



# Sustainable Farming Scheme

Keeping farmers farming

Welsh Government Consultation Response

by the Farmers' Union of Wales

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## 1.0 Summary

The Farmers' Union of Wales (FUW) has discussed the Sustainable Farming Scheme: Keeping farmers farming consultation with members from all regions of Wales and all sectors in thirteen regional meetings; each of which were attended by hundreds of members, as well as with others who have a direct or indirect interest in the agricultural industry.

Engagement has also taken place at twelve FUW County Executive meetings and meetings of the Union's ten Standing Committees. As such, the views expressed below represent the democratically established views of an organisation which represents some 6,000 Welsh farmers who would be directly affected by any changes to Wales' agricultural policies and support schemes.

These views can be summarised as follows:

1. Recent protests have made a clear statement about the strong feeling of frustration and the groundswell of concern with regards to the current situation and future direction of agricultural policy in Wales.
2. The significance of these proposals for the future direction of agriculture in Wales cannot be underestimated and therefore farmers expressed frustration at the fact that the consultation paper was published two weeks before Christmas and closes during one of the busiest times in the farming calendar.
3. The Sustainable Farming Scheme (SFS) in its proposed form is immensely bureaucratic for both farmers and administrators, and would be detrimental to Welsh agriculture and the thousands of rural businesses which rely either directly or indirectly on agriculture for a proportion of their income.
4. This is highlighted in part by the modelling results of the potential economic effects of the SFS which demonstrate the varying degrees in which the scheme would be unsustainable for Welsh agriculture and the wider rural economy.
5. While the Agriculture (Wales) Act 2023 outlines the four Sustainable Land Management (SLM) objectives which now provide the legislative framework for the SFS, these latest proposals still fail to encompass wider Welsh goals and objectives including those defined in the Wellbeing of Future Generations Act 2015 - most notably economic and social objectives.
6. The FUW has always advocated that protecting family farms and food production must be placed at the heart of any future policy. It is therefore disappointing to see no mention of the 'social value' or financial reward for producing sustainable food despite the fact that the first SLM objective is 'to produce food and other goods in a sustainable manner'.

7. Achieving the SLM objectives and other Welsh Government targets relies on the uptake of the SFS by the vast majority of active farmers in Wales. As such, the scheme must be accessible and provide equal rights to all active farmers.
8. The Welsh Government must ensure all Universal Actions and Scheme Rules are accessible and achievable by all and do not represent barriers to scheme entry. The 10% tree cover requirement, for example, represents a major barrier to scheme entry and will result in a significant reduction in farm output and land value.
9. This should be facilitated by the re-establishment of the common land, new entrants and tenants working groups to relook at the barriers which remain for these specific groups of farmers, as well as the establishment of other relevant groups.
10. Farmers in Wales continually feel targeted for having to make progress towards net zero and to make extra efforts to offset the emissions of other sectors. The agricultural sector accepts the need for change and improvements in the context of a post-Brexit policy framework and the climate emergency; however, the Welsh Government must rethink its environmental proposals to develop a sustainable pathway to net zero.
11. The FUW therefore calls on the Welsh Government to establish an independent panel tasked with evaluating the science around net zero and carbon sequestration to help develop the SFS in such a way that takes into account all actions farmers can undertake to make progress towards net zero in a sustainable way.
12. The proposed policy framework remains relatively unchanged compared with the proposals that were published in 2021, and there remain some huge gaps of fundamentally important detail relating to scheme rules and verifiable standards, especially given the Welsh Government's ambition to launch the scheme in around ten months' time.
13. As such, the FUW believes that the current timescale and expectation for Welsh farming businesses to be able to transition into an entirely new scheme by 2030 is unrealistic. The introduction of the scheme should be paused to allow for a rethink through genuine co-design between the Welsh Government and both farming unions.
14. There was also a great deal of frustration amongst farmers given the absence of any financial information within the final consultation. The lack of such detail has made it extremely difficult for farmers to provide comments and views on various proposals in regards to their specific circumstances.
15. Members noted that the SFS proposals advocate replacing all forms of direct support with a high-level agri-environmental scheme, using a costs-incurred/income foregone payments model and a budget similar to the current BPS budget. The economic modelling paper which accompanies the consultation confirms this, and quantifies the inevitable devastating economic and production impacts of such a plan.

16. The Welsh Government's abandonment of previous legal objectives relating to maintaining food production and the economic sustainability of farm businesses and rural communities, in place previously for almost eight decades, should be reversed - if necessary by amending the Agriculture (Wales) Act 2023.
17. To this end, it is imperative that scheme payment rates are calculated in agreement with farming unions by using evidence gathered from economic impact assessments and farm business data to ensure payments go beyond income foregone and costs incurred and thereby ensure the scheme is economically sustainable for farm businesses and others involved in agricultural supply chains.
18. The Universal Baseline Payment must provide long-term stability for farming businesses and the wider rural economy that relies on agriculture. It must also provide a meaningful income stream for farming businesses which properly rewards farmers for undertaking Universal Actions and compensates for the loss of the BPS. The payment rates must also recognise the innumerable social and cultural contributions farming makes to rural communities.
19. Such payments must also be capped and favour family farms under any future policy in order to ensure money is directed at family farms rather than allowing the sort of unlimited payments which investors and companies have taken advantage of in other parts of the UK and EU, to the detriment of family farms, communities and the reputation of the Common Agricultural Policy (CAP) in general. Such capping and other mechanisms should take account of the number of families and individuals supported by each farm business.
20. The Welsh Government should be submitting a strong case to the UK Treasury for a long-term funding commitment for Welsh agriculture in order to properly finance ambitions that include those referred to at 17. and 18. and avoid further cuts to the rural affairs budget.
21. Since key competitors in other countries and regions will continue to receive direct support, such as Scotland with their recent announcement to maintain a 70% direct payment, Welsh farmers would be placed at a competitive disadvantage if these proposals were implemented in their current form, thereby damaging Wales' agriculture industry and undermining the wide variety of economic, social and cultural benefits related to farming.
22. Notwithstanding the above concerns, members noted that even if the SFS proposals were adequately funded and fully supported by all stakeholders, their implementation represents such a step change in terms of mapping, administration and other requirements that their introduction in January 2025 would inevitably lead to major problems. This would represent a significant departure from Wales' legacy over the past two decades in terms of having introduced new schemes relatively smoothly compared with other UK administrations.

## 2.0 About the Farmers' Union of Wales

The FUW was established in 1955 to exclusively represent the interests of farmers in Wales. Since 1978 the union has been formally recognised by UK Governments, and subsequently by Welsh Governments, as independently representing those interests.

The FUW's Vision is *thriving, sustainable, family farms in Wales*, while the Mission of the Union is *To advance and protect Wales' family farms, both nationally and individually, in order to fulfil the Union's vision.*

In addition to its Head Office, which has over thirty full-time members of staff, the FUW Group has another 80 members of staff based in twelve regional offices around Wales providing a broad range of services for its members.

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

## 3.0 Agriculture (Wales) Act 2023

The Agriculture (Wales) Act 2023 ("the Act") now provides the legislative framework through which the Welsh Government can provide support to farmers to make progress towards the four Sustainable Land Management (SLM) objectives, namely:

1. To produce food and other goods in a sustainable manner
2. To mitigate and adapt to climate change
3. To maintain and enhance the resilience of ecosystems and the benefits they provide
4. 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

It is a major concern that the Welsh Government proactively opposed efforts to include the economic sustainability of farming and agriculture as an objective, representing a departure from principles put in place by the Labour Party in its 1947 Agriculture Act, and continued under the Treaty of Rome and the Lisbon Treaty until the UK's departure from the EU.

While the FUW supported the inclusion of food production and the Welsh language through working closely with Members of the Senedd and other stakeholders in amendments to the Act, it remains a concern that these two objectives and various other Wellbeing Goals and the economic sustainability of family farms are not explicitly supported within the Sustainable Farming Scheme (SFS) proposals.

Given that the Welsh rural affairs budget now relies almost entirely on EU Common Agricultural Policy (CAP) legacy funding from the UK Treasury and the Welsh Government's allocation of such

funding for agriculture, the need to justify the spending of public money on agriculture is often referred to as an explanation to implement an environmentally based scheme or re-prioritise funding to other departments.

It should be noted that the Welsh rural affairs budget for 2024-25 has been cut by a total of £62 million (around 13%) year on year despite the fact that this budget represents just 2% of overall Welsh Government spending.

The FUW would also draw attention to the 2021-2027 CAP framework which encompasses nine specific objectives that are based on economic, social and environmental outcomes, namely:

1. To ensure a fair income for farmers
2. To increase competitiveness
3. To rebalance the power in the food chain
4. Climate change action
5. Environmental care
6. To preserve landscapes and biodiversity
7. To support generational renewal
8. Vibrant rural areas
9. To protect food and health quality

The FUW believes these principles go much further than the SLM objectives outlined within the Act and encompass both the FUW-NFU Cymru Welsh Way Forward principles (see 4.0 Welsh Way Forward), those described by the Wellbeing Goals and other priorities for Wales.

Whilst it could be argued that some of the CAP objectives are included within the list of purposes set out in the Act for which Welsh Ministers may provide support, they are excluded from the overarching SLM objectives, the objectives of which will be used as a measure of success within progress reports and so forth.

As such, the FUW maintains that the SLM objectives should have included objectives such as those set out within the CAP framework. This is a framework farmers in Wales have worked with since 1973 which provides a far broader set of priorities through which the Welsh Government could have used to better justify public spending on agriculture - and it is also a framework that will continue to support farmers in the EU.

Nevertheless, the SFS must at the very least provide meaningful support and income to active farmers in Wales for producing sustainable food in line with the first SLM objective, namely 'to produce food and other goods in a sustainable manner'.

Under the Wellbeing of Future Generations (Wales) Act 2015 ("The Wellbeing Act"), "sustainable development" means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle.



While the United Nations' definition of SLM is clearly sensible in terms of “...ensuring the long-term potential of resources and the maintenance of their environmental benefits”, it is notable that the Welsh Government's definition within the SFS consultation refers to “a holistic approach to incorporate environmental, economic, cultural and social resources in such a way that the needs of the current generation are balanced with our obligations to future generations” rather than a broader range of Welsh objectives.

The Wellbeing Act encompasses a far broader set of principles which are defined by the seven Wellbeing Goals and forty-six National Wellbeing Indicators; principles which relate to language, prosperity, equality, employment and renewable energy production to name but a few.

The FUW therefore maintains that the SFS framework should encompass the broader objectives of the Wellbeing Act in such a way that ensures the positive outcomes which fall directly within the scope of the Wellbeing Act, such as jobs, prosperity, language and education, are achieved as a result of a policy designed with such objectives clearly in mind.

Furthermore, such concerns also relate to the numerous reports the Welsh Government will be required to produce setting out future plans and measuring progress towards the SLM objectives.

The FUW believes that these reports should go beyond the SLM objectives outlined in the Act and take into consideration the Wellbeing Goals as well as other Welsh objectives, including current and future economic challenges and competition faced by farm businesses and rural communities. Current and future challenges must not be underestimated in the context of global pandemics and ongoing conflicts.

The evaluation of the SFS must also take into account a broad range of farm business data including, but not limited to, the cost and amount of time required to undertake each Universal Action, impact on livestock numbers and farm output, any resultant land devaluation and the level of employment on-farm and within rural businesses which rely directly or indirectly on agriculture for a proportion of their income.

## **4.0 A Welsh Way Forward**

An appropriate alternative policy framework should be designed to take account of the SLM objectives alongside other key objectives of the Wellbeing Act and other Welsh priorities, thereby not only ensuring compliance with that Wellbeing Act but also the long term wellbeing of Wales.

Following consultation with thousands of Welsh farmers and others with a direct interest in future Welsh rural policies during the summer of 2018, the FUW and NFU Cymru produced a joint vision paper entitled *A Welsh Way Forward* which was published on 24th October 2018.

The paper sets out key principles aimed at placing Welsh food, farming, livelihoods, communities and the environment on a firm post-Brexit footing, and in a way which encompasses not only the SLM principle but also the broader Wellbeing Goals and other Welsh priorities.

Those principles comprise:

1. **Stability** - *The priority for Welsh Government must be to provide stability in a world of uncertainty*
  - Wales' food and farming industry already faces unprecedented challenges and uncertainty as a result of issues which are outside Welsh Government control
  - The risk that far reaching reforms to rural support will add to an already unstable situation is great, and the priority for Welsh Government must be to provide stability using the tools they have available
  - Significant changes should only be considered once we have a clearer knowledge of our future trading relationship with our main trading partners
  - Transition to future policies should only begin following thorough investigation of the impacts on every business, sector and region of Wales, and a full assessment of the Welsh Government's ability to deliver any plans
  
2. **Family Farms** - *Wales' future rural policies must keep food producing families on the land*
  - The family farm is the backbone of our rural and wider communities, producing top quality, safe and affordable food for the consumer
  - These families deliver for our economy, environment, landscape, language and culture, and should be placed at the centre of Welsh Government policies
  - As such, the family farms which take the financial risks associated with food production alongside all forms of work on the land should be placed at the centre of any future policy through a strengthened Active Farmer rule
  
3. **Supporting Rural Communities and Welsh Jobs** - *Direct support which underpins safe top quality food production must be maintained to avoid causing irreparable damage to Wales*
  - Our farmers are kingpins in food supply chains which sustain a multi-billion pound food and drink industry and hundreds of thousands of Welsh jobs
  - Our industry continues to operate and compete in a global marketplace, competing with farmers across the UK, the remaining EU and the rest of the world
  - Abandoning direct support that underpins safe high quality food production at a time when our key competitors have no intention of doing the same would cause irreparable damage to the economy, environment, landscape, language and culture of Wales
  - Wales must design a policy that actively supports all sectors and areas of Wales, ensuring fairness between neighbours and regions, and a level playing field with farmers elsewhere

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

Notwithstanding the fact the Welsh Way Forward policy framework was published in 2018, the FUW maintains that any future Welsh agricultural policy must consider each of these five key principles on equal footings.

