

# Cross Party Group for Biodiversity

Tuesday 22<sup>nd</sup> May 2018, 12:00–15:00

Committee Room 4, Tŷ Hywel

## Minutes

### Attendees

Simon Thomas AM	Plaid Cymru – Chair of CPG	ST
Jenny Rathbone AM	Welsh Labour	JR
David Melding AM	Welsh Conservatives	DM
Ioan Bellin	Staff of Simon Thomas AM	
Nigel Ajax-Lewis	Wildlife Trusts Wales	
Dave Ashford	Agriculture, Welsh Government	
Richard Bellamy	Heritage Lottery Fund	
Martin Bishop	CONFOR	
James Byrne	Wildlife Trusts Wales	
Chris Clark	Nethergill Farm / Consultancy	CC
Alison Colebrook	Wildlife Trusts Wales	
Tony Davies	Nature Friendly Farming Network	TD
Geraint Davies	Nature Friendly Farming Network	
Clare Dinham	Buglife Cymru	
Haydn Evans	Soil Association	
Rhys Evans	RSPB	
Emily Finney	Natural Resources, Welsh Government	
Marcus Gilleard	National Trust Wales	MG
Tony Harrington	Welsh Water	
Dai Harris	Nature Conservation, Welsh Government	
Sarah Hetherington	Natural Resources Wales	
Malcolm Horne	Severn Trent	
Sorcha Lewis	Nature Friendly Farming Network	
Maliha Majeed	Wales Environment Link	
Dennis Matheson	Tenant Farmers Association	DM
Katy Orford	Research Service	
Alex Phillips	WWF	
Llinos Price	Woodland Trust	
Matt Rayment	Rayment Consulting Services	MR
Hannah Scrase	Rewilding Britain	HS
Lorna Scurlock	Research Service	
Rachel Sharp	Wildlife Trusts Wales	
Liz Smith	Wales Environment Link	
Karen Stothard	Welsh Government	
Andrew Tuddenham	National Trust Wales	AT
Arfon Williams	RSPB	AW
Rebecca Williams	Country Land Association	RW
Natasha Yorke-Edgell	RSPB	

## Key Points from the Meeting

### 1) Opening remarks

ST welcomed attendees to the reconstituted CPG on Biodiversity. He noted that at 1pm, there will be a bell rung for a minute's silence for the victims of the Manchester Arena bombing that the meeting would be observing.

ST highlighted that as Plaid's rural affairs spokesperson, his role encompasses a wide array of issues including biodiversity, land management and other post-Brexit environment issues.

The AGM section of the meeting was delayed until after other AMs had arrived.

### 2) Sustainable Land Management and WEL: The need for new policies that secure public goods for public money

AT, a food and farming consultant for National Trust Wales, introduced Wales Environment Link as a collection of 27 organisations, working on common themes and policies with the aim to get the best for the environment.

He spoke about land area in Wales, highlighting in a presentation that 30% of Welsh land is in high nature value areas. The maps showed the gaps in protection and AT pointed to the State of Natural Resources Report (SoNaRR) as showing that no ecosystems in Wales are resilient. He stressed that the pressure on the Welsh environment is significant and urgent, mainly due to habitat loss and increasing risks to water quality.

AT highlighted WEL's Sustainable Land Management (SLM) Vision – available at the event – which argues that after Brexit, public money should be available to invest in ecological resilience to deliver greatest public good. The financial settlement also needs to deliver environment objectives in full, without the negative effects of the Barnett formula. He added that WEL raised this in their submission to DEFRA's 'Health and Harmony' consultation.

He went on to describe certain elements of the SLM Vision, including:

- Arguing for the right incentives, guidance and training for land managers to help protect nature and to make it unacceptable to harm nature.
- Land should play its part in reducing Wales' carbon footprint and in turn help sustainable rural businesses and tourism.
- Use a place-based approach with better joined-up policies on production, resource management and public health.
- To improve access to good food, reducing waste and safeguarding natural resources.
- Land managers must have access to training to keep them innovative and promote wider social benefits and new market mechanisms.

AT said that WEL welcomes Welsh Government's collective approach to this and the five principles announced by Cabinet Secretary recently on land management; he asserted that more work is needed to achieve the change but WEL members have the experience to assist policy makers.

### 3) AGM

ST asked for AMs' agreement that there is interest to re-establish a CPG on Biodiversity. As an objective, he proposed: 'to promote and further the cause of biodiversity in Wales, particularly in regards to land management.'

JR questioned whether the CPG's objective should be more focused, given other CPGs on rural affairs and forestry. She suggested land management would be a key priority. LP and RS said that this would exclude marine. RS said that we are in the "*middle of the sixth massive extinction event*" so restoring biodiversity needed to be looked at in its broadest sense, not just single elements of it.

