

Welsh Government's proposals for a Sustainable Farming Scheme

July 2024

Scrutinising the development of proposals for a Sustainable Farming Scheme (SFS) is a key priority for the Committee. This report reflects the Committee's findings and views on the current state of play, following engagement with stakeholders and the Welsh Government.

On 9 May the Committee held a one-day inquiry with stakeholders. This followed Welsh Government's consultation on scheme proposals which ran from 14 December 2023 to 7 March 2024. Members discussed the proposals and the process of engagement and co-design with stakeholders (see Annex 1), and received written evidence (see Annex 2), before a session with the newly-appointed Cabinet Secretary for Climate Change and Rural Affairs ("the Cabinet Secretary") on 13 June 2024.

The Senedd's Climate Change, Environment and Infrastructure Committee (CCEI) also separately considered the SFS, and two Members of this Committee joined a CCEI stakeholder event on 13 March. CCEI then held evidence sessions on 21 March. CCEI's work focused on environmental aspects of the scheme, but also considered its workability, given the need for participation to deliver desired environmental outcomes. It will write to the Cabinet Secretary separately with its



views. Details of both Committees work on Welsh Government's proposals for the SFS can be found on the Senedd website.¹

The SFS was due for introduction in 2025. However after the Committee sessions with stakeholders, following the farming industry's response to the proposals, , on 14 May the Cabinet Secretary announced a delay until 2026. The Basic Payment Scheme (BPS) will continue in 2025, and further support to organic farmers in 2025 will be considered.² Referring to the Habitat Wales Scheme, the Cabinet Secretary said he was exploring giving more farmers the opportunity to access support in 2025 for habitat management. He also said he expected existing Rural Investment Schemes, such as the small grants schemes, to continue to support infrastructure changes, and said "we are working on a new landscape scale scheme which will build on the experience of previous collaboration schemes."

On 17 July the Cabinet Secretary confirmed the continuation of the Habitat Wales Scheme and the Organic Support Payment schemes and Farming Connect support in 2025. He also announced a new Integrated Natural Resources Scheme to "support farmer-focussed partnerships delivering nature-based solutions across a landscape, catchment or on a pan Wales scale" for 2025."³

The Cabinet Secretary told Senedd Members:

*"We will initiate a SFS Preparatory Phase in 2025 to demonstrate the benefits of the proposed Universal Actions through knowledge transfer, targeted activity and financial support. This will better prepare farmers for entry into the Scheme from the start of the proposed transition period in 2026."*⁴

The Cabinet Secretary explained that the delay would allow further conversations and discussions with Plaid Cymru, as part of the Cooperation Agreement still in operation at that time,⁵ and with members of the Ministerial Roundtable ("the

¹ [Welsh Government's proposals for a Sustainable Farming Scheme \(SFS\) \(senedd.wales\)](https://www.senedd.wales)

² <https://www.gov.wales/written-statement-future-farming-wales>

³ <https://www.gov.wales/cabinet-secretary-confirms-support-available-farmers-2025>

⁴ <https://record.senedd.wales/Plenary/13909#A88042>

⁵ https://www.partyof.wales/cytundeb_cydweithio_cooperation_agreement_ends

Roundtable”), and that he intended to “work at pace to identify areas of agreement and place the emphasis on matters where more work is required.”

Issues to be resolved via the Roundtable will include finding an appropriate payment methodology, considering an updated economic assessment, and carbon sequestration proposals. The Cabinet Secretary also said the preparatory phase in 2025 would be used to undertake a data confirmation exercise, to get a more accurate picture of habitat and tree cover across all farms, and work with stakeholders on developing proposals for further Optional and Collaborative Actions under the scheme.

Chair's foreword

The Agriculture (Wales) Act 2023 set out a new direction for agricultural policy, and the Sustainable Farming Scheme (SFS) is the vehicle to deliver a 'Made in Wales' approach to supporting farmers and rural communities. But it has been beset with delays, mis-communication and unprecedented levels of concern about whether it can deliver.

Our one-day inquiry and session with the Cabinet Secretary gave a snapshot view along the journey toward introducing the SFS. Days after meeting stakeholders, in May it was announced the scheme would be delayed until 2026. By the time we publish this report at the Royal Welsh Show, the journey will have continued.

The critical issues still to be resolved are significant. They include the fundamentals of scheme design: the actions required, the targets to be met for tree cover and habitat management, and the scheme's payment methodology and rates. Big questions raised during scrutiny of the Agriculture (Wales) Bill still remain: how can Welsh Government ensure the scheme is accessible to all farmers, regardless of their farm type and tenure? And how can we balance protecting the future of the farming industry and food production with tackling the climate and nature emergencies head on?

