

# Welsh Government Outline Proposals: Sustainable Farming Scheme (SFS)

## -NFU Cymru Response Summary

November 2022

### Overview

In July, Welsh Government published its [outline proposals](#) for the proposed Sustainable Farming Scheme (SFS) – the scheme set to replace the Basic Payment Scheme (BPS) and Glastir from 2025 onwards. This briefing provides a summary of the full NFU Cymru response to these proposals. The full response can be read [here](#) and the press release to the response can be read [here](#).

### Sustainable Land Management Objectives and Outcomes

- **Sustainable Land Management (SLM) Objectives**

The Sustainable Farming Scheme has been designed to support farmers to deliver the objectives of:

- producing food in a sustainable manner;
- mitigating and adapting to climate change;
- maintaining and enhancing the resilience of ecosystems and the benefits they provide; and
- conserving and enhancing the countryside and cultural resources, promoting public access and engagement with them.

NFU Cymru is encouraged that food is now mentioned within the first SLM objective but believe this objective should be further strengthened to recognise our global responsibility to maintain and enhance, where possible, the production of food. NFU Cymru believes that the fourth objective needs to be strengthened to recognise farmers role in conserving and enhancing the countryside, cultural resources and the Welsh language.

NFU Cymru believes that an additional fifth objective is needed that recognises that sustainable and viable agricultural businesses are essential to the viability of rural livelihoods, communities and the economy. Economically viable farms are needed to deliver wider outcomes for society.

- **Sustainable Land Management (SLM) Outcomes**

Within the outline proposals ten SLM outcomes have been specified, these are predominantly environmental. NFU Cymru believes the production of safe, high quality affordable food, rural livelihoods, on-farm productivity enhancements (including support for new entrants and start-ups) and the Welsh language should be included as outcomes for the scheme. The SLM outcome relating to food production should be amended from environmentally sustainable to economically, environmentally, socially and culturally sustainable to reflect sustainability in line with the Future Generations Act definition.

There are also scheme related gaps, when compared to the CAP framework, including, for example, support for organic farming through conversion and ongoing maintenance and new entrants/young farmers. It is also important to highlight that a number of our key competitors within the UK and the EU continue to operate an Area of Natural Constraint measure (ANC).

## The Sustainable Farming Scheme Structure

Welsh Government proposes a Scheme structure based on three levels - Universal Actions, Optional Actions and Collaborative Actions - underpinned by National Minimum Standards (not specifically included within this consultation).

- **National Minimum Standards (NMS)**

Welsh Government proposes to bring together agricultural legislation into a set of National Minimum Standards, clarifying and consolidating agricultural regulations into one piece of legislation, based initially on the existing requirements that underpin Cross Compliance. NFU Cymru does not support Welsh Government proposals that the NMS should be a 'copy and paste' of the current Cross Compliance Standards. Given that compliance with NMS is being proposed as the 'gateway' to the future scheme, farmers unable to reach this regulatory baseline will be excluded from future support. We believe proposals for NMS must be developed with industry and subject to full consultation before progressing via primary legislation.

- **Universal Actions**

NFU Cymru supports Welsh Government's overarching Scheme structure based around three tiers. We welcome Welsh Government's proposals to provide a baseline payment to farmers in return for undertaking the Universal Actions. The concept of delivering a suite of Universal Actions, alongside appropriate data, in return for a Universal Payment is one that NFU Cymru supports. However, our support for this structure is dependent on the development of practical and deliverable Actions within the Universal layer which are achievable on all farms in Wales, irrespective of farming sector, system and location.

- **Optional Actions**

NFU Cymru recognises the need for a higher tier of actions that farmers can opt to deliver over and above the Universal Actions. The Optional Actions are likely to be more complex and targeted than the Universal tier and it is at this level that NFU Cymru believes that on-farm specialist advice will be needed for the development of bespoke multi-annual contracts. The proposed revenue and capital payments are only likely to cover the expenditures incurred by the farm business for the delivery of specific Optional Actions. This is a significant deviation from Welsh Government's past policy proposals where the commitment has been to provide an income stream and 'fair reward' for the delivery of environmental outcomes.

- **Collaborative Actions**

Welsh Government proposals include a Collaborative layer where multiple farmers or land managers will be supported for carrying out actions at the landscape, catchment or national scale. NFU Cymru recognises the potential that collaborative approaches can play in the delivery of a range of beneficial outcomes, however, we are concerned that Welsh Government has not learnt the lessons of past rural development schemes. We reiterate our long-held concerns that the Sustainable Management Scheme has proved largely inaccessible to farmers, instead favouring applications from eNGOs and other bodies with insufficient focus on the management/administration costs of projects, some of which are very high and do not represent value for money.

