



Farmers' Union of Wales' response to the Welsh Government's Brexit and Our Land Consultation

30th October 2018

The Independent Voice for Wales' Family Farms

Llais Annibynnol Ffermydd Teuluol Cymru

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1. Summary

The Farmers' Union of Wales (FUW) has discussed the *Brexit and our Land* consultation with thousands of members from all regions of Wales and all sectors, as well as others with an interest in the agricultural industry.

This engagement has taken place at twelve FUW open meetings, as well as through the union's normal democratic committee processes.

It is the overwhelming view of members that any such major changes to rural policies should be informed by:

- i. Knowledge and considered analysis of the post Brexit economic landscape and trading environment
- ii. Detailed and thorough analysis, modelling and piloting to investigate likely impacts of policies on individual farm businesses, sectors, regions and those involved in upstream and downstream agricultural supply chains
- iii. The post-Brexit policies likely to affect our main competitors in devolved regions and the remaining European Union, and analysis of potential impacts of competitive advantages and market distortions as a result of differing policies
- iv. A full understanding of the validity and possible impacts of the proposals in terms of compliance the World Trade Organisation Agreement on Agriculture

There was an overwhelming view that:

- a. The importance of farmers and food production to Wales' economy, communities, culture, and landscapes is not given sufficient recognition in the proposals
- b. The radical changes proposed by the Welsh Government would add greatly to disruption for the agricultural industry and rural communities at a time when adverse economic impacts due to Brexit are highly likely.
- c. Experience of the administration of existing and previous agri-environment and direct support schemes demonstrates that the work required to plan, create and administer the proposed Public Goods scheme would add significantly to the workload of Government, and do so at a time when essential and pressing work associated with Brexit is already causing significant strains.
- d. Significant changes to the ways in which the agricultural industry and rural communities are funded should take place over a lengthy transition period, as has happened in Wales under previous Governments, with transition only starting after significant economic modelling and piloting.
- e. The policies, as outlined, would compromise a number of the Well-being of Future Generations Act Well-being goals, particularly in terms of prosperity, resilience, culture and language, equality, and cohesion.

Given such concerns, FUW members rejected the proposals put forward by the Welsh Government in *Brexit and our Land*.

Notwithstanding this, the FUW does see merit in some elements of the proposals, and has agreed a set of five key principles with NFU Cymru aimed at placing Welsh food, farming, livelihoods, communities and the environment on a firm post-Brexit footing.

These principles are:

1. Stability

The priority for Welsh Government must be to provide stability in a world of uncertainty

2. Family Farms

Wales' future rural policies must keep food producing families on the land

3. Supporting Rural Communities and Welsh Jobs

Direct support which underpins safe top quality food production must be maintained to avoid causing irreparable damage to Wales

4. Sustainable Agriculture

Wales must continue to invest in measures that drive productivity, improve efficiencies and support farmers to increase market potential whilst meeting environmental and climate change obligations

5. Rewarding Environmental Outcomes

Welsh farmers have delivered positive public outcomes for the nation for centuries, and must be fairly rewarded for what they have already delivered, continue to deliver and will deliver in the future

Given the above, the FUW believes that evolution of the schemes currently in place in Wales under the Common Agricultural Policy could take place in order to introduce forms of Resilience and Public Goods schemes in line with such principles. However, in the absence of radical improvements in market returns and reductions in price volatility, a third Economic Stability scheme providing financial security for farm businesses and those reliant on agricultural supply chains must be put in place if severe consequences are to be avoided.

2. Introduction

The FUW was established in 1955 to protect and advance the interests of Welsh families who derive an income from agriculture.

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.

The FUW is a democratic organisation, with policies being formulated following consultation with its twelve County Executive Committees and eleven Standing Committees.

Since the publication of *Brexit and our Land* on 10th July 2018, the FUW has discussed the proposals with members and interested parties from across Wales, at agricultural shows and meetings, including twelve open meetings attended by around 1,000 farmers, contractors, vets and others involved in the agriculture industry.

The consultation paper has also been discussed at more than twenty FUW County and Branch meetings, and the FUW's eleven policy Standing Committees have also met to discuss the proposals.

The views expressed in this consultation response therefore represent the democratically established views of the FUW membership.

3. Key points

3.1 Impact assessment

When less far-reaching proposals have been considered in the past, Welsh Government has undertaken detailed impact assessments to examine the effect of policy changes on individual businesses, regions, and sectors.

For example, just one of many papers produced by the Welsh Government's modelling group (which included the Welsh farming unions) to inform changes in 2015 considered the impact of four different changes on twelve regions, seven farm types, eight land mix types and six farm size bands, as well as 28 other measures of impact – measuring a total of 244 possible outcomes¹.

It should also be noted that more complex schemes have been extensively piloted before their implementation across Wales: the Welsh Assembly Government's flagship Tir Gofal scheme was only introduced in 1999 after a seven year pilot, starting in October 1992, looking at the impact of such a scheme on farms in Meirionnydd, Dinefwr and Swansea –

¹ Impact of four possible farm payment options. Welsh Government (2013)

areas chosen as representative examples of the wide variety of Welsh landscapes, habitats and farming systems².

Given that the proposal to phase out Direct Payments to farmers and introduce a Public Goods scheme represents the most radical changes to the principles underpinning rural support since the 1947 Agriculture Act, the FUW believes that this warrants detailed and thorough analyses of the potential impacts for Welsh farm businesses, food production, agricultural sectors, local and wider economies, agricultural supply chains, employment and livelihoods, culture and language.

No such analyses have been undertaken, meaning any assurances given in the consultation document about positive or neutral impacts for Wales are unevidenced and may well be wrong.

The FUW therefore believes that any decision to make such changes should be underpinned by thorough analyses such that Welsh Ministers and consultees have as full an understanding as possible of the potential impacts of proposals.

Having lobbied for such analyses to be undertaken since before the EU Referendum, the FUW has grave concerns that what is proposed could in fact have devastating impacts on Welsh farm businesses, food production, agricultural sectors, local and wider economies, agricultural supply chains, employment and livelihoods, culture and language.

As acknowledged in the Brexit Scenario analysis section of the consultation paper, until clarity is provided regarding the nature of any UK-EU trade deal and transition arrangements, undertaking an assessment of the likely economic impacts of Brexit is problematic or impossible.

As such, analysis of the combined impacts of any trade deal and changes to Welsh support policies cannot be undertaken until the UK-EU negotiations are concluded.

3.2 Active farmer criteria

The 1947 Agriculture Act was intended by the Post War Labour Government to *"...promote a healthy and efficient agriculture capable of producing that part of the nation's food which is required from home sources at the lowest price consistent with the provision of adequate remuneration and decent living conditions for farmers and workers, with a reasonable return on capital invested"*³.

A decade later, the Treaty of Rome enshrined in law similar principles aimed at ensuring a fair standard of living for farmers and providing food supplies at affordable prices – principles which remain in place in the EU under the Lisbon Treaty.

Whilst the UK's accession to the Common Market and European Union, and successive reforms of agricultural policies have led to major changes to the farm support, the current CAP Pillar 1 Regulations continue to reflect such principles, by restricting or preventing

² https://en.wikipedia.org/wiki/Tir_Cymen

³ Digging for Britain. Lord Williams of Barnburgh (1965)

access to funding by those private individuals, businesses and charities who do not make significant contributions to food production and rural economies and communities, through an Active Farmer rule.