ST suggested the objective stayed wide-ranging, but there could be more discussion in future to more specific for future meetings. JR agreed.

ST proposed WEL to be the secretariat; no others offered and attendees indicated they were happy to let WEL continue.

For chairing, JR nominated ST and he was thus elected.

#### **4) Brexit Scenarios & Scale of Need (Matt Rayment). *How much money should land managers receive to deliver Wales' environmental commitments?***

MR gave a presentation, outlining that [RSPB, National Trust and Wildlife Trusts had commissioned a recent study](#) to look at finances needed to deliver environment legislation.

Key points made were:

- The study's method was to look at existing going rates and make equations based on this, such as the cost of labour, cost of crops and fuel.
- The environmental objectives included biodiversity, landscape protection, historic environment, soil quality, water quality and climate change.
- He noted that for some environment priorities, there are clearer targets than others (e.g. water quality is more straightforward under the Water Framework Directive).
- MR noted there are changing scenarios in terms of how land management changes after CAP and they incorporated room to deal with different scenarios.
- In terms of accounting for land / habitats, they'd calculated 2.1m ha in Wales; about 460,000 ha are priority habitats, about a fifth of overall land area.
- He unveiled their first estimate of costs based on existing land management payments being £205m a year in Wales (£2.2bn across the UK). A lot of this would go towards maintaining priority habitats.
- The adjusted cost formula ends up with a slightly higher figures (accounting for changing prices for crops, exchange rates, labour etc.) at £210m for year and £2.3bn across the UK.
- MR explained that this algorithm allows for the individual effects of changing costs to be properly identified and their knock-on effect.
- This is an increase on current payments; current estimate is £78m from Pillar 2 payments in Wales (from 2016), out of £338m CAP payments.
- He said dealing with environment commitments would also deliver a wide range of economic and societal benefits, although noted this will depend on scale of ambition.
- MR said that not all scenarios have been run in detail yet, but he hoped that the model can be further refined and developed to will help inform discussion of financial needs post-Brexit.

HS asked if this model is robust enough to be used for a smaller area (e.g. a region, not a country). MR said it would be and could be used for a more precise regional breakdown. Different costs could also be used if they varied in one area.

She also asked if the environmental commitments were the current ones or taken further; MR responded that this is beyond current work, to restore habitats to favourable conditions.

## 5) Green Brexonomics – [Chris Clark](#). *What can farmers do to prepare their businesses for Brexit?*

CC explained his background in agriculture, saying he is now running a farm in the Yorkshire dales, which is experiencing a boost in biodiversity with black grouse returning after many years. He also has a nature barn to help guests and visitors learn more about the balance between food, farming and nature. His complementary consultancy work is helping farmers to prepare for Brexit.

He said there's a strong need for an objective and set out his vision, his being: *"Uplands will be a balance between food farming, nature and the communities that are settled there"*. CC encourages thorough business planning, helping farms move from a production mentality to a business model based on margins.

CC outlined what he's found in undertaking this:

- That cash flows were a bigger problem than production, with little commitment from land managers to budgeting/planning.
- He needed to discuss with farmers how they can break even and apply lessons from business to farming.
- He highlighted linear and non-linear variable costs – he said that hill farms come to a 'break back point' after breaking even. It depends on how the farm relies on grass and winter forage to be successful. After this point, fertiliser, winter feed and vet and med costs increase – and profit reduces per hectare – as having to rely on solid food over the winter.
- CC said that income is usually propped up by spouses' income or family tax credit.
- He found that if they reduced their output from 100% to 58%, then can break even (without corrective variable costs). He said this is a very hard argument to convince them of, that with less animals, farms will make more profit.

He concluded that upland farms more profitable on lower volumes and that stocking rates should be determined by the amount of winter feed that can be grown on the farm to see through a long winter. This seems to be where the 58% comes from.

Without subsidy, he said upland hills would require a x2.8 volume increase and x1.8 price increase – which is near impossible so the business model needs to be changed. By reducing stocking rate, it improves the business viability and by default produces environment improvements.

ST thanked presenters and asked WEL to disseminate the presentations after the meeting to AMs and attendees.

## 6) Q & A

An attendee asked if CC's modelling took account of the red meat trade; CC said it mostly focused on lamb but he believed it would work with other farms, being as its focus is on over production.

RS asked if CC's work was funded or just as part of his consultancy work; CC clarified it was his own consultancy, but he had various different kinds of client.

## 7) Technical Session

After a break for refreshments, AW facilitated more in-depth discussion.

