

**NFU Cymru's response to
Welsh Government's
Sustainable Farming Scheme -
'Keeping Farmers Farming'
consultation**



President's Foreword

Over the past 12 weeks NFU Cymru has spoken with over 5,000 farmers and supply chain partners at roadshows, county meetings, board meetings, market visits and other events. We have methodically presented the Welsh Government proposals and recorded feedback from every event to ensure that this response is a true and accurate reflection of all those we are proud to represent and who put their trust in us to speak on their behalf. It has been a sobering and, on occasions, harrowing experience with the level of concern, worry, frustration and, at times anger, manifesting itself in different ways within the farming community.



This consultation has been undertaken against a backdrop of the emotional and financial turmoil caused by the continued impact of bovine TB, the cost and bureaucracy imposed by an All Wales NVZ, the demise of Glastir, input costs some 30% higher since 2019 and interest rates at a 15 year high. The health and well-being of our farming families must be front and centre in all our minds. This is why I have asked the Minister for Rural Affairs to set up an independent review to consider the cumulative burden of regulations and policies on Welsh farming.

NFU Cymru has spent these past eight years carefully considering our priorities for a 'made in Wales' farming policy. We have sought to remain optimistic at the opportunity presented to us to bring such a policy to fruition. The opportunity for a comprehensive food and farming policy to support Wales to be world leading in the production of climate-friendly food. An opportunity to grow established and build new markets at home and abroad.

By following the key principles NFU Cymru first published in 2016 a new domestic agricultural policy delivering a productive, profitable, and progressive farming industry can be achieved. These principles based around high quality food production; rewarding environmental activity; supporting the active farmer; providing on farm investment; science and evidence-based regulation and fair funding were the foundations for our subsequent vision for a future policy based on three cornerstones of stability, productivity and the environment.

In 2022 we went further and, working with industry colleagues, we created a detailed and comprehensive Sustainable Farming Scheme proposal that has been positively received by academics, NGOs and politicians from across the political spectrum. Whilst elements of this framework have been taken forward within the current proposals, it is a source of deep disappointment that the key elements of stability, simplicity, and fair reward for the delivery of sustainable farming objectives have been ignored thus far.

The current proposals need a major overhaul, they have not kept pace with the fundamental changes secured to the Agriculture (Wales) Act during its passage through the Senedd. The proposals must move beyond a scheme focussed predominately on environmental outcomes and instead become a genuine agricultural policy that underpins food production, resilient agricultural businesses and rural communities, alongside and in harmony with our environmental obligations and ambitions.

We live in uncertain times, a war in Europe, unrest in the Middle East, political instability, and trade flows around the world under threat – food security can no longer be taken for granted. Population growth, climate change and increasing competition for finite resources make it a matter of increasing strategic national interest to ensure that our country can feed itself. Food is a public good and the Sustainable Farming Scheme must be more explicit in its support to maintain and enhance food production against the backdrop of an increasingly volatile world.

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Farmers need stability. Stability to underpin the continued supply of safe, high quality, affordable food from Wales. Stability to invest in their business, to invest in efficiency gains and in the environment. Stability provides opportunities for farming families to plan for the next generation, it keeps farmers farming and keeps rural communities and our language thriving. A long-term stability mechanism must be an integral element of the final Sustainable Farming Scheme.

5,500 jobs lost, a £200 million hit to farm business income, 11% less livestock in Wales, without even considering the impact beyond the farm gate. A truly shocking scenario, this cannot happen, it must not happen. No government, with the information it has to hand, could surely consent to this? No decisions on the Sustainable Farming Scheme can be undertaken until Welsh Government has undertaken a full socio-economic assessment of the impact of its proposals on Welsh farming, rural communities and the supply chain. If necessary, the SFS should be paused and delayed until such time as we can be sure that it can deliver the same level of stability to the whole agri-food supply chain and rural Wales as the current support arrangements.

The Universal Baseline Payment must be non-discriminatory to all farm types, sectors, and locations. It must provide equal access and reward for tenants and commoners and provide fair reward for those managing our most precious landscapes and habitats. The Universal Baseline Payment must go beyond costs incurred / income foregone and incentivise the actions that Welsh Government asks Welsh farming to deliver for society.

Mandating 10% tree cover on farm will be an insurmountable barrier for too many. A just transition is needed for farming families. We have world class science institutions on our doorstep, we need to make use of their expertise and intrinsic knowledge of Welsh farming systems, our soils, our grasslands, cropping and field boundaries, to provide us with alternatives to deliver outcomes that help us achieve net zero agriculture whilst maintaining our productive capacity, allowing us to be truly world leading in the production of climate-friendly food.

Farmers want to know that their voice is being heard, that they are respected and valued by their government. Thousands have shaped this response, and it must be weighted accordingly. Thousands more have submitted their own response through the support that NFU Cymru has offered through our online tool. We are pleased that both the First Minister and Minister for Rural Affairs have committed that every consultation received will be analysed and properly considered - We will hold government to account on that commitment.

We must get this scheme right, neither farming families nor government can afford to have a scheme that fails to deliver on our shared ambitions for food, nature and climate. A scheme that underpins food production, our farmed environment, our communities, our language and culture for our generation and those that follow in our footsteps. This response sets out our framework for a future farming policy for Wales. It measures Welsh Government's proposals against our own, we highlight the legitimate concerns raised by our members as part of this consultation process and provide a pathway for a way forward. We want to work with the Minister to get this right and we expect the Minister to reciprocate with a similar genuine desire to work with NFU Cymru. We must get this right.



Aled Jones, President

Contents

1. **Introduction**
 - The consultation process
 - Rural Support
 - NFU Cymru vision and key principles for reform
 - The Political / Legislative / Economic Context
 - Agriculture (Wales) Act 2023
 - Food Security
 - Competitiveness
 - The economic landscape
 - Public support
2. **The SFS Framework**
 - Universal Actions
 - Specific Considerations
3. **The Sustainable Farming Scheme Process**
4. **Payment Methodology**
5. **Transition Period**
6. **Basic Payment Scheme**
7. **Regulations**
8. **Evidence**
9. **Data Processing and Reporting**
10. **Effects on the Welsh Language**

Annex 1 – The Contribution of Agriculture to the Well-Being of Wales

Annex 2 – Industry proposals for Low Carbon Farming Framework

Annex 3 – NFU Cymru Key Policy Asks

1. Introduction

NFU Cymru welcomes the opportunity to respond to the Sustainable Farming Scheme (SFS) – Keeping Farmers Farming consultation described by Welsh Government as the final step in delivering the new long-term programme to support the agricultural industry in Wales.

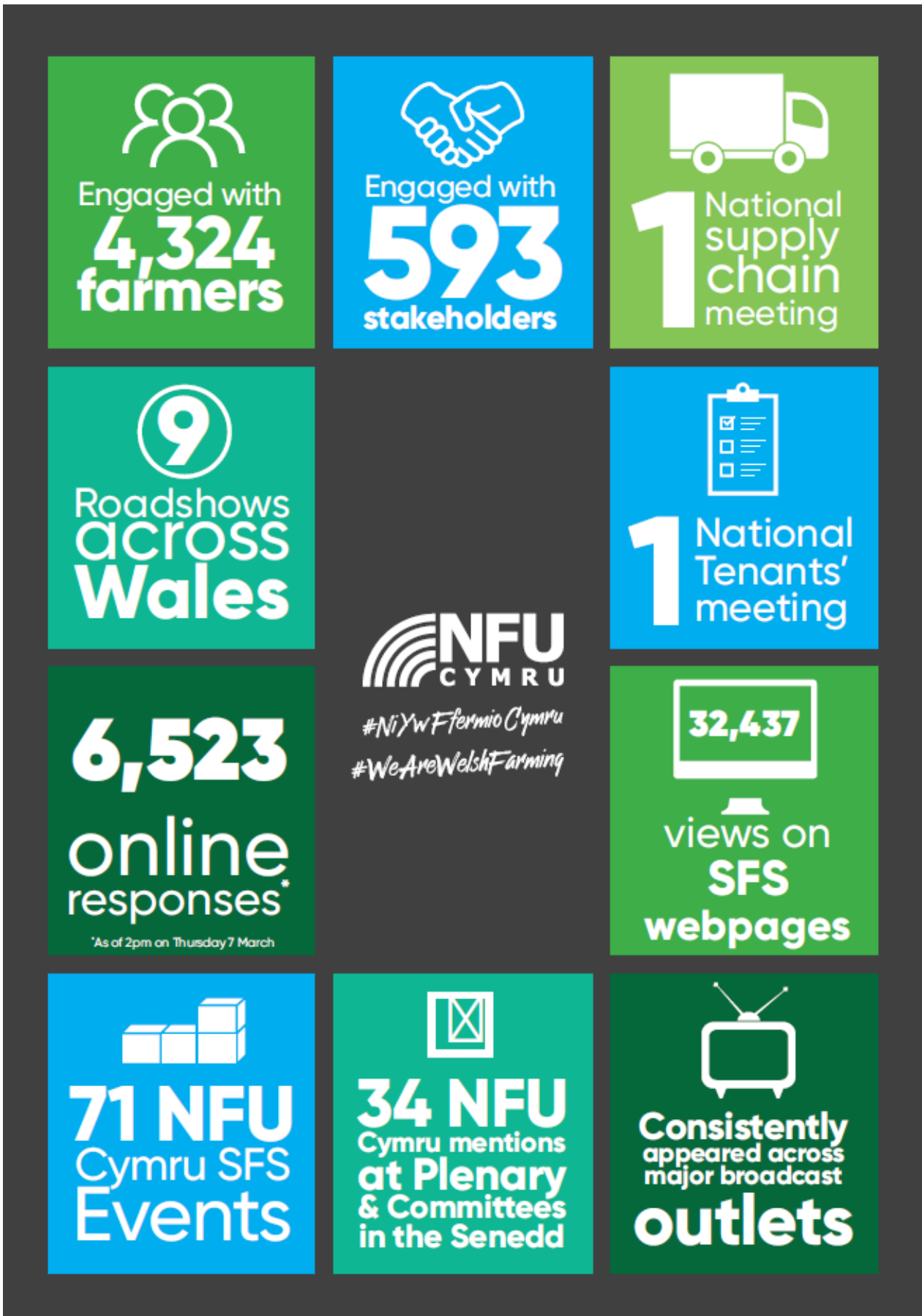
NFU Cymru champions Welsh farming and represents farmers throughout Wales and across all sectors. NFU Cymru's vision is for a productive, profitable and progressive farming sector producing world renowned climate-friendly food in an environment and landscape that provides habitats for our nature to thrive. Welsh food and farming delivering economic, environmental, social and cultural benefits for all the people of Wales whilst meeting our ambition for net zero agriculture by 2040.

The importance of the farming industry in Wales cannot be overstated. Welsh farming businesses are the backbone of the Welsh rural economy, the axis around which rural communities turn. The raw ingredients that we produce are the cornerstone of the £8.1 billion Welsh food and drink industry which is Wales' largest employer employing over 233,500 people.

We are proud that the Welsh public associate Welsh farmers, first and foremost, with providing safe, high quality and traceable food and at NFU Cymru we want to ensure that consumers in Wales, the UK and further afield can continue to enjoy and choose the top-quality food that we produce here in Wales – now and in the future.

Welsh farmers look after over 80% of the land area of Wales, maintaining and enhancing our natural environment – Wales' key asset. Farming activity supports a diverse range of species, habitats and ecosystems, provides a range of ecosystem services including flood alleviation, carbon sequestration, climate change mitigation; and delivers the significant backdrop for Wales' tourism and recreation sector. Welsh farmers are key promoters and protectors of our culture, heritage and the Welsh language. The Welsh agricultural industry has the highest proportion of Welsh speakers, more than any other sector at 43%, more than double the population as a whole.

Overall Welsh farming makes an unparalleled contribution to the economic, environmental, social and cultural [well-being of Wales](#) in line with the Well-Being of Future Generations Act summarised in Annex 1.



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Welsh Government's Sustainable Farming Scheme – Keeping Farmers Farming consultation, launched in December, has led to one of the largest consultation exercises in NFU Cymru's history. During the consultation window, NFU Cymru has worked tirelessly to ensure that information on Welsh Government's proposals is accessible to many thousands of farmers across Wales. We have also had significant engagement with the supply chain – companies with thousands of workers in both rural and urban locations, dependent on agriculture for their livelihoods.

We have travelled the length and breadth of Wales with our roadshows. We also arranged special meetings for tenant farmers and the supply chain. Our county branches have met, we have presented Welsh Government's proposals at countless other meetings, welcomed hundreds of farmers to our group offices and discussed the scheme with hundreds more at livestock markets and other gatherings. Within our magazine we have shared details of the proposals to every member and our dedicated website pages have received unprecedented levels of engagement. Proposals have been considered by each of our Commodity Boards culminating with an extraordinary meeting of NFU Cymru Council and all Boards late last month.

Throughout this process we have received a considerable volume of feedback directly and also via our extensive member communication channels and online presence. Reaching consensus on Welsh Government's Sustainable Farming Scheme proposals has been straightforward. NFU Cymru's consultation response reflects the position of thousands of farm businesses across Wales. It should be properly considered and weighted recognising the fact that it represents the views of those on the ground who will be directly affected by Welsh Government's proposals and who will be central to its success.

- **The consultation process**

The levels of stress and anxiety that the consultation has engendered within the farming community will have escaped no one. Compounded by a range of issues such as Welsh Government's policy approach to bovine TB, the Control of Agricultural Pollution Regulations (NVZs), the Glastir 'cliff edge' and the Habitat Wales Scheme debacle means we are in the midst of an upswell of emotions within the farming community that has not been witnessed since devolution.

Welsh Government has been at pains to emphasise that its final consultation for the Sustainable Farming Scheme is a genuine consultation, every individual response will be considered.

We have welcomed Welsh Government's confirmation, on 16 February 2024, that analysis of the Sustainable Farming Scheme consultation responses will be undertaken by an independent contractor and this analysis will include substantive responses submitted from both individuals and organisations, as well as those submitted as part of a campaign. Further clarification has been provided by the First Minister and Minister in their joint statement of 27 February 2024, confirming every response received including the issues raised at the ten Welsh Government roadshow events will be analysed and properly considered. We identify this will be a critical step in demonstrating that this consultation is genuine.

Welsh Government states the latest round of proposals reflect the feedback received from farmers and the wider industry over three consultations and two phases of co-design and will be aware that these are processes that farmers in their thousands have engaged with in good faith. Over 2,830 farmers, for example, submitted responses to the Brexit and our Land consultation via the NFU Cymru template with over 16,000 e-mail communications to Senedd Members.

The overriding feeling, however, is that despite their best efforts their voice has not been heard. In many aspects of the proposed policy, little meaningful change has been secured. In other areas,

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Welsh Government's position in this final consultation has shifted to one that poses an even greater risk to the viability of farm businesses and the rural communities they underpin.

NFU Cymru is also in no doubt that some of the remarks about Welsh farmers during this period have been deeply hurtful, extremely unhelpful and unnecessarily polarising. The narrative that farmers are resistant to change and unwilling to play their part in decarbonising or doing more for nature is a gross misrepresentation of the situation and has been extremely damaging. It is a false narrative that stands directly in the way of the progress that we all want to see.

We want to be absolutely clear that farmers in Wales, like the generations before them, have an inherent capacity to adapt and change. We recognise our environmental responsibilities and have high levels of ambitions around net zero and leading the world in the production of climate-friendly food. An example of this is the Low Carbon Farming Framework proposals that the industry submitted to Welsh Government in early 2022 and which, despite a positive reply from the Minister, has not been taken forward despite NFU Cymru's repeated attempts. A copy of our proposal is at Annex 2. Farmers are not 'anti-tree' or 'anti-nature' – the work that farmers have already undertaken and continue to do on their farms the length and breadth of Wales is testament to this fact. The reality is that farmers can only do this work from a position of stability and profitability. This is about securing a policy that safeguards the economic, environmental, social and cultural sustainability of farming in Wales whilst ensuring we retain and enhance our food producing capacity for the future.

In challenging circumstances, we are grateful to Minister Lesley Griffiths MS for meeting with us during the consultation period and allowing us to reflect industry concerns. We used this opportunity to set out our asks of Welsh Government (Annex 3) - a number of which are reiterated in this consultation response - which we believe are the steps that government now needs to take to restore trust and provide the much-needed reassurance to the farming community. Overall, NFU Cymru remains steadfast in our commitment to work with Welsh Government to ensure future policy secures the supply of safe, nutritious and sufficient food for a growing population whilst sustaining our rural communities, language and culture; alongside addressing the climate challenge and maintaining and enhancing our natural resources.

We also want to place on record that, in some instances, we have found that the consultation process has been hindered by a lack of detailed information. Throughout this response we have sought to highlight where we believe there is insufficient detail to comment definitively. As so often is the case, the 'devil is in the detail' and Welsh Government will need to ensure proper consultation on that detail ahead of making final decisions on the scheme.

- **Rural Support**

Welsh Government's Sustainable Farming Scheme proposals have been the cause of significant stress and anxiety within the farming community. The NFU Cymru team have been deeply affected by the sombre reaction of farmers to SFS proposals when they have been shared with them at our many meetings. The health and well-being of members of the farming community has been and continues to be a source of considerable concern to us through this extremely difficult and unsettling period for our industry.

NFU Cymru is a partner of the Wales Farm Safety Partnership and supports the work of the Farm Safety Foundation which seeks to tackle the stigma around mental health issues with campaigns like #MindYourHead. We are grateful to charities such as RABI, Tir Dewi, the DPJ Foundation, FCN and the Addington Fund for the support that they give to individuals and farming families.

Problems can arise from financial and emotional pressures, mental or physical health concerns¹, along with the additional worries associated with weather extremes and disease outbreaks such as a bovine TB herd breakdown. Farmers experience high levels of stress and anxiety and are at increasing risk of feeling at times that life is not worth living, having a lack of social support and have been identified as an occupational group at increased risk of suicide. Family members, whilst often a source of support, can also suffer from deteriorating mental health and be in need of support.

NFU Cymru is acutely aware that at a time of unprecedented change for the farming industry concerns over new policies and regulations, market instability and escalating costs can be overwhelming for some farmers. Many farmers have also expressed anxiety over the sheer complexity of the proposed SFS which is adding to fears of being found in breach of the rules at inspection.

Whilst farmers take great care looking after their livestock and their land, they can sometimes overlook the importance of looking after themselves. Farmers often tend to keep their worries and concerns to themselves and some still perceive a stigma attached to mental health matters. This can hinder their ability to seek help when it is most needed. It is also a concern to us that there will be a percentage of farming families who do not engage with public bodies, organisations and stakeholder groups and who may live in relative isolation. These families may not realise that there are charitable bodies that may be able to help them in times of need.

NFU Cymru staff have undertaken mental health training with the DPJ Foundation. This has included a day's training for NFU Cymru Head Office staff as well as training for the wider network of Group Secretaries located in our offices across Wales. In recent months, our team has also participated in refresher training.

At a time of such upheaval, NFU Cymru stresses the need to work together collectively to make sure that our farmers and their families know that they are not alone and that there is help and support available. The agricultural industry already has a high suicide rate with one farmer a week in the UK taking their own life. This alarming statistic must be halted and reversed. We have a collective responsibility to ensure that any policies that touch farming families, be it directly like SFS or indirectly, proactively support farmers and do not add to their burden and vulnerability. Overall, it is vital that the mental health and well-being of farmers is considered as the scheme is developed and the transition away from current support begins.

In this context, NFU Cymru also recommends the establishment of an Independent Review Group to consider the cumulative burden of regulations and policies on Welsh farmers also taking into consideration the wider economic and political context.

Summary

NFU Cymru is pleased to respond to Welsh Government's Sustainable Farming Scheme (SFS) – Keeping Farmers Farming consultation which sets out proposals for a new long-term programme to support the agricultural industry in Wales, building on three earlier Welsh Government consultations and two programmes of co-design.

The consultation has led to one of the largest engagement exercises in NFU Cymru's history and the overriding feeling has been that, despite our best efforts, our voice has not been heard. In many aspects of Welsh Government's proposed Sustainable Farming Scheme, little meaningful change has been secured. In other areas, Welsh Government's latest position has shifted to one that poses an even greater threat to the viability of farm businesses and the rural communities they underpin.

¹ phw.nhs.wales/services-and-teams/knowledge-directorate/research-and-evaluation/publications/supporting-farming-communities-at-times-of-uncertainty/

Welsh Government has been at pains to emphasise that this is a genuine consultation. We will hold Welsh Government to this commitment - every comment that has been made as part of the support NFU Cymru has offered to the industry via the online tool alongside the comments received by those attending Welsh Government events must be considered. Welsh Government must also recognise and give due regard to the fact that this NFU Cymru consultation response represents the views of many thousands of farming businesses most directly impacted by proposals and has been formulated following meetings where thousands of members have expressed their views.

NFU Cymru vision and key principles for reform

In 2016, following the EU Referendum, NFU Cymru launched the biggest internal consultation in our history. During this period, we formulated a set of key principles to form the foundations of a new domestic agricultural policy to deliver a productive, profitable and progressive agricultural industry in Wales. These principles have been reaffirmed by our membership on multiple occasions in the intervening period, global events have reinforced their appropriateness. Set out below, these are the principles against which NFU Cymru judges Welsh Government's proposals for future agricultural support:

- A policy that underpins and secures the continued supply of safe, high quality, traceable, affordable food for our nation, in the context of future global challenges, must be at the heart of future agricultural policy.
- All farmers must be fairly rewarded for the environmental / public goods they already deliver and will continue to deliver in future for society.
- Policies must be simple to administer, easy to understand and target support at those active farmers who take the financial risks associated with food production.
- Investment measures are required to ensure that farming businesses are well equipped to face the challenges and maximise the opportunities of a post-Brexit marketplace.
- The regulatory regime must be proportionate and evidence-based and policies must be adequately funded to ensure that Welsh farming remains competitive with farmers in the UK, EU and globally.

- **NFU Cymru vision for a new Welsh agricultural policy**

In 2017 following extensive member consultation, NFU Cymru set out its vision for future agricultural policy. Our vision comprises a single, integrated, flexible framework based around three cornerstones – productivity and environment underpinned by measures to provide stability and address volatility. We expect most farming businesses would look to access support and assistance across a range of measures within the policy framework. All three of these cornerstones are fundamental to the long-term policy framework for agriculture in Wales.



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- **Stability Measures**

Farmers are subject to significant levels of income volatility driven by environmental, economic and political factors, the majority of these factors are completely outside the control of any farming business. The impacts of the tragic war in Ukraine, economic instability and inflationary pressures, trade policy as well as extreme weather events highlight that volatility / instability in our food production systems in Wales and globally is as much an issue today as it has ever been. This volatility weakens the rural economy, threatens the continuity of supply to our food processors and exposes consumers to food price inflation and, in some instances, empty supermarket shelves.

A baseline support payment open and accessible to all active farmers that underpins agriculture and food production and the standards required to build trust and integrity in our sustainable production systems must form a key part of future Welsh agricultural policy. The standards and conditions attached to this support could underpin the development of “Brand Wales”, a concept to help market and promote Wales to the world on the basis of high-quality food production underpinned by a strong natural asset base. The conditions attached to receiving this support could cover a range of environmental, climate change and animal health and welfare measures agreed in a partnership approach between government and industry.

Measures to support Welsh agriculture deal with crisis and exceptional and emergency events also form a critical component of future agricultural policy. These measures could be required in the event of trade bans, extreme downturns in commodity prices, severe agricultural input inflation, exceptional weather events and notifiable disease outbreaks. They need to be accessible, adaptable and simple to administer.

- **Environment Measures**

NFU Cymru has proposed a farmed environment scheme that is open and accessible to every farmer that wishes to undertake activities that goes beyond the regulatory baseline. Every farmer in Wales already contributes and has the potential to further contribute to practical environmental farm management that includes the protection and enhancement of existing features on their farm and the maintenance of actively farmed land to support biodiversity, carbon, soils, water and air quality.

The aim should be to deliver landscape scale sustainable management of natural resources in line with the aspirations of the Environment Act and Natural Resources Policy. This scheme should be delivered multi-annually through existing RPW portals.

The ambition would be to have the maximum amount of farmed land under the scheme. The success of the scheme will be dependent on the ability of farmers to understand and want to participate. The scheme must be designed in genuine partnership with the farming industry and properly trialled and piloted ahead of rollout.

Complementary to the farmed environment scheme would be an advanced scheme for farmers who wish to go above and beyond the measures available in the farmed environmental scheme. The scheme would be suited to those farming in designated areas or with designated sites on their farms, those with significant natural constraints and those who have already been involved in agri-environment schemes for a significant number of years. This option could also have a specific element for organic farmers. The scheme could be a mix of points based and capital measures.

- **Productivity Measures**

Investment measures are required to facilitate the development of farm businesses with funding made available to support investment in modern on-farm infrastructure, the latest technology and

innovation. Our vision proposes instruments like capital grants and incentivisation measures. The focus would be on delivering production and resource efficiencies which in turn would also have positive environmental impacts, for example, reduced emissions per unit of production. Investments in infrastructure and equipment will also benefit water and air quality and improve soil health.

Closely linked with the productivity measures and the advanced farmed environment scheme - and based on the concept of supporting and incentivising farmers through an iterative process of measurement, action and review - would be a knowledge exchange and skills element.

Through this measure individual farm businesses would be encouraged to participate in a programme of targeted and integrated knowledge exchange, advice and incentives across a range of specific themes to drive forward measurable improvements in economic and environmental performance. Examples of key themes could include climate change mitigation measures, animal health and welfare, environmental management and enhancement, grassland management, soil and nutrient management as well as health and safety.

An Integrated Sustainable Agriculture Programme

We believe that our policy based on these three cornerstones combine to give a truly integrated and sustainable agriculture programme that delivers and enhances our contribution to the well-being goals established in the Future Generations Act and the sustainable management of natural resources enshrined in the Environment Act.

Collectively the three cornerstones deliver more than the sum of their parts, removing one would undermine the effectiveness of the other two. Farming businesses need stability to be able to deliver environmental outcomes for society and it is only from a position of stability that farming businesses are able to invest in new technology and productivity measures.

Our policy would deliver increased financial resilience; improved environmental performance; safeguard and promote self-sufficiency; support the Welsh food and drink industry - Wales' biggest employer; drive investment, innovation and productivity; promote rural jobs and support social, cultural, economic and environmental outcomes alongside the continued maintenance and enhancement of our treasured Welsh landscape.

- **Sustainable Farming Scheme Framework / Scheme Design / Structure**

Building on our principles and vision for a new agriculture policy and working in conjunction with colleagues in the FUW, in February 2022, NFU Cymru and FUW put forward a detailed Sustainable Farming Scheme framework, based on our shared vision for future policy.

The framework proposes entry to the SFS via farmers undertaking a set of universal actions that would be suitable for all active farmers and designed to meet a set of agreed sustainability objectives. In addition, farmers would be expected to provide annually a set of Key Performance Indicators (KPIs) or sustainability indicators via a centralised data collection system based on an evolution of the RPW Online system. In return for farmers undertaking the universal actions and providing the required data they would receive an annual sustainability and stability payment.

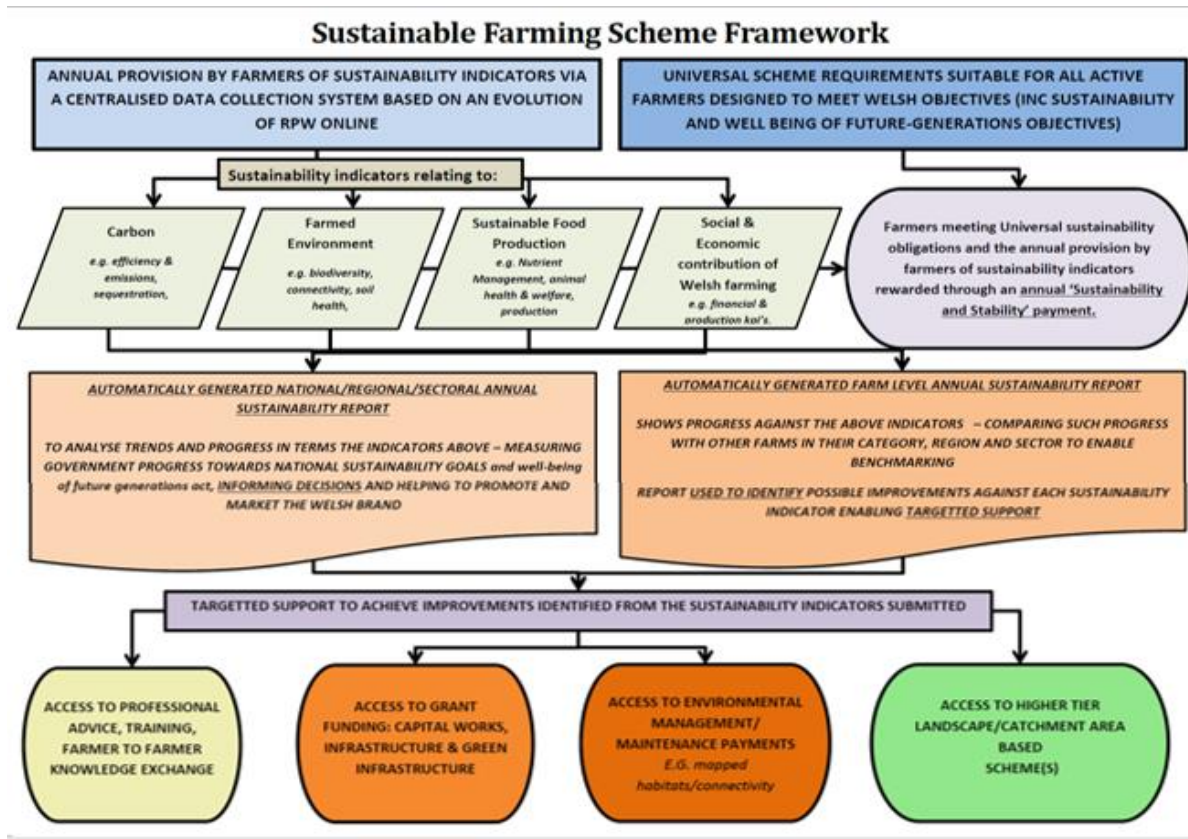
The sustainability indicators provided by farmers as part of the conditions associated with receiving the sustainability and stability payment would, through a portal developed within RPW Online, lead to an automatically generated annual farm level sustainability report that would be able to benchmark the farms progress year on year and compared to others in their region and sector. The report would be able to identify the strengths and weaknesses of the business and identify areas where targeted support may be needed to improve the sustainability of the business. NFU Cymru / FUW have held a

number of positive discussions with leading academics in this area to consider the feasibility of such an automated sustainability review process.

Data supplied by farmers could also be utilised to generate regional / sector and national reports to analyse trends and progress made against the agreed indicators. This data would be important to government to show progress made towards its national and international obligations; it could help inform decisions relating to future policy; and could also be used to help market and promote the Welsh brand.