## The Sustainable Farming Scheme Framework

Overall, NFU Cymru believes that the Actions at the Universal, Optional and Collaborative layers need to be more closely aligned to the revised SLM Objectives and Outcomes that NFU Cymru has proposed. Our detailed comments relating to each of the proposed Universal, Optional and Collaborative actions are included in the full NFU Cymru response.

A summary of our comments on the proposed Universal Actions set out over the following pages: -

**Universal Action – All farmers will complete a self-assessment once a year against a minimum of the sector and industry KPIs-**

NFU Cymru recognise the role that measuring performance can play, enabling farm businesses to compare their position with their own past performance and other farmers. However, benchmarking can be a blunt instrument, with no two farms the same and farm performance can often be impacted by factors beyond the control of the business. NFU Cymru does not support the sharing of financial data with Government. We support the principle of the provision of key physical performance data in return for payment, provided that this is done in a way that minimises bureaucracy and builds upon current systems and industry tools.

**Universal Action - All farms need to have the necessary biosecurity measures in place -**

A farm biosecurity policy is a key requirement of farm assurance; therefore, membership of a farm assurance scheme should automatically mean that the farm business is compliant with this Action and should not be expected to duplicate any activity for the SFS. However, this should not preclude any farmer not in farm assurance from meeting this universal action.

**Universal Action – All farmers will be required to carry out professional and farmer soil testing at Scheme entry and in time for contract renewal –**

In principle NFU Cymru supports this action but has raised concerns in relation to the details proposed for its implementation. We believe that testing for PH, P, K and Mg is straightforward and well used but the sampling of soil N and carbon is far more complex and uncertain. It is important that WG are able to ensure uniformity if they proceed with this action.

**Universal Action - Submit nutrient accounts and evidence covering N, P, K, C, and PH-**

If these accounts are to be submitted then we would advocate an interactive proforma that can be completed and submitted via RPW Online.

**Universal Action - Farmers will be supported to collect, record and report data on Plant Protection Products and use and complete an IPM assessment –**

NFU Cymru would agree with the principle of this Action but wish to point out that IPM is about reducing risk, which does not always mean a reduction in use of pesticides which Welsh Government appear to be suggesting they want to achieve within this action.

**Universal Action – farmers will need to: carry out actions, identified by working with their vet, through the Animal Health Improvement Cycle (AHIC); calculate and report the average amount of antibiotic used on the farm-**

NFU Cymru supports the inclusion of this Universal Action. Healthy animals are productive animals which means they are more efficient and will have a lower carbon footprint. Improvements to health and welfare may also require investment in new or improved infrastructure and technology on farm. In this context, Welsh Government should make capital grants available to farmers to allow investment in the necessary on farm improvements.

The requirement to monitor, calculate and report antibiotic use on farm is already happening on many farms across Wales and is a key requirement within farm assurance. Caution must be taking when looking at averages in isolation, antibiotic use can be influenced by factors outside of a farmers control.

NFU Cymru would advocate that given the level of overlap between Farm Assurance and the proposed AHIC that proof of active membership of farm assurance would mean that the farm is compliant with this Universal action and should not be expected to duplicate any activity for the SFS. However, this should not preclude any farmer not in farm assurance from meeting this universal action.

**Universal Action – Where peatland exists, farmers will need to manage it appropriately –**

The Action lacks a definition of peatland – different management strategies will be required for different types of peatlands and we remain unclear as to what appropriate management will mean in practice. It is also important to recognise that a significant area of peatlands will be on common land so appropriate management will not be within the control of the common land right holder who has right to graze.

Restoration activities should be on the basis of robust evidence with costs understood and reflected properly in payment rates. Strategies for peatland restoration need to recognise the importance of grazing livestock. Given the complexity of this Action and on the basis on the limited information provided in the Outline Proposals, action on peatlands would appear better placed to higher level Optional Actions and the Collaborative layer for peat on common land.

**Universal Action – Farmers will have at least 10% tree cover on their farm. This should be managed in line with the UK Forestry Standard-**

NFU Cymru would highlight that of all the Actions proposed, this Action has been most concerning and categorically rejected by our members. No evidence base has been presented for the 10% target and there is a lack of clarification within proposals with respect to what will be included within the tree cover definition and whether areas of woodland, hedgerows, parkland, individual trees and areas of wood scrub such as gorse will be included within the 10% target figure. We are also concerned around the appropriateness of managing the tree cover in line with the UK Forest Standard which extends to 232 pages, is complex for farmers to engage with and is the baseline standard for forestry, not necessarily relevant for farm scale woodlands.

