

Climate Change, Environment and
Rural Affairs Committee
**The future of land management in
Wales**

March 2017



National Assembly for Wales
Climate Change, Environment and Rural Affairs Committee

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Climate Change, Environment and Rural Affairs Committee

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The Committee was established on 28 June 2016 to examine legislation and hold the Welsh Government to account by scrutinising expenditure, administration and policy matters, encompassing (but not restricted to): climate change; energy; natural resources management; planning; animal welfare and agriculture.

Current Committee membership:



Mark Reckless AM (Chair)
UKIP Wales
South Wales East



Jayne Bryant AM
Welsh Labour
Newport West



Siân Gwenllïan AM
Plaid Cymru
Arfon



Vikki Howells AM
Welsh Labour
Cynon Valley



Huw Irranca-Davies AM
Welsh Labour
Ogmore



David Melding AM
Welsh Conservative
South Wales Central



Jenny Rathbone AM
Welsh Labour
Cardiff Central



Simon Thomas AM
Plaid Cymru
Mid and West Wales

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Recommendations

Recommendation 1. The UK Government should seek tariff and quota-free access to the EU Single Market for Welsh agricultural and food products. (Page 25)

Recommendation 2. The Welsh Government should have an equal voice at the negotiating table during the talks on access to the Single Market. The UK Government can only take forward a UK-agreed position during negotiations, not a UK-led position. (Page 25)

Recommendation 3. The UK Government must safeguard the interests of Welsh lamb producers and, at the earliest opportunity, provide clarity on its negotiating strategy with regards to the future New Zealand lamb quota for the UK. (Page 25)

Recommendation 4. The Welsh Government must work with relevant UK Government Departments to significantly increase its trade efforts internationally to develop new, and strengthen existing, export markets for Welsh lamb. (Page 25)

Recommendation 5. Hybu Cig Cymru must strengthen its marketing of Welsh lamb across domestic and international markets in order to assist producers to meet the challenges of leaving the EU. A refreshed marketing strategy for dealing with these issues should be prepared within the next 12 months. The strategy must properly address the needs of upland hill farmers. (Page 25)

Recommendation 6. The Welsh Government should seek urgent bilateral talks with the UK Government to develop a common understanding of the legal and constitutional position in respect of devolved and reserved powers following the exit of the UK from the EU. (Page 31)

Recommendation 7. The UK Government should give a commitment that future UK regulatory and policy frameworks for agriculture and rural development will be developed in partnership and there will be parity of esteem between the UK Government and devolved administrations. (Page 31)

Recommendation 8. The UK and Welsh Governments should strengthen joint working mechanisms, such as developing a ‘UK Council of Ministers’ as suggested by the Welsh Government. There must be an appropriate adjudication mechanism to resolve disputes. (Page 31)

Recommendation 9. The UK Government must commit to maintain funding for agriculture at levels presently secured under CAP until at least 2020/21. Thereafter, the most important benchmark will be the next cycle of CAP, from 2021-2027. Such funding for agriculture should not be subject to the Barnett formula. (Page 35)

Recommendation 10. The Welsh Government should commit to allocate funding at levels presently secured under CAP until 2020/21 and should clarify its position in relation to funding in 2021/22 as soon as possible. (Page 35)

Recommendation 11. The UK Government should work with the Welsh Government to ensure Wales’ labour needs are fully reflected in negotiations on withdrawing from the EU. (Page 39)

Recommendation 12. The Welsh and UK Governments should begin work immediately to assess the skills shortages Welsh businesses may face as a result of a possible reduction in migrant labour. (Page 39)

Recommendation 13. The Welsh Government should develop a skills strategy for the sector within the next 12 months, setting out how any skills shortages and new opportunities will be met via training and education policies. .. (Page 39)

Recommendation 14. The Welsh and UK Governments must ensure that consideration of transitional arrangements is a central part of the role of the proposed ‘UK Council of Ministers’. (Page 42)

Recommendation 15. The Welsh and UK Governments should ensure a transition period for future funding arrangements equivalent to the duration of the remainder of the current and the next CAP funding cycles. (Page 42)

Recommendation 16. The Welsh Government should develop a system of basic support that is more aligned to sustainable outcomes whilst producing high quality food. The introduction of such a system should be subject to a transitional period through to the end of the next CAP cycle. (Page 51)

Recommendation 17. The Welsh Government should prepare a plan for the dairy industry, in consultation with producers, distributors and retailers. This plan should identify how the sector can make the transition from the current funding model to a system of support based on sustainable outcomes.
..... (Page 51)

Recommendation 18. The Welsh Government must ensure that future funding for land managers is based on the delivery of outcomes which contribute to the ambitious targets for climate change adaptation and mitigation set out in Welsh legislation such as the Environment (Wales) Act 2016 and the Well-being of Future Generations (Wales) Act 2015. (Page 55)

Recommendation 19. The Welsh Government must progress as a matter of urgency its proposals on natural flood mitigation and prevention. (Page 55)

Recommendation 20. The Welsh Government must develop a food culture in Wales that: values local production; reduces food miles and carbon footprint, and protects high animal health and welfare standards. This should ensure access to the Single Market for our producers and continue our 'Made in Wales' reputation for high quality goods. (Page 58)

Recommendation 21. The Welsh Government should aim to increase public procurement of Welsh produce and should report to this Committee within the next six months on current levels of procurement and its plans for the future.
..... (Page 58)

Recommendation 22. The Welsh Government should work with Welsh food producers, distributors and retailers to increase sales of Welsh produce, including vegetables, and report to this Committee within the next six months on progress. (Page 58)

Recommendation 23. Future funding for land managers should support the delivery of outcomes which maintain and enhance biodiversity in Wales and also promote a spatial approach to land management, any such approach should support the delivery of the objectives of the Welsh Government's Nature Recovery Plan. (Page 61)

Recommendation 24. We recommend that future support for land managers in Wales rewards land managers for improving access to the countryside. Funding

should also reflect the extent to which access routes are maintained and promoted. (Page 63)

Recommendation 25. The Welsh Government must ensure that future support for rural development encompasses the best practice of existing schemes such as LEADER, so that vital learning and investment is not lost on our exit from the EU. (Page 66)

Recommendation 26. In its negotiations with the UK Government, the Welsh Government must emphasise the extent to which support for agriculture and rural development underpins the viability of rural communities, and the culture and language of Wales, and therefore reinforces the need for the continuation of current levels of support. (Page 66)

Chair's Foreword

For over four decades, the way in which agricultural produce is farmed, sold and financially supported has been decided primarily at a European level. Following the referendum outcome last June, Wales now has a chance to mould those policies closer to home.

But we can only take advantage of this opportunity to reinvigorate our rural communities by ensuring that we, in Wales, do not lose out as a result of the vote to leave.

In order to ensure this, I called for two commitments in autumn last year:

- I called on the UK Government to guarantee that Wales would continue to receive the level of funding for agriculture and rural development that it currently receives from the European Union, and that this funding would not be subject to the Barnett formula.
- I also called on the Welsh Government to make a commitment to spend that amount of funding on agriculture and rural development.

We are now calling on the UK Government to ensure Wales continues to have full access to the European Single Market. It is vital to the success of the agricultural industry; some sectors of Welsh food production would be seriously compromised if they had to trade under World Trade Organization rules.

The ability to make laws on agriculture has been devolved to Wales since 1999. Once we leave the European Union, the National Assembly for Wales will be able to legislate to align our priorities for rural communities and to support land managers to produce a range of outcomes - including food production, protection of biodiversity, climate change mitigation and resilient rural communities - which are valued by society.

However, to ensure appropriate consistency across the UK, especially with regards to support for producers, we are calling for a mechanism to bring together Ministers from all four countries of the UK to agree an overarching framework. Fundamental to its success will be the parity of esteem between all devolved administrations and the UK Government, with a fall back adjudication mechanism if agreement cannot be reached. In this way, we can establish a UK agreed, not UK led, policy and regulatory framework.

I am grateful to everyone who contributed to our inquiry and hosted our visits - from farmers to environmental protection groups, foresters and academics. We are fortunate that so many people from Wales and beyond have given their time and expertise to inform our work. The views we heard reflect the unique make-up of the agricultural sector in this country which plays such a big part in attracting people to visit Wales.

Given the strength of the evidence we received, and the current policy direction across Europe (including the UK) towards supporting rural communities and incentivising payments for ecosystems services, it is likely that financial support for agricultural producers will be shaped differently in future. However, we are clear that our landscapes and rural economies will continue to be managed largely by farmers, and this role should be supported with public funding.

Introduction

1. The Climate Change, Environment and Rural Affairs Committee of the National Assembly for Wales was established in June 2016. Shortly after, the Committee held an event with stakeholders at the Royal Welsh Show to discuss their priorities for agriculture and rural development in Wales. The clear priority was the decision to leave the EU.

2. The Committee decided to undertake an inquiry into the future of agricultural and rural development policies in Wales as its first piece of work because the result of the referendum on membership of the EU will mean a potentially seismic shift in the way in which this sector is funded and governed.

Terms of reference

3. This inquiry sought to develop principles to underpin new agricultural and rural development policies for Wales. We asked people to answer the following questions:

- What are the fundamental outcomes we want to see from agricultural, land management and rural development policies?
- What lessons can we learn from current and previous policies? What about policies elsewhere?
- To what extent should Wales develop its own agricultural, land management and rural development policies or should it be part of a broader UK-wide policy and financial framework?

Approach

- The Committee sought written evidence in relation to these questions and received 31 responses;
- We held oral evidence sessions with a variety of stakeholders and the Welsh Government;
- We held a stakeholder engagement event in October 2016 to discuss these issues;
- We visited farms in Ceredigion and Snowdonia to learn more about the challenges and opportunities facing farmers and those working in the rural economy. We also met local food producers in Ceredigion to hear about their concerns in accessing wider markets for Welsh produce;
- A Committee delegation visited Ireland to hear first-hand about the design and monitoring of the highly regarded Burren programme to restore biodiversity habitats.

The structure of the report

4. This report on the future of land management in Wales sets out the implications for this important sector once the UK leaves the EU. It is clear from our extensive discussions with stakeholders that there is considerable uncertainty about what this will mean for the future of farming and rural communities.

5. The decision to leave the EU means that the relationship between Wales and the UK Government has fundamentally shifted. No longer will policy and funding decisions be made at an EU level – they will now have to be decided between all the nations of the UK. All four nations will have to

agree common priorities rather than the UK Government speaking on our behalf in Brussels. This will necessitate new inter-governmental relationships at a UK level.

Part one – Land Management and Brexit: the immediate challenges

6. The first part of this report deals with the immediate challenges facing our agricultural sector as a result of the decision to leave the EU.

Key conclusions

Access to the EU Single Market

The risks of failing to achieve a trade deal with the EU are grave – trading under World Trade Organization rules will be hugely detrimental to the agricultural sector in Wales. The UK Government must ensure that Welsh producers, including Welsh lamb producers, are not exposed to the severe risks arising from restrictions on access to EU markets and the imposition of tariffs.

An appropriate level of funding

The UK Government must continue to provide funding for agriculture and rural development in Wales at the present level of Common Agricultural Policy (CAP) support until at least 2020/21. Thereafter, the most important benchmark will be the next cycle of CAP, from 2021-2027. In turn, the Welsh Government must commit to spend that funding on agriculture and rural development. The constituent nations of the UK must together agree a mechanism to determine funding in the longer term.

A regulatory framework that supports the agricultural sector

The current regulatory framework maintains standards of production which allow access to the EU Single Market and beyond. The opportunity for reforming regulations should draw on the views of food producers. Any future regulations should support the production of high quality food and ensure the widest possible access to markets.

Access to labour

There is understandable concern in Wales that a reduction in migrant labour could have a negative impact on the agricultural and food processing sectors. The UK Government must take into account the labour needs of Wales when determining future immigration policy.

The Welsh Government should seize this opportunity to consider its workforce planning for the agricultural and food processing sector.

Transitional arrangements

Comprehensive transitional arrangements are needed to minimise any negative impact arising from the UK's exit from the EU and to give as much certainty as possible to the sector in Wales. Any future funding arrangement which covers this interim period should be agreed by all devolved administrations.

We believe that changes to funding arrangements which are significantly different from the current CAP funding model will require a transitional period equivalent to the duration of the current and the next CAP cycles.

Part two – Proposals for the future of agriculture in Wales

7. In the second part of this report, the Committee explores the potential of a model of payment and support for land management that is based on outcomes. The report calls for delivery of outcomes in the following areas:

- Tackling climate change, including flood prevention and improving water quality;
- Supporting a **resilient, more self-reliant food production sector, producing food of the highest quality;**
- Maintaining sustainable forestry and woodland;
- Protecting and enhancing biodiversity;
- Managing the landscape for the benefit of tourism, recreation and local communities;
- Nurturing the Welsh language and vibrant rural communities.



Part one

Land Management and Brexit: the immediate challenges

The first part of this report deals with the immediate challenges facing our agricultural sector as a result of the decision to leave the EU.

- Access to the EU single market
- An appropriate level of funding
- A regulatory framework that supports the agricultural sector
- Access to labour
- Transitional arrangements

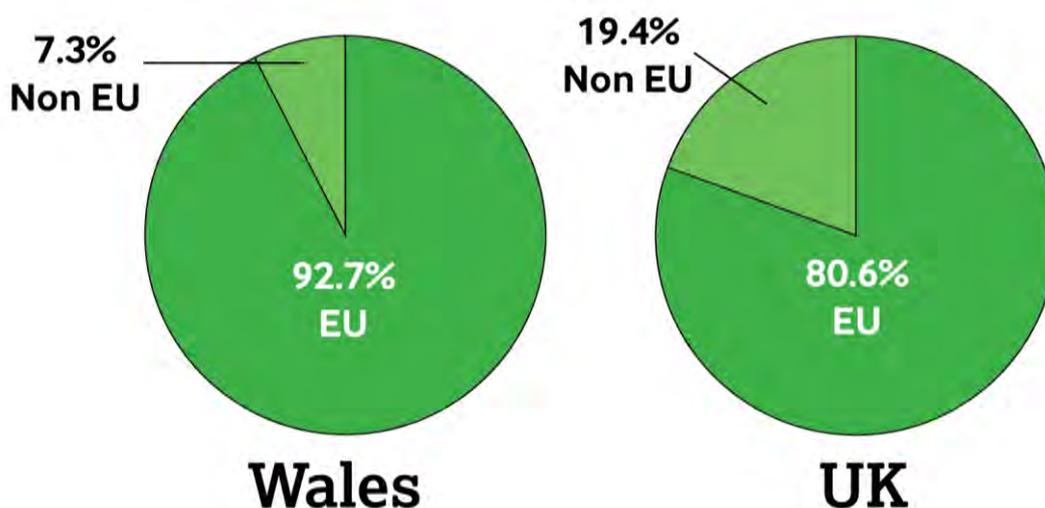
01. Agricultural trade after the UK exits the EU

There are many factors that affect the success of Wales' rural economy. Our report begins by setting out the importance of the agricultural sector to Wales. The Committee heard evidence about the importance of continued access to the Single Market for Welsh producers and the potential implications for exporters of trading under World Trade Organization rules.

