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Welsh Farm Incomes and Agricultural Wages

Joint Submission from NFU Cymru / FUW

August 2023

Introduction

The Farmers' Union of Wales (FUW) and NFU Cymru represent farm businesses from across Wales and across the agricultural sectors.

This joint submission from NFU Cymru and the FUW outlines both Farming Unions' position with regard to the 2023 discussions on agricultural wages in Wales from 1st April 2024.

The submission also outlines the economic landscape in which our members are currently (as at August 2023) operating and the most recently available data relating to that landscape.

Farm workers and Wales' Agricultural Industry

The Welsh agricultural industry is different from other Welsh industries in a number of ways. With specific regards to labour, principal farmers are the largest group of workers. These are owners of the farm business and draw an income from the profits. Those who work on the farm on a continuous basis are often members of the farmer's family and part of the family business. The number of regular workers is relatively small and the majority of farms in Wales do not have any regular workers. On such farms, all of the regular work is undertaken by farmers, their partners and family members. Additional workers are often employed on a short–term basis during busy periods, though a significant amount of this work is carried out by self-employed contractors.

Welsh farm incomes

The latest Welsh farm income data was published in January 2023 and relates to the period April 2021 - March 2022.

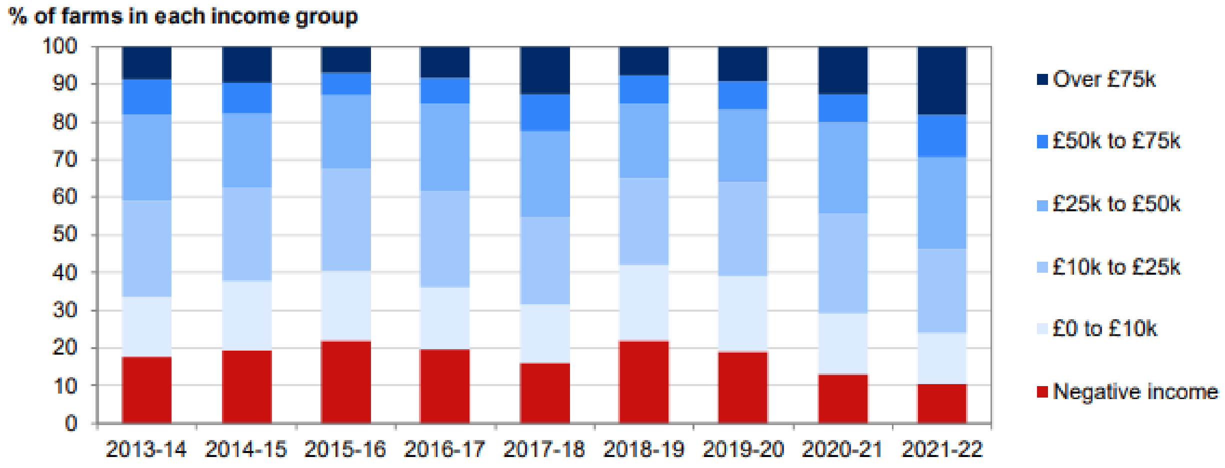
It should be noted that the figure generally used to reflect farm profitability for each Welsh farm category is 'farm business income', which represents the financial return to all unpaid workers (farmers, spouses, non-principal partners and their spouses, and family workers) and on all their capital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

Average farm income across all farm types in the year to March 2022 stood at £45,200, an increase of 32% on year earlier figures. This average figure masks the huge variation between different sectors and land types with Farm Business Income for Lowland Sheep and Beef at £26,500 and Dairy at £88,000.

The income data covers the year to 31 March 2022, and therefore mostly excludes the impact of the war in Ukraine which began in the final week of February 2022. At the time of publishing this data Welsh Government stated that there are likely to be many impacts because of the war but the results are likely to be seen in next year's release (published early 2024) of the April 2022-March 23 results.

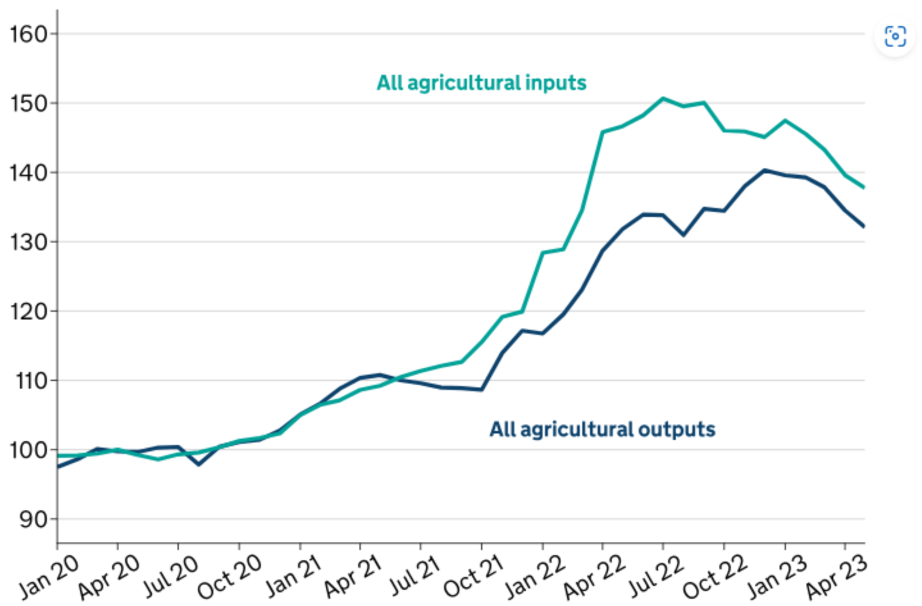
Average farm income data also masks the significant variation in incomes seen at an individual farm level, both between and within farm types. The level of income on a farm can be influenced by a range of physical, social and economic factors.

