

**Consultation**



Llywodraeth Cymru  
Welsh Government

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# **Sustainable Farming and our Land**

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**Responses by 30 October 2019**

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Welsh land matters. It gives us food, provides livelihoods, supports communities and generates vital environmental services which we all rely on. By working their land, farmers make an important contribution to the economy, the natural environment and our rural communities.

It is clear there is an overwhelming case for supporting farmers. The question is how best to do it.



Last year, *Brexit and our Land* prompted an important national debate on how we should support Welsh farming after we exit the European Union.

*Sustainable Farming and our Land* presents revised proposals for consultation. While we will leave the Common Agricultural Policy should the UK leave the EU, no decisions have been taken on the nature of new schemes.

We are seeking views on how we can ensure we make Welsh farming sustainable. Our intention is to have sustainable farms producing both food and wider public benefits to improve the well-being of farmers, rural communities and the people of Wales.

We welcome your views to help design the new policy for Wales. Our priority now is to engage, discuss and listen to your views.

A handwritten signature in black ink that reads "Mark Drakeford".

**Mark Drakeford AM**  
**First Minister of Wales**

A handwritten signature in black ink that reads "Lesley Griffiths".

**Lesley Griffiths AM**  
**Minister for Environment,  
Energy and Rural Affairs**

## General Data Protection Regulation (GDPR)

The Welsh Government will be data controller for any personal data you provide as part of your response to the consultation. Welsh Ministers have statutory powers they will rely on to process this personal data which will enable them to make informed decisions about how they exercise their public functions. Any response you send us will be seen in full by Welsh Government staff dealing with the issues which this consultation is about or planning future consultations. Where the Welsh Government undertakes further analysis of consultation responses then this work may be commissioned to be carried out by an accredited third party (e.g. a research organisation or a consultancy company). Any such work will only be undertaken under contract. Welsh Government's standard terms and conditions for such contracts set out strict requirements for the processing and safekeeping of personal data.

In order to show that the consultation was carried out properly, the Welsh Government intends to publish a summary of the responses to this document. We may also publish responses in full. Normally, the name and address (or part of the address) of the person or organisation who sent the response are published with the response. If you do not want your name or address published, please tell us this in writing when you send your response. We will then redact them before publishing.

You should also be aware of our responsibilities under Freedom of Information legislation

If your details are published as part of the consultation response then these published reports will be retained indefinitely. Any of your data held otherwise by Welsh Government will be kept for no more than three years.

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- to be informed of the personal data held about you and to access it
- to require us to rectify inaccuracies in that data
- to (in certain circumstances) object to or restrict processing
- for (in certain circumstances) your data to be 'erased'
- to (in certain circumstances) data portability
- to lodge a complaint with the Information Commissioner's Office (ICO) who is our independent regulator for data protection.

For further details about the information the Welsh Government holds and its use, or if you want to exercise your rights under the GDPR, please see contact details below:

Data Protection Officer:  
Welsh Government  
Cathays Park  
CARDIFF  
CF10 3NQ

e-mail: [Data.ProtectionOfficer@gov.wales](mailto:Data.ProtectionOfficer@gov.wales)

The contact details for the Information Commissioner's Office are:

Wycliffe House  
Water Lane  
Wilmslow  
Cheshire  
SK9 5AF

Tel: 01625 545 745 or 0303 123 1113

Website: <https://ico.org.uk/>

## Overview

This consultation puts forward revised proposals for how the Welsh Government intends to support farmers after Brexit. It outlines and seeks views on proposals for future support designed around the principle of sustainability.

### How to respond

We appreciate you taking your time to read and respond to this consultation.

All consultation questions are optional except for the 'About you' section. This shows us if we have engaged with a diverse and broad range of people.

If you are responding on behalf of an organisation we ask for your name and the organisation's name. However, you have the option to remain anonymous if you wish. Please refer to the Data Protection section for further information about how this is used.

The consultation will run from 9 July 2019 to 30 October 2019. Any responses received after this time will not be included in the analysis of the consultation responses.

Tell us what you think. Your views are important to us. They will help us refine and shape our proposals.

The closing date for the consultation is **23:59** on **30 October 2019**.

### You can reply in any of the following ways:

#### Online

The consultation document can be accessed from the Welsh Government's website at <https://gov.wales/consultations>

#### Write to us:

Sustainable Farming and our Land  
Land Management Reform Division  
Welsh Government  
Cathays Park  
Cardiff  
CF10 3NQ

#### Email us at:

[FfermioCynaliadwy.SustainableFarming@gov.wales](mailto:FfermioCynaliadwy.SustainableFarming@gov.wales)

#### Further information and related documents:

Large print, Braille and alternative language versions for this document are available on request. If you would like a hardcopy version of the document please email: [FfermioCynaliadwy.SustainableFarming@gov.wales](mailto:FfermioCynaliadwy.SustainableFarming@gov.wales)



**Farmers, foresters and other land managers play a vital part in the economic, environmental and social well-being of Wales. We should support them. This consultation puts forward proposals for how we intend to do this after Brexit. We would like your views.**

### Context

1.1 Welsh land matters to us all. By managing it, farmers produce food, deliver environmental value and underpin rural communities. Sustainable farming can produce outcomes of huge importance to Welsh society. This broad and multi-faceted contribution represents the modern day case for supporting farmers.

1.2 As stated in *Brexit and our Land* and in our response to the consultation, when the UK leaves the European Union (EU), the Common Agricultural Policy (CAP) – including the Basic Payment Scheme (BPS) – will come to an end in Wales. We need to decide how to support farmers after Brexit.

1.3 The way we have provided support to farmers has changed over time. After the Second World War, the predominant purpose of agricultural policy was to ensure an adequate and secure food supply. As the challenges facing Wales, the UK and Europe have changed, support has increasingly been linked to the environment rather than food production levels.

1.4 Sustainable food production, responding to the climate emergency and reversing the decline of biodiversity are just three of today's most significant challenges. We believe farm support should reflect this important change in context and reward farmers who take action to meet these challenges. Operating outside of the EU is also likely to mean a more challenging economic environment. Farm support must help farmers adjust to this.

1.5 We understand the role the BPS currently plays in overall farm income. However, while the BPS clearly supports the financial position of many farms,

universal income support payments neither target nor reward the huge range of positive outcomes farmers can provide. Annex C explores this by assessing the BPS against the seven well-being goals in the Well-being of Future Generations (Wales) Act 2015 and setting out how future policy could be designed to fulfil the goals. In doing so, we explain why at this stage we consider universal income support decoupled from outcomes does not provide an effective way to support farmers.

### This document

1.6 Last year, we published the *Brexit and our Land* consultation. This was a high-level consultation, setting out the case for changing how we support farmers and proposing new schemes to replace the CAP in Wales.

1.7 Over 12,000 responses were received and we carried out extensive farmer engagement. We have carefully considered the views expressed in the consultation and have made a number of changes to our proposals. Of most importance, our proposals now explicitly recognise the interaction between food production and environmental outcomes.

1.8 Our revised proposals are set out in this document:

- Chapter 3 explains the framework we are proposing to underpin farm support;
- Chapter 4 describes the proposed Sustainable Farming Scheme;
- Chapters 5, 6, and 7 discuss wider areas of support to help the scheme operate – advice, broader industry support and regulation;

- Chapter 8 provides an update on transition arrangements and funding;
- Chapter 9 explains what will happen after this consultation and how we will work with farmers; and
- the next chapter uses a walkthrough to illustrate how the scheme proposal might work in practice for farmers.

1.9 The remainder of this summary briefly describes each of these chapters. While we will leave the CAP when the UK leaves the EU, no decisions have been taken about the nature of new schemes. We benefitted greatly from last year's consultation and want to hear more views to help us improve our plans.

1.10 The vast majority of people who work on the land in Wales are farmers and the proposals in this document primarily concern farmers. For this reason, we predominantly use farming terms and farming examples. However, the majority of the discussion equally applies to foresters and other land managers.

## **Sustainable Land Management**

1.11 Chapter 3 explains how we have developed an over-arching framework to shape our proposals for future farm support.

### **1.12 We propose future support should be designed around the principle of sustainability.**

This reflects feedback from *Brexit and our Land* and the context provided by the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016. Sustainability brings together the wide-ranging and significant economic, environmental and social contribution of farmers into a single concept. It is also consistent with Wales' legislative framework, which sets out our duties as a government to the people of Wales. It reflects and builds on each of the five principles for reform presented in *Brexit and our Land*.

**1.13 Flowing from this concept, we propose to pursue an objective of Sustainable Land Management (SLM).** SLM is an internationally recognised concept, reflecting the use of land for production, while ensuring long-term productive potential and maintenance of key environmental services. Sustainable food production is the major part of this, but it also includes sustainable forestry and other types of primary production. Chapter 3 describes a set of proposed outcomes which we can reward through farm support. **We propose to provide support targeted at SLM outcomes.**

1.14 Some aspects of SLM are already rewarded by the market, in particular food. However, there are many things the market does not reward. In particular, the true value of sustainable food production is rarely reflected in the price a farmer receives for their produce. Moreover, the market does not pay for the broad range of environmental benefits farming can provide. We want to provide farm support to help fill this significant gap.

1.15 We believe this is the best way to justify to taxpayers why we should continue to provide significant support to farmers – using the support to target some of society's most pressing challenges.

1.16 In particular, we must address the increasingly urgent need to mitigate climate change. New woodland planting, increasing soil carbon, bringing peatlands into favourable conditions and emissions reduction all have a part to play.

1.17 By targeting outcomes such as this, we can help make farming sustainable. We believe this is the best way of ensuring that farming has a secure future – economically, environmentally and socially. These outcomes are not targeted by the current BPS, which is based solely on the amount of land under management.

1.18 There are a range of ways we can support delivery of the SLM outcomes. Of most importance is the proposed Sustainable Farming Scheme. In addition, appropriate advice, support to the wider



supply chain and regulation can make a valuable contribution. This consultation document addresses each of these aspects in turn.

## **The Sustainable Farming Scheme**

**1.19 We propose a new payment scheme which rewards farmers for delivering SLM outcomes.**

1.20 Consultation feedback from *Brexit and our Land* demonstrated the importance of not separating food production from environmental work on a farm.

**For this reason, we now propose a single scheme to support farmers – the Sustainable Farming Scheme.**

1.21 Chapter 4 describes the proposed scheme. While farming is the clear emphasis, forestry is also an important part of SLM. In particular, forests and woodland on farms can deliver against many of the outcomes. This includes the creation of new woodland at a range of scales and the management of existing farm woodlands.

### **Scheme entry**

1.22 A single scheme allows for economic, environmental and social opportunities and needs to be considered in the round. For example, taking action to enhance the environment may have economic benefits for the farm business. To ensure the overall sustainability of the farm, it is important to consider all aspects of the farm business and current farming practice at the point of scheme entry.

**1.23 We therefore propose entry to the scheme will be through a Farm Sustainability Review. The product of the Review will be a Farm Sustainability Plan.** These can be proportionate to the complexity of the farm business – a simple farm business can have a swift Review and a simple Plan. The farmer would be involved in the development and production of both documents.

1.24 Once a farmer has entered the scheme, **we propose they may access two complementary types of farm support – the Sustainable Farming Payment and business support.**

1.25 Both types of support would contribute to the financial viability of farms. This is vital, because farms have to be profitable if they are to provide the full range of environmental and social outcomes for Wales.

### **Sustainable Farming Payment**

1.26 We believe it is important to continue to provide an income stream to farmers. **We propose to provide this support through the Sustainable Farming Payment.** This would in effect replace the BPS and Glastir and would provide an annual income to farmers in the scheme.

**1.27 We propose to construct the Sustainable Farming Payment around SLM outcomes which are not rewarded by the market.** For example:

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

1.28 Chapter 4 describes the nature of the Sustainable Farming Payment. There are four key features of the proposed payment: (A) it provides a meaningful and stable income stream; (B) it rewards outcomes in a fair way; (C) it pays for both new and existing sustainable practices; and (D) it can be flexibly applied to every type of farm.

## **Feature A – a meaningful and stable income stream**

**1.29 We propose the Sustainable Farming Payment should provide a meaningful income stream to farmers, just as the BPS currently does.**

We will therefore go beyond the “income foregone and costs incurred” currently used to calculate Glastir payments.

**1.30 We propose the Sustainable Farming Payment is agreed with the farmer in a multi-year contract.** It can therefore provide a stable income stream to the farmer. This is an important contribution to managing volatility – payment would be unaffected by the exchange rate, not at risk from import substitution and not linked to commodity prices.

## **Feature B – a fair, outcome-based payment**

**1.31 We propose receipt of the Sustainable Farming Payment will be conditional on appropriate actions being implemented.**

This ensures fairness to the farmer. If a farmer consistently implements the appropriate actions but the outcome does not arise for a reason beyond the farmer’s control, it would be unfair for the farmer not to be paid. **We propose the Welsh Government should bear the risk if agreed actions do not lead to outcomes.**

1.32 For example, improved air quality is one of our proposed outcomes. This may be achieved through a number of different actions, including nutrient management, livestock husbandry or woodland management. If a farmer implements the agreed actions but air quality does not improve, the farmer should still be paid.

1.33 Annex B sets out some of the actions which evidence shows should lead to SLM outcomes. This is an initial, illustrative list. We want to hear about other actions where evidence shows they can support delivery of our proposed outcomes.

1.34 This approach demonstrates the clear link between what a farmer does on their land and the positive outcome for wider Welsh society. We would be able to show that all the funding spent on the scheme will contribute to SLM. The more outcomes a farmer delivers, the greater their payment. Achieving these outcomes benefits both current and future generations.

## **Feature C – rewarding new and existing sustainable practices**

1.35 We want to reward both changes to farming practice and the continuation of already sustainable farming practice. **We therefore propose the Sustainable Farming Payment will be available for both “maintenance” and “creation”.** For example, if a farmer already manages an area of semi-natural habitat, we can pay for this to continue. If a farmer wishes to create a new area of semi-natural habitat, we can pay the Sustainable Farming Payment to reward the farmer for delivering this.

## **Feature D – flexibility for all types of farm**

1.36 We believe the scheme should be accessible to all types of farm. For this to be the case, we need to ensure there are sufficient SLM outcomes which can be delivered by all types of farms. We intend for all farmers to be able to implement actions to deliver outcomes appropriate to their farm.

1.37 Reflecting feedback from *Brexit and our Land*, we want to give farmers more flexibility in implementation than is provided under Glastir. We want farmers to be able to choose a set of actions that work best for their business. The Farm Sustainability Review provides the opportunity to determine the most appropriate actions on each farm. This helps us avoid having to provide detailed, universal prescriptions.

## Business support

1.38 We currently provide financial and practical support for business development within various schemes of the Rural Development Programme, including Farming Connect, the Farm Business Grant and Sustainable Production Grant. This has brought benefits to farms, but prescriptive rules have hindered flexibility.

1.39 **We propose to build on the existing offer and provide a wider range of business support to farmers within the scheme.** Similar to the Sustainable Farming Payment, any support would need to be consistent with SLM. While the focus may be on economic aspects of sustainability, this support should also contribute to environmental and social aspects of sustainability. **Reflecting feedback from *Brexit and our Land*, we are consulting on our proposals to focus business support on advice, capital investment and skills development.**

1.40 **We propose capital investment should be available to farm businesses, just as it is now.** We propose this support should be conditional on a robust business case, demonstrating the impact of the investment on the farm's sustainability. This support is particularly relevant to help farm businesses respond to the new economic challenge of Brexit.

1.41 We are seeking views on what would work best for farmers, what support would be beneficial and what our priorities should be.

## Fair access to the scheme

1.42 *Brexit and our Land* proposed that all farmers, foresters and other land managers should be able to access new schemes. This prompted an important debate about eligibility.

1.43 Until we know the available budget for the new scheme, we do not intend to propose specific eligibility criteria. For the same reason, we do not rule out capped payments.

1.44 The proposals described above demonstrate the emphasis on support to “active” farmers, foresters and other land managers – only those undertaking actions would receive a Sustainable Farming Payment. Payment would not be made for simply owning land.

1.45 It will be important to ensure tenant farmers can access the proposed scheme on similar terms to owner farmers. We recognise this may require changes to legislation. The Welsh Government has recently consulted on tenancy reform. Proposals for the scheme will be informed by the responses received. The forthcoming Agriculture (Wales) Bill offers an opportunity to amend primary legislation if necessary.

## Collaboration

1.46 Responses to *Brexit and our Land* demonstrated how collaboration among farmers, foresters and other land managers offers the opportunity to deliver the full range of SLM outcomes – economic, environmental and social. **We are consulting on how the scheme can allow for this to happen in a flexible manner.** This is particularly relevant to common land, outcomes best delivered at a catchment or landscape scale, and producer co-operation.

## Advisory support

1.47 Chapter 5 discusses the importance of providing appropriate advisory support to farmers.

1.48 Responses to *Brexit and our Land* demonstrated a desire for more “on the ground” support. We believe advice should be seen as an investment in the capacity of farmers rather than a cost to the scheme.

1.49 **We propose to build on best practice from existing advisory services – for example the Farming Connect advisory service and Glastir contract managers – to provide a fuller service to farmers.** This reflects the economic challenges of Brexit and the move to a scheme based on outcomes. It is particularly relevant during the transition period.

1.50 **We are consulting on the functions of a new advisory service and how it should be delivered.**

### **Industry and supply chain**

1.51 Chapter 6 explains our proposals to provide support to the wider industry and supply chain. **We propose the majority of financial support should be directed at farmers through the Sustainable Farming Scheme.** However, in some instances it may be more efficient and fair to provide support to the wider industry and food chain, in particular the agricultural sector.

1.52 A thriving Welsh food and drink industry can create demand for Welsh primary produce. **We therefore propose to provide support to the wider industry and supply chain, if it is consistent with the SLM objective and ultimately benefits Welsh farmers.**

1.53 **Building on *Brexit and our Land*, we are interested in views on our proposed priorities.** For example, we believe there is a good case for supporting the development of the Welsh brand, encouraging collaboration among farmers and shortening supply chains.

1.54 We can only deliver these priorities in partnership with industry, and so we call on the sector to help us decide where to focus our support.

### **Regulatory framework**

1.55 Chapter 7 discusses the regulatory standards, monitoring and enforcement which applies to farmers, foresters and other land managers.

1.56 Farmers are passionate about the quality of their product and proud of the standards to which they produce. However, while many farmers comply with relevant regulation, a minority do not. We know there are challenges with the current regulatory system, which do not always help. Publications such as *The State of Natural Resources Report (SoNaRR)* show the industry and government must do more to protect our natural resources. Effective regulation can provide clarity for farmers and businesses, protect standards and help to maintain our natural resources.

1.57 **We propose to develop and consult further on a new, streamlined regulatory framework for agriculture in Wales. We propose it should include clear minimum standards, smarter monitoring and proportionate enforcement.** In the interests of fairness, we propose the regulatory framework should apply to all farmers, whether or not they receive financial support from the Welsh Government.

1.58 We are consulting on high-level, initial proposals. This is a large and complex area, so further consultation will be required before any changes can be made.

### **Transition and funding**

1.59 Chapter 8 discusses transitional arrangements and funding. While we are strongly committed to maintaining support, moving to the proposed scheme would mean changes to the precise amount of funding that individual farmers currently receive. This is the consequence of moving from a scheme of entitlements to a scheme based on outcomes. We must manage this change sensitively.

1.60 We continue to call on the UK Government to provide further clarity on the level of agricultural funding which will be returned to Wales after Brexit. Welsh Ministers are clear that leaving the EU should not mean any reduction in the funding returning

to Wales. Once funding is returned, we will ensure funds are directed at farming, forestry and other land management support, and not spent elsewhere.

1.61 The chapter also explains the importance of a transition period when moving from existing arrangements to the proposed new scheme. The purpose of a transition period is to ensure both farmers and the Welsh Government have the necessary time to prepare and then move from current schemes to new arrangements.

**1.62 We propose a multi-year transition period.**

However, given the continuing uncertainty surrounding Brexit, we are unable to consult on a specific time period. When more is known, we will make a further statement.

1.63 **At this stage, we are consulting on what the transition period needs to achieve and the options for moving farmers from current schemes to the proposed new scheme.** We also reflect on administrative simplifications to the BPS for the remainder of its time in operation.

**Next steps and co-design programme**

1.64 Chapter 9 explains how we intend to explore the practical aspects of our proposals with stakeholders including farmers, foresters, other land managers and representative bodies. The proposals set out in this document represent a significant change to how we support farmers. The scale of the task means it is right to take time to develop proposals in collaboration with stakeholders. In addition, further consultation will be required on some aspects.

1.65 As part of this consultation, we want to work directly with farmers and others to further explore how our proposals could work on the ground.

**We therefore propose to launch a co-design programme in the autumn.**

**Impact assessment**

1.66 We remain committed to undertaking the necessary modelling and impact assessments before finalising proposals. Annex A outlines our proposed approach.

1.67 There are two important precursors for this work. First, we need further clarity on the funding returning to Wales. Second, we need this consultation and the co-design programme to help determine the actions on farms which best deliver the outcomes we are seeking to achieve. Once these are known, we will be able to use the information to assess the potential impact on different farm types across Wales.

**Responding to this consultation**

1.68 *Brexit and our Land* was a genuine consultation and we have changed our proposals as a result of the feedback received. The same is true of this consultation. No decisions have been taken.

1.69 Your views are important to us and will help us shape and refine our proposals. Please respond to the consultation via the details provided on page 3.

**Figure 2.1: Summary of support**

## Sustainable Farming Scheme

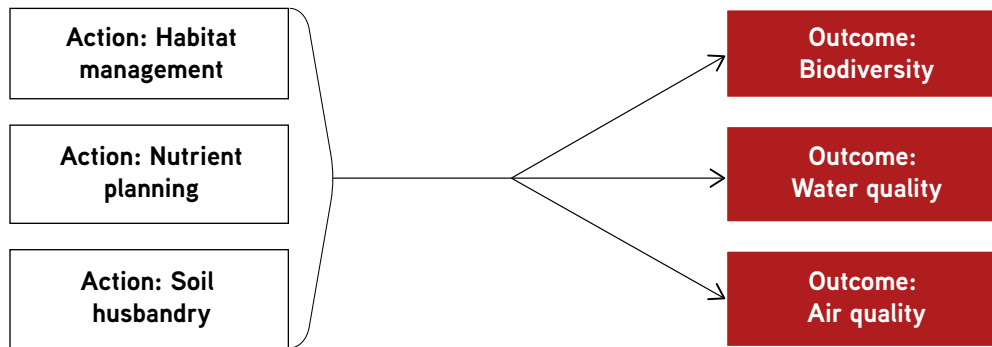
Scheme entry through a Farm Sustainability Review, leading to a Farm Sustainability Plan  
 Provides the Sustainable Farming Payment and targeted Business Support, all directly based  
 on what farmers contribute to Wales

Supported by an advisory service and effective regulation

### Sustainable Farming Payment

A meaningful and stable income stream	A fair, outcome-based payment
Rewards creation and maintenance	Flexible payment for all types of farm

Farmers implement agreed actions to deliver outcomes. For example:



### Business Support

<b>Business capacity and skills</b> to help farmers get the most from their business	<b>Capital investment</b> to enhance productivity, help manage volatility, diversify or deliver environmental outcomes	<b>Knowledge transfer and specialist skills</b> to support farmers in exploiting new opportunities
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This chapter uses a walkthrough to illustrate how the scheme proposal might work in practice for farmers. No decisions have been made about how the new scheme should work and we are seeking comments on the proposals through questions in the later chapters of the consultation.

The walkthrough outlines steps 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 surrounding Brexit, it is important to note we are unable to provide the answers to all questions. In particular, there is no detail on payments or contract lengths. We will determine these aspects in the light of this consultation and once the available budget is known.

2.1 Farmers are in a unique position as the people who produce food, shape the landscape and underpin rural communities. The actions you take on farms can help deliver outcomes which benefit Welsh agriculture, environment and society. These outcomes can help improve some of the large problems Welsh society faces, in relation to things such as clean air, water quality and soil health.

2.2 The purpose of the proposed Sustainable Farming Scheme is to reward you for implementing actions which deliver outcomes consistent with Sustainable Land Management (SLM). SLM reflects the use of land for production, while ensuring its long-term productive potential and maintenance of key environmental services. Sustainable food production is a major part of this.

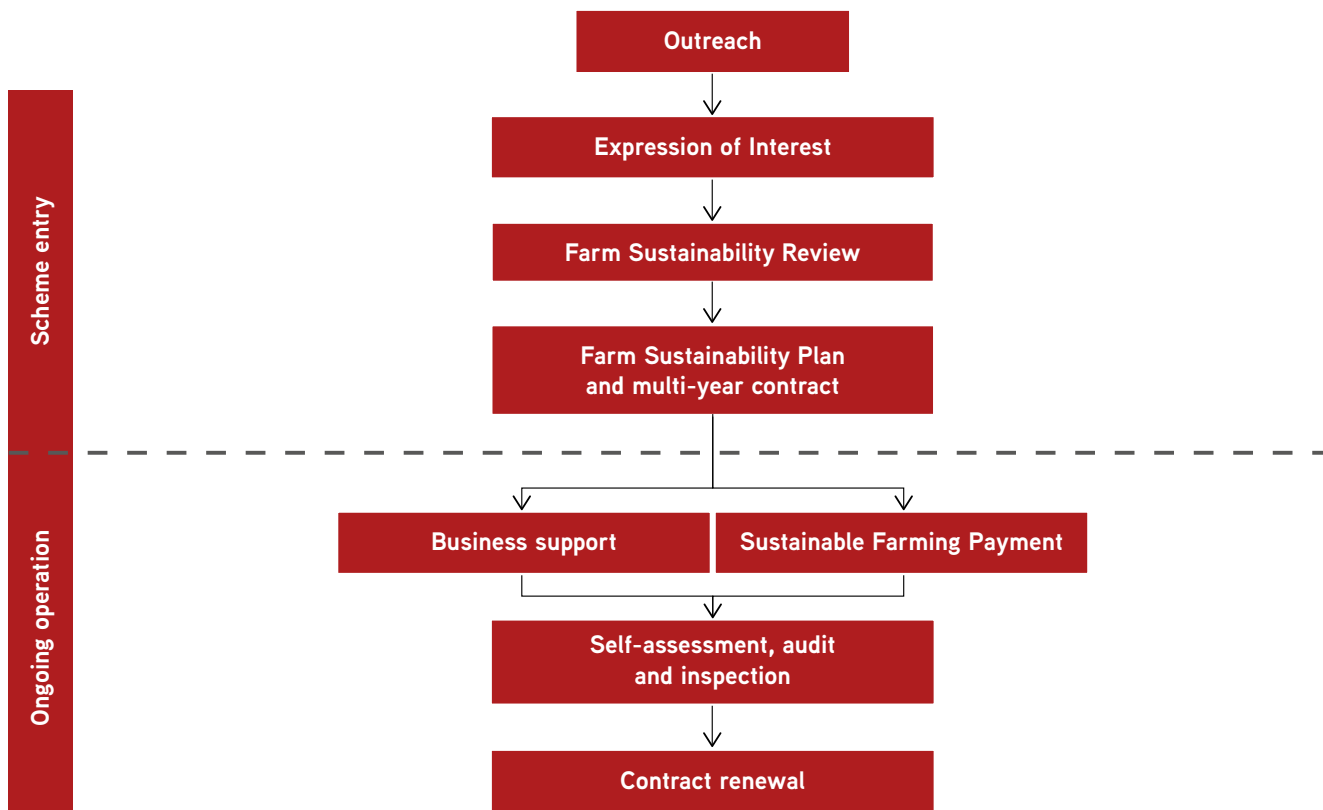
2.3 We think designing support in this way can help make farm businesses more resilient by providing:

- an annual Sustainable Farming Payment to reward environmental outcomes; and
- business support to develop the farm business.

2.4 We propose to support you at each step of the process, so you are able to make the best choices for your farm, and so you are clear on what you have agreed to do and how we would pay for delivering this work.

2.5 Figure 2.1 summarises the scheme – each aspect is further explored in Chapter 4. Figure 2.2 outlines the key steps of the proposed scheme. Each step is explored in turn below.

**Figure 2.2: Scheme flowchart**



**Outreach**

2.6 The first stage of the proposed scheme would be outreach, including surgeries and demonstration events across Wales, where you would be able to engage with the scheme advisers and learn about the detail of the scheme. All farmers, not just Basic Payment Scheme (BPS) recipients, would be welcome to attend.

2.7 These would provide an opportunity for you to ask questions about the scheme. You should leave with a clear understanding of the nature of the scheme and ideas about how it could work on your farm.

2.8 Through these events, you may start to identify opportunities for your farm to receive an income stream for delivering new or maintaining existing environmental outcomes. You may also

consider whether there are opportunities to benefit from business support to improve your skills, invest in infrastructure on your farm, or consider diversification opportunities. You would be able to explore these options further with an adviser during the Farm Sustainability Review described below. Taken together, these options and opportunities should help enable your farm business to cope with a changed business environment once we leave the European Union (EU).

2.9 You may find some of the possible opportunities discussed at these events require new skills. The events would provide you with the opportunity to discuss training needs with the advisory service.

2.10 These events would provide you with information and encourage you to begin considering some of the areas described above. They would also direct you to complete an Expression of Interest (EoI).



## Expression of Interest

2.11 If you are interested in entering the scheme, you would need to complete an online EoI. The EoI would ask you to provide information about your farming practices and business plan, if you have one. This would provide background information about your farm, which would help inform your Farm Sustainability Review. The information requested is likely to include:

- your business plan and goals
- farm size and type
- farm business details, such as productivity, performance and capital assets
- tenancy arrangements
- staffing
- on farm skills

2.12 We want to explore how to design a user-friendly EoI. This could be explored with farmers, similar to the working group already used to develop RPW Online systems. The EoI could use information you have previously submitted to the Welsh Government to auto-complete parts of the online form. This would only be done with your permission.

2.13 The EoI stage would be important in allowing for the advice you receive to be useful and relevant to your farm's individual opportunities and circumstances. We would need to decide how much information is appropriate to seek as part of the EoI. Part of the EoI may involve you agreeing to comply with regulations associated with aspects of farming practice.

## Farm Sustainability Review

2.14 The advisory service would arrange a Farm Sustainability Review. Working together, you and the adviser would undertake the Review. This would include identifying business needs, environmental outcomes that could be delivered on your farm,

the types of actions which could deliver those outcomes and the level of commitment needed to participate in the proposed scheme.

2.15 Before visiting your farm, the adviser would be prepared with information including:

- your answers to the EoI questions
- use of Welsh Government geographic mapping and modelling to understand the priority environmental outcomes for the location of your farm
- details of local environmental concerns, for example water quality

2.16 Through conversations with you, advisers would develop a fuller picture of the farm business. This would involve discussions on all aspects of your farm's sustainability.

## Farm Sustainability Plan

2.17 Once the adviser is familiar with your business, they would work with you to produce a Farm Sustainability Plan. This would provide the gateway to two types of complementary support - the Sustainable Farming Payment and business support.

2.18 The Plan would translate outcomes into actions. For example, the Review may identify opportunities to improve air and water quality; the Plan would agree the actions you will implement to deliver those outcomes.

2.19 The proposed Plan would be made up of a mandatory and an option element. We propose some actions should be mandatory because they are fundamental to a farm's sustainability. This is explored further in Chapter 4.

2.20 Within the elements, mandatory actions would be put in to the Plan by the adviser. Option actions would be added to the Plan following discussion between you and the adviser. There would be a wide range of options.

2.21 You would receive the Sustainable Farming Payment for the delivery of the outcomes which are not rewarded by the market, principally environmental outcomes. The payment would be conditional on the actions which should deliver those outcomes being implemented.

2.22 It would be possible for you to agree to only implement the mandatory elements and still receive an annual payment for doing so. If you also agreed to add option actions to your Plan and implement them, your annual payment would be greater.

2.23 If you and the adviser agree the farm can benefit from business support, the Plan would include a business support element. 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.

2.24 If you have them, existing farm documents, business plans or certification could be used as part of developing the Plan, to prevent duplication. You may have already produced these with support from other schemes, for example Farming Connect. Any documents would need to be of a suitable standard to be included.

2.25 Opportunities may become clear for you to work with other farmers to deliver environmental outcomes that require greater scale to achieve them. The advisers would signpost you to various services, funding, resources or support for collective working.

## **Actions and opportunities**

2.26 The Plan would include the specific actions which you can implement on your farm to deliver the outcomes identified in the Review. For example, a small number of specific actions, such as soil nutrient management and targeted fertiliser use, would help improve water and air quality.

2.27 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 implement those actions to an acceptable standard. You would not be able to enter the scheme unless you agree to consistently deliver the actions required in the Plan. This is because we would measure implementation of these actions in order to be able to pay you for the outcomes that your actions will deliver.

2.28 Meanwhile, business support would provide advice, skills or investment required to improve the sustainability of the farm business. While the focus may be on economic outcomes, this support should also contribute to environmental and social outcomes.

2.29 There are a number of different actions that could be chosen to deliver each outcome. A number of possible actions have been included in Figure 2.3. A fuller description of potential actions to deliver Sustainable Land Management outcomes is set out in Annex B. An individual habitat management example has been demonstrated in more detail in Figure 2.4.

## Figure 2.3: Ten examples of actions to deliver outcomes

### Soil nutrient management

**Nutrient management planning** – effective nutrient management aims to reduce nutrient losses to the environment to as close to zero as possible, while ensuring plant growth is optimised. By determining current soil nutrient levels and crop growing requirements (including grass), usage can be monitored to ensure that excess nutrients are not causing wider environmental issues.

**Targeted application of fertiliser** – using injection spreaders, trailing shoe or band-spreaders allow slurries or digestate to be applied more directly to the ground surface, minimising exposure to the air and reducing the production of harmful ammonia. Targeted spreading may also allow variable rate application to account for different soil requirements across a field.

### Soil husbandry

**Increasing sward diversity in productive grassland** – increasing herb and legume diversity in productive grasslands may help fields tolerate dry weather conditions, as they are deeper rooted. The appropriate seed mix should be considered for different soil types and locations. Dependency on artificial inputs could be reduced due to the nitrogen-fixing capacity of increased clover content.

### Habitat and woodland

**Management of semi-natural habitats in poor condition** – many habitat areas across Wales show signs of undergrazing or overgrazing. Grazing animals are a key factor in improving the condition of these sites, but applying a blanket rule on stock numbers is not enough. An adviser would work with you to identify the favourable condition required for these sites, but your knowledge of your land and local factors would be invaluable in determining the correct grazing regime for these sites. Other actions, such as management of dominant or invasive species, may be needed in combination.

**Maintenance of semi-natural habitats in favourable condition** – similar to the above, but where your positive management has resulted in habitats in favourable condition, we want to recognise this positive ongoing work.

**Creating new habitat on agriculturally improved land** – where there are no existing habitats, it may be possible to create new habitat. Short-term actions could include establishment of unsprayed or uncultivated margins around productive fields or buffer zones against water courses. More ambitious actions could include tree planting or reversion of grasslands to more diverse habitats by lowering soil nutrient levels.

### Land management

**Management of heritage features** – this could involve actions such as removing damaging scrub from sites, or proactive enhancement such as re-profiling erosion scars on ground level features. Direct management of sites could be facilitated through heritage bodies such as Cadw.

### Animals and livestock

**Animal Health Planning** – this could involve all aspects of livestock breeding and care, as well as managing the risk of disease, both to the business and society. This might include the targeted use of antimicrobials or improved biosecurity practices. This could be undertaken in conjunction with your vet.

## Business support

**Skill development** - this could involve different training and knowledge transfer opportunities to add value to the business in areas such as long-term business planning or managing and monitoring environmental outcomes (mentioned above).

**Innovation** - this could involve investment in new technology, improved use of data or livestock genetics to reduce business costs. It may also be possible to reduce environmental risks by implementing different monitoring procedures.

### Figure 2.4: An example of semi-natural habitat management

Some areas of grassland become dominated by large tussocks of molinia (also known as purple moor grass).

These areas are not generally considered a valuable habitat in their own right and tend to be upland or marshy grasslands in poor condition. Where molinia becomes dominant it suppresses other plants, provides limited forage value for livestock and makes access difficult. The **outcome** that we would like to see is a restored habitat with an open sward and a greater variety of native plants, providing greater value for biodiversity and livestock.

To achieve this outcome, there a number of **actions** that you could implement depending on the nature of the land. Depending on ground conditions, it may be possible to undertake some mechanical clearance of the molinia tussocks. In certain locations, it may be possible to use targeted herbicide applications through weed wiping or similar, but this will not always be possible due to proximity to watercourses or other sensitive features. After clearance, the area would likely benefit from the introduction of more mixed grazing, as cattle are better at suppressing bulky vegetation.

Under previous schemes such as Glastir, the above work may have involved a combination of prescribed stocking numbers, stocking dates and rigidly timed activities such as fencing or mowing. These prescribed actions allowed limited flexibility to accommodate ground conditions, weather or the developing condition of the habitat over time. Within the new scheme, we propose that once the farmer has a clear understanding of what habitat condition is required, and why, the farmer is then able to make their own management decisions. The adviser might still suggest management information such as grazing numbers or stock exclusion periods, but these could be advisory only and might not constitute enforceable actions.

In addition to the ongoing income stream generated by the positive management of areas of habitat, the scheme may be able to provide the capital funds to install new handling facilities if this helps manage stock in remote locations for the benefit of habitat management.

A similar approach to this may be equally suitable for areas of habitat dominated by bracken or rhododendron. All of these options could be discussed between the adviser and the farmer during the Farm Sustainability Review.

## **Signing a multi-year contract**

2.30 Once agreed, the Plan would form the basis of a multi-year contract between you and the Welsh Government. At the point the contract is signed, the Plan would become active and would be the basis for receiving your payment. The mandatory and option actions would have an equal contractual status.

2.31 The contract would contain details of the payment due each year of the contract, so that you are able to plan accordingly around the income stream. The contract may be subject to periodic review to ensure the outcomes and actions are still appropriate for the farm.

