



July 2019

### Summary

- A new single scheme to support farmers made up of two elements – the Sustainable Farming Payment and Business Support.
- Entry to the new scheme would be via a Farm Sustainability Review carried out by the farmer and an adviser.
- The product of the review would be a Farm Sustainability Plan, providing the gateway to the two types of support.
- The Sustainable Farming Payment would replace BPS and Glastir and provide an annual income to farmers in the scheme.
- You would receive the Sustainable Farming Payment for the delivery of outcomes which are not rewarded by the market; these will principally be environmental outcomes.
- Business Support will focus on advice, capital investment and skills development.
- A multi-year transition period from current schemes to the new scheme is proposed - when this period starts and ends is yet to be decided due to the Brexit uncertainty.
- Welsh Government state that they are strongly committed to maintaining support to farmers.
- Given the scale of uncertainty, Welsh Government cannot say how they will distribute support between the two elements or provide detail on payments or contract lengths.

On 9<sup>th</sup> July 2019 Welsh Government published their *Sustainable Farming and our Land* consultation which puts forward revised proposals for how they intend to support farmers post Brexit. This consultation follows their initial proposals contained within last year's *Brexit and our Land* consultation, to which NFU Cymru submitted a [comprehensive response](#). The consultation is open until **30th October 2019**. The full consultation can be viewed via the [NFU Cymru website](#) along with our initial reaction.

Also on our website are the NFU Cymru [policy papers](#) which set out our vision for the future of agricultural policy in Wales. The papers outline an ambition for a productive, profitable and progressive farming industry, delivering jobs, growth and investment for Wales.

Throughout the consultation period NFU Cymru will be engaging with our members, receiving thoughts and feedback, to help inform our response to this extremely important consultation.

The following is the NFU Cymru summary of the full 151 page consultation paper. **It does not set out NFU Cymru's views on these proposals at this stage.**

### Consultation overview

Welsh Government state that it is clear that there is an overwhelming case for supporting farmers, and the consultation looks at how best to do this. They acknowledge that the vast majority of people who work on the land are farmers and the proposals within the consultation primarily concern farmers. *Sustainable Farming and our Land* has nine chapters, the first two chapters provide a summary of the proposals with the second being a farmer walkthrough of the proposed scheme. The remaining chapters and the annexes provide more detail and a background to the proposals.

### Sustainable Land Management

Welsh Government proposes that future support should be designed around the principle of sustainability. They believe that sustainability brings together the wide-ranging and significant economic, environmental and social contribution of farmers into a single concept.

Following on from the concept of sustainability, Welsh Government propose to pursue an objective of Sustainable Land Management (SLM). They outline that SLM is an internationally recognised concept defined by the United Nations as: *The use of land resources, including soils, water, animals and plants for the production of goods to meet changing human needs, while simultaneously ensuring the long-term potential of these resources and the maintenance of their environmental benefits.* They say that sustainable food production is the major part of this, but it also includes sustainable forestry and other types of primary production. Welsh Government proposes to provide support targeted at SLM outcomes.

The consultation outlines that some aspects of SLM are already rewarded by the market, in particular food, so Welsh Government will not provide a payment for it. However, there are things the market does not reward such as the true value of sustainable food and a broad range of environmental benefits farming can provide. Welsh Government proposes to provide farm support to fill this significant gap. Welsh Government believes that the best use of funding is to apply the majority of the budget to paying farmers for environmental outcomes. This, they believe, is the best way to justify to taxpayers why Welsh Government should continue to provide significant support to farmers, using the support to target some of society's most pressing challenges. In particular, Welsh Government wants to address the increasingly urgent need to mitigate climate change. By targeting outcomes such as this, Welsh Government believes this will make farming sustainable - economically, environmentally and socially. Welsh Government says that these outcomes are not targeted by the current BPS.

### The Sustainable Farming Scheme

Welsh Government is now proposing a single scheme to support farmers, the Sustainable Farming Scheme. Welsh Government states that it is important to consider all aspects of the farm business and current farming practice at the point of scheme entry. They therefore propose entry to the scheme will be through a Farm Sustainability Review. The product of the Review will be a Farm Sustainability Plan. The review will be undertaken by an adviser with the farmer also involved in the development and production of the Review and Plan.

Once a farmer has entered the scheme Welsh Government propose that they can access two complementary types of farm support, the Sustainable Farming Payment and Business Support.