As highlighted above the farm level report will be a key tool in helping the business to identify where additional support is needed or the direction that the farming family wishes to take that business. This will be the gateway to deliver a range of additional interventions including specialist targeted advice, investment support, higher level environment activity and collaborative actions at a landscape or catchment scale.

NFU Cymru / FUW Sustainable Farming Scheme Framework



The Framework outlined above meets a number of our shared aspirations for future policy, including:

- Targeting resource at the active farming families / businesses who contribute so much to the rural economy, society and culture.
- Minimising discrimination between farming families / businesses in different areas or sectors – and ensuring full scheme access for tenants and commoners.
- Ensuring a critical mass of farmers and farmland are part of the scheme to deliver maximum outcomes for Wales.
- Ensuring a data driven, evidence-based system that will target support and resources where they will have most impact and provide maximum value for money.
- Uniformly evidencing the sustainability attributes of food produced in Wales to create an internationally recognised Welsh sustainability brand.

- Providing a just and smooth transition to a more sustainable future.
- Ensuring benchmarking and ongoing improvement.
- Developing Wales' current world-leading IT and mapping systems to ensure administration and running costs are minimised.

NFU Cymru / FUW have presented our framework to Welsh Government, MSs, academics, NGOs and at Political Party Conferences. Our framework has created positive and constructive discussion with significant support for the outline proposals put forward by the two Unions.

It is against this blueprint that NFU Cymru assesses Welsh Government's proposals for the Sustainable Farming Scheme. In the remainder of this consultation response, NFU Cymru will set out where we believe Welsh Government proposals demonstrate alignment with our principles, vision and framework for the future scheme and also where a fundamental change is still needed. At this late stage in policy development the need for government and industry to come together in genuine partnership to design a scheme that is fit-for-purpose cannot be overstated.

On this basis, NFU Cymru is calling for the Minister to establish and chair regular SFS meetings with NFU Cymru leaders between now and the final scheme design / payment rates being published with a requirement that all additional work commissioned / groups established report back to these meetings.

Summary

It is now over seven years since NFU Cymru undertook the biggest internal consultation in our history. Following the EU Referendum, we formulated the following set of key principles to form the foundations of a new domestic agricultural policy to deliver our vision of a productive, profitable and progressive agricultural industry in Wales.

- *A policy that underpins and secures the continued supply of safe, high quality, traceable, affordable food for our nation, in the context of future global challenges, must be at the heart of future agricultural policy.*
- *All farmers must be fairly rewarded for the environmental / public goods they already deliver and will continue to deliver in future for society.*
- *Policies must be simple to administer, easy to understand and target support at those active farmers who take the financial risks associated with food production.*
- *Investment measures are required to ensure that farming businesses are well equipped to face the challenges and maximise the opportunities of a post-Brexit marketplace.*
- *The regulatory regime must be proportionate and evidence-based and policies must be adequately funded to ensure that Welsh farming remains competitive with farmers in the UK, EU and globally.*

NFU Cymru also developed our vision for a future agricultural policy comprising a flexible framework based around three cornerstones – productivity and environment underpinned by measures to provide stability and address volatility. In February 2022, NFU Cymru and FUW put forward a detailed Sustainable Farming Scheme framework, based on our shared vision for future policy. NFU Cymru's principles and vision for future agricultural policy continue to be reaffirmed by our membership and their appropriateness continues to be reinforced by global events.

It is against these principles and vision that NFU Cymru judges Welsh Government's proposals for the Sustainable Farming Scheme. At this late stage in policy development the need for government and industry to come together in genuine partnership to design a scheme that is fit-for-purpose cannot be overstated and NFU Cymru is calling for the Minister to establish and chair regular SFS meetings with NFU Cymru leaders between now and the final scheme design / payment rates being published.

The Political / Legislative / Economic Context

- **Agriculture (Wales) Act 2023**

The legislative context for future agricultural policy is established through the Agriculture (Wales) Act 2023. This piece of primary legislation, amongst other things, establishes the following Sustainable Land Management objectives as the legislative framework for future support for farmers in Wales.

- The first Sustainable Land Management objective is to produce food and other goods in a sustainable manner.
- The second objective is to mitigate and adapt to climate change.
- The third objective is to maintain and enhance the resilience of ecosystems and the benefits they provide.
- The fourth objective is to conserve and enhance the countryside and cultural resources and promote public access to and engagement with them, and to sustain the Welsh language and promote and facilitate its use.

These objectives must be met by meeting the needs of the present without compromising the ability of future generations to meet their own needs and by contributing to the well-being goals established in the Well-Being of Future Generations (Wales) Act 2015.

Welsh Ministers must consider all four Sustainable Land Management objectives during the exercise of their duties relating to the Act. It is also important to note that for the purposes of the first objective, factors relevant to whether food and other goods are produced in a sustainable manner includes, among other things, the resilience of agricultural businesses within the communities in which they operate and their contribution to the local economy.

Whilst the Act is a framework, with technical details of support to farmers provided for by Welsh Ministers through secondary legislation and policy development, it is important to recognise that, in the development of future policy, Welsh Ministers must contribute to the Sustainable Land Management objectives described above. Given Welsh Government proposes that the Sustainable Farming Scheme will be the primary source of government support for farmers in Wales and will reward farmers for actions that align with the Sustainable Land Management objectives there is a reasonable expectation that future policy will give equal emphasis to them all.

In this context, NFU Cymru identifies that the latest proposals for the Sustainable Farming Scheme have not evolved sufficiently from earlier proposals and the scheme design has not kept pace with the fundamental changes secured to the Agriculture (Wales) Act during its passage through the Senedd. The delivery of environmental outcomes continues to predominate and, as the independent modelling published by Welsh Government clearly demonstrates, the consequences of this approach are too serious to contemplate.

In line with duties on Welsh Ministers set out in legislation, NFU Cymru believes the scheme must be overhauled to address the imbalance so that equal ambition for food production and the resilience of agricultural businesses alongside the other SLM objectives is achieved. To support this, Welsh Government should develop an objective methodology by which scheme actions can be identified to ensure all of the SLM objectives and outcomes are accomplished in a balanced and equitable way.

Overall, NFU Cymru is clear that more emphasis is needed within the Sustainable Farming Scheme on measures that directly support the continued production of food; ensure that farming businesses are resilient so their contribution to rural communities is safeguarded; and the Welsh language, culture and heritage is sustained.

- **Food security**

NFU Cymru has long been clear that, in the context of the challenges to global food production, future agricultural policy must underpin and secure the continued supply of safe, high quality, traceable, affordable food.

We recognise that food security is a complex area – it's increasingly recognised as a central facet of our national security and can no longer be taken for granted in an increasingly volatile world. It is about more than keeping food on shelves today and how much it costs; it must also encompass safeguarding food supplies for the future. This will be vital in the context of the predicted challenges to our global food production system which include global population growth, climate change and competition for key resources including land, energy and water – already contributing to instability and unrest in some parts of the world. It is a matter of strategic national importance to ensure that our country can feed itself and a high level of domestic production in a volatile world is a critical aspect of food security.

Access to safe, high quality, affordable food is a most basic fundamental right for all people in society. Through the Well-Being of Future Generations Act 2015, Wales is the first country in the world to legislate for the well-being of current and future generations in a way that ties in with the United Nations' Sustainable Development Goals. The second UN goal prioritises ending hunger, achieving food security, improving nutrition and promoting sustainable agriculture².

Evidence shows that overall levels of British self-sufficiency stood at 60% in 2020³. Recent events such as the global COVID-19 pandemic and the war in Ukraine have served as a stark reminder of the importance of this goal and focused attention on the importance and fragility of food security, both at home and abroad. The disruption to our food output, supply chains, availability and affordability, could last for many years.

It is also clear that resource efficient and resilient domestic food production plays an important role in limiting our global ecological footprint and displacing the environmental and carbon leakage impacts of food supply to overseas, where environmental, animal health and welfare and social standards such as worker pay and conditions are often lower.

Wales has a social responsibility to contribute to global food security when food production systems elsewhere are expected to face greater challenges and disruption due to climate change impacts. In Wales we have the natural resources and world leading farmers to produce a broad range of high-quality food products for society. As a relatively wealthy nation, Wales has an obligation to contribute to global food security by producing what it can and not over-relying on other countries to fulfil its food needs.

The Welsh public also support a greater emphasis on food security. A recent NFU Cymru commissioned survey by YouGov of over 1,000 adults in Wales showed that 67% of Welsh adults want UK food production to be as self-sufficient as possible and of those who do 70% think Wales can play a leading or have a major role to play in self-sufficiency.

It is also worth noting that the Prime Minister Rishi Sunak MP in delivering the keynote political address at this year's NFU Conference announced a new annual UK-wide Food Security Index to capture and present the data needed to monitor levels of self-sufficiency.

The Agriculture (Wales) Act obliges Welsh Ministers to have regards to statistics published on agricultural production and income of agricultural businesses deriving from surveys of the sector

² [THE 17 GOALS | Sustainable Development \(un.org\)](https://un.org/sustainabledevelopment/goals)

³ [british-food-leading-the-way.pdf \(nfuonline.com\)](https://www.nfuonline.com/british-food-leading-the-way.pdf)

when preparing indicators and targets and also when preparing reports under Section 7 of the Act. NFU Cymru believe that this UK wide index, alongside other UK and Welsh statistics must be considered as part of these indicators and targets and considered when designing the policies needed to achieve these indicators and targets.

NFU Cymru believes that just as Welsh Government seeks to ensure, through its policies, that Wales makes its contribution to the global challenge of climate change, so it should ensure that we make our contribution towards global food security, in line with being a globally responsible Wales. Ensuring a stable supply of home-produced, high-quality food should, therefore, be a key objective of the scheme.

Our analysis, backed up by Welsh Government's modelling⁴, demonstrates that levels of food production will not be maintained under current proposals. Whilst Welsh Government continues to suggest that a number of the Universal Actions contribute to the SLM outcome of producing food in an environmentally sustainable manner, in reality, these actions largely focus on intervening in the process of food production in ways that boost the delivery of environmental outcomes. This is not the same as a policy that underpins food production, the sustainable growth of the sector or our food security. Other aspects of proposals have the effect of reducing agriculture's productivity capacity in perpetuity.

NFU Cymru is clear that more direct, explicit support to maintain and enhance food production in an increasingly volatile world should be central within the Universal Action Layer. A commitment is also needed from Welsh Government to develop a comprehensive farm to fork food strategy for Wales with ambitious targets for the sustainable growth of the food and farming sector.

- **Competitiveness**

The increasingly precarious state of food production globally provides impetus for continuing government intervention in farming in the vast majority of developed countries.

At an EU level, Member States recognise that the underlying principles of the Common Agricultural Policy to provide a stable supply of food, safeguard farmers' income, protect the environment and keep rural areas vibrant remain as relevant today as they have ever been. The 2021-2027 programme has received a budget allocation of €387 billion, with 72% allocated to direct payments via the European Agricultural Guarantee Fund⁵.

In recent weeks, Scotland's First Minister Humza Yousaf has confirmed that 70% of future support to farmers will be direct payments for producing food⁶ including headage payments. In Northern Ireland, the Farm Sustainability Payment measure will provide a basic safety net with the majority of the budget allocated to it as it follows on from direct support⁷.

In England, Defra has started to recognise the role of incentives within SFI payments, for example, offering £151 per hectare to farmers to manage grassland with very low inputs (compared to £69 per hectare in the Habitat Wales Scheme).

Further afield the US Farm Bill is one of the largest and most expensive pieces of legislative policy in the US. Over \$1 trillion dollars will be spent on the Bill over the next ten years. Whilst much of the budget will be committed to nutrition assistance programmes which has an indirect benefit to US agriculture the Bill also provides direct support to farmers, conservation programmes and crop insurance.

⁴ [Potential economic effects of the Sustainable Farming Scheme Phase 4 Universal Actions Modelling Results \(gov.wales\)](#)

⁵ [CAP funds - European Commission \(europa.eu\)](#)

⁶ [Scottish farmers win battle over food subsidies \(msn.com\)](#)

⁷ [Future Agricultural Policy Decisions for Northern Ireland \(Final\) \(002\).pdf \(daera-ni.gov.uk\)](#)

Welsh Government must recognise that farming in Wales operates in national and global markets. NFU Cymru's position has always been that policies must ensure that Welsh farming remains competitive with farmers in the UK, EU and globally.

NFU Cymru would express profound concern that, through the development of proposals, Welsh Government takes no account of the competitiveness of the Welsh farming industry which, we are clear, will be seriously eroded by current proposals. Welsh Government's proposals do not include a direct support element; the proposals for a stability payment is anything but 'stable', declining to zero within five years; and the cost incurred / income foregone payment methodology proposed for the Universal Baseline Payment means that, in effect, agriculture and food production in Wales will be unsupported by 2030. This is in stark contrast to our nearest competitors. NFU Cymru remains absolutely clear that competitiveness is a structural issue that must be addressed by Welsh Government so that farmers in Wales can continue to compete on a level playing field.

- **The economic landscape**

NFU Cymru is well-aware of the significant challenges faced by all sectors of the economy, by governments both national and local and by the public sector as we continue to feel the twin effects of both high inflation and high interest rates, and an economy which is struggling to grow. Welsh farming has not been immune to these stresses with input costs on farm some 30% higher than they were in 2019, increases in output prices have not matched the inflation seen in inputs thus putting margins under pressure.

Welsh farmers continue to face a wide range of challenges and significant economic turmoil as a result of factors completely beyond their control. Given that the proposed SFS is to be the long-term programme to support the agricultural industry in Wales, it is important that we all recognise the economic backdrop in which policy is being developed and introduced.

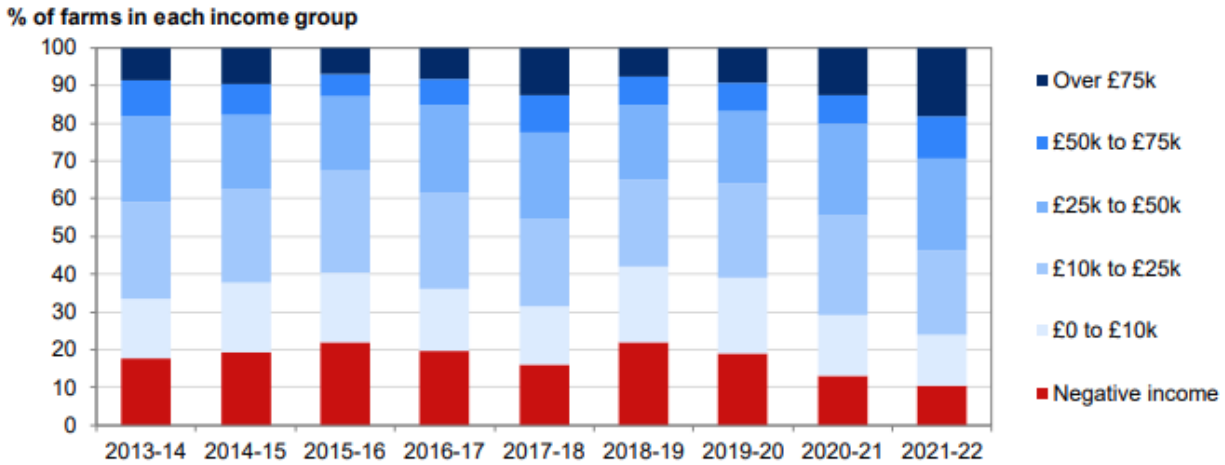
The latest statistics on [Farm Incomes](#) was published in February 2024 and relates to the period April 2022-March 2023. The release coincides with the war in Ukraine and the cost-of-living crisis both of which have had a considerable impact on costs for farms in Wales.

It should be noted that the figure generally used to reflect farm profitability for each Welsh farm category is 'farm business income', which represents the financial return to all unpaid workers (farmers, spouses, non-principal partners and their spouses, and family workers) on all their capital invested in the farm business. In essence, farm business income is the same as net profit.

On cattle and sheep LFA farms the estimated average income dropped in 2022-23 by 37% to £24,300. On cattle and sheep (lowland) farms average income has dropped by 30% to £18,700. The 87% increase in income on dairy farms can be explained by the rise in output from milk and milk products which increased by 49% due to an increase in the milk price. It is important to note that between December 2022 and December 2023 the milk price has fallen by 26.7%, this reduction in output is likely to be reflected in the year to March 2024 income figures and highlights the inherent volatility and uncertainty in commodity markets.

The Farm Business Survey refers to the need for particular attention to be given to the current contribution of the Basic Payment Scheme, other subsidies, miscellaneous and diversified income to the bottom line. For example, these four contributed around 25% of the total income (outputs) and 153% of profits, on average, for upland cattle and sheep farms. The report goes on to say that with these levels of dependency, it is difficult to see how many Welsh farms with limited options for changing farming enterprises and / or systems, can be profitable without relying on non-farming income and Welsh Government support payments.

The table below shows the variation in farm business income over the past nine years, and highlights that in 2021-22 nearly 50% of farms had a farm business income below £25,000 with around 10% having a negative income.



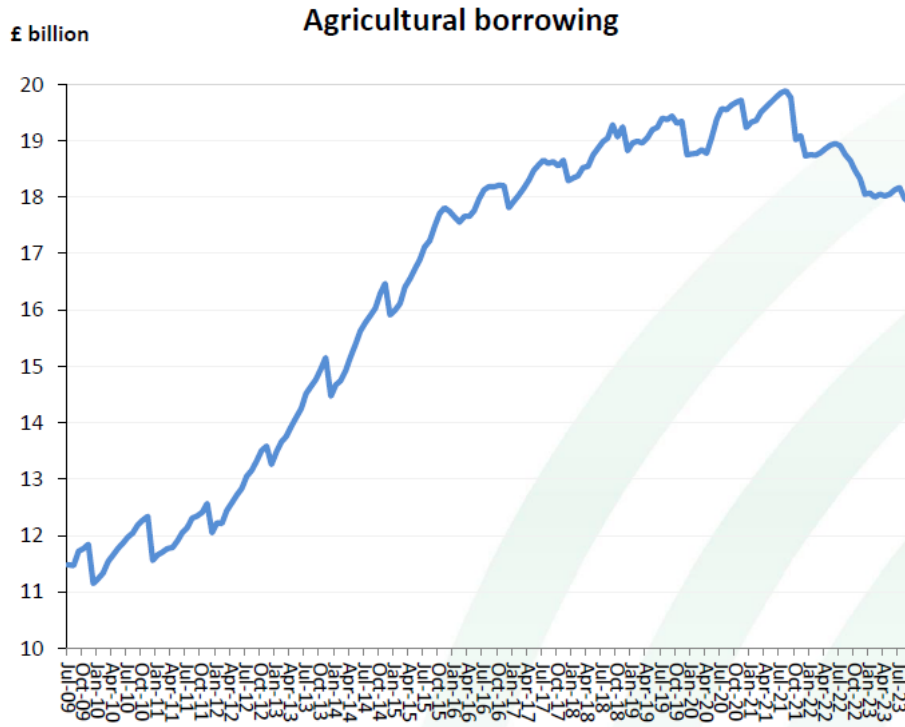
Factors such as bovine TB continues to have a major economic and psychological impact on Welsh farming communities, with around 10,000 animals consistently being slaughtered per annum due to TB over the past five years. At any one time more than 600 farm businesses in Wales will be restricted because of bovine TB with thousands more living with the fear of what their next on-farm TB test will bring. Exeter University has found that the consequential losses associated with a TB outbreak on farm can be between £3,198 and £55,000 per farm as a result of movement restrictions alone. An NFU Cymru [member survey](#) on bovine TB that received over 500 responses from cattle keepers from across Wales found that the average cost over 12 months to the farms that provided cost details was £25,677. Across all respondents, over 30% estimated their costs at over £10,000 and 13% said the figure was over £50,000.

The Control of Agricultural Pollution Regulations (2021) introduce a Nitrate Vulnerable Zone (NVZ) across the whole of Wales. The Regulations came into force on the 1 April 2021 with transitional periods for some elements. Welsh Government’s own Regulatory Impact Assessment (RIA) stated that the regulations will cost Welsh farmers as much as £360 million in infrastructure costs alone – with annual compliance and impact costs in addition to this figure.

Since the publication of the impact assessment, the cost of compliance with the regulations has increased significantly as a result of increases in building costs, meaning the infrastructure costs of compliance alone may now approach £500 million.

Whilst, as a result of NFU Cymru lobbying, Welsh Government has introduced an enhanced nutrient management approach for 2024 which will allow farmers to operate above the 170 kg/N/ha limit from livestock manures subject to meeting certain conditions, at the time of writing there is no long-term sustainable solution in place. Modelling undertaken by AHDB has shown that the impact of the 170 kg/N/ha from livestock manures limit will reduce stocking density on Welsh dairy farms by 17% representing a substantial threat to Welsh farm incomes and livelihoods, with consequential impacts for the supply chain.

Bank of England data shows that agricultural borrowing stood at £17.84 billion in November 2023, a marginal fall from the £17.89 billion recorded the previous month.



Source: Bank of England

Agricultural borrowing, July 2009-July 2023

Farm borrowing remains extremely high compared with historic levels, and with around half of all farms having existing borrowing, and many needing to borrow in order to cope with immediate and long-term challenges – not least the costs of complying with the Control of Agricultural Pollution Regulations – the servicing of existing and new loans in a climate of high interest rates will bring additional financial pressures for Welsh farm businesses over the coming years. With interest rates having risen to 5.25%, from 0.1% in December 2021, their highest rate since 2008 the ability to service increased loan repayments will be a major concern to many farming businesses.

Given the global food crisis and the fact that escalating costs are forcing many farmers to reduce production and, in some instances, even consider whether they will be able to continue farming, NFU Cymru has consistently called on the Welsh Government to ensure that future policy does not constrain farmers’ productive capabilities and inhibit Wales’ vital role in contributing to domestic and global food security.

Agriculture is one of the sectors that have been most heavily shaped by the UK’s membership of the European Union, with farmers having historically benefitted from the financial support through the Common Agricultural Policy as well as free and frictionless access to the EU’s Single Market.

The UK’s departure from the EU, and the decision to leave the Single Market and the Customs Union has brought about fundamental change for the UK-EU trade relationship. While the Trade and Cooperation Agreement between the UK and the EU, agreed in late 2020 provides for certain preferential arrangements, the nature of the relationship has continued to change. This has resulted in farming businesses facing trade disruptions and frictions and British exporters continue to find adjusting to the new relationship difficult; new requirements in terms of customs declarations, inspections and checks have added significantly to costs and problems, while delays at borders can be significant, making Welsh and British products less competitive.

In addition to the UK-EU trade deal, the UK Government has reached a number of trade agreements with other nations. The majority of these represent 'rollover' agreements that generally reflect agreements that were already in place with the EU. The two most significant new agreements are those agreed with Australia and New Zealand, both of which are extremely liberal in terms of providing immediate access to duty free transitional quotas for key agriculture products, with eventual tariff elimination.

The agreements with New Zealand and Australia have entered into force only recently, 31st May 2023. While there may be some modest opportunities to increase exports to Australia and New Zealand, for instance in relation to finished products e.g. cheese, there is much more in the deals for Australian and New Zealand exporters. It is still too early to evaluate if opportunities or concerns have been realised.

The government's own impact assessment estimated that with respect to the New Zealand deal, UK agriculture, forestry and fishing and semi-processed foods sectors are expected to experience a reduction in gross value added (GVA) of around 0.35% (£48 million) and 1.16% (£97 million) respectively.

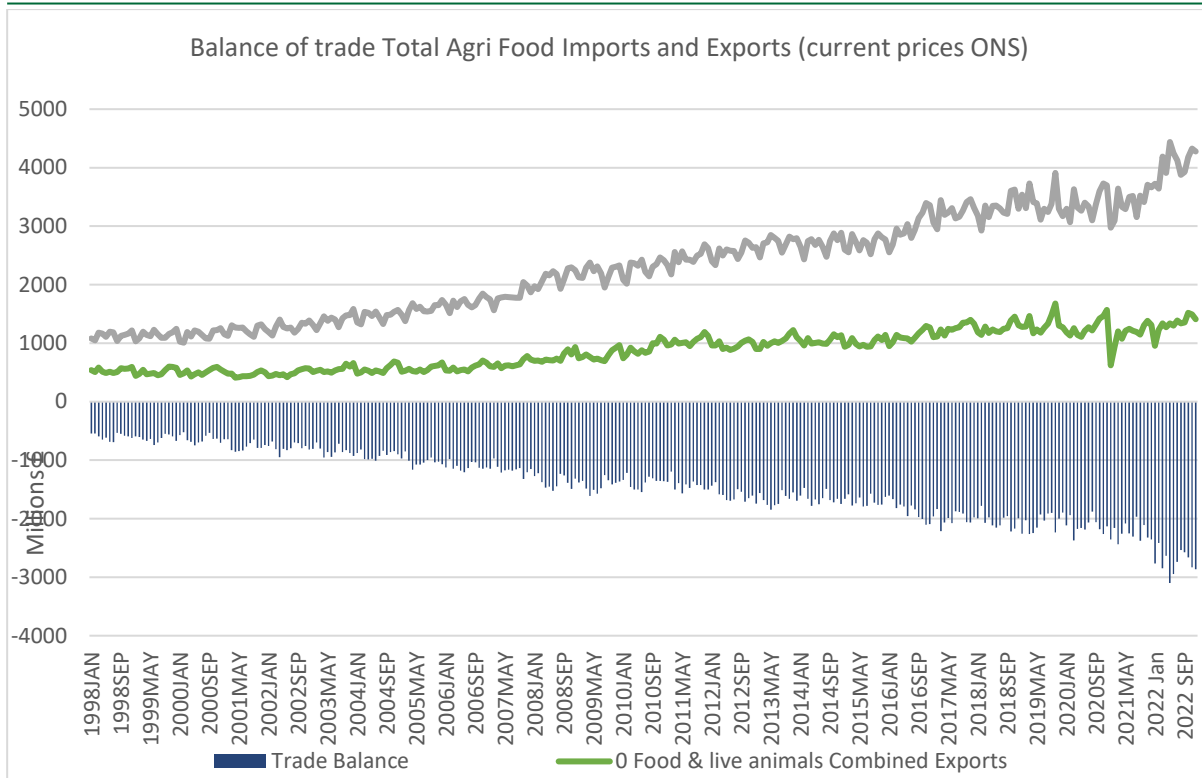
The Government estimates that because of the Australia deal, we will see a reduction in gross output of around 3% for beef and 5% for sheep meat as a result of liberalisation. This is equivalent to wiping £87million off the output of UK sheep production and £67million off the UK beef sector and does not take into regard the cumulative effect of agreeing similar liberalisation terms with New Zealand. Given the reliance of the Welsh farming sector on red meat production we have concerns that the impact for agriculture in Wales will be proportionally worse than for other parts of the UK.

In 2022, the UK exported £15.57 billion worth of agri-food. This is up 17.3% on 2021 and approaching 2019 figures. In 2022, 75% of the value of Welsh food and drink goods exports went to the EU.

However, the apparent recovery of exports to the EU must be viewed through the lens of unprecedented levels of inflation. The food and drink sector has experienced particularly high inflation with businesses forced to raise prices to meet rapidly rising input costs. In this context, the 2021 to 2022 growth in export values does not necessarily represent increased exporting activity from businesses.

Unfortunately, in volume terms HMRC figures show a significant drop in exports of agri-food products since 2019. Overall volumes of agri-food are down more than 20% compared to 2019.

In 2022, the UK imported £47.6billion worth of food and live animals, up 25.6% on the year and 16.3% higher than 2019 figures. The increase in the value of imports, coupled with stagnation in the value of our exports, has led to a significant deterioration in the nation's Balance of Trade in Agri-food products (see below). The UK has been running a trade deficit in food and live animals of circa £2.7billion a month during 2022, compared to £2billion in 2019.



NFU Cymru has repeatedly made clear concerns that these and other liberal trade agreements will adversely affect our ambitions to sustainably grow the £8.1 billion Welsh food and drink industry – Wales' biggest employer. Just as importantly, there are legitimate concerns as to the social and cultural impact of such trade deals and their effect on Welsh language and culture.

NFU Cymru is pleased that Welsh Government, through the consultation, recognises the need to protect livelihoods and keep farmers farming. In reality, the SFS does very little to deliver economic sustainability on Welsh farms in the challenging context set out above.

A long-term commitment to a stability payment needs to form a central facet of the Sustainable Farming Scheme to ensure that the continued delivery of economic, environmental, social and cultural outcomes by Welsh farming is secured.

- **Public support**

During difficult times, farmers continue to be sustained by the strength of support shown to them by the public.

A survey of 1,057 adults in Wales undertaken by international market research and data analytics company, YouGov, in November 2023, for example, found that 82% of those surveyed supported the Welsh Government providing financial support to farmers to produce food.

Interestingly, the data showed that support for Welsh Government providing financial support to farmers to produce food was actually higher in many urban regions than the national 82% average, for example it was 86% for those surveyed in Cardiff and South Wales Central.

When taking into account Welsh Government's priorities, 72% of those surveyed said that supporting Welsh farmers was a good use of public spending.

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74% of Welsh adults viewed food produced in Wales as high quality and 66% of Welsh adults thought that the amount of locally produced food in the public sector should be increased with 67% of people wanting UK food production to be as self-sufficient as possible and, of those who do, 70% think Wales can play a leading or have a major role to play in self-sufficiency.

This shows a high level of backing amongst the public for supporting farmers financially to produce food, also sending a strong signal to Welsh Government for the direction of future policy design.

Summary

NFU Cymru's key principles and vision for future agricultural policy are closely aligned to Welsh Government's own legislation including the Well-Being of Future Generations Act 2015 and the Agriculture (Wales) Act 2023 which establishes four Sustainable Land Management (SLM) objectives.

NFU Cymru identifies that the latest proposals have not evolved sufficiently from earlier proposals and the scheme design has not kept pace with the fundamental changes secured to the Agriculture (Wales) Act during its passage through the Senedd. The latest SFS proposals continue to prioritise the delivery of environmental outcomes. This imbalance must be addressed so that there is equal ambition for food production and the resilience of agricultural businesses alongside other SLM objectives.

NFU Cymru has long been clear that, in the context of the challenges to global food production, future agricultural policy must underpin and secure the continued supply of safe, high quality, traceable, affordable food. The precarious state of food production globally provides impetus for continuing government intervention in farming in the vast majority of developed countries. NFU Cymru remains clear that the ability of Welsh farmers to remain competitive is a structural issue that must be addressed through future policy so that farmers in Wales can compete on a level playing field with farmers in the rest of the UK, EU and globally in an increasingly volatile operating environment.

Welsh farmers continue to face a wide range of challenges and significant economic turmoil as a result of factors completely beyond their control. Given that the proposed SFS is to be the long-term programme to support the agricultural industry in Wales, it is important that the economic backdrop in which policy is being developed and introduced is recognised.

In this context, NFU Cymru is clear a long-term commitment to a stability payment within the SFS to recognise the economic, environmental, social and cultural contribution that Welsh farming makes to society and to underpin the resilience of food production in Wales and the continued secure supply of high quality, safe and affordable food from Wales is needed. Welsh Government must also commit to develop a comprehensive farm to fork food strategy for Wales with ambitious targets for the sustainable growth of the food and farming sector.

