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Nid yw'r cyfieithiad Cymraeg ar gael ar hyn o bryd.

Farming Futures Group: Draft Consultation Paper

Purpose

1. To seek the Committee's comments on the draft consultation paper prepared by the Farming Futures Group, setting out a long term strategy for farming in Wales.

Background

2. Last autumn the Rural Affairs Minister established a group of key players from industry, countryside and academia to advise on a long term strategy for farming in Wales and to set out the steps that the National Assembly and others can make to help it move in that direction. The difficulties facing the industry following Foot and Mouth Disease make the work of the group all the more important. The meetings are chaired by the Minister; they have met five times, mostly recently on 5 July.

3. The group have prepared a draft strategy document on which the Committee's views are sought, at appendix 1. Reflecting many of the underlying issues in this Committee's report on Diversifying the Rural Economy, the document addresses a number of basic questions, including what role has agriculture in the modern economy, what does society want from the industry and what can the National Assembly and others do.

4. In addition to seeking the Committee's views, we are consulting the public over the summer with a deadline for comments of 7 September. The group will then meet to consider the comments prior to finalising and publishing the strategy document.

Financial and Compliance Implications

5. There are none arising from this report.

Action for the Committee

6. The Committee is invited to offer its views on the emerging strategy outlined in the draft consultation

paper.

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Appendix 1

DRAFT DOCUMENT ON THE FUTURE OF AGRICULTURE

July 2001

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Foreword by Carwyn Jones, AM, Minister for Rural Affairs

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Foreword by Carwyn Jones, AM

CHAPTER 1: THE ROLE OF AGRICULTURE

1.1 Welsh agriculture is in a crisis which is deep-seated and far pre-dates foot and mouth disease:

- **economically** , agriculture supports more than 10 % of full-time equivalent employees in many parts of rural Wales, when the multiplier effect is taken into account, but average net farm income in Wales in 2000/01, prior to the impact of foot and mouth disease, is forecast as £4,100 (see Annex 1). Farmers are overwhelmingly reliant on subsidy for this income. Direct CAP subsidies now account for 420% of the net farm income of the average farmer in Wales: this figure would be far higher if indirect support was taken into account;
- **environmentally** , agriculture has created the traditional appearance of the Welsh countryside, which people find so attractive, but there has been a substantial loss of richness and variety in Welsh wildlife over the last half century (see Annex 2). Key factors have been the trend towards sheep monoculture in the uplands, increased numbers of sheep, agricultural improvement of grazing land and the switch from hay to grass silage. Agri-environmental schemes have in recent years started to reverse these negative trends;
- **socially** , the family farm defines the character of Welsh rural society, and its sense of identity. The numbers directly and indirectly employed in farming make a crucial contribution towards sustaining rural communities. Farming is also, in much of rural Wales, one of the most important areas of life in which Welsh remains the natural, everyday means of communication. Even taking Wales as a whole, 48% of those employed in farming speak Welsh. But the structure of family farms is eroding. There are long established trends both towards larger units which are viable as full-time farms, and smaller, part-time farms. The labour force on Welsh farms is estimated to have fallen by a total of 10% over 1999 and 2000 combined. These trends could potentially have serious implications for the strength of the Welsh language in its traditional heartlands.

1.2 In addition, the perception has grown of a gulf of understanding between those who consume food and those who produce it. On the one hand there is growing concern among consumers about food safety, the environment and animal welfare; on the other, there is at times a feeling that urban dwellers are ignorant of the realities of agriculture and rural life, and an embattled sense of isolation amongst farmers. Addressing these perceptions, by building up a much better mutual understanding between producers and consumers is a key challenge.

1.3 Against this background, the fundamental question has to be addressed. In a modern industrialised society, what should the function of agriculture be?

1.4 In the decades following the end of the Second World War, the policy in Britain and the EU was clear. The goal was to strengthen domestic food production, to avoid food shortages. The globalisation of world trade has undermined this. The pressure of world trade negotiations, and the resulting CAP reforms in 1992 and 2000, have left agriculture in the European Union much more exposed to global competition. Barriers to food imports from outside the EU, in terms of tariffs and quotas, have been reduced, and the scope for subsidising food exports has been cut back. Prices for basic food commodities, including beef, lamb and dairy produce, are significantly lower outside the EU, and so it is no longer possible for the CAP to maintain prices inside the EU at the same high levels that previously prevailed. The EU's international trading partners are keeping up the pressure for the removal of the remaining barriers to trade, and further reform of the CAP is inevitable during the coming decade.

1.5 If Welsh agriculture continues to try to compete in these markets for basic food commodities, where there is little in terms of quality or value-added processing to mark Welsh produce out as different, and competition is on price alone, the prospects are bleak. The long term downward pressure on prices is likely to continue. Under free market global competition, production of agricultural commodities will tend to move to areas where the climate and soil is suitable, and where land and labour are cheap. This will inevitably put Welsh agriculture at a competitive disadvantage. Most Welsh farmers have to cope with poor soil and climate. In an island of 55 million people, where land ownership carries high prestige, land prices will inevitably remain relatively high. The competition that Welsh agriculture is already facing in commodity markets will increase still further when the countries of Eastern Europe gear up their agriculture :they have enormous agricultural potential, cheap land and cheap labour.

1.6 If Welsh farming continues to try to compete on price alone, in basic commodity markets, the result will be a strong continuation of the long-term trends which have been eroding the pattern of family farms:

- a strong trend across all sectors for farm units to become much larger to stay viable;
- other farms shrinking to become small, part-time holdings;
- a further and continuing loss of employment in agriculture. Apart from the jobs lost through many farms becoming part-time, large farms would achieve viability only by cutting back hard on labour;
- the need to save labour risks strengthening the trend towards fewer beef cattle being kept, and an accentuation of the sheep monoculture highlighted in Annex 2. Less labour might lead to a somewhat less intensive model of sheep farming, but while this could bring some environmental benefits, these would be offset by the reduction in beef cattle. Annex 2 explains the environmental advantages of extensive grass-fed beef systems. The trend towards ranching of sheep would reduce standards of animal welfare;
- similarly, less time would be available for work maintaining traditional features and boundaries,

and the countryside would look less tidy;

- dairy farms would be likely to intensify their production systems: this could increase pollution of streams and rivers, unless handled very carefully.

1.7 This is the future which faces Welsh agriculture unless it makes a major change of direction. The pace of the trends will be influenced by how quickly further reform of the CAP comes, the level of sterling against the Euro, and the speed with which countries in Eastern Europe increase their agricultural production and productivity after joining the EU. Annex 1 shows that these trends are long-term. The pace of change has been marked in the last two years. The impact of foot and mouth disease will undoubtedly accentuate the trends over the next year or so. Thereafter they may ease, or continue at a rapid rate, but the nature of the trends is not in doubt.

1.8 So what role should agriculture have in a modern economy ?

- **food production** ? If agriculture were an industry like any other, it might be argued that it would not matter if food production shifted to the areas of the world which have a competitive advantage in terms of favourable soil, climate, cheap land and labour. There are powerful arguments against this. The environmental cost of transporting bulky food commodities long distances is high. In addition, the fuel crisis demonstrated how vulnerable our food supply system is when food travels long distances. But the free market is not a mechanism which will address these issues if left to itself.
- **promoting the countryside, as a basis for enjoyment and tourism** ? Foot and mouth disease has shown how important a role this is, and how farming and tourism are interdependent. Many farming families benefit economically from tourism, but not to the extent that it can cross-subsidise their farming business on a satisfactory long-term basis;
- **protecting biodiversity, as a goal in its own right** ? Many people would see this as an important role for farming, but again the issue is, who pays?

1.9 **Farming** is, therefore, a unique industry. The crux of the problem is that it is hard to match what people value from farming with how it can be paid for:

- an increasing number of consumers are willing to pay more for food which has been produced in ways which reflect the potential environmental outputs of farming, and high standards of animal welfare. Organic food is the most obvious example of this. But although the demand for organic production continues to rise rapidly, it still accounts for just 2% of food consumed in the UK, and there is increasing pressure for the rate of expansion of the organic sector to be sustained by price reductions. Overall, the proportion of household income spend on food in the UK has fallen from 12.6% in 1989 to 9.7% in 1999.. Consumer demand alone will not pay for all the wider benefits that people want from farming;

- the CAP subsidy system is not effective at paying through public subsidy for the benefits which are not paid for by consumers. It is inefficient in supporting farm incomes: much of the value of subsidies is siphoned off by others in the food supply chain, by landlords through higher rents, or transferred into high prices for quota. The CAP also helps keep land prices high. Research by the OECD suggests that, across the world, farmers retain perhaps as little as one quarter of the value of the direct subsidies they are paid. The CAP system also makes it hard for farmers to focus on the quantity and quality of what consumers want. For instance, the system of sheep headage subsidies drives farmers to maintain high stocking levels regardless of market signals. The CAP encourages inefficiency: Annex 1 sets out the enormous range of margins between the top 25% and the bottom 25% performing farms. And it still concentrates on food production subsidies rather than environmental outputs.

