



Wales Centre for Public Policy
Canolfan Polisi Cyhoeddus Cymru

Preparing for Brexit in rural Wales

- a challenge of decision-making under uncertainty

2 May 2018



Preparing for Brexit in rural Wales

- The study
- State of Welsh agriculture and rural areas
- The Brexit process – scoping future scenarios
- Comparison across scenarios – common points, contrasts
- Policy suggestions

The study

- May - November 2017
- Desk-based analysis + interviews / meetings with WG officials & themed stakeholder working groups
- Chasing a moving and obscure target – nothing is certain
- ‘Best guesses’ on Brexit process and deal may still prove wrong
- Seeking degrees of likelihood → consistent themes, strategic response

Context

State of Welsh agriculture and rural areas



State of Welsh rural areas

Economically and socially

Rural Wales has strong and weak points. Key sectors include

- public sector
- tourism
- SME manufacturing and crafts
- Food businesses

16 years ago, in remote rural market towns > 60% of registered businesses were associated with farming (LUC)

IWA (2015) suggests a lack of medium-sized firms in rural areas linked to poor infrastructure & services

Unemployment is low

Rural poverty is an issue for remote elderly households

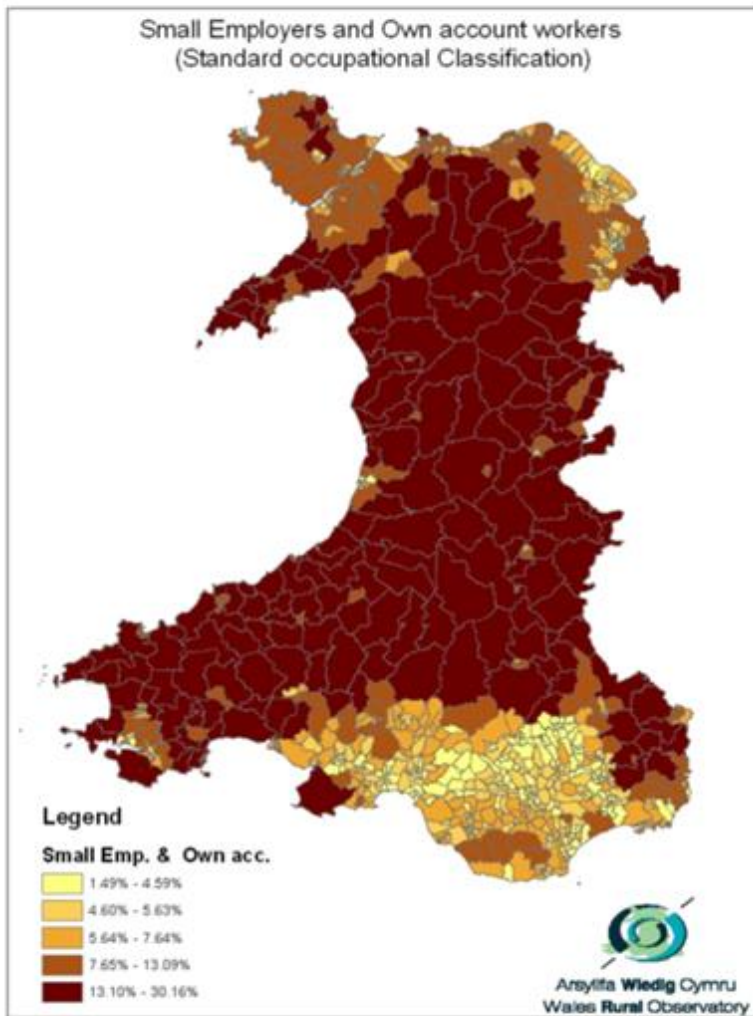
Environmentally

A high-quality rural environment is recovering slowly from past pressures, but vulnerable to change

