

Proposals for a Sustainable Farming Scheme: summary of evidence

June 2024

1. Background

1. Following the publication of the Welsh Government's consultation, [Sustainable Farming Scheme: Keeping Farmers Farming](#) (December 2023), the Committee agreed to undertake a short inquiry to consider the proposals insofar as they relate to the environment and climate change.
2. On 13 March 2024, the Committee held a stakeholder event attended by representatives from the agriculture, food, and environmental sectors. Luke Fletcher MS and Sam Kurtz MS participated in the event as members of the Economy, Trade, and Rural Affairs Committee.
3. On 21 March 2024, the Committee held oral evidence sessions with representatives from the farming industry, environmental organisations, and academics¹. Further details of the sessions can be found on the [Committee's webpage](#).
4. This paper summarises the evidence from contributors of most relevance to the Committee's remit.

¹ The UK Climate Change Committee was invited to attend the 21 March meeting to give evidence but there was no representative available. It gave evidence to the Economy, Trade and Rural Affairs Committee on the Sustainable Farming Scheme on 9 May 2024.



2. Overview of Scheme

The Sustainable Farming Scheme (the SFS or the ‘Scheme’) will serve as the **primary source of government support for farmers** in Wales. It will reward farmers for actions that align with the **Sustainable Land Management (SLM) Objectives** set out in the Agriculture (Wales) Act 2023:

- To produce food in a sustainable manner.
- To mitigate and adapt to climate change.
- To maintain and enhance the resilience of ecosystems and the benefits they provide.
- To conserve and enhance the countryside and cultural resources and promote public access to and engagement with them, and to sustain the Welsh language and promote and facilitate its use.

The proposal is for the Scheme to commence in 2025, with a 5-year **Transition Period** (2025-2029).

The **Scheme and Basic Payment Scheme (BPS) will run concurrently** during the Transition Period. Farmers can choose to join either scheme, but not both. BPS will come to an end in its entirety by 2029.

5. Representatives of the farming industry expressed disappointment and frustration that the final proposals fail to address concerns raised by the industry during the Scheme’s development phase. They argued there had not been “true co-design”. The industry’s key concerns are:

- the feasibility of the proposals for different farming systems, e.g. tenant farmers and common landers;
- the practical and administrative burden associated with meeting the Scheme’s requirements;
- the payment methodology;
- the lack of clarity around payment rates and overall budget;
- the impact of the proposals on food production and security; and

- the economic impact of the proposals on farm businesses, and the wider socio-economic impact.

6. NFU Cymru asserted, “The current proposals need a major overhaul”.² Similar views were expressed by FUW and the Tenant Farmers Association (TFA) Cymru.

7. Nature Friendly Farming Network (NFFN) Cymru said the Scheme’s “intentions, ambition and principles are positive”. It welcomed the “strong focus on maintaining and enhancing the environment”, highlighting the risks posed by the climate and nature emergencies to domestic food production. NFFN Cymru emphasised the importance of ensuring the environmental benefits of the Scheme are achieved in “a socially responsible way” and that farmers are “rewarded fairly and supported efficiently”.³

8. Representatives of the environmental sector welcomed the proposals, emphasising the need to make rapid progress towards the delivery of the 2030 Global Biodiversity Framework targets and in reducing agriculture sector emissions. WEL called for the Welsh Government to ensure that any changes to the Scheme’s design should make it “more effective, both for the environment and for farmers, rather than simply weakening environmental requirements”.⁴

9. Representatives of both the farming industry and the environmental sector emphasised that farm businesses will not participate in the Scheme unless it is attractive and provides sufficient stability. They cautioned low levels of participation means the Scheme will fail to deliver its environmental ambitions.

10. Representatives of the farming unions and TFA Cymru made clear that the Scheme should only be introduced when there is confidence that it provides the same level of stability to farm businesses, rural communities and the agri-supply chain as the Basic Payment Scheme (BPS). They emphasised the importance of ‘getting the Scheme right’, rather than risk introducing an unworkable Scheme to time.