The SFS in its proposed form equates to a high-level environmental scheme which would fail to provide long-term economic stability to family farm businesses and be detrimental to rural communities and Welsh jobs.

As such, the FUW calls on the Welsh Government to pause the introduction of the SFS to allow adequate time for a rethink of the proposals through genuine co-design with both farming unions.

## 5.0 Sustainable Farming Scheme process

### 5.1 Scheme eligibility

The FUW has no clear objections to the proposed scheme eligibility. The Welsh Government's shift away from an 'open to all' policy originally proposed in the Brexit and Our Land consultation has previously been welcomed. However, a definitive active farmer criteria must be retained in order to avoid a significant increase in the number of companies or land-based charities being eligible for the scheme, and in so doing taking money away from genuine family farms and working people.

It is therefore vital that the Welsh Government appropriately interprets the definition of agriculture and ancillary activities that are defined within the Act in a way which recognises the economic needs of genuine family farms.

Considering the production of food and the management of agricultural land in situ will be essential for avoiding the creation of loopholes, although the Welsh Government and Rural Payments Wales (RPW) will need to recognise situations whereby 'farmers' have low stocking rates on large areas of agricultural land.

Similarly, the FUW is not opposed to the lower criteria of having at least 3 hectares of eligible land or demonstrating at least 550 standard labour hours. However, the Welsh Government must assess how any changes might result in increases in those registering for support with RPW given the impact on the overall budget and the dire problems experienced in England in 2005.

In most cases, the requirement to have exclusive occupation and management control of the land for at least 10 months of the year will not affect farmers with Farm Business Tenancy (FBT) agreements.

However, FUW members have questioned how farmers who have management control of land parcels for 10 months of the year will be able to comply with the Universal Actions associated with that land for the full 12 months.

Agreements involving short-term grazing licences where the landlord retains full management control of the land throughout the year also need to be considered in this context.

Grazing licences are becoming increasingly popular as farmers allow multiple farmers to graze their land during different times of the year and as more intensive farming systems seek more land for grazing, forage and/or to comply with the Control of Agricultural Pollution regulations.

In almost all cases, the landlord retains full management control of the land and currently receives a Basic Payment Scheme (BPS) payment. The Welsh Government must consider how landlords can continue to access support through the SFS under these circumstances without creating a two-tiered renting market for graziers.

## 5.2 Operating model

The FUW has always advocated for the current RPW Online and SAF systems to be maintained and developed as a central feature of a future scheme where data is used to ensure the long term economic and environmental sustainability of Wales as a whole, and Wales' family farms as individual units.

The current RPW Online system has been developed in true partnership with stakeholders which has led to a system which efficiently and accurately collects annual data relating to 170 types of land use on hundreds of thousands of field parcels and areas, at a resolution of 0.01 hectares, while also collecting many other types of data relevant to Wales' wellbeing, business practices, carbon sequestration and other environmental goods. Such data covers around 90% of Wales land area and the overwhelming majority of Welsh farm businesses.

The FUW therefore welcomes the proposals to retain current RPW Online and associated systems as the main mechanism for data collection, payments and administration for farmers and the Welsh Government.

However, the RPW Online system should be developed throughout a transition period to include new data provision requirements rather than introducing an overly complex operating system from the outset. This approach would minimise significant risks such as system failure and data inaccuracies and reduce the pressure on the Welsh Government's RPW department that is already under-resourced.

In this context, it is notable that previous agri-environment schemes have only ever been able to secure a few hundred contracts in any single year, whereas the SFS will replace all current support mechanisms and therefore may require the production of 16,000 or more contracts over a short time period or single year. It is also notable that the Welsh Government has been unable to implement what is by comparison a relatively small number of Habitat Scheme contracts in a timely fashion, and has had to resort to forcing farmers to accept major mapping inaccuracies as being definitive.

Whilst a move away from resource-intensive processes such as the farm sustainability review is welcomed, SFS contracts and annual declarations will undoubtedly involve a greater amount of data than current SAF applications and therefore the successful processing of such contracts will have to be considered.

Alignment between RPW Online and other data collection systems such as EID Cymru and BCMS would also allow for a central system where farmers can submit and access their data to avoid duplication.

The evolution of RPW Online should also include the continuation of the RPW Online Stakeholder group which allows industry representatives to provide feedback on the development process.

The FUW is also supportive of the move from multi-annual contracts to SAF-type annual declarations. This process is well-known by Welsh farmers and FUW staff who offer support in completing such forms on an annual basis and therefore retaining the current application window dates is also welcomed.

However, some farmers questioned whether the split payment dates in October and December would continue to be appropriate under the SFS given when the costs for undertaking various Universal Actions would be incurred and when data collection would have to be completed.

The Welsh Government must also provide clarity around the penalty matrix that may apply, including for farmers who cease to participate in the scheme after a number of years but are unable to complete actions they had agreed to over a longer period.

This process will need to be flexible to accommodate for changes in land tenure and for those that may cease to participate due to matters outside of their control.

### 5.3 Habitat baseline review

As outlined above, the move away from resource-intensive processes such as the farm sustainability review which would have required repeated visits by consultants is welcomed.

However, the Habitat Wales Scheme identified major flaws and inaccuracies within the mapping data provided by RPW as part of the Expression of Interest process. These included but were not limited to:

- a. Entry level Glastir habitat options were not identified on the maps
- b. Various examples of habitats being mapped incorrectly
- c. Commercially planted coniferous woodlands being incorrectly identified as permanent dry grassland (no inputs), open country or enclosed wetland
- d. Sites of Special Scientific Interest (SSSI) land being identified incorrectly as eligible land
- e. Multiple habitats being incorrectly identified within the same field parcel

As this process has highlighted, there is certainly a need for the Data Confirmation process to take place in sufficient time to ensure all mapping errors and inaccuracies are corrected before the SFS is launched. This is imperative given how the Welsh Government intends to administer the scheme using habitat classifications and remote sensing as a way of measuring compliance and calculating payments.

As such, the Data Confirmation process should take place over as long a time as possible to allow time for farmers, or FUW staff on their behalf, to make corrections. However, the Welsh Government must also acknowledge the resources required to undertake this task given that it may involve multiple meetings and visits with each member.

Many FUW members who had requested to make changes to their Habitat Wales Scheme maps during the Expression of Interest (EOI) process received contract offers with various changes which did not correspond with their requests, while others received contract offers that simply refused to acknowledge notified corrections. Those members questioned whether they would have further opportunity to amend their maps following the Data Confirmation process and Habitat Baseline Review if the Welsh Government for whatever reason does not agree to make those changes.

In this context, it's also important to acknowledge problems experienced by farmers in relation to previous agri-environment contracts:

- a. Confusing and complex contracts that lead to inadvertent breaches and subsequent penalties
- b. Repeated changes to contract versions, often without the knowledge of farmers
- c. Contradictions between contract requirements and Natural Resources Wales (NRW) objectives in relation to protecting SSSIs
- d. Widespread errors in mapping layers leading to inappropriate and/or impractical contract specifications and decisions

#### **5.4 Carbon calculator**

In principle, the FUW supports the proposal for every farmer to undertake a carbon assessment on their farming business. The agenda around carbon emissions and making progress towards net zero is growing rapidly and therefore understanding current emissions as an agricultural sector and as individual units at the very least will help identify areas for improvement.

It will be important to take into consideration the fact that some farm businesses have already completed a carbon assessment through Farming Connect or as a requirement for their milk buyer whilst the majority will have no experience with such complex data collection and input.

The effectiveness of carbon calculators relies almost entirely on the quality of the data provided. Many carbon calculators require large amounts of technical data which can take months to collect. The Welsh Government must consider developing a system whereby data farmers already provide through various systems can feed into these carbon calculations in order to avoid duplication, while also using such generic data to automatically provide generic estimates of carbon footprints.

The FUW also supports the Welsh Government's recognition of the need to agree on a standardised calculator. It has been proven that inputting the same data into various carbon calculators will provide highly variable results and make benchmarking between farms almost impossible.

As such, the FUW believes that a stakeholder group should be established in conjunction with the Welsh Government to identify and agree on a standard calculator that farmers can use themselves for this process, using as much information already collected by Government bodies (IACS, EID Cymru, BCMS etc.) as possible.

It is also essential that any carbon calculator provides consistency and takes into account all carbon stores through land use, land use change and forestry, as well as renewable energy production, as part of calculating the farm business' carbon footprint in its entirety.

The majority of carbon accounts consider agriculture and land use, land use change and forestry as two different sectors and therefore a farm business' carbon footprint does not necessarily decrease if agricultural land is converted into forestry or any other use.

This is a crucial point to consider if Welsh data is to be compared with carbon information from other UK or global countries where their methods of measuring carbon may differ significantly in such a way that suggests food produced in other parts of the world is being produced using more efficient farming methods. Moreover, assessments of the carbon footprints of farms must be honest in terms of taking account of farms in their entirety in order to ensure that farmers and the public value actions taken on farmland.

FUW members raised serious concerns with regards to how data captured through carbon assessments and other Universal Actions such as benchmarking would be used by RPW Online and the Welsh Government in future.

The completion of a carbon audit undoubtedly provides useful data for the farm business and identifies areas for improvement. However, there is certainly a feeling of concern amongst farmers that this data will be used by the Welsh Government to enforce new regulations or additional scheme requirements in future, or that it may be used by private companies in a way that is detrimental to sectors, regions or individual businesses.

As such, it is essential that such data is anonymised if it is to be used to demonstrate the sector's overall footprint as well as benchmarking between others within sectors or regions of Wales. The Welsh Government must also recognise the value of this data and the time involved in providing such information within the payment methodology.

## **6.0 Payment methodology**

The FUW has previously welcomed the provision of a universal baseline payment for all farmers entering the scheme, based on the assumption that this would provide genuine income akin to that provided by the BPS.

Currently around £238 million (75% of the EU CAP legacy funding) is provided to Welsh farmers annually under the BPS system which makes up around 80% of Welsh farm incomes. Around half of the remaining 25% of CAP funding was previously provided to businesses in the form of income foregone and costs incurred payments through primarily Glastir schemes.



The BPS underpins the majority of farm businesses in Wales and supports such businesses to produce sustainable food, manage the environment and play a pivotal role in Wales' communities and the rural economy.

Any reductions in direct farm support would result in detrimental impacts on Wales' livestock supply chains (see 8.0 Universal Actions modelling results and 9.0 FUW modelling on direct farm support).

Therefore, the value of current BPS direct farm support payments cannot be compared to the universal baseline payment that is currently being proposed by the Welsh Government.

Current direct payments are a legacy of EU direct payments, which by law were designed “...to function as a safety net and make farming more profitable, guarantee food security in Europe, assist them in the production of safe, healthy and affordable food and reward farmers for delivering public goods not normally paid for by markets.”

Under the SFS proposals, the Welsh Government intends to abandon these longstanding EU principles by calculating universal baseline payments using values for costs incurred and income foregone - notwithstanding the possibility of a 'social value' payment for each of the four payment rates.

Such a complete departure from previous principles would represent an inevitable and catastrophic loss in terms of the *safety net, increased profitability, guaranteed food security and assistance in the production of safe, healthy and affordable food* previously in place.

The Welsh Government has consistently assured the industry that payments under this scheme would go beyond costs incurred and income foregone and would properly reward farmers for undertaking various actions and maintaining existing environmental features on their farm.

As such, if farm incomes are not to be impacted severely and catastrophically by proposed changes, baseline payments must, by the end of a transition period, equate to the sum of costs incurred and income foregone *and* the loss of direct support.

Moreover, as costs incurred and income foregone values are typically calculated using averages, it might be assumed that half of the farmers participating in the scheme would be at a net loss in terms of the costs of complying with the Universal Actions under this proposed payment methodology, while in any case the vast majority would see a reduction in farm income in the absence of some form of additional payment akin to the BPS; this is a basic assumption that appears to be confirmed by the published modelling.

Furthermore, given that under the proposals it is only the 'social value' element of the payment that will compensate for the loss of BPS payments, and the timescales involved, it is a serious concern that the Welsh Government is still trying to identify ways to incorporate an extremely complex and significant 'social value' matrix into the payment methodology - something that is already inbuilt in the EU principles recently abandoned and proactively opposed by the Welsh Government.

It should also be noted that the consultation paper and Environment and Rural Affairs Monitoring and Modelling Programme (ERAMMP) report on natural capital only make reference to the 'social value' of environmental outcomes and do not refer to the 'social value' of sustainable food production, Welsh jobs and all of the other socio-economic contributions farmers make to rural Wales.

The ERAMMP report also suggests that the 'social value' of various environmental outcomes could vary between different areas of Wales due to variables such as population densities. This has the potential to create a postcode lottery whereby farmers in different parts of Wales receive different payments for carrying out the same actions at the same cost, a concern the FUW has raised on numerous occasions since the initial proposals to introduce a 'public goods' scheme.

For farmers with higher than average costs incurred and income forgone values, assigning provenance dependent 'social value' payments will compound any existing SFS income disparity if such producers also reside in an area classified as being of lesser social value. This would represent an unfair and anti-competitive scenario and moves to avoid such payment disparity must be sought.

The FUW maintains that all farmers that participate in the scheme should receive a universal baseline payment as a direct payment which provides long-term stability for farming businesses and the wider rural economy that relies on agriculture. It must also provide a meaningful income stream for all farming businesses which properly rewards farmers for undertaking Universal Actions and compensates for the loss of the BPS. The payment rates must also recognise the innumerable social and cultural contributions farming makes to rural communities.