8. Wales exported £12.3 billion worth of goods outside the UK in 2015, of which 67% went to the EU. While food and live animal exports represent 2% of Welsh exports, they are disproportionately more likely to go to EU nations.

9. In 2016 Wales exported 92.7% of its meat to the EU, excluding the UK.¹

Proportion of meat exported to EU



Source: HMRC [Regional Trade Statistics](#)²

10. HMRC statistics show that the most valuable exports were meat and meat products (£73 million), cereals and cereal preparation (£47 million), and dairy and birds' eggs (£46 million).³ However, analysis undertaken by Hybu Cig Cymru, which took into account structural issues within the red meat sector, suggests that the figure for red meat exports is much higher: £225m in 2014.⁴

11. Figures from the Office for National Statistics show the value to Wales' economy - Welsh Gross Value Added (GVA) - from agriculture was £385 million. This represented 0.69% of total Welsh GVA, lower than the proportions for Northern Ireland and Scotland but higher than England and the UK as a whole. For the UK, the GVA for agriculture is £8.5 billion, which is 0.51% of total UK GVA.

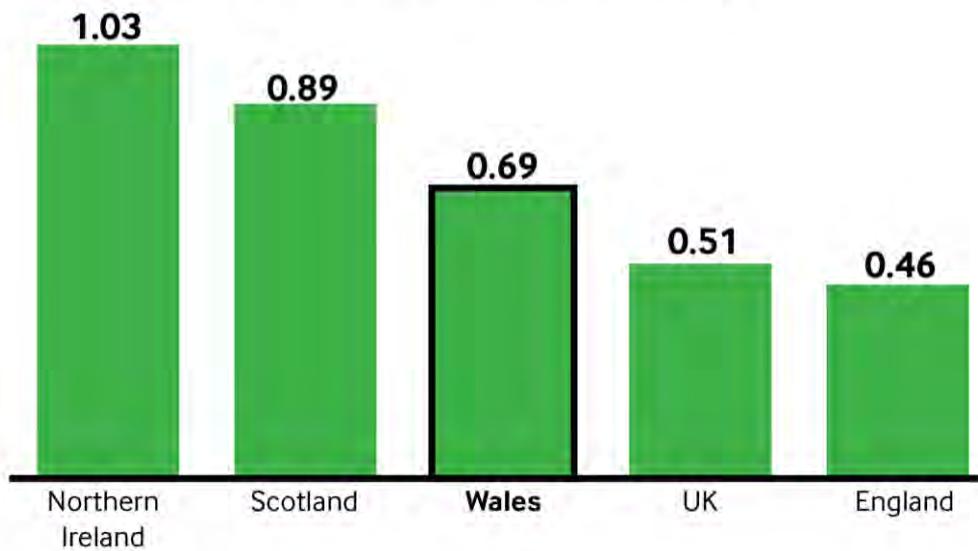
¹ HMRC Regional Trade Statistics

² Data is for the year 2016. Trade is expressed in terms of monetary value. Trade is allocated to regions within the UK according to the [Regional Trade Statistics methodology](#), using the '[Special Trade](#)' system. A business' trade is allocated to a region based on their proportion of employees in that region. The 'EU' portion of Welsh trade does not include other regions of the UK, as HMRC statistics are a record of UK trade with countries outside the UK.

³ <https://statswales.gov.wales/Catalogue/Business-Economy-and-Labour-Market/Businesses/Exports/valueofwelshexports-by-quarter-product>

⁴ This figure is higher than that in the Welsh Government's White Paper as it is a slightly broader category definition ('meat and meat preparations' vs 'red meat'). Further, some of the main slaughterhouses in Wales are VAT registered in other parts of the UK, meaning Welsh livestock which is slaughtered in England is not included in the Welsh export figure.

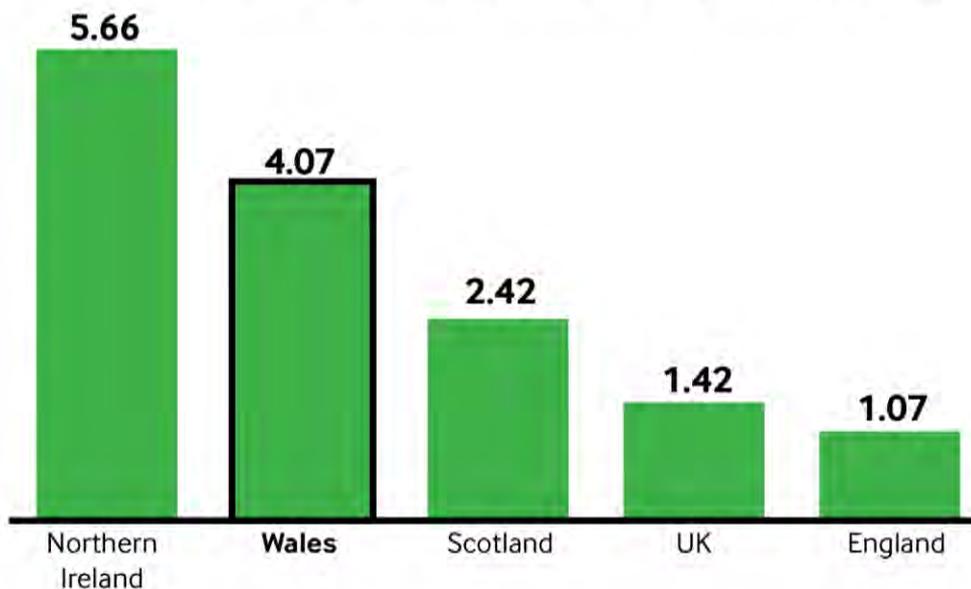
Agriculture's share of total regional gross value added 2015 (%)



Source: Office for National Statistics

- 12.** The agricultural sector is proportionately more significant for Wales in terms of employment than it is for other parts of the UK.

Agriculture's share of total regional employment (%) 2015



Source: Defra⁵

- 13.** A report produced on behalf of the National Farmers' Union (NFU) shows the farming sector in Wales spends £868 million on goods and services. As well as direct spend, the close links between farming, the environment and tourism also provide a boost for the Welsh economy. Over 80% of the Welsh countryside is managed by farmers, and it is these iconic landscapes that attract visitors from around the world and stimulate a tourism industry worth £2.5 billion to Wales. The Development

⁵ [Agriculture in the United Kingdom 2015, Defra](#)

Economics report on 'Contributions of UK Agriculture'⁶ states that for every £1 invested in farm support in the UK, farming delivers £7.40 back to the economy.

Access to the EU Single Market

14. The EU Single Market is a mechanism to facilitate the trading of goods and services between EU Member States⁷, based on a regulatory framework of recognised common standards. This common regulatory framework ensures that countries cannot gain competitive advantage by producing food to lower standards. Common tariffs are imposed on imports from non-Member States.

Stakeholders' views

15. Stakeholders, including Hybu Cig Cymru, NFU Cymru and Farmers' Union of Wales (FUW), emphasised the importance of export markets, in particular the Single Market, for Welsh agricultural produce.

16. Dai Davies, the Chair of Hybu Cig Cymru, stated that:

“In 2014, £225m worth of Welsh red meat exports went to our mature markets in the EU. That's nine in every ten export sales.

With exports accounting for around 35% of all Welsh lamb production, it means that nearly a third of the Welsh flock is sold to the EU nations.”⁸

17. The FUW and NFU Cymru stressed that access to the EU Single Market must be tariff-free. Hybu Cig Cymru also said:

“The ability for Wales and the UK to continue to trade effectively with countries both within and outside of the EU is crucial to the viability and sustainability of the rural economy and to safeguard the future economy and well-being of Wales.”⁹

18. On leaving the EU Customs Union and the Single Market there will be additional costs, beyond the costs of any tariffs, associated with trade in agricultural markets; for example, the administrative cost of complying with rules of origin and conformity assessment procedures, reformulating products, labelling and packaging. These additional costs are estimated at around 5%-8% of the value of the product.¹⁰

⁶ **Contributions of UK Agriculture**, Development Economics

⁷ European Economic Area states Norway, Iceland and Liechtenstein are also members of the Single Market. Switzerland has negotiated a bespoke arrangement which allows it access to the Single Market.

⁸ Hybu Cig Cymru written evidence.

This figure is higher than that in the Welsh Government's White Paper as it is a slightly broader category definition ('meat and meat preparations' vs 'red meat'). Further, some of the main slaughterhouses in Wales are VAT registered in other parts of the UK, meaning Welsh livestock which is slaughtered in England is not included in the Welsh export figure.

⁹ Hybu Cig Cymru written evidence

¹⁰ Professor Alan Matthews, **Agricultural Dimension Professor Emeritus of European Agricultural Policy, University of Dublin**.

UK Government position

19. The UK Government's White Paper: 'The United Kingdom's exit from and new partnership with the European Union'¹¹ (UK Government White Paper) states that the UK Government:

“... will not be seeking membership of the Single Market, but will pursue instead a new strategic partnership with the EU, including an ambitious and comprehensive Free Trade Agreement and a new customs agreement.”¹²

20. In her speech to the NFU conference on 21 February 2017, Rt Hon Andrea Leadsom MP, Secretary of State for Environment, Food and Rural Affairs, said:

“As the Prime Minister outlined last month, we want tariff-free and frictionless cross-border trade with Europe.

So with zero tariffs and zero non-tariff barriers as our starting point, we are striving for the best possible access for our farmers and food exporters.”

Welsh Government position

21. The Welsh Government's White Paper, 'Securing Wales' Future'¹³ (the White Paper), which was a joint publication with Plaid Cymru, emphasises that “full and unfettered access to the Single Market for goods, services and capital - including our key agricultural and food products - is vital”¹⁴. The White Paper urges the UK Government to make this its top priority for negotiation with the EU. The White Paper also states that imposing tariffs and non-tariff barriers would “only be damaging to businesses in Wales”.¹⁵

22. The White Paper suggests that access to the Single Market might be maintained as a result of UK membership of the European Free Trade Association (EFTA) and, as a result, continuing to form part of the European Economic Area (EEA). The White Paper also states that access to the Single Market could be maintained through a negotiated arrangement unique to the UK.¹⁶

Trading under World Trade Organization rules and international trade

23. All international trade between members of the World Trade Organization (WTO) is governed by their schedules – which contain detailed quotas and tariffs. All EU Member States are members of the WTO but they are collectively represented by the EU at the WTO.

24. If a trade deal cannot be reached between the UK and the EU, the UK will be required to trade with the EU under WTO rules. The following table shows possible tariff rates for Welsh goods.

¹¹ [The United Kingdom's exit from and new partnership with the European Union White Paper](#), UK Government

¹² [The United Kingdom's exit from and new partnership with the European Union White Paper](#), UK Government, Chapter 8

¹³ [Securing Wales' Future](#), Welsh Government, January 2017

¹⁴ [Securing Wales' future](#), Welsh Government, Chapter 1

¹⁵ [Securing Wales' future](#), Welsh Government, Chapter 4

¹⁶ [Securing Wales' future](#), Welsh Government, Chapter 4

Product	Tariff rate	Effective % tariff (2015 prices)
Cattle carcasses	12.8% + €176.8/100kg	84
Beef, boneless	12.8% + €303.4/100kg	65
Frozen beef, boneless	12.8% + €304.1/100kg	87
Lamb carcasses	12.8% + €171.3/100kg	46
Sheepmeat, bone-in	12.8% + €222.7/100kg	51
Sheepmeat, boneless	12.8% + €222.7/100kg	61
Pig carcasses	€53.6/100kg	50
Pork boneless	€86.9/100kg	43

All categories are fresh/chilled other than where specified

Source: Hybu Cig Cymru.¹⁷

25. There are various options for trading under WTO rules in future; none of which are straightforward, and some raise significant concerns for stakeholders. One option would be for the UK to begin with a blank schedule, putting the UK in the same position as any other new member seeking to access the WTO. As a result, the UK would need to re-negotiate its trade concessions with all other WTO members.

26. A more likely, but no less complex, scenario is that the UK will adopt the EU's tariff rates and agree to take on a proportional allocation of the EU's quotas and other commitments. However, the Institute for Government has argued that "The UK cannot simply 'cut and paste' the terms of its current membership ... and carry those terms over". In the event that agreements on schedules have not been agreed on the day the UK leaves the EU, it suggests that the WTO "is likely to continue to apply their existing EU tariffs and other trade arrangements to UK exports" and that "it is likely that the UK would apply existing EU arrangements to imports". It goes on to say: "this would probably work for most trade, though ... the quotas for agricultural products or issues around agricultural subsidies are likely to be more complicated".¹⁸

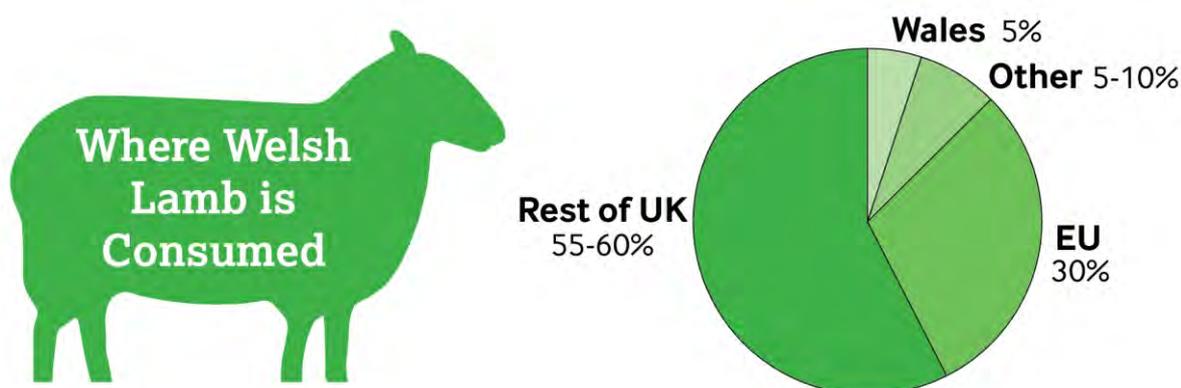
27. In relation to agriculture, there would need to be agreement about whether the UK could continue to have the option to provide some support to the agricultural industry and the division of Tariff Rate Quotas (TRQs).