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



Agflation

On a monthly basis [DEFRA publish price indices]() for agricultural outputs and inputs. The graph below shows the monthly price indices for agricultural outputs and inputs since January 2020. The two indices were closely aligned throughout 2020 and much of 2021, before agricultural inputs saw considerably higher rates of inflation as prices of key inputs (particularly fertiliser and animal feed) experienced rapid price increases. In recent months the agricultural inputs index has stabilised and we have begun to see some small decreases but the index remains nearly 40% higher than it was in 2020. Whilst the agricultural outputs index has also risen the graph below shows that compared to 2020 the gap between inputs and outputs has increased showing that inflation for agricultural inputs exceeds that for agricultural outputs thus putting margins under pressure.



The latest information that AHDB have for Red Diesel Fuel prices shows Red Diesel fuel prices at an average price of 78.45ppl for June 23, a fall of 23.5% on the year but still 69% above the June 2020 price.

CF Fertilisers last year (August 2022) closed one of its two UK factories - at Ince, Cheshire. The plant produced ammonia, used to manufacture the fertiliser ammonium nitrate. This left the CF fertiliser plant in Billingham as the only operational plant for fertilisers in the UK. The company then focussed its manufacturing operations in the UK exclusively at the Billingham site in Teesside. CF fertilisers made in excess of 1.5 million tonnes per year of ammonium nitrate which equates to 40% of the UK fertiliser needs. However, due to the natural gas price spike in August of last year, CF fertilisers temporarily shut down production of ammonium nitrate at Billingham, with the country relying on imports. On the 25th July 2023 CF announced that they would be permanently closing the Billingham factory. This decision is concerning and exposes our fertliser market further to global volatility. Availability of fertiliser is a crucial element of efficient food production to the UK and relying on importing ammonia from global markets exposes British fertiliser production to possible long-term risks.

On Fertiliser the latest information from AHDB puts UK Ammonium Nitrate at £344 /t, back from £700/t in January 23 and £758/t of June 22 but still 16% up from the June 21 price of £297/t highlighting the continued volatility and uncertainty in the market. A significant proportion of fertiliser for the 2023 growing season would have been purchased in the autumn of 2022 and early 2023.

Both Russia and Ukraine are important in terms of the production of food and feed, meaning Russia's war on Ukraine has had, and continues to have, a direct impact on global food and feed availability and prices – whether as a direct impact or due to sanctions.

For example, in 2019, around 10% of global wheat exports came from Ukraine, while around 15% came from Russia; around 16% of global maize exports came from Ukraine; and around 42% of global sunflower oil exports came from Ukraine, while around 21% came from Russia.

Clearly there are a range of other important commodities exported from Ukraine onto the global market that will be directly impacted by the war, while important commodities exported from Russia will also be indirectly impacted, with barley being particularly important in this context (in 2019, 19% of global barley exports came from Russia and Ukraine).

While the UK's direct reliance on Ukraine and Russia for different commodities used as ingredients or as animal feed varies, the UK is directly exposed to the price volatility caused by global shortages. It is also notable that while some substitution of unavailable or unaffordable animal feed ingredients has been possible, this also has an impact on the quality of the feed and therefore the performance of animals.

In mid-July 23, Russia suspended its participation in the Black Sea Grain Initiative, the UN-backed agreement which facilitated the safe passage of 32 million tonnes of Ukrainian grain via the Black Sea over the past year. By the end of July Russia had damaged and partially destroyed 26 port infrastructure facilities and five civilian vessels in a series of airstrikes.

This has resulted in futures markets increasing with November 23 UK Feed Wheat futures rising £9.00/t to £216/t.

Such effects are likely to have a significant impact on farm profits for the period since March 2022 which are not accounted for in the Welsh farm income data referred to above.

Bovine TB

Bovine TB continues to have a major economic and psychological impact on Welsh farming communities, with around 10,000 animals consistently being slaughtered per annum due to TB over the past five years. At any one time more than 600 farm businesses in Wales will be restricted because of Bovine TB with thousands more living with the fear of what their next on-farm TB test will bring.

In March 2023 the Welsh Government launched its Bovine TB delivery plan for the period 2023 - 2028. Farmers have been left extremely frustrated by the fact that the plan offers little progress towards a comprehensive strategy to genuinely eradicate Bovine TB from Wales.

Exeter University has found that the consequential losses associated with a TB outbreak on farm can be between £3,198 and £55,000 per farm as a result of movement restrictions alone.

Water Quality Regulations

On 27th January 2021, the Minister for Environment, Energy and Rural Affairs, announced regulations covering the whole of Wales to protect water quality from agricultural pollution. The Regulations introduce a Nitrate Vulnerable Zone (NVZ) across the whole of Wales.

The Regulations came into force on the 1st April 2021 with transitional periods for some elements.

The Welsh Government's 2021 Regulatory Impact Assessment (RIA) states that the regulations will cost Welsh farmers as much as £360 million in infrastructure costs alone – with annual compliance and impact costs in addition to this figure. This equates to average infrastructure costs per Welsh holding of around £14,500, which rises to an average of around £25,000 when only those (cattle farms) most likely to be acutely impacted are considered.

Since the publication of the impact assessment, the cost of compliance with the regulations has increased significantly as a result of increases in building costs, meaning the infrastructure costs of compliance may alone now approach £0.5 billion.

