

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2025-26](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2025-26](#).

WGDB_25-26 (6) 28: Ymateb gan: Undeb Amaethwyr Cymru | Response from: Farmers Union of Wales (FUW)



Farmers' Union of Wales' response to the Senedd Finance Committee's call for information on the Welsh Government Draft Budget proposals for 2025 to 2026

November 2024

About the FUW

1. The Farmers' Union of Wales (FUW) was established in 1955 to exclusively represent the interests of farmers in Wales. Since 1978 the union has been formally recognised by UK Governments, and subsequently by Welsh Governments, as independently representing those interests.
2. The FUW's Vision is *thriving, sustainable, family farms in Wales*, while the Mission of the Union is *To advance and protect Wales' family farms, both nationally and individually*, in order to fulfil the Union's vision.
3. In addition to its Head Office, which has thirty full-time members of staff, the FUW Group has around 80 members of staff based in twelve regional offices around Wales providing a broad range of services for members.
4. The FUW is a democratic organisation, with policies being formulated following consultation with its twelve County Executive Committees and eleven Standing Committees.

EU agricultural and rural development funding

5. Not only has the UK's departure from the EU led to the loss of the intermediate term stability provided by the EU's seven year Multiannual Financial Framework (MFF), and the risk that agricultural and rural development funding might be cut at relatively short notice by the UK Treasury; what funding is available is no longer ring-fenced for direct support for farmers and specific rural development objectives. Nor is it regulated by strict spending criteria, meaning national Governments are in effect at liberty to reduce support and reallocate funding away from rural communities without regard for the social principles which were previously, from 1947 on, upheld through UK and EU legislation.
6. The former concerns were realised from late 2019 onwards: On 30th December 2019, the then UK Government announced £243 million would be made available for Welsh Direct payments in 2020 - a figure which took no account of circa £42 million usually transferred annually from the Single (farm) Payment Scheme budget to the

Pillar 2 (rural development) budget through what was known as the 15% pillar transfer mechanism.

7. On 25th November 2020, despite an assurance in the 2019 Conservative manifesto that “...we will guarantee the current annual [Common Agricultural Policy (CAP)] budget to farmers in every year of the next Parliament”, the UK Government announced that Wales’ 2021-2022 financial year allocation for agriculture and rural development would be £242 million - some £90 million less than the average annual EU CAP allocation for the period 2014-2020.
8. On 27th October 2021, the UK Government announced that Wales would receive an average of £300 million a year for agriculture and rural development over the next three financial years, some £32 million less than the average annual EU CAP allocation for the period 2014-2020.
9. As such, by the end of the current financial year, Wales will have received around a quarter of a billion pounds less in funding for agriculture and rural development than could have been expected had the UK remained within the EU. This equates to a loss of around £15,000 per Basic Payment Scheme claimant in Wales since 2019.
10. Subsequently, the Welsh Rural Affairs budget was cut by £37.5 million within the 2023-2024 financial year, and the publication of the Welsh Government draft budget for 2024-2025 revealed a further year-on-year cut of £62 million, around 13%, the largest relative reduction of any of the Welsh Government departmental budgets.
11. Such a loss of funding, and any further losses incurred as a result of the recent and future UK and Welsh Government Budgets, stand in stark contrast to the sums allocated to EU farms against which Welsh farmers compete, whose produce is imported with minimal checks and zero tariffs.
12. As such, it is disappointing and damaging that Wales’ budget for agriculture and rural development has not been restored to what it would otherwise have been had the UK remained within the EU.

Impact of the UK Autumn Budget 2024 on Welsh agricultural funding

13. Ahead of the recent UK General Election, the FUW renewed its calls for a multi-annual funding commitment for agriculture and rural development in Wales that reflects inflation since the EU CAP budget for the period 2014-2020 was ultimately confirmed in November 2013. Whereas other industries have received inflationary increases in budgets and salaries over recent years, commitments for agricultural and rural development funding still reference a baselined budget announced more than a decade ago.

