps explain my position more clearly.

Some of the Committee's questions overlap with recommendations made in the Committee's comprehensive report on the LCM in relation to the UK Agriculture Bill. I welcome the opportunity to explore the points raised, however, for the avoidance of doubt this is not intended to be a full response to the report's recommendations. It is also important to note the responses to the 'Brexit and our land' consultation are still being analysed. Therefore, in many cases, it is too soon to comment on policy decisions as these will be dependent on the consultation outcome and all other relevant considerations.

By way of context, the 'Brexit and our land' consultation established high-level policy proposals. This approach was purposely designed to open up an engaged and informed debate on proposals for an overarching direction for future schemes, rather than presenting a fait accompli. The results of the consultation will enable us to develop further detail for a White Paper which we intend to publish for consultation before the Royal Welsh Show. These are important matters which should not be rushed. The time between now and then will be used to undertake further stakeholder engagement and ensure appropriate analysis can be prepared.

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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.

Modelling and pilot schemes

As outlined above, the consultation contained high-level policy proposals. Alongside these proposals, we published detailed analysis on the various Brexit scenarios. It was important to undertake this modelling to understand the potential impact of alternative trade scenarios on the agricultural sector. It would not have been appropriate to produce analysis on the impact of future policy at that stage, since the policy proposals are subject to change as the results of the consultation become clear. As I have said previously, it is important we get this right and do not pre-judge the outcome of this analysis.

Following the consultation, I reassure the Committee officials will undertake the necessary modelling and impact assessments to support the development of more detailed proposals. The development of policy will be subject to the Welsh Government's Integrated Impact Assessment (IIA). This includes detailed consideration of the likely impact on rural communities and will be regularly updated as the policy develops.

It is important to note we will not be starting from a blank page in designing new schemes. We have over 20 years of agri-environment scheme delivery to learn from, for example, GMEP (Glastir Monitoring and Evaluation Programme) provides us with lessons on the success or otherwise of previous land management interventions and with data which will help us assess the potential environmental impacts of proposed schemes. There is also an opportunity to learn lessons from schemes outside of Wales. This knowledge will feed into our scheme design to help ensure schemes are fit for purpose.

We need to ensure future schemes work for all farmers in Wales. The question on which we are reflecting, is how best to achieve this. Pilot projects clearly have the potential to play an important role however, it is too soon to determine whether piloting will be an appropriate way to test each and every aspect of the schemes. Existing data available from GMEP, combined with wider scientific evidence, may mean we do not necessarily need to pilot all aspects of long-term land management practice to establish what will work successfully. Should we continue as proposed in the consultation, we will fully consider the role of pilot schemes as we develop the next phase of policy proposals.

Engagement with farmers

Our policy proposals benefited from significant stakeholder input. We have already extensively involved stakeholders through our large-scale public engagement programme, engaging with over 1,000 farmers. Should we proceed as proposed, we will continue to engage with farmers and other land managers to understand how we can support their successful adjustment to an outcomes-based scheme. This might involve focus groups with farmers from different farm types and geographical areas to determine how to help them adapt to new approaches, for example, testing how best to communicate the benefits of adopting new technology or how best to monitor outcomes of land management.

Accessibility of schemes

The Committee rightly raised the need to ensure proposed schemes are accessible across agricultural sectors and geographical areas. As outlined in the consultation document, one of our five principles proposed for land management reform, is all farmers and other land managers should have the opportunity to access new schemes if they desire. Once we have a clear idea of scheme parameters following consultation, we will ensure we have the capacity and use of the appropriate tools to analyse policy across geographical areas and thus to ensure proposed schemes are accessible for farms of different types and locations. The development of Area Statements by NRW may also help inform spatial decision making.

Defining and monitoring outcomes

Payment for outcomes, rather than inputs, is a fundamental aspect of these proposals. This reflects the Welsh Government's desire to introduce a strong sense of "something for something" into new schemes. To be successful, an outcomes-based payments scheme must meet a number of criteria.

In order to achieve environmental targets, the outcomes we seek will need to be tangible and fair. Funding should be linked to the particular outcome(s) in question, so there must be evidence of a causal link between the actions a farmer undertakes and the delivery of the outcome. As such, the choice of actions the farmer can choose to undertake, need to be sufficiently explained. It is important to acknowledge there are many environmental pressures which the farmer cannot control and this will be reflected in the defined outcomes.

It may not always be possible to directly measure these outcomes, so in some instances a suitably robust proxy measurement may be needed. It will be imperative to find a pragmatic and operationally efficient way for these outcomes and proxy outcomes to be measured, both for the Welsh Government, and for the farmer to be able to manage their progress towards meeting outcomes.

The finer details of how each outcome may be defined, measured and monitored will be explored in the next consultation. There is a good case for using focus groups with farmers to test how we communicate these aspects, especially given the different levels of understanding across the industry. This will enable us to define outcomes and describe processes which are easy for farmers to understand.