¹⁷ Examples of tariffs that may be faced by UK exporters under a WTO scenario. The effective percentage tariff is based on 2015 prices. Tariff rates are set in a number of different ways. The most common is an 'ad valorem' tariff, where the amount paid is a percentage of the price of the item being imported. This is the type of tariff most commonly utilised by the EU. For most red meat products the EU import tariff also includes a set fixed monetary amount per unit (based on weight). The fixed monetary amounts vary between meat products.

¹⁸ [Brexit Explained: 10 things to know about the WTO, Institute for Government](#)

28. TRQs are the quota of goods which can be imported into the EU. How TRQs would be divided between the UK and EU and whether they would be agreed by those countries currently holding them are issues that would need to be resolved. This is of relevance to Wales because New Zealand currently has an annual TRQ of 228,254 tonnes of lamb, which is allowed to enter the EU market tariff-free. An ad valorem¹⁹ tariff rate of 12.8% per 100kg/net applies to products imported outside the quota. According to the estimates in the table above, the effective tariff rate is likely to be far higher, as it would include a fixed weight tariff.

29. New Zealand has not filled its quota since 2011, with only 76% being used in 2015. Of the volume of New Zealand lamb currently coming into the EU, around half comes to the UK.²⁰



Source: Hybu Cig Cymru²¹

Stakeholders' views

30. Hybu Cig Cymru (HCC) told the Committee that, based on information from 2015, a scenario where the UK trades with the EU under WTO rules could mean tariffs of 84% on cattle carcasses, 46% on lamb carcasses and 61% on cuts of lamb. HCC said:

“... I can't over-emphasise the importance of the European market to us as far as the red meat sector is concerned, especially Welsh lamb. As the majority of you will know, one third of the Welsh lamb production from Wales, which is about 1.3 million lambs, actually ends up being consumed in Europe, tariff-free of any restrictions. Of course, it's an ideal market for us because it's fairly close to where we produce the product and also it fits in with the fact that we've only got a 21-day shelf life for Welsh lamb at the moment. Of course, having the markets on our doorstep enables us to tackle this ... Probably as far as a UK basis is concerned about 6 million lambs from the UK end up in Europe and about 6 million lambs from New Zealand and Australia actually come into the UK. So, if I was the Prime Minister, looking after the interests of the red meat sector, I would say, if we lose the Single Market, we get rid of the cheap imports from Australia and New Zealand in order for us to sell the lambs that we actually sell to Europe now, because there would be a demand for them at home.”²²

¹⁹ Refer to footnote 17

²⁰ **Agriculture and Horticulture Development Board**, October 2016

²¹ Hybu Cig Cymru: For Welsh lamb exported to the EU, France, Italy, Germany, Spain, the Netherlands, Belgium and Scandinavia are the largest consumers. Exports outside of the EU are mainly to Switzerland, Canada, UAE and Hong Kong.

²² CCERA, 12 January 2017, para 69

31. Professor Midmore from Aberystwyth Business School told the Committee:

“... it would be a disaster for upland Wales if we had to sell our lamb to Europe under World Trade Organization rules because, in effect, it more than reverses the dividend that Welsh farmers have had in terms of exchange rate movement after the referendum result. On top of that, until the UK actually re-accedes or resumes full membership of the WTO, we’re in a sort of limbo position. We are not actually a part of it or not, so we don’t have to be treated with most-favoured-nation status.”²³

32. With regards to making trade deals with countries outside the EU, Professor Fiona Smith suggested to the National Assembly’s External Affairs and Additional Legislation (EAAL) Committee a minimum timeframe of three to five years before post-Brexit trade deals with other countries can be agreed:

“Countries like Australia and the United States have indicated that they want to negotiate trade deals with the UK government post-Brexit, but favourable agri-trade deals with these countries is unrealistic for at least the next three to five years.”²⁴

UK Government position

33. The prospect of trading under WTO rules was addressed in the UK Government’s White Paper which stated that “the Government is clear that no deal for the UK is better than a bad deal for the UK”²⁵.

34. More recently, on 7 February 2017, David Jones MP, Minister of State at the Department for Exiting the European Union, addressed the possibility of the UK trading on WTO rules. He said:

“... if there were no agreement at all, which I think is an extremely unlikely scenario, ultimately we would be falling back on World Trade Organization arrangements. That is nothing new. It has been made very clear previously, including by my right hon. Friend the Prime Minister.”²⁶

35. The UK Government’s White Paper states that:

“9.17 As part of leaving the EU the UK will need to establish our own schedules covering trade in goods and services at the WTO, providing clarity for UK business about their access to overseas markets around the world and also providing a clear basis for negotiating new trade agreements, not just with the EU, but with old friends and new allies from outside Europe too.

9.18 ... Our aim is to establish our schedules in a way that replicates as far as possible our current position as an EU Member State, thus creating a mutually

²³CCERA, 28 September 2016, para 66

²⁴ [Professor Fiona Smith, Warwick University](#)

²⁵ [The United Kingdom’s exit from and new partnership with the European Union White Paper](#), UK Government, Chapter 12

²⁶ Hansard, (Vol.261 c.272)

beneficial, simple and inclusive outcome, so that the interests of the UK and other WTO members are protected.”²⁷

36. The UK Government’s White Paper also said that preliminary trade discussions had begun with a number of non-EU countries:

“[The Department for International Trade] will lead the UK’s ambitions for deepening trade and investment relations with the wider world. Many countries including China, Brazil, and the Gulf States have already expressed their interest in enhancing their trading relationships with us. We have started discussions on future trade ties with countries like Australia, New Zealand and India.”²⁸

Welsh Government position

37. The Welsh Government’s view is that Welsh businesses in the agricultural sector would be severely affected by WTO trading rules. Its White Paper states that:

“Single Market participation with World Trade Organization rules could result in a UK economy up to 8 – 10% smaller than would otherwise have been the case and would devastate trade in certain key sectors, notably food, the UK’s largest manufacturing sector, and the automotive sector. This would have both immediate and long-term consequential impact on living standards and poverty in Wales.”²⁹

38. In response to a question on international trade of agricultural products, the First Minister said in the Assembly on 17 January 2017:

“I am completely against tariffs on Welsh produce as regards trading with the European market. I am also against any free trade agreement that will weaken the agriculture of Wales, whether it be with New Zealand [on lamb], or with Brazil on beef. We have to be extremely careful as regards which countries agreements are made with ... We are completely against any route that would mean that the farmers of Wales would lose money and their markets.”

39. The Cabinet Secretary for Environment and Rural Affairs told this Committee that the Welsh Government was modelling different scenarios under which Wales might trade to assess their impact and added:

“If we have the World Trade Organization rules, I think the impact on agriculture, on fisheries and on food is going to be very significant. Obviously, tariffs are a big concern to the sector.”³⁰

40. A Welsh Government official accompanying the Cabinet Secretary added:

²⁷ [The United Kingdom’s exit from and new partnership with the European Union White Paper](#), UK Government, Chapter 9

²⁸ [The United Kingdom’s exit from and new partnership with the European Union White Paper](#), UK Government, Chapter 9

²⁹ Securing Wales’ Future, Welsh Government, Chapter 4

³⁰ CCERA, 1 February 2017, para 171-172

“... what WTO per se would actually mean in terms of actual tariffs that would apply to those products - you’re looking at an ad valorem tariff rate of 12.8 per cent on those products, but beyond that there’s also what’s called the non-ad valorem addition. So, you also pay per weight of product that you’re exporting - you’d be exporting under WTO rules, too, which means that in practice, under some scenarios, depending on price, tariff rates have exceeded 40, 50 per cent in terms of the actual cost of exporting that product.

Now, clearly, in the very tight margins that our Welsh beef and lamb sector are operating in, that would have a significant impact on our ability to export to the EU.”³¹

Our view

This Committee cannot overemphasise the importance of the agricultural sector and the rural economy to Wales. That value extends beyond economics and the value of commodities produced - it supports our culture and language and our landscape and communities.

Given that over 90% of Welsh food and drink exports outside the UK are currently exported to the EU, it is vital that the sector can continue to access this market fully. We support the Welsh Government’s call for access to the Single Market to be tariff and quota free. The Welsh Government has made some useful suggestions as to how this may be achieved, including through membership of EFTA or the EU Customs Union.

The needs of the agricultural sectors in the nations of the UK and their relative importance to their economies are varied. Each of the nations of the UK will have their own priorities to be negotiated with the EU. For Wales, an example of a key priority will be lamb. If Wales’ lamb industry is not represented appropriately in those negotiations, it may prove to be disastrous.

It is vital, therefore, that during negotiations the UK Government presents a negotiating position that has been agreed with the constituent nations of the UK.

The risks of failing to achieve a trade deal with the EU are grave – trading under WTO rules will be hugely detrimental to the agriculture sector in Wales. The UK Government must ensure that Welsh producers, including Welsh lamb producers, are not exposed to the severe risks arising from restrictions on access to EU markets and the imposition of tariffs.

In terms of international trade, the UK and Welsh Governments need to ensure Wales can export on reasonable terms and that products of a lower standard from other markets do not flood the UK market.

We share the concerns expressed by stakeholders about the potential impact arising from transposing the entirety of the current New Zealand quota for lamb imports to the UK after it has exited the EU. This could devastate our lamb production. Ensuring that the interests of Welsh producers are represented in negotiations on this issue is crucial.

The Welsh Government and Hybu Cig Cymru must ensure they are ready to meet the challenges offered by accessing new and different markets. We heard evidence that work has already started to

³¹ CCERA, 1 February 2017, para 173-175

exploit new international markets. We are calling for Hybu Cig Cymru and the Welsh Government to produce a strategy for growing the red meat sector within the next 12 months to mitigate against the potential impact of leaving the EU on current levels of Welsh exports.

Furthermore, we call on the Welsh Government and Hybu Cig Cymru to place a renewed focus on marketing Welsh lamb, including lighter weight lambs reared on natural grass land from the uplands, in order to increase demand in the market, domestically and abroad.

Recommendations:

Recommendation 1. The UK Government should seek tariff and quota-free access to the EU Single Market for Welsh agricultural and food products.

Recommendation 2. The Welsh Government should have an equal voice at the negotiating table during the talks on access to the Single Market. The UK Government can only take forward a UK-agreed position during negotiations, not a UK-led position.

Recommendation 3. The UK Government must safeguard the interests of Welsh lamb producers and, at the earliest opportunity, provide clarity on its negotiating strategy with regards to the future New Zealand lamb quota for the UK.

Recommendation 4. The Welsh Government must work with relevant UK Government Departments to significantly increase its trade efforts internationally to develop new, and strengthen existing, export markets for Welsh lamb.

Recommendation 5. Hybu Cig Cymru must strengthen its marketing of Welsh lamb across domestic and international markets in order to assist producers to meet the challenges of leaving the EU. A refreshed marketing strategy for dealing with these issues should be prepared within the next 12 months. The strategy must properly address the needs of upland hill farmers.

02. Devolution and the future of EU powers

This chapter explores how decisions on matters relating to agriculture will be made after the UK leaves the EU. It also addresses calls for an overarching regulatory framework for the UK and for Wales to have an equal voice in its development.

- 41.** The UK has an asymmetric distribution of powers where Wales, Scotland and Northern Ireland have various levels of devolution. The UK Parliament legislates for the UK as a whole on matters that are reserved and for England only in those areas where powers have been devolved.
- 42.** The legislative responsibility for agriculture has been devolved to Wales since 1999. The Wales Act 2017³² introduced a “reserved powers” model of devolution which sets out the subject areas outside the Assembly’s legislative competence, leaving everything else devolved to Wales. This model will come into force in April 2018 and, until then, the conferred powers model in Schedule 7 of the Government of Wales Act 2006 will apply.
- 43.** Since 1999, Welsh Government policies in relation to agriculture have operated subject to the common regulatory frameworks set by the EU.
- 44.** Agriculture is fully devolved in terms of the competences not currently resting with the EU. The UK Government is responsible for other, related matters such as trade. It will be for the UK Government to legislate in relation to trade, including the terms on which the UK and, consequently, Wales, will trade with the EU and other countries after the UK has exited the EU. Such legislation on reserved matters will, inevitably, impact on the devolved matter of agriculture.
- 45.** The Wales Act 2017 allows for the UK Parliament to legislate in areas devolved to Wales but, before doing so, the Assembly must give its consent, through a Legislative Consent Motion. This convention, known as the Sewell convention, is not legally binding.

Devolved powers

UK Government position

- 46.** In answer to a question in Parliament on 24 January 2017, David Davis MP, the Secretary of State for Exiting the European Union said:

“...no powers existing in the devolved Administrations will come back [to *Westminster*], but there will be powers coming from the European Union and we will have to decide where they most properly land, whether that is *Westminster*, *Holyrood* or wherever. The real issue there is the practical interests of all the nations of the United Kingdom - for example, preserving the single market of the United Kingdom and the United Kingdom’s ability to do international deals.”³³

- 47.** *The UK Government’s White Paper*, published on 2 February 2017, states that the current devolution settlements were created in the context of the UK’s membership of the EU and that the devolved legislatures only have legislative competence in devolved areas as long as they are compatible with EU law. It goes on to state that:

³² [The Wales Act 2017](#)

³³ [Hansard](#), 24 January 2017

“We have already committed that no decisions currently taken by the devolved administrations will be removed from them and we will use the opportunity of bringing decision making back to the UK to ensure that more decisions are devolved.”³⁴

Welsh Government position

48. The White Paper explains its view of the relationship between devolved powers and the EU:

“Currently a range of powers already devolved to the National Assembly for Wales and the Welsh Government are operated within an EU regulatory framework. These include agriculture, fisheries, environment and economic development. At the point of UK exit from the EU, when EU regulatory and administrative frameworks cease to apply, these powers will continue to be devolved in Wales.”³⁵

The future use of EU powers

49. Since the UK joined the European Union in 1973,³⁶ common regulatory frameworks relating to agriculture have been decided at a European level. It is this regulatory framework that, for example, sets common standards for animal welfare in food production.

UK Government position

50. The UK Government’s intention is that its Great Repeal Bill will bring the entire body of EU environmental and agriculture legislation into UK law. The UK Government has described this as a “repatriation” of legislation:

“... even in areas where the devolved legislatures and administrations currently have some competence, such as agriculture, environment and some transport issues, most rules are set through common EU legal and regulatory frameworks, devised and agreed in Brussels. When the UK leaves the EU, these rules will be set here in the UK by democratically elected representatives.