11. TFA Cymru asserted, “This is for the next generation, and so we can’t afford just to push it out because we need to get something out the door”.⁵ NFU Cymru

² NFU Cymru’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

³ NFFN Cymru’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

⁴ WEL – Written evidence to CCEI Committee

⁵ RoP, paragraph 121, 21 March 2024

said, “we cannot exclude the possibility of having to extend the BPS at the current rates for at least next year, if the Scheme is not ready”.⁶

12. While RSPB Cymru acknowledged the importance of a well-designed Scheme that will deliver the intended outcomes, it cautioned delaying introduction will make achieving the 2030 Global Diversity Framework targets more challenging. It considered there may be scope to phase in aspects of the Scheme as a compromise. NFFN Cymru and academics expressed similar views. Professor Ian Donnison stated:

*“...it’s how do we move quickly in those areas where it’s easier to move quickly, and then how do we perhaps have a more phased approach for those that are more challenging”.*⁷

13. FUW called for the Transition Period to be extended to 10 years, highlighting the scale of the change and the need for a smooth transition. Academics expressed a similar view.

⁶ RoP, paragraph 29, 21 March 2024

⁷ RoP, paragraph 339, 21 March 2024

3. The three-layer structure

The Welsh Government is proposing a three-layer structure for the Scheme:

Universal Actions, which are required of all participants of the Scheme.

Optional Actions, which will offer you a choice to prioritise or undertake the actions most important and appropriate to particular circumstances.

Collaborative Actions, which will offer the chance to work with others to deliver change on a larger scale.

These layers will be introduced in phases between 2025 and 2029 (the Transition Period). The Universal Actions layer will be introduced from 2025 with the remaining layers introduced later during the Transitional Period.

Universal Actions

There are **17 Universal Actions**, which are mandatory for those joining the Scheme.

Scheme participants will need to carry out these Actions to receive the **Universal Baseline Payment**.

14. The Welsh Government has said:

“The Universal Actions have been designed to apply to the variety of Welsh farms. Some Actions are not applicable to all farms – for example, animal health actions are not applicable to arable farms, and flexibility has been built into their design and the Scheme to account for this.”

15. Representatives of the farming industry considered the proposed framework has the potential to provide a workable model for delivery. However, they emphasised the importance of equal access to the Scheme for all farmers, and Universal Actions that are achievable on all farms, irrespective of farming sector, system and location. They said the Scheme must provide fair reward and stability for farming businesses. They argued the latest proposals fail to deliver on these.

16. Dr Ludivine Petetin raised concern that the proposal “adopts a ‘one size fits all’ approach.”⁸ FUW said the proposals “attempt to place every farm business in Wales in the same box”, failing to provide flexibility for farmers “to undertake actions which will provide the best outcomes for their businesses, the environment and Welsh society”.⁹

17. In commenting on the matter of ‘universal access’ to the Scheme, WEL said, “the question becomes how far you diminish the Scheme overall to include everyone and what the consequence of that would be”.¹⁰ Soil Association Cymru cautioned against designing the Universal Action Layer “to meet the specific needs and constraints of the largest and most intensive farms in Wales, which are also the least reliant on current support”.¹¹

18. Representatives of the environmental sector suggested the Universal Actions layer could provide a foundation for the delivery of environmental benefits but will not be sufficient “to really start restoring nature”.¹² NFFN Cymru said the Universal Actions may be considered unambitious for ‘nature friendly farmers’. WEL considered the Welsh Government had “reign[ed] in some of its ambition for the Universal Actions” following “heavy resistance to the Scheme’s requirements”. It questioned whether certain Actions would provide value for public money “in terms of protecting and enhancing the rural environment”.¹³

19. Representatives of the environmental sector outlined a range of weaknesses/limitations, for example:

- good farm biosecurity (Universal Action 17) only focuses on livestock and is a missed opportunity to consider other biosecurity issues such as tackling tree diseases and invasive species; and
- Universal Action 3: Soil Health Planning does not go far enough to incentivise reduction in manufactured fertilisers on the scale needed to restore soil health.