To give an illustrative example, when delivering the outcome of improved water quality, it would be difficult to test a water course and attribute quality issues to a specific farm within a water catchment. However, soil sampling on each farm will determine if there are excessive nutrients at risk of leaching out of the soil, which would be detrimental to water quality. It would be feasible to set soil nutrient parameters for the land in question and for farmers to undertake their own soil testing to monitor their progress towards meeting those parameters. This is within the existing skill set of many. With the appropriate tools and guidance, the farmer would thus be able to understand the outcome to be achieved and be able to undertake ongoing monitoring towards achieving the outcome.

In the 'Brexit and our land' consultation, we specifically consulted on the training and advisory requirements of farmers to enable the successful delivery of public goods. The answers to this question are subject to ongoing analysis. However, I reassure the Committee with the next phase of detailed proposals this issue will also be explored in more detail.

We have social and economic objectives to achieve as well as environmental objectives, so a farmer must be able to receive a meaningful and stable income stream in return for public goods delivery. This will be especially important for those where these payments may be a major part of net farm business income.

It may be a number of years before some of the outcomes we seek are delivered. However, if a farmer is taking sufficient measures to deliver an outcome, they should expect to be paid for it. It is proposed a hybrid scheme should therefore not be necessary, since the farmer should have the certainty of long-term income from the outset. By delivering this, we will achieve the objectives of a hybrid scheme through one, flexible scheme. Of course, appropriate analysis will be vital to ensure we get this right.

Regulation

I have already announced my intention for regulations to improve water quality to be in place in January 2020. No further announcements are planned at the current time. Following the consultation analysis, further information will be provided as part of the development of our detailed policy proposals.

WTO Agreement on Agriculture

The Committee requested information on work undertaken to ensure proposed schemes can be delivered successfully in accordance with WTO rules. Welsh Government officials have developed an excellent understanding of the WTO Agreement on Agriculture, which sets out the rules for WTO compliance, and will utilize this understanding as we develop new schemes to ensure compliance. Officials regularly engage with the UK Government and this engagement will be ongoing as our proposals develop. As part of this, officials continue to engage with relevant parties to provide appropriate advice. I am therefore fully confident new schemes will be compliant with WTO rules.

The UK Government will be responsible for notifying agriculture scheme classification for the UK to the WTO. However, it is the way a scheme is designed, in the context of the Agreement on Agriculture criteria, which will determine how schemes are classified. It is vital there are strong mechanisms in place for Welsh Ministers to exert their views when agreeing the appropriate classification of schemes and other relevant matters with the UK Government. Officials are in positive discussions with the UK Government on an agreement to govern the use of Secretary of State powers in the UK Agriculture Bill in respect of the UK's compliance with the WTO Agreement on Agriculture. This will ensure appropriate engagement with and consideration of the views of Welsh Ministers.

I will make a further announcement regarding the WTO Agreement on Agriculture presently.

Implementation

I would like to reiterate the three commitments I made last autumn:-

no decisions will be made on future schemes until all consultation responses have been reviewed;

no changes will be made to existing payments without further consultation.

old schemes will not be removed before new schemes are ready. I have announced BPS payments will remain unchanged in 2020, meaning transition to new schemes will now not begin until 2021 at the earliest. I made this decision to provide farmers with more certainty during this uncertain time. We will continue to consider the transition timetable in light of the consultation responses. Irrespective of the year it begins, however, I recognise the need for a reasonable time for transition to ensure farmers are given sufficient time to adapt; while also recognising prolonging the transition time unnecessarily would not be beneficial in allowing us to move forward and would add to the overheads of running multiple schemes in parallel.

Once a way forward is identified as a result of the consultation, we will commence the next stage of detailed work necessary to enable smooth transition to new schemes. This will include using lessons learned from previous implementation of CAP Reforms and Rural Development Plan (RDP) schemes in Wales to ensure transition is managed effectively. I note the Committee's comments regarding the potential increase in the number of applicants and reassure the Committee this will be fully considered as part of transition planning.

In terms of resource, a large amount of resource is currently in place for the administration of often burdensome CAP and RDP requirements. There is an opportunity for this resource to be used as we transition away from CAP and RDP. Furthermore, since the delivery of our existing EU support began with the introduction of Single Farm payment and Agri-environment schemes in 2005, there have been various technical IT advances, both in in-field technology and in remote control and evaluation systems. These provide further opportunities to explore for new schemes to ensure future administrative efficiency.

Funding

I share the concerns of the sector in relation to funding, particularly as we leave the European Union. I have stated on a number of occasions, to the UK Government, Wales must not lose out on any funding as was promised ahead of the EU referendum.

I am pleased the intra-UK allocations of convergence funding review started in January and very much welcome its aims. I am, therefore, working closely with our nominee, Rebecca Williams. I nominated Rebecca because she has the appropriate breadth of skills for the position and she will be acting independently of the CLA. She understands the needs of the family farm and having experience of working with both the UK and Welsh Government has an excellent grasp of the political and devolution situation. Furthermore, the Welsh Government support placed around her, will protect her ability to remain independent.

Within the context of leaving the European Union, this review provides an important opportunity to develop good practice for working together as four constituent nations and four Governments, with Wales playing a full and active role.

Regards
Lesley

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