As such, in addition to having major concerns regarding the impact of the proposals for all farms, which the modelling work suggests would be catastrophic for large numbers, the decision to exclude commoners from accessing baseline payments, despite repeated assurances to the contrary by Minister Lesley Griffiths, means that thousands of Welsh farm businesses which rely on common rights would be affected even more acutely should the SFS be introduced in its current form.

The Scottish Government recently announced plans to provide 70% of future support in the form of direct payments from 2027 onwards with the remaining 30% being targeted at environmental measures alongside the continuation of Less Favoured Area (LFA) payments.

The FUW would support such plans in Wales in order to provide economic stability to farming businesses and ensure parity between UK nations which avoids placing Welsh food producers at a competitive disadvantage within the UK internal market and in an even less favourable position against global competitors.

However, it should also be noted that Welsh farmers are already having to contend with higher regulatory baselines which include bureaucratic and costly Control of Agricultural Pollution regulations and the tightening of bovine TB restrictions.

There was also a great deal of frustration amongst farmers given the absence of any financial information within the final consultation. The lack of such detail has made it extremely difficult for

farmers to provide comments and views on various proposals in regards to their specific circumstances.

It is imperative that scheme payment rates are calculated in agreement with farming unions by using evidence gathered from modelling reports and farm business data to ensure payments go beyond income foregone and costs incurred. If the Welsh Government is unable to properly reward farmers for undertaking the Universal Actions and complying with the scheme rules, the scheme must be redesigned in such a way that reduces the amount of the budget that is used to compensate for costs incurred and income foregone.

The Welsh Government should also use this opportunity to review ways in which they can reward farmers for maintaining SSSI designated sites through the universal baseline payment given the value of these areas to the natural environment.

The FUW would also question how the Welsh Government will be able to promise payments for long-term Universal Actions which involve permanent land use change, such as up to 12 years for woodland creation, given the uncertainty around future funding from the UK Treasury.

In this context, the £331 million the Welsh Government received per year on average for agriculture and rural development during the 2014-2020 EU CAP period is now worth around £450 million according to the Bank of England Inflation Calculator, which uses CPI inflation data from the Office for National Statistics.

The Welsh Government should therefore be either:

- a. Submitting a strong case to the UK Treasury for a long-term funding commitment for Welsh agriculture of around £450 million per year in EU CAP legacy funding in order to properly finance a renewed scheme that meets ambitions that are akin to those in the EU and fit their overarching principles, and deliver objectives that are within the means of such a budget, or
- b. Calculating the total cost of delivering and paying for the SFS in its current form while maintaining farm incomes and food production at current levels, and submitting these to the UK Treasury to demonstrate total funding requirements.

## **6.1 Payment capping**

The FUW has supported the capping of direct agricultural payments since 2007 (after farm employee wages, number of partners and other factors are taken into account) on the grounds that this ensures money is directed at family farms rather than allowing the sort of unlimited payments which investors and companies have taken advantage of in other parts of the UK.

For similar reasons the FUW also proposed that redistributive payments should be allowed under EU regulations - which the EU accepted. The FUW therefore successfully lobbied for the introduction of

both payment capping and redistributive payments in Wales at the lowest rates allowed by EU Regulations at the time.

No such systems were introduced in England, meaning there is no limit to what larger farms and estates can claim.

Under the current system, around 77% of Welsh farmers receive less than £20,000 through the BPS per year and the average payment is £15,000, whilst some e-NGO's, (including those which are amongst the UK's richest charities) and businesses receive over £2 million per year (including payments made from English land).

In 2020, the top three recipients of (direct) farm payments (BPS) in the UK were:

1. National Trust (England) - £2,984,000
2. Beeswax Dyson Farming Ltd. (England) - £2,845,000
3. RSPB (Scotland) - £1,587,000

In 2020, the top three recipients of all (CAP) payments in the UK (including Rural Development Programme (RDP) payments, which were not capped in any of the UK nations) were:

1. National Trust - £12,222,000
2. Menter a Busnes - £11,194,000
3. RSPB - £10,178,000

Welsh Government modelling in 2013 and 2014 demonstrated categorically the degree to which redistributive payments increase support for small and medium sized farms, thereby recognising economies of scale, while preventing the loss of monies from regions and counties where average farm sizes are smaller. An equivalent principle was previously applied under the Tir Mynydd LFA Scheme.

The Welsh Government's own modelling demonstrates that failure to introduce a payment cap and some form of redistributive/tapered payment will disadvantage the majority of Welsh farmers and lead to the loss of large sums of money from many Welsh regions and counties.

The FUW therefore maintains the view that payment capping and redistributive payments should be maintained under future policies, coupled with a strict 'active farmer' rule, to ensure money goes to the family farms that make the greatest contribution to rural economies and communities, and that the capping and redistributive rates should be lowered subject to careful consideration of factors such as the number of families a farm supports as partners and employees and the direct and indirect impact on businesses.

### 6.3 Stability payment

The phasing out of a stability payment throughout the transition period equates to the phasing out of stability, and clearly suggests that the universal baseline payment will not provide the stability farm businesses currently/previously received through the BPS and EU agri-environment schemes.

Even with the additional 'top-up' stability payment, the modelling results suggest economic losses of between £59 million (25%) and £82 million (35%) in Farm Business Income across Wales (see 9.0 Universal Actions modelling results).

If the scheme was to provide a universal baseline payment the value of which incorporated the principles already in place under (EU) direct payments, as suggested above (6.0 Payment Methodology), a 'top-up' stability payment would not be necessary.

As such, while the FUW acknowledges the Welsh Government's recognition of the need for a smooth transition, what is proposed is a general transition from relative financial stability to major losses for the vast majority of businesses, due to the failure of the universal baseline payment to compensate for the stability currently provided by the BPS.

It is also concerning to note that new entrants will not be eligible for the proposed stability payment if they enter the industry after 2024, which risks placing them at a competitive disadvantage if the universal baseline payment comes nowhere near to current BPS levels.

### 6.3 Basic Payment Scheme

Notwithstanding the views expressed above in regards to the payment methodology and stability payment that genuinely replace BPS derived income, the FUW accepts the need to phase out the BPS during the transition period.

However, the Minister for Rural Affairs, North Wales and Trefnydd, Lesley Griffiths, has on numerous occasions assured the industry that the SFS will not be launched until it is ready. The FUW welcomes this statement given the lessons to be learnt from farmers in England who have already lost around half of their BPS payments on average while the UK Government has failed to phase in a universal replacement scheme.

In light of this, and given the FUW's view that the scheme in its current form will not be sustainable and the need to rethink some predominant proposals over such a short timeframe, the Welsh Government must consider extending the BPS at current rates until the SFS is genuinely ready and fit for purpose.

The FUW commends the Welsh Government for acknowledging the need to proceed with a longer timeframe than was originally proposed in the Brexit and Our Land consultation; however, it is

imperative that the Welsh Government does not fall at the final hurdle following six years of discussions.

Given the significant changes these proposals represent for the farming industry, FUW members expressed the view that the transition should take place over a 10 year period to provide a smoother process for all. This will naturally depend on how proposals around the Universal Actions and payment methodology develop.

In regards to BPS entitlements, the continuation of trading and/or leasing of entitlements will be crucial for those that do so on an annual basis and in cases of inheritance or succession. However, any restrictions in regards to the trading and/or leasing of entitlements may discriminate against those that have no intention of participating in the SFS and wish to receive BPS, albeit at a tapering amount, until the end of the transitional period.

The FUW therefore proposes that the rules around BPS entitlements should remain as they are until the BPS is phased out. The Welsh Government would still have the ability to use 2024 claim values as a benchmark for the stability payment; similarly this is influenced by the final scheme design around the payment methodology.

## 7.0 Universal Actions

The current proposals around the completion of 17 mandatory Universal Actions attempts to place every farm business in Wales in the same box and does not provide flexibility for farmers to undertake actions which will provide the best outcomes for their businesses, the environment and Welsh society.

The Welsh Government must ensure all Universal Actions and Scheme Rules are accessible and achievable by all and do not represent barriers to scheme entry. The 10% tree cover scheme rule, for example, represents a major barrier to scheme entry and will result in a significant reduction in farm output and land value for most farms who did accept such a rule.

The scheme proposals in their current form would be immensely bureaucratic and take a significant amount of time for each and every farming business to undertake.

However, FUW members remain concerned about the future direction of agricultural policy in Wales and therefore raised questions regarding the Welsh Government's ambitions for some of the Universal Actions following the transition period. There is a natural concern that some requirements that already restrict businesses will become more stringent in future without any additional financial reward as the industry has previously experienced with farm assurance schemes.

As highlighted above, the lack of any financial information has made it extremely difficult for farmers to provide comments and views on various proposals in regards to their specific circumstances.

According to the economic modelling report, approximately 53,000 hectares of woodland and habitat would be created as a result of the current proposals if all farms agreed to participate. As such, farmers are questioning their ability to change the use of this land in future if they decide to cease their participation for any reason.

Many of these actions also require online resources, complex data collection and input and the annual declarations will undoubtedly involve a greater amount of data than current SAF applications. The Welsh Government must therefore consider how to ensure fair access for elderly farmers and/or those who aren't IT literate or don't have a broadband connection.

Finally, the consultation paper and the recent statement from the First Minister and Minister for Rural Affairs suggest that the basic principles of data protection have not been considered when designing this scheme, namely:

- a. Lawfulness, fairness and transparency
- b. Purpose limitation
- c. Data minimisation
- d. Accuracy
- e. Storage limitation
- f. Integrity and confidentiality (security)
- g. Accountability

Under the Information Commissioner's Office (ICO) Guidance for privacy notices, the information supplied to the data subject prior to the collection of such data needs to be clear and specific in order for the individual to make an informed decision and ensure transparency.

The principle of Data Minimisation refers to collecting the required data for that given purpose. The primary purpose of data collection in this instance is to administer and verify SFS payments.

Any privacy notice should also be clear when mentioning any other use of data therefore the repeated use of the word 'may' in chapter 9 of the consultation provides little clarity with regards to how and where this data will be used.

The retention and storage of any data collected through this scheme must also be clarified as well as any reasoning why such data is shared with other departments or third parties.

## **7.1 UA1: Benchmarking**

A large proportion of dairy farmers in Wales will already have experience with measuring Key Performance Indicators (KPIs) and benchmarking through discussion groups or requirements within their milk contracts, however, the Welsh Government should not assume that this is the case for all farming systems. In fact, the majority of those who are likely to enter the SFS won't have had any previous experience with data collection or input at this level.

In which case, the Welsh Government must ensure that the list of mandatory and enterprise-specific KPIs are kept as simple and straightforward as possible to reduce the need for support from consultants, which would inevitably dilute the recognition of the value of such data. This is also pertinent given that consultancy costs are likely to be outside the calculations for costs incurred payments.

However, for those few farming businesses that already collect and provide some of this data through established systems such as EID Cymru, BCMS and NMR, the system must be able to retrieve this information automatically in order to avoid duplication and further bureaucracy.

FUW members also questioned the reliability of some data for the purpose of benchmarking. Comparisons between individual businesses across different parts of Wales can be misleading if variable factors such as farming systems or extreme weather events aren't taken into account.

Farmers are particularly concerned about their businesses being effectively controlled by the Welsh Government and the potential impact it could have on their mental health if they were seen to be in the bottom 10% of a category of producers due to inconsistencies between data sets or factors outside the farmers' control.

The FUW therefore proposes that the SFS should provide the framework (system and support) for farmers to record various KPIs for their own business and to make their own improvements with support through the Optional Layer of the scheme.

Similarly, as highlighted above, there are broader concerns around how this data could be used in future to legislate or introduce additional requirements, and ensuring that this process is GDPR compliant.

The Welsh Government must also consider:

- a. The time it will take farmers to collect and input this data (costs incurred)
- b. The transition for farmers to reach the point in which they have the ability and capacity to collect such data
- c. Understanding the extent of data already collected by farmers - this should influence which KPIs are mandatory from day one and allow for a transition to introduce others over time
- d. The value of this data to the farmer and to the Welsh Government (reward through universal baseline payment)

## **7.2 UA2: Continuous Personal Development**

Many FUW members felt that the proposals relating to Continuous Personal Development (CPD) are patronising and insulting to the agricultural industry in Wales, and many highlighted that there is a



far greater need to educate the civil servants who formulate agricultural policies regarding basic farming principles, as well as providing them with practical experience of farming.

The FUW would question the Welsh Government's decision to require farmers to undertake a minimum of 6 CPD modules every year. Whilst acknowledging the fact that training can be beneficial, particularly in regards to health and safety, having a minimum requirement of 6 will not provide best value for public money as farmers will be expected to complete modules which have no relevance to their businesses or farming systems, resulting in a perfect example of a tick box exercise.

It's also important to note that these current proposals would require a sole trader to undertake the same amount of training as a family partnership or a limited company. The minimum amount of training needs to be flexible and take into account the size of the business and/or type of enterprises.

The Welsh Government must also clarify how previous training and qualifications will be considered in regards to this Universal Action. Social alternatives such as discussion groups or demonstration farm visits should also be included.

Many farmers through farm assurance and other schemes already complete courses, therefore FUW members questioned whether these would count as equivalent modules and if there could be an option to complete fewer modules on a multi-year rotational basis.

Finally, the average age of Welsh farmers is now over 60 and the majority above this age currently rely on family members or support from farming unions to complete various tasks electronically, while many still do not have access to reliable broadband. The ability of these individuals and those located in hard to reach places to access online modules and undertake assessments will be extremely limited.