20. Representatives of the farming industry expressed concern that:

⁸ Dr Ludivine Petetin - Written evidence to CCEI Committee

⁹ FUW’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

¹⁰ RoP, paragraph 221, 21 March 2024

¹¹ Soil Association Cymru’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

¹² RoP, paragraph 166, 21 March 2024

¹³ WEL – Written evidence to CCEI Committee

- the proposals are overly burdensome, bureaucratic and would have capacity and resource implications for farmers;
- the data requirements for some Actions (e.g. Universal Action 1: Benchmarking and Universal Action 3: Soil health planning) are “highly intrusive”;
- some Actions are overly prescriptive (e.g. Universal Action 7: Habitat Maintenance), while others are “narrowly focussed” (e.g. Universal Action 10: Ponds and scrapes);
- some Actions lack detail or clarity, making it difficult to determine whether they would be workable for farmers; and
- some Actions would not be achievable within the proposed timeframes.

21. They called for certain Actions to move to the Optional Actions Layer (e.g. Universal Action 6: Managing heavily modified peatland).

Sites of Special Scientific Interest

Universal Action 9: Designated Sites Management Plans (UA9) requires farmers to have a **Management Plan** in place for Sites of Special Scientific Interest (SSSI) designated land within their control. The plan should be developed with Natural Resources Wales (NRW) and be completed **no later than 2029**.

The **proposal excludes SSSI land from the habitat maintenance component of the Universal Baseline Payment**. The Welsh Government has said this is because of the higher regulatory requirements underpinning SSSIs, and payments are for actions above the regulatory baseline. The intention is for SSSI land to be prioritised for inclusion in the Optional Actions Layer.

22. Contributors raised concern that NRW has insufficient capacity to deliver the volume of designated site Management Plans during the Transition Period. Representatives of the farming unions reported NRW had paused the development of management agreements for SSSIs due to budgetary constraints and that only 29.2% of the 1,084 SSSIs currently have agreements in place.¹⁴ WEL

¹⁴ NFU Cymru’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

said “The majority of SSSIs in Wales have not had a formal condition assessment in the last 5 years or more, due to insufficient NRW resource”.

23. WEL explained SSSIs are key to the delivery of the 30 by 30 target. It raised concern that the timescale for completing Management Plans could jeopardise progress towards the delivery of the target. It suggested they should be completed within a year of Scheme entry.

24. WEL emphasised the need to ensure farmers are supported to manage their SSSI land appropriately, raising concern that the proposals fall short of this. It explained:

“Having a management plan for a SSSI does not mean that the SSSI is being well managed – this would only be the case if the plan were being delivered and its outcomes being monitored. This is now recognised practice in England where Natural England no longer accepts existence of a management plan alone to indicate a SSSI is in recovering condition.”¹⁵

25. There were strong calls for the Welsh Government to reconsider the exclusion of SSSI land from the habitat maintenance payment. Soil Association Cymru said the Universal Actions requirements “may go beyond the SSSI duty to ensure that designated features are not damaged”.¹⁶ WEL pointed out that maintaining the condition of a SSSI is a regulatory requirement for public bodies rather than for farmers. NFU Cymru referred to the exclusion as “perverse” and “without legal basis”, adding “[it] sends entirely the wrong message to farmers at a time when Welsh Government has increasing ambitions around targets for biodiversity”.¹⁷

Optional and Collaborative Actions

Optional Actions may be targeted to specific land or landscape feature issues which participants may choose to deliver. The Welsh Government expects these Actions to be informed by or lead on from the Universal Actions.

¹⁵ WEL – Written evidence to CCEI Committee

¹⁶ Soil Association Cymru’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

¹⁷ NFU Cymru’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

The Welsh Government acknowledges that some farmers will already be carrying out some of these Optional Actions.

Participants will be able to choose which Actions they undertake in the Optional Actions layer and receive payment for delivery.

Collaborative Actions will provide the opportunity for participants to deliver action at a local, landscape, catchment, or national scale. These Actions aim to support an increase in collaborative and partnership working between farmers, land managers, foresters, and others to deliver actions and interventions aligned to the Sustainable Land Management Objectives.

