
Cynulliad Cenedlaethol Cymru | National Assembly for Wales
Y Pwyllgor Newid Hinsawdd, Amgylchedd a Materion Gwledig | Climate Change, Environment and Rural Affairs Committee
Ymchwiliad i ddyfodol Polisiâu Amaethyddol a Datblygu Gwledig yng Nghymru | Inquiry into the Future of Agricultural and Rural Development Policies in Wales
AAB 23
Ymateb gan NFU Cymru
Evidence from NFU Cymru

1. NFU Cymru welcomes the opportunity to respond to the National Assembly for Wales Climate Change, Environment and Rural Affairs Committee inquiry into the future of agricultural and rural development policies. The Committee's terms of reference is based on *developing principles to underpin new agriculture and rural development policy for Wales*.
2. NFU Cymru has recently undertaken the biggest consultation exercise in its history, this included a series of regional roadshows, commodity board meetings, NFU Cymru Council meetings and a consultation document sent directly to every NFU Cymru member in Wales. We have received responses from many hundreds of our members and our submission to this inquiry is based on the feedback received from this consultation exercise.
3. The decision to leave the European Union presents us with an unique opportunity to set out a clear vision for the future of Welsh agriculture. It provides us with the chance to shape and develop policies that will enable us to realise our ambition of a productive, progressive and profitable industry that will deliver jobs, growth and investment for Wales.
4. The creation of a new policy framework designed for Wales should reflect the new legislative frameworks enshrined in the Well-Being of Future Generations and Environment Acts and establish a new deal with society - a stable consensus on what farming can deliver for the economy, for consumers and the environment. A deal that must also deliver for farmers - a fair deal on trade, a secure business environment, reasonable returns from the market and access to the modern technology needed to compete on the global stage.
5. Our vision is simple: that productive, progressive and profitable farm businesses are central to a growing and dynamic Welsh food and drink industry. The Welsh Food and Drink sector can meet the ambitious £7 billion sales target by 2020 and work must take place now on the strategy to grow the sector beyond that. It is important that we focus on a growth agenda whilst recognising the need to do this sustainably – indeed this is viewed as central to the positioning of our global brand. Farmers manage over 80% of the land area of Wales and we want all our farmers to play a part in producing food to world leading standards of animal health and welfare whilst at the same time maintaining and enhancing our environment and ensuring we are continually improving our carbon footprint per unit of production.
6. Welsh Farming businesses are the backbone to the Welsh rural economy, the axis around which rural communities thrive. The raw ingredients produced on Welsh farms are the cornerstone to the multibillion pound food and drink industry, employing nearly a quarter of a million people. We are part of a UK food and drink industry worth £108bn to the economy.



7. Welsh farmers also play a key role maintaining and enhancing our natural environment and supporting the provision of a full range of ecosystem services which not only supports a diverse range of species, habitats and ecosystems but also provides a significant backdrop for our tourism and recreation sector worth an estimated £2.5bn annually.
8. Overall Welsh farming makes a unique contribution to the social, economic, environmental and cultural well-being of Wales summarised in Annex 1. The extensive benefits which agriculture provides to the wider economy, society and to the environment exemplifies the strategic importance of the sector to Wales as a whole.
9. NFU Cymru believes that we now have a golden opportunity to bring this all together to help market and promote Wales through a “Brand Wales” concept. This would focus on having a unique selling point for marketing Wales and all the products and services that we provide. Our vision is for an integrated strategy encompassing food, tourism and attracting inward investment to Wales based on Wales being a country of high quality products based around a strong natural asset base.
10. We must recognise that the strategic importance of the sector is likely to increase significantly going forward. The challenges to our global food production system are, by now, well documented. A growing world population; increasing demand for high quality diets; greater competition for land, water and energy and the increasing impact of climate change which will see Wales become an area of favoured production in future with an increasingly important role in securing food supplies.
11. NFU Cymru believes that the following 10 key principles should underpin new agriculture and rural development policy in Wales:-
 - To secure the best possible access to European markets which will continue to be the main export market for the Welsh food and drink industry.
 - To secure trade agreements with countries outside the EU on the most favourable terms possible.
 - New trade agreements must not open our own market to imports that are not produced to our world leading standards.
 - Securing food supplies for our nation in the context of global challenges must be a priority and Wales must continue to be seen as a country that produces food of the highest provenance and quality.
 - Implement a domestic agricultural policy that ensures we remain competitive with farmers in the EU who will remain our principal competitors. The support given to Welsh farmers must be simple to administer, easy to understand, on a par with EU farmers and target support at those who take the financial risks associated with food production.
 - Implement rural development policies that improve productivity on farm in a sustainable way.
 - Implement agri-environment schemes that positively reward for farmers for public / environmental good measures.
 - The regulatory landscape in Wales must be overhauled; voluntary approaches should be adopted wherever possible with regulation considered as a last resort.
 - Sound science must be at the heart of all decision making. Populist and sensationalist campaigning must not be allowed to cloud and shape decision making.
 - The Welsh food and drink industry must be able to access the necessary supplies of labour, both seasonal and full time.