2.32 The timeframe for any business support agreed with the adviser may be adaptable. For example, it may be appropriate to receive capital investment at the beginning of the contract period. Alternatively, it may be better to concentrate on improved benchmarking first, to identify where funding is best targeted.

## **Ongoing delivery of the contract**

2.33 As the contract progresses, you would be able to contact the advisory service for advice relating to the scheme. The ongoing level of support would be tailored to the individual farm's needs.

2.34 Over the course of the contract, you would need to record information about your farm. This would enable you to provide evidence that you are implementing the actions set out in the Plan. For example, this could involve simple soil testing results. The advisory service would provide support to ensure you have the skills needed to monitor your progress.

2.35 Where possible, actions would be measured in a way that you are able to self-assess delivery each year. Periodic assessment would also be undertaken by the Welsh Government to ensure the correct actions have been implemented on your farm.

2.36 Part of running an effective scheme involves inspection of farms. This is likely to be on a similar basis to the current Common Agricultural Policy (CAP) arrangements, under which the percentage of farms reviewed per year varies with risk and compliance.

2.37 Review programmes undertaken by others, such as Natural Resources Wales (NRW), would also take place in line with their duties. Any existing regulatory enforcement actions against you would be taken into consideration when making your Sustainable Farming Payment. Breaches of regulation which impact the wider environment risk undermining the outcomes supported by the scheme. This would need to be taken into account. This is similar to the existing Cross Compliance procedures within the BPS.

2.38 Your payment may be impacted if agreed actions are not implemented to an acceptable standard, or if there are breaches of regulations. The nature of compliance and penalty processes will need to be considered along with an appraisal of current and previous procedures to determine a proportionate compliance regime.

2.39 We want to explore whether a system of earned recognition could be adopted to minimise the inconvenience of inspection for farms that demonstrate low risk.

## **Assessment for contract renewal**

2.40 At the end of the contract, overall delivery would be reviewed. This would include data review and confirmation. Any corrective actions would be agreed between you and the Welsh Government.

2.41 Contracts may be renewed, which would provide an opportunity to discuss with an adviser whether the actions agreed in the original Farm Sustainability Plan remain the best way to deliver the agreed outcomes.

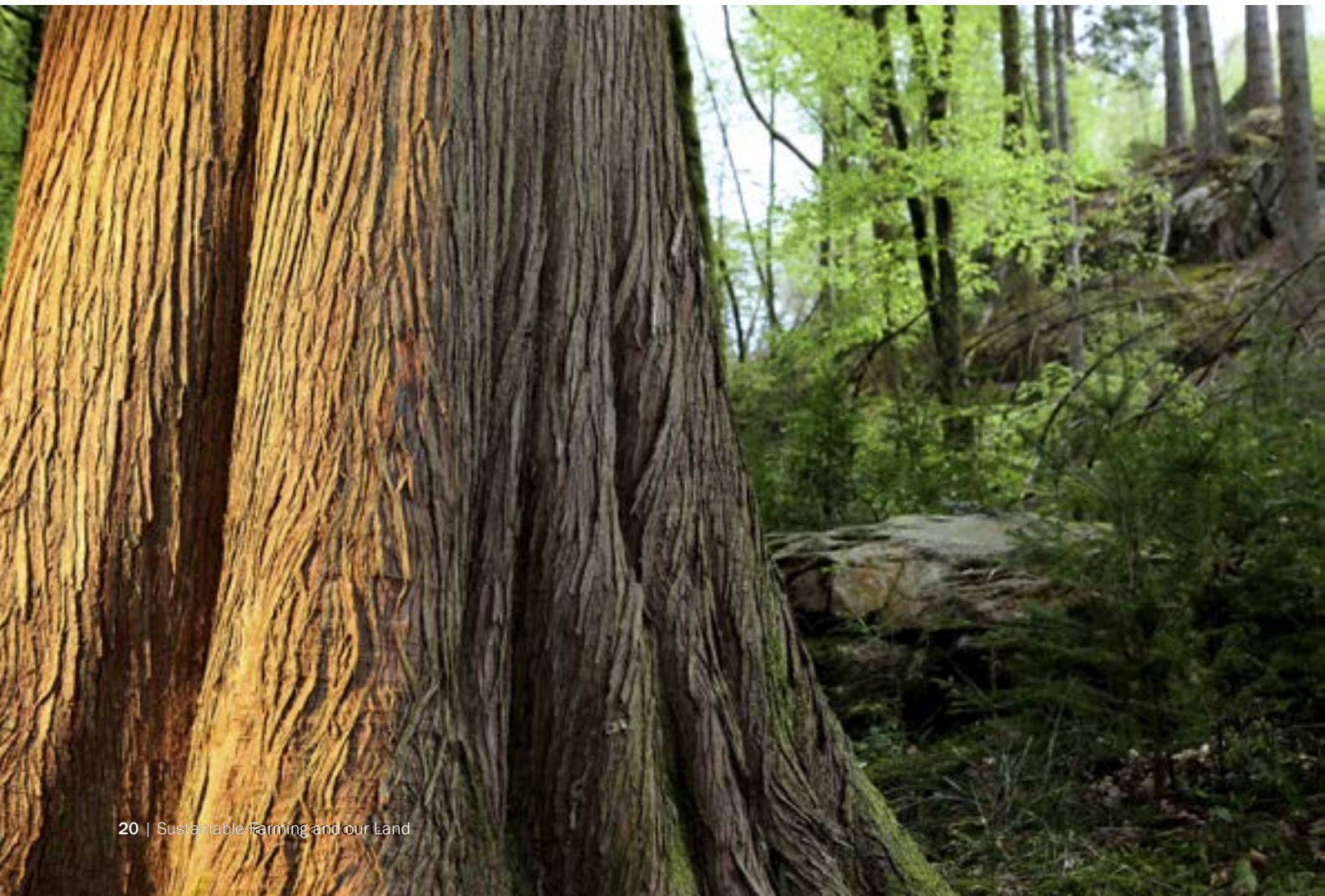
2.42 You may wish to adjust the actions you are implementing in light of new evidence or changes in technology, or an adviser may suggest a new

approach. This would be based on a collaborative discussion similar to the original process described above before your contract is then renewed.

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## **Consultation**

This chapter has set out an illustrative walkthrough of the proposals presented in this document. The remaining chapters set out these proposals in more detail and specific consultation questions are included in each.



We propose future support should be designed around the principle of sustainability. This reflects feedback from *Brexit and our Land* and the context provided by the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016. Sustainability brings together the wide-ranging and significant economic, environmental and social contribution of farmers into a single concept.

Flowing from this concept, we propose to pursue an objective of Sustainable Land Management (SLM). SLM is an internationally-recognised concept, reflecting the use of land for production while ensuring long-term productive potential and maintenance of key environmental services. Sustainable food production is the major part of this, but it also includes sustainable forestry and other types of primary production.

Some aspects of SLM are already rewarded by the market, in particular food. But there are many things the market does not reward. In particular, the true value of sustainable food production is rarely reflected in the price a farmer receives for their produce. Moreover, the market does not pay for the broad range of environmental benefits which farming can provide. We want to provide farm support to help fill this significant gap.

This chapter:

- explains the need for a policy framework;
- reflects on feedback from *Brexit and our Land*;
- introduces the concept of Sustainable Land Management (SLM);
- proposes a set of benefits, outcomes and actions which flow from SLM;
- explains how we propose to reward farmers for delivering SLM; and
- seeks views on the proposed framework and how it can be used.

### **The need for a policy framework**

3.1 Chapter 1 explains the strong case for supporting farmers, foresters and other land managers. This is because of the broad range of positive outcomes they can deliver for Wales.

3.2 Welsh farmers hold a unique position in Welsh society, recognised for their role in producing a supply of safe, high quality food. The role of our land to produce goods beyond this, and farmers'

capability to help tackle some of the most pressing challenges our country faces, is often not so clearly recognised. Contributing to clean air and water, reducing carbon emissions, capturing carbon, supporting ecosystems and providing the bedrock of rural communities are but a small number of examples.

3.3 We need a policy framework to help us determine the shape of Wales' future agricultural policy, in order to help decide on the best approach for Wales after Brexit.

### ***Brexit and our Land***

3.4 *Brexit and our Land* set out a policy framework based around five principles for land management reform. These were:

- we must keep farmers, foresters and other land managers on the land;
- food production is vital for our nation;
- we should build a prosperous and resilient Welsh land management industry;

- future support should encompass the provision of additional public goods; and
- all land managers should be able to access new schemes.

3.5 These remain important principles. However, in response to feedback from the consultation, we now propose a more comprehensive framework for designing and assessing policy options.

3.6 This also reflects feedback from *Brexit and our Land* which demonstrated the links between economic and environmental activities on farms. In particular, the consultation exercise suggested the production of food and other economic goods and the production of environmental goods can be mutually reinforcing, not mutually exclusive.

### **Sustainable Land Management**

3.7 We want the policy framework to reflect the full range of benefits which can arise from farming, forestry and other types of land management. We therefore propose to adopt Sustainable Land Management (SLM) as our objective and design a framework identifying how to achieve it.

3.8 SLM is an internationally-recognised concept, defined by the United Nations (UN) 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.**

3.9 The concept balances the needs of the current generation with our obligations to the next, including Wales' future farmers.

3.10 Food production is a vital component of SLM – as part of the production of goods to meet human needs. A sustainable approach would make it possible for farms to produce positive environmental and social outcomes alongside producing food.

3.11 Similarly, forests and woodlands can deliver SLM at a larger scale, and can contribute to sustainable agriculture through appropriate integration.

3.12 By focusing support on overall sustainability, we aim to move beyond considering economic productivity in isolation. A narrow focus on economic sustainability may be dependent on the unsustainable use of natural resources. By focusing on overall sustainability, we ensure the long-term productive potential of land is preserved and enhanced. The overall ambition is to have sustainable farms producing both economic and environmental goods in a holistic system which enhances the well-being of farmers, communities and all the people of Wales.

3.13 SLM applies the duties contained in the Well-being of Future Generations (Wales) Act 2015 to agriculture. Figure 3.6 explains how the SLM framework accomplishes this. Such a framework also supports the Natural Resources Policy and the biodiversity duty within the Environment (Wales) Act 2016.

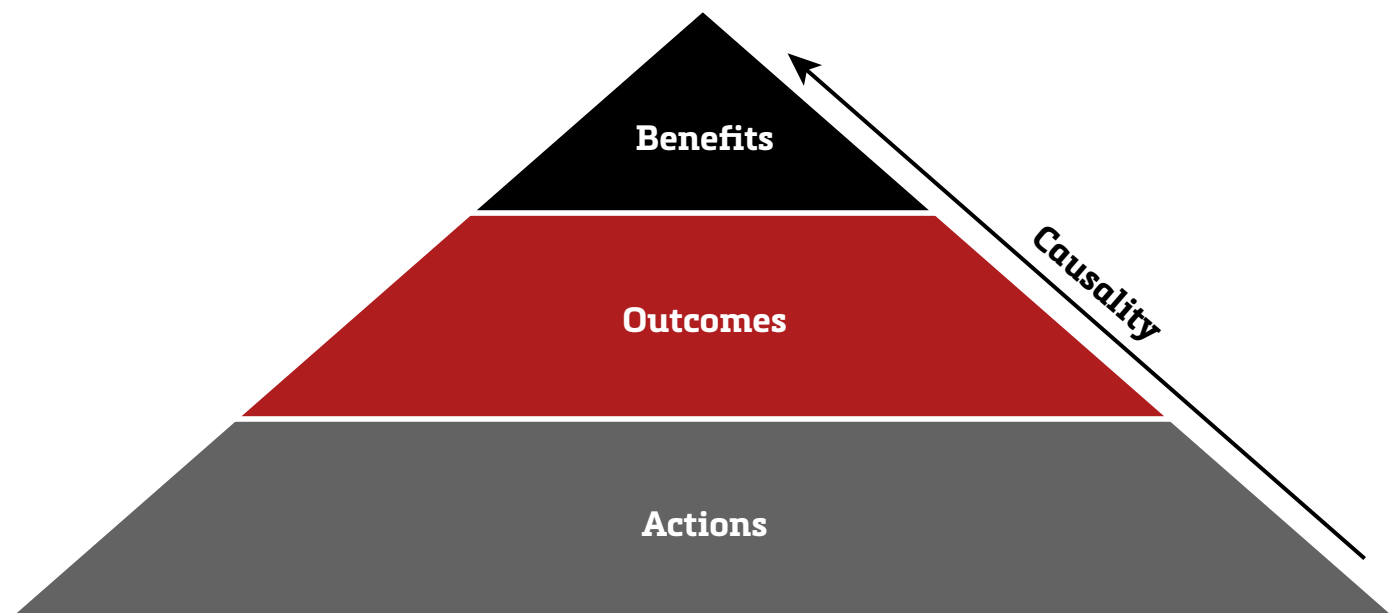
### **Structure of the Sustainable Land Management framework**

3.14 SLM can be made directly applicable to practical farming activity by breaking it down in the following way:

- first, by describing the benefits which can arise from SLM – these are “why” we want to pursue it;
- second, by defining the outcomes which will deliver the benefits – these are “how” we can achieve the benefits; and
- third, by exploring the actions which deliver the outcomes – these are “what” needs to happen on the ground.



**Figure 3.1: Structure of the Sustainable Land Management framework**



3.15 This is summarised in Figure 3.1. Each benefit can be broken down into the outcomes needed to achieve it. We can identify what actions are needed on different areas of land to produce these outcomes and their benefits. For the framework to be robust, there must be sufficient evidence of causality between each of the three levels. This is explored further in Chapter 4.

### **Benefits of Sustainable Land Management**

3.16 The application of SLM has the potential to produce a range of benefits – to farms, the wider agricultural sector, the public and the environment.

3.17 We can organise these benefits into economic, environmental and social categories consistent with the “triple bottom line” approach to sustainability used by the UN and other international organisations.<sup>1</sup> Figure 3.2 explains each type of benefit. Taken together, these benefits represent the contribution farming can make to Wales.

<sup>1</sup>Food and Agriculture Organisation (2014), Sustainability Assessment of Food and Agriculture Systems <http://www.fao.org/nr/sustainability/sustainability-assessments-safa/en/>

**Figure 3.2: Types of benefit**

Benefit	Description
Economic	These benefits are connected to the economic performance of a business and its resilience, especially in its capacity to produce food and fibre to meet changing human needs. They support wider social and economic benefits which arise from a prosperous agricultural sector and rural communities.
Environmental	These benefits arise from sustainable management of natural resources. The benefits are connected to the maintenance and improved condition of ecosystems as assets. These indirectly support the delivery of wider social benefits and underpin the delivery of economic benefits.
Social	These benefits arise out of the wider services farming, forestry and other land management provides to local communities, and from the impacts of management actions on physical and mental health. Wider social benefits include the Welsh language and culture.

### Outcomes of Sustainable Land Management

3.18 The benefits are high-level concepts. In order to determine what we specifically want to achieve, we need to break them down into outcomes.

3.19 We have used sustainability assessment frameworks and studies on good agricultural practice to define a proposed set of SLM outcomes.<sup>2</sup> Figure 3.3 sets out a proposed set of outcomes which flow from the benefits described above. Each of these is explored in detail in Figure 3.7 at the end of this chapter.

3.20 There is significant interaction between the benefits and outcomes. For example, capturing (sequestering) carbon in soils through increased levels of soil organic matter not only has the benefit of a cleaner atmosphere, but also an impact on the productive capacity of the soil, leading to higher overall productivity and thus competitiveness. All of the economic and environmental outcomes can be directly or indirectly related to how a farmer manages their land to produce food. They are similarly relevant to forestry businesses.

<sup>2</sup> Particularly relevant sources include:

- Marchand et al. (2014), Key characteristics for tool choice in indicator-based sustainability assessment at farm level; - <https://www.jstor.org/stable/26269635?socuid=3df9e4e7-31d4-4e38-8491-bfe23fdb5397&socplat=email>
- Mullender et al. (2017), Sustainability Assessment: The Case for Convergence; <https://sustainablefoodtrust.org/articles/sustainability-assessment-the-case-for-convergence/>
- Food and Agriculture Organisation (2014), Sustainability Assessment of Food and Agriculture Systems; <http://www.fao.org/nr/sustainability/sustainability-assessments-safa/en/>
- Grenz et al. (2009), RISE—a method for assessing the sustainability of agricultural production at farm level; [https://saipatform.org/uploads/Library/RISEIndicatorsE\\_RDN1\\_2009.pdf](https://saipatform.org/uploads/Library/RISEIndicatorsE_RDN1_2009.pdf)
- Sala et al. (2015), 'A systemic framework for sustainability assessment'; <https://www.sciencedirect.com/science/article/pii/S0921800915003821>
- De Olde et al. (2016), Assessing sustainability at a farm level; <https://www.sciencedirect.com/science/article/pii/S1470160X16300012>
- Balmford et al. (2018), The environmental costs and benefits of high-yield farming <https://www.nature.com/articles/s41893-018-0138-5>
- Committee on Climate Change (2018), Land use: Reducing emissions and preparing for climate change; <https://www.theccc.org.uk/publication/land-use-reducing-emissions-and-preparing-for-climate-change/>
- OECD (2001), Measuring Productivity; <http://www.oecd.org/eco/growth/oecdeconomicstudiesno33.htm>
- DEFRA (2018), Code of Good Agricultural Practice for reducing ammonia emissions. <https://www.gov.uk/government/publications/code-of-good-agricultural-practice-for-reducing-ammonia-emissions>

**Figure 3.3: Sustainable Land Management benefits and outcomes**

Sustainable Land Management can deliver:		
	Benefit	Outcome
Economic	High market potential	Market share in existing and new markets
	High competitiveness	Productivity Animal health and welfare standards
	Ability to respond to market conditions through diversified income	Income stream(s) from within existing sectors Income stream(s) from non-agricultural based sources
	Effective management of reasonable risks	Managed financial and market, environmental, biological and social risk
	Future-proofed businesses	Holistic long-term business planning Mobility and succession planning Businesses have the skills and capacity to innovate
Environmental	Clean atmosphere	Air quality Carbon sequestration Decarbonisation
	High water quality	Flood risk mitigation Water quality
	Biodiversity	Resilient ecosystems and species recovery
Social	Well-being	Public health, including farmer mental health Education Prosperity Welsh language, culture, access, landscape and heritage

## Actions

3.21 Farmers, foresters and other land managers have the potential to deliver SLM outcomes through implementing specific actions on the land. Through the principle of causality, we can define actions which will normally lead to SLM outcomes.

3.22 The appropriate actions will vary from farm to farm, depending on many factors. Annex B describes an initial set of actions which could deliver SLM outcomes. Many of these outcomes

may be delivered through relatively few actions, if implemented in the right way. This is because many actions can have a significant impact over a range of outcomes, economic, environmental and social. This is demonstrated through the air quality example in Figure 3.4. In the example, a number of causal actions can be derived from the ultimate SLM benefit and outcome; implementing those actions results in additional outcomes and benefits.

**Figure 3.4: Air quality in the Sustainable Land Management framework**

Benefit	Outcome	Actions	Additional outcomes	Additional benefits
Clean atmosphere	Air quality	Soil husbandry Nutrient management Animal management Habitat management Tree planting	Productivity	High competitiveness
			Animal health and welfare	
			Public health	Well-being
			Water quality	High water quality
			Decarbonisation	Clean atmosphere
			Resilient ecosystems and species recovery	Biodiversity

## How to reward farmers for delivering Sustainable Land Management

3.23 Many Welsh farmers are already implementing these actions and delivering these outcomes. We want to reward existing good practice and encourage more farmers to farm in this way, to ensure SLM is applied across as much of Wales as possible. We therefore propose to use the SLM framework to design future farm support in Wales.

3.24 We need a way to decide which aspects of SLM are appropriate to support with public money. We believe it is important to:

- provide public funding for outcomes which the market does not reward;
- support actions which we know will lead to these outcomes; and
- seek opportunities to focus public money on actions which can deliver against multiple outcomes.

3.25 In effect, this is a “taxpayer fairness” test. Figure 3.5 considers what this implies for each category of outcome.

3.26 Some aspects of SLM are already rewarded by the market, in particular food. But there are many things the market does not reward. In particular, the true value of sustainable food production is rarely reflected in the price a farmer receives for their produce. Moreover, the market does not pay for the broad range of environmental benefits which farming can provide, both to current and future generations. We want to provide farm support to help fill this significant gap.

3.27 We therefore propose to target an income stream for farmers on SLM outcomes which are not rewarded by the market (through the proposed Sustainable Farming Payment). We believe the best use of funding is to apply the majority of the budget to paying farmers for environmental outcomes.

3.28 This reflects the strong interaction between environmental, economic and social outcomes. By supporting the delivery of environmental outcomes, we may contribute to the delivery of economic and social outcomes indirectly. Conversely, we might not necessarily deliver environmental outcomes if we directly targeted the delivery of economic or social outcomes.

3.29 By focusing support on these outcomes, we can contribute to delivering against a broad range of our environmental commitments, including reversing biodiversity decline, meeting our carbon budgets and hitting our clean air targets. It is difficult to see how we can meaningfully and efficiently address these commitments without nation-wide action on farms and woodland.

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## Consultation question 1

We are consulting on whether Sustainable Land Management (SLM) is an appropriate policy framework.

What are your views on the SLM framework? You may want to consider:

- whether the structure of benefits, outcomes and actions is a useful tool
- whether the benefits and outcomes sufficiently cover the broad contribution of farmers, foresters and other land managers
- how we have described the SLM outcomes
- whether it is right to focus an income stream on environmental outcomes
- whether an alternative policy framework would be more appropriate

**Figure 3.5: Rationale for supporting different outcomes**

Outcomes	How we propose to support them
Economic	<p>Economic outcomes are directly linked to a farm’s produce. Improving these outcomes will yield greater business resilience and increase profitability. Farmers receive a price for their produce and so the market provides an incentive to deliver economic outcomes.</p> <p>We believe the Welsh Government has a role in helping farmers get the most out of their business and improve it in the long term, just as it provides business support to other sectors of the economy.</p> <p>We propose to provide advice, capital investment and skills development through business support.</p>
Environmental	<p>Environmental outcomes do not operate in the same way. A positive change does not directly increase a farmer’s income, even though they would be delivering greater value to society. Conversely, negatively impacting these outcomes may result in limited costs to the business, but may result in significant costs to society.</p> <p>We believe the Welsh Government needs to fill this gap through ongoing financial support (an income stream to farmers) capital investment (where necessary) and appropriate regulation.</p>
Social	<p>We believe some social outcomes have the potential to be delivered from pursuing economic and environmental outcomes. We may therefore indirectly achieve these by supporting environmental outcomes. It may be appropriate to reflect this social value in the amount paid for different environmental outcomes.</p> <p>There may be some exceptions to this, where it is sensible to directly target social outcomes. For example, reducing anti-microbial resistance or increasing opportunity for public recreation would not necessarily arise as a result of paying for environmental outcomes.</p>

## Figure 3.6: Our key legal obligations and how they relate to Sustainable Land Management and the proposals

The Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016 establish an important legislative framework, focussed on sustainability, from which to develop proposals for future land management policy in Wales. An overview of the key relevant requirements is provided below. In describing them, we note how the proposals and the current Basic Payment Scheme (BPS) have been considered against these requirements.

### Well-being of Future Generations (Wales) Act 2015

The Well-being of Future Generations (Wales) Act 2015 places a duty on the Welsh Government (and other public bodies) to carry out sustainable development:

*“Sustainable development” means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the well-being goals.\**

*The sustainable development principle means seeking to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs. This is to be done by adopting the 5 ways of working set out at section 5 of the Act.*

*The action the Welsh Ministers must take in carrying out sustainable development must include:*

- (a) setting and publishing objectives that are designed to maximise their contribution to achieving each of the well-being goals, and*
- (b) taking all reasonable steps (in exercising their functions) to meet those objectives.*

It is clear that the nature and purpose of future support for agriculture must be underpinned by the Act, which sets out the well-being goals we must pursue and the appropriate ways of working in accordance with the sustainable development principle.

Annex C describes how the proposed Sustainable Land Management (SLM) framework and proposed scheme promote each of the well-being goals and also considers whether the BPS delivers against each goal. As explained in that Annex, the proposed policy is particularly important in contributing to delivering “a prosperous Wales”, “a resilient Wales” and “a Wales of cohesive communities”.

### Well-being objectives

*Taking Wales Forward 2016 – 2021* sets out the Welsh Government’s objectives in response to its obligations under the Well-being of Future Generations Act. The objectives contained within the document of direct relevance to this policy area are:

- Work with partners to secure a prosperous future for Welsh agriculture, building on our early engagement following the EU referendum.*
- Make progress towards our goal of reducing our greenhouse emissions by at least 80% by 2050 and continue our work to protect and enhance biodiversity and local ecosystems.*
- Continue to invest in flood defence work and take further action to better manage water in our environment.*

Annex C examines the ability of the BPS to deliver against these objectives as well as considering delivery against the seven well-being goals (which these objectives help to achieve). The annex also considers whether the proposed scheme and the SLM principle can provide improved delivery. Chapters 3 and 4 set out proposals for how these objectives could be further supported.

\* The Well-being goals are set out at section 4 of the Act and are: A prosperous Wales; A resilient Wales; A healthier Wales; A more equal Wales; A Wales of cohesive communities; A Wales of vibrant culture and thriving Welsh language and a globally responsible Wales.

## Ways of working

The Act requires any public body acting in accordance with the sustainable development principle to take account of a set of ways of working. We describe each one and explain how we are giving it effect through the proposals and this consultation exercise.

1. **Long-term** (*the importance of balancing short term needs with the need to safeguard the ability to meet long term needs, especially where things done to meet short term needs may have detrimental long term effect*).

As set out in Chapter 3 and Annex B, the proposed policy supports the delivery of a number of outcomes which promote long-term needs, for example improved soil husbandry through reducing reliance upon external inputs and encouraging a long-term approach to increasing soil organic matter and fertility in Wales' soils. The essence of an approach based upon sustainability is to balance short and long term needs. The proposed scheme reflects this as explained in Chapters 3 and 4.

2. **Integration** (*the need to take an integrated approach, by considering how– (i) the body's well-being objectives may impact upon each of the well-being goals; and (ii) the body's well-being objectives impact upon each other or upon other public bodies' objectives, in particular where steps taken by the body may contribute to meeting one objective but may be detrimental to meeting another*).

As set out above, we have considered the Welsh Government's well-being objectives set out in *Taking Wales Forward 2016-2021*, and have identified those that are relevant to the consultation. Based upon the analysis contained within Annex C, we have concluded that an approach integrating the drivers of prosperity for agriculture with actions to enable long-term improvement of the rural environment offers the best way forward for future agricultural support. Chapters 3 and 4, together with Annex B, provide further information on this approach.

3. **Involvement** (*the importance of involving other persons with an interest in achieving the well-being goals and of ensuring those persons reflect the diversity of the population of– Wales (where the body exercises functions in relation to the whole of Wales), or the part of Wales in relation to which the body exercises functions*).

This will be the second public consultation on this important subject, the first having generated in excess of 12,000 responses. In addition, we have held public meetings and involved a range of stakeholders through the Brexit Roundtable and its sub-groups. We will undertake further engagement through the co-design programme described in Chapter 9.

4. **Collaboration** (*how acting in collaboration with any other person (or how different parts of the body acting together) could assist the body to meet its well-being objectives, or assist another body to meet its objectives*).

The development of these policy proposals has involved considerable collaboration between different policy teams within the Welsh Government, Natural Resources Wales and other stakeholders. We expect this approach to continue, as set out in Chapter 9.

5. **Prevention** (*how deploying resources to prevent problems occurring or getting worse may contribute to meeting the body's well-being objectives, or another body's objectives*).

Annex C examines the ability of the BPS to deliver against the objectives relevant to land management through considering delivery against the seven well-being goals (from which these objectives are derived) and considers whether the proposed scheme and the SLM principle can provide improved delivery. Chapters 3 and 4 provide detail on how these objectives could be supported by the proposed new scheme.



## **Environment (Wales) Act 2016**

In addition to the Well-being of Future Generations Act, the Environment (Wales) Act 2016 also places duties upon the Welsh Ministers that are relevant in the context of this consultation and inform policy development. These relate to sustainability, specifically the Sustainable Management of Natural Resources, biodiversity and climate change, as summarised below.

### **Biodiversity**

Welsh Ministers are required to maintain and enhance biodiversity in the exercise of their functions in relation to Wales, and in so doing promote the resilience of ecosystems, so far as consistent with the proper exercise of those functions (section 6). Welsh Ministers must also take all reasonable steps to maintain and enhance the living organisms and types of habitat included in any list published under section 7 of that Act, and encourage others to take such steps (section 7).

Annex C of the consultation document examines the BPS in terms of its effectiveness in delivering these requirements, and considers how an SLM framework might improve delivery. The “biodiversity” benefit within the framework is particularly relevant.

### **Natural Resources Policy**

Section 9 requires Welsh Ministers to prepare and publish a document setting out their general and specific policies for contributing to achieving Sustainable Management of Natural Resources in relation to Wales – the Natural Resources Policy (NRP). This must set out what the Welsh Ministers consider to be the key priorities, risks and opportunities for Sustainable Management of Natural Resources in relation to Wales, including what they consider should be done in relation to climate change and biodiversity. Welsh Ministers must take all reasonable steps to implement the national NRP, and encourage others to take such steps.

The Natural Resources Policy sets out three National Priorities to be implemented:

- 1. Delivering nature-based solutions.** Nature-based solutions are about working with nature to support climate change adaptation and mitigation, improve infrastructure, improve land and water management and support health and well-being.
- 2. Increasing renewable energy and resource efficiency.** These help to both reduce the pressures on Wales’ natural resources and also provide new jobs and market opportunities, by using fewer natural resources.
- 3. Taking a place based approach.** This is about supporting the new ways of working through involving local communities in designing and developing proposals, so that they benefit from the natural resources in their area.

Our proposals set out in Chapter 4 explain how the proposed scheme can deliver against these priorities. In addition, the co-design programme described in Chapter 9 is particularly relevant for the third priority as we will be working locally around Wales to develop our proposals. The assessment of the proposed scheme and BPS in Annex C against the well-being goals also enables us to consider how well both approaches contribute to the delivery of NRP priorities.

## Climate change

Part 2 of the Act requires Welsh Ministers to meet targets for reducing emissions of greenhouse gases from Wales. This includes a duty to ensure that the net Welsh emissions account for 2050 is at least 80% lower than the baseline (section 29). The Welsh Ministers are also required to set interim targets, and ensure that those targets are not exceeded (section 30). The Welsh Government has recently announced its intention to update these requirements in light of the recent advice from the UK Climate Change Committee.

Annex C considers how well BPS delivers against these objectives and how a scheme based upon SLM might do so. Chapter 3, Chapter 4 and Annex B explains the role of farm support in combatting climate change.

## Sustainable Land Management

The United Nations has developed the concept of Sustainable Land Management (SLM), in order to apply sustainable development specifically to land management, enabling productive agriculture to operate within a sustainable development context. This concept is developed from similar research, evidence and international agreements as sustainable development. It is therefore consistent with the Acts described above, but adds further clarity in the land management context.

Sustainable Land Management (SLM) is defined 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.\*\**

As an objective, SLM clearly states what is important in the context of land management in Wales, of which farming is the principal component. The objective focuses on the sustainable use of resources, meaning these resources can continue to be productive, as long as the productive system operates within natural limits. This is productive both in an economic and social sense, to meet changing human needs, and in an environmental sense, maintaining the ecosystems society ultimately relies upon.

SLM is therefore an appropriate principle around which to construct a framework for future agricultural policy. However, it is a high-level concept and therefore we propose to break it down into a framework of benefits, outcomes and actions that will contribute to delivery against the well-being objectives and goals and relevant commitments within the Environment (Wales) Act 2016.

The proposed Sustainable Farming Scheme sets out a way the Welsh Government can use the SLM framework as the basis for future support (see Chapters 3 and 4 for a detailed explanation of the SLM approach and how the new scheme proposals are derived from it. Annex C provides an analysis of how the approach and proposals might deliver against the well-being goals). By focusing support around the actions and outcomes of the framework, the scheme creates a mechanism for directly incentivising the delivery of SLM across Wales.

This framework forms a powerful intervention logic. It shows how farmers, foresters and other land managers can deliver SLM, because it identifies how resources should be managed (the actions) to cause changes or a continuation of a positive state (the outcomes) which lead to more effective production of economic, environmental and socio-cultural benefits to meet changing human needs (the benefits). In developing the benefits, outcomes and actions, we have considered how each can contribute to the well-being objectives and goals. In particular, each outcome aims to contribute to one or more of the well-being goals. Further explanation is contained in this chapter, Annex B and Annex C.

\*\* UN (1992), Rio Earth Conference  
<http://publications.gc.ca/Collection-R/LoPBdP/BP/bp317-e.htm>

## **The Sustainable Land Management framework and *Brexit and our Land***

The SLM framework incorporates each of the five principles for land management reform set out in *Brexit and our Land*. **Food production** is directly recognised as a vital component of SLM as it is necessary to meet human needs. A sustainable approach will make it possible for farms to produce positive environmental and social outcomes alongside food. In doing so, the framework recognises **the role of public goods** – those outcomes not rewarded by the market. SLM can only be delivered by active management and so **we must keep farmers on the land**, not least because of the positive social outcomes from doing so. Every part of Wales has the potential to deliver SLM outcomes, ensuring **opportunity for all**. Achieving all of these things contributes to a **prosperous and resilient agricultural sector**.





**Figure 3.7: Defining Sustainable Land Management benefits and outcomes**

<p><b>Benefit: High market potential</b></p> <p><i>Definition:</i> The capacity of Welsh agriculture and forestry sectors to supply the market with produce that is in demand along the supply chain.</p> <p><i>Why this benefit is important:</i> Market potential is an essential driver of viability, profitability and resilience. A sector which can seize opportunities for new products and enterprises will add more value to the economy. A greater focus on market demand will also increase the potential for more external investment in processing and manufacturing facilities in Wales.</p> <p>Outcome: Market share in new and existing markets</p> <p>Awareness of available routes to existing markets and what products and services are in demand. Appropriate skills and the capacity to take up identified opportunities to increase sales and range of products, in some cases in order to penetrate new markets.</p>	
<p><b>Benefit: High competitiveness</b></p> <p><i>Definition:</i> The ability to sell a product at a lower price than competitors, while still remaining profitable.</p> <p><i>Why this benefit is important:</i> Competitiveness is the essential driver of business viability and profitability. A business which is not competitive cannot be viable. The competitiveness of individual businesses will also contribute to resilient Welsh agricultural and forestry sectors, increasing the potential for external investment.</p> <p>Productivity is the key driver of competitiveness, as it allows the business to reduce inputs for a given level of output. This means the business can set more competitive prices, or, if already selling at a small margin, can increase production without increasing costs to the same extent.</p> <p>The vast majority of farm businesses in Wales have livestock. Maintaining high standards both increases productivity, as fewer animals are lost to illness or disease, and increases consumer confidence, another key factor in competitiveness. High standards will positively impact demand for Welsh products.</p>	
<p>Outcome: Productivity</p> <p>Increasing productivity is the production of the same level of output with reduced inputs.</p> <p>Productivity is a measure of the amount of output produced for a given level of inputs.</p> <p>It can be described as the ratio of inputs to outputs, or the rate of output for a given level of inputs.</p>	<p>Outcome: Animal health and welfare standards</p> <p>The achievement of high standards of animal health and welfare above and beyond that required by regulation, including measures to reduce antimicrobial resistance.</p> <p>The farm business has the skills, training and capacity to understand the standards required and identify areas of potential improvement.</p>

## Benefit: Ability to respond to market conditions through diversified income

*Definition:* The capacity to be able to adapt a business or establish new enterprises, and the knowledge of when to do so.

*Why this benefit is important:* Adaptable businesses, which produce a variety of products, are more able to withstand market volatility.

A business with a more diversified income has a greater ability to withstand changes in any one of the markets for those products. Building a more flexible business may also lead to improvements in productivity and a focus on business planning and risk management.

A flexible and diverse business is more able to switch production to the more profitable enterprises, while still maintaining its capacity to make future changes.

Outcome: Income stream(s) from within existing sectors	Outcome: Income stream(s) from non-agricultural based sources
A greater awareness and understanding of the opportunities for new income streams within their current sector. Appropriate skills, training and capacity to pursue these opportunities.	A greater awareness and understanding of the opportunities for income streams from non-agricultural based sources, including the proposed Sustainable Farming Payment. Appropriate skills, training and capacity to pursue these opportunities.

## Benefit: Effective management of reasonable risks

*Definition:* The implementation of actions identified by risk assessments and planning in order to reduce risks to an appropriate level.

*Why this benefit is important:* More risk-aware businesses will have a greater potential to be viable in the longer term, both in terms of profitability and their ability to meet regulation.

More resilient businesses will require less intervention from Government in terms of support for crisis management and recovery.

Outcome: Managed financial and market risk	Outcome: Managed environmental risk	Outcome: Managed social risk
Risks to the viable operation of the farm business from financial and markets factors are identified and managed, including through use of market mechanisms.	Risks to the viable operation of the farm business from biological and environmental factors, such as disease or invasive species, are identified and mitigated.	Risks to wider social issues, such as public health, from business practices are identified and mitigated.

## Benefit: Future proofed businesses

*Definition:* Future-proofing is a process to identify future threats and opportunities to the viability of a business and plan accordingly.

*Why this benefit is important:* Businesses with a greater capacity to plan holistically and for the long term will be better placed to take advantage of opportunities.

Outcome: Holistic long-term business planning	Outcome: Mobility and succession planning	Outcome: Innovation
<p>Appropriate skills, training and capacity to undertake long-term holistic planning that allows for social, economic and environmental development in an innovative manner.</p>	<p>Greater awareness of workforce capacity, ability and training needs over the long term. Identification of options for succession and bringing new entrants and young people into the farming sector.</p>	<p>Identification of new technologies and techniques to make long-term improvements to the business, including better use of data and collaboration with the supply chain.</p>





## Benefit: Clean atmosphere

*Definition:* A clean atmosphere is one that shows both a reduction in harmful pollutants and a reduction in greenhouse gases.