The Welsh Government has said “implementation [of the Optional and Collaborative Action Layers] will be subject to further engagement with stakeholder groups and budget availability”.

26. Contributors expressed disappointment about the lack of information on and/or progress made towards the development of the Optional and Collaborative layers. NFU Cymru said there is a “lack of meaningful information...on timeframes, budgets and payment methodology to provide anything like the much-needed level of reassurance to farmers”. It suggested this could lead to farmers “delaying the transition to the SFS for as long as possible”.¹⁸

27. Representatives of the environmental sector considered these layers will deliver the most environmental benefit. WEL said:

“[The Optional and Collaboration Layers] have the greatest potential to restore nature and reduce carbon emissions and pollution, as well as providing landscape scale benefits such as flood mitigation or providing improved access to the countryside for rural communities and visitors”.

28. Several contributors raised concern that the delay in the introduction of the Optional and Collaborative layers will disadvantage ‘nature friendly farmers’ who are already delivering environmental benefits. WEL told us, “These are the farmers who are doing what the Welsh Government seeks to incentivise across the industry, yet...they are at the back of the queue for support”, referring to this as “completely counterintuitive”.¹⁹

¹⁸ NFU Cymru’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

¹⁹ RoP, paragraph 203, 21 March 2024

29. Soil Association Cymru said:

“We are concerned that the significantly reduced funding for the Habitats Wales Scheme relative to Glastir sets a poor precedent for the SFS and has created a pressing need for support that will not be helped by the delayed implementation of the Optional and Collaborative layers of the SFS. This lack of support is already causing some agroecological farmers to scale back their ambition, putting the long-term viability of their business at risk.”²⁰

30. NFFN Cymru and representatives of the environmental sector called for the Optional and Collaborative layers to be introduced within 12 months of the start of the Scheme and to be well-resourced.

31. There was concern from representatives of the environmental sector that the Universal layer may take up a significant proportion of the Scheme’s budget. They emphasised the need for the Optional and Collaborative layers to be well-resourced. Soil Association Cymru said at least 50% of the budget should be allocated to the Optional and Collaborative Action Layers by the end of the Transition Period. WEL questioned whether the provision of a Stability Payment would be necessary if the Optional and Collaborative Actions were available to farmers.

32. There were a wide range of suggestions for actions/support that should be prioritised for introduction within the Optional and Collaborative layers.

Designated landscapes

33. WEL highlighted the “crucial role [of Designated Landscapes] in conserving and nurturing our threatened wildlife”. It commented on the lack of focus on how Designated Landscape bodies “will be fully utilised in delivering the aims of the Scheme” or how the Scheme is “specifically designed to help enhance the purposes²¹ of National Parks and Landscapes”. WEL said, unless this is addressed, the Scheme “is at risk of following previous agri-environment funding regimes in

²⁰ Soil Association Cymru’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

²¹ Under the Environment Act 1995, Welsh Ministers have a duty to have regard to the purposes for which National Parks are designated. The purposes include conserving and enhancing the natural beauty, wildlife and cultural heritage of the National Parks.

delivering no better results inside Designated Landscapes than outside” and “will have failed to fulfil its potential”.²²

34. WEL called for clarity on how farmers in Designated Landscapes will be supported under the Optional and Collaborative layers and what the timetable for this will be. It suggested including a ‘Sustainable Farming in Designated Landscapes’ programme, supported through the Optional and Collaborative Actions layer. WEL said, if introduced at an early stage, these Actions “could unlock significant improvements within Designated Landscapes” to help deliver the 30 by 30 target.²³

²² WEL – Written evidence to CCEI Committee

²³ WEL – Written evidence to CCEI Committee

4. Scheme rules

The **Scheme rules** are:

at least 10% of each farm should be actively managed as habitat, and
at least 10% of tree cover as woodland or individual trees on each farm.

10% tree cover

The proposal is for **a minimum of 10% tree cover on each farm** as a scheme requirement to be met by 2030.

