

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2026-27](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2026-27](#).

WGDB26-27 04:Ymateb gan: Undeb Cenedlaethol Amaethwyr Cymru | Response from: National Farmers Union (NFU) Cymru



To: Senedd Finance Committee

Date: 11th September 2025

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Dear Finance Committee

A call for information – Welsh Government Draft Budget proposals for 2026-27

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

The importance of the farming industry in Wales cannot be overstated. Welsh farming businesses are the backbone of the Welsh rural economy, the axis around which rural communities turn. The raw ingredients that we produce are the cornerstone of the £10.2 billion Welsh food and drink industry which is Wales' largest employer employing over 223,500 people.

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

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 2026-27.

Executive Summary of key points

- NFU Cymru welcomes the fact that the Cabinet Secretary has confirmed a budget of £238 for the Universal layer of the SFS in 2026, representing 70% of Welsh Government expenditure on farm support.
- This means that 30% of the budget (or £102m) will be allocated to the collaborative and optional layers, giving a total support package of circa £340m
- NFU Cymru believes that the 70:30 split must be maintained in future years.
- NFU Cymru, in common with other agricultural sector representatives and environmental NGOs believes that the £340m support package ought to be uplifted in order to properly account for inflation

- NFU Cymru believes that this means an agricultural support budget of at least £500m so that our shared ambitions for food, nature, climate and communities can be met.
- At the very least the rural affairs and agricultural support budgets should see a pro-rata increase in allocations in line with the additional amounts of funding made available to the Welsh Government up until 2029-30 in the 2025 Spending Review
- NFU Cymru believes that the agricultural support budget ought to be delivered on a multi-annual basis so as to give the sector the stability and certainty it needs.
- Welsh Government should continue to advocate for a fair agricultural support uplift mechanism, giving Wales an uplift which reflects the level of agricultural production found in Wales relative to the rest of the UK, rather than a Barnettised population share uplift which is very disadvantageous to Wales.

Background

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 £10.2 billion Welsh food foundation sector whilst employing 223,500 people, the equivalent to 17% of Wales' total workforce.¹
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 census figures showing that 43% of those involved in agriculture (farmers and farm workers)² 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, and help the Welsh Government towards its target of one million Welsh speakers by 2050.
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 effects prolonged high inflation, an economy which is struggling to grow alongside increasing demand on public services. Welsh farming has not been immune from many of these stresses, with high input costs on farm putting margins under pressure.
5. We recognise that all areas of UK and Welsh Government expenditure remain under very significant levels of pressure, and we are particularly aware of the challenges

¹ [Economic Appraisal: Welsh Food and Drink sector | Business Wales - Food and drink](#)

² <https://businesswales.gov.wales/farmingconnect/sites/farmingconnect/files/documents/laith%20y%20Pridd%20report.pdf>

and tensions which come to the fore once again during this critical stage of the budget setting cycle.

6. Money spent by Welsh Government on rural affairs is not only used to support farmers it 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 and interventions which have to be maintained. In addition to this, rural affairs expenditure supports economically important functions such as the promotion of Welsh food and drink domestically as well as in export markets.

The Rural Affairs Budget and support for agriculture

7. Historically of course, agriculture in Wales was 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 prevailing EU rules and with a co-financing element of Welsh Government funds for Pillar 2 (Rural Development)
8. Since our departure from the EU, and as an interim measure until the Sustainable Farming Scheme has been fully rolled out (from 2026), Wales continues to operate CAP legacy schemes. The difference is that these schemes are now funded by the Welsh Government, via the money given to Wales each year by the UK Treasury.
9. On page 9 Paragraph 3.1 of October 2024's Treasury Statement of Funding Policy³ it is confirmed that funding for agriculture from 2024-25 will be baselined into each devolved government's block grant. This essentially locks in the historic funding allocation, based on historical levels of agricultural production in each of the home nations, and deriving from the time of our EU membership. This figure is now very much outdated for reasons which we will set out.
10. The Treasury figure baselined into Wales' block grant ultimately 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*'⁴ after Brexit.
11. We would however make the point that the quantum of funding for agriculture chosen by the Conservatives for their 2019 manifesto pledge is increasingly 'in the rear-view mirror'. It should not represent the starting point when it comes to deciding on what is an appropriate allocation of Treasury support for UK agriculture.
12. This is because the 2019 figure used by the last Conservative Government is based on the EU budget which was set at the end of 2013 ahead of the 2014-2020 CAP period, and so its real terms value has been steadily eroded by inflation, particularly given that in this same period we have seen very high rates of agricultural inflation.
13. By running these historic budget figures through the Bank of England's inflation calculator, NFU Cymru arrives at the view that there should be an uplifted annual

