

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2024-25](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2024-25](#).

WGDB_24-25 10 : Ymateb gan: NFU Cymru (Saesneg yn unig) | Response from: NFU Cymru (English only)



To: Senedd Finance Committee Date: 29th November 2023
Ref:
Cc: Contact:
Tel: [REDACTED]
Fax:
Email: [REDACTED]

Dear Finance Committee

A call for information – Welsh Government Draft Budget proposals for 2024-25

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

We are pleased to be able to provide the Senedd's Finance Committee with this submission in order to help inform its scrutiny of the Welsh Government's Draft Budget Proposals for 2024-25

1. The importance of the farming industry in rural Wales cannot be over-stated. Welsh farming businesses are the backbone of the Welsh rural economy, the axis around which rural communities turn. The raw ingredients that we produce are the cornerstone of the £8.1 billion Welsh food foundation sector. The food and drink supply chain employs 223,500 people meaning it employs more people than any other sector of the Welsh economy.
2. Welsh farmers also play a key role in maintaining and enhancing our natural environment – Wales' key asset. Farming activity supports a diverse range of species, habitats, and ecosystems, provides a range of ecosystem services including flood alleviation, carbon sequestration, climate change mitigation; and delivers the significant backdrop for Wales' tourism and recreation sector worth an estimated £2.5 billion annually.
3. Our rural and agricultural communities are also strongholds for the Welsh language and culture, with those census figures showing that 43% of those involved in agriculture (farmers and farm workers)¹ speak Welsh as opposed to around 19% of Wales' wider population. By safeguarding the future of Welsh agriculture and our rural communities we therefore help safeguard the future of our language and culture.

¹ <https://businesswales.gov.wales/farmingconnect/sites/farmingconnect/files/documents/laith%20y%20Pridd%20report.pdf>

4. NFU Cymru is well-aware of the significant challenges faced by all sectors of the economy, by governments both national and local and by the public sector as we continue to feel the twin effects of both high inflation and high interest rates, and an economy which is struggling to grow. Welsh farming has not been immune to these stresses with input costs on farm 40% higher than they were in 2020, increases in output prices have not matched the inflation seen in inputs thus putting margins under pressure.
5. We recognise that all areas of Welsh Government expenditure are under unprecedented levels of strain and that the rural affairs budget is not an exception to this. We do however think that support for agriculture and rural communities represents a good return on investment for the Welsh Government.
6. In November 2023 NFU Cymru commissioned survey work from polling company YouGov. Having surveyed more than 1000 Welsh adults, it found that 82% support the Welsh Government providing financial support to farmers to produce food. When taking into account the Welsh Government's spending priorities, 72% said that supporting Welsh farmers was a good use of public spending². This shows a high level of backing amongst the public for supporting farmers financially to produce food.
7. The total Rural Affairs budget for 2023-24, including the Basic Payment Scheme at £238m is £482m, and represents 2.1% of a total Welsh Government budget of £22,968m. In exchange for this very modest outlay, farmers look after around 80% of the geographical area of Wales and produce the safe affordable food we all eat. The food which also enjoys a fantastic reputation for quality, provenance and environmental credentials around the UK home nations and in a range of export markets near and far.
8. Funding in the Rural Affairs budget which is not used to support farmers is used amongst other things to uphold Animal health and welfare, and to pay for Bovine TB surveillance control and eradication, as well as the control of a range of pests and diseases. These represent important public, animal and plant health measures which have to be maintained.
9. By supporting Wales' farmers through the Basic Payment Scheme (BPS) in 2022 to the tune of £238 million³, the sector produced a gross output of £2.1bn in the same year⁴. Investment in support for agriculture by the Welsh Government therefore produces a return on investment of almost of almost £9 for every £1 given in support.
10. Historically of course, agriculture in Wales has been supported from EU funds with the role of Welsh Government pretty much limited to the administration, oversight and delivery of these payments to some 16,000 claimants for Pillar 1 (BPS), in accordance with the relevant EU rules and with a co-financing element of Welsh Government funds for Pillar 2 (Rural Development)

² <https://www.nfu-cymru.org.uk/news-and-information/new-nfu-cymru-survey-reveals-high-levels-of-public-support-for-government-spending-on-welsh-farming/>