The Ministerial Roundtable set up to thrash out these issues has a big job on its hands. The Committee welcomes the engagement of all rural affairs stakeholders in its scrutiny work, and looks forward to further announcements from the Cabinet Secretary about developing a scheme that is truly fit for the future. As the Cabinet Secretary has said – we must get this right.



Paul Davies MS
Chair

Recommendations

Recommendation 1. The Welsh Government should provide precise detail on exactly what work has occurred with stakeholders since the passing of the Agriculture (Wales) Act 2023 to ensure the SFS will fully support new entrants and succession planning. It should set out what proposals from stakeholders were considered, how they have been taken into account, and the rationale where options have been rejected.....12

Recommendation 2. The Welsh Government should keep the Committee updated on how it proposes to include support for tenant farmers and farmers on common land, within an SFS scheme and otherwise, and how it will ensure that key stakeholders are consulted on the workability of final proposals.12

Recommendation 3. The Welsh Government should provide the Committee with further detail on the actions being taken to protect County Council farms, and ensure that alongside the work to finalise and introduce the SFS there is a focus on protecting and supporting County Council farms and their tenants.....12

Recommendation 4. The Welsh Government should work at pace through the Roundtable to determine the social value element of the scheme and communicate clearly what this means for farmers as part of the SFS payment methodology.....15

Recommendation 5. The Cabinet Secretary should provide the Committee with regular updates – at least every three months - on progress with developing the detail of the scheme Actions, including the status and timescales for consulting more widely and agreeing final changes to the scheme rollout.17

Recommendation 6. The Welsh Government should look to models of support for organic farming schemes from other parts of Europe, and prioritise further engagement with the Welsh organic sector on a cross-departmental basis - as recommended by the Welsh Organic Forum - before finalising its SFS proposals.17

Recommendation 7. The Welsh Government should provide the Committee with more information on how it is considering best practice elsewhere in the UK and evaluating different carbon capture and sequestration technologies and options. It should set out how this work will be incorporated into the development and future evaluation of the SFS. 20

1. Introduction

Following the announced delay to the scheme there will now be a 'Preparatory Phase' of activity in 2025. During that phase the Welsh Government plans to work with stakeholders to develop proposals for further Optional and Collaborative Actions, with the aim of introducing these "as soon as possible."⁶

1. Following his statement on 14 May, the Cabinet Secretary said in Plenary:

*"We haven't seen the final, the full analysis of the consultation, but I've seen some of the interim findings, and it's pretty clear and obvious where those areas where we need a bit more work are."*⁷

2. The Cabinet Secretary also said the Welsh Government will work with Farming Connect to "promote the benefits and opportunities of tree cover and woodland on farms" and consider continuing support to organic farmers in 2025.

3. The Cabinet Secretary's evidence paper confirmed "some changes to the proposal are needed"⁸ and that he intended to publish the consultation analysis and Welsh Government response in June. This is still awaited at time of writing.⁹

4. Regarding budget for the SFS, the Cabinet Secretary said:

*"we're going to be asking the UK Government to provide at least the same level of funding as we received this financial year, plus inflation, plus more ... The Bill is £339.6 million, please, plus inflation, and anything else they want to throw in. We are working ... to develop our funding ask."*¹⁰

⁶ <https://record.senedd.wales/Plenary/13909#A88042> – Paragraph 202

⁷ <https://record.senedd.wales/Plenary/13909#A88042>

⁸ <https://business.senedd.wales/documents/s150904/Evidence%20paper%20-%20Welsh%20Government.pdf>

⁹ [Sustainable Farming Scheme | GOV.WALES](https://www.gov.wales/sustainable-farming-scheme)

¹⁰ <https://record.senedd.wales/Plenary/13909#A88042>

5. NFU Cymru welcomed the new timeline, while environmentalists such as Soil Association Cymru, WWF Cymru and Wildlife Trusts Wales are disappointed with the delay, highlighting the climate and nature emergencies.

6. The Cabinet Secretary's paper said:

*"Introducing the Scheme in 2026, following a Preparatory Phase, is not a lowering of ambition on climate or nature commitments. There are challenges to resolve before farmers feel confident in the scheme. There are no benefits from introducing a scheme too soon if farmers are unwilling to join."*¹¹

2. Engagement and co-design

7. Farming representatives felt that the SFS proposals did not capture issues raised during co-design discussions. NFU Cymru's consultation response said:

*"... we created a detailed and comprehensive Sustainable Farming Scheme proposal that has been positively received by academics, NGOs and politicians from across the political spectrum. Whilst elements of this framework have been taken forward within the current proposals, it is a source of deep disappointment that the key elements of stability, simplicity, and fair reward for the delivery of sustainable farming objectives have been ignored thus far."*¹²