³ https://assets.publishing.service.gov.uk/media/6721134c3ce5634f5f6ef441/Statement_of_Funding_Policy_addendum.pdf

⁴ <https://www.conservatives.com/our-plan/conservative-party-manifesto-2019>

agricultural support budget of just over £500m for Wales' farmers, reflecting the effect of recent inflation as well as the scale of the ambition NFU Cymru and Welsh Government have for the sector. This level of funding would give farmers the confidence they need to invest for the future and to safeguard our food security and meet our ambitions for nature, climate, and communities.

14. Prior to EU-Exit, annual funding for farming in Wales comprised of £238m via Pillar 1 Direct Payments (essentially the current BPS) and £99m 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 believes that this means the value of Pillar 1 and Pillar 2 together with the co-financing obligation and monies arising as a result of the Bew Review⁵, to total circa £380m per annum.
15. We are grateful to Welsh Government for cascading support from the UK Treasury down to farmers via the BPS over the last few years, and for preserving the level of BPS support at the previous level of £238m. 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. By supporting Wales' farmers through the Basic Payment Scheme (BPS) in 2024 to the tune of £238 million⁶, the sector produced a gross output of £2.214bn in the same year⁷. Investment in support for agriculture by the Welsh Government therefore produces a return of over £9 for every £1 given in support.
17. We also commend Welsh Government on their strong track record of making timely BPS payments to farmers.
18. As a Union, maintaining payments at the current rate is the very minimum that we ask of Welsh Government given the economic, social, and cultural benefits which accrue from supporting domestic primary production.
19. Over the last year NFU Cymru has engaged extensively with all of the main political parties, arguing the case for funding to be made available to support agriculture across the home nations for the length of the next Parliament. Our position has been and remains that the agricultural support budget should be uplifted to take account of the significant inflationary pressures we have been subject to over the last few years, as well as also taking account of the additional requirements and undertakings being asked of farmers in relation to food production, the environment and climate alongside supporting and underpinning our rural communities.
20. In common with other agricultural and environmental bodies call on Welsh Government to seek an inflationary uplift from the UK Government to the sum baselined into the Welsh block grant for the purposes of agricultural support.

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

⁶ [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](#)

⁷ <https://statswales.gov.wales/Catalogue/Agriculture/Aggregate-Agricultural-Output-and-Income/aggregateagriculturaloutputandincome>

21. In conjunction with such a funding commitment from the UK Government, 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.
22. We would also like to see the UK Government and Welsh Government working together to secure commitments for agricultural support on a multi-annual basis, helping to give farmers some near-term certainty about the levels of support that they can expect from Welsh government, so that they can better plan their businesses.
23. It is worth bearing in mind that farmers who are committing to participating in the Sustainable Farming Scheme are committing to scheme conditions which will have long term impacts on their farming system, including in some instances permanent land use change. We believe that in return farmers need a commitment from Welsh Government that there will be long-term funding made available to support them in doing so.
24. 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
25. Rural affairs expenditure covers not only support payments to farmers, but a suite of other measures. It is therefore vital that the rural affairs division of Welsh Government is properly resourced in order to deal with the range of areas which it is expected to cover, including animal health and welfare issues e.g. bovine TB testing, control and eradication, maintaining and enhancing IT systems such as the Multispecies Wales Database, supporting the growth of food processing and the promotion of Welsh food and drink domestically and in export markets.

