

Our response



Llywodraeth Cymru
Welsh Government

A wide-angle landscape photograph showing rolling green hills under a blue sky with scattered clouds. In the foreground, three cows (two brown, one white) stand on a grassy slope. The middle ground features a large green field with a herd of sheep, separated from the foreground by a stone wall. The background is dominated by dense green forests and more hills.

Sustainable Farming and our Land

July 2020

OUR RESPONSE: SUSTAINABLE FARMING AND OUR LAND

Background

1. The Welsh Government's *Sustainable Farming and our Land* consultation, published last year, sought views on our proposals for a new Sustainable Farming Scheme for Wales. The consultation proposed a new system of financial support for farmers, linked to the delivery of Sustainable Land Management outcomes. These included improved air and water quality, and more resilient ecosystems – all alongside the ongoing production of safe, high quality, sustainable food.
2. Over 3,300 responses were received over the course of the consultation on *Sustainable Farming and Our Land*. Just over 500 were unique responses from individuals and organisations with the remainder made up of three distinct campaigns. Those who submitted individual responses represented a diverse range of voices and perspectives. A significant proportion of respondents reported they were directly engaged in farming. The analysis of the consultation responses was published in May.
3. This paper provides the Government response to the main issues in the analysis.
4. Overall, Welsh Government continues to propose to support farmers through the development of a future scheme that can deliver Sustainable Land Management. We believe this approach will keep farmers farming, increase their ability to cope with future challenges and reward them for expanding their role in providing a range of benefits that will contribute to the wellbeing of society as a whole. It is proposed that such a scheme should replace the current Basic Payment Scheme (BPS) because, as set out in *Sustainable Farming and Our Land*, a system of universal support decoupled from outcomes, such as BPS does not meet the requirements set out in both the Well-being of Future Generations (Wales) Act and the Environment (Wales) Act, or the new economic context following the UK's departure from the EU. The proposed Sustainable Farming Scheme set out in *Sustainable Farming and Our Land* is an example of a scheme which can meet those requirements. However, no decision on any new scheme will be made until the necessary economic and impact analyses have been completed, and all other relevant matters are considered.
5. In the meantime, policy officials will continue to refine and develop proposals for the creation and delivery of an agricultural support scheme which can both help deliver Welsh Government's commitments under these Acts and provide farmers with an appropriate reward for doing so. Any future scheme must support farmers to deliver Welsh Government's strategic priorities for the sector: deliver sustainable food production; respond to the climate emergency; and help reverse the loss of biodiversity. This will enable us to deliver against the commitments

we have made to ensure environmental justice and support sustainable food production.

6. Later this year Welsh Government will publish a White Paper setting out proposals for an Agriculture (Wales) Bill in the 6th Senedd. The responses we have received on *Sustainable Farming and Our Land* and other stakeholder discussions will help to inform the content of the White Paper.

Responses

7. Overall policy.

- i. Although several issues were identified with the overall policy framework set out in *Sustainable Farming and Our Land*, there was broad agreement that the proposed framework was an appropriate response to the requirements of the Wellbeing of Future Generations (Wales) Act and the Environment (Wales) Act. Overall, the framework supports the principle of providing future funding to support and reward farmers who operate sustainable farming systems. We believe that this approach will enable the production of high quality and sustainable food and reward farmers for broadening the delivery of environmental and associated social outcomes that cannot be delivered at scale by others. In a world where a succession of future trade agreements are likely to open up our markets to a greater degree of competition, demonstrating the sustainability of food produced on Welsh farms with high animal welfare and environmental standards is likely to be increasingly important.

8. Support for the policy framework.

- i. As set out above, the overall policy framework was supported by respondents. However, some respondents sought to add further elements such as the provision of subsidy for food production, ensuring the scheme could be accessed by tenant farmers and the feasibility of paying farmers more than 'additional costs and income foregone'. Some respondents also sought to broaden the scope of support to include others such as forest and woodland owners.
- ii. Welsh Government is encouraged by the broad support for the proposed policy framework. Wales needs farmers to manage their land, not just for the food that is produced as a result but also because farmers make an important contribution to a range of social needs. These include their contribution to the resilience of rural communities and the potential delivery of an increased range of environmental outputs through expanding their role in environmental stewardship for their own and wider society's benefit. Future support for agriculture must be constructed in a way that reflects these needs and rewards those farmers that enable those

needs to be met. *Sustainable Farming and Our Land* demonstrates this can be achieved by encouraging farmers to adopt practices that increase the overall sustainability and resilience of farms. Together with direct funding for the delivery of desirable outcomes, we plan to offer support to farmers to enable necessary business improvement. The production of food remains a vital component of a sustainable farming system but is rewarded by the market.