3.5 As the powers to make these rules are repatriated to the UK from the EU, we have an opportunity to determine the level best placed to make new laws and policies on these issues, ensuring power sits closer to the people of the UK than ever before.”³⁷

Welsh Government position

51. In oral evidence to the Committee, the Cabinet Secretary for Environment and Rural Affairs reiterated the Welsh Government’s view that powers returning from the EU, in devolved areas, will come to Wales, rather than to the UK. She said she was encouraged by the Prime Minister saying at

³⁴ [The United Kingdom’s exit from and new partnership with the European Union White Paper](#), UK Government, Chapter 3

³⁵ [Securing Wales’ Future](#), Chapter 7

³⁶ The UK joined what was then known as the European Economic Community

³⁷ [The United Kingdom’s exit from and new partnership with the European Union White Paper](#), UK Government, Chapter 3

the Joint Ministerial Committee meeting on 30 January that there would be no “land grab” of devolved powers.³⁸

The future approach to regulation

52. In relation to the approach to regulation after the UK leaves the EU, two key areas were explored during the Committee’s inquiry: firstly, whether the EU regulatory framework should be replaced with a new framework for the UK; and, secondly, the regulatory approach within such a framework.

Stakeholders’ views

53. Stakeholders generally advocated the introduction of common regulatory frameworks at a UK level, where appropriate and desirable. This would, for example, ensure that food producers across the UK continue to work to common animal welfare standards.

54. There was a strong view that the Welsh Government should have the freedom within common regulatory frameworks to develop policies that are appropriate for Wales. The FUW told the Committee that:

“... a UK agricultural framework should be put in place which prevents unfair competition between devolved regions and secures and protects adequate funding for agriculture, while also respecting devolved powers over agriculture and the need for flexibility within that framework which allows devolved governments to make decisions which are appropriate for their regions.”³⁹

55. Natural Resources Wales believed that the development of a “broadly similar regulatory baseline across the UK” should be considered, but emphasised that the introduction of common frameworks would place constraints on the exercise of devolved powers, saying that:

“For example, different approaches to retaining the basic payments scheme, could create significant cross-border effects within the UK.”⁴⁰

56. Stakeholders said they believe that UK-wide frameworks should be agreed by all of the constituent nations of the UK. The Country Land and Business Association (CLA) said:

“It is essential that Westminster recognises the different needs and contributions of each part of the UK. Each country has its own distinct challenges and opportunities and must be allowed to respond to these within an overarching policy framework. Current arrangements where DEFRA is the voice of England and the voice of the UK cause difficulties. A formal platform needs to be established where the component parts of the UK - Scotland, Wales, Northern Ireland, and England have equal status in developing a holistic UK framework policy.”⁴¹

³⁸ CCERA, 1 February 2017, para 262

³⁹ Farmers’ Union Wales written evidence

⁴⁰ Natural Resources Wales written evidence

⁴¹ Country Land and Business Association written evidence

UK Government position

57. Representatives of the UK Government have given indications of support for the principle of UK-wide frameworks. David Jones MP, the Minister of State at the Department for Exiting the European Union, has said:

“Lesley Griffiths, the Environment Secretary, made some comments recently about the need, for example, in terms of agriculture, for there to be a UK-wide framework so that one part of the UK doesn’t have an unfair advantage over another part of the UK. I think that she’s probably right.”⁴²

Welsh Government position

58. The White Paper says there may be cases where consistency is required across the UK internal market, making it necessary to develop new UK-wide frameworks. Such arrangements should be subject to a series of principles surrounding new constitutional arrangements, including the “free consent of the three devolved legislatures and administrations” participating on equal terms with the UK Government. It also says there should be robust and genuinely independent arbitration mechanisms to resolve any disputes in relation to the operation of the agreed frameworks.⁴³

59. The Cabinet Secretary also emphasised the need for a new mechanism for intergovernmental dialogue within the UK, with clarity around when the UK Government speaks for the UK and when it speaks for England. She said there must be parity for each of the nations involved in discussions because of their different priorities and the impact decisions on reserved matters, such as trade, could have on devolved matters such as agriculture.

60. A Welsh Government official accompanying the Cabinet Secretary told the Committee that, although there are established mechanisms for inter-governmental dialogue at ministerial level, there was no equivalent for dialogue at official level:

“We’ve got overarching machinery that governs the constitutional arrangements, principally through the Joint Ministerial Committee, and that machinery is being strengthened in light of Brexit. ... But, we’ve yet to see the development of official mechanisms, or mechanisms below ministerial level, to pull together all the Brexit thinking... Whitehall colleagues have clearly been doing a lot of analytical work over the summer and it’s important that we can be part of that process and make sure that Welsh interests are properly reflected in that analysis.”⁴⁴

The future regulatory approach

Stakeholders’ views

61. Cardiff University School of Law and Politics suggested that the UK leaving the EU could provide an opportunity to introduce a regulatory structure that supports the sector to produce premium products with high environmental, health, animal welfare and labour standards.⁴⁵

⁴² EAAL, 13 February 2017, para 95

⁴³ Securing Wales’ Future, Chapter 7

⁴⁴ CCERA, 14 September 2016, para 20

⁴⁵ Cardiff University School of Law and Politics written evidence

62. RSPB Cymru stated that, in future, environmental and welfare standards for producers should be at least as high as they are now.⁴⁶

63. NFU Cymru stated that any increase in the regulatory burden on the sector must be justified and necessary. They went on to say:

“... we certainly wouldn’t want to see a bonfire of rules and regulations, especially if we want to maintain access to the Single Market in Europe. But, of course, we could be more pragmatic ... in that we should be basing some of these regulations on risk rather than the heavy-handedness at present.”⁴⁷

UK Government position

64. During a speech at the Oxford Farming Conference on 4 January, in relation to the approach to regulation, Rt Hon Andrea Leadsom MP, the Secretary of State for Environment, Food and Rural Affairs, said “I will be looking at scrapping the rules that hold us back”, and added:

“By cutting the red tape that comes out of Brussels, we will free our farmers to grow more, sell more and export more great British food – whilst upholding our high standards for plant and animal health and welfare.”⁴⁸

65. More recently she said at the NFU conference on 21 February that the UK Government would honour the pledge in their 2015 manifesto which states “high animal welfare standards will be incorporated into international trade agreements”.⁴⁹

Welsh Government position

66. The Welsh Government’s White Paper states that ‘leaving the EU must not be an excuse for diluting or rowing back on standards which have improved the lives of our citizens’.⁵⁰ The Cabinet Secretary highlighted to the Committee the importance of meeting EU regulatory standards in order to access the Single Market after the UK leaves the EU.

Our View

We welcome the UK Government’s commitment that the devolution settlement will not be affected by the exit of the UK from the EU. However, further clarification is needed as to what this will mean in practice, given the impact that decisions on reserved matters, such as trade, will have on devolved matters such as agriculture.

There is a lack of clarity and agreed understanding around what the UK Government calls the “repatriation” of powers. This term is used in the UK Government’s White Paper to describe what will happen in respect of the common EU regulatory framework once the UK leaves the EU. The question of whether there should be a new regulatory framework for the UK once it leaves the EU will be a matter for negotiation between the UK nations.

Leaving the EU will necessitate new inter-governmental relationships at a UK level. The priorities of each government in the UK must be represented in the development of future regulatory and policy

⁴⁶ RSPB written evidence

⁴⁷ NFU Cymru written evidence

⁴⁸ Defra, Secretary of State [Speech to Oxford Farming Conference](#)

⁴⁹ Defra, Secretary of State [Speech to NFU Conference](#)

⁵⁰ Securing Wales’ Future, chapter 8

frameworks. Co-ordinating the shared responsibilities across the UK has to be undertaken on the basis of parity of status. There is little evidence of cooperation or coordination between the UK and Welsh Governments thus far and this is a cause for concern.

Fundamental to this new relationship will be the introduction of common regulatory frameworks for the UK. These frameworks must be agreed by each of those constituent nations, not imposed from the centre. We fully endorse the Welsh Government's proposals for the Joint Ministerial Committee to be developed into a 'UK Council of Ministers' and for an adjudication mechanism to be established to resolve disputes.

Furthermore, the UK and Welsh Governments must establish a mechanism for joint working at official level to ensure Wales is properly involved in ongoing work on the impact of leaving the EU.

Any future common regulatory framework must be able to accommodate policy divergence across the UK. The Welsh Government must have the maximum freedom to develop policy in devolved areas, whilst also respecting any UK agreed framework. This is not only to preserve Wales' current animal welfare and environmental protection standards; it is also necessary to accommodate existing Welsh legislation such as the Well-being of Future Generations (Wales) Act 2015 and the Environment (Wales) Act 2016.

The current regulatory framework maintains standards of production which allow access to the EU Single Market and beyond. The opportunity for reforming regulations should draw on the views of food producers. Any future regulations should support the production of high quality food and ensure the widest possible access to markets.

Any proposed changes to the current regulatory approach will need to be discussed and agreed as a matter of urgency. Food producers must have certainty in order to guide their planning.

Recommendations:

Recommendation 6. The Welsh Government should seek urgent bilateral talks with the UK Government to develop a common understanding of the legal and constitutional position in respect of devolved and reserved powers following the exit of the UK from the EU.

Recommendation 7. The UK Government should give a commitment that future UK regulatory and policy frameworks for agriculture and rural development will be developed in partnership and there will be parity of esteem between the UK Government and devolved administrations.

Recommendation 8. The UK and Welsh Governments should strengthen joint working mechanisms, such as developing a 'UK Council of Ministers' as suggested by the Welsh Government. There must be an appropriate adjudication mechanism to resolve disputes.

03. Funding

This chapter considers the need for certainty over future funding levels from the UK and Welsh Governments. It seeks commitments from both of them that funding will continue at its current level until at least 2020/21 and, thereafter, the most important benchmark will be the 2021-2027 CAP cycle. Such funding must not be subject to the Barnett formula calculation. Wales should be no worse off as a result of the vote to leave the EU.

67. The primary source of funding for agriculture in Wales from the EU is via Common Agricultural Policy (CAP) payments. Funding for CAP is divided into two 'Pillars'. Pillar 1 support includes direct income support to farmers (the Basic Payment Scheme) and market management measures. Pillar 2 is known as the Rural Development Pillar and provides support for Member States' and Regions' Rural Development Programmes (RDP).

68. In terms of funding for agriculture in Wales, for 2014-2020, Wales is expected to receive a total of €1.95 billion for Pillar 1 direct payments from the EU which equates to an average of €279m per annum. For Pillar 2, Wales is expected to receive a total of €655.8m from the EU for the 2014-2020 period, which equates to an average of €93.5m per annum.

69. In advance of the referendum on leaving the EU, statements were made by those campaigning to leave to reassure voters that the UK would not be worse off financially if it decided to leave the EU. For instance, at the NFU Conference on 25 February 2015 George Eustice MP, now the Minister of State for Agriculture, Fisheries and Food, said that leaving the EU would create an £18 billion a year "Brexit dividend". This could be used to continue payments to farmers through an improved scheme:

"Could we find the money to spend £2bn on farming and the environment? Of course we could. Would we? Without a shadow of a doubt."⁵¹

Stakeholders' views

70. All respondents who referred to funding in written evidence expressed concern about reduced funding for agriculture post-Brexit. FUW argued that agricultural funding should be maintained at levels that at least reflect those that would have been in place had the UK not voted to leave the EU. Both RSPB Cymru and Wales Environment Link (WEL) said funding should be sufficient to enable full delivery of Wales's environmental objectives.

71. NFU Cymru, FUW, RSPB Cymru, WEL, CLA and Young Farmers' Clubs (YFC) stated that future funding should not be subject to the Barnett Formula. NFU Cymru estimated that using the Barnett Formula to allocate funding would result in 40% less funding for Wales compared to the current CAP funding mechanism. No respondents favoured future funding being subject to the Barnett Formula.

UK Government position

72. The UK Government has confirmed that funding for agriculture will continue at its current level until 2020. Rt Hon Andrea Leadsom MP, the Secretary of State for Environment, Food and Rural Affairs, speaking at the Conservative Party annual conference on 3 October 2016, said:

⁵¹ NFU Conference 2015, 24 – 25 February 2015.

“It’s really important that we have been able to confirm the same level of agricultural support until 2020, and that we’ll honour all environmental agreements signed before the Autumn Statement for their lifetime, even if they run beyond our departure from the EU.”⁵²

73. On 19 January 2017, she said:

“... we have undertaken, from our very first days in the job, to commit to the levels of current support for all Pillar one payments until 2020 to give that continuity to farmers and businesses. We have committed to our consultation on the future of the food and farming sector in our 25-year plan, and that will look closely at the level of support that is needed. I absolutely agree that we will need to look at what we do for the future to ensure that hill farmers remain viable and sustainable.”⁵³

Welsh Government position

74. In reference to funding more generally after the UK leaves the EU, the Welsh Government White Paper states:

“The baseline of the Block Grant payment for Wales must be readjusted, at the point of exit from the EU, to reflect the real loss of funds in Wales arising from leaving the EU and taking into account funding which Wales would have otherwise reasonably expected from EU sources.”⁵⁴

75. The Cabinet Secretary for Finance and Local Government expanded on this in the EAAL Committee on 23 January, saying that the readjustment should be based on a recognition of relative need and not subject to the Barnett Formula. He said that oversight of the allocation of those funds would be a matter for the Assembly.⁵⁵

76. The Cabinet Secretary for Environment and Rural Affairs’ letter of 20 December 2016 does not explicitly state that the Welsh Government would commit to protecting funding for agriculture post-Brexit:

“I would like to re-iterate my full support for the calls for the UK Government to commit to providing Wales with the same level of EU funding it currently receives. This is a key issue and the First Minister has sought assurances from the UK Government that existing EU funding will be replaced in full, including that equivalent monies in programmes like CAP will be guaranteed to the end of the current programmes in 2023.”⁵⁶

77. The Cabinet Secretary subsequently told the Committee she could not envisage a time when the Welsh Government would not support farmers. She said that if the same level of funding was provided by the UK Government for agriculture, environment and rural development in Wales post-Brexit, her intention would be to continue current funding levels up to the end of this Assembly term

⁵² **A rural economy and environment that works for everyone**, Rt Hon Andrea Leadsom MP

⁵³ Hansard, 19 January 2017, **Vol 619 (col.1049)**

⁵⁴ Securing Wales’ Future, Chapter 6

⁵⁵ External Affairs and Additional Legislation Committee of the National Assembly for Wales, 23 January 2017, para 38

⁵⁶ Letter from the Cabinet Secretary for Environment and Rural Affairs, 20 December 2016

in 2021.⁵⁷ The Cabinet Secretary recognised that the current Welsh Government could not give commitments that would bind its successor.