The Sustainable Farming Scheme and allocations between the Universal payment and legacy BPS, and Optional and Collaborative actions

26. NFU Cymru wishes to comment on the way in which Welsh Government has indicated it wishes to allocate funding between the universal layer and legacy BPS and the Optional and Collaborative actions.
27. In the SFS scheme description⁸ it says "*We intend to allocate budget for the first year of the scheme on a similar basis to the current agriculture support payments, approximately:*

70% for the Universal Payment and legacy BPS
30% for ongoing preparedness schemes and Optional and Collaborative Actions"
28. In his statement of 15th July on the SFS⁹, the Deputy First Minister, Huw Irranca-Davies MS said

⁸ [Sustainable Farming Scheme 2026: scheme description \[HTML\] | GOV.WALES](#)

We are clear that our climate and nature commitments will only be met if there is substantial uptake of the Optional and Collaborative Actions, prioritised to drive positive environmental change and improved farming efficiency. The earlier and greater the uptake, the earlier we will see the benefits from Optional and Collaborative Actions at scale.

This is why we are committed to further shifting the balance of the budget to Optional and Collaborative Actions in subsequent years.

29. NFU Cymru believes that the split in funding allocations between the Universal layer and legacy BPS and the Optional and Collaborative layers are right at 70:30, giving Wales' farmers stability and certainty via the 70% of funding allotted to the Universal layer and legacy BPS. We firmly believe that these ratios should be preserved into the future.
30. We wish to put on record the sector's concern at the decision taken by Welsh Government to reduce the BPS to 60% of current payment levels in 2026, having previously reassured farmers that there would be no 'cliff edge' in funding through the transition to new schemes, with BPS phased out in a transition period which would see an incremental reduction in the value of the BPS of 20% per annum starting in 2026.
31. This unwelcome decision by Welsh Government is extremely worrying for farmers who had previously been informed that those opting not to enter the new Sustainable Farming Scheme in 2026 would receive 80% of their BPS, meaning farming businesses have forward planned on this basis.
32. This policy change is even more significant given guidance and technical detail is yet to be published, and farmers will need this if they are to make informed decisions about whether to enter the scheme from 1 January 2026. With this year's harvest largely complete and next year's cropping and livestock purchases already in motion, many farmers will not be able to pivot their business to join the new scheme from January 2026.

Funding for agriculture and the impact of Barnettisation

33. At page 9 Paragraph 3.1 of the 2024 Statement of Funding Policy is confirmation that *'the Barnett formula will apply in the usual way to funding for agriculture and fisheries, rather than the devolved governments receiving a ringfenced addition to the block grant as they did for Spending Review 2021'*. The fact that the UK Government is going to use the Barnett formula to calculate any block grant adjustments/future uplifts to agricultural funding for the devolved governments is both concerning and inequitable.

⁹ <https://www.gov.wales/written-statement-sustainable-farming-scheme-sfs-final-scheme-description#:~:text=I%20am%20committed%20to%20continuing,be%20truly%20resilient%20and%20sustainable.>

34. CAP payments from the EU, when received by the UK Government, were allocated between England, Scotland, Wales and Northern Ireland in a way which reflected historical levels of agricultural production, whereby parts of the UK with historically higher levels of agricultural production received higher levels of support under the Common Agricultural Policy.

EU CAP Pillar 1 funding was shared out amongst the home nations as follows:¹⁰

England	65.526%
Scotland	16.345%
Wales	8.956%
Northern Ireland	9.173%

35. Once the UK's participation in the Common Agricultural Policy ended in 2020, the then Conservative Government allocated £3.7 billion per annum in replacement, domestic agricultural support, to be shared amongst the home nations in the exact same proportions as had been done when the UK was an EU Member State. We consider this allocation to be far more equitable as this historic allocation is reflective of the levels of agricultural production in each of the home nations.