The challenge is to help the Welsh farming industry move in a new direction which reconciles more effectively what people want from farming, and what can be paid for by consumers and Government.

CHAPTER 2: A NEW DIRECTION FOR WELSH AGRICULTURE

2.1 Keeping viable and balanced communities in rural Wales is important. New employment and business opportunities are needed in rural Wales, but the decline in agricultural employment needs to be managed to create time for alternative employment to be developed, which local people can take up. Encouraging employment and business opportunities to enable young people to stay in rural communities is an important aspect of this. The National Assembly administration is commissioning research on the factors which can increase opportunities for young people to stay in, or return to, rural areas.

2.2 There are some who advocate a polarisation in agriculture, so that food would be produced intensively in lowland areas while upland areas are allowed to revert to wilderness, or managed primarily for tourism. The National Assembly administration rejects such arguments. The social implications for rural communities would be very damaging. There would be dramatic changes in the character of the Welsh countryside. Consumers would see still more intensification in food production systems. The objective should be to promote agriculture which is sustainable economically, environmentally and socially in all areas.

2.3 What Wales therefore needs is an agriculture which delivers the following outputs:

- **safe, healthy food. Food production remains important, but the emphasis should switch from quantity to higher quality to help Welsh agriculture compete more effectively, with high standards of care for the environmental and animal welfare ;**

- **a countryside which is visually attractive and rich in biodiversity, for people's enjoyment and to help support tourism ;**
- **distinctive local food products as the basis for a cuisine which helps promote tourism; and**
- **which, through all the above, contributes to a positive image for Wales in the world.**

2.4 An agriculture which delivers these outputs will also help support rural communities. But it is important to be realistic. The trends outlined in Chapter 1 and Annex 1 are deep-seated and are driven by powerful market and trading pressures. The National Assembly, working with the UK Government and the EU can put measures in place which - if farmers and food processing companies respond - could make a significant difference in mitigating and slowing changes in the structure of family farms and employment that would otherwise occur, but will not be able to halt them.

2.5 The fundamental choice facing the industry in Wales is whether to continue to try to compete in the markets for basic agriculture and food commodities, where competition is on price, or whether to move as far as possible along the spectrum towards competing less on price and more on quality. The latter is the only realistic option. This means developing high quality, value-added, branded products, which are aimed, where possible, at more specialist markets and niche markets. Such markets are developing rapidly as prosperity increases in the EU and other advanced countries. Exploiting these markets means creating a much more integrated Welsh agri-food industry, where farmers and food processors work together to produce food products which are targeted on what groups of consumers want. There are no easy guarantees of success: farming in many other regions of the EU is trying to move in the same direction. A minority of farmers will be able to compete in basic commodity markets by expanding. The more choose this path, however, the more the trends in chapter 1 will be realised. The more Wales can develop an agri-food industry, competing in markets for differentiated food products, the more trends can be mitigated.

2.6 Turning the vision in paragraph 2.3 into reality therefore means the aim must be to help the industry to:

- **move away from commodity markets by developing value-added products which compete less on price and more on quality: innovation, and product development** are crucial in this;
- **collaborate more. This means greater collaboration between farmers, and between farms and food processors, to produce food products which consistently meet consumer requirements** . Farm assurance is a minimum requirement for entry to quality markets: premium products demand very close teamwork between farmers and food processors to get the quality of the particular product absolutely right. Gaining a greater stake in processing and marketing their produce, through co-operative initiatives, is also the best way for farmers to get a greater share of the price that consumers pay for food;

- **use IT to manage farm businesses in a modern, commercial way**, analysing unit costs and margins. Few livestock farmers in Wales do this and far from all dairy farmers. A sample of 60 farms studied as part of the Welsh Sheep Strategy found costs of lamb production varying from 80 pence to 174 pence per kilo liveweight. The latest information, for England and Wales, indicates that variable costs in the dairy sector vary by around 60% between those performing in the top quartile and those in the bottom quartile. Similar variations (55%) are also seen with the variable costs for the beef herd. (NB these are England and Wales data - analysis of margins is not available at the Wales level). This shows that there is substantial scope for most farmers to cut their costs.
- **combine the traditional skills of managing the land and animals - which remain important - with the latest best practice farming techniques** . If the expertise which is already available - for instance grassland management techniques, from bodies such as IGER - were to be applied on all farms, costs of production could be cut and quality improved, in ways which are sensitive to the environment and animal welfare;
- **make environmental considerations an integral part of farming practice** , not only for their own sake, but also to underpin the basis for marketing food products, and develop the synergy between farming and tourism. In addition, sustainable stocking levels can improve the quality of stock and therefore the price that a farmer receives;
- **make food safety considerations, equally, integral to farming practice, through traceability of livestock, farm assurance and high standards of bio-security;**
- **broaden the agricultural base, where possible.** Welsh farming's dependence on a narrow range of products is a source of vulnerability. The scope to change this is limited, and dairy, beef and lamb will continue to dominate. But where it is possible to develop other sectors, it makes sense to do so. There is potential to develop horticulture, biomass and farm woodlands in some areas;
- **see agricultural production as just one among a range of options for generating income** . Other potential sources of income include environmental management, tourism and other forms of on - and off- farm income. The goal is to help farming families to generate the income to give them a viable future in their rural communities: food production is one means to that end;
- **welcome and develop tourism** in forms which are profitable for local people and communities in rural Wales and which can fit with farming practices. Conservative estimates suggest that walking and mountaineering contribute over £70 million to the Welsh economy each year, and support over 4,000 jobs directly and indirectly, with minimal public subsidy. There is major scope to develop these and other forms of agri-tourism, but this potential will only be realised if farmers decide to make this their objective.

These are not once and for all changes. To survive, Welsh farming families will need to be

continuously adapting and pioneering new approaches.

2.7 Progress will be monitored against the following quantifiable indicators:

- value-added in farming and related food processing net of CAP subsidies ;
- value-added per person employed in farming and related food processing in Wales ;
- the proportion of their income which farming families derive from non-farming sources;
- the proportion of agricultural land under an agri-environmental agreement, which is organic or in conversion to organic status;
- the populations of farmland birds;
- populations of key farmland species other than birds.

2.8 Taken together, this represents a new direction for Welsh agriculture. Since the Second World War, farmers have been told to produce more, and protection assured their income. The new message to farming families is instead:

"Create quality incomes in a way that sustains families and the environment"

The strategy offers real potential to develop synergy between the economic, environmental and social aspect of farming, so that they reinforce each other. It also offers the chance to achieve improved income, and satisfaction for those who decide to continue to farm.

2.9 The principles of sustainable development, in all its aspects, are therefore at the heart of this strategy. Organic farming embodies these principles, and has a great deal to offer Wales. It epitomises much of what the new strategy means. The National Assembly has led the way in Europe in acting to prevent cross-pollination from GM plantings, to safeguard organic production. The demand for organic food continues to grow rapidly, and Welsh farming needs to tap this as much as possible, but the development of organic farming needs to proceed in step with the willingness of consumers to pay for it. The Agri-Food Partnership's Organic Strategy Group will keep the target for organic farming in Wales under careful review.

2.10 All these issues impact on the practical choices that farming families have to take. At the level of the individual farms, the essential choices are:

- i. to expand in order to remain viable in producing basic agricultural commodities;
- ii. to collaborate with other farmers, and with processors, to compete with differentiated, added-

- value products;
- iii. to produce niche products, selling direct to the consumer, using the internet, mail-order, farmers' markets or links with hotels and restaurants;
 - iv. to develop alternative on-farm income;
 - v. to develop alternative off-farm income, by members of the family taking full or part-time jobs, by doing sub-contracting work, or by starting a new business;
 - vi. to derive income directly from the environment by joining Tir Gofal;
 - vii. to convert to organic farming, or
 - viii. to cease farming. After careful examination of all the options, it may be better in some circumstances for a family to face up to this rather than see its financial assets seriously eroded.

2.11 These options are not mutually exclusive, and farming families will normally combine several of them. Better business management is essential whichever option is chosen. There is no one right answer for all farms, but the more that options (ii) to (vii) can be pursued successfully, the more that the unpalatable trends in chapter 1 can be mitigated. The outcome in practice will be determined by the myriad choices that individuals take.

2.12 The National Assembly cannot determine how the industry responds. That depends on farmers and food processors. What the National Assembly can do is implement measures which extend the opportunities for people to pursue options (ii) to (vii). It also has a key role in allowing farming families to access information and advice so that they understand the options available, can take informed choices, and can pursue them effectively. The next chapter sets out what these measures will be.

CHAPTER 3: A PROGRAMME FOR ACTION

3.1 The role of the National Assembly is to work on two fronts:

- **to influence the UK Government, and through them the European Union** , to secure a trading and subsidy framework which favours the objectives for agriculture set out in paragraph 2.3;
- action by the Assembly **within Wales** including using the measures available under the European Union's Rural Development Regulation and the Structural Funds, and promoting coherent action by relevant agencies and local authorities, to help the industry, and rural communities more generally, to adapt.

This chapter sets out a programme for action covering each aspect in turn.