78. In this context, the First Minister said in evidence to the External Affairs and Additional Legislation Committee on 6 February 2017:

“ ... in terms of farming subsidies, I can give no assurances at all. What I know is that assurances have been given by the UK Government until 2020-beyond that, nothing. Now, we can't find £260 million out of our own budget to compensate farmers for the loss of European funding, which is why we make the point that it is another responsibility of the UK Government to find that money, as per the promise that was given in the referendum. The difficulty for farming is that if farming payments do become part of the block grant then, of course, farming is fighting against health and education for that funding. I'm sure that farmers would argue that a cleaner solution would be for an equivalent sum of money to be made available by the UK Government from the supposed Brexit dividend, and that money then shared on the same basis as it is now.”⁵⁸

Our view

Appropriate levels of financial support for farmers are vital to maintain a prosperous agricultural sector and vibrant rural economy. We understand fully that this period of uncertainty will be of concern to the sector. In particular, farmers and those working in the rural economy will be concerned about future levels of funding once the UK leaves the EU and how that funding will be distributed.

For most farmers in Wales, the direct payments they receive from EU funds make up the majority of their income. In 2014-15, direct payments accounted for an average of 81% of net Welsh farm profit for all Welsh farm types. Funding for farmers results in a significant multiplier from which the rural economy benefits. We saw this first-hand when we visited a farm in Ceredigion during our inquiry – that farm had made payments to 123 businesses in 2015/2016, 95 of which were based locally.

During the referendum campaign a range of statements were made by prominent Leave campaigners on the future of funding for agriculture and rural development should the UK exit the EU. These statements have created strong and reasonable expectations of funding continuing on a similar basis to that presently secured under the EU's CAP.

The UK Government's commitment to maintain funding for agriculture until 2020 has given the sector a degree of reassurance in the short term, but there remains uncertainty about what will happen after that point. It is unclear whether the UK Government will continue to maintain EU funding levels after 2020 or whether funding for Wales will be subject to the Barnett formula. In any event, the administrations of the UK will need to agree a mechanism to determine how funding is allocated in the longer term.

⁵⁷ CCERA, 1 February 2017, para 152 & 155

⁵⁸ EAAL, 6 February 2017, para 42

The Cabinet Secretary for Environment and Rural Affairs has said her intention would be to maintain funding until 2021 – the end of the current Assembly term. However, this is predicated on the UK Government maintaining levels of funding until that time.

This Committee is clear – the UK Government must continue to provide funding for agriculture and rural development in Wales at the present level of CAP support until at least 2020/21. Thereafter, the most important benchmark will be the next cycle of CAP, from 2021-2027. Such funding should be passed directly to the Welsh Government and not subject to the Barnett formula. We would expect the Welsh Government, in turn, to ensure that the funding is passed on to agriculture and rural development in full.

We therefore call on both Governments to give a public commitment to this effect to reassure farmers and the wider sector.

If the UK has exited the EU before 2020, the UK will not be subject to the EU's CAP for the final year of the UK Government's commitment in relation to funding. There is an urgent need for the Welsh and UK Governments to consider and agree an effective way to distribute funding. **The issue of transitional arrangements is given further consideration in Chapter 5.**

In the medium to longer term, and anticipating likely changes to CAP, the Welsh Government will have the opportunity to reconsider its approach to funding, to ensure that it supports its policy objectives. Of course, decisions on any such changes would be subject to WTO rules; influenced by approaches to funding in the rest of the UK; and, to a certain extent, will continue to be informed by developments within the EU, such as reform of CAP. We set out possible approaches in more detail in Part two of this report.

Recommendations:

Recommendation 9. The UK Government must commit to maintain funding for agriculture at levels presently secured under CAP until at least 2020/21. Thereafter, the most important benchmark will be the next cycle of CAP, from 2021-2027. Such funding for agriculture should not be subject to the Barnett formula.

Recommendation 10. The Welsh Government should commit to allocate funding at levels presently secured under CAP until 2020/21 and should clarify its position in relation to funding in 2021/22 as soon as possible.

04. Movement of labour

This chapter explores the need for continued access to labour from outside the UK for Welsh agricultural producers, food processors and the tourism industry and calls for a skills strategy to address a potential reduction in the levels of migrant labour.

79. The agricultural sector in the UK relies heavily on migrant labour. For instance, in 2015, EU nationals made up 6.4% of the total UK workforce but 19.6% of the total number of regular employees in the agricultural sector. Food manufacturing is the sector where foreign-born workers make up the highest share of the workforce – 38%. We know that vacancies in the agricultural sector are some of the hardest to fill.⁵⁹

How the UK agricultural sector relies on migrant labour

EU NATIONALS



UK Workforce



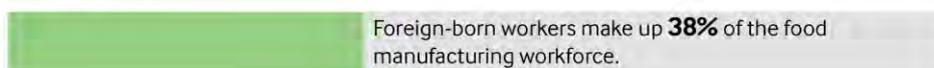
Agricultural sector



FOREIGN-BORN WORKERS



Food manufacturing



80. In Wales in 2013, 49% of agricultural vacancies were described as ‘Skills Shortage Vacancies’ - those which are difficult to fill for skills-related reasons.⁶⁰

81. The NFU Labour Survey⁶¹, which surveyed farmers in England and Wales, states that 43% of respondents believe that, if there is a reduction in the availability of seasonal workers, their business will be affected by labour shortages by 2018.

82. However, Wales is less reliant on seasonal workers because of the nature of its agricultural sector. For instance, figures from Defra’s 2014 Survey of Agriculture and Horticulture in the UK show that a lower percentage of seasonal labourers is employed in Wales than the UK as a whole.⁶²

Stakeholders’ views

83. Contributors emphasised the importance of accessing labour from the EU. NFU Cymru says the food and drink industry must be able to access necessary supplies of labour. It notes that even within the current EU labour force there is a growing difficulty in sourcing appropriate labour. It therefore argues that labour from beyond the EU should be considered, and said:

⁵⁹ Agriculture and Horticulture Development Board

⁶⁰ UK Commission for Employment and Skills

⁶¹ NFU Labour Survey 2015

⁶² Survey of the Agricultural Industry, Defra

“The Welsh food and drink supply chain requires access to a flexible, skilled workforce. The number of non-UK born workers needed across the UK food chain for it to remain competitive is significant, official figures are hard to come by.”⁶³

84. The Country, Land and Business Association suggested that access to labour could be negotiated as part of a bilateral agreement:

“A vital consideration to the viability of the sector is the need to be able to access a stable and productive workforce for the rural economy. Our farmers and food processes are particularly vulnerable to reduction in the current arrangements for free movement. Access to much needed labour can be negotiated with the EU as part of a bilateral free trade agreement so that our producers and supply chains are secure.”⁶⁴

85. The Wales Tourism Alliance agreed that it would want to maintain the ability of tourism businesses to employ people from within the EU without any financial or seasonal restrictions. It told us that:

“In common with many industries, tourism suffers from a shortage of labour with the necessary skills. Hence the number of EU nationals who have been attracted to work in the industry. For the UK as a whole it amounts to 15% to 20% of the total workforce, a far higher proportion than some other industries. For some tourism businesses in Wales they are an essential part of the workforce.”⁶⁵

86. During its inquiry, the Committee sought evidence from food processing businesses, but did not receive any responses.

UK Government position

87. The UK Government’s White Paper sets out its desire to control immigration from the EU, whilst recognising the value of controlled immigration in bringing skills and expertise:

“We will remain an open and tolerant country, and one that recognises the valuable contribution migrants make to our society and welcomes those with the skills and expertise to make our nation better still ...

We will design our immigration system to ensure that we are able to control the numbers of people who come here from the EU. In future, therefore, the Free Movement Directive will no longer apply and the migration of EU nationals will be subject to UK law.”⁶⁶

88. In her speech to the NFU conference on 21 February 2017, Rt Hon Andrea Leadsom MP, Secretary of State for Environment, Food and Rural Affairs, said:

⁶³ NFU written evidence

⁶⁴ Country Land and Business Association written evidence

⁶⁵ Wales Tourism Alliance written evidence

⁶⁶ [The United Kingdom’s exit from and new partnership with the European Union White Paper](#), UK Government, Chapter 5

“As for seasonal agricultural workers, I have heard loud and clear the vital role they play in many farm businesses, not least the horticultural sector. But at the same time, we mustn’t forget that a key factor behind the vote to leave the EU was to control immigration. So I want to find out what kind of labour you need, in food processing as well as farming, whilst exploring the role innovation can play in support of this.”⁶⁷

89. The Food and Drink Federation (FDF) announced in 2015 a pledge to treble the apprenticeship workforce in the food and drink industry by 2020. The new pledge will see the total apprenticeship workforce in the sector increase from 1% to 3%. The target builds on an existing pledge to increase the number of higher-level apprenticeships by 20% by 2020 and other sector-wide initiatives to address a looming skills shortage. The Federation describes this as not only a way to bring more young people into the industry, but also “an important tool to ‘grow our own’ as we seek to become less reliant on migrant workers”.⁶⁸

Welsh Government position

90. The Welsh Government White Paper states that “Wales will continue to need migration from EU countries to help sustain our private sector economy and public services”. It gives a number of examples of where this is the case, those relevant to this inquiry being the food and drink sector (with a 25% non-UK workforce) and veterinary surgeons (with 50% of those registering in the UK having qualified elsewhere in the EU). Within meat hygiene services, the White Paper states that around 80% of the veterinary workforce is made up of non-UK EU citizens.⁶⁹

91. The White Paper argues that, other than students and those able to sustain themselves independently, freedom of movement of people should be linked to employment.

Our view

Restricting access to migrant labour once the UK leaves the EU will have a significant impact on the agricultural sector in the UK.

In the agricultural sector in Wales, unlike in other parts of the UK, there is less of a reliance on seasonal workers. However, the agricultural sector in Wales is reliant on labour from outside the UK throughout the year. After Brexit, agriculture, the tourism industry and food processors, in particular, will continue to need access to migrant labour.

Welsh producers rely on migrant labour to provide consumers with quality produce at affordable prices. There is understandable concern in Wales that restrictions on access to migrant labour could result in our food processing industry suffering labour shortages, which could lead to companies having to raise prices or, potentially, choosing to relocate.

In light of the potential risks to Welsh businesses and the economy, the UK Government must take into account the labour needs of Wales when determining future immigration policy.

⁶⁷ [Environment Secretary speaks at NFU Conference](#), Defra

⁶⁸ [Food and Drink Federation](#)

⁶⁹ [Securing Wales’ Future](#), Chapter 5

Our agricultural sector will continue to need to access a full range of skills and the Welsh and UK Governments must act now to mitigate against any risks arising from potential reductions in access to migrant workers.

The Welsh Government should seize this opportunity to consider its workforce planning for the agricultural sector. Firstly, it should work with the sector to identify where there will be skills shortages in future. Second, it should consider how it can align its education and skills policies with the needs of the sector.

The Committee notes the UK Government's efforts to increase the numbers of apprentices in the food and drink industry. The Welsh Government should consider whether such an approach is appropriate for Wales.

Recommendations:

Recommendation 11. The UK Government should work with the Welsh Government to ensure Wales' labour needs are fully reflected in negotiations on withdrawing from the EU.

Recommendation 12. The Welsh and UK Governments should begin work immediately to assess the skills shortages Welsh businesses may face as a result of a possible reduction in migrant labour.

Recommendation 13. The Welsh Government should develop a skills strategy for the sector within the next 12 months, setting out how any skills shortages and new opportunities will be met via training and education policies.

05. Transitional arrangements

The changes arising from the UK leaving the EU are considerable and, potentially, complex. This chapter explores the need for transitional arrangements as the UK and Wales move to new regulatory frameworks and systems of support.

Stakeholders' views

92. The Committee received evidence in support of a transitional period beginning from the point at which the UK leaves the EU. Stakeholders said that land managers will need time to adjust to the new policy and funding arrangements. Wales Environment Link specified caution for some vulnerable farmers in Wales if a suitable transition period is not allowed:

“There must be a fair transition period towards new arrangements that provides sufficient time for farmers and land managers to adapt. This is particularly important for the most economically vulnerable, such as those in the extensive livestock sector, typically associated with the uplands, who are often farming in marginal areas but which are of high environmental and cultural value”⁷⁰

93. Professor Janet Dwyer of the University of Gloucestershire said that stability is required through this period of uncertainty to avoid “major collapse” in parts of the agriculture sector. She cautioned against moving away from CAP-like policies in the short to medium term.⁷¹

94. In terms of the length of such a transitional period, the FUW said “at least 10 years is necessary in order to phase in and allow the industry to adjust to new agricultural policies”.⁷² Hybu Cig Cymru said:

“I stress the importance of interim and transitional measures that need to be put in place on day one, but which can be phased out over a period of, say, up to 10 years.”⁷³

UK Government position

95. The UK Government’s White Paper states:

“It is, however, in no one’s interests for there to be a cliff-edge for business or a threat to stability, as we change from our existing relationship to a new partnership with the EU. Instead, we want to have reached an agreement about our future partnership by the time the two year Article 50 process has concluded. From that point onwards, we believe a phased process of implementation, in which the UK, the EU institutions and Member States prepare for the new arrangements that will exist between us, will be in our mutual interest”⁷⁴

⁷⁰ Wales Environment Link written evidence

⁷¹ CCERA, 28 September 2016, para 5

⁷² Farmers’ Union of Wales written evidence

⁷³ CCERA, 21 January 2017, para 83

⁷⁴ [The United Kingdom’s exit from and new relationship with the European Union](#), Chapter 5

96. David Jones MP, the Minister of State for the Department for Exiting the EU, told the EAAL Committee:

“... it’s fair to say that there is an emerging consensus not only in the British Government, but also in our interlocutors in the EU that, in certain areas, an implementation period will be necessary, which we don’t anticipate will be a lengthy period but should be sufficient to cover any practical problems that might arise”⁷⁵

Welsh Government position

97. In its White Paper, the Welsh Government says:

“It will clearly be challenging to successfully complete negotiations on both an EU Exit Agreement, and a new economic agreement between the UK and the EU in the two-year window post-Article 50 notification. Accordingly, it is essential to agree, as a fall-back and on an interim basis, transitional arrangements which enable the UK to maintain Single Market participation and membership of the Customs Union while future trading relationships are explored and negotiated.”⁷⁶

Our View

As outlined in this report, the changes resulting from the UK’s exit from the EU will be significant and far-reaching. For four decades, the UK has operated in accordance with systems and structures arising from its membership of the EU.