There are numerous scenarios where the 10% tree cover target has been identified as impractical and unachievable including tenant farmers, farmers with common land, farmers in naturally constrained areas and farmers impacted by regulation. There are also scenarios where establishing tree cover will not be environmentally beneficial. For example, tree planting on peatlands and high organo-mineral soils; habitat land; and BMV land. Exclusions on the woodland opportunities map may also directly impact some farmers achieving the tree cover target.

In the context of the challenges to global food production, NFU Cymru is concerned about the impact this proposal will have on Wales' agricultural capacity and the impact on farm viability given the cumulative impact of the 10% tree cover and habitat Actions – albeit recognising that Welsh Government have stated there will be some overlap between the two. We are clear that these Actions may see many farms having to reduce production to a level that will result in their core business being unviable. Comprehensive Regulatory Impact Assessment and modelling is, therefore, needed to assess the impact of this proposal on our capacity to produce food and upon farm business viability. Overall, we are clear that this proposal will need to be amended if Scheme participation and equal access for all farmers is to be secured.

**Universal Action – Farmers will manage new and existing hedgerows in line with the hedgerow management cycle-**

Farmers expressed concern around the requirements for this action and what the hedgerow management cycle will mean in practice. Welsh Government appear to suggest that this will include trimming to a slightly higher and wider point each trim. Many hedges have been established and managed through existing rural development schemes, the widening of these features is constrained by the existing fencing, placing limitations on what will be cost effective or practical to achieve.

**Universal Action- To protect soil from erosion, farmers will need to establish a multi-species cover crop on all land which is uncropped over winter –**

The key concern relating to this Universal Action as it currently stands is that the option to leave land with a rough surface is not permitted. The approach is at odds with established agronomic practice. NFU Cymru would highlight that allowing a rough surface over winter offers significant and widespread benefits and fits into standard agronomic practice across a range of cropping systems. This Universal Action has far reaching consequences including impact on spring crop establishment, potato production and perversely could result in the need for increased pesticide use as a result of the 'green bridge'.

**Universal Action – Farmers will need to actively manage at least 10% of their land to maintain and enhance semi-natural habitats. Where there is insufficient semi-natural habitat available, farmers will need to selection actions to create permanent or temporary habitat features on agricultural land-**

Welsh Government has opted not to provide a definition of what it means by habitat. We believe this should be as broad as possible and there are many features that could be counted as habitats on Welsh farms ranging from traditional buildings which are homes for bats and barn owls, dry stonewalls, scrub features through to a range of riparian and wetland features. All are important and should be recognised

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within the Scheme. In practice, achieving diversity in cropping will also deliver a broader range of habitat on-farm.

We are unclear of the evidence underpinning the 10% target and believe this should state habitat (as opposed to semi-natural habitat) to enable as broad a range of habitats as possible to be included. We are also concerned that farmers will be deterred by the protections offered to semi-natural habitat through EIA Regulations once created. As with the targets for tree cover Welsh Government is proposing permanent changes to land use which result in a reduction in land values and also its productive capacity and potential to provide a living for current and future generations. The ability of tenant farmers to secure landlord's permission is also in question presenting a further barrier to Scheme entry.

NFU Cymru asks what assessment Welsh Government has undertaken of the cumulative impact of the proposed tree cover and semi-natural habitat targets on Wales' agricultural productive capacity, food production and supply chain. Taken alongside the proposed 10% for tree cover many farmers will feel that the threshold and the area of productive land that they are set to lose is simply too high for them to enter the Scheme, given the permanency of the land use changes and associated devaluation of asset.

**Universal Action – Have a fully developed and agreed management plan in place ready for implementation for protected sites under the farmer's sole control –**

We do not believe there is capacity to have fully developed management plans in place for all protected sites by the start of the Scheme. We believe it is vital that farmers with protected sites are not disadvantaged or delayed from participating.

**Universal Action – Farmers will have to restore and manage existing permanent wildlife ponds and/or create a number of temporary ponds (scrapes)-**

Ponds and scrapes are not possible in all circumstances. For example, it will be a challenge to meet this Universal Action on some soil types. There will also be farms and areas on farms where the establishment of a pond and scrape is inappropriate – this includes on existing habitat land, designated sites etc. This Universal Action is likely to have high creation/restoration and ongoing management costs and will potentially be impacted by planning, EIA (Agriculture) and SuDS regulations which are likely to add further costs.