The 10% tree cover requirement **will not be calculated on the whole farm area** (as proposed in the 2022 proposals), rather on the remaining area once unplatable areas (including due to restrictions on tenanted farms) have been removed from the calculation.

The following will be included when determining whether there is sufficient tree cover to meet the 10% requirement: existing broadleaf and coniferous woodland; scattered groups; individual trees in fields and hedgerows; orchard trees; and trees within agroforestry systems.

35. The farming unions were keen to emphasise they support measures that facilitate and reward farmers for additional woodland planting in line with the 'right tree, right place' principle. However, they were strongly opposed to the 10% tree cover requirement. NFU Cymru told the Committee, "we are not anti tree; we are anti 10 per cent mandatory trees across every farm in Wales".²⁴ Concern was raised that the requirement would be a significant barrier to Scheme entry for "vast number of farmers".²⁵ This was reflected in the 'co-design' results, which found 43% of farmers would not be able to meet the requirement.

36. TFA Cymru noted that the Welsh Government's rationale for the requirement is based on the UK Climate Change Committee's advice on tree planting rates. It asserted:

²⁴ RoP, paragraph 70, 21 March 2024

²⁵ FUW response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

*“farming should not be the scapegoat for the rest of society in having to sacrifice vast amounts of land for tree planting to soak up carbon emissions from other parts of society including transportation and energy production”.*²⁶

37. Representatives of the environmental sector and academics welcomed the continued focus on tree-cover, asserting that successful integration of trees into farming systems will boost productivity, help de-risk farming in a changing climate, and support nature recovery. However, views differed on the 10% tree cover requirement, with some suggesting a ‘one-size-fits-all’ approach would not work.

38. WEL noted that “average tree cover on farmland is already at 6-7%”.²⁷ It said achieving 10% tree cover “isn’t actually that big of a change”²⁸, but acknowledged it would be easier on some farms than others. WEL asserted, “if we fail to effectively integrate increased tree cover into the SFS then a significant risk remains that the current trend of land conversion continues”.²⁹ It highlighted the need for “fair funding and easy access to independent advice” to support farmers to meet the Scheme rules.³⁰

39. NFFN Cymru suggested reducing the requirement from 10% to 7% tree cover, with an incremental payment increase for every percentage increase, capped at 25%. It considered this would: make the scheme more accessible for more productive farms on better agricultural soils; reward farmers who already exceed 10% tree cover on their farms; and encourage and reward farmers to plant more trees.

40. Soil Association Cymru said an expansion of tree cover “may be difficult to achieve using a generic and mandatory approach within the Universal [Actions] Layer”. While it considered “further flexibility” would be possible, it suggested this would risk creating complexity, which is already a concern for farmers.³¹ Soil Association Cymru believed Whole Farm Plans could help to integrate more trees onto more farms, with a Scheme target for woodland creation delivered through the Optional Actions layer.

²⁶ TFA Cymru – Written evidence to CCEI Committee

²⁷ WEL – Written evidence to CCEI Committee

²⁸ RoP, paragraph 255, 21 March 2024

²⁹ WEL – Written evidence to CCEI Committee

³⁰ WEL – Written evidence to CCEI Committee

³¹ Soil Association Cymru’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

- 41.** Representatives of the farming industry raised concerns about the combined impact of the Scheme rules on agricultural productive capacity, food production and security, and on the wider agri-supply chain. NFU Cymru expressed disappointment that the Welsh Government had not undertaken analysis of the combined impact, rather it was “pushing ahead from an unevidenced position”.³²
- 42.** FUW and TFA Cymru cautioned a reduction in domestic food production could result in an increase in imports from countries with less stringent carbon targets, thereby offshoring carbon emissions. FUW said, “This would be a perverse outcome that would go against Wales’ well-being objective in terms of being globally responsible”.
- 43.** Representatives of the farming industry highlighted that tree planting is not the only way to increase carbon sequestration. NFU Cymru said there are “range of options that offer significant potential to contribute to decarbonisation goals through a more dynamic and varied approach”.³³ The farming unions called for the Welsh Government to establish an independent panel of experts to explore alternatives for delivering the required outcomes while maintaining productive capacity.
- 44.** In giving evidence to the Economy, Trade and Rural Affairs Committee, the UK CCC explained there a number of ways to sequester carbon, including through hedgerows and improving soil. However, it added, tree planting is “a very effective way” and “is a key part of an overall package to get us to net zero”.³⁴ It said the 10% tree cover requirement is “broadly in line” with the UK CCC’s recommended agroforestry target.³⁵
- 45.** Professor Donnison questioned why the Welsh Government had not accepted the UK CCC recommendations on biomass crops. He said, “Perennial biomass crops could reasonably be planted on some farms in lieu of trees, providing flexibility to farmers who are either restricted by tenancy agreements or looking for a more regular income stream”.³⁶ He suggested biomass crops could be included as an Optional Action.