12. These key principles were agreed by NFU Cymru Council on the 5th July 2016 and have subsequently been endorsed by our wider membership during our extensive consultation exercise. The remainder of this submission will seek to provide some additional narrative to these principles.

Trade

13. The EU single market is by far our biggest export destination, with around 90% of Welsh food and drink exports going into the EU market. Over a third of our lamb crop ends up on the European market. NFU Cymru appreciates the political sensitivity over issues such as free movement of people, budget contributions and continued adherence to regulations made in Brussels. These are matters that will need to be settled by negotiation. NFU Cymru's primary concern is that our access to European markets should not be fettered by tariffs or non-tariff barriers.
14. Access to new markets is seen as becoming increasingly important in future. Any future trading arrangements with any country, in or out of the EU, must be balanced, with the same conditions applying to imports as to exports.
15. NFU Cymru members are equally concerned about the future terms of import access to the UK market. The risks are seen as a potential unilateral lowering of British tariffs, as some proponents of Brexit advocate, or bilateral free trade arrangements with countries like New Zealand or Brazil where agricultural interests risk being traded off in return for access to services markets.
16. We must seek to limit our exposure to imports produced to lower standards (for example, lower animal welfare standards, goods produced with chemicals prohibited domestically etc). This is not a straightforward matter as WTO rules prohibit discriminating against imports on the basis of their production methods.
17. We can help ourselves by strengthening our brand and promoting the qualities and values of Welsh and British production through assurance schemes, and NFU Cymru believes more needs to be done both publically and privately in this area. But there are limits to what can be done and this can only be a partial solution.

Domestic Agricultural Policy

18. Most countries in the world have introduced agricultural policy measures to address various issues, including price and market volatility, environmental protection and enhancement and improvements in sectoral economic performance. The nature of the trading relationship the UK Government negotiates with the EU and non-EU countries will dictate the competitive environment in which farm businesses will operate.
19. The design of a bespoke domestic agricultural policy offers the opportunity not only to design a policy to fit our needs and conditions but also to construct a multi-faceted policy with different instruments targeted at specific issues and delivering multiple benefits for society.
20. NFU Cymru has ideas for how an integrated Welsh agricultural policy can be created that would include measures to underpin food production, deliver environmental gain, climate change mitigation, support investment in new equipment and technology and provide knowledge transfer and skills across a range of specific themes e.g. Animal Health and Welfare, soil and nutrient management.



21. A very important issue for Wales is to consider the way in which funding flows from the UK Government, to Wales, via the block grant. The size of the block grant is determined by the Barnett formula. EU funds to Welsh agriculture are not subject to the Barnett formula, if this were to happen in future then it would have consequences for Wales. Should the existing Barnett formula be used in future rather than the current formula for distributing EU CAP funds to Wales then the implications for Wales are potentially severe. Based on current funding levels for agriculture NFU Cymru estimate that the use of the Barnett formula compared to the current CAP funding mechanism would result in a budget reduction of nearly 40% for Wales.
22. One of our key policy principles is to ensure that the level of support made available to Welsh farmers is on a par with our principal competitors; this will include farmers within the rest of the UK as well as with countries in the rest of the EU. On that basis we believe that there is a strong argument for the 4 UK Governments to jointly agree a common overarching agricultural framework that will determine the level of funding made available to farmers in the four countries and is hypothecated using the same formula that is currently used to distribute CAP payments from the EU to the UK devolved administrations. Similarly we believe that communication between the administrations is vital to ensure that all four countries work together in partnership to ensure that we have fit for purpose policies, which farmers understand and ensure that cross border farmers are in no way disadvantaged.

Regulation

23. Whilst trading partner expectations will inevitably shape the post-Brexit regulatory landscape, the expectation amongst our members is that there will be some rolling back of regulatory requirements. The 'cover' that Europe has provided for domestic regulators seeking to pursue ever higher regulatory standards will have fallen away and our members will be looking for objective justification of any new regulatory requirements, as to whether they are truly necessary.
24. NFU Cymru's members also accept that it is unrealistic to think that all EU legislation will cease to apply at the point at which we leave the EU. We are therefore under no illusions as to the scale of the task ahead, but our members are clear that this does not mean the Welsh Government should not be ambitious in its task. NFU Cymru is committed to working with Government and Regulators to develop better approaches to deliver the outcomes society seeks.

Science and Technology

25. One of the principle challenges facing farmers is the need to increase productivity and outputs whilst optimising the use of inputs in order to produce safe, high quality food in an environmentally sustainable manner.
26. Over the last few decades, the EU has enjoyed exclusive competence around the authorisation of plant protection products and biotechnology. It is unclear whether this competence will lie at a UK or Wales level after Brexit. Wherever the decisions are taken, our members want to see the objective assessment of the potential benefits that accrue from science and innovation placed at the heart of future policy making.
27. We believe that the UK and Welsh governments have a duty to maintain the world class expertise we have built up in the fields of plant and animal science, post Brexit. As part of the



Brexit negotiations we are anxious that a UK outside of the EU seeks to negotiate on-going participation on EU research programmes.