### Sustainable Farming Payment

It is proposed that an income stream for farmers will be provided through the Sustainable Farming Payment. This payment would replace the BPS and Glastir and would provide an annual income to farmers in the scheme. The proposed Sustainable Farming Payment will be constructed around SLM outcomes which are not rewarded by the market, for example:-

- There is not a market for air quality improvement so they would pay for continued actions to deliver it.
- There is a market for food, so they would not provide a payment for it.
- However, they say there are ways to improve farming practice in order to produce food and improve air quality so they would pay for the positive impact on air quality.

Welsh Government highlights four key features of the proposed payment:-

**Feature A** - It will provide a meaningful and stable income stream. The payment will be agreed with the farmer in a multi-year contract. The- payment will go beyond "income foregone and costs incurred" that is currently used to calculate Glastir payments.

**Feature B** – It will be a fair, outcome based payment. It is proposed that the receipt of the Sustainable Farming Payment will be conditional on appropriate actions being implemented. However, if the farmer consistently implements the appropriate actions but the outcome does not arise for reasons beyond the

farmers' control, Welsh Government say it would be unfair for the farmer not to be paid so they would bear the risk if the agreed actions do not lead to outcomes. They highlight that this approach will demonstrate the clear link between what the farmer does on their land and the positive outcome for Welsh society. The more outcomes a farmer delivers, the greater the payment.

**Feature C** - Rewarding new and existing sustainable practices. Welsh Government wants to reward both changes to farming practice and the continuation of sustainable farming practice. It is proposed that the Sustainable Farming Payment will be available for both "maintenance" and "creation".

**Feature D** – Flexibility for all types of farm. For the scheme to be accessible to all it has to ensure that there are sufficient SLM outcomes which can be delivered on all types of farms. Welsh Government wants farmers to be able to choose a set of actions that work best for their business. They say that the Farm Sustainability Review provides the opportunity to determine the most appropriate actions on each farm.

### Business Support

Welsh Government wants to build on their existing offer of financial and practical support for business development, currently achieved through the Rural Development Programme (Farming Connect, Farm Business Grant and Sustainable Production Grant). They intend to provide a wider range of business support to farmers within the scheme, consistent with SLM outcomes. It is proposed that the business support will focus on advice, capital investment and skills development. This support will be conditional on a robust business case, demonstrating the impact of the investment on the farms sustainability.

- Advice could include focus on general business skills improvement, performance benchmarking and training to access market information.
- Investment support could be provided through a range of financial instruments including loans and grants.
- Skills development could include specialist advice, knowledge transfer exercises and farm demonstration events.

### Fair Access to the scheme

Until Welsh Government knows the available budget for the new scheme, they do not intend to propose specific eligibility criteria. For this reason they do not rule out capped payments.

They highlight that the proposals described put an emphasis on support to "active" farmers, and that only those undertaking actions would receive a Sustainable Farming Payment. They highlight that it is important to ensure tenant farmers can access the proposed scheme on similar terms to owner farmers, and that this may require changes to legislation.

### Collaboration

Welsh Government believes that advice should be seen as an investment in the capacity of farmers rather than a cost to the scheme. They propose to build on best practice from existing advisory services, such as Farming Connect, to provide a fuller service to farmers.

Welsh Government propose that the majority of financial support should be directed at farmers through the Sustainable Farming Scheme, however in some incidences it may be more efficient and fair to provide support to the wider industry and food chain if it is consistent with the SLM objective and ultimately benefits Welsh farmers.

### Advisory Support

Welsh Government says that responses to *Brexit and Our Land* demonstrated a desire for more "on the ground" support. They believe that advice should be seen as an investment in the capacity of farmers rather than a cost to the scheme. Welsh Government proposes to build on best practice from existing advisory services to provide a fuller service to farmers.

### Regulatory Framework

The consultation states that effective regulation can provide clarity for farmers and business, protect standards and help maintain our natural resources. Welsh Government proposes to consult further on a

new, streamlined regulatory framework for agriculture in Wales, one that should include clear minimum standards, smarter monitoring and proportionate enforcement. It is proposed the Sustainable Farming Scheme will be based on a clear and enforceable regulatory baseline. To ensure value for money, Welsh Government proposes payments are in return for delivery of outcomes above and beyond the requirements of regulation.

