HOUSE OF COMMONS

Welsh Affairs Committee

Oral evidence: The economic and cultural impacts of trade and environmental policy on family farms in Wales, HC 607

Wednesday 24 November 2021

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Watch the meeting

Members present: Ben Lake (Chair); Tonia Antoniazzi; Geraint Davies; Ruth Jones; Robin Millar; Rob Roberts; Dr Jamie Wallis.

Questions 1 - 54

Witnesses

I: Dr Nick Fenwick, Head of Policy, Farmers Union of Wales; John Davies, President, National Farmers Union Cymru; William Jones, Chairman of the Rural Affairs Committee, Wales Federation of Young Farmers Clubs.

II: David Williams, Partnerships Manager and Regional Lead, Farming Community Network; Professor Terry Marsden, Emeritus Professor of Environmental Policy and Planning, Cardiff University.

Written evidence from witnesses:

- Farmers Union of Wales
- National Farmers Union Cymru
- Wales Federation of Young Farmers Clubs
- Professor Terry Marsden

Examination of witnesses

Witnesses: Dr Nick Fenwick, John Davies and William Jones.

Q1 **Chair:** Good morning, bore da and welcome to this morning's meeting of the Welsh Affairs Select Committee and our first session of the inquiry into the economic and cultural impacts of trade and environmental policy on family farms in Wales. It is a great pleasure to welcome the first panel of witnesses before us this morning. Can I start by asking you to very briefly introduce yourselves?

William Jones: I am William Jones. I am chairman of the rural affairs committee at Wales YFC. I am farming in the Tywyn area on a hill farm.

John Davies: Good morning, everybody. I am John Davies, NFU Cymru president. I am farming in Merthyr Cynog—beef, sheep and twristiaeth.

Dr Fenwick: Bore da. Good morning, everyone. I am Nick Fenwick and I am head of agricultural policy for the Farmers Union of Wales.

Q2 **Chair:** Thank you very much to the three of you. I will begin by asking quite a general question. I will start with Dr Nick Fenwick, please. How would you describe the current situation facing family farms in Wales?

Dr Fenwick: It is a period of extreme uncertainty. What is going on from day to day? Prices have been very buoyant, so there is that fortune, but we are facing constant uncertainty on a weekly basis. Most family farmers would not be aware of what is going on at the higher policy level from day to day. People like me, John and William will be hearing reports of slaughterhouses being on the brink of not being able to operate on a daily basis because they have 20% staff shortages due to the problems you have heard about in the pig sector. There is a great deal of concern over fertiliser and input costs.

Of course, at an even higher level and even more concerning, we have everything that is being spoken about in terms of liberal trade deals with countries that are able to compete with us on what we regard as a very unfair level. We have policy changes in the pipeline domestically that are a big concern. While many people, including a proportion of farmers, voted for Brexit to get rid of bureaucracy, we are actually seeing the proposed introduction of a great deal more bureaucracy and restrictions while these liberal trade deals with countries whose standards do not come anywhere close to meeting our own are being negotiated and agreed in principle.

Q3 **Chair:** Mr Davies, would you agree with those points? Does the situation facing the family farm in Wales differ at all from perhaps the situation elsewhere in the United Kingdom?

John Davies: I will not repeat the points that Dr Fenwick has made, but, yes, I would concur with them. It is a period of great volatility. We have to be careful not to confuse a reasonable price with a margin. We are

seeing a real move and a real large amount of inflation on our inputs. We are going to have to be incredibly careful around that. Yes, there is a great deal of volatility with trade deals. We are seeing the regulatory burden being increased here in Wales and across the UK, and imports are not subject to that. That is of concern, and we do need to work incredibly hard to make sure we get a fair deal going forward.

We have a very clear vision and ambition to be net zero by 2040 and provide the most climate-friendly food in the world. We can do that. It is great to have William here with us this morning. It is all about the family, really. The family farm is incredibly important to us in NFU Cymru. I really believe it is the backbone of our industry. We have some fantastic young people out there. Nothing gives me more pleasure than to see my father work with my son. Dad is 91 and Brychan will be 21 on his next birthday. This is happening throughout Wales. With that blend of experience, ambition and excitement, we have a great future out there; we just have to make sure we get a reasonably level playing-field.

Q4 **Chair:** Mr Jones, what is your view on the situation at the moment?

William Jones: The uncertainty is bad at the minute for us, really. You cannot plan further than two years ahead. You do not know what is happening. Young farmers wanting to come into the industry now cannot get into these placement schemes, which is a massive part of the money coming in. It is impossible to plan.

Q5 **Chair:** Is the uncertainty and volatility putting a lot of young farmers off from continuing in the industry?

William Jones: It is not putting them off in the sense that, if you want to do it, you are going to do it. The worst is the added pressure that young farmers are going to get now from the higher costs and everything. Like John and Nick said, the money is good on lambs and cattle at the minute, but the costs are incredible, really. We are just handling more money, really, without the margin.

Q6 **Robin Millar:** Good morning, gentlemen. This conversation, this inquiry, came from a discussion I had with Glyn Evans at his farm in Padog in my constituency of Aberconwy. It was a real concern because of those two things that you have mentioned. There was a concern about the young people and the future they have in farming, but also that, while we talk about numbers and economics, there could be an impact on the culture and the cultural contribution of Welsh farming and Welsh family farms. How would you describe the cultural significance of family farms in Wales?

John Davies: That is absolutely key to us. My wife was at the Wales Young Farmers Eisteddfod in the Bont in Tregaron on Saturday night. It was a fantastic example of the culture and the richness of our language throughout Wales. The standard of competition there was fantastic. It is only to be expected. Wales Young Farmers is the best youth movement in the world, in my slightly biased opinion. That is really, really important.

We are in a situation where 43% of people in our industry can speak Welsh whereas the national average is in the region of 19%. It is really, really important that we recognise the real social fabric and the strength of our rural community. That is particularly important to us in NFU Cymru. Thank you for the opportunity to comment on that, Robin.

William Jones: I would like to second what John said about the Welsh language. A lot of the farms are keeping the rural community alive, really. A lot of farmers' sons go out to work either on local farms or in the local community, for example in CCF, Wynnstay or Farming Connect. Farms are a massive part of the community.

Dr Fenwick: I cannot add much, except to say that we are lucky in Wales to have something we can measure that defines culture in terms of the Welsh language. Of course, the agricultural community in Cumbria, Yorkshire and all these other places, and indeed the non-Welsh speaking areas of Wales, makes an invaluable contribution to the culture of those areas, but we do have something that is measurable, whereas other cultural things are not measurable. John has already given a statistic for Wales for the Welsh language in agriculture, which is way in excess of any other industry. It is worth also noting that Welsh language speakers in Wales make up 61% of all Celtic language speakers despite us having a tiny population here in Wales. We are basically the last outpost of a Celtic language, to all intents and purposes.

Q7 **Robin Millar:** Should agricultural policies, then, include actions to safeguard language? From what I am hearing, language is one part of the cultural contribution, but an important one. The question about agricultural policies included actions to safeguard the language, but we might extend that to safeguarding the culture, because there are other aspects.

Dr Fenwick: Yes, you can envisage certain measures to do that, but the one measure that you need to make sure is in place is to ensure those businesses are financially sustainable. This is about their very existence, their operation and the fact that they have turnovers, so they are interacting financially and socially with their communities. The vast majority of their money is spent within 5 or 10 miles of their business. That is the most important thing. Everything else cultural will follow automatically. You can invest lots and lots in cultural stuff and hold lots of community events, but if the people you expect to attend are going bankrupt, because of all the pressures that are there, you are wasting your time. You need to underpin that financial sustainability.

John Davies: The Well-being of Future Generations (Wales) Act focuses on improving the social, economic, environmental and cultural wellbeing of Wales. We are governed by that to a certain extent in the Senedd. It is really important that all of those things are taken into consideration in the formulation of future policy. We really should not underestimate what Nick referred to there about that constant thread of community

involvement, whether it is your local rugby club, the young farmers or your community council.