The Welsh Government's own figures suggest that 170,000 people in Wales (7% of the population) are not online.

Furthermore, a survey carried out in 2021 by the FUW, in cooperation with the National Federation of Women's Institutes-Wales (NFWI-Wales), Country Land and Business Association (CLA), National Farmers Union Cymru (NFU Cymru) and Wales Federation of Young Farmers Clubs (Wales YFC) found that 66% of respondents from a rural area in Wales stated that they, or their household, had been impacted by poor broadband.

### **7.3 UA3: Soil health planning**

The FUW welcomes moves away from previous proposals for every farmer to soil test 100% of their holding at the time of scheme entry.

However, before the SFS is launched, the Welsh Government should evaluate the capacity in laboratories across Wales to undertake soil testing, even at the proposed rate of 20% per year. There

is also a cost associated with each of these samples which could increase significantly if it were to be introduced as a mandatory requirement for every farm in Wales.

The FUW would also question why the 20% testing requirement includes habitat areas classed as enclosed semi-natural dry grasslands when the Universal Code for Habitat prevents the application of any fertilisers or lime to improve the soil quality. In that context, farmers have questioned whether they would be penalised for not following the proposed management actions as a result.

As farmers across Wales get to grips with the record keeping requirements of the Control of Agricultural Pollution regulations, the proposal to incorporate potassium and phosphorus results into the already complex workbook raises concern. There is also a lack of detail with regards to how the Welsh Government intends to use this data and/or amend the requirements of this Universal Action once all farms have tested 100% of the applicable areas.

There is also a risk associated with making it compulsory for tenants and/or landlords to share any previous soil testing information with the incoming farmer and whether this could have an effect on the purchase or rental value of these field parcels.

#### **7.4 UA4: Multispecies cover crop**

The FUW welcomes the recognition of the over-winter grazing of fodder crops such as stubble turnips which are becoming an increasingly popular alternative to concentrate feed.

It is also noticeable that the cover crops should be sown 'as early as possible' although the final scheme rules and verifiable standards should include exemptions for poor weather conditions which would prevent sowing from taking place within 10 days as suggested.

The Welsh Government should also consider further exemptions for various crop types and production systems. For example, many will decide to allow six weeks after sowing maize before undersowing another crop to avoid competition between both species; timescales will differ based on characteristics such as topography.

This is especially pertinent for organic arable systems whereby undersowing increases crop moisture which causes germination in storage post-harvest and increased disease risk with limited options for control.

There also needs to be consideration for those that don't currently sow a cover crop over winter in order to reduce their use of herbicides and sow spring crops earlier. This Universal Action will increase costs and herbicide use within such systems and will contradict the aims of Universal Action 5: Integrated Pest Management.

In terms of all such exemptions, these should be available retrospectively rather than requiring farmers to apply for exemptions before they are necessary, since experience with BPS, Glastir and

other schemes has shown that the Welsh Government is slow in processing and responding to such applications, often to the extent that responses are not issued until after they are needed. It is also the case that sudden changes in circumstances, such as weather conditions, mean exemptions would effectively be needed instantaneously.

## **7.5 UA5: Integrated Pest Management**

These requirements are already in place and overseen by farm assurance schemes. As such, it is essential that procedures and records already in place are recognised in order to avoid duplication.

## **7.6 UA6: Managing heavily modified peatland**

FUW members didn't have any particular comments or concerns to raise with regards to the management prescriptions of this Universal Action.

As highlighted above (5.3 Habitat Baseline Review), the accuracy of the habitat maps on RPW Online for the administration and verification of the scheme will be crucial.

## **7.7 Universal Code for Habitats**

Many farmers that have engaged with previous agri-environment schemes will be familiar with these management prescriptions, and their inclusion once again emphasises the fact that the SFS as proposed is a high level environmental scheme that will place major restrictions on farms while delivering what will, in the absence of a major increase in the CAP replacement budget, likely to be a fraction of the total payments previously in place for participants of such schemes.

The accuracy of the habitat maps on RPW Online will be crucial, particularly in regards to the requirements referring to the spreading of slurry or any other organic and inorganic fertilisers on effectively any land which has a composition of less than 25% sown agricultural species.

This is in complete contradiction with the Control of Agricultural Pollution regulations whereby farmers must calculate their nitrogen loading on the amount of spreadable area available.

With a proposed payment methodology of which two-parts rely on calculations for income foregone and costs incurred, the Welsh Government must take into consideration how such management prescriptions could cause secondary impacts such as non-compliance with other Welsh Government regulations or clauses within milk supply contracts.

## 7.8 UA7: Habitat maintenance

While FUW members appreciate the need for appropriate management and maintenance of existing habitats, the need for flexibility and the correct identification of habitat, and rules that are appropriate for business needs were highlighted.

The FUW therefore opposes the prescriptive nature of the current proposals given the degree to which they fail to take into account local habitat requirements and business needs, historic land use and developments in terms of scientific understanding of the benefits of certain practices.

In this context, members noted that a vast area of Wales used for hundreds of years to grow arable crops was now considered to be habitat, while recent research by Aberystwyth University has highlighted that flooding could worsen unless liming practices on uplands are restored and maintained, since lime encourages earthworm populations which in turn increases water infiltration.

If such a requirement is introduced, the accuracy of the habitat maps on RPW Online will be crucial as will be both the Data Confirmation process and Habitat Baseline Review in ensuring that farmers are in agreement with the maps provided. The burden for RPW of processing corrections to what are widely accepted as grossly inaccurate maps cannot be underestimated, highlighting the need for a realistic SFS implementation date and transition period.

For all habitat types, the Welsh Government must consider and review any of the aims, outcomes, recommendations, restrictions and derogations if for any reason they result in unintended consequences and the targeted results are not achieved. In this scenario, members questioned whether penalties would apply if the desired outcomes were not achieved.

Reductions in Livestock Units (LUs) may also create challenges for managing certain types of habitats which thrive on the mixed grazing of cattle and sheep.

The FUW would welcome further discussions with the Welsh Government in finalising the details around the aims, outcomes, recommendations, restrictions and derogations for each habitat type. The practicalities of these management prescriptions must be considered in the context of costs incurred and income foregone at the very least given that, for example, reducing stocking rates on enclosed semi-natural grasslands to 0.7 LUs per hectare could mean having to purchase hundreds of extra silage bales due to a shortage of fodder over winter.

## 7.9 Scheme rule - at least 10% of each farm is managed as habitat

The FUW is completely opposed to making it mandatory for every farmer within the scheme to manage at least 10% of their land as habitat.

This scheme rule would reduce the productivity and economic viability of vast numbers of farms, potentially by up to 10%, and currently poses a significant barrier for entering the scheme, especially

for those farming improved areas of Wales. It would also compromise the quality of vast areas of higher grade land that should be preserved for food production.

Nevertheless, the Welsh Government's inclusion of hedgerows and the ground flora of certain woodland areas into the definition of habitat is welcomed.

The SFS proposals represent the biggest change in agricultural policy in Wales since the UK joined the EU CAP in 1973. As such, the Welsh Government must appreciate that farmers will not be able to comply with this scheme rule within 12 months as they face a plethora of other challenges and many will choose not to participate.

Therefore, the FUW believes the Welsh Government should withdraw this as a scheme rule and instead introduce an overarching scheme aim of increasing areas of habitat by a proportion that is manageable and realistic, and does not compromise production or the economic viability of farming businesses (see 10.0 FUW proposals for a Sustainable Farming Scheme framework).

This would allow farmers to continue to receive support to maintain and manage current habitat areas with the option of creating new habitat through the Optional Actions layer of the scheme.

### **7.10 UA8: Create temporary habitat on improved land**

In light of the above, the FUW believes that this Universal Action should be offered as an Optional Action.

FUW members also questioned whether the establishment of mixed leys or wildlife cover crops on improved land would require the use of herbicides to spray off the productive grass ley beforehand.

### **7.11 UA9: Designated Site Management Plans**

The FUW is particularly concerned by the fact that the Welsh Government is unable to support farmers to maintain and manage SSSIs through the universal layer of the scheme. Some farms are almost entirely categorised as SSSI and would therefore be placed at a severe disadvantage compared to other producers across Wales if they don't receive maintenance payments - thereby having the perverse effect of penalising those farming what have been categorised as Wales' most precious land.

Furthermore, the FUW believes that further support should be made available through the Optional Layer of the scheme to support the implementation of these management plans.

Due to budgetary pressures, Natural Resources Wales (NRW) took the decision in October 2023 to pause the signing of further Section 15 Management Agreements for SSSIs until the end of the

current financial year. The ability of NRW to continue with these plans during the next financial year also remains unclear.

The Welsh Government must therefore seriously consider NRW's capacity to issue management agreements for all SSSI areas over the next five years.

## 7.12 UA10: Ponds and scrapes

In light of the comments regarding the scheme rule of having at least 10% of each farm being managed as habitat, the FUW also believes this Universal Action should be included as an Optional Action.

It is clear from the consultation paper that the Welsh Government has failed to consider the practicalities of creating new ponds and scrapes and the hazards they bring.

The creation of new ponds and scrapes will be limited by a number of factors such as soil type, Environmental Impact Assessments (EIAs) and planning permission, as well as the need to obtain permission from the landlord.

Whilst the management prescriptions for ponds allow for greater flexibility in terms of stock exclusion, the Welsh Government should at least provide capital grant support to do so if the farmer requires as such water features can act as favourable breeding grounds for livestock infections such as fluke and for the transmission of avian influenza and *Escherichia coli*.

## 7.13 UA11: Hedgerow management

The FUW is generally supportive of this Universal Action and the need to maintain hedgerows in good condition.

However, the practicalities of some of the management prescriptions must be addressed. The height and width of hedgerows is often restricted by physical barriers such as ditches, roads and other permanent features. Exemptions to the 1.5 / 2 metres height or width requirements should therefore apply to take these into consideration as moving other features can be costly and unrealistic.

It's also worth noting that hedgerows of less than 1.5 / 2m can provide better shelter and habitat for wildlife species in some cases. In coastal areas, these criteria should be reduced to a more realistic target such as 1m.

The requirement to have standard trees spaced along the length of the hedgerows with a minimum of 1 tree per 50m length on average is also unrealistic. Some hedgerows may be made up of species that do not naturally grow into full trees, meaning gaps would have to be created within hedgerows large enough for an individual tree to be planted - likely causing environmental damage.

This also has the potential to result in boundary disputes and complications between landlords and tenants when trying to decide who owns and has management control of those individual trees within hedgerows.

It should also be noted that for certain types of boundaries, such as cloddiau (banks) with hedges on top, allowing trees to grow above a certain height will increase the risk that they are uprooted by wind, causing severe damage to the habitat provided by the clawdd. This is particularly the case in coastal areas, where such boundaries often predominate.

Having hedgerows that are stock proof in their own right is also often impractical and therefore the annual side trimming of certain boundaries should be permitted if there are animal welfare issues with livestock, and especially youngstock, getting caught in vegetation.

It should also be noted that some hedgerows, due to the restricted size of many fields across Wales, are less than 20m in length although they should still be considered as habitat.

It is also disappointing to note that other boundaries such as traditional stone walls which offer unique habitat to certain wildlife species are not being considered as habitat features within the scheme, and such boundaries should therefore be included.

#### **7.14 UA12: Woodland maintenance**

As with maintenance of current habitat features, the FUW appreciates the need to appropriately manage and maintain current woodland areas on-farm.

Given that current BPS recipients do not receive a payment on these areas, support payments to maintain these areas and reward farmers for doing so would be welcomed. However, such funding must reflect the full costs that management entails.

As highlighted above in regards to ponds and scrapes, although it will not be a scheme requirement to stock exclude these areas, most farmers would prefer to do so given the risks associated with livestock wandering into woodlands. As such, the Welsh Government should consider offering capital grants for those that wish to fence off existing woodland areas on their farms.

#### **7.15 Scheme rule - at least 10% under tree cover as woodland or individual trees**

This proposal remains the most controversial and significant barrier to scheme entry for vast numbers of farmers, and it is disappointing that only limited concessions have been made since it was originally proposed. This is despite the fact that the FUW and others have consistently highlighted the problems inherent to the proposal, and the co-design results highlighted that 43%

would not be able undertake this action, completely undermining the Welsh Government’s ambition to ensure more than 16,000 farm businesses enter the SFS.

The average economic and employment value of forestry per unit area is consistently a fraction of that of agriculture, while for deciduous woodland the figures are so low as to be close to zero. Similarly, the value of woodland per hectare is generally lower than that of agricultural land.

Such factors, coupled with the fact that once agricultural land is converted to woodland it is effectively permanently lost to agriculture due to legislation, combine to make the planting of large areas of farmland with trees highly unattractive for Welsh farm businesses, particularly from an economic point of view.