- 30% is protected area
- Major source of drinking water to Wales and England
- Negative trends in birds & some priority habitats, but other indicators moving in a positive direction
- Ecosystem services depend upon sensitive land management
- Flood mitigation & management an increasing issue of concern

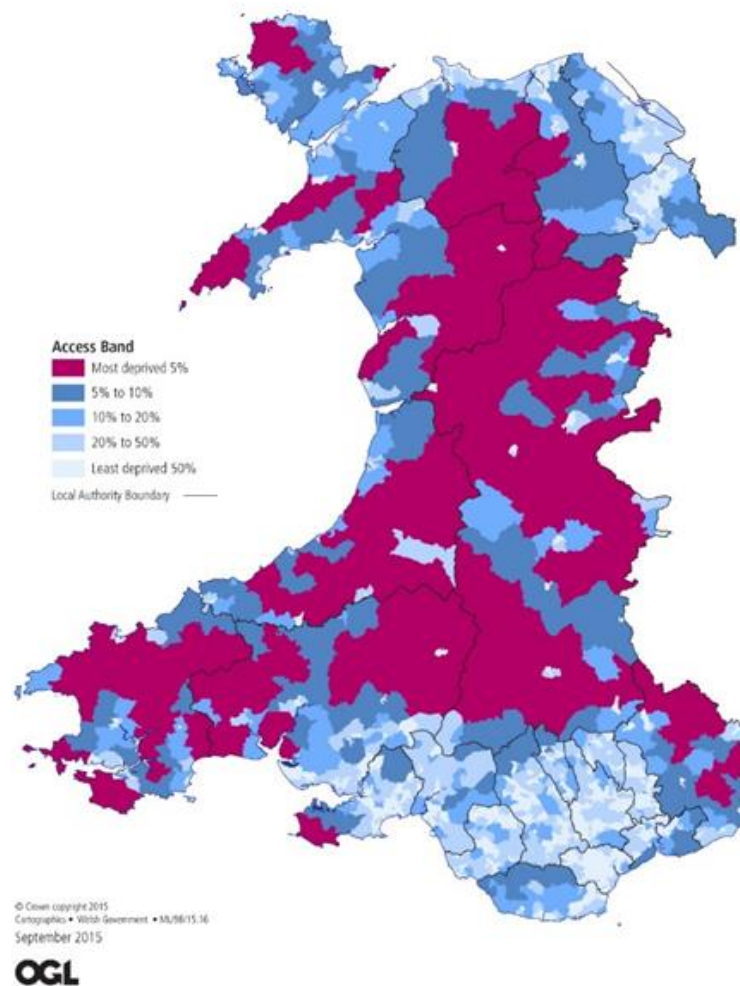
Rural variations