³² NFU Cymru’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

³³ NFU Cymru’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

³⁴ RoP, paragraph 357, 9 May 2024

³⁵ RoP, paragraph 347, 9 May 2024

³⁶ Professor Ian Donnison – Written evidence to CCEI Committee

46. Representatives of the farming industry highlighted that trees planted on agricultural land represents a permanent and irreversible change in land use, with potential reduction in land value. NFU Cymru emphasised the need for strong incentives and “long-term ‘cast-iron’ guarantees” that farmers will receive adequate financial reward for tree cover, which are lacking in the proposals currently.³⁷

10% habitat management

The proposal is that **at least 10% of each farm should be actively managed as habitat** for the benefit of wildlife alongside the production of food.

When determining whether there is sufficient semi-natural habitat to meet the 10% requirement, the focus will be on field scale habitats such as species rich grasslands. However, other habitat features will be included, for example, ponds and scrapes, established broadleaf woodland, and hedgerows which meet the definition of ‘good condition’.

If there is not sufficient existing habitats to meet the 10% requirement, new **temporary habitat features** can be created to meet the threshold.

Actions to create temporary habitats should be completed at the first available opportunity **within the first year in the Scheme**, subject to the seasonal requirements of each option.

47. Representatives of the environmental sector welcomed the Scheme rule as a necessary measure to halt biodiversity loss and restore nature. WEL highlighted, “Farmland covers over 80% of Wales, so if nature cannot be restored on farmland, we will be unable to meet our targets to protect and restore biodiversity in 30% of our land and sea”.³⁸

48. NFFN Cymru asserted:

“...this scheme rule must reflect the Environment (Wales) Act 2016 DECCA [Diversity, Extent, Condition, Connectivity and other Aspect] Approach to ecosystem resilience, which means allowing spaces for nature across the whole farm. Nature

³⁷ RoP, paragraph 73, 21 March 2024

³⁸ WEL – Written evidence to CCEI Committee

mustn't be confined to a single habitat or to one section of a farm [...]

This approach would help ensure a diversity of habitats across farms, increasing habitat extent and connectivity for wildlife - all helping towards improving habitat condition, building resilience and adaptability.”³⁹

49. Notwithstanding WEL's support for the Scheme rule, it raised concern that the requirement will not guarantee a range of suitable habitats across a farm, for example, flowering habitats and seed-bearing crops, thick hedges, scrub and rough grassy areas. It emphasised the importance of “Professional, independent, farm level advice” to ensure that each farm is managing a diverse range of habitats”.⁴⁰

50. WEL cautioned that, while many of the temporary habitat features will benefit nature, the inclusion of herbal leys “risks ‘green washing’”.⁴¹ It explained Defra was reconsidering its position on the inclusion of herbal leys within its Environmental Land Management Scheme because “it's popular, but it's not being effective, and it's utilising quite a lot of the budget”.⁴²

51. FUW was “completely opposed” to the Scheme rule, asserting it “would reduce the productivity and economic viability of vast numbers of farms, potentially by up to 10%”.⁴³ NFFN Cymru countered this, emphasising that creating or managing land for habitat does not mean “sacrificing food production”, rather it “forms an essential component of it”. NFFN Cymru added, “integrating a diverse range of habitats and features on farmland can maintain and even increase yields”.⁴⁴ Soil Association Cymru said temporary habitats required to meet a shortfall in the 10% “are entirely compatible with sustainable food production”.⁴⁵