This is highlighted in the economic impact assessment published alongside the consultation, which also underlines the areas of Wales and sectors where the 10% target represents the biggest challenges (Figures 1 and 2 below)

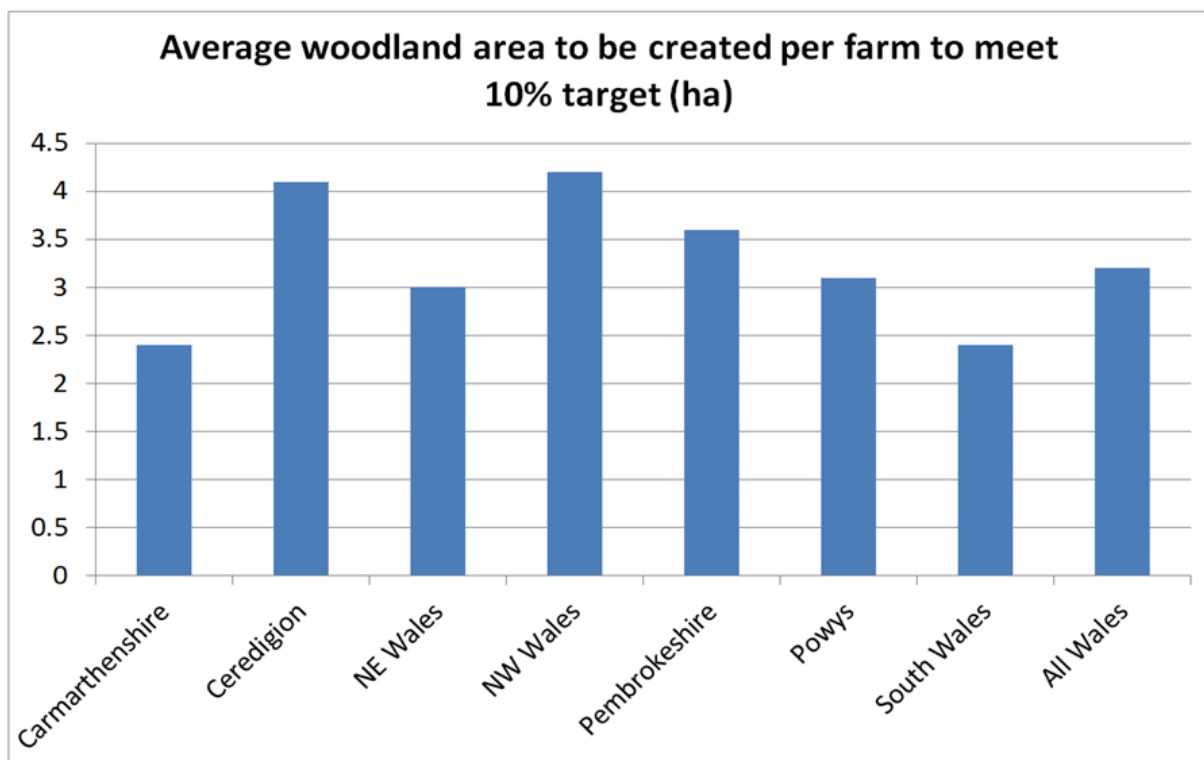


Figure 1



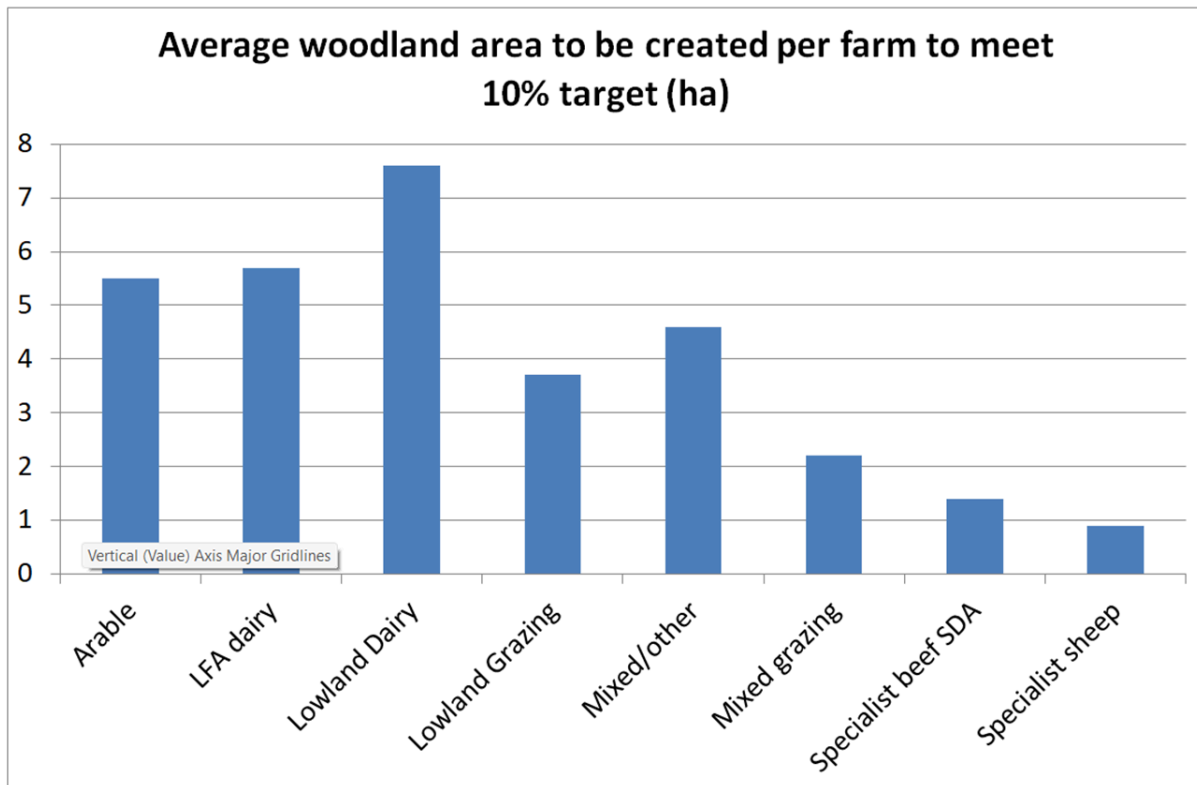


Figure 2

The significant barriers for all sectors, and in particular for arable and dairy farms, represented by the 10% target are apparent from these figures, and these, combined with the huge estimated falls in Farm Business Income brought about by the loss of productive farmland to tree planting and other adverse impacts from proposed SFS scheme rules clearly show why large numbers of businesses will not participate in the scheme in its current form.

It is also notable that the requirement to plant more than 28,200 hectares of woodland if all farms sign up to the SFS represents the planting of more trees in Wales in the coming five years than have been planted over the past fifty - a goal that brings with it huge challenges in terms of labour and the supply of saplings.

The modelling also highlights the likelihood that Welsh food production will be significantly reduced as a result of such tree planting, leading to a likely increase in food production and imports from countries which have far lower environmental (and health and welfare) standards than those in place in Wales - leading to potential increased deforestation in those countries that outweighs the positive impacts of any additional tree planting in Wales. This would be a perverse outcome that would go against Wales' wellbeing objective in terms of being globally responsible.

The Welsh Government's proposals around 10% tree cover clearly originate from its target to plant a total of 180,000 hectares of trees by 2050 in Wales, which in turn has stemmed from advice received by the UK Climate Change Committee (CCC).

The purpose of the UK CCC is to 'advise the UK and devolved governments on emissions targets and to report to Parliament on progress made in reducing greenhouse gas emissions and preparing for and adapting to the impacts of climate change'.

Calculations around future carbon budgets are extremely complex, therefore at best the advice the UK CCC is able to provide to each of the UK nations is based on complicated algorithms and desktop assumptions. It is not the role of the UK CCC to advise each of the UK nations on how to achieve these targets.

However, the Welsh Government has implemented this 2050 tree planting target without any thought around how to achieve it in practical terms and therefore farmers feel unfairly targeted by this proposed scheme rule as a result of the Welsh Government's inability to consider net zero in a holistic way.

To this end, the UK CCC, the FUW and many other organisations have supported a 'right tree in the right place' policy and yet this message has been lost within the Welsh Government during the development of the SFS. In this context, FUW members do recognise the fact that individual trees and woodland do provide some benefits such as shaded areas for livestock and habitat for wildlife species. However, it has been proved in many cases that tree planting can be hugely damaging to ground nesting birds such as the endangered curlew.

The FUW fully appreciates the pressures created by the climate emergency and the need for every individual and sector in Wales to work towards net zero. However, there is a need to generate a far better understanding of carbon emissions and sequestration on-farm first and foremost in order to fully understand the options available to farmers to play their part.

For instance, it is estimated that around 410 million tonnes of carbon is currently stored in Welsh soils and yet this is likely to be extremely variable and therefore there is a need to understand the relationships between different land management practices and carbon cycles. The Environment and Rural Affairs Monitoring & Modelling Programme (ERAMMP) suggest that actively changing land use from grassland to woodland involving tree planting can lead to initial losses of soil carbon, whereas other studies have found that soil carbon declines by 10% when converted to forestry.

It is clear from research studies to date that there are many tools in the box farmers can use alongside tree planting to work towards the same end goal.

Research conducted by Farming Connect found that the greenhouse gas emissions (GHG) of beef enterprises in Wales are already 17% less than the benchmark future for upland suckler spring calving cows published in The Farm Management Handbook 2022/23.

For sheep enterprises, Welsh emissions on a per kg of deadweight basis were 9.3% lower than the UK benchmark figure for hill ewe flocks.

Hybu Cig Cymru - Meat Promotion Wales (HCC) has also found that a combination of management practices which improve production efficiencies can reduce emissions by more than 20% for the sheep sector and 11% for the beef sector.

Whilst barriers to on-farm renewable energy production still exist, these developments offer solutions which work alongside food production, support UK energy security and Welsh Government targets for renewable energy production, and are options farmers are willing to explore.

While figures vary significantly depending on a number of variables, solar panels can be considered to reduce carbon emissions by orders of magnitude more carbon per unit area compared with tree planting.

For example, a hectare of deciduous trees can capture between 300 and 350 tonnes of carbon over a 100 year period - equating to between 3 and 3.5 tonnes of carbon, or between 11 and 13 tonnes of CO<sub>2</sub>, per year.

By comparison, given that solar panels in the UK can be expected to produce between 150 and 200kWh of electricity a year per square metre, and that the carbon intensity of UK electricity production is around 0.265kg per kWh (a figure which includes existing renewable energy production, and therefore underestimates the positive impacts of offsetting), an area of between 200m<sup>2</sup> and 330m<sup>2</sup> of solar panels can be expected to offset as much carbon production as an entire hectare of trees.

Such figures equate to solar panels being between 30 and 50 times more effective than tree planting per unit area in terms of offsetting carbon emissions. While the FUW certainly does not advocate the inappropriate use of agricultural land for solar energy production, it is notable that achieving the carbon equivalent of the 10% tree planting target by using solar power would mean farms giving up an average of not 3% (as is the case for meeting the tree planting target) , but 0.1% of their farmland.

Similarly, a single 15kW wind turbine or 10kW hydro turbine on a farm might be expected to reduce carbon emissions by around the same amount as planting a hectare of trees, and such benefits would be far greater for the larger turbines of the type already present on a number of farms.

The FUW is of the view that there is clearly a significant opportunity for utilising renewable energy production on Welsh farms in ways which are far more effective than tree planting at mitigating climate change, and in ways which would bolster UK energy security without compromising significant areas of farmland.

The FUW therefore calls on the Welsh Government to establish an independent panel tasked with evaluating the science around net zero and carbon sequestration to help develop the SFS in such a way that takes into account all actions farmers can undertake to make progress towards net zero in a sustainable way.

Other points the Welsh Government must consider as part of this process include:

- a. Implications for tax relief on agricultural land that is planted with trees
- b. How the carbon sequestered by trees is managed within carbon markets
- c. Whether there are enough saplings and available workers to reach tree planting targets
- d. The liability on the farmer if trees are destroyed by disease i.e. ash dieback or by wildfires (this also applies to UA12: Woodland maintenance)
- e. How the requirement conflicts directly with the Control of Agricultural Pollution regulations, whereby farmers must calculate their nitrogen loading on the amount of spreadable area available
- f. Clear guidance on exemptions for tenants which addresses how trees on all rented areas of land will be considered
- g. How costs incurred and income foregone calculations will include depreciation in land value
- h. How such depreciation will be dealt with by banks which have accepted agricultural land as security against loans and overdrafts
- i. Implications for wildlife populations and disease risk, and the need to provide support for species management to improve the condition of existing woodland and the establishment of new woodland

In light of the above, the FUW is fully opposed to making it mandatory for every farmer within the scheme to have at least 10% tree cover on their farm.

The FUW believes the Welsh Government should withdraw this as a scheme rule and instead use the findings of the independent panel to introduce an overarching scheme aim which focuses on reducing the carbon footprint of the agricultural sector in a sustainable way, which is manageable and realistic, and does not compromise production or the economic viability of farming businesses (see 10.0 FUW proposals for a Sustainable Farming Scheme Framework).

This would allow farmers to continue to receive support to maintain and manage current woodland areas with the option of looking at ways to reduce their carbon footprint, which may include the creation of new woodland, through the Optional Actions layer of the scheme.

## **7.16 UA13: Create new woodland and agro-forestry**

In light of the above, the FUW believes that this Universal Action should be offered as an Optional Action alongside other actions which target support towards more efficient farming methods.

The Welsh Government should also rethink its intention to plant 'less productive areas' of Wales given that the areas of Wales categorised as Less Favoured Areas (LFA) and Severely Disadvantaged Areas (SDA) are 79% and 56% respectively.

## **7.17 UA14: Historic environment - maintenance and enhancement**

FUW members questioned how the Welsh Government will expect farmers to maintain certain historical features such as traditional farm buildings and to what extent. It may be uneconomical to repair certain features without support that may run into tens of thousands of pounds, and therefore this will have to be factored into the payment methodology.

It is also unclear whether, under the SFS, the onus would be on the farmer to repair third party criminal damage to historical features or damage caused by wildlife and whether failure to do so would result in a financial penalty.

This is another Universal Action that needs to consider tenancy agreements given that in the majority of cases the landlord retains the control of any historical buildings or features. The tenant may need to seek permission from the landlord to undertake certain maintenance works.

These requirements may also place yet further barriers on those that may seek to renovate derelict agricultural buildings into residential properties or holiday accommodation.

Similarly, the FUW would welcome further discussions and co-design with the Welsh Government on finalising the list of measurable outcomes and restrictions for each historical feature.