**Universal Action – Farms with historic environment features identified on their land will need to follow general guidance on how to manage them-**

NFU Cymru is concerned that no accurate definitive map of historic environment features exists upon which to base this Universal Action and there are many instances of features being identified as historic environment features erroneously. We are concerned that there could be disproportionate levels of cost associated with this Universal Action for some farmers.

**Universal Action - Farmers will be required to complete a minimum level of learning, including on Health and Safety –**

People are the key asset of any business and we recognise the role that investment in people plays in supporting our vision for a productive, progressive and profitable farming industry in Wales. Welsh Government should recognise that many farmers in Wales are educated to degree level and beyond and are frequently better qualified than the advisers paid to advise them. NFU Cymru is not supportive of a 'certificate to farm' approach.

Farming has a very poor safety record when compared to other sectors of the economy. Therefore, in principle, we would support proposals aimed at undertaking farming activities safely and efficiently. Welsh Government must ensure that the measures proposed are targeted and proportionate as not only will each farm have different requirements, but people learn in different ways and what suits one farmer might not suit another.

## The Sustainable Farming Scheme Process

- **Eligibility Criteria**

NFU Cymru supports Welsh Government's proposed eligibility criteria that applicants will need to be farmers undertaking agricultural activities. Welsh Government should maintain the 5ha minimum eligibility requirements that the BPS operates under. NFU Cymru is concerned at the proposed eligibility criteria for the collaborative tier of the Scheme i.e. only two farmers are needed. This, in effect, gives eNGOs and other bodies access and control of a proportion of the agricultural budget.

- **Scheme accessibility**

NFU Cymru supports Welsh Government's key principle that all farmers should be able to access the Scheme. The Scheme must work for all farm types, including tenants and those with rights to common land, however, fundamental issues remain if equal access to the scheme is to be achieved.

With respect to farmers who do not own the land that they farm, we are concerned that the Welsh Government proposal to deliver the scheme via five-year multi-annual contracts will present a barrier for those farmers who do not have security of tenure for the contract period. A number of the actions proposed, for example, the requirement to 10% tree cover will also prevent access to the Scheme for many tenant farmers given that woodland is often excluded from the tenancy and landlords may be unwilling to grant permission given the devaluation of land. Tenant farmers must be able to enter the Scheme on an equal footing to their owner occupier counterparts, irrespective of their tenancy type or duration.

With respect to common land, it is important to recognise that this is included as eligible area for the purposes of BPS currently. This must continue for the purposes of future support, including the proposed Universal layer for which farmers will receive a baseline payment. Given that it will not be possible for common right holders to deliver many of the proposed Universal Actions, including proposed tree cover, on common land, NFU Cymru believes the common land eligible area, whilst included for the baseline payment, should not be included in any targets established within the Universal Actions.

- **Sustainability Review**

NFU Cymru does not support Welsh Government's Sustainability Review as a means of accessing the SFS. It does not align with our key principle of a policy that is easy to administer. We do not believe it will be practicable or cost effective to undertake a whole farm assessment of the economic, environmental and social aspects of every farm entering the Scheme. Nor will it be practical for every farm to have a habitat survey. NFU Cymru believes Scheme access should be through the evolution of the current Single Application Form (SAF) delivered via RPW online on an annual basis, alongside the delivery of Universal Actions and in return for the Universal Payment.

- **Action Selection**

For ease of scheme administration NFU Cymru believes, at the annual SAF stage, farmers could register their interest in the Optional and Collaborative tiers with the bespoke advice and the habitat review reserved for these layers. Examples exist currently, such as Glastir Small Grants, that show environmental activity can be delivered effectively without the need for such advice.

- **The contract**

NFU Cymru is concerned that a multi-annual contract of five years will prohibit farmers who do not own the land that they farm from participating in the scheme. A longer term bespoke contractual approach may be required for the delivery of actions within the Optional and Collaborative layers. There is not the capacity within Welsh Government to support the development, implementation and monitoring of in excess of 16,000 bespoke contracts at the Universal level. Universal actions in return for a baseline universal payment should be delivered on an annual basis via RPW online.