Economy and Employment



Source: Census 2001

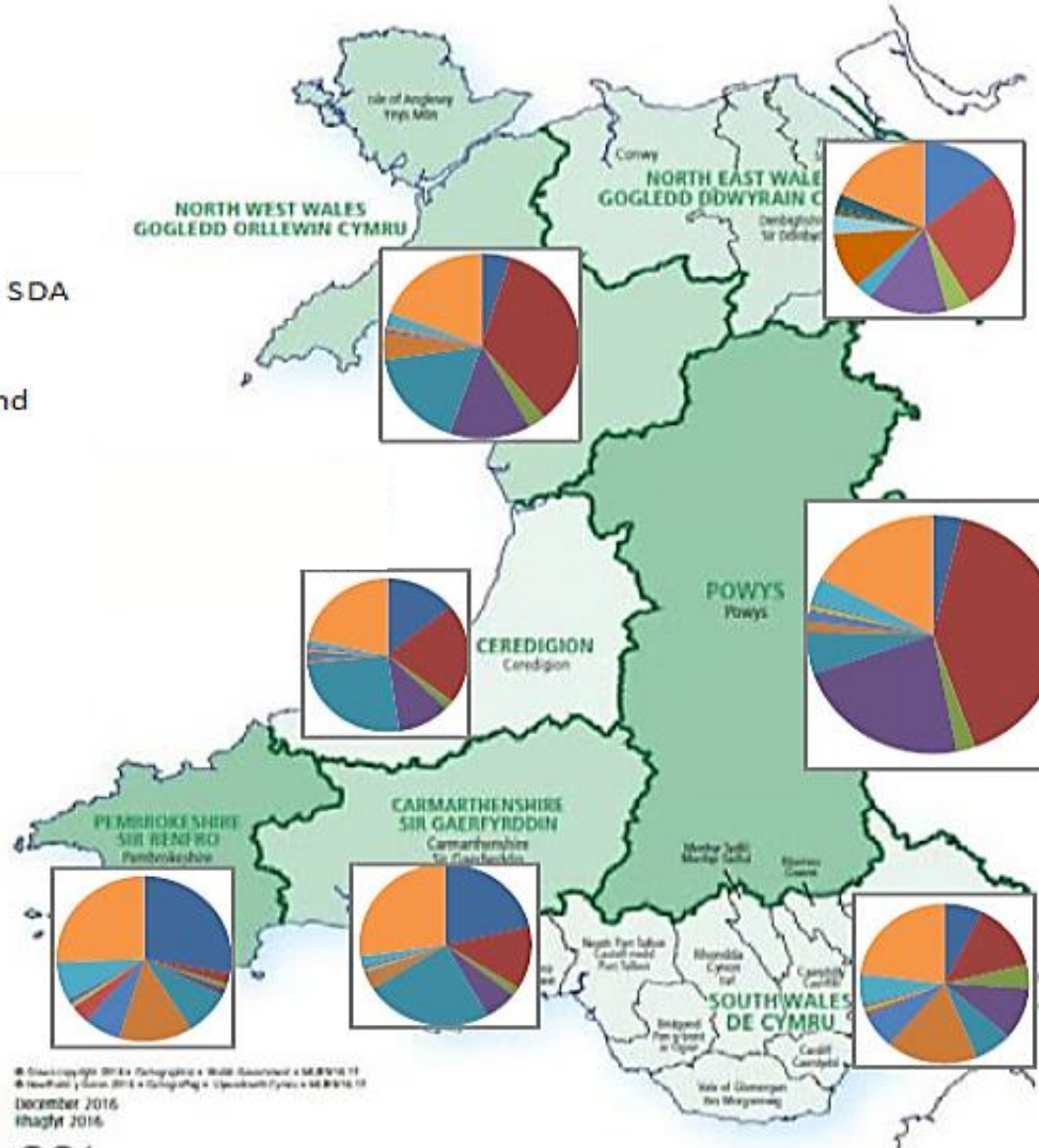
Access to services deprivation for LSOA in Wales



AGRICULTURE Farm types by land area

- Dairy
- Specialist sheep SDA
- Specialist beef SDA
- Mixed cattle and sheep SDA
- Cattle and sheep DA
- Cattle and sheep lowland
- Cereals
- General Cropping
- Pigs & Poultry
- Horticulture
- Mixed
- Other