Moreover, the European Commission is seeking to tighten up the Active Farmer criteria under the next (2021-2027) EU CAP, due to ongoing concerns about big businesses accessing funding aimed at supporting and sustaining small and medium farms and rural populations.⁴

Whilst the Active Farmer rule is far from ideal, it nevertheless goes some way to ensuring those who receive Direct Payments undertake activities which benefit the wider economy and community (*Figure 1*) – and where no direct agricultural production can be demonstrated, applicants must provide the authorities with receipts to demonstrate activity on the land.

Brexit and our Land proposes phasing out the Direct Payments to farmers governed by the Active Farmer rule, and to introduce an “open to all” Public Goods scheme - irrespective of the degree of activity.

This raises major concerns that individuals, businesses, and charities which would make little or no contribution to local communities and economies will, under the proposals, be able to access funding which is currently only accessible to those who satisfy the Active Farmer rule, thereby reducing the amount of funding available to Wales’ farmers and rural communities.

In response to the consultation paper, many members highlighted concerns about local increases in the sale of land and farms to charities and private individuals and businesses based outside Wales, with the suspicion being that this is happening in direct response to plans to make payments for public goods.

Members were also concerned that the “open to all” proposal would mean established private or public forestry becoming eligible for payments, thereby adding hundreds of thousands of hectares of additional land into a system which currently excludes commercial forestry.

Based on current figures, any such move which undermines agriculture could reduce economic activity in Wales: Contrary to the suggestion in the consultation paper that forestry contributes £530m to Wales’ GVA, while agriculture contributes £370m, the true figure for forestry and logging is around £25m – 7% of the contribution of agriculture – while the GVA per hectare for forestry is around a third of the figure for agriculture.

The “open to all” principle also raises concerns that public bodies and authorities would have access to funding, thereby diverting funding away from rural communities and businesses in an unprecedented way.

As such, the FUW believes those who take the financial risks associated with food production alongside all forms of work on the land should be placed at the centre of any future policy through a strengthened Active Farmer rule.

⁴ EU Budget: The CAP After 2020. European Commission (June 2018)

3.3 Payment capping

The FUW has supported the capping of payments since 2007, and was instrumental in securing the introduction of a cap on Welsh direct payments in 2015 to maximise the amount of money going to typical family farms and those who make the greatest contribution to rural communities and the economy.

The European Commission is proposing a significant reduction in payment caps after labour costs are taken into account to ensure a fairer distribution of payments, as well as higher levels of support per hectare for small and medium sized farms.

Brexit and our Land implies that no such cap will apply for Wales' proposed Public Goods scheme, representing a regressive move for Wales which would move money away from those family farms which make the greatest contribution to the economy and rural communities.

Moreover, when coupled with the proposal to replace the Active Farmer rule with an 'open to all' policy, the abandonment of payment capping would exacerbate the degree to which private individuals and large landowning bodies could take money away from farming families and rural communities.

As such, the FUW believes that any future scheme should include a payment cap which is below the current level and takes full account of labour costs.

3.4 World Trade Organisation Agreement on Agriculture

The Agreement on Agriculture was negotiated during the Uruguay Round of the General Agreement on Tariffs and Trade, and entered into force when the World Trade Organisation (WTO) was established on 1st January 1995.

Direct Payments

Annex 2, Paragraph 6 (*Decoupled income support*) of the WTO Agreement on Agriculture states that:

- (a) *Eligibility for such payments shall be determined by clearly-defined criteria such as income, status as a producer or landowner, factor use or production level in a defined and fixed base period.*
- (b) *The amount of such payments in any given year shall not be related to, or based on, the type or volume of production (including livestock units) undertaken by the producer in any year after the base period.*
- (c) *The amount of such payments in any given year shall not be related to, or based on, the prices, domestic or international, applying to any production undertaken in any year after the base period.*
- (d) *The amount of such payments in any given year shall not be related to, or based on, the factors of production employed in any year after the base period.*
- (e) *No production shall be required in order to receive such payments.*

As such, the current Basic Payment Scheme is allowed under WTO rules.

Environmental payments

Annex 2, Paragraph 12 (*Payments under environmental programmes*) of the WTO Agreement on Agriculture states that:

- (a) *Eligibility for such payments shall be determined as part of a clearly-defined government environmental or conservation programme and be dependent on the fulfilment of specific conditions under the government programme, including conditions related to production methods or inputs.*
- (b) *The amount of payment shall be limited to the extra costs or loss of income involved in complying with the government programme.*

As such, it would appear that environmental schemes which are compliant with WTO rules farmers should only pay for the “*extra costs or loss of income involved in complying with the government programme*”.

This principle is reflected in EU Common Agricultural Policy Rural Development regulations, under which the Public Good proposals in *Brexit and our Land* would be illegal.

As such, given that the proposed Public Goods scheme appears to be a *payment under an environmental programme*, and that the Welsh Government explicitly state that they wish to make payments which are over and above income foregone and costs incurred, there is significant concern that such an approach would breach WTO rules, or could at least be perceived as doing so, leading to trade embargoes against the UK, and WTO disputes lasting years which would have a severe detrimental impact on Welsh farmers and their overseas markets.

This concern is exacerbated by the recent statement by the Cabinet Secretary for Energy, Planning and Rural Affairs, in response to a Written Assembly Question, that *“It is not appropriate at this stage for Welsh Government to seek that confirmation [that the Proposals in Brexit and our Land are compliant with World Trade Organisation rules] as the United Kingdom has not left the European Union and the schemes we propose in ‘Brexit and our Land’ are yet to be designed.”*⁵

3.5 Divergence and discrimination between areas

Whilst agri-environment schemes which complement existing direct support payments have worked well on many farms, the fact that they invariably discriminate between farmers depending upon what is present on a farm and/or what area the farm is located in is not disputed.

Such divergence and discrimination has existed for the vast majority of such schemes introduced over the past three decades, from Environmentally Sensitive Area (ESA) payments, through Tir Gofal to Glastir.

Moreover, thousands of FUW members have direct experience of being unable to access Tir Gofal, Glastir Advanced or other schemes because their farms have not attracted sufficient ‘points’, either because of the nature of their farming systems and land or the area their farms are in.

At present, the majority of CAP funding is paid in a non-discriminatory way, through the Basic Payment Scheme.

Brexit and our Land makes it clear that under a Public Goods scheme the payment a farmer may be able to receive will depend on the area they farm in and what is present on the farm – possibly also the degree to which neighbours are willing to cooperate – opening up the potential for huge discrimination between farm businesses in terms of accessing the only payment scheme available to the industry.

In addition to directly discriminating between farm businesses, differences between mapping layers and targets could lead to a situation whereby farms which are economically and agriculturally similar must undertake very different actions to access funding which is essential for the business, thereby creating divergence in terms of agricultural production and efficiency, and the contributions made to the local economy.

⁵ Andrew RT Davies AM Written Assembly Question for answer by the Cabinet Secretary for Energy, Planning and Rural Affairs (17th October 2018)

Given the likelihood that the Area Statements introduced under Wales' Environment Act will also dictate the options available to farmers wishing to receive an annual payment, there is also a risk that large areas will lose out on funding because they are perceived as being in areas which are less environmentally valuable than others – leading to significant shifts of funding between areas.

Members, many of whom had already been discriminated against under past environmental schemes, and had seen funding shift away from their farms and/or regions as a result of previous direct payment reforms, highlighted the dangers and inequity of any core scheme which would result in such divergence and discrimination.