*Why this benefit is important:* Clean air is important both for human health and the health of the natural environment. Pollutants in the air have been linked to over 1,300 early deaths a year in Wales and 40,000 across the UK. Air pollution can directly affect vegetation (for example, through exposure to sulphur dioxide or high levels of ozone), or indirectly affect the wider environment through affecting the nutrient status of soils and waters. This, in turn, can affect habitat integrity. Greenhouse gas emissions contribute directly to climate change. Rapid change in the climate has the potential to seriously harm ecosystems. Climate change may also result in more extreme weather patterns, such as dryer summers and wetter winters, posing a challenge to the viability of farming. The Welsh Government is committed to:

- reducing carbon emissions from the agricultural sector by 36% by 2030
- increasing Wales' carbon sink to 127% of the baseline by 2030

Outcome: Air quality	Outcome: Carbon sequestration	Outcome: Decarbonisation
<p>A reduction of net emissions from the key agricultural pollutants:</p> <ul style="list-style-type: none"> <li>• ammonia (NH<sub>3</sub>)</li> <li>• nitrous oxides (N<sub>x</sub>O)</li> <li>• sulphur dioxide (SO<sub>2</sub>)</li> <li>• particulate matter (PM<sub>2.5</sub>)</li> <li>• ozone (O<sub>3</sub>)</li> </ul> <p>Increased capacity for interception of pollutants from forestry and woodland.</p>	<p>Increased capacity to capture and store atmospheric carbon, principally from new woodland planting, forestry and on-farm woodland, and soils.</p>	<p>A reduction of emissions from the key agricultural greenhouse gases:</p> <ul style="list-style-type: none"> <li>• carbon dioxide (CO<sub>2</sub>)</li> <li>• methane (CH<sub>4</sub>)</li> <li>• nitrogen oxides (NO<sub>x</sub>)</li> </ul>

## Benefit: High water quality

*Definition:* High water quality refers to water bodies showing a reduced risk to society and the environment, in both chemical pollutants and flooding.

*Why this benefit is important:* Maintaining and improving the chemical and physical quality of our water has a number of positive impacts on society, including improving public health and providing increased recreation opportunities.

Chemicals such as nitrogen (N) can have a detrimental impact on aquatic ecosystems through processes such as eutrophication. High water quality protects and enhances these ecosystems, allowing them to continue to provide important ecosystem services.

Flood risk both in the present day and in the future is a large issue in Wales. Flood events can cause significant physical damage and costs. Reducing the risk of flood events therefore has value to society.

The Welsh Government is committed to meeting the standards required by the Water Framework Directive by 2027.

### Outcome: Water quality

A reduction of chemical pollutants arising from agricultural and forestry activities in water bodies:

- nitrogen (N)
- phosphorous (P)
- sediment

### Outcome: Flood risk mitigation

The implementation of actions to reduce flood risk and thus protect communities and crucial infrastructure.

## Benefit: Biodiversity

*Definition:* Biodiversity refers to the abundance and diversity of species within a natural or semi-natural habitat. A habitat with a rich diversity of native species within their traditional range will contribute to a resilient ecosystem, which in turn will deliver a full range of ecosystem services.

*Why this benefit is important:* As well as its intrinsic value, biodiversity provides a number of valuable benefits to society. This includes providing a functioning array of habitats and species, which underpins the appeal of the Welsh landscape that our tourism sector relies on, as well as providing benefits to our own well-being through contact with nature.

In addition, biodiversity, as a fundamental component of our wider ecosystems, delivers a number of provisioning services (such as an intact topsoil with healthy microfauna underpinning the productive capacity of farmland, pollination and natural management of the balance of predator/pest species) and regulation services (such as water and air filtration, carbon sequestration, flood risk management).

The Welsh Government is committed to maintaining and enhancing biodiversity in the exercise of functions in relation to Wales, as stated in the Environment (Wales) Act 2016.

### Outcome: Resilient ecosystems and species recovery

Resilience refers to ecological resilience – defined by Natural Resources Wales (NRW) as the capacity of ecosystems to deal with disturbances, either by resisting them, recovering from them, or adapting to them, while retaining their ability to deliver services and benefits now and in the future.

Resilience is not an absolute state and differs from one ecosystem to another. The Environment (Wales) Act 2016 identified several key factors to resilience: diversity, scale, connectivity, condition and adaptability.

Species recovery depends upon the provision of functioning, resilient ecosystems.



## Benefit: Well-being

**Definition:** Well-being is the state in which people are able to fulfil their needs physically and mentally, and have the freedom to develop themselves in the way they see fit.

**Why this benefit is important:** Enhancing well-being is one of the central principles of the Welsh Government. Well-being is important because it empowers individuals to participate in, and add the most value to society.

Outcome: Public health	Outcome: Education	Outcome: Prosperity	Outcome: Welsh language, culture, access, landscape and heritage
<p>The ability to provide opportunities for the public to use the countryside for activity which improves physical and mental health.</p> <p>The reduction in the risk of animal disease outbreaks which can affect humans.</p> <p>The reduction in the risk of antimicrobial resistance developing in bacteria of animals and being transferred to those that infect people.</p> <p>The physical and mental health and well-being of farmers themselves.</p>	<p>The contribution of farmers and foresters to providing educational opportunities.</p>	<p>The contribution of farmers and foresters to an innovative, productive and low carbon society, which recognises the limits of the global environment and therefore uses resources efficiently and proportionately.</p>	<p>The contribution of farmers and foresters to supporting the Welsh language and culture.</p> <p>The contribution of agriculture to preserving historic monuments, landscapes and archaeological sites.</p> <p>Enhancement of existing Rights of Way.</p>



We propose a new payment scheme to reward farmers for delivering Sustainable Land Management (SLM) outcomes.

Consultation feedback from *Brexit and our Land* demonstrated the importance of not separating food production from environmental work on a farm. For this reason, we now propose a single scheme to support farmers – the Sustainable Farming Scheme.

An initial Farm Sustainability Review will allow for a holistic assessment of the economic, environmental and social aspects of the farm. The resulting Farm Sustainability Plan will provide the opportunity to determine the most appropriate actions to implement on each farm. It will provide the gateway to two types of complementary support – the Sustainable Farming Payment and business support.

The Sustainable Farming Payment will offer a meaningful income stream to farmers, giving them fair reward for the environmental outcomes delivered on their farm. Business support will provide advice, skills and investment to improve the sustainability of the farm business.

Scheme eligibility and payment levels will be decided at a later stage.

This chapter:

- provides an overview of the proposed scheme and its main features;
- explains the process of scheme entry – the Farm Sustainability Review and Farm Sustainability Plan;
- describes how we propose to provide an income stream to farmers – the Sustainable Farming Payment;
- describes how we propose to provide business support to farmers;
- explores issues relating to scheme eligibility;
- reflects on how the scheme can continually improve over time; and
- seeks views on the design of the proposed scheme.

### Overview

4.1 We propose to use Sustainable Land Management (SLM) as the framework for the scheme. The SLM framework can tell us the outcomes, and hence actions, farmers can deliver to benefit Welsh society, the natural environment and themselves.

4.2 The proposed scheme brings together the Economic Resilience and Public Goods proposals set out in *Brexit and our Land* into a single farm support scheme, reflecting the integrated nature of SLM.

4.3 The revised policy proposal is designed to address many of the concerns expressed by respondents to *Brexit and our Land* about moving away from the BPS. Farmers told us they did not want their farms artificially split between 'food producing' and 'public goods' land. Farmers also told us we need to more clearly address the importance of food production. We now consider there are significant environmental outcomes which can arise from sustainable food production. The same action, done in the right way, can contribute both to the production of food and the delivery of environmental outcomes. We want to pay for these outcomes.

4.4 The aim of the scheme is to support and reward farmers for delivering SLM outcomes. As set out in Chapter 3, we believe funding is best directed at environmental outcomes.

4.5 We propose entry to the scheme would be through a Farm Sustainability Review and the product of the Review will be a Farm Sustainability Plan. These can be proportionate to the complexity of the farm business – a simple farm business can have a swift Review and a simple Plan. The farmer would be involved in the development and production of both documents.

4.6 Once a farmer has entered the scheme, we propose they may access two complementary types of farm support – a Sustainable Farming Payment and business support.

4.7 The Sustainable Farming Payment would provide an income stream for farmers in return for the environmental outcomes delivered on their farm. Many of these outcomes can be produced alongside food production. Business support would provide advice, skills and investment to improve the sustainability of the farm business. While the focus may be on economic outcomes, support should also contribute to environmental and social outcomes.

4.8 The Sustainable Farming Payment can make a vital contribution to farm business income, just as the Basic Payment Scheme (BPS) currently does. However, by improving overall sustainability, the payment can improve the long-term prospects of the farm in a way that BPS is not designed for. In developing proposals for the Sustainable Farming Payment, we have sought to reflect four key features.

### **Feature A – a meaningful and stable income stream**

4.9 Current agri-environment schemes require payments to reflect only the additional costs or income foregone arising from the actions a farmer implements. This fails to fairly reward the environmental outcomes produced on farms and gives insufficient incentive for farmer participation.

4.10 We believe that farmers should be paid a fair price for delivering positive outcomes. We therefore propose the Sustainable Farming Payment should

provide a meaningful income stream to farmers, just as the BPS currently does. We propose to go beyond the “income foregone and costs incurred” currently used to calculate Glastir payments.

4.11 We propose the Sustainable Farming Payment is agreed with the farmer in a multi-year contract. It can therefore provide a stable income stream to the farmer. This is an important contribution to managing volatility – payment would be unaffected by the exchange rate, not at risk from import substitution and not linked to commodity prices.

### **Feature B – a fair, outcome-based payment**

4.12 The natural environment is a complex system and there are many things which may affect whether an outcome is delivered. Some of these things are not within a farmer’s control. For example, a farmer’s efforts to improve air quality, improve biodiversity or reduce emissions may be affected by the weather, wildlife patterns or what happens beyond the farm boundary. It would therefore not be fair for a farmer’s payment to be solely based on the delivery of outcomes.

4.13 We think it is helpful to consider the farming actions which evidence shows will usually deliver the outcomes we want to pay for. We call this “evidence of causality”. We can use this to convert outcomes into appropriate farming actions. Many respondents to *Brexit and our Land* broadly agreed with the idea of an outcomes-based approach, but noted concerns around fairness. By explicitly linking actions and outcomes through evidence of causality, we hope to address these concerns.

4.14 We propose receipt of the Sustainable Farming Payment is conditional on appropriate actions being implemented. This ensures fairness to the farmer. If a farmer performs the appropriate actions but the outcome does not arise for a reason beyond their control, the farmer would still be paid. In this way, the Welsh Government bears the risk that agreed actions do not lead to outcomes.



### **Feature C – a reward for new and existing sustainable practices**

4.15 To ensure value for money, we propose payments are in return for delivery of outcomes above and beyond the requirements of regulation – we call this “additionality”.

4.16 Subject to additionality, we want to be able to reward both changes to farming practice and the continuation of already sustainable farming practice. We therefore propose the Sustainable Farming Payment is available for both “maintenance” and “creation”. This reflects feedback from *Brexit and our Land* which strongly advocated how current delivery of environmental outcomes should be recognised. For example, if a farmer already manages an area of semi-natural habitat or performs nutrient management, we can pay for this to continue. Alternatively, if a farmer wishes to create a new area of semi-natural habitat or start nutrient management, we can provide a Sustainable Farming Payment to reward the farmer for delivery.

### **Feature D – a flexible payment for all types of farm**

4.17 We believe the Sustainable Farming Payment should be accessible to all types of farm. For this to be the case, we need to ensure there are sufficient environmental outcomes which can be delivered on all types of farms. We want any farm and any farmer to be able to produce the vast majority of the outcomes described in this consultation.

4.18 Reflecting feedback from *Brexit and our Land*, we want to give farmers more flexibility in implementation than is provided under Glastir. We want farmers to be able to choose from a set of actions that work best for their business, but still deliver the outcomes appropriate to their farm.

### **Scheme entry**

4.19 The scheme is centred on the concept of sustainability and so we believe it is important for entry to begin with an assessment of farm sustainability. Chapter 2 sets out an illustration of the proposal described below from a farmer’s perspective – from outreach, to Expression of Interest, to a Farm Sustainability Review and then a Farm Sustainability Plan.

### **Outreach and Expression of Interest**

4.20 Farmers wishing to enter the scheme would be encouraged to attend an outreach session where they can learn more about the scheme and process. Following that, they would be able to complete an Expression of Interest (Eoi). The Eoi is an opportunity for the farmer to help shape the Farm Sustainability Review. The information they provide on the current farm type and their future ambitions would be used by the adviser to tailor the Review to what is important and relevant to that specific farm.

### **Farm Sustainability Review**

4.21 Following the Eoi process, an adviser would work with the farmer to undertake a Farm Sustainability Review. Together, they would examine aspects of the farm business.

4.22 The purpose of the Review is to assess to what extent the farm is consistent with SLM, identify opportunities for future support and consider what help the farmer may need to get the most out of the proposed scheme.

4.23 Consistent with the breadth of SLM, we believe it is important for the Review to cover economic, environmental and social aspects of sustainability. Figure 4.1 illustrates what might be covered in each aspect.

4.24 Even if the farmer chooses not to enter the scheme, they would still have gone through a valuable exercise and would be able to keep and use the results of the Review in their own way. This may be particularly relevant in helping them respond to Brexit.

4.25 We are interested in views on how best to deliver the Farm Sustainability Review in a proportionate manner, striking a balance between the scale of support and the level of benefit. On the one hand, a more comprehensive and tailored assessment could require an adviser to have a range of skills or access to specialist support. This would deliver a worthwhile return to both the farmer and the proposed scheme, but would be resource intensive (relevant research suggests the most useful sustainability reviews are those which are specific to the farm<sup>3</sup>).

**Figure 4.1: What the Farm Sustainability Review could cover**

Aspect	Options for the review
Economic	This element could review: <ul style="list-style-type: none"> <li>• the farm’s ability to undertake business planning, monitor performance and produce goods to meet market demand</li> <li>• opportunities for business support, including capital investment</li> </ul>
Environmental	This element could review: <ul style="list-style-type: none"> <li>• the state of the farm’s natural resources, such as habitat condition</li> <li>• environmental actions already being delivered which could be funded, such as nutrient management</li> <li>• opportunities for new environmental outcomes which could be delivered in return for funding, such as decarbonisation</li> </ul>
Social	This element could review: <ul style="list-style-type: none"> <li>• the farm’s engagement with the local economy, workforce, and community (including the Welsh language)</li> <li>• the opportunities for delivering social outcomes such as improved access or heritage management</li> </ul>

<sup>3</sup> For example:

- De Olde et al. (2016), Assessing sustainability at farm level; <https://www.sciencedirect.com/science/article/pii/S1470160X16300012>
- Marchand et al. (2014), Key characteristics for tool choice in indicator-based sustainability assessment at farm level; <https://www.jstor.org/stable/26269635?socuid=3df9e4e7-31d4-4e38-8491-bfe23fdb5397&socplat=email>
- Mullender et al. (2017), Sustainability Assessment: The Case for Convergence. <https://sustainablefoodtrust.org/articles/sustainability-assessment-the-case-for-convergence/>

4.26 On the other hand, a lighter touch approach with a more standardised assessment could provide a lower cost solution. This approach might not provide a tailored service to individual farmers and could mean benefits may not be as fully realised. It might also require farmers to seek further technical advice in order to deliver some of the outcomes within the scheme.

4.27 There are many existing sustainability tools and accreditation schemes – we want to work with stakeholders to identify the best and most streamlined way to perform the Review.

### **Farm Sustainability Plan**

4.28 The Farm Sustainability Review would provide farmers with details about actions that will provide the greatest degree of outcome delivery for their farm (and therefore the largest payment). The results would support the production of a Farm Sustainability Plan – this would contain the agreed actions a farmer will implement in return for payment.

4.29 We propose the Plan should contain a mandatory and an option element. The mandatory element would comprise a set of mandatory actions fundamental to sustainability. If the farmer did not implement them, it would undermine Sustainable Land Management.

4.30 Mandatory actions would be put in the Plan by the adviser. While they would be specific to farm, there is likely to be significant similarity between similar types of farms. Examples could include:

- effective nutrient management planning, if the farm applies inputs or generates slurry
- having an animal health and welfare plan, if the farm has livestock
- managing existing semi-natural habitat, if there is any on the farm
- participating in a benchmarking scheme, if the farm wishes to receive business support

4.31 For the option element, the farmer would be able to choose from a list of additional actions. To ensure all types of farms can enter the scheme, it would be important for there to be a wide range of options. However, not all actions would be universally available as they may not be appropriate for all types of farm. The options could be drawn from categories such as:

- **nutrient management** – for example, targeted application of fertiliser
- **soil husbandry** – for example, sward management or cover cropping
- **habitats and woodland** – for example, creating new habitat or planting woodland
- **land management** – for example, improving heritage features
- **livestock management** – for example, enhancing biosecurity or reducing antibiotic usage
- **business support** – for example, skills development or diversification

4.32 A fuller description of potential actions to deliver SLM outcomes is set out in Annex B. The potential scale of each will relate to farm type, size and overall ambition.

4.33 By following the Plan, the farmer would be able to benefit from the Sustainable Farming Payment and business support.

4.34 Farmers would receive the Sustainable Farming Payment for the delivery of outcomes which are not rewarded by the market, principally environmental outcomes. The payment would be conditional on the actions which should deliver those outcomes being implemented. It would be possible for a farm to implement no more than the mandatory actions and receive payment as a result. A farmer who adds option actions to their Plan and implements them, resulting in greater outcome delivery, would receive greater payment. Ultimately, it would be for the farmer to decide.

4.35 If the farm can benefit from business support, the Plan would include a business support element. 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.

4.36 For many farms, the Plan may build on existing documents, business plans or certification schemes. For example, many farms already have a nutrient management plan. In addition, organic certification may adequately identify the relevant nutrient management actions on a farm.

### **Income stream – the Sustainable Farming Payment**

4.37 The Sustainable Farming Payment would be a vital income stream for farmers. We are interested in views on how it should operate. This section explores the proposed functioning of the Sustainable Farming Payment, namely:

- the relationship between outcomes, actions and payment;
- the nature of the contract;
- farmer self-assessment and monitoring;
- Welsh Government monitoring and inspection; and
- contract renewal.

### **Outcomes, actions and payments**

4.38 We propose to pay farmers for outcomes not rewarded by the market, principally environmental outcomes. The payment would be conditional on actions being implemented, where there is a direct causal link to the outcomes. The principle of causality is explained earlier in this chapter (Feature B of the proposed scheme).

4.39 The payment rate for each outcome would be determined by evidence and the available budget. We need to ensure payment rates are fair and equitable, giving opportunity for all farmers. We also need to ensure payment rates exceed the

additional cost and income foregone of implementing appropriate actions. Some of the options for valuing environmental outcomes are discussed in Annex A.

4.40 We propose to determine a value for the outcomes that we seek and then determine the appropriate payment for the action that delivers it. For example:

- The outcome may be increasing the size of the carbon sink. We would give a monetary value for each tonne of carbon dioxide sequestered.
- Different types of action will deliver this outcome to a greater or lesser extent (for example, increasing soil carbon or planting new woodland). The outcome value would be used to calculate an appropriate action payment.
- This action payment could also recognise the positive impact of the action on other outcomes (for example, improved habitat resilience).

4.41 While this may be perceived as a complex method, we can ensure robustness by rooting everything in outcomes. The end result for farmers would be a simple list of actions and payments rates.

4.42 While payments would relate to actions, the level of detail may be different than in the current Glastir scheme. Some of the prescription-based options within Glastir focused on inputs, partly because the payments were based upon income foregone and additional costs incurred calculations. Adopting an outcome-based payment approach, where we measure delivery of the outcome through actions implemented, enables us to be less prescriptive, while still ensuring the outcome is delivered.

4.43 As noted above, we propose to use this method to reward both the maintenance of existing outcomes and the creation of new ones. If an outcome is already being delivered, the payment will be conditional on ongoing management actions being implemented. This means rewarding what some farmers are already doing.

## **Nature of the contract**

4.44 For those wishing to receive the Sustainable Farming Payment, we propose the Farm Sustainability Plan will form the basis of a contract between the Welsh Government and the farmer. At this point, mandatory and option actions would have an equal contractual status.

4.45 We propose farmers should receive the Sustainable Farming Payment on an annual basis. We want to explore the pros and cons of paying farmers on the anniversary of their individual contract date rather than paying all farmers on a nominated date.

4.46 The payment would be made so long as the actions contained within the Plan are being implemented. The farmer would not have to wait for outcomes to materialise.

## **Farmer self-assessment and monitoring**

4.47 We propose the basis for a claim for payment should be an annual self-assessment. The farmer and the adviser would agree in the Plan what needs to be monitored – this will vary depending on the agreed actions, but there will be many common aspects to all farms.

4.48 Self-monitoring would involve agreement on exactly how the farmer will measure each outcome. In some cases, this may be as simple as keeping records that show the appropriate actions are being taken. In others, it may involve simple soil testing or other monitoring.

4.49 The purpose of self-monitoring is to ease administrative burdens, making more funding available for the Sustainable Farming Payment, and to involve farmers more fully in the process. We would need to explore how we balance our responsibility to ensure value for money is being delivered with our desire to reduce bureaucracy and allow flexibility.

4.50 The advisory service would be prepared to support farmers in gaining any technical skills needed to undertake self-monitoring.

## **Welsh Government monitoring, audit and inspection**

4.51 The proposed scheme would be paying a significant amount of public money to farmers. It is therefore important to ensure there is a commensurate compliance regime to ensure value for money. This regime will be designed as the proposals develop.

4.52 In particular, we need to ensure actions are implemented throughout the contract and monitor outcome delivery for scheme improvement purposes. This is likely to be on a similar basis to the current Common Agricultural Policy (CAP) arrangements. In this way, a small number of farms in the scheme would be visited each year for a risk-based inspection visit. As noted in Chapter 5, it is important for the advisory service to be independent from the inspectorate.

## **Contract renewal**

4.53 Towards the end of the contract period, overall delivery would be reviewed and any corrective action agreed. The contract could then be renewed. Many environmental outcomes are best delivered over a long timeframe, so the subsequent contract may be very similar to its predecessor.

## **Business support**

4.54 We currently provide financial and practical support for farm business development within various schemes of the Rural Development Programme, including Farming Connect, the Farm Business Grant and the Sustainable Production Grant. This has brought benefits to farms, but prescriptive rules have hindered flexibility.

4.55 It was for this reason *Brexit and our Land* proposed an Economic Resilience Scheme to provide targeted investment in farms and farmers. The intention of the proposal was to combine much of the current support into a flexible offer for farmers. Respondents generally supported the proposals, subject to ensuring business development did not undermine environmental outcomes.

4.56 We continue to believe there is a strong case for providing business support to farmers, foresters and other land managers. As noted above, in response to feedback from *Brexit and our Land*, we now propose to combine the economic and environmental aspects of farm support into a single scheme.

4.57 Within the proposed Sustainable Farming Scheme, we propose to offer a broad range of business support measures. This will encompass advice, skills development, access to finance and capital investment.

4.58 This is similar to how the Welsh Government already supports businesses in other sectors of the economy. However, there is a particular case for supporting farm businesses, given the relationship between farm viability and environmental and social outcomes.

4.59 Reflecting this, we propose all business support should contribute to Sustainable Land Management. This provides for economic, environmental and social outcomes to be considered in the round. While the focus may be on economic aspects of sustainability, this support should also contribute to environmental and social aspects. We are seeking views on what would work best for farmers and what support would be most beneficial.

4.60 We understand and appreciate many farms rely on the current BPS to make a profit. We expect many of these farms to benefit from the income stream provided by the proposed the Sustainable Farming Payment, just as they do from the BPS. In addition,

the support described in this section offers the opportunity to enhance the profitability of the farm's activities.

4.61 We believe this is relevant for all types of farms in Wales. Our evidence pack *Agriculture in Wales* shows there are farms in every size category making a profit from agricultural activities. While profitability is often correlated to size of farm, research demonstrates there are many factors, independent of farm size, type or location, that contribute to farm performance. This suggests almost all the determinants of success are down to the individual, the decisions made on the farm and how they are implemented.

4.62 While the focus of this section is on farm businesses, the proposals are equally relevant for forestry and other land management businesses.

### **Gateway to support**

4.63 We propose the Farm Sustainability Review should be the gateway to all forms of business support. This allows for the sustainability of a farm business to be considered in the round.

4.64 If the farmer and adviser agree the farm can benefit from business support, the Farm Sustainability Plan will include a business support element. As noted above, the Plan can draw on existing business plans that a farmer may already have developed as part of running their business.

### **Nature of support**

4.65 Based on lessons learnt from previous schemes and feedback from *Brexit and our Land*, we propose business support should be provided in three main forms:

- business capacity and skills;
- capital investment to enhance sustainability; and
- knowledge transfer and specialist skills.

4.66 Each is discussed further below and there is significant interaction between them. In particular, we would expect a farmer to demonstrate business capacity and skills before benefiting from significant capital investment. Similarly, many business development opportunities will require a mix of investment and skills in order to be successful.

### **Business capacity and skills**

4.67 While many farmers will already have strong business skills, it is important to ensure support is available so all farmers are able to get the most from their business. We therefore propose to offer business capacity and skills support and ensure this is reflected in a business plan.

4.68 There are certain business skills that are fundamental to improving the resilience of a farm business, including the ability to use data to understand the farm's performance over time and the ability to identify and act upon areas for improvement. Benchmarking of data for the farm business allows this improvement, as well as the ability to compare performance with other, similar farms. Use of data is also vital to improve the resilience of farm businesses in other ways, for example, the market alignment of the business through market intelligence, plus increasing the ability to trace livestock along the supply chain through the development of a Welsh multispecies database.

4.69 Better performing farms generally demonstrate a higher level of active skills development and Continuous Professional Development (CPD). Those with a higher formal education level are more likely to be better performers, adopt innovation and technology and have the business skills necessary for increased business resilience. Farmers in Wales, and in the UK generally, have traditionally under-invested in professional development, with a corresponding drop in productivity when compared to other countries with higher CPD investment.

4.70 An effective business plan should also include an element of succession planning. This allows the farm or forestry business to plan for the long term and ensure that its long-term business goals are clear, while minimising any disruption from a change to management or ownership. Succession planning is also important for our future generation of farmers, allowing young people and new entrants alike to identify opportunities to develop their skills and businesses.

4.71 Ensuring animal welfare and high standards of livestock husbandry is also important for the future, not only in order to promote more sustainable farming and our strong Sustainable Brand Values, but also for the cost efficient operation of the farm business. High animal health and welfare standards can prevent many of the costs associated with lower performing farms, such as veterinary and medicine costs, through a preventative approach. The Farm Sustainability Plan therefore needs to incorporate animal health and welfare improvements.

4.72 Support for some of the areas described above could focus on:

- general business skills improvement, including setting appropriate goals and data analysis;
- participation in performance benchmarking schemes;
- applied skills improvement to improve productivity; and
- identifying the appropriate goods to be producing for the market, for example interpreted advice on market trends and opportunities, including training to help the farmer gain access to market information.

### **Capital investment to enhance sustainability**

4.73 The Farm Sustainability Review provides an opportunity to identify potentially beneficial areas of capital investment in the farm business. These opportunities may include measures to:

- enhance productivity or reduce costs;
- improve the ability of the farm to manage volatility, including climate change adaptation;
- improve delivery of environmental outcomes, which could lead to a higher Sustainable Farming Payment; and
- diversify or move into new sectors.

4.74 While the focus may be on areas for economic improvement, we propose capital support should also be available for developments which primarily support environmental aspects of sustainability. In many cases, this investment would also deliver positive economic outcomes. An example is replacing high-trajectory splash plate slurry spreaders with slurry injection or trailing hose machinery.

4.75 We would generally expect a farmer to produce a business plan to show how the investment would enhance a farm's sustainability. This is especially important for any large-scale, long-term investment. The advisory service could provide important support, although a farmer may prefer to use an existing private adviser, if they have one. Investment could be provided through a range of financial instruments, including loans and grants.

4.76 Every farm is different and so it is important not to restrict what might be the most appropriate investment on each farm. That said, there may be some equipment which can be supported through a streamlined process of pre-costed and pre-assessed measures.

4.77 There is no one path to increased business resilience. As well as improving productivity, increasing the diversity of income sources, for example through entering new agricultural sectors or establishing new enterprises such as in renewable energy, can help reduce business exposure to individual sector or market shocks. For diversification within agriculture, the Agricultural Land Classification (ALC) data will be crucial. These would need to be considered alongside interpreted market need and

supply chain data to provide a complete picture of the available diversification opportunities for each individual business.

4.78 It is important to recognise the commercial sector already provides business lending to farms. We do not desire to crowd out this activity, not least as greater expenditure by the Welsh Government may reduce the funding available for the Sustainable Farming Payment. We therefore intend to work with the commercial sector and other sources of finance, such as the Development Bank of Wales and Business Wales, to identify a range of potential investment options. Any Welsh Government financial support would be coordinated to prevent duplication of intervention.

### **Knowledge transfer and specialist skills**

4.79 Some farmers may wish to take their business in a direction which requires them to develop new skills. For example, they may wish to start a beef enterprise, move to a zero-input farming system or manage farm woodland. We want to ensure that our agricultural industry has the right knowledge of innovation available to be able to improve productivity and business resilience over the long term. To this end, we must work closely with academic institutions and colleges to identify the most appropriate research, such as innovative husbandry, cropping and livestock systems and techniques.

4.80 These skills can be developed through a range of channels, including specialist advice, knowledge transfer exercises and farm demonstration events. Importantly, we also want to ensure that skills training, innovation and capital support are fully joined up to enable farmers and foresters to adopt the right technology and techniques to improve their business resilience.

4.81 Enhanced livestock genetics is one example of how productivity can be improved through a combination of improved skills, techniques,



innovation and capital support. The Welsh Government has already supported this through the Genetic Improvement project (GI), managed by Hybu Cig Cymru – Meat Promotion Wales (HCC). We wish to build on this and promote a scientific, data led approach to breeding. This could produce animals in a way that could lead to reduced business costs, for example by requiring less shelter or veterinary intervention.

4.82 Our ambition is to link farmers to the knowledge, experience and skills which can help them pursue their goals for their farm. As discussed in Chapter 5, the advisory service can provide an initial gateway, but the support may need to be provided by a wide range of individuals and organisations.

### **Fair access and eligibility**

4.83 This section describes how we propose to provide access to important types of farmer: tenants, collaborators and commoners. It also discusses the options for eligibility criteria, including whether forestry and other land management businesses should be able to access all or part of the scheme.

### **Tenant access**

4.84 Tenant farmers are an important part of agriculture in Wales, with 27% of agriculture land under some form of tenancy agreement.<sup>4</sup> No future scheme can be successful unless it allows for fair access to tenants. To participate in the scheme, any tenant would need sufficient management control over the land (such as tenants with arrangements under either the Agricultural Holdings Act 1986 or the Agricultural Tenancies Act 1995).

4.85 The responses to *Brexit and our Land* highlighted the need to reflect carefully on tenancy law in order to grant fair access to any future scheme.

4.86 The Welsh Government has recently consulted on tenancy reform and ensuring access to any potential new schemes is an area that was considered. The responses to that consultation will help inform future scheme design. The forthcoming Agriculture (Wales) Bill provides the natural vehicle to make any legislative changes required.

4.87 Beyond this, we aim for fair tenant access to the scheme by ensuring:

- contracts are not set for prohibitively long periods of time; and
- there is a wide range of environmental outcomes which can be achieved through agricultural activity. The actions to deliver these outcomes will always require active management.

4.88 The advisory service would provide information to tenants and landlords on the benefits of engagement with the scheme. This would encourage dialogue between the parties to ensure, for example, tenancy length and scheme contract length can be matched.

4.89 There will be some situations where a change in land use will be an option for delivering an outcome. In this case landowner consent would usually be required, just as it is now.

### **Collaboration**

4.90 We want to encourage groups of farmers to benefit from the scheme through collaborative action. Collaboration between farms has the potential to deliver outcomes at a greater scale possible than each farm acting individually.

4.91 For example, groups of farmers could work together to create habitats across many farms that connect existing patches of habitat within a catchment. It would be possible to pay each farmer individually for creating habitat on their farm, with an additional payment once the connection

<sup>4</sup> Welsh Government (2019), Agriculture in Wales  
<https://gov.wales/agriculture-wales>

was completed. This principle could be applied to many actions at a landscape or catchment scale, such as the siting of woodland and trees, nutrient management actions, habitat resilience improvement and others.

4.92 We want to explore the best way to administer support for collaborative actions. One option would be for farmers to form an association and for the association to be the scheme applicant. It would be for the association to determine how that funding is allocated between members.

4.93 This provides an opportunity to draw on the Area Statements being developed by Natural Resources Wales (NRW). When appropriate, they would be able to inform on potential spatial priorities.

### **Common land**

4.94 Common land is an important example of collaboration. Around 10% of agricultural land in Wales is common land - approximately 180,000ha.<sup>5</sup> Around 50% are Sites of Special Scientific Interest (SSSI) and 50% is within protected landscape areas.<sup>6</sup> Extensive agricultural management of common land is fundamental to the maintenance of biodiversity.

4.95 We need to ensure commoners can access the scheme. We want to explore whether we can build on the approach taken with Glastir Commons. Under Glastir, engagement with commoners was through Grazing Associations. These associations allowed commoners to apply collectively for agri-environment funding. A minimum of 80% of the active graziers on the common had to be represented. However, we note these associations have limited management powers beyond grazing and related agricultural activity.

4.96 A future option for engagement with commoners is through Commons Councils. These are corporate bodies which can be established to manage and protect common land. The legal basis and validity for the structure and workings of a Commons Council is set out in Part 2 of the Commons Act 2006. Councils may be granted powers to make legally binding rules on all those using a common for agricultural purposes and non-compliance of these rules may be enforced through the courts.

4.97 Commons Councils represent all parties with a legal interest in the Common. This may make capital investment on commons more feasible than in previous schemes, which in turn could generate an income stream through the Sustainable Farming Payment. The 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.

### **Eligibility criteria**

4.98 *Brexit and our Land* proposed that farmers, foresters and other land managers should be able to access new schemes. This prompted an important debate about eligibility.

4.99 Future budget levels are not yet known. For this reason we are not making specific eligibility proposals in this document. Instead, we are seeking views on what criteria should be applied to those receiving support. We are open-minded about whether the criteria for the Sustainable Farming Payment may be different (or narrower) from the criteria for business support. One illustrative option for the payment eligibility is explored in Figure 4.2.

<sup>5</sup> Welsh Government (2019), Agriculture in Wales  
<https://gov.wales/agriculture-wales>

<sup>6</sup> National Assembly for Wales (2018), Research Briefing: Common Land  
<http://www.assembly.wales/research%20documents/18-044/18-044-web-english.pdf>

4.100 Currently, BPS eligibility is determined by various criteria, in particular the “active farmer” test. The proposals described above demonstrate the emphasis on support to “active” farmers, foresters and other land managers – only those undertaking actions would receive a Sustainable Farming Payment. Payment would not be made for simply owning land.

4.101 One important eligibility exclusion is likely to be land owned and managed by the public sector, which already receives funding for management. In these circumstances it would be inappropriate for such land to be eligible to access funding through the proposed scheme. This includes the Welsh Government Woodland Estate, which is managed by Natural Resources Wales.

4.102 To ensure the distribution of payments is as equitable as possible, we will explore several different approaches as the scheme develops. No decision can be made until more is known about the level of funding for the scheme. Distributional analysis is discussed in Annex A.

4.103 One option to influence the distribution of funding would be to cap payments at a certain level. This already happens in the BPS. In future it could take the form of, for example, an absolute cap over an entire farm enterprise or a capped payment level per hectare of land.

4.104 One feature of capping is it ensures smaller farms get rewarded and the larger farms, which are often the most profitable, do not take up a disproportionate amount of funding. This point was raised by a number of respondents to *Brexit and our Land*. Another option would be to consider payment levels which diminish over a certain threshold. Above this threshold, a farmer would need to undertake disproportionately more action to increase the rate of payment. This would ensure very large scale outcomes are still rewarded in some way.

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#### **Figure 4.2: Illustrative option for Sustainable Farming Payment eligibility**

Every farm in Wales is potentially eligible for the Sustainable Farming Payment because every farm has the potential to deliver environmental outcomes.

However, the Welsh Government has limited resources and so we must secure the best value for money.

Reflecting this, a minimum level of environmental outcomes could be determined. Any farm able or willing to deliver environmental outcomes above this level would be eligible.

This level would not be linked directly to the size or type of farm. It would be possible for a small farm to be eligible if it implements appropriate actions.

A farm that is unable to deliver sufficient outcome values could collaborate with others to meet this threshold. The group of farms would be assessed as one entity and receive the appropriate payments for the outcomes they collectively deliver. The advisory service could help farms seek out such opportunities.

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## Looking to the future

4.105 The proposed scheme represents a very significant change in how funding is provided to farmers. We need to build in appropriate mechanisms for improvement and exploiting future opportunities.

## Innovation and continuous improvement

4.106 The concept of causality relies on the existence of evidence to demonstrate what actions will deliver different SLM outcomes. The evidence base will develop over time and we need to keep pace. The renewal of contracts provides an opportunity to adjust what actions are implemented on a farm and at what scale, in light of new evidence.

4.107 Similarly, we want to allow for farmers to innovate in how they deliver outcomes. For example, if we can develop a new way to enhance soil carbon, the new action should be available for farmers. We want to explore whether there should be a limited amount of funding available for farmer innovation

to trial new approaches. The advisory service could facilitate workshops and engagement with the wider industry to inform ideas.

## Remote monitoring

4.108 As technology develops, it may be possible to introduce more remote forms of farm monitoring to reduce the need for farmer self-assessment. This must be considered sensitively but has many potential advantages in saving both time and money. Possible avenues for remote monitoring include small water quality sensors, soil nutrient sensors, or use of satellite imagery to judge condition of habitat.