³ [Written Statement: Publication of Basic Payment Scheme \(BPS\) financial budget ceiling for 2023 scheme year and announcement BPS will continue in 2024 \(15 December 2022\) | GOV.WALES](https://www.gov.wales/written-statement-publication-of-basic-payment-scheme-bps-financial-budget-ceiling-for-2023-scheme-year-and-announcement-bps-will-continue-in-2024-15-december-2022)

⁴ <https://www.gov.wales/aggregate-agricultural-output-and-income-2022>

11. Since Brexit, and as an interim measure until the Sustainable Farming Scheme has been rolled out, Wales continues to operate CAP legacy schemes, with the key difference that these schemes are now funded by the Welsh Government, via the money given to Wales each year by the UK Treasury.
12. Prior to EU-Exit, funding for farming equated to £238m via Pillar 1 Direct Payments and £99m annually for the multi-annual Rural Development Programme (RDP) to which Welsh Government was required to provide an additional £40m of domestic co-financing annually. In line with commitments made relating to Welsh farming receiving 'not a penny less' following our departure from the EU, NFU Cymru expects this to mean the value of Pillar 1 and Pillar 2 together with monies arising as a result of the Bew Review⁵, in total circa £380m per annum.
13. The Treasury funding which is being made available to farmers in Wales itself derives from a commitment in the Conservatives' 2019 Election Manifesto to '*guarantee the current annual budget to farmers in every year of the next Parliament*'⁶ after Brexit. The expectation is therefore that this commitment will run until sometime in 2024.
14. In 2021, UK Treasury confirmed £900m over three years for farmers together with £2.6m per annum for three years under the Bew Review, making a total settlement of £907.8m over that period.
15. We are grateful to Welsh Government for cascading this support from the UK Treasury down to farmers via the BPS over the last few years. This has been crucial in underpinning Welsh farming and all the allied industries who rely on Welsh farming businesses for so much of their income.
16. It is less clear if Welsh Government has fully cascaded the funding provided to replace the Pillar 2 rural development element to farmers and land managers and it is highly questionable whether the 2014-2020 RDP has attained the 'transformational change' which was once acclaimed for the RDP⁷
17. We would also make the point that the baseline chosen by the Conservatives for their 2019 manifesto pledge relating to funding for agriculture is increasingly 'in the rear-view mirror'.
18. This is because the 2019 figure is based on the EU budget which was set at the end of 2013⁸ ahead of the 2014-2020 CAP period, and so its real terms value has been steadily eroded by inflation, particularly over the last two years which have seen very high rates of agricultural inflation.
19. The bank of England Inflation calculator shows the BPS budget would need to increase by £79 million to £317 just to keep pace with the inflation which we have seen over the last decade or so, or expressed another way, the budget is worth over 30% less in real terms that in was when it was set in 2013.

⁵ <https://assets.publishing.service.gov.uk/media/5f61fb80e90e072bc1a75335/intra-allocation-uk-review.pdf>

⁶ <https://www.conservatives.com/our-plan/conservative-party-manifesto-2019>

⁷ <https://senedd.wales/media/zppats35/dat20140217-e2-english.pdf>

⁸ UK CAP allocations announced - GOV.UK (www.gov.uk)