People are fully involved. It is the glue that holds those things together, I believe—that feeling of wellbeing for your community and your fellow citizens. It is incredibly important that we maintain that with an active and vibrant industry. Whether it is employing young people, fencing, hedging, tree planting, stocks or caring skills, these are skills that need to be undertaken by young people. It is really, really important that we support those going forward.

Q8 **Ruth Jones:** Thank you, gentlemen, for your time this morning. You have already alluded to the fact that we are looking at successive generation planning now. I am just wondering about the challenges facing the next generation of farmers. We know that the average age of a farmer in Wales is 60 and only 3% are under 35. Are sufficient numbers of young people coming forward to take on or inherit the family farm? John, you have already alluded to this, but perhaps you can expand a bit.

John Davies: From personal experience, we have a tremendous group of young people coming forward here. My son is really actively involved. He has a range of friends who are really good on stock and really keen to take part in this industry going forward. I would say that the people are there; we just need to help, support and facilitate their entry into our industry. That is our key role here: to make them feel wanted and needed.

Coming back from COP last week, it was interesting to see lots of criticism of dairy and meat production, and this, that and the other. When I was sharing the stage with a lady from Africa who represented 18 million of her members, she said, "Look, John, be very clear here. Food production is incredibly important. You do not recognise it here in the UK". Young people need to hear that loud and clear as well. They are valued; they are wanted.

William Jones: John has covered most of it, but making agriculture look like a viable career is a big thing as well. We have to show that it is a career that can take you on through life as well.

Q9 **Ruth Jones:** Would financial support and incentives help new entrants come in to farming?

William Jones: It would, as long as the money actually goes to the young farmer who is trying to farm, if you understand where I am coming from. It has to actually help them farm and help them not just get things but get advice and things like that.

Dr Fenwick: We need to be more creative in encouraging those people who do want to go into agriculture. I agree entirely with John and William here. There are lots and lots of people out there. It changes depending on which geographic area you live in, but I am lucky enough to live in an

area where there is no end of people who are so passionate about farming. A lot of them will probably find it difficult to go into farming.

We need to create imaginative tax reliefs, et cetera, that encourage those people who are thinking of retiring not to sell their farms up for forestry planting or whatever but to let their farms to young people. The Republic of Ireland has shown some excellent evidence in terms of tax incentives for landowners and landlords or farmers who are getting to the end of their time. They managed to increase the amount of let land from 2% to 7% just through a tax incentive. We need to think creatively about ways to help people get access to the land if they do not have it.

Q10 **Ruth Jones:** You have obviously read my questions, because my next one is about the exit strategy for the more mature farmers to encourage the younger ones to come through. You have highlighted the Republic of Ireland there. Are there any other schemes that we should be considering or looking at?

Dr Fenwick: In Ireland, they focused on income tax relief. I am not going to pretend that I understand either our tax system or the Irish one, but agricultural property relief is another area that could be investigated in terms of helping people. We need to retain that system. Otherwise, with land prices as they are, we will just see a generation of farmers disappear if that was reconsidered. We could enhance that system so that land that is currently being run down starts to deliver far more for the community because it is being let. It delivers more for the tax coffers, because more money is being generated off that land. There are lots of ways in which we can think creatively.

Unfortunately, we are in a position at the moment where lots of farmers of a certain generation are feeling this pressure of tree planting. As a union, we heard yesterday of cold calling by estate agents wanting to buy up farms to plant trees. We do need to plant trees, but we need to make sure we do not lose farms in the process. We would rather those farms go to the younger generation.

John Davies: It is incredibly important that the support goes to the active farmer. That is the person putting the wellies on in the morning and sweating, basically. We have seen some examples of that not being the case. If you look at the Irish example, it is absolutely key to that support that they partner with a young entrant coming in. That is vital. I would be totally against support going to the exit rather than the entry. It is important that we focus on supporting the young farmer and making sure the support goes to the active farmer.

William Jones: John and Nick have covered most of it, but it would definitely help if we made the incentive for share farming more of a viable option for a lot of farmers, especially in areas where there are no children to take on the farm. If a farm worker had the chance to own some stock, if he then had to borrow the money to buy the farm, at least he would not have to buy the stock as well.

Ruth Jones: Your point is well made.

Q11 **Tonia Antoniazzi:** Good morning, everyone. I hope you are all doing well. I have some questions on future agricultural policy. What are your thoughts and concerns about the development of a new Welsh agricultural policy post-Brexit? While thinking about that, how does the amount of financial support now available differ from that which was provided under the EU schemes?

Dr Fenwick: In terms of the last question, you will be aware that our budget has fallen significantly. The amount we were allocated this year through the spending review was—I am trying to remember the figure; I do not remember it off the top of my head—about £40 million below what we would have expected to receive, had the manifesto commitment of 2019 been honoured, which was to retain the current agricultural budget. Combined with last year's cut, it would come to not far off £200 million that we are short of. Nevertheless, we do have a budget. We very much welcome the fact that our Minister has committed to maintaining the BPS for a number of years. As you will be aware, that provides something like 80% of Welsh farm income.

Coming to your earlier questions, then, we do have major concerns. Whether the co-operation agreement with Plaid Cymru will change those to some extent remains to be seen, but we are given some hope by what was announced on Monday. Nevertheless, we did have concerns that Wales was heading in the same direction as England. While the language was a lot more to be welcomed in Wales because there was a lot more talk about farming, the scheme in Wales seems to be based on identical principles to the principles in England, which is payment for public goods.

I will be frank with you. We live in an era where we have had more than 70 years of support for agriculture in order to make food cheap. It strikes us that taking away income support while expecting food to continue to be cheap is wanting the penny and the bun. At the end of the day, if you cannot ensure that your food supply system delivers enough money to the farms, you have to have an alternative system to make sure those farms receive enough income while simultaneously encouraging them to be efficient, carbon neutral and everything else that we aspire to.

John Davies: We welcomed the announcement by Minister Griffiths regarding BPS and Glastir. As Nick has already said, that makes up a big percentage and it gives us some stability for the next couple of years in a period of very marked volatility. In terms of future policy development, we are making some progress around the stability measure of that. We recognise that we have to deliver some data and some evidence, if we are going to move to net zero by 2040. It is a very ambitious target, and those aspirations need to be mated with effective policy. We are making some progress.

We can also learn from Scotland. When we were up in Glasgow it was good to look at their policy. Mairi Gougeon is the Minister there. We also

met Edwin Poots. There are some really good ideas across the United Kingdom. We need to work together to make sure that this works for all countries in the United Kingdom, because agriculture is incredibly important to us here in Wales and we must get it right.

William Jones: More than anything else, I would just like to echo what John and Nick have said about how important agriculture is in the United Kingdom and Wales.

Q12 **Tonia Antoniazzi:** On that point, William, you are at the chalkface. Are Welsh farmers paying attention to the implementation of the environmental land management schemes in England? Are you looking to see what is going on there?

William Jones: Yes. If you look at Scotland, you wish that was going to happen here, more than when you look at England, to be honest. It sounds really bad, but, if we had not had the extension on the tenancy here, I would be seriously considering buying a farm in Scotland and living up there at the moment rather than here.

Q13 **Tonia Antoniazzi:** That is quite shocking. Agriculture is a devolved competence. William, what role should the UK Government be taking on to support farmers across the UK? Do they have more of a role to play? Should it be more devolved? It is devolved.

William Jones: Making it more of a level playing field is the main thing. It is hard when you have rules in one country that mean they can save costs in one area compared with another. It is the same as importing meat from other countries. If we do not have the same standards everywhere, you cannot compete. It is incomparable, in my opinion.

Tonia Antoniazzi: I will take that question to John, because he was talking about Scotland as well.

