

# Agenda – Y Pwyllgor Newid Hinsawdd, Amgylchedd a Materion Gwledig

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Lleoliad:	I gael rhagor o wybodaeth cysylltwch a:
Ystafell Bwyllgora 3 – Senedd	Alun Davidson
Dyddiad: Dydd Mercher, 28 Medi 2016	Clerc y Pwyllgor
Amser: 09.15	0300 200 6565
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## Rhag-gyfarfod preifat (09.15 – 09.30)

(09.15–09.30)

### 1 Cyflwyniad, ymddiheuriadau, dirprwyon a datgan buddiannau

(09.30)

### 2 Ymchwiliad i'r egwyddorion sy'n sail i'r economi wledig yn dilyn Prydain yn gadael yr Undeb Ewropeaidd

(09.30–10.15)

(Tudalennau 1 – 14)

Yr Athro Janet Dwyer, Athro mewn polisi Gwledig a Chyfarwyddwr y Sefydliad Ymchwil Newid Hinsawdd

Yr Athro Peter Midmore, Cyfarwyddwr Ymchwil, Athrofa Rheolaeth, y Gyfraith a Gwyddor Gwybodaeth, Prifysgol Aberystwyth

## Egwyl (10.15 – 10.30)

### 3 Ymchwiliad i ddyfodol polisiau amaethyddol a datblygu gwledig yng Nghymru

(10.30–11.30)

Yr Athro Tim Lang, Athro Polisi Bwyd, Canolfan ar gyfer Polisi Bwyd, Prifysgol City

Stephen Devlin, Sefydliad Economeg Newydd



#### **4 Ymchwiliad i egwyddorion sy'n sail i'r economi wledig yn dilyn Prydain yn gadael yr Undeb Ewropeaidd**

(11.30–12.15)

(Tudalennau 15 – 19)

Dr Katherine Foot, Uwch-ddarlithydd mewn Polisi a Chynllunio Gwledig, Ysgol  
Rheolaeth Tir ac Eiddo, y Brifysgol Amaethyddol Frenhinol

Dr Ian Grange, Uwch-ddarlithydd mewn Rheolaeth Cefn Gwlad a'r Amgylchedd, y  
Brifysgol Amaethyddol Frenhinol

#### **5 Papur(au) i'w nodi**

**Ôl-drafodaeth breifat**

Mae cyfyngiadau ar y ddogfen hon

## Thinking about a Welsh Agricultural Policy after Brexit:

**Professor Janet Dwyer, Countryside and Community Research Institute, University of Gloucestershire**

Welsh agriculture, and the Welsh land-based sector generally, play a central role in the country's character, embracing its rural economy, community, cultural and natural environment. Supporting a resilient, high quality and sustainable land-based sector has been a key goal of Welsh policy for many years. The *Farming, Food and Countryside Strategy (2009)*, which was produced with widespread stakeholder support, aimed 'to achieve a sustainable and profitable future for farming families and businesses through the production and processing of farm and forestry products while safeguarding the environment, animal health and welfare, adapting to climate change and mitigating its impacts, while contributing to the vitality and prosperity of our rural communities.' I am therefore assuming that these goals are still broadly relevant and would be endorsed by the new Welsh Assembly Government.

As the UK begins to consider the process of negotiating the Brexit deal, the message from London has been clear, for the short to medium term. Speaking at a meeting this week, the Deputy DG of Defra emphasized her view that Ministers are likely to seek a process of 'roll-over' in respect of much of environmental, food and agricultural policy; for the next few years after we have left the EU. In that sense, we can anticipate a fairly close translation and adoption of many of the basic instruments of EU legislation, including established regulations on the environment, and a proportion of those relating to agriculture and rural development. However, given the longstanding view of the UK Treasury that the CAP does not best suit UK interests and that its Pillar 1 payments, in particular, should be phased out, I would anticipate moves to reduce the scope and scale of this kind of support, in future.

The critical factor of most influence in the medium term could well be the trade deal which the UK negotiates with the EU as part of the withdrawal process. It is currently unclear how much that will change our trading relations with the rest of Europe but this is clearly very important for the Welsh sheep sector, in particular, and for our close trading ties with Ireland for a range of farm products. The fact that the current EU Commissioner for Agriculture is Irish, and should understand well this relationship, could be a positive factor, but the developing situation could make our agricultural markets more volatile.