14. This is despite proposed changes to farm policies that represent a step change in terms of their ambition, with farmers expected to continue to produce food while delivering many more environmental benefits while complying with more costly restrictions and bureaucracy than has ever been the case, and potentially competing with increased imports of food from the southern hemisphere produced to lower standards.
15. Based on the average EU CAP budget for the period of 2014-2020 for Wales of around £331 million per year, the Bank of England Inflation Calculator, which uses CPI inflation data from the Office for National Statistics, shows that this should now be worth at least £450 million.
16. In addition to this, historic Pillar 2 (European Agricultural Fund for Rural Development - EAFRD) allocations were subject to national co-funding requirements, meaning that annual national Welsh co-funding totalled around £41 million, bringing the total Welsh CAP budget to some £373 million per year.
17. Based on the same model, the annual national Welsh co-funding should now be worth around £50 million, meaning that the Welsh CAP budget should now total around £500 million in order to correspond with the real value of the 2014-2020 CAP budget which was initially allocated in 2013.
18. The Statement of Funding Policy addendum: funding the Scottish Government, Welsh Government and Northern Ireland Executive states that: *"From 2025-2026, the Barnett formula will apply in the usual way to funding for agriculture and fisheries, rather than the devolved Governments receiving a ringfenced addition to the block grant as they did for Spending Review 2021. Funding from 2024-2025 has been baselined in each devolved Government's block grant."*¹
19. This, as confirmed during a recent FUW meeting with the Wales Office, should mean that the circa £340 million the Welsh Government received in ring-fenced funding for agriculture in 2024-2025 will be transferred to the block grant for 2025-2026. Changes to this allocation will then be subject to the Barnett formula, meaning it will increase or decrease by 5% (relative needs-based percentage) of the year-on-year change to the English agricultural budget.
20. Given that Wales historically received around 9.4% of the total UK EU CAP budget, based on Welsh farm and rural characteristics and requirements, the Barnetisation of changes to Wales' allocation potentially represents a significant fall, and a departure from what was effectively a rural needs - rather than population - based allocation.
21. For this reason, the FUW has long argued against the Barnetisation of agricultural funding as it would move allocations even further away from EU CAP principles and fail to take into account the unique and cultural characteristics of Welsh farming.

1

https://assets.publishing.service.gov.uk/media/6721134c3ce5634f5f6ef441/Statement_of_Funding_Policy_addendum.pdf

22. As Welsh farmers are expected to deliver an ever increasing range of sustainability and environmental objectives, while also producing food, the FUW believes that the previous needs-based allocation formula which reflects Welsh farm and rural characteristics should be restored for future consequential adjustments.
23. Notwithstanding the applied 'Barnett' rate, the movement of funding into Welsh Government's block grant does at the very least provide a degree of multi-annual certainty for the Welsh Government, assurances of which must be sought during the next multi-year UK Spending Review in 2025.
24. Whilst the rollover of current funding levels at face value must also be appreciated, it does in fact represent a real-terms cut for agricultural funding in Wales by failing to reflect inflation and the plethora of environmental public goods farmers are expected to deliver alongside the production of sustainable food. This is pertinent given that the agricultural budget in England has received a one-off increase of £200 million in 2025-2026 to reflect the underspend from the previous Government, yet there is no acknowledgement of the cuts of a similar sum Welsh farmers have experienced over recent years due to decisions made by the same UK administration.
25. The FUW has previously welcomed Deputy First Minister and Cabinet Secretary for Rural Affairs Huw Irranca-Davies' commitment to maintain the BPS (budget ceiling to be confirmed) and other rural investment schemes for 2025 as part of the Sustainable Farming Scheme preparatory phase. It is therefore of great importance that, at the very least, the expected £340 million is allocated to the Welsh Rural Affairs budget for 2025-2026 in full without question.
26. The impact of real-term funding cuts by the UK Government on the spending priorities of the Welsh Government is a concern but maintaining direct BPS payments at the current rate must be a top priority for the agricultural budget, given the additional economic, employment, social and environmental benefits that come from such support.
27. In this context, it is essential that the multiplier effect of funds - in terms of employment and local economies - allocated to agriculture are recognised and that agricultural budgets are increased in line with other budgets. Agriculture employs circa 50,000 people and is part of a food and farming sector with an annual turnover in excess of £9 billion, employing circa 228,000 people.
28. Given that, on average, 80% of farm business income comes from direct (BPS) payments, the continued provision of such direct economic support at at least current rates will likely grow in importance in light of other policy changes announced in the most recent UK Budget, step changes in agricultural policies and many other challenges and global events.
29. It is also essential that the entire Welsh Rural Affairs budget is increased in line with inflation wherever possible given the increased allocation of total funding for Wales from the UK Treasury.