

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

**WGDB\_26-27 13: Ymateb gan: Undeb Amaethwyr Cymru | Response from: Farmers' Union of Wales'**

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# Farmers' Union of Wales' response to the Senedd Finance Committee's call for information on the Welsh Government Draft Budget proposals for 2026 to 2027

September 2025

## About the FUW

1. The Farmers' Union of Wales (FUW) was established in 1955 to exclusively represent the interests of farmers in Wales. Since 1978 the union has been formally recognised by UK Governments, and subsequently by Welsh Governments, as independently representing those interests.
2. The FUW's Vision is *Thriving, Sustainable, Family Farms in Wales*, while the Mission of the Union is *To Advance and Protect Wales' Family Farms, both Nationally and Individually*, in order to fulfil the Union's vision.
3. In addition to its Head Office, which has thirty full-time members of staff, the FUW Group has around 80 members of staff based in twelve regional offices around Wales providing a broad range of services for members.
4. The FUW is a democratic organisation, with policies being formulated following consultation with its twelve County Executive Committees and four Standing Committees.

## Impact of the latest Welsh and UK Government Budgets on Welsh agriculture

### Welsh Government Budget

5. The FUW has previously welcomed the Welsh Government's decision to maintain the Basic Payment Scheme (BPS) ceiling at £238 million in its 2025-26 Budget, as well as additional resource and capital funding for wider rural investment schemes. The importance of such funding for the economic sustainability of Welsh farming businesses and the tens of thousands of businesses that rely directly or indirectly on farms for a proportion of their income cannot be underestimated.
6. However, it must be stressed that the Welsh Government's funding allocation for agriculture continues to represent a substantial real-terms cut in funding for Welsh farms. This is - in part - a reflection of a long-term stagnation in the agricultural funding settlement awarded to Wales by the UK Government.
7. However, it also follows repeated year-to-year cuts to the Welsh Rural Affairs Budget, with a £37.5 million reduction in funding during the 2023-24 financial year, followed by £62 million in 2024-25, around 13%; the largest relative reduction of any of the

Welsh Government departmental budgets at the time. These cuts have limited the ability of the Welsh Government to adequately support the sector, over and above the provision of direct payments, at a time when Welsh farming businesses continue to face a plethora of economic, environmental and political challenges.

8. The Welsh Government has outlined its intentions to allocate funding for the incoming Sustainable Farming Scheme (SFS) in 2026 on a similar basis to the current agricultural support regime; around 70%, or £238 million, being allocated to the Universal Layer of the SFS and legacy BPS, and 30%, or £102 million, being available for Optional and Collaborative Actions. However, it should be noted that the SFS places greater societal and environmental demands on participating farming businesses, compliance with which will impose substantial additional costs (see section, Challenges of profitability and future planning in the Welsh agricultural sector).

## UK Government Budget

9. While the Committee's focus in this instance is on the Welsh Government's Draft Budget proposals for 2026-27, the impact on the Welsh agricultural sector of tax and spending decisions made by the UK Treasury cannot be ignored.
10. The UK's departure from the European Union (EU) led to the loss of the intermediate-term stability provided by the EU's seven year Multiannual Financial Framework (MFF). This means that Welsh farmers are now expected to make long-term investments while relying on annual budget settlements, and that funding from the UK Treasury is no longer ring-fenced or even earmarked for direct support for farmers and specific rural development objectives.
11. While other industries have received inflationary increases in budgets and salaries over recent years, commitments for agricultural and rural development funding still reference a baselined budget announced more than a decade ago. Based on the average EU CAP budget for the period of 2014 - 2020 for Wales, around £331 million per year, the Bank of England Inflation Calculator (which uses CPI inflation data from the Office for National Statistics) shows that this should now be worth in excess of £460 million.<sup>1</sup>
12. Following the Autumn Budget Statement in 2024, it was clarified that the circa £340 million the Welsh Government received in earmarked funding for agriculture in 2024 - 2025 would be transferred to the Welsh Government's Block Grant for 2025 - 2026.
13. While the rollover of this level of funding at face value must be appreciated, it does in fact represent a real-terms cut for agricultural funding in Wales by failing to reflect inflation and the increased public goods farmers are expected to deliver alongside the production of sustainable food.