## 8) Discussion: Scale of Need

MR began by explaining that his research calculations in his model are based on the current system of land management. He stated that if the rules change and pillar 1/the CAP system ceases to exist, then

there might be additional costs, and in some cases, there may be cost savings. MR explained that this is an area that has been touched on in his model, but one that could be explored further.

An attendee stated that most of our woodlands are not fixed communities and asked MR whether he had looked at other methods of modelling, for example over space and time, that take existing changes to sustainable management into account. MR responded by stating that, at the moment, the elements have been included as they are, but that he could look at how these systems could work with the changes or look at completely different systems. MR also explained that the model has looked at the overview of management systems, but that for some areas a spatially relevant approach would be needed.

TD discussed “*expected targets*” and explained that there are some farms that may feel the need to expand further if impacted by loss of funding. Attendees also discussed market based approaches around herbicides and pesticides. It was stated that companies are paid for services that go above the minimum compliancy requirements.

An attendee commented on the difficulty that people have in accepting the costs of providing public goods and the overall challenges of monetising public goods. RW added that MR’s presentation focused on costs, but that there needs to be a focus on value and showing the risk. The value, for example of having clean air and water is equally important and helps gain ‘buy in’. MG agreed and commented that the costs of not acting are great.

The group also discussed the role of water companies and the prevalence of market-based mechanisms (e.g. flood risk prevention). The importance of working collaboratively with a range of people/stakeholders in sustainably managing land was highlighted.

MG responded to CC’s presentation and stated that the model would have to be flexible and be able to reflect support for public goods.

## **9) Discussion: Green Brexonomics**

CC provided information on his background in farming, which led to his role in marketing and business management for farms. He highlighted that it was not until he started adding value to hill farming and taking a business approach that he saw a shift. He explained that the approach taken to farm businesses is different now – the analysis is based on industry, not on what farming has done for the last 60 years. CC reflected on the diversification of his own farming business, which includes livestock, holiday-lets, BPS/HLS, RHI/FITS, and other streams of revenue. He mentioned the importance of businesses not having more than 20% of business output with one single customer.

The key issue that CC noted is the lack of a business approach that farmers traditionally take. He explained that understanding cash flows in farming was non-existent. He highlighted the need to treat farms as a business, understand assets (making sure to take all assets into consideration, including stock value), and use marketing techniques. CC focused on hill farming and explained that ultimately, where hill farming reached a certain threshold, it was no longer profitable. CC’s hill farm analysis showed that at a certain point, hill farms reached a break-back point, whereby the volume, fixed costs and variable costs outweighed the profits. By reducing stock, farm output decreased, but profits increased. CC explained that in such a shift, fixed costs remain stable due to their slow rate of change, but that dependence on corrective variable costs, dominantly from spousal income, decreased. CC’s analysis demonstrated that hill farmers should not have to correct for the disadvantages of weather, latitude, or elevation by adding corrective variable costs.

CC pointed out that the necessary changes must be looked at contextually and that the general solution to maintaining balance, robustness, and resiliency in farming profits is to take a business model. In the case of hill farms this meant reducing livestock, which by default, CC stated, enhanced biodiversity. CC reflected on his consulting experience with farmers and described the shock, disbelief, and stress that farmers face when their existing system is explained to them in the form of a business model. CC emphasises again the need to take a business model approach.

The group discussed the applicability of CC's approach to alternative types of farming and the limitations that may exist, such as strict regulations in milk farming. CC did state that he will be looking at arable farms and exploring some indexation of various farm types.

The group also discussed the challenges associated with changes to funding and consumer demand. CC emphasised the decreasing demand for sheep and stated that we are in a "*meat is a treat*" societal period. The group discussed attitudinal and behavioural changes that could impact landlords, tenants, and farmers. The potential contradictions a stock reduction approach could have with tenancy agreement requirements (mandating land to be used for agriculture) was also discussed.

An attendee asked CC what the approximate costs of doing such an analysis for an individual farm might be. CC responded, for £500 farmers get a bespoke analysis chart such as the one shown in his presentation.

DM commented on the variation in operation costs from farm to farm and suggested that doing a trial of the stock reduction approach would be useful and important before scaling it up.

RW commented on behalf of the farming sector based on her work with CLA on payment for public goods and food production. She explained that farmers have been told their role in society is to produce food. She acknowledged the need to shift, but stated that change will not happen overnight. She emphasised the barriers/challenges to embracing the changes of the "*new world*" and that moving to a positive space is important. RW also suggested the idea of working with the Skills Development areas in Welsh Government to explore what an apprenticeship looks like for a future farmers and how one adds benefits for public goods.

AW concluded the meeting by thanking the presenters, AMs, and all attendees for taking part in the day's discussions.