3.6 Benefits of current schemes

Pillar 1

While the FUW agrees with the Welsh Government that the current Basic Payment Scheme is imperfect, it is not believed that the views and criticisms set out in the consultation paper make a coherent argument in favour of the radical changes proposed.

Moreover, despite repeated requests by the FUW and others⁶ for a full analysis to be undertaken to investigate how rural areas and those along the full length of the supply chain rely on or benefit from agriculture, and the likely knock-on effect of the loss of such funding on those businesses, including in terms of employment, no such analysis has been undertaken.

As such, the rationale for abandoning direct support given in the consultation document is un evidenced and at best anecdotal.

Information about the true impact of Pillar 1 support, which *Brexit and our Land* acknowledges a large proportion of Welsh farm businesses are reliant on, can be gleaned from Welsh Farm Business Survey data. This reveals that for every £1 of support paid to Welsh farmers, they spend some £0.61 on machinery expenses, £0.19 on farm maintenance, £0.36 on contract work, £0.29 on veterinary costs, £1.66 on feed and £1.52 on other farm costs.

Research commissioned by the National Farmers Union further suggests that, across the UK, such multiplier benefits are worth at least 7.4 times the support received via direct payments⁷.

Where farm payments keep farm profitability above critical thresholds, the abandonment of such payments will clearly lead to the loss of such expenditure and multiplier effects.

A key objective of the Common Agricultural Policy, and in particular direct support and Area of Natural Constraint/ Less Favoured Area payments, is to prevent rural depopulation

⁶ For example, letter to Deputy Minister Rebecca Evans AM from Amaeth Cymru Chair Kevin Roberts requesting analyses of the degree to which key sectors of Wales' agricultural industry are dependent on EU funding, including for businesses along the full length of the supply chain which rely on or benefit from agriculture (25th January 2016).

⁷ Contributions of UK Agriculture. Development Economics (February 2017)

and land abandonment in areas where agriculture is marginal, and in this context it should be noted that reductions in agricultural activity, whether through land abandonment or proactive interventions, often have a range of adverse impacts.

For example, a review in 2014 of 276 studies of the effect of farmland abandonment by the Stockholm Resilience Centre found that while some areas saw an increase in biodiversity, most did not, especially in Europe⁸.

Similarly, in Portugal's Coa valley, land abandonment has led to areas previously high in biodiversity becoming overgrown with dense scrub and forest, while in Japan the loss of farming on around 2700 square kilometres since 1961 has been accompanied by a steady decline in insects, birds, amphibians and plants⁹.

As such, any significant changes to such funding for agriculture should be thoroughly investigated in terms of impacts before considering implementation.

Pillar 2

In terms of the criticism levelled at UK and Welsh agriculture in terms of not keeping pace with other countries as regards productivity levels, and Wales' lower level of income from farming per hectare from agricultural land, the Welsh Government is right to acknowledge some variations being explained by differences in geography.

However, other differences and possible contributing factors must also be acknowledged, including the UK and Wales' historically low European Agricultural Fund for Rural Development (EAFRD) allocation compared with other EU countries; the UK Government's decision not to accept an increase in this allocation in 2014; and the differences between how Wales' rural development budget is allocated between agri-environment, Less Favoured Area, competitiveness, rural economy, climate change and resilience compared with other countries.

This is a particularly pertinent point given that improving farm performance and income has been a key objective of successive Rural Development Programmes run by Welsh Government.

Given the proposal to introduce a Public Goods scheme, which effectively shares the same objectives and scope as the current Glastir scheme, and the focus of the proposed Economic resilience scheme on farm profitability, the FUW believes work should be undertaken to properly investigate the impact environmental or public goods schemes can have on the economics of farm businesses.

For example, analysis of Welsh Farm Business Survey (FBS) results for the 2015-6 financial year shows that for Hill Sheep and Hill Cattle and Sheep farms, variable costs per hectare are higher for those participating in Glastir schemes, with payments for coarse fodder, tack

⁸ Farmland abandonment: threat or opportunity for biodiversity conservation? A global review. Queiroz *et al.* *Frontiers in Ecology and the Environment*, 288, (2014)

⁹ Rewilding: Can we really restore ravaged nature to a pristine state? *New Scientist* (10th October 2018)

and grass contributing most, being around 50% higher than those on farms not in Glastir schemes.

Little can be inferred from such figures, particularly as Glastir Organic agreements are included in the FBS data and that a large proportion of farmers have chosen not to participate in the scheme as they believe it would compromise their farming businesses. However, once again thorough investigation should be undertaken of the genuine impact on farm economics of such Public Goods type contracts.

3.7 Administrative burden

Successive Welsh Governments have implemented changes which have ensured the vast majority of Pillar 1 payments have been delivered in a timely manner, while the development of Rural Payments Wales Online (RPW Online) in partnership with stakeholders has led to a service which is second to none in Britain.

Such delivery and services stand in stark contrast to the position in England, where payment delays are routine and often acute, and online services have suffered repeated problems.

It should be noted that the most severe problems in England, which were in 2005 and 2006 and resulted in EU penalties amounting to hundreds of millions of Euros, were in part caused by an 'open to all' policy for Single Payment Scheme eligibility, which increased applications numbers significantly, thereby undermining the Rural Payments Agency's ability to process applications.

In Wales, the experience with Glastir has been more problematic than for the SPS and BPS, particularly when compared with the Tir Gofal scheme. This is likely to be a direct result of the significant increase in the number of agri-environment agreements in place, which has now reached around 3,700 in terms of whole farm schemes.

Problems experienced by members include:

- i. Confusing and complex contracts that lead to inadvertent breaches and subsequent penalties
- ii. Repeated changes to contract versions, often without the knowledge of farmers
- iii. Inflexibility which is damaging to both farm businesses and biodiversity
- iv. Contradictions between contract requirements and Natural Resources Wales objectives in relation to Sites of Special Scientific Interest
- v. Farmers being given just weeks or even days to agree to and sign complex and lengthy contracts
- vi. Widespread errors in mapping layers leading to inappropriate and/ or impractical contract specifications and decisions

A significant – if not the main contributor – to such problems is the administrative burden associated with the Glastir schemes, where every contract is bespoke.

As such, given:

- (a) The Welsh Government's intention to give some 16,000 BPS recipients the option of transitioning to bespoke, negotiated Glastir-type contracts;
- (b) The likelihood that a further 10,000 or more non-farming land managers may seek to secure such contracts; and
- (c) That the first contracts would need to be in place by 2021 under the proposed timetable

The work required to plan, create and administer the proposed Public Goods scheme at such a scale and during such a time period would add significantly to the workload of Government, and do so at a time when essential and pressing work associated with Brexit is already causing significant strains.

Moreover, the dangers of attempting to implement an overly ambitious project for both Welsh businesses and the Welsh Government are clear, as evidenced by the experience in England and Scotland since 2004.

3.8 Tenant farmers

Tenanted land makes up a significant proportion of Welsh farmland, and as well as being of value in its own right is of particular importance as a means for young and new entrants to access land and the industry.

Given the overall reliance of Welsh farm businesses (as in most parts of the EU) on support payments, it is naturally the case that tenant farmers are particularly vulnerable to changes in payment systems.