## Private finance

4.109 The scheme could be designed in a way which supports farmers benefiting from additional revenue streams (for example, Payments for Ecosystem Services). We want to explore how the scheme can be designed in order to allow additional sources of funding. This particularly applies to the nature of the Sustainable Farming Payment contract and the regulatory framework.

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## Consultation question 2

We are consulting on the design of the proposed Sustainable Farming Scheme. What are your views? You may want to consider:

- how the Farm Sustainability Review and Farm Sustainability Plan could be delivered in a proportionate manner
- how best to reward farmers for outcomes through their actions
- how the Sustainable Farming Payment should operate
- what business support should be offered to farmers
- what eligibility criteria are needed
- whether there is a role for capped or diminished payments
- how best to design the scheme to leverage additional private finance
- alternative ideas for supporting farmers in a manner consistent with Sustainable Land Management

Responses to *Brexit and our Land* demonstrated a desire for more “on the ground” support. We believe advice should be seen as an investment in the capacity of farmers rather than a cost to the scheme.

We propose to build on best practice from existing advisory services – for example the Farming Connect advisory service and Glastir contract managers – to provide a fuller service to farmers. This reflects the economic challenges of Brexit and the move to a scheme based on outcomes. It is particularly relevant during the transition period.

We are consulting on the functions of a new advisory service and how it should be delivered.

This chapter:

- explains why we are proposing an advisory service;
- reflects on feedback from *Brexit and our Land*;
- explores the current support offer;
- sets out proposals and how they might be delivered; and
- seeks views on what support an advisory service should offer and how it might operate.

### Why provide an advisory service?

5.1 We believe that there are three main reasons for providing advice and support to farmers, especially during the transition to the proposed scheme.

5.2 First, farmers are used to a scheme where they are paid based on area alone. The change to an outcome based scheme, where farmers are paid to implement actions to deliver SLM outcomes, is a fundamental change in the relationship between the Welsh Government (the buyer of outcomes) and farmers (the provider of outcomes). Managing the introduction of this change will require support. This will be vital to help ensure farmers are able to access the proposed scheme and successfully deliver high quality outcomes.

5.3 Second, we recognise some of the actions required to deliver proposed outcomes may be outside the current skillset of some farmers.

To produce the best outcomes from these actions, some farmers may need one-off or ongoing technical advice and support.

5.4 Third, farmers will face challenges when the UK leaves the European Union (EU). The business support described in Chapter 4 will help farmers face these challenges and become more competitive and resilient. Advisory support will be necessary to help deliver this support. This approach will deliver the best results if it is tailored and flexible to different farm businesses.

5.5 The provision of an advisory service should be seen as an investment in the capacity of farmers and farms rather than a cost to the scheme. It will also help ensure fair access to the scheme for all farmers, including those who are tenants, use common land, or are new entrants.

### Feedback from *Brexit and our Land*

5.6 It was clear from the responses to *Brexit and our Land* that farmers value a hands-on approach to advisory support. A tailored service delivered by project officers was consistently advocated.

5.7 It was felt that the persons responsible for regulatory enforcement should be different from the advisers. Respondents also commented on the importance of independence in the relationship between advisers, the Welsh Government and representative bodies (such as unions and

environmental organisations). Finally, some noted there could be a role for different specialist organisations to provide support tailored to the needs of the individual farmer.

### **The current advisory offer – evolution not revolution**

5.8 There is currently a wide range of advice available to farmers from both the public and private sector. Any future advisory service would need to build on best practice and integrate with existing structures to ensure there is no duplication.

5.9 One of the main sources of advice for farmers from the public sector is Farming Connect. The Farming Connect programme invests around £7m per year in providing services to farmers. The majority of the programme is procured and delivered by 18 development officers and a framework of specialist companies.

5.10 Within the programme, there is an advisory service which provides business planning and technical advice (for example on grassland and crop management). Each instance of support is capped at a value of €1,500 and is part funded by the farmer. The current Farming Connect model is moving towards providing more targeted support to farmers. It is due to finish in 2022.

5.11 Glastir also provides publicly-funded advice to farmers. The Welsh Government employs contract managers who provide on-farm advice to help farmers select relevant Glastir advanced management options and capital works. The contract managers agree the contracts and perform yearly on-farm progress checks.

5.12 In addition, the Welsh Government has employed a number of Common Land Development Officers based throughout Wales. They worked in conjunction with existing Grazier Associations and helped to form new associations to facilitate scheme entry.

5.13 The Welsh Government has commissioned an independent research company (SQW) to look at the effectiveness of Farming Connect. The findings of this research will be important in shaping the design of any future advisory service.

### **Proposals for the advisory service**

5.14 We propose to provide an advisory service that facilitates farmers to enter the scheme, ensures they have the support they need to deliver outcomes and provides support to develop more competitive and resilient farm businesses.

5.15 In designing these proposals, we need to reflect on the appropriate scale of provision. On the one hand, a greater degree of support should lead to better outcomes and better tailoring of advice to specific farms. On the other hand, a bigger support offer would be more costly and would risk diverting important funding away from farmers. We are consulting on the appropriate balance. This balance need not stay the same over time – in particular, it is likely that a greater degree of support may be needed in the initial scheme entry phase.

5.16 This section describes the range of potential functions an advisory service could offer at each stage of scheme entry and operation.

### **Outreach**

5.17 During the transition period, the advisory service could proactively engage with farmers across Wales through a variety of means to offer an advisory visit and the development of a Farm Sustainability Review. This would be available to all farmers to help manage their transition from operating within the EU to a different market environment. The advisory service would also provide information about the Sustainable Farming Scheme, allowing farmers to become more familiar with the range of opportunities, so they can decide whether to engage further.

5.18 To support tenants to access the scheme, the service could engage with landowners to explain the benefits of participation and encourage dialogue between tenants and landlords about entering the scheme.

### **Expression of Interest**

5.19 This is the first stage in the application process and we propose it is online as standard, supported by the advisory service. The adviser would use the information provided by the farmer in the Expression of Interest to tailor the Farm Sustainability Review.

### **Farm Sustainability Review**

5.20 We propose the advisory service would then facilitate entry to the Sustainable Farming Scheme through a Farm Sustainability Review. Working together, an adviser and the farmer would identify business needs, environmental opportunities and the types of actions needed to deliver SLM outcomes. This is described further in Chapter 4. Following the Review, a Farm Sustainability Plan would be prepared.

5.21 Throughout this process, the advisory service could offer specific, additional support for farmers with tenancy agreements and those who have rights to common land. This could take the form of specific commons officers, similar to the Glastir model, who support collaborative working between commoners. Technical advice on tenancy agreements could be offered to facilitate scheme entry.

### **Ongoing support**

5.22 A critical function of the advisory service could be to provide ongoing support once farmers are in the scheme to enable the efficient delivery of environmental outcomes and to develop the farm business. The service could provide a range of technical advice on the implementation of the actions contained within the Farm Sustainability Plan.

5.23 The advisory service could help support farmers to access training or capital investment opportunities identified during the Farm Sustainability Review and signpost to other support services where necessary. The level of ongoing support would be tailored to the individual farm's needs.

5.24 As with previous schemes, a variety of support could be available and we would need to reflect on how this could be delivered in the most efficient way. One-to-one support may be appropriate in some circumstances, but in many cases demonstrations and peer group support may be more useful.

5.25 There could also be additional advisory support for new entrants or those who wish to collaborate with others in the delivery of outcomes.

### **Delivering the advisory service**

5.26 Reflecting feedback from *Brexit and our Land*, we propose that the advisory service is independent from any body that is responsible for enforcing regulations. This would support a trusting working relationship between the farmer and the adviser.

5.27 The proposed advisory service would need to provide evidence-based advice which is relevant to the needs of the farm. The adviser's role is to support farmers. To do so they would need to be able to have two-way, sensitive conversations with farmers about scheme entry and a farm's needs – in Welsh and English.

5.28 We are interested in your views on how the service should be delivered. The main decision to be made is whether the service should be made up of Welsh Government staff, or whether it is better for the Welsh Government to procure external delivery. Both models are currently in operation through Farming Connect (delivered by procured development officers with a framework of supporting advisers) and Glastir (contracts managed by Welsh Government staff).





5.29 This is not a binary decision and a mixed model may be appropriate. For example, the core of the service could be Welsh Government staff, who offer a general service and draw on external specialists as necessary. This is particularly relevant given that the skills required for an adviser to carry out the Farm Sustainability Review may be different from those required to provide outreach and ongoing support.

5.30 There is a wide spectrum of how extensively this support could be delivered. It could be light touch, with predominantly online advice complemented with paid-for technical support, or the support could be more personal, with the scheme providing one-to-one support and technical advice.

5.31 Given the scale of the scheme and the potential cost of running an advisory service, we are seeking views on the most appropriate and practical level of support. There are a number of relevant considerations to determine what might be appropriate:

- As previously mentioned, the scale of the service may change over time, with a greater number of individuals needed during scheme entry and transition. This is no different from the introduction of previous agri-environment schemes.
- As noted above, while a more extensive offer will entail more costs, the ultimate purpose of advice is to improve the sustainability of farm businesses.

Therefore, investing in the quality of the service may yield better financial outcomes for farmers in the long-run.

- The intention of the Sustainable Farming Scheme is for agreed actions to be less prescriptive than previous agri-environment schemes. We want to avoid the overly-prescriptive, highly-defined activities and instead offer farmers choices about how to deliver. The degree of active support needed for the scheme may therefore be less than under Glastir and Tir Gofal, where advisory support was often needed to interpret the way in which prescriptions were to be applied.
- Technology will help deliver the service in a more efficient way than previous agri-environment schemes. Advisers will have access to more information on-farm and support could be delivered remotely in some cases. Administration of the scheme can be more streamlined, with less paperwork.

5.32 Regardless of the delivery model, the service would need to be operational for the transitional period described in Chapter 8. We would also need to ensure the advice is provided to a high standard. Currently, Farming Connect quality assurance is provided through the Institute of Biological, Environmental and Rural Sciences (IBERS). We will reflect on the options for providing independent quality assurance for the proposed new service.

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### Consultation question 3

We are consulting on the functions of an advisory service, the scale of delivery and who should provide the service. What are your views? You may want to consider:

- whether you agree an advisory service should be established
- the functions of the service
- what the relationship should be between the advisory service and the Welsh Government
- the appropriate scale of delivery



We propose the majority of the Welsh Government’s financial support should be directed at farmers through the Sustainable Farming Scheme. However, in some instances it may be more efficient and fair to target support at the wider industry, in particular the agricultural sector.

A thriving Welsh food and drink industry can create demand for Welsh primary produce. We therefore propose to provide support to the wider industry and supply chain, if it is consistent with the Sustainable Land Management (SLM) objective and ultimately benefits Welsh primary producers.

Building on *Brexit and our Land*, we are interested in views on our proposed priorities. For example, we believe there is a good case for supporting the development of the Welsh brand, encouraging collaboration among producers and shortening supply chains.

We can only deliver these priorities in partnership with industry, and so we call on the sector to help us decide where to focus our support.

This chapter:

- reflects on feedback received in relation to the Economic Resilience Scheme proposed in *Brexit and our Land*;
- proposes a new approach to supporting the wider industry and supply chain, with five priorities;
- discusses how these priorities may be delivered; and
- seeks views on where support should be focused and how it should link with support to farmers.

### **Economic Resilience and *Brexit and our Land***

6.1 *Brexit and our Land* proposed an Economic Resilience Scheme to provide investment in farms and their supply chains.

6.2 Respondents to the consultation generally acknowledged the need for support for parts of the supply chain. However, most felt this support should be limited in scope to avoid detracting from support to farmers. In addition, many responses noted the risk of investment undermining environmental outcomes, if not considered appropriately.

6.3 We asked for views on where to focus support to the wider agricultural sector. Many responses noted the need to promote the Welsh Brand more effectively, in order to achieve premium prices for sustainable Welsh produce.

6.4 Many responses cited the lack of local or regional processing capacity as a challenge for Welsh farmers, due to greater transportation costs. Respondents advocated supporting more local abattoirs, as well as small scale dairies, grain storage facilities and food processing plants.

6.5 Respondents also stated that future policy needs to support food productivity, UK food security and, where possible, optimise both domestic and export markets. A number of responses stated that future policies must support safe, quality food production for all sectors, as well as promoting innovation, technology and science.

## **Our proposal**

6.6 As described in Chapter 4, we now propose to bring together all aspects of farm support into a single scheme. This includes business support. The purpose of this change is to allow a holistic assessment of the economic, environmental and social opportunities on farms.

6.7 As such, we propose support for the wider industry and supply chain will be provided separately. However, we propose the same over-arching Sustainable Land Management (SLM) framework should apply. All support to the wider industry and supply chain should therefore be linked to one or more SLM outcomes. This focuses the scope of what can be supported. This responds to the feedback received from *Brexit and our Land*, as focussing on the SLM objective will provide a natural limitation to the support.

6.8 We also propose to only provide support to the wider industry and supply chain if it is a more efficient way of delivering SLM than providing support directly to farmers. Such support can be a powerful tool for supporting farmers, as a growing Welsh food and drink industry can create demand for primary produce from a very large number of Welsh farms. For example, supporting the development of local processing facilities may help many farmers. This could therefore prove to be a good, value-for-money option for supporting them.

## **New priorities for industry and supply chain action**

6.9 Reflecting the consultation responses and considering lessons learned from previous Welsh Government schemes, we are revising our proposed priority areas for support. We now propose five priority areas:

- Priority A – promoting Sustainable Brand Values**
  - improving the promotional offer for farmers’ produce by effectively evidencing SLM.

**Priority B – encouraging greater market alignment** – supporting farmers in understanding and producing what consumers and the supply chain want to buy.

**Priority C – identifying and overcoming barriers in the supply chain** – supporting farmers to increase the amount and value of Welsh products used in the supply chain, both in Wales and beyond.

**Priority D – promoting joined up support on knowledge transfer and innovation** – working with academia and the wider industry to identify and further the best agricultural research, innovation and technology, and make it easier to adopt on farm.

**Priority E – shortening supply chains for Welsh products** – supporting the creation of local supply chains that can retain the value of products within Wales.

6.10 We can only deliver these priorities in partnership with the industry. We therefore call on the sector to work with us to decide if these are the right things on which to focus.

6.11 We anticipate the majority of support would be provided to the agricultural sector, as that is where responses to *Brexit and our Land* suggested there was greatest need. However, we will continue to consider the case for providing support to other sectors if it helps deliver SLM, in particular forestry.

## **Priority A – promoting Sustainable Brand Values**

6.12 When promoting Welsh produce, our levy bodies and industry already focus on its high quality and on our achievements against assurance schemes such as Red Tractor and FAWL (Farm Assured Welsh Livestock). Another important branding tool for our producers is the Protected Geographical Indication (PGI) status of our Welsh lamb and beef, as well as the Traditional Speciality Guaranteed (TSG) status of traditionally reared pedigree Welsh pork.

6.13 We can do more. Building on the proposed Sustainable Farming Scheme, we believe we have the potential to create one of the most sustainable food and drink brands in the world. This could be delivered through applying the Sustainable Brand Values programme throughout the whole supply chain in Wales.

6.14 As noted in the forthcoming successor to the *Food and Drink Action Plan*, we want to target important high value markets for Welsh produce wherever possible. The proposed Sustainable Farming Scheme provides the opportunity to evidence high environmental and social standards and use them to gain high value market access for farmers.

6.15 Specifically, we propose to:

- Develop the Welsh food and drink brand through the Sustainable Brand Values programme, making the most of the SLM outcomes produced by farmers.
- Identify and facilitate the achievement of the most appropriate certification, assurance schemes and standards that underpin environmental and social performance.
- Work with levy bodies and industry to target those high value markets where Wales could gain a foothold, while expanding our presence in existing markets.

### **Priority B – encouraging greater market alignment**

6.16 Benchmarking and other collaborative actions to share knowledge and best practice are important actions to improve farm business performance. We want to encourage farmers to go beyond benchmarking and establish closer links with each other and supply chain businesses. Such two-way collaboration along the supply chain is key for farmers to better understand the needs of the market.

6.17 Previous support has focused more on the promotion of primary produce rather than on interpreting and providing farmers with an understanding of customer trends and market demand. The relatively small scale of many Welsh farm businesses means they do not have the capacity to undertake such analysis.

6.18 We therefore propose to:

- Support farmers to better understand what could be produced on their land and the potential routes to market. To this end, we are updating our Agricultural Land Classification (ALC) mapping capability to assess the suitability of land for a range of agricultural use. By improving links throughout the supply chain, we will be able to synchronise this land suitability data with gathered data on processing and market demand. This will help farm businesses to understand what could be best produced where, and where it could best be sold.
- Work with levy bodies and the wider industry to facilitate the interpretation of this market advice and ensure it is effectively provided to farmers through the advisory service proposed in Chapter 5.
- Work with industry to encourage clusters of farmer and supply chain businesses. These should focus not only on those agricultural sectors already well represented in Wales, but also on those that have the potential to grow in the future.

### **Priority C – identifying and overcoming barriers in the supply chain**

6.19 We have a growing Welsh food and drink sector. We want to help farmers to better access it. Through close working with the successor to the *Food and Drink Action Plan*, we will support producers in identifying and overcoming barriers in accessing the supply chain.

6.20 In order to do this, the Welsh Government must offer coordinated support for all levels of the food and drink supply chain. There are clear mutually-supportive links between support for Sustainable Land Management and support for a sustainable food and drink industry. These include, but are not limited to:

- Supporting farms to form shared-interest cluster groups with supply chain businesses. These could share consumer intelligence, costs and processor product specification needs (for example, carcass classification criteria).
- A coordinated service to collate and interpret market and industry needs information for all supply chain businesses. This could contribute to advice provided through the proposed Sustainable Farming Scheme.
- Encouraging the creation of producer groups. By pooling farming output, farmers may strengthen their bargaining power to potential buyers and input suppliers. Increased cooperation may also reduce the risks that are associated with farming activities.

6.21 These opportunities should not be limited to food and drink. A limiting factor in bringing farm woodland into management has been the absence of a market for timber produced as a result of management, which if properly marketed can help offset the costs incurred. Appropriate management of woodlands can increase the value of the remaining trees, enhance biodiversity value and ensure that the woodland has a long term future. Making this happen on a local scale would require support in the form of skills development in woodland management, producing value added products, marketing and possibly some capital support. Enabling groups of farmers to work together to produce timber could help do this.

### **Priority D – promoting joined up support on knowledge transfer and innovation**

6.22 Farming Connect already works closely with academia and the wider industry to provide relevant, on-farm advice and training on knowledge transfer and skills. We want to build on this by expanding our close working with industry and academia, while providing a joined up pathway of support wherever possible for the farm business. In order to ensure that the most appropriate advice on research, innovation and technology is provided, we propose to:

- Work with academia and industry to better identify primary and applied research that could add value to Welsh agriculture.
- Work with industry to better assess the real world impacts of agricultural research, innovation and technology (in all current and potential agricultural sectors) on Welsh environmental and market conditions.
- Ensure that the advice, skills training and mentoring on innovation and technology provided by the proposed advisory service is informed by this collaboration. This must be a two way process, so we will also work to ensure academia and industry prioritise the research and technology that is most needed by farmers.
- Support appropriately identified innovation and technology to trial on Welsh farms, including practical demonstrations.

### **Priority E – shortening supply chains for Welsh products**

6.23 One of the ways previous support has sought to shorten supply chains and add value to Welsh products has been through providing capital investment to Wales-based food businesses. While this has helped develop the food and drink sector, there is limited evidence of farmers realising benefit from added value or market share.

6.24 Where a market opportunity can be identified, we propose to support farmers directly to do more processing and manufacturing within their farm business. Support would primarily be delivered through the Sustainable Farming Scheme. It would be targeted at farm businesses or groups that have identified a clear opportunity to develop a premium local or regional supply chain, with a clear market demand. As well as providing support to set up collaborative producer and supply chain networks, we also propose to offer capital investment if it is appropriate and consistent with SLM.

6.25 Beyond the farm gate, we may offer support for supply chain businesses where any planned investment in processing, packing, transportation or manufacturing facilities would have direct and demonstrable benefits to Welsh farmers and would deliver against SLM.

6.26 This priority is particularly relevant for livestock farmers and their supply chain. Given the current levels of livestock produced in Wales and the associated domestic and overseas markets, large abattoirs in Wales continue to have an important role in the supply chain. However, there may also be opportunities for smaller, more local supply chain facilities to supply identified local markets.

6.27 These would enable the value of Welsh products to be better retained locally and meet the call in the last consultation for more farmer access to local facilities to reduce transportation costs. These facilities would still require a certain economy of scale. There would therefore be benefits from a collaborative approach between farmers to better ensure that the required supply of product and subsequent demand exists in a local area. In addition, not every farmer will want to significantly invest in such facilities. A collaborative approach involving multiple farm businesses could improve their access to processing, packing, transportation or manufacturing facilities, while reducing the risks from taking on such an investment alone.

### **Delivering these priorities**

6.28 Each of these priorities will need to be delivered through a range of different types of support, in particular:

- facilitation and advice;
- knowledge transfer and skills training; and
- a range of financial support, including grants, loans or other financial instruments.

6.29 Support could be provided to industry bodies, academic organisations, supply chain businesses and of course farm businesses. Regardless of recipient, all support will need to demonstrate it delivers against Sustainable Land Management and is good value for money.

6.30 There are also many opportunities to coordinate the support provided to the industry and supply chain with the business support provided to farmers through the Sustainable Farming Scheme. Figure 6.1 provides examples of what could be supported under each priority and the potential links to the proposed Sustainable Farming Scheme.

6.31 In situations of capital investment, we would expect applicants to develop a business case and approach the private sector for funding before the Welsh Government. We would also signpost applicants to other potential sources of advice and finance, such as the Development Bank of Wales, or other Welsh Government sources such as the Economic Action Plan and Business Wales. Drawing on these other sources, we would seek to facilitate an effective package of funding support that could potentially include a range of funding sources and financial instruments. Any Welsh Government funding support would be coordinated to prevent duplication of intervention. Clearly, the investment should only proceed if there is good case.

6.32 We will work with the UK Government and the other Devolved Administrations to promote fairness in the supply chain and to establish any Producer Organisations wherever a need is established.

6.33 The UK Agriculture Bill includes important powers which, once law, will enable the Welsh Government to give effect to the measures described in this chapter. In particular, the Bill provides powers to:

- provide financial support for the processing, marketing and distribution of agricultural and forestry products; and
- collect and share data along the supply chain.

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### **Consultation question 4**

We are consulting on how to provide support to the industry and supply chain. What are your views? You may want to consider:

- whether it is right for support to be subject to Sustainable Land Management
- whether the proposed priorities reflect the right areas of focus





**Figure 6.1: Examples of support**

Priority	Examples of what we could support and links to the proposed scheme
<p>A – promoting Sustainable Brand Values</p>	<ul style="list-style-type: none"> <li>• Supporting targeted promotional campaigns for Welsh produce both domestically and overseas, in partnership with industry.</li> <li>• <i>Linking to the proposed Sustainable Farming Scheme, support for farmers to develop their ability to achieve accreditation and assurance standards.</i></li> </ul>
<p>B – encouraging greater market alignment</p> <p>C – identifying and overcoming barriers in the supply chain</p>	<ul style="list-style-type: none"> <li>• Establishing and maintaining collaborative networks between levy bodies, academia, industry and the supply chain (including food and drink processing, manufacturing and retail businesses).</li> <li>• <i>Linking to the proposed Sustainable Farming Scheme, the establishment and facilitation of producer groups.</i></li> <li>• <i>Linking to the proposed Sustainable Farming Scheme, providing informed advice to farmers based on market intelligence.</i></li> </ul>
<p>D – promoting joined-up support on knowledge transfer and innovation</p>	<ul style="list-style-type: none"> <li>• Supporting collaborative networks between academia, industry and producers to better identify what agricultural innovation and technology works for Wales.</li> <li>• Funding of primary and applied research and technology that could add value for producers, within the boundaries of SLM.</li> <li>• <i>Linking to the proposed Sustainable Farming Scheme, support for farmers who trial and adopt identified innovation and technology.</i></li> </ul>
<p>E – shortening supply chains for Welsh products</p>	<ul style="list-style-type: none"> <li>• Supporting collaborative networks. These would bring producers and supply chain businesses together to explore the potential for joined up local supply chains that can add value and improve business resilience.</li> <li>• Financial support for supply chain businesses for the creation or improvement of facilities that would directly add value to Welsh products.</li> <li>• <i>Linking to the proposed Sustainable Farming Scheme, facilitation and financial support to farmers for the creation or improvement of facilities that could add value to Welsh products, such as processing, packing, transportation or manufacturing facilities.</i></li> </ul>



Farmers are passionate about the quality of their product and proud of the standards to which they produce. However, while many farmers comply with relevant regulation, a minority do not. We know there are challenges with the current regulatory system, which do not always help. Publications such as *The State of Natural Resources Report (SoNaRR)* show the industry and government must do more to protect our natural resources. Effective regulation can provide clarity for farmers and businesses, protect standards and help to maintain our natural resources.

We propose to develop and consult further on a new, streamlined regulatory framework for agriculture in Wales. We propose it should include clear minimum standards, smarter monitoring and proportionate enforcement. In the interests of fairness, we propose the regulatory framework should apply to all farmers, whether or not they receive financial support from the Welsh Government.

We are consulting on high-level, initial proposals. This is a large and complex area, so further consultation will be required before any changes can be made.

This chapter:

- explains what we mean by regulatory framework;
- examines the current position and seeks views on opportunities for improvement;
- sets out proposals for the development of a new regulatory framework – encompassing minimum standards, smarter monitoring and proportionate, effective enforcement; and
- seeks views on the principles of a new regulatory framework.

### Introduction

7.1 In common with other sectors, farming is subject to a governing framework of legislation setting out expected standards and norms. Currently, there are many different regulations and codes of practice that apply to land management, with varying levels of compliance. Monitoring compliance with the standards is undertaken by a range of different agencies and can feel disjointed. While many farmers operate their business in a responsible manner, a minority do not. Publications such as *The State of Natural Resources Report (SoNaRR)* clearly show the industry and government must do more.

7.2 We propose to develop and consult on a new regulatory framework to address these issues.

An effective regulatory framework will help to protect and maintain Wales' natural resources and deliver Sustainable Land Management (SLM). As we have set out in Chapter 3, by aiming to deliver SLM we will also ensure that any new regulatory framework will help to deliver on the requirements, aims and principles set out in the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016.

7.3 We propose the framework should include clear minimum standards, smarter monitoring of compliance and a revised system of enforcement. The proposed framework would aim to make the regulatory system more effective and fair, as well as better suited to the land, farming systems and rural communities of Wales outside of the constraints of European Union (EU) regulations.

7.4 Developing and implementing a new regulatory framework will take a number of years. For this reason, this chapter explains what we propose to happen in the short term and what may happen in the long term. In broad terms, the short-term intention is to retain and clarify existing

arrangements. During this period, we will consult further and engage with stakeholders to determine any long-term changes. The forthcoming Agriculture (Wales) Bill will provide an opportunity to legislate, so any regulatory proposals would need to be included in the preceding policy White Paper. This is discussed further in Chapter 8.

### **The need for an effective regulatory framework**

7.5 We must ensure our agricultural standards support our ambitions for our environment and enable our farmers to compete internationally. The UK's exit from the EU provides an opportunity to demonstrate the excellence of Welsh farming standards and achieve just distinction for Welsh farmers' efforts. By protecting Welsh standards, we are protecting the Welsh brand, which is a strong basis on which to export, trade and compete globally.

7.6 An effective regulatory framework provides clarity to farmers, businesses and the wider Welsh public about what legal requirements should be met. It is then clear when farms or businesses are not meeting the relevant requirements. It is in the public interest for effective enforcement action to follow.

### **Scope**

7.7 This chapter mainly refers to farmers, but of course there are many other types of land manager, in particular foresters. In order to make any future regulatory system for farmers as effective as possible, we need to reflect on the different systems in operation for different types of land management.

7.8 We intend to take this opportunity to identify areas of interaction between the regulation of farming and regulation of other types of land management, as well as areas where there may be conflict.

7.9 In particular, we intend to consider the regulatory and standards regime for forestry. In doing so, we want to learn from the positives of the UK Forestry Standard, which sets out the approach for sustainable forest management, defines standards and requirements, and provides a basis for regulation and monitoring.

### **Link with the proposed Sustainable Farming Scheme**

7.10 There are inherent benefits to a clear and transparent regulatory framework. Many of the benefits of an improved system could be realised independently of a payment scheme. However, there is an intrinsic link between the regulatory framework and the proposed Sustainable Farming Scheme. Both the regulatory framework and the scheme can be important tools for delivering SLM.

7.11 It is proposed the Sustainable Farming Scheme will be based on a clear and enforceable regulatory baseline. Actions over and above the legal minimum requirements, which deliver SLM outcomes not rewarded by the market, would attract payment under the scheme.

7.12 It would be critical for all farmers to understand how to comply with the legal minimum requirements, as well as to understand what they could do in addition to receive payment under the Sustainable Farming Scheme. As the proposed scheme would be built upon the foundations of the legal baseline, it is also important that farmers understand how the law and the scheme fit together.

## The current position and our proposals

7.13 A transparent, robust regulatory framework includes:

- **Clear minimum standards** – applicable to all farmers and supplemented by accessible advice and guidance
- **Smarter monitoring** – in inspection, use of innovative technology and self-reporting/assessment
- **Proportionate and effective enforcement** – to improve regulatory compliance, the effectiveness of the framework and the delivery of outcomes

7.14 The remainder of this chapter outlines the current position and our proposals in the shorter term and the longer term in each of these three areas.

### Clear minimum standards

#### Current position

7.15 Cross Compliance refers to the regulatory baseline requirements that all farmers must meet to receive Common Agricultural Policy (CAP) payments (including Basic Payment Scheme (BPS) or Rural Development support) in Wales. It lays the foundation upon which Welsh farmers can produce food and provides an important mechanism to protect and safeguard the Welsh countryside.

7.16 Cross Compliance requirements are listed at Annex II to Regulation 1306/2013 and consist of:

- *Statutory management requirements (SMRs)*. These are EU legislative standards relating to the environment, food safety, animal and plant health, and animal welfare.
- *Standards consistent with keeping land in ‘Good Agricultural and Environmental Condition’ – (GAECs)*. These standards are established at a national (Wales) level on the basis of criteria

listed in Annex II to Regulation 1306/2013.

They relate to soil protection, maintenance of soil organic matter and structure, and land and water management. They are set out at regulation 13 and Schedule 1 to the Common Agricultural Policy (Integrated Administration and Control System and Enforcement and Cross Compliance) (Wales) Regulations 2014.

7.17 Both the SMRs and the GAECs will be retained under relevant provisions of the European Union (Withdrawal) Act 2018, so will continue to apply in Wales as the UK exits the EU. Verifiable Standards set out details of SMRs and GAECs, providing guidance on the obligations of a farmer who receives BPS and Glastir payments.<sup>7</sup>

7.18 If a payment recipient is found to be in breach of these standards, their payment may be reduced, recovered or withheld. For farmers who are not beneficiaries of BPS or Glastir payments, guidance about which standards to meet can be harder to find.

#### Short term

7.19 We want to make it easier and simpler for farmers to understand the minimum requirements they need to meet.

7.20 We propose to bring together the legal standards currently covered by Cross Compliance and any other relevant law (for example, relating to environmental regulation and animal health and welfare). We propose to group these together, clearly explaining what minimum requirements farmers need to meet. This work is part of a wider programme within the Welsh Government to make Welsh law more accessible, clear and straightforward to use. To aid coherence and clarity, we would link this to the outcomes that could attract payment as part of the Sustainable Farming Scheme, to help farmers to plan for the future.

<sup>7</sup> Welsh Government (2019), Cross-Compliance – 2019.  
<https://gov.wales/sites/default/files/publications/2019-02/cross-compliance-verifiable-standards-2019.pdf>

7.21 While BPS and Cross Compliance are in place, we will take the opportunity to consider and evaluate what does and does not work well. If we identify any areas where urgent changes are required, we would look to address these using available legislative powers, or those which will be available in the UK Agriculture Bill.

7.22 We are aware of the ongoing work on farming regulation in England following the independent review by Dame Glenys Stacey (Farm Inspection and Regulation Review 2018 (England)<sup>8</sup>). We will work alongside DEFRA as they develop their responses to the Stacey recommendations, to ensure fairness to Welsh farmers in the context of the UK market.

7.23 We will also look at Scotland to see what lessons can be learned from their introduction of the Scottish General Binding Rules, which were developed to complement existing legal requirements, as well as the Code of Good Agricultural Practice, which provides a clear practical guide to minimising the polluting impacts of certain farming activities.

### **Long term**

7.24 Once the BPS comes to an end, we will need to ensure appropriate legal standards are in place. This will be needed to underpin the effective delivery of the proposed scheme. By identifying the minimum requirements to achieve SLM outcomes, we can ensure clarity for the farmer in where regulation ends and the Sustainable Farming Scheme begins.

7.25 We will consult on the development of National Minimum Standards, based on Cross Compliance and incorporating any relevant new regulations which have been implemented. In the interests of fairness, we propose these standards should apply to all farmers, whether or not they receive financial support from the Welsh Government.

7.26 The standards would be a gateway to the Sustainable Farming Scheme, as eligibility for the proposed scheme would be predicated on meeting the minimum regulatory requirements. Where possible, the standards would be expressed by outcome rather than by action.

7.27 The standards would need to work alongside the development of Sustainable Brand Values, to ensure they support Welsh quality, while allowing for further recognition of the high environmental and social standards evidenced by those in the proposed Sustainable Farming Scheme. This is discussed further in Chapter 6.

7.28 In developing any future legal requirements relating to farmers, it is important that the law is clear, certain in its effect, available and navigable. This will help to avoid duplication or confusion.

7.29 Improving the accessibility of the law in this way will support the future consolidation and codification of Welsh law. This is a long-term programme being led by the Welsh Government Counsel General.

7.30 We also need to ensure that standards remain relevant and appropriate for the industry. We will therefore explore appropriate methods for reviewing and enhancing the minimum standards to ensure we are continually improving and embracing innovation in the sector.

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<sup>8</sup>Farm Inspection and Regulation Review (2018).  
<https://www.gov.uk/government/publications/farm-inspection-and-regulation-review>

## **Smarter monitoring**

### **Current position**

7.31 Inspections are a vital tool to monitor compliance with standards, as well as to assess how well the law is being implemented on the ground to deliver desired outcomes.

7.32 Inspections of Welsh farms are carried out by agencies including the Welsh Government Rural Inspectorate, Trading Standards (local authorities), the Animal and Plant Health Agency and Natural Resources Wales.

7.33 A number of voluntary farm assurance schemes also operate in the sector (for example Farm Assured Welsh Livestock; Red Tractor). These require certifiable standards of environmental performance. These schemes are attractive for many farmers due to the enhanced marketability of products produced under them. Membership of assurance schemes can result in multiple compliance checks, some of which overlap with the regulator/government and others which do not encompass statutory requirements.

7.34 EU legislation often requires paper copies of certain documents to be held by the farmer, although use of technology is now commonplace in many areas. Some documents can be saved and submitted online. For example, many farmers are used to annual electronic submission of the Single Application Form for administering BPS payments.

7.35 There are mandatory reporting requirements for livestock movement for disease monitoring purposes. We have announced our intention to develop a new Multispecies database system for Wales, which will support the traceability of cattle, sheep, and pigs. It will also improve disease prevention, evidence of provenance and quality assurance around Welsh agricultural products.

### **Short term**

7.36 We want to know more about the impact of inspections on farmers. We will reflect on where more could be done to share data and how this could be implemented, with the aim of developing a more proportionate, streamlined and risk-based inspection programme.

7.37 The uptake of technology (to utilise programmes, databases, online applications, farm mapping tools etc.) could save farmers time and aid record keeping. This could eliminate or reduce the need for farmers to store large amounts of paperwork. We want to explore whether there are ways to reduce the burden of paperwork for farmers who would be able and willing, with the appropriate training, to use the technological resources available.

### **Long term**

7.38 Alongside the proposed development of National Minimum Standards, we would look at how these are monitored and inspected. We propose to take the opportunity to redesign the inspection and monitoring approach where necessary to ensure monitoring is efficient, risk-based and effective. A new approach to farm inspections could be required in order to deliver the shared vision of positive outcomes that both regulators and farmers strive for.

7.39 We could consider self-assessment and self-reporting mechanisms, alongside automated online notification developments, to make it easier and more streamlined for farmers to demonstrate their compliance with legal requirements. We could look to see what lessons can be learned from the experience in other countries (for example, how monitoring of mandatory nutrient management planning has been used as part of a successful approach to tackling eutrophication in Denmark).

7.40 For those within the proposed Sustainable Farming Scheme, we could explore the opportunities to link demonstration of regulatory compliance with scheme requirements. A system of earned recognition could be adopted. Farmers who participate in the Sustainable Farming Scheme and consistently implement agreed actions could be regarded as lower risk and therefore the need for full inspections of these farms could be reduced.

## **Proportionate and effective enforcement**

### **Current position**

7.41 If a farmer who is a beneficiary of CAP payments (including BPS or Rural Development support) fails to meet the required standard, they receive a financial penalty to their payment. This approach has had some success in protecting the environment. However, as was highlighted in the report of Dame Glenys Stacey (Farm Inspection and Regulation Review 2018 (England)), there is also a perception that enforcement of standards through Cross Compliance can be disproportionate.

7.42 Legal requirements are also enforced through other mechanisms, including the courts. Traditionally, prosecution has been slow and expensive. Fines for environmental offences have been relatively low and are considered by many not to have acted as an effective deterrent or delivered environmental improvements. Having said this, there have been recent examples of significant fines for environmental pollution under sentencing guidelines introduced in 2014.

### **Short term**

7.43 We will consider evidence of the effectiveness of current enforcement approaches, in order to develop options for the future. Enforcement of existing EU requirements, which are retained post EU exit, will need to be sustained.

7.44 We need to identify the gaps that currently exist and the appropriate enforcement action to address them.

7.45 One example of an area where improvements must be made is in the storage and spreading of slurry. This is necessary for a range of reasons, including the need to improve air quality and the need to reduce water pollution. This is being addressed through work on the proposed agricultural pollution regulations. We will continue to engage with stakeholders on the development of the regulations and the relevant impact assessments.