## **7.18 UA15: The Animal Health Improvement Cycle**

FUW members were not opposed to this Universal Action in principle. However, they questioned the need for it to be included given that the majority of farmers already complete Animal Health Improvement Cycles as part of their farm assurance. The FUW would oppose any moves to implement an AHIC that goes above and beyond current farm assurance requirements. Aside from the lack of any evidentiary support for an increase in standards, there is concern that this could result in an animal health 'arms race' as buyers continue to strive to differentiate their product from the current welfare baseline, which is already above that in the vast majority of countries around the globe - countries which are increasingly at liberty to import sub-standard products into the UK.

As such, it's imperative that the RPW Online system can automatically communicate with other data collection systems in order to avoid duplication and increased pressure on veterinary practices.

## **7.19 UA16: Good animal welfare**

Please note section 7.2 UA2: Continuous Personal Development.

The Welsh Government should also consider exemptions for those that have i) already completed training on lameness and body condition scoring and/or ii) body condition score their stock and check for lameness on a regular basis.

## 7.20 UA17: Good farm biosecurity

The FUW maintains that the need to have wash stations on each and every farm must be considered in the context of cost and effectiveness.

The installation of wash stations will be costly in terms of concrete, running water systems in some cases and the purchase and disposal of chemicals, all of which will have to be compensated for within the payment methodology. The Welsh Government should provide guidance on how farmers should dispose of their waste chemicals and whether a costly permit from NRW is required.

FUW members also queried how such a proposal would be implemented and cost effective on farms with multiple access points, including those that are split into discrete units and separate holdings.

Members questioned the effectiveness of having wash stations available for certain individuals to clean their equipment when focussing on the biosecurity risk of public rights of way may be more beneficial in terms of animal health - particularly on farms which are crossed by busy National Trails such as the Wales Coastal Path.

The ability of farmers to secure all land boundaries may also be difficult in some circumstances when it is the legal responsibility of neighbouring landowners to do so - including those who may not be farmers and may not be participants in the SFS. In this context, FUW members continue to experience issues with the poor maintenance of boundaries along Welsh Government owned land managed by NRW.

The wording around the requirement to undertake a biosecurity assessment with the vet on the disease risks associated with sourcing and the introduction of incoming animals also suggests that this would require a vet visit every time a farmer brings new stock onto the farm, given that the disease risk will differ between groups of animals. Veterinary practices are already under immense pressure and such an approach would only increase bureaucracy for both farmers and vets.

As part of the biosecurity risk assessment, both the disease status and provenance of incoming animals must be recorded. As per the FUW's response to the Welsh Government's 2021 Refreshed Bovine TB Programme consultation, there is significant concern amongst members that this UA could lead to financial penalties for purchases classified as risky and that this could lead to a two tier market and the devaluation of low risk stock from high risk areas.

The ability to evaluate the disease risk of livestock will heavily rely on the diseases in question and the health data that's available for those animals at time of purchase. It is unclear whether the

biosecurity risk assessment pertains to a set of predetermined diseases or whether farms can prioritise those diseases that have the most meaningful impact upon their own individual business.

Whilst the FUW does not oppose the principle of risk based trading, discussions surrounding risk based trading must recognise the balance between the need for information, the burden of collating such information and the resultant detrimental effects on some flocks and herds. Defining the overall disease risk of a potential purchase is complex and multi-faceted and requires significant further discussion with industry and veterinary experts prior to implementation. As such, the FUW would oppose moves within the SFS to introduce risk based trading by the back door.

## 8.0 Universal Actions modelling results

The FUW has consistently called for rigorous economic modelling and analysis to be undertaken that includes the impact on those directly working within agriculture but also secondary and tertiary businesses based in rural areas that rely directly or indirectly on agriculture for a proportion of their income.

The FUW therefore welcomed the publication of the ADAS modelling results of the potential economic effects of the SFS alongside the consultation. However, for such an important scheme as the future of agriculture in Wales, the modelling is simplistic and clearly hasn't received the attention an analysis of this type deserves.

The Minister for Rural Affairs also claims that this modelling report is based on an earlier version of the scheme and is therefore out of date. The FUW would seriously question the inability of the Welsh Government to at the very least publish a valid economic impact assessment alongside the final consultation.

This is particularly the case given that vast sums have been spent over many years by the Welsh Government on environmental modelling (ERAMMP), resulting in the publication of numerous reports comprising hundreds of pages. While such modelling is welcome, the disparity between this and the 23 page report on economic modelling published at the 11th hour suggests an indifference on the part of the Welsh Government to the impacts of its plans on Welsh businesses and jobs, and the Welsh economy.

In summary, the modelling results suggest:

- a. A reduction of up to £199 million in Farm Business Income (a reduction of 85%)
- b. A loss of up to £125 million in farm outputs
- c. 122,000 fewer Livestock Units
- d. 11% fewer Standard Labour Requirements (SLRs) on-farm (between 2,500 and 5,500 jobs)
- e. Even with the additional 'top-up' stability payment, the modelling results suggest economic losses of between £59 million (25%) and £82 million (35%) in Farm Business Income

- f. Close to 100% of farms experiencing a reduction in Farm Business Income in all scenarios considered

The modelling report also shows the average area of every farm in different parts of Wales that would need to be planted with trees to reach the current 10% tree cover target. While the average for all of Wales is around 3.5 hectares per farm, for some areas such as Ceredigion and northwest Wales the average is over 4 hectares which would equate to a financial loss of up to £100,000 worth of productive agricultural land, in addition to possible tax implications of converting farmland to woodland.

It should be noted that this report assumes an uptake of 100% and fails to take into account any economic impacts beyond the farm gate. As such, and given the fact that during selected FUW regional meetings only 10% of the farmers present expressed the view that they would consider entering the scheme in its current form (mainly due to financial reasons rather than aspirations), the potential economic impacts of the scheme are likely to be far greater.

Even if the modelling report is based on an earlier version of the scheme, the policy framework proposed by the Welsh Government has not changed greatly since 2021 and therefore the economic analysis is likely to remain valid, meaning the scheme in its current form still remains to be unsustainable for Welsh agriculture and the rural economy.

The UK's susceptibility to recent global events has rarely been exposed so starkly as during the past three years. The Covid-19 pandemic and the conflict in Ukraine have demonstrated the volatility of global supply chains and the UK's reliance on imports of key commodities such as oil and gas.

It's also important to note that the demand for animal products in developing countries is anticipated to more than double by 2030 and that 60% more food will be needed worldwide by 2050 to feed an estimated 9.7 billion people.

Any reduction in livestock numbers represents a serious threat for the future of food production in Wales and the impact that will have on UK food imports, food miles and the offshoring of emissions to other countries. It's therefore vital that the SFS underpins the supply of high quality sustainable food produced by family farms in Wales. This cannot be underestimated in the context of current events, and it must also be noted that reductions in livestock numbers, such as those estimated in the modelling results, will threaten the viability of Wales' food processing sector which requires a critical mass of throughput to be economically sustainable.

The SFS must be sustainable in all meanings of the word - socially, environmentally and economically. The Welsh Government must distinguish the difference between a resilient agricultural industry e.g. being able to recover quickly from difficult conditions, and a sustainable agricultural industry e.g. able to be maintained at a certain level.

It is therefore imperative that the Welsh Government analyses this data to rethink the scheme through genuine co-design with both farming unions and to avoid these detrimental impacts.



## 9.0 FUW modelling on direct farm support

The FUW recently published a report entitled “The Role of Farm Support in Wales’ Livestock Supply Chains”.<sup>1</sup> Under two scenarios, whereby BPS payments are reduced by 50% or removed altogether, this report models how, where farms make no other changes to their farming practices, farm profits for each farm might be maintained at average levels through:

1. Increases in profit received for livestock from the market
2. Increases in profit received per hectare of land farmed or
3. Reductions in selected input costs

In the context of these results, it should be noted that the ADAS modelling report predicts reductions in FBI of between 25% (with a diminishing ‘top-up’ stability payment) and 85% under an assumption of 100% uptake. The figures summarised below for both the scenarios whereby BPS payments are reduced by 50% for those that enter the scheme and such payments are removed altogether for those that cease to receive any form of direct farm support in future are therefore analogous in many respects to the current SFS scheme proposals.

### 9.1 Model 1: Increases in profit received for livestock

The modelling shows that, in the absence of other changes to farm businesses, the increases in profit received for livestock enterprises required to maintain farm incomes, where BPS payments are reduced by 50% and 100%, are significant for all farm categories considered.

For the scenario where the BPS is reduced by 50%, these range from a required increased profit per ewe of between £18.09 (hill cattle and sheep) and £24.06 (lowland cattle and sheep) coupled with an increased profit per cow of between £120.63 (hill cattle and sheep) and £160.39 (lowland cattle and sheep).

If it were assumed that all offspring (i.e. lambs and calves) are ultimately sold as finished animals at average weights (i.e. 32kg for lambs and 480kg for calves), then based on the Welsh Government’s 2021 liveweight prices of £2.65/kg for lamb and £2.23/kg for finished cattle, market prices would have to rise by between 16% and 21% for lamb and by between 13% and 17% for finished cattle under a scenario whereby BPS payments are cut by 50% in order to maintain farm incomes.

This equates to increases in market prices of between 35% and 43% for lamb and between 26% and 33% for finished cattle for the scenario whereby BPS payments are cut by 100%.

Such increases would necessitate either farmers receiving a far greater share of the profits made by processors and retailers further along the supply chain, an increase in the prices paid by consumers, or a combination of both. However, such changes may be difficult to sustain given pressures on

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<sup>1</sup> [https://www.fuw.org.uk/images/pdf/the\\_role\\_of\\_farm\\_support\\_in\\_wales\\_livestock\\_supply\\_chains-fuw\\_november\\_2023.pdf](https://www.fuw.org.uk/images/pdf/the_role_of_farm_support_in_wales_livestock_supply_chains-fuw_november_2023.pdf)

processors' margins and household incomes as well as increased competition from cheaper imports from countries that continue to benefit from significant farm support (for example EU countries) or lower production standards and economies of scale (for example Australia).

## **9.2 Model 2: Increases in profit received per hectare**

Given the area-based and redistributive elements of BPS payments, the increases in profit per hectare required to maintain farm profit for all farm types were found to be similar, with figures highest for upland and lowland cattle and beef farms - reflecting the generally smaller size (and therefore larger contribution of redistributive payments) of such farms.

While this reflects obvious impacts per hectare of reductions in an area based payment scheme, the figures do highlight the challenges of increasing profitability per hectare given reductions in support payments.

For example, lowland cattle and sheep farms would have to increase their profits received per hectare by £88 in order to maintain farm income for the scenario whereby BPS payments are cut by 50%. This increases to £176 for the scenario whereby BPS payments are removed altogether.

Moreover, while some have rightly highlighted the role that Government supported investments in technology, equipment and infrastructure can play in improving, for example, productivity and animal health and welfare, it is difficult to envisage scenarios whereby such investments increase profits per hectare by hundreds of pounds, as would be required to make up for the loss of part or all of the BPS or similar direct support.

This is particularly the case given that, while such investments on more productive/intensive (for example arable) farms might be expected to increase profits per hectare by tens or scores of pounds, such increases are far more difficult to realise on the far less productive LFA and SDA land that makes up around 80% of Welsh farmland.

## **9.3 Model 3: Reductions in input costs**

The results highlight the significant savings that would have to be made for all farm types if farm profits were maintained purely by reducing expenditure on key inputs, with annual reductions for different categories ranging from £113 (upland cattle and sheep expenditure on other contracting/machinery hire) where BPS payments are cut by 50% to £6,708 (hill sheep expenditure on feeds) where BPS payments are cut by 100% (see Table 3 in Appendix 1).

While it is clearly unrealistic for such significant cuts to be made without severe impacts for farm infrastructure, productivity, animal health and welfare etc., and that different farms and sectors would choose to make cuts in different areas depending upon circumstances, by apportioning cuts

proportionately to current expenditure the model provides useful insights into the potential direct and knock-on effects of cuts.

However, as already stated, different farms and sectors would choose to make cuts in different areas depending upon circumstances, and while efficiencies might be found in all categories, costs in some would be deemed more expendable than others, and therefore be more vulnerable to cuts, irrespective of the scale of these.

For example, while expenditure directly related to production, such as feed and fertiliser costs, might remain relatively unchanged on an individual farm in order to maintain levels of production (at least in the short term), this would necessitate major cuts in other areas, such as those relating to the more general maintenance of the farm (fences, hedges etc.) and farm machinery (machinery repairs and maintenance) and/or animal health and welfare (reductions in vet visits, vaccination programmes etc.).

While such cuts might make up for the loss of payments in the short term, they would inevitably have long term implications for farm productivity.

Above all else, such reductions in expenditure highlight the impacts for the wider economy, and in particular the rural economy, and the potential impacts on businesses such as veterinary practices, agricultural merchants, garages etc. - with clear consequences for rural employment. Such impacts would extend to those businesses that are not necessarily regarded as agricultural, but which rely directly or indirectly on farms for a proportion of their income.

Furthermore, these results, based on the scaling up of such figures based on the total number of farms in the Farm Business Survey (FBS) data set (8,937), provide a useful illustration of the total falls in income for businesses linked directly and indirectly with agriculture that might be experienced in the scenarios considered.

Moreover, given that these reductions represent only a proportion of the total expenditure in those categories, it should be noted that the figures in the report by no means represent maximum possible reductions.

For example, while a total reduction of £12.15 million for veterinary and medicine expenditure might be expected if all farms reduced their expenditure proportionally across key input areas in order to maintain profit levels if the BPS was removed altogether, the total expenditure in that category for all farms in the FBS livestock categories is estimated to be £34.61 million.