52. Representatives of the farming industry raised concern that the Scheme rule is a significant barrier to access for many farmers, in particular tenant farmers. TFA

³⁹ NFFN Cymru's response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

⁴⁰ WEL – Written evidence to CCEI Committee

⁴¹ WEL – Written evidence to CCEI Committee

⁴² RoP, paragraph 159, 21 March 2024

⁴³ FUW's response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

⁴⁴ NFFN Cymru's response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

⁴⁵ Soil Association Cymru's response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

Cymru explained, “such a requirement could fall foul of tenancy agreements and the legislation which governs them, including the definition of agriculture and the Rules of Good Husbandry.”⁴⁶

53. FUW asserted the scale and complexity of the Scheme’s proposals would make it impossible for farmers to comply with requirement within the first year. It called for the Welsh Government to withdraw the requirement and introduce “an overarching scheme aim of increasing areas of habitat by a proportion that is manageable and realistic, and does not compromise production or the economic viability of farming businesses”. It added:

*“This would allow farmers to continue to receive support to maintain and manage current habitat areas with the option of creating new habitat through the Optional Actions layer of the scheme”.*⁴⁷

54. There were a range of views on the habitat features that will count towards the 10% threshold. NFU Cymru considered the list of features was not comprehensive, calling for additional features to be included, for example, streams, rivers, dry stone walls and traditional farm buildings. NFFN Cymru and WEL also supported the inclusion of drystone walls, highlighting they are valuable for wildlife.

⁴⁶ TFA Cymru’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

⁴⁷ FUW’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

5. Payment methodology

The proposal is for the Scheme to provide an annual **Universal Baseline Payment** to participants for carrying out the Universal Actions, based on **costs incurred income forgone**.

The Universal Baseline Payment will be **based on land area**. The total value of this payment will be made up from (i.e. calculated as the sum of) four separate payment values, representing different payment categories: maintenance of existing woodland; woodland creation; habitat maintenance; and actions.

Those farmers moving from the Basic Payments Scheme (BPS) to the new Scheme could receive a **Stability Payment** (additional to the Universal Baseline Payment) to provide continuity of income.

Participants will receive a Stability Payment if the total value of the Universal Baseline Payment in any of the transition years is less than the 'notional' BPS payment they would have received.

Stability Payments will be during the Transition Period (2025-2029).

Payment rates have not yet been provided. They are expected to be published in the summer following the consultation outcomes and further economic analysis.

Payment rates

55. There was widespread concern that the payment rates for the Scheme have yet to be published. Contributors highlighted that without this information it is difficult to comment on the workability of the proposals. WEL said, "We want to see this Scheme succeed, but farmers cannot plan to participate if they don't know what their income under the Scheme will be".⁴⁸ NFU Cymru said the absence of payment rates "has been a source of very significant frustration within our membership; severely hampering our ability to consult properly on proposals".⁴⁹

⁴⁸ WEL - Written evidence to CCEI Committee

⁴⁹ NFU Cymru's response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

Costs incurred income forgone model

The payment methodology proposed for the Universal Basic Payment will be an estimate of the **cost incurred and income forgone** for farmers for undertaking the Universal Actions.

56. Representatives of the farming industry were strongly opposed to the use of the costs incurred income forgone model. NFU Cymru referred to the model as “fundamentally flawed”, adding “there’s no fair reward, there is zero margin, there is zero stability and zero incentives”.⁵⁰ FUW said:

“The Universal Baseline Payment must provide long-term stability for farming businesses and the wider rural economy that relies on agriculture. It must also provide a meaningful income stream for farming businesses which properly rewards farmers for undertaking Universal Actions and compensates for the loss of the BPS. The payment rates must also recognise the innumerable social and cultural contributions farming makes to rural communities.”⁵¹

57. Soil Association Cymru said payments using the costs incurred income forgone model will “be too low to support those farm systems that are already delivering or capable of delivering sustainable land management improvements for nature, water and soils”.⁵² NFFN Cymru said payment “must sufficiently reflect the associated costs, time, effort and value delivered and therefore must go beyond income forgone and costs incurred”. It asserted the Universal Baseline Payment must be “attractive enough to encourage scheme enrolment, but not overly generous as to deter farmers from taking up Optional Actions”.⁵³

Social value payment

The Welsh Government is considering how payment rates can include factors beyond costs incurred income forgone, recognising the **social value** provided by the outcomes being delivered.