### **Long term**

7.46 Any new standards will require effective and proportionate enforcement mechanisms. We need effective methods to enforce the legal minimum standards against all farmers not just those who are receiving financial support from the Welsh Government.

7.47 The range of potential hazards and harms caused by the variety of regulatory breaches is broad. Enforcement should reflect this. Enforcement should be fair, meaningful and proportionate to the breach. Breaches with minimal impact, or which are unintentional, should attract a different penalty to deliberate acts that have the most harmful impacts, where it would be expected that severe penalties apply. In considering possible enforcement options for the future, it will be important to consider regulatory breaches in farming in the context of breaches from other sectors, for example industry and water companies.

7.48 One option would be to increase the availability of a range of civil sanctions, alongside current offences, as an additional option for regulators to employ. Such an approach could introduce increased flexibility to the regulatory system. This could provide the potential for more effective, proportionate and efficient enforcement, improved compliance and



better outcomes for the environment and for the people of Wales. These sanctions would need to be considered carefully to ensure:

- they work alongside the provisions of the new scheme (whatever form that ultimately takes);
- they are fair for farmers;
- the enforcement acts as an effective deterrent; and
- they ultimately help to deliver the outcomes we all want to see.

7.49 We propose a further consultation in the future on the options for an effective and meaningful system of enforcement for land management.

### **Developing the framework**

7.50 By proposing to take the phased approach outlined in this chapter, we intend to concentrate first on streamlining the current system and making it easier to navigate. This approach offers

the opportunity to reflect on the advantages and disadvantages in the system as it is now, while Cross Compliance continues to operate.

7.51 The proposed development of a new regulatory framework is over a longer timeframe, subject to detailed policy development and further consultation. This offers the opportunity to engage further with stakeholders, as well as to learn from other systems, both nationally and internationally.

7.52 In developing any new framework, our aim would be to ensure it will be fit for purpose for the long term. It would be:

- adaptable as Welsh farming evolves, using the definition of SLM set out in Chapter 3 as a guide to future development;
- aligned across Welsh Government policy areas to deliver desired outcomes and ensure join up across policy areas affecting farming; and
- developed through collaboration and, where possible, co-design with farmers, sharing expertise to achieve a shared vision of positive outcomes.

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## **Consultation question 5**

This is a large and complex area, so further consultation will be required before any changes can be made.

At this stage, we are consulting on our proposals to improve the current regulatory system and develop a new regulatory framework. What are your views?

You may want to consider:

- how the current regulatory framework can be improved upon
- the scope of a future regulatory framework
- the role a future regulatory framework would play in championing Welsh standards
- how compliance with regulation should be monitored
- how breaches can be fairly and proportionately enforced



While we are strongly committed to maintaining support, moving to the proposed scheme would mean changes to the precise amount of funding that individual farmers currently receive. We must manage this change sensitively.

We continue to call on the UK Government to provide further clarity on the level of agricultural funding which will be returned to Wales after Brexit. Once funding is returned, we will ensure funds are directed at farming, forestry and other land management support, and not spent elsewhere.

A transition period will be important when moving from existing arrangements to the proposed scheme. The purpose of a transition period is to ensure both farmers and the Welsh Government are ready to move from current schemes to the proposed new arrangements.

We propose a multi-year transition period. However, given the continuing uncertainty surrounding Brexit, we are unable to consult on a specific time period. When more is known, we will make a further statement.

At this stage, we are consulting on what the transition period needs to achieve and the options for moving farmers from current schemes to the proposed scheme. We also reflect on administrative simplifications to the BPS for the remainder of its time in operation.

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This chapter:

- notes the current uncertainty in relation to when and how the UK will leave the European Union (EU);
- discusses future funding;
- sets out the purpose of transition;
- discusses what support should be provided to farmers during the transition;
- proposes a set of principles for designing scheme transition and sets out three illustrative options;
- explores options for simplifying the Common Agricultural Policy (CAP) while it is still in operation;
- explains how transition is reflected in the UK Agriculture Bill; and
- seeks views on the purpose and design of a transition period.

### Context and uncertainty

8.1 *Brexit and our Land* consulted on an ambitious timetable to move from current to new schemes by 2025. In December 2018, the Minister for Environment, Energy and Rural Affairs announced BPS would remain in place for 2020. Since then, the scale of uncertainty surrounding Brexit has only increased. This hampers our ability to design future farm support in Wales.

8.2 The manner of the UK's withdrawal from the European Union (EU) and the future economic relationship are far from decided. This particularly applies to the terms of any Withdrawal Agreement. Resolution of these issues will determine how long the UK stays within different parts of the Common Agricultural Policy (CAP) and, therefore, when it is possible to start moving to different arrangements.

8.3 There also remains a significant concern around the total available budget for future agricultural support in Wales. While the UK Government has made high-level guarantees to protect farm support

funding to 2022, there is no clarity on either the amount of funding thereafter or how it will be allocated between the four administrations of the UK. Welsh Ministers are clear that leaving the EU should not mean any reduction in the funding available to Wales.

## **Future funding**

8.4 Once funding is returned, we will ensure funds are directed at farming, forestry and other land management support, and not spent elsewhere.

8.5 When more is known about the future budget, we will need to decide how to distribute funding between the different elements of support. In particular, we will need to decide:

- the appropriate balance between funding for farmers, foresters and other land managers in the Sustainable Farming Scheme (Chapter 4) and support for the wider industry and supply chain (Chapter 6); and
- which elements of the Rural Development Programme should be incorporated into new support arrangements.

## **Purpose of transition**

8.6 Leaving the EU means, for the first time, Wales will be able to put in place its own farm support system. The proposals for farm support contained in this consultation represent a significant change from the current system. By rooting our proposals in the principle of sustainability, we believe our proposals offer farmers important support to meet the challenges and take the opportunities that lie ahead.

8.7 We believe there are three key arguments in favour of a transition period:

- First, to provide an opportunity to help farmers determine how to respond to Brexit. We recognise farmers will need time to understand how Brexit may affect their farm business and make any necessary changes to their farm business model.

- Second, to give farmers the necessary time to enter the proposed new scheme, should they choose to do so. A transition period provides the opportunity for farmers to reflect on how best to incorporate the proposed new scheme into their business model. This will be particularly relevant to those farmers that have invested time and effort in previous agri-environment schemes.
- Third, to provide the Welsh Government with time to prepare the administrative arrangements for the proposed new scheme.

8.8 To achieve these three purposes, we continue to propose a multi-year transition period. The timing of this transition period can only be proposed when more is known about the nature of Brexit. This reflects what the responses to *Brexit and our Land* told us about the need to ensure sufficient time for transition, given continuing uncertainty.

## **Support during the transition period**

8.9 Farming Connect already provides support for farmers to prepare for Brexit, through encouraging benchmarking and a focus on improving business and marketing skills. We believe it is important to continue this support, irrespective of whether farmers choose to enter the new proposed scheme.

8.10 For this reason, we propose the advisory service described in Chapter 5 does not limit itself to farmers in the scheme. This reflects the support we are already offering to farmers as they prepare for Brexit.

## **Scheme transition**

8.11 Moving interested farmers from current schemes to the proposed scheme would be a significant exercise. It would involve a large number of farms and the design of the current and proposed schemes is very different. It must be handled very carefully.

8.12 We are clear we cannot make changes until we can demonstrate a new system is adequately designed, we have undertaken the relevant impact assessments and we are confident it is administratively practicable.

8.13 For a scheme transition to be successful, we propose it should:

- provide a reasonable amount of time for farm businesses to make adjustments to their business model;
- encourage entry into the new scheme, while balancing administrative demands on the Welsh Government;
- enable the available budget to be spent during each year of transition; and
- allow for support under existing schemes to close at the end of the transition period.

8.14 We propose to use these four principles as the basis for future discussions on scheme transition. We want to explore what they imply for transition options. Based on these principles, we set out three illustrative options below. These options focus specifically on transition from the Basic Payment Scheme (BPS) to the proposed scheme. The key question is whether to proceed gradually or through an enrolment approach.

8.15 We believe all the options described below would require a comprehensive outreach programme before the transition period begins. In addition, whatever transition approach is adopted, we would need to test the process of scheme entry in advance. One option for doing so might be to work with existing Glastir Advanced contract holders and volunteer farmers.

### **Indicative option A – gradual and phased**

8.16 Under this option, BPS payments for each farmer would fall over a defined period of time. Released funds would be used to provide Brexit and scheme transition support. This could include advice, training and investment in equipment and infrastructure. This would put farms in a stronger position to benefit from the proposed scheme and operate outside the EU.

8.17 Released funds would also be used to make annual payments to new scheme entrants. Following the opening of the scheme, it would be for individual farmers to decide when they wish to enter the scheme. Scheme entry would be through the Farm Sustainability Review, Farm Sustainability Plan and contract process described in Chapter 4, facilitated by the advisory service proposed in Chapter 5.

8.18 The rate of sign-up would be determined by farmers' interest in the scheme and the Welsh Government's capacity to administer scheme entry.

8.19 For this option to be feasible, there would need to be a balance between the rate of reduction in BPS payment and the rate of entry into the new scheme over the defined transitional period. These rates would need to be kept under close review throughout the transition period. Appropriate corrective action might need to be taken to either incentivise or slow transfer between the two schemes.

8.20 Depending on entry rates and in order to manage the budget, it might be necessary to limit new scheme payments through some form of capping, just as BPS currently does. The main reason for doing so would be to avoid over-committing funds to early scheme entrants, with the possibility that this might limit funding availability for those who choose to enter later in the transition period.

8.21 This arrangement could potentially continue for the length of the transition period. Once concluded, the BPS would close. A decision would need to be made on the allocation of any remaining funding.

8.22 This option would allow farmers to decide whether or not to enter the new scheme and to adjust their business model accordingly (providing the transition period is sufficiently long). It would also enable the available budget to be spent and allows for the BPS to close at the end of the transition period.

8.23 However, it would need a mechanism to encourage entry into the new scheme. In particular, there is a risk farmers may delay entry until the latter part of transition, putting pressure on the administration of scheme entry.

### **Indicative option B – enrolment**

8.24 Under this option, any farmers wishing to enter the new scheme would be expected to enrol during a multi-year enrolment period.

8.25 The purpose of this approach would be to maximise the number of farms signed up to the scheme before it commences. This would enable effective budget management and a concentrated period of advisory support effort before the scheme begins.

8.26 During the enrolment period, all current BPS members could continue to receive a BPS payment. Similar to Option A, there would be a reduction in payment levels in order to provide Brexit and scheme transition support.

8.27 All new scheme contracts would commence at the end of the enrolment period. At this point, the BPS would close to all farmers. After the enrolment period, any further scheme entry would depend upon either an increase in scheme budget or the opportunity to replace farms that decide to leave the scheme at contract review.

8.28 This option would allow farmers to make informed decisions on whether or not to enter the scheme. This is because all potential applicants would be offered a Farm Sustainability Review to enable them to understand the impact and

opportunities presented by the scheme. It would enable the budget for the new scheme to be defined in advance of the start date, thus improving budgetary management. It would also allow for the BPS to close at the end of the transition period and encourages entry into the proposed scheme.

### **Indicative option C – staged enrolment**

8.29 A natural consequence of option B is that there will be a period of time between signing up the first scheme members and the end of the enrolment phase. This could be a number of years. This could result in a loss of momentum and changes to farm circumstances in the intervening period. An alternative could be to take a staged approach to option B. This could operate on an annual basis.

8.30 Similar to options A and B above, an amount of money would be taken from the BPS budget to provide Brexit and scheme transition support.

8.31 However, in contrast to option B, we could define groups of farmers, perhaps by sub-sector, geographic distribution, current involvement in Glastir, or in some other way, who would be offered the opportunity to enrol in a particular year. For those farmers, scheme membership would begin the following year.

8.32 An annual outreach programme would be put in place to contact and prepare farmers within the following year's grouping.

8.33 Each individual within a grouping would be offered the opportunity for a Farm Sustainability Review and subsequent scheme entry. Those who accept would be enrolled in the scheme. The total allocation of BPS within that grouping could be used to fund new scheme membership from that group. A decision would need to be made about how to manage any difference in funding.

8.34 This process would continue until all farms had been offered the opportunity to access the scheme, at which point transition would end.

## **CAP simplification during transition**

8.35 Once the UK leaves the EU, the transition period provides an opportunity to address some of the more time-consuming administrative and bureaucratic components of CAP.

8.36 Reflecting on feedback from the *Brexit and our Land* consultation, there are a range of options which could be considered, based on administrative ease rather than wholesale change. We could consider the following areas for simplification and improvement:

- CAP cross border single application rule
- BPS Payment window for un-validated beneficiaries
- Environmentally Sensitive Permanent Grassland (ESPG) rule
- Penalties, including late supporting document and application of Cross Compliance penalties

8.37 We would expect for any simplifications and improvements to be implemented as soon as practicable. Precise details and timings cannot be determined until the relevant legislative powers are finalised and the terms of the UK's departure from the EU are known.

## **Legislation**

8.38 The UK Agriculture Bill, currently in Parliament, includes powers for Welsh Ministers to begin the transition to any new scheme. It sets out a defined agricultural transition period of seven years, beginning in 2021.

8.39 The Bill provides powers to phase out direct payments under the BPS at any time during the transition period. This is a flexible provision. Welsh Ministers would not be compelled to begin phasing out direct payments in 2021 and have the power to extend the transition period. In addition, there is no requirement for the transition period to take up the entire time provided for by the Bill.

8.40 The intention is for the powers to be used on a time-limited basis and then be replaced by an Agriculture (Wales) Bill. We will bring forward a comprehensive White Paper in due course to set out the nature of the legislation. It will be an ambitious Bill to form the legislative basis for Welsh agricultural and land policy for the long term. The Bill provides an opportunity to make provision for a number of important areas. As well as the new proposed scheme, it could cover aspects such as regulatory and tenancy reform.

## **Next steps**

As noted above, we will make a further statement on transition when more is known about the nature of Brexit. Until uncertainty recedes, we will focus discussion on how best to design transition.

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## **Consultation question 6**

We are consulting on the purpose and design of a transition period. What are your views? You may want to consider:

- the proposed principles for transition
- the relative merits of the three transition options set out above
- alternative proposals for transition
- how the CAP can be simplified or improved while it is still in operation





The proposals set out in this document represent a significant change to how we support farmers. The scale of the task means it is right to take time to develop proposals in collaboration with stakeholders.

As part of this consultation, we want to work directly with farmers and others to further explore the practical aspects of the proposals. We therefore propose to launch a co-design programme in the autumn.

This chapter:

- explains our plans for co-design programme; and
- sets out what happens after this consultation.

### **This consultation**

9.1 This consultation document explains our proposals, seeking views on how we intend to support farmers after Brexit. However, we also need to start exploring the aspects of how the proposals put forward in this document would work on the ground.

9.2 We therefore propose to commence a co-design programme in addition to this consultation document. This will allow us to explore some of the practical aspects of the proposed scheme outcomes in a collaborative approach, which would not be fully possible using only a written consultation process.

### **The co-design programme**

9.3 The co-design programme may involve a range of approaches which could include workshops and on farm events. It will be in addition to other engagement opportunities during the course of the consultation period. As with this consultation document, it will involve gathering ideas and exploring opportunities. No decisions will be made within the co-design programme.

9.4 It is important that anyone wishing to engage in the consultation has access to the same information. The co-design programme will therefore not include substantially new or different information, which would influence responses to the proposals in this document. Instead, it will involve a more in-depth exploration of how proposed outcomes can best be

delivered through farmers' actions and how they can be integrated into farming practice, where they are not already. Commencing the co-design programme alongside this consultation will help gather a wide range of views in a timely manner.

9.5 The co-design programme is considered helpful as the proposals in this document are significantly different to previous schemes run in Wales and would involve different ways of working for some farmers. For example, one element which may be included in co-design is the development of a new approach to soil nutrient management. We would need to work with farmers to determine the practical implications of implementing this approach in a way that delivers the outcomes we seek, fits with farming practice and can be monitored by the farmer and the Welsh Government. We would also need to work with farmers to determine the best way of communicating the benefits of undertaking soil nutrient management.

9.6 The proposed scheme would also involve different ways of working for the Welsh Government in terms of administrative processes (including scheme application, advisory services, transition and the monitoring of outcomes). Co-design will provide the opportunity for us to work with the direct users and recipients of the schemes to develop these processes. This work would build upon the success of the Rural Payments Wales (RPW) user groups, which have been instrumental in helping to develop systems such as RPW Online.

9.7 We will continue to consider the role of pilot projects. It is important to note we are not starting from a blank page, as we have over 20 years of

agri-environment delivery to learn from. In particular, the Glastir Monitoring and Evaluation Programme, combined with wider scientific evidence, allows us to appraise the effectiveness of different farming practices (especially how actions may lead to delivery of outcomes). There is also an opportunity to learn from projects under the Sustainable Management Scheme, and schemes outside of Wales.

9.8 Given this existing evidence base, it may be most appropriate to target piloting on the practical aspects of scheme delivery. The co-design programme is an important first step.

9.9 The co-design programme will also input into deciding on the final name for the proposed scheme. We feel it will be important that the scheme name reflects the change of approach and its new role in the future of Welsh agriculture. With this in mind, we envisage a word or phrase which can be used in both Welsh and English and which will draw on influences from the land (*tir*), sustainability (*cynnal*), farming (*amaeth*), habitat (*cynefin*) and growth (*tyfiant*).

### **Who will be involved?**

9.10 It is crucial that we include farmers in the co-design process to help us explore the finer details of how the proposed scheme could be delivered. This is because it is farmers who would be the direct recipients of future scheme payments. Many of the responses to the *Brexit and our Land* consultation highlighted the importance of including farmers in the design process.

9.11 A wide mix of farmers, as well as foresters and other land managers, will be needed to ensure the process is as representative as possible for all areas and sectors in Wales. In addition, many other individuals and organisations with an interest will need to be involved. This could include farming unions, environmental groups, advisers and academics, along with any other technical specialists and Welsh Government staff considered necessary.

9.12 The co-design programme reflects our commitment to the ways of working in the Well-being of Future Generations (Wales) Act 2015; specifically the importance of involving any interested people who could help us meet the well-being objectives, and acting in collaboration with them.

### **How do I get involved?**

9.13 Further details including dates, locations and content will be publicised later in the year. As we expect a large number of interested individuals, we may require a short application so we can better match an individual's interests to a particular subject matter. We may not be able to include all individuals who wish to be involved.

### **Next steps**

9.14 The consultation document will run from 9 July 2019 to 30 October 2019. All written responses will need to be submitted by this deadline.

9.15 It is intended for the co-design programme to commence later in the year. We will publish a summary of output detailing the results of the co-design programme once complete. This may be separate or combined with the summary of the written consultation.

9.16 The responses to the consultation will be considered carefully and in the round. We will then determine and set out next steps once we have been able to fully consider all consultation responses, and in the light of Brexit developments over the coming months. This will include further consultation and engagement on some aspects.

9.17 In the event the co-design programme results in fundamentally different proposals to those consulted on in this document, further consultation will be undertaken to ensure consultees are given a further opportunity to make representations about revised proposals.

The proposals set out in this document would represent a significant change to how we support farmers. We remain committed to undertaking the necessary modelling and impact assessments before making final decisions. This work involves a number of steps, some of which have already been completed and some which require development. We will be transparent and open in the evidence we are using as we develop these proposals.

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This annex:

- describes the purpose of analysis;
- sets out the stages to a full impact assessment;
- explains our intended approach to this work;
- puts this in the context of the Welsh Government's impact assessment tool; and
- sets out next steps.

### **Purpose of the analysis**

A.1 The proposals in this document represent a significant change in how farmers would receive financial support. It is important for the proposals to be underpinned, informed and shaped by a comprehensive evidence base. This needs to cover the full range of relevant economic, environmental and social issues, and reflect our commitments under the Well-being of Future Generations (Wales) Act 2015.

A.2 Central to this is assessing what our proposals mean for different farm business types and sizes, different agricultural sectors and different regions of Wales.

A.3 The main objectives for this work are therefore to:

- understand the effects of our proposals on farm business revenue, costs and net farm business income for a representative range of Welsh farm types and sizes;
- understand the range of opportunities for delivering Sustainable Land Management (SLM) outcomes on each of the representative farm types;

- understand the robustness and sensitivities of different methodologies for estimating the value of different SLM outcomes, particularly environmental outcomes;
- estimate the changes in the spatial distribution of support for farmers in Wales;
- consider the impact of our proposals on a broader range of social and economic issues, including rural employment, the Welsh language and the well-being of communities in rural Wales; and
- make available the results of analysis in an understandable format, noting the confidence and limitations attached to each piece of analysis.

A.4 These objectives reflect feedback from *Brexit and our Land*. Many respondents raised the importance of undertaking both modelling and impact assessments to inform design and implementation. Respondents also called for more information on the methodology by which environmental outcomes are to be identified and valued.

### **External policy issues**

A.5 Two key external policy issues will shape and inform the analyses we are undertaking, and will be key considerations in determining the impact of proposals.

A.6 The first is the UK's post-Brexit future trading relationship with the European Union (EU) and other third countries. We propose to draw on existing work published by Newcastle University in March 2019.<sup>9</sup> This has modelled, for a representative range of farm types in each country of the UK, the estimated farm level impact on farm business income of three post-Brexit trading scenarios, both with and without the support currently provided by the Basic Payment Scheme (BPS).

A.7 The second is the available budget for financial support. The size of the funding allocation beyond 2022 will have a clear impact on the scale of support. While the UK Government has pledged to maintain cash levels of agricultural funding until 2022, there is no certainty on what happens thereafter, or how funding will be repatriated to Wales.

A.8 Each of these factors has the potential to have a greater impact on farmers than the proposals in this document, and both would impact on farmers even if farm support policy was not changed. We will therefore build them into the baseline when estimating the impact of our proposals.

### **Undertaking a comprehensive impact assessment**

A.9 Delivering our objectives will require us to use a wide range of data, evidence sources and approaches, applied over the whole policy development process. The main elements are set out below in a broadly sequential order, although many pieces of work will overlap in their development.

### **Stage 1: understanding potential post-Brexit economic conditions**

A.10 In *Brexit and our Land*, we included details of modelling for the estimated impacts on Wales of three possible Brexit scenarios: a bespoke and comprehensive Free Trade Agreement with the EU; exit under World Trade Organisation rules as a most favoured nation and unilateral trade liberalisation. This work has now been supplemented by additional modelling and published by Newcastle University.

### **Stage 2: developing spatial modelling capacity**

A.11 In 2012, the Welsh Government commissioned the Glastir Monitoring and Evaluation Programme (GMEP) to assess the performance of Glastir against outcomes. It published its final report in July 2017.<sup>10</sup>

A.12 We are building on GMEP by establishing the Environment & Rural Affairs Monitoring and Modelling Programme (ERAMMP) to explore policy and management interventions for land use and the environment of Wales. It comprises a chain of models covering agriculture, forestry, land use allocation decisions, water, air, soils, biodiversity, ecosystem services and valuation.<sup>11</sup> This work is ongoing and the outputs from ERAMMP will be used to further inform our policy proposals.

### **Stage 3: applying Brexit scenarios to the spatial modelling**

A.13 The Welsh Government established an Evidence and Scenarios Roundtable Working Group, involving a wide range of stakeholders, to advise on the impacts of Brexit on agriculture, forestry and fishing. Impacts across the agriculture sector

<sup>9</sup> Hubbard (2019), *Brexit: How might UK Agriculture Thrive or Survive?* ESRC Brexit Project. <https://research.ncl.ac.uk/esrcbrexitproject/outputs/>

<sup>10</sup> Glastir Monitoring and Evaluation Programme. <https://gmep.wales/resources>

<sup>11</sup> Environment & Rural Affairs Monitoring and Modelling Programme. <https://erammp.wales/en>

in Wales, showing possible land use change, have been mapped for three different Brexit scenarios. The results have been presented to stakeholders.<sup>12</sup>

#### **Stage 4: understanding the BPS – the policy counterfactual**

A.14 In June 2019, we published *Agriculture in Wales*, a detailed evidence pack setting out the state of play of the agricultural sector in Wales, in particular providing detailed information about the BPS. The current system of BPS payments in Wales will act as a comparison against which we will assess our policy proposals (this is the “policy counterfactual”).

#### **Stage 5: understanding the spatial opportunities for producing environment outcomes**

A.15 As set out in Chapter 3, we propose to pursue an objective of Sustainable Land Management (SLM) and pay an income stream for environmental outcomes. One of the outputs from ERAMMP is a series of opportunities maps showing, at a broad spatial scale, the opportunities that exist for producing environmental outcomes. Some of these maps are included in Annex B.

#### **Stage 6: developing methodologies to value Sustainable Land Management outcomes**

A.16 We will utilise economic valuation work, combined with the spatial analysis of environmental outcomes opportunities, to generate estimated ranges of values. This work is described further below.

#### **Stage 7: developing farm business modelling to estimate impacts from moving to outcome-based support**

A.17 This annex describes the approach we will take to developing a representative series of farm level business models looking at farm level accounts. These models will be central to the work we undertake to analyse our policy proposals. We aim to bring together estimates of the opportunities for producing environmental outcomes and estimated environmental outcome valuations, within the farm business account modelling.

#### **Stage 8: using the Welsh Government's Integrated Impact Tool**

A.18 We will use the Integrated Impact Tool to assess the full range of economic, social and environmental impacts, in line with our commitments under the Well-being of Future Generations (Wales) Act 2015.

#### **What we propose to do**

A.19 This section describes further how we intend to develop some key pieces of analytical work.

#### **Identifying the scale of the opportunity**

A.20 The proposals in this document are to provide funding to farmers in return for delivering SLM outcomes, principally in relation to the environment. We need to demonstrate the scale of opportunity for farmers across Wales to receive payments for delivering these outcomes.

A.21 We will establish a clear picture of the potential for producing environmental outcomes from Welsh land, including the scale and spatial variation of these across different areas of Wales. Many farming practices may deliver more than one of these environmental outcomes. A few examples of opportunity maps are included in Annex B.

<sup>12</sup> Evidence and Scenario Sub-group (Roundtable Wales and Brexit).  
<https://gov.wales/evidence-and-scenario-sub-group-roundtable-wales-and-brexite>

A.22 This work will draw on the existing data such as the Glastir Advanced spatial datasets<sup>13</sup>, and new work under ERAMMP, as well as other sources such as *The State of Natural Resources Report (SoNaRR)*,<sup>14</sup> the Natural Resources Wales (NRW) *LIFE Natura 2000 Programme* reports<sup>15</sup>, and emerging work by NRW on Area Statements.<sup>16</sup>

### **Valuing environmental outcomes**

A.23 The proposed environmental outcomes we are seeking to support are described in Chapter 3. We need to decide how much to pay for each outcome and how to translate the valuation into a payment rate for actions. As noted in Chapter 4, we intend to pay an amount above and beyond the “income foregone or costs incurred”.

A.24 The valuation of non-market environmental outcomes is a developing methodology and we will need to reflect the sensitivities and uncertainties associated with valuation methods. Modelling will highlight the potential limitations in valuation, which we may need to address through additional work. The outcomes of this work are therefore likely to be estimates of a range of possible values for a specific environmental outcome, rather than a single, fixed figure.

A.25 We will also reflect possible variations in the social value of environmental outcomes. There may be different social values in different areas of Wales, for example in rural communities or near population centres.

A.26 Overall, the work undertaken to inform payment levels is thus likely to be indicative rather than definitive. Other considerations will also need to be reflected in payment levels, in particular the available budget, value for money, and the potential distributional impact of payments. Final payment levels for the environmental outcomes we are seeking will be decided by Welsh Ministers in due course.

### **Building a set of representative farms**

A.27 We will model farm business accounts to look in detail at estimated changes in business revenue, costs and net farm business income for a range of representative farm types and sizes.

A.28 It is not possible to model each individual farm business in Wales, so we will build a set of representative farms so we can understand what the proposed Sustainable Farming Scheme would mean for their farm businesses. The set will need to be sufficiently large to reflect the diversity of Welsh farms.

A.29 One of the outputs from this work will be “before” and “after” sets of estimated farm business accounts. The “before” scenario (the “policy counterfactual”) will estimate the financial impacts on farms of post-Brexit trading scenarios, based on the hypothesis that the BPS and the current Glastir scheme are maintained. The “after” scenario will estimate the financial impacts on farms of the proposed Sustainable Farming Scheme, reflecting the range of sensitivity and variation in possible values for environmental outcomes, as discussed above.

<sup>13</sup> Lle: A Geo-Portal for Wales. <https://lle.gov.wales/catalogue?lang=en&t=1>

<sup>14</sup> Natural Resources Wales (2016), *The State of Natural Resources Report (SoNaRR)*.

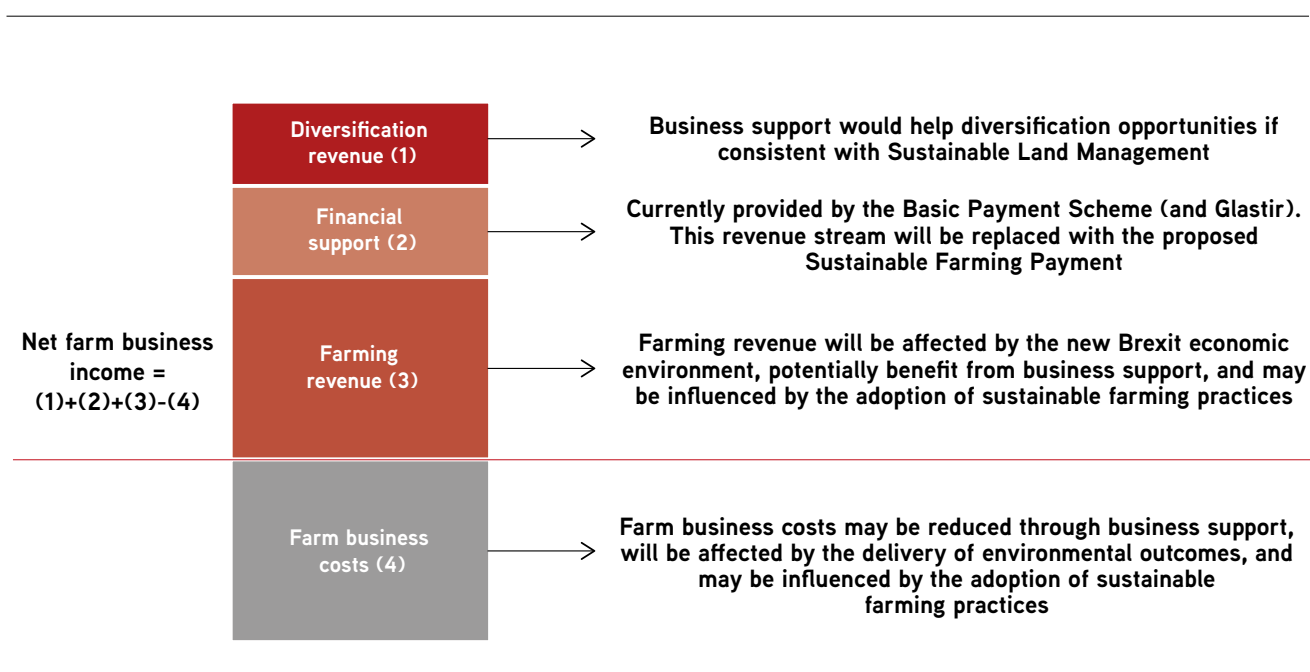
<https://naturalresources.wales/evidence-and-data/research-and-reports/the-state-of-natural-resources-report-assessment-of-the-sustainable-management-of-natural-resources/?lang=en>

<sup>15</sup> Natural Resources Wales, *Life Natura 2000 Reports*.

<https://naturalresources.wales/about-us/our-projects/nature-projects/life-n2k-wales/life-n2k-reports/?lang=en>

<sup>16</sup> Natural Resources Wales, *Area Statements*. <https://naturalresources.wales/about-us/area-statements/?lang=en>

**Figure A.1: Impact on the farm business model**



A.30 In the “after” scenario, net farm business income would be affected by:

- the removal of the BPS and Rural Development Programme schemes (principally Glastir);
- the proposed Sustainable Farming Scheme providing a new income stream for environmental outcomes;
- changes to the cost profile (fixed and variable) of the business (for example, management of environmental outcomes will incur costs); and
- potential investment opportunities (for example, diversification) over the longer term, which will impact on revenue and costs.

A.31 Figure A.1 shows the make-up of net farm business income, and the potential contribution to farm business revenue of payments under the proposed scheme.

A.32 It is very likely that we will draw on the data included within the *Farm Business Survey* (FBS). This is produced on behalf of the Welsh Government and published annually by the Institute of Biology, Environmental and Rural Sciences (IBERS) at Aberystwyth University. The survey incorporates financial and physical data from a representative sample of 600 farms in Wales.

## Distributional analysis

A.33 We will estimate the distributional impact of changes to farm support. These may arise if the funding levels to different recipients change as a result of the proposals. We will use the analytical approaches described above to help estimate the potential impact. Given the proposals involve a large degree of choice from the farmer, there will be a significant degree of uncertainty.

A.34 We will estimate any impact on the regional pattern of farm support under our proposals by considering the estimated aggregate level of support within, and between, different regions of Wales. We will also consider the distributional analysis of our proposals for different agricultural sectors – in particular, for sheep, beef and dairy, which collectively account for the majority of Welsh agricultural output.

A.35 We will use these analyses to build a picture of estimated changes in the distribution of farm level support at the all Wales level.

## Broader impacts on the rural economy and rural communities

A.36 We need to understand the overall impact the proposals may have on the rural economy and rural communities. Payments for environmental outcomes are likely to have a range of impacts. For example, through changes in the use of contractors, or through changes in agriculture's intermediate consumption (such as changes in purchases of feeding stuffs or fertiliser and lime).

A.37 One approach to considering these impacts is to use existing output and employment multipliers. Section 1.5 of *Agriculture in Wales* contains a description of these for the agriculture, forestry and fish sector in Wales. Multipliers are most reasonably considered as an estimate of short-term economic impacts. This is because, over the longer term, there are likely to be adjustments within the economy

which moderate any initial impacts. We may need to use a range of different approaches to estimate these broader economic changes.

A.38 The distributional analysis described above will be important in estimating:

- positive and negative changes in the overall levels of intermediate consumption in agriculture in Wales (Figure 1.2 in *Agriculture in Wales* details the current situation);
- positive and negative changes in the value of agricultural output in Wales (Table 1.1 in *Agriculture in Wales* details the current situation); and
- changes in total income from farming (Figure 1.3 in *Agriculture in Wales* details the current situation).

## Integrated impact assessment

A.39 We will assess our proposals through the Welsh Government's Integrated Impact Assessment Tool, which reflects our commitments in the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016.

A.40 We will draw together all of the above evidence and analysis to feed into and inform, impact assessments, as the scheme proposals are developed. We will use the Welsh Government's Integrated Impact Assessment Tool. This will include assessing the following specific areas.

**Welsh language.** Respondents to the *Brexit and our Land* consultation highlighted concerns about reform impacting negatively on the opportunities for persons to use the Welsh language. In our evidence pack, *Agriculture in Wales*, we noted the importance of agriculture, forestry and fishing in providing employment for Welsh speakers, particularly in communities with a high proportion of Welsh speakers. We will undertake a Welsh Language Impact Assessment and consider the impacts of our proposals on the Welsh language and Welsh speaking people and communities.



**Rural proofing.** Respondents to the *Brexit and our Land* consultation expressed a variety of views that reflected the importance of rural businesses and rural communities. We will ensure the needs of the people who live, work, socialise and do business in rural areas are objectively considered as we develop our proposals. We will complete a Rural Proofing Impact Assessment.

**Economic well-being.** Our evidence pack, *Agriculture in Wales*, contains data and analysis describing the direct and indirect contribution of agriculture to the Welsh economy. We will understand the impact of our proposals on businesses and across the private, third and voluntary sectors in Wales in order to avoid or minimise adverse impacts and to encourage opportunities for business.

**Natural resources.** Our evidence pack, *Agriculture in Wales*, sets out the contribution of agriculture to the provision of ecosystem services, and summarises the findings of *The State of Natural Resources Report (SoNaRR)*. Respondents to the *Brexit and our Land* consultation made many suggestions concerning the range of opportunities for managing our natural resources in a way that, in their view, should attract payments. We will assess the implications of our proposals for the natural resources of Wales, including on biodiversity and climate change.

**Culture and heritage.** A number of responses to the *Brexit and our Land* consultation supported the inclusion of heritage within the (then) Public Goods Scheme. We will consider how our proposals can actively promote and protect culture and heritage and encourage people to participate in recreation.

**Health.** Some respondents to the *Brexit and our Land* consultation were disappointed by the omission of health and well-being from the (then) Public Goods Scheme. This is now addressed in the proposed SLM framework. We will undertake a Health Impact Assessment to consider how the health and well-being of the population may be affected by our proposals.

**Public sector.** Including local government and other public bodies. One issue raised by respondents to the *Brexit and our Land* consultation was collaboration between public and private sector bodies. The benefit of such collaboration was consistently recognised. We will consider this as we consider the impacts of our policy proposals on public sector bodies in Wales.

**Equality.** We will undertake an Equality Impact Assessment across all of the protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. No issues were raised by respondents to the *Brexit and our Land* consultation with regard to equality.

**Children's rights.** We will ensure we have due regards to the United Nations Convention on the Rights of the Child when considering the proposals. No issues were raised in the *Brexit and our Land* consultation with regard to the rights of the children.

**Privacy.** Respondents to the *Brexit and our Land* consultation made a number of comments concerning how to simplify the current administration and delivery of the BPS during transition. None of these referred specifically to the use of personal data. However, with respect to the proposals for a new scheme, there may be different ways of undertaking monitoring and assessment. We will assess the privacy implications of activities which involve the use, and changes to the use of personal data.