Working with the UK Government and the European Union _

3.2 Despite the CAP reforms of 1992 and 2000, agriculture within the EU remains heavily protected, although the remaining tariff barriers and import quotas are likely to be reduced further in future CAP reform rounds. A return to tougher protectionism is no answer to the problems agriculture faces. It would not be in the interests of the Welsh economy as a whole, which is locked into international trade. Nor would it be right for a country such as Wales, which is relatively prosperous in global terms, to advocate denying access to its markets to farmers in countries which are less developed. **The National Assembly administration will however work for a trading system which has proper standards, effective labelling, and which does not undermine standards of animal welfare and environmental practice. It will also press the UK Government to ensure that EU rules designed to prevent the import of sub-standard meat, which may be a risk to human or animal health, are strictly enforced, and are tightened where necessary.**

3.3 As chapter 1 explained, the current system of CAP subsidies is poor at protecting farm incomes, makes it hard for farmers to respond to market signals, and takes little account of the environment or the need to develop the wider rural economy. **The National Assembly administration will work for reform of the CAP which:**

- **converts subsidies from paying farmers according to the amount they produce or the numbers of animals they have, to decoupled subsidies which take account of historic production.** This will help maintain income support for farmers, while making it easier for them to focus production on what the market wants, and enabling stocking rates to be brought more into line with environmental considerations;
- **switches CAP funding gradually from production subsidies and into rural development measures,** which include Tir Mynydd, Tir Gofal, support for organic farming, the Agri-Food Strategy, Farming Connect, woodland grants and wider rural development measures; and
- **improves the basis for funding agri-environmental schemes** , to reduce the current heavy reliance on calculations of "income forgone", so that farmers can be rewarded more directly for the environmental and ecological outputs they deliver.

3.4 The big supermarkets wield an enormous influence on the shape of farming in the UK. The supermarkets' Code of Practice on Relationships with Suppliers is a step forward, but it remains to be seen what impact it will have. In addition, supermarkets' highly centralised food distribution systems have a high environmental cost in terms of food miles, and the fuel crisis in autumn 2000 sharply exposed their fragility. **The National Assembly administration will press the UK Government to:**

- **review the effectiveness of the Supermarkets' Code of Practice by the end of 2002,** and
- **commission a study of supermarkets' centralised food distribution systems** , to assess their environmental and wider costs, and identify how more local food distribution systems might be encouraged which are easier on the environment and less vulnerable to disruption.

Action within Wales

3.5 Action within Wales falls under the following headings:

- **Building Understanding Between Producers and Consumers**
- **Raising the incomes of farming families:**
 - The Agri-food Strategy
 - New Sources of Income
- **Helping the industry to respond:**
 - Farming Connect
 - Young Farmers
 - Planning
 - Regulation and Administration
- **Making farming more sustainable environmentally**
- **Recovery from foot and mouth disease: short term measures**

Building Understanding Between Consumers and Producers

3.6 Animal health and food safety are fundamental :

- The National Assembly administration will continue to take all necessary steps to eradicate foot and mouth disease. This is necessary to regain access to export markets, and to secure the right platform for the Agri-Food Strategy generally;
- The National Assembly administration will work with the UK Government in studying and implementing what needs to be done to minimise the risks of animal health diseases, both endemic (e.g. bovine TB) and exotic (e.g. foot and mouth disease) and considering the welfare of farm animals. It will also press the UK Government for strict enforcement of EU rules designed to prevent the importation of material which may be a threat to animal health such as foot and mouth disease;
- Working with other UK Agriculture departments, the National Assembly administration and the

Food Standards Agency will maintain strict measures to eliminate BSE from the Welsh cattle herd, and to protect the safety of Welsh beef;

- In conjunction with DEFRA and the Scottish Executive, the National Assembly administration will work with the farming unions and the industry in Wales to eradicate scrapie from the sheep flock. This is a critical priority. Although there is no evidence that there is BSE in the sheep flock, lamb markets will remain unsettled while scrapie remains. The National Assembly administration is working with DEFRA and the Scottish Executive to implement the National Scrapie Plan, and is funding additional work to accelerate complementary work through the Welsh Sheep Strategy.
- Traceability of food is critical. All cattle are now individually identified; introducing individual identification for sheep must now be a priority. The National Assembly administration will work with DEFRA and the Scottish Executive on how this can best be achieved.
- Bovine TB remains a serious problem in cattle and a potential threat to people. The National Assembly administration will continue to support the strategy for controlling bovine TB and specifically the trials programme to identify whether the culling of badger populations is beneficial in preventing the spread of Bovine TB. It will also continue to keep under review with the UK Government the progress of the research it has commissioned on vaccines, cattle testing and controls and how bovine TB is spread;
- Farm Assurance offers consumers confidence that the food they are buying has been produced with integrity, with standards reflecting food safety, animal welfare and environmental protection. The National Assembly administration will work to secure the extension of farm assurance to all sectors of Welsh production, with a distinctive mark which can be applied to all farm assured food produced in Wales.

3.7 Establishing healthy eating patterns in childhood increases the likelihood of healthy eating in adulthood. Schools will have a particularly important role therefore in educating young people about the relationship between diet and health and the importance of food safety - building an awareness of food issues which will help increase consumer demand for high quality foods. Food technology features strongly throughout the National Curriculum in Wales. Pupils are given a range of opportunities to examine the concept of a balanced diet and the importance of eating a range of foods; to develop hygienic food practices in the home and to recognise the importance of high standards in all aspects of food production. Pupils are also able to investigate where food comes from and how it is produced and transported and to explore the wider implications of our choices to buy or not buy certain food products. ACCAC (the Qualifications Curriculum and Assessment Authority for Wales) have recently published guidance on Food and Food Safety in the Schools Curriculum in Wales which emphasises why food is important and explains how food and food safety issues are integrated across the curriculum. Standards and quality achieved in those subjects that include reference to food and food safety are reported on annually as part of the Annual Report of Her Majesty's Chief Inspector of Education and Training in

Wales.

3.8 The National Assembly has asked the Food Standards Agency to develop a nutrition strategy for Wales. This will address the need to educate people about how to eat healthily and safely, and has the potential to help many more people to understand the importance of farm assurance, and to create a more informed debate about food and food safety in Wales.

3.9 Local government has a key regulatory and enforcement role at the interface between producers and consumers, through its trading standards and environmental health functions, especially with regard to animal health and welfare.

Raising the Incomes of Farming Families

Creating a Welsh Agri-Food Industry

310. The Welsh Agri-Food Strategy is central to helping Welsh agriculture move increasingly away from reliance on commodity markets, and towards markets where competition is more on factors such as quality, branding and added-value. Industry Action Plans for the Lamb and Beef, Dairy and Organic sectors were published in March 1999, and the WDA is working to help the industry implement the plans, with advice from the Agri-Food Partnership. The main general measures are:

- pro-active account management by the WDA of companies that process lamb and beef, dairy and organic produce, to help them target markets and expand;
- grants for marketing and processing projects to support this;
- support for co-operative initiatives by farmers to help them gain a greater stake in processing and marketing their produce;
- support for companies to market Welsh produce within the UK and abroad; and
- development of expert support for food processing companies and farmers on product development.

3.11 Money from structural funds and the Rural Development Plan for Wales has been allocated to progress the Agri-Food Strategy throughout the whole of Wales. The WDA will publish a report in Autumn 2001 setting out the progress made on the Agri-Food Strategy, and future priorities for action.

3.12 Farm assurance now represents the minimum standards necessary for produce to gain entry into markets for quality food. Currently, just over 6,000 Welsh livestock farmers are registered as farm assured, out of a total of 16,000. The number seeking entry to farm assurance schemes is increasing, and the new Tir Mynydd scheme gives hill farmers further encouragement to become farm assured. Livestock farmers who want a future need to be farm assured. **NFU Cymru, the FUW and CLA will work with Welsh Lamb and Beef Promotions to encourage all Welsh lamb and beef farmers to**

become farm assured.

3.13 Current standards of farm assurance are a necessary condition for entry into markets for quality food but will not differentiate Welsh produce from other quality food produced by competitors. This is why brand positioning is so important.

- Welsh Lamb and Beef Promotions will review the criteria for Farm Assured Welsh Livestock and consider the potential commercial merit in incorporating new standards on animal health;
- As part of this, bespoke standards will be specified where appropriate to realise the market potential for niche products such as Welsh Black Beef and Saltmarsh Lamb;
- The process of obtaining legal protection under EU law for the terms "Welsh Lamb" and "Welsh Beef" is nearing its completion. This will prevent lamb or beef born or reared outside Wales being branded as Welsh;
- in addition to working with individual companies on their branding, the WDA is developing an overall brand positioning for Welsh food, based on the results of market research.