8. The farming union also said the proposals had "not kept pace with the fundamental changes secured to the Agriculture (Wales) Act during its passage through the Senedd." NFU Cymru called for an "overhaul", and the Farming Union of Wales (FUW)'s response called for an "appropriate alternative policy framework", saying that what was needed was "to allow adequate time for a rethink of the proposals through genuine co-design with both farming unions."¹³

9. Aled Jones of NFU Cymru summed up the challenge:

¹¹ <https://business.senedd.wales/documents/s150904/Evidence%20paper%20-%20Welsh%20Government.pdf>

¹² <https://business.senedd.wales/documents/s151726/Paper%20-%20National%20Farmers%20Union%20Cymru%20NFU.pdf>

¹³ <https://business.senedd.wales/documents/s151727/Paper%20-%20Farmers%20Union%20of%20Wales%20FUW.pdf>

"... environmental groups would consider it a key consideration that every farmer in Wales is able to participate in the scheme. And they would probably agree that having 50 per cent of farmers unwilling to participate wouldn't actually deliver on environmental benefits. So, I think the message has to be to design a scheme that every farmer in Wales wishes to and can participate in, and then get them on the journey. That's the essential message."

10. Professor Janet Dwyer stressed that it was "a really important principle" that the scheme was available to all farms in Wales, with options for different types of farms and the markets they feed into.¹⁴ The Cabinet Secretary told Members that the first principle was to make sure that the universal actions were "genuinely available to every farmer who wants to be part of this."¹⁵

11. Professor Dwyer also pointed to the need to address challenges related to the impact of regulation, in particular the nitrate pollution regulations.¹⁶¹⁷ She said:

"The key is getting the model right that can work for everybody, and I think, at the moment, that's where the problem lies; it's that what's being asked of farmers in the proposals that have been produced so far is looking like it's an awful lot of extra work for unknown but potentially insufficient reward, compared to what they've been used to under the previous regimes. And that's the shock to the system that they're finding very difficult to cope with."¹⁸

12. Rhys Owen of Tirweddau Cymru Landscapes Wales referred to missed opportunities during stakeholder engagement to use organisational expertise to help develop ideas, and frustration was also expressed about the lateness of consulting on the detail and data behind scheme development.¹⁹

13. Giving evidence to the Committee on 13 June the Cabinet Secretary showed a clear understanding of the areas where work is now urgently needed:

¹⁴ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 389-390

¹⁵ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 362

¹⁶ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 390

¹⁷ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraphs 425-431

¹⁸ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 391

¹⁹ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraphs 213-214

“Having seen some of the interim analysis of where we are, I don't think there were any great shocks or surprises. So, it is around things such as that issue of carbon sequestration. It is around the issues such as tree cover. It is around issues such as making sure this is right for tenant farmers, common land. It is also ... to do with social value.”²⁰

Specialist Working Groups

14. During scrutiny of the Agriculture (Wales) Bill, the Committee was reassured that some specific concerns raised by stakeholders about future agricultural support would be addressed by Welsh Government through engagement with specialist working groups. In particular the Committee had highlighted issues regarding the needs of tenant farmers, farmers on common land, and new entrants to farming.²¹ It was therefore very concerning to hear from Aled Jones of NFU Cymru that this work to inform the development of the SFS has had significant problems. Members were told that although there were “purposeful meetings” with the tenancy group, the cross-border farms group “did not get off the ground”, the next generation group wasn’t set up, and there was “stalling” of the common land group.²²

15. The Nature Friendly Farming Network (NFFN) and Wales Environment Link (WEL) said it was difficult to have access to the former Minister for Rural Affairs.²³ Soil Association Cymru highlighted a lack of access to the land management reform department, which has been designing the scheme.²⁴ Stakeholders welcomed the Cabinet Secretary setting up the Roundtable for ongoing engagement. The farming unions stressed a relatively small group was needed at this point²⁵, and Alex Phillips representing WEL also said he expected it to be a “relatively small group, to move swiftly”. However, Andrew Tuddenham of the Soil Association Cymru was “surprised” that the Welsh Organic Forum had not been invited to participate, given its significance as a sector in Wales.²⁶

²⁰ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 360

²¹ <https://senedd.wales/media/d4befhvr/cr-ld15627-e.pdf>

²² Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 18

²³ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 216

²⁴ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 210

²⁵ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraphs 12-16

²⁶ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 222

Supporting Tenant Farmers and Farmers on Common Land

16. The Tenant Farmers Association (TFA) said the current proposals and payment methodology are unworkable for tenant farmers who are hemmed in by tenancy law.

