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17<sup>eg</sup> Ebrill 2015

Annwyl Mr Jones

Diolch am eich gwahoddiad i Undeb Amaethwyr Cymru gyflwyno nodyn byr yn amlinellu hyd at 10 o faterion amaethyddol y dylai Llywodraeth Cymru flaenoriaethu dros y 12 mis nesaf.

Atodaf ein ymateb.

Yn gywir

Nicholas Fenwick

**Pennaeth Polisi**

# **BRIEF NOTE OUTLINING AGRICULTURAL ISSUES THE WELSH GOVERNMENT SHOULD PRIORITISE OVER THE COMING TWELVE MONTHS**

## **Farmers' Union of Wales**

**17<sup>th</sup> April 2015**

### **Background**

The Welsh Government's Farm Business Survey results highlight generally low and volatile farm incomes, with average annual net farm incomes in the range £15,000 to £18,000 for livestock farms, and between £34,000 and £48,000 for dairy farms during the past twelve years (APPENDIX 1).

Despite such low incomes, the same survey results emphasise the importance of agriculture to the economy of our rural communities and Wales as a whole, with average annual inputs per farm (which can be equated to annual expenditure within the wider economy) being in the range £86,000 to £250,000 (APPENDIX 2).

As such, the Farmers Union of Wales believes the importance of agriculture to the economy of our rural communities and Wales as a whole warrants greater recognition, and that steps should be taken over the next twelve months which will improve the profitability of Welsh farms both in the short and long term.

### **1. Administration of Wales' Basic Payment Scheme**

Pillar 1 payments made to farmers through the Common Agricultural Policy are essential in terms of both farm incomes and expenditure by farmers in the wider economy.

Successive Welsh Governments have had an exemplary record in terms of issuing the vast proportion of Pillar 1 payments during the first days of the 1<sup>st</sup> December – 30<sup>th</sup> June payment window, and the timely receipt of such payments has been critical to Wales' farms and our economy as a whole.

The new Basic Payment Scheme involves greater administrative burdens for farmers and Welsh Government alike, particularly in terms of the Single Application Form (SAF) completion process currently underway, which will establish and secure Pillar 1 payments.

That administrative burden brings with it a major risk that inadvertent errors made on forms will result in losses for farmers, and a likelihood that payments will have to be made later in the payment window, thereby having significant cash-flow implications for farms and other businesses which receive such payments indirectly.

The difficulties associated with completing the SAF before the May 15<sup>th</sup> deadline may compound this situation by increasing the number of errors and appeals which delay payment processing.

The FUW believes the Welsh Government should:

- a) **In the coming weeks, reassess the benefits and risks of extending the SAF deadline based upon the numbers of forms submitted/outstanding and the experiences of stakeholders and Welsh Government staff**
- b) **Do all it can to ensure the administrative burdens associated with the BPS are minimised**
- c) **Ensure that a proportionate approach is taken to processing applications and all other aspects of the new scheme, such that penalties for those who have made errors or misinterpreted complex guidance are minimised**

## **2. Development of Wales' 2014-2020 Rural Development Programme**

Given the array of challenges facing Welsh agriculture over the coming years, not least in terms of Wales' significantly reduced Pillar 1 budget, it is essential that 2014-2020 Rural Development Programme (RDP) funds are used to improve the economic viability and resilience of Welsh agriculture.

During previous RDPs there has been an understandable emphasis on agri-environmental schemes, with agri-environment spending accounting for around 80% of the budget. This has resulted in a range of positive outcomes, while some prescriptions have had negative environmental impacts, particularly in the uplands. Such schemes have, in many cases, undermined farm efficiency, for example due to proscriptions which reduce grass cover and undermine land productivity.

Meanwhile, other elements of programmes have attracted criticism for failing to deliver value for money, with farmers particularly critical of the benefits of paying consultants as opposed to directing funds at farm investment.

The 2014-2020 RDP provides an opportunity to address such concerns by ensuring agri-environmental expenditure under the new RDP strikes a better balance between environmental and economic needs, while focussing other support on key objectives which will benefit the primary agricultural sectors.

### **Over the next twelve months, the Welsh Government should**

- a) **Work to develop a programme which meets the objectives and overarching principles agreed upon by key industry stakeholders aimed at securing a profitable and progressive industry which can embrace future opportunities as a food producing nation and adapt to the challenges of reducing support and increasingly volatile in global and domestic markets**

- b) **Foster a progressive and business focussed farming sector where relevant research and development is prioritised and technology and information networks are optimised to allow a two way communication process. This should be taken forward partly through core projects funded through the RDP but also through a more focussed and streamlined Farming Connect which prioritises facilitating farmers to help themselves rather than reliance on consultancies and ‘hand-holding’**

### 3. Planning

Key industry and Welsh Government objectives, including improving the profitability, efficiency and carbon footprint of agriculture, will only be achieved through recognition that our landscape is a working environment in which changes and modernisation are necessary and natural.