3.14 The red meat sector in Wales currently has a significant number of strategic players, including the Meat and Livestock Commission, Welsh Lamb and Beef Promotions, and the Lamb and Beef Strategy Group of the Agri-Food Partnership. Although there is substantial shared membership and common working, a more integrated approach is needed. **The National Assembly administration will consult on how more integrated organisational arrangements, dedicated to creating a prosperous future for the Welsh livestock industry, can be created.**

3.15 Public sector purchasing has a role to play in supporting the Agri-Food Strategy. It can promote local economic development, and local food supply chains which reduce food miles. **The National Assembly will encourage Welsh public sector organisations purchasing food to consider writing farm assurance or comparable standards into their tender specifications.** It is important to be realistic, however. The scope for public purchasing in Wales to support the Agri-Food Strategy is limited not only by the legal requirements for contracts to be subject to competitive tendering, but, more fundamentally, by the reality that public sector contracts are likely to focus heavily on price as a critical factor.

3.16 Farmers' markets bring farmers into direct contact with local consumers. Existing farmers' markets, and potential new ones, are eligible for support from the WDA, which is aiming to promote a strategic approach through the involvement of local authorities and the encouragement of co-operative associations. It is important to ensure however that support for farmers' markets does not undermine established butchers.

3.17 There is tremendous potential for distinctive food products, and a high quality cuisine using

authentic Welsh ingredients, to increase Wales' attractiveness as a destination for tourists, to promote the reputation of Welsh food and the image of Wales more generally. **The WDA will work with the Wales Tourist Board through the Taste of Wales Scheme to:**

- **encourage top-quality hospitality using authentic Welsh ingredients and food products;**
- **support food festivals promoting Welsh food; and**
- **organise food trails enabling visitors to Wales to see speciality food making at first hand.**

3.18 Wales long-term success in the agri-food industry will also depend in part on whether Wales develops a strong food culture, with consumers who expect and demand the highest standards.. The Welsh Nutrition Strategy and the Welsh National Curriculum will be crucial to helping to create this culture.

Developing New Sources of Income

3.19 Research commissioned by the National Assembly administration and the WDA shows that there are profitable opportunities to develop horticulture, including organic horticulture. Although the majority of Welsh agricultural land is clearly unsuitable for horticulture, there are pockets of good quality land where it is well worth considering. Drawing on the approach followed in developing the other Agri-Food action plans, **the National Assembly administration and the WDA will support the Agri-Food Partnership in working up an industry action plan to develop horticulture in Wales.** A sub-group of the Organic Strategy Group will input on organic horticulture .

3.20 The Wales Woodland Strategy was published in July 2001. The guiding principles of the strategy complement this strategy: forestry and woodlands will find it hard to compete in commodity markets, on price, and need to move as far as possible to compete on quality and value- added processed products. The strategy does not envisage a large expansion of forestry in Wales, but rather a shift towards more sustainable management of Welsh woodlands for environmental and social benefits, including tourism, as well as for timber production. Within this, the strategy sets out action to help farms gain greater income from the management of farm woodland, including a shelterwoods grant delivered as part of Farming Connect . **The Forestry Commission will develop an action plan on the better management of farm woodlands in Wales.**

3.21 The research commissioned by the National Assembly administration and the WDA shows that there is worthwhile scope to develop small-scale heat and power plants in Wales fuelled by biomass. The small round wood and residues produced by commercial forestry would be a prime fuel source, but there are also opportunities for farmers to grow biomass, notably short-rotation coppice. **The National Assembly administration will co-ordinate the production of a biomass strategy, drawing on industry expertise.**

3.22 Other forms of energy generation and recycling of waste may offer potential for some farmers in appropriate circumstances. **The National Assembly administration will, in consultation with the**

WLGA, investigate the potential in particular for farmers to play a part in local recycling of organic waste .

3.23 Recent independent research commissioned by the National Assembly administration has identified the potential for aquaculture, and in particular the potential for integrating aquaculture with agriculture. In addition, the Nautilus Study, commissioned by the National Assembly administration, has made recommendations about the basis for a strategy to realise this potential. New recirculation technology means that fish can be produced from land-based facilities, and the reports suggest that the economic performance of farms could be improved through such projects. Care would need to be taken to ensure that any developments were environmentally sensitive. In addition, angling can attract tourists to Wales. A recent study suggests that inland fisheries contribute about £40 million to the Welsh economy. The Objective 1 SPD for Wales provides considerable scope to support aquaculture and to develop the potential of angling, and **the National Assembly administration will work with the farming unions and others to publicise this potential to farmers.** More recently, the Wales Tourism Board and the Environment Agency have commissioned a fishing tourism strategy. **Two industry-strategy groups will be set up, one for sea fishing and the other for inland fisheries, to help the National Assembly, the WDA and the Wales Tourist Board develop the potential for the fishing industry and angling linked to tourism.**

3.24 Expanding opportunities for work off-farm is important :

- in promoting economic development in rural areas, the WDA will have regard to the need for part-time jobs, which can be combined with part-time farming;
- local authorities are a very important source of work in rural areas. The WLGA will consider how local authorities could assist in expanding opportunities for farmers, including part-time or contract work;
- it can be difficult for individual farmers to tender for contract work. The labour pools established by the Machinery Rings seek to tackle this, by matching farmers to work opportunities. The National Assembly administration will monitor the success of this initiative closely, to see if it is worth extending more generally.

Helping the Industry to respond

Farming Connect

3.25 Farming families need help to:

- develop their skills to manage their business successfully, and to diversify;
- adopt best practice, environmentally-friendly farming techniques; and
- take informed decisions about their future.

3.26 A great deal of help is already available through private sector services, and a number of projects have been funded under the Objective 5b programme, including the Welsh sheep strategy, the Welsh Dairy Club ADAS's beef project, IGER's Grassland Technology Extension project, the WDA's programme of farm business reviews, and advice provided by LEADER groups. The challenge is to create a team approach, a vehicle which will give Welsh farming families the information, advice and training they need to help them adapt and prosper.

3.27 The National Assembly administration and the WDA, working with a wide range of partners through the Agri-Food Partnership's Farm Development Strategy Group, have developed proposals to achieve this. Under Farming Connect, a wide range of partner organisations will work together to offer farming families a specialist range of services. Farming Connect will not be separate from Business Connect, but a specialist service within it. This is important, because farming needs to be seen increasingly as an integral part of the wider rural economy, and farming families will often be able to benefit from the more general services available under Business Connect. Farming Connect will be central to helping farming families respond in an entrepreneurial way to the challenges they face, and to making the Assembly's objective of promoting Lifelong Learning a reality in the farming community. The main elements of Farming Connect will be:

- **Farm Business Development Plans** , providing farmers with free advice to help them develop plans to improve their viability; these will be available, free to farmers, throughout Wales;
- **Farm Improvement and Farm Enterprise Grants**, to help farmers invest to develop and diversify their businesses, to improve their viability, in ways identified through the Farm Business Development Plans. Farm Grants will principally be available in the Objective 1 area, although limited provision will also be available elsewhere in Wales;
- **A Wales-wide network of demonstration farms**, to disseminate best-practice environmentally-friendly farming, ways of combining farming with woodland management, farm business management techniques, bio-security, food safety, and highlight approaches to diversification. Demonstration farms will, in the main, be ordinary working farms, and local farmers will help to select them;
- **Funding for technical development strategies for the lamb, beef and dairy sections, and for grassland technology**, building on the work of the Welsh Sheep Strategy and other work funded under Objective 5b;
- **Telephone advice on farming and diversification options**
- **Training in business and IT skills.** This will help farmers run their businesses better, with potential spin-off benefits for diversification projects and their off-farm work. As part of Farming Connect, ELWA will be mounting a major programme of business and IT skills training for

farming families throughout Wales, from the autumn;

- **Better access to information on public services, through the National Assembly Agriculture Department's Divisional offices;**
- **Local facilitators, to promote take-up of Farming Connect services. Local facilitators will link into the wide variety of local groups where farmers and farming families meet, to discuss the issues that farming families face, and help them access the help that Farming Connect can offer.**

3.28 The WDA and the National Assembly administration will work with a wide range of essential partners to put these elements of Farming Connect in place incrementally, so that they build on and take over from the services currently funded under Objective 5b. Farm Business Development Plans and Farm Grants will be available throughout Wales from Autumn 2001. Local authorities will play an important role, through Farming Connect, in providing farming families with help and advice on business issues and diversification, planning, and tourism issues. The WLGA will produce guidance for Farming Connect facilitators and consultants to ensure they have a full understanding of the regulatory functions of local authorities, such as trading standards, environmental health and planning, as well as the support they can provide on economic development and tourism. The Food Standards Agency will support Farming Connect by providing specialist advice where appropriate.

3.29 The information and advice available through Farming Connect should go a long way to help farming families face and deal with the difficult choices confronting them. Special help needs to be available, however, to those who need help in dealing with worry and stress. **The National Assembly administration has extended access to counselling services by establishing a Rural Stress helpline as part of the Community Advice and Listening Line network run by health authorities, and special steps will be taken to promote the Helpline to the farming community.** The Helpline is now available throughout Wales.

Young Farmers

3.30 The age-profile of Welsh farmers is old, and becoming older. 50 percent of the registered proprietors of Welsh farm-holdings are aged 55 or over. This figure is misleading as it does not take into account younger family members who are working on the holding, but it remains the case that the age-profile of farmers is a factor making it harder for the industry to adapt.