17. Dennis Matheson of the TFA said:

“As far as tenancies are concerned, I don't know whether it's solvable, because the Welsh Government have had five years since I first mentioned it to come up with a scheme that tenants can access, but, this scheme, tenants cannot access... It would have to be a different scheme, or it would have to exempt tenants from anything they can't do, which wouldn't be fair, would it?”²⁷

18. Dennis Matheson pointed out the significance of not resolving the barriers for tenant farmers:

“... 27 to 30 per cent of Wales is farmed by someone other than the landowner, and a quarter of active farmers are tenants or graziers, so if they can't get into the scheme, the Welsh Government isn't going to achieve its objectives—no way.”²⁸

19. Farming unions agreed the Universal Actions should be accessible to common land farmers. There was discussion of whether there should be a separate scheme for common land. Gareth Parry of FUW said additional support would be crucial due to the ending of Glastir Commons.²⁹ Professor Janet Dwyer pointed to research by Dr Gwyn Jones and the example of commons management on Dartmoor. She said flexibility was key, and Welsh Government's continued support for the role of commons development officers in Wales would be important. She said “putting the energy back into commons management, I think, is a really important part of future sustainable agriculture in Wales.”³⁰

²⁷ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 27

²⁸ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 109

²⁹ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 122

³⁰ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraphs 394-396

Support for new entrants

20. Wales Federation of Young Farmers Clubs (WYFC) argued there was insufficient support for new entrants and young farmers, and they had not been meaningfully consulted: “None of our suggestions have been implemented!”³¹ Dominic Hampson-Smith said:

“There is nothing to encourage younger generations ... as important as it is to support the businesses that are in place now, it's the likes of myself and what my organisation represents that is the future of agriculture, and that's something I think we really need to concentrate on... Without us being involved and feeling that this is a scheme that can support us, we're going down the wrong road.”³²

21. The TFA provided additional evidence highlighting that funding for County Council Farm tenants was being “significantly restricted.” The TFA said that councils were “unwilling to commit funds to update fixed equipment [to achieve compliance with the Water Resources (Control of Agricultural Pollution) (Wales) Regulations 2021] when there are so many demands on their budgets.”³³ Council farms represent a significant route into farming for new entrants, but TFA reported that Powys County Council was indicating that it might have no alternative but to dispose of its council estate: “Any loss of Council farms due to Welsh Government policies would be regrettable and counter-productive to encouraging young people to enter the industry.”

22. Professor Janet Dwyer said if the Welsh Government took account of “generational renewal” measures across the European Union; and put some attention and effort into this aspect of the SFS then it could help “turn around” how the farming sector currently perceived it. She said young farmers could be innovators and champions of regenerative approaches, highlighting the Groundswell initiative in England. Professor Dwyer suggested a support package for new entrants could include slight uplifts for things like progressive business plans.³⁴, perhaps on a sliding scale.

Conclusion 1. The Committee has consistently warned the Welsh Government that the needs of new entrants must be front and centre of support schemes for

³¹ [Fin.Cyf./Our.Ref.\(senedd.wales\)](#)

³² Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 44

³³ Additional evidence – Tenant Farmers Association

³⁴ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraphs 417-419

farmers, to protect the future of the industry. It has also flagged the TFA's concerns about County Council farms. In responding³⁵ to Recommendation 19 of our Stage 1 report on the Agriculture (Wales) Bill 2023³⁶, the former Minister said a working group representing the unions, WYFC and agricultural colleges had been set up and was working on options to help shape the SFS. Our latest evidence suggested a lack of meaningful consultation, and a failure to even establish a 'next generation' working group. Divergent views at such a late stage in the development of the SFS, following a lengthy 'co-design' process, are concerning. They reinforce wider concerns the Committee has had about how the Welsh Government's policy proposals have been communicated to stakeholders. Progress is urgently needed on ways to support tenant farmers and commoners.

Recommendation 1. The Welsh Government should provide precise detail on exactly what work has occurred with stakeholders since the passing of the Agriculture (Wales) Act 2023 to ensure the SFS will fully support new entrants and succession planning. It should set out what proposals from stakeholders were considered, how they have been taken into account, and the rationale where options have been rejected.

Recommendation 2. The Welsh Government should keep the Committee updated on how it proposes to include support for tenant farmers and farmers on common land, within an SFS scheme and otherwise, and how it will ensure that key stakeholders are consulted on the workability of final proposals.

Recommendation 3. The Welsh Government should provide the Committee with further detail on the actions being taken to protect County Council farms, and ensure that alongside the work to finalise and introduce the SFS there is a focus on protecting and supporting County Council farms and their tenants.