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<sup>1</sup> [Bank of England Inflation Calculator](#)

14. Further to these concerns, we note the following change to Welsh agricultural funding set out in the UK Government's October 2024 Statement of Funding Policy addendum: funding the Scottish Government, Welsh Government and Northern Ireland Executive: *"From 2025-2026, 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. Funding from 2024-2025 has been baselined in each devolved Government's block grant."*<sup>2</sup>
15. This means that any future changes to the allocated £340 million in Wales' Block Grant will be subject to the Barnett formula, meaning it will increase or decrease by 5% (relative needs-based percentage) of the year-on-year change to the English agricultural budget.
16. Given that Wales historically received around 9.4% of the total UK EU CAP budget, based on Welsh farm and rural characteristics and requirements, the Barnettisation of changes to Wales' allocation potentially represents a significant fall and a departure from what was effectively a rural needs - rather than population-based allocation. The Barnett formula is an outdated population based distribution method and unsuited to protect the needs of Welsh agriculture.
17. For this reason, the FUW has long argued against the Barnettisation of agricultural funding as it would move allocations even further away from EU CAP principles and fail to take into account the unique characteristics of Welsh farming.
18. While the UK Agriculture Policy Collaboration Group has been established to discuss and provide advice on agricultural support policies and spending in each of the devolved nations, it could be argued that decisions made by the UK Government on areas such as devolved budget allocations in the first instance opens the door for unfair divergence between nations at a UK Ministerial level.
19. As such, the Welsh Government's Finance Committee should investigate how spending frameworks could be agreed at a UK level which provide flexibility in respect of devolved powers and varying national priorities, while also ensuring relative uniformity to the extent that market distortion and other adverse effects are minimised in the long-term.
20. As Welsh farmers are expected to deliver an ever increasing range of sustainability and environmental objectives, while also producing food, the FUW believes that the previous needs-based allocation formula, which reflects Welsh farm and rural characteristics, should be restored for future consequential adjustments.
21. The FUW also maintains serious concerns about the impact of the UK Government's inheritance tax reforms on family farms in Wales, and continues to call for the proposals to be reformed.

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<sup>2</sup> [Statement of Funding Policy addendum](#)

## Challenges of profitability and future planning in the Welsh agricultural sector

22. The latest data published by the Farm Business Survey suggests a decline in Farm Business Income (net profit) across all farm types in Wales of 39% in real terms between 2023 - 2024. Crucially, for cattle and sheep farms in Less Favoured Areas (LFA) and Severely Disadvantaged Areas (SDA) that make up around 80% of Welsh farmland, FBI fell by 15% to £20,700.<sup>3</sup>
23. The latest Market Bulletin from Hybu Cig Cymru also demonstrates concerning trends in UK livestock numbers, with an 8% year-on-year decrease in the abattoir throughput of prime cattle recorded in August, alongside a 3% pig throughput reduction - though, this was offset by a 1% increase in throughput of lamb.<sup>4</sup>
24. It is notable that such trends have driven record livestock prices for producers this year. However, price increases driven by reductions in livestock numbers do not represent a sustainable model for red meat supply chains, and this brings the sector's ability to meet demand into question.
25. Likewise, record domestic prices, coupled with lower prices from the Southern Hemisphere and liberalised free trade agreements, are responsible for a 40% surge in UK sheepmeat imports last year to around 70,000 tonnes - 86% of which originated from New Zealand and Australia.<sup>5</sup>
26. Collectively, these industry trends indicate weak confidence within the Welsh agricultural sector and highlight a poor foundation for tackling future challenges. This sits in the context of a range of immediate and long-term challenges which threaten the viability of family farm businesses across Wales.
27. In July this year, the Welsh Government published the final version of the SFS, its reformed farm subsidy programme. While the FUW believes that this final Scheme represents a substantial improvement upon earlier versions, and has welcomed the Welsh Government's commitment to maintaining the existing funding level for the Universal Baseline Payment and BPS taper, the SFS nonetheless represents a dramatic change for farm businesses in Wales.
28. Participants will be required to undertake additional responsibilities to support Wales' environment and wider society while - on average - receiving a similar level of financial support as is currently the case through the BPS. However, analysis commissioned by RSPB Cymru, National Trust Wales and Wildlife Trust Wales found that approximately £594 million in annual funding would be required to fully fund the work asked of Welsh farmers to tackle the nature and climate crises, while still maintaining sustainable food production.<sup>6</sup>

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<sup>3</sup> [Farm incomes: April 2023 to March 2024](#)

<sup>4</sup> [HCC Market Bulletin August 2025](#)

<sup>5</sup> [FUW concern as UK sheep meat imports surge](#)

<sup>6</sup> [Need for £594 million annually to support nature friendly farming in Wales](#)