36. If the Treasury were to allocate an extra £100 of funding for farm support in England then by analogy to the historic allocation of support amongst the home nations this would imply a total pot for distribution amongst the home nations of $100/65.526 = 1.526 = £152.60$, which would break down amongst the home nations as follows

England =	$£152.60 \times 65.526\%$	$=£100.00$
Scotland =	$£152.60 \times 16.345\%$	$=£24.84$
Wales =	$£152.60 \times 8.956\%$	$=£13.61$
Northern Ireland =	$£152.60 \times 9.173\%$	$=£13.94$

Using this historic arrangement as the basis for our calculation means an implied increase in Wales farm support funding of £13.61 for every additional £100 made available to England.

Rebasing this uplift according to the Barnett formula would mean that the extra funding for Wales would be determined in the following way.

Extra funding for Wales = Extra Funding for England x Population Proportion compared to England x The Comparability Factor x The Transitional needs-based factor

Therefore

$$\text{Extra funding for Wales} = £100 \times 5.48\% \times 100\% \times 105\% = £5.75$$

In making this calculation we are assuming that Wales population is 5.48% of that of England, the comparability factor is 100% and that the transitional needs-based factor of 105% applies.

¹⁰ <https://assets.publishing.service.gov.uk/media/5f61fb80e90e072bc1a75335/intra-allocation-uk-review.pdf>

37. Uplifting support according to the Barnett formula rather than by analogy to the historic allocation means Wales would be in receipt of £5.75 instead of £13.61 (for every additional £100 of expenditure in England), and so would lose out on £7.86 of uplift. Expressed another way Wales would only receive 42% of the expected uplift in funding under a Barnettised arrangement than it would under an EU historic allocation.
38. NFU Cymru is deeply concerned about the disadvantage to Wales which is implied by these calculations. We continue to reject the idea that uplifts to agricultural support funding are in any way amenable to simple population based Barnettisation owing to the relative scale and weight of the agricultural sector in each of the UK home nations.
39. We also firmly believe that the Welsh Government and Senedd members should be concerned about the disadvantage that is inherent in the use of the Barnett formula instead of an arrangement which is reflective of the historically higher levels of agricultural production in Wales.
40. We were pleased to see the First Minister express her uneasiness at the use of the Barnett formula for calculating future funding uplifts in her appearance before the Welsh Affairs Committee on 12th February 2025, where she described the change as a *'huge concern'*.¹¹
41. We call on the Welsh Government to advocate for a fair agricultural support uplift mechanism for Wales, which gives Wales an uplift which corresponds to level of agricultural production found in Wales rather than a Barnettised population share arrangement which is very disadvantageous to Wales.
42. We note that the Senedd's citizen engagement team held focus groups during May and June 2025 to gather views on Welsh Government spending priorities for the next financial year.¹²
43. At paragraph 24 under key findings, we note that *'Agriculture and Rural Affairs and the Economy were also identified in most of the groups as priorities for funding'*
44. At paragraph 29, also under key findings we further note that *'Participants have maintained their prioritisation for Housing and Homelessness since last year and appear to have shifted focus towards Transport and Agriculture and Rural Affairs, above the Economy'*
45. We also point to the following comment from a member of the public at paragraph 60 *"I would actually want some investment in agriculture and rural affairs because I think we're beginning to realise now with climate change and global insecurities, its importance."* Participant in receipt of social care

¹¹ [Committees.parliament.uk/oralevidence/15399/pdf/](https://committees.parliament.uk/oralevidence/15399/pdf/)

¹² <https://business.senedd.wales/documents/s163942/Summary%20Engagement%20Report%20on%20the%20Welsh%20Governments%20Draft%20Budget%202026-27%20-%209%20July%202025.pdf>

46. And similarly at paragraph 61 *“Food security is very important, and in this country we have to import so much that anything we do to improve food security is good and this kind of knock-on benefits agriculture and rural affairs. It keeps rural communities going and reduces rural poverty. It helps safeguard the Welsh language and community life.”* Participant in receipt of social care
47. NFU Cymru therefore believes that there is significant public support for the prioritisation of funding for and investment in agriculture and rural affairs.