2. The SFS framework

NFU Cymru continues to broadly support Welsh Government's proposed overarching Sustainable Farming Scheme structure based around the three structures of:

- Universal Actions – required of all participants of the scheme in return for the Universal Baseline Payment.
- Optional Actions – offering farmers the choice to prioritise and undertake actions appropriate to their circumstances.
- Collaborative Actions – offering farmers the chance to work with others to deliver change on a larger scale.

We continue to believe this framework has the potential to be a workable model for delivery, closer than earlier proposals to NFU Cymru's vision for future agricultural policy based around productivity, environment underpinned by a measure to deliver stability to farm businesses. However, NFU Cymru's support for this framework remains contingent on the principle of equal access for all active farmers and development of practical and deliverable actions within the Universal Action Layer that are achievable on all farms in Wales, irrespective of farming sector, system and locations. The Universal Baseline Payment that farmers receive for undertaking the Universal Actions must also deliver at least the same level of stability to farm businesses as the Basic Payment Scheme provides currently.

NFU Cymru is clear that Welsh Government's current proposals for the Universal Action Layer of the Sustainable Farming Scheme continues to fail on both counts. Welsh Government continues to approach the design of the scheme based largely on previous agri-environment schemes. This approach is fundamentally flawed when the Sustainable Farming Scheme is set to be the main mechanism of support to farming in Wales replacing both Pillar 1 and Pillar 2 support measures provided via the CAP.

On this basis NFU Cymru strongly rejects SFS proposals and we identify that very significant modification is required before moving forward.

We place on record our profound disappointment that, despite Welsh Government's apparent commitment to co-production, many of the issues set out in this response are concerns we have raised repeatedly, that have still not been addressed. Farmers across Wales are frustrated and disappointed that their efforts to provide feedback on successive consultations on the shape of future policy have been largely ignored. The high level of stress and anxiety within the farming industry about Welsh Government's plan to introduce the Sustainable Farming Scheme in 2025 when in its current iteration it is clearly not fit-for-purpose is palpable.

NFU Cymru remains clear that the issues raised, and reiterated below, represent a very real barrier to participation in the scheme. SFS proposals undermine Wales' agricultural capacity and the viability of 16,000 or so farm businesses that rely on the BPS currently. We would also highlight that the delivery of Welsh Government's environmental objectives is highly reliant on farmers being able to access the scheme. On this basis, the Sustainable Farming Scheme works for no one.

We identify that a review of the practicality and cumulative administrative burden associated with the Universal Action Layer of the scheme is needed before moving forward and we continue to highlight that, as proposed, there are likely to be resource capacity issues associated with farmers conducting new actions as part of the scheme. In its response to co-design 2, Welsh Government committed to undertaking a capacity assessment that included the availability of goods and equipment as well as expertise, we note, the consultation is silent on this matter.

NFU Cymru reiterates our commitment to work with Welsh Government in genuine partnership to ensure that the Sustainable Farming Scheme is overhauled so that the Universal Action Layer is truly universal⁸ and it provides the necessary income stream to ensure it works for farmers, our rural communities, consumers and the supply chain as well as the environment.

- **Sustainable Land Management Outcomes**

We refer to Welsh Government's proposed Sustainable Land Management outcomes for the scheme and note, to a great extent, they mirror the SLM outcomes of the Agriculture (Wales) Act 2023. We are concerned, however, that these outcomes have not translated into the Universal Action Layer of the scheme. Despite revised SLM objectives and additional SLM outcomes being included within the Agriculture (Wales) Act 2023 during its passage through the Senedd, there has been insufficient focus to translate these changes into the Sustainable Farming Scheme. To be clear the Universal Actions mirror closely what was published in Welsh Government's July 2022 Outline Proposals document which was ahead of the Agriculture (Wales) Bill being introduced into the Senedd in September 2022 and in advance of the changes made as the Bill made its way through to the Senedd to ultimately become the Act that received the support of all the political parties.

Despite the efforts of Welsh Government to highlight the multiple outcomes, they believe, each of the Universal Actions will deliver, in some instances, this analysis is clearly highly questionable. It is impossible to deny that, of the 17 proposed Universal Actions, at least ten are heavily focussed on environmental delivery. In this regard we believe that Welsh Government is failing in its duty to give equal focus to each of the four SLM objectives. Support for actions to underpin food production and the resilience of agricultural businesses and their contribution to the local economy are woefully lacking.

In addition to the need to remodel the Universal Action Layer of the scheme so that it works for all farmers in Wales, we also identify the need to rebalance the Universal Actions so they are more closely aligned to the requirements of the Agriculture (Wales) Act whilst delivering economic, environmental, social and cultural outcomes in line with the Well-Being of Future Generations Act.

Turning to each of the Universal Actions, we would make the following comments:

- **Universal Action 1: Benchmarking**

NFU Cymru notes farmers will be required to undertake annual measuring and monitoring through the completion of both mandatory and additional optional Key Performance Indicators (KPIs). Farmers will be required to submit this data to Welsh Government via an online portal which will compare their performance with other farms.

Firstly, NFU Cymru would highlight that Welsh Government's failure to publish the full list of proposed KPIs has hindered proper consultation. Members have repeatedly told us that they are not prepared to provide detailed financial and business sensitive information to Welsh Government as part of this Universal Action.

NFU Cymru recognises the role that measuring performance can play, enabling farm businesses to compare their position with their own past performance and other farmers. We would emphasise, however, that benchmarking can be a blunt instrument – no two farms are the same and benchmarking performance can plummet as a result of one issue which could be beyond the farmer's control. Whilst Welsh Government has sought to provide reassurances that there will be no negative consequence for lower benchmarking performance, NFU Cymru is concerned that, through proposals, Welsh Government has paid insufficient consideration of the impact to the well-being of

⁸ *Universal – something that is universal relates to everyone (Collins Dictionary)*

farmers under this level of scrutiny together with administrative burden of this Universal Action. Farmers were also concerned that efforts to improve performance of one KPI measure could negatively impact on another.

There is widespread concern about how KPI data provided to the Welsh Government online portal will be used and also safeguarded. The issue of data protection is covered later in this response, however, it is possible to foresee data through this Universal Action subject to information request and twisted to meet their own ends by aggressive campaigning groups with an agenda of attacking the farming industry in Wales.

NFU Cymru is disappointed that Welsh Government places no value on the data provided by farmers and only proposes to pay for the farmers time to gather and report the data, potentially undermining any value that the supply chain or others may place on this information in the process. If Welsh Government wants this data, then the data has a value and farmers must be properly rewarded for providing it.

We are also concerned about the costs of operationalising this Universal Action. The development of an online portal is likely to be a significant expense as will the proposed guidance and advice to support farmers. In this context, NFU Cymru remains wholly unconvinced of the cost-benefit of this Universal Action and we are clear that the marginal gains in performance that can be achieved through benchmarking will be insufficient to make up for loss of direct support through the BPS.

The consultation also fails to address Welsh Government's proposal for supporting farmers who are digitally excluded. More account is needed of Welsh Government's own [Digital Strategy](#) published in 2021 which states that *"For people who cannot, or decide not to, participate digitally, we will continue to apply the principles of user centred design so that there are alternative ways to access public services in Wales. The alternative access routes will be as good as those offered online"*.

Finally, Welsh Government's underlying assumption that farmers do not already undertake benchmarking is inaccurate. Many farmers participate in benchmarking via a number of mechanisms currently. To assume market failure in this area, therefore, demonstrates a lack of understanding of farming in Wales. Welsh Government's benchmarking approach will need to take account of this and be compatible with the data already collected to minimise bureaucracy for the farmer.

Overall, we remain concerned that Welsh Government continues to overplay the role that benchmarking can play in underpinning farm business viability in the absence of measures that provide stability. Whilst Welsh Government emphasises many factors affecting farm business performance are within the control of the individual farmer, the evidence is clear, farmers are also subject to significant volatility arising from environmental, economic and political factors beyond their control.

- **Universal Action 2: Continuous Personal Development (CPD)**

Welsh Government proposes that farmers participate in an annual training cycle comprising six online learning modules (including mandatory Health and Safety training) on an annual basis with the result that over a five-year period some 30 online modules will have been undertaken.

Firstly, NFU Cymru is supportive of efforts to improve the Health and Safety record on Welsh farms. The loss of life and injury on farms is deeply concerning to all of us and the safety record of the industry must be improved. NFU Cymru place a significant focus on promoting and highlighting Health and Safety messages through all our member communication and engagement work. We are a strong supporter of the Yellow Wellies campaign and an active partner in the Wales Farm Safety Partnership. We also recognise the role that Continuous Personal Development (CPD) can play in contributing to our vision of a productive, profitable and progressive farming industry in Wales. NFU

Cymru is proud that we have many award-winning farmers in Wales. Such achievements are not necessarily linked to educational attainment, however, Welsh Government should recognise that many farmers in Wales are often educated to degree level and beyond and are frequently better qualified than the advisers that are paid to advise them. In addition to formal education, many farmers in Wales are active participants in a broad spectrum of ongoing CPD activity.

We note that Welsh Government expects this prior and ongoing CPD to count, however, it is not clear how this will be operationalised, how equivalence will be determined, whether participation in alternative CPD programmes such as DairyPro, Nroso, BASIS etc will be recognised etc. Farmers attend conferences, NFU Cymru meetings etc. where they will also gain valuable information as part of their CPD and a system is needed that reflects all of these approaches.

It is also not clear how Welsh Government arrived at the proposal for there to be six courses undertaken annually and how Welsh Government aims to 'pitch' the training so that it is suitable and offers genuine value to all participating farmers who will possess a very broad range of prior learning and spectrum of age and ability.

Farmers were also disappointed with proposals to limit payment to covering the cost of farmers time for participating in the online training and there is not an element of incentive that has existed elsewhere, for example, we are aware the Irish government provided a top-up of €1300 to Direct Payments for attending a number of Teagasc knowledge transfer events.

Overall, there was an overwhelming feeling within the farming community that through this, and a number of the other proposed Universal Actions, Welsh Government believes farmers are unable to run their businesses effectively. Whilst the evidence presents a compelling case for farm support, we do not believe Welsh Government should use this to draw false conclusions about the capability of farmers, rather a primary function of support is maintaining competitiveness with farmers in the rest of the UK, EU and globally.

This Universal Action is also likely to come with a high investment cost for Welsh Government, particularly as it proposes to support this Universal Action with other learning activity, such as discussion groups and demonstration farms. We are concerned that Welsh Government may be simply repeating past investments it has made through the Farming Connect Programme. The cost-benefit of such interventions remains unclear, and more analysis is needed before moving forward.

Comments made earlier relating to digital exclusion are also relevant to this Universal Action.

- **Universal Action 3: Soil health planning**

NFU Cymru notes this Universal Action will include soil testing and nutrient planning. Welsh Government proposes to develop and refine this Universal Action over time – this has hindered consultation as has the lack of clarity about what Welsh Government proposes in respect of the biological and physical measures. NFU Cymru is clear that at this late stage in the scheme development process Welsh Government should be providing a clear picture of the requirements of each action it proposes.

That said, the benefits of soil analysis and nutrient management planning are well known, and it is a well-established practice on many Welsh farms. Soil analysis undertaken by farmers prior to joining the scheme within the last five years should be acceptable for the purposes of this Universal Action. The results of GPS soil testing should also be accepted.

The logistical and capacity challenges associated with this proposal are, however, likely to be significant. Farmers have pointed to nutrient management planning undertaken through Farming Connect where the results were received too late in the season to act upon them. We believe that

rather than testing on an individual field parcel basis it should be possible to group together field parcels that are under the same management. Similarly, the proposal to apply this action to enclosed semi-natural dry grassland when the management response is likely to be curtailed by regulation was questioned.

Farmers also highlighted the administrative burden associated with inputting data relating to soil analysis onto RPW online and significant concerns were raised about how Welsh Government would use the data and whether there would be an expectation on farmers to act on soil analysis results. Farmers queried if Welsh Government would, for example, be providing grant support for lime which has the potential to deliver significant agronomic and environmental benefit and climate change mitigation.

Given that Welsh Government proposes that electronic capture of the data will support monitoring, evaluation and national reporting, it is clear that this data has a value to Welsh Government. On this basis, Welsh Government's proposal to cover only the farmers time through the Universal Baseline Payment with no payment for data is unacceptable to us.

NFU Cymru is also highly concerned around the exploitation of the soil analysis data provided to Welsh Government and asks what safeguards there would be to protect individuals and the industry as a whole from information requests from campaigning groups who have a strategy of grossly misrepresenting farming for their own ends. This is an issue that contributes to high levels of stress and anxiety within the industry currently.

Moving to the specific soil sampling proposal, whilst standard soil analysis for P, K, Mg and pH is a widespread and well understood practice, testing for soil organic matter is more complex and costly. It is not clear what Welsh Government's purpose is in asking for this analysis to be undertaken, however, our discussions with experts suggests that yielding any meaningful results is likely to be challenging.

Turning to Welsh Government's proposals for basic nutrient accounts. Again, farmers highlighted the administrative burden associated with this as well as the requirement to keep records of land management. Whilst many farmers will be doing this formally or informally, the requirements to keep records which are 'inspection standard' will inevitably be a cause for anxiety and add to the record keeping workload. There was also widespread concern that the requirement for basic nutrient accounts could result in a 'consultants charter' with high costs to farmers just to meet scheme requirements.

NFU Cymru notes Welsh Government also proposes that farmers will need to incorporate Potassium and Phosphorus results into the Nutrient Management Plan for Nitrogen required for the Control of Agricultural Pollution Regulations (NVZs). NFU Cymru categorically rejects this proposal and identify that it is highly unusual for Welsh Government to be presenting this as a scheme requirement when such a requirement would clearly be linked to legislative change and should form part of the four-yearly review established within the Regulations alongside comprehensive consultation and impact assessment.

NFU Cymru strongly objected to Welsh Government's regulatory approach of applying a pan Wales NVZ which did not follow the evidence. We will not support further 'gold-plating' of this Regulation when on a daily basis we encounter farmers who are grappling with the current requirements Welsh Government has set in law, with profound impacts to farm business viability as well as mental health. Welsh Government's proposal is completely unacceptable to us and will be resisted in the strongest terms.

- **Universal Action 4: Multispecies cover crop**

Welsh Government proposes that a multispecies cover crop will be required on all land which would otherwise be left bare post-harvest for a period of more than 6 weeks.

Again, we note ambiguity in relation to the specific proposals for root crops grazed through the winter and also, whether a Rough Surface Risk Assessment will be permitted or not.

The removal of the Rough Surface Risk Assessment currently provided for through cross compliance is not acceptable. NFU Cymru has set out previously that allowing a rough surface offers significant and widespread benefits and fits into standard agronomic practice across a range of cropping systems. This includes the potato sector where crops are particularly vulnerable to poor seedbed preparation with impacts to yield and quality. We are concerned that this Universal Action may impact on the PGI status of Pembrokeshire Early Potatoes which has been granted on a set of conditions that included the method of production including soil preparation. This refers to soil preparation beginning in January with ploughing, with the field then left to weather to allow the upturned soil to break down.

Farmers queried Welsh Government's rationale for requiring a multi-species crop to be established. If the objective of this Universal Action is to protect soils from erosion then one species, such as ryegrass should be sufficient to meet this objective. Requiring multiple species adds cost and complexity without a corresponding benefit. A key requirement for a cover crop is having the ability to establish quickly and be fast growing, this can be better achieved by using only one species e.g. Westerwolds Ryegrass.

Similarly, farmers highlighted that they should be able to utilise farm saved seed, and therefore, in these circumstances it will not be possible to provide seed receipts. Farmers were also clear that there should be no restrictions on PPP use before and after the cover crop.

Concerns were also raised about Welsh Government's farming by calendar approach. NFU Cymru does not support proposals to establish the cover crop within 10 days of harvest which is too prescriptive. Weather and field conditions need to be taken into account and the requirement should be to establish the crop when conditions are appropriate. Similarly, farmers questioned the logic of the 15 February date for the retention of the cover crop when farmers are best placed to judge the appropriate timing to establish the next crop based on the prevailing weather and ground conditions.

With respect to the requirement that late harvested crops like maize must be undersown, it is important to recognise that this is not possible where the maize crop is grown in rotation, to be followed by a winter cereal.

Finally, the interaction between this Universal Action and the Growing for the Environment Scheme was queried. Welsh Government proposes that the Rural Investment Schemes currently available are likely to continue to be available during the transition period, subject to budget. It is not clear whether Welsh Government proposes to continue the Growing for the Environment Scheme specifically but it is important to recognise that this directly supports the establishment of cover crops. In contrast the payment for this Universal Action is expected to be based on an average across all farms whether the farm needs to establish a cover crop or not.

- **Universal Action 5: Integrated Pest Management (IPM)**

Welsh Government proposes that farmers will complete an annual assessment of plant protection products (PPP) and alternative methods employed to reduce chemical usage.

We note that Welsh Government proposes not to prescribe the format of this assessment. NFU Cymru would support this approach since various templates already exist for IPM including those provided by the Voluntary Initiative, LEAF etc. Similarly, Welsh Government requirements for this Universal Action should be compatible with IPM requirements for farm assurance etc.

NFU Cymru would also be keen to stress that the overarching aim of this Universal Action should not be a reduction in PPP usage per se, indeed, if that is the strategy then this is likely to have detrimental impacts on food production and specific Welsh Government policy agendas such as the desire to increase horticulture production in Wales. Welsh Government is also inaccurate in its assumed benefits of reduced PPP usage. Use of Pesticides are often an essential element of minimum tillage farming systems that can have benefits in terms of climate change mitigation / protecting soil carbon and organic matter. The benefits that Welsh Government envisaged from minimising the use of pesticides will only be realised if yields and profits are maintained. We would also highlight that the approval process for any pesticide is very thorough and includes environmental and human health considerations.

As with a number of the proposed Universal Actions, farmers have also expressed concern about how data provided to Welsh Government on PPP usage will be used by Welsh Government and what safeguards there will be to prevent its misuse by others.

- **Universal Action 6: Managing heavily modified peatland**

We note Welsh Government intends to show farmers if they have modified peatland and this Universal Action will require their active management.

NFU Cymru is concerned that Welsh Government has provided no definition of what it means by modified peatlands and as far as we are aware a mapping layer does not currently exist to show their location and extent in Wales. This has challenged our ability to consult properly with our members but it is possible to foresee issues arising with the proposed active management requirements set out in the consultation. For example, on a farm with a large extent of modified peatlands it is not realistic to require no supplementary feeding.

We also foresee issues with creating an accurate map and, given the poor experience many farmers have encountered with the recent mapping exercise for the Habitat Wales Scheme, an effective system for removing land that has been inaccurately mapped is going to be essential.

Overall, we question whether this Universal Action can be operational within Welsh Government's proposed timeframe for the scheme and, given the numbers of farmers it is expected to apply to is likely to be limited, this would sit more appropriately within the Optional Action Layer.

- **Scheme Rule: 10% Habitat**

Welsh Government proposes at least 10% of each farm should be actively managed as habitat⁹.

NFU Cymru notes that Welsh Government proposes that field scale habitats will be included alongside other habitat features such as ponds and scrapes, established broadleaf woodland and hedgerows that meet the definition of 'good condition'.

NFU Cymru is also clear that Welsh Government's proposed classification of habitats eligible for this scheme Rule is not comprehensive. It is also prejudicial for farmers in some areas of Wales where other features are likely to predominate. Welsh Government has provided no justification for the omission of a range of other habitats and features that have been included in previous agri-

⁹ Habitat – the place where a plant or animal naturally or normally lives or grows

environment schemes. On this basis, in addition to the habitats proposed above, we believe there are clear benefits for a range of species to include the following additional habitat features:

- Riparian and water features such as streams, rivers, ditches and irrigation ponds.
- Other field boundary features such as earth banks and dry-stone walls.
- All tree features including coniferous forestry.
- Traditional farm buildings.
- Non-permanent features such as mixed cropping at a farm level – recognising the diversity of cropping and mixed farming is good for nature providing a range of habitat types.

Farms should be paid across each hectare of habitat they have / create and NFU Cymru welcomes the commitment from Welsh Government¹⁰ that all broadleaf woodland in addition to the woody habitats, namely, traditional orchards, scrub, wood pasture and in-field trees will count towards both habitat and tree cover requirements.

We note that Welsh Government is proposing, where farmers have enough semi-natural habitats, subject to assessment, lesser quality habitats can be considered for tree planting, creating scrapes or restoration to higher quality habitats. What is not clear is if Welsh Government is prepared to change and relax the existing regulatory regime provided for through EIA to facilitate this.

NFU Cymru is concerned that Welsh Government proposes that only hedgerows that meet its definition of 'good condition' will be included in the 10% habitat calculation. Our specific comments relating to Welsh Government's hedgerow management are made later in this response, however, we strongly assert that all hedgerows should be included within any calculation of habitat extent.

- **Universal Action 7: Habitat Maintenance**

Welsh Government proposes that the habitats mapped will be classified as one of 11 proposed habitat categories, each with a management specification setting out the management outcomes, recommendations and restrictions. Our comments relating to Welsh Government's proposed mapping exercise are made later in this response.

We place on record our concerns that Welsh Government has only provided information on the management specification for 'Enclosed Semi-Natural Dry Grassland – Grazed Pasture' and not the full 11 habitat classifications. This has limited our ability to properly consult with our members, especially when Welsh Government has stated this is the final consultation on scheme design.

Whilst Welsh Government suggests it is adopting a more flexible approach to habitat management than existed previously, many farmers doubt this when the management specification for Enclosed Semi-Natural Dry Grassland suggests the opposite is the case. In reality, we identify that farmers will largely be in the hands of the RPW inspector on the day as to whether they receive a penalty or not. This is not an acceptable position for farmers to be put in.

Concerns have also been expressed that the prescriptive requirements of this Universal Action may interfere with pre-existing agreements, for example, with environmental charities, for the management of some farmland.

In respect of the management specification for 'Enclosed Semi-Natural Dry Grassland', NFU Cymru would express concern that, yet again, Welsh Government has resorted to prescriptive sward heights as a measurable outcome which farmers will be assessed against upon inspection. We are concerned that Welsh Government has taken no account of the fact that this habitat type may be

¹⁰ E-mail communication

utilised as hay meadow with a crop taken in which case achievement of these sward heights between 15 May and 31 August will be unattainable.

Similarly, the requirement to remove livestock if conditions become too wet will be impossible where the farm supports a lot of this habitat type. How farmers are supposed to ensure that dead material does not cover 10% of the area overall when cutting or topping is limited to no more than 30% or rush or weed species is unclear. It is perverse to include the recommendation to graze natural grassland with cattle or horses when there is absolutely nothing in the entire SFS to support livestock grazing and wider Welsh Government policies such as those relating to bovine TB and NVZs have contributed to a decline in suckler cow numbers. The recommendation to apply lime to maintain a soil pH of between 5.5 and 6.5 on neutral grasslands is likely to be prohibitively expensive without grant support.

Analysis of the practical application of the management specification for this habitat type suggests similar detailed engagement with the farming sector is needed for all the other habitat types and we ask how Welsh Government proposes to facilitate this. How, for example, does Welsh Government propose that farmers manage dense bracken when use of the key tool in the box 'Asulox' has been prohibited, unfortunately Asulox has now been withdrawn altogether from the UK market.

Whilst the reference to potential derogations within the management specification is to be welcomed, it will provide cold comfort to farmers. In reality, the experience of farmers is that derogations are often too slow and extremely difficult to secure. Proposals provide very limited reassurance that farmers will be protected from penalties for issues relating to scheme delivery that are beyond their control.

In summary based on the example given on page 29 of the consultation document and given the wide range of factors, many of which will be completely outside the control of farming businesses e.g. weather, we do not see how any business would be able to sign an agreement confident in their ability to manage a habitat to the prescriptive nature provided in the consultation document.

- **Universal Action 8: Create temporary habitat on improved land**

Welsh Government proposes that where farmers do not meet the semi-natural habitat threshold, they will be required to create additional temporary habitat features with six options to choose from. The detailed requirements for one of these options, namely the establishment of mixed ley on improved land has been provided.

Again, Welsh Government's failure to provide this information across each of the proposed options has hindered proper consultation. It is simply impossible for farmers to judge whether the establishment of fallow crop margins, unfertilised, unsprayed and unharvested crop headlands and rough grass margins are feasible without the most basic information such as the width of the margin and the payment rate.

Members have highlighted to us that given the relatively small size of fields in Wales consideration needs to be given to the width of margins / headlands, otherwise many fields in Wales could easily become unviable for crop production.

Under this Universal Action, NFU Cymru would like to see a broader range of options available to suit all farming systems. In previous agri-environment schemes, unsprayed root crops followed by winter grazing; winter stubbles with limited winter grazing; and, undersown spring cereals were included as options.

Farmers have also queried when does a temporary habitat option become permanent and more guidance is needed to explain how the scheme which runs to the calendar year fits in with the cropping year on arable farms which starts in September.

In terms of payment, it's unclear how this Universal Action can be fairly rewarded and incentivised when creation of temporary habitats is likely to be costly, it is not clear whether farmers will be supported via the Growing for the Environment Scheme mechanism. Rates also need to be competitive to ensure a level playing field. In England, for example, we understand that the 'Establishment of Mixed Leys on Improved Land' currently provides a payment of £382 per hectare.

Welsh Government also needs a more comprehensive understanding of the cumulative impact of the Universal Action Layer of the scheme in terms of reduced agricultural area and the ability to meet its aspirations relating to increasing the area of horticulture cropping in Wales and protein cropping.

- **Universal Action 9: Designated Site Management Plans**

This Universal Action requires farmers with a designated site within their control to have a Management Plan in place with Natural Resources Wales (NRW) by 2029. There is a lack of clarity within the consultation whether this action applies solely to SSSIs or whether other site designations such as SACs will be included. We note Welsh Government suggests this applies to land which impacts on a river designated as a SSSI and also refers to buffers around designated sites, however, no information has been provided about what this means in practice. We are concerned this Universal Action could potentially affect significant numbers of farms.

We also question the feasibility of this proposal when NRW have confirmed to us that just 29.2% of the 1,084 SSSI have management agreements in place currently. Our understanding is that NRW has had to pause work in this area for the remainder of the financial year due to funding constraints. As a result, we are concerned that farmers with designated sites could be prevented from participating in the scheme or penalised at a later date for not having the required Management Plan in place due to factors completely outside their control.

Whilst describing such sites as the best examples of our natural environment and with a significant number of Wales' SSSI sites located on farmland reflecting positive management practices by farmers over generations, we are concerned and disappointed that Welsh Government suggests that, given the higher regulatory requirements underpinning SSSI sites, they will not be able to pay the associated habitat maintenance component of the Universal Baseline Payment on land within an SSSI.

NFU Cymru does not agree with Welsh Government's position which sends entirely the wrong message to farmers at a time when Welsh Government has increasing ambitions around targets for biodiversity¹¹.

SSSI designations are made under the Wildlife and Countryside Act 1981. Section 28 provides powers for management schemes aimed at both conserving or restoring all or part of the site in accordance with guidance from Welsh Ministers. National Assembly for Wales Guidance (2001) states that agreements should not be used simply to prevent new operations that could destroy or damage SSSI features. They should contribute towards the positive management of SSSIs to sustain their special interest. The basis for calculating agreement payments must be based on income foregone, any additional costs resulting from the commitment and the need to provide an incentive to encourage positive management measures to be adopted. That Welsh Government seems to imply that favourable status can be achieved only through regulation is deeply concerning and misunderstands the legislation.

¹¹ [Environmental principles, governance and biodiversity targets: White Paper | GOV.WALES](#)

In this context, we are clear it is entirely possible to provide support via the Universal Action Layer of the scheme, in line with SLM objectives. Welsh Government's proposal not to pay the habitat maintenance element of the Universal Baseline Payment on these sites is perverse to us given the dominant narrative from Welsh Government in recent years has focussed on fair reward for the delivery of environmental goods.

Given the current limitations on NRW set out above and the lack of firm proposals for the Optional Action Layer of the scheme, farmers face the very real prospect of these sites providing no meaningful income stream to farm businesses, despite likely higher costs of management. Some farms have very large proportions of their farms under designation and are left financially exposed by this proposal. They are further disadvantaged that such designations are likely to place limitations on the delivery of other Universal Actions, for example, UA10.

Welsh Government's proposal that land within an SSSI is prioritised for inclusion within the scheme's Optional Action layer is wholly inadequate. By Welsh Government's admission the introduction of the Optional Action and Collaborative Action Layers will be subject to further development and budget availability.

In proposing that SSSIs are excluded from the habitat maintenance category of the Universal Baseline Payment, Welsh Government also incorrectly assumes that SSSIs are designated on the basis of the flora and fauna that the site supports when, in fact, SSSIs can also be designated in recognition of their geological or physiographical features.

We also highlight that the distribution and extent of designated sites may lead to the effects and impact of not supporting this land at the Universal Action Layer being felt more acutely in some regions and sectors such as Wales' SDA areas and coastal areas.

Overall, NFU Cymru is clear that Welsh Government's proposed approach to designated sites is without legal basis and places farmers with such sites in a disadvantaged position. They are effectively being penalised for areas they have been managing under strict conditions with NRW for many years. Given the importance of SSSI designations and the stated objectives of the Agriculture (Wales) Act 2023 we believe this position to be untenable.

- **Universal Action 10: Ponds and scrapes**

This Universal Action will require farmers to manage existing ponds and scrapes and create new scrapes in line with stated thresholds.

Given the objective of this Universal Action is to boost wildlife associated with water features on farm NFU Cymru is concerned at its narrow focus. There are a broad range of water habitats on Welsh farms ranging from rivers, streams, ditches, irrigation ponds and reservoirs and reedbeds – all of which are important for biodiversity. Given Welsh Government has placed significant emphasis on improving water quality in Wales, NFU Cymru believes all of these features should be recognised as habitat and included within the thresholds for this Universal Action. Welsh Government's proposal to exclude irrigation ponds and storage reservoirs is irrational given that these are important havens for wildlife and abstraction licences limit abstraction from these sites so that biodiversity is not impacted.

Welsh Government's proposed area thresholds have not been explained or justified, and they appear high across all farm sizes. An area of 1000m² on farms up to 80 hectares appears very significant and burdensome given that the minimum area to be eligible for the scheme is proposed to be 3 hectares and the average size of farm in Wales is 48 hectares. As a result we question whether these thresholds derive from Wales and work in a Welsh context.

The planning requirements associated with this Universal Action appear far from resolved. Ponds are likely to need either full planning or prior notification (minimum £1000 per feature). Most planning authorities are likely to require an ecological survey of the site (an additional £1000 per feature). Any body of water greater than 100m² will require a SuDS report (£2500 per report). If new ponds and scrapes remain accessible to livestock then some planning authorities are likely to insist upon a phosphates report (an additional £1000). The position with respect to scrapes is not clear, however, individual planning authorities / planning officers may decide that planning is required so the above costs will be applicable. Permission cannot be assumed recognising that it will be necessary to prove that the proposal is 'reasonably necessary for agriculture' which is a determinant factor in any application. Given that many farmers are likely to require multiple new features then it is possible to envisage that this Universal Action is going to have upfront costs of thousands of pounds in fees alone and it is far from clear that these costs are going to be covered in the Universal Baseline Payment.