In the short term Welsh Government propose to bring together the legal standards currently covered by Cross Compliance and any other relevant law (for example relating to environmental regulation), and group these together, clearly explaining what minimum requirements farmers need to meet.

Welsh Government also intend to redesign the inspection and monitoring approach where necessary, including considering self-assessment, self-reporting mechanisms and online notification developments. Welsh Government believes that they need effective methods to enforce the legal minimum standards against all farmers, not just those who are receiving financial support from the Welsh Government.

Developing and implementing a new regulatory framework will take a number of years. In the short term the intention is to retain and clarify existing arrangements. Welsh Government proposes to bring together the legal standards covered by Cross Compliance and other relevant law, clearly explaining what minimum requirements farmers need to meet. In the longer term, Welsh Government will consult on the development of National Minimum Standards which will be the gateway to the Sustainable Farming Payment.

Welsh Government also wants to explore the burden of paperwork for farmers through providing training to use technological resources available.

### Transition and funding

The purpose of a transition period is to ensure both farmers and Welsh Government are ready to move from current schemes to the proposed new arrangements. Welsh Government state that they are strongly committed to maintaining support. Once agricultural funding is returned to Wales after Brexit, Welsh Government will ensure that funds are directed at farming and other land management support, and not spent elsewhere.

A multi-year transition period is proposed, however because of the uncertainty surrounding Brexit Welsh Government are unable to commit to a specific time period. At this stage Welsh Government are consulting on what the transition period needs to achieve and the options for moving farmers from current schemes to proposed schemes. Welsh Government believe that a transition period is important to provide an opportunity to help farmers determine how to respond to Brexit, to give farmers the necessary time to enter the proposed new scheme and to provide Welsh Government with the time to prepare the administrative arrangements for the proposed new scheme.

The consultation highlights that moving farmers from the current schemes to the proposed scheme would be a significant exercise, involving a large number of farms. The design of the current and proposed schemes are very different, it must be handled carefully. Welsh Government state they are clear that they cannot make changes until they can demonstrate a new system is adequately designed, a relevant impact assessment has been undertaken and they are confident that it is administratively practical.

The consultation outlines three illustrative options that focus on the transition of the BPS to the proposed scheme:-

**Option A - gradual and phased approach** - under this option BPS payments for each farmer would fall over a period of time. Released funds would be used to make annual payments to new scheme entrants.

**Option B – enrolment** - under this option any farmer wishing to enter the new scheme would be expected to enrol during a multi-year enrolment period. All new scheme contracts would commence at the end of the enrolment period. At this point the BPS would end.

**Option C - staged enrolment** - under this option BPS payments for each farmer would fall and an annual outreach programme (for example by sub-sector or geographic distribution) would be put in place to contact and prepare farmers to enter the scheme in the following year. This process would continue until all farms had been offered the opportunity to access the scheme, at which point transition would end.

In all of the options an amount of money would be taken from the BPS budget to provide Brexit and scheme transition support.

Welsh Government believes that once the UK leaves the EU, the transition period will also provide an opportunity to address some of the more time-consuming administrative and bureaucratic components of CAP.

### Next steps and co-design programme

The proposals set out in the consultation represent a significant change to how Welsh Government supports farmers. It is stated that further consultation will be required on some aspects. Welsh Government proposes to launch a co-design programme in the autumn to explore how proposals will work on the ground. Further details on how to get involved will be publicised later in the year. Welsh Government may not be able to include all individuals who want to be involved, and there may be an application process. Welsh Government will continue to consider the role of pilot projects.

### Farmer walkthrough

The consultation uses a walkthrough to illustrate how the scheme proposal might work in practice from the initial discussions between farmers and scheme advisers at an outreach event, through to ongoing operation and contract renewal. Given the scale of uncertainty around Brexit, there is no detail on payments or contract lengths. Welsh Government believes that they will make farm businesses more resilient by providing an annual Sustainable Farming Payment to reward environmental outcomes and business support to develop the farm business.

**Outreach** - The first stage of the proposed scheme, and would include surgeries and demonstration events where farmers can engage with scheme advisers and learn about the detail of the scheme. Farmers should leave these events with a clear understanding of the nature of the scheme and ideas about how it could work on their farms, including opportunities for an income stream for delivering new or existing environmental outcomes and business support to improve skills, options to invest in infrastructure or diversify.