At the time of writing a 170kg/ha N limit from Organic manures will be introduced at the end of the October 2023, although the farming unions continue to lobby for the introduction of a licensing system to increase the limit to 250Kg N / ha.

AHDB have carried out some modelling of the potential impact of the 170 Kg N limit on the dairy industry in Wales has been modelled by AHDB Dairy.

They have calculated that to meet the new limit of 170kg of N per ha, the stocking density would need to reduce by 17%, when accounting for all animals. Assuming that the stocking density is lowered strictly through reducing the number of animals in the enterprise, this would lead to an equivalent reduction in milk production of 17%, equating to 336m litres[1]

Impact on Dairy Farms:

[1] Based on cow numbers and yields for the 2021/22 season. Yields for Wales are calculated based on estimated Welsh milk production and BCMS figures for the Welsh milking herd.

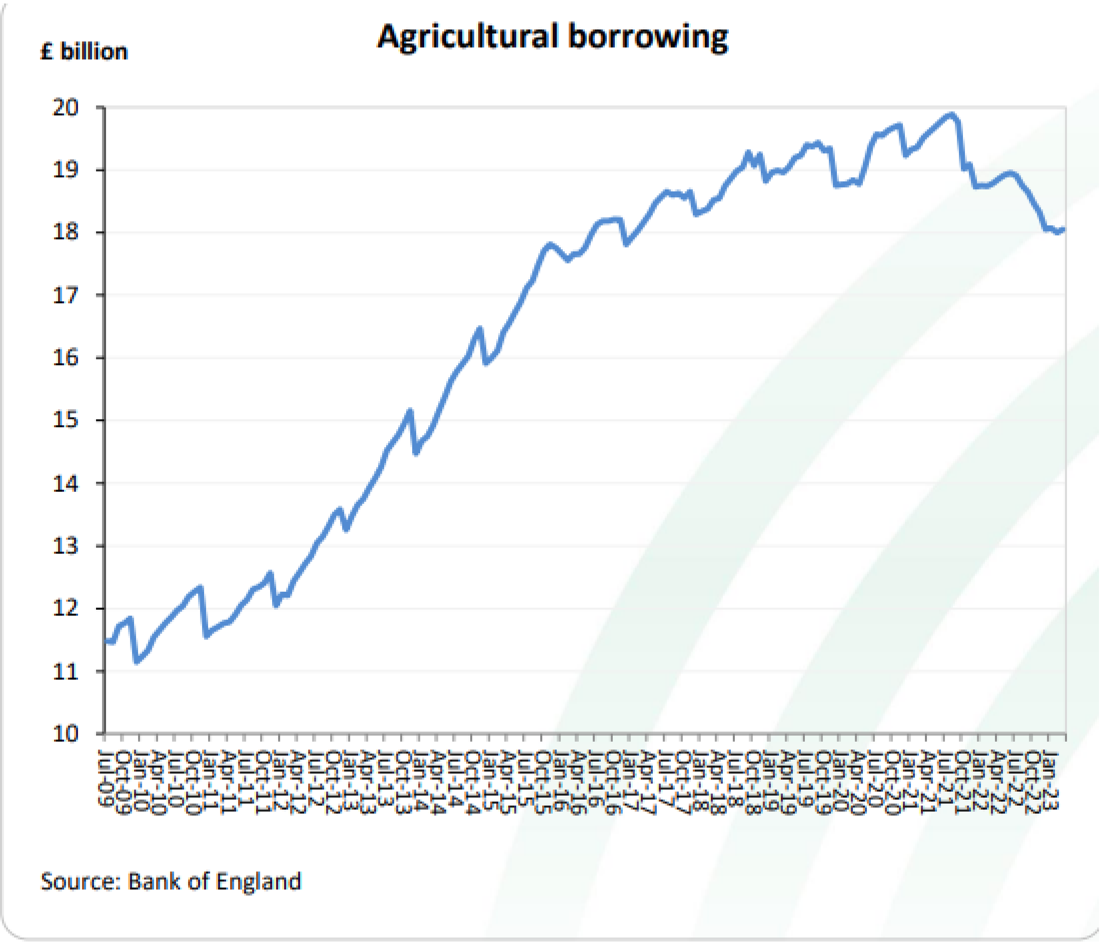
- No. of dairy producers – 1490
- Total adult dairy herd in Wales (over 2 years)- 252,200
- Milk production in Wales – 2 billion litres annually
- Data collected for the Wales Conditional Aid programme showed the average farm uses 3 ½ staff – this equates to a full-time worker for every 48 adult cows

This suggests that a 17% reduction in cows would mean a labour requirement reduction of 894 people. This is based on the assumption that every farm would be able to remain viable and continue in milk production on the lower cow numbers, lower milk production and resultant loss of income. This is unlikely to be the case so the job losses could in fact be much higher.

As such, the Regulations represent a substantial threat to Welsh farm incomes and livelihoods.

Farm borrowing

Bank of England data shows that agricultural borrowing stood at £18.05 billion in March 23, a marginal increase from the £18 billion recorded the previous month.



Agricultural borrowing, July 2009-Jan 2023

Farm borrowing remains extremely high compared with historic levels, and with around half of all farms having existing borrowing, and many needing to borrow in order to cope with immediate and long-term challenges – not least the costs of complying with Water quality regulations – the servicing of existing and new loans in a climate of rising interest rates will bring additional financial pressures for Welsh farm businesses over the coming years.