Returning to the prospects for agricultural support beyond the CAP, my view is that Wales will do well to adopt a more cautious approach to the reform or reduction of Pillar 1 than might be the dominant view in Whitehall. If this kind of reform is only modest in the rest of the EU after 2020, then Wales could lose much of its comparative advantage in key sectors if it opts for a more radical approach. Reminding the UK Treasury of the marginality of much of Welsh farmland and its critical value for natural capital and ecosystem services could help to ensure that more public funding for farming and rural land management in Wales is maintained, after Brexit. A commitment to continue supporting farmers in a broad and inclusive way could help to cushion market instability. Nevertheless, the Assembly Government could take the opportunity to reshape cross-compliance conditions to better fit Welsh priorities, or to tweak the distribution of payments (e.g. via tapering or capping, or linking them more to social and environmental vulnerability) to promote a system which would command wider support from the people of Wales, going forward.

There should, however, be many opportunities for positive change within a post-Brexit agenda. In brief, I would highlight the value of encouraging a more diverse agriculture across the country; supporting innovation and knowledge in the sector; and focusing upon generational renewal, as three things which could help to give Welsh farms and the Welsh food system a brighter and more sustainable future. In

the light of future uncertainty about markets and trade, and challenges like the growing impacts of climate change, it will be more important than ever to ensure that those managing the land and producing food and environment for the people of Wales have the best possible training and access to good advice and research back-up, as well as the confidence and ability to seize new opportunities in changing markets – maybe in horticulture, orchards or vineyards, for example.

Maintaining and building upon Welsh success stories like Menter a Busnes, Agriscôp, the excellent technical research and outreach work at Henfaes in Bangor and IBERS in Aberystwyth and the advisory services of Farming Connect; Wales could develop a more integrated strategy to help equip farms to adapt successfully and sustainably. The new generation of farmers coming through the Welsh agricultural colleges should also be encouraged to incorporate ‘triple-bottom-line’ approaches in business planning and enterprise development, to maximize their economic, environmental and community resilience. And support services including the banks, accountants, land agents and others could be called upon to work more with government to encourage business standards across the sector.

I also think partnership and working together is going to be more important, to tackle future challenges. For Wales, I would highlight three areas for special attention:

- At a farm and community level – encouraging more family or business partnerships as a way to facilitate succession on farms, and to promote successful generational transfer where successors are lacking; also freeing up the room for manoeuvre of local community organisations like LEADER, whom we will certainly continue to need in future;
- In farm and forestry supply chains – working to improve the quality, diversity and sustainability of products and to strengthen consumer loyalty to Welsh produce, enabling farmers to build more lasting and fair relationships with processors, distributors and retailers across Wales and maximizing the value of Welsh quality branding to increase the returns to producers;
- At a landscape scale, building more inclusive, long-term planning and management approaches where farmers, environmental experts, local communities and all those whose businesses depend upon the high-quality natural and cultural landscape, work closely together to shape and help deliver the best targeted support for their areas. These could include simpler and more locally-informed agri-environment or ecosystem services schemes, woodland management strategies, local renewable energy plans, community and visitor services, even crisis and relief networks. Across Wales, some bodies could already take a lead - notably the National Parks and AONBs - but there would also be value in fostering new multi-actor partnerships in areas which don't yet have a ready-made governance structure (we discussed this prospect with the former Committee last year, as part of the supporting arrangements for NRW's work). To me, the saddest thing about our current schemes and systems is that too many of them are put together by officials working a long way from the coal-face. If farmers, environmental experts and local communities could be more closely involved together in deciding how best to protect and enhance their landscapes, I think the outcomes would be more lasting and significant.

Being in a position to design and successfully deliver new approaches when we leave the EU should focus the minds of policy-makers upon how best to forge these initiatives and partnerships, now. The benefit of concentrating upon getting new institutions, a stronger knowledge-base and innovative capacity, and improved collaborative working now will be that, no matter what then happens, Wales will be much better-equipped to rise to the challenges ahead.