In addition, members who have discussed with their contractors the costs associated with constructing ponds and scrapes to the required standard have been quoted figures that run into thousands of pounds.

In this context, NFU Cymru believes it is completely unrealistic to expect farmers to achieve this Universal Action, never mind, achieving it within the first year of joining the scheme.

Farmers highlighted that this Universal Action is also highly contradictory with a number of other proposed actions including UA4 which requires farmers to keep soils covered to protect soils from erosion and UA15 given the increased liver fluke and broader disease burden that is likely to arise e.g. Schmallerberg.

The level of concern is such that a team of scientists and vets from the Department of Life Sciences, Aberystwyth University, recently published an open letter in the Vet Record raising their concerns about this Universal Action and the liver fluke risk. Despite improved understanding and the availability of treatments, liver fluke still costs UK agriculture around £110 million annually. The letter identifies that climate change and drug resistance is causing further issues and the proposals will jeopardise the fluke free status on the 20% of Welsh farms that are estimated to be fluke free currently. NFU Cymru also wish to point out that there is no licenced product available to address liver fluke in dairy cows currently.

It is also important to recognise the Universal Action stands in the way of Welsh Government guidance to poultry keepers to maximise the distance between poultry units and places where wild birds congregate on ponds etc to reduce the risk of infected wild birds spreading notifiable diseases such as highly pathogenic avian influenza.

- **Universal Action 11: Hedgerow management**

Welsh Government proposes that hedgerows that are regularly shaped by trimming or cutting will need to meet the Welsh Government definition of 'good condition' by the end of the fifth year in the scheme.

Firstly, it is presumed that Welsh Government proposes this Universal Action should apply only to hedgerows under the farmers management control.

There was unanimous agreement that all hedges, irrespective of condition, should count towards as habitat and tree cover. Given that hedges are clearly a collection of trees which sequester carbon, their omission from the tree cover calculation is perverse. Their role in sequestration is increasingly recognised with, for example, a hedgerow carbon code being developed.

It is also important to recognise that hedgerows range from newly planted, recently laid or coppiced, through to dense established hedgerows through to tall and overgrown hedgerows. There is also significant regional variation. They are dynamic systems and, in our view, aiming to maintain them in one fixed state as per Welsh Government proposed definition of 'good' is neither possible nor desirable given the variation that exists currently.

Through adopting a fixed stance of what constitutes a hedgerow in 'good condition', we believe this Universal Action has the potential work against the SLM objective of conserving and enhancing the landscape by discouraging hedge laying – a practice that has taken place in Wales since the sixteenth century with each locality having its own particular style passed down through the generations. Hedging is a traditional country skill, central to Welsh culture and inherent to the Welsh landscape we see today, also providing valuable employment in our rural communities.

We also ask what analysis Welsh Government has undertaken to assess the condition of hedgerows currently against this benchmark. The consequences for farmers for not meeting the conditions of this requirement by the end of the fifth year are not clear but we are concerned that farmers who enter the Sustainable Farming Scheme are exposing themselves to significant liability with this Universal Action.

Farmers highlighted that achieving the proposed dimensions is likely to prove impossible in all parts of Wales for a variety of reasons e.g. wind, salt, depth of soil cover. Welsh Government is proposing these measurements from the top of the bank makes the requirement even more challenging and is baffling given that these are important habitat features in their own right. The requirements are also highly contradictory. It is not clear how trees can be established in hedgerows where the hedgerow already exists and it was also highlighted that trees kill a hedge and inhibit its ability to be stockproof.

The option on arable land, where the normal agricultural practice requires that a winter arable crop is planted before 31 August, farmers should continue to be able to cut back the relevant hedges or trees from 1 August, in line with the current GAEC derogation.

Overall, many farmers across Wales expressed the view that Welsh Government's definition of 'good condition' is too prescriptive and will be impossible to achieve.

- **Scheme rule: 10% tree cover**

The NFU Cymru policy position with respect to tree cover is set out in our [Growing Together](#) strategy. We are supportive of measures that facilitate and reward farmers for additional woodland planting in line with the 'right tree, right place' principle achieved through integrating trees into farming systems rather than replacing them. NFU Cymru, however, rejects in the strongest terms Welsh Government's proposals to mandate 10% tree cover as a requirement of the Universal Action Layer of the scheme.

Welsh Government suggests that the 10% tree cover requirement is routed from the UK Climate Change Committee (CCC) Balanced Pathway which recommends planting a cumulative 43,000 hectares of mixed woodland in Wales by 2030¹². However, there is ambiguity in how these figures have been derived and it needs to be more clearly explained.

At NFU Cymru's Annual Conference in November 2023 the Head of Land, Agriculture and Nature at the CCC stressed that the race to achieve net zero cannot be achieved by '*throwing farmers under the bus*'. Achieving net zero cannot be at the expense of rural communities and they do not want to see a repeat of what happened to the mining industry in the 1980s.¹³ Welsh Government's second Carbon Budget¹⁴ (2021-2025) states that whilst they '*have accepted the recommendations from the*

¹² [Advice-Report-The-path-to-a-Net-Zero-Wales \(1\).pdf](#)

¹³ [Adviser marks down government for climate policies | Wales Farmer](#)

¹⁴ [42949 Second All Wales Low Carbon Delivery Plan \(2021-2025\) \(gov.wales\)](#)

CCC about what the decarbonisation targets should be, they are setting out their own path about how to get there.....reflecting the geography, culture and economy of Wales’.

NFU Cymru has long been clear that Welsh Government’s climate policies must ensure that the burden of decarbonisation does not fall unequally on farming and our rural communities. Given the role of farming in meeting Welsh Government’s climate objectives across agriculture, land use, land use change and forestry and heat and power, farmers are set to be one of the sectors most affected and policies are needed that progress Wales’ ambitious targets in ways that are sustainable and fair safeguarding the multiple economic, environmental, social and cultural benefits that Welsh farming provides.

Welsh Government’s second Carbon Budget is clear it is committed to a land sharing approach, however, the thresholds established within the Universal Action Layer suggests a land sparing approach with impacts for food production and the broader sustainability of rural areas.

Requirements for 10% tree cover, do not represent a just transition for family farms, particularly those businesses that fall way short of this target currently. Welsh Government’s intransigence in continuing to mandate this is baffling and has been a source of significant frustration and anxiety within the industry, particularly, when the track record of restocking on Welsh Government’s own Woodland Estate (WGWE) consistently fails to meet target, currently representing over 5% of the productive area or in excess of 5,300 hectares (or over 110 averaged sized farms).

There is widespread agreement that if the purpose of increasing tree cover is supporting Welsh Government’s net zero goals, then surely the focus should be on carbon, as opposed to the numbers of trees planted, which would facilitate the consideration of a broader collection of actions. There are a range of options that could be more efficient in delivering decarbonisation and there is a need to enable, through policy, a more dynamic and varied approach.

In our response to Welsh Government’s Outline Proposals for the Sustainable Farming Scheme, NFU Cymru set out the barriers that exist to securing 10% tree cover on all farms. These are widespread, as evidenced by Welsh Government’s Co-design 2 process which found that 43% of respondents were unwilling to undertake this Universal Action – over two thirds of which said it was not feasible for their farm type or system.

NFU Cymru notes that Welsh Government has sought to address issues for the tenanted sector (covered later in this response). The area of permanent features such as roads, yards, hard standings, ponds are to be excluded from the ‘plantable’ area. Welsh Government also now recognises that it is not appropriate to plant trees on habitat land, though whether this extends to organo-mineral soils, BMV land and designated landscapes is unclear and, again, clarity is needed.

However, many other issues that NFU Cymru has highlighted are to be considered on a case-by-case basis adding to the already considerable administrative burden and levels of uncertainty for individual farmers. Natural constraints such as high altitude or coastal locations, Welsh Government suggests, can be addressed through careful selection of hardy species or planting on more sheltered plots – exemplifying Welsh Government’s total lack of focus on the need for successful outcomes. Why any farmer in such a predicament would wish to pursue tree planting on their more sheltered plots when these are likely to be invaluable for livestock or crop production is also beyond comprehension and shows a complete lack of understanding of farming in Wales.

Other fundamental issues highlighted previously by NFU Cymru remain unaddressed and are repeated here:

- Farmers impacted by regulation and seeking to achieve compliance with the N limits from organic manures established in the Control of Agricultural Pollution Regulations (2021) (NVZ)

will be looking to maintain and expand their spreadable area and will not have the land to spare for trees.

- The current regulatory framework means that trees planted on agricultural land represents a permanent and irreversible change in land use.
- In many instances tree planting is likely to result in a reduction in the value of the land and no business can afford to reduce the value of the capital asset. Where that farm business has associated borrowings, then there are likely to be impacts for the loan to capital ratios. Banks are likely to prevent farmers from taking forward actions that lead to devaluation where they are lending money against the value of this land.
- The position in relation to licenses on land that prevents activities such as tree planting without prior agreement of the licensor e.g. on land adjacent to a wind farm.

It is disappointing that through latest proposals, Welsh Government further undermines the confidence of farmers in this requirement. We note, for example, at Universal Action 13, Welsh Government implies that capital funding for **all** tree planting options cannot be guaranteed. Similarly, Welsh Government suggests that maintenance and income foregone payments on newly created woodland **may be** for up to 12 years. This does not even match the current commitment made in the Woodland Creation Scheme and it has not escaped the notice of farmers that Welsh Government can guarantee payments of 12 years to drive the profits of external investors who have no interest in Wales or the rural communities affected but can make no similar assurances to family farms who are being mandated to deliver tree planting as part of a scheme.

We highlight again, that few farmers can afford to wait for a crop of timber to mature for their income; nor can the many local businesses dependent on farming for their livelihoods. As a result, farmers are unlikely to be able to afford to plant trees at scale without appropriate mechanisms to ensure planting and ongoing management costs are met and long-term financial support is provided to enable income to be derived on a regular basis as the trees grow. The economic rationale for tree planting is further undermined where the objective of planting is not commercial conifers and there is no crop to harvest at a future date.

Current proposals assume 100% tree survival passing all the risk and liability to farmers, when the on-the-ground experience is that tree establishment is unreliable, particularly in a changing climate and it is a case of not if but when the next tree disease emerges. There are also risks of failure due to pests, increasing risk of wildfire etc. There is also no reference of the need for home-grown saplings which will play a crucial role in preventing the importation of devastating pests and diseases and that are suited to local conditions.

We also identify that Welsh Government's current proposal not to pay farmers to meet legal obligations on SSSI land have also severely impacted on farmer confidence. Once established, trees are also protected by regulation and there is now a complete lack of trust and confidence in Welsh Government that this permanent change of land use will be supported after 2030 if similar principles are applied.

This is completely unacceptable. NFU Cymru is clear that what farming needs is long-term 'cast iron' guarantees that tree cover established through the scheme for the delivery of Welsh Government's climate change objectives will be properly rewarded. These assurances have not been forthcoming, and in the face of reduced agricultural productivity, reduced land values and the lack of guaranteed support beyond 2029 together with the risks and liabilities of delivering 100% success over this time period endeavouring to deliver 10% tree cover would be simply illogical on the vast majority of farms where this threshold is out of reach currently.

It is important to highlight that any devaluation in land as a result of tree planting has the potential to impact on the loan to value ratio requirements set by agricultural lenders with consequential impacts for farm business resilience.

On this basis, NFU Cymru remains clear that farmers cannot be mandated to plant 10% tree cover at the Universal Action Layer of the scheme. We advise Welsh Government that pursuit of such a proposal will never be accepted by the majority of Welsh farmers who fall below the 10% threshold currently and run counter to the delivery of Welsh Government's overall objectives. Instead, Welsh Government needs to focus its efforts on properly supporting farmers to deliver its net zero ambition in a partnership approach. We recognise that tree planting will form part of the solution but urge Welsh Government to consider and enable the delivery of the full range of alternatives to deliver net zero goals.

NFU Cymru would highlight that in advancing the 10% tree cover target, Welsh Government is overlooking and potentially impacting on the very substantial carbon stocks held in soils and grasslands. The ARCZero project in Northern Ireland, for example, assessed above ground and below ground Carbon on seven farms using aerial LiDAR and soil organic matter sampling to 1 metre depth and found that 97% of CO₂e was in the soil. Research undertaken by Welsh Government's Soils Evidence Programme determined that activities associated with afforestation such as planting, management and harvesting, disturb soil and may cause soil carbon loss during first rotation forestry, clearly undermining decarbonisation efforts.

Without prejudice to the above, in September 2023, NFU Cymru described a range of alternatives to the arbitrary tree cover requirement. Alongside improving production efficiencies, this included:

- The inclusion of hedges within the 10%
- The inclusion of other woody features on farm such as scrub / gorse
- The inclusion of parklands on a whole parcel basis
- Tree planting density – planting more trees in a smaller space
- The inclusion of biomass crops such as Miscanthus, Willow and other short rotation coppice
- The role of biochar and other innovations such as enhanced rock weathering, methane inhibitors in the diet.

Despite Welsh Government references to renewable energy and energy efficiency as a SLM outcome, there is nothing on renewables within the scheme at all. This is a significant omission if a key objective is to support farming's journey to net zero. We again refer Welsh Government to NFU Cymru's Net Zero vision.

Given the strong resistance to Welsh Government's current proposals, NFU Cymru is calling for Welsh Government to undertake a review of the 10% tree cover scheme requirements, that considers the mandatory element of the requirement and the opportunity to consider alternatives that deliver the same outcome but using a range of approaches summarised above. Given the highly contentious nature of proposals and the apparent gulf that exists between farmers and government, NFU Cymru strongly recommends the formation of a science panel to look at and evaluate alternatives to tree planting. The tree planting requirement must be put on hold until the science panel has undertaken its evaluation.

Finally, NFU Cymru would reiterate our profound concerns, in the context of the challenges to global food production, about the impact this and the 10% habitat proposal will have on Wales' agricultural capacity, the viability of Welsh farms and levels of employment on farm and across the supply chain. We are clear that these Actions may see farms having to reduce production to a level that will result in their core business being unviable, whilst also undermining the 'critical mass' of Wales' key production sectors.

We have previously requested that Welsh Government undertake an assessment of the cumulative impact of the proposed tree cover and semi-natural habitat targets on Wales' agricultural productive capacity, food production and supply chain. It is disappointing that, at this advanced stage, this vital

analysis has not been undertaken and Welsh Government is pushing ahead from an unevidenced position.

- **Universal Action 12: Woodland maintenance**

NFU Cymru notes this Universal Action requires farmers to maintain existing woodland.

NFU Cymru continues to be concerned at Welsh Government's continued reference to the UK Forestry Standard (UKFS) within proposals which is the standard for commercial timber cropping and not farm woodlands.

Whilst Welsh Government proposes that this Universal Action will not require blanket stock exclusion, except where this is needed to meet the requirements of existing management plans or funding arrangements, in reality, delivery of the outcomes specified are likely to necessitate stock management and we are concerned that farmers are not going to be properly compensated for this or supported with the fencing and ongoing maintenance and management costs to allow this to happen. This represents another example whether the costs and liabilities are being passed on to the farmer for scant reward.

- **Universal Action 13: Create new woodland and agro-forestry**

This Universal Action requires farmers to integrate additional trees and woodland to meet the 10% tree cover scheme requirement. NFU Cymru's opposition to the 10% rule is set out earlier in this response.

Firstly, NFU Cymru is clear that all options to increase tree cover must be covered by capital funding.

We also highlight that the current disparity in fencing rates that exists between schemes that support tree planting are untenable and open to challenge. Welsh Government has uplifted payment rates to pay 100% of 2023's actual costs of woodland creation through both the Small Grants – Woodland Creation Scheme for agriculturally improved areas of less than 2 hectares and the Woodland Creation Scheme for establishing larger areas of woodland over 2 hectares. The revised payment rate for fencing under these schemes is now set at £8.32 per metre. In addition to payment for planting there are maintenance payments and an annual premium payment to compensate for the loss of agricultural income of £350 per hectare annually for 12 years. Payments under the Basic Payment Scheme (BPS) are approximately £123 per hectare with £112 paid on the first 54 hectares.

It has not escaped our notice that Welsh Government has opted not to provide a similar uplift to cover actual costs for the Small Grants – Environment Scheme with fencing, for example, remaining at £5.56 per metre. This scheme does not attract any annual premium or maintenance area-based payments.

NFU Cymru welcomes the reference to natural regeneration which could avoid some of the issues related to new planting such as sourcing of saplings and labour, rates of success, logistical issues such as steep, inaccessible slopes. The scheme would need to recognise that this is not cost neutral and there would be capital costs and income foregone costs associated with this option. NFU Cymru is also clear that regeneration is a long-term approach beyond the five years of the scheme and the entire parcel area should count towards the 10% without risk of penalty.

In addition to the examples of agroforestry put forward in the consultation, NFU Cymru would support hedgerow establishment which should also count in any tree cover assessment. Hedgerows are widely acknowledged as a form of agroforestry as are streamside (and other riparian) corridors which should also be included.

NFU Cymru notes proposals that farmers will be supported to plant trees with knowledge transfer and advisory activities. Our comments relating to advice and guidance provision are made later in this response, however, we are clear that this provision is going to be insufficient to unlock the resistance to tree planting described above. We are also concerned at the continuing reference to UKFS and the use of woodland planners is likely to result in a 'consultants charter' which adds cost and delivers funding to everybody except the farmer.

In terms of the measurable outcomes described, the labour requirements associated with vegetation control are likely to be significant and labour cannot be assumed to be available. This highlights the very real issues associated with mandating 10% tree cover and why advisors, in the main, recommend farmers start with relatively small areas that are manageable.

The requirement to ensure 100% tree survival is also likely to place an unrealistic cost and burden on farmers when the 10% requirement is likely to mean some very extensive areas of new planting on some farms. Farmers were extremely concerned that this could lead to significant penalties. Tree planting is not straightforward – successful establishment cannot be assumed. There are a range of issues that can affect newly planted and growing trees not least damage by pests and extremes in weather conditions such as prolonged dry periods – expected more frequently in a changing climate. This exposes farmers to costly risks and liabilities. Risks need to be fairly shared in future mechanisms for woodland creation. We are clear that current proposals do not facilitate this.

The extent to which carbon credits generated from new planting under Universal Action 13 could be eligible for trading in carbon markets remains unclear. The potential of this action, as well as the existing woodland creation schemes, to be accessible to those who are not actively farming leading to widespread land use change is also a major concern with the potential of tenanted farms being taken back in hand and farms not being made available for letting - reducing opportunities for young farmers and new entrants.

- **Universal Action 14: Historic environment – maintenance and enhancement**

NFU Cymru continues to be concerned that no accurate definitive map of historic environment features exists upon which to base this Universal Action, past experience has shown that many features have been identified erroneously.

Welsh Government's proposal to include traditional farm buildings into this Universal Action is highly concerning.

The maintenance of historic buildings has significant cost implications, particularly if the building is listed. Buildings requiring listed building consent are likely to face professional fees for ecology, structural survey and architects on top of the building costs. Even unlisted traditional buildings will require specialist input for maintenance and costs of £5,000 are likely for relatively modest repairs.

For such farms the costs and liabilities are such that they will be unable to participate in the scheme as it will end up costing them money. Comprehensive grant support will, therefore, be necessary.

Concerns about health and safety were also raised.

There are also specific issues for tenant farmers where traditional farm buildings are included within the tenancy. Where the repair liability falls to the landlord, the requirements of this Universal Action may not be met. The landlord may also use this as an excuse to take the traditional buildings out of the tenancy for other development purposes which depending on their location would be highly problematic for the tenant.

Proposals also include reference to historic boundary features which may include dry stone walls and traditional slate fencing. The cost of maintaining such features will be high and burdensome on some Welsh farms and so, again, need to be supported via capital grants.

Overall, the ambition of Universal Action 14 with the emphasis on both maintenance and enhancement is likely to place an excessive burden on farms with such features.

- **Universal Action 15: The Animal Health Improvement Cycle (AHIC)**

NFU Cymru supports the principle of continuous improvement of animal health and welfare on farm and believes it is a sensible use of public money. Healthy animals are productive animals which means they are more efficient and will have a lower carbon footprint. We also welcome the recognition by Welsh Government that a highly prescriptive approach would not work in this area as the health status and necessary actions will differ from farm to farm. It is therefore positive that as part of UA15 farmers and vets, working together, are able to analyse and identify areas of focus relevant to the individual farming enterprise.

Welsh Government currently has a [pilot project](#) underway to trial and test many of the elements of the AHIC. Alongside the practical elements of health planning, we hope that this project will also be collecting data about the cost incurred both in farmer / vet time to complete the plan but also about the interventions that are advised. We urge Welsh Government to share the findings of this trial with industry on an iterative basis and to work with farming stakeholders, such as NFU Cymru, to learn any necessary lessons.

We note that only the cost of farmer time (for meeting and reporting) and the cost of the vet visit are considered as cost incurred / income foregone for the payment. However, interventions to improve health and welfare may require capital investment in new or improved infrastructure and technology on farm. For example, improving ventilation in sheds / housing systems to reduce the risk of respiratory infections or installing / improving cow tracks to tackle lameness. However, on farm cash flow may limit a farmer's ability to invest in these areas, not least because many of them will require significant sums of money. If the payment rate for UA15 only covers the cost of farmer and vet time, we are concerned that there will not be the money available within the business to carry out the identified interventions. In this context we are concerned that the consultation is silent on the subject of capital grants as these would be a crucial tool for enabling farmers to make the on farm investments identified as part of the AHIC process.

Our members raised concerns about the consequences of not fully achieving the actions identified as part of this process as progress is often influenced by factors outside of the farmers direct control, for example climatic conditions. Disease eradication usually requires a long-term approach and any actions identified as part of the AHIC cycle must be proportionate and reasonably achievable within the defined timescale. In this context, we must also mention bovine TB as it must be recognised that a bTB outbreak on farm has the potential to severely limit or even reverse progress in other areas of animal health and welfare. We would not want to see farmers penalised for not completing actions set out in the AHIC, when they are limited by the bTB status of their farm.

Delivery of this Universal Action places most of the ownership onto private vets and farmers. Whilst we agree that these are the two groups arguably best placed to deliver improvements in health and welfare, there is a need to ensure consistency across Welsh farms and veterinary practises. Welsh Government must ensure sufficient and clear guidance is available to ensure this Universal Action is interpreted, implemented and monitored in a consistent way across Wales.

We are also concerned about how UA15 will be inspected. We note that the AHIC template itself will not need to be submitted but presumably, it must be made available during an inspection. Given the

inspector is unlikely to be veterinary trained, how will compliance with the AHIC be inspected and how will progress against the actions identified be established or measured.

We must also recognise that the farm animal veterinary resource in Wales is already stretched, we are concerned about the capacity of the veterinary sector to undertake this work across Wales. Welsh Government must ensure that the AHIC process and information collected / required is realistic and fits around the existing farming calendar so as not to unduly create additional burden for both farmers and vets.

The requirement to monitor, calculate and report antibiotic use on farm is already happening on many farms across Wales and is a key requirement within farm assurance. Welsh Government should explore with industry where best practise can be adopted from the already successful voluntary approaches. Welsh farmers are extremely concerned about sharing this data with Welsh Government particularly given how this data may be used / interpreted by aggressive anti farming groups with a single agenda. This aggregated data is potentially extremely valuable to Welsh Government and if provided then must be recognised in the applicable payment rates.

NFU Cymru members also wish to highlight that antibiotic use can be influenced by factors outside of a farmers control, for example, an abortion storm during lambing. Therefore, we would not want to see Welsh Government penalising farmers if the average antibiotic use they reported increased. We accept that if use dramatically increased there may be a need for further investigation, but Welsh Government must recognise that it is normal for averages to fluctuate.

This Universal Action also has a lot of overlap with the requirements of farm assurance, for example Red Tractor or FAWL schemes. NFU Cymru would advocate that given the level of overlap between Farm Assurance and the proposed AHIC that proof of active membership of Farm Assurance would mean that the farm is compliant with this Universal Action, we do not wish to see duplication of activity which is time consuming and costly for the farmer. This would be a positive example of the principle of earned recognition to demonstrate compliance with a government scheme requirement. Equally we recognise that a proportion of farmers in Wales will not be a member of a farm assurance scheme. Ultimately membership of a private assurance scheme is a decision of the farming business based on the value of assurance to the business and businesses that are not in farm assurance should not be discriminated against or penalised in the context of SFS.

- **Universal Action 16: Good animal welfare**

Animal welfare is a highly subjective area and Welsh farmers are proud to produce to some of the highest standards of animal welfare in the world. Whilst we agree there should always be an ambition to strive for improvement, policies in this area must be based on science and evidence.

It should be noted that farmers across Wales will already be undertaking – or employing a consultant to undertake on their behalf – regular body condition and mobility scoring. As part of day-to-day animal husbandry, any animals which are lacking condition or exhibit lameness on the farm will be treated or dealt with as appropriate on a case-by-case basis.

Whilst we accept that lameness and body condition are important indicators and there is always room for improvement, our members were concerned at the implication by Welsh Government in the wording of this Universal Action that the animal welfare on Welsh farms was compromised.

NFU Cymru members questioned how Welsh Government will ensure the online training in these areas is pitched at the right level. Many farmers will already be very capable and qualified in these areas, they may well be trained, qualified and experienced to levels above those that will be employed to provide the online training. Many farmers reported to us that they felt it was patronising

of Welsh Government to mandate training to individuals already qualified and experienced in this area.

Our members have also asked if contractors are able to undertake the training and if they can count as the trained individual that is required by UA16. This is not because farmers want to avoid the training but because some farm businesses may be using a contract shepherd or stockperson and so, they may be the correct person to undertake this activity, but they may not be directly employed (i.e. on the payroll) of the farm business as many people who offer this service are self-employed.

NFU Cymru has multiple concerns about the requirement to record the lame number of animals in the herd or flock each year. We are unclear if there is a requirement for this information (i.e. a number) to be submitted to Welsh Government or if the required self-declaration merely needs to confirm that the activity took place.

We would like to understand the purpose for which Welsh Government need the data and what they plan on using the data for. As discussed elsewhere in this response we have serious concerns about data ownership and protection which are very relevant in this context. We are especially concerned that any data submitted in this area could be obtained by organisations or individuals through a Freedom of Information request and subsequently, data which was submitted in good faith by farmers to Welsh Government could be used against them.

We understand from Welsh Government officials that at this stage, there are no plans to link performance (e.g. number of lame animals) to payment rates. NFU Cymru members would like to state on record that they would be very concerned if this intention was to ever change. There are multiple reasons for lameness or poor body condition, some of which are outside of a farmers control e.g. extreme weather conditions. In cases where there are clear and unequivocal animal welfare breaches there are existing mechanisms to address this.

As with the other Universal Actions related to animal health and welfare there is cross over with farm assurance schemes. Consideration should be given for where earned recognition can be found and how data collected or recorded as part of farm assurance can be utilised. For example, the Red Tractor Dairy Standards contain requirements around health planning and recording which include the use of mobility scoring and body condition scoring.

- **Universal Action 17: Good Farm Biosecurity**

NFU Cymru supports Welsh Government's ambition to take a proactive approach to disease control and prevention, based on the principle that "prevention is better than cure". In this respect, we believe that supporting farmers to have good biosecurity has merit provided it is practical and achievable across the range of farm types operating in Wales.

Our members have raised multiple questions about the requirement to have wash stations with disinfectant available on the entry and exit to the farm. We understand from Welsh Government officials that a bucket / brush would not meet this requirement and to be compliant, farmers would be expected to have a more formal structure or piece of equipment in place. Given the use of a bucket and brush with approved disinfectant is standard practise for visitors on many farms, including private and APHA vets, we would like to understand more from Welsh Government about what the additional risk they perceive is which necessitates investment in a more substantial wash station.

Our members have also questioned the positioning of the wash station, many farms have public rights of way (PROW) over their land or in some cases, through their farmyard. Many farms also operate across multiple sites. Farmers would therefore like to understand more about where the required wash stations should be positioned and how Welsh Government will inspect their use, for example it would not be feasible to expect a farmer to ensure every footpath walker, postman, milk

tanker, feed lorry, cleanse and disinfect their footwear and vehicles every time they enter or cross the farm.

Our members also raised questions about what constitutes a “livestock secure farm boundary”. For example, would electric fencing be sufficient or would Welsh Government expect a more permanent fence / hedge / stone wall. In this context, our members would like more information about how this requirement will be applied in situations where farms include unenclosed hill land (not common land) that, in many instances, is unfenced. In these systems, it would not be possible for an individual farmer to secure all their boundaries given the intrinsic nature of these landscapes. There are a significant number of boundary disputes or disagreements over farmland, Welsh Government must also recognise that it may not be within the gift of a farmer to secure the farm boundary if it does not belong to them. We would also highlight that this requirement may unfairly disadvantage tenant farmers where the boundaries of the land they rent may not be in good repair and the cost of installing / upgrading new fencing may be prohibitive, especially if on short term tenancies where there is less security of tenure. Many farms also have extensive boundaries with the Welsh Government Woodland Estate and there can be no assumption that NRW will maintain their boundaries to the standard required.

Welsh Government must also recognise that securing a farm boundary and installing new fences can be a significant investment for a business. It is not clear if the cost of installing or upgrading and maintaining boundaries is included in the cost incurred / income forgone calculations, we believe it should be.

There is a need to recognise that biosecurity can be compromised through public access e.g. gates left open.

Good farm biosecurity is an important part of disease prevention and control, so it is sensible for farmers to discuss their various protocols with their own private vet. The biosecurity assessment required evidence related to the disease status of incoming animals. We would highlight that whilst often herd health status will be declared at the point of sale, whether that sale be private or via an auction mart, it is not mandatory for this information to be displayed or made available for all diseases. A farmer therefore should not be penalised for not recording something they may not know.

It is important to highlight the frustration that farmers have with government in relation to biosecurity and bovine TB. Welsh Government is prepared to leave an extremely important vector in disease spread i.e. Infected wildlife, run rampant in parts of Wales, whilst mandating farmers to operate to strict biosecurity, movement and testing controls. This issue makes conversations between government and industry on wider biosecurity protocols challenging at best.

We would also like to understand what evidence Welsh Government will require that the biosecurity actions have been completed, for example it talks about quarantine, will farmers be required to photograph the animal in quarantine or will having facilities to allow this to happen be sufficient. In this context, it must also be noted that many farms may not have dedicated quarantine facilities and as such, may use for example a section of an existing livestock building gated off or even a field, that may vary depending on the nature and number of livestock or time of year e.g. harvest time or at certain times of year areas of the farm with quantities of acorns are not suitable for livestock grazing.