As such, the needs of the industry and those who derive an income from the land, both directly and indirectly, should not be compromised by those who would see our environment preserved in aspic to the detriment of rural jobs and incomes, and the wider environment.

Legislation and policies currently being developed by Welsh Government, not least the Planning Bill and Well-being of Future Generations (Wales) Bill, could if inappropriately drafted, place additional unnecessary restrictions and burdens on agriculture and rural communities which hinder economic growth and undermine key industry and Welsh Government objectives for agriculture and the environment.

**Over the next twelve months the Welsh Government should ensure that legislation and policies which impact on planning and the planning system are developed in a way which improves the ability of farms and rural businesses to modernise and move with the times, and ensures that those in designated areas such as National Parks are not discriminated against and placed at a financial disadvantage.**

### 4. Bovine TB

Whilst welcome reductions in bovine TB incidences have been seen in Wales over recent years, the disease remains a major problem for the industry, costing vast sums to industry and government alike each year.

Government and veterinary evidence make it clear that wildlife reservoirs continue to be a major barrier to eradication, and that badger vaccination is likely to be less effective and more costly than badger culling.

Meanwhile, significant differences between cattle control policies in Wales and England continue to be a major cause for concern for Welsh farmers, particularly the lack of annual herd testing in England.

**Over the next twelve months the Welsh Government should**

- a) **Closely monitor the results of the English badger culling trials and implement any policies shown to reduce incidences of bovine TB in cattle**
- b) **Urge the English Administration to implement annual testing across England in order to improve disease monitoring**
- c) **Work with the English administration to introduce uniform and proportionate pre-movement testing measures requiring compulsory pre-movement testing for all cattle in England and Wales, with an exemption from this requirement for 60 days after a clear test for movements from high risk parishes or regions, and 180 days after a clear test for movements from low risk parishes or regions**

## **5. Proportionate approaches to maintaining and restoring agricultural land**

The stated aspirations of Welsh Government in terms of farm efficiency can be hindered by a presumption against the maintenance and restoration of agricultural parcels, in particular upland pasture.

Whilst the Farmers' Union of Wales fully supports the protection of habitats which are of national importance, there is significant concern that restrictions affect areas which are of little or no national importance or environmental value, and that such restrictions can in fact have an adverse impact on the environment.

Concerns also exist that evidence regarding the previous extent of agricultural activities over many generations, particularly in the uplands, has been underestimated, and that such misapprehensions have led to inappropriate policies which have an adverse impact on both agriculture and the environment.

**As such, over the next twelve months the Welsh Government should ensure that an appropriate and proportionate approach to the maintenance and restoration of agricultural land is taken, particularly with regard to Environmental Impact Assessments and grazing regimes, in order to complement key policy objectives relating to the viability of the industry.**

## **6. Young Entrants Support Scheme**

Early in 2013, the Welsh Government commissioned Malcolm Thomas MBE to look into the future development of the Young Entrants Support Scheme (YESS) and support in the wider sense for the next generation farming in Wales.

The report, titled "The Next Generation into Farming" and released by the Welsh Government in October 2014, made a total of 28 recommendations which received widespread support from the industry.

**Over the next twelve months, the Welsh Government should progress the recommendations of “The Next Generation into Farming” report, including by developing a Joint opportunities Platform to help create a network of information and mentoring services and help new entrants looking for a route into the industry.**

## **7. Ecosystem Services**

Payments made to farmers who provide ecosystem services through EU funded agri-environment schemes are made on an income foregone basis, with payments compensating farmers for the losses they incur through meeting scheme requirements.

The concept of rewarding farmers for the provision of ecosystem services (as opposed to compensating them for income foregone) has received significant attention from the Welsh Government during recent years. However, it is believed that too little emphasis has been placed on the full range of ecosystem services provided by the industry, including food production.

**Over the next twelve months further work should be undertaken which looks at the full range of ecosystem services provided by agriculture, and how such services might be rewarded.**

## **8. EIDCymru**

Under current Welsh Government plans, Wales’ electronic sheep movement recording and reporting system, EIDCymru, will be launched on 1<sup>st</sup> January 2016.

While the development of the system has the ability to bring numerous benefits, both directly for sheep producers and in terms of improved animal traceability for Wales as a nation, a number of barriers exist which would, unless addressed, undermine numerous potential benefits.