## WELSH RURAL POLICY OUTSIDE OF THE EU

Peter Midmore\*

### **Context**

Agricultural and rural policies have been devolved to Wales since the initial Government of Wales Act (1998). Leaving the EU provides a number of opportunities. For example, there is scope to respond to farmers' concerns about complicated and time-consuming regulations, or to improve integration between rural and regional development policies. However, there will also be considerable new challenges and responsibilities to legislators and officials in the Welsh Government. In theory, complete latitude for change exists. In practice, there are a number of constraints that need to be addressed by careful consideration and creative thinking. This short introduction outlines the scope for a return to 'first principles' of agricultural and rural policies. It then uses the framework to identify important questions and explore options for development.

### **The farm sector in Wales**

Welsh agriculture is predominantly based on pastoral livestock enterprises, due to climate, soils and topography. On average over the years 2013-15, milk and milk products accounted for 32% of gross agricultural output, cattle 24% and sheep 16%. With structural problems of weak scale economies and small farm business sizes, the result is low farm incomes in comparison with the overall UK average. However, agriculture (together with other types of rural land use) jointly produces rare ecosystems, and a cultural landscape that provides valuable recreation opportunities. These major characteristics should influence agricultural and rural policy design.

### **Principles of agricultural policy**

In most industrial countries, agricultural policies have been designed to address the sector's multiple external cost and benefit and public good problems. Equity, in terms of spatial and industrial differentials, is also an issue. Farmers face a price-cost squeeze because their industry is composed of a large number of small businesses, but suppliers of their inputs and purchasers of their outputs are highly concentrated and powerful. Limited incomes are compounded by low mobility of factors of production, especially labour.

Thus in classical terms, objectives of policy have included (i) achieving acceptable levels and stability of farm income, (ii) providing secure supplies of safe, high quality food for consumers at fair prices (iii) contributing to the viability of rural areas, and (iv) protecting the natural environment, landscapes and biodiversity for society as a whole. Historically, both farm income support and reduction of price volatility were addressed through market interventions. In the EEC, as it then was, agricultural prices were supported through high tariffs and intervention purchasing. In the UK before accession, (and some other countries) deficiency payments were used to encourage domestic production. Both approaches were ruinously expensive in budgetary terms. Moreover, in the EU, the policy-driven incentives to intensify produced the surplus stocks of major commodities, and also caused significant and substantial environmental damage. In Wales in the 1980s, additional incentives to 'improve' grassland accentuated high sheep stocking densities and produced mainly ryegrass monocultures, localised soil erosion and some visual landscape changes, particularly in the hills. In the dairy sector, a 'technology treadmill' has had similar effects.

### **A contemporary approach for agricultural policy design**

A return to large-scale market intervention would not only be undesirable, but also unlikely for two main reasons. On one hand, the Welsh budget, limited by the Barnett formula and its consequentials, could not

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afford it. It is unlikely that the current £260 million of CAP expenditure could be much augmented in a situation of overall revenue grant decline; more likely, it will be eroded. On the other, the UK remains a member of the WTO and is bound by its Uruguay Round Agreement on Agriculture. Very substantial changes from inherited policy would attract scrutiny, the possibility of challenge, and in the extreme, damaging retaliatory tariffs.

Trade policy is not a devolved matter, and even in the UK there is concern about a lack of expertise. A devolved administration such as Wales will find it hard to get good advice on the effect of different negotiating positions on their local interests. This also raises a more general issue; Welsh Government policy development expertise is in relation to limited. Until now, its main task has been to interpret, and locally implement, EU Agriculture Council decisions. In the new current circumstances, strengthening of in-house agricultural policymaking know-how would provide considerable benefits.

Since the late 1990s, many countries have embarked on agricultural reform processes that improve WTO-compliance. The OECD's 2002 report *A Positive Reform Agenda*<sup>1</sup> contributed to this process by identifying two typical reform routes. The first is decoupling of policies from production levels. This removes some incentives stimulating intensification. It also provides a much more efficient form of income support and some insulation from price volatility. The second is more focused targeting to correct external cost and benefit effects. This addresses environmental and other concerns. The result is greater market-driven incentives for agricultural production. Although debateable, these should in principle make agriculture more competitive, and contribute to both consumer welfare and the viability of rural areas.