John Davies: We need a UK framework that identifies the parameters in which we operate. We must respect devolution here. That would be my opinion. We are different; we do have different priorities and ambitions. We must retain that flexibility, but it needs to be within a framework and a parameter that leaves a reasonably level playing field.

Going forward, we must have some sort of system for dispute resolution as well. It is a whole different ballgame here. We used to be implementing policy that was created in Europe as part of a much larger number of states. We need to create a different environment now, where we create a facilitating policy for the whole of the United Kingdom that then allows the flexibility for each of our nations to operate effectively, I would suggest. There is work to do there in terms of policy creation to make sure we achieve what we want to.

Martin is the president of NFU Scotland. They have a fantastic engagement there. They have farmer-led groups. At the end of the day, they are the people who are going to be responsible for implementing

these policies on the ground. They have to be achievable. There are some good things to learn from across the United Kingdom.

Dr Fenwick: I would echo what both William and John have said. We need to have something that almost echoes the common agricultural policy in providing a framework but with flexibility within which we can respect devolution. At the moment, we have a free-for-all. With a free-for-all comes the threat that Westminster might come down like a tonne of bricks when we do implement what is best for Wales. Presumably that would be a concern for Scotland as well.

The one area for which the UK Government have competence at a higher level where they need to intervene more is in relation to supply chains and ensuring that a fairer proportion of profits end up back with farmers. I appreciate that there has been work done on that, and we understand that, but it sometimes feels like the appetite for the principle of free markets is one that overrides moral principles.

Q14 **Tonia Antoniazzi:** I will stay with you, because that leads me on nicely to the next question. How concerned are you about the potential for financial disadvantages and internal market distortion due to different agricultural policies across the UK?

Dr Fenwick: It depends on which side of the border you are. I will be honest with you. We would be very worried if Scotland had a system that was very beneficial for farmers, and we did away with our current system and replaced it with a system that made it very hard for us to continue being financially viable and had rules in place that were not in other parts of the UK. That would be something we would be very concerned about. Conversely, if we had the good system and others did not, we would be less concerned about it. We would then be worried about Westminster deciding to level us up, for the sake of argument.

I will be frank with you. When you look at what is happening in England, England is rapidly waking up to the implications of what is being planned there. One accountancy firm recently predicted that 50% of its clients would only break even once this transition period had come to an end; it thought a large number would go bankrupt. People are really waking up to the implications of that now. We would not want Westminster to somehow intervene to our detriment in a way that disrespects devolution, because it wants us to follow its lead and is hell-bent on this principle of payment for public goods.

I fear that Whitehall has an agenda and has had an agenda, under various Governments, for a very long time. It has sought to reduce the amount of money that farmers get and liberalise trade with countries that produce cheap food. That is a secret hiding in plain view, to be honest.

Q15 **Tonia Antoniazzi:** I will just tag my last question on to that before I go to the others for an answer. Nick, how closely should the UK and Welsh Governments be working together in the development of the future

agricultural policy?

Dr Fenwick: I know that the civil servants do talk to each other, because a lot of the civil servants in Wales come from Whitehall. There is that relationship there and they clearly do speak to each other. Unfortunately, going back to the point John raised, we are in a position where nobody created that framework at an early stage. They did not create a framework and then everyone knew what the boundaries were so they could go off and do whatever they wanted to within the framework. There is no framework. We just have the Agriculture Act, which is at a very high level, I would argue, compared with what we have been used to working within. Conversely, that gives us some freedom.

John Davies: We have to look at this the other way round. I know that many of our English farmers are not very excited about the rush to the ELM scheme. You mentioned that earlier. We are really in a volatile time. They are facing the same volatility as we are. This really is rushed and not quite ready for roll-out yet.

We have to look at the gravitational pull of England and Defra. There are a very large number of farmers there. It takes a large part of the budget. It would be great if we could possibly influence Defra to make sure we get policy that works for the whole of the United Kingdom. They do not have all of the good ideas. There are some in other parts of the United Kingdom as well. We need to share best policy and best practice effectively and then implement it. There is financial distortion and we need to work on behalf of English farmers as well here, to make sure everybody gets fair play in a very volatile future.

William Jones: I would like to second what John said. Ensuring that everyone gets a level playing field is the way forward. There should be some sort of framework with guidelines. The country is so different in so many different regions. In north Wales especially, there are not very many arable farms in my area. It needs to be fair for all, I feel.

Q16 **Robin Millar:** Mr Davies, I just want to go back to a couple of your comments. You were very keen on respecting devolution and achieving flexibility, but in the last comment you said that you want a policy that works for the whole of the UK. In some ways that is a truism. This is the nub of the challenge that we face. Which is it and what actual suggestions do you have for achieving that? That is what we are trying to wrestle with.

John Davies: We would have a great affiliation with people in the Lake District, the south-west and many other livestock-producing areas of England. We need to look for a policy that works in a fair way. Whether you live in Cumbria or the Cambrian mountains, fairness is something that you aspire to deliver. It is possible to respect devolution, but it is important that we have a fair approach to this going forward as well.

Dr Fenwick: We published a document probably three years ago now called *Filling the void*. In that document, we set out an example of a framework that is nowhere near as prescriptive as the EU common agricultural policy framework but is based on thresholds of budgets. You are allowed to spend so much on a certain type of support; another proportion of your budget has to go on another type of support; and there is plus or minus 5% or 10% flexibility in the amount by which you can alter that non-fixed amount. That is just a very shallow example, to be honest.

At the moment, the way I see it is that one national Administration are free to put 100% of their budget into, for the sake of argument, tree planting when another could put 100% of their budget into something that is completely different. We do not have anything like a framework in place, notwithstanding the WTO framework.

Chair: That is something that we will need to come back to again, Dr Fenwick.

Q17 **Rob Roberts:** Good morning, gentlemen. We appreciate you giving your time. Just before I come on to my line of questions, which are going to be around free trade agreements, I want to go back to something that Nick said earlier on. He touched very briefly on agricultural property relief. Prior to coming here, I was a financial adviser. While I never advised on this particular thing myself, I was quite aware of wealthy people in other parts of the country potentially buying up agricultural land in order to benefit from the reliefs that may be available. Is that something that you come across a great deal? Is that anything of a threat to farming in Wales?

Dr Fenwick: It is not something I have come across directly or immediately in this area. No doubt it occurs. It would guess it may occur far more in more affluent areas. It certainly would occur to some degree. As I suggested earlier on, a big concern at the moment is major investors or private investors buying up land for reforestation. That is the big one that is happening, and we are receiving calls about that regularly. The figures we have confirm that it is happening at a worrying rate.

Agricultural property relief, as I suggested earlier, is absolutely essential for farming to continue. Without that, I would suggest that farming would stop in a single generation. It is needed. As you know, I was referring to helping young farmers. The point I was trying to make was that farmers of an older generation will often hang on to farming their land and being the active farmer on that land—they are genuinely active, but maybe less so than they were when they were in their 30s—in order to ensure they retain agricultural property relief on the house they live in, so that their nephew, niece or whoever they pass it on to is not hit with a massive tax bill.

If there was a way of overcoming that and ensuring that the land could be handed over at a sooner point to a young farmer or someone who

aspires to farming, and there were some sort of brake on the APR, it would be a great help. In a sense, it would mirror what they have done in Ireland.

Q18 **Rob Roberts:** That is fabulous. I appreciate that clarification. I could not agree more. That is quite right. To move on to free trade agreements, let us start with Mr Jones, who, by the way, is acquitting himself wonderfully in his first appearance in front of a Select Committee next to these two veterans of witnessing. How do you assess, Mr Jones, the opportunities as well as the challenges that free trade agreements present for family farms in Wales?

William Jones: The main problem with free trade agreements is about the standards. To the previous question—the different standards in other countries—this is affecting farmers. We cannot produce an animal for the same price as other countries can. The herd size is a lot smaller in this country and livestock standards are a lot higher. On the side of the opportunities, there are opportunities into other markets that we can try to get, but it is about getting that balance so that we import what we export. It has to be a 50:50 divide.