**Expression of Interest**- If a farmer was interested in entering the scheme they would have to complete an online Expression of Interest (EoI). The information requested is likely to include a business plan (if you have one) and goals, farm size and type, farm business details such as productivity, performance and capital assets, tenancy agreements, staffing and on farm skills. With the farmer's permission, the EoI would use information previously submitted to Welsh Government to auto-complete parts of the online form. Welsh Government see the EoI stage as important in ensuring the advice farmers receive is useful and relevant to the farms individual opportunities and circumstances.

**Farm Sustainability Review**- The advisory service would arrange a Farm Sustainability Review, which would be undertaken by the farmer and an adviser. It is believed this would help identify the business needs, the environmental outcomes that could be delivered, type of actions needed to deliver these outcomes and the level of commitment needed to participate in the scheme. Before visiting the farm the adviser would have the answers to the farmers EoI, Welsh Government geographic mapping and modelling to understand the priority environmental outcomes for the location of the farm and details of local environmental concerns, such as water quality. Welsh Government identify even if the farmer chooses not to enter the scheme they would still have gone through a valuable exercise.

**Farm Sustainability Plan** - Once an adviser is familiar with the farm business; they would work with the farmer to produce a Farm Sustainability Plan, providing a gateway to the two types of support- the Sustainable Farming Payment and business support. The plan would translate outcomes into actions and be made up of a mandatory and option element. Welsh Government proposes that some options are mandatory as they will be fundamental to the farms sustainability, and would be put into the plan by the adviser. The optional outcomes would be added following discussion between the farmer and the adviser. The Sustainable Farming Payment would be conditional on the actions which should deliver the outcomes being implemented. It would be possible to receive an annual payment from implementing the mandatory elements, but implementing the optional actions would result in a greater annual payment. Business support would be available through the scheme in three main forms: business capacity and skills, capital investment to enhance sustainability and knowledge transfer and specialist skills. Welsh Government believe that opportunities may become clear for farmers to work together to deliver environmental outcomes at a greater scale. A future option for engaging with commoners is through Commons Councils, Welsh Government will publish a consultation on the structure of Commons Councils later this year. The consultation will consider how Commons Councils could engage with the proposed new scheme.

### Signing a multi-year contract

Once agreed the plan would form the basis of a multi-year contract between the farmer and the Welsh Government. At the point the contract is signed it would become active and would form the basis for receiving payment. The contract would contain details of the payment due each year of the contract and may be subject to periodic review to ensure the outcomes and actions are still appropriate for the farm.

### Ongoing delivery of the contract

Over the course of the contract Welsh Government would require farmers to record information about their farm, enabling them to provide evidence that the actions set out in the plan are being implemented. Where possible, actions would be measured in a way that farmers were able to self-assess delivery each year. Simple record keeping showing appropriate actions are being undertaken or simple monitoring like soil sampling. The advisory service would be prepared to support farmers in getting the technical skills needed for self-monitoring. Periodic inspections would also be carried out by Welsh Government. A farmer's payment may be impacted if agreed actions are not implemented to an acceptable standard or if there are breaches of regulations. Welsh Government also wants to explore whether a system of earned recognition could be adopted to minimise the inconvenience of inspection for farms that demonstrate low risk.

### Contract Renewal

At the end of the contract, overall delivery would be reviewed and contracts may be renewed.

### Actions and Opportunities

The consultation proposes a set of outcomes that Welsh Government wants to pay farmers to deliver, these include the following:-

**Soil nutrient management** - this would include nutrient management planning and the targeted application of fertiliser.

**Soil Husbandry** - this is proposed to be achieved by increasing sward diversity in productive grassland.

**Habitat and Woodland** - this would include the management of semi-natural habitats in poor condition, the maintenance of semi-natural habitats in favourable condition and creating new habitat on agriculturally improved land.

**Land management** - this would include the management of heritage features.

**Animal Health Planning** - this might include the targeted use of antimicrobials or improved biosecurity practices.

The Sustainable Farming Payment would be based on the amount of each action implemented, where the actions should deliver environmental outcomes. You would be paid so long as you deliver the outcomes to

an acceptable standard. The payment rate for each outcome would be determined by the evidence and the available budget.

### **NFU Cymru's Next Steps**

Throughout the consultation process NFU Cymru will be engaging with our membership, all events and activities will be advertised on the [NFU Cymru website](#).

NFU Cymru encourages members to respond to the consultation, more information on how to do this can be found on the [Welsh Government website](#).