3. Introducing the scheme

23. FUW said "radical change" was required to get things right. The farming unions expressed their willingness to "burn the midnight oil"³⁷ with the Cabinet Secretary, but the scheme design task was "huge."³⁸ Farming representatives

³⁵ [Welsh Government response to recommendations in the Agriculture Wales Bill Committee Stage 1 report.pdf \(senedd.wales\)](#)

³⁶ [Agriculture \(Wales\) Bill: Committee Stage 1 Report \(senedd.wales\)](#)

³⁷ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 100

³⁸ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 102

had called for a 12 month extension to the BPS (from 2025), which the Cabinet Secretary conceded. But WEL had said a delay to the scheme would be “the worst thing you can do”³⁹, leading to more uncertainty.

24. Rhys Evans of NFFN suggested phasing in the scheme in the first year⁴⁰ (now 2026), to allow early adopters to get used to the scheme and address any ‘teething issues’.

4. Payment methodology

25. In announcing the delay to implementing the SFS, the Cabinet Secretary emphasised the importance of going beyond the costs incurred and income foregone payment methodology, and recognise the social value of actions:

“The SFS must provide farmers with the right level of support to help with business resilience. This is why we have always said we will include payment for the wider benefits farming provides, going beyond income forgone and costs incurred, to recognise social value. The Roundtable will help find an appropriate payment methodology and will consider the updated economic assessment based on the revised Scheme as well as any further and alternative proposals to achieve additional carbon sequestration within the SFS.”⁴¹

26. All stakeholders said the ‘costs incurred and income foregone’ payment methodology would be insufficient incentive for farmers to enter the scheme. Gareth Parry of FUW said:

“... the payments under this scheme will have to compensate for costs incurred and income forgone, in addition to compensating for the loss of direct farm support. And that is absolutely crucial, because if farm businesses are economically sustainable, they'll be able to invest in environmental goods and other things.”⁴²

³⁹ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 272

⁴⁰ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 285

⁴¹ <https://www.gov.wales/written-statement-future-farming-wales>

⁴² Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 30

27. Professor Janet Dwyer was asked about the SFS's interaction with current and future trade deals and World Trade Organisation (WTO) rules. She commended Welsh Government for saying it was necessary to go beyond income foregone as the basis for payment rates, saying that approach was causing problems in England. She said:

*"... the Wales scheme, as it's proposed, is fully decoupled, and, therefore, should be green box. Therefore, I don't think that the issue of the income forgone approach to payments should be a sensitive one for Wales. I think you're squeaky clean, and you have potential for a better environmental and animal welfare record than your trading competitors."*⁴³

28. Determining the social value payment element of the scheme is complex. The Cabinet Secretary said:

*"... we've got a deal of work to do in the preparatory phase, through the ministerial round-table, to try and explain better that, within not only the universal actions, but the collaborative and optional, we can build that in as well, that we recognise that social value of farming to the rural economy."*⁴⁴

29. FUW⁴⁵ and Tirweddau Cymru Landscapes Wales⁴⁶ were concerned that it could result in a postcode lottery. NFU Cymru argued the social payment should take account of all sustainable land management objectives, highlighting farm business resilience.⁴⁷

30. The Welsh Government's Director of Rural Affairs said work was going on behind the scenes to bring social value proposals to the Roundtable: when asked what outside expertise had been considered to assist the process he said ideas had come through from the consultation.⁴⁸

⁴³ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 437

⁴⁴ Economy, Trade and Rural Affairs Committee, 13 June 2024, Paragraph 360

⁴⁵ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 30

⁴⁶ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 237

⁴⁷ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 34

⁴⁸ Economy, Trade and Rural Affairs Committee, 13 June 2024, Paragraph 395

31. NFU Cymru and NFFN were among stakeholders pointing out that small-scale farms would be disadvantaged under the payment methodology.⁴⁹ Several felt an indicative budget would have been helpful to understand its workability.⁵⁰

32. Alex Phillips of WWF Cymru, representing WEL, suggested 50 per cent of the budget should be dedicated to the Universal Actions and 50 per cent set aside for Collaborative and Optional layers.⁵¹ The caveat was that if the Universal Actions are simplified, its budget should be reduced to direct budget to areas of the scheme with most environmental gain.

33. WEL suggested that now the Welsh Government has combined rural affairs and climate change under one Ministerial portfolio, part of the climate change budget could be brought into the SFS.⁵²

Conclusion 2. One of the biggest sticking points with the scheme proposals has been a lack of information for the industry on payment methodology and rates. Although the preparatory phase allows more time to work on the detail of the payment methodology, it will be vital for the Roundtable to work at pace to formulate and agree a realistic and robust methodology alongside the agreed SFS actions. The Committee hopes the Welsh Government will take full account of the views of stakeholders on this critical aspect of the scheme.