With interest rates having risen to 5.25%, from 0.1% in December 2021, their highest rate since 2008 the ability to service increased loan repayments will be a major concern to many farming businesses.

Transition to the Sustainable Farming Scheme

In 2018, the Welsh Government launched its *Brexit and our Land* consultation, followed in 2019 by the *Sustainable Farming and our Land* consultation and in 2020 by the Agriculture (Wales) White Paper.

All documents advocated the most radical changes to the principles which have underpinned agricultural support since the 1940s; specifically, the proposals effectively remove the key principle of supporting family farms and rural communities enshrined in the 1947 Act, the Treaty of Rome and its successor, the Treaty of Lisbon, focussing instead on the provision of environmental goods and sustainability, as defined by the United Nations.

These principles are made clear in Part one, Section one, Paragraph one of Labour's 1947 Agriculture Act, which states that *"…this Part of this Act shall have effect for the purpose of promoting and maintaining…a stable and efficient agricultural industry capable of producing such part of the nation's food and other agricultural produce as in the national interest…and of producing it at minimum prices consistently with proper remuneration and living conditions for farmers and workers in agriculture and an adequate return on capital invested in the industry."*

Both NFU Cymru and the FUW have been clear in raising serious concerns regarding the impact of the abandonment of such principles in terms of the economic viability of farm businesses and the communities they support. The Unions have worked collaboratively in seeking to deliver changes to support our collective ambitions for Welsh farming.

During the past year, the Welsh Government has introduced the Agriculture (Wales) Bill to the Senedd and in the coming weeks the Bill is expected to receive Royal Ascent. The wording of the Bill, with food production embedded within the first Sustainable Land Management objective shows the significant progress that has been made over the past five years since Welsh Government embarked on their initial *Brexit and our Land* consultation. However, it will be the nature of the policies and schemes delivered under the powers now granted by the Bill that will determine the long-term success of the Bill in underpinning a truly sustainable (economically, environmentally, socially and culturally) Welsh farming sector.

Welsh Government has made positive commitments in terms of the continuation of direct funding for agriculture. The BPS budget has been secured for 2023 and 2024 (subject to budget availability). This provides some much-needed stability at a time of unprecedented uncertainty.

However, both Unions have expressed serious concern at the recent decision by Welsh Government to terminate all Glastir Contracts (Advanced, Organic and Common) at the end of this year. Glastir currently delivers around £33m annually to some 3000 contract holders and with these contracts making up circa 20% of the value of profit on Hill farms the loss of this income will be significant particularly with uncertainty over the total budget, payment rates and ability to access the Habitat scheme that Welsh Government has announced will be introduced as an interim measure for 2024.

Huge uncertainty also surrounds Welsh Government plans to introduce its Sustainable Farming Scheme (SFS) from 2025 and to what extent the SFS will deliver against a core principle of

Labour's 1947 Agriculture Act of seeking to provide *"…proper remuneration and living conditions for farmers and workers in agriculture and an adequate return on capital invested in the industry",* a major safeguard for Welsh farmers and farm workers that has been in place for almost 80 years.

In July 2022 Welsh Government published a set of Outline Proposals for the SFS, whilst both Unions are supportive of the overarching framework proposed for the Scheme serious questions marks remain over the practicality of some of the proposals that WG require of farmers to undertake as part of the SFS, most notably in relation to the requirements associated with 10% Tree Cover and 10% habitat cover on farm. Based on current proposals a proportion of farmers have questioned whether they will enter the SFS as a result of these requirements. For those that do join the scheme then the tree and habitat requirements may result in a reduction in production and output from their faring systems. Both scenarios, not entering the scheme and accepting a loss of income or accessing the scheme but reducing output have the potential to impact on farm profitability and on-farm employment levels.

Welsh Government have stated that they will be issuing a consultation on the Sustainable Farming Scheme later in 2023 with further details on the requirements to enter the scheme, proposals for farmers to undertake within the scheme alongside with transitional arrangements to move from the BPS to the SFS. Welsh Government have said that they will provide further information on payment methodology but will be unable to provide details on payment rates until some time in 2024. This is extremely concerning given that the scheme is due to commence in 2025.

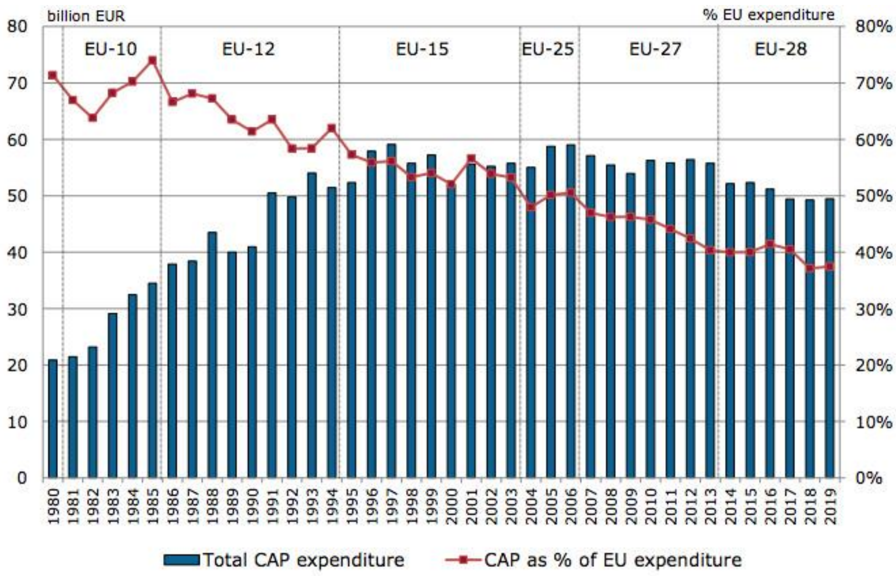
The current uncertainty around the SFS in terms of conditions attached to the scheme and payment rates for the scheme provide huge uncertainty for all farming businesses currently reliant on legacy CAP scheme (circa 16,500) making business planning and cash flow projections extremely challenging.