As such, while it is impossible to precisely model the impacts of cuts to BPS or equivalent funding on those who rely directly or indirectly on expenditure by farms, it is clear that such cuts would have a major knock on effect on many Welsh non-farming businesses, with some sectors potentially losing tens of millions in income, with inevitable impacts for business viability, employment and so forth.

In reality, the ways in which farms, farm types and sectors would react to the loss of part or all of the funding that, on average, makes up 96% of livestock farm profits (without taking account of unpaid labour costs) would vary significantly.

For example, some may be able to change to what have over recent years been more profitable agricultural sectors, such as dairy or poultry production, while others may successfully diversify into tourism or other sectors.

However, as well as being limited for many by affordability, land topography and fertility etc. and restrictions such as landscape designations - not to mention environmental restrictions - the scope for diversification into any area is also limited by ceilings relating to market saturation, as experienced recently by many farms that have diversified into certain types of holiday accommodation.

It should also be noted that the skillset of a vast proportion of those who may attempt to diversify their income by working off-farm will be primarily in agriculture - a sector that, by definition, would be far less able to afford the services of those with such a skillset in the advent of such cuts to support.

As such, policy makers and others must be sober and realistic about the limited scope for diversification to make up significantly for losses imposed as a result of such changes.

It should also be noted that a significant proportion of expenditure in the wider economy by the circa 6,000 farms not included in the FBS population is also derived from BPS payments - expenditure amounting to tens of millions which is not accounted for in this analysis.

Given the focus of the Welsh Government's SFS proposals on environmental outcomes, it should be noted that agri-environmental payments made from the rural development budget have not been factored into this analysis.

This is justified on the grounds that under EU Regulations, and in line with World Trade Organisation rules, payment rates were calculated based on the costs incurred and income foregone of compliance with agri-environment scheme rules, and therefore should not, on average, have contributed directly to profits.

In this context, it is worth noting that while the Cross Compliance rules associated with the Basic Payment Scheme (Statutory Management Requirements and Good Agricultural and Environmental Conditions rules) will generally have costs associated with them, and therefore undermine the contribution of the BPS to farm profit, any replacement regime that has far more stringent restrictions will significantly undermine overall farm profitability, thereby requiring either higher associated scheme payments, or increases in returns or cuts to expenditure as described to maintain current levels of farm profit.

This is a factor already exemplified by the fact that many dairy farmers have stated that participating in the SFS would not make economic sense for their businesses based upon current proposals. Such

valid business decisions should naturally raise concerns in terms of any future scheme attracting sufficient numbers of farms to ensure a critical mass of Welsh land is entered into the scheme such that desired economic, environmental, social and cultural aspirations are met.

## **10.0 FUW proposals for a Sustainable Farming Scheme framework**

In light of the various concerns raised throughout this consultation response in regards to each individual Universal Action and the proposed payment methodology, and given that:

- a. These proposals come against a backdrop of continuous and costly (including in terms of mental health) bovine TB breakdowns and bureaucratic agricultural regulations - most notably in terms of the agricultural pollution regulations
- b. The proposed policy framework remains relatively unchanged compared with the proposals that were published in 2021
- c. There remain some huge gaps of fundamentally important detail relating to the payment methodology, scheme rules and verifiable standards
- d. The Welsh Government intends to launch the SFS in around ten months' time
- e. The economic analysis undertaken to date suggests impacts that would be extremely detrimental to Welsh agriculture and the rural economy

The FUW calls on the Welsh Government to pause the introduction of the SFS to allow adequate time for a rethink of the proposals through genuine co-design with both farming unions.

In 2021, the FUW and NFU Cymru proposed an alternative SFS framework and presented it to the Welsh Government as outlined below.

## Sustainable Farming Scheme Framework

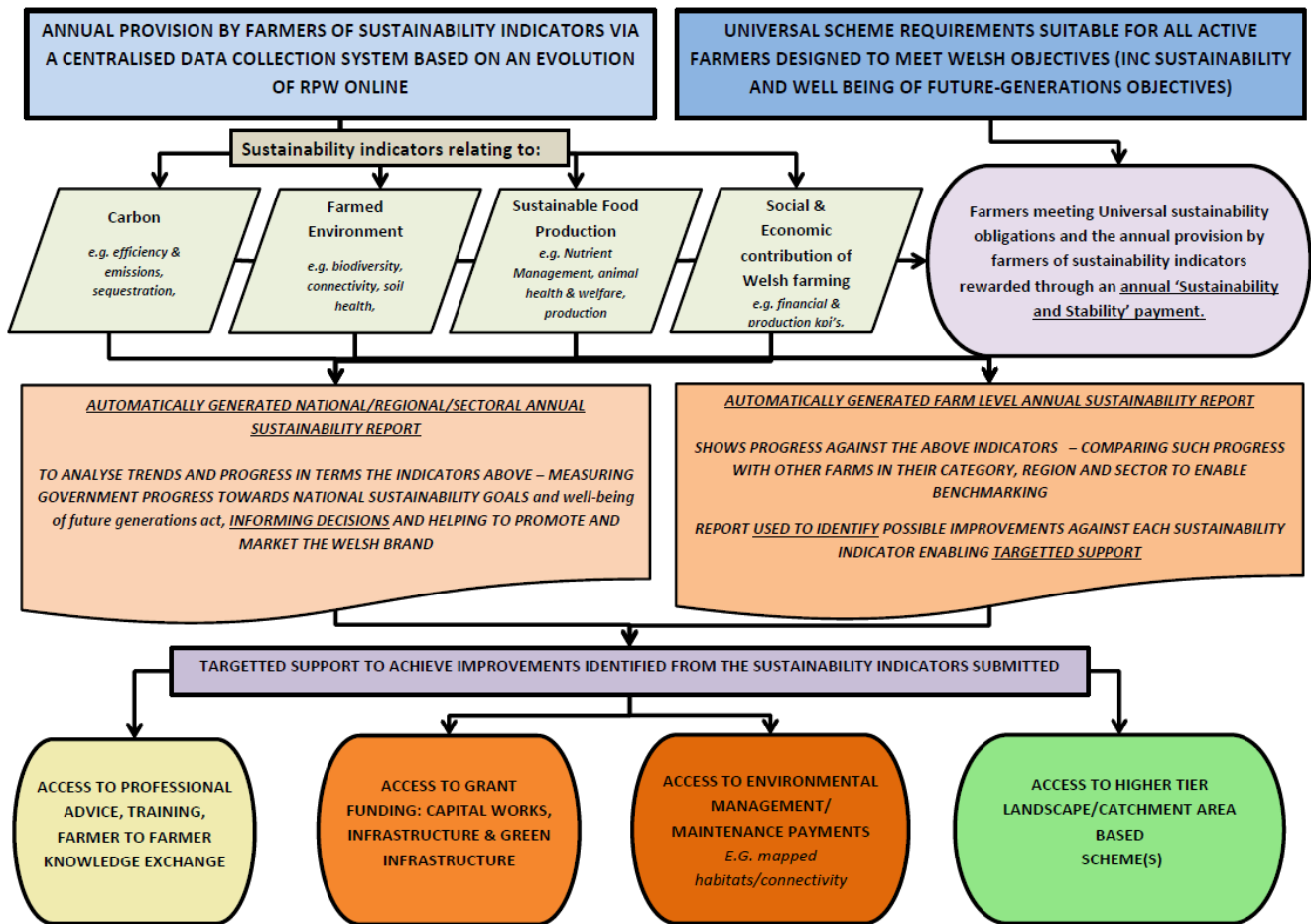


Figure 3: The jointly proposed FUW - NFU Cymru Sustainable Farming Scheme framework, 2021

In broad terms, this proposal is not dissimilar to that currently being proposed by the Welsh Government i.e. the receipt of a sustainability and stability payment for providing annual data and undertaking universal scheme requirements designed to meet Welsh objectives, with data then used to target further support in the form of professional advice, grant funding, higher environmental payments or collaborative catchment-area based funding i.e. Optional and Collaborative Actions.

In reflection of the current SFS proposals and the joint FUW - NFU Cymru proposals, the FUW believes that the revised framework outlined below should be used as the basis for further co-design between both farming unions and the Welsh Government.

The FUW therefore welcomes the Welsh Government's recent commitment to genuinely consider how the SFS should be redesigned in order to allay the broad range of concerns and fears expressed by Welsh farmers over recent weeks, and proposes the following course of action:

1. The Welsh Government and key stakeholders, notably the Welsh farming unions, should agree on revised overarching objectives of the SFS, such that they align with the Welsh Way

Forward principles and the nine objectives that underpin the 2021-2027 EU CAP framework that governs our main competitors

2. Those overarching objectives must include *minimising adverse economic impacts and disruption for businesses, sectors and regions*. If necessary, changes reflecting this should be made to the Agriculture (Wales) Act 2023
3. A small focussed SFS design stakeholder group that includes the farming unions should be established to consider changes to the SFS and associated payment rates, with the option to create sub-groups or panels that consider the details of different elements of the SFS - for example, in relation to broad policy areas such as woodlands, animal health etc.
4. Possible changes considered or proposed by the group/sub-groups should then be assessed using the economic model developed by ADAS, and evaluated in terms of meeting the overarching objectives - particularly those relating to economic sustainability
5. The group should also assess the overall budget required to deliver different versions of the SFS, such that a case can be made to the UK Government for funding, and changes can be made to the final scheme if that funding falls short of what is required
6. The group should also consider options for transitioning from the BPS to the final SFS scheme and ensure that the final SFS proposals are practical in terms of their administration by Welsh Government
7. As already stated, the FUW believes that the introduction of the SFS should be delayed until properly assessed improvements, as described above, have been made to ensure it is fit for purpose

The above approach has previously been successful in introducing major changes to schemes, including over relatively short timescales, and has been advocated by the FUW in terms of the SFS since 2018.

## 11.0 Optional and Collaborative Actions

As highlighted above, the FUW is generally supportive of the framework to allow further funding opportunities through the Optional and Collaborative layers of the scheme. Fair and equal access to these options for all active farmers in Wales irrespective of whether they receive a universal baseline payment is also welcomed.

While it's understandable that the Welsh Government has focussed its attention on developing the Universal Actions within the scheme design, it is disappointing to note that the Optional and Collaborative layers have received very little attention over the past two years given that many

farmers in specific circumstances i.e. grazing large areas of common land or SSSI areas will undoubtedly rely heavily on this additional funding.

As such, the FUW believes that these options should be prioritised and introduced at the earliest possible opportunity:

- a. Funding for managing designated SSSIs
- b. Payments for common land (in addition to baseline payments on common land)
- c. Support for certified organic producers
- d. Financial support for on-farm renewable energy production as an alternative to tree planting to offset carbon emissions
- e. Shortening of supply chains for Welsh products

The FUW also supports the continuation of current Rural Investment Schemes alongside the SFS.

## 12.0 Specific considerations

### 12.1 Tenants

While the FUW welcomes the concessions for tenants with regards to the 10% tree cover requirement and the move to annual declarations for those with shorter term agreements, FUW members have raised a number of practical examples which must be addressed to ensure that tenants have fair and equal access to the scheme.

For instance, the Welsh Government will need to clarify how land that is rented for between 10 and 12 months of the year will be considered given that the tenant will have management control of that land for the required number of months but will be unable to guarantee that land complies with the Universal Actions for the full year.

Historical tenancy agreements have also prevented tenants from entering agri-environment type schemes such as Glastir. Such clauses will need to be considered in the context of complying with habitat management requirements i.e. creating ponds or cleaning ditches without permission from the landlord, and conflicts with the good husbandry requirements within tenancy agreements.

In regards to grazing licences, landlords typically retain full management control of the land and receive a BPS payment and therefore should be eligible to enter the SFS. However, this may require the landlord to receive confirmation from the grazier that they have undertaken the Universal Actions i.e. enterprise specific benchmarking, CPD etc, and poses the risk of creating a two-tiered market whereby the landlord only seeks graziers who have entered the scheme.

The FUW would welcome further meetings of the tenancy working group to address these practical and legal issues before the scheme is launched. The Minister has on numerous occasions stated that



if the scheme doesn't work for tenants it doesn't work at all, and therefore it is crucial that these concerns are addressed.

## **12.2 Cross border farm businesses**

The FUW appreciates the inability for the Welsh Government to pay for any actions on land in England. However, the Welsh Government must take into account and align any whole farm actions and data collection exercises between policies on both sides of the border wherever possible.

## **12.3 Certified organic farms**

The FUW welcomed the recent Welsh Government announcement of an organic support scheme for certified producers for this year in light of the loss of the Glastir Organic scheme. Whilst on average the payment rates offered this year are around 30% lower than those received under Glastir, it is positive that this will be used to incorporate an additional stability payment for organic producers throughout the transition period.

As the Welsh Government has previously acknowledged, such support will be welcomed by the sector as the majority rely on support to produce food using organic practices as the premiums they receive for their products vary rarely reflect the additional challenges and costs associated with farming in this way.

As such, it is crucial that the Welsh Government avoids any gap in support for organic producers and prioritises additional support for the sector through the Optional and Collaborative layers of the scheme.

## **12.4 New entrants to farming**

Although the Welsh Government claims to have removed barriers for new entrants to the industry, such as removing the need for entitlements, the FUW remains concerned that the issues discussed by the new entrants working group have been dismissed, including the need to provide additional financial support to young and new entrants.

Whilst all farmers who choose to enter the SFS will be expected to surrender their entitlements, this will be particularly impactful for new entrants who may have recently had to spend thousands of pounds buying entitlements as a considerable investment.

As highlighted above, it is also concerning to note that new entrants will not be eligible for the proposed stability payment if they enter the industry after 2024 which risks placing them at a

competitive disadvantage if the universal baseline payment comes nowhere near to current BPS levels.