As acknowledged in the consultation document, tenants face a number of additional barriers to accessing agri-environmental schemes, due, for example, to the limited control a tenant has over land, boundaries etc., restrictions in farm tenancy agreements, the need to seek a landlord's consent for work and the length of tenancy agreements compared with agri-environmental scheme contract durations.

It should be noted that in many cases the reluctance of landlords to provide consent may be rational, given the long term adverse impacts work or actions may have on the agricultural value of land.

As such, the effective replacement of support payments with a public goods scheme, as proposed, represents a particular problem for tenants.

It should also be noted that the proportion of tenanted farms located in intermediate or lowland areas (as opposed to upland areas) is generally believed to be higher than for the industry as a whole, and this is particularly the case for Local Authority holdings.

Given that agri-environment scheme requirements have generally been less attractive or practical for such farm types, the barriers presented by a move to public goods payments for tenants are likely to be exacerbated by the nature and location of tenanted farms if scheme rules reflect those in place under current and previous schemes.

As such, the adverse impacts of phasing out direct payments in favour of a public goods scheme are likely to be greater for tenant farmers.

3.9 Welsh Language

While the Welsh language is just one aspect of Wales' culture, its national and international significance cannot be underestimated: The number who speak Welsh is around 170% higher than for the next most commonly spoken Celtic language (Breton, spoken by an estimated 206,000 people). Welsh speakers make up 61% of all Celtic language speakers, despite the fact that Wales' population comprises less than 20% of the population of all Celtic countries and communities (including Brittany). The average proportion of the population of Celtic countries other than Wales who speak their respective Celtic language is around 3% with the proportion highest in Brittany (6%); by comparison, the proportion of adults and children in Wales who speak Welsh is around 18% (Figure 1).

Most importantly, Welsh is by far the single most important Celtic language still in use in homes and the workplace across large geographic areas; by comparison, other Celtic languages are, to all intents and purposes, variously preserved within small numbers of individual families, small geographical pockets, or are solely used in formal, religious and/or educational situations.

Throughout Wales, those who speak Welsh within the Office for National Statistics' agriculture category make an essential contribution to the preservation of the language in terms of numbers, and in particular in terms of the proportion within the category who speak Welsh (29.5%), which is higher than in any other employment category, and significantly higher than the overall proportion who speak Welsh (17%)¹⁰.

In communities where more than 20% of the population speaks Welsh, the average proportion of those in the agriculture category who speak Welsh is consistently higher than the community average.

For communities where the total proportion who speak Welsh is between 30% and 80% the proportion who do so within the agriculture category is significantly higher than the overall average, and higher than for all other work types; for example, in communities where the proportion who speak Welsh is between 40% and 50% the proportion who do so within the agriculture category is 64%

As such, any proposals which compromise Welsh farm businesses, farming communities or Welsh agriculture in general represent a significant threat to the industry within which the greatest percentage of Welsh speakers is preserved.

¹⁰ Farming in Wales and the Welsh Language. Amaeth Cymru Data and Evidence Group (September 2016)

In this context, it is disappointing to note that there are a number of discrepancies between the Welsh and English versions of the consultation paper, with some apparent errors on the Welsh language version. This gives rise to concerns that such discrepancies may lead to differences between the responses of those who have read the consultation paper in Welsh and what they would otherwise have stated had such differences not been present.

3.10 UK Government Agriculture Bill

Schedule 3 of the Agriculture Bill currently being considered by the UK Parliament effectively replicates, in terms of Welsh powers, relevant passages which apply in the English section of the Bill, with a clear emphasis on replacing the Basic Payment Scheme with a public goods scheme – with the similarities being such that even the agricultural transition period for both the English and Welsh sections are identical, despite Wales having proposed a shorter transition period.

It is also notable that the section of the Bill relating to WTO rules (Part 7) could effectively remove Wales' right (as is currently the case under EU Regulations) to introduce certain forms of support – although many measures may in any case be illegal in Wales under Schedule 3. This is an area where the FFW believes clarity should be provided by the Welsh Government.

If it is the case that in agreeing to Schedule 3 the Welsh Government has limited its options in a manner which undermines its own devolved powers and those of future Welsh administrations, this raises significant concerns – particularly given that it would have done so in relation to areas of policy it is currently consulting on.

3.11 Taxation

The proposals in the *Brexit and our Land* consultation raise a number of concerns with regard to their possible impacts on the tax status of farm businesses, whether as a direct result of the plans and their emphasis on environmental actions, or as an indirect consequence should farm business income (or income which may be categorised as such) fall below certain thresholds.

Concerns include:

- i. Whether income from public goods payments solely or directly from land with no farming activity would be classed as 'non-trading income', and possible impacts on income tax loss relief ('farmers averaging') and Inheritance Tax
- ii. The direct or indirect consequences of the Welsh Government proposals leading to reductions in agricultural activity which fall below a threshold, leading to the possible loss of Agricultural Property Relief due to no farming activity being undertaken on the land. While it is understood that this might be mitigated by Business Property Relief, clarity is needed – again, the question as to whether income from public goods payments would be classed as trading income or not arises – if not, then Business Property Relief may also not be attainable

- iii. Given that commercial forestry is exempt from Income Tax and that commercial forestry also qualifies for Business Property Relief, there is concern that the schemes implications, coupled with economic pressures, would replicate the situation experienced in the 1970s, when vast areas of Welsh farmland were bought up by non-local businesses and individuals, and entire farms were planted with conifers – with inevitable adverse impacts for communities and biodiversity. If farmland were to be converted to forestry in such a way – as opposed to more manageable and modest approaches which retained local ownership – and parts of such plantations were eligible for public goods payments, this would have a variety of adverse impacts with negative economic, social and environmental effects for rural communities.
- iv. If the impact of the Welsh Government’s proposals, coupled with other pressures, are such that a farming business makes losses for five consecutive tax years, it would then be considered uncommercial, meaning trading losses could not be off-set against other income.

As such, the FUW believes that the Welsh Government should undertake a full assessments of the direct and indirect tax implications any proposals.

3.12 Animal health and welfare

Welsh and UK standards of Animal Health and Welfare (AHW) are amongst the highest in the world as a result of both UK and EU regulations, with such standards inherently linked – through Cross Compliance – to CAP payments.

Despite this, new and exotic diseases, as well as those which are endemic or threaten to become so, represent major challenges which the FUW and other farming organisations are committed to addressing.

As such, any changes to Welsh policies should take full account of possible impacts for Welsh AHW, and improvements should be based on the positive outcomes of schemes implemented successfully in other countries, while taking full account of the degree to which uninvestigated radical changes could have adverse impacts, for example by increasing economic pressures on livestock keepers.

The impact on fodder reserves during the wet weather from August 2017 to May 2018, and subsequent impact of the exceptionally dry weather of 2018 on fodder and feed harvests, demonstrate how circumstances beyond farmers’ control can impact farm resilience.

The harvesting and grazing restrictions in place under Glastir demonstrate how such ‘public goods’ agreements can potentially compromise both farm resilience and animal health and welfare, and it is notable that had the 2018 autumn not been exceptionally dry many farms would already be in far worse position in terms of fodder supplies.

It should also be noted that in such circumstances, as is the case across the EU and elsewhere, farm payments make an essential contribution to animal health and welfare, ensuring farm businesses can afford to buy in desperately needed fodder from outside sources.

As such, the potential impacts on AHW of moving from direct support to public goods payments should be thoroughly analysed – not least given that Farm Business Survey data suggests that around a third of the value of Welsh Basic Payments is spent on veterinary costs.