Recommendation 4. The Welsh Government should work at pace through the Roundtable to determine the social value element of the scheme and communicate clearly what this means for farmers as part of the SFS payment methodology.

5. Changes suggested to the SFS Action Layers

34. Farming representatives felt there are too many prescriptive Universal Actions (UAs). NFU Cymru described 17 UAs as “totally impractical.”⁵³ NFFN and WEL suggested the Universal Actions could be packaged differently to make them less “onerous.”⁵⁴ FUW wanted to see a Universal layer that is “truly universal” and farm-business related, that all farm businesses can access, focused on things like benchmarking, Continuous Professional Development (CPD),

⁴⁹ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraphs 38; 321-322

⁵⁰ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraphs 229; 240; 254; 286

⁵¹ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 254

⁵² Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 255

⁵³ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 38

⁵⁴ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 243; Paragraph 257

animal health, soil testing, and land-use based changes should be “completely optional.”⁵⁵ NFU Cymru said some elements within the Universal Actions were “disrespectful” to some farmers and their expertise.⁵⁶ Professor Janet Dwyer suggested a way round this would be to focus on reducing inefficiencies in input use... *“a focus on nutrient use on farms could be a really good way of focusing attention on what the universal layer of the scheme might achieve in the shorter term.”*⁵⁷

35. There was consensus that delaying the introduction of the Optional and Collaborative Actions would disadvantage those currently doing more for the environment: common land farmers, those managing land designated as a site of special scientific interest (SSSI), and organic farmers.⁵⁸

36. Professor Janet Dwyer said that a scenario where Optional Actions come in later could disincentivise organic farmers from joining the scheme, and is “actually going backwards”:

*“It's offering them a lower level of reward for a lower level of achievement than they would already be achieving as organic farmers, and I think that that sends a negative message.”*⁵⁹

37. She said the solution to this element missing from the SFS was “quite simple”, pointing to good models of organic farming schemes elsewhere in Europe supporting conversion and maintaining organic management.⁶⁰

38. The Cabinet Secretary and Welsh Government's Director of Rural Affairs told the Committee that the Roundtable would be working on prioritising which Actions to bring in at the start of the scheme. Gian Marco Currado said:

“... our hope would be that we can bring online as many of the optional and collaborative from day 1, given that we are having a longer period to have that discussion. Realistically... I think there will still be a transition period. So, I don't think all of the optional and collaborative will be ready on day 1, but we hope

⁵⁵ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 121

⁵⁶ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 124

⁵⁷ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 410

⁵⁸ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraphs 325-328

⁵⁹ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 398

⁶⁰ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 399

that perhaps more will be ready than might otherwise have been the case.”⁶¹

39. He said there was a good understanding of some of the areas to prioritise for the Optional and Collaborative Actions, including collaborative action on common land as one example.⁶²

Conclusion 3. The Committee understands stakeholder desire to review and re-package the scheme's Universal Actions, and the piecemeal introduction of different Actions in the Optional and Collaborative layers of the scheme. It welcomes the Welsh Government aim to bring in as many Optional and Collaborative actions as possible alongside the universal element of the scheme. Time is of the essence, and the Committee would like assurances that the Roundtable is making swift progress on resolving these matters.

Recommendation 5. The Cabinet Secretary should provide the Committee with regular updates – at least every three months - on progress with developing the detail of the scheme Actions, including the status and timescales for consulting more widely and agreeing final changes to the scheme rollout.

Recommendation 6. The Welsh Government should look to models of support for organic farming schemes from other parts of Europe, and prioritise further engagement with the Welsh organic sector on a cross-departmental basis - as recommended by the Welsh Organic Forum - before finalising its SFS proposals.

6. Potential tree cover and carbon capture solutions

40. The debate over the SFS proposals has been overshadowed by concerns and misunderstandings about the tree cover requirements – something highlighted by evidence from NFU Cymru and WEL.⁶³ Alex Phillips of WEL said it was “a comms issue” that now needed to be reframed: “how do you communicate and win back people by basically saying, ‘Actually, what you've been very angry about isn't really what we're asking you to do’?”⁶⁴ Aled Jones of NFU Cymru said:

⁶¹ Economy, Trade and Rural Affairs Committee, 13 June 2024, Paragraph 363

⁶² Economy, Trade and Rural Affairs Committee, 13 June 2024, Paragraph 365

⁶³ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraphs 305-307

⁶⁴ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 306

*"It is a shame that this whole debate has been overshadowed by the debate on trees alone."*⁶⁵