When considering the cost incurred / income foregone for this Universal Action, Welsh Government state payment will reflect farmer time, the cost of the vet visit and adherence to the biosecurity plan. We would like to understand more about what is meant by adherence to the biosecurity plan and what costs or income foregone Welsh Government plan to include. For example, will this include the up front cost of purchasing a wash station, if this is what Welsh Government require and stock proof double fencing.

We would also like to highlight that having a farm biosecurity policy is a key requirement of farm assurance. For example, 98% of the dairy industry is covered by Red Tractor Assurance, as part of this scheme members are required to have in place a documented biosecurity policy which must be updated with any changes in practice in relation to the farm health and performance reviews. The policy must consider the risks from incoming stock (bought-in and returning livestock), equipment, vehicles, farm visitors that have access to livestock, working dogs and domestic pets on the farm have a worming routine. There are also requirements to consider the access that grazing livestock have to muck heaps and land spread with slurry or manures. Similar requirements exist within the FAWL scheme for livestock. With this in mind, we believe that there should be a role for earned recognition in demonstrating compliance with the Universal Action (i.e. farmers compliant with Farm Assurance should automatically be deemed compliant with this Universal Action and not be expected to duplicate this activity for the SFS). In this context, the farmer is already required to keep records to demonstrate compliance with farm assurance, Welsh Government should seek to minimise duplication and should not require records in a different format or on a different pro-forma. We should note that not all farmers are members of farm assurance schemes and any farmer not in farm assurance should not be precluded from meeting this Universal Action.

Finally, we identify that clarification is needed on the requirements of this Universal Action on holdings that do not keep livestock.

- **Universal Code for Habitats**

Welsh Government proposes a Universal Code for Habitats which builds on the Whole Farm Code approach of previous agri-environment schemes, however, we note that Welsh Government appears to propose no payment for adhering with the Code which is at odds with previous approaches. This does not align with NFU Cymru's key principle that farmers should be fairly rewarded for the environmental outcomes they already deliver and will continue to deliver.

We seek clarification from Welsh Government that this Code will apply only to those habitats mapped in the Habitat Baseline Review. We also express concern that the Code has the potential to add to the complexity of the scheme, bearing in mind that participating farmers, it is proposed, will have to be compliant with a set of rules, all the requirements of the Universal Actions, including detailed specifications for each existing habitat type. We are concerned that the cumulative effect of all these requirements places a high burden on farmers to cross check what they can or can't do in multiple places; it will add complexity and increase the risk of breach at inspection; also contributing to high levels of stress and anxiety.

We note the Code will require farmers not to use supplementary feed on habitat land, except for the provision of licks or blocks to enable coarse forage to be utilised, or where required specifically for the welfare of livestock. We do not support this requirement and believe this to be overly restrictive, particularly on those farms that have a large extent of habitat land as is the requirement not to apply organic and inorganic manures.

Welsh Government itself recognises that many semi-natural habitats are dependent on livestock grazing to secure their long-term future and we believe that this requirement stands directly in the way. More emphasis is needed, in scheme design, to pro-actively support livestock grazing and we ask Welsh Government to consider what the impact of a reduction of 122,000 LSUs will be.

Specific Considerations

Turning to the specific considerations set out by Welsh Government within the consultation. Firstly, NFU Cymru would place on record our disappointment, that despite the commitment from Welsh Government in its response to co-design¹⁵ to continue to work with the specialist Working Groups to support the continued evolution of proposals, this has not happened. We identify a key opportunity to shape the latest iteration of SFS proposals so that they work for all farms has been missed.

- **Tenant Farmers**

NFU Cymru is pleased that Welsh Government continues to recognise that if the Sustainable Farming Scheme does not work for tenant farmers, it does not work at all.

With around 30% of land in Wales under some form of tenancy or let, it is vital that Welsh Government recognises that equal access to the Sustainable Farming Scheme is essential for tenant farmers for their continued farm business viability, together with the achievement of Welsh Government's own objectives for the scheme. NFU Cymru has long highlighted that a vibrant, thriving tenanted sector is also vital for Welsh farming as a whole providing opportunities for new entrants and young farmers.

NFU Cymru has welcomed the opportunity to participate in Welsh Government's Working Group on this issue to set out the specific challenges faced by the sector in the development of the Sustainable Farming Scheme and we are pleased that Welsh Government has made efforts to modify the scheme to address some of the concerns relating to accessibility that have been raised.

This includes amending the contract duration to annualised agreements and introducing a scheme rule so land can be removed, without financial penalty mid-way through the scheme year. Welsh Government also proposes that, where woodland and trees have been retained by the landowner or additional planting is precluded by the terms of the tenancy agreement, this land area will not be included in the 10% tree cover calculation.

Whilst Welsh Government proposals go some way to enabling tenant farmers to access the scheme, NFU Cymru is clear that within the latest proposals, a number of further fundamental issues for tenants arise with the result that current proposals do not facilitate equal access to the scheme and tenant farmers remain disadvantaged.

Specifically, tenant farmers may not have to meet the 10% tree cover requirement but nor will they be able to access the associated component of the Universal Baseline Payment. In trying to address one issue, the inability of many tenant farmers to meet the 10% requirement due to the nature of their tenancy agreement, Welsh Government have now created another issue in that the Universal Baseline Payment that tenants receive will be lower than would be the case if they owned a similar hectare of land, exemplifying yet again that the Universal Action Layer is not Universal. The proposals for tenant farmers are discriminatory and NFU Cymru is clear that it is unacceptable to disadvantage the tenanted sector in this way.

There are also concerns about the ability of tenant farmers to deliver a number of the other Universal Actions, for example, the creation of new features under, for example, Universal Action 8: Creation of temporary habitat on improved land and Universal Action 10: Ponds and Scrapes, and the extent to which these activities may be restricted by the terms of the tenancy. It is important to recognise that many tenancy agreements prohibit non-agricultural activity as defined in the Agriculture Act 1947. It is important to note that a breach of the terms in tenancy could lead to notice to quit.

¹⁵ [Sustainable Farming Scheme Outline Proposals: co-design response | GOV.WALES](#)

Our members also raised concerns about Universal Action 14: Historic environment – maintenance and enhancement. The ability of the tenant to meet the requirement to maintain traditional farm buildings in a stable condition is likely to be dependent on the terms of their tenancy agreement. The tenant may not have the resources to undertake this action which is likely to be prohibitively expensive. Whilst these traditional buildings may be redundant, it is important to recognise that many farmers would not want to see these features removed from the tenancy as their conversion to other uses by the landlord may not be desirable due to their location on the farmyard, interfering with farming activity.

Overall, scheme requirements have the potential to weaken the position of tenants with their landlord which is highly concerning. Tenant farmers are also concerned about Welsh Government's proposed payment methodology and the move to pay the Universal Baseline Payment on the basis of costs incurred and income foregone calculations. This, together with the fact that there is only a time limited stability mechanism, is likely to jeopardise many farm businesses, particularly tenant farmers with rent to pay and hindered by more limited diversification opportunities.

NFU Cymru also remains concerned around the long-term sustainability of the tenanted sector where the balance of incentives shifts away from food production towards environmental delivery. It is possible to foresee landlords taking their farms back in hand for tree planting or to take up the temporary habitat creation options – a trend that is increasingly being observed in England currently. Whilst we note a number of the proposed Universal Actions have been oriented towards the active farmer, we also observe a lack of safeguards to prevent landlords entering the Sustainable Farming Scheme, receiving the payment and passing on the contractual obligations to their tenants.

- **Cross Border Farms**

NFU Cymru notes agriculture and land management policy in Wales is the responsibility of Welsh Government and it will only be possible to fund activity on Welsh land. For the purposes of the Sustainable Farming Scheme, Welsh Government proposes that the business and the Welsh land will need to meet the eligibility requirement to qualify for the scheme.

Whilst, according to the consultation, Welsh Government proposes to continue to consider opportunities to ensure the scheme requirements are appropriate for cross border farms, NFU Cymru believes this issue has received insufficient consideration in the development of proposals thus far. There are some 600 or so cross border farms and there needs to be careful and thorough work to ensure there are no unintended consequences for individual businesses.

Every farm is different and it is possible to foresee cross border farms being disadvantaged through no fault of their own. A number of Universal Actions and scheme requirements are likely to prove difficult unless undertaken on a whole farm basis, for example, benchmarking, the animal health and welfare requirements and the carbon assessment. Cross border farms could be disadvantaged just because, for example, the tree cover or habitat land on their farm happens to be on the England side of the border.

Cross border farmers suffered many years of delayed payments as a result of ineffective working between RPA and RPW. It has been pleasing to see this issue has been resolved in recent years. It cannot be fair that we are now re-entering a system where cross border farmers will be discriminated against just because of the location of their farm.

NFU Cymru's comments relating to a level playing field are made earlier in this consultation response. Overall, NFU Cymru is concerned that the regulatory and bureaucratic burden for cross border farms is likely to be excessive, we are clear more work is needed in this area so that the implications for cross border farms are properly understood and addressed before moving forward.

We are disappointed that the Welsh Government commitment to set up a Working Group to consider the specific issues of Cross Border Farms has yet to be established.

NFU Cymru would also be supportive of a bespoke package of advice and support to ensure a smooth transition to the new approach.

- **Certified Organic Farms**

Welsh Government suggests that farmers with organic certification will be ideally placed for a smooth entry into the Sustainable Farming Scheme. Welsh Government also proposes to introduce a range of Optional Actions during the Transition Period many of which are aligned with organic practices.

In January, Welsh Government announced support payments to fully-certified organic farmers in 2024 recognising *'the viability of organic holdings is dependent upon receiving a premium for organic produce which is not always available'*. In this context, it is disappointing that Welsh Government appears not to recognise the need for specific organic support on a longer-term basis.

We note that Welsh Government proposes to introduce an additional element of financial stability through the Stability Payment during the Transition Period. However, we are clear that current proposals are anything but 'stable' and if Welsh Government is truly committed to organic production systems in Wales then these will need to be properly rewarded through future policy.

- **New Entrants**

As custodians of the countryside, every farmer wishes to leave their farm in a better position for the next generation. Eight years ago, NFU Cymru launched our Next Generation Programme, which now has its third cohort of members, to ensure the views of young farmers and new entrants are heard and promoted. Young people are the lifeblood of rural Wales and members of our next generation group are passionate about producing world renowned climate-friendly food for a growing population in an environment and landscape that provides habitats for our nature to thrive.

Last summer NFU Cymru launched a report titled "[Framing the future for the next generation](#)" at the Senedd as part of NFU Cymru's Celebration of Welsh Food and Farming Week. This report celebrated the contribution young farmers make in Wales and featured a list of 10 recommendations as to how Welsh Government can support the next generation of farmers in Wales. It included specific asks on the future Sustainable Farming Scheme in relation to ensuring the scheme worked for all farm types and tenures, a smooth transition period and the use of capital grants. It highlighted that accessing finance can be a huge barrier for new entrants and so we also suggested Welsh Government should explore opportunities to make it easier for the next generation of farmers to access finance.

Given the challenges that are faced in ensuring this policy works for the next generation of farmers, NFU Cymru was pleased to be invited by Welsh Government to join a Working Group as part of the co-design process to look at how this issue could be tackled. We actively participated in several meetings and felt there was value in bringing the sector together to discuss this complex issue. We therefore find it incredibly disappointing that this Working Group was not allowed to finish its work and that Welsh Government halted proceedings before a final report or recommendations could be made.

In the consultation document, Welsh Government state that new entrants and young farmers are important and bring new talent, ideas, and entrepreneurial energy into Welsh farming. However, with no apparent financial support or any other specific provisions available for new entrants in the current proposals, it is unclear how those warm words are translated into meaningful policy that tackles the barriers that exist for those starting out in farming. This is in stark contrast to policy elsewhere around

the world, for example under the current CAP, Member States are obliged to spend a minimum of 3% of their initial envelope for direct payments towards the objective of generational renewal. It is up to Member States to decide how to use this money but the intention to support the next generation of farmers is clear. This puts the next generation of farmers in Wales at a competitive disadvantage to their European farming counterparts.

Welsh Government rightly identify that access to skills can be a barrier and we welcome the commitment that Welsh Government will continue to offer skills development and mentoring to those starting out in our industry. Whilst there is a question mark about the extent to which advice and guidance makes in securing the viability of a farm, there is a productivity benefit which stems from an incentivised programme of knowledge exchange and advice. In this respect, there is a clear role for Farming Connect and the levy bodies to play in delivering this, so it is vital that programmes are cost effective, deliver value for money, are industry led and operate where true market failure exists. However, our members are keen to stress that no amount of advice and guidance can compensate for overly burdensome and prescriptive Universal Actions, which do not adequately reward farmers for the work undertaken.

Many young or new farmers enter the industry via the tenanted sector. Therefore, ensuring the scheme works and is attractive for the tenanted sector is not only central to the viability of the businesses concerned and for delivery of Welsh Government's objectives, but also to enable the scheme to support and facilitate new entrants.

Our Next Generation Group of members also wish to point out their concerns for the lack of stability offered by the transition period which is foreseen as part of these proposals. Without this stability, there is a risk that the investment that is necessary in Welsh farm businesses to support the next generation will not be made, succession plans will be stifled, and young people will leave both farming and rural Wales in search of a more secure and stable career path.

- **Common Land**

In 2022, NFU Cymru convened a Focus Group to explore the challenges and opportunities for farmers with common land as new agricultural policy is developed in Wales, the culmination of this work was a [policy position paper](#) launched at the 2022 Royal Welsh Winter Fair. In the intervening period, NFU Cymru welcomed the opportunity to participate in the Welsh Government Working Group on Common Land, though regrettably the work of this Group stalled midway through the process. NFU Cymru also arranged visits for the Minister for Rural Affairs and officials to improve understanding of the specific issues for farmers with common land as we transition to new schemes.

Common land is a vital resource to those farm businesses who hold common land rights, to the rural economy, particularly in Wales' upland areas and to wider society for the multiple benefits it provides. Common land also plays an invaluable role in our cultural heritage, language and traditions. Its ongoing management is central to the delivery of Welsh Government's climate, nature and wider objectives.

Almost 10% of agricultural land in Wales is common land – 94% of which is located within Wales' Severely Disadvantaged Areas (SDA). Common land is currently included as 'eligible area' for the purposes of Pillar 1 BPS Direct Payments and in excess of 3,000 farm businesses declare common land for the purposes of claiming BPS annually – in some instances making up the majority of their eligible area. In contrast, despite very significant investment in facilitation support via the Commons Development Officers, only around two thirds of common land was under collaborative Glastir Commons agreements.

NFU Cymru has long been clear, that without continuing support, the economic position of Welsh farms businesses who manage common land is threatened and further losses of the proactive

management, through grazing, so central to the condition of common land could occur. The right to graze the common is fundamental to the viability of the farming business and will have been for generations, the common land allocation being as integral to the viability of that business as the 'in-by' land of that holding.

In this context, NFU Cymru is profoundly disappointed and highly concerned at the latest Welsh Government proposals which do not include common land within the Universal Action Layer. This is because, Welsh Government say, common land rights holders cannot take sole responsibility for the management or condition of a fixed area of common land.

Yet again, Welsh Government is proposing a Universal Action Layer without having a comprehensive understanding of what is and what is not possible across the spectrum of Welsh farms with the result that key groups representing significant numbers of farmers will not have equal access. All in all, NFU Cymru believes Welsh Government's position with respect to the Universal Action Layer for farmers with common land is unsound and discriminatory.

Early in Chapter 2, Welsh Government states whilst the Universal Actions are mandatory, some Actions are not applicable to all farms. Indeed, from our analysis (above) it is clear the Universal Action Layer is far from universal. What is not clear is why Welsh Government appears prepared to introduce an element of flexibility in some instances without respecting that similar flexibility will need to be applied in other instances. We would highlight that across the proposed Universal Action Layer, there are a number, for example, UA1, UA2, UA15, UA16, UA17 that relate to the farm business itself.

With over 40% of common land understood to be designated SSSI, it is clear that common land rights holders are likely to be contributing significantly to the delivery of Welsh Government's climate and nature objectives already through the ongoing management of common land. It is illogical for Welsh Government to be advancing a scheme that does not see common land within the declared area for the Universal Baseline Payment.

Welsh Government's proposals for common land, via Commons Management Plans in the Collaborative Layer of the scheme are wholly inadequate and underpinned by flawed assumptions. For example, such an approach is reliant on achieving agreement when the evidence is clear this is not possible in all instances. Through this proposal, the viability of individual farm businesses is being put into the hands of others and this is grossly unfair.

The Collaborative Layer of scheme is yet to be developed and there is uncertainty around funding. We are concerned that this collaborative approach is also reliant on the owner of the common who may wish to pursue an approach to benefit financially that interferes with right of common, for example, tree planting. NFU Cymru is clear that the right of common must be protected.

Similarly, the proposal that the Commons Management Plan could also be developed with input from supporting organisations is also concerning. Wales has a long legacy of approaches on common land that have interfered with stocking and grazing regimes to such an extent that in some instances the ability to proactively manage the common has been lost leading to damaging impacts for wildlife and building up levels of vegetation that represent a significant risk of wildfire etc.

Farming on common land is a centuries old, traditional practice often with local, geographically distinctive native breeds of livestock. Many flocks are 'hefted' to graze particular areas of the common – a knowledge of belonging that is engrained and passed down from ewe to lamb, generation after generation. While farmers readily introduce new innovations and technologies to improve management and productivity, it is widely acknowledged that hefted flocks and the specialist skills required to keep them are central to the effective management of common land. In many instances, hefted flocks also retain resistance to key diseases such as those carried by ticks.

Naturally developed immunity to such diseases means that our hefted flocks are an irreplaceable resource, both genetically and for the ongoing management of common land. Hill breeds also form the foundation of Wales' stratified flock system. Despite their critical role, our hefted flocks and the skills needed to manage them are declining in many parts of Wales. The approach to future agricultural support must ensure the viability of these traditional farming systems is protected so that the sustainable management of common land is achieved for the benefit of all going forward.

We note that Welsh Government, in the development of their common land offer, proposes to set out how they expect funding to be allocated. However, the consultation provides scant reassurance to commoners that payment levels will be equivalent to the levels of support provided via the Basic Payment Scheme and Glastir Commons. Farmers on common land are already facing funding reductions in the transition to the Habitat Wales Scheme for 2024.

Welsh Government suggests it is proposing an additional element of financial support for individual graziers through the Stability Payment. Our comments relating to the proposed Stability Payment are made later in this response but clearly 'stability' is something of a misnomer. It is also not clear if Welsh Government is proposing that the Stability Payment on common land will include an additional payment to reflect agri-environment scheme payments as per farmers with organic certification.

Overall, NFU Cymru is clear that given the significance of common land to Wales, the Sustainable Farming Scheme must be accessible to all common land right holders across the proposed three layers of support. As with the BPS currently, common land must continue to be included as eligible for the purposes of future support, including the Universal Baseline Payment. This should be paid directly by Welsh Government to the farmer apportioned to rights held.

Future agricultural support for common land must be targeted at common rights holders (the occupier, including tenants, of the land who has the benefit of those rights) and not the owners of the common or any other party. Future policy must recognise that it is rights holders who actively manage commons through grazing, and it is this management that is central to the delivery of environmental outcomes. In addition, strategies are needed that maintain and restore grazing livestock, including cattle, native breeds to address undergrazing. Fundamentally, future policy on commons must recognise the crucial role of grazing and reward what is already there in terms of active management rather than driving destocking and further loss of this irreplaceable resource.

Summary

NFU Cymru believes the proposed framework for the Sustainable Farming Scheme has the potential to provide a workable model for delivery, however, our support for this framework is contingent on the principle of equal access for all active farmers and on the development of practical and deliverable actions within the Universal Action Layer that are achievable on all farms in Wales, irrespective of farming sector, system and location. The Universal Baseline Payment that farmers receive for undertaking the Universal Actions must also deliver at least the same level of stability to farm businesses as the Basic Payment Scheme provides currently.

Welsh Government continues to approach the design of the Sustainable Farming Scheme based largely on previous agri-environment schemes. This approach is fundamentally flawed when the scheme is set to be the main mechanism of support to farming in Wales replacing both Pillar 1 and Pillar 2 measures. A major overhaul of the scheme is needed and a review of the practicality and cumulative administrative burden associated with the delivery of the proposed Universal Actions must also be undertaken.

NFU Cymru is supportive of measures that facilitate and reward farmers for additional woodland planting in line with the 'right tree, right place' principle, however, we reject in the strongest terms Welsh Government's proposals to mandate 10% tree cover as a requirement of the Universal Action

Layer of the Scheme. Welsh Government's intransigence in continuing to mandate this is baffling and has been a source of significant frustration and anxiety within the industry. Fundamental issues highlighted previously remain unaddressed and Welsh Government's latest proposals have only served to further undermine the confidence of farmers in this scheme rule. Farmers need long-term 'cast iron' guarantees that tree cover established on Welsh farms for the delivery of Welsh Government's climate change objectives will be rewarded. These assurances have not been forthcoming, and in the face of reduced agricultural productivity, reduced land values, and the lack of guaranteed support beyond 2029 together with the risks and liabilities of delivering 100% success over this time period, endeavouring to deliver 10% tree cover would be simply illogical on the vast majority of farms where this threshold is out of reach currently.

We identify there are a range of options that offer significant potential to contribute to decarbonisation goals through a more dynamic and varied approach. A review of the 10% tree cover scheme rule is, therefore, needed and alternatives to tree planting should be examined by an independent science panel before moving forward.

NFU Cymru also continues to be highly concerned that the Universal Action Layer does not provide universal access for all active farmers in Wales. It is wholly unacceptable to us that Welsh Government proposes that the Optional and Collaborative Action Layers can be used as mechanisms to address the failings in design at the Universal Action Layer, for example, in respect of common land and SSSIs. NFU Cymru is clear Welsh Government must ensure equal access to the Universal Baseline Payment recognising:

- The integral role that common land rights allocations provide in the economic viability of upland farms and the need for common land to be included within the Universal Baseline Payment that is made to the farming business.*
- Support for farmers with designated sites including the habitat maintenance element must be provided within the Universal Baseline Payment.*
- That tenant farmers are not financially penalised as a result of their inability to undertake all the scheme requirements at the Universal Action Layer.*

3. The Sustainable Farming Scheme Process

- **Scheme eligibility**

NFU Cymru has long argued that future support must be targeted at active farmers undertaking the financial risks associated with food production. We note Welsh Government's proposed eligibility criteria include undertaking agricultural or ancillary activities on agricultural land; having at least 3 hectares of eligible agricultural land in Wales or 550 standard labour hours; and, exclusive occupation and management control of the land for at least 10 months of the calendar year.

The definition of ancillary activity is provided for within the Agriculture (Wales) Act 2023. This provides policymakers with significant latitude to fund activities on land used for agriculture that are non-farming. Similarly, we believe the proposal that applicants have at least 3 hectares (for the Basic Payment Scheme it is 5 hectares) or be able to demonstrate more than 550 hours in agriculture or ancillary activities has the potential to open up the scheme to an increased number of non-farming claims. Welsh Government should undertake further work to understand this potential issue. NFU Cymru believe that support should be targeted at the farms that produce the majority of food and who rely on the farm for a significant proportion of their income. We remind Welsh Government that the sustainable production of food is the first of the four SLM objectives and the eligibility criteria should proactively enable the delivery of this important goal. A scheme that deemphasises agriculture in favour of ancillary environmental or forestry activity is likely to be a driver of land use change reducing Wales' productive agricultural capacity and opportunities for new entrants to farming.

In this context, NFU Cymru welcomes the fact that Welsh Government proposes a number of Universal Actions that are closely aligned to being an active farmer. However, Welsh Government also suggests that some Universal Actions are not applicable to all farms, so the extent to which a non-active farmer could be exempted and still receive some or all of the proposed Universal Baseline Payment is unclear.

We recognise that by proposing annualised agreements and that farmers applying for the scheme must have 'management control' of the land for 10 months of the year that Welsh Government are seeking to address issues that NFU Cymru have previously highlighted in relation to land tenure and rental arrangements that are commonplace in Wales. We do, however, highlight that maintenance with some of the land based Universal Actions for the full calendar year will likely pose challenges to many active farmers who will not have management control for the entire year. Further consideration should be given to this issue, to ensure that they are able to access the scheme on the same basis as those that own the land they farm, recognising that the current position in relation to BPS eligibility is that farmers are required to declare the land that they have at their disposal on the 15 May.

Welsh Government has provided no explanation of its proposal to deem features like 'ineligible ponds, rivers and streams' as not eligible for the scheme. This appears contrary to the SLM objectives.

Finally, we note that Welsh Government has opted not to include information on the proposed eligibility for the Collaborative Action Layer of the scheme. We note that earlier proposals referred to collaboration between farmers, land managers and potentially others. Whilst NFU Cymru recognises the role of collaborative approaches, Welsh Government must ensure that there are in-built safeguards to ensure that the scheme is limited to genuine farmer-led collaboration focussed on actions rather than being used as a core funding stream for environmental NGOs and campaigning groups.

- **Operating model**

NFU Cymru strongly supports proposals to use the Rural Payment Wales (RPW) operating model to deliver the scheme building on the success of RPW Online and the Single Application Form (SAF) process. We have long highlighted that SAF is an approach that farmers are familiar with, and which already has extensive mapping capability. Our vision was for the transition from the BPS to the SFS to be an evolution rather than a revolution, with different elements of the SFS being added to the SAF throughout the transition period to ensure a smooth and incremental transition.

NFU Cymru supports the annual SAF as the mechanism to apply for the Universal Baseline Payment and we agree that flexibility to accommodate changes in land or tenure and other matters will need to be maintained. We are supportive of Welsh Government proposals to maintain the proposed application window, closing on the 15 May.

We note Welsh Government suggests that applicants may be required to update customer records during the year to confirm the completion of Actions. Our specific comments relating to the Universal Action Layer are made above, in particular in relation to the collection, holding and use of data, however, NFU Cymru strongly believes that more work is needed to reduce the administrative and reporting burden associated with the scheme, as currently proposed. Farmers are already working very long hours, some of them off-farm or on diversified activities to supplement their farm incomes. Our assessment is that the scheme is excessive for both farmers and the agents and advisers that support them. We are highly concerned that the complexity is likely to lead to missed reporting deadlines and penalties. We are concerned that the increased complexity and reporting throughout the calendar year will impinge on the previous excellent delivery of payments to Welsh farming.

NFU Cymru also has concerns that the complexity of the scheme will result in high operational costs for Welsh Government and that funding will be drawn from the overall budget for the scheme, in contrast to previous CAP systems where operational costs were outside of the CAP budget.

- **Habitat Baseline Review and Data Confirmation**

NFU Cymru notes proposals for the Level 1 Habitat Baseline Review which will be used to determine the extent of tree cover, hedgerows, habitats and other features such as ponds and scrapes, historic features and designated sites. The process is expected to commence later this year with the Data Confirmation Exercise which will inform the Habitat Baseline Review.

NFU Cymru is supportive of an online process for the Habitat Baseline Review which is easier and more cost effective to operationalise than field surveys. Ahead of implementation, NFU Cymru believes full evaluation of the Habitat Wales Scheme should be undertaken. Applications for this scheme were invited via an Expression of Interest (EOI) process on Rural Payments Wales (RPW) Online where the area of eligible habitat land was mapped and presented to applicants. In addition to habitats supported under Glastir, habitat was identified using published maps on [DataMapWales](#). These maps were based on the Phase 1 Habitat Survey which took place over 30 years ago and, in many instances, did not stand up to ground truthing. This has led to many examples of land that were incorrectly identified as habitat and, conversely, land that is habitat not being included as eligible habitat for the purposes of the scheme.

Whilst Welsh Government sought to remedy this at the EOI stage by allowing farmers to remove incorrectly mapped habitat in 'exceptional circumstances', there remain a high number of farmers at the contract offer stage with inaccurate habitat maps which they are unable to amend, leaving many farmers in the invidious position of having to sign contracts they know to be wrong to secure part of the income they previously received via Glastir. We know that many farmers took the decision not to apply for the scheme due to the inaccuracies of the habitat maps on RPW online.

As a result of the mapping errors, implementation of the Habitat Wales Scheme has become extremely complicated and stressful for farmers and their advisers. On this basis, many farmers have lost confidence in the validity of the mapping process and there are clearly lessons to be learned before Welsh Government advances a similar process for the Habitat Baseline Review, remembering that habitat is just one of multiple features Welsh Government wants to confirm as part of this review. NFU Cymru has concerns about the administrative burden the data confirmation exercise will place on farmers and their agents. This is being exacerbated by an overtly complex and prescriptive suite of Universal Actions. For example, we identify mapping the status of hedgerows on Welsh farms against Welsh Government's definition of 'good condition' is, in itself, likely to be a very significant task.

Overall, Welsh Government must put more focus on ensuring the accuracy of mapping data presented to farmers. A clear process by which farmers can remove or add features that have been inaccurately mapped is needed that properly respects the fact that it is farmers that know their farms best and are likely to have a greater understanding of what is on their farms rather than a dated map.

It is also hoped that the feedback received to this consultation will lead to a revised suite of Universal Actions, that are, in fact, universal and that are less complex and prescriptive which will ultimately lead to a simplified mapping process.

Finally, NFU Cymru notes that Welsh Government is also proposing a more in-depth Level 2 Habitat Baseline Review to support the Optional Layer of the scheme. NFU Cymru is generally supportive of this approach but would welcome input into the development of this process to ensure it is efficient and cost effective.

- **Carbon calculator**

In 2019, NFU Cymru and NFU set the ambitious goal of reaching [net zero](#) greenhouse gas emissions (GHG) across the whole of agriculture in Wales and England by 2040¹⁶.

Farming, as both emissions source and sink, is uniquely placed as a sector to be part of the solution through climate-friendly food production; the trees, hedges, grassland and soils that store and sequester carbon together with on-farm renewable energy generation.

NFU Cymru's assessment is that Net Zero Agriculture can only be delivered if we act across a range of internationally recognised inventories. The NFU Cymru pathway has been discussed with the UK Committee on Climate Change (UKCCC) and is challenging, but attainable, with the right support.

Our analysis shows there is no single solution to this problem. To achieve our aim a range of measures are needed that fall under three broad headings of:

- Improving farming's productive efficiency to reduce our greenhouse gas emissions – enabling farming to produce the same quantity of food, or more, with less inputs in smarter ways;
- Farmland carbon storage in soils and vegetation – improving land management and enhancing land use to capture more carbon; and
- Boosting renewable energy and the wider bioeconomy to displace greenhouse gas emissions from fossil fuels and to create GHG removal through photosynthesis and carbon capture.

At the same time as reducing our impact on the climate, we are also clear that we should not reduce our capacity to feed consumers with high quality, affordable Welsh food. Wales must not achieve its climate ambitions by exporting Welsh production, or greenhouse gas emissions, to other countries.

¹⁶ [achieving-net-zero.pdf \(nfu-cymru.org.uk\)](#)

This would not be a globally responsible or sustainable approach. It is also important to recognise that farmers are on the front line when it comes to climate impacts and associated disruption to food production.