AHW parameters are not classed as a public good in the consultation document, meaning that funding would only be attainable through the Economic Resilience scheme under current proposals.

Notwithstanding the argument that AHW should be included as a public good because there is currently no established market for it, a successful Economic Resilience Scheme should include the same, since increases in on-farm efficiency, resilience and productivity are all related to and dependent on AHW.

There is also a compelling argument for AHW funding to be ring fenced in any Economic Resilience scheme budget.

The consultation states that the public goods scheme will 'drive up standards on AHW' but does not set priorities. This is also a dangerous sentiment given the baseline standards already expected from GB farmers. Any funding which can pay for existing animal health and welfare AHW standards would therefore be welcomed.

There is discussion in England about how mandatory annual veterinary visits could form an AHW baseline. This may be welcome if there was a payment under one of the funding streams and if current veterinary visits counted as part of this baseline.

However, at present, the funding under the Economic Resilience scheme is unlike the public goods scheme, in that it only provides grant and knowledge transfer type funding, rather than a direct payment for goods or services. To get the most out of high AHW standards, it would be essential to widen the remit of an Economic Resilience scheme to allow direct payments for AHW services.

It is doubtful that the Economic Resilience scheme, as described, could pay for disease diagnostics and testing, such as is currently provided under GwarduBVD through the Rural Development Programme.

Given the momentum gained from this industry-led project, it would be of detriment to AHW activities in Wales if such funding streams no longer existed under future schemes. Projects which provide free diagnostics and treatment help to maintain country and herd-level disease freedom and help engage reticent producers.

As before, it would be essential to widen the remit of the Economic Resilience scheme to ensure that the best AHW benefits are gained.

Given this, there is concern that the consultation states that 'it may not be possible for every farm business to be economically resilient'. This could preclude many farms from engagement with herd and flock health funds.

Given that some disease control programmes require farmers to work together to co-ordinate treatment (e.g. sheep scab), the Economic Resilience scheme will be less effective if some farms cannot access funds.

As such, it would appear that, under the proposals, the Public Goods scheme would pay some form of premium for farmers who work together to achieve an outcome, but the Economic Resilience scheme would not.

In some cases, the testing and treatment of animal diseases is not cost effective until a certain threshold is reached due to a delay in the effects on productivity and growth. This has implications for the correlation between disease freedom and the business viability assessment required under the Economic Resilience scheme.

Moreover resilience measures, such as improved biosecurity and risk based- trading, often have no measurable qualities and resilience is therefore implied rather than proven.

As such, there would be merit in AHW funding using proxy measures, as is proposed for the Public Goods scheme

Section 5.20 of the consultation document states that we ‘must build on’ current FAWL and RTA standards – yet no evidence is provided to show that these standards are not sufficient. Neither is there an economic impact assessment of doing this in a post-Brexit trading environment which may see large volumes of imports from countries with standards which fall far short of those required in the UK.

It should therefore be noted that any additional domestic requirements which have the impact of reducing Welsh farmers’ share of the UK or other markets in favour of imports from countries with lower standards will have a net detrimental impact on global animal welfare, as well as environmental standards.

The consultation paper states that AHW is classed as being essential for export due to the reputation of UK welfare, yet such arguments seem to be a political fallacy given the work of AHDB, which reveals¹¹ that quality and price are by far the dominant factors in international consumer buying behaviour, while animal welfare is consistently amongst the lowest considerations.

While this may be disappointing for a country such as the UK, it is important to recognise such realities, particularly given the overall negative animal health implications of pricing Welsh produce out of markets.

3.13 A Welsh Way Forward

Both Welsh farming organisations have met with thousands of Welsh farmers since early July to discuss the Welsh Government’s consultation paper, and, given the common views held by both FUW and NFU Cymru members, a joint vision paper entitled A Welsh Way Forward was published on 24th October 2018.

The paper sets out key principles aimed at placing Welsh food, farming, livelihoods, communities and the environment on a firm post- Brexit footing.

¹¹ AHDB Horizon report – International Consumer Buying Behaviour (April 2018)

Those principles comprise:

1. Stability - *The priority for Welsh Government must be to provide stability in a world of uncertainty*
 - Wales' food and farming industry already faces unprecedented challenges and uncertainty as a result of issues which are outside Welsh Government control
 - The risk that far reaching reforms to rural support will add to an already unstable situation is great, and the priority for Welsh Government must be to provide stability using the tools they have available
 - Significant changes should only be considered once we have a clearer knowledge of our future trading relationship with our main trading partners
 - Transition to future policies should only begin following thorough investigation of the impacts on every business, sector and region of Wales, and a full assessment of the Welsh Government's ability to deliver any plans

2. Family Farms - *Wales' future rural policies must keep food producing families on the land*
 - The family farm is the backbone of our rural and wider communities, producing top quality, safe and affordable food for the consumer
 - These families deliver for our economy, environment, landscape, language and culture, and should be placed at the centre of Welsh Government policies
 - As such, the family farms which take the financial risks associated with food production alongside all forms of work on the land should be placed at the centre of any future policy through a strengthened Active Farmer rule

3. Supporting Rural Communities and Welsh Jobs - *Direct support which underpins safe top quality food production must be maintained to avoid causing irreparable damage to Wales*
 - Our farmers are kingpins in food supply chains which sustain a multi-billion pound food and drink industry and hundreds of thousands of Welsh jobs
 - Whatever happens after Brexit, our industry will continue to operate and compete in a global marketplace, competing with farmers across the UK, the remaining EU and the rest of the world
 - Abandoning direct support that underpins safe high quality food production at a time when our key competitors have no intention of doing the same would cause irreparable damage to the economy, environment, landscape, language and culture of Wales
 - Wales must design a policy that actively supports all sectors and areas of Wales, ensuring fairness between neighbours and regions, and a level playing field with farmers elsewhere

4. Sustainable Agriculture - *Wales must continue to invest in measures that drive productivity, improve efficiencies and support farmers to increase market potential whilst meeting environmental and climate change obligations*

- Leaving the EU creates the opportunity to provide better targeted support to help farming families increase market potential, and drive improvements in productivity
 - Much can be learned from the delivery of current Rural Development schemes in Wales and in other nations and countries which have succeeded in driving forward productivity and efficiency improvements across the farming industry
 - Farming organisations have previously outlined detailed proposals for integrating investment measures, skills and knowledge exchange and data capture in order to drive forward measurable improvements in economic and environmental performance, including in relation to mitigating climate change
 - Such principles should form the foundation of a future scheme aimed at economic resilience
5. Rewarding Environmental Outcomes - *Welsh farmers have delivered positive public outcomes for the nation for centuries, and must be fairly rewarded for what they have already delivered, continue to deliver and will deliver in the future*
- Historically, Wales has been seen as an exemplar in terms of rewarding farmers for delivering public and environmental goods through schemes such as Tir Gofal, which was devised following successful piloting
 - We now have the opportunity to build upon previous experience and knowledge by ensuring farmers are better rewarded for what they deliver for society
 - This should be achieved through an additional scheme which complements the key policy of providing stability through direct support to food producing family farms

Given the above, the FUW believes that evolution of the schemes currently in place in Wales under the Common Agricultural Policy could take place in order to introduce forms of Resilience and Public Goods schemes in line with such principles. However, in the absence of radical improvements in market returns and reductions in price volatility, a third scheme providing financial security for farm businesses and those reliant on agricultural supply chains must be in place if severe consequences are to be avoided.