3.31 The barriers to young people entering farming have been increased substantially by the CAP itself. The CAP has raised land prices, and introduced bureaucratic capital, in the form of quotas, which new entrants need to obtain. The capital value of the average Welsh farm is now £365,000.

3.32 The following action will be taken to help young people realise their potential in the industry:

- **Initial vocational education and training** . ELWA will review the provision of initial vocational education and training for those entering the industry, to ensure that content supports the new direction for Welsh agriculture outlined in this document to ensure that key areas of specialist expertise are maintained;
- **Advice and skills** . The information and advice available through Farming Connect will be particularly relevant to young farmers, as will the programme of business and IT skills training for farmers which ELWA will launch this autumn (see paragraph 3.27). As part of this, advice will be available to farming families under Farming Connect on the business succession issues they face. In addition, **Farming Connect will include specialist "Young Farmers' Angels", allied to the YFC, to help young people access Farming Connect services, and to help them prepare business plans and assemble the right kind of package of support, including from banks in terms of loans and overdrafts.**
- **Capital** . The capital grants available through Farming Connect have been designed to help young farmers. The Farm Improvement Grant, designed to help farmers undertake commercial investment in their farm businesses, normally offers a grant rate of 20%, but this will be 30% for young farmers. The Farm Enterprise Grant , which is designed to help farmers diversify, will offer young farmers a 40% grant rate, as opposed to 30% for other farmers. **In addition, the National Assembly administration proposes to give young farmers top priority in allocating sheep and suckler cow quota from the National Reserve.**
- **Share-farming.** Share-farming is potentially an excellent way of enabling young people to set up in farming while gaining advice and support. A share-farming agreement is a form of joint venture business arrangement where an established farmer and a young farmer can share the costs and risks of a farming project, each receiving a share of the returns. Usually one party would provide the land and buildings, the other labour and machinery, and both would share other fixed and variable costs. **The "Young Farmers' Angels" within Farming Connect will promote share-farming, and help young farmers to find partners and negotiate suitable agreements ,** with appropriate legal advice.
- **Tir Gofal.** Helping young farmers to adopt environmentally-sustainable approaches to farming is an important priority, particularly as the financial pressures on them can pull in the other direction. **As part of the stocktake of Tir Gofal, the National Assembly administration and the Countryside Council for Wales will consider awarding young farmers additional points in the Tir Gofal scoring system, to help them gain access to the scheme.**

Planning

3.33. The National Assembly is working to ensure the planning system helps farming families to diversify:

- The Assembly commissioned research to establish if the planning system affects the attempt of farmers and other rural businesses to diversify. This research 'Farm Diversification and the Planning System' was published in March 2001;
- A full review of planning policy is underway and the rural planning policy in the draft 'Planning Policy Wales' (issued for public consultation in February 2001) was informed by the interim results of the farm diversification research. The draft reflects the National Assembly's policy of encouraging farm businesses to diversify and proposes that new building should be permitted on farm complexes (subject to highways and environmental considerations). Responses to the consultation were generally supportive of the changes proposed in the draft document. The final version should issue early in 2002.
- The National Assembly administration will also revise and publish the "Farmer's Guide to the Planning System", a user-friendly handbook for farmers.

Regulation and Administration

3.34. Farming in the European Union is heavily subsidised. This inevitably means that farmers are subject to audit and regulation. In addition, the public demands high standards of food safety, animal welfare and environmental protection. This entails regulation, but the EU points to these high standards in defending the CAP in World Trade negotiations

3.35 Red tape and regulation are frustrating for farmers, but the recent Haskins report found that the scope for deregulation is limited. The National Assembly's objective is to cut red tape and regulation where possible, consistent with maintaining audit standards in paying subsidies, and maintaining high standards in animal welfare and environmental protection. Farmers themselves recognise that there can be no compromise in maintaining the strictest standards in animal traceability and food safety.

3.36 Through its JIGSAW programme, the National Assembly administration has made substantial progress in improving the way in which the CAP is administered in Wales. Payments are being made more quickly, administration is being simplified, and farmers are being given advice on form filling, not only at Assembly Divisional Offices, but also through outreach at livestock markets and in roadshows. **The National Assembly administration will continue to work through the JIGSAW programme to lighten the burden of CAP administration on farmers, by:**

- **Implementing the Action Programme "Putting the Voice of Welsh Farmers into Action" published in Autumn 2000**. The Action Programme set out a wide range of measures, improving the service that the Assembly's Agriculture Department gives to farmers as its customers, based on the results of a survey of 4,000 farmers carried out for the National Assembly by NOP. A progress report and updated Action Programme will be published by Spring 2002;

- **Introducing a new IT system in the National Assembly's Agriculture Department** . This will enable major improvements in the speed and efficiency of CAP payments. Developments are under way; implementation will be phased throughout 2002. The solution includes a Geographical Information System to improve the accuracy of land based records;
- **Introducing a new Independent Appeals system for farmers** , by 31 October 2001. An independent advisory panel will be convened as the final stage in an appeals process whereby farmers in Wales can appeal against decisions made by officials in relation to the main CAP subsidy schemes. Appointments to the panel are being made now and the relevant legislation is scheduled to come into force in August 2001;
- .E-Business opportunities in the form of electronic claims submission will be introduced in early 2003 on the basis of the new IT system currently being developed;
- farmers can get their payments faster if they opt to use direct credit transfer to their bank accounts, through BACS, rather than continuing to require a payable order to be sent through the post. Currently, only a third of Welsh farmers use BACS. **The farming unions will work with the National Assembly administration to increase the proportion of Welsh farmers who use BACS to 90% by 2003.**

3.37 The National Assembly administration has acted generally to reduce the burden of regulation on the industry:

- it was successful in securing agreement to the abolition of Dairy Hygiene inspection charges;
- it was prominent in arguing for a better deal for small abattoirs on meat hygiene inspection charges, and has implemented the recommendations of the McLean Report on this; and
- it has agreed with the UK Government to abolish the 90-head limit on the number of animals a farmer can claim under the Beef Special Premium Scheme, giving farmers greater flexibility which safeguarding Welsh interests by securing protection for those claiming up to 30 animals against any possible scaleback of their claims through over production.

The National Assembly administration will continue to work with the farming unions and others to identify opportunities to ease the burden of red tape on the industry, where they can be achieved without compromising standards.

3.38. In June 2001, the European Union agreed that member states, and devolved administrations, should be given the option of piloting a scheme for making simplified CAP payments to farmers receiving less than 1,250 euros in subsidy a year – referred to as the Small Farmers' Scheme. In the light of responses to the consultation exercise, the National Assembly administration will decide whether this option should be implemented in Wales and, if so, when.

Making Farming more Sustainable Environmentally

3.39 The National Assembly administration will, in consultation with partners in Farming Connect, define environmentally-friendly best practice models of sustainable farming. Farming Connect will be geared to promoting these. This will help the whole of Welsh agriculture move in a more sustainable direction.

3.40 Evaluation has shown that agri-environmental schemes can benefit Wales' environment and ecology, while sustaining farm incomes and creating rural employment. Research also shows that organic farming, and particularly mixed arable and pastoral organic farming, brings biodiversity benefits. The National Assembly's target is that by 2003, 25% of Welsh agricultural land should be under an agri-environmental agreement, or be registered as organic or in conversion to organic status. Faster progress will depend crucially on CAP reform shifting the balance of subsidy away from the agricultural production, and towards rural development measures, including agri-environmental schemes.

3.41 It is important to learn lessons from early experience with Tir Gofal. In Spring 2001, the National Assembly administration and the Countryside Council for Wales began work on a stocktake of Tir Gofal with the following terms of reference:

To ensure that the scheme delivers high quality agri-environmental outputs across a range of farms and farm types in Wales whilst providing value for money both in terms of environmental and public benefits, and administration.

In particular:

- i. Whether the perceived complexity of the scheme is deterring applications and leading to high levels of drop out during the negotiation process; and whether it can be simplified without compromising environmental gain;
- ii. How the administration of Tir Gofal can be improved particularly in relation to:
 - the time it takes to produce an agreement
 - the complexity of the cartographic work
 - running costs, whilst ensuring that all accounting, audit and EC requirements are met;
- iii. whether options can be identified to enable a greater number of farmers to benefit from the scheme, for a given budget, while maintaining the whole farm approach and delivering environmental outputs effectively;

- iv. whether the pattern of take-up under the scheme should be adjusted, taking account of deadweight and policy priorities;
- v. the range of farms being accepted into the scheme, by size and geography.

The stocktake's final recommendations will be published in Autumn 2001.

