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Y Dirprwy Brif Weinidog ac Ysgrifennydd y Cabinet dros
Newid Hinsawdd a Materion Gwledig
Deputy First Minister and Cabinet Secretary for Climate
Change and Rural Affairs



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: HIDCC/PO/0242/24

Paul Davies MS
Chair
Economy, Trade & Rural Affairs Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

10 September 2024

Dear Paul,

Thank you for your letter of 18 July and for providing me with an advanced, embargoed copy of the Economy, Trade and Rural Affairs Committee report on the Sustainable Farming Scheme. Please find attached my response.

Yours sincerely,

Huw Irranca-Davies AS/MS

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a Materion Gwledig
Deputy First Minister and 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.



Welsh Government Response to ETRA Committee report: Sustainable Farming Scheme

Set out below are the Welsh Government responses to each of the Committee's recommendations in the July 2024 report: Welsh Government's proposals for a Sustainable Farming Scheme.

Contents

1. Recommendations	3
Recommendation 1. Support for new entrants and succession planning.....	3
Recommendation 2. Support for tenant farmers and farmers on common land. ...	3
Recommendation 3. Actions to protect County Council farms.....	4
Recommendation 4. The social value element of the scheme.....	4
Recommendation 5. Updates on scheme Actions.....	5
Recommendation 6. Organic farming.....	5
Recommendation 7. Carbon capture and sequestration technologies.....	6
2. Conclusions.....	7
Conclusion 1. New entrants and County Council farms.....	7
Conclusion 2. Payment methodology and rates.	7
Conclusion 3. Universal Actions and Optional and Collaborative actions.....	7

1. Recommendations

Recommendation 1. Support for new entrants and succession planning.

Response: Accept

1. We are committed to delivering a scheme accessible to all farmers and farm types, to help prepare farmers for the economic, environment and social opportunities ahead. This includes removing the barrier of historically obtained entitlement to better support young and new entrants into the Scheme. These proposals were included in the recent consultation. The responses to this will be discussed with stakeholders, including WalesYFC and the Farming Unions, as part of the ongoing development of the scheme and wider support for the industry.

Financial Implications: None

Recommendation 2. Support for tenant farmers and farmers on common land.

Response: Accept

2. We continue to consider the needs of our diverse and important tenancy sector to ensure the SFS is accessible to tenant farmers. The proposed eligibility criteria are designed to ensure we are supporting the 'active farmer'. Based on previous feedback from stakeholders including the Tenant Farmers Association (TFA), the Universal layer of the scheme has changed from a multi annual to annual approach to better accommodate tenant farmers. We have also amended specific scheme rules and Universal Actions proposals to accommodate tenant farmers.
3. We are not aware of any unique impediment to tenant farmers but are testing revised proposals against their requirements to ensure tenant farmers have appropriate opportunity in the Scheme. We will continue to work with the Ministerial Roundtable and its subgroups to define the Scheme details. TFA sit on both the Ministerial Roundtable and Officials Working Group to ensure the needs of tenants are considered.
4. In response to stakeholder feedback, we have also recently introduced legislation that allows tenants under both the 1986 and 1995 Acts to seek arbitration if their landlord unreasonably denies requests relating to accessing financial support (as provided by the Agriculture Act (Wales) 2023) or fulfilling regulatory requirements. The provisions apply when tenants require the landlord's consent to matters specified in their rental agreement or when they wish to alter a clause.

5. Finding an acceptable position for common land is a priority for us. We are considering the possibility of graziers participating in a Common's Agreement having access to equivalent funding to the Universal and Habitat Payment Categories through their combined grazing – as well as other opportunities through wider improvement activities (such as access, antisocial behaviour, tree planting, habitat restoration).
6. We are working with industry representatives to develop these ideas and to consider any alternative proposals they may have. These proposals will be presented to the SFS Stakeholder Groups to consider before Welsh Ministers are asked to make a final decision on the Scheme's introduction.

Financial Implications: Managed within existing budget

Recommendation 3. Actions to protect County Council farms.