The FUW is committed to working with Welsh Government to achieve such outcomes, and we would therefore propose the creation of a Policy Reform Group on which core stakeholders are represented – reflecting processes put in place by Ministers under previous Welsh Governments when designing new schemes.

Such a group would initially be responsible for the creation of a Policy Reform Roadmap, which sets out how current policies might be carefully evolved into schemes which better meet all of Wales' Wellbeing Goals, while minimising risks of undesirable consequences.

Such a group would also be responsible for setting key milestones; assessing policy developments in terms of Brexit, trade etc.; undertaking modelling to assess impacts and dangers of policy proposals (*Figure 2*) and assessing the manageability of any changes in terms of Welsh Government resources.

Detailed areas which should be investigated by such a group would comprise:

- Improvements to Active Farmer criteria in order to protect and generate jobs and prosperity within the industry and supply chains
- Payment capping at appropriate levels to maximise benefits for Wales and minimise abuses of the system
- Development of Cross Compliance to create more proportionate criteria which better meet environmental, animal health and welfare and economic objectives
- Ensuring a Public Goods scheme has options which are accessible to all farmers, and does not result in discrimination
- The consideration and, where appropriate, development of other policies and interventions, such as insurance, new entrant and retirement schemes

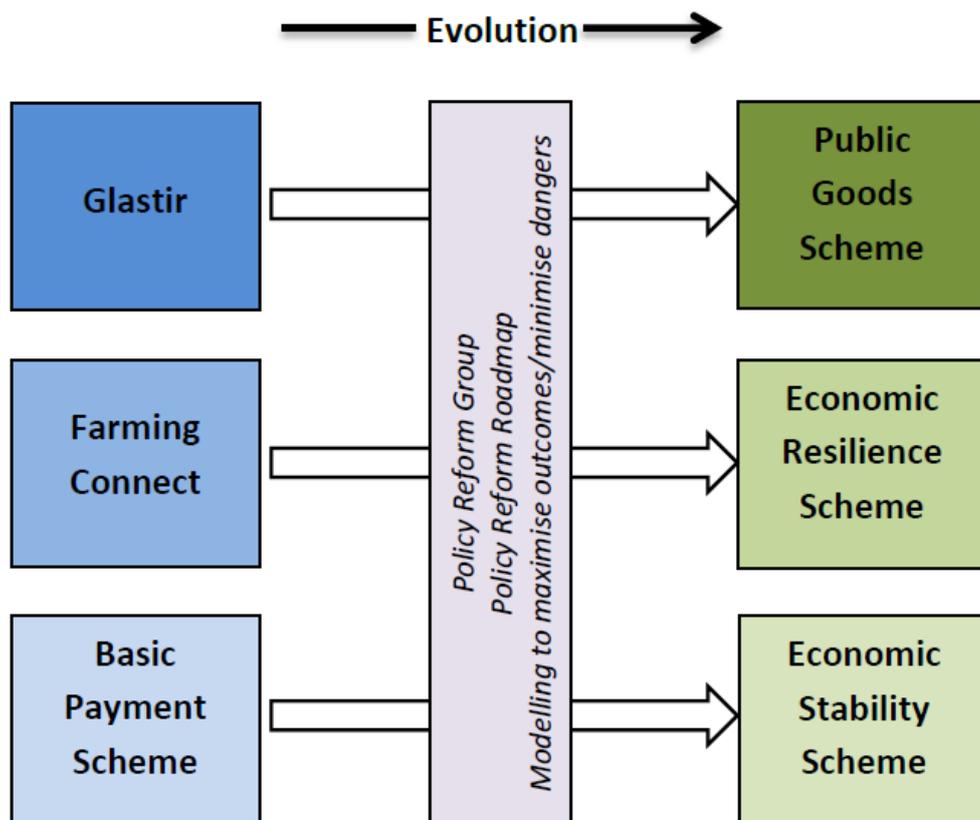


Figure 2

4. Response to consultation questions

4.1 Land Management Programme for Wales

Question 1

We propose a new Land Management Programme consisting of an Economic Resilience scheme and a Public Goods scheme. Do you agree these schemes are the best way to deliver against the principles? If not, what alternatives would be best?

As already stated, members did not agree that these schemes, as described, are the best way to deliver against the principles.

There was an overwhelming view that:

- a. The importance of farmers and food production to Wales' economy, communities, culture, and landscapes is not given sufficient recognition in the proposals
- b. The radical changes proposed by the Welsh Government would add greatly to disruption for the agricultural industry and rural communities at a time when adverse economic impacts due to Brexit are highly likely.
- c. Experience of the administration of existing and previous agri-environment and direct support schemes demonstrates that the work required to plan, create and administer the proposed Public Goods scheme would add significantly to the workload of Government, and do so at a time when essential and pressing work associated with Brexit is already causing significant strains.
- d. Significant changes to the ways in which the agricultural industry and rural communities are funded should take place over a lengthy transition period, as has happened in Wales under previous Governments, with transition only starting after significant economic modelling and piloting.
- e. The policies, as outlined, would compromise a number of the Well-being of Future Generations Act Well-being goals, particularly in terms of prosperity, resilience, culture and language, equality, and cohesion.

It was the overwhelming view of members that any such major changes to rural policies should be informed by:

- i. Knowledge and considered analysis of the post Brexit economic landscape and trading environment
- ii. Detailed and thorough analysis, modelling and piloting to investigate likely impacts of policies on individual farm businesses, sectors, regions and those involved in upstream and downstream agricultural supply chains
- iii. The post-Brexit policies likely to affect our main competitors in devolved regions and the remaining European Union, and analysis of potential impacts of competitive advantages and market distortions as a result of differing policies

- iv. A full understanding of the validity and possible impacts of the proposals in terms of compliance the World Trade Organisation Agreement on Agriculture

As such, the FUW's Presidential Policy Team has agreed with the principles set out at 3.13 – *A Welsh Way Forward* – and that a Policy Reform Group should be established in order to evolve those schemes currently in place into Resilience, Public Goods and Economic Stability schemes in order to place Welsh food, farming, livelihoods, communities and the environment on a firm post-Brexit footing.

Question 2

Does the Welsh Government need to take action to ensure tenants can access new schemes? If so, what action would be best?

The FUW's concerns regarding impacts on tenant farmers are outlined at 3.8.

In addition to ensuring Active Farmer criteria are put in place for future schemes and claimants, and that food production is made a key priority, the most effective action to protect tenant farmers would be to develop an Economic Stability scheme to provide financial security for farm businesses and those reliant on agricultural supply chains.

For all agri-environmental or Public Goods schemes, flexibility in terms of contract requirements and periods is essential.

4.2 Economic Resilience scheme

Question 3

From your experience of current programmes, what do you feel would work well for the future?

Members highlighted that an Economic Resilience Scheme will only function effectively if farms have financial stability, and that the proposals, as they stand, are likely to compromise the numbers able to access or take advantage of any Economic Resilience scheme due to the loss of direct payments.

Whilst members acknowledged that the current Farming Connect scheme was far from perfect, it was recognised as being fundamentally valuable and positive for the industry, and that elements aimed at helping young people were of particular value.

The provision of grants under previous schemes was highlighted as having been extremely positive in terms of improving farm viability and efficiency. However, it was noted that economic pressures often led to farmers being unable to afford match-funding, and that changes within and outside Welsh Government control – including the proposals to phase out direct support – were likely to severely compromise the benefits of any grant scheme or other services available under an Economic Resilience scheme.