- iii. We need to balance the ambition many stakeholders display for the proposed scheme to encompass as many outcomes as possible (thus increasing the scheme's complexity) with the need to develop a scheme which will be relatively simple to enter and manage. We will be addressing this issue and the context within which it was raised during future co-design workshops. As set out in both consultations on this issue, we believe the SLM outcomes will deliver many of the benefits to agriculture, environment and society which were mentioned by the respondents. To ensure value for money, any outcomes supported by the scheme must be measurable and directly related to the actions farmers will undertake to achieve delivery. We are interested in working with stakeholders on the inclusion of any outcomes that can meet this requirement.

9. Subsidising agricultural production for food security.

- i. Some respondents felt the framework did not give due attention or support to ensuring food security by subsidising food production. This perspective informed the strongest opposition to the framework.
- ii. We want to focus on working with the sector to produce sustainable, high quality food that meets consumer needs. We will work with farmers and the wider food sector to develop a close alignment between sustainable farming and the objectives of our Sustainable Brand Values work with the aim of improving access to markets that recognise the sustainability of Welsh produce and reward farmers fairly for its production. The proposals set out in the consultation will enable us to work together to achieve this objective.
- iii. The current system of support (BPS) is a fully decoupled income support payment and as such does not directly support food production. Farms in Wales can only produce a part of the varied diet needed to sustain health. Much of the output from Welsh farms is exported, either to other countries within the UK or further abroad. In turn much of what we eat is imported from elsewhere. Food security should be enabled by produce from Wales being supplemented by the importation of food produced to the standards to which we also adhere. This must be one of our objectives when developing future trade agreements.

10. Proposed Sustainable Farming Scheme.

- i. The main issues identified here were related to a perceived need to ensure financial stability for farmers. This issue also arose when respondents considered the proposition 'public money should pay for public goods' and the proposal for support to 'go beyond income foregone and costs incurred'. The need to cap payments, eligibility and the need to minimise bureaucracy were also raised.
- ii. We recognise the challenging times ahead for farmers and wider society mean there is a need to provide support to farmers. We believe farmers can best cope with market volatility by having well run businesses with diversified income streams (including the support proposed in *Sustainable Farming and Our Land*) and a business model focused clearly on the future they want for their business. The proposed scheme would help through the provision of an income stream not directly dependent upon the market for agricultural products. In addition, the proposed scheme would enable farmers to access business support and advice.
- iii. Whilst no decision has yet been made on the future design of support for agriculture, the proposed scheme design set out in *Sustainable Farming and Our Land* has the merit of contributing to meeting all of the seven Well-being of Future Generations (Wales) Act 2015 goals (described in Annex C of *Sustainable Farming and Our Land*). In addition, the proposed scheme design would enable payments for the delivery of the desired outcomes to include a level of incentive not possible in previous schemes i.e. beyond 'income foregone and costs incurred'. Financial stability can never be guaranteed, but the long term nature of the proposed scheme should give farmers more confidence in this regard.
- iv. No decisions have yet been made on eligibility and capping of payments as there is currently no clarity on the degree of future funding for agriculture the UK Government will provide.

11. Scheme accessibility.

- i. Respondents felt the proposals should encourage and ensure accessibility, specifically for tenant farmers. In addition, concerns were raised about access to broadband in remote areas
- ii. We want to ensure tenant farmers are able to access the proposed scheme. However, although we will seek to enable access, a tenancy agreement remains a legal and commercial relationship between a landlord and tenant. We are carefully considering the results of the recent

consultation on tenancy and will be putting forward proposals in the White Paper.

12. Implementation Concerns

- i. Some respondents raised concerns about implementation as they were unsure how the proposals would work in practice.
- ii. As we set out in paragraph 10, our ambition is for a scheme which offers financial support and advice to enable farmers to develop a sustainable future for them and their farms.
- iii. No decision has yet been made on a future scheme, including the detail of a future scheme's structure and operation. There will be further consultation on those details at the appropriate time.
- iv. Farmers accustomed to receiving support under the current scheme (BPS) may find the change of approach difficult to adapt to at first, but the proposed advisory service will help them through the transitional period. We are also considering the development of an outreach service before any new scheme is implemented so farmers and their agents can understand the changes a new scheme will bring.