Funding for agriculture

Since the early 1980s, the EU's Common Agricultural Policy budget as a percentage of the overall EU budget has fallen by more than 30 percentage points, while in real terms the CAP budget has fallen by around €10 billion since the mid-1990s, despite the number of countries in the EU having more than doubled since 1994 (Figure 2).

Despite such cuts, and resultant falls in CAP receipts in Wales and the UK, UK Governments of all colours have generally been at the forefront of efforts to accelerate and further drastically cut such public spending, while often overtly calling for trade liberalisation in order to increase imports to the EU of cheaper food.

Given that it has been other Member States that have thwarted the attempts of UK Governments to implement major cuts to farm funding, Brexit raised major concerns regarding the future funding of agriculture in Wales and the UK, given that such opposition no longer exists.



CAP expenditure in the EU, 1980-2019

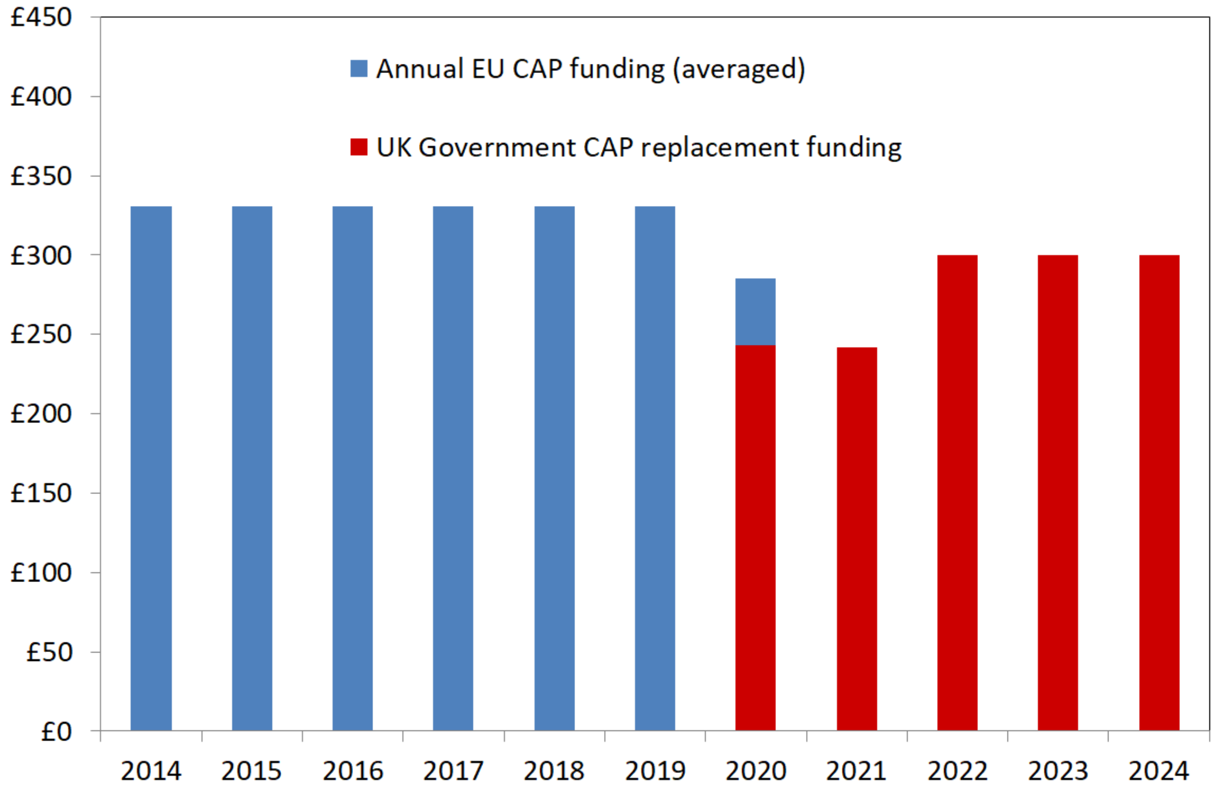
Moreover, the EU regulations effectively ensured that Wales' CAP allocation was ring-fenced for agriculture, while future allocations may not be so, thereby making the redirection of agricultural funding possible or more likely.

On 30th December 2019, the UK Government announced £243 million in funding for the 2020 Basic (farm) Payment, but made no reference to the circa £42 million transferred annually from Pillar 1 to Pillar 2 through the Pillar Transfer mechanism.

On 25th November 2020, the UK Government announced that Wales' 2021-2022 financial year allocation for agriculture and rural development would be £242 million - £89 million less than the average annual EU CAP allocation for the period 2014-2020, and £95 million less than the £337 million received in the 2019 funding 'baseline' defined by the UK Government to calculate Wales' allocation.

On 27th October 2021 the UK Government announced that an average of £300 million a year would be allocated to Wales for agriculture and rural development (i.e. replacement CAP funding) for the financial years 2022-2023 to 2024-25 - £37 million less per annum than the budget allocated in 2019.

As such, farming union concerns have been realised, and by 2025 Welsh agriculture and rural development will have received around £250 million less than would have been the case had the 2019 budget been fixed (Figure 3). This reduction in funds is without taking into account the impact of inflation.