- **Payments**

Our members have expressed concern at the lack of detail on proposed payment rates which has hindered their ability to comment on proposals. NFU Cymru would take this opportunity to remind Welsh Government, that through the SFS, it is seeking to replace not only the Glastir agri-environment scheme but also the BPS which is fundamental to underpinning the viability of farm businesses across Wales. The SFS must therefore ensure, as its primary objective, that it provides at least the same level of stability to farm businesses. The Universal payment will need to go substantially beyond cost incurred and income foregone calculations and a substantial proportion of the budget, no less than the BPS currently (circa £240m), should be devoted to this level.

- **Monitoring and Checking**

NFU Cymru is concerned about the level of complexity Welsh Government is proposing for monitoring and checking. Monitoring and checking must be necessary and proportionate. We identify the annual SAF approach provides the platform to provide much of the monitoring needed, particularly for the baseline Universal layer of the Scheme alongside a proportionate inspection regime. We believe any data collected should be absolutely necessary and proportionate to the purposes for which the data is required. Where the data has value to Government, for example, in demonstrating the delivery of national and international obligations, NFU Cymru is clear that the supply of data should have a value attached to it.

- **Inspections and Penalties**

In principle, NFU Cymru welcomes a more targeted and risk-based approach to inspection, providing there is transparency around the criteria to assess risk. NFU Cymru has also long argued that the frequency of regulatory inspection should acknowledge the relevant requirements of farm assurance schemes. We are pleased that Welsh Government recognises that, in some instances, a farmer may not be able to comply with the Scheme requirements due to factors outside their control and an element of flexibility should, therefore, be inherent within the scheme design. NFU Cymru supports the continuation of the appeals process to enable farmers to challenge decisions taken by Rural Payments Wales.

- **Farming Connect**

Throughout Outline Proposals the emphasis on advice and guidance and Farming Connect is significant. Overall, we are concerned that Welsh Government continues to rely on advice and guidance to make up for an overly complicated Scheme design. We believe that the Universal layer should be accessible via RPW online, with advice and guidance reserved for the development of the Optional and Collaborative Actions delivered via bespoke contracts. Proposals for the new Farming Connect programme are largely unchanged from previous programmes. NFU Cymru sees this as an opportune time to fundamentally review the future role of Farming Connect in conjunction with farming organisations.

## Transition

- **Prepare and Pilot Phase (2022-2024)**

The importance of a stable and well-planned transition from the current CAP to a new bespoke policy cannot be overstated recognising the fundamental role that the CAP, particularly BPS support, has served in providing stability and underpinning farm business viability in Wales. NFU Cymru welcomes the measures Welsh Government has put in place to provide stability and certainty to the farming industry until the end of 2023 through the continuation of the BPS and Glastir. This must be maintained at current payment levels.

NFU Cymru is concerned about the potential of a 'cliff edge' in funding in 2024. The BPS should continue at current levels in 2024 and there should be no transition to the SFS until we can be satisfied, through modelling and impact assessment, that the proposed Scheme provides at least the same level of stability to farm businesses, the food supply chain and rural communities that the BPS does currently. A transitional agri-environment measure is also required for 2024 to ensure the continued delivery of land based environmental outcomes, providing stability to farm businesses that hold Glastir contracts presently.

Rural development schemes delivered through the planning and pilot stage need to provide farmers with 'fair reward' for the environmental goods they deliver, we are concerned that the Schemes brought forward in this phase don't even cover costs.

- **Transition Period (2025-2029)**

NFU Cymru welcomes Welsh Government's commitment to provide stability and avoid a 'cliff edge' in funding. Welsh Government rightly recognises that the delivery of environmental and social outcomes is dependent upon farm businesses being economically sustainable. NFU Cymru notes that Welsh Government proposes a period of transition beginning in 2025 and ending in 2029. It is our view that retaining flexibility over the length of transition would be prudent

- **Funding**

Whilst NFU Cymru recognises that Welsh Government does not have budget certainty beyond the financial year 2024-2025, we take this opportunity to reiterate that in order to meet our shared ambitions a well-funded multi-annual budget for Welsh farming is essential. A plan is needed to make the case to Welsh and UK Treasury. We do not believe Welsh Government's ambitions can be met by diverting funds currently used to provide stability to farm businesses to the delivery of environmental outcomes. At the very minimum and in line with not a penny less as per Ministerial commitments this means the value of Pillar 1 and Pillar 2 funds including the domestic co-financing obligation upon Welsh Government for rural development. In summary, we expect over £374m of funding to be available annually to resource the SFS if commitments made by our governments are to be honoured, recognising that given the significant inflationary pressures, this would be a reduction in real terms.