An important additional policy stream seeks to improve the quality and consumer appeal of farm and other rural products. This provides scope for a longer term resolution of the farm income problem, but has had less emphasis, historically. For example, the current EU Rural Development Programme (Pillar Two) devotes only 20% of its total resources to farm viability, competitiveness, and sustainable forest management; Pillar Two itself is less than 40% of the overall CAP budget.<sup>2</sup>

### Choices and questions

Cross-compliance requirements make direct payments more cost-effective by dealing with some wider society concerns. Even so, many countries, including in Wales, are gradually shifting emphasis from cross-compliant decoupled direct payments to targeted agri-environment schemes. Decoupled payments are not entirely incentive-compatible, because they get capitalised into land values. This makes farming a mainly hereditary occupation, and leads to concerns about limited opportunities for new entrants into farming. Agri-environment schemes can more easily be focused on specific local problems, although these are not perfect either. For instance, they mostly act indirectly by constraining inputs, outputs or modes of production, and monitoring and evaluation are consequently problematic.

Two relevant countries' policy frameworks are often discussed as examples in this context: Canada, and Norway. Canada has very few direct payments and deals with the effects of price volatility through revenue insurance schemes, half of the costs of which are borne by the federal and provincial governments. Norway has more generous direct payments than in the EU, and also maintains some market price interventions such as target prices and production quotas. It also has wide-ranging rural payments to maintain populations in areas outside the Oslo capital city region. These two extremes illustrate the boundaries of a future policy choice set. Political preference plays a major role in determining the balance between each strand of the

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<sup>1</sup> OECD (2002). *Agricultural Policies in OECD Countries: A Positive Reform Agenda*. Paris: OECD.

<sup>2</sup> See European Commission (2013). *Multiannual Financial Framework 2014-2020 and the financing of the CAP*. Available at: [http://ec.europa.eu/agriculture/cap-funding/budget/mff-2014-2020/mff-figures-and-cap\\_en.pdf](http://ec.europa.eu/agriculture/cap-funding/budget/mff-2014-2020/mff-figures-and-cap_en.pdf)

reform process, with direct payments favoured by an emphasis on equity, and policy targeting favoured by an emphasis on efficiency.

In conclusion, the discussion raises a number of weighty and urgent questions about Welsh agricultural and rural policy after leaving the EU.

- **Future financial support arrangements** cannot depart rapidly, or far, from a mix of income support, targeted payments to ensure the spill-over effects are managed, and measures to improve the quality and marketing of rural products. The last-mentioned is the most effective long-term solution to the farm income problem. A safe option would be to adopt inherited current EU policy wholesale, as it is unquestionably WTO-compliant. This, though, would negate the argument for bespoke measures that better address the special characteristics of the Welsh countryside. More effort on enhancing farm competitiveness could accelerate structural change, but could also result in high short-term disruption costs.
- The most important **unresolved question** at present is the shape of the post-Brexit trade agreement with the EU-27. Single market access would be the best immediate outcome for Welsh agriculture, because physical market logistics are integrated with continental supply chains. However, the current stance of the negotiating partners does not suggest a speedy or completely liberal outcome. In the short to medium term, most-favoured nation access to European markets (that is, in the absence of any immediate UK-EU trade agreement) would, for example, imply a 12.8% tariff plus €1,713 per tonne for sheep meat exports.<sup>3</sup> While each polar outcome is possible, scenario planning for the potential consequences should be undertaken.
- Experience shows that **changes in agricultural policy**, whether major or slight, can be more efficiently introduced with careful preparation. This requires thorough study of likely impacts, including modelling, so that the intention of policy restructuring is clear, and appropriate mitigating (but emphatically transitional) measures are designed to accompany the changes. An important fulfilment of the Committee's scrutiny function should be to ascertain whether and what preparation is already under way.
- **Excellent mutual understanding** between Defra and the Welsh Government is essential, since England is Wales' largest agricultural export market. The degree to which policy frameworks can diverge from those in England should not be tested to destruction, even if Wales has a reputation for policy innovation (for example, in the widely admired *Tir Cymen* experiment and its successor schemes). Too radical a departure could be considered an unfair advantage (or disadvantage, depending) for the Welsh farm sector, and provoke a localised interregional trade dispute.