41. NFFN and WEL⁶⁶ emphasised the value of trees for both the environment and agricultural productivity (when supported through advice and guidance). They spoke of the misconception that planting trees, and meeting the 10 per cent habitat requirement, sacrificed food production.⁶⁷ Rhys Evans of NFFN cited a concrete example of a farmer achieving this without woodland creation, through shelter belts, hedgerow and infield trees, silvoarable and silvopasture.⁶⁸

42. Other farming representatives felt there must be more flexibility on the tree planting targets, and the practicalities of achieving sustainable and permanent change need to be considered.⁶⁹ Aled Jones of NFU Cymru pointed out that 43 per cent of the 1,600 people in the co-design groups had said the tree cover targets would prevent them entering the scheme, and 52 per cent already had 10 per cent tree cover.⁷⁰ He pointed out "If 50 per cent of farmers go into the scheme we will not have the benefits."⁷¹

43. The farming unions were concerned that taking land out of production could make Wales more reliant on imports, offshoring carbon emissions.⁷²⁷³⁷⁴ Gareth Parry of FUW stressed the "right tree in the right place" as something that both they and the UK Climate Change Committee (CCC) advocated, but said "I strongly believe that that approach has been lost in conversations within the Welsh Government in light of these proposals."⁷⁵

44. Lack of data about existing tree cover and how close to targets some farmers are already has been a feature of the debate around the SFS. The Committee noted the Cabinet Secretary's assurances about working on the data as a priority. He told Members: "That accurate baseline data mapping is critical, going forward."⁷⁶

⁶⁵ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 61

⁶⁶ [Paper - Wales Environment Link.pdf \(senedd.wales\)](#)

⁶⁷ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 293

⁶⁸ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 294

⁶⁹ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 88-89

⁷⁰ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 67

⁷¹ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 71

⁷² Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 94

⁷³ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 189

⁷⁴ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 90-97

⁷⁵ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 75

⁷⁶ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 382

45. The Committee received valuable written evidence⁷⁷ from Professor John Gilliland of Queen's University Belfast, a farmer and policy expert, about his work on carbon sequestration technologies. Professor Gilliland provided details of a 'Carbon Smart Farming' Pilot Project to help accelerate a cross-section of seven different types of farms to net zero and beyond. The project methodology included soil sampling and radar technology (LIDAR), and had returned surprising results on benchmarking baseline emissions, carbon stocks and sequestration, the importance of run-off risk maps, and a toolkit of solutions for farmers to deploy.

46. The Committee asked the Cabinet Secretary how the SFS could tackle the issue of total afforestation, where corporates buy up large swathes of Welsh land to meet carbon emissions targets, and the potential negative impact on rural communities. The Cabinet Secretary said he could not control the choices of landowners, but more work needed to be done on community ownership and management of land, and conceded "we need to learn lessons from some of the relatively rare but significant examples that we've seen that you alluded to. We need to do better than that."⁷⁸

47. Alex Phillips representing WEL spoke of the importance of a universal requirement for woodland creation, but suggested that the planting target could be a scheme target rather than an individual farm target, with more flexibility at farm level with incentives for optional planting: "... this is a business decision for a lot of farmers out there. If the cash is there and it makes sense from a business perspective to do it, they will do it."⁷⁹

48. The Committee explored carbon sequestration options more generally, and welcomed the opportunity to discuss this with James Richardson of the CCC, who highlighted other agricultural methods to capture carbon relating to hedgerows, soil, peatland and energy crops. However trees were described as "a key part of an overall package to get us to net zero."⁸⁰

49. The CCC spoke of the role of energy crops (currently not included in the SFS) but said it was important to ensure measures are consistent with biodiversity objectives. He noted they were a potential source of income for farmers

⁷⁷ [Paper ... Professor John Gilliland.pdf \(senedd.wales\)](#)

⁷⁸ Economy, Trade and Rural Affairs Committee, 13 June 2024, Paragraph 389

⁷⁹ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 298

⁸⁰ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraph 357

diversifying in a changing world, and said there was a role for them “in the right place” to enhance biodiversity of land as “part of the picture.”⁸¹

50. We discussed ways to reduce greenhouse gas emissions from farm machinery.⁸² James Richardson of CCC noted decarbonisation of heavy vehicles used in farming was a “complicated area”, but that over time the market would move in that direction. Agri-tech research and developments in battery technology and green hydrogen were discussed. Professor Janet Dwyer pointed to the challenges of operating heavy machinery in worsening (wetter) climatic conditions. She noted that in Japan a move to farm with smaller, more agile machinery opened up more opportunities for using renewable energy technologies. Work at institutions including the Royal Agricultural University and Harper Adams University was referenced.⁸³

Recommendation 7. The Welsh Government should provide the Committee with more information on how it is considering best practice elsewhere in the UK and evaluating different carbon capture and sequestration technologies and options. It should set out how this work will be incorporated into the development and future evaluation of the SFS.