**Justice.** The new regulatory framework will require effective and proportionate legislation and enforcement mechanisms to ensure standards are met and to deal with non-compliance. For example, one option under consideration includes the use of civil sanctions, alongside current offences, as an additional option for regulators to employ. In considering the appropriate enforcement mechanism, we will consider the potential impacts of new policy and legislation on the devolved and non-devolved elements of the justice system. We will complete a Justice Impact Assessment.

### **Next steps**

We intend for the work described in this annex to be an iterative, ongoing process as the evidence, analysis and assessment is reviewed and refined. This will allow for analysis to inform policy as proposals are developed, including through any further consultation.

As we noted above, we want to be transparent and open in the evidence we are using. We want to draw on the expertise and insight of our stakeholders to help shape and inform the work we propose to undertake. We therefore propose to establish an external Evidence Group to advise us as this work is taken forward. We will set out details in due course.

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## **Consultation question 7**

What are your views on the analytical approach set out in this annex? You may want to consider:

- the different stages of analysis
- the different tools and techniques which may be necessary for different aspects of the analysis
- the range of impacts which we propose to consider with the Integrated Impact Assessment

We propose to provide farm support for actions which deliver Sustainable Land Management (SLM) outcomes.

Paying for actions to deliver outcomes is a fair way to reward farmers. If a farmer performs an action correctly but the expected outcome does not arise, the Welsh Government will bear the risk.

We need to ensure there is a sufficiently wide range of actions, such that any farmer who wants to enter the proposed Sustainable Farming Scheme may do so.

This consultation proposes a set of outcomes which we want to pay farmers to deliver. We now want to work with farmers and other stakeholders to identify the best actions which can lead to these outcomes.

B.1 This annex provides examples of actions which evidence shows should lead to Sustainable Land Management (SLM) outcomes. This is an initial, illustrative list. We want to explore other actions where evidence shows they can support delivery of our proposed outcomes.

### **Implementing actions to deliver outcomes**

B.2 Actions underpin the successful delivery of SLM. The causal link between actions and outcomes is vital to deciding which actions are included in the SLM framework. In many cases, single outcomes may be delivered through a number of different actions. Similarly, individual actions may positively impact a number of outcomes. Chapter 3 discusses this further.

B.3 Respondents to *Brexit and our Land* highlighted a need to consider an integrated scheme. By using the framework of SLM, we can identify how farming can deliver environmental, economic and social outcomes from a set of defined actions.

B.4 This chapter examines some indicative examples of actions. These actions are grouped into:

**Category 1:** Nutrient management

**Category 2:** Soil husbandry

**Category 3:** Habitat and woodland

**Category 4:** Land management

**Category 5:** Animals and livestock

**Category 6:** Business support

B.5 Each action is categorised according to the farm resource the action has the most direct and evidenced effect on. Actions are also considered in how they produce multiple outcomes, across environmental, social and economic dimensions.

B.6 As discussed in Chapter 3, we propose to pay an income stream for those outcomes not rewarded by the market, principally environmental outcomes. As such, the actions in categories 1 – 4 and some in 5 would contribute to a farmer's annual payment. In contrast, actions in category 6 and some in 5 would be supported through targeted business support. The evidence in this annex is presented without prejudice to how much funding would be allocated to each category.

B.7 The actions set out in this annex are practically achievable and in some cases are already being achieved by Welsh farmers. For each category, we first discuss the opportunity for all types of farm to perform the actions. The outcomes each action leads to are then summarised in tables. A selection of relevant evidence is presented in the background section.

B.8 Much of the evidence underpinning the actions is based on internal work and research carried out by experts commissioned through the Environment and Rural Affairs Monitoring and Modelling Programme (ERAMMP). For the latter, a task group has carried out an extensive literature review of the most recent evidence concerning links between management actions and the SLM outcomes. The group sought a wide range of external input from experts in each field. The literature review has informed this annex and the full results will be published in due course.

### **Category 1: Nutrient management**

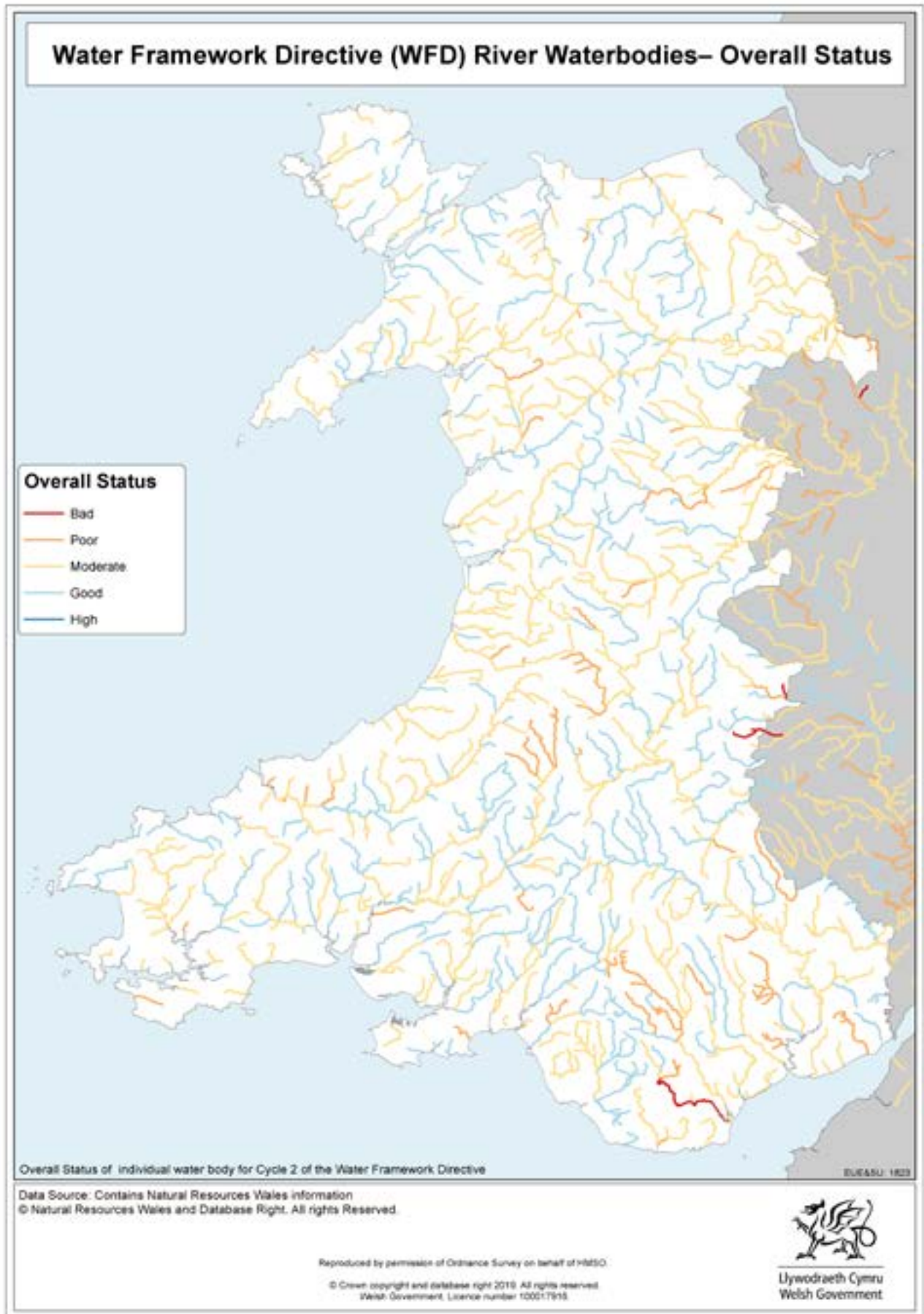
B.9 Effective nutrient management is essential to delivering SLM through farming practice. Maintaining the appropriate nutrients in the soil is fundamental to achieving optimum crop (including grass) yields and quality. But excessive application of nutrients both wastes money, as those nutrients are not used by the crop, and increases pollution risks to air and water.

B.10 Macro and micro nutrients are required in different quantities at different times by plant and animal species. Deficiency or imbalance in these nutrients is likely to limit plant growth, leading to an increased risk of nutrient leaching to the environment, causing pollution.

### **Opportunity**

B.11 There are opportunities for nutrient management action on farms across Wales, although the scale of action will be related to the level of nutrient use on the farm and the potential for outcome delivery. As an example, Figure B.1 shows the Water Framework Directive Status for Welsh rivers. Clearly, the effects of activities other than agriculture contribute to the status. Nevertheless, actions in this section (beyond compliance with regulation) will contribute to maintaining areas of good quality, as well as improving areas of moderate or poor quality.

Figure B.1



## Illustrative actions

1	Effective nutrient management planning	Effective nutrient planning involves working out what combination of nutrients are needed, and where and when they are needed. This is to make sure optimum levels are maintained, maximising plant growth while reducing losses to the environment to as close to zero as possible. It may also be necessary to manage pH levels to ensure optimum nutrient usage.
2	Targeted application of fertiliser	Targeted application is the use of several different techniques and equipment to apply inputs as close to the surface as possible and at a rate depending on the nutrient requirements.
3	Effective storage of manure and slurry	Effective storage mainly involves covering or capping slurry stores.

## Outcomes delivery

Outcomes	Action 1: Effective nutrient management planning	Action 2: Targeted application of fertiliser	Action 3: Effective storage of manure and slurry
Air quality	Ensures correct quantities are applied at the right time, reducing ammonia emissions.	Minimises exposure of manures and other inputs to the atmosphere, reducing ammonia emissions.	
Water quality	Ensures correct quantities are applied at the right time, reducing run-off.	Ensures optimum levels of nitrogen, phosphorous and potassium (NPK) in soils, reducing leaching.	Ensures manures and other inputs do not leach or leak into watercourses.
Resilient ecosystems and species recovery	Minimises pollution risk to soils and watercourses and improves biodiversity including soil microfauna, underpinning productive capacity.		
Decarbonisation	Reduces mineral fertiliser usage, leading to reduced greenhouse gas emissions from the production process.	Minimises exposure of manures and other inputs to the atmosphere, reducing nitrous oxide and methane emissions.	
Productivity	Reduces cost of buying excess or inappropriate fertiliser.	Ensures optimum levels of NPK in soils, with minimal wastage.	Maintains nutrient content of slurry, reducing need to supplement with other fertiliser.

Outcomes	Action 1: Effective nutrient management planning	Action 2: Targeted application of fertiliser	Action 3: Effective storage of manure and slurry
Innovation	Improves accuracy from use of beneficial data and measurement techniques.	Improves accuracy from use of beneficial data and application techniques.	Greater safeguards from improved storage infrastructure.
Managed environmental and social risk	Reduces the need for enforcement action.		
Public health	Reduces emissions of ammonia (and associated PM <sub>2.5</sub> ), which is directly harmful to human health.		

## Category 2: Soil husbandry

B.12 Aside from managing soil nutrients, there are other approaches which contribute to maintaining healthy soils. The most important factors for soil health are the levels of organic carbon and organic matter in the soil. Both are crucial in making nutrients available for plants. They also affect soil moisture and water storage capacity of the soil, thus supporting stable production levels during extreme events, such as hot, dry summers.

B.13 UK soil organic matter and carbon in agricultural systems has been declining,<sup>17</sup> but there has been no such decline observed in woodlands.<sup>18</sup> A number of factors beyond climate may be causing this decline. Research suggests explanations including drainage, recovery from acidification, nitrogen deposition, burning, fertilization, and liming.<sup>19</sup>

B.14 The actions considered to maintain and increase soil organic carbon must be considered alongside the carbon emissions arising from the related farming practices. Even attaining the maximum sequestration rates of grassland does not offset the emissions from the agricultural activities occurring. Maintaining soil carbon does prevent greater emissions, while ensuring soils are productive, but it should not be seen as a mechanism to dramatically increase Wales' carbon sink.<sup>20</sup>

## Opportunity

B.15 Management of soil carbon and soil organic matter involves a very large range of possible actions, the appropriateness of which will be dictated by the farm system, climate, ecosystems, topography and environmental objectives. There is a significant difference between upland and lowland systems, especially in terms of actions and their impact. There are opportunities on farms across Wales to manage soil carbon. Peatland opportunities will be spatially defined, but are not necessarily just associated with peat bogs.

B.16 Figure B.2 shows current soil carbon levels. In some areas, especially on peatland, there is opportunity to increase soil carbon. In areas where soil carbon has reached its maximum for that type of soil and climate, it is important to preserve the stock, in order to prevent emissions and maintain soil health.

<sup>17</sup> Alison, J., Thomas, A., Evans, C.D., Keith, A.M., Robinson, D.A., Thompson, A., Dickie, I., Griffiths, R.I., Williams, J., Newell-Price, P., Williams, A.G., Williams, A.P., Martineau, H., Gunn, I.D.M. & Emmett, B.A. (2019), Review 3: Soil Carbon Management. In Environment and Rural Affairs Monitoring & Modelling Programme (ERAMMP): Farm Sustainability Scheme Evidence Review. Report to Welsh Government

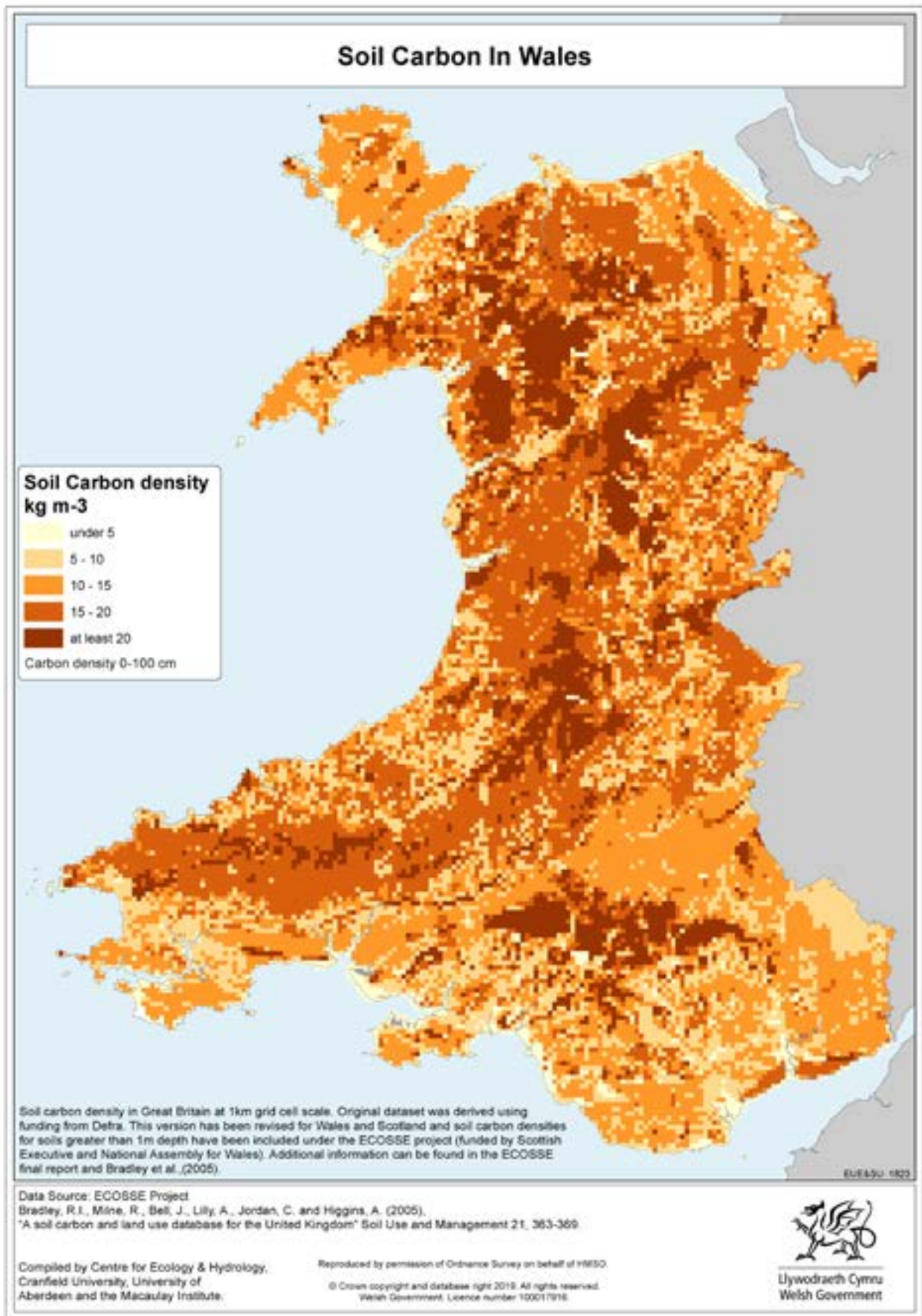
<sup>18</sup> Chamberlain et al., (2010) in Alison, J., et al. (2019), Review 3: Soil Carbon Management

<sup>19</sup> Hopkins et al., 2009; Smith et al., 2007a; Smith et al., 2007a; Bellamy et al., 2005; in Alison, J., et al., (2019), Review 3: Soil Carbon Management

<sup>20</sup> Emmett, B.A., Alison, J., Braban, C., Dickie, I., Gunn, I.D.M., Healey, J., Jenkins, T., Jones, L., Keenleyside, C.B., Lewis-Reddy, L.M., Martineau, A.H., Newell-Price, P., Old, G.H., Pagella, T., Siriwardena, G.M., Williams, A.G., Williams, P. & Williams, J.R.. (2019), Review 10: Integrated Analysis. In Environment and Rural Affairs Monitoring & Modelling Programme (ERAMMP): Farm Sustainability Scheme Evidence Review



Figure B.2



## Illustrative actions

4	Sward management and cover cropping	Managing productive grasslands to ensure there is a range of legumes and deep rooted species to improve resilience against prolonged dry weather, and to reduce fertiliser usage.
5	Reduction of artificial fertiliser	Favouring the use of organic fertiliser or manure over artificial fertiliser.
6	Peatland soil management	Restoring peatland through managing vegetation cover, or by removing drains and ditches.

## Outcomes delivery

Outcomes	Action 4: Sward management and cover cropping	Action 5: Reduction of artificial fertiliser	Action 6: Peatland soil management
Water quality	Increases the ability of soil to retain nutrients and water, reducing leached nutrients and erosion.		
Flood risk mitigation	Increases potential infiltration rates and water retention.	No direct effect.	Increases potential infiltration rates and water retention.
Decarbonisation	Reduces use of nitrogen (N) fertiliser, leading to a reduction of emissions from the production process.		Reduces emissions from damaged peatland.
Carbon sequestration	Increases carbon capture potential of soils with improved structure and nutrient balance.		Increases carbon capture potential of restored peatlands.
Resilient ecosystems and species recovery	Improves habitat for soil microfauna, and potentially for pollinator species.	Reduces nitrogen leaching into watercourses.	Improves quality and extent of habitats associated with peatlands.
Productivity	Reduces costs of buying inputs if soils and swards are more robust. Improves resilience of swards to dry weather. Improves long-term productive capacity of soils.		Reduces risk of soil loss, and reduces risk of flood in wider area.
Prosperity	Reduces carbon emissions and improves soil and swards, leading to a lower carbon footprint to the benefit of all society.		

### **Category 3: Habitat and woodland**

B.17 Without appropriate habitats, species are unable to exist in an ecosystem. An ecosystem without appropriate species cannot function and provide the ecosystem services farming and society rely upon. Appropriate habitats are ones which have the right level of connectivity, diversity, condition, and scale for the species they support.

B.18 The impact of habitat management on ecosystem resilience is often unclear. This is not only due to the difficulties in defining and measuring resilience, but also how resilience can be affected by unpredictable variables.

B.19 Measuring and assessing habitat quality for 'good condition' can also be hard. Even the precise definitions and indicators used by Common Standards Monitoring can be inappropriate for measuring the condition of some habitats. For example, using indicator species is not appropriate where the condition of habitat in terms of structure and density are more important than the presence of certain species.

B.20 Some habitats can provide a more diverse range of outcomes, beyond contributing to more resilient ecosystems. Woodland, along with peatland, for example, have the potential to sequester more carbon than any other type of habitat. Woodland and hedgerows can also intercept and absorb pollutants harmful to human health, such as particulate matter.

#### **Opportunity**

B.21 There is a huge variety of semi-natural habitats within the farmed environment in Wales, including heathlands, woodlands, saltmarshes and a range of grassland types. Habitats in Wales are as varied as Welsh farms. Management of these habitats revolves around their creation, improvement or maintenance. The specific actions taken on each farm will vary according to their type, environment

and the farmer's experience. Previous schemes were often too prescriptive and did not take into account local conditions.

B.22 The more productive areas of the farmed environment also provide important habitat to a number of species, including the important soil microfauna that underpins productive capacity. The improvement of soil and sward management described elsewhere in this annex will also provide significant benefit to the species that inhabit these more productive areas of the farm.

B.23 We therefore illustrate broad management actions. Their precise implementation must be dictated by conditions on the ground, not by 'one size fits all' prescriptions.

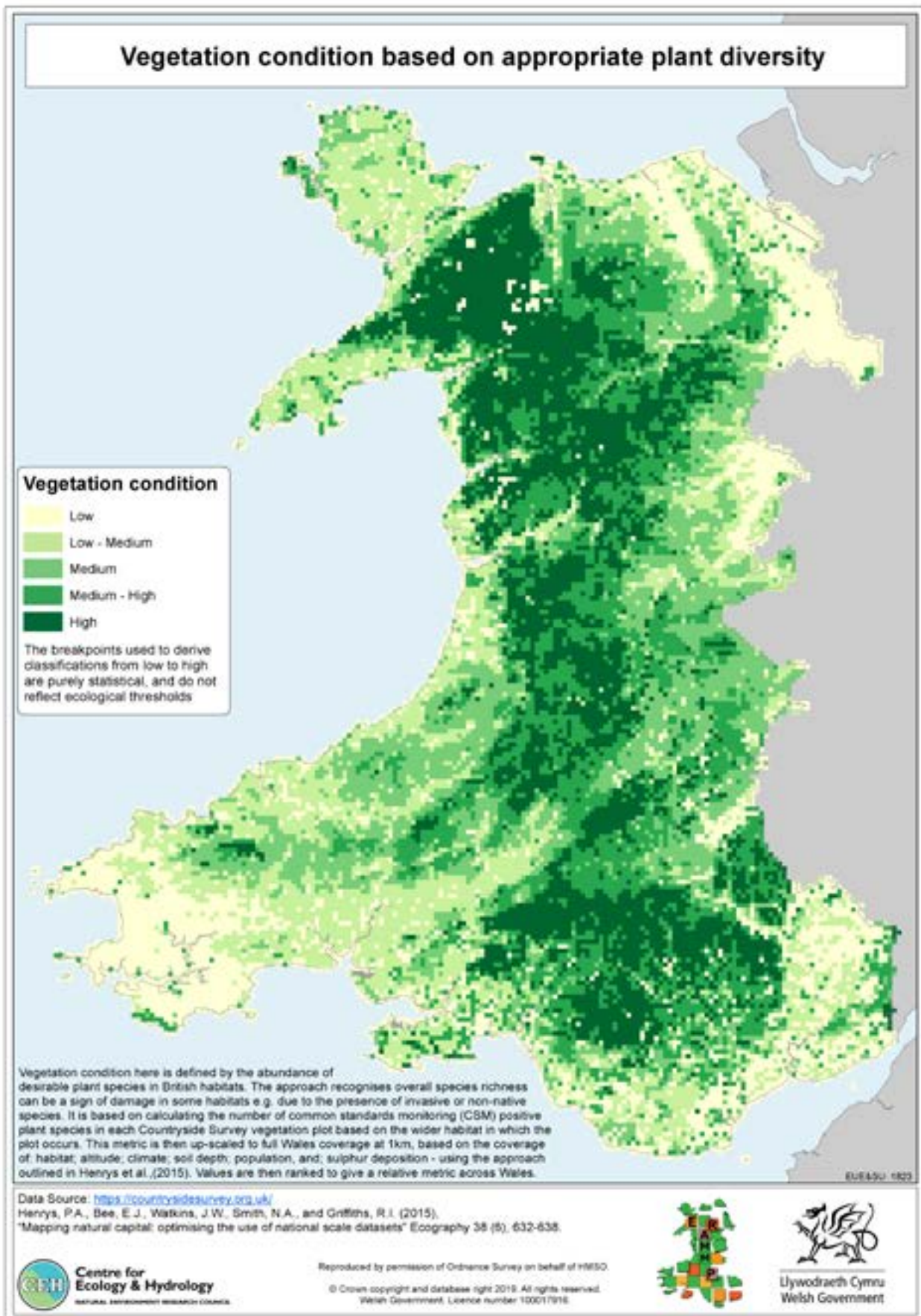
B.24 Management of habitat or creation of habitat on farms that do not contain existing semi-natural habitat is important. Therefore all farms have the potential to offer great value to wildlife and the resilience of our ecosystems.

B.25 Figure B.3 shows one method of indicating habitat condition. Appropriate plant diversity measures how many desirable species exist within an area. This takes into account the undesirable invasive and non-native species. As can be seen, in many areas Wales has relatively high diversity indicating opportunities for ongoing management. In other areas, creation of new habitat may be more appropriate.

B.26 In some cases, it may be most appropriate to manage a habitat to encourage certain key indicator species. In others, the structural diversity or other factors are important. Further research and analysis will be required to sufficiently explore the causal links and develop ways to measure them. In the case of species, there is potential for more specific actions with the support of private sector or community initiatives. These can deliver significant outcomes for biodiversity and their role should be recognised.<sup>21</sup>

<sup>21</sup> See: Keenleyside, C.B., Dickie, I., Alison, J., Lewis-Reddy, L.M. & Siriwardena, G.M. (2019), Review 6: Public and private funding. In Environment and Rural Affairs Monitoring & Modelling Programme (ERAMMP): Farm Sustainability Scheme Evidence Review

Figure B.3



## Illustrative actions

7	Semi-natural habitat management	There are many ways to manage Wales' existing semi natural habitats. This action includes some of the most widely applicable practices, such as grazing regimes, invasive species management, and fertiliser usage.
8	Farm woodland and hedgerows	Enhancing the condition of existing woodland habitats using a variety of methods which encourage growth of appropriate species.
9	Woodland creation	Planting new woodland of appropriate type and in appropriate location to target a range of outcomes.
10	Improved land	Recognising and protecting the habitat features of improved land, and how these might be managed.

## Outcomes delivery

Outcomes	Action 7: Semi-natural habitat management	Action 8: Farm woodland and hedgerows	Action 9: Woodland creation	Action 10: Improved land
Water quality	Reduces nutrient run-off from lower usage.	Increases potential for interception of pollutants through habitat areas created across slopes and in riparian zones.		
Flood risk mitigation	Slows water run-off from improved structural diversity.	Improves water interception by improving soil structure.		Slows water run-off by establishing hedgerows and other buffers across the slope and in riparian zones.
Air quality	No direct effect.	Increases potential for interception of airborne pollutants.		Reduces potential pollutants due to reduced use of inputs.
Carbon sequestration	Improves carbon capture potential of restored habitats, especially peatland habitats.	Improves carbon capture potential.		Variable effects depending on the habitat type.
Resilient ecosystems and species recovery	Improves the resilience of functioning ecosystems by improving quality, scale and connectivity.			

Outcomes	Action 7: Semi-natural habitat management	Action 8: Farm woodland and hedgerows	Action 9: Woodland creation	Action 10: Improved land
Productivity	May be variable impacts as some habitat areas may need increased grazing levels, and others will require lower levels. However the majority of open habitats still rely on grazing livestock to manage them.	Improves business resilience through shelter, biosecurity or diversified income.	Improves business resilience through shelter, biosecurity or diversified income.	May lead to some trade-offs with production depending on habitats created.
Prosperity	No direct effect.	Provides a new income stream from timber investment. Provides benefits of a more carbon neutral society for all.		
Public health	Increases well-being from exposure to habitats and species.	Increases potential interception of airborne pollutants.		
Welsh language, culture, access, landscape and heritage	Enhances habitats and mixed landscapes for all to enjoy.			

#### **Category 4: Land management**

B.27 Land can be managed in a variety of ways for different purposes. The actions in this section include management for purposes outside of the production of food and the main environmental benefits. SLM includes using resources 'to meet changing human needs', including well-being aspects such as public health, education, prosperity, Welsh language and culture, landscape, and heritage.

B.28 The principal ways land can be managed specifically for these purposes is through managing flood risk, and maintaining and enhancing heritage and access features.

B.29 As explored in the other sections, management of the farm's other resources have direct and indirect impacts on these outcomes. This section will explore those actions not covered elsewhere.

#### **Opportunity**

B.30 The outcomes delivered by these actions are, in most cases, spatially explicit. Some areas are inherently more important for delivering flood mitigation or providing public access to the countryside. In regards to heritage, management can only take place in those specific sites of historic importance. The opportunities for actions to improve heritage, access and flood risk mitigation are well distributed across Wales.

#### **Illustrative actions**

11	Public Rights of Way	Enhancing Public Rights of Way by re-aligning paths, or upgrading footpaths to multi-use paths.
12	Heritage	Considering heritage during ongoing farming practices, and taking proactive steps to protect and preserve specific sites.
13	Flood management	Developing the farm landscape and vegetation to retain water, including managing wetlands and woodlands.

## Outcomes delivery

Outcomes	Action 11: Public Rights of Way	Action 12: Heritage	Action 13: Flood management
Water quality	No direct effect.	No direct effect.	Improves deposition of sediments on floodplains, preventing their build up in watercourses.
Flood risk mitigation	No direct effect.	No direct effect.	Reduces the risk of flooding.
Carbon sequestration	No direct effect.	No direct effect.	Increases carbon capture potential from restored peatlands and managed woodlands.
Resilient ecosystems and species recovery	No direct effect.	No direct effect.	Improves the resilience of ecosystems by improving condition, scale and connectivity of habitats.
Prosperity	Contributes to Wales' tourism offer.		Reduces the financial risks of flooding to society.
Public health	Improves provision for exercise and recreation, increasing physical and mental health.	No direct effect.	Reduces the physical risk to people and property from flooding.
Welsh language, culture, access, landscape and heritage	Improves access and interaction with Welsh rural culture, landscapes and heritage.		Reduces risk of damage to communities.



## Category 5: Animals and livestock

B.31 The way animals are bred, reared and cared for throughout their life, as well as the health and welfare policies introduced to manage disease risks, can have major implications for the environment and society. Disease outbreaks and the measures to control them can carry wide and costly consequences for public health, the economy and the environment. In particular, the inappropriate use of antibiotics in farm animals contributes significantly to increases in antimicrobial resistance around the world.<sup>22</sup>

B.32 For the farm business, effective animal and livestock management leads to greater efficiency of production, more output and reduced wastage and costs. It also helps to secure a more sustainable future for the business through better consumer confidence, while protecting and promoting public and environmental health.

B.33 The way to bring about improved health and production is through action-focussed Animal Health Planning (AHP) and associated actions. These actions may vary significantly from farm to farm, and the input of advisers, vets in particular, will be essential. Any farm with livestock will benefit from an AHP, even if that plan confirms good practice is already in place. Effective biosecurity and disease eradication measures minimise disease risks to both farms and the public.

### Opportunity

B.34 The livestock sector – sheep, beef and dairy specifically – is the largest agricultural sector in Wales. There is therefore extensive opportunity across Wales.

## Illustrative actions

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14	Animal Health Planning	Animal Health Planning (AHP) involves assessing the current condition of livestock and, with the aid of the farm's veterinary practice, developing an action plan. This ensures enhanced health outcomes and the appropriate use of a wide range of preventative treatments, such as targeted use of antimicrobials.
15	Biosecurity	Taking steps to ensure diseases do not come onto the farm and do not spread from it. Targeted programmes for the eradication of diseases, for example Bovine Viral Diarrhoea (BVD).

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<sup>22</sup> Angulo, F., Baker, N., Olsen, S., Anderson, A., Barrett, T. (2004), Antimicrobial use in agriculture: controlling the transfer of antimicrobial resistance to humans; <https://mbio.asm.org/content/mbio/7/2/e02227-15.full.pdf>  
Thanner, S., Drissner, D., Walsh, F. (2016), Antimicrobial Resistance in Agriculture; <https://mbio.asm.org/content/mbio/7/2/e02227-15.full.pdf>  
Teuber, M.(2001), Veterinary use and antibiotic resistance: <https://www.sciencedirect.com/science/article/pii/S1369527400002411>

## Outcomes delivery

Outcomes	Action 14: Animal Health Planning	Action 15: Biosecurity
Decarbonisation	Reduces greenhouse gas emissions from animals by identifying and using different feed types and supplements. Improves productivity by producing the same output with fewer animals, meaning less greenhouse gas emissions.	
Resilient ecosystems and species recovery	Reduces use of parasiticide which can affect non-target micro-organisms.	Reduces risk of disease spreading and creates new habitats by creating wide field boundaries and hedgerows.
Productivity	Improved AHP identifies the main limitations to production and targets action to address them.	Increases the productive potential of farms through maintaining health and production and minimising the losses caused by disease.
Animal health and welfare standards	Ensures animals are healthy and have a high quality of life.	Reduces risks of infections being spread into and from the farm, including the protection of the human food chain.
Managed social and biological risk	Promotes consumer confidence in Welsh products.	Reduces the risk of spread of both known and unknown biological risks. This includes disease spread to and from farmed animals and free living wildlife.
Public health	Reduces antibiotic use and disease spread through improved AHP. Reduces the risk of development of antimicrobial resistance.	Controls the risks of spread of diseases that can affect people.  Reduces the risk of diseases being passed through the human food chain and directly to humans.

## Category 6: Business support

B.35 The economic performance of farms relies on a variety of factors, not least the size of the farm and condition of the market. But there are also significant differences between farms of similar size, type or geographical/topological conditions. There is therefore scope to learn from and apply best practice more widely to maximise sustainable production. The report by the Agriculture and Horticulture Development Board (AHDB) into the characteristics of high performing beef and dairy farms identified several top traits, including a focus on skills and development, minimisation of costs, and knowledge of the market.<sup>23</sup>

B.36 Farming is an inherently risky and volatile business, affected by factors beyond the immediate control of the business, including the weather, disease outbreaks and the volatility of the global food market. Measures to mitigate these risks are important, including business diversification, producer co-operation and use of market risk management tools like futures markets, currency hedging and insurance.

B.37 Farming is also driven by innovation. New technology, new land management approaches, best genetics and the use of data all provide opportunities both for enhancing productivity and reducing environmental impacts. Investment in innovative opportunities and effective knowledge transfer are key to unlocking the future potential of agriculture.

## Opportunity

B.38 The productivity of agriculture in the UK as a whole is lower than that in many neighbouring countries. In the period 2006-16, the UK had the 5th smallest annual average change (at 0.2%) out of the EU 28 in total factor productivity in agriculture. This compares to figures of 0.5% for Ireland and France and 0.8% for Sweden.<sup>24</sup> The AHDB report shows a variation of £39,000 in average farm business income between high and low performing similar types of farm.<sup>25</sup> There is significant scope to increase productivity across Welsh farming and bring the performance of the majority to the level of the best.

<sup>23</sup> AHDB/HCC (2018), The characteristics of high performing beef and sheep farms in Great Britain [https://projectblue.blob.core.windows.net/media/Default/Imported%20Publication%20Docs/high%20performing%20beef%20and%20sheep%20farms\\_Revised.pdf](https://projectblue.blob.core.windows.net/media/Default/Imported%20Publication%20Docs/high%20performing%20beef%20and%20sheep%20farms_Revised.pdf)

<sup>24</sup> Welsh Government (2019), Agriculture in Wales <https://gov.wales/agriculture-wales>

<sup>25</sup> AHDB/HCC (2018), The characteristics of high performing beef and sheep farms in Great Britain [https://projectblue.blob.core.windows.net/media/Default/Imported%20Publication%20Docs/high%20performing%20beef%20and%20sheep%20farms\\_Revised.pdf](https://projectblue.blob.core.windows.net/media/Default/Imported%20Publication%20Docs/high%20performing%20beef%20and%20sheep%20farms_Revised.pdf)

## Illustrative actions

16	Skills development	Investing in training, qualifications and Continuous Professional Development to increase capability to add value, minimise risk and improve the overall performance and safety of the business operation.
17	Innovation	Investment in innovation, data, technology and knowledge transfer to allow best new approaches to be deployed rapidly.
18	Risk management measures	Measures which demonstrably reduce business risks and ability to manage market volatility. Supporting collaboration, diversification and development of market based, industry led risk management tools

## Outcomes delivery

Outcomes	Action 16: Skills development	Action 17: Innovation	Action 18: Risk management measures
All environmental outcomes	Increases skills to undertake and monitor environmental outcomes.	Reduces environmental impacts by using new technologies and approaches.	Limited direct effect.
Productivity	Reduces costs by implementing innovative practices or using business skills.	Increases productivity by adopting data use, innovation and new technology.	Increases the potential for co-operatives to share and lower costs.
Ability to respond to market conditions	Improves ability to take effective business decisions.	Allows greater alignment to market conditions.	Insulates businesses against market volatility, allowing them to make longer term decisions.
Long-term business planning	Improves long-term and succession planning.	Encourages long-term business improvements.	
Innovation	Encourages more productive practices through training in new techniques and involvement in knowledge transfer events.	Encourages greater adoption of technology and greater use of data (both own performance and market trends).	Increased opportunities through diversification and collaboration.
Managed financial risk	Reduces financial risk and lowers costs.	Improves business future proofing.	Allows greater opportunities to absorb market volatility and shocks.

Outcomes	Action 16: Skills development	Action 17: Innovation	Action 18: Risk management measures
Prosperity	Ensures a more profitable, productive sector, with highly capable farmers in local communities stimulating more economic activity in rural areas.		
Public health	Improves the resilience and security of farm businesses leading to physical and mental health benefits within farming businesses.		
Welsh language, culture, access, landscape and heritage	Improves community cohesion by increasing the resilience of farm business, including the benefits for the Welsh language.		