Examples of such barriers include the availability of broadband in rural areas, and the likelihood that those using the electronic system would have to continue to use a paper-based system in order to satisfy certain legislation.

**Over the next twelve months, the Welsh Government should work closely with stakeholders to ensure a system is developed which is fit for purpose, useable for farmers and reduces red-tape for all concerned. The Government should also seek, if necessary through negotiation with the European Commission, to remove all barriers which would undermine the value of EIDCymru, in particular that legislation which would require paper-based systems to continue to be used by those reporting movements via EIDCymru.**

## **9. Further recognition of the positive benefits of working with stakeholders**

Whilst numerous disagreements regularly occur between stakeholder bodies and Rural Payments Wales (RPW), the degree to which RPW engages with stakeholders and works with them to ensure policies, systems and approaches are as appropriate as can be agreed is exemplary, and brings with it major benefits for all concerned.

For example, the partnership approach to developing RPW Online (a system which allows farmers, agents and unions to view all individual correspondence and maps, and apply for Pillar 1 and Pillar 2 schemes) has resulted in a system which is as user-friendly as one could hope for, given the EU Regulations, and is accepted and promoted by the industry.

Such an approach demonstrates the wisdom of the partnership approach advocated in Gareth Williams' Working Smarter Report.

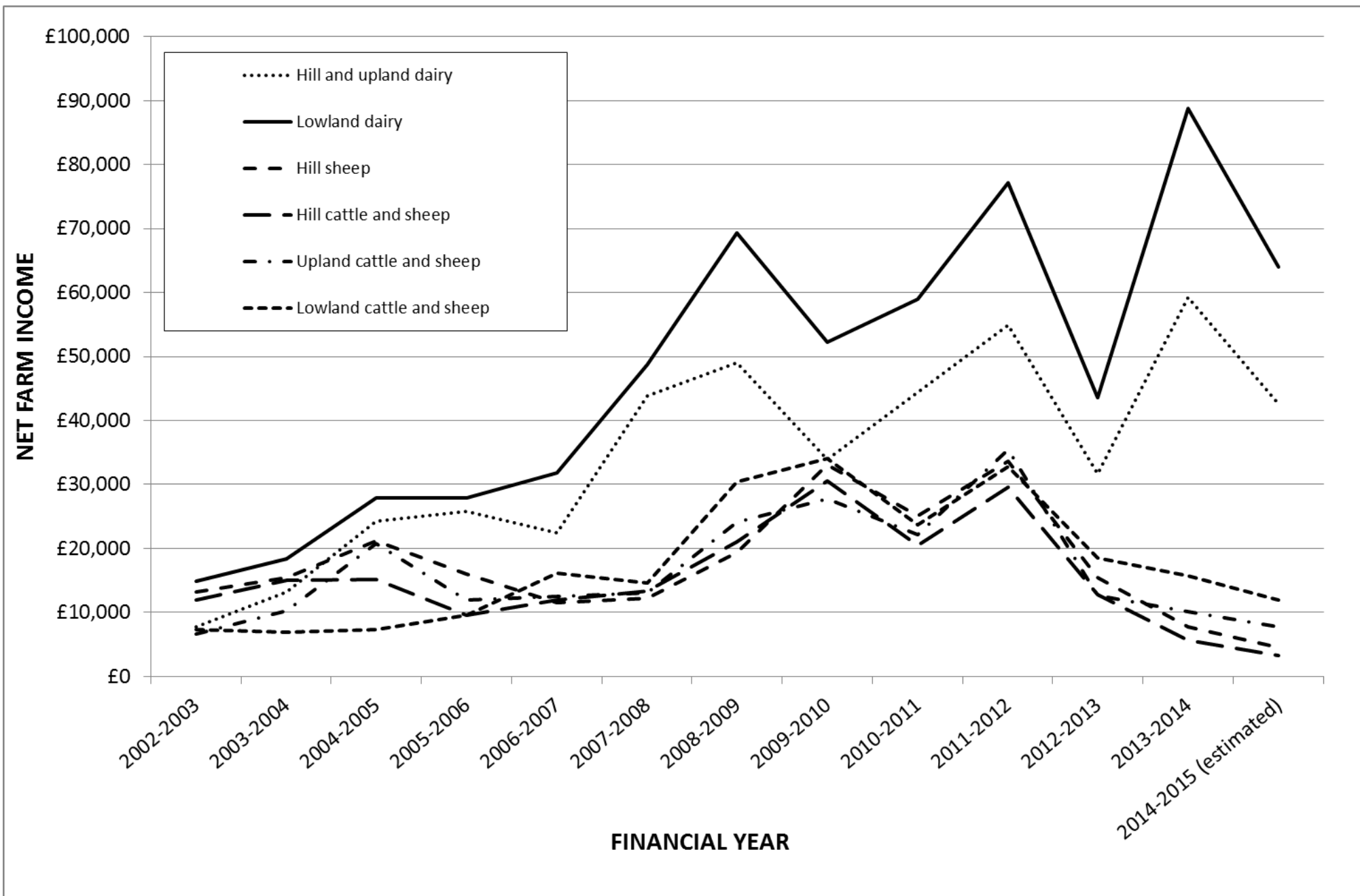
**Over the coming year, the Welsh Government should seek to ensure that all departments recognise that while differences will always exist between key stakeholder organisations and Government, significant benefits can be gained through genuine partnership.**