As such, concerns were expressed regarding eligibility criteria, with some highlighting that the exclusion of those with less viable businesses would lead to a two-tier system that excluded many from accessing important services which benefited animal welfare or had similar positive impacts.

Members also noted that successive agricultural policies had reduced food prices and led to a 50% fall in household expenditure on food since the 1950s, and that in the absence of moves to correct food prices and thereby improve farm business eligibility, it would be wrong to exclude farms from accessing services and support.

Many members commented that elements of current schemes restricted access for those without academic skills or qualifications, despite such individuals often being extremely gifted in terms of their farming and management abilities. As such, any future schemes must be accessible to the entire industry, and not discriminate on the basis of academic achievements.

Members were concerned that some schemes in the past have been overly bureaucratic and costly to run compared with the benefits of more direct interventions, for example where advisors or consultants are involved but advice and reports are of little or no economic value to a business.

As such, members were opposed to any changes which would lead to an increase in advisory services, with little or no true economic benefit other than for advisors and consultants.

In terms of assessing the benefits of current programmes, we would reiterate the need for Welsh Government to consider positive actions implemented under the current programmes of other nations and Member States – something Welsh Government has been reluctant to do, despite calls and proposals by farming organisations following positive outcomes in other countries.

Question 4

Do you agree with the focus of the Economic Resilience scheme being on growing the market opportunities for products from the land throughout the supply chain, rather than restricting support to land management businesses only?

Many members expressed confusion regarding the proposal to grow market opportunities through an Economic Resilience scheme, given that this is currently the role of the Levy Bodies.

It was accepted that growing such opportunities would be positive, but members emphasised the need for a proportionate balance between funding for primary producers, funding for others within the supply chain and funding for market development, and that without such a balance there is a danger that the production will fall below critical masses.

Question 5

Are the five proposed areas of support the right ones to improve economic resilience? Are there any areas which should be included but currently are not?

Most members recognised some or all of the five proposed areas of support as being of value. However, some believed that such a list should not be exhaustive, and that further explicit areas, such as supporting young farmers and new entrants, should be included.

A large proportion of members expressed concern that diversification was included as a specific area, based on the worry that some politicians and civil servants seem not to appreciate the degree to which issues such as market saturation, planning and landscape designation can restrict diversification opportunities for the majority.

Question 6

Of the five proposed areas for support, which are the priorities, both in terms of funding, and the sequence of delivery? For example, are certain measures needed in advance of others?

The majority of members believed that improving productivity and increasing market potential should be priority areas. However, the close links between productivity, effective risk management, knowledge exchange, skills and innovation were also noted.

Question 7

Should we be investing in people, for example to bring in new ideas, skills and people into land management and the supply chain in Wales? If so, how should we look to do this?

Whilst members recognised the value of bringing in new ideas, skills and people into land management, concern was expressed that many environmental land management policies which had resulted in environmental degradation were the direct result of new ideas and outside influences which ignored local knowledge and experience.

In particular, it was felt that the views of outside individuals with overly simplistic and naïve ideals and preconceptions, sometimes underpinned by ingrained biases, had often taken precedence over the personal knowledge and experience of farmers gathered over decades and generations.

As such, it was felt that any such investment should be focussed on the development and recognition of indigenous Welsh skills.

4.3 Public Goods scheme

Question 8

We have set out our proposed parameters for the public goods scheme. Are they appropriate? Would you change anything? If so, what?

Please see the comments made at 3.1 through to 3.13.

Question 9

This scheme is meant to offer land managers the opportunity to access a significant new income stream as the BPS comes to an end. How could we improve what is being proposed to attract land managers whilst still achieving our vision and objectives?

As made clear above, any such scheme should:

- i. Operate alongside Economic Resilience and Economic Stability schemes;
- ii. Be accessible to all farmers without compromising their businesses;
- iii. Be underpinned by an Active Farmer criteria which ensures payments go to those who make an economic and social contribution to communities;
- iv. Be subject to a cap set well below the current BPS cap threshold
- v. Be easily accessible to tenant farmers
- vi. Be flexible and involve minimum bureaucracy

Question 10

Are there any other public goods which you think should be supported? If so, why?

As already indicated, members believed that the wider benefits of food production, such as stability of supply and affordability, should be recognised as public goods - a view supported by the Scottish Government, which believes that maintaining a capacity to produce food is not only a public good but a global responsibility.

It was also felt that a range of public benefits, which may not strictly meet the academic definition of 'public goods', should also be supported, and that the term is confusing for both farmers and the general public who tend to associate public goods with public benefits.

Examples provided included

- Animal health and welfare
- Natural fibre production
- Renewable energy generation
- Supporting local communities and economies

Question 11

A number of public goods could potentially take several years, sometimes decades, to be fully realised e.g. carbon sequestration through broad leaf trees. To deliver on these, land

managers may need to enter into a long term contract. How do you see such agreements working? What do you see as the benefits or disadvantages to such agreements?

Outside the framework of the Common Agricultural Policy the Welsh Government will have the freedom to offer contracts which are any length, and it should be noted that there are some actions which provide benefits in terms of public goods which will not require lengthy contracts.

Given the wealth of experience gained through agreements implemented under the Wildlife and Countryside Act; Environmentally Sensitive Area scheme; Tir Cymen; Tir Gofal; Glastir and other schemes, it is important to implement agreements in light of such experience in order to avoid the many pitfalls experienced in the past.

The key benefit of such agreements is the provision of long term certainty for contract holders. However, the increase in the number of contracts in place since the introduction of the Glastir scheme has led to an increase in the administrative burden for Welsh Government, leading in turn to inflexibility and compliance with contractual terms taking precedence over biodiversity, practical and financial considerations.

As such, the proposal to further increase contract numbers many fold, aside from concerns regarding the economic impacts of the proposals, brings with it many dangers in terms of manageability, pressures on Welsh Government resources and adverse impacts on biodiversity and businesses.

Question 12

A collaborative approach to delivering public goods may in some instances provide better value for money than isolated activity. How could the scheme facilitate this approach? How could public and private bodies contribute to such partnerships?

Members identify a number of benefits but also problems and obstacles based on their experience of collaborative approaches.

Critically, it should be noted that all current and previous experiences of collaboration relate to opportunities to undertake work and access funding *over and above* what is/ was available to all farmers, and that any moves to make collaborative initiatives a core component of future schemes would lead to extreme divergence and discrimination between farmers.

Glastir Common Land Element agreements represent the most common collaborative agreements, and these have often been introduced on land where collaboration was already well established through graziers associations.

Notwithstanding this, such agreements have led to significant tensions at times, whether between active graziers; active and inactive graziers; or graziers and the owners of commons.

Specifically, the move from Less Favoured Area payments to Glastir on common land gave non-farmer right holders and the owners of common land access to funding and effective vetos in terms of Glastir agreements and internal agreements within graziers associations.

As such, the nature of internal agreements and the distribution of funding amongst graziers varies significantly between commons entered into agreements, with some owners of commons or non-farming registered graziers being happy to allow active farmers to distribute monies amongst themselves, while others insist on receiving substantial shares in return for not vetoing an agreement – despite making little or no contribution to the active management of the common. In the latter case, such agreements naturally cause tensions and can lead to disputes.