Introducing a funding mechanism to replace CAP payments, a new regulatory framework and common animal welfare standards are examples of the many complicated issues that will need to be negotiated and resolved when the UK leaves the EU.

We understand fully, therefore, the concern within the sector and the strong demands for transitional arrangements.

We note that both the UK and the Welsh Governments have given commitments that there will not be a change in funding and policy arrangements in the short term, following the UK’s exit from the EU. This will give some reassurance to the sector in Wales.

However, such is the complexity of the challenge that multi-layered transitional arrangements are needed. Not only will there need to be arrangements to smooth the transition from a regulatory framework designed in the EU to one designed in the UK; there will also need to be a smooth transition to any new policies or mechanisms the Welsh Government wishes to introduce within that overarching regulatory framework.

We believe that comprehensive transitional arrangements are needed to minimise any negative impact from such changes and to give as much certainty as possible to the sector in Wales.

⁷⁵ EAAL, 13 February 2017, para 336

⁷⁶ [Securing Wales’ Future](#), Chapter 9

As described in chapter 3, the UK Government's assurance that funding for agriculture will continue at the same level until 2020 suggests there will be a period during which funding continues for agriculture and rural development in the same vein as the current CAP system beyond our exit from the EU.

Any future funding arrangement which covers this interim period should be agreed by all of the devolved administrations. We believe that, if changes to funding arrangements are significantly different from the current CAP funding model, a transitional period equivalent to the current and the next CAP cycles will be required.

In Part two of this report, we suggest a future model of support for agriculture in Wales, to be based on outcomes. We recognise that this is a significant evolution of current practice and believe that a similar period of transition would be necessary in order to move to this new model.

Recommendations:

Recommendation 14. The Welsh and UK Governments must ensure that consideration of transitional arrangements is a central part of the role of the proposed 'UK Council of Ministers'.

Recommendation 15. The Welsh and UK Governments should ensure a transition period for future funding arrangements equivalent to the duration of the remainder of the current and the next CAP funding cycles.



Part two:

Proposals for the future of agriculture in Wales

In the second part of this report, the Committee explores the potential of a model of payment and support for land management that is based on outcomes. The report calls for delivery of outcomes in the following areas:

- Tackling climate change, including flood prevention and improved water quality
- Supporting a resilient, more self-reliant food production sector, producing food of the highest quality
- Maintaining sustainable forestry and woodland
- Protecting and enhancing biodiversity
- Managing the landscape for the benefit of tourism, recreation and local communities
- Nurturing the Welsh Language and vibrant rural communities

06. Future payment and support mechanisms

This chapter considers the current funding mechanisms for agriculture, including CAP payments, and explores the potential for moving to a system of financial support that is based on the delivery of sustainable outcomes. Chapter 7 sets out more detail on the types of outcomes on which such a system could be based.

98. As outlined in chapter 5, the primary support mechanism for the agricultural sector arising from the UK's membership of the EU has been the Common Agricultural Policy (CAP). When the UK exits the EU, Wales will have the opportunity to design new support and payment mechanisms, subject to compliance with WTO rules on financial support.

What are Common Agricultural Policy (CAP) payments and how do they work?

CAP funding is divided into two 'Pillars'. Pillar 1 includes direct income support to farmers and market management measures. Pillar 1 direct payments have evolved into payments based on the number of hectares of eligible farmland owned rather than how much is produced within a historic reference period. Pillar 1 payments are subject to land managers respecting certain "cross compliance" rules on environment, climate change, good agricultural condition of land, human, animal and plant health standards and animal welfare.

Pillar 2 is known as the Rural Development Pillar and provides support for Member States' and Regions' Rural Development Programmes (RDP). Land managers can receive funding for measures taken to enhance their environment and local community. Wales' RDP includes the agri-environment scheme, Glastir, which aims to support farmers to conserve and enhance the environment in rural areas. Wales' RDP is funded by the EU's European Agricultural Fund for Rural Development (EAFRD) and is co-funded by the Welsh Government.

For the 2014-2020 CAP, Member States and Regions were able to transfer up to 15% of CAP funding from Pillar 1 to Pillar 2. The Welsh Government transferred the maximum 15% to the RDP⁷⁷ (the highest percentage in the UK) in recognition of the benefits of environmental measures and community development.

Criticism of CAP and direct payments

Stakeholders' views

99. Several stakeholders were critical of the current CAP system, saying it is overly complicated and bureaucratic and that it has not fulfilled its agricultural or environmental objectives. There was broad support for simplified and more flexible schemes in the future.

100. Farming representatives, such as NFU Cymru, the FUW, Tenant Farmers Association and Fairness for the Uplands, stressed the importance of direct payments under Pillar 1 to support farm incomes and improve farm profitability, particularly in marginal areas.

⁷⁷ [Questions to the First Minister](#), 14 January 2014

101. Several environmental organisations said that direct payments do not offer value for money. For RSPB Cymru, Pillar 1 income support has served as a barrier to development as it has meant that there has been no incentive to respond to market pressures and opportunities.

102. There were conflicting views about the effectiveness of the current approach involving separate Pillar 1 and Pillar 2 payments. It was suggested that the two Pillar payments should be combined into a single payment, which should link land management more closely to environmental outcomes. Professor Peter Midmore, Aberystwyth University, said he supports the integration of Pillar 1 and Pillar 2 payments and suggested that direct payments have tended to be capitalised in the value of the land, thus creating a barrier for new farmers entering the sector.⁷⁸

103. Stephen James, NFU Cymru President, said:

“I would like to move away from pillars completely and call it one payment, which supports agriculture to become a world-leading producer of food and environmental goods, and access - you know, £2.5 billion tourism industry relies quite heavily on agriculture as well, because it allows access to the countryside.”⁷⁹

104. However, it was suggested that current World Trade Organization (WTO) rules could limit the potential for introducing one scheme that would reflect the priorities of both pillars. Direct payments are currently permitted under WTO rules, whereas payments under agri-environmental schemes are limited to ‘income foregone’ for compliance with the scheme in question. This was highlighted by FUW:

“The WTO Agreement on Agriculture states “The amount of [agri-environment] payment shall be limited to the extra costs or loss of income involved in complying with the government programme” [Annex 2, Paragraph 12: “Payments under environmental programmes”], thereby placing significant restrictions on the degree to which agri-environment payments can provide income for farms and related businesses involved in agricultural supply chains.”⁸⁰

105. FUW expressed its support for agri-environmental schemes but cautioned that any future support would be limited to that which is permitted under WTO rules:

“Systems must be introduced which ensure farmers are more fairly rewarded for their contributions to water management, carbon sequestration and the delivery of other public goods ... Support for agri-environment schemes must be continued, while recognising the far-reaching adverse consequences of an inappropriate balance between direct support and agri-environment payments given the limitations set out in Annex 2 of the World Trade Organization (WTO) Agreement on Agriculture already referred to.”⁸¹

⁷⁸ CCERA, 28 September 2016, para 9

⁷⁹ CCERA, 12 January 2017, para 12

⁸⁰ Farmers’ Union of Wales written evidence

⁸¹ Farmers’ Union of Wales written evidence

Welsh Government's view

106. The Cabinet Secretary for Environment and Rural Affairs advocated a simpler, integrated approach to farm payments and said:

“Certainly, yes, I think one scheme would be better. Red tape and all the issues around the red tape around CAP, I think, was one of the reasons why the agricultural sector were generally ‘leavers’. Whenever I ask farmers, ‘Why did you vote “leave”?’ That is probably the No. 1 reason why. So, I have said that we need to get away from pillar 1 and pillar 2 and have one scheme. So, should it be simpler? Absolutely.”⁸²

Payment for Ecosystem Services (PES)

107. Farmers can provide a range of ecosystem services through their management of landscapes. Ecosystem services are services that provide a wider benefit to society, such as carbon sequestration and management to tackle climate change; and water management for flood alleviation. The way landscapes are managed to support wildflowers and nesting sites has been shown to have a positive impact on wild pollinator communities which, in turn, pollinate crops.

108. The Millennium Ecosystem Assessment concluded that 60% of the ecosystem services that had been assessed are being degraded or used unsustainably.⁸³ The Welsh Government's agri-environment scheme, Glastir, aims to support farmers to maintain and enhance these ecosystem services through environmental prescriptions.

109. The value of innovative funding streams for environmental investment through the private sector was highlighted to the Committee. Natural Resources Wales said:

“Economic conditions have an impact on the scale of resources available for the implementation of future agricultural and rural policies. This emphasizes the need to adopt an innovative approach to intervention. For example, the current drive in wider business to increase green credentials may facilitate the development of additional funding streams for environmental investment.”

110. The Welsh Government's Sustainable Management Scheme under its Rural Development Programme for 2014 - 2020 has been designed to support PES schemes. It offers grants to support collaborative projects that promote the sustainable management of natural resources and is designed to:

“provide financial support for a range of activities that will improve the management of our natural resources and in doing so contribute to the well-being of our rural communities.

The scheme offers grants to collaborative groups looking to:

improve our natural resources and the benefits they provide

take action to reduce greenhouse gas emissions

⁸² CCERA, 1 February 2017, para 230

⁸³ [Millennium Ecosystem Assessment](#)

improve business and community resilience to the impacts of climate change.

Grants can range from a minimum of £10,000 to a maximum of £5,000,000 to help start up and facilitate new collaborations through to landscape-scale ambition co-ordinating actions and input from several parties to achieve lasting benefits across our communities.”⁸⁴

111. During the Fourth Assembly, this Committee’s predecessor considered examples of PES projects as part of its inquiry into sustainable land management. That Committee concluded:

“We believe that the next RDP offers an important opportunity to pilot and test models of payment for ecosystems services in Wales. We acknowledge that the way in which payment calculations are made limits the ability of the RDP to truly reflect the value of the services provided by land managers but ask the Welsh Government to work with NRW to develop a more creative approach to payment calculations for relevant schemes.”⁸⁵

112. The then Welsh Government accepted the Committee’s recommendation in principle, saying that:

“... Welsh Government will consider how best to align support under the RDP to the delivery of ecosystem services. We will also continue to investigate other means of stimulating market based mechanisms to provide investment to secure and enhance ecosystem services that are overseen by land managers outside the RDP.”⁸⁶

Stakeholders’ views

113. Natural Resources Wales said that

“Being able to harness such so-called PES (Payments for Ecosystem Services) funding is likely to play an increasing role in delivering sustainable management of natural resources.”⁸⁷

114. They went on to say:

“Throughout the process of drafting future agricultural and rural policy, facilitating and regulating new markets should be borne in mind as an important context in order that we do not inadvertently or unnecessarily hinder innovation and further developments of PES.”⁸⁸

115. Support for developing the PES approach was also expressed by Wales Environment Link, which stated that:

“Ecosystem services provide a scientific backdrop to properly defining public goods. Land management practices that include restoration of habitats;

⁸⁴ [Welsh Government Sustainable Management Scheme](#)

⁸⁵ [Sustainable Land Management, Environment and Sustainability Committee](#)

⁸⁶ [Sustainable Land Management](#), Welsh Government Response

⁸⁷ Natural Resources Wales written evidence

⁸⁸ Natural Resources Wales written evidence

biodiversity maintenance and enhancement; carbon storage and sequestration; water catchment control and natural management and prevention of flood risk; management of water quality for clean drinking water; protection of landscape and provision of opportunities for access, recreation and tourism are all important ecosystem services. However, some of these receive little or no economic benefit. Ecosystem services provided by land managers ought to be rewarded, either through market mechanisms, or public spending, such as Payments for Ecosystem Services (PES schemes).”⁸⁹

An approach based on sustainable outcomes

116. Stakeholders suggested that new mechanisms to support land management should be based on the delivery of sustainable outcomes.

117. Payment for outcomes is an approach that already exists in the Republic of Ireland in schemes supported by EU funding, under the Burren Programme⁹⁰. A Committee delegation met representatives of the Burren Programme during a visit to Dublin.

118. Members of the Committee learnt that the Programme requires farmers to nominate and co-fund conservation actions on their own farms. Activities undertaken include habitat restoration, scrub control, stone wall repair, new gates, access tracks and water provision. Payments are based on the quality of the output with the aim of rewarding, for example, the protection of designated habitats for rare and declining species, or improving water quality. Investment to improve farm infrastructure is also part of the funding package.

Stakeholders' views

119. Pori Natur a Threftadaeth and the Snowdonia Society referred to the Burren Programme as an example of a successful scheme that is locally-targeted, led by farmers and is based on outcomes.

120. Wales Environment Link described the type of outcome-focused agri-environment schemes it would like to see more of in future as involving:

“... annual payments for outcomes such as the provision and maintenance of habitats on farms and large-scale habitat restoration programmes - for example, peatland restoration and creation of new woodland.”⁹¹

121. Natural Resources Wales also supported an approach based on outcomes and emphasised that it should be:

“... rooted in evidence, and challenging but achievable. Prioritisation of the actions identified should be based on achieving optimal public benefit.”⁹²

122. On our visit to farms in Ceredigion, we heard first hand of the importance of continued funding for all parts of the agricultural sector. The dairy industry is particularly reliant on retailers and their margins are sensitive to price changes. We also know that dairy farms in Wales are smaller than the UK average with higher production costs.

⁸⁹ Wales Environment Link written evidence

⁹⁰ [Burren Programme](#)

⁹¹ Wales Environment Link written evidence

⁹² Natural Resources Wales written evidence

Our view

In Part one of this report, we outlined the building blocks for the future of agricultural and rural development policies in Wales, including the need for the UK Government to commit to maintaining current levels of funding and for the Welsh Government, in turn, to allocate that funding to support the sector.

In future, the Welsh Government may have the opportunity to build on current funding models, and evolve a system of support which is made in Wales and for Wales. Of course, the Welsh Government could continue with a model similar to the existing one, with modification or adaptation to minimise bureaucracy. However, we believe Wales now has the opportunity to be more ambitious and innovative.

The Welsh Government should explore the potential for introducing support mechanisms that underpin high quality food production and achieve sustainable outcomes. Land managers should be incentivised to maintain and enhance biodiversity in order to preserve a landscape which attracts tourism, meets climate change objectives and provides other environmental benefits, such as flood prevention and improved water quality. These support mechanisms should include a system of Payment for Ecosystem Services.

We believe that the development of a new approach to funding support offers the opportunity to consider how best the dairy sector in Wales can be supported.

The Welsh Government should work with the Welsh dairy sector, including producers, distributors and retailers, to develop a strategy to assist the sector. Furthermore, the Welsh Government should explore with stakeholders how an approach based on sustainable outcomes can be applied to the dairy sector, which we recognise will be challenging.