Note – excludes commons area



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OGL

Welsh Farms

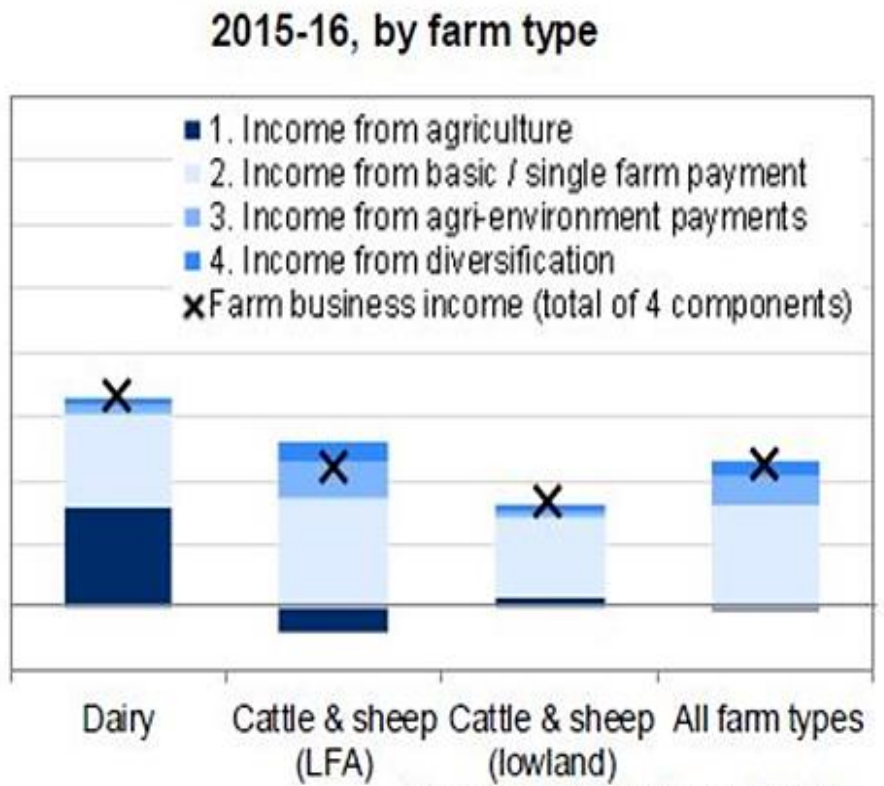
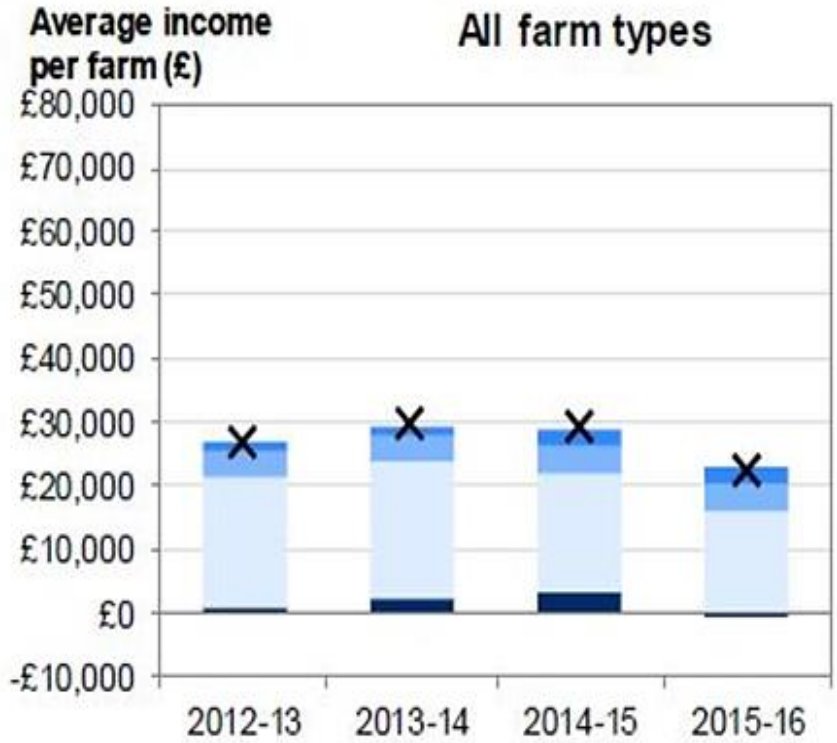
Most farms heavily dependent upon public support

- Grazing livestock farms depend upon both pillar 1 and pillar 2 aid
- Wide range of performance standards
- Significant social, welfare and health concerns among farm families, particularly in Carmarthenshire, Powys and Gwynedd