Other problems relate to issues which can arise due to misunderstandings amongst large numbers of commoners regarding rules, or the timely provision of information to the secretaries of graziers associations, which can lead to penalties which then must be allotted to individuals – again causing tension between commoners.

It should be noted that such problems arise in relation to a relatively simple scheme related only to grazing numbers and periods.

With regard to other forms of collaboration, the positive experience of members involved in the Pontpren scheme in Montgomeryshire has been well documented. However, again it should be noted that any economic benefits for Pontbren farmers were over and above those accessible to all farmers through direct support etc..

A number of members who are partners in Sustainable Management initiatives alongside NGOs expressed concern that the resources of the NGOs compared with those available to farmers effectively lead to projects being managed by the NGOs rather than in genuine partnership, with management becoming dictatorial at times. For example, NGOs may see fit to veto projects which are seen by the majority of partners as being positive.

There are also major concerns regarding NGOs using such collaborative projects to access public funds by ‘top-slicing’ budgets – a concern which is exacerbated by the proportion of the CAP budget currently claimed by NGOs, and the high value of payments to bodies such as the National Trust, in spite of the Active Farmer principles.

As such, members feel that while opportunities to collaborate and work in partnership should be explored and developed under any future policy, it is important that the involvement of NGOs or other bodies is not set as a requirement, and that action is taken to ensure partnerships are equal and genuine and not dominated by some bodies – with mechanisms put in place to resolve any disputes.

A key concern in relation to collaborative projects within areas is the large areas of Wales where such collaboration might not be possible, for example due to an area having relatively little to ‘offer’.

Any significant financial focus on collaboration therefore risks large areas of Wales losing out to far smaller areas, adding to the divergence and discrimination likely to be inherent under a public goods scheme of the form proposed.

Question 13

Some actions can deliver multiple public goods in the same location. For example, peat bog restoration can have benefits for carbon sequestration and flood risk reduction.

However, some locations could be suitable for multiple public goods from different activities. For example, one location may be suitable to either plant trees for carbon sequestration, or to revert to wetland for biodiversity. How could locations for single, multiple or competing benefits be prioritised?

Members believed that the economic value for farmers and local communities should be the primary consideration in terms of assessing priorities and deciding between current practices and possible alternatives.

It was also felt that the economic and environmental dangers of incentivising moves which equate to land abandonment should be properly recognised, given the existing and growing evidence regarding the adverse impacts of ceasing agricultural activity in an area.

Many members expressed concern that areas such as those referred to in the question are likely to be extensive, and that any focus on such areas without some form of payment cap would lead to a disproportionate concentration of payments in certain areas, taking money away from farm businesses and communities elsewhere.

Question 14

Given that support for the delivery of public goods will be a new approach in Wales, there will be a requirement for a significant amount of training and advice for the sector. How best could this training and advice be delivered? Which areas of the sector need the most attention?

As already stated, the increase in bureaucracy associated with the delivery of such a scheme is a great concern in terms of deliverability and potential pitfalls, aside from any overarching concerns regarding impacts.

Advice and training should be delivered by individuals who are genuinely neutral, and are not bound or steered by the legal or charitable objectives of the organisation they work for. As such, members had grave concerns regarding any suggestion that non-neutral bodies such as wildlife charities should be responsible for advice, training, delivery or administration.

It is imperative that training and advice is delivered by individuals who understand and empathise with local individuals and communities in terms of economics and culture, and can communicate with farmers on equal terms and in their own language.

As such, and as already stated, there is a need to train local individuals to deliver any necessary services in order to avoid the problems which can occur when people who are ignorant of or indifferent to farmers' and local needs are employed.

In a similar context, members believed that significant training, including gaining hands-on experience, is required for many who currently provide advice and devise policy, given that many have little or no experience of farming or business, and therefore do not have even the most basic understanding of farming systems and cycles, and why superficially attractive concepts may be wholly impractical and economically damaging on real farms.

Question 15

Private investment in the purchase of public goods is already happening, but at a relatively small scale. How could the new scheme promote greater involvement from the private sector? What are the barriers to this type of investment?

Many members noted that 'the purchase of public goods' implies that what is being purchased is not in fact a public good.

Members were generally supportive of any moves to encourage the involvement of the private sector, provided this did not lead to the purchase of land by outside individuals and businesses, as already referred to at 3.2.

However, given that such initiatives had been investigated by successive UK and Welsh Governments for more than a decade, with little or no progress, it was felt that without legal incentives or requirements – for example in terms of requirements to off-set impacts – progress in developing such markets would be slow.

4.4 New regulatory framework

Question 16

What are your comments on the phased transition period and our ambition to complete the changes by 2025?

For the reasons already stated above and in particular at 3.7, members believed that the timescale envisaged would not begin to allow sufficient time for the thorough analyses, modelling, planning and piloting necessary to ensure radical changes such as those proposed do not have catastrophic impacts.

Moreover, under the proposed phased transition period, such work would have to be undertaken over the coming eighteen months or so if public goods contracts were to be in place in 2021.

As such, many members stated that the period to 2025 should be used to undertake such planning, modelling and piloting, while also making improvements to current policies in order to better meet the wellbeing goals.

Members have already agreed following an internal consultation in 2016 that any significant changes would require a transition period of at least ten years in order to minimise disruption and risks for farm and rural businesses – particularly given the additional disruption Brexit is likely to cause over many years.

As such, members believed that a more proportionate approach, such as that proposed at 3.13, should be adopted, with many citing the Scottish Government's proposals as being sensible.

Question 17

What is the most appropriate way to phase out the Basic Payment Scheme to fund implementation of the new schemes?

The FUW's views regarding the appropriate way in which to transition to a new policy are made clear at 3.13.

Question 18

How can we simplify the current administration and delivery of the Basic Payment Scheme during the phased transition period?

Members made a number of suggestions regarding means by which the current administration and delivery of the Basic Payment Scheme might be improved – although, as stated, they opposed the phasing out of direct support in favour of a public goods scheme.

Suggestions included making changes to Greening requirements, streamlining application and inspection processes, making penalties more proportionate, recognising genuine errors, increasing thresholds for crop code areas and simplifying crop codes.

However, notwithstanding such suggestions, it should be noted that members were on the whole complementary about the way in which the current system works and the RPW Online system, with criticisms mainly aimed at the Welsh Government's failure to respond to queries, particularly in relation to Glastir contracts.

4.5 Welsh Language

Question 19

Will the proposed land management programme have any effects (either positive or adverse) on:

- Opportunities for persons to use the Welsh language;
- Treating the Welsh language no less favourably than the English language?

Members were in no doubt that the proposed programme would have a negative impact on the Welsh language, given the close link between the language and Welsh agriculture and food production.

Specifically, members believed that the economic impacts of the proposals could be so extreme as to lead to farming families having to leave the industry and a reduction in wealth, prosperity and jobs in rural areas, leading an exodus of young Welsh speakers out of Welsh speaking communities to find work, with inevitable negative consequences for the language.

Members noted that where advice, training etc. was not provided in a farmer's first language, this would by definition lead to the Welsh language being treated less favourably than the English language.

Moreover, some members were of the view that any such shift towards environmental payments would inevitably lead to more farmers being forced to discuss issues in their second language, given the current employment profiles in Welsh Government, Natural Resources Wales and NGOs.

Further comments have been made in relation to the Welsh language at 3.9.

4.6 Further comments

Question 20

Do you wish to make any further comments?

Further comments are included at 3.1 through to 3.13