3.42 The number of sheep in Wales approximately doubled between 1972 and 1992. This undoubtedly led to a significant loss of biodiversity. Most of this was caused by the draining reseeding and fertilising of semi-natural upland grazing land to support increased sheep numbers. The introduction of sheep quotas in 1993 capped the overall rise in sheep numbers, but the trend towards a sheep monoculture in the uplands has continued. Market pressures have led to a decline in the number of dairy and beef cattle in the uplands, and to a reduction in arable and other crops. This is damaging environmentally. Extensive suckler cow beef production systems, in particular, are beneficial environmentally as they support insect life, and thereby encourage bird-life, trample bracken and balance the more selective grazing preferences of sheep. The beef produced by grass-fed suckler cow herds is the top-quality end of the beef market, and so support for suckler cow herds is a policy priority in terms of both environmental factors and the Agri-Food Strategy. The growth of crops in the uplands is also beneficial, in terms of helping to support bird-life. The National Assembly administration has taken a number of steps to support suckler cow production systems and cropping in the uplands, for instance through using the "national envelope" to top up the Suckler Cow Premium, and through the design of Tir Mynydd. **The National Assembly administration will continue to treat the promotion of suckler cow beef production and the growth of crops in upland areas, as a policy priority .**

3.43 Sheep numbers in upland Wales are unlikely to change substantially while CAP subsidies drive farmers to focus overwhelmingly on numbers. The direction of CAP reform, towards decoupling subsidy from production subsidies, has the potential to be beneficial, by enabling farmers to decide for themselves how many sheep they should keep in the light of the market opportunities and the need to optimise the quality of the lambs produced. As indicated in paragraph 3.3, the National Assembly administration's priority will be to seek to ensure that decoupled subsidies are set on a historic basis, to protect farm incomes, and to avoid the divisive redistributive effects that simple area-based payments would bring.

3.44 Cross-compliance rules enable the National Assembly administration to withhold subsidy where there is evidence that farming is causing environmental damage, and the application of these rules will remain particularly important while sheep subsidy payments remain linked to the number of breeding ewes a farmer has. Current concerns about potential environmental damage through grazing pressure focus mainly on common land, where the multiplicity of graziers makes it hard for farmers to reach sensible corporate agreement on stocking levels, and equally makes the application of cross-compliance rules problematic. Primary legislation is urgently needed to establish graziers commons' management associations on a statutory basis, with powers to regulate grazing practice on each common by majority vote. Such associations would also make it easier to tackle animal health problems such as sheep scab,

which spread easily on common land. **The National Assembly administration will press the UK Government to bring forward at the earliest opportunity legislation to establish effective commons management associations.**

3.45 Tir Gofal is a powerful tool for securing environmental improvements at the level of the individual farm, but there is also a pressing need to promote the coherent development of areas of landscape on a wider basis, in ways which integrate environmental considerations with the potential for tourism, the conservation of archaeological and cultural heritage, and the need to increase income and employment opportunities for local people. There is, for instance, scope to use European structural funds and domestic funding to put together a package of measures in a locality, which :

- Increase opportunities for leisure and tourism in woodland, angling and walking;
- Support this where appropriate by making the landscape more attractive through the management of woodlands and other habitats, and restoration of field boundaries;
- Encourage wildlife in ways which tourists can appreciate;
- Conserve and celebrate the area's archaeological, historical and cultural heritage;
- Help farmers and other local people gain a slice of income from tourism, through improved accommodation and catering, and facilities for activities.

3.46. The Wales Tourist Board's Tourism Growth Area programme for rural and special interests offers a vehicle for taking some of these measures forward. **The Board and the Countryside Council for Wales will work with local authorities and others to develop exemplar integrated countryside and tourism development projects. The Forestry Commission, the National Parks, CADW and the Environment Agency will have important roles in providing expert advice .** In-depth involvement of local people must be the key-note if projects are to be successful. The development of long-distance walks or cycle routes is one area with clear potential, which would support the National Assembly's wider objectives on promoting exercise and health.

3.47 In some areas, there will be opportunities to combine such approaches with developments in woodlands, farming practice and management of river catchment areas, to improve flood defence for urban areas downstream. **The Environment Agency will have a key role to play in identifying such opportunities and feeding ideas in as projects are worked up.**

3.48 **The National Assembly administration will continue to operate the most restrictive policy possible in respect of Genetically-Modified Organisms, within the framework of European legislation. In recent months, the Assembly has introduced legally enforceable separation distances.**

3.49 Agriculture is a significant contributor to greenhouse gas emissions in Wales: some estimates suggest it may account of 17% of Wales' total emissions of all greenhouse gases. **The National Assembly administration will commission research to identify ways in which changes to farming and forestry practice might reduce greenhouse gas emissions and increase carbon sequestration**

from the atmosphere.

3.50 The safety-net arrangements negotiated by the National Assembly administration with the European Commission as part of Tir Mynydd expire in 2003. **The National Assembly will therefore set up a working group of officials from the Agriculture Department, the farming unions, the Countryside Council for Wales and environmental interests, to recommend how Tir Mynydd might be adjusted after 2003 to reduce the redistribution of payments between farmers that would otherwise occur, while promoting sustainable farming practice.** Proposals for changes to Tir Mynydd will be subject to the approval of the European Commission, and will need to be consistent with the Rural Development Regulation.

The Short term: Helping Farming recover from Foot and Mouth Disease

3.51 [to follow- discussions ongoing]

Next Steps

3.52 Spreading the message and engaging the industry in the longer term strategy for agriculture in Wales is an important next step. A key part of that strategy is Farming Connect, the delivery mechanism through which farmers will obtain the skills and information to adapt, survive and prosper. The long term strategy and Farming Connect will be rolled out across Wales through regional and local events, to reach out to as many farmers as possible. In addition individual farmers will receive regular information updates directly from the National Assembly administration, aimed at keeping farmers abreast of the latest scheme changes, initiatives and policy developments.

3.53 The National Assembly is committed to working with the industry to create a better future for our farmers, as well as benefiting the countryside and consumers. To ensure that the strategy remains on course, progress will be monitored against the action points outlined in paragraph 2.7 and the results published.

ANNEX 1

Welsh Farming: The Economic Context

Longer Run Trends

Total Income From Farming

- There is a long-run trend for total income from farming in Wales to decline, both in real terms and as a share of Gross Domestic Product (GDP) (see Chart 1). (This is independent of shorter-run difficulties in recent years.)
- This is a common feature of developed economies. As people's incomes rise, they generally devote a decreasing proportion to food. In addition, technological developments reduce the costs of producing agricultural products - and in particular the amount of labour required. The result is a decline in the relative price of agricultural products, and in total income from farming.
- Income from farming is volatile, reflecting both the fact that it incorporates an element of profit, agriculture's susceptibility to changes in the exchange rate and natural factors. This makes it unwise to place great emphasis on short run movements.

CHART 1



Image24.gif (6455 bytes)

Source: *Farm Incomes in the UK*, and National Assembly calculations.

Note: Total Income From Farming (TIFF) is a National Accounts-based measure of income gained from farming. It represents the return to a wide entrepreneurial group (farmers, partners, directors and spouses if working on the farm, and family workers). It comprises the compensation to these people for their manual and managerial labour plus the return on their capital. Because no account is taken in the measure of the number of people benefiting from TIFF, it cannot be taken as an indicator of income per capita.

Number of Holdings

- The number of agricultural holdings in Wales is in long-run decline (see Table 1(a)). Although the decline has apparently stabilised in recent years, this masks a shift, at the one end of the size distribution, towards larger farms, and at the other end, towards smaller, part-time farms.
- The long-run trend reflects re-structuring of the industry in response to (a) the higher productivity associated with larger-scale production and (b) the decline in the relative price of agricultural products.
- These effects have been more pronounced in certain sectors, particularly dairy (see Table 1(b)).

TABLE 1(a) TABLE 1(b)

Image25.gif (9030 bytes)

Table 1(a)

Table 1(b)

Employment

- There is an established long-term trend of decreasing employment in agriculture (see Chart 2).
- This has meant that the decline in total income from farming is not fully reflected in long-run declining incomes per head.

CHART 2



Source:

Digest of Welsh Historical Statistics, Agriculture in the UK, and Welsh Office calculations.

- The decline in income from farming, coupled with labour-saving productivity improvements, has resulted in a growth in part-time farming (see Table 2).

TABLE 2



Image27.gif (5140 bytes)

Note:

Data for more recent years excluded because of definitional changes.

- Over the medium term, the decline in agricultural employment in rural Wales has been more than offset by the growth in employment in services, particularly those provided by the private sector (see Chart 3). However, this will not have been true for all areas.

CHART 3

Image28.gif (5543 bytes)

Source:

Annual Employment Survey , Agricultural Census , and National Assembly calculations.

Note:

More recent data unavailable due to definitional changes.

Current Position

Contribution to Welsh Economy

- Agriculture still makes a significant contribution to the Welsh economy - but it is easy to overstate its importance (see Table 3)

TABLE 3

Key Facts, 1999

Agriculture's share of Welsh GDP	1.2%
Agriculture's share of Welsh GDP (excluding direct subsidies)	0.6%

Workforce in agriculture (including part-time and seasonal) ²	60,000
Agriculture's share of employment in Wales ²	5%

Notes:

1. Indirect support arises from the effects of the CAP in maintaining European prices above world prices.

2. The agricultural industry includes a high proportion of part-time workers. Figures on the basis of full-time equivalents would be lower.