## Background and evidence

### Action 1: Effective nutrient management planning

B.39 Effective nutrient management aims to identify the types of nutrients needed by the crop, the quantity of those nutrients needed, the location where they are needed and the right time to apply them. This is in order to reduce losses to the environment while ensuring plant growth is maximised. Applying greater amounts of fertiliser will increase the risk of leaching,<sup>26</sup> but this can be managed. There are four key stages to nutrient planning.<sup>27</sup>

B.40 **First**, quantifying crop nutrient requirement. Using fertiliser recommendation systems such as AHDB's Nutrient Management Guide (RB209) provides comprehensive information on the nutrients different crops need for optimum production, and when they need them in the growing cycle. This guide is the industry standard and is periodically updated with the latest evidence.

B.41 **Second**, quantifying current soil nutrient supply. In most situations, the supply of nitrogen (N) in soil can be assessed using information relating to soil type, soil organic matter, winter rainfall, previous N application and N released from crop residues.

B.42 More precise analysis can be carried out through various methods of soil testing. Such testing will directly measure nitrogen, phosphorous and potassium (NPK) levels as well as pH, Calcium levels and other micro-nutrients. pH is especially important as it affects the ability of plants to take up nutrients. It is also an effective indicator of micro-nutrient levels.

B.43 **Third**, quantifying the nutrient content of organic fertiliser (applicable to organic fertiliser use only). Nutrient content of organic fertiliser must be understood to make best use of it. The nutrient content of slurry or digestate is dependent on a number of factors. In the case of manure, the livestock type and their diet and feeding regime will be important.

B.44 The figures and evidence for the nutrient content of manures and digestate is contained in RB209. But laboratory analysis can provide more accurate assessments. This is important as nutrients in organic fertiliser are of two types:

- Readily available soluble forms immediately available to the crop but also at most risk of loss to the environment through water run-off or volatilisation.
- Organic forms which only become available over time following the mineralisation of organic matter in the soil.

B.45 Application of the fertiliser will need to take this into account. For example, some solid organic fertilisers such as digestate contain more phosphates than is used by a crop in a single year. Therefore they should be used in combination with manure or other fertiliser to balance the NPK in the soil.

B.46 **Fourth**, accounting for organic nutrient supply when planning application of artificial fertiliser. It is important to account for the nutrients supplied to the soil through previous applications of fertiliser. The techniques used for application, the timing and other factors will determine what percentage of nutrients applied were absorbed into the soil. These levels can be calculated using a variety of tools, such as the MANNER-NPK decision support tool, or RB209.

<sup>26</sup> Williams J.R., Newell Price, J.P., Williams, A.P., Gunn, I.D.M. & Williams A.G. (2019), Review 1: Soil nutrient management for improved land. In Environment and Rural Affairs Monitoring & Modelling Programme (ERAMMP): Farm Sustainability Scheme Evidence Review. Report to Welsh Government

<sup>27</sup> As identified in: Williams J.R., et al. (2019), Review 1: Soil nutrient management for improved land

B.47 The steps outlined above will provide the farmer with the knowledge and information necessary to plan what fertilisers to use, where they are needed, and when to apply them. This will reduce wastage, saving money, and maximise crop yields while minimising losses to the environment.

B.48 To accomplish these outcomes fully, various techniques can be used to minimise losses to the environment.

### **Action 2: Targeted application of fertiliser**

B.49 Precision application is a highly effective method of reducing losses to the environment and the resulting pollution.

B.50 Using injection spreaders, trailing shoe or band-spreaders is effective for several reasons:

- Application of slurry is more direct across the field than high trajectory spreading, which is affected by wind.
- Risk of ammonia and nitrous oxide emissions is minimised, as exposure time of the slurry to the atmosphere is minimised.
- Contamination of the crop with slurry is avoided, as the slurry is applied below the crop canopy. For grassland this reduces the period needed between spreading and grazing or a silage harvest. For arable crops this can also extend the window for slurry application, as crop height would prevent conventional surface broadcast.
- Added flexibility for farmers through using these techniques also allows slurry to be spread at times when the crop is actively growing. This results in quicker uptake of nutrient and reduction of pollution risk.

### **Action 3: Effective storage of manure and slurry**

B.51 Collection and storage of slurry is important as it provides increased flexibility in application timing. However, some storage techniques have been ineffective in minimising atmospheric pollution.

B.52 Slurry has traditionally been stored using methods such as lagoons or uncovered tanks, which can result in high levels of ammonia pollution, due to a large exposed surface area interacting with the air. Ammonia (NH<sub>3</sub>) pollution is the loss of N which lowers the slurry's value as fertiliser. When lost to air, ammonia can convert into particulate matter which directly impacts human health, sometimes many miles from the point of origin.

B.53 Capping slurry stores or using floating covers for lagoons has a direct and immediate impact:

- Ammonia pollution is reduced as the N in the slurry can no longer react with the atmosphere.
- Rainwater entering the tank is prevented, reducing storage issues and the risk of having to spread in unfavourable conditions. The likelihood of wetter winters (in line with climate change models) increases the risk of this problem in the coming decades.
- Separation of dirty and clean water reduces storage requirements and reduces the risk of overflow pollution.

#### **Action 4: Sward management and cover cropping**

B.54 Soil carbon is primarily affected by organic matter inputs into the soil from vegetation, and outputs from soil microbial respiration, fire, or leaching.<sup>28</sup>

B.55 Having a more diverse sward can lead to increases in soil organic carbon.<sup>29</sup> Legumes or deep rooting species within a sward contribute especially to this increase.<sup>30</sup> Legumes increase soil organic carbon through N fixation and the resulting increase in plant growth.

B.56 Use of legumes has the greatest effects on intensified grassland or arable land. Using different mixes of grasses has the greatest positive effect on previously degraded or low-productivity pastures, both in soil carbon and increased productivity.<sup>31</sup>

B.57 Use of legumes or a mixed sward has significant additional outcomes. Two such outcomes are improvements in water and air quality. Permanent vegetation cover takes up N from the soil, and provides a source for the accumulation of soil organic matter, providing a long-term sink for N, preventing leaching into watercourses. Diverse swards with N fixing species reduces the need for artificial N inputs, reducing the risk of nitrous oxide emissions. Reductions in N fertiliser use on grassland from the introduction of legumes have the potential to reduce N<sub>2</sub>O emissions by 50%.<sup>32</sup>

B.58 Cover crops have similar outcomes for many of the same reasons. They are also important in covering otherwise bare soil, preventing degradation of the soil's physical structure. Moreover, the appropriate species can provide habitat for birds and small land animals.

#### **Action 5: Reduction of artificial fertiliser**

B.59 There is evidence to suggest that moderate increase in the N content of soils has a positive effect on soil organic carbon.<sup>33</sup> This is because faster and greater plant growth inputs more carbon into the soil. However, some studies found few or only mixed effects.<sup>34</sup>

B.60 Excessive fertilisation causes a severe reduction in organic carbon from soil. This is due to an increase in soil microbial respiration, which produces carbon dioxide. Excessive fertilisation also causes emissions of nitrous oxide, another greenhouse gas.<sup>35</sup>

B.61 Organic fertiliser should be used in favour of artificial, as long as it is properly stored and applied. Organic fertiliser, applied in moderate amounts, has the same or greater positive effect on soil carbon, but its production produces fewer greenhouse gas emissions. The emissions produced by the production of artificial fertiliser far outweigh the potential sequestration benefits.<sup>36</sup>

B.62 Manure treatments have been seen to be particularly effective in increasing soil carbon, though the exact process by which this occurs is still debated.<sup>37</sup>

<sup>28</sup> Smith, (2008); in Alison, J., et al. (2019), Review 3: Soil Carbon Management

<sup>29</sup> Fornara and Tilman (2008); Mortenson et al., 2004). Chenu et al., (2019); Carter and Gregorich, (2010); Steinbeiss et al., (2008), in Alison, J., et al. (2019), Review 3: Soil Carbon Management

<sup>30</sup> Dignac et al., (2017); Garcia-Pausas et al., (2008), in Newell Price, J.P., Siriwardena, G.M., Williams, A.P., Alison, J. & Williams, J.R. (2019), Review 2: Sward management. In Environment and Rural Affairs Monitoring & Modelling Programme (ERAMMP): Farm Sustainability Scheme Evidence Review. Report to Welsh Government

<sup>31</sup> Weisser et al., (2017), in Newell Price, J.P., et al. (2019), Review 2: Sward management

<sup>32</sup> All detail in this paragraph from Newell Price, J.P., et al. (2019), Review 2: Sward management

<sup>33</sup> Buckingham et al., (2013); Poeplau et al., (2018); in Alison, J., et al., (2019), Review 3: Soil Carbon Management

<sup>34</sup> Hopkins et al., (2009); Lu et al., (2011); in Alison, J., et al., (2019), Review 3: Soil Carbon Management

<sup>35</sup> Goulding et al., (2000); Freibauer et al., (2004); in Alison, J., et al., (2019), Review 3: Soil Carbon Management

<sup>36</sup> Erisman et al., (2008); Poeplau et al., (2018); in Alison, J., et al., (2019), Review 3: Soil Carbon Management

<sup>37</sup> Jones et al., (2006); in Alison, J., et al., (2019), Review 3: Soil Carbon Management



## Action 6: Peatland soil management

B.63 Peatland soils are different in physical, chemical and biological structure to the mineral soils that support the majority of silage or crop production. Its unique composition requires different management practices. One major difference is how peatland can sequester far greater amounts of carbon than mineral soil.<sup>38</sup> It is estimated they contain between a third to a half of soil carbon globally.<sup>39</sup>

B.64 There are two main methods to restore peatland, in order to maximise its carbon sequestration potential and habitat value:

- drainage blocking to raise the water table; and
- re-establishing vegetation such as Sphagnum moss on bare peat. Erosion of bare peat can result in losses of carbon to the atmosphere.<sup>40</sup>

## Action 7: Semi-natural habitat management

B.65 There are a wide range of semi-natural habitats in Wales which fall into this category, as defined in the UK National Ecosystem Assessment. This section will examine a few indicative actions which are the most generally applicable. There is a further, very wide range of interventions which will be specific for each exact kind of habitat. All habitat actions should also be viewed as complimentary and can be put together in different combinations.

### Livestock management

B.66 Evidence gathered by Natural Resources Wales (NRW) on the condition of habitats points towards livestock and grazing pressure as the key determinant of condition.<sup>41</sup> This is no surprise as the existence of these habitats is largely a consequence of their management as pasture for

livestock. As such, the characteristics of these habitats rely upon ongoing grazing and/or mowing. In some cases, overgrazing has been responsible for loss of condition and extent of habitat. In others, under-grazing has caused decline. Therefore no broad assertions regarding stocking levels across Wales can be accurately made. The appropriate level is very dependent on the individual habitat and environment.

B.67 There is clearly potential for trade-offs between habitat condition and livestock numbers, and therefore production. However, there are ways to manage this balance sensibly, in order to maintain both habitat condition and production levels. This involves actions associated with increasing the productivity of livestock (so fewer livestock produce greater output) and actions to directly improve habitat.

### Grazing on upland moorland and blanket bog

B.68 These habitats provides a good example of how stocking rates interact with habitat management. Natural England reviewed a wide range of evidence on the conservation impact of grazing and stocking rates.<sup>42</sup> Many sites in unfavourable condition have experienced varying levels of under-grazing (leading to dominance by molinia (purple moor grass) tussocks, bracken or scrub) or overgrazing (leading to loss of dwarf shrub such as heather, or peat erosion).

B.69 The report concluded that, while overall reduction of stocking rates to an average of 0.05/ha/yr led to improvement of condition, the issue was quite complex. The causality was not in many cases due to the yearly average stocking level, but to the timing and place of grazing. The report suggested a

<sup>38</sup> Whitmore et al., (2015); in Alison, J., et al., (2019), Review 3: Soil Carbon Management

<sup>39</sup> Holden, (2005); in Alison, J., et al., (2019), Review 3: Soil Carbon Management

<sup>40</sup> Worrall et al., (2011a); in Alison, J., et al., (2019), Review 3: Soil Carbon Management

<sup>41</sup> Keenleyside, C.B., Beaufoy, G., Alison, J., Gunn, I.D.M., Healey, J., Jenkins, T., Pagella, T. & Siriwardena, G.M. (2019), Review 4: Building ecosystem resilience and focal species resilience. In Environment and Rural Affairs Monitoring & Modelling Programme (ERAMMP): Farm Sustainability Scheme Evidence Review. Report to Welsh Government

<sup>42</sup> Martin et al, (2013) in Keenleyside, C.B., et al. (2019). Review 4: Building ecosystem resilience and focal species resilience

reduction in overall numbers would not necessarily yield habitat improvement. What was important was the type of livestock and their grazing patterns.<sup>43</sup>

B.70 Influencing and changing grazing patterns must be done with sensitivity to local conditions and the local farm. A good understanding of what grazing patterns are appropriate to achieve favourable condition is important. It is important to support the farmer in making these decisions, and not impose a blanket stocking level. Indeed, many sites are in good condition where sympathetic grazing patterns have been maintained.

### **Grazing on lowland semi-natural grasslands**

B.71 Many lowland grasslands are at risk from under-grazing or abandonment. Under-grazing leads to an increase in invasive non-native species and scrub, which are unfavourable for many of the lowland habitats.<sup>44</sup>

B.72 Conversely, intensification in some areas has led to similar negative outcomes. Improvement to production through artificial fertilisers, herbicides and a shift from hay to silage has led to the growth of species-poor grasslands dominated by rye-grass and white clover.<sup>45</sup>

B.73 Maintenance of the infrastructure associated with grazing management is required, as well as actions such as mowing and harvesting for hay meadows, or blocking of drains and grips for wet grasslands.

### **Invasive species management on semi-natural habitat**

B.74 Many areas of existing semi-natural habitats in Wales, particularly but not always in the uplands, suffer from dominant coverage of bracken or molinia.

B.75 This means that grazing quality is poor, there is limited value to biodiversity and it can be difficult to access and manage livestock in these areas. In most circumstances, improvement in condition means a more open habitat, with a greater variety of native plants allowed to spread. Actions to achieve this may include:

- mechanical cutting or flailing;
- targeted herbicide use by spraying or weedwiping (but sometimes ground conditions or proximity to other areas rule this out);
- after mechanical treatment, improving the condition of the habitat will depend on the right grazing levels; and
- grazing with cattle, which are better at controlling the vigorous regrowth of the dominant vegetation.

### **Reduced fertiliser application on semi-natural habitat**

B.76 Most plant species common to semi-natural grasslands evolved in a nutrient poor environment and are out-competed by very few species which can take advantage of increased nutrient levels.<sup>46</sup> Even low levels of fertiliser can have a detrimental effect on the ecosystem. For example, in UK grasslands high sward biodiversity only occurs in grasslands receiving less than 15kg/ha.<sup>47</sup> In some cases however, such as in the Elan Valley, research

<sup>43</sup> Keenleyside, C.B., et al., (2019), Review 4: Building ecosystem resilience and focal species resilience

<sup>44</sup> Blackstock et al. (1999); Beaufoy and Jones, (2011); in C. Keenleyside et al, 'Building Ecosystem Resilience

<sup>45</sup> Jefferson et al., (2014); Crofts and Jefferson, (1999); Bullock et al., (2011); Wheeler et al., (2009); in Keenleyside, C.B., et al., (2019), Review 4: Building ecosystem resilience and focal species resilience

<sup>46</sup> Cop et al., (2009); in Keenleyside, C.B., et al., (2019), Review 4: Building ecosystem resilience and focal species resilience

<sup>47</sup> McCracken and Tallowin, (2004); in Keenleyside, C.B., et al. (2019), Review 4: Building ecosystem resilience and focal species resilience

has shown light intermittent applications of fertiliser are important for maintaining the desired species, while also supporting acceptable hay harvests.<sup>48</sup>

### Action 8: Farm woodland and hedgerows

B.77 About a quarter of all Wales' woodland is on farmland. The overall ecological status of designated woodland habitats is unfavourable and generally declining, though there have been examples of local recovery due to targeted management.<sup>49</sup>

B.78 Woodland can be utilised for more than habitat or providing timber. Agroforestry systems integrate trees within fields and agricultural land. This practice already takes place in Wales, though is rarely recognised as agroforestry. Expansion of

agroforestry through targeted planting can positively impact soil health and provide shelter for animals for example.<sup>50</sup>

B.79 NRW identified several main pressures affecting condition of native woodland.<sup>51</sup>

- fragmentation (many woodlands are smaller than 2ha);
- browsing and grazing pressures from domestic and wild animals, especially deer; and
- invasive and non-native species (INNS) such as the grey squirrel.

B.80 Management actions for existing woodland with high conservation value broadly fall into four categories.<sup>52</sup> These can be carried out in combination depending on the nature of the woodland, the priority environmental outcomes for a particular woodland, and the farmer's goals.

Minimal intervention	Allowing continued ecological succession and disturbances
Traditional management	Used to create forest structures which favour biodiversity, related to past cultural landscapes
Non-traditional management	Used to create favourable condition for one or few tree species which may not have been abundant in the past
Species management	Used to encourage growth of threatened or priority species

<sup>48</sup> Hayes and Lowther,(2014); in Keenleyside, C.B., et al. (2019), Review 4: Building ecosystem resilience and focal species resilience

<sup>49</sup> Natural Resources Wales (2016), State of Natural Resources Report <https://naturalresources.wales/evidence-and-data/research-and-reports/the-state-of-natural-resources-report-assessment-of-the-sustainable-management-of-natural-resources/?lang=en>

<sup>50</sup> Pagella, T., Keenleyside, C.B., et al., (2019), Review 4: Building ecosystem resilience and focal species resilience

<sup>51</sup> Natural Resources Wales (2016) State of Natural Resources Report <https://naturalresources.wales/evidence-and-data/research-and-reports/the-state-of-natural-resources-report-assessment-of-the-sustainable-management-of-natural-resources/?lang=en>

<sup>52</sup> Based on a review of the literature on temperate forests with high values for biological conservation, Gotmark, et al. (2013) suggests these four habitat management alternatives

B.81 In the case of hedgerows, some broad parameters for action can be set. In previous agri-environment schemes, hedgerow prescriptions have included specific height and width measurements. The action we are looking for is to manage a thick hedge that can provide shelter to wildlife, and importantly is able to produce blossom and fruit at the right times of the year to benefit wildlife.

### **Action 9: Woodland creation**

B.82 Wales is among the least wooded countries in Europe (14.8% of land area compared to the EU average of 38%).<sup>53</sup> There is significant capacity in Wales for new woodland planting to target a variety of outcomes. Woodland, especially on farm is first and foremost a habitat. Commercial woodland tends to be of less value as habitat due to the nature of the species used.

B.83 New woodland planting can be implemented in a way to deliver outcomes in terms of ecosystem resilience, by connecting previously existing woodlands, for example. Depending on the species used and the location, new woodland can also deliver significant outcomes in terms of carbon sequestration, air quality, public health and increasing the recreation value of the area.

B.84 Trees are particularly effective at removing pollutants from the air due to their effects on air flows and their large surface area. Extensive studies have demonstrated the impact of trees on removal of pollutants and especially particulate matter.<sup>54</sup> Some have also explored the suitability of certain species, suggesting coniferous or broadleaves with hairy leaves are the most effective. The impact of trees is increased when sited at the source of emissions, such as around a slurry store or within a livestock field.<sup>55</sup>

B.85 Planting new woodland can also offer economic benefits to the farm business. Whether this is harvesting firewood, or selling wood as timber, there are wide ranging opportunities to diversify the business. Forestry products are in high demand in the UK, with most products being imported.

### **Action 10: Improved land**

B.86 All farmland, not just semi-natural habitats, provide a habitat to a greater or lesser number of species and contribute to wider ecosystem services. But in many cases the more intensified these systems become, the less value as habitat they provide.

B.87 Management of improved and arable land to create new habitat is an option available to all, but is a sensitive issue.

B.88 Setting the level of management to get the most out of the land productively, while maintaining or restoring habitats, is a difficult challenge. We propose to undertake more research in this area before coming to more definite conclusions.

B.89 There are some examples of actions which require minimal changes in farming practice. Leaving unsprayed, uncultivated or un-mown strips and margins around productive fields can have significant benefits to wildlife. Small farmland birds, insects and mammals such as hares will utilise these strips, especially when located adjacent to hedgerows or woodland edges. Buffer strips adjacent to woodland can provide habitat for riparian species.

<sup>53</sup> Welsh Government (2016), based on estimates from the Welsh Agricultural Survey 2015

<sup>54</sup> Becket et al., (2001); in Jones, L., Bealey, B., Braban, C., Martineau, H., Williams, A. & Dragosits, U., (2019), Review 8: Improving air quality and well being. In Environment and Rural Affairs Monitoring & Modelling Programme (ERAMMP): Farm Sustainability Scheme Evidence Review. Report to Welsh Government

<sup>55</sup> Jones, L. et al., (2019), Review 8: Improving Air Quality and well being. ERAMMP Report to Welsh Government

B.90 Examples of long-term change could include actions such as reverting productive grasslands to more botanically diverse habitat by reducing nutrient levels in soils. This would still depend on management by grazing livestock. Larger scale woodland planting or creation of new wetlands such as reedbeds could also yield significant environmental outcomes, but will likely result in a reduction of grazing availability. These changes can take longer to implement and need to be carefully planned.

### **Action 11: Public Rights of Way**

B.91 Walking, as an activity, generates £562m of additional demand in the Welsh economy. Over two thirds of Public Rights of Way are on agricultural land. The Wales Outdoor Recreation Survey suggests that the proportion of Welsh residents undertaking outdoor recreation frequently is around 27%. 61% of the population undertake some form of activity infrequently and it is this group which also reports that they would wish to participate more often. Currently, only 21% of the Public Rights of Way network is accessible to cyclists and horse riders and does not reflect the needs of users.<sup>56</sup>

B.92 Enhancing existing Public Rights of Way is one non-mandatory option for providing opportunities for greater levels of outdoor recreation. In doing so, farms can contribute further to Wales' health and prosperity, while also providing greater access to the culture and heritage of rural areas.

B.93 Actions beyond the maintenance required by regulation involve establishing networks appropriate for modern day use. This does not necessarily mean creating new permissive access.

B.94 This may involve the re-alignment of existing Public Rights of Way, which can also benefit the farmers themselves, avoiding problems with routes that currently pass through inappropriate areas of the farm. In realignment, the farmer could work in partnership and in liaison with Local Access Forum and Local Authority to establish value networks that draw on local heritage.

B.95 Further actions could involve a move towards establishing more multi-user paths, and making sure these paths connect with each other.

B.96 Risk and safety issues for livestock, farmers and users would have to be taken into account when considering any optional access enhancement.

### **Action 12: Heritage**

B.97 The role of heritage and its place in rural Wales is extremely broad. This role can be described as a combination of providing a historical perspective, expressed through landscape, artefacts, oral and recorded history. This history is constantly being interpreted and reviewed.

B.98 The history and heritage contained in the Welsh countryside is relevant both for those who live within it and those who visit Wales. Heritage thus underpins much of the important tourism economy in Wales.

B.99 The main ways farmers and other land managers can preserve this heritage is through consideration of how farming practice impacts or enhances the historic value of the landscape (indirect management) and taking specific steps to preserve specific historic sites (direct management).

B.100 Indirect management involves managing farm land in a way to preserve the cultural value derived from individual features or their surrounding

<sup>56</sup> Natural Resources Wales (2015), Wales Outdoor Recreation Survey  
<https://naturalresources.wales/evidence-and-data/research-and-reports/national-survey-for-wales/?lang=en>

landscape. This could involve ensuring the siting of new tree planting or new buildings is sympathetic to heritage features within the landscape.

B.101 Protection of many Scheduled Ancient Monuments is covered by regulation, but many other features are not scheduled. Direct management could involve damage prevention actions such as removing damaging scrub or trees from a historic site, or proactive enhancement actions such as masonry repairs on historic features, or re-profiling erosion scars on ground level features. Direct management of sites could be facilitated through heritage bodies such as Cadw.

### **Action 13: Flood management**

B.102 The evidence surrounding the links between flood mitigation actions and the extent of effect is still in the early stages of development.<sup>57</sup> However, it is possible to identify several action areas where there is substantial evidence of positive effects. The actions fall into the following categories:

B.103 **First**, floodplain management. One possible method is improved management of floodplain wetlands. This is a habitat with significant biodiversity value as well. Floodplain wetlands are a natural resource for short and long-term water storage. There is evidence to suggest that restoration of wetland and ensuring connectivity to rivers reduces and delays flood peaks.

B.104 Another method is to construct 'offline storage areas'. These are areas of land surrounded by a bund or barrier which can be used to store water during times of high flow, as they increase the area of the floodplain.

B.105 **Second**, woodland management. Woodland, including plantations, areas of farm woodland and riparian zones can be very effective in mitigating flood risk. The processes are well understood and summarised below:

- **Interception.** The canopies of catchment woodland can typically intercept and evaporate water at a rate of 200–400 mm per year, resulting in drier soils and less run-off contributing to flood flows. This rate is significantly higher than grass.
- **Infiltration.** Soil porosity has been found to be 15–55% greater under forest, resulting in higher soil infiltration rates and higher saturated hydraulic conductivities.
- **Sediment.** Well-managed woodland is generally associated with low sediment losses, reducing downstream siltation and the need for dredging.<sup>58</sup>

B.106 **Third**, run-off management. Run-off management involves restoring natural processes which intercept overland flows of water. This can be accomplished by direct interception and obstruction, which slows the rate of water flow to rivers, or by restoring soil properties, enabling water to infiltrate into the soil.

B.107 An effective method is increasing vegetation cover. Thicker cover protects the soil by providing a physical barrier between hooves and the soil. Differing levels of root depth from certain sward types has significant impacts on run-off.

<sup>57</sup> All evidence in this section is from: Keenleyside, C. and Old, G.H., (2019), Review 9: Flood mitigation. In Environment and Rural Affairs Monitoring & Modelling Programme (ERAMMP): Farm Sustainability Scheme Evidence Review. Report to Welsh Government

<sup>58</sup> Collins and Walling, (2007) <https://www.sciencedirect.com/science/article/pii/S0169555X0600496X>; Vásquez-Méndez et al., (2010) <https://www.sciencedirect.com/science/article/pii/S0341816209002124>

## **Action 14: Animal Health Planning**

B.108 Thriving livestock enterprises require high health production systems, in which disease prevention is built-in at all levels to the management of the herd or flock. This involves action-focussed Animal Health Planning. It also involves livestock keepers making the right decisions on breeding, feeding, housing, grazing, movement and biosecurity. Action 14 – Animal Health Planning and Action 15 – Biosecurity are closely linked.

B.109 Our desired approach to Animal Health Planning is based on One Health principles<sup>59</sup> in which animal, human, plant and environmental health are recognised as being complementary and are managed holistically. At a farm level, this means that interventions to protect and improve animal health and welfare should promote human and environmental health.

B.110 The control of antimicrobial resistance and the safe and sustainable use of medicines in animals is an important component of One Health, a Welsh Government priority. One of the most important ways of reducing the threat of antimicrobial resistance is to keep animals in a healthy state so they do not require the antibiotic treatment that can drive resistance in bacteria. This preventive approach is delivered by Animal Health Planning and by good biosecurity.

B.111 It is important to ensure the proper and safe use of a range of products to treat animals (for example, certain rodenticides, pesticides and herbicides and sheep dips for ectoparasite control). This maximises health benefits and minimises environmental risks from their use. Continued best practice and good training on use are important.

B.112 There are several key features for successful Animal Health Planning:

- partnership between the farmer and vet;
- thorough analysis of physical performance;
- periodic analysis to identify a small number of actions;
- action plan created and implemented; and
- cost-benefit analysis of actions. If not positive, the plan should be modified. This cost-benefit aspect is important, as the plan needs to address both the profitability of the business as well as other outcomes.

## **Action 15: Biosecurity**

B.113 Biosecurity is the collective term for ensuring that diseases do not come onto the farm and do not spread from it. It is a critical component of farming to ensure effective management of risks to animal health and welfare, and to ensure farm sustainability. Disease eradication programmes help reduce the economic impact of key diseases and increase overall animal health and welfare. It is also an important part of producing wholesome, safe food in which consumers have confidence.

B.114 Effective biosecurity has several components, including:

- Policies for bringing animals onto the farm: safe sourcing, risk assessment, quarantine, testing and treatment.
- Farm boundaries – ensuring that diseases cannot spread across farm boundaries.
- Vehicles, and equipment coming on and off the farm – entrance and routes and separation from animals; disinfection.
- People coming on and off the farm – their clothing and footwear.
- Effective management of wildlife, where they could pose a risk of disease transmission, such as keeping birds out of feed stores.

<sup>59</sup> One Health Commission, [https://www.onehealthcommission.org/en/why\\_one\\_health/what\\_is\\_one\\_health/](https://www.onehealthcommission.org/en/why_one_health/what_is_one_health/)

- Safe management of slurry, manure and farm waste, to ensure that they do not spread disease, and do not damage the environment.
- Eradication programmes for key diseases e.g. BVD.

### **Action 16: Skills development**

B.115 The Welsh Government has one of the most progressive knowledge transfer and skills programmes in Farming Connect, yet there is evidence to suggest UK farmers (including those in Wales) have under-invested in professional development.<sup>60</sup> In 2012, 32% of UK farmers had any formal agricultural training, compared to 72% in the Netherlands and 68% in Germany.

B.116 By developing professional skills, previous knowledge and experience can be enhanced.

The Resilience of Welsh Agriculture Report 2014 identified the following priority skills for the future of agriculture in Wales:<sup>61</sup>

- IT skills, including monitoring systems, data recording on performance and analysis;
- financial, commercial and marketing skills;
- leadership and management skills; and
- husbandry skills.

B.117 However there are others, such as on farm health & safety, which should be considered. Another skill which should be considered is long-term business planning and investment. Research has shown that better performing farms have clear long-term goals for their business, and align any investment to these goals.<sup>62</sup> They also focus on the detail and understand the market they are

in. This enables the business to make sound investments, or alter business practice to drive down costs.

B.118 The AHDB report on the characteristics of high-performing farms suggests it is most effective to concentrate on cost reduction. Among the top quartile of UK farms, lower costs contributed to between 65% and 90% of higher profits, as compared to higher output.

B.119 Improved skills and techniques will provide some of the cost savings and potentially some increases in output value, but capital investment in improved equipment or infrastructure is also important for sustained improvement. It is vital that such investment is fully informed by business planning and market need.

### **Action 17: Innovation**

B.120 According to the Organisation for Economic Co-operation and Development (OECD), innovation and research and development are the main sources of agricultural productivity growth in the long run, delivering a return on investment of between 20 and 80% per annum.<sup>63</sup>

B.121 This research also highlights the importance of a farm business having the capacity to effectively plan, monitor and compare performance and take a market led approach backed up by investment in innovation. The increased and innovative use of data is increasingly key, not only in analysing own business performance, but also to be able to compare to others and identify areas of improvement. So called 'big data' can also lead to

<sup>60</sup> AHDB Horizon (2018), Driving Productivity Growth Together – original data from Eurostat, EU Farm Structure Survey <https://ahdb.org.uk/knowledge-library/driving-productivity-growth-together-2-january-2018>

<sup>61</sup> Roberts (2014), Review into the resilience of Welsh farming commissioned by Welsh Government. <https://gov.wales/sites/default/files/publications/2018-10/independent-review-into-the-resilience-of-farming-in-wales.pdf>

<sup>62</sup> AHDB/HCC (2018), The characteristics of high performing beef and sheep farms in Great Britain [https://projectblue.blob.core.windows.net/media/Default/Imported%20Publication%20Docs/high%20performing%20beef%20and%20sheep%20farms\\_Revised.pdf](https://projectblue.blob.core.windows.net/media/Default/Imported%20Publication%20Docs/high%20performing%20beef%20and%20sheep%20farms_Revised.pdf)

<sup>63</sup> OECD (2011), Fostering Productivity and Competitiveness in Agriculture. Accessed at: [www.oecd.org/tad/fostering-productivity-and-competitiveness-in-agriculture-9789264166820-en.htm](http://www.oecd.org/tad/fostering-productivity-and-competitiveness-in-agriculture-9789264166820-en.htm)



the identification of industry wide performance and consumer trends, leading to new innovations in what is produced and how.

B.122 Independent evaluations of previous schemes have highlighted the benefits that could be gained from a joined up, multi-stage approach that provides a clear pathway of support. The Reid Review of government funded research and innovation in Wales also called for a more coherent model for promoting food, farming and forestry and boosting tourism.<sup>64</sup>

B.123 A key principle is that the support for adopting technology and data use must be fully joined up with the provision of skills development and capital support, to enable the right technology to be adopted effectively.

### **Action 18: Risk management measures**

B.124 Producer organisations and co-operatives are a way of improving the market power of small scale producers, resulting in improved marketability and better prices for their produce. By coalescing, farm businesses can aggregate their outputs and sell them at scale. This has been seen as critical in gaining access to large domestic and international supply chains.<sup>65</sup> Such an approach also supports their ability to meet market expectations of seasonality and guaranteed supply.

B.125 Working together in co-operative or producer groups can also contribute to the development of more sustainable production methods.<sup>66</sup>

Co-operation allows shared use of resources and equipment, as well as dissemination of new techniques and skills.

B.126 Another way businesses can reduce risks is through the diversification of their income. Research stresses the importance of considering farm household income as opposed to just farm income, and the important role that off farm income sources have in reducing annual variations in farm household income.<sup>67</sup>

B.127 As well as off farm employment for farm household members, diversification is boosted by alternative enterprises being set up by the farm household. 39% of Farm Business Survey (FBS) farms in Wales in 2017-18 undertook some form of diversification,<sup>68</sup> but there is little variation between farm types in the extent to which it is used to increase average farm income. This suggests there is widespread opportunity for diversification within the agricultural sector.

B.128 Taking actions to manage long-term business risk may also include succession planning. The implementation of a succession plan has been identified a key driver of innovation and expansion of the farm business, as new approaches and skills are utilised.<sup>69</sup>

B.129 Farms also have to manage in a global food market, subject to price volatility beyond their immediate control, and also are exposed to risks from changing weather. The long-term predictions of the impacts of climate change suggest an increased frequency of extreme climatic conditions and weather events.

<sup>64</sup> Reid Review (2018), A Review of Government funded research and innovation in Wales.

<https://gweddill.gov.wales/topics/science-and-technology/science/reid-review/?lang=en>

<sup>65</sup> Lewis-Reddy, E., et al., (2019), Review 5: Building resilience in farm systems and mitigating biosecurity threat. In Environment and Rural Affairs Monitoring & Modelling Programme (ERAMMP): Farm Sustainability Scheme Evidence Review. Report to Welsh Government

<sup>66</sup> Schermer et al., (2011); in Lewis-Reddy, E., et al., (2019), Review 5: Building resilience in farm systems and mitigating biosecurity threat. In Environment and Rural Affairs Monitoring & Modelling Programme (ERAMMP): Farm Sustainability Scheme Evidence Review. Report to Welsh Government

<sup>67</sup> O'Donoghue et al.,(2016), Farm Economic Sustainability in the European Union, Studies in Agricultural Economics <https://ageconsearch.umn.edu/record/252985?ln=en>

<sup>68</sup> Welsh Government (2018), Farm Business Survey

<sup>69</sup> Barnes et al., (2014); Chiswell, (2014); Potter and Lobley, (1992); in Lewis-Reddy, E., et al. (2019), Review 5: Building resilience in farm systems and mitigating biosecurity threat. In Environment and Rural Affairs Monitoring & Modelling Programme (ERAMMP): Farm Sustainability Scheme Evidence Review. Report to Welsh Government



Leaving the European Union (EU) means the UK will be leaving the Common Agricultural Policy (CAP). The Basic Payment Scheme (BPS) will therefore end.

At this stage, we consider universal income support decoupled from outcomes does not provide an effective way to support farmers, both in a new economic context and in the context of our unique legislative framework.

### Context

C.1 The current system of support for farmers is the Common Agricultural Policy (CAP). The majority of funding is allocated to the Basic Payment Scheme (BPS). The BPS provides important support, but it is universal income support decoupled from outcomes. The remainder of funding is allocated to the Rural Development Programme (RDP).

C.2 *Brexit and our Land* set out the case for reforming farm support payments after Brexit. In the consultation, we explained the current system provides important support. However, it is designed for countries within the European Union (EU).

C.3 The Welsh Government remains of this view. EU membership means our farmers and their supply chains currently benefit from access to a very large, tariff-free and frictionless market. The UK's new trading relationship with Europe remains subject to significant uncertainty, but it is clear we will face new challenges when operating outside of the economic union.

C.4 Absent of membership of a major trading bloc, the UK – and hence Wales – will be more exposed to the forces of global trade. In response, farms will need to become more resilient. Current income support is not structured to offset the financial impact from significant downside risks to the trading environment (which results from many Brexit scenarios).

C.5 Leaving the EU also means, for the first time, Wales will have powers to put in place its own farm support system. To decide how to use these powers, the starting point must be our obligations contained within the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016.

C.6 The Well-being of Future Generations (Wales) Act 2015 places upon the Welsh Government a multi-faceted duty to carry out sustainable development to improve the social, economic, environmental and cultural well-being of Wales. In addition, the Environment (Wales) Act 2016 introduces a further set of principles and duties designed to support the Sustainable Management of Natural Resources and biodiversity in Wales. The obligations contained within these Acts must form the basis for Welsh Government policy.

C.7 *Taking Wales Forward 2016 - 2021* sets out the Welsh Government's objectives in response to its obligations under the Well-being of Future Generations (Wales) Act 2015. The objectives contained within the document of direct relevance to this policy area are:

- Work with partners to secure a prosperous future for Welsh agriculture, building on our early engagement following the EU referendum;
- Make progress towards our goal of reducing our greenhouse emissions by at least 80% by 2050 and continue our work to protect and enhance biodiversity and local ecosystems; and
- Continue to invest in flood defence work and take further action to better manage water in our environment.

C.8 The BPS is coming to an end as the UK leaves the EU. In order to determine what should replace it, it is helpful to reflect on farm support in the context of each of the seven well-being goals for Wales, as defined in the Well-being of Future Generations (Wales) Act 2015.

C.9 In our response to *Brexit and our Land*, we considered the relationship between the BPS and the well-being goals. This annex expands on that consideration and offers an evidenced assessment.