Q19 **Rob Roberts:** Mr Davies, I have the same question for you. It is not something I am massively up on, but I am led to believe that Australia, for example, is rated as having pretty high food production and welfare standards. How does that factor in?

John Davies: Let us be clear: Australia and its team have done a fantastic job of the lobbying to deliver this free trade agreement. George Brandis has a very high profile in London, and they have really done a job. If you want to look on a factual basis at standards, whether they are animal welfare or environmental concerns, there is a vast difference in the regulatory cost to our businesses. When you consider how much of their very large beef herd is fed and finished in beef feeding lots, it is a very different offer from what we have in Wales.

We have to accept that and we need to look at those standards carefully. They are able to facilitate them to produce at a lower cost base. If you look at the commitment with regards to methane, we signed up to it in Glasgow just last week. I support that. I want us to make sure that we produce fantastic food here in Wales with a small sustainable footprint. I would pick that up as one concrete example. In terms of deforestation, I am very happy to talk through that, if you wish. There are really robust differences here. Let us not gloss over them.

When we set the bar at a low level, I have a great deal of concern for future trade agreements, whether it is Brazil or wherever else. We have not set the bar very high here. We have high ambitions and high requirements for what we produce, which is exactly what I agree with, but we then have an import standard that is very different.

Q20 **Rob Roberts:** We are going to come on to tree planting and

deforestation with my colleague Mr Davies shortly. Just to complete the thought that you were having there, Mr Davies, on Australia and New Zealand in particular, where do they stand in terms of international standards for quality and welfare? Presumably there is a grading. Where are they on the list?

John Davies: New Zealand is moving quickly to improve its standards, I would suggest. The direction of travel in Australia is less clear.

Dr Fenwick: I would like to come back to your original question. Of course I would agree with John. I would say that we are worlds apart. It is all relative. Australia has good standards compared with some African countries, of course. It is relative. What is also relative are the costs that are inherent to those standards or the differences between them.

Coming back to your original question about the advantages of trade deals, the only advantage for Welsh agriculture that I can see is for very niche products. The advantages for us as a country across the board of the New Zealand trade deal are estimated by the DIT to be 0.00%. It is less than a thousandth of a percent. If there is an advantage, it is indiscernible at that scale. Even with the CPTPP, which we are told these agreements with Australia and New Zealand are a stepping stone towards, the benefit for our GDP as a country, as the UK, is 0.06%. I worked that out earlier on. That is nothing compared with retaining the good relationship or still hopefully quite good relationship that we have with the EU. We cannot jeopardise that through any new trade deals.

Q21 **Rob Roberts:** To move on slightly, what engagement have the FUW and indeed the NFU in Wales—we will come to you, Mr Davies—had with the Trade and Agriculture Commission and both the UK and devolved Governments in relation to negotiations on FTAs?

Dr Fenwick: Our president was a member of the TAC, as was Mr Davies. Clearly, that was subject to the Official Secrets Act. With the new TAC we are yet to have any engagement. I sit on the advisory group. I am not allowed to speak about what was discussed in that. It certainly keeps us informed, but it is not a forum in which there is a great deal of opportunity to have input. It is more about keeping people up to date. That is the truth of it. I hope I am not breaching any of the agreements that I have signed by telling you that.

That is a reflection of the huge rush. I do not want that to sound like a criticism. It is probably a reflection of the huge rush there has been to sign these trade deals for, I would say, PR reasons. I will be honest. Most trade deals would take anything up to 10 years to negotiate, and yet we are trying to do them in a period of months. That makes it very difficult, including for people like you, to assess properly the implications of these deals, which are very long term.

Q22 **Rob Roberts:** I certainly would not want you to get into trouble. I hope you have not broken any rules either. Mr Davies, does the same apply to

NFU Wales?

John Davies: Yes. I have to tread carefully. In terms of engagement, I was a member of the original TAC. We worked really hard. We were meeting every week at this time of year last year to make sure we got the report out by March. There are some good solid recommendations in that. I am disappointed that it took as long as it did to form the new TAC and that it was not in place in time for the trade deals to be scrutinised quickly.

In future trade deals, we need to agree a way forward here in terms of mandate, scrutiny and then approval by you, our elected representatives. We really do need to focus on this, because many commitments have been made. Those were genuine, but it is important that we get this process right. It is absolutely vital that the new TAC sits quickly and is able to give recommendations on the approval of future trade agreements. Normally, they take significantly more time. It can be an impediment to the quality of the outcome if you rush things very often. It is really important that we get this right, and the ball is now in your court, of course, as our elected representatives.

Q23 **Rob Roberts:** I have one final question on this part before I move on. Hopefully I can ask everyone to be concise so my colleague Mr Davies has as much time at the end as possible. This is the nub of the issue, as far as I can tell. I will start with Mr Jones. How well placed are family farms in Wales to cope with greater competition that might materialise from the free trade agreements that are currently going on?

William Jones: If you want me to be short, not at all. The farms are not prepared for it at all. It is coming so quickly that it is hard to keep up with everything that is going on, more than anything, at the moment.

Q24 **Rob Roberts:** Is that something you would agree with, Mr Fenwick? I see you nodding in agreement there.

Dr Fenwick: Yes, I would agree. It depends entirely on the economic situation, does it not? If the best-case scenarios from our point of view come to fruition—a number of people, Members of Parliament and Ministers, are saying that this is never going to happen, that they are never going to use this extra quota that we are giving them—we do not have anything to worry about. We are well equipped to compete in a fair market. If we have this completely liberalised quota, and the global market trading relationships and exchange rates et cetera favour huge volumes of these products coming in, we are going to face major problems, if that is what happens in terms of global economics. People who say they know it is not going to happen are lying, because nobody can predict what is going to happen in five or 10 years' time to the market in China et cetera.

John Davies: I would say it is bordering on reckless not to have any checks and balances or any levers to pull if things do change in a volatile world going forward. I would suggest that we need to strengthen that

part of future trade deals. As long as everything runs along as it is at present, China is still desperately short of protein and there are no political upsets, everything will be fine. If things change in respect of one, two or more of those circumstances, it could be significantly different. We need some checks and balance to make sure we are not undermined by products of a completely different environmental and animal welfare standard. That is really important.

Let us not forget that here in Wales we are in a fantastic place to produce top-quality sustainable food. We also have some fantastic young people. We have some of the best farmers in the world. Let us never forget that and let us make sure that we focus on those absolutely key strengths.

Rob Roberts: I could not agree more.

Chair: Before I call Dr Jamie Wallis to ask a question, I am afraid I am going to have to ask for brevity in answers. We are very keen to get to Mr Davies and his questions on tree planting before 11 o'clock.

Q25 **Dr Wallis:** I just want to touch on the environmental impact of farming. If I could ask you to be as brief as possible on a topic that it is difficult to be brief on, what impact is climate change already having on farmers in Wales? Specifically, how might it be affecting your ability to produce foods?

John Davies: On the climate change impact, we are seeing longer growing seasons at the moment, but we are also seeing some more volatility. We see longer periods of wet weather and then dry weather as well. A couple of years ago we had a drought summit in the Royal Welsh, and it continued then to pour for the next six weeks. We are seeing periods of less stability in that way. I will be as quick as that. Directly at the moment we are not seeing a massive impact on food production capabilities, but we are going to have to keep our flexibility in a fast-moving business.

Dr Fenwick: I would just highlight the severe localised impact of flooding in areas where Natural Resources Wales has failed to keep ditches clear et cetera and ensure that hundreds of acres of land is not flooded. The inevitable impacts of climate change are being felt in these areas, one of which is not so far away from Mr Jones's farm.

William Jones: I would just like to second what Nick and John have said. There is a need for us to be flexible going forward in the future.

Dr Wallis: Thank you for your brevity in those answers.