We recognise that any new model of financial support will need to comply with World Trade Organization rules. We were encouraged to see the delivery of outcomes-based schemes in Ireland, under existing EU frameworks. We believe the UK Government should ensure that the flexibility to introduce such schemes is available to the Welsh Government once the UK leaves the EU.

Moving to such a system is a significant undertaking and any risks to the sector and the wider rural economy must be minimised. In chapter 5, we said that changing to a funding model that is significantly different from the current CAP model will require a transitional period equivalent to the duration of the current and the next CAP funding cycles.

In chapter 7, we set out in more detail the types of sustainable outcomes we believe should be supported under a new outcomes-based model of support.

Recommendations:

Recommendation 16. The Welsh Government should develop a system of basic support that is more aligned to sustainable outcomes whilst producing high quality food. The introduction of such a system should be subject to a transitional period through to the end of the next CAP cycle.

Recommendation 17. The Welsh Government should prepare a plan for the dairy industry, in consultation with producers, distributors and retailers. This plan should identify how the sector can make the transition from the current funding model to a system of support based on sustainable outcomes.

07. Sustainable land management outcomes

In the previous chapter, we advocated the development of a model of payment and support for land management that is based on outcomes. This chapter outlines the outcomes from land management policies that we would like to see:

Tackling climate change, including flood prevention and improved water quality;

Supporting a resilient, more self-reliant food production sector, producing food of the highest quality;

Maintaining sustainable forestry and woodland;

Protecting and enhancing biodiversity;

Managing the landscape for the benefit of tourism, recreation and local communities; and

Nurturing the Welsh language and vibrant rural communities.

What is sustainable land management?

123. Sustainable development and responsible management of natural resources for the benefit of future generations are enshrined in law, in the Environment (Wales) Act 2016 and the Well-being of Future Generations (Wales) Act 2015. Farmers are central to the delivery of those commitments, as they manage over 80% of the land area of Wales,⁹³ and undertake a range of activities which have environmental and societal benefits. These activities can be described as ‘land management’.

124. The Environment (Wales) Act 2016 enshrines in law the “sustainable management of natural resources” which is defined as:

“... using natural resources in a way and at a rate that maintains and enhances the resilience of ecosystems and the benefits they provide, in doing so, meeting the needs of current generations without comprising the ability of future generations to meet their needs, and contributing to the achievement of the well-being goals set out in the Well-being of Future Generations Act.”

125. The Future Generations Commissioner described how land management can contribute to meeting the seven well-being goals in the Well-being of Future Generations (Wales) Act 2015. These include:

- developing a low carbon rural economy, using more renewable energy sources, and ensuring fair and secure working conditions for workers (a prosperous Wales);
- 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 (a resilient Wales);
- increasing access to a good balanced diet, supporting local food producers through procurement policies, and tackling the link between rural poverty and ill health (a healthier Wales);

⁹³ NFU Cymru written evidence

- providing support for rural areas and agriculture to promote and protect Welsh culture, heritage and the Welsh language. The higher percentage of Welsh speakers has traditionally been from rural areas (a Wales of vibrant culture and thriving Welsh Language);
- improving working conditions for farm workers and rebuilding the relationship between urban and rural communities (a more equal Wales);
- supporting rural community projects and increasing access for new entrants into farming (a Wales of cohesive communities); and
- improving the economic, social, environmental and cultural well-being of Wales e.g. through considering the impacts of climate change on land use and food, as well as the impact of emissions from the sector (a globally responsible Wales).

126. The RSPB described land management as an approach that:

“restores and protects the soil, air, water and biodiversity (wildlife and habitats) that society as well as rural businesses depend on and value;

produces sustainable amounts of safe, healthy food and timber;

provides a diverse range of sustainable products that generate income and employment for rural businesses and contributes to a diverse rural economy;

supports vibrant rural communities;

fashions landscapes socially valued for their distinctive natural, cultural and heritage characters;

reduces risks from the impacts of climate change; and is

globally responsible and makes a positive contribution to global well-being.”⁹⁴

⁹⁴ RSPB written evidence

Climate Change

127. Part 2 of the Environment (Wales) Act 2016 sets out a new approach to measuring and tackling climate change. Requirements of the Act include:

- the Welsh Government must ensure that the net Welsh emissions for the year 2050 are at least 80% lower than the baseline (1990 or 1995, depending on the greenhouse gas) and provision for the Welsh Government to be able to increase this target;
- by the end of 2018 the Welsh Government must set interim emissions targets for 2020, 2030 and 2040. These must be set at a level that the Welsh Ministers are satisfied is consistent with meeting the 2050 target;
- for each five-year budgetary period, the Welsh Government must set a maximum total amount for net Welsh emissions (a carbon budget); and
- the Welsh Government must take into account international agreements to limit increases in global average temperatures.

128. Land managers can help meet climate change obligations through interventions such as reducing disturbance to carbon rich soils and planting trees. Fairness for the Uplands said that “upland peat management has been proven to be a cost-effective method of increasing carbon sequestration”, and said:

“Land managers should be appropriately compensated for the difficult work of managing grazing on peat land where there are already restrictions on erecting fencing and other management tools. Organic farming is another area that should be financially supported to help Wales meet the greenhouse gas emissions targets set out in the ‘Environment (Wales) Bill’.”⁹⁵

Our view

This report sets out our desire to see a policy which aims to reduce the carbon footprint of our food production and processing and incentivise carbon sequestration, to mitigate climate change. Organic farming provides a template that can contribute to these goals.

Measures to tackle climate change should be central to the development of any new support mechanisms based on outcomes. An outcomes-based system will enable the Welsh Government to put in place measures to support its ambitious climate change targets, including reducing greenhouse gas emissions by 80% by 2050.

Land management has a critical function in relation to climate change, not least in water catchment management. We believe the Welsh Government should progress as a matter of urgency its evolving proposals on flood management.

Any future support for agriculture and rural development must contribute to achieving the statutory targets, aspirations and goals set out in the Environment (Wales) Act 2016 and the Well-being of Future Generations (Wales) Act 2015.

⁹⁵ Fairness for the Uplands written evidence

Recommendations:

Recommendation 18. The Welsh Government must ensure that future funding for land managers is based on the delivery of outcomes which contribute to the ambitious targets for climate change adaptation and mitigation set out in Welsh legislation such as the Environment (Wales) Act 2016 and the Well-being of Future Generations (Wales) Act 2015.

Recommendation 19. The Welsh Government must progress as a matter of urgency its proposals on natural flood mitigation and prevention.

Food production

129. Production of high-quality food should and will continue to be central to land management

130. NFU Cymru, Wales Young Farmers' Clubs (YFC) and Natural Resources Wales all believed that the sector should continue to focus on high-quality food produced to the highest environmental and animal welfare standards. RSPB said markets should be sought that reflect the "sustainable niche of Welsh produce".⁹⁶ Wales YFC said:

"Securing food for our nation in terms of global challenges must be a priority and Wales must continue to be seen as a country that produces food of the highest provenance and quality whilst taking care of the environment."⁹⁷

131. Cardiff University School of Law and Politics suggested that, to address the challenges arising from the UK leaving the EU, "The Welsh agricultural sector could differentiate itself by producing high quality products with high environmental, health, animal welfare, and labour standards. These standards, like the labelling of GM-free products, would lead to products being sold at premium prices."⁹⁸

132. The Cabinet Secretary highlighted that Welsh products would need to comply with EU standards in order to trade with the EU market.⁹⁹

EU protected food names

133. Some stakeholders highlighted the importance of EU protected food name schemes to Welsh businesses. Current Welsh products with Protected Geographical Indication status include Halen Môn, Welsh Lamb, Pembrokeshire Early Potatoes, Welsh Beef, traditionally reared Pedigree Welsh Pork, Welsh regional wine and Carmarthen Ham. Welsh produce with Protected Designation of Origin status includes Conwy Mussels and Welsh wine.

134. The EU has granted protection for many non-EU geographical indications in wines, spirits and food through bilateral agreements and direct registrations, for the purpose of building a global consensus for the protection of local and regional speciality products. Products include Mexican tequila and Colombian coffee. Leaving the EU need not mean that Welsh products will not be able to continue to benefit from this scheme in future.

Horticulture

135. Several academics, the RSPB, the Soil Association and the Organic Research Centre recommended that, in the long term, Wales should aim to expand its range of agricultural produce, including more vegetables and less meat.

136. Stephen Devlin of the New Economics Foundation and Professor Tim Lang, City University, London, said that Wales should produce and consume more vegetables for public health and environmental reasons. Professor Lang said:

⁹⁶ RSPB Cymru written evidence

⁹⁷ Wales YFC written evidence

⁹⁸ Cardiff University School of Law & Politics written evidence

⁹⁹ CCERA, 1 February 2017, para 179

“When you’re thinking about the environmental challenges that we have to face up to, basically the biggest thing that we have to overcome to bring down the environmental impact of farming is to reduce how much meat we eat. So, what we produce is going to have to change in the long run, in the UK and everywhere ... in the long run, if we want to preserve the integrity of our environment, there is going to have to be a transition away from producing so much meat.”¹⁰⁰

137. In response to a question about the possibilities of growing more fruit and vegetables, NFU Cymru spoke of the challenge of doing so in Wales because of the nature of the soil in some areas, and added:

“For certain parts of Wales the soils are a bit thin, especially in mid Wales and parts of Pembrokeshire where I live. Some of the soil we’ve got is only about three or four inches and that’s not because it’s washed away because, always in my lifetime, it’s grass that’s been growing on it, so it’s not washing away.”¹⁰¹

Public procurement

138. Stakeholders suggested that there is a need for a greater level of government support to develop a culture of high quality, locally sourced, sustainable food production in Wales, through public sector procurement practices. FUW said:

“Governments should proactively support UK food and farming through their own procurement policies, and by ensuring competition rules favour rather than disadvantage UK industries.”¹⁰²

139. The Future Generations Commissioner for Wales said that this policy could also deliver health benefits and reduce carbon emissions:

“The availability and affordability of a good balanced diet is crucial to physical and mental health and well-being – we should be looking to maximise availability of local food and support local producers through our procurement practices.”¹⁰³

Our view

We believe there is an opportunity for Wales to become a more resilient, more self-reliant, food producing nation. Food production should be the primary component of future land management policies. As such, Wales’ food producers, farmers and sustainable farming should be supported through any changes to those policies.

Wales has a reputation for high animal welfare and environmental standards in our food production. The UK’s exit from the EU could lead to changes in the regulatory frameworks around food production. We would welcome the removal of unnecessary bureaucracy. However, we believe that

¹⁰⁰ CCERA, 28 September 2016, para 143

¹⁰¹ CCERA, 12 January 2017, para 61

¹⁰² FUW written evidence

¹⁰³ Future Generations Commissioner for Wales written evidence

these high animal health and environmental standards are integral to the success of our food producers and must be maintained in future.

We believe that the standards underpinned by current EU legislation on environmental and animal welfare should be maintained. This is not only to ensure access to the Single Market for Welsh producers, but to guarantee the reputation and quality of Welsh food products.

We also wish to see greater availability of local produce in Wales. Other EU countries have led the way in demonstrating how local producers can build a food culture that enriches the rural economy.

The Welsh Government must encourage a food culture in Wales that values local production and reduces food miles, enabling a low carbon footprint, high quality animal health and welfare standards of production, and greater availability of locally produced vegetables.

There is an opportunity to increase public procurement of Welsh produce. The buying power of the public sector should be harnessed and directed to support food production in Wales which, in turn, will support rural communities and the rural economy.

Food production needs to continually evolve to meet changes in demand. Any future outcomes-based system should take into consideration opportunities to increase horticultural production in Wales and other methods of diversification.

Recommendations:

Recommendation 20. The Welsh Government must develop a food culture in Wales that: values local production; reduces food miles and carbon footprint, and protects high animal health and welfare standards. This should ensure access to the Single Market for our producers and continue our ‘Made in Wales’ reputation for high quality goods.

Recommendation 21. The Welsh Government should aim to increase public procurement of Welsh produce and should report to this Committee within the next six months on current levels of procurement and its plans for the future.

Recommendation 22. The Welsh Government should work with Welsh food producers, distributors and retailers to increase sales of Welsh produce, including vegetables, and report to this Committee within the next six months on progress.

Forestry and woodland

140. The Committee explored with stakeholders the potential for increasing the overall forestry coverage in Wales and for incentivising farmers to plant trees on their land.

141. In terms of increasing tree coverage in Wales, the Committee heard conflicting views about the extent to which Wales might increase its area of woodland and forest. Confor argued that forestry is capable of delivering multiple ecosystem services and is more profitable than agriculture in the long term, and therefore requires less public subsidy.¹⁰⁴ Confor and Coed Cadw advocated increased tree planting in ‘the right places’ as woodlands can deliver outcomes that benefit communities and wider society.

142. FUW argued against any significant shift in focus from agriculture to forestry because of the impact it would have:

“We do need to be very careful as well, though, that we do not return to the sort of destruction, be it destruction of environment and, indeed, of communities, that we saw in the post-war period and the period between the wars, because we saw vast areas where there were scores and scores of huge estates sold and planted, and effectively we had displacement of entire communities and habitats.”¹⁰⁵

143. FUW also stressed that it was important to remove barriers to on-farm planting, saying:

“... we absolutely need to find commercial uses for what might be termed as ‘less commercial forestry’. There’s a great deal of that that has been planted, and there needs to be more investment in finding those uses, even if it is simply for biomass, which is incredibly important given where we are with carbon. There are certainly opportunities for farmers to invest in order to increase our forestry stock, absolutely, and there are barriers that need to be removed.”¹⁰⁶

Our view

We believe the extent to which commercial forestry should be incentivised in any future land management schemes in Wales merits further consideration as part of an overall woodland strategy for Wales.

That woodland strategy should address methods to remove disincentives to on-farm planting and woodland management.

There is significant potential within farming and land management to increase woodland coverage in Wales. This Committee will shortly be undertaking a full inquiry into forestry and woodland policy in Wales and will make detailed recommendations as part of that work.

¹⁰⁴ Confor written evidence

¹⁰⁵ CCERA, 12 January 2017, para 298

¹⁰⁶ CCERA, 12 January 2017, para 298

Biodiversity

144. Many respondents said they believe that restoring and protecting nature must be a key objective of future land management policy if Wales is to meet international and domestic obligations and halt the loss of biodiversity. For instance, Wales Environment Link specifically mentioned two commitments:

“Post-CAP policies must deliver on international agreements and commitments. For example ... the six objectives set in the Nature Recovery Plan for Wales (2015) and ... the **Convention on Biological Diversity Aichi target 17**¹⁰⁷. In particular, a sustainable land management scheme should put in place mechanisms which support specific interventions for threatened species, habitats and protected sites.”¹⁰⁸

145. The six objectives of the Welsh Government’s Nature Recovery Plan¹⁰⁹ are to:

- engage and support participation and understanding to embed biodiversity throughout decision making at all levels;
- safeguard species and habitats of principal importance and improve their management;
- increase the resilience of our natural environment by restoring degraded habitats and habitat creation;
- tackle key pressures on species and habitats;
- improve our evidence, understanding and monitoring; and
- put in place a framework of governance and support for delivery.