**APPENDIX 1**  
**NET FARM INCOMES 2002-2015**

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
<b>Hill and upland dairy</b>	£7,799	£13,165	£24,221	£25,726	£22,435	£43,881	£49,065
<b>Lowland dairy</b>	£14,844	£18,350	£27,911	£27,922	£31,790	£48,728	£69,328
<b>Hill sheep</b>	£13,158	£15,445	£21,225	£15,952	£11,502	£12,185	£19,327
<b>Hill cattle and sheep</b>	£11,928	£14,971	£15,172	£9,626	£11,975	£13,280	£21,031
<b>Upland cattle and sheep</b>	£6,567	£10,293	£20,796	£11,958	£12,506	£13,068	£24,067
<b>Lowland cattle and sheep</b>	£7,353	£6,861	£7,273	£9,525	£16,202	£14,649	£30,397

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015 (estimated)	AVERAGE
<b>Hill and upland dairy</b>	£33,966	£44,407	£54,939	£31,735	£59,190	£42,617	<b>£34,857</b>
<b>Lowland dairy</b>	£52,302	£58,983	£77,196	£43,537	£88,830	£63,958	<b>£47,975</b>
<b>Hill sheep</b>	£33,121	£25,080	£33,671	£15,371	£7,676	£4,529	<b>£17,557</b>
<b>Hill cattle and sheep</b>	£30,542	£20,453	£29,584	£12,829	£5,640	£3,328	<b>£15,412</b>
<b>Upland cattle and sheep</b>	£27,784	£22,124	£35,429	£12,674	£10,172	£7,731	<b>£16,551</b>
<b>Lowland cattle and sheep</b>	£34,082	£23,696	£32,757	£18,468	£15,689	£11,924	<b>£17,606</b>





**APPENDIX 2**  
**TOTAL FARM INPUTS [EXPENDITURE] 2002-2014**

	<b>2002-2003</b>	<b>2003-2004</b>	<b>2004-2005</b>	<b>2005-2006</b>	<b>2006-2007</b>	<b>2007-2008</b>	<b>2008-2009</b>
<b>Hill and upland dairy</b>	£68,451	£80,136	£144,023	£152,406	£154,276	£176,400	£221,016
<b>Lowland dairy</b>	£87,468	£94,741	£177,863	£189,316	£210,834	£236,881	£295,967
<b>Hill sheep</b>	£50,277	£54,535	£91,466	£94,824	£79,158	£79,134	£85,110
<b>Hill cattle and sheep</b>	£58,947	£64,196	£96,796	£100,896	£89,238	£89,987	£100,659
<b>Upland cattle and sheep</b>	£44,895	£49,205	£94,272	£96,917	£79,490	£81,566	£91,781
<b>Lowland cattle and sheep</b>	£43,897	£50,569	£107,408	£111,355	£86,250	£90,207	£97,583

	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-2012</b>	<b>2012-2013</b>	<b>2013-2014</b>	<b>AVERAGE</b>
<b>Hill and upland dairy</b>	£228,177	£227,742	£261,132	£276,850	£300,256	<b>£190,905</b>
<b>Lowland dairy</b>	£303,241	£309,084	£338,309	£362,160	£387,765	<b>£249,469</b>
<b>Hill sheep</b>	£88,557	£97,183	£101,706	£108,665	£112,983	<b>£86,967</b>
<b>Hill cattle and sheep</b>	£107,748	£105,771	£113,609	£121,341	£129,933	<b>£98,260</b>
<b>Upland cattle and sheep</b>	£98,625	£106,624	£115,120	£114,686	£124,046	<b>£91,436</b>
<b>Lowland cattle and sheep</b>	£105,378	£88,706	£95,680	£88,606	£90,518	<b>£88,013</b>