Labour

28. The Welsh food and drink supply chain requires access to a flexible, skilled workforce. The number of non-UK born workers needed across the UK food chain for it to remain competitive is significant, official figures are hard to come by.
29. There are a number of issues that make it difficult to recruit sufficient domestic labour; flexibility of location, hours and tolerance of harsher working environments are prominent reasons. But even amongst the EU labour force there is evidence of a growing difficulty in sourcing the labour force farm business requires - this means the prospect of sourcing labour from beyond the EU also has to be considered.
30. Businesses indicate there is a very urgent need to focus on the short term labour supply – sterling’s devaluation has made the UK labour market less competitive within the Single Market. There is a real danger that production will shift abroad unless the industry can access the supply of labour it needs and with investment plans also on hold. Shortage of labour could impact on our ability to hit our £7 billion growth target for the Welsh food and drink industry.
31. NFU Cymru welcomes the opportunity to provide written evidence to the committee and as the organisation representing many thousands of farmers and land managers in Wales we very much hope that we have the opportunity to provide oral evidence as part of this inquiry.

****ENDS****



Annex 1 - Agriculture and the Well-Being of Future Generations (Wales) Act 2015

The Welsh Government Well-Being of Future Generations Act is designed to improve the social, economic, environmental and cultural well-being of Wales. The Act establishes seven goals that all public bodies, including Welsh Ministers must work to achieve. The contribution that farming makes to the achievement of all seven goals is unparalleled by any other industry, as highlighted in the following table:-

Well Being of Future Generations Act: Well-being Goals	NFU Cymru: Agriculture is the Answer
A prosperous Wales	<ul style="list-style-type: none"> • 60,000 employed full or part time in farming in Wales • £1.5bn Gross Output • Farming underpins a food supply chain worth over £6bn • Over 220, 000 people in Wales are employed in the agri-food sectors – that’s 17% of the workforce and Wales’s biggest employer • The Welsh countryside managed by farmers provides the backdrop for the tourism industry worth over £2.5bn • The Welsh agricultural industry is a key generator of wealth and employment for the people of Wales
A resilient Wales	<ul style="list-style-type: none"> • Farmers care for 81% of total land area of Wales – that’s over 1.84m hectares • 600,000 ha of environmentally designated areas • Almost 560,000 ha managed under Glastir Entry Sustainable Land Management Scheme designed to combat climate change, improve water management and maintain and enhance biodiversity • Farming supports a diverse range of species, habitats and ecosystems • Farmers provide a range of ecosystem services including carbon sequestration and management, water quality and water quantity management for flood alleviation • Low carbon, local energy installations have the potential to meet 57% of Wales’s electricity consumption and the evidence shows a large proportion of projects are located within Wales’s rural local authorities • GHG emissions from agriculture have declined by 20% since 1990 and further decreases are being achieved through production efficiency measures • Welsh farmers play a key role maintaining and enhancing our natural environment and supporting the provision of a full range of ecosystem services
A healthier Wales	<ul style="list-style-type: none"> • Welsh agriculture is a key provider of safe, nutritious, high quality Welsh food which plays a fundamental contribution in supporting the physical and mental well-being of the people of Wales • Welsh farmers are known to operate to some of the highest standards of welfare and production in the whole world • Welsh farming also delivers a significant proportion of Wales’s access provision which includes 16000 miles of footpaths, 3000 miles bridleways, 1200 miles of cycle network, and 460,000 ha of open access land • Welsh farming makes a key contribution to the physical and mental well-being of the people of Wales



A more equal Wales	<ul style="list-style-type: none"> Rural Wales is home to 33% of the Welsh population. The vitality and potential of rural areas is closely linked to the presence of a competitive and dynamic farming sector. The NFU Cymru 'Why farming Matters to the Welsh Economy' shows that each family farm is typically economically linked to some 40-80 other businesses in the region Through direct and indirect employment in rural communities, Welsh farming underpins the rural economy and contributes to a more equal Wales
A Wales of cohesive communities	<ul style="list-style-type: none"> Local communities in rural Wales are heavily dependent on agriculture for financial and social prosperity. Leadership and voluntary roles in rural communities Welsh farmers make a key contribution towards the provision of attractive, viable, safe communities in rural areas
A Wales of vibrant culture and thriving Welsh language	<ul style="list-style-type: none"> Agriculture has the highest proportion of Welsh speakers of any sector. Farming is the bedrock of rural communities across Wales which have been shaped by farming activity spanning hundreds of years. Farmers continue to maintain these traditions, preserving rural culture and sense of place Welsh farmers are key promoters and protectors of our culture, heritage and the Welsh language
A globally responsible Wales	<ul style="list-style-type: none"> Current levels of self-sufficiency at a UK level are at 62% Future challenges to our global food production system include climate change, a growing UK and global population, water scarcity. Given its climate and rainfall, Wales is predicted to be an area of favoured production in the future Welsh farmers have a key role to play feeding the people of Wales and in contributing to global food security now and in the future.