13. Rewarding Creation and Maintenance

- i. Those respondents who expressed an opinion felt the scheme should reward both the 'creation' and the 'maintenance' of SLM outcome delivery.
- ii. The proposed scheme would reward farmers who undertake agreed actions which will deliver the desired outcomes. Where continued management is needed to deliver outcomes from existing good practice, it is proposed this will be recognised and rewarded along with the delivery of new SLM outcomes.

14. Minimising Bureaucracy

- i. A significant proportion of respondents feared the proposed scheme would substantially increase the burden on farmers in terms of paperwork and other forms of administration.
- ii. Government has a responsibility to ensure public money is well spent upon the objectives for which it is provided. Some level of bureaucracy will inevitably attach to any future scheme, just as it does with BPS at present.
- iii. Entry to the proposed scheme would be through a Farm Sustainability Review. These can be proportionate to the complexity of the farm business.

Also, adopting an outcome-based payment approach enables us to be less prescriptive, while still ensuring the outcome is delivered. We understand the level of advice and support needed will vary from farm to farm, so we would need to develop a proportionate solution. We are also considering how we can use self-assessment and self-reporting to make it easy and simple for farmers to show they have carried out their actions.

- iv. Where possible we propose to adapt existing online systems. If this is not practicable, we will ensure that stakeholders are engaged in the design and use of the customer interface for any new system, as they were during the development of RPW online, to make sure the system works for users.

15. Investing in Public Goods

- i. There were mixed opinions on farmers being incentivised to provide additional public goods.
- ii. The actions of land managers in general, and farmers in particular, can affect the delivery of socially desirable outcomes such as clean air, clean water, addressing the climate emergency and enhancing habitat resilience. We want to support farmers to safeguard these outcomes and to increase their delivery. This will benefit future generations of farmers and broader society. Such an approach offers a stable, long term income opportunity for farmers who choose to enter the proposed scheme and ensures that we properly value the contribution that farmers make to this agenda.

16. Improving public awareness and understanding of Sustainable Land Management

- i. It is encouraging to see endorsement for future support designed around the principle of sustainability. We believe food production and environmental outcomes can be delivered together. Sustainable food production helps improve the environment and feed current and future generations.
- ii. We would like to encourage more farmers to invite schools and families to visit their farms to see SLM in action as part of a future scheme. We value the social outcomes a stable farming sector brings to society as part of a wider rural community. We believe the approach to future support set out in *Sustainable Farming and Our Land* provides the best way for Government to help maintain the sector so this can continue to be the case.

17. The proposed Advisory Service

- i. Some respondents felt the advisors should possess a mix of expertise and experience, including a balance between local and specialist knowledge. Some felt identifying farmers who could provide broader peer advice would be a good way in which to deliver and disseminate support and advice.
- ii. Concern was also expressed in relation to the resources and funding needed to provide a new full-scale Advisory Service. A significant number of respondents believed a new Advisory Service would divert limited resources from direct financial support to farmers.
- iii. Others believed there was a definite need for advisor visits. They felt the development of a relationship between the farm and the advisor was vital to ensuring the scheme provided meaningful results.
- iv. Respondents were also concerned about the availability of sufficiently skilled advisors and suggested advisors should not be employed by Welsh Government. It was also emphasised advisors must be responsible for the advice provided as this may form the basis of farming practice.
- v. We remain of the opinion an advisory service is a valuable investment in our farmers and farm businesses. We understand the level of advice and support needed will vary from farm to farm, so we will need to develop a proportionate solution. We have commissioned an independent research company to look at the effectiveness of Farming Connect. The findings of this research, along with the feedback from the consultation, will help us shape the design of any future advisory support and build on what is identified as best practice

18. Benefits of Industry and Supply Chain Investment

- i. The majority of responses recognised the important role broader industry and supply chains have in supporting the agricultural sector, highlighting in particular the benefits of more integrated and local supply chains. For example, supporting the setting up of local, small-scale processing plants could reduce food miles and provide farmers with the opportunity to lower costs and increase margins. The majority of responses also stipulated any form of support for the industry and supply chains must be conditional on such support not undermining the delivery of SLM on farm. If it were not, respondents argued this would be unfair and any environmental benefits or gains provided by farmers could be damaged as could any brand value which might otherwise accrue.

- ii. We welcome the support for the broader industry and supply chains proposal. This has an important role in supporting the agricultural sector. When we published this consultation, we considered support for the wider supply chain should be reserved for those elements of the supply chain which enabled sustainable farming outcomes. We continue to consider this is the correct position as we seek to demonstrate the high quality standards the proposed scheme is meant to underpin.