Funding (in millions) for Welsh agriculture and rural development, 2014-2024

The current UK Government Comprehensive Spending Review runs for the period 2022 -2024, with a General Election to take place within the next 18 months future funding for Agriculture across the UK nations is unclear and will be dependent on the commitments and priorities of the next Government. What has become clear is that the long-term certainty offered to Agriculture by a 7-year multi annual financial framework through the CAP is no longer possible and future commitment to funding are linked to UK and Welsh Assembly Election Cycles and UK and Welsh Government Budgets and Comprehensive Spending Reviews.

Farmer confidence

Welsh farmer confidence is critical to the future of a profitable and productive food and farming sector, and that confidence feeds through to investment, production and growth intentions, thereby having a wider impact on farming's economic contribution as well as food production.

The NFU's Annual Farmer Confidence Survey conducted between November 22 and January 23 highlights that farmer confidence is at its lowest since the start of the pandemic. Spiralling costs of production faced by farmers and growers have had a huge impact, with 88% saying they are being negatively affected by input costs such as energy, fuel and fertiliser.

Input costs, changes to the BPS and the impact of regulation and legislation were highlighted as the three key issues negatively impacting farm business confidence.

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

Trade

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

The UK's departure from the EU, and the decision to leave the Single Market and customs union has brought about fundamental change for the UK-EU trade relationship, and while the trade deal announced in late 2019 provided for certain preferential arrangements, the nature of the relationship has continued to change as transition periods end.

This has resulted in farming businesses facing trade disruptions and British exporters continue to find adjusting to the new relationship difficult; new requirements in terms of customs declarations, inspections and checks have added significantly to costs and problems, while delays at borders can be significant, making Welsh and British products less competitive.

With the UK having failed to implement border checks on imports to the UK, and the EU having implemented such checks since the January 2021, thereby favouring importers, the balance of trade has firmly favoured imports over exports.

In addition to the UK-EU trade deal, the UK Government has reached a number of trade agreements with other nations. The majority of these represent 'rollover' agreements that generally reflect agreements that were already in place with the EU.

The two most significant new agreements are those agreed with Australia and New Zealand, both of which are extremely liberal in terms of providing immediate access to duty free transitional quotas for key agriculture products, with eventual tariff elimination.

In 2022, the UK exported £15.57bn worth of agri-food. This is up 17.3% on 2021 and approaching 2019 figures (-1.27%). The EU continues to be our largest customer accounting for 67% of the value of sales in 2022, down from 70% in 2019.

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

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

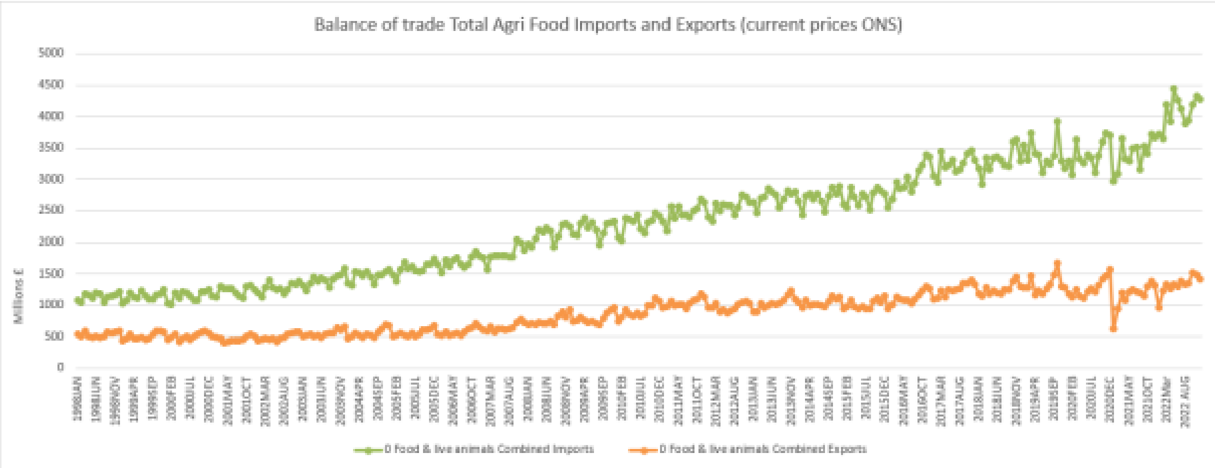
The agreements with New Zealand and Australia have entered into force only recently, 31st May 2023. While there may be some modest opportunities to increase exports to Australia and New Zealand, for instance in relation to cheese, there is much more in the deals for Australian and New Zealand exporters. However, two months is not enough time to evaluate if opportunities or concerns have been realised.

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

(£97 million) respectively.

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

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



Wales' farming unions have repeatedly made clear concerns that these and other liberal trade agreement will adversely affect our ambitions to sustainably grow the £8.5 billion Welsh food and drink industry – Wales' biggest employer. Just as importantly, there are legitimate concerns as to the social and cultural impact of such trade deals and their effect on Welsh language and culture.

Market Conditions

According to the latest Kantar data, grocery price inflation now sits at 14.9% for the weeks to 9 July 2023. Grocery price inflation has been falling for four months in a row, although it is important to remember the rate is still exceptionally high. Households would have to spend £683 more on their annual grocery bill to buy the same items as they did a year previously. The farming unions are extremely mindful of the impact that this inflation has had on the consumer. This has impacted on the sales of a number of key commodities.