Source:

Farm Incomes in the UK and National Assembly estimates.

- In addition to the direct effects summarised in the table, agriculture has multiplier effects on other industries. Published estimates suggest that for Wales as a whole, GDP and employment multipliers generally lie in the region 1.3 to 1.5 (ie the figures in the table could be increased by between 30% and 50% to arrive at an estimate of the overall contribution of agriculture to the Welsh economy).
- Total employment in agriculture has decline sharply over the last two years (see Table 5).

TABLE 5

Persons engaged in work on agricultural holdings



Image29.gif (5050 bytes)

Source:
June Agricultural Census

- Agriculture's contribution to GDP and employment is of course relatively more significant in rural Wales (see Chart 4).

CHART 4

Image30.gif (5865 bytes)

Note

Rural Wales defined as the unitary authority areas of Anglesey, Conwy, Denbighshire, Gwynedd, Ceredigion, Pembrokeshire, Carmarthenshire, Powys and Monmouthshire.

Source : Labour Force Survey

- Agriculture also produces a range of environmental outputs (and imposes certain costs) not captured within conventional measures of GDP.

Farm Incomes

- A combination of adverse factors have resulted in farmers' incomes declining precipitously over the last few years - albeit from historically high levels in the mid 1990s (see Tables 6 and 7).
- The adverse factors are well known, and include the BSE crisis, weakness of the euro, falling world commodity prices, and, most recently, the Foot and Mouth crisis. Over the short to medium term, the relative strength of the currency is the single most important influence on farm incomes.
- The welfare of farmers will also depend upon their income from non-agricultural and off-farm sources. Table 5 includes the available information. Note that the data *excludes* income earned by family members other than the farmer and spouse.

A red rectangular box containing the text "Image31.gif (7116 bytes)".

Source:

Farm Business Survey National Assembly calculations.

Notes:

1. Measures of both Net Farm Income and Cash Income are obtained from the Farm Business Survey. Unlike Total Income From Farming, they represent average incomes *per farm* .

2. Net Farm Income, which measures the economic return to the labour of the farmer and spouse, and on their capital, makes a number of adjustments to Cash Income. These include a charge for depreciation (whether or not re-investment is actually undertaken) and a nominal deduction to cover rent (even though most farmers are owner-occupiers).

3. As both Cash Income and Net Farm Income include an element of profit, they will be more volatile than would measures confined purely to labour income. The volatility of the measures also reflects the nature of farming and commodity markets, and the disproportionate impact on incomes of changes in commodity prices.

- Farms are heavily dependent on subsidy. Average direct subsidies for all full-time farms in Wales were forecast to be £17,300 in 2000/01. This compares with Net Farm Income of £4,100. The equivalent figures for LFA Cattle and Sheep farms were £22,800 and £3,800.
- Table 7 further illustrates the extent of the recent severe declines in Net Farm Income. (It should

also be noted that over the same period most other groups will have experienced increasing real incomes. Across the economy as a whole, the trend annual increase in real incomes is 2 to 2½ per cent.)

Image32.gif (3451 bytes)

Source:

Farm Incomes in the UK, and National Assembly calculations.

- Despite the recent declines, farm performance and incomes still show considerable variation. Table 8 presents results for farms banded by performance.

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Contribution of Agriculture to the Welsh Environment

A. ENVIRONMENTAL RESOURCES

Wildlife Habitats

1. An initial analysis of the extent of wildlife habitats in Wales, broken down into eight broad categories, immediately reveals the predominantly pastoral nature of the landscape (Table 8). Nearly two-thirds of the land is covered by grassland vegetation, which supports a farming economy based largely on livestock rearing. Of this, some 1 million ha, almost 50% of the land surface of Wales, was recorded as improved agricultural pasture. Of the other habitat categories, only woodland (including conifer plantations and scrub) exceeds 10%. Heathland and peatlands each cover 3-5% of Wales, predominantly as components of heather moorland in upland areas. Bracken also accounts for about 3%, mainly around the upland fringes. Arable land occupies a similar area, mostly on fertile soils in the lowlands. Coastal and open water habitats each cover less than 1%. In overall terms, land supporting semi-natural plant communities has now declined to a little more than one quarter of the land area of Wales.

—

Table 8

Extent of Wildlife Habitats in Wales Ha %		
Grassland	1,269,627	63.51
Woodland and Scrub	264,185	13.22
Peatland and Wetland	59,661	2.98
Heathland	93,328	4.67
Coastal	13,289	0.66
Bracken	62,209	3.11
Open Water	14,573	0.73

Arable	56,563	2.83
Urban, Wasteland and Bare Rock	165,642	8.29
TOTALS	1,999,079	100

[Source: Countryside Council for Wales, 1999]

Landscape and Historic Features

2. Traditional field boundaries are important components of the Welsh rural landscape and comprise a resource of considerable historic significance. For example, some 50-60% of Welsh field boundaries are thought to be of medieval or even prehistoric origin and form part of ancient enclosure patterns. The method of construction varies across Wales with stone faced earthbanks (often topped with gorse) in coastal areas; species rich hedges in the lowlands and stone walls or thorn hedges in the upland fringes. Such features are of value to a wide range of species including song thrush, pipistrelle bat, dormouse and other such mammals such as weasel and stoat.

[CADW statistics on SAM and Unscheduled Sites in Wales]

Recreation and Enjoyment

3. The proportion of open country, including unfenced mountain, moor, heath and registered common land in Wales, is estimated to lie somewhere between 40-50% of the total land area, or 80,000 to 1 million hectares. **Almost all of this land is used for livestock grazing , mainly by sheep** . Of this total area of open country, 10-12% is already open to the public as of right and on a permanent basis. A further 20-25% is open by agreement, with much of the remainder subject, by custom and tradition, to de facto access. However, it is only the 10-12% with statutory or permanent rights which offer the certainty of access on an ongoing basis. In this context, the Government=s proposals to legislate for a right of access to open country may have significant implications for recreation and the countryside, especially in the uplands.

4. The 80,000 km of public rights of way in Wales provide a unique opportunity for public access and enjoyment of the countryside. Not all of this network is properly maintained and signposted, however, with recent surveys revealing that only 54% of routes were clear of obstacles and only 15% clearly waymarked. A 1996 survey of visitors on day trips to Wales revealed that walking accounted for some 31 million visits annually, or 44% of all day visits to the countryside.

B. MAINTAINING THE TRADITIONAL PATTERN OF THE WELSH COUNTRYSIDE

5. Characterised by small and medium sized farm units, agriculture occupies some 81% of the land area

of Wales and is responsible for shaping and maintaining much of the landscape and its biodiversity. Traditional land management practices were substantially influenced by the predominantly damp climate, steep relief and poor soils. These influences are reflected in the extent of the Less Favoured Area which currently extends to just over 77% of the agricultural land of Wales (**note that since this figure excludes common land, the true percentage is somewhat higher**).

6. Influenced by these natural factors, Welsh agriculture is predominantly pastoral with only 3% of the land devoted to cereal cropping and potatoes. By far the greatest area of arable cropping now takes place on the relatively low lying land of Gwent, South Glamorgan, South Pembrokeshire, Anglesey and the Vale of Clwyd. Mixed cropping/stocking enterprises still remain in areas such as Ceredigion, Brecknock, Radnor, Flint and Gower. Large areas of central Wales are now devoted largely to livestock, however, and the traditional practice of growing a small area of crops for stock feed is now a thing of the past in many areas.

7. Alongside the traditional variety in cropping and stocking patterns, it was the extensive grazing of hardy hill breeds which enabled farmers to successfully **manage** the acid grasslands, heathlands and blanket bogs of upland **Wales**. Practices such as controlled burning, regular shepherding and the use of cattle as well as sheep, all contributed to the maintenance of a diverse landscape. Similarly, the regular cutting of bracken for bedding was instrumental in keeping the upland fringes relatively open in character up until the early part of the twentieth century.

8. Less intensive suckler cow systems are often particularly associated with environmental benefits. Cattle are less selective grazers than sheep and so tend to maintain the diversity of **herb rich** marshy grasslands more effectively. Being heavier, cattle can play an important role in preventing the spread of both bracken and purple moor-grass (*Molinia*) provided they are grazed early in the year. Finally, the muck heaps and straw bedding associated with cattle provide food for a variety of invertebrates. Some of these are important in their own right whilst others provide food for farmland birds as well as mammals such as bats.

9. Whilst constituting a more intensive system, the dairy enterprise can also provide environmental benefits. In particular, the use of dry cows to manage unimproved grasslands can be particularly important in areas which lack beef cattle. Similarly, there are benefits for dung feeding invertebrates as well as for those species such as bats which depend on these for a food source.

10. Coupled with relatively low stocking densities, the practice of hay making is instrumental in maintaining many unimproved grasslands in both the lowlands and the upland fringes. The later cutting dates associated with hay as compared to silage production are particularly beneficial for farmland birds such as skylark, as well as for mammals like brown hare. Similarly, the practice of using farmyard manure rather than compound inorganic fertilisers ensures that nitrates are released more slowly to the overall benefit of species diversity.