Response: Accept in principle

7. Local Authority farms are an important asset to the agricultural industry and remain an invaluable point of entry for many young people in Wales.
8. In the wider context of all agricultural land in Wales, Local Authority farms represent a small area, accounting for just below 1% of Welsh agricultural land.
9. Welsh Ministers publish, on an annual basis, as part of the statutory duty under the Agriculture Act 1970, a report on the Welsh Government's activities and the activities of Local Authorities in relation to smallholdings in Wales. This report provides statistical information on the area and number of smallholdings held by local authorities.
10. The management of these farms is ultimately a matter for Welsh Local Authorities. The Agriculture Act 1970 does not confer Ministerial control over the local authorities' powers to sell land. The sale of land, and decisions about how they approach it is for local authorities to consider and not something the Welsh Government could intervene or have a role in.

Financial Implications: None

Recommendation 4. The social value element of the scheme.

Response: Accept

11. Welsh Government have always said we will include payment for the wider benefits farming provides, going beyond income forgone and costs incurred, to recognise social value. We are working on the payment methodology and supporting evidence

which will be discussed with the SFS Stakeholder Groups later this year. This is important and complex work and it is important that we get it right to help ensure the viability of farms in Wales.

Financial Implications: Managed within existing budget

Recommendation 5. Updates on scheme Actions.

Response: Accept in principle

12. We are happy to commit to providing regular updates to the Committee on the basis of when there are key updates within the design process that can be given. This would not be on a fixed timeline such as the 3 months proposed here. The expectation is for at least one update to be provided to the Committee before the end of this year.

Financial Implications: None

Recommendation 6. Organic farming.

Response: Accept

The Welsh Government is still considering how to best reward organic farmers through the Sustainable Farming Scheme and will consider organic farming schemes from other parts of Europe in its analysis.

The Organic Support Payment offered as a transitional scheme at present works by providing funding to organic farms, with payment levels being based on their land area and the type of farming undertaken. This is similar to schemes being run in other European Countries.

The Welsh Government is working closely with the other governments of the UK through the Four Nations Working Group on Organic Production, and is keeping abreast of the developments in organic policy across the UK.

Welsh Government officials will continue to attend meetings of the Welsh Organic Forum and share information received through these between departments. This insight has already contributed to considerations of scheme design, and we will continue to work with the Forum as the Scheme is developed

There will be further discussion between Welsh Government and the Welsh Organic Forum to determine the gaps between SFS proposals and Organic Certification and practices. Support for organic farming will then be considered in relation to the Optional Layer of the SFS. In the meantime, the Welsh Government has committed to the continuation of the Organic Scheme for 2025 to support this important sector.

Financial Implications: Managed within existing budget

Recommendation 7. Carbon capture and sequestration technologies.

Response: Accept

13. We have established the SFS Carbon Sequestration Evidence Review Panel as a subgroup of the SFS Ministerial Roundtable to inform the SFS design process. The Panel is reviewing the evidence for any further or alternative actions to sequester carbon, along with the scale of opportunity for those actions to be rolled out across Wales as part of the SFS Universal Layer. Welsh Ministers will make decisions on the SFS design once the deliberations of the Roundtable and the Carbon Sequestration Evidence Review Panel are concluded.

Financial Implications: None

2. Conclusions

Conclusion 1. New entrants and County Council farms.

Response: There is an extensive programme of work in place to support the development of the SFS scheme design, based on the evidence from the Consultation Analysis and direct feedback from stakeholders. The SFS Official's and Ministerial Roundtable groups and their subgroups include key stakeholders in an inclusive process to develop an agreeable solution to the Scheme design. The Groups are considering all aspects of the scheme including common land and tenancy. The recent Written Statement on the proposal to pay on SSSI areas as part of the habitat payment category, and the response from stakeholders is evidence of this relationship working.

[Written Statement: Sustainable Farming Scheme \(SFS\) – Scheme Design progressing through collaboration \(23 July 2024\) | GOV.WALES](#)

Conclusion 2. Payment methodology and rates.

Response: We are committed to considering how payment rates can include factors beyond costs incurred and income foregone recognising the social value provided by the outcomes being delivered. We are working on the payment methodology and supporting evidence which will be discussed with the SFS Stakeholder Groups later this year. This is important and complex work, and it is important that we get it right to help ensure the viability of farms in Wales.

Conclusion 3. Universal Actions and Optional and Collaborative actions.

Response: We are only able to make progress through the time, commitment and positive engagement of all the organisations who are on the SFS Ministerial Roundtable and Officials Groups. There is a lot of work to be done so we are grateful for their commitment to continue working at pace