19. Limited Financial Resources

- i. There were concerns supporting the broader supply chain could diminish the resources available to farmers.
- ii. Meanwhile, some highlighted the closure of local processing facilities and the move towards larger, centralised facilities and the detrimental effect these had upon animal welfare, carbon emissions, and the bargaining power of farmers.
- iii. It is as yet unclear what future budgetary provision for agriculture support will be provided by the UK Government. We intend to support the wider industry and supply chain where such support is consistent with the proposed SLM objective and benefits Welsh farmers. The majority of financial support would be directed at farmers through the proposed scheme.

20. Regulatory Improvement

- i. Respondents called for simple, effective and proportionate regulation. There was also concern a regulatory environment in Wales which differed from the rest of the UK may reduce the competitiveness of Welsh farms.
- ii. Regulation is meant to protect society from adverse outcomes. It also underpins our ambition for the products from Welsh farms to be recognised as high quality, sustainably produced food.
- iii. We recognise the current rules and regulations can seem complex. This is why one of our key principles of a future regulatory framework will be to make regulation more accessible to farmers and land managers. This includes giving better advice and guidance to help make regulation less onerous.
- iv. We are encouraged to see respondents agree to the need for proportionate enforcement. This is consistent with our proposals.
- v. The competitiveness of Welsh products should be founded upon the sustainable production of high quality food, attractive to consumers. A

regulatory framework providing advice, support and which, where necessary, inflicts proportionate sanctions for compliance failure is the foundation upon which the proposed scheme can be constructed.

21. Transition from BPS to any new scheme.

- i. Respondents expressed concern about the length of any transition period, with the majority favouring five years or more. Many cited uncertainty over our future relationship with the EU as a reason for slowing down the pace of change. Some also suggested some or all aspects of the scheme should be piloted before the scheme was fully rolled out.
- ii. We understand why respondents seek a prolonged transition period and why the consequences of EU transition may exacerbate people's concerns. However, we must also address the climate emergency, the urgent need to reverse the loss of biodiversity and the need for clean air and water. We cannot afford to delay our response to these issues.
- iii. The way in which land in Wales is managed has a significant impact on these issues and we must balance the desire for a prolonged transition period with the need to support farmers to address these issues. Once we have clarity about the level of future funding for agricultural support we will work with stakeholders to develop an appropriate model for transition.

22. Evidence and analysis.

- i. Respondents expressed a range of views. A key point of departure was the specific focus of any impact analyses, with different respondents holding different priorities. Some highlighted specific issues, such as language or environmental impacts, as being overemphasised or underemphasised within the proposals. Others felt the proposals were overly complex, and wished to see a more streamlined and simplified approach to understanding and analysing impacts. One constituency of respondents, for example, wished to see the proposals being assessed against the Well-being of Future Generations Act (2015) and the Environment (Wales) Act 2016.
- ii. We welcome the general consensus supporting the approach of assessing the impact of the proposals, recognising it is an important and valuable exercise. We will continue to progress with our detailed and comprehensive programme of analysis, as we set out in Annex A of the consultation. We will also be commissioning other, independent analysis of our proposals.
- iii. We will publish our Regulatory Impact Assessment to accompany the proposed Agriculture (Wales) Bill early in the 6th Senedd term.

- iv. We will be carrying out a full range of impact assessments, including assessing our proposals against the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016. Some initial work in this area has already been undertaken and set out in *Sustainable Farming and Our Land*.

23. Welsh language issues.

- i. Some respondents raised concerns about the impact of these proposals on the Welsh language, suggesting they do not provide enough support and protection to communities in which Welsh is commonly used.
- ii. There was broad support for the scheme to be delivered bilingually.
- iii. The proposals set out in this consultation represent the result of a prolonged period of policy analysis aimed at supporting farmers to transition to a sustainable future. The challenges ahead mean we must develop a new approach to providing support, continuing to offer an income stream to farmers which also delivers those social benefits which can be provided through land management for the benefit of wider society. This approach will help enable farmers to remain on their land, receiving funding and support from Welsh Government as long as they choose to enter the scheme. Enabling this will support resilience in the wider rural community and the continuance of the Welsh language in these areas. Whatever scheme is developed will be delivered bilingually.

24. Conclusion.

- i. Welsh Government is grateful to stakeholders who took the time to read, consider and respond to this consultation. We have set out our policy responses to the main points raised in those responses and will carefully consider them in our future work.
- ii. Before the end of this term, we will publish a White Paper as the precursor to an Agriculture (Wales) Bill. This White Paper will also be a consultative document, enabling further comment on our proposals as they develop.
- iii. In the interim, we will continue to engage with stakeholders through a range of media to enable the development of our ideas and proposals.