Major products – trading patterns and trends

- Sheepmeat dominates production, most is exported to EU
- More beef and dairy consumed in UK, key imports from Ireland
- Horticulture and poultry small but with growth potential – depends upon input / energy price trends
- Tourism / leisure is an important income for some; off-farm income helps >40% of farm households
- Forestry shows potential, if fuel prices rise

Average Farm Business Incomes, Wales



Source: Fam Business Survey

Welsh food sector

- 70% of Welsh food and drink businesses are rural, many are very small, particularly in some counties
- 4 major companies cover 90% livestock slaughtered in Wales, others along the border in England

Summary

Heavy dependence of environmental land management on beef and sheep farming, in turn dependent on CAP funds

Heavy dependence of rural economies on public sector jobs

- these features strongest in North, Mid and West Wales
- South Wales and North-east more diverse, more options, closer to people and markets

Brexit options

Scenarios of change



Key points shaping Brexit impacts

1. *Future trading conditions*

- Tariffs between UK and EU : 0% - 40%, even 60%
- Lower tariff barriers with third countries? (not for 10 years, perhaps)

2. *Future public funding to farms and rural areas*

- Same, lower or higher?
- New priorities and goals already signalled

3. Regulatory regime & wider economic conditions

- Strong or weak?

Scenarios: status quo or significant change

Scenario number	Trade outcome for UK-EU trade	Domestic agricultural support outcome	outcome for UK-other trade	Regulatory outcome
1	Little change for 5-10 years	Significant reduction	No change	No change
2	Little change for 5-10 years	Maintained at current levels	No change	No change
3	Tariffs, reducing trade both ways	Significant reduction	New deals, cheaper imports	Relaxing of some standards
4	Tariffs, reducing trade both ways	Maintained at current levels	New deals, cheaper imports	Relaxing of some standards

Common themes from scenarios

- Likely decline in sheep production after a short-term 'heyday', need to restructure & re-orientate businesses
- Food chain response will be key: loyalty and willingness to invest in Wales + Welsh product, longer-term pricing and market growth
- Larger operators in the sector will anticipate and respond quickly to change
- Public sector – increasing gap between demand and supply in rural services (esp. health & social care)
- Whilst hardly visible in statistics, agriculture remains a key driver of:
 - Economic and community viability in remote areas
 - Land-use: implications of fewer sheep, less grazing, growth in dairy output in some areas, tourism impacts?
- Opportunities for new land uses: forestry, horticulture, vines, energy and leisure, housing?

Contrasts across Wales

- North, mid and west Wales likely to suffer stronger negative economic, social and environmental impacts; in south and east, more diverse impacts – growing social needs in more isolated settings, social conflict in more pressured locations
- Positive opportunities within agriculture and for other sectors e.g. forestry, adding value, short supply chains – depends upon sustainable design and creative entrepreneurship
- Novel ideas, creating strong networks between different actors – some areas will be better placed than others to do this: skills, partnerships, access to finance and confidence may be key elements

Policy suggestions

Priorities for Future Resilience



Priorities – Adaptation and a new Framework

1. ADAPTATION

Prepare Welsh farms, land management and rural businesses for a rocky ride:

Up-skilling, developing collaborative capacity, improving efficiency, farm and community-level coping strategies, environment-proofing of changes

Increase agri-food sector and community resilience through more active long-term partnerships between Welsh Government and commercial / social actors in food, public services and financial sectors

More partnership working between government and industry, government and communities, and key sectors of the rural economy

2. FUTURE SUPPORT FRAMEWORK

Develop a new, bespoke approach to public support, to maintain and enhance **natural resources and rural vitality** by land managers and rural communities across rural Wales, for the benefit of current and future generations

A long-term, natural resources and viable landscapes scheme for all Wales, with clear, agreed national targets

A flexible, locally-tailored approach, developed with farmers, foresters, communities and other stakeholders, giving space for private funding as well as public

Trusted delivery agents, intelligent monitoring & control

**Thank you -
Diolch yn fawr iawn**



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