Q26 **Geraint Davies:** John Davies, I asked Lord Zac Goldsmith in a hearing yesterday how it helped the climate crisis for British Airways to buy up farms in Ceredigion to put trees on them in order that BA could fly more planes and we could import more lamb that had been produced in New Zealand and Australia with lower environmental and other standards. He said he did not know anything about it but he would look into it. I was

wondering what experience you had of large companies buying up farmland for tree planting to offset carbon emissions.

John Davies: You have named that example in Ceredigion. There are also examples in Carmarthenshire and Breconshire. There are real concerns around this, because we need a policy that integrates trees into production going forward, not a policy that will sterilise and take out large swathes of Wales. I will be brief, because I understand that others want to answer.

Q27 **Geraint Davies:** Nick, do you want to comment on that? What impact will tree planting for carbon offset have on family farmers and the future of farming in Wales?

Dr Fenwick: I happen to be on a farm that was owned by Zac Goldsmith's great-great-great-grandfather, I suppose, John Edwards, who was a Welshman. We have planted a great deal of trees on this farm, but we have also retained fields to ensure that it remains a farm, and a viable one. This is what we need to ensure, as John has indicated. We need to make sure we are planting trees in a proportionate way on land that is not of any significant agricultural value. We need to prevent the type of land grab that we are seeing.

In earnest, the trouble we have is that a lot of it is anecdotal. We know it is true, but it takes some time for data to be recorded with the Land Registry and for information to be gleaned from Natural Resources Wales about the environmental impact assessments for planting trees, et cetera. There will be subsidiary companies involved and that sort of thing. We need a database to find out what is really happening and the scale at which it is happening. It is certainly happening and we need to prevent it.

Q28 **Geraint Davies:** On policies, as it happens I have raised the issue of carbon border taxes before in relation to dirtier Chinese carbon-intensive steel displacing UK steel. Surely this is the case for agriculture as well. It sounds ridiculous to me to have not very carbon-friendly mass production of meat in Australia displacing sustainable farms in Wales that have been set aside because of some sort of carbon offset to enable BA to fly more planes around the world. Would you favour the Government looking at a carbon border tax? You would have to pay the carbon cost for the production of the meat being flown or shipped over from Australia, after being force fed with a load of cereal as opposed to grazing, so that we could have a level playing field.

Dr Fenwick: We need to look at a lot of things like this. The whole carbon trading market was described recently by Mark Carney as a "wild west", and it is a wild west. It is very complicated and it is generally a free-for-all. We need to look at a whole host of things that can be done. It comes back to this issue of doing it across the UK as well as looking at Welsh solutions to problems.

We definitely do not want to see farms selling up land for planting trees and then farmers in the next generation or two generations suddenly finding that their grandfather sold the carbon that they now need to try to help the farm become carbon neutral. We also do not want to see Welsh steel production compromised by the fact that Welsh woodlands have been sold to some steel producer on the other side of the globe or the other side of the UK. We need to have some sort of carbon border, even within Wales, in order to meet the needs of Welsh industry.

Q29 **Geraint Davies:** Would you agree with me that everybody is obsessed with the number of trees, but the issue is the amount of oxygen the trees produce and the amount of CO_2 they consume? In other words, if you chop down loads and loads of trees for HS2 and all sorts of other stuff and you plant a load of saplings that do not really generate much oxygen for 30 years and they are only guaranteed for 10 years, is that worth destroying a Welsh farm?

Dr Fenwick: We also need to remember there is a huge amount of carbon stored in our soils, on which grass grows. There is a whole area of science there that people have forgotten about, which is about the amount of carbon in our soil and in our peat, et cetera. We also need to bear in mind that we have 78,000 hectares of generally unmanaged woodland on Welsh farms that is not capturing as much carbon as it should be capturing. Well-managed woodland captures carbon, because you have new saplings coming through et cetera; unmanaged woodland reaches a plateau of carbon sequestration. We need to stop this obsession—I agree—with simply planting trees.

Geraint Davies: We are out of time. If you could send any further ideas on these issues, I am sure we would all welcome them.

Chair: I would like to thank all the panellists for your contributions this morning. They have been very, very useful. Diolch yn fawr iawn i chi.

Examination of witnesses

Witnesses: David Williams and Professor Terry Marsden

Q30 **Chair:** We are now starting the second panel of today's session of the Welsh Affairs Select Committee. It is my great pleasure to welcome Professor Terry Marsden and Mr David Williams here today. First and foremost, could I ask if you would be willing to introduce yourselves for the record?

David Williams: Bore da. My name is David Williams. I am the regional director for the Farming Community Network in Wales, which is a charity that supports farmers with all sorts of issues. We say that we walk with farmers and try to signpost farmers in the correct direction they would need to go for the issues that they have. We also support other members of the rural community. We are not just for farmers; we are for everyone

in Wales. I am a farmer myself and we live between Newport and Cardiff, so we are in a rural area that is not that rural.

Professor Marsden: I am Terry Marsden. I am emeritus professor of environmental policy and planning at Cardiff University. I am also chair of the Alliance for Welsh Designated Landscapes. I have also been conducting research on rural affairs for longer than I would like to think of.

Q31 **Robin Millar:** Good morning, gentlemen. Thank you both for your time here. We have already had a very interesting session with the first panel of witnesses, so we will get straight into it here. The purpose of this inquiry is about assessing and understanding the impact of the UK Government's economic and climate change policy. I am very interested in the cultural impact, not just the economic impact. How would you describe the cultural significance of family farms in Wales?

David Williams: Family farms have a very important role to maintain the fabric and structure of rural areas, not just the farms themselves. Farmers do an awful lot of work maintaining and changing the landscape, which in the past involved perhaps drainage and other things, but now, on many occasions, involves tree planting, the creation of ponds, the improvement of the landscape for wildlife as well as strictly for agriculture.

This is a policy that the Welsh Government are pursuing. I do not mean "pursuing" in a negative way. I mean that this is what they are trying to do, so we can improve the landscape for everyone, those who live and work in it and those who visit it as well.

Professor Marsden: Clearly, the significance in terms of language has already been discussed this morning. It is by no means insignificant. It is a very important element. There are other aspects too. The whole cultural economy of rural Wales depends on, as my paper and evidence suggested, a local embeddedness of farming far beyond the farms themselves, in a sense in terms of services and the production of goods and services in the local economy. It also links to the cultural economy as part of the tourist trade and that part of the economy.

Here, we are dealing with a significant part of the indigenous population of Wales in periods of migration. Therefore, this is an issue for maintenance of indigenous populations and the wherewithal and economy to continue that.

Q32 **Robin Millar:** We also touched in the first session on the question of whether policies should be directed specially towards cultural issues, such as language. Is that the case? Do you think that agricultural policies should be targeted, or do you think it is something more general about encouraging farming as a whole in a commercially viable sense?

David Williams: There is work to be done in strengthening the profitability of agricultural businesses in Wales, which, for everyone, does

not include just agriculture. It includes other things, like tourism, as we have already mentioned, and other activities whereby farmers can provide services to people who live in the countryside. We need to make agricultural business more profitable generally, particularly in order to preserve the language. If people cannot make a living from their farms, there are only two choices: they find another way of earning a living in that area or, sadly, on many occasions, people have left the area altogether to move to places like where I live, Cardiff, Swansea and Wrexham.

Professor Marsden: There is a case for developing a bespoken agriculture and farming policy in Wales that has a social and cultural component. We should not forget that this was part of what the European Community was about back in the 1950s. It is not necessarily unique to have farming policies not just associated with environmental and/or economic factors but also to protect and sustain the patrimony of cultural heritage.

There are grounds for including this as part of the Welsh context, and in fact in the English context, particularly in the upland areas of rural communities. Here, we face potential devastation of upland farming rural economies throughout the UK, of which the Welsh dimension is one. In the past, even pre-European Union, the British Government had policies like the Hill Farming Act in the 1940s, for instance, which recognised the significance of less-favoured areas and the cultural significance of these. We should be explicit about that.