It is now two years since NFU Cymru along with other industry organisations proposed the Low Carbon Farming Framework to Welsh Government (Annex 2). Funded via the domestic rural development funding, this proposal delivered Welsh Government's ambition for agriculture during the second Carbon Budget (2021-2025) and would have incentivised all farmers in Wales to undertake a simplified carbon assessment, via RPW Online, building on the detailed mapping data already provided to Welsh Government on an annual basis. For the first time, the carbon assessment process would have been mainstreamed on Welsh farms providing a baseline and informing action for individual farms, together with accurate emissions and sequestration data for the purposes of Welsh Government reporting.

It is a source of significant disappointment to us that, despite positive feedback from Ministers at the time, Welsh Government has not worked with us to advance this proposal. In the intervening period a lot has happened. Administrations in Northern Ireland and Scotland have supported carbon assessments through their policies. In the context of NFU Cymru's Net Zero ambition, many more farmers have become interested in understanding their carbon position and there has also been significant focus on carbon auditing from the supply chain with the result that proposals for carbon auditing within the Sustainable Farming Scheme will now need to take into account what is already happening on Welsh farms, so farmers are not duplicating effort. We would highlight that many supply chains already require some level of carbon assessment and have mandated which tool(s) to use, it would not be acceptable to us if these businesses were subsequently mandated to use another tool to satisfy the Welsh Government requirement.

We are also clear that any carbon audit tool must treat Welsh farms as systems and include carbon sequestration and renewables so that the full contribution across internationally agreed inventories is reflected.

Welsh Government would be wise to take note of results of a recently published DEFRA research project, 'Harmonisation of Carbon Accounting Tools for Agriculture'. Whilst this was a short-term project, it did clarify several issues:

- All of six calculators tested were able to provide farmers and growers with a baseline understanding of emissions and then help the business think about the next practical steps.
- No one calculator consistently gave the highest or lowest emissions when looking across different production systems and when carbon sequestration was included the differences between calculators increased.
- Calculators give different results for a number of reasons. For example, the tools ask for varying amounts of data. Generally, the less data a calculator asks for, the more assumptions it has to make but then it's easier to fill in.
- In addition, farm businesses can be very complex e.g. have different enterprises, use contractors etc, so it's very difficult for tools to capture all this diversity.

Taking the above into account we do question how Welsh Government will be able to specify a carbon calculator to use, be confident that it is the right one for all sectors and all farm types and continue to be the right one given the constantly evolving science and evidence in relation to this issue.

NFU Cymru is also clear that this data has a value to Welsh Government, in terms of reporting requirements. The proposal to simply cover the cost of the farmers time is, therefore, wholly inadequate as the basis of payment. A number of the tools are not free to use and they have accompanying annual subscription costs. We also identify, many farmers are likely to need support to undertake a carbon audit and the cost of this must be reflected in the payment rate as should proper recompense for the value of that data. Many farmers and their supply chain partners see this information as being valuable commercial data, data that their supply chain contracts may prevent them from sharing with other parties including government.

Overall, whilst NFU Cymru understands the intention behind this proposal, we consider that far more work is needed to make it operational. Welsh Government must recognise that the process of carbon auditing is no small task and in aligning the implementation of the proposal to coincide with the introduction of the Scheme this is likely to increase the burden on farmers who will already be grappling with the other SFS requirements, all of which will be new to farmers.

- **Scheme rules, validation, on-the-spot-checks, warnings and penalties**

Welsh Government proposes to develop scheme guidance and a set of verifiable standards setting out scheme rules, actions and evidence required to meet the conditions of the scheme. Payments to farmers may be affected if these rules are not met. NFU Cymru comments on the practicality and deliverability of the Universal Actions and scheme rules are made earlier in this response. We are clear that a number of the Universal Actions such as hedgerow management and tree planting pose an unacceptable level of risk and liability to farmers and, as such, they are not supported.

We highlight that farmers' perception of rules and regulations were summarised in the Public Health Wales report "Supporting farming communities at times of uncertainty"¹⁷ published in 2019. This report identified that regulation, administration and digitalisation was a key challenge for farmers in Wales.

In that report stakeholders reflected on farming as being a highly regulated industry, including managing demands from inspections, paperwork, notifiable disease and crop pest outbreak management, and administration in some cases (if a farm spans England and Wales) across two systems.

Many reflected on high levels of stress due to the complexity, and anxiety about changing regulations and fear of making mistakes that can result in financial penalties. Some highlighted incidences where an inspection led to an immediate financial penalty without a discussion on whether it could be resolved quickly, nor consideration of the significant distress caused, especially if the farmer was already struggling financially. This was a frequently described scenario, particularly amongst those farmers who have gone on to develop poor mental health, and from farming partners commonly dealing with the consequences, including suicide. The move to digitalisation was also highlighted as a challenge, in particular, for those with lower levels of literacy or digital literacy, or in areas with poor internet connectivity, as well as a reluctance from some, particularly older farmers, to embrace digital technology.

In this context, whilst we accept that Welsh Government will need to develop scheme rules to outline the requirements of the scheme, we identify this will be a key area of concern to our members. On this basis we strongly believe that, in the development of scheme rules, Welsh Government must prioritise simplicity. Welsh Government must recognise that the Sustainable Farming Scheme is an

¹⁷ phw.nhs.wales/services-and-teams/knowledge-directorate/research-and-evaluation/publications/supporting-farming-communities-at-times-of-uncertainty/

entirely new approach and based on the past experiences of successive CAP reforms, it will take time for farmers to become familiar with the new requirements so flexibility will be needed.

We also identify that farmers are going to need considerable support to understand and implement the scheme at farm level. The Farm Liaison Service provides invaluable support to farmers on scheme related information and requirements. We also call on Welsh Government to ensure that the 'When the inspector calls' guide is updated to take account of the SFS and is provided to all SFS participants at the earliest opportunity.

We note that Welsh Government proposes that a number of the scheme rules will be consistent with previous support schemes and cross compliance. NFU Cymru does not support this proposal. We take this opportunity to highlight that whilst a number of cross compliance requirements i.e. Statutory Management Requirements are underpinned by legislation, this is not the case for the Good Agricultural and Environment Conditions (GAEC). Cross compliance is therefore a mixture of statutory requirements as well as obligations created by the competent authority (Welsh Government). Cross compliance is a frequent cause of complaint amongst our members as failure to meet any of these cross compliance requirements can result in a financial penalty, which is often out of proportion to the breach committed - a breach that may not have had any environmental or animal health / welfare impact.

On this basis we do not support proposals to 'cut and paste' cross compliance into the scheme rules for the Sustainable Farming Scheme. We believe that a thorough review and analysis of the current cross compliance regime needs to be undertaken prior to consideration of which elements should be incorporated into the scheme rules for the Sustainable Farming Scheme. Welsh Government should work with the industry to devise standards which are relevant to Wales.

The assumption that farmers can simply absorb the costs associated with meeting cross compliance requirements is also fundamentally flawed in the absence of the BPS, particularly, when farmers elsewhere continue to be supported. We strongly reject Welsh Government proposals to add further regulations into scheme rules such as legal responsibilities like Public Rights of Way and CRoW Open Access land, the new Workplace Recycling Regulations and invasive non-native species which represent 'gold plating' and expose farmers to 'double jeopardy'.

We highlight that existing public access legislation has long been a concern for NFU Cymru placing significant costs, burdens and liabilities on farmers in Wales. There are many examples of actions by access users that lead to increased costs and economic impacts on agricultural businesses. This includes damage to crops, livestock worrying, mixing of livestock management groups and animal health related issues such as Neospora. In this context, we have long emphasised the need for a partnership approach with the Local Authority and Local Access Forums with a system of prioritisation and with adequate funding to deliver an agreed programme of works.

We also believe that Welsh Government should also review notice of inspection periods, so they are more reasonable and also consider building in the option of voluntary checks prior to full inspection.

NFU Cymru is also highly concerned that Welsh Government is implementing such changes through secondary legislation with the specifics of each scheme provided for within scheme rules and guidance. Whilst this offers maximum flexibility for government, we believe this provides insufficient scrutiny and safeguards for farmers.

Digital connectivity also continues to be source of major frustration in many parts of Wales. There is the potential for farmers, who through no fault of their own have no broadband or limited access, being excluded from the necessary advice and guidance they need to comply with the future

regulatory landscape. It is vitally important that government and regulators recognise this and that those who are digitally excluded are not prevented from having the information that is required to ensure that they are aware of the scheme related requirements and kept up to date whenever any changes are made.

Overall, NFU Cymru is extremely concerned about the mounting levels of anxiety within the farming community and has called for the establishment of an Independent Review Group to consider the cumulative burden of regulations and policies on Welsh farming business also taking into consideration the wider economic and political context.

We note Welsh Government proposes to include an 'exceptional circumstances' provision to consider where scheme participants are prevented from fulfilling obligations or Actions due to events outside their control. NFU Cymru supports a force majeure clause within the scheme rules in addition to greater flexibility at the scheme development stage to ensure that the Universal Action Layer is practical and achievable. We highlight that regulation, as well as, the requirements of support schemes, is often heavily dependent on things outside of the farmer's control, such as the weather. Multiple aspects of the proposed Sustainable Farming Scheme are environmental and subject to complex biological processes reinforcing the need for flexibility and a sensible force majeure or exceptional circumstances provision. Making use of force majeure / exceptional circumstances provision should also be a tool available to the Inspector at the point of inspection rather than leaving the farming family with the stress and anguish of being penalised and having to go through the appeal process to get the penalty overturned.

The provisions need to extend to the consideration of ill health within a partnership / limited company. Many farm businesses operate as partnerships and limited companies, our experience to date is that this can make it difficult for ill health of one individual to be considered under the force majeure provisions. The reality is that within each business, various individuals will have their own roles and responsibilities, and some include parents whose practical involvement in the day-to-day farming activities is limited. NFU Cymru would welcome a more pragmatic approach to the consideration of ill health, which recognises the practical reality within the farming business, rather than focusing on a hypothetical assumption that where there is a partnership or limited company it is easy for obligations to be transferred to another individual.

We recognise that Welsh Government proposes different ways to monitor farms and check compliance including physical inspection and earth observations. Farmers need to be informed that the inspection is taking place and an opportunity to comment on the inspection prior to any penalty being applied. This is not always the case particularly with remote inspection techniques.

NFU Cymru continues to be concerned about the level of complexity Welsh Government is proposing for monitoring and checking, this is a significant source of anxiety amongst farmers. The aim should be for any monitoring and checking to be necessary and proportionate. Welsh Government and Rural Inspectorate Wales will also need to ensure that they do not overreach in the development of the inspection regime recognising that they do not hold the necessary knowledge in many aspects of the Universal Action Layer, for example, veterinary expertise.

Given the potential overlap with a number of the requirements of the Universal Action Layer and farm assurance, we would encourage Welsh Government to consider the role that earned recognition could play. Earned recognition is about using third party schemes to assess risk, and therefore, the need and frequency for the state or its agencies to inspect, respecting that ultimately, membership of a farm assurance scheme is a decision for an individual farming business based on the value of assurance to that business.

We note that in circumstances where there is a level of non-compliance, where it is 'felt' that financial penalties are required, Welsh Government propose a set of verifiable standards and a sanctions matrix.

It is important to recognise that the disproportionate system of penalties applied in previous schemes act to deter farmers from participating in future schemes as they are fearful of inspections and being found in breach. The impacts of these penalties can also be crippling for farm businesses and impact on health and well-being.

NFU Cymru strongly believes there should not be penalties for minor breaches and administrative errors. In many cases such minor breaches and administrative errors cause no environmental or animal health concern. NFU Cymru is also clear that it should not be possible to backdate penalties. Where Welsh Government 'feels' a sanction is appropriate then Welsh Government must consider a range of factors including proportionality. We strongly support the use of warning letters where possible. Overall, NFU Cymru is clear this is an opportunity to relook at the whole system in relation to warnings and penalties to deliver a more proportionate approach.

NFU Cymru would also support the introduction of a procedural code for inspectors and enforcers dealing with the regulation of farms. The code should aim to professionalise the inspection and enforcement regimes, setting standards for investigations and evidence collection, the enforcement approach, penalty application and appeals. The code should also provide safeguards for farmers, such as the right for farmers to know the evidence against them and to have a fair opportunity to answer the case against them before the decision to apply a penalty is made.

- **Appeals**

We note that Welsh Government proposes a change from the existing appeals process which includes an assessment by an independent panel and the final decision made by Welsh Ministers to a two-stage review process involving different officials to those who made the original decision.

There was widespread concern at this proposal which will limit access to justice for SFS participants. Whilst Welsh Government suggests that it intends to adopt a proportionate approach to non-compliance, farmers are yet to see this in practice in the context of highly complex and prescriptive scheme requirements. On this basis, NFU Cymru believes that an independent appeals panel must continue to be a feature of the appeals process. There is a lack of trust that it can be left entirely to Welsh Government officials to be prosecutor, judge and jury.

We also believe the independent appeals process should be strengthened and expanded from its very limited jurisdiction with the panel only being able to confirm whether RPW has followed the correct procedures in accordance with the regulations. We believe the appeal process established for the Sustainable Farming Scheme must have far more wide-ranging powers with the ability to investigate further the detail of the case, consider mitigating circumstances and whether the sanction applied is proportionate to the breach. The appeal procedure, staff and secretariat associated with the appeal process should be separate and independent of the Inspectorate.

We would suggest that whilst it is important a number of members of the independent panel have expertise in agriculture it will be important that there are also members who have legal and / or tribunal expertise. We would strongly recommend that the appeal process must operate to strict time periods. Our current experience is that many appeals within the RPW Independent Appeal process can take years between submission of the Stage 2 Appeal and an Appeal Hearing being undertaken. This is unacceptable, causing great strain and pressure on the appellants as they await the opportunity to put their case before the panel.

- **Advice and Guidance**

Welsh Government's proposal is to continue to offer a range of advice, guidance and learning. There are also numerous references to the provision of advice and guidance to support farmers within the SFS Universal Action Layer including with some specific Universal Actions; skills development and mentoring to new entrants; together with the possibility of facilitation support for common land management agreements.

Whether Welsh Government is proposing that advice and guidance is delivered via Farming Connect is unclear – we note that specific references to Farming Connect within the current consultation are limited, with two specific mentions of the Farming Connect programme (contrasting to 40 references to Farming Connect within the previous SFS Outline Proposals consultation). Overall, we identify that more information is needed to clarify Welsh Government's proposals for advice and guidance provision, including scope, funding allocations and sources of that funding.

We identify that advice and guidance may be required to address a number of needs. Firstly, there are the advice and guidance requirements associated with the operational aspects of the SFS including for those farmers that are digitally excluded, recognising the very significant change farmers are facing with the transition away from the legacy CAP architecture. Secondly, there is the advice and guidance provision including knowledge transfer relating to the development of farm businesses.

NFU Cymru welcomes Welsh Government's proposal to use Rural Payments Wales (RPW) online as the operating model for SFS. This approach most closely aligns with the key NFU Cymru principle for future agricultural policy which emphasises the need for a scheme that is simple to administer and apply for. We have long argued that the scheme should be designed so that any farmer, at the Universal Action Layer, should be able to apply, comply and complete all the Actions without the need for advisers and consultants. We believe advice and guidance provision should be prioritised for the Optional and Collaborative Action Layers which are likely to be more complex and delivered via bespoke contracts.

Traditionally, Farming Connect has not fulfilled the role of providing advice and facilitating access to support schemes such as BPS. Advice on the specific requirements of Welsh Government schemes has been provided via the Farm Liaison Service (FLS). Our members very much appreciate the trusted relationships they have developed with the FLS team across Wales, it is our strong recommendation that the FLS be retained and they build on their strong track record of delivery to provide support to farmers accessing the Sustainable Farming Scheme via the RPW online portal.

We also highlight that thousands of farmers are supported on an annual basis with the completion of their SAF by agents such as NFU Cymru County Advisers and Group Secretaries who also fulfil an invaluable role sharing scheme related information and appealing scheme related penalties etc. These representatives have developed trusted relationships with farmers over many years and are likely to continue to be the 'first port of call' for many farmers on matters relating to future support.

NFU Cymru would have concerns if Welsh Government proposed to provide additional investment in the Farming Connect programme that duplicated the current offer provided by the FLS and private agents where market failure does not exist. We highlight that Farming Connect would also possess limited operational experience in this field and is based around 'ad hoc' interventions of advice and general awareness raising which does not lend itself to the type of service required which is more iterative in nature. There is also the issue of liability over where responsibility and accountability would lie in the event that the advice / support provided was inaccurate leading to an adverse impact on the farm business.

NFU Cymru has concerns that, in addition to the annual declaration process, Welsh Government is currently proposing significant reporting requirements in relation to Universal Actions that will increase the burden on farmers and those who support them currently, also increasing the risk of scheme breaches as a result of overlooked reporting deadlines etc. We believe Welsh Government must do more to ensure the burden of reporting outside of the annual SAF process is more proportionate than currently proposed to avoid the capacity issues that are likely to arise.

In the context of limited funding, NFU Cymru does not believe that investment in advice and guidance provision to remedy an overly complex scheme design represents good value for money. That is not to say that NFU Cymru is not supportive of the provision of advice via Farming Connect to farmers for the delivery of specific scheme requirements. NFU Cymru would highlight that there is ambiguity within the current SFS proposals in relation to a number of Universal Actions and scheme requirements and whether it is proposed that Farming Connect will support their delivery, for example, Universal Action 1: Benchmarking, Universal Action 3: Soil Health Planning or the Carbon Calculator.

- **Advice and guidance provision relating to the development of farm businesses**

NFU Cymru has long been clear in its vision for future agricultural policy, based around a single, integrated, flexible framework of three cornerstones – productivity and environment underpinned by measures to provide stability and address volatility. NFU Cymru believes the latest scientific research, development of innovative tools, technologies and practices and knowledge exchange are all critical to solving the productivity and resource efficiency challenges that Welsh farmers face. In this context, NFU Cymru is supportive of targeted and integrated knowledge exchange, advice and incentives across a range of themes to drive forward productivity and deliver measurable improvements in economic and environmental performance. Examples of key themes include climate change mitigation measures, animal health and welfare, environmental management and enhancement, grassland management, soil and nutrient management and health and safety. Skills and training in key areas such as machinery and equipment are also very important, particularly for new entrants and young farmers.

We are clear, however, that the potential contribution of advice and guidance from Farming Connect, or indeed other providers, is overstated by Welsh Government. It is not the ‘silver bullet’ and will be insufficient to make up for the loss of a stability mechanism to underpin farm business viability and support farmers to address volatility associated with factors beyond their control. This is evidenced by the independent evaluation¹⁸ of Farming Connect which concluded that *“Farming Connect plays an important role in creating the foundations for change leading to **small scale incremental changes**”*¹⁹. On this basis increased levels of investment in advice and guidance measures above current levels without a clear business case would be highly concerning to us.

We also highlight that advice and guidance on technical and farm business development matters is available to farmers from a range of sources. We have long highlighted the need for better co-operation and collaboration to avoid duplication, repetition and event saturation. This includes the unions, AHDB, HCC, agriculture suppliers, banks, accountants, solicitors etc. We identify fuller analysis of market failure in this sphere would be helpful. A full evaluation to understand impact and modelling to demonstrate the likely cost benefit of advice and guidance interventions is also needed.

The independent evaluation of Farming Connect also identifies that many businesses are *“capacity and resource constrained”*, underscoring the need for investment support to drive improved productivity. In this context we believe the SFS must include greater emphasis on grant support to facilitate the investment in modern on-farm infrastructure, the latest technology and innovations.

¹⁸ [Evaluation of the knowledge transfer, innovation and advisory services programme: final report | GOV.WALES](#)

¹⁹ Emphasis added

Overall, we identify that Welsh farmers are likely to require significant scheme related support ahead of and during the transition to the Sustainable Farming Scheme. NFU Cymru would support the establishment of a government and industry implementation group to ensure the support is appropriate and fit-for-purpose.

Summary

NFU Cymru is supportive of Welsh Government proposals to use the Rural Payments Wales (RPW) operating model and the annual Single Application Form (SAF) mechanism for administering the Universal Baseline Payment of the Sustainable Farming Scheme. These systems and processes are familiar to farmers, however, we identify more work is needed to ensure the administrative and reporting burden associated with the scheme is greatly reduced. We are concerned that the increased complexity and reporting throughout the calendar year will lead to missed reporting deadlines and penalties and impinge of the previous excellent delivery of payments to Welsh farming.

NFU Cymru is also supportive of an online process for the Habitat Baseline Review which is easier and more cost effective to operationalise. However, ahead of implementation, full evaluation of the Habitat Wales Scheme must be undertaken and lessons must be learned.

In the development of scheme rules, Welsh Government must prioritise simplicity. NFU Cymru does not support proposals for scheme rules to be consistent with cross compliance with the addition of other legislative requirements. We highlight that a number of cross compliance requirements are underpinned by legislation, this is not the case for the Good Agricultural and Environment Conditions (GAEC). The assumption that farmers can simply absorb the costs associated with meeting cross compliance requirements in the absence of BPS is fundamentally flawed. NFU Cymru is extremely concerned about the mounting levels of anxiety within the farming community and calls for the establishment of an Independent Review Group to consider the cumulative burden of regulations and policies on Welsh farming businesses.

NFU Cymru supports a force majeure clause within scheme rules. We strongly believe there should not be penalties for minor breaches and administrative errors, warning letters should be used where possible. NFU Cymru believes that the independent appeals panel must continue to be a feature of the appeal process and the process should be strengthened and expanded.

Whilst NFU Cymru is supportive of targeted and integrated knowledge exchange, advice and incentives across a range of themes to drive forward productivity and improvements in economic and environmental performance, NFU Cymru does not believe that investment in advice and guidance provision to remedy an overtly complex scheme design represents good value for money. Future advice and guidance provision should not duplicate the current offer provided by the FLS and private agents.

Welsh farmers are likely to require significant scheme related support ahead of and during the transition to the Sustainable Farming Scheme. NFU Cymru would support the establishment of a government and industry implementation group to ensure the support is appropriate and fit for purpose.

4. Payment Methodology

- **Funding**

Welsh Government has confirmed that it does not have budget certainty beyond the financial year 2024-25.

NFU Cymru recognises that all areas of Welsh Government expenditure continue to face unprecedented levels of strain and that the rural affairs budget is no exception to this. NFU Cymru warmly welcomed Welsh Government's announcement in December that the payment rates for the Basic Payment Scheme in 2024 would be the same as those in 2023 and 2022. In the context of the significant inflationary pressures and escalating costs, we believe that maintaining direct payments at the current rate should be a priority for Welsh Government given the economic, social and cultural benefits which accrue from supporting domestic primary production, providing much-needed certainty to a sector which is going through an extremely challenging time at present.

We are clear, however, that in order to meet our ambition to deliver sustainable growth of the food and farming sector, to further improve our environmental performance and the delivery of environmental outcomes for society alongside net zero, a well-funded, multi-annual budget for Welsh farming must be secured.

NFU Cymru strongly believes that support for agriculture, so vital to underpin our rural communities, represents a very good return on investment for the Welsh Government. The total Rural Affairs budget for 2023-24, including the Basic Payment Scheme at £238 million was originally set at £482 million, and represented 2.1% of a total Welsh Government budget of £22,968 million. In exchange for this very modest outlay, farmers look after over 80% of the geographical area of Wales and produce the safe affordable food we all eat. This food which also enjoys a fantastic reputation for quality, provenance and environmental credentials around the UK home nations and in a range of export markets near and far. By supporting Wales' farmers through the Basic Payment Scheme (BPS) in 2022 to the tune of £238 million, the sector produced a gross output of £2.1 billion in the same year. Investment in support for agriculture by the Welsh Government, therefore, produces a return on investment of almost £9 for every £1 given in support.

In terms of future funding, NFU Cymru has long been clear that '*not a penny less*' in line with Ministerial commitments means the value of Pillar 1 and Pillar 2 funds including the domestic co-financing obligation on Welsh Government for rural development together with the monies arising as a result of the Bew Review, in total circa £380 million per annum.

However, it is important to recognise that this figure is based on the EU budget which was set at the end of 2013 ahead of the 2014-2020 CAP programming period so its real terms value has been steadily eroded by inflation, particularly over the last two years which have seen very high rates of agricultural inflation. The Bank of England Inflation calculator for example, shows the BPS budget would need to increase by £79 million to £317 million just to keep pace with the inflation which we have seen over the last decade or so, or expressed another way, the budget is worth over 30% less in real terms than it was when it was set in 2013. The total CAP replacement funding of £380 million needs to increase to over £507 million – just to keep up with inflation.

We are clear, that if Welsh Government has genuine ambitions for environmental delivery beyond current levels, this ambition needs to be appropriately and sustainably resourced through the provision of a realistic, multi-annual funding commitment commensurate with the scale of this ambition. Farmers will only be in a position to invest in productivity and deliver environmental outcomes for society from a position of stability.

The confidence of Welsh farmers in Welsh Government's support for the sector has been rocked by the in year 7.8% budget cut to the 2023-24 Welsh Government Rural Affairs Budget in October followed by the 10.5% cut to the 2024-25 budget announced in December.

We reiterate our call from earlier consultation responses that a funding plan is needed to make the case to the Welsh and UK Treasury. The failure to undertake this work represents a fundamental failing in our view and leaves Welsh Government's Rural Affairs budget exposed and vulnerable, as demonstrated with the recent in year budget cut and subsequent cut to the 2024-25 draft budget which have dwarfed the cuts to other departments.

Given the scale of Welsh Government's ambition we strongly believe there are compelling arguments that the scheme, could in part, be funded from other budget lines, such as climate change (13% of Welsh Government's budget) recognising the contribution of agriculture towards the delivery of these policies.

Ahead of the next Westminster General election NFU Cymru will press all the main political parties to make funding available to support agriculture across the home nations for the length of the next Parliament. The budget made available should be uplifted to take account of the significant inflationary pressures we have been subject to over the last few years, whilst also taking account of the additional requirements and undertakings being asked of farmers in relation to food production, the environment and climate.

In conjunction with this funding commitment, we would like to see a corresponding commitment from Welsh Ministers that funds allocated by a future UK Government to support farmers are spent for those purposes and those purposes alone. We would see such a commitment on the part of Welsh Ministers as the natural corollary of the obligation the Agriculture (Wales) Act already imposes on Welsh Ministers at Section 11 regarding the preparation of multi-annual support plans giving information about the expected use of Welsh Ministers' powers to provide support under Section 8.

In summary, NFU Cymru is very much of the view that support for agriculture represents a good return on investment for Welsh Government, with a modest outlay of just 2% securing a host of positive benefits for Wales. Our view is that these funding allocations should be uplifted to take account of the fact that we are now over ten-years on from when the baseline was established. In the intervening time there have been periods of very high inflationary pressure together with the higher level of ambition Welsh Government now has for farming in delivering key climate and nature objectives alongside securing the stable supply of safe, high quality and affordable food.

Outside of the CAP and during this period of transition, we are concerned about the lack of transparency in relation to replacement rural development funding, including the £40 million Welsh Government domestic co-financing element. The annual budget for the Glastir area-based contracts, for example, was circa £34 million. As far as we are aware the budget for the replacement interim habitat scheme has not yet been published, if it is less than the £34 million allocated to Glastir, then how has the remainder of this funding been used to support farming. A similar level of clarity is sought in respect of the £20 million announced to support farmers with compliance with the Control of Agricultural Pollution Regulations (2021).

- **Payment methodology**

Welsh Government proposes to provide farmers with a Universal Baseline Payment for carrying out a set of Universal Actions. NFU Cymru's feedback on the practicality of the suite of Universal Actions proposed are set out earlier in this response.

We understand that the Universal Baseline Payment will be based on the area of the farm and made up of four separate payment categories; namely the maintenance of existing woodland, woodland

creation, habitat maintenance and a payment value per hectare covering all the other Universal Actions on the total eligible area. Our members have expressed profound disappointment at the omission of a specific payment category for food production.

Welsh Government has opted not to provide information on payment rates for the Universal Baseline Payment and this has been a source of very significant frustration within our membership; severely hampering our ability to consult properly on proposals. That Welsh Government expects farmers to properly analyse the proposed scheme and what they will be required to deliver in the absence of this basic information is quite honestly beyond comprehension.

We note that Welsh Government now proposes that the Universal Baseline Payment will be based on costs incurred / income foregone calculations. This proposal is wholly inconsistent with Welsh Government's stated position thus far and the findings at the co-design stage²⁰ which emphasised the need for sufficient funding to carry out the actions and sustain a viable farm business.

In 'Brexiteer and our Land' (2018), for example, Welsh Government stated that *'Glastir is limited, providing funding that is restricted to costs incurred and income foregone. This leaves insufficient incentive for participation'* and *'By supporting the delivery of public goods from land, Welsh Government's objective is to provide a valuable new income stream.....for the long-term'*.

In 'Sustainable Farming and our Land' (2019), Welsh Government identified *'providing a meaningful and stable income stream to farmers going beyond cost incurred, income foregone'* as a key objective to the scheme.

The Agriculture (Wales) Bill White Paper published in late 2020 stated *'the Sustainable Farming Scheme should reward farmers appropriately for the production of outcomes rather than compensate for the cost of inputs'* and *'We propose moving away from traditional agri-environment schemes which paid farmers on the basis of compensation for income foregone and additional costs incurred'*.

Welsh Government's SFS Outline Proposals in 2022 stated *'Payment rates will consider factors beyond a cost incurred, income foregone model and give farmers a fair and stable income'* and in developing a baseline payment, *'we will need to take account of a range of factors including outcomes, the cost to farmers for undertaking actions plus any necessary incentive to encourage uptake'*.

It is interesting to observe that simultaneous to making the above commitments, Welsh Government apparently commissioned a partnership of organisations led by ADAS to estimate farm-level costs of Universal Action delivery²¹. It is surprising to us that, despite the reassurances above, this study was undertaken on costs incurred / income foregone basis. The study identifies that this is a dominant basis for setting agri-environment payment rates despite acknowledged weaknesses. We remind Welsh Government, that the scope of the SFS is established in law and extends well beyond designing a replacement for Glastir.

NFU Cymru is shocked and dismayed that Welsh Government now expects farmers to deliver the onerous requirements of the Universal Action Layer on the basis of zero margin or incentive.

Even within the constraints of the cost incurred / income foregone payment methodology, recognition of the need to provide an element of incentive is well established. EC RDR 1257/99, for example, allowed an additional 20% of costs plus income foregone as an incentive.

²⁰ [Sustainable Farming Scheme Co-design final report \(gov.wales\)](#)

²¹ ADAS: Potential economic effects of the Sustainable Farming Scheme. Phase 2 Report on estimating farm-level costs of Universal Action delivery (December 2022).

National Assembly for Wales Guidelines on Management Agreement Payments (2001) on SSSIs states the basis for calculating agreement payments must be based on income foregone, any additional costs resulting from the commitment and the need to provide an incentive to encourage positive management measures to be adopted.

Defra have also recognised the challenges that income foregone plus costs poses to farmers and, in 2021, confirmed that this was not always the most effective way to reward farmers.