C.10 Our assessment concludes the BPS is not an effective way to support farmers. This is because our evidence suggests that the BPS and its mechanisms, such as decoupled income support, are structurally inadequate to directly achieve the goals or to deliver against the well-being objectives. As such the Welsh Government considers universal income support decoupled from outcomes does not provide an effective way to support farmers, both in a new economic context and in the context of our unique legislative framework.

C.11 The RDP for Wales has sought to provide targeted support to address many of the issues noted in the assessment. Indeed, Wales is the only administration in the UK to have transferred the maximum amount of funding to the programme. However, while the RDP has delivered a number of positive outcomes, its overall success has been constrained by administrative complexity and funding.

C.12 In replacing the BPS and the RDP, the Welsh Government therefore intends to move away from a universal income support scheme based on land under management to a new system of outcome-targeted payments, as proposed in this consultation. This will be designed to be consistent with the Sustainable Land Management (SLM) framework.

## **Assessment method**

C.13 This annex presents a more detailed analysis. The key mechanisms of the BPS (as outlined in figure C.1) are assessed against each of the goals. The degree to which the scheme meets a goal has been assessed against one or more criteria that relate to the overall purpose of the goal. The scheme has also been considered (in light of the goal-level assessment) for the degree of delivery against the well-being objectives above.

C.14 The criteria have been developed in reference to the wording of the goal itself and the relevant national indicators for each goal. It is not appropriate to use the national indicators themselves as criteria, as they are not specific enough to the Welsh agricultural sector and tend to reflect a broader all-Wales position.

C.15 It is often difficult to say whether there is a causal relationship between the BPS and trends in the data considered. Any trends observed may be the result of other pressures or changes independent of the BPS. This assessment therefore concentrates on the extent to which the BPS provides a deliberate mechanism to promote positive change in a way that is consistent with achieving the well-being goals.

C.16 For each goal, we also set out how future policy could be designed to fulfil the goal. This reflects the SLM framework described in Chapter 3. By identifying and targeting specific outcomes consistent with SLM, the proposed new scheme would target funding directly towards the well-being goals. The SLM framework and the proposed scheme are subject to consultation in this document.

**Figure C.1: Key mechanisms of the BPS**

<b>BPS parameter</b>	<b>Description</b>
The Basic Payment Scheme (BPS)	<p>Payments under BPS are made for BPS, Redistributive, Greening and Young Farmer payment.</p> <p>To qualify for payments, farmers must:</p> <ul style="list-style-type: none"> <li>• have at least 5 hectares of eligible agricultural land at their disposal;</li> <li>• own or lease at least 5 BPS entitlements;</li> <li>• be undertaking agricultural activity; and</li> <li>• be an active farmer who is not operating any of a certain prescribed list of activities.</li> </ul>
BPS payment	<p>The BPS payment is directly linked to area of eligible land and value of BPS entitlements owned.</p> <p>The eligible land used to activate BPS entitlements is used to calculate the Greening payment, Young Farmer payment and Redistributive payment.</p>
National Reserve for Young Farmers and New Entrants	An annual application mechanism to allocate entitlements to young farmers or new entrants.
Redistributive payment	The Redistributive payment is an optional part of the BPS operated in Wales. It is designed to support smaller farms by providing an additional payment on the first 54ha for all farms.
Capping	Capping is applied to BPS payments and excludes Greening, Redistributive and Young Farmer payments. Capping takes place over several payment bands, calculated on rate of BPS payment.
Greening rules	Greening creates additional rules for certain types of farm. These rules prescribe certain agricultural practices to be undertaken. These practices are designed to be beneficial to the climate and environment. Failure to comply results in the Greening payment being reduced. The payment is funded from a 30% 'top slice' of the Welsh Direct Payments (Pillar 1) budget.
Active farmer test	Only active farmers undertaking agricultural activities can claim BPS. Checks are carried out to ensure the farmer produces, rears or grows agricultural products or maintains the land in a suitable state. No check is required on farmers who receive less than €5,000.
Cross Compliance	Cross Compliance is a European Commission regulatory requirement that must be followed in order to receive CAP payments. It refers to a group of laws known as Statutory Management Requirements, and standards known as 'Good Agricultural and Environmental Condition'. Failure to comply results in financial penalties being applied to any land based claims.



## Assessment of the BPS against the seven well-being goals

### A Prosperous Wales:

**An innovative, productive and low carbon society which recognises the limits of the global environment and therefore uses resources efficiently and proportionately (including acting on climate change); and which develops a skilled and well-educated population in an economy which generates wealth and provides employment opportunities, allowing people to take advantage of the wealth generated through securing decent work.**

#### Criteria:

- BPS promotes innovation and increased productivity on farms
- BPS promotes low carbon agriculture
- BPS helps farmers develop their skills
- BPS provides employment opportunities

### Summary assessment

C.17 While the BPS supports the financial position of farms, there is little evidence to suggest the payment targets support at the broader drivers of prosperity.

C.18 The European Commission and European Court of Auditors have identified shortcomings in the current structure of the CAP. This shows how the BPS is structurally unsuited to contributing to a prosperous Wales; supporting innovation or decarbonising the agricultural sector. This also demonstrates the BPS does not adequately support the prosperity and greenhouse gas emission elements of the well-being objectives set out above.

### Future policy

C.19 We believe future support should directly support the drivers of prosperity, including innovation and skills, and should directly address issues such as climate change. A scheme based on the SLM framework would provide support for these outcomes. Firstly, innovation, productivity and decarbonisation are all defined as specific outcomes. The definition of the economic outcomes in particular explicitly states the skills required. Secondly, the actions component of the framework directly addresses ways to more efficiently manage resources. Finally, a key part of the proposed Sustainable Farming Scheme is business support, which includes skills and training.

### Background

C.20 Many consultation comments about the BPS concerned its role in helping farms to survive and supporting the rural economy, reflecting how many farmers rely on income support to make a profit.

C.21 Agriculture is a relatively small but important sector of the Welsh economy.<sup>70</sup> More broadly, there is an important relationship between the output from Welsh farms and the Welsh food and drinks manufacturing sector. In addition, the contribution made by farmers to the Welsh landscape is an indirect and important way in which agriculture contributes to the Welsh economy.

<sup>70</sup> For Welsh Agricultural GVA statistics see: Welsh Government (2019), Agriculture in Wales <https://gov.wales/agriculture-wales>

### **Criterion: BPS promotes innovation and increased productivity on farms**

C.22 One of the key drivers of prosperity is innovation. This is recognised explicitly by the well-being goal. Lack of innovation has detrimental long-term effects on productivity and competitiveness. Welsh farmers could be outcompeted by those who are quicker to adapt and innovate.

C.23 The well-being indicators identify productivity changes as an important way to measure prosperity.<sup>71</sup> Total factor productivity measures the use of inputs in relation to outputs and gives an indication of how well the industry uses its resources. Increasing productivity helps a farm business to stay competitive.

C.24 Data for total factor productivity are only available at a UK-level, but show a long-term trend for a slow but steady increase in total factor productivity. Since 1973, total factor productivity has increased by over 70%, driven by a 37% increase in the volume of outputs and a 20% fall in the volume of inputs.<sup>72</sup>

C.25 *Agriculture in Wales* cites a report by the Agriculture and Horticulture Development Board (AHDB) noting the characteristics of high-performing farms. These include minimising costs, setting goals and understanding the market. However, the report notes that “ranking [farms] is difficult as their impacts vary from farm to farm according to farming systems, the farmer’s personality and attitude, current levels of farm management, staffing and control costs”. The evidence suggests that attitudes and approaches to innovation and productivity on farms are strongly influenced by the business skills, aptitudes and goals of the individual farmer.

C.26 It is unclear how the mechanisms of the BPS deliberately target increased productivity. The supply of an income stream linked to land area provides no direct incentives to maximise the productivity of that land. The payment may be used for innovation, but the structure of the BPS does not specifically encourage this.

### **Criterion: BPS promotes low carbon agriculture**

C.27 The agricultural sector in the UK has steadily decreased its carbon emissions from 1990, with a 16% reduction in greenhouse gas emissions between 1990 and 2016. The downwards trend has been fairly linear; however the sector saw no significant reductions between 2007 and 2016.<sup>73</sup> Other sectors, such as manufacturing, have seen greater reductions over the same period and are still on a downwards trend. However, this greater reduction may be due to these more energy-intensive sectors benefiting from advances in technology and renewable energy use.

C.28 The BPS does contain some measures in Cross Compliance which impact on carbon emissions. But there are no standards relating to the major sources of emissions, such as fertiliser usage, unless the farm is in a Nitrogen Vulnerable Zone (NVZ).<sup>74</sup> Cross Compliance does therefore give a small degree of climate benefit, but is inadequate on its own.

C.29 The European Commission has also identified deficiencies in the structure of the BPS. They state: “the amount and distribution of direct payments tends to be concentrated in the most productive regions... without being adjusted to environmental

<sup>71</sup> See Welsh Government (2016), National indicators for Wales: Technical document

<https://gweddill.gov.wales/topics/people-and-communities/people/future-generations-act/national-indicators/?lang=en>

<sup>72</sup> For more detailed exploration of productivity measures see: Welsh Government (2019), *Agriculture in Wales*

<https://gov.wales/agriculture-wales>

<sup>73</sup> WG percentage calculation based on figures from National Atmospheric Emissions Inventory, Green House Gas Emissions from Agriculture

[http://naei.beis.gov.uk/reports/reports?section\\_id=3](http://naei.beis.gov.uk/reports/reports?section_id=3)

<sup>74</sup> The NVZ rules limit fertiliser application, reducing risk of Nitrogen Oxide emissions



and climate related objectives.<sup>75</sup> Similarly, the European Court of Auditors notes how the Greening payment has no connection to climate objectives.<sup>76</sup>

### **Criterion: BPS helps farmers develop their skills**

C.30 The BPS itself does not directly support farmers to develop their skills. Advisory services, such as Farming Connect, are funded through different sources. There is a need to support skills development. Evidence suggests UK farmers are currently under-skilled. In 2012, only 32% of UK farmers had any formal agricultural training, compared to 72% in the Netherlands and 68% in Germany.<sup>77</sup>

### **Criterion: BPS promotes employment opportunities**

C.31 The level of the BPS payment is not linked to activity beyond a minimum level stipulated in the active farmer test. It is unclear how this directly promotes employment opportunities. By increasing farm incomes, the BPS payment may increase levels of spending in the agricultural sector, but such spending is not targeted at areas where low employment opportunities are a challenge. Revised data on economic multipliers suggest spending in the agricultural sector drives increases in economic demand to no greater extent than spending in other sectors.<sup>78</sup>

C.32 The BPS does attempt to attract younger farmers and new entrants into the sector. However, the average age of farmers has been fairly persistent, suggesting that such measures are not

having the desired effect. In the UK only 2.6% of farmers were aged under 35 in 2007,<sup>79</sup> in 2019 the figure is 3%.<sup>80</sup>

### **A Resilient Wales:**

**A nation which maintains and enhances a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change (for example, climate change).**

#### **Criterion:**

- BPS helps maintain and enhance a biodiverse natural environment with healthy functioning ecosystems

### **Summary assessment**

C.34 There is a lack of evidence to suggest the BPS is structurally adequate to deliver a more resilient Wales. It has no functioning mechanisms for directing support at specific interventions, or incentivising management to enhance all types of resilience, in particular environmental resilience. This assessment confirms that the BPS does not adequately support the biodiversity improvements sought in the well-being objectives set out above.

### **Future policy**

C.35 Any new scheme therefore needs more effective mechanisms for delivering positive environmental outcomes. The SLM framework has identified the key environmental outcomes needed

<sup>75</sup> European Commission (2019). CAP towards 2020 Impact Assessment  
[https://ec.europa.eu/agriculture/policy-perspectives/impact-assessment/cap-towards-2020\\_en](https://ec.europa.eu/agriculture/policy-perspectives/impact-assessment/cap-towards-2020_en)

<sup>76</sup> European Court of Auditors (2017). Greening, a more complex income support scheme, not yet environmentally effective  
<https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=%7BD7000953-AF55-4CF5-9EB5-D88635FCD332%7D>

<sup>77</sup> AHDB Horizon (2018), Driving Productivity Growth Together – original data from Eurostat, EU Farm Structure Survey  
<https://ahdb.org.uk/knowledge-library/driving-productivity-growth-together-2-january-2018>

<sup>78</sup> Welsh Government (2019), Agriculture in Wales  
<https://gov.wales/agriculture-wales>

<sup>79</sup> European Commission (2007). Eurostat – Farm Structure Survey 2007  
[https://ec.europa.eu/eurostat/statistics-explained/index.php/Archive:Farm\\_structure\\_survey\\_2007](https://ec.europa.eu/eurostat/statistics-explained/index.php/Archive:Farm_structure_survey_2007)

<sup>80</sup> DEFRA (2019), Farm Structure Survey 2019  
<https://www.gov.uk/government/collections/structure-of-the-agricultural-industry>

for a resilient Wales, which farming can deliver. By linking support to these outcomes, the proposed Sustainable Farming Scheme would directly target environmental outcomes. Moreover, by making this support conditional on implementation of actions, the scheme can ensure positive management is taking place.

## Background

C36 The overall resilience of Wales' ecosystems and natural resources is under significant challenge from a variety of factors. *The State of Natural Resources Report (SoNaRR)* concluded:

All ecosystems have problems with one or more attributes of resilience. This means that their capacity to provide ecosystem services and benefits may be at risk. No ecosystem, on the basis of our assessment, can be said to have all the features needed for resilience.<sup>81</sup>

## Criterion: BPS helps maintain and enhance a biodiverse natural environment with healthy functioning ecosystems

C.37 The BPS payment itself is not targeted at environmental performance. In their impact assessment of CAP to 2020, the European Commission states that:

The way entitlements have been allocated when decoupling was put in place did not envisage a specific targeting e.g. to farms that operate in more environmentally valuable areas.<sup>82</sup>

C.38 Other mechanisms of the BPS aim to encourage a level of environmental performance. However, these mechanisms have been assessed as inadequate by the European Court of Auditors.

C.39 Cross Compliance is a mechanism the BPS uses to ensure minimum environmental standards are met. These are only minimum standards. The European Commission introduced Greening as a way to make up for the shortcomings of Cross Compliance.

C.40 However, the effectiveness of Greening has been called into question by the European Court of Auditors. Their assessment of Greening found:

- There was a lack of robust intervention logic for the green payment.
- Greening was unlikely to provide significant benefits for the climate and environment; it only led to changes on around 5% of EU farmland.
- The likely results of the policy do not justify the significant complexity added to the CAP.<sup>83</sup>

## A Healthier Wales:

**A society in which people's physical and mental well-being is maximised and in which choices and behaviours that benefit future health are understood.**

### Criteria:

- BPS supports farmer's physical and mental well-being
- BPS supports the physical and mental well-being of society

## Summary assessment

C.41 There is insufficient evidence to suggest the BPS provides mechanisms to directly address some of our society's most pressing health challenges including cleaning our air, cleaning our water and

<sup>81</sup> Natural Resources Wales (2016), State of Natural Resources Report <https://naturalresources.wales/evidence-and-data/research-and-reports/the-state-of-natural-resources-report-assessment-of-the-sustainable-management-of-natural-resources/?lang=en>

<sup>82</sup> European Commission (2019). CAP towards 2020 Impact Assessment [https://ec.europa.eu/agriculture/policy-perspectives/impact-assessment/cap-towards-2020\\_en](https://ec.europa.eu/agriculture/policy-perspectives/impact-assessment/cap-towards-2020_en)

<sup>83</sup> European Court of Auditors (2017), Greening, a more complex income support scheme, not yet environmentally effective <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=44179>

providing opportunities for physical recreation. Management of water is included in the well-being objectives set out above. Clean water is fundamental to people's health and is a key component of biodiversity in aquatic environments.

### Future policy

C.42 We believe farm support should promote the management of land in a way which will contribute to creating a healthier Wales. The SLM framework specifically identifies public health, including the farmer's health, as an outcome, principally leading to the well-being benefit. The definition of this outcome includes mental and physical health. The framework thus promotes a healthier Wales, and identifies how farming can contribute through managing air and water quality, or providing opportunities for outdoor recreation.

### Background

C.43 Agricultural processes have the capability to negatively affect physical health through the emission of pollutants such as ammonia or nitrous oxides.

C.44 One of the ways farmers support physical and mental well-being of society is through their maintenance of the countryside and Rights of Way, over two thirds of which is located on agricultural land. The Welsh countryside provides space for physical activity which contributes to mental well-being.

C.45 As well as general societal health, the mental and physical health of farmers is also important. Farming has some of the highest incidents of

loneliness and suicide. The effect of payments schemes on the farmers themselves must also be considered.

### Criterion: BPS supports farmer's physical and mental well-being

C.46 Historically, direct payments have been an important source of funding to farm businesses, contributing to their financial viability. This has been the case for the BPS in Wales. Providing this support may help alleviate stress in the farming population, as it can lessen anxiety associated with the risk of financial failure. This is particularly important for mental well-being. It is possible the decision in Wales to adopt a redistributive approach to the BPS has helped in this regard (relevant statistics are set out below in the background section of A More Equal Wales).

### Criterion: BPS supports the physical and mental well-being of society

C.47 The maintenance of Rights of Way is mandated by regulation not related to the BPS. However there are no provisions in the BPS for enhancing or changing Rights of Way to increase their value to the public.

C.48 Pollution from agriculture has the potential to severely impact physical health. Ammonia emissions from the sector have not seen significant reductions from 2005.<sup>84</sup> The few protections to the environment from Cross Compliance and Greening, as previously discussed, are not effective.<sup>85</sup>

<sup>84</sup> National Atmospheric Emissions Inventory, Ammonia emissions from agriculture [http://naei.beis.gov.uk/reports/reports?section\\_id=2](http://naei.beis.gov.uk/reports/reports?section_id=2)

<sup>85</sup> See above, 'A Resilient Wales' and: Welsh Government(2019) Agriculture in Wales; European Commission (2019), CAP towards 2020 Impact Assessment; National Atmospheric Emissions Inventory; European Court of Auditors (2017). Greening, a more complex income support scheme, not yet environmentally effective  
Agriculture in Wales - <https://gov.wales/agriculture-wales>  
European Commission - <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=44179>  
National Atmospheric Emissions Inventory - [http://naei.beis.gov.uk/reports/reports?section\\_id=2](http://naei.beis.gov.uk/reports/reports?section_id=2)  
European Court of Auditors - <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=44179>

## **A More Equal Wales:**

**A society that enables people to fulfil their potential no matter what their background or circumstances (including their socio-economic background and circumstances)**

### **Criterion:**

- BPS promotes a more equal farming sector

### **Summary assessment**

C.49 Income support has historically been based on entitlement rather than need. While this is due to cease when the change to universal area-based payments is complete, there will still be no link between the level of support and the need, effort or performance of a farmer.

### **Future policy**

C.50 The distribution of funding in any new scheme should be accessible fairly and should link levels of payment to farmers' efforts on the ground, promoting a more equal Wales. The SLM framework offers a structure to base such support on. Using the framework should ensure the proposed scheme is accessible to all types of farm and money is spent on supporting those who are delivering specific economic, environmental and social outcomes.

### **Background**

C.51 Across the whole EU, the smallest 80% of farms in receipt of the BPS receive 20% of the total payments, while the largest 0.5% of farms receive 16% of the total payments.<sup>86</sup> In Wales, the Redistributive payments mechanism means the effect is less pronounced: 84% of claimants received 56% of total payments, while the top 3% of claimants received 16% of the total.<sup>87</sup>

## **Criterion: BPS promotes a more equal farming sector**

C.52 The distribution of payments is not linked to the efforts of a farmer, their financial or business needs, or their environmental performance. It is solely linked to the size of the eligible area which they have entitlements for. In some circumstances this may mean the BPS is promoting structural inequality by providing the most financial support to those who need it the least.

C.53 The European Commission summarises potential problems with this system:

The high level of aid received by some beneficiaries (despite the modulation mechanism introduced in the 2003 reform) is seen as too high to be justified as income support as it can be reasonably assumed that large farms benefit from economies of scale and therefore their income support needs may not be proportional to the farm size. At the same time, small farmers who can make a very important contribution to the vitality of many rural areas and may have higher needs for income support often face a disproportionately high administrative burden for access to support in relation to the payment amount they receive.<sup>88</sup>

C.54 The conclusions of the European Commission are just as applicable to Wales as to the EU as a whole. *Agriculture in Wales* provides a detailed breakdown of distribution of the BPS, and while the trends are not as pronounced as they are for the EU as a whole, they do exist.

## **A Wales of Cohesive Communities:**

**Attractive, viable, safe and well-connected communities.**

### **Criterion:**

- BPS contributes to creating attractive, viable, safe and well-connected rural communities

<sup>86</sup> European Commission (2019). CAP towards 2020 Impact Assessment <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=44179>

<sup>87</sup> Welsh Government (2019), Agriculture in Wales <https://gov.wales/agriculture-wales>

<sup>88</sup> European Commission (2019). CAP towards 2020 Impact Assessment <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=44179>

## Summary assessment

C.55 The BPS has provided support which has helped the financial position of farms. These farms bring economic activity to rural Wales, supporting rural communities.

C.56 In terms of the BPS, it is difficult to assess the extent of potential impact. There is no mechanism in the BPS which targets support at rural vitality, and this is specifically recognised by the European Commission.<sup>89</sup>

C.57 Further, the distribution of funding, which supports larger farms, risks under-rewarding the smaller farms which may play just as great a role in local communities. However, it can be argued that payments, despite their distribution, have played a significant role in maintaining the structure of the sector and its place within rural communities.

## Future policy

C.58 Future farm support should support rural communities by promoting resilient farms and by promoting ongoing activity on the land. The SLM framework explicitly draws out prosperity as a social outcome, and highlights how economic and environmental support should contribute to the position of farming in rural communities.

## Background

C.59 Rural cohesion is difficult to define and assess. Further, the evidence regarding the contribution of the agricultural sector to attractive, viable, safe and well-connected rural communities is not well developed. Respondents to the *Brexit and our Land* consultation expressed a variety of views that suggested the importance of rural businesses and rural communities. Examples include reference to the importance of small-scale abattoirs, dairies, grain storage and food processing plants within a local

setting; the importance of small and family farms; and the vital role played by small, rural communities in Wales.

## Criterion: BPS contributes to creating attractive, viable, safe and well-connected rural communities

C.60 An evidence review on the social contribution of agriculture, commissioned by the Welsh Government, highlights that the social relationships formed within communities are the main threads that hold them together (social cohesion, resilience, social capital etc). The report notes agriculture appears to make a positive contribution to these. The longevity and permanence of farms within the landscape was raised in the report as particularly interesting, as these are factors that are potentially affected by changes to support systems or by market forces.

C.61 The evidence from the review is mixed. The report found most available evidence was anecdotal and informal.<sup>90</sup> There is a scarcity of empirical evidence that uses robust definitions of social contribution or definitively illustrates its extent. The report notes the views expressed may be based on both historic and contemporary perceptions of the relationship between agriculture and the social cohesion of rural communities.

C.62 The overall conclusion of the review was that it is not feasible to link the potential changes in Welsh agriculture associated with the UK's withdrawal from the EU to likely impacts on the social contributions made by agriculture.

C.63 More research needs to be done to fully understand the linkages between the social cohesion of rural communities and people employed within the agricultural sector.

<sup>89</sup> European Commission (2019). CAP towards 2020 Impact Assessment <https://www.eca.europa.eu/en/Pages/DocItem.aspx?did=44179>

<sup>90</sup> Agra CEAS consulting (2018), The Social Contribution of Agriculture: an evidence review Report to Welsh Government

## **A Wales of vibrant culture and thriving Welsh Language:**

**A society that promotes and protects culture, heritage and the Welsh language, and which encourages people to participate in the arts, and sports and recreation.**

### **Criterion:**

- BPS promotes and protects culture, heritage and the Welsh language

### **Summary assessment**

C.64 Although we have no direct evidence linking the BPS to the strength of the Welsh language in rural areas, it is reasonable to suggest the BPS has been a notable factor in protecting the Welsh language, culture and heritage through offering financial support to the agricultural sector. However, there is no evidence to suggest the mechanisms of the BPS intentionally promote the Welsh language.

### **Future policy**

C.65 We believe future farm support should secure the resilience of farm businesses in order to preserve the long-term future of farming and thus secure wider cultural and Welsh language benefits. The Welsh language, culture and heritage are recognised explicitly within the social outcomes of SLM.

### **Background**

C.66 227,800 workers in Wales in 2011 could speak Welsh, representing 17% of all workers. However, agriculture, forestry and fishing, had an estimated 10,600 Welsh speakers, representing 43% of the total working population for the sector - this is highest share of Welsh speakers across sectors in Wales. *Agriculture in Wales*, shows that 4 of the top 6 counties in terms of the proportion of people speaking Welsh are also 4 of the top 6 counties in terms of the proportion of the population employed in agriculture, forestry and fishing (these being Gwynedd, Anglesey, Ceredigion and Carmarthenshire).

C.67 Respondents to the *Brexit and our Land* consultation noted the importance of a thriving rural economy, keeping people in employment in rural Wales and the role of family farms in Wales, as key to supporting Welsh speaking communities.

### **Criterion: BPS promotes and protects culture, heritage and the Welsh language**

C.68 It is unclear to what extent BPS may be said to promote the Welsh language. The BPS has no mechanism for directly promoting the Welsh language, although it could be argued that promotion of the use of the Welsh language is achieved through advice, guidance and support being available in Welsh.

C.69 Again it may be argued that, by financially supporting farmers, the BPS has maintained the structure of the sector by insulating it from change. But on the other hand, the distribution of funding does not specifically support the Welsh language.

## **A Globally Responsible Wales:**

**A nation which, when doing anything to improve the economic, social, environmental and cultural well-being of Wales, takes account of whether doing such a thing may make a positive contribution to global well-being.**

### **Criterion:**

- BPS makes a positive contribution to global well-being

### **Summary assessment**

C.70 We all have a responsibility to do our part in responding to global challenges, including climate change, biodiversity decline and the sustainable production of food. There is a lack of evidence to suggest the BPS directly encourages the agricultural sector to identify or manage its global impact.

## Future policy

C.71 We must consider Wales in a global context, especially our environmental and climate impact. Both are core parts of the SLM framework, on which we propose future support should be based. This support would directly target environmental outcomes and therefore make a positive contribution to global well-being. Outcomes especially relevant to a globally responsible Wales include decarbonisation, carbon sequestration, resilient ecosystems and animal health and welfare.

## Background

C.72 In a global context, Welsh agriculture produces safe and high quality food through the high regulatory standards set by the UK and EU.

C.73 However, the BPS itself does not promote the productivity or environmental performance of the sector through any mechanism. As the European Commission states, even the Cross Compliance requirements only have incidental,

not deliberate impacts on climate change mitigation. The contribution of the BPS to global well-being is not evidenced through impacts in Wales in these areas.

## Criterion: BPS makes a positive contribution to global well-being

C.74 One way the BPS may have a positive impact on global well-being is through ensuring the viability of farming on much of Welsh land. This could prevent the loss of agricultural land in Wales, leading to a shift in production abroad, potentially to less environmentally sensitive systems. But there is no evidence to suggest the absence of BPS would cause such a change. It is equally possible that farming businesses would develop new practices or seek new markets, keeping agricultural production in Wales.







**Action** – A part of the Sustainable Land Management framework. Implementation of actions by farmers should deliver Sustainable Land Management outcomes. The framework is explored in Chapter 3. We propose receipt of the Sustainable Farming Payment will be conditional on appropriate actions being implemented.

**Additionality** – Actions above and beyond those needed to maintain compliance with regulation. To ensure value for money, we propose Sustainable Farming Payments are in return for additionality.

**Advisory service** – A service funded by the Welsh Government to provide advisory support to farmers. We propose to provide an advisory service that facilitates farmers to enter the scheme, ensures they have the support they need to deliver outcomes and provides support to develop more competitive and resilient farm businesses. This is discussed in Chapter 5.

**Agriculture (Wales) Bill** – We propose to bring forward an ambitious Agriculture Bill to the Welsh Assembly to replace the powers being taken in the UK Agriculture Bill. This will form the long-term, legislative foundation for Welsh agricultural and land policy.

**Basic Payment Scheme** – The specific element of the EU's Common Agricultural Policy (CAP) which provides de-linked (from production) income support to farmers. The Basic Payment Scheme will end in Wales as a result of the UK leaving the European Union.

**Benchmarking** – The practice of establishing the relative performance of a business against an appropriate standard, generally industry standards derived from a survey of farms. Participation in performance benchmarking schemes is one of the areas we propose to support through the business support element of the Sustainable Farming Scheme.

**Benefit** – A part of the Sustainable Land Management framework. They can be organised into economic, environmental and social benefits. The framework breaks down the benefits into outcomes to determine how the benefits can be achieved. The framework is explored in Chapter 3.

**Biodiversity** – The measure of the number and variety of a species. It is one of the benefits in the Sustainable Land Management framework.

**Business support** – A collection of measures we propose to provide through the Sustainable Farming Scheme to support farm businesses. This could include business capacity and skills support, capital investment to enhance sustainability and knowledge transfer and specialist skills support. This is explored in Chapter 4.

**Capital investment** – A one-off payment which we propose would be available through the Sustainable Farming Scheme to enhance farm sustainability. This is discussed in Chapter 4.

**Carbon sequestration** – The process of removing carbon dioxide from the atmosphere and storing it for a prolonged period of time. It is one of the outcomes in the Sustainable Land Management framework.

**Carbon sink** – A natural or artificial reservoir that absorbs and retains more carbon dioxide from the atmosphere than it emits.

**Clean atmosphere** – A clean atmosphere is one that shows both a reduction in harmful pollutants and a reduction in greenhouse gases. It is one of the benefits in the Sustainable Land Management framework.

**Co-design** – The programme we intend to launch to explore how our proposals could work in practice. It will involve farmers, foresters, other land managers and stakeholder bodies. This is explored in Chapter 9.

**Common Agricultural Policy** – the EU policy to provide financial support to farmers in Member States. Leaving the EU means the UK will be leaving the Common Agricultural Policy.

**Cross Compliance** – a European Commission regulatory requirement that must be followed in order to receive Common Agricultural Policy payments.

**Ecosystem services** – Any and all benefits that come from natural or managed ecosystems such as food (a provisioning service), attractive landscapes (a cultural service), biological pest control (a regulating service) or fertile soil (a supporting service).

**Eligibility** – Whether a farmer is able to enter the proposed scheme. Chapter 4 discusses options for eligibility criteria.

**Environment (Wales) Act 2016** – An Act of the Welsh Assembly which introduced a set of principles and duties designed to support the Sustainable Management of Natural Resources and biodiversity in Wales. The Sustainable Land Management framework is consistent with these principles.

**Environmental outcomes** – A set of outcomes in the Sustainable Land Management framework. Through the Sustainable Farming Payment, we propose to provide farmers with an income stream linked to the delivery of these outcomes on their farm.

**Evidence of causality** – Evidence which demonstrates what actions implemented on a farm should deliver different Sustainable Land Management outcomes. We propose to reward farmers for implementing actions which evidence shows will usually deliver the outcomes we want to pay for.

**Farm Sustainability Review** – An assessment of all aspects of a farm's sustainability. The Review would be undertaken by an adviser with the farmer to assess to what extent the farm is consistent with Sustainable Land Management, identify opportunities for future support and consider what help the farmer may need to get the most out of the proposed scheme.

**Farm Sustainability Plan** – A farm plan developed with an adviser using the results of the Farm Sustainability Review. On entering the scheme, the Plan would form the basis for the contract between the farmer and the Welsh Government and be the gateway to the Sustainable Farming Payment and business support.

**Farm Sustainability Plan: mandatory element** – The Farm Sustainability Plan would contain a mandatory element consisting of actions fundamental to the farm's sustainability. These would be added to the Plan by the adviser. It would be possible for a farm to implement no more than the mandatory actions and receive a payment.

**Farm Sustainability Plan: option element** – The Farm Sustainability Plan could also contain an element consisting of option actions the farmer chooses from a wide range. Once the plan is agreed and the contract signed, the mandatory and option elements would have equal contractual status.

**Greenhouse gas emissions** – Emissions into the atmosphere of gases that absorb and emit radiation. These contribute directly to climate change. Various actions implemented on farm can help reduce emissions from the key agricultural greenhouse gases.

**Habitat management** – Actions that aim to improve the condition, extent and connectivity of habitats.

**Income stream** – Annual funding to farmers. We propose the Sustainable Farming Payment should provide a meaningful income stream to farmers, just as the Basic Payment Scheme currently does. We will therefore go beyond the “income foregone and costs incurred” currently used to calculate Glastir payments.

**NRW** – Natural Resources Wales. A Welsh Government Sponsored Body formed in April 2013, largely taking over the functions of the Countryside Council for Wales, Forestry Commission Wales and the Environment Agency in Wales.

**Outcome** – A part of the Sustainable Land Management Framework. Implementation of actions should lead to outcome delivery. The framework is explored in Chapter 3.

**Productivity** – A measure of the amount of output produced for a given level of inputs. It can be described as the ratio of inputs to outputs, or the rate of output for a given level of inputs. It is different from production – the aggregate level of output. We propose to provide business support to improve a farm’s productivity in a way that is consistent with Sustainable Land Management.

**Public Goods** – A set of goods for which there is no functioning market. We propose to reward farmers for delivering Sustainable Land Management outcomes not supported by the market, principally environmental outcomes.

**Resilience (business)** – A resilient farm business is one that can adapt to disruptions while maintaining business operation and safeguarding assets, people and brand quality.

**Resilience (ecological)** – Maintaining and enhancing a biodiverse natural environment with healthy functioning ecosystems that support social, economic and ecological resilience and the capacity to adapt to change (for example climate change).

**Sustainable development** – Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

**Sustainable Land Management** – 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. We have adopted this concept as our objective for future land management policy.

**Sustainable Land Management framework** – A method for identifying the actions that can be taken by farmers, foresters and other land managers to achieve Sustainable Land Management. The development of the framework is described in Chapter 3.

**Sustainable Farming Payment** – An annual payment to farmers which we propose to provide in return for the delivery of Sustainable Land Management outcomes not rewarded by the market, principally environmental outcomes. The proposed payment is explored in Chapter 4.

**Sustainable Farming Scheme** – Our proposed farm support scheme. It comprises the Sustainable Farm Payment and business support. The proposed scheme is explored in Chapter 4.

**Transition** – The period during which farmers would enter the proposed scheme and exit from current schemes. We set out three illustrative options for how this could be managed in Chapter 8.

**UK Agriculture Bill** – The UK Agriculture Bill, currently in Parliament, includes powers for Welsh Ministers to begin the transition to any new scheme. These powers are intended to be used on a time-limited basis and then to be replaced by an Agriculture (Wales) Bill.

**Well-being of Future Generations (Wales) Act 2015** – An Act of the Welsh Assembly which places a duty on the Welsh Government to carry out sustainable development. The Sustainable Land Management framework allows us to apply the Act directly to agriculture, as described in Chapter 3.

**Well-being goals** – The seven goals put in place to improve the social, economic, environmental and cultural well-being of Wales. They are contained in the Well-being of Future Generations (Wales) Act 2015.

**White Paper** – A paper setting out policy proposals in advance of making new legislation. We will publish a White Paper in advance of introducing the Agriculture (Wales) Bill to the Welsh Assembly.

### **Question 1: Sustainable Land Management (refer to chapter 3)**

What are your views on the Sustainable Land Management framework? You may want to consider:

- whether the structure of benefits, outcomes and actions is a useful tool
- whether the benefits and outcomes sufficiently cover the broad contribution of farmers, foresters and other land managers
- how we have described the Sustainable Land Management outcomes
- whether it is right to focus an income stream on environmental outcomes
- whether an alternative policy framework would be more appropriate

### **Question 2: Sustainable Farming Scheme (refer to chapter 4)**

What are your views on the proposed Sustainable Farming Scheme? You may want to consider:

- how the Farm Sustainability Review and Farm Sustainability Plan could be delivered in a proportionate manner
- how best to reward farmers for outcomes through their actions
- how the Sustainable Farming Payment should operate
- what business support should be offered to farmers
- what eligibility criteria are needed
- whether there is a role for capped or diminished payments
- how best to design the scheme to leverage additional private finance
- alternative ideas for supporting farmers in a manner consistent with Sustainable Land Management

### **Question 3: Advisory service (refer to chapter 5)**

What are your views on an advisory service? You may want to consider:

- whether you agree an advisory service should be established
- the functions of the service
- what the relationship should be between the advisory service and the Welsh Government
- the appropriate scale of delivery

### **Question 4: Industry and supply chain (refer to chapter 6)**

What are your views on providing support to the industry and supply chain? You may want to consider:

- whether it is right for support to be subject to Sustainable Land Management
- whether the proposed priorities reflect the right areas of focus

### **Question 5 - Regulatory framework (refer to chapter 7)**

What are your views on our proposals to improve the current regulatory system and develop a new regulatory framework? You may want to consider:

- how the current regulatory framework can be improved upon
- the scope of a future regulatory framework
- the role a future regulatory framework would play in championing Welsh standards
- how compliance with regulation should be monitored
- how breaches can be fairly and proportionately enforced

### **Question 6 - Transition and funding (refer to chapter 8)**

What are your views on the purpose and design of a transition period? You may want to consider:

- the proposed principles for transition
- the relative merits of the three transition options
- alternative proposals for transition
- how the CAP can be simplified and improved while it is still in operation

### **Question 7 - Analytical approach (refer to annex A)**

What are your views on the analytical approach set out? You may want to consider:

- the different stages of analysis
- the different tools and techniques which may be necessary for different aspects of the analysis
- the range of impacts which we propose to consider with the Integrated Impact Assessment

### **Question 8: Welsh language**

We would like to know your views on the effects the proposals in this document would have on the Welsh language, specifically on opportunities for people to use Welsh and on treating the Welsh language no less favourably than English. What effects do you think there would be? How could any positive effects be increased, or negative effects be mitigated?

### **Question 9: Other comments**

If you have any related issues that we have not specifically addressed, please let us know.