Q33 **Robin Millar:** On that last point, are you suggesting that there should be scope within UK Government legislation for hill farming specifically? I am trying to be clear. Are you saying that this is something that should be dealt with within a devolved capacity, targeting Wales?

Professor Marsden: I think both. There is a devolved element in this for Wales, but also, in a UK context, there are significant grounds for broadening the idea and parameters of what is currently ELMS to include these sorts of social and cultural objectives, in a sense that that should be part of what we are considering doing for hill farming and upland areas, of which there are significant tracts of land in the UK generally.

Q34 **Rob Roberts:** Thank you, gentlemen, for your time this morning. I would like to speak about succession and future generations. We heard earlier from William Jones, who is the chairman of rural affairs at the Wales Federation of Young Farmers Clubs. As an organisation, it has said that the next generation of farmers have the enthusiasm for learning and taking on new ideas for the future, and are pretty hopeful about things. The average age of Welsh farmers is over 60. Professor Marsden, how important do you think succession planning is going to be?

Professor Marsden: It is critical. I would see this as a significant part of the Welsh sustainable farming scheme. Remember, in Wales we have a major Act called the Well-being of Future Generations (Wales) Act, which

all policy design should follow. Succession is a critical element. My evidence paper shows work we did a few years ago demonstrating that, while a lot of farmers plan succession, 20% to 30% of farmers are likely to go out of business as a result of what is going on at the moment—a combination of factors in my view. Many of those do not have succession plans.

We are faced with a situation where we need to retain family farming enterprises in a broader sense. That should be a central element of sustainable farming initiatives and schemes in Wales. It cannot just rely on environmental elements to do that, I do not think. It needs to consider the economic and social viability of the enterprise and the variation in the enterprises.

My evidence shows that there are three sorts of farm enterprises in Wales. There are the productivist farms, which continue to produce high-quality sustainable food. There is multifunctional: 30% to 40% of farms are doing that and doing other things. They are multifunctional farms. Then, there is a vulnerable group of 20% to 30% that are likely to lose their businesses due to these problems of succession and the economic future.

Q35 **Rob Roberts:** I appreciate that. In that vulnerable group, so that I can understand better, are they vulnerable because of external things, or are they vulnerable because of not innovating, not changing and not moving with the times?

Professor Marsden: There are both elements. The fallout, which I would predict will happen if there is no intervention, will hit those farms that are, let me say, more vulnerable in the first place and less resilient, effectively. They have not diversified. They may not have a successor and they may lack the knowledge. There is a big knowledge gap here. It is okay saying to farmers, "Produce public goods". How do you do that? It is case-by-case specific. Farmers need a lot more help, through Farming Connect and so on, to do that. There is a remedial job to maintain family farming, in many cases.

Q36 **Rob Roberts:** I see, on the screen, out of the corner of my eye, Mr Williams nodding furiously at many of those points. Do you have anything to add to those points, sir?

David Williams: Yes, just a couple of things really. FCN, as a charity, is based both in England and in Wales. Our research shows, and we believe, that the most vulnerable people are not the biggest farmers, who have time to think, for want of a better expression, or even the poorest farmers, because those poorest people seem to live where crows starve and manage to get along somehow. The real issue lies in those people in the middle, who are almost too busy to think about where they are going with it. This applies to succession planning and planning of their business.

Somebody told me years ago that one issue with farmers is that they think, if they cannot make any money, they have to produce more of what they do. Quite often, that leads to them losing more money than they would have done if they had not done extra. There will be a mix of things. Succession planning is necessary, but it is very difficult to get people to accept it, because quite often we encounter cases where you have grandfather, father and sons involved in the same enterprise, not necessarily because the grandfather is not willing to hand on the business. They probably would be, but then there become questions of where those people live, which links into questions of second homes. As we know, there is a current issue with that in Wales.

Where do people live in the countryside if they retire from their farms? If they are tenants, they have a great deal of difficulty because they do not have enough equity to buy a property. Perhaps I can commend the work now of the Addington Fund, which some of you may have heard of. That is a fund that is trying to develop houses for retired farmers in rural areas of Wales and England.

It is a multiplicity of approaches to try to get the agriculture business in Wales moving along. As I have said previously, for a lot of farms it cannot just be about agriculture. It has to be about other things. One thing that is not mentioned, which I am sure Professor Marsden is aware of, if we look at Wales in particular, is that, if we want the urban population, which is the greatest population in Wales, to support the rural population, they need to feel part of it. They need to feel that the countryside is theirs, because they are obviously subsidising or promoting those people who live in rural areas. That is quite an important point that we can sometimes miss.

Linked in with that, it is quite heartening now that the Welsh Government and Plaid Cymru have come to an undertaking. I feel that that might strengthen the position of the rural areas in Wales, because, in general, the Labour party represents the urban areas. That could be a major step forward for agriculture policy in Wales.

Q37 **Rob Roberts:** I will stay with Mr Williams for my final question on this. I think it is reasonable to say from the panel we heard earlier that there are sufficient numbers of young people who are keen to progress and keen to come into the industry. Up and down Wales we have heard talk of different types of exit strategy or even entry schemes to help people move out and younger people move into these things, in terms of financial support perhaps. Do you think there should be those exit and entry strategies that exist to encourage younger generations to come through? If so, what would they look like?

David Williams: The exit strategy as proposed in England is not going to be very effective. There are all sorts of reasons surrounding why I do not think it will work or give the desired results. For entrants to come into agriculture—because I was one of those keen young people at one time—there are plenty of people out there who want to do it. You have no doubt

about that. There are plenty of schemes. I believe both the NFU and Farmers Union of Wales have schemes where they are attempting to encourage farmers, for instance share farming and contract farming opportunities. Those are the way forward.

In the tenanted sector, permanent long-term tenancies are available, but they are few and far between. We have to work with what we have so, in other words, existing farmers can remain on their farms, notwithstanding the housing problem, where, if they do not have a successor, young people can work with those farmers. A farmer can then remain where, in most cases, he has lived all his life and can move the business along in a different direction.

I do not think this is actually an age thing. I know plenty of people who are keen and enthusiastic at whatever age they are. I tell a story about my father in law, who passed away a couple of years ago. He was 101 and he was always coming up with a scheme of things we ought to do, so I do not think it is an age issue. It is just an attitude issue.

Professor Marsden: I agree completely with that. We need to get the farming ladder, as it was called in the post-war period, moving again and make it into an escalator. The role of fiscal relief and so on is one area to certainly look at. We should not forget that we have a network of county farms still in Wales. They have not all been sold off. They are important infrastructure, run by local authorities.

Also, we come back again to policy. There is this issue of not putting a size threshold on support below five hectares and encouraging small farming. This is another danger with changes in policy. They cannot just benefit the larger producer, even though they might own and occupy more of the land to be maintained.

Q38 **Geraint Davies:** I wanted to turn to Brexit and ask what principles should underpin the post-Brexit agriculture policies in Wales and across the UK. Obviously there are issues that have emerged, in terms of level playing field, population, food security and the environment. What do you think should happen? I know it is a big question. To what extent might it be helpful to actually stay as close as we can to the EU rules, in order that we can re-engage more effectively, rather than move away continuously from our biggest marketplace?

Professor Marsden: This is a very complex issue. It can be classified into two areas. One is about supply-side responses. That is effectively what we are talking about, in terms of encouraging new farm policy in Wales. There is also demand side and that is much more of a UK sort of area, in terms of trade, internal market issues and so on. We have this tension between some level of devolution and bespoken policies in Wales, and keeping some sort of idea of a level playing field within the UK.

This is taking back control, as it was called, and it really demands a lot of imagination and co-operation between the UK Government and the

devolved authorities, and indeed the regions of the UK, more than we have had. Also, it means rebuilding and recasting our links with Europe as the major market for our agricultural and food exports. The fact we have come out of Europe should not necessarily stop us developing favourable trading and co-operative relationships.