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<sup>3</sup> Swinbank, A. (2016), Brexit or Bremain? Future Options for UK Agricultural Policy and the CAP. EuroChoices, 15: 5–10. doi:10.1111/1746-692X.12126



**Submission to NAW Climate Change, Environment and Rural Affairs Committee:  
Inquiry into Future Welsh Policies Relating to Agriculture and Land Management Following  
Departure from the European Union: 28<sup>th</sup> September 2016**

*Katharine Foot; Senior Lecturer in Rural Policy and Planning, Royal Agricultural University*

The following comments are informed by the three questions posed by the Committee in relation to its Inquiry (namely future fundamental outcomes of policy, lessons learnt from other policies, and the degree to which Wales should develop its own policies or rely on a broader UK-wide framework). Given the scope of the subject, and the early stages of policy development, the comments are, by necessity, broad in scope and seek to highlight areas of significance, rather than given categorical answers. The views expressed are mine personally, and are not official policies of the Royal Agricultural University.

## The Rural Fundamentals in Wales

Whilst the highest profile implications of the referendum vote to leave the European Union relate to agricultural and rural development policy and funding, the decision provides an opportunity to re-frame rural policies in Wales more widely. The variety of, often potentially competing, demands on the countryside (for example, food production, raw materials provision, energy, landscape, water, housing, wellbeing, recreation and tourism, and employment etc.) mean that arguably the necessity of a robust and holistic policy framework to balance these interests and ensure a sustainable Welsh countryside, is even more acute in rural than in urban areas, and will continue to be so. Whilst new policy frameworks will need to address international requirements, such as those from bodies such as the UN and WTO (many of which are currently translated through the EU) the current situation provides an opportunity to evolve a new Welsh-specific fully integrated rural policy framework which looks to address not only those aspects of rurality which stem directly or indirectly from the natural environment, but also those relating to communities and economic activities in rural areas where the issues and opportunities relate more peripherally to the natural environment.

If such a policy-framework is to be achievable, the importance of having a robust up-to-date evidence based to inform policy makers is significant, including how issues and opportunities may vary between different geographic areas due to factors such as accessibility, topography or historic economic activities etc. The overall picture of rural areas in the late 2010s is likely to be complex and this will create challenges in creating a policy framework which is clearly enough in its higher level objectives, but also responsive enough to properly address the variety of factors which apply in differing parts of rural Wales. At a high-level, there is likely to be a variety of factors that come into play, including:

- 1) There is little doubt that farming and land-use issues will need to continue to form a core part of policy. Farmers will continue to play a significant role in rural areas both as food and resource producers and as 'rural custodians' (for example, as managers of landscape; biodiversity; natural resources such as water, soils and carbon sinks; and also as important contributors to the social and economic fabric of their communities). Farms or commons make up over 80% of the land in Wales<sup>1</sup>, with agriculture contributing around 4% of regional employment in Wales<sup>2</sup>. However, there are, and will remain, challenges to the farming community which will need to be addressed by future policy – for example:
  - a. The ability to attract new entrants into farming. The average age of the Principal Farmer (i.e. the main decision maker) in Wales in 2013, was 60 years.<sup>3</sup>

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<sup>1</sup> Welsh Government Welsh Agricultural Statistics 2014