Agricultural Property Relief and Business Property Relief

48. Although the policy proposals relating to Agricultural Property Relief and Business Property Relief are reserved to Westminster, NFU Cymru wishes to restate its deeply held concerns at the Government's proposed changes APR and BPR, particularly as assurances had been sought and obtained from the Labour party when in opposition that there would not be any change to these vital reliefs from inheritance tax.
49. We believe this policy proposal to be ill-judged and misguided, and if it goes ahead, it will leave farmers without the means, confidence, or incentive to invest in their business. This comes against the backdrop of a sector already under an extreme amount of pressure, be that be due to rising costs, the weather, regulation, and policy changes.
50. Returns from farming are typically extremely modest, with the return on capital employed for farming, after taking into account a wage for the farmer, averaging less than 1%. This means that the vast majority of farm owners would be unable to meet an inheritance tax charge even if they were to utilise their entire return on capital employed during their career/period of ownership, leaving them with little choice but to take on additional borrowings or to sell of part of the farm in order to meet the charge. Although a family farm may look like a valuable asset on paper, that does not mean those who work it are wealthy or are able to meet a large tax bill.
51. NFU Cymru is clear in its view that the majority of Wales' working family farms (75%) will be brought into the scope of this tax (despite Treasury claims to the contrary), rather than it being a tax which captures those individuals who have purchased agricultural land as a speculative investment, as may perhaps have been the intention behind this reform.
52. Our fear is that this will lead to the breakup of family farms as parts of them are sold off in order to meet tax liabilities, or as farmers are forced to take out borrowings in order to meet the tax which falls due.
53. The resulting decline in the family farm will have an impact on all of the businesses who in turn rely on them, such as those selling goods and services onto farm as well as those businesses which purchase the outputs which our farms produce. As has been mentioned our farms and rural communities are also strongholds of Welsh language and culture, with 43% of those involved in the sector speaking Welsh as opposed to 19% of Wales wider population.

54. NFU Cymru's fear is that if the changes go ahead as planned, they will cause lasting damage to Welsh agriculture, those businesses which rely on our family farms as well as our culture and Welsh language. We therefore re-iterate our call on the UK Government to halt these changes.

Conclusion

55. NFU Cymru is very much of the view that support for agriculture represents a good return on investment for Welsh Government, with the current modest outlay of less than 1.5% of the total Welsh Government budget securing a host of positive benefits for Wales.

56. It is evident from the work of the Senedd's Citizen Engagement team that there is strong public backing for support and investment into agriculture, and we would urge the Finance Committee to have due regard to these findings.

57. 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. Reducing the Rural Affairs budget would also run contrary to the wishes of the public as per the report of the Senedd's Citizen Engagement team on behalf of the Finance Committee.

58. 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 to support Welsh agriculture by the UK Treasury.

59. 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.

60. It is self-evident that the Barnettisation of future uplifts to agricultural support is detrimental to Wales as compared to the use of a formula which accounts for actual levels of agricultural production within Wales. We call on Welsh Government to advocate for a fair agricultural support uplift mechanism for Wales, a mechanism which provides an uplift which corresponds to level of agricultural production found in Wales rather than a Barnettised population share arrangement which is very disadvantageous to Wales.

61. Our view is that these funding allocations should be uplifted to take account of the fact that we are now well 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.

62. Although decisions around the inheritance tax treatment of agricultural land and business property are matters for Westminster, there can be no escaping the impact that this will have on the viability of farming businesses here in Wales, and in light of these policy proposals, we consider the need for adequate agricultural support to be as great as it ever has been
63. The Union is grateful for the opportunity to provide the Committee with written evidence, and we would be pleased to provide any further information that the committee might like and to come in to provide oral evidence to the Committee.