11. Broadleaved woodlands tended to survive clearance in steep, inaccessible or boggy sites. Provided

the labour was available, however, these woodlands provided timber for a variety of uses around the farm, in particular fencing, stakes and gateposts. More recently, with the advent of modern materials, such woodlands have tended to be used more frequently for stock shelter.

12. The traditionally small scale of production coupled with the variety of cropping and stocking patterns, ensured the survival of a wealth of field boundary features. Many of these are of considerable landscape, historic and biological value. Such features require a great deal of labour input to ensure their continued maintenance, in particular the regular laying of hedges and the replacement of stone within walls and earth banks.

C. ENVIRONMENTAL IMPACT OF CHANGING PATTERNS OF AGRICULTURE

13 Since 1945, the change in agricultural practice has been dramatic. Substantially fuelled by the system of grant aid and agricultural subsidy, the industry was encouraged to improve both the quality and the quantity of its output. For much of Wales this required substantial intensification involving the replacement of semi-natural vegetation, with well-drained, heavily fertilised grass leys. Elsewhere, the composition of upland heathlands and grasslands was altered simply as a result of increased grazing pressure and indirect fertilisation via feed concentrates. These trends are illustrated by the fact that unimproved and semi-improved grasslands now amount to less than 10% of the total area of lowland grassland in Wales. Similarly, a large proportion of the remaining heathland is in poor condition and with a low cover of dwarf shrubs (State of the Environment Report, CCW, 1999).

14. More recently, the change in stocking regimes has been particularly striking. As illustrated in Table 9 the number of sheep on Welsh farms rose by 36% between 1980 and 1997, whilst the number of cattle fell slightly by about 5%.

Table 9

Cattle and Sheep in Wales (1000's)			
	1980	1987	1997
Cattle	1,391	1,359	1,315
Sheep	7,946	9,937	10,825

[Source: Welsh Office Statistics]

Notwithstanding the impact of such a substantial increase in sheep numbers on the composition of semi-natural habitats such as heather moorland and woodlands, these figures tend to mask the fact that the rate of decline for cattle has been much steeper

within the Specially Disadvantaged Area of the LFA than elsewhere. Although direct comparisons are difficult owing to changes in the methodology of data collection, it appears that cattle in the SDA have declined by about 7% between 1987 and 1997. Such reductions in cattle grazing are of particular concern bearing in mind their capacity to graze coarse vegetation and assist in the control of problematical species such as bracken and moor grass. Lack of cattle manure also renders it increasingly difficult for farmers to maintain hay meadows in the traditional manner, whilst a reduction in dung and dung feeding invertebrates could have significant repercussions for key species such as bats.

15 In recent years there have also been striking changes in the arable sector. As shown in Table 10 the hectareage devoted to cereals in Wales has declined by 21% since 1987, whilst within the LFA the decline is even steeper at 44%. Similarly, the area of spring barley grown in Wales has declined by 50% since 1987, with a corresponding decrease of 60% within the LFA.

Table 10

Arable Land in Wales (ha)			
	1997	1992	1987
Cereals (LFA)	17,708	23,919	31,184
Cereals (Non LFA)	35,662	29,431	36,098
Cereals (Total)	53,370	53,370	67,282
Spring Barley (LFA)	6,727	10,330	16,977
Spring Barley (Non LFA)	10,115	9,248	16,492
Spring Barley (Total)	16,842	19,579	33,469

[Source: Welsh Office Statistics]

Such changes in the arable sector are significant not just because of the scale of these declines, but also for their nature and location. The decline in spring barley is particularly problematical for birds such as lapwing and skylark which exploit bare soil and **young** crops during the nesting period. Similarly, the loss of cereals and winter stubbles from the LFA is particularly serious for **characteristic** birds of mixed farming systems such as yellowhammer, tree sparrow and linnet.

16. While significant shifts have occurred in the relative importance of the various agricultural sectors within Wales, there have also been dramatic changes within individual sectors. In the case of grass-based enterprises, for instance, Table 11 illustrates the substantial reduction in hay cutting relative to silage production. Notwithstanding year on year fluctuations caused by the weather, the years from 1980 to 1995 saw an overall fall in hay production of 53% and an increase in silage cropping of just over 86%.

Table 11

Hay and Grass Silage Production in Wales (ha)			
	1995*	1987	1980
Hay production	94,178	111,578	190,178
Grass Silage production	228,314	216,686	122,303

** Latest year for which figures available*

[Source: Welsh Office Statistics]

Whilst much hay production would have taken place on improved land, it is likely that a significant number of unimproved grasslands are now being managed for silage. Since this involves a capacity to take 2-3 cuts per season rather than a single hay crop, this increased production is likely to have been brought about by increasing the rate of fertiliser application and thereby reducing plant diversity. Moreover, even on improved land, the use of a significantly earlier cutting date in silage crops is likely to have had adverse impacts on farmland birds and mammals, including both skylark and brown hare.

17 The effect of recent changes in farming practice on biodiversity is well illustrated by the declines in certain key species such as lapwing and the marsh fritillary butterfly (Tables 12 and 13). No single factor is responsible for the decline of the lapwing as a breeding bird in Wales, but drainage of wet pasture, increased stocking rates and the loss of arable land are all implicated, alongside afforestation and predation. Similarly, the decline of the marsh fritillary has been brought about by the abandonment of cattle grazing, increased use of sheep and agricultural improvement, as well as afforestation and industrial development

Table 12

Lapwing in Wales (Breeding Pairs)		
1998	1987	1970
1,700	7,500	c14,000

[Source: RSPB and British Trust for Ornithology]

Table 13

Marsh Fritillary Populations in Wales (No. of 4km squares)	
1996 - 1991	Pre 1990
166	465

[Source: Countryside Council for Wales]

18 Traditional field boundaries have also suffered as a consequence of increased intensification and a declining rural labour force. Notwithstanding the very real interest displayed by many farmers in maintaining and restoring these features, there was an overall decline of 29% in the length of Welsh hedgerows between 1984 and 1990. [Source: ITE Countryside Survey]

D. SUMMARY OF CURRENT POSITION

19. Whilst dramatic changes have taken place since 1945, well over one quarter of the Welsh landscape still consists of semi-natural habitats. these are located on agricultural holdings. **The vast majority of these are located within agricultural holdings** . Taken together with the extensive pattern of field boundaries and natural landforms, this constitutes a tremendous resource in terms of landscape quality and biodiversity, as well as historic and cultural values.

20. Notwithstanding the enormous contribution that the agricultural industry has made towards the creation and maintenance of the fabric of the countryside, the post war emphasis on land improvement, coupled with the recent increase in sheep numbers, has had a significant impact on both biodiversity and landscape.

21. Whilst increased intensification within sectors poses specific problems for certain species and habitats, the issue is also one of increasing specialisation, both at the level of the individual farm as well as within regions. The shift from cattle into sheep and the steep decline in arable cropping within the LFA have impacted on landscape diversity as well as on habitats and species. Increasing specialisation is

of particular concern in the case of farmland birds, as well as our ability to manage specialised habitats such as haymeadows and marshy grasslands.

22. The decline in the rural labour force makes it increasingly difficult to maintain traditional field boundaries as well as to carry out labour intensive tasks such as woodland management and shepherding. Nevertheless, the agricultural industry is largely responsible for producing the landscape of rural Wales and ensuring its continued contribution in terms of biodiversity, historic value and enjoyment by the general public. Such values are an additional product of the industry that can be set alongside more traditional products such as beef, lamb and milk. As a result, there is a strong case for continued public support of an agricultural structure that incorporates a diversity of sectors operating across the full extent of the Welsh countryside. Such structural support should be considered as an essential precursor to specific agri-environmental measures designed to conserve and enhance the widest possible range of environmental features.

ANNEX 3

Members of the Farming Futures Group

Carwyn Jones, Chair, Minister for Rural Affairs

Hugh Richards, Chairman, NFU Cymru Wales

Bob Parry OBE, President, Farmers' Union of Wales

David Harden, Chairman, County Land and Business Association

Aled Griffiths, Chairman, Wales Young Farmers' Clubs

Christine Lewis, Chair, Agri-Food Partnership, Member of Wales Tourist Board

John Lloyd Jones, Chair, Countryside Council for Wales

Dr Tim Stowe, Director, RSPB Wales

Professor Peter Midmore, Welsh Institute of Rural Studies, University of Wales

Professor Terry Marsden, Cardiff University, Department of City and Regional Planning

Rachel Rowlands, Co-founder of Rachel's Dairy

Margot Bateman, Current Wales Woman Farmer of the Year

Rees Roberts, Chair of Welsh Lamb and Beef Promotions, Welsh Member of the MLC

Meurig Rees, representing the Royal Welsh Agricultural Society

Councillor Caerwyn Roberts, representing the WLGA and the Welsh Association of National Park Authorities

Dr Chris Llewelyn, Head of Policy and Consumer Research, Wales Consumer Council

Anne Hemmingway, Chair, Food Standards Agency

Hywel Evans, Menter A Busnes