The FUW maintains that the SFS must provide a mechanism for new and young entrants to receive additional financial support.

## 12.5 Common land

As already highlighted, commoners must have access to baseline payments if severe economic impacts are to be avoided for the circa 3,000 commoners who currently receive BPS, some 2,000 of whom rely on common land for between 25% and 100% of their BPS payments. Such dire economic impacts would extend to entire communities in vast areas of Wales, given the predominance of common land in many Welsh parishes where the majority of farmers rely on common land.

Minister Lesley Griffiths has repeatedly provided assurances that commoners would receive baseline payments, and this commitment should be honoured.

The fact that common land has been eligible for area based payments, in the form of Tir Mynydd, the Single Payment Scheme and the Basic Payment Scheme, for more than 20 years where they comply with universal scheme requirements demonstrates that it is possible to continue such an arrangement. The Welsh Government's decision to ignore the calls of the FUW and others to ensure the SFS allows access by thousands of commoners to baseline payments therefore represents a dire failure on its part that must be rectified.

Whilst separate agreements akin to Glastir Common Land Element may be a viable alternative on some commons, the large number of Welsh commons that were effectively excluded from such agreements due to varying circumstances demonstrates the obstacles that exist for many, and why it is essential that commoners continue to have access to a baseline payment. Members also highlighted that any Optional and Collaborative Actions agreements for common land should be administered through a central system such as RPW, and certainly should not require the establishment of Commons Councils.

It should be noted that Commons Councils are unlikely to address problems, and may well exacerbate them, given the legal requirements for the structure and workings of a Commons Council set out in Part 2 of the Commons Act 2006, and the degree to which such Councils may further disempower graziers.

It should also be noted that the running costs of a Commons Council can be extremely prohibitive and orders of magnitude higher than the costs of running a Graziers Association, due to the legal requirements set out in the Commons Act 2006; for example, the estimated annual running cost of a Cumbrian Commons Council was £40,000 based on the running costs of the Dartmoor Commons Council.

As such, any requirement to form such Councils to access payments would further disenfranchise and discriminate against graziers compared with their non-commoner counterparts.

The FUW would support the re-establishment of the common land working group to identify ways in which management agreements could operate and how payments could be administered.

### **13.0 Business advice and support**

The FUW is supportive of the continued provision of business advice and support through the Farming Connect model - the benefits of such support to date are undeniable.

However, as highlighted above, the SFS represents the biggest change in agricultural policy in Wales for decades and involves a far greater emphasis on environmental actions and outcomes. The majority of farmers will have limited experience in areas such as online training, recording KPIs, soil testing and woodland and habitat management.

Previous Farming Connect programmes have included little focus on some of these areas and it is therefore envisaged that the future providers of such a service will be required to find the relevant expertise to provide bilingual support across these key areas.

Further support will also be required in the form of business advice to support farmers in adapting their businesses as a result of the additional requirements of the SFS or ceasing to receive any direct farm support e.g. reducing livestock numbers or productive areas of land. In this context, those that decide not to enter the SFS should still be able to access advice and support through Farming Connect.

However, in light of current and future budgetary pressures within the Welsh Government and given the fact that funding for business advice and support will ultimately result in less money being directed to farm businesses, the FUW maintains that such support must be relative to the overall SFS budget and the number of participants.

### **14.0 Regulatory framework**

The FUW welcomes the suggestion to align the scheme rules with current cross compliance rules. However, the FUW is opposed to expanding the scheme rules to include the proposed 10% tree cover and 10% habitat targets as highlighted above, or additional requirements such as workplace recycling etc.

The majority of farmers in Wales already produce food to a much higher standard than cross compliance in accordance with farm assurance schemes such as Red Tractor and FAWL and therefore the Welsh Government shouldn't be looking to increase complexity and bureaucracy within the SFS.

The Welsh Government must also ensure that the regulatory framework of the scheme, to include the scheme guidance, verifiable standards, scheme rules etc., are all finalised and made available in good time ahead of the SFS being introduced. These crucial details must be clear and concise for farmers to be able to make an informed decision on whether to enter the scheme or not - lessons can be learned from the Welsh Government's decision to expect farmers to comply with the Habitat Wales Scheme requirements from 1st January before being offered a contract.

The FUW would also take this opportunity to once again emphasise members' opposition to introducing National Minimum Standards and Civil Sanctions where those standards are not present or only are in place for those participating in support schemes in countries producing food that competes with Welsh produce.

## **14.1 Appeals process**

In light of the comments and concerns raised throughout this response, FUW members believe that the current appeals process and independent appeals panel should be retained.

As farmers adapt to such significant changes to the future of farm support, members felt the need to retain the current appeals process given the increased risks of mistakes and administrative errors, including by the Welsh Government.

## **15.0 Welsh language**

While the Welsh language is just one aspect of Wales' culture, its national and international significance cannot be underestimated: The number of individuals who speak Welsh is around 170% higher than for the next most commonly spoken Celtic language (Breton, spoken by an estimated 206,000 people).

Welsh speakers make up 61% of all Celtic language speakers, despite the fact that Wales' population comprises less than 20% of the population of all Celtic countries and communities (including Brittany).

The average proportion of the population of Celtic countries other than Wales who speak their respective Celtic language is around 3%, with the proportion highest in Brittany (6%); by comparison, the proportion of adults and children in Wales who speak Welsh is around 20%.

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

While the Amaeth Cymru Data and Evidence Group's 2016 report Farming in Wales and the Welsh Language found that a far higher proportion of those in the ONS Agriculture, Forestry and Fishing employment category speak Welsh (29.5%) than in any other category, the Welsh Government obtained figures which allowed this figure to be further refined, revealing that 43% of those in the category are able to speak Welsh.

Based on the number of workers per km<sup>2</sup> of agriculture compared to forestry, and the differences in GVA, it's fair to assume that the majority of Welsh speakers within the Agriculture, Forestry and Fishing sectors are in fact employed within the agricultural sector.

The 43% figure compares with 27% of workers in education, the sector with the second largest percentage share after agriculture, forestry and fishing, and 17% for all Welsh workers, meaning the prevalence of Welsh speakers in the agricultural industry is 153% higher than for Wales as a whole.

The Amaeth Cymru report referred to above also found that in communities where between 30% and 80% of the community speak Welsh, the proportion who do so within the agriculture category is significantly higher than the overall average, and higher than for all other work types; for example, in communities where the proportion who speak Welsh is between 40% and 50%, the proportion who do so within the agriculture category is 64%. In many parts of Wales the farming community remains crucial to the retention of the language as a living community language.

As such, any proposals which compromise Welsh farm businesses, farming communities or Welsh agriculture in general represent a significant threat to the industry within which the greatest percentage of Welsh speakers is preserved; the estimated job losses suggests that the current proposals represent just such a threat.

In this context, it is worth highlighting that employment in the Office for National Statistics' 'agriculture, forestry and fishing' category represented 3.2% of workforce jobs in Wales in 2018 (almost three times higher than the UK average), this figure is significantly watered down by non-agricultural employment in Wales' large, heavily populated urban areas.

As such, agricultural employment in rural Local Authority areas is far higher than the Welsh average; for example, in 2017 employment in the category in Ceredigion, Powys, Pembrokeshire and Carmarthenshire made up circa 12%, 12%, 8% and 7% of workforce jobs respectively (Figure 4), while in 2011 across vast areas of rural Wales between 15% and 27.4% of workers main work was in agriculture (Figure 5).

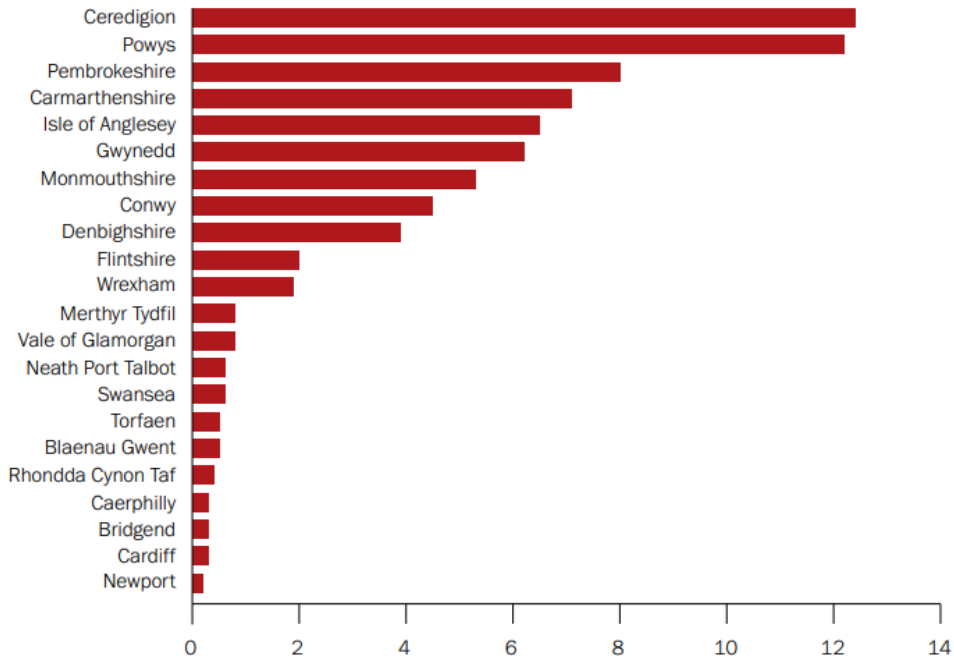
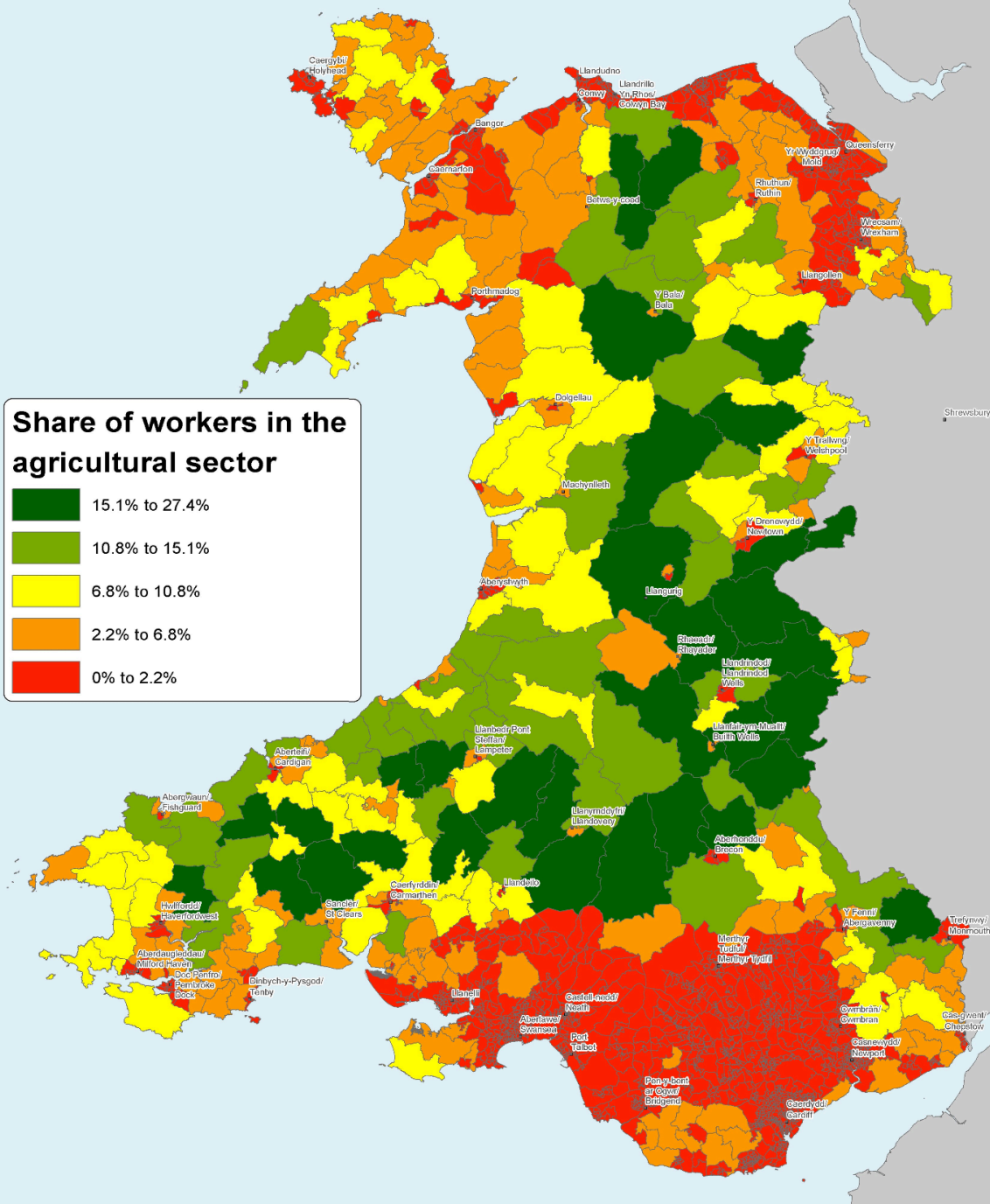


Figure 4: Workplace jobs in agriculture, forestry and fishing by Welsh local authority, 2017 (source: Welsh Government)

## Share of workers whose main work is in the agriculture sector, 2011



Source: Census of Employment, 2011  
 Workers includes those in employment or self employment.  
 Each worker is allocated a single main industrial sector even if they have more than one job.

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 Welsh Government

Figure 5: Share of workers in the agricultural sector, 2011 (source: Welsh Government)