20. It is also worth remembering the Welsh Government took the decision in 2013 to apply the maximum rate of Pillar transfer (15%) a decision unique in the UK and the EU. This represents a reduction of £248m from the BPS to the Rural Development Programme (RDP 2014-2020). The extent to which farmers have been able to recoup this funding via rural development measures is very questionable.
21. Chapter 5 of the Statement of Funding Policy⁹ which accompanied Comprehensive Spending Review 2021 (covering the years 2022, 2023 and 2024) re-states the level of support available to farmers in the UK's home nations over the three-year 2021 CSR period.
22. NFU Cymru's reading of the Statement of Funding Policy paragraphs 5.1 and 5.4 suggests to us that a ring-fence does exist around this funding and as such it can only be spent for the purposes which it was given.
23. NFU Cymru would welcome confirmation from the Welsh Government that payment rates for BPS in 2024 will be the same as those in 2023 and 2022. NFU Cymru's view is that the Treasury commitment in the 2021 CSR Statement of Funding Policy means that there should be circa £340m available from the UK Treasury to fund BPS and rural development type activities in 2024.
24. As a Union we believe that maintaining payments at the current rate should be a priority for Welsh Government given the economic, social and cultural benefits which accrue from supporting domestic primary production. Early confirmation of payments to farmers for 2024, at historic levels, would offer some much-needed certainty to a sector which is going through an extremely challenging time at present.
25. Ahead of the next Westminster General election NFU Cymru will press all the main political parties to make funding available to support agriculture across the home nations for the length of the next Parliament and that the budget made available should be uplifted to take account of the significant inflationary pressures we have been subject to over the last few years, whilst also taking account of the additional requirements and undertakings being asked of farmers in relation to food production, the environment and climate.
26. In conjunction with this funding commitment, we would like to see a corresponding commitment from Welsh Ministers that funds allocated by a future UK Government to support farmers are spent for those purposes and those purposes alone.
27. We would see such a commitment on the part of Welsh Ministers as the natural corollary of the obligation the Agriculture (Wales) Act already imposes on Welsh Ministers at Section 11 regarding the preparation of multi-annual support plans giving information about the expected use of Welsh Ministers' powers to provide support under Section 8
28. NFU Cymru would make the point that the agricultural sector went through the recent pandemic with little in the way of the financial support made available to other businesses. The re-orientation of food supply chains away from food service and

⁹ [Statement of Funding Policy update Feb 2023.pdf \(publishing.service.gov.uk\)](#)

hospitality and towards consumption in the home as a result of Covid had a significant and adverse impact on farm-gate prices for many producers. For others the loss of diversified farm income stemming from on farm tourism enterprises came as a significant blow.

29. NFU Cymru would like to consider briefly the 2023-24 in-year review of Welsh Government finances and how this has impacted the rural affairs budget. We believe that there are lessons to be learnt for future budget years from the way in which the Rural Affairs budget was adversely impacted by the re-deployment of funding into other budget lines in Autumn 2023.
30. Firstly, we recognise the challenging circumstances which led to the in-year review of the Welsh Government's financial situation in summer and autumn 2023 and the subsequent re-prioritisation of Welsh Government spending.
31. The total rural affairs budget line for 2023-24 is £482m, and this has been subject to a total in-year reduction of £37.5m, representing a cut of around 7.8%. Whilst it is not entirely clear as to precisely which budget lines within the wider rural affairs budget these cuts will apply to, it is known that the Rural Investment Programme (the domestic successor to the Rural Development Programme) will bear the brunt of these cuts.
32. Welsh Government committed funding for a Rural Economic & Sustainability Programme of £6.8m in 2022/23, £79m in 2023/24 and £118m in 2024/25. Welsh Government state this is for farmers and land managers¹⁰. Given the challenges that the Welsh farming sector faces (Welsh Government's own figures suggest £360m up front investment is required to meet its own Water Quality regulations¹¹), the importance of this funding being utilised in full cannot be overstated.

Conclusion

33. NFU Cymru is very much of the view that support for agriculture represents a good return on investment for Welsh Government, with a modest outlay of just 2% securing a host of positive benefits for Wales. We believe that any reduction to the Rural Affairs budget would be misguided and would represent a false economy in terms of the detrimental impact it would have on the Welsh landscape, on the viability of our rural areas as places for the people to live and work, the rural economy and the wider Welsh economy as well as on the rich cultural heritage of Wales.
34. There is of course a role here for future Westminster governments to ensure that funding allocations to Wales reflect the fact that funding for agriculture is now something which is domestically and not EU derived, with sufficient and equitable allocations of funds made available. We re-iterate our call that funds made available to support agriculture by the UK Government are spent for those purposes and those purposes alone by the Welsh Government.

¹⁰ <https://www.gov.wales/sites/default/files/publications/2022-01/ministers-written-evidence-to-senedd-scrutiny-committees-2022-2023.pdf>

¹¹ [EM template for sub leg \(senedd.wales\)](#)

35. Our view is that these funding allocations should be uplifted to take account of the fact that we are now over ten-years on from when the baseline was established, and in the intervening time there have been periods of high very inflationary pressure together with the higher level of ambition Welsh Government now has for farming in delivering key climate and nature objectives alongside securing the stable supply of safe, high quality and affordable food.