Latest AHDB data shows for Beef primary beef volumes declined year on year by 2.8%. All beef lines were back on volume with steaks as the exception (+1.1%). Total roasting beef joints saw the largest decline of 13.3% year on year.

Latest Market Information from 28th July 2023 show the average steer deadweight price was down 2.6p to average 467.7/kg, heifers were down 3.2p to average 465.9p/kg and cull cows were down 10.9p to average 350.8p/kg.

For Lamb both total spend (-3.8%) and volumes (-7.25%) are down year on year. Similar to beef roasting joints saw the largest decline, with total roasting back by 16.7%.

The latest market price from 28th July 2023 show old season lamb liveweight OSL SQQ was down 5.9p to average 182.1p/kg, the new season lamb liveweight NSL SQQ was down 9.8p to average 265.1p/kg and cull ewes were down 6.51p to average £87.67 per head. The deadweight NSL SQQ was down 38.8p to average 592.2p/kg.

Looking back to prices averaged across 2022 AHDB highlight that GB deadweight lamb prices in 2022 were little changed on 2021, with the annual average SQQ (Standard Quality Quotation) down 1.7% on the year at 567.3p/kg. The annual average GB deadweight prime cattle price in 2022 was up 8.5% on the previous year at 431.8p/kg. It is important to put these prices in context and consider that for much of this period aginflation would have been running at 20-30%

According to DEFRA figures the UK average farm-gate milk price for June 2023 is 36.48 pence per litre (ppl). This represents a 1.2% (0.45 ppl) decrease on May 2023 and a 16% decrease on the same month last year.

Since then, a number of further reductions were announced for July, it is hoped that we may now see some more stability in milk prices for August and September. Whilst input costs have eased in recent months costs remain at historically high levels putting margins under pressure. In the six months to April 2023 a further 33 producers (2.1%) left the Dairy Sector in Wales.

As of June, milk market values (which is a general estimate on market returns and the current market value of milk based on UK wholesale price movements) continued to nudge down: in the UK are now 18ppl lower than a year earlier, with AMPE and MCVE down by 42% and 31% respectively.

The Poultry Sector has faced significant challenges over the past 12 months, soaring production costs alongside the worst ever outbreak of Avian Influenza have placed the industry under severe pressure. Poultry farmers have faced skyrocketing energy and feed costs for months now, as well as increases in other input costs including fuel and packaging, which are all adding to the overall costs of production on farm. Worryingly, this escalating situation is causing many to consider their future in the industry.

This is highlighted by information from the DEFRA Hatcheries Survey that shows Broiler Chick placings in the first four months of 2023 down on the same four months in 2022 (403.1million v 410.5million). Similarly, Turkey Placings were down for the first months to 3.8million from 4 million in 2022. While layer chick placings are stronger so far in 2023 compared to 2022 this follows on from the fact that chick placings in 2022 were lower than any year since 2011.

Conclusion and proposals

Welsh farming businesses continue to operate in unprecedented times, global events have led to huge increases in production costs, up some 40% since 2019. Increases that have even eclipsed retail food price inflation putting many production systems under pressure, as evidenced by the sight of empty supermarket shelves for a range of key commodities earlier this year.

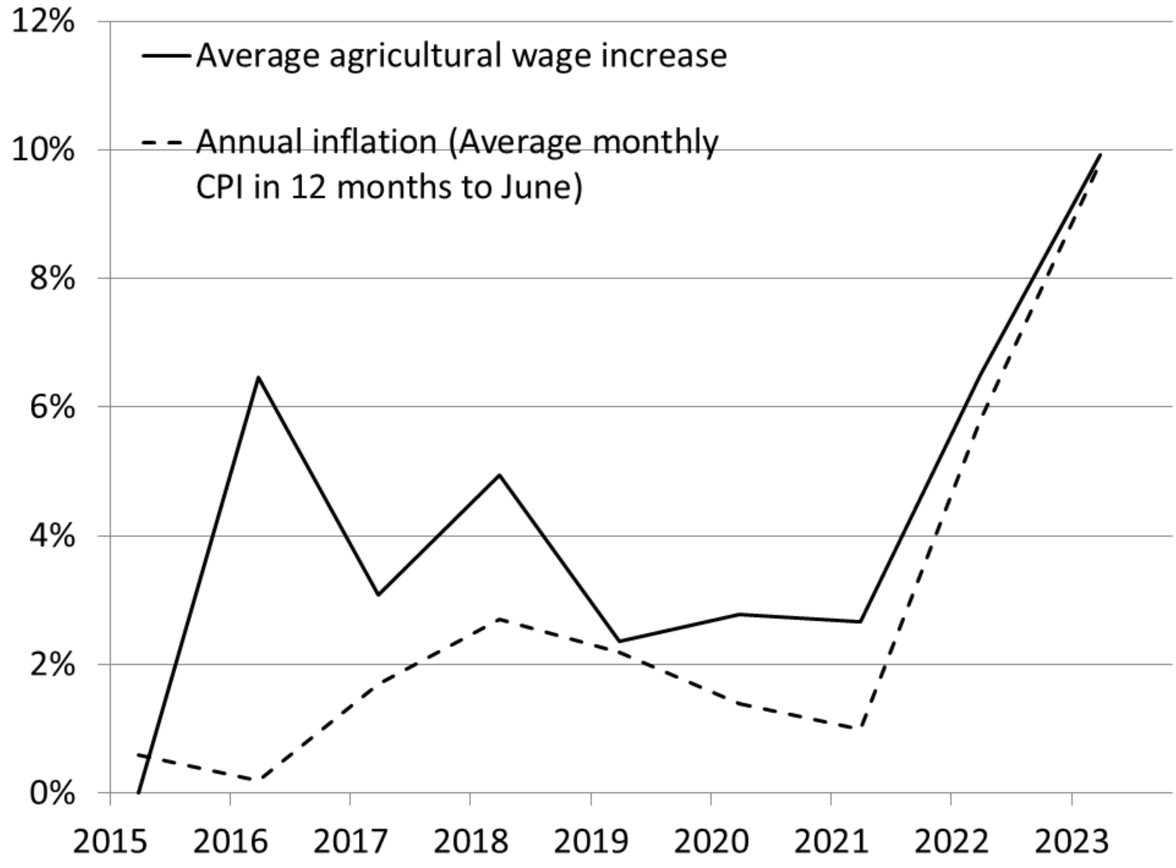
With a UK General Election within the next 18 months there is huge uncertainty over the Budget settlement for Agriculture from 2025. Here in Wales this uncertainty is compounded by the lack of information related to the Sustainable Farming Scheme due to commence in 2025. As yet farmers have no certainty over what they will need to do to enter the scheme, the payment rates attached to the actions they will be required to undertake and how, and if, they will be able to transition from the current support structure to the new SFS. In the interim Welsh Government have just announced that all Glastir agri-environment contracts will end on the 31st December 2023, at the time of writing farmers have no clarity on an interim habitat scheme due to commence in 2024.