<sup>2</sup> National Statistics: Agriculture in the United Kingdom 2015

<sup>3</sup> Welsh Government: Welsh Agricultural Statistics 2014

- b. Farming in many areas of Wales, particularly uplands, is financially challenging, and by its nature, volatile, with the present agricultural support mechanisms often comprising all, or the majority, of the profit to the business. This can be compounded by issues such as animal or plant diseases.
  - c. Policy frameworks, and the tools used to implement them, are often relatively short-term in aspiration, and this has been particularly so in respect of the ongoing reform agenda under the CAP. Whilst it is necessary to ensure that policy is responsive to changing external factors, continual reforms exacerbate uncertainty, and can also be alien to family farming businesses where decisions are often made with regard to their impacts on the next generation.
  - d. New policies relating to the maintenance and enhancement of natural resources, such as those relating to climate change, biodiversity, water and soil will need to be constructed in such a way that their implementation approaches are considered workable by farmers, otherwise there is a risk of disengagement in voluntary approaches, particularly if financial support from the government were to be reduced in some areas. Relying on legislative approaches for delivering these types of objectives would be highly expensive to manage, and is likely to be counter-productive.
- 2) Approximately 20% of the land area of Wales is covered by National Parks (in comparison to 9% of England)<sup>4</sup> and there are five Areas of Outstanding Natural Beauty. Whilst the natural beauty of Wales and its landscapes presents many opportunities, with it come constraints for inhabitants and businesses within these areas.
  - 3) Housing affordability is a significant issue in some areas of rural Wales. The Joseph Rowntree Foundation's Commission on Rural Housing in Wales in 2008 highlighted that housing affordability problems are widespread in rural areas and can be more acute than in urban ones.
  - 4) Physical and electronic connectivity are more challenging for businesses and people living within rural areas. For businesses, this potentially reduces access to suitable employees as well as to markets and competition, and can therefore increase costs and potentially limit expansion. Connectivity issues can also limit employment, education and training, and social opportunities for individuals, with, as the Wales Rural Observatory finding its 2013 report on 'The Experiences and Aspirations of Young People', the young often particularly affected.
  - 5) There are significant pockets of rural deprivation in Wales and employment opportunities are often limited. Whilst affecting all age groups, limited employment possibilities often most acutely affect the young, and when combined with issues relating to housing affordability, can lead to skilled young people leaving rural areas, and potentially feeling unable to return, with resulting imbalances in the population structure, A multi-pronged approach is therefore needed focusing on education and training, public transport, job creation in rural areas, and on enhancing opportunities to capitalise on a digital economy which is less location dependent.
  - 6) An ageing population will present more demands on public services in future. The Wales Rural Observatory notes that the 2011 Census showed the highest proportion of residents aged 65 years and over seen in any census, at 18.4%, and that this is even higher in rural authorities at 21.7%<sup>5</sup>. Older people are often particularly affected by the loss of local services, and public transport, and community cohesion in rural areas is likely to assume an increasing importance in the future with a greater number of older people needing support within their communities. It is therefore even more imperative than previously that the social impacts of the future rural policy framework are considered alongside those relating to the economy and environment.

### A New Policy Framework

The factors listed above, are merely a snapshot of some of the particular issues facing rural Wales. There are others, for example, energy efficiency and generation, which cut more broadly across rural

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<sup>4</sup> National Parks UK

<sup>5</sup> Wales Rural Observatory: The Experiences and Aspirations of Young People in Rural Wales, 2013

and urban areas (although often have particular rural issues), and which may not be fully devolved. 'Rural proofing' all devolved policy areas (although not without its critics) will continue to be important in balancing the rural policy framework with other policy areas.

So what should a new rural policy framework aim to do? At this stage, any emerging policy framework ideas are likely to be mainly aspirational, and the following list is not an exception:

- 1) Farming and land management will need to be fundamental to the new rural policy framework, given the scope of influence of the farming community on the management of natural resources, as well as as employment creators and contributors to the Welsh rural economy and society, and to food security.
- 2) However, the new rural policy framework, should aim to be truly 'sustainable' in its approach in balancing consideration for environmental, economic and social issues in rural areas. The development of a new rural policy framework provides an excellent opportunity to showcase the objectives of the Wellbeing of Future Generations Act – and a long-term approach to overarching policy strategy would also be beneficial to rural areas (for example, creating greater stability to encourage investment).
- 3) As recognised in Lesley Griffith's statement of 15<sup>th</sup> September 2016 on Future Environment and Rural Affairs Policy, there is widespread feeling that the Welsh farming sector needs as free an access to trading markets as possible, as farms need to be able to continue to operate as businesses, regardless of any wider governmental support which may exist.
- 4) It will be necessary to continue to work with the Westminster Government on a range of areas, not least those relating to trade, or which are not devolved. This presents an opportunity to potentially take a pragmatic approach to co-operation in relation to some additional areas of rural policy development as many of the issues facing rural Wales (for example, particularly those relating to older and younger people) are similar to that of rural England. There may therefore be opportunities to share approaches, research and policy development in some areas. In addition, a greater number of Wales-specific policy implementation mechanisms also runs the risk of a narrowed professional knowledge and education base which may outweigh the benefits of Wales-specific policies in some areas. However, that said, it is important that the over-arching approach to Welsh policy is a Welsh one, particularly given that there are areas of significant difference between England and Wales, particularly in terms of farming structures. The Welsh farming system is characterized by family farms, which are typically smaller than those in England (an average size of 48 hectares in Wales, in comparison to 88 hectares in England<sup>6</sup>), and with a high proportion of owner occupation (a 2010 survey of around 1000 Welsh farms by the Wales Rural Observatory<sup>7</sup> finding that 74% of farms were owned by the farming household, with 16% being mixed tenure and only 10% being rented).
- 5) There will need to be financial mechanisms in place to continue to support these family farms, particularly those which are smaller and/or within the uplands. Complete withdrawal of financial support from these farms would see some farms continue to survive, however, may well lead to significant restructuring of the farming sector, and potentially the withdrawal of many small to medium sized family farming businesses from farming. This would potentially have a range of social, and environmental impacts. Research by the Wales Rural Observatory looking at the impact of the 2014 reforms of the CAP<sup>8</sup>, highlighted that the Welsh farming system is one dominated by the family-workforce, and this is particularly the case on smaller farms. Measures leading to extensive restructuring of the farming sector are therefore likely to lead to significant social and employment impacts in rural areas, and in particular for farming families. Farming structures would be likely to shift towards smaller numbers of larger farms, with more land rented. Larger scale farmers are likely to focus on more productive land which

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<sup>6</sup> National Statistics: Agriculture in the United Kingdom 2015

<sup>7</sup> Wales Rural Observatory: A Survey of Farming Households in Wales

<sup>8</sup> Wales Rural Observatory: An Analysis of the Socio-Economic Impact of CAP Reforms on Rural Wales; Phase 6 Report

may therefore also result in more marginal and less productive land being essentially abandoned with attendant landscape and environmental impacts. Whilst it could be argued that this could be done in a managed way, potentially to the advantage of the environment, the risk is that without direct financial support to farmers, the influence the the government can have over the ways farmers manage land will significantly diminish. A smaller number of farms would also potentially reduce the positive contribution that farmers often make to their communities. Given the relatively flexible nature of the farming day, farming families are often the eyes and ears of the community during working hours whilst others are away from the community at work. Farmers also often provide support (frequently on a voluntary basis) to local communities in emergencies, as they often have the nearest heavy machinery. A changed, and less family-orientated farming structure, would have significant impacts, therefore, socially for rural communities, and it is important that farming policy takes these social factors into account, as well as environmental and economic ones.

- 6) In addition to having a continued focus within rural policy on evidence-based management of animal and plant diseases, any new farming support schemes should continue, and arguably accelerate, the trend of recent schemes in moving to balance factors such as water management and quality, carbon, landscape, and public access alongside biodiversity. Support should also continue to be available for young people entering farming, and also for succession planning for farms, given the ageing farming population. It is acknowledged that with this range of aspirations runs the risk of making schemes increasingly complex and this, in turn, runs risks of disengaging the farming community from the objectives of the schemes themselves (particularly if, as a result of scheme complexity, farmers need professional advisers to interpret schemes for them, thereby putting a step between the government and farmers and potentially resulting in less effective delivery of the objectives on the ground). The Welsh system has historically had strengths in taking a less 'call-centre' based approach to the delivery of its farming schemes, and it is important that this is maintained, and potentially enhanced, with more government scheme advisors available to visit farms to engage with farmers directly. Anecdotally, experience of frequent changes under existing schemes (such as re-mapping under the CAP schemes) has also created a fatalistic 'I can't win' mind-set amongst some farmers which again risks disengaging the farming community from delivering the Government's wider policy objectives. Therefore it is important that, whilst new support schemes aim to address an integrated range of objectives, they are as stable and administratively simple as possible, and contain opportunities for both large-scale support (say for landscape-scale projects) as well as bespoke support for specific issues on a farm-by-farm basis (for example, addressing the future costs to individual farmers of dealing with the high number of large buildings on farms which are ageing and may contain asbestos).
- 7) Outside farming, the approach to policy framing for other rural issues needs to be integrated. Transport and access to public services affects both young and old alike in rural communities, potentially creating social disadvantage and isolation, as well creating potential constraints on employment and the economic success of rural areas. Specific policies focusing on supporting rural employment are also needed within the overall rural policy framework, as are ones supporting both the young and old within rural communities.
- 8) Access to housing in rural areas also needs to be a continued area of focus, with an up-to-date evidence base being used to inform a reviewed integration of policy between wider rural planning and landscape policies.
- 9) The policy focus on the provision of high speed broadband in rural areas needs to be maintained and 'future-proofed'. Similarly mobile-phone coverage still lags significantly behind in rural areas and needs to be addressed.