Q39 **Geraint Davies:** From the farming point of view, it seems to me that it looks to a lot of farmers that the Brexit situation has blocked some of our exports and provided barriers to exports to our major closest market. In addition to that, it has suddenly provided a new access for New Zealand and Australia, which may not have the same standards, may have economies of scale and produce more carbon, to come in and undercut us. They seem to be hit from both ways.

What do you think, policy-wise, we should do now, given that has emerged? Do you think we should, as I say, try to adopt the EU standards, for instance, so that we can break down some of those barriers and reconnect? What should we do to protect ourselves in terms of carbon?

Professor Marsden: There are two lots of issues going on here and we are in danger of having dual standards in the UK. We are having higher and higher standards for our domestic producers and, potentially, lower and more diversified standards for imports. This suggests to me that, in agricultural policy terms in the UK, we should have as high standards as possible of environmental, food quality and animal welfare. We should trade on the basis of high-quality products, for instance agri-ecological products. If I can summarise, this would be a Swiss approach to agricultural policy and domestic policy.

There are no grounds at all for going down a race to the bottom of cheaper and cheaper food production domestically in the UK, in my view. We should be playing the high game and going for high-quality products. We cannot compete for the low-quality products in Australia and New Zealand, because they have had over 20 years of deregulation and neoliberal policy. They are also extremely geared to export. If you look at firms such as Fonterra in New Zealand, they are highly active in export markets, so this is a golden opportunity for them to have 60 million domestic market demand in the UK on agricultural products. That is the reality of it.

In terms of a Welsh policy and a UK policy for the domestic, we need a farm policy. We need a food policy and a food production policy. It is not just about environment. It is not just, dare I say it, about climate change. It is about the viability of production infrastructure in the UK.

Q40 **Geraint Davies:** That is very helpful. Maybe I could turn to David on this. Following what Professor Marsden has said, do you think there is a problem that, if we have, let us face it, more poverty, people do not have much money and food prices are going up, they will buy cheap meat and food imported from New Zealand and Australia, even if it is to a lower

standard and a higher carbon footprint? What should we do about that?

David Williams: Interestingly enough, that was the point I was going to come to. There will be nobody sat around the table in Parliament today who can remember the repeal of the corn laws, but we are actually in that kind of position. We cannot have the situation where a large sector of the people who live in either Wales or England, who do not have enough money to pay for food, are having to buy expensive food. We need to be very careful that we do not assume that everybody can afford products that are likely to be more expensive.

There is a lot of scope for producing not just higher-quality but more branded products. In Wales, for instance, we have Welsh lamb and Welsh black cattle, as a fairly simple example, and we have other quality products that we can produce, which have not been produced because they have been produced elsewhere. We have a lot of instances, for instance, where, in the UK, we had a very active greenhouse industry growing products. Now those products are shipped in from Spain, or have been shipped in from Spain.

It is not a disaster, but we have to be very careful that we do not try to lower our standards, as Professor Marsden has said, as low as we can go. In fact, we will not be able to go as low as we can go because we do not have the infrastructure or size of businesses to grow the products that can be grown at cheap prices.

Q41 **Geraint Davies:** On this, is it not important then that, somehow or other, we give our farmers the support they need to provide high-quality products that respect animals as well as respecting in the environment, in a viable way, that deliver affordable food in the shop for the consumer? The Government need to think about that, rather than throwing out the baby with the bathwater.

David Williams: What used to happen, and I do not suppose will happen anymore, is that, prior to the common agricultural policy—and I was aware of what used to happen before we joined the EU—Governments would provide deficiency payments for products that were produced, which enabled products therefore to be sold more cheaply in the shops. I do not think that is a runner anymore, but that is what used to happen.

Of course, we were then in a position whereby, in the Agriculture Act 1947, it was almost production at all costs. We were not moving to that quality we have talked about now, because people generally had less money, so it was production at all costs. We have moved away from that a bit with the EU, because I think we have moved from a very much higher level of self-sufficiency in food products prior to joining the EU. It has dropped to much lower levels now, because we are buying stuff in from elsewhere.

I am not quite sure whether the agreement the Government have made with Australia will have a huge impact on the amount of stuff that is

shipped here, unless of course there was a catastrophic event like the Chinese Government shutting their markets to Australia and New Zealand products and they ended up shipped into the UK. I am not quite sure whether that is going to be as much of an issue as we would think. We need to ensure that we provide all our population with whatever quality product they can afford to buy. We must not exclude people because they do not have as much money as the rest of us.

Q42 **Ruth Jones:** Thank you, gentlemen, for your time today. I should declare that I know Mr Williams and I normally address him as His Worship the Mayor. It is obviously a dress-down Wednesday for you today then. That is fine.

We have already mentioned ELMS and the fact that it is an England-only scheme. You are both very well aware of that. I wonder what the potential effect of the scheme on Wales is. Obviously the border is porous and I am wondering if you both have a thought about that. In terms of the financial support that is available now for farmers in Wales, compared with when we were in the EU, what is the difference between then and now?

David Williams: At the moment, there are two things that have gone on. It has not had any effect, because the Welsh Government have agreed to continue with the current level of funding for two or three years, something like that. Commodity prices have been very high, so cattle prices, lamb prices, et cetera, have been higher than people might have led themselves to believe they would be on that day in January when we left the EU. That has masked a lot of the issues that people may be facing.

We have to be careful that, as we know, we are almost all politicians sat in this meeting today. The tendency of politicians is to want to move money to those groups of people they feel need help the most. That is not a political statement; that is just what happens. We need to be very careful that, because of this problem in Wales and parts of England that our rural populations are so small relative to the urban populations, money could be moved in a different direction, so less support for farmers and more support for urban areas.

As Professor Marsden has already alluded to, where possible, all the devolved nations of the UK need to operate not similar agricultural policies, but policies that at least are in sync with them. For instance, we have an issue within FCN. Obviously we have the border and payments. There is a difference in the way that payments are applied in England, compared with the way they are applied in Wales. That is prior to us leaving the EU.

We have to be very careful that, as far as possible, we accept the need for a devolved Government but that those devolved Governments try to work together. As Ruth will know, we need to try to move the political chatter that goes on around this sort of thing away from it, just to try to

get in sync a bit and try to do roughly the same things, if not exactly the same things.

Professor Marsden: This is a critical issue. In Wales, we need the imagination. We have the opportunity, in the sense that it is a smaller nation. There are only 22,000 farms or something like that. We could develop a much more bespoken farm-by-farm policy, not least relating to woodland and forestry. If we distributed and gave incentives in the agricultural farming policy to agri-forestry and woodland, per farm, we would solve the target across Wales in a distributed way.

We have the opportunity, because we are smaller and less complex in Wales, to direct the policies more specifically around what I think is a critical aspect, which is multifunctional farming. We are talking about farming, but we are talking about multifunctional farming, using all the assets in different ways for sustainable development, not just restricting it to rather blanket approaches to land management for environmental goods and services in that sense. We can be much more creative and keep within the need for internal market regulations and so on, but that should not stop us being much more distinctive.

There is another aspect that I think often gets lost in all this. I am not suggesting we go back to a pillar 1 and pillar 2 arrangement with CAP, but what has happened to rural development? What is going to happen to rural development funding? As far as I can see, it is disappearing. The danger with coming out of Europe is that we will not have such long-term medium planning, such as the seven-year plans that we had through MacSharry. We will have something that is much more bespoken to the political cycle.

Ministers in this House are saying at the moment, "We cannot predict what our successors are going to do here". There is a danger that agricultural funding and rural funding will become much more of a political football in this process. We should avoid that. It is almost non-party political, in my view, that we could have a long-term strategy. We know we have targets for climate change and carbon emissions. Why not have a long-term strategy such that we can all work together towards that sort of vision and give farmers some sort of level of security, so that they can plan for future generations? Working for two years on the hoof and not knowing what the funding arrangements are going to be is not going to keep the bank manager very happy either, if they want to invest.