Bovine TB continues to wreak havoc within our cattle sector and the introduction of the All-Wales Water Quality Regulations requires the industry to make investments of many hundreds of millions of pounds against a backdrop of 14 consecutive rises in Interest rates.

Given such concerns, the FUW and NFU Cymru do not believe it would be in the interests of either employers or employees in Wales' agricultural sectors to add significantly to the pressures which already exist and are likely to increase over the coming years. We urge the Agricultural Advisory Panel to be mindful of the challenges faced and the degree to which statutory increases in agricultural wages would place pressure on businesses, jobs and the creation of new affordable opportunities. We would remind the panel that increases in the minimum wage across all the different Grade structures apply to every farm and every sector in Wales regardless of the Farm Business Income of that individual farm and the sector in which they operate.

Against the backdrop highlighted in our submission the minimum wage for agricultural workers increased by 9.81% for the highest band and 10.21% for the lowest band on 1st April 2023, continuing a general trend of above inflation annual increases for most bands in most years over the past eight years (see below figure).

Based on current projections for the National Living Wage / National Minimum Wage rates it is expected that these rates will increase by a minimum of 7.5% from 1st April 2024. These are significant amounts of additional income that employers will need to secure against a backdrop of significant pressures on their business.



On the basis of the current economic climate that our farming businesses are operating within, NFU Cymru and FUW propose that the 2024 Order follows the principles agreed for 2023 with the Apprentice levels set in line with statutory levels, Grade A worker rates set at NMW +3p, Grade B4 set at NLW +3.1% and the differentials agreed in September 2020 being maintained for 2024.

Category of worker	**Proposal**
A1 – Agricultural development worker (16-17 years)	NMW + 3p
A2 – Agricultural development worker (18-20 years)	NMW + 3p
A3 – Agricultural development worker (21-22 years)	NMW + 3p
A4 – Agricultural development worker (23+ years)	NLW + 3p
B1 – Agricultural worker (16-17 years)	NMW + 3p
B2 – Agricultural worker (18-20 years)	NMW + 3p
B3 – Agricultural worker (21-22 years)	NMW + 3p
B4 – Agricultural worker (23 years +)	NLW + 3.1%
C – Agricultural advanced worker	NLW + 6.193%
D – Senior agricultural worker	NLW + 16.515%
E – Agricultural manager	NLW + 27.864%
Apprentice Year 1	NMW
Apprentice Year 2 and beyond (16-17 years)	NMW
Apprentice Year 2 and beyond (18-20 years)	NMW
Apprentice Year 2 and beyond (21-22 years)	NMW
Apprentice Year 2 and beyond (23+ years)	NLW

Accommodation offset allowance

It was a positive step forward that last year's negotiations agreed, for the first time since the panel was established, an increase to the Accommodation Offset Allowance and this was linked to the percentage increase of the NMW / NLW.

NFU Cymru and FUW continue to argue that the difference in the offset allowance between the Wages Order and the NMW/NLW legislation is an unnecessary complication that may in many cases disadvantage a number of agricultural workers who would otherwise benefit from accommodation provided by their employers, particularly when you consider that when making a decision about whether the offset allowance is applicable the employer must take into account both pieces of legislation.

The spreadsheet produced by the Secretariat and distributed to the panel on the 13th July 2023 shows the disparity in allowances between those under the Order in Wales compared to the situation in England, with allowances in England having increased from being 2,500% higher than in Wales in 2015 to 3,861% higher than Wales in 2023.

It is also important to note that even at the figures set out in NMW / NLW legislation this would never equate to the cost workers would incur if they had to seek accommodation via the housing market.

Given such clear disparity, and the need to encourage the provision of rural housing for agricultural workers, we would propose that the accommodation offset allowance for housing be brought into line with the rates specified annually in relation to the National Minimum Wage and Living Wage.

Such a change would only affect new workers and would not undermine those already benefitting from the £1.65 rate.

Other Allowances

We propose that the following allowances be kept at the rates agreed in September 2022:-

Dog allowance	£9.36	Per dog per week
Night time work allowance	£1.78	Per hour of night work
Birth/ adoption allowance	£73.60	For each child