⁵⁰ RoP, paragraph 35, 21 March 2024

⁵¹ FUW’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

⁵² Soil Association Cymru’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

⁵³ NFFN Cymru’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

The proposal is to adopt the **Natural Capital approach**, analysing the monetary value of benefits derived from the natural environment.

58. Representatives of the environmental sector supported the proposal for a social value payment as a means of providing genuine reward for delivering environmental benefits. WEL said:

*“payments to reflect that wider [social] value are really important if we're going to get into a place where farmers deliver this type of thing based on understanding it's as important and as valuable as the livestock and the food they're producing”.*⁵⁴

59. There were concerns that the social value payment was still in the early stages of development. FUW asserted the Welsh Government has “no clear idea as of yet as to how they hope to incorporate the social value payment into the methodology”, referring to the proposal as “blue-sky thinking”. NFU Cymru said, “The fact that this work hasn't been prioritised demonstrates a very weak commitment from Welsh Government to provide fair reward to farmers in reality”.

60. Soil Association Cymru acknowledged that assessing ecosystem services from actions is “challenging because the data is patchy”. However, it said “proxies or guides” can be used for the weighting of payments.⁵⁵ RSPB Cymru referred to work it had undertaken on valuing ecosystems, suggesting the development of a social value payment would be possible.

61. NFU Cymru called for the Welsh Government, in conjunction with key stakeholders, “to consider how payment rates for the Universal Baseline Payment can properly recognise the social value of the outcomes being delivered that extends beyond environmental public goods”.⁵⁶ It asserted that no decision on payments rates should be made until this work is completed.

Results/outcomes-based approach

The Welsh Government's first consultation on a new agricultural policy for Wales, [Brexid and our land](#) (July 2018), set out proposals for “an outcome-based scheme that focuses on rewarding delivery”. According to the proposals,

⁵⁴ RoP, paragraph 265, 21 March 2024

⁵⁵ RoP, paragraph 267, 21 March 2024

⁵⁶ NFU Cymru's response to Welsh Government consultation on proposals for a Sustainable Farming Scheme

participants “will be paid an appropriate value for those outcomes rather than being compensated for input costs”.

More recently, the Welsh Government said it was “exploring the potential use of a Payments for Results (PfR) approach in the scheme”, linking payments to the quality of the outcomes delivered, rather than for carrying out actions.

62. Dr Petetin said the Scheme “does not fully deliver on public money for public goods” as it focuses on ‘actions’ rather than ‘outcomes’.⁵⁷ NFFN Cymru advocated a move towards ‘results-based’ approach (also referred to as an ‘outcomes-based’ approach), in particular for habitat management. It said this approach “offers farmers the flexibility to use their knowledge and experience to manage the land in a way that delivers agreed environmental results alongside their food and fibre production activities”.⁵⁸

63. NFFN Cymru and representatives of the environmental sector recommended the Welsh Government undertake further trials, similar to the Llyn Payment for Outcomes Trial, and learn lessons from elsewhere.

64. The farming industry explained that where results-based/outcomes-based schemes are already operating (e.g. in parts of Ireland and Europe), payments are additional to direct payments/BPS. They suggested a results-based outcomes-based approach could potentially be incorporated into the Optional and Collaborative layers over time.

⁵⁷ Dr Ludivine Petetin – Written evidence to CCEI Committee

⁵⁸ NFFN Cymru’s response to Welsh Government consultation on proposals for a Sustainable Farming Scheme