END

**Key objective:** A 'healthy' environment which delivers a range of ecosystem services, via 'traditional' and some novel policies/ mechanisms, giving appropriate attention to each and aiming toward optimization of multi-delivery to achieve human well-being.

There are many ecosystem services and these can be drilled down into progressively more detail, yielding relevant information that can inform policy development. Broad categories as follows:

- **Provisioning:** e.g. food and fibre
- **Regulating:** e.g. water, soil, climate change, pollination
- **Cultural:** e.g. recreation, health
- **Supporting:** e.g. nutrient cycling

Policy development for human well-being in relation to economics, social and environmental, more specifically:

Manufactured or "man-made" capital      "Human capital"      "social capital"      "natural capital"

However, this underpins the others

How, therefore to better incorporate "natural capital" & "ecosystem services" into the central decision making process/ policy development

A societal paradigm shift in mindset, from sole focus on "provisioning services", primarily driven by economics, to more parity amongst other ecosystem services, thus bolstering sustainability.

How?

Range of potential mechanisms to support farmers/ productivity.

Traditionally subsidy payments

Direct payments: Pillar I

Agri-environmental payments: Pillar II

~4 years stability before question mark over continued payments.

What alternative models? How to place

Attaching "values" to ecosystem services, both monetary values and the values people place upon these. Once values have been established what mechanisms are there to implement these

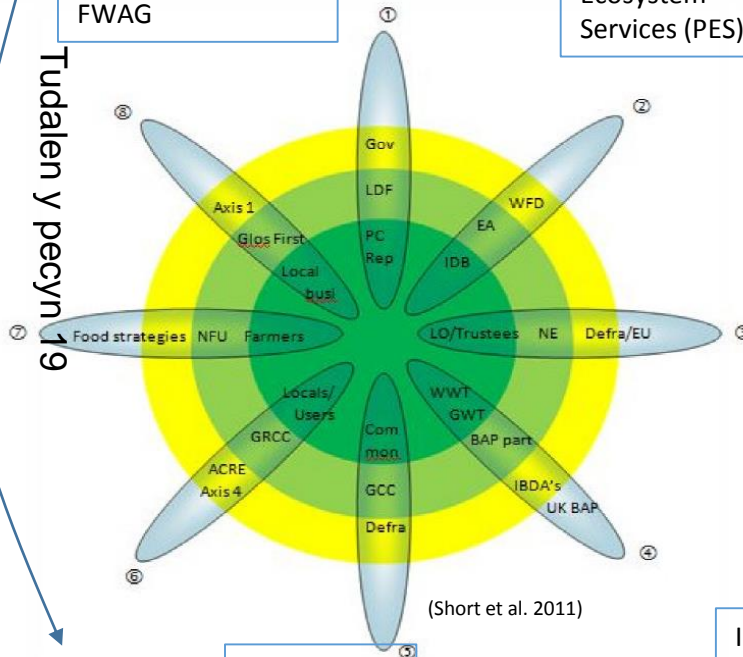
Integrated Local Delivery (ILD) model

Incorporation of future payments (British Agricultural Policy – BAP) into support of new mechanisms, governed by negotiated framework of new relation with EU and existing directives – probably not much different?

Training the facilitators – RAU/ FWAG

Payment for Ecosystem Services (PES)

Tudalen y pecyn 19



Case studies

Upper Thames Catchment project

Walmore Common

Painswick Beacon