Farmers the length and breadth of Wales have been aghast at Welsh Government's about turn on this issue and it has contributed significantly to the high levels of anger and frustration that has accompanied this consultation.

The economic position of farmers is set out earlier in this consultation response. This position and the role of the BPS in underpinning farm business viability, are matters that Welsh Government is fully cognisant of, as evidenced in earlier consultation responses and in annual Farm Business Income figures published by Welsh Government. That Welsh Government would wish to pursue a course of action that will leave a large proportion of farm businesses struggling for survival is inconceivable to us and entirely contradictory with the title of the consultation '*Keeping Farmers Farming*'.

In this context, NFU Cymru categorically rejects Welsh Government's proposal that SFS payments will be calculated on a cost incurred / income foregone basis. We are clear that farmers should be fairly rewarded for the environmental / public goods that they already deliver and will continue to deliver in the future. If Welsh Government wants to secure environmental delivery on Welsh farms, farmers cannot work for nothing and they need fair treatment by government. Payment rates need to be geared to provide meaningful income and incentive.

We note that Welsh Government suggests it is considering how payment rates can include factors beyond costs incurred / income foregone recognising the social value provided by the outcomes being delivered but this will take time. Farmers have expressed the view that Welsh Government has had plenty of time to do this work already. The fact that this work hasn't been prioritised demonstrates a very weak commitment from Welsh Government to provide fair reward to farmers in reality.

NFU Cymru's position is that the Universal Baseline Payment must go beyond costs incurred / income foregone, recognising the value to society of the actions being undertaken, including food production, by Welsh farmers and also incentivising the actions Welsh Government want undertaken on Welsh farms.

NFU Cymru notes Welsh Government's comments relating to capping and the suggestion that capping proposals would be consulted on through the stakeholder group in advance of the introduction of the scheme. NFU Cymru strongly believes all aspects of the scheme design should be subject of proper consultation and comprehensive modelling to understand the redistributive effects on individual farms businesses, as has been the case in past reforms of the CAP. Decisions relating to the final scheme design must be evidence-led. We identify that Welsh Government's decision to apply capping, without consultation and modelling, within the Habitat Wales Scheme is severely impacting some farm businesses and represents a substandard and unevicenced approach to policymaking.

Without prejudice to our stated position above and turning specifically to the cost incurred / income foregone for each of the four Universal Baseline Payment categories:

With respect to the Universal – Maintenance of existing woodland category, firstly as highlighted earlier in this response, NFU Cymru strongly rejects Welsh Government's assertion that it will be unable pay on SSSI land and we ask Welsh Government to look at this again.

In terms of the Universal – Woodland Creation, we note that Welsh Government proposes to cover the costs of managing the area of newly established woodland and the income foregone with regard to the area of additional newly created woodland. Welsh Government states the payment **may be** payable for up to 12 years from planting. It has not escaped our attention that tree planting undertaken under the Woodland Creation Scheme guarantees support for 12 years and it is unclear why Welsh Government is expecting farmers participating in the Sustainable Farming Scheme to undertake tree planting on unequitable terms.

With respect to the Universal – Habitat maintenance, we note Welsh Government proposes to cover the cost of managing existing semi-natural habitat and the costs (including income foregone) of creating and managing newly created temporary habitat. Again, our comments relating to Welsh Government's proposal to exclude SSSI land have been made earlier in this response. We strongly reject Welsh Government proposal.

Welsh Government also fails to consider what, in many circumstances, will be a significant devaluation of land values.

In respect of the Universal Actions, NFU Cymru is clear that the aspects Welsh Government is prepared to consider for the payment is far from comprehensive as shown by the examples in the following table:

Universal - Actions	Costs incurred and income foregone considered for the payment	Cost incurred and income foregone not currently considered could include
UA1 - Benchmarking	Data gathering and reporting time for Key Performance Indicators	Farmer time Gathering information including time with accountant / other advisers. Cleansing data Record input onto database. Programme and IT costs. Liaising with experts to discuss the data and findings. Benchmarking
UA2 - Continuous Personal Development	Time cost to complete mandatory learning	Cost of training attendance fee Farmer time including cost of cover labour. Not all learning courses may achieve the required pass mark first time. Travel time and cost. IT and internet connection costs. Farming is a skilled occupation and should be reflected in the rate per hour allocated.
UA3 - Soil Health Planning	Farmer time to undertake actions Sample kit/postage costs	Format and mode of reporting will be critical in working out the farmer time. Will have to arrange replacement labour if doing the work himself. Farmer will need a suitable augur and testing kit. Some will choose professional to do the sampling work and this has to be factored in it costs incurred. Lab fees can be significant per sample particularly where carbon is required to be measured. Digging soil trenches and counting earthworms significantly adds to the costs incurred and need recognition in the payment for this action
UA4 - Multispecies Crop Cover	Costs of establishing and managing an appropriate cover crop	Establishment and termination. Machinery and labour costs, fertiliser for establishment, herbicide when crop is terminated. Alterations to the normal timing of field operations for subsequent land use in a rotation. Cropping sequency changes Obligation to have multispecies significantly increases the cost and may need more than one field pass. Value of the crop as feed or fodder likely to be minimal
UA5 - Integrated Pest Management	Planning and reporting time	Time allocation for each of the following collect, record and report. Reading of detailed guidance material related to safe use and application of pesticides and recording in office and pesticide store. IPM assessment will involve external advice and further reading of detailed guidance material
UA6 - Managing heavily modified peat	Costs of not exposing peat to additional degradation or erosion	Upfront capital works block grips and revegetating bare peat. Subsequent on-going management costs. Income foregone from displaced farming activities. Diversion of land from dairying or horticulture to extensive or no grazing (latter would also require scrub and invasive weed control). Reduced stocking on beef and sheep system. Fall in land value where drainage maintenance will not be allowed and incursion of rushes.
UA9 - Designated Site Management Plans	Farmer time for developing an appropriate management plan	Time involved here should not be underestimated. Involves one or often several site visits detailed discussion with more than one NRW staff member involving multiple visits before coming to an agreed plan. Subsequent regular scrutiny of that plan
UA10 - Ponds and scrapes	Ongoing costs of maintenance of scrapes and ponds Costs of scrape creation Costs of pond restoration	Costs of ponds and scrape creations and associated planning costs Pond / scrape maintenance cleaning inlets, debris, fallen trees, scrub clearance bank repair excess algal growth clearance. Feeder ditches maintenance Loss of Gross Margin as these must be created on improved grassland/arable fields. Field management costs will increase based on where they are sited. Liver fluke control cost Lamb losses Additional shepherding
UA11- Hedgerow management	Hedge management and small maintenance tasks e.g., gapping up	This will be a significant cost to bring all traditional boundaries up to the specified standard by year 5. Extra cost for stockproof hedge/earth bank maintenance

(include all traditional boundaries)		<p>Extra cost for stockproof wall/ stone faced bank maintenance.</p> <p>Coppicing, hedge laying, hedge trimming, weed control gapping up hedges and walls, import of stones.</p> <p>Safeguarding of hedgerow trees during hedge maintenance – sapling cost, individual tree maintenance, additional cost of hedge trimming, tree care during spraying</p> <p>Buffer zone maintenance including reduction in stock carrying capacity.</p>
UA14 - Historic environment – maintenance and enhancement	Routine maintenance and management costs	<p>Scrub clearing and repairing erosion.</p> <p>Temporary fencing when work is being done.</p> <p>Re-siting of feeders</p> <p>Rabbit control</p> <p>Loss of production in not being allowed to drain and subsoil.</p> <p>Reduced stocking loss of income</p> <p>Restrictions on stone gathering from sites which could be used for gateways etc elsewhere on the farm.</p> <p>Derelict buildings wall capping costs to prevent further deterioration- this is a significant cost.</p>
UA15 - Animal Health Improvement Cycle	<p>Farmer time to meet with their vet</p> <p>Cost of vet visits</p> <p>Reporting time (e.g. antibiotic use)</p>	<p>Plan advice and implement which involves both the farmer and his vet and third parties and including lab fees and interpretation. Recording requirements are quite detailed and have to be factored in whether treatment involves one animal or a thousand animals often needing individual animal ID.</p>
UA16 - Good Animal Welfare	Farmer time to complete proficiency training and complete mobility and lameness scoring	<p>Time and skill requirements for doing condition scoring and lameness and mobility scoring should not be underestimated. It must be done across the whole of the herd or flock with an additional split of potentially several different groups. Subsequent discussion with the vet needs to be factored in as is the cost of treatment management changes, culling or feeding that will be required following the action.</p>
UA17 - Good Farm Biosecurity	<p>Farmer time to meet with their vet</p> <p>Cost of vet visit</p> <p>Adherence to biosecurity plan (e.g., cleansing and disinfection, monitoring)</p> <p>Farmer time to review and revise biosecurity plan</p>	<p>Costs incurred will vary enormously as to what capital spend must be incurred to meet UA. Wash stations what type and how many. Length of fencing to make farm perimeter stockproof. Cost to farmer of vet visits ongoing adherence cost disinfection clothing etc and a regular review of the plan. Significant differences depending on type and number of enterprises on the farm.</p>
Carbon Calculator	Farmer time to complete	<p>Farmer time can be significant to complete. Data collection significant</p> <p>If Welsh Government decide that only a specified calculator is used this means starting from scratch for many.</p> <p>Calculators need expert advice during inputting data and subsequent interpretation of the data will be an incurred cost.</p> <p>Costs will be very different if calculator must be done every year or done in the first or last year of the agreement. This is not clear in the consultation.</p>

Overall NFU Cymru is clear that the payment methodology as currently proposed is unequal and discriminatory towards certain groups of farmers including tenant farmers, farmers with common land and farmers managing SSSI land.

Proposals for the Universal Baseline Payment based on cost incurred / income foregone converted into an area based payment has the potential to discriminate against smaller farms where the costs of delivering 17 Universal Actions are likely to greatly exceed the area payment received.

We are highly concerned that Welsh Government's proposed payment methodology does not provide the replacement income stream to farmers that it has promised. We are clear that farmers will be

unable to participate in the scheme if economic sustainability is not put on an equal footing with the environmental outcomes Welsh Government wants farming to deliver.

The payment methodology also takes no account of the value of the data provided by farmers to government. Asking farmers to pass over the ownership of this valuable data to government without paying for the data is unacceptable. Proposals are also almost entirely silent on the matter of capital grants to support the high investment costs of participating in the scheme particularly in the first year. It is not realistic to expect farmers to pay these costs without capital grant support across the relevant Universal Actions.

Welsh Government's proposal to review costs incurred and income foregone following consultation and routinely as part of the scheme development will provide cold comfort to farmers. A payment methodology based on this approach is wholly inadequate and cannot be supported.

- **Stability Payment**

NFU Cymru has long highlighted the need for future policy to be oriented around the three cornerstones of productivity and environment underpinned by measures to provide stability and address volatility. Farmers are subject to significant levels of income volatility driven by environmental, economic and political factors completely beyond their control. Recent events such as the global pandemic, the tragic war in Ukraine, economic instability, escalating costs and trade policy as well as extreme weather events have highlighted that volatility / instability is as much an issue today as it has ever been.

The importance of the current mechanism for providing stability to farm businesses – the Basic Payment Scheme – is widely understood. Welsh Government, in its 'Brexit and our Land' consultation (2018) highlighted the significant role that CAP support plays in the financial viability of medium and large farms.... *'forming the major component of farm business income'*²². In December 2023, the Minister for Rural Affairs, Lesley Griffiths MS prioritised maintaining the BPS ceiling at £238 million for 2024 despite the significant pressures across Welsh Government budgets²³ - a move that was very much welcomed by the industry.

On this basis, NFU Cymru has continually emphasised the need for future policy to include a stability payment; we are clear that it is only from a position of economic stability that farmers can continue producing high quality, affordable food for consumers, deliver environmental outcomes for society and invest for the future.

NFU Cymru is, therefore, extremely disappointed with Welsh Government's derisory attempt at a Stability Payment within proposals which are wholly inadequate and not fit-for-purpose. Concerns are compounded by Welsh Government's disregard of the need to provide an element of economic stability via the Universal Baseline Payment which is entirely absent within a cost incurred / income foregone payment structure. We are clear that to describe what Welsh Government currently proposes as a Stability Payment is highly misleading. It is anything but stable and provides no stability to farm businesses²⁴ given that it is declining to zero within a very short period of time. This is not a stability payment, it is a transitional payment between two fundamentally different schemes. Even less stability is provided for many tenant farmers, farmers with common land and SSSI sites who face the prospect of much reduced or zero Universal Baseline Payment on part of their holdings.

We highlight that the stability of thousands of farm businesses has already been impacted by the transition to the current system of direct support from the Single Payment Scheme to the BPS and

²² [Brexit and our land - securing the future of Welsh farming \(gov.wales\)](#)

²³ [Written Statement: Publication of Basic Payment Scheme \(BPS\) financial budget ceiling for 2024 and BPS 2023 balance payments \(19 December 2023\) | GOV.WALES](#)

²⁴ Stability – a situation in which something is not likely to move or change (Cambridge Dictionary)

bringing all entitlements to a flat rate by 2019; the Glastir 'cliff edge' compounded by the fact that inflation has significantly eroded the real terms value of what is, in effect, levels of support that were established over ten years ago. The resilience of many farm businesses has already been tested to the absolute limits.

We question whether the 'Stability Payment', which it is proposed, will reflect last year's BPS payment rate will be sufficient to induce farmers over to the SFS and Welsh Government seems to be ignoring the high costs, effort and administrative burden of delivering the Universal Actions.

Our vision for transition was for an evolution from the BPS to the SFS with the stability payment (BPS) maintained but additional sustainability actions and indicators added onto the stability payment incrementally from 2025.

Finally, we note that Welsh Government suggests that the proposed payment methodology provides flexibility to reflect future changing budget scenarios and priorities. We do not believe this statement aligns with the obligations on Welsh Ministers set out at Section 11 in the Agriculture (Wales) Act 2023 and highlight that this provides absolutely no certainty to participating farmers. It is perverse that, at the same time, Welsh Government is expecting those same farmers to make a permanent commitment to land use change, limiting their ability and that of future generations, to make a living from the land in perpetuity. On this basis alone, we believe it is totally unrealistic for farmers to enter the scheme as currently proposed.

Overall NFU Cymru's position is that stability must mean stability. A long-term commitment to a stability payment within the SFS is needed that recognises the economic, environmental, social and cultural contribution that Welsh farming makes to society and to underpin the resilience of food production in Wales and the continued secure supply of high quality, safe and affordable food from Wales.

Summary

NFU Cymru has long been clear that, in order to meet our ambition to deliver sustainable growth of the food and farming sector, to further improve our environmental performance and the delivery of environmental outcomes for society alongside net zero, then a well-funded, multi-annual budget for Welsh farming must be secured. In terms of future funding, 'not a penny less' in line with Ministerial commitments means the value of Pillar 1 and Pillar 2 including the domestic co-financing obligation on Welsh Government together with the monies arising as a result of the Bew Review, circa £380 million annually. Taking inflation into account this needs to increase to over £507 million. The Rural Affairs Budget is just 2% of the Welsh Government's overall expenditure currently and we are clear that a budget is needed that matches the scale of ambition for Welsh farming with compelling arguments for the scheme to receive funding from other budget lines such as climate change.

Welsh Government's decision not to provide information on payment rates for the Universal Baseline Payment within the consultation has been the source of very significant frustration. Current proposals to base the Universal Baseline Payment on cost incurred / income foregone calculations are wholly inconsistent with Welsh Government's stated position thus far and has left farmers aghast. That Welsh Government would wish to pursue a course of action that will leave a large proportion of farming businesses struggling for survival is inconceivable to us and entirely contradictory with the title of the consultation 'Keeping Farmers Farming'. NFU Cymru categorically rejects this proposal and is clear that the Universal Baseline Payment must go beyond cost incurred / income foregone and provide meaningful income and incentive recognising the value to society of the actions being undertaken by Welsh farmers. A Welsh Government cross departmental group with key stakeholder involvement is also needed to consider how payment rates for the Universal Baseline Payment can properly recognise the social value of the outcomes being delivered that extends beyond

environmental public goods. No decision on payment rates can be made until this work has been completed.

NFU Cymru has also continually emphasised the need for future policy to include a stability mechanism and we are clear that Welsh Government's derisory attempt at a stability payment within proposals are wholly inadequate and not fit for purpose. Concerns are compounded by Welsh Government's disregard of the need to provide an element of economic stability via the Universal Baseline Payment which is entirely absent within a cost incurred / income foregone payment structure. We are clear that to describe what Welsh Government currently proposes as a 'Stability Payment' is highly misleading. It is anything but stable and provides no stability to farm businesses given that it is declining to zero within a very short period of time. Even less stability is provided for many tenant farmers, farmers with common land and SSSI sites who face the prospect of much reduced or zero Universal Baseline Payment on part of their holdings.

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5. Transition Period

Welsh Government proposes the Transition Period will commence in 2025 and end in 2029.

NFU Cymru's position has been and remains that the transition should not be attempted until all relevant aspects are ready to commence the transition process (including the development of policy, the application process and IT systems). We also believe the transition cannot start until there is confidence that new schemes provide the same level of stability to farm business, our rural communities and the supply chain as the BPS currently does.

Based on current proposals and the economic analysis provided in Chapter 8 of the consultation, NFU Cymru does not have that confidence. We also question whether a transition which, in reality, is four years not five, provides sufficient time for farm businesses to adapt. In this context, NFU Cymru strongly believes that retaining flexibility over the start date, duration and flexibility to pause the transition would be prudent to safeguard jobs.

- **Optional Action Layer**

NFU Cymru has long recognised the need for the Sustainable Farming Scheme to include a higher tier of actions that farmers can opt to deliver over and above the Universal Action Layer.

The Optional Actions, we expect, to be more complex and targeted than the Universal Action Layer and it is at this level that NFU Cymru believes that on-farm specialist advice may be needed. From past experience we would like to see contracts for delivery at the Optional Action Layer developed in partnership with the farmer and based on what is practically achievable on the ground. NFU Cymru would also support a strong emphasis on measures that improve on-farm productivity including capital grant funding alongside support to deliver environmental outcomes.

Whilst the delivery mechanism for the Optional Action Layer is unclear, we do have some concerns about the complexity of a model based on the current Rural Investment Schemes approach (plethora of different schemes, application windows and deadlines) which will further add to the administrative burden on farmers participating at the Universal Action Layer.

NFU Cymru is concerned that based on the information provided proposals for the Optional Action Layer of the scheme have progressed little from earlier consultations and will require proper consultation when proposals are further developed.

- **Collaborative Action Layer**

Limited information is provided within the consultation on the Collaborative Action Layer of the scheme which Welsh Government say will support a range of activity including landscape scale action, innovation and knowledge transfer, co-operation and added value.

Welsh Government has opted not to set out the proposed eligibility criteria, previously suggesting that just two farmers would be required to be part of a collaborative project supported under this measure. Whilst NFU Cymru recognises the role of collaboration, we are clear that within the Sustainable Farming Scheme the focus should be on ensuring that action is farmer-led and pressures to design approaches more suited for eNGOs should be strongly resisted. The Sustainable Management Scheme, for example, proved largely inaccessible for farmers and projects funded via this approach and led by environmentalists were accompanied by high management / administration costs and comparatively lower levels of action on the ground and so did not represent good value for money in general.

Great care will also be needed to ensure that knowledge transfer and innovation activity does not duplicate or replicate the activities of other providers such as the levy bodies who receive funding from farmers and who have an industry development role as part of their remit.

Similarly, whilst respecting that Welsh farming underpins a multi-billion pound food and drink sector in Wales, NFU Cymru believes that added value and supply chain opportunities are of such importance to the wider economy of Wales that investment in such projects to, for example, increase levels of local and regional processing should be prioritised in regional economic funding streams in line with a comprehensive farm to fork food strategy with ambitious targets for the sustainable growth of the food and farming sector. Rather than the SFS investing in the supply chain directly, we identify the most important objective of the policy from a supply chain perspective should be maintaining and enhancing levels of production on farm so that critical mass is maintained and the investment that Welsh Government has made in the supply chain previously is protected.

- **Rural Investment Schemes**

Ahead of the introduction of the full Optional and Collaborative Action Layers, Welsh Government proposes to continue to deliver a range of procured and demand-led agricultural and environmental schemes, subject to budget availability. We note the examples provided and we ask Welsh Government to provide the objective criteria by which schemes will be prioritised. With the falling away of comprehensive rural development programming, we identify that strategic planning, effective scrutiny and oversight is lacking. We are concerned that the recent budget cuts to the Rural Affairs Budget announced by Welsh Government in October and December appear to have impacted on the Rural Investment Schemes budget hardest. This does not engender confidence in government support for investment activities on farm.

A number of examples, we suggest, are targeted less at farmers and more at other actors such as eNGOs. We are also confused at Welsh Government's reference to the Animal Health and Improvement Cycle Pilot which we understand will involve a small number of vets (22) each working with three farms to test the deliverability and scalability ahead of the SFS introduction in 2025.

Overall, we identify that Welsh Government appears to propose that the Optional Action and Collaborative Action Layers can be used as mechanisms to address the failings in design at the Universal Action Layer, for example, in respect of common land and SSSIs. This is totally unacceptable and, in reality, there is a lack of meaningful information within the consultation on timeframes, budgets and payment methodology to provide anything like the much-needed level of reassurance to farmers. On this basis, you cannot blame farmers in this situation from delaying the transition to SFS for as long as possible. Welsh Government's suggestion to prioritise access to the Optional Action, Collaborative Action as well as the transitional schemes to those who have joined the SFS seems unfair and further disadvantages farmers who are already disadvantaged by scheme design. There is also a lack of clarity about how this proposal would see groups of farmers treated, for example, on common land some of whom may have transitioned to SFS and others may not.

Summary

NFU Cymru's position is that stability must mean stability and a long-term commitment to a Stability Payment within the Sustainable Farming Scheme is needed. NFU Cymru is also clear that the transition to new schemes should not be attempted until all relevant aspects are ready to commence the transition process (including the development of policy, the application process and IT systems). The transition cannot start until there is confidence that the new scheme provides the same level of stability to farm businesses, our rural communities and the supply chain as the BPS currently does.

NFU Cymru is concerned that based on the information provided proposals for the Optional Action and Collaborative Action Layers of the scheme have progressed little from earlier consultations and

will require proper consultation when proposals are further developed. Welsh Government's proposal to prioritise access to the Optional Action, Collaborative Action as well as the transitional schemes to those who have joined the SFS seems unfair and further disadvantages farmers who are already disadvantaged by scheme design.

6. Basic Payment Scheme

The importance of the Basic Payment Scheme to the majority of farmers as a major component of farm business incomes is well known. This is particularly the case in Wales where smaller family farms tend to predominate and where around 80% of agricultural land is designated Less Favoured Area (LFA). The challenging climate and terrain limit the range of products from these areas and their remoteness means they are isolated from markets, with infrastructure and services logistically more difficult.

The proposal is that the BPS will be phased out over the transition period to zero in 2029 to be replaced by the SFS which is to be the primary long-term mechanism of support for the agricultural industry in Wales. In reality, as we have highlighted earlier in this response, the payment methodology for the SFS as currently proposed is not a support mechanism and there is no commitment from Welsh Government to provide the long-term stability measure that is needed to replace the BPS. On this basis, NFU Cymru cannot support the proposed model of tapering which is too rapid and allows insufficient time for farm businesses to adjust.

We also note that previously, in its response to co-design, Welsh Government made a commitment to test new approaches to make sure they work before removing existing support.

In terms of BPS entitlements and proposals to restrict the transfer of BPS entitlements, we identify that, ahead of the rules being published later this year, more scenario planning would be beneficial to ensure that no-one is disadvantaged through no fault of their own.

Summary

The importance of the Basic Payment Scheme to the majority of farmers as a major component of farm business income is well known. On the basis of Welsh Government's proposed payment methodology for the Sustainable Farming Scheme and diminishing stability payment, NFU Cymru cannot support the proposed model of tapering for the BPS which is too rapid and allows insufficient time for businesses to adjust.

7. Regulations

NFU Cymru understands and accepts the need for sensible and proportionate regulations not only as a government tool for controlling, directing, or managing an activity, but also as a means to protect the environment, human and animal health, and consumers' economic interests. Farming and food production intersect with many of these areas and therefore attracts a range of different regulations often from a range of different regulators.

Good regulation promotes the fundamental value of an economic activity by setting enabling rules while applying appropriate controls on that activity so that the risk of harm, economic or otherwise, is minimised. While an absence of regulation might lead to a failure to control risky behaviour, it should also be noted poorly drafted or implemented regulation can lead to burdens on business that are disproportionate to the benefit derived.

Such rules may restrict businesses from undertaking activities that are valuable to society, create perverse impacts, or fail to provide the protections intended. NFU Cymru wants to see a regulatory environment that encourages sustainable business growth and investment.

Given the extent that regulation influences farm practice, it is not surprising that farmers have had their fair experience of bad regulation NFU Cymru has therefore long campaigned for reform. Calls for regulatory reform do not necessarily mean an opposition to regulation but rather a desire to see the details of design and implementation of regulation improved. Many potential issues that we come across are a result of poor design or implementation, rather than any inherent failure in the identification of an issue requiring a regulatory solution.

Farmer confidence surveys undertaken by the union have repeatedly shown most farmers believe that regulation and legislation have a negative effect on their businesses. Poor regulation is characterised by approaches that have not engaged in advance with businesses to consider how regulation is best targeted or implemented. Often it is related to administrative burdens that are disproportionate to the desired outcome, regulation that damages productivity and regulation that often appears to unnecessarily tie up both the farmers and regulators' time in what would otherwise be avoidable work.

Whenever Welsh Government regulate, they need to consider any areas of regulatory duplication as well as overlap between regulators and their work, the coherence between different regulations, as well as the lack of information, misunderstanding and misinterpretation which often surrounds regulation.

Having left the European Union there is of course now a scope for regulatory divergence between the UK home nations which did not exist when we were part of the EU. NFU Cymru is of the view any race to the bottom in terms of standards of animal and human health and protection of the environment amongst the home nations should be resisted. That does not however mean that the desirable corollary to this is to increase the regulatory baseline, and we would suggest that Welsh Ministers should be very careful about any ratcheting up of standards in Wales, particularly if the regulatory baseline in the other home nations is standing still or indeed is falling. To demand higher standards of Welsh farmers than those standards which might be operative in other parts of the UK will only serve to place Wales' farmers under a competitive disadvantage, particularly when we consider the impact of the UK Internal Market Act 2020.

As a Union we opposed the approach of the Retained EU Law Act 2023 on the basis that we considered what was set out in the Act to be haphazard, unpredictable, and risky. We do though recognise that our departure from the EU has opened up some possibilities in terms of regulatory reform, and we believe that there is now an opportunity for Welsh Government, working with

stakeholders such as NFU Cymru to look at regulatory requirements which are redundant (and can be done away with), which may overlap or be duplicated between bodies or which can be reformed and simplified.

NFU Cymru believes that rules should be designed in such a way that reflects how farm businesses operate in practice. Failure to do so can result in issues with compliance or unnecessary artificial changes to farm activity. We therefore welcome the intention stated in the second paragraph of Chapter 7 which speaks of support schemes which are more responsive, adaptable, and flexible to meet the needs of our Welsh agricultural industry.

As a union, NFU Cymru is opposed to the publication of information about support. We would like to take this opportunity to re-state our position that if Welsh Government is minded to publish information about levels of support paid, then we would ask that a de minimis threshold of £1250 is introduced, with recipients of sums below this threshold published in an anonymised format only.

NFU Cymru accepts and understands that where public money is spent there should be mechanisms to ensure that it is spent correctly and that on occasion this will involve the use of appropriate checks. Checks should not be conducted in an insensitive or heavy-handed manner and we would also add that any check and penalties applied should be proportionate.

We note and understand that the content of secondary legislation is not being consulted upon as part of this consultation. We would however ask that when it comes to the exercise of regulation making powers under Sections 10 and 12, and indeed the exercise of any regulation making power under the Agriculture (Wales) Act, that the Welsh Government consult fully with stakeholders on proposed regulations before any draft is laid before the Senedd.

NFU Cymru would also make the point that where data is collected in supporting of monitoring the impacts of a scheme, that the strongest possible safeguards are put in place around the collection, processing, retention, and handling of such data. Further consideration must be given in relation to how data will be used, the privacy of the data considering GDPR and FOI legislation, and the value of the data being provided by farmers in relation to government needing this data to meet its statutory obligations.

It is highly concerning that Welsh Government's approach to secondary legislation and scheme rules gives wide-ranging powers to Welsh Government to unilaterally and fundamentally alter scheme requirements and rules. For example, the tree cover rule could be increased in the future.

NFU Cymru reiterate the need for the establishment of an Independent Review Group to consider the cumulative burden of regulations and policies on Welsh Farming Business also taking into consideration the wider economic and political context.

Summary

Farmer confidence surveys undertaken by the union have repeatedly shown most farmers believe that regulation and legislation have a negative effect on their businesses. NFU Cymru wants to see a regulatory environment that encourages sustainable business growth and investment and believes rules should be designed in such a way that reflects how farm businesses operate in practice.

We note and understand that the content of secondary legislation is not being consulted upon as part of this consultation. It is highly concerning to us that Welsh Government's proposed approach to secondary legislation and scheme rules gives wide-ranging powers to Welsh Government to unilaterally alter scheme requirements and rules.

8. Evidence

Good and effective policy making relies on strong and robust evidence and analysis to inform and underpin it. Our reflections on the evidence and analysis undertaken thus far is that it focusses, in the main, on the environmental outcomes delivered via the scheme. It reflects neither the SLM objectives of the Agriculture (Wales) Act or the well-being goals of the Well-Being of Future Generations Act. There is need for the evidence and analysis to provide equal recognition and align with the SLM outcomes including food production, the role of farming in helping rural communities to thrive, the resilience of agricultural businesses, sustaining the Welsh language and landscape.

Other countries know and appreciate the social value of a stable supply of food, that is why there continues to be a robust Common Agricultural Policy in the EU and we identify that a Welsh Government cross departmental group with key stakeholder involvement is needed to consider how payment rates for the Universal Baseline Payment can properly recognise the social value of the outcomes being delivered that extends beyond environmental public goods.

NFU Cymru would highlight that in the most recent CAP Reform policy development period (2011-2015 CAP Reform period) just such a group was established involving key stakeholders alongside Welsh Government policy officials from a range of departments. This group was responsible for commissioning work and analysing and refining all papers produced against a set of clear objectives that had been agreed by the group.

The group undertook extensive work modelling a wide range of different scenarios with the aim of seeking to minimise disruption for Welsh agriculture against a backdrop of significant uncertainty. Stakeholders and government found great value in this group and the outputs achieved. This is in stark contrast to our involvement in the evidence supporting this consultation paper which has involved one meeting by Welsh Government officials at which the completed evidence was presented to stakeholders.

There is still an opportunity to address this issue and NFU Cymru is committed to providing the resource necessary to support government if such a group were to be established.