146. The Committee received over 300 identical responses to this inquiry from individuals calling for future funding to support biodiversity, stating:

“We know that the diversity of our wildlife is in severe decline and that our environment, on which we all depend, is degraded. Unsustainable farming practices, driven by bad policies, have been one of the principal causes of this decline. Good food needs a thriving natural environment to grow and, when over 80% of our countryside is farmed, it’s obvious that farmland must have space for wildlife too ... I urge you to continue this good work and to support a policy that:

1. Both focuses on nature and supports sustainable food production and other land use.
 2. Helps vulnerable and rare species and makes once common species common again.
-

¹⁰⁷ [Convention on Biological Diversity Aichi](#)

¹⁰⁸ [Wales Environment Link written evidence](#)

¹⁰⁹ [The Nature Recovery Plan for Wales, Welsh Government](#)

3. Secures enough financial support for farmers and land managers to help protect nature and support land use.”

147. As described in chapter 6, a Committee delegation learnt more about the Burren Programme¹¹⁰ in Ireland, which is a scheme that pays farmers for outcomes and incentivises greater biodiversity. For instance, every eligible field is assessed annually by a farm advisor using a ‘habitat health’ checklist.

148. Several contributors to the inquiry raised the issue of rewilding. WEL stated that there is a danger that rewilding is seen as abandonment but, in its view, rewilding is better described as reinstating ecosystem functionality into the landscape. Coed Cadw argued that rewilding in the UK is a continuum of actions to restore natural habitat, which could involve measures to stop soil erosion and increase water filtration. It said:

“In the uplands, we’re perhaps looking at, not more woodland, but a more equitable restoration of an ecosystem, so that it’s a functioning ecosystem, so that it stops the water running off and taking all the soil off. That is what rewilding means.”¹¹¹

149. NFU told the Committee that it did not disagree with a form of rewilding, but it must be balanced with the needs of food production.¹¹²

Our view

An approach based on sustainable outcomes should support specific interventions for threatened species, habitats and protected sites and also promote a spatial approach to landscape management. We agree that rewilding should be seen as part of a continuum of actions to restore damaged ecosystems where appropriate.

We believe that future funding for land management should incentivise the delivery of outcomes that support and enhance biodiversity. Any such approach should support the delivery of the objectives of the Welsh Government’s Nature Recovery Plan.

Recommendation:

Recommendation 23. Future funding for land managers should support the delivery of outcomes which maintain and enhance biodiversity in Wales and also promote a spatial approach to land management, any such approach should support the delivery of the objectives of the Welsh Government’s Nature Recovery Plan.

¹¹⁰ [Burren Programme](#)

¹¹¹ CCERA, 12 January 2017, para 391

¹¹² CCERA, 12 January 2017, para 285

Access to the landscape

150. The beauty of the Welsh countryside is a crucial factor in promoting tourism and recreation, and supporting the rural economy.

151. The Wales Tourism Alliance said that one of the key aspects of the tourist experience in rural Wales is “authenticity”.¹¹³ It said that “the tourism industry cannot be sustained in the long term’ without viable agriculture and the right environmental policies”.¹¹⁴ It asked for a holistic approach to future policy design:

“Tourism should be given equal status alongside agriculture, in all considerations relating to rural development. Secondly, that symbiotic relationship should be held up as an exemplar of sustainable living. Which other countries might seek to emulate in a rapidly changing post-industrial world.”¹¹⁵

152. The Committee heard evidence that a future system of support should incentivise access to the countryside. Ramblers Cymru, the Wales Tourism Alliance and the NFU Cymru spoke of the wider benefits for tourism and health arising from land management policies that promote access to the countryside.

153. Ramblers Cymru referred to the disparity between current approaches to cross compliance and ensuring access in Wales and England. It said that farmers in England must ensure access is maintained as part of the cross compliance requirements in order to qualify for direct payments. This is not the case in Wales.¹¹⁶ Maintaining access is not part of cross compliance in Wales; however, financial incentives for landowners to provide access to their land is provided through the voluntary Glastir scheme. Ramblers Cymru went on to say:

“... what we would like to see is going down the route more of England, which is more of the cross-compliance to help us actually deal with the network that we currently have, which isn’t being as supported as it should be, and that’s across all areas. So, that is an opportunity that we see that Wales has to actually improve on that.”¹¹⁷

154. In 2015, the Welsh Government carried out a consultation on ‘Improving opportunities to access the outdoors for responsible recreation’.¹¹⁸ In a statement on 13 February 2017, the Cabinet Secretary for Environment and Rural Affairs said “The consultation revealed the wide range of outdoor activities taking place across Wales but also exposed challenges faced by land managers and flaws and inconsistencies in the current system”. She went on to announce plans to consult on proposals to make laws in relation to access more consistent; to simplify procedures for designating and recording public access, and to improve the communication of access rights and responsibilities.¹¹⁹

¹¹³ CCERA, 12 January 2017, para 263

¹¹⁴ Wales Tourism Alliance written evidence

¹¹⁵ Wales Tourism Alliance written evidence

¹¹⁶ <https://www.gov.uk/guidance/guide-to-cross-compliance-in-england-2016/gaec-7b-public-rights-of-way>

¹¹⁷ CCERA, 12 January 2017, para 183

¹¹⁸ Welsh Government *consultation*, July- October 2015

¹¹⁹ *Statement by the Cabinet Secretary for Environment and Rural Affairs*, 13 February 2017

Our view

An outcomes-based approach for land management should encourage and improve public access to the countryside.

Wales' thriving tourism industry depends on maintaining the beauty of our landscape. This, in turn, is dependent on how it is managed by land managers. We want continued and improved access to the countryside so that the tourism industry can build on its success in creating a year-round tourist economy.

Access to the landscape for recreational purposes makes a positive contribution to public health, by increasing opportunities to enjoy the outdoors. Access to and maintenance of the landscape supports local rural communities which benefit from both agriculture and tourism.

Recommendation:

Recommendation 24. We recommend that future support for land managers in Wales rewards land managers for improving access to the countryside. Funding should also reflect the extent to which access routes are maintained and promoted.

Rural life

155. Farmers and land managers are central to vibrant rural communities. Although many other factors will influence whether or not a rural community thrives, including access to public services, and wider policy initiatives, such as access to broadband, farmers and land managers are crucial to the local economy, which in turn, sustains vibrant rural communities. FUW explained:

“A third of Wales’ population live in rural areas where farming, and businesses which rely on agriculture, play an important role in local economies; in sparsely populated areas, where centres of population have fewer than 2,000 people, around 10% of workers are employed in agriculture – equivalent to 14% of those employed outside the public sector.”¹²⁰

156. Support for rural communities is currently provided through RDP schemes for rural communities, rural businesses and sustainable land management. EU Member States must spend 10% of their RDP budget on LEADER¹²¹ schemes, which are underpinned by a focus on local strategy development and resource allocation to effect social and economic improvements.

157. The European Economic and Social Committee expressed concern that RDP schemes in more economically marginal areas, such as Wales, lack the structural capacity to capitalise on the funds and support available, but concluded that the LEADER model is respected and good practice should be disseminated.¹²²

158. We also heard of the importance of vibrant rural communities in sustaining Wales’ unique language and culture. The Future Generations Commissioner, FUW, WLGA, and Wales Tourism Alliance all stressed the importance of using rural development policies to support the Welsh language and culture. Cardiff University School of Law and Politics said:

“A central part of any new rural development programme should be ... to ensure job creation and growth in rural areas, including maintaining Welsh speaking cultures.”¹²³

159. The Welsh Language Commissioner’s office mapped the distribution of Welsh speakers according to the 2011 Census. It showed that communities with over 30%, 50% and 70% Welsh speakers are concentrated in predominantly rural areas in north and west Wales.

160. FUW described the extent to which the Welsh language is supported by the agricultural sector in rural communities:

“Agriculture also makes an invaluable contribution to Wales’ culture; the per-head contribution of ‘Agriculture, energy and water’ workers to all Welsh speakers is 78% higher than for all categories, and has the highest percentage of Welsh speakers across Wales at 29.5%”¹²⁴

¹²⁰ FUW written evidence

¹²¹ LEADER, Welsh Government

¹²² European Economic and Social Committee written evidence

¹²³ Cardiff University written evidence

¹²⁴ FUW written evidence

Welsh Government's view

161. The Cabinet Secretary acknowledged the wider impact of the agricultural sector and said that this was something she would emphasise in discussions with the Secretary of State for Environment, Food and Rural Affairs. She said:

“The agricultural sector probably uses the Welsh language more than any other sector in Wales. We certainly recognise the importance of that but it’s up to us to make sure that she is aware of it...”

162. The Welsh Government official accompanying the Cabinet Secretary added:

Certainly, at official level ... we’ve made the point that agriculture goes wider than just the sheer commodity element.”¹²⁵

Farming in marginal areas

163. A large proportion of agricultural land in Wales is considered as ‘less favourable area’, or LFA land. Grassland pasture accounts for 75% of land use in Wales, 80% of which is LFA land. According to the FUW, only 5% of land in Wales is used for crops and horticulture.¹²⁶

164. The sector in England is characterised by a significantly higher proportion of cropland agriculture on holdings with larger land sizes that generate a greater than average income. 55% of agricultural land in England is dedicated to crops.¹²⁷

165. Due to the mountainous topography and wetter climate in Wales, agriculture is heavily focused on the grazing of livestock, specifically sheep, on LFA land and consists of small farm holdings that make modest incomes. FUW, Tenant Farmers Association and Fairness for the Uplands stressed the importance of direct payments for supporting farm incomes in such marginal areas.

166. Fairness for the Uplands told us about the challenges facing upland farmers:

“Area payments should be focused on compensating vulnerable upland areas because of the extra costs associated with shorter grazing seasons due to poorer quality soil and lower temperatures. Support payments should continue for upland areas focusing on pastoral agriculture producing high quality food alongside meeting strict environmental guidelines.”

Our view

If Wales wants vibrant and prosperous rural communities, the agricultural sector must be supported and protected.

Rural communities are fundamental to a thriving Welsh culture and identity – supporting the agricultural sector has a wider impact that should not be overlooked. We acknowledge the vital importance of rural communities to the use of the Welsh language and their contribution to achieving the Welsh Government’s aim of increasing the number of Welsh speakers to one million by 2050.

¹²⁵ CCERA, 1 February 2017, para 238 and 241

¹²⁶ Farmers’ Union of Wales written evidence

¹²⁷ <https://www.gov.uk/government/statistical-data-sets/structure-of-the-agricultural-industry-in-england-and-the-uk-at-june>

The Welsh uplands tradition represents a unique cultural and economic environment which should be treasured. Any future method of providing financial support must recognise this and protect its continuation.

The Welsh Government must ensure that these aspects of Welsh rural life are emphasised during negotiations with the UK Government on any future funding or regulatory framework.

It must do this to ensure that our rural communities can continue to prosper.

Recommendations:

Recommendation 25. The Welsh Government must ensure that future support for rural development encompasses the best practice of existing schemes such as LEADER, so that vital learning and investment is not lost on our exit from the EU.

Recommendation 26. In its negotiations with the UK Government, the Welsh Government must emphasise the extent to which support for agriculture and rural development underpins the viability of rural communities, and the culture and language of Wales, and therefore reinforces the need for the continuation of current levels of support.

Annex A – Written evidence

The following people and organisations provided written evidence to the Committee. All written evidence can be viewed in full at: [Consultation Responses](#)

Organisation / Name

Ramblers Cymru

RSPB Cymru

European Economic and Social Committee

Farmers' Union of Wales

Pori Natur a Threftadaeth - PONT

Calon Cymru Network CIC

One Planet Council

Fairness for the Uplands

Elan Valley Tenants Association

Individual

Tenant Farmers Association

Wales Tourism Alliance

Confor

Cardiff University School of Law and Politics

Wales Environment Link

Future Generations Commissioner

Individual

Individual

Dŵr Cymru Welsh Water

Soil Association and the Organic Research Centre

Meat Promotion Wales (HCC)

Woodland Trust

NFU Cymru

Welsh Local Government Association

Snowdonia Society

University of South Wales

The Cnewr Estate Ltd

CLA Cymru

Wales YFC Centre

Natural Resources Wales

Wildlife Trusts Wales

Over 300 individual responses, titled 'Wales Food and Farming'

Summary of Dialogue responses

Annex B – Oral evidence and Committee visits

The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at: [Transcripts](#)

22 September 2016 - Visit to Ceredigion

28 September 2016

Witness	Organisation
Professor Janet Dwyer	Countryside and Community Research Institute
Professor Peter Midmore	Institute of Management, Law and Information Science - Aberystwyth University
Professor Tim Lang	Centre for Food Policy – City University
Stephen Devlin	New Economics Foundation
Dr Katherine Foot	School of Real Estate & Land Management - Royal Agricultural University
Dr Ian Grange	Royal Agricultural University

20 October 2016 - Stakeholder workshop – Cardiff Bay

24 November 2016 - Visit to Snowdonia

12 January 2017

Witness	Organisation
Dai Davies	Hybu Cig Cymru
Stephen James	National Farmers' Union
Arfon Williams	Wales Environment Link
Adrian Barsby	Wales Tourism Alliance
Angela Charlton	Ramblers Cymru
Nick Fenwick	Farmers Union of Wales
Tony Davies	Fairness for the Uplands
Martin Bishop	Confor
Frances Winder	Woodlands Trust
Tim Peppin	Welsh Local Government Association (WLGA)

Councillor Jamie Adams	
Councillor Goronwy Edwards	
Dafydd Gruffydd	Business Manager for LEADER in Anglesey and Gwynedd

1 February 2017

Witness	Organisation
Lesley Griffiths AM	Cabinet Secretary for Environment and Rural Development, Welsh Government
Andrew Slade	Welsh Government
Kevin Austin	Welsh Government
Rhodri Asby	Welsh Government

Rt Hon Andrea Leadsom MP, the Secretary of State for Environment and Rural Affairs and George Eustice MP, the Minister of State for Agriculture, Fisheries and Food were both invited to but could not attend our meetings.