29. The FUW has proposed several adjustments to the Welsh Government's approach to agricultural funding that would enable a more stable and sustainable future for farming businesses in Wales (see Section, Actions the Welsh Government should take to address the needs of rural communities and the rural economy).
30. Bovine TB in Wales remains a major challenge for Welsh farm businesses. DEFRA Bovine TB statistics published this spring revealed 13,034 animals were slaughtered during 2024, an increase of 26.6% on the previous year.
31. Research conducted for Defra in 2020 highlighted that the median costs of a breakdown for herds of more than 300 cattle are around £18,600.<sup>7</sup> For those with up to 50 cattle, the direct costs borne by cattle farms is around £1700. According to the report, such costs increase with herd size, breakdown duration and the number of animals slaughtered.
32. With the establishment of the Wales TB Programme Board and Technical Advisory Group to develop an effective strategy for eradicating Bovine TB from the Welsh herd, it is imperative the Welsh Government increase funding for disease control in the short term, in order to benefit future generations and the public purse in the longer term.
33. The recently published Godfray Review<sup>8</sup> and the National Audit Office Report<sup>9</sup> recognise the pressures on public finances, while nevertheless identifying the need for investment into areas that play a critical role in strengthening resilience to diseases.
34. In order for farm businesses to become compliant with the Welsh Government's Control of Agricultural Pollution regulations, introduced in 2021, an estimated £360 million of on farm infrastructure improvements would be required across the industry.<sup>10</sup>
35. For many family farms, the cost of compliance with these regulations is not affordable without support. Whilst the FUW has welcomed the Welsh Government's Small Grants (Yard coverings) and its Nutrient Management Investment Scheme, the over-subscription of such schemes demonstrates a need for increased funding to ensure businesses can make timely improvements to their infrastructure.
36. The FUW believes that attracting and retaining young talent in farming is invaluable for the long-term viability of the sector. However, young farmers and new entrants to the sector face substantial challenges in establishing farm businesses, including prohibitive land prices, insecure tenancies, high start-up cost and limited cashflow.

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<sup>7</sup> [Estimating the consequential cost of bovine TB incidents on cattle farmers in the High Risk & Edge Areas of England & High and Intermediate TB Areas of Wales. June 2020](#)

<sup>8</sup> [Bovine TB strategy review update, Professor Sir Charles Godfray CBE FRS. et al](#)

<sup>9</sup> [National Audit Office. Resilience to animal diseases. DEFRA. 4 June 2025](#)

<sup>10</sup> [Explanatory Memorandum to the Water Resources \(Control of Agricultural Pollution\) \(Wales\) Regulations 2021. 27th January 2021](#)

The Union's recent report, *A Mandate for Future Farmers*, offers a range of recommendations to the Welsh Government for improving support for young farmers and new entrants, to improve profitability, business resilience and access to capital.<sup>11</sup>

## Actions the Welsh Government should take to address the needs of rural communities and the rural economy

37. The FUW recently published its Manifesto ahead of the 2026 Senedd Elections.<sup>12</sup> The Committee is urged to take note of the actions the current and incoming Welsh Government should take to ensure a thriving and sustainable future for family farms in Wales:
- i. Increase the base-level funding of the SFS by an amount that fully mitigates the estimated economic impacts shown by impact assessments and matches the policy ambitions of the Welsh Government. Welsh farmers should not be disadvantaged for transitioning to a new system of support that places greater societal and environmental demands on farming businesses.
  - ii. Commit to an index-linked SFS budget thereafter, recognising that Welsh farmers have not received any uplifts in support since 2013.
  - iii. Secure a five-year financial framework for the SFS budget that provides medium-term economic certainty for Welsh farming businesses, aligns with the reporting requirements of the Agriculture (Wales) Act 2023, and prepares a foothold for future Welsh Governments.
38. In this context, it is particularly essential that the multiplier effect of agricultural funding across the rural economy is recognised. The Welsh Government's Rural Affairs portfolio represents around 2% of the total Welsh Government Budget, and yet this funding supports an agricultural sector employing some 50,000 people, and underpins a Welsh food and drink sector that employs 228,000 people and has an annual turnover in excess of £9 billion. Providing a fair level of funding, protected in line with future inflation, is vital for the long term viability of Wales' rural communities, the Welsh language and the sustainable production of Welsh food and drink.
39. It is therefore of great importance that, at the very least, the current Rural Affairs Budget is maintained given the additional economic, employment, social and environmental benefits that come from such support.
40. The FUW believes that the increased funding settlement provided by the UK Treasury, following the latest UK Government Spring Statement, represents an opportunity to increase the Welsh Rural Affairs budget in line with the key asks outlined above.

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<sup>11</sup> [FUW Mandate for Future Farmers](#)

<sup>12</sup> [FUW Senedd 2026 Manifesto](#)