A key and immediate piece of work would be to commission a socio-economic assessment to:

- Assess the impact on Welsh farming, rural communities and the wider supply chain of the withdrawal of the BPS.
- Assess the impact of the current SFS proposals on Welsh farming, rural communities and the supply chain.

We are clear that no decisions on next steps should be undertaken until the economic assessment has been completed.

For the longer term we would ask that Welsh Government commit to the establishment of a food, farming, rural businesses and supply chain impact assessment and modelling programme that provides the same level of detail and advice that the ERAMMP model provides for the environment.

NFU Cymru recognises and values the work undertaken by ERAMMP, we have firsthand experience of this based on our involvement in the Brexit Scenarios work that modelled changes in land use in a range of post Brexit trade scenarios. It is worrying that no similar level of modelling or analysis has been undertaken to model the economic, social and cultural impact of policy interventions by government in relation to the SFS.

The Welsh Government commissioned agricultural economic modelling research from an ADAS-led consortium paints a truly shocking scenario for Welsh Agriculture. Whilst we respect that Welsh

Government are at pains to point out that this work was undertaken on an earlier version of the proposals and whilst we fully respect that any modelling and impact assessment must make a number of assumptions, nevertheless, it is hard to fathom how Welsh Government has not taken greater consideration of this work in advance of publishing what they term the final consultation on this issue. The failure to address this matter gives the impression that Welsh Government are at best prepared to accept this scenario becoming a reality or at worst, complicit in seeing this as a scenario that meets their policy aspirations.

Welsh Government have told us that the modelling undertaken assumed stock exclusion / reduction limits present in earlier versions of the proposals that are not now in the current proposals. Whilst that may be the case, it would be our opinion that the outcomes being sought by Welsh Government have not changed and therefore whilst the current consultation may not explicitly request stock exclusion / reduction the reality is that to achieve the outcomes required this will still be the case.

We note that in the First Minister / Minister statement dated 27 February 2024 makes reference to an updated economic analysis being undertaken. Without prejudice to our comments above in relation to the need for a more comprehensive economic analysis we question how different the results will be if the modelling is repeated on the current proposals.

It is clear from reading the evidence published in relation to the economic effects of the Sustainable Farming Scheme that Welsh Government continue to view the scheme through the lens of an agri-environment scheme rather than as a replacement for all Pillar 1 and Pillar 2 schemes of the CAP. This is a critical weakness.

By not including fixed costs / capital costs in the costs incurred / income foregone methodology a significant element of a farming business' costs in complying / undertaking actions within the SFS are excluded. It is also clear that the work undertaken shows the weakness of what Welsh Government term a 'Universal Action' when many of the actions are not 'universal' to all. An example of this being the use of the average cost of complying with UA4 (Multispecies Cover crop) across all farm types being unfair on arable growers who will bear the full costs of undertaking such a requirement. Similar examples exist for many other Universal Actions reiterating our call for the Universal Actions to be truly 'universal'.

Our position with regards to Welsh Government's decision to base the Universal Baseline Payment solely on a costs incurred / income foregone methodology are made in our comments in relation to Chapter 6 of the consultation and will not be repeated here. Save to say that we believe Welsh Government have ample opportunity to consider innovative ways to go beyond costs incurred / income foregone. For example, the UK allocation under the WTO Agreement on Agriculture (AoA) for 'Amber Box' support provides ample headroom for Welsh Government to consider making use of this support mechanism. 'Amber Box' support comes under the WTO Aggregate Measure of Support (AMS). The UK has a limit of some €6 billion under the AMS deriving from the allocation we received on our departure from the EU. The levels of funding we would require in Wales to provide a genuine incentive / margin for the Universal Baseline Payment, even if use of the Amber Box was required, would be relatively insignificant set against the total headroom that the UK has secured.

Throughout the consultation period NFU Cymru has engaged closely with supply chain partners. Many attended our roadshows, a number have invited us for further discussions on the proposals and on the 27 February nearly 100 different supply chain organisations attended a meeting hosted by NFU Cymru to discuss the impact of the current proposals beyond the farm gate. The organisations we have met range from local agricultural contractors to machinery dealers and vet practices up to the major milk and meat processors, food service companies, banks, and retailers. We have met with representatives of a significant proportion of the £8.1 billion food and drink supply chain, who employ 233,500 people in addition to those businesses who rely on the £1.4 billion annually that farmers spend on key inputs and services.

There is widespread concern at the impact the proposed SFS could have on the entire supply chain, with Welsh Government's own impact assessment predicting a £200 million hit to farm income and around 11% less livestock in Wales, every business could see the negative consequences this could potentially have for their businesses. We must have a policy which protects jobs on farm and within the wider supply chain.

The future prosperity of the agri-food supply chain is not just an issue for rural Wales, the sector has successful thriving businesses the length and breadth of Wales, located in and employing people from rural and urban Wales. The consequences of a Sustainable Farming Scheme that impacts on Welsh farming's productive capacity will likely have a similar impact on the whole agri food supply chain.

Welsh dairy production is worth almost £850 million to the Welsh economy and accounts for almost half (47%) of the total output of Welsh agricultural production. Around 50% of milk produced in Wales is processed in Wales, the sector supports 1,250 jobs in the wider dairy manufacturing sector. If the modelling undertaken became a reality on Welsh farms, then it could see Wales producing over 368 million litres less milk. To put this into context, that is equivalent to taking over 648 million pints of milk off the shelves around the world.

PGI Welsh Lamb and Beef exports are worth around £270 million to the economy of Wales. We have a global reputation for quality, and we have an ambition to grow both volume and value of high quality, climate-friendly PGI Welsh Lamb and Beef in both current and new export markets across the globe. Welsh Government's own economic appraisals put the value of the Welsh meat and meat products sector at £1.4billion, with 64 business units located across Wales and 6,000 employed in these units. Many of these plants rely on a critical mass of produce so cannot afford to see a reduction in stock numbers from farms in Wales.

Specific modelling is needed to understand the impact of proposals on the supply chain.

Analysis presented on the social value of outcomes is flawed in that it considers only the values associated with environmental outcomes delivered via the scheme. It reflects neither the SLM objectives of the Agriculture (Wales) Act or the well-being goals of Well-Being of Future Generations Act. In determining social value, Welsh Government will also require analysis on wider social values to align comprehensively with the SLM outcomes including food production, the role of farming in helping rural communities to thrive, the resilience of agricultural businesses, sustaining the Welsh language and landscape.

Welsh Government state that it is still their intention to consider the social value in their payment methodology, but they say it will take time to get right. If that is the case, then the SFS should be paused until such time as it is possible to get this right. Providing equal access and reward with no postcode lottery for the benefits to society farmers are undertaking through their participation in the Sustainable Farming Scheme alongside a long-term stability payment to recognise the economic, environmental, social and cultural contribution that Welsh farming makes to society and the resilience of food production in Wales are so important that the transition to the SFS cannot begin until these matters have been resolved.

Summary

Good and effective policymaking relies on strong and robust evidence and analysis to inform and underpin it. Our reflections on the evidence and analysis undertaken thus far is that it focusses, in the main, on the environmental outcomes delivered via the scheme. There is need for the evidence and analysis to provide equal recognition and align with the SLM outcomes including food production, the role of farming in helping rural communities to thrive, the resilience of agricultural businesses, sustaining the Welsh language and landscape.

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A policy is needed that protects jobs in farming and the supply chain and Welsh Government must commission socio-economic assessments to understand the impact on Welsh farming, rural communities and the wider supply chain of the withdrawal of the BPS together with the impact of SFS proposals. NFU Cymru is clear that no decisions on next steps can be undertaken until this economic assessment has been completed and considered in regular SFS meetings with the Minister and NFU Cymru leaders.

For the longer term, NFU Cymru would ask that Welsh Government commit to the establishment of a food, farming, rural business and supply chain impact assessment and modelling programme that provides the same level of detail and advice that the ERAMMP model provides for the environment.

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9. Data Processing and Reporting

Part 3, Chapter 1 of the Agriculture (Wales) Act 2023 provides Welsh Ministers with powers to enable data to be collected from the agricultural sector. We note that Welsh Government indicates that it may share information collected with a range of government agencies and data will be managed and used by Welsh Government in accordance with legal obligations including the Freedom of Information Act 2000, Data Protection legislation and Environmental Information Regulations 2004. NFU Cymru is disappointed that compliance with the relevant data protection legislation was not set out explicitly within the provisions of the Act.

Farmers have a long track record of supplying a range of data as part of the requirements of receiving support under various CAP schemes such as the Basic Payment Scheme and Glastir and in return for providing this information (amongst other outcomes) the farmer has received payment.

In the development of both the Agriculture (Wales) Act and the Sustainable Farming Scheme, NFU Cymru has emphasised that any data collection should only be if it is absolutely necessary and proportionate to the purposes for which the data is required. Thought should be given to the burden placed on farm businesses to provide the data.

With the publication of Welsh Government's consultation, the extent of the data provision requirements for SFS participants has become much clearer. The requirements of a number of the Universal Actions including UA1, UA3, UA5 and UA16 mean that both the volume and level of detail are an order of magnitude greater than existing scheme requirements. Many farmers feel this is highly intrusive. The purpose for the data collection in many instances has been poorly explained and there is significant opposition to pass ownership of valuable data from farmers to government. Welsh Government must be clear with whom data collected will be shared and why it needs to be collected.

Whilst we accept, in principle, that data collected may be considered essential for compliance with the scheme and other data may be requested by government to support farm businesses to improve their performance, NFU Cymru remains absolutely clear that where data provided to Welsh Government has value, for example, in evidencing national and international reporting obligations, then this data should have a value attached to it and be included within the Universal Baseline Payment. Based on the information provided on the payment methodology in Chapter 4 this does not appear to be the case.

NFU Cymru is also extremely concerned that, once provided to Welsh Government, private information about farm businesses may be subject to information requests by individuals and campaigning groups with an anti-farming agenda. The administrative burden associated with a greater volume of subject access requests in future also merits consideration. Welsh Government has also not set out its proposals for data retention in relation to the scheme. Overall, much closer analysis of the data requirements associated with the scheme is needed with this in mind.

Welsh Government will also be aware of past data breaches that have exposed farming families to an unacceptable burden of anxiety and risk. It is also possible that data provision associated with the scheme could undermine the market, for example, where processors or retailers currently support and reward producers for the provision of carbon assessment related data.

NFU Cymru also believes that the administrative burden on farm businesses associated with the Universal Action Layer are excessive and should be streamlined. Welsh Government needs to remember that it is also proposing that existing cross compliance, and with it a significant record keeping burden, are moved across to scheme rules for the scheme.

Proposals for data submission to RPW online and the Welsh Government online portal described under Universal Action 1 adds an additional layer of complexity. A strategy for the digitally excluded is also needed.

- **Reporting, monitoring and evaluation**

In terms of information gathered to determine how well the scheme is working from an operational perspective, making adjustments where necessary etc, NFU Cymru identifies it is important that Welsh Government embeds this level of flexibility into the scheme design so lessons can be learned.

NFU Cymru would suggest the continuation of the RPW stakeholder group which has been invaluable in supporting the delivery of CAP schemes. In addition to the monitoring of information provided by scheme participants, Welsh Government should also collect basic data relating to monitoring, breaches, enforcement, appeals etc recognising that breaches, rather than reflecting on the farmer can be reflective of poor scheme design. We also strongly believe that external scrutiny in an advisory capacity is needed that is able to support delivery given that Senedd scrutiny will be largely retrospective.

Summary

The requirements of a number of the Universal Actions including UA1, UA3, UA5 and UA16 mean that both the volume and level of detail are an order of magnitude greater than existing scheme requirements. Many farmers feel this is highly intrusive. The purpose for the data collection in many instances has been poorly explained and there is significant opposition to pass ownership of valuable data from farmers to government.

In the development of both the Agriculture (Wales) Act and the Sustainable Farming Scheme, NFU Cymru has emphasised that data collected by Welsh Government is absolutely necessary and proportionate to the purposes for which the data is required. Further consideration must be given in relation to how the data will be used, the privacy of the data considering GDPR and Freedom of Information legislation, and the value of the data being provided by farmers in relation to Government needing this data to meet its statutory obligations.

In terms of information gathered to determine how well the scheme is working from an operational perspective, it is important that Welsh Government embeds this level of flexibility into the scheme design so lessons can be learned. External scrutiny in an advisory capacity is needed that is able to support delivery given that Senedd scrutiny will be largely retrospective.

10. Effects on the Welsh language

The Well-Being of Future Generations Act places a duty on public bodies to work to enhance economic, environmental, social and cultural well-being in Wales. This includes working towards seven key well-being goals which includes 'A Wales of vibrant culture and a thriving Welsh language'. The fourth objective of the Agriculture (Wales) Act 2023 establishes the objective of '*conserve and enhance the countryside and cultural resources and promote public access to and engagement with them, and to sustain the Welsh language and promote and facilitate its use*'. Therefore, culture and heritage, including the Welsh language, are considered as a key aspect of the future of farming in Wales, alongside the objectives relating to food production, climate change, and ecosystem resilience.

The Welsh Government Strategy 'Cymraeg 2050 - A million Welsh speakers' – a strategy document for the promotion and facilitation of the use of the Welsh language - identifies the Welsh language as '*one of the treasures of Wales*' and establishes a vision for 2050 of a Welsh language that is thriving, where the number of Welsh speakers has reached a million and where there is recognition by all of its contribution to the culture, society and economy of Wales.

In this context we would refer to evidence that recognises the role of Welsh farmers as key promoters and protectors of our culture, heritage and the Welsh language. The Welsh Government Agriculture in Wales document from 2019 provides a summary of the number of Welsh speakers based on 2011 census results. Overall, 43% of workers in Agriculture, Forestry and Fisheries speak Welsh compared to an average of 17% across all workers in Wales. This figure is the highest percentage of any sector. Four of the top six counties in terms of the proportion of Welsh speakers are also four of the top six counties in terms of the population employed in Agriculture, Forestry and Fisheries (Gwynedd, Anglesey, Ceredigion, Carmarthenshire).

Farming Connect's '[Iaith y Pridd](#)' - a project funded via Welsh Government's Rural Development Programme 2014-2020 - concluded that the relationship between the various factors – both positive and threatening – which face the agricultural industry, rural Wales and the Welsh language, overlap to such an extent that there is no point, nor is it possible, to separate one from the other – in protecting and expanding an individual factor, the other will also benefit, but by threatening an individual factor, they will all lose out.

Overall, NFU Cymru would highlight the evidence is unambiguous in highlighting the role of farming within our communities in terms of the preservation of the Welsh language. It is our strong view that a thriving Welsh language in rural areas is underpinned by thriving Welsh farms now and in the future; proposals or policies that weaken family farms and the farming sector will ultimately weaken our Welsh language and what defines us as a people and a nation.

In this context it is important to recognise there are no Universal Actions in the SFS relating to the Welsh language. Welsh Government's modelling demonstrates how the economic sustainability of farm businesses is undermined by SFS proposals as they currently stand with the direct loss of 11% on farm labour. NFU Cymru is clear that there is insufficient emphasis on supporting the continuation of farming through the scheme and this undermines the ability of rural communities to thrive and safeguard the use of the Welsh language for current and future generations.

Annex 1 - The Contribution of Agriculture to the Well-Being of Wales

The Welsh Government Well-Being of Future Generations (Wales) Act 2015 is designed to improve the social, economic, environmental and cultural well-being of Wales. The Act establishes seven goals that all public bodies, including Welsh Ministers, must work to achieve. The contribution that farming makes to achievement of all seven goals is unparalleled by any other industry, as highlighted in the following below:

Well Being of Future Generations Act: Well-being Goals	NFU Cymru: Agriculture is the Answer
A prosperous Wales	<ul style="list-style-type: none"> • 50,400 employed full or part time in farming in Wales • £2.1billion Gross Output • Farming underpins a food supply chain worth over £8.1billion • Over 233,500 people in Wales are employed in the agri-food sectors –Wales’s biggest employer • The Welsh countryside managed by farmers provides the backdrop for the tourism industry worth over £2.8billion • The Welsh agricultural industry is a key generator of wealth and employment for the people of Wales
A resilient Wales	<ul style="list-style-type: none"> • Farmers care for 81% of total land area of Wales – that’s over 1.84m hectares • Farmers care for over 90% of the land area of Wales • 600,000 ha of environmentally designated areas • Farming supports a diverse range of species, habitats and ecosystems • Farmers provide a range of ecosystem services including carbon sequestration and management, water quality and water quantity management for flood alleviation • Nearly 30% of agricultural land in Wales is tenanted • 106,000km of hedgerows and dry stone walls across Wales • Wales woodland and forestry cover extends to 306,000 hectares • Low carbon, local energy installations have the potential to meet 57% of Wales’s electricity consumption and the evidence shows a large proportion of projects are located within Wales’s rural local authorities • GHG emissions from agriculture have declined by 20% since 1990 and further decreases are being achieved through production efficiency measures • Welsh farmers play a key role maintaining and enhancing our natural environment and supporting the provision of a full range of ecosystem services
A healthier Wales	<ul style="list-style-type: none"> • Welsh agriculture is a key provider of safe, nutritious, high quality Welsh food which plays a fundamental contribution in supporting the physical and mental well-being of the people of Wales • Welsh farmers are known to operate to some of the highest standards of welfare and production in the whole world • Welsh farming also delivers a significant proportion of Wales’s access provision which includes 16000 miles of footpaths, 3000 miles bridleways, 1200 miles of cycle network, and 460,000 ha of open access land • Welsh farming makes a key contribution to the physical and mental well-being of the people of Wales

<p>A more equal Wales</p>	<ul style="list-style-type: none"> Rural Wales is home to 33% of the Welsh population. The vitality and potential of rural areas is closely linked to the presence of a competitive and dynamic farming sector. The NFU Cymru 'Why farming Matters to the Welsh Economy' shows that each family farm is typically economically linked to some 40-80 other businesses in the region Through direct and indirect employment in rural communities, Welsh farming underpins the rural economy and contributes to a more equal Wales
<p>A Wales of cohesive communities</p>	<ul style="list-style-type: none"> Farming in Wales is predominantly made up of small family farms with the average size of 48 hectares. Local communities in rural Wales are heavily dependent on agriculture for financial and social prosperity. Leadership and voluntary roles in rural communities Welsh farmers make a key contribution towards the provision of attractive, viable, safe communities in rural areas
<p>A Wales of vibrant culture and thriving Welsh language</p>	<ul style="list-style-type: none"> Agriculture has the highest proportion of Welsh speakers of any sector. 43% of workers in Agriculture, Forestry and Fisheries speak Welsh compared to an average of 17% across all workers in Wales. Farming is the bedrock of rural communities across Wales which have been shaped by farming activity spanning hundreds of years. Farmers continue to maintain these traditions, preserving rural culture and sense of place Welsh farmers are key promoters and protectors of our culture, heritage and the Welsh language
<p>A globally responsible Wales</p>	<ul style="list-style-type: none"> Current levels of self-sufficiency at a UK level are at 60% Future challenges to our global food production system include climate change, a growing UK and global population, water scarcity. Given its climate and rainfall, Wales is predicted to be an area of favoured production in the future Welsh farmers have a key role to play feeding the people of Wales and in contributing to global food security now and in the future.

Annex 2 – Industry proposals for Low Carbon Farming Framework

Policy context

In April 2019, Welsh Government declared a 'climate emergency' signalling greater ambition for climate action in Wales. For agriculture¹, Welsh Government's second Carbon Budget (2021-2025) identifies that this will be a period of transition as a future domestic agricultural policy outside the EU is developed and implemented.

In the coming months, Welsh Government is expected to bring forward the Agriculture (Wales) Bill to the Senedd. This will establish the primary legislation for future agricultural policy and support. Welsh Government identifies the Agriculture Bill will be fundamental to delivering the long terms aims of agricultural reform and the 'climate and nature emergencies' over the next 15-20 years.

Sustainable Land Management has been put forward by Welsh Government as the overarching principle for future agricultural policy delivered through the proposed Sustainable Farming Scheme (SFS). Key outcomes for the SFS include reduced GHG emissions and increased carbon storage, aligning with the farming industry's ambition for net zero agriculture by 2040.

The timeline for the period of transition was set out by the Minister for Rural Affairs in September 2021. In summary, the Basic Payment Scheme (BPS) is expected to continue in 2022 and 2023 with an indicative budget allocation of £238m in 2024-25 included in the draft Welsh budget.

Extensions to Glastir Advanced, Commons and Organics will be offered to contract holders for 2022 and 2023 in line with Rural Development Programme (RDP) 2014-2020 N+3 rules. Other RDP funded projects aimed at supporting the transformation of the sector including the Red Meat Development Programme, the Dairy Improvement Programme, the Sustainable Production Grant, Farm Business Grant and Farming Connect will also end in 2023.

The Sustainable Farming Scheme is not expected to start until 2025.

Through Carbon Budget 2, Welsh Government has committed to a range of pilots and interventions supporting the transition to the SFS to encourage the uptake of low carbon farming practices quickly and at scale.

The recent draft Welsh Budget includes indicative allocations of £6.8m in 2022-23, £79m in 2023-24 and £118m in 2024-25 for the Rural Economy and Sustainability Programme (the successor RDP) providing a potential funding mechanism. ¹ 14% of all Welsh Greenhouse Gas (GHG) emissions in 2019

Net Zero Agriculture

Welsh farming is already a world leader in sustainable food production; through climate-friendly food production, the trees, hedges, grassland and soils that store carbon on Welsh farms together with on-farm energy generation, agriculture in Wales plays a key role in tackling climate change and is uniquely placed to be integral to the solution whilst continuing to make a positive contribution to global food security and the rural economy.

It is recognised that industry efforts to combat climate change need to go further and faster and this requires a focus in the three key areas of:

- Improving farming's productive efficiency
- Enhancing land use to capture more carbon
- Boosting renewable energy and the bioeconomy

There are no 'silver bullet' solutions to tackling climate change and a long-term commitment to a range of policy measures supporting the transition to net zero agriculture will be needed.

It is also recognised that every farm is unique and is starting the journey from a different place. For individual farmers determining the starting point or baseline is, in itself, a difficult process given the complexity and lack of standardisation of the carbon audit tools available on the market. This limits confidence in the results and hinders the on-farm action needed to make progress. Improved data capture is now urgently needed so farmers are able to better understand their own farm carbon balance as well as the impact of changes in farming practice and uptake of techniques to reduce GHG emissions.

The Low Carbon Farming Framework

In line with Welsh Government policy and the farming industry's commitment to maximising the contribution of agriculture to a net zero economy, this paper puts forward proposals for a Low Carbon Farming Framework funded via the Rural Economy and Sustainability Programme. This industry-led, national pilot for the period 2023-2025 meets Welsh Government's key policy objective of promoting the uptake of low carbon farming practices quickly and at scale; providing clear line of sight to the proposed future Sustainable Farming Scheme.

Through the Low Carbon Farming Framework, Welsh farmers will be supported to understand their own farm carbon balance. This would be achieved by developing the RPW online capability and building on the mapping and cropping data already supplied annually. Data provision is central to facilitating an iterative process of measurement, action and review so that progress towards net zero can be determined at farm, sectoral and Wales level. The Low Carbon Farming Framework incentivises change working across the key areas of improving farming's productive efficiency, evidencing and potentially capturing more carbon and boosting renewable energy; also linking to other policies and initiatives (for example, the proposed Welsh Government Woodland Creation Scheme).

The proposal serves as a pan-Wales national scale 'proof of concept', providing a model that can be replicated across a wider suite of public goods supported in the future Sustainable Farming Scheme.

Low Carbon Farming Framework

The underlying concept is based on supporting farmers through an iterative process of measurement, action and review.

The components of the Low Carbon Farming Framework combine to form a clear pathway by which the baseline is established, areas of improvement are identified and progress is measured on an annual basis with farmers supported to take action that is targeted to their business need; This outcome focussed delivery will encourage an accelerated rate of change at farm and industry level when compared to existing interventions:

Carbon data capture mechanism – A carbon data capture mechanism delivered by building the capability of the existing RPW online portal will capture the farm level data required to determine a basic but standardised and 'benchmarkable' farm carbon balance that takes into account carbon sources and sinks. This will provide a carbon baseline for individual farm businesses from which action can be taken; also enabling the carbon position for 'Welsh farming plc' to be determined and year on year progress to be measured.

Incentivised data provision - The provision of data to the carbon data capture mechanism, comprising mapping and relevant farm business Key Performance Indicators, is rewarded to secure widespread uptake across the farming industry; recognising the farmers time and effort involved as

well as some baseline sampling costs such as Soil Organic Matter (SOM). Measurement Review Action Widespread uptake is needed to meet Welsh Government's objectives of promoting uptake of low carbon farming practices quickly and at scale. An incentivised approach also provides the critical mass required to determine the net carbon position of Welsh farming as well as the quantitative data required to assess the effectiveness of the full range of policy interventions through the evaluation process.

Farm Carbon Balance – The data provided is subject to analysis via the RPW online portal providing key outputs including an individual Farm Carbon Balance showing the farms net position taking into account all GHG sources and sinks. The analysis will include recommendations to focus next steps (i.e. engagement in the Low Carbon Farming Scheme) using a traffic light red, amber, green approach determined through analysis and benchmarked against the industry average.

Welsh Farming Carbon Balance – Based on the data provided it will be possible to determine the net carbon position of 'Welsh farming plc' enabling further analysis to meet Welsh Government climate budget reporting requirements.

Low Carbon Farming Scheme – The Farm Carbon Balance recommendations will guide the farmers' engagement in the Low Carbon Farming Scheme and is evidence led targeting the most beneficial actions for the individual farm.

The Low Carbon Farming Scheme comprises integrated knowledge transfer, advice, skills, incentives and investment support driving farm level action. The scheme works across the three key focus areas of improving production efficiency; enhancing carbon sequestration and energy and renewables; also linking to wider Welsh Government measures and interventions such as the proposed Woodland Creation Scheme to reduce duplication and maximise impact.

Annual Carbon Review – farmers provide data to the Carbon Data Capture Mechanism via the RPW online portal on an annual basis enabling the iterative process of measurement, action and review. This facilitates targeting of interventions at the farm level; builds individual and collective knowledge on effectiveness of those interventions ensuring maximum impact and value for money; whilst also demonstrating measurable progress in the areas of reduced GHG and increased carbon storage during Welsh Government's second Carbon Budget.

The above framework will build on the knowledge and experience of the HerdAdvance and Stoc+ projects delivered by AHDB and HCC as part of the Dairy Improvement Programme and the Red Meat Development Programme. Although these projects are focussed on improving Animal Health and Welfare, the same principles apply to this 'proof of concept'. This area of work will also benefit from other development work being undertaken by both organisations.

Annex 3 - NFU Cymru Key Policy Asks

SUSTAINABLE FARMING SCHEME

Stability must mean Stability

- A long-term commitment to a Stability payment within the SFS to recognise the economic, environmental, social and cultural contribution that Welsh farming makes to society and to underpin the resilience of food production in Wales and the continued secure supply of high quality, safe and affordable food from Wales.
- A Universal Baseline Payment that goes beyond costs incurred / income foregone, recognising the value to society of the actions being undertaken by Welsh farmers and that incentivises the actions that Welsh Government want undertaken on Welsh farms.
- A review of the practicality and cumulative administrative burden associated with the delivery of the proposed Universal Actions.

Universal must mean Universal

- A review of the 10% tree cover scheme requirements, that considers the mandatory element of the requirement and the opportunity to consider alternatives that deliver the same outcome but in different ways (e.g. Northern Ireland work).
- The formation of a science panel to look at and evaluate alternatives to tree planting. The tree planting requirement to be put on hold until the science panel has undertaken its evaluation.
- Ensuring that the Universal Baseline Payment provides equal access and fair reward to all active farmers, recognising:
 - The integral role that common land rights allocations provide in the economic viability of upland farms and the need for common land to be included within the Universal Baseline Payment that is made to the farming business.
 - Support for farmers with designated sites including the habitat maintenance element of the Universal Baseline Payment
 - That tenant farmers are not financially penalised as a result of their inability to undertake all the scheme requirements.

Immediate Actions that can be undertaken within the consultation period:

- An urgent meeting for NFU Cymru with the Minister.
- The Minister to establish and Chair regular SFS meetings with NFU Cymru leaders between now and the final scheme design / payment rates being published. All additional work commissioned / groups established to report back to these meetings.
- Commitment that the Minister / Welsh Government will consider every response to the SFS consultation from those living in Wales and directly impacted by the proposals.
- Commitment that all views and opinions in relation to the SFS expressed by farmers at the Welsh Government SFS Roadshows are considered – government to publish a

summary of the views expressed at the Roadshows.

- Recognition and due regard given to the fact that the NFU Cymru consultation response represents the views of many thousands of farming businesses and has been formulated following meetings where thousands of members have expressed their views.
- A Socio-Economic Assessment to be undertaken that:
 - Assesses the impact on Welsh farming, rural communities and the wider supply chain of the withdrawal of the BPS
 - Assesses the impact of the current SFS proposals on Welsh farming, rural communities and the supply chain.
- No decisions on next steps to be undertaken until the economic assessment has been completed.
- A long-term commitment to the establishment of a food, farming, rural businesses and supply chain impact assessment and modelling programme that provides the same level of detail and advice that the ERAMMP model provides for the environment.
- Recognition and fair reward for the value of the data that farmers will be providing to Welsh Government. Further consideration to be given in relation to how the data will be used, the privacy of the data considering GDPR and FOI legislation, and the value of the data being provided by farmers in relation to government needing this data to meet its statutory obligations.
- A Welsh Government cross departmental group with Key Stakeholder involvement to consider how payment rates for the Universal Baseline Payment can properly recognise the social value of the outcomes being delivered that extends beyond environmental public goods. No decision on payment rates to be made until this work has been completed.

OVERARCHING POLICY ASKS

- The establishment of an Independent Review Group to consider the cumulative burden of Regulations and Policies on Welsh Farming Business also taking into consideration the wider economic and political context.
- A commitment to develop a comprehensive farm to fork food strategy for Wales with ambitious targets for the sustainable growth of the food and farming sector in Wales.

WIDER POLICY ASKS

BOVINE TB

- Welsh Government to immediately agree changes to the On Farm Slaughter Policy in line with the recommendations of the NFU Cymru TB Focus Group.
- The TB Programme Board, once established, to be able to commission an independent evaluation of bovine TB eradication strategies around the world and their relevance to the disease situation in Wales, providing recommendations independent of government to the Minister.

WATER QUALITY

- The £20m announced by the Minister in October 2022 to be made immediately available to the industry to support investment on farm.
- A Wales Wide Review of Planning authorities and NRW's approach to applications for new infrastructure on farm with the aim of Welsh Government issuing guidance to LPAs to streamline and reduce the burden in undertaking work on farm to meet regulatory requirements and for environmental betterment.
- The 4-year Review of the Control of Agricultural Regulations to be expedited and undertaken prior to 31st December 2024. A review group to be established involving government and Industry to allow for proper consideration of alternative measures under Article 45 of the Act that could be introduced from 1st January 25, when the current Enhanced nutrient management approach is due to end.



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