⁸¹ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraphs 367-368

⁸² Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraphs 372-385

⁸³ Economy, Trade and Rural Affairs Committee, 9 May 2024, Paragraphs 383-385

7. Conclusions

Conclusion 1. The Committee has consistently warned the Welsh Government that the needs of new entrants must be front and centre of support schemes for farmers, to protect the future of the industry. It has also flagged the TFA’s concerns about County Council farms. In responding to Recommendation 19 of our Stage 1 report on the Agriculture (Wales) Bill 2023, the former Minister said a working group representing the unions, WYFC and agricultural colleges had been set up and was working on options to help shape the SFS. Our latest evidence suggested a lack of meaningful consultation, and a failure to even establish a ‘next generation’ working group. Divergent views at such a late stage in the development of the SFS, following a lengthy ‘co-design’ process, are concerning. They reinforce wider concerns the Committee has had about how the Welsh Government’s policy proposals have been communicated to stakeholders. Progress is urgently needed on ways to support tenant farmers and commoners.....11

Conclusion 2. One of the biggest sticking points with the scheme proposals has been a lack of information for the industry on payment methodology and rates. Although the preparatory phase allows more time to work on the detail of the payment methodology, it will be vital for the Roundtable to work at pace to formulate and agree a realistic and robust methodology alongside the agreed SFS actions. The Committee hopes the Welsh Government will take full account of the views of stakeholders on this critical aspect of the scheme.....15

Conclusion 3. The Committee understands stakeholder desire to review and re-package the scheme’s Universal Actions, and the piecemeal introduction of different Actions in the Optional and Collaborative layers of the scheme. It welcomes the Welsh Government aim to bring in as many Optional and Collaborative actions as possible alongside the universal element of the scheme. Time is of the essence, and the Committee would like assurances that the Roundtable is making swift progress on resolving these matters.....17

Annex 1: List of oral evidence sessions

The following witnesses provided oral evidence to the committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed on the [Committee's website](#).

Date	Name and Organisation
<p>9 May 2024</p>	<p>Aled Jones, President, National Farmers' Union Cymru (NFU Cymru)</p> <p>Alex Phillips, WWF Cymru Policy and Advocacy Manager, Wales Environment Link (WEL)</p> <p>Andrew Tuddenham, Head of Policy, Wales, Soil Association Cymru, Welsh Organic Forum</p> <p>Dennis Matheson, Chair, Tenant Farmers Association (TFA)</p> <p>Dominic Hampson-Smith, Rural Affairs Vice Chairman, Wales Federation of Young Farmers Clubs (WYFC)</p> <p>Gareth Parry, Head of Policy, Farmers' Union of Wales (FUW)</p> <p>James Richardson, Interim Chief Executive, UK Climate Change Committee (CCC)</p> <p>Professor Janet Dwyer, Gloucestershire University</p> <p>Rhys Evans, Wales Manager, Nature Friendly Farming Network (NFFN)</p> <p>Rhys Owen, Head of Conservation, Woodland and Agriculture, Eryri National Park Authority, Landscapes Wales</p>
<p>13 June 2024</p>	<p>Huw Irranca-Davies, Cabinet Secretary for Climate Change and Rural Affairs, Welsh Government</p> <p>Gian Marco Currado, Director, Rural Affairs, Welsh Government</p> <p>Richard Irvine, Chief Veterinary Officer, Welsh Government</p>

Annex 2: List of written evidence

The following people and organisations provided written evidence to the Committee. Information relating to work on the SFS undertaken by both this Committee, and the Climate Change, Environment and Infrastructure Committee, can be viewed on the [Senedd's website](#).

Documents

Title	Date
Paper – Professor John Gilliland	9 May 2024
Evidence Paper – Tenant Farmers Association – Item 2	9 May 2024
Additional evidence – Tenant Farmers Association	
Evidence Paper – National Farmers' Union Cymru (NFU Cymru) – Item 2	9 May 2024
Evidence Paper – Farmers' Union of Wales (FUW) – Item 2	9 May 2024
Evidence Paper – Wales Federation of Young Farmers Clubs – Item 2	9 May 2024
Evidence Paper – Wales Environment Link – Item 4	9 May 2024
Evidence Paper – Welsh Organic Forum – Item 4	9 May 2024
Evidence Paper – Tirweddau Cymru Landscapes Wales – Item 4	9 May 2024
Evidence Paper – Professor Janet Dwyer – Item 5	9 May 2024
Evidence Paper – Welsh Government – Item 5	13 June 2024