Q43 **Ruth Jones:** You have gone down to the micro level, if you like, but, going back up to the macro level, if you look at, say, the ELMS, the disparity between the Welsh and the English payments, for instance, how worried are you about the fact that this could have an impact on the Welsh farmers? How could you best mitigate for it?

Professor Marsden: You need a much better dialogue and you need to take the politics out of it. You need to have a cross-UK platform for

discussing these sorts of issues. As I say, a lot of these issues that we are discussing around Wales are just as relevant for upland farming systems in England and, indeed, in Scotland. We need a national dialogue and co-operation around these issues.

Some of the issues can be dealt with by UK Government, like through the Treasury, competition law and regulation. Others can be devolved. We need to be rational about this, really take back control and develop a much better dialogue and co-ordination of these sorts of issues, it seems to me.

David Williams: We should not underestimate the fact that, for nearly 50 years now, we have followed the policy of the common agricultural policy, which was decided and developed elsewhere. We need to be very careful that we do not lose the confidence in our own ability to sort this out and do it for ourselves. We are not leaning on somebody else now, but we have to have a confidence. In Wales and elsewhere, it does not just apply to our rural areas.

It actually applies to many other development projects that we have relied on the EU to support, develop, come up with and provide, as Professor Marsden said, that longer-term horizon. All politicians, of whatever political party, rarely can look far enough ahead, because the next election is coming. You have to get yourself elected. We know all that. We need to have more confidence in our ability to deliver a policy in Wales for agriculture and for the rural areas of Wales—that we can do it. It will be quite instructive for many people, because we will now have responsibility and the ability to actually do something, without having to go through somebody else to do it.

Q44 **Rob Roberts:** I would like to touch on free trade agreements, gentlemen, if we can. I know Mr Williams mentioned it briefly earlier. Professor Marsden, how do you assess the opportunities, as well as the challenges, that free trade agreements present for family farms in Wales?

Professor Marsden: We have to recognise that farming and agriculture have been a bargaining chip in the process, which has been relatively minor compared with other aspects of the trade agreement. As was the case during the corn laws 150 years ago, farming took the hit, in many cases, with new settler countries. We imported food and had an agricultural depression that lasted 50 years. It is sort of history repeating itself a little bit.

Politically, the areas where the UK can perhaps see itself exporting are in electronics, microelectronics or gene technology as pharmaceuticals. However, having said that, we need a better infrastructure for export promotion of our agricultural processed foods as well as primary food production.

It is a bit of a worry that, in England, it looks as if the AHDB is going, as an organisation. We have HCC in Wales, the promotion body. We need to

redouble our efforts to promote our food products in relation to these new free trade agreements and in America, perhaps, as well in this respect. We need a more internationalist perspective to promote our quality products. It is instructive to see how New Zealand did this after it went through a period of deregulation in the 1980s. It totally restructured its agriculture. What did it do? It actually created a very effective co-operative system among its farmers.

This is another elephant in the room here. It is often said that we are not very good in the UK at co-operation. I do not think we have really tried very hard since the 1980s. We got rid of the great co-operative, the Milk Marketing Board, which protected many farmers for a long period of time, and managed supply and demand, and volatility, very well. We need new co-operatives that face outwards.

Take Fonterra as a case example in New Zealand. It is a farm co-operative, but it is outward facing to the rest of the world and has been very successful as a multinational enterprise. Take the experiences of Arla in the Danish context. Part of this is to bring back a sort of dreaded word, really: co-operation. Co-operation brings strength. It could also bring resilience to Welsh farming. We should relook at that and not discount the idea or think, just because we have had some bad experiences in the past about co-operation, it is a no-no. It very much should be on the agenda.

Q45 **Rob Roberts:** Mr Williams, as Professor Marsden mentioned the AHDB, I have one of its reports here about Australian beef in the UK. The UK apparently is 75% self-sufficient in beef, but does still, therefore, need to import to meet demand. What do you think the opportunities are, as well as the challenges, in terms of free trade agreements?

David Williams: The noise around whether standards are higher or lower in different countries that might export to us kind of masks what we should be doing. To give a simple example, prior to the pandemic, I do not know anybody who has gone on holiday to the United States, eaten chicken and come back ill. Quite often, it is trotted out as a major problem, whereas, in reality, it may not be a problem.

I realise the free trade agreements may create difficulties in certain sectors. As I mentioned earlier on, I am not sure at the moment that Australia and New Zealand have sufficient capacity to export a lot to the UK, unless they got into a political problem, which they have done, with the Chinese and the Chinese shut their markets. All of a sudden, there is stuff to be dumped. That might affect it. If we are talking purely about agricultural businesses, businesses have to be able to produce products for people at a price that people can afford to pay and where the same product is not cheaper elsewhere. That is what I would say about the free trade agreement.

To a certain extent, perhaps we should not spend our time worrying about that. We should be getting on with what we can get on with. As

Professor Marsden has already said, there is much useful work that could be done to encourage our own exports, which can be niche exports or larger exports.

One advantage the UK has, despite the different failings, is a very well-developed supermarket sector that provides products and services to people at reasonable cost and a great supply. It is the same thing with that. We have an industry that can manufacture and make products that can be exported at a price that other countries can afford to buy. We do not want to get too wrapped up with the free trade issue. I am sure it will cause problems in some sectors, but we need to concentrate on what we can actually do something about.

Q46 **Rob Roberts:** Can I take from that—just a yes or no will do—that you think we probably have more important things to worry about than, potentially, politicians who keep throwing in chlorinated chicken, hormone-injected beef and all those things at the drop of a hat? They may be a little bit of a red herring sometimes.

David Williams: The answer is yes. They are used as a soundbite and quite often many of the policies the European Union has used have actually been protectionist policies. They are not really about the product itself. That is my view. That is not the view of the Farming Community Network, but that is what I think has gone on in some areas, to be honest.

Q47 **Rob Roberts:** My final question in this section kind of comes to the nub of the issue. How well placed do you think family farms in Wales are to cope with that greater competition that might arise through those free trade agreements?

David Williams: Family farms are extremely resilient. Although they have their difficulties, they are very resilient. We all have families. We know what families are like, but the nature of families is that they are a group of people, obviously related to each other, who should work together for a common cause. That is not always the case in businesses, where you have a lot of employed people.

They are resilient, but we have to realise—I know I sound like I am banging a big drum here—that it is not just about the farming aspects. It is about the other things that will surround agriculture and businesses in rural areas of Wales. Some people maybe do not have the ability to diversify that a lot of people have. We have a diversified farm. Some people only diversify when they need to diversify. On many occasions, they find it a lot better than what they were trying to do before, because there are opportunities out there. We have a very large population on a very small island, so there are plenty of opportunities for rural farming families to earn a living elsewhere as well as just out of their farm.

Q48 **Rob Roberts:** Do you have a final note on resilience, Professor Marsden?

Professor Marsden: I am hoping that the sustainable farming scheme in Wales will have whole-farm planning as part of its approach, will support market developments of farm businesses and will concentrate not just on air, water and soil quality—I am not saying they are not important—but on sustainable food production. Farmers will need advice and support.

I seem to remember that we had an army of socioeconomic advisors during the ADAS period in the 1970s when I was a graduate student. They went around to farmers and advised them on market developments and opportunities. We had a network of demonstration farms that showed farmers good practice in that. We need to build that back into some of this to get a dialogue going in order to give support and advice to farmers about how they can exploit new markets.

At the same time, there is a growing demand, as Covid has demonstrated, for shorter supply chains and re-localisation of supply chains. There is a lot of that good practice going on in Wales at the moment, so box schemes and so on. There is a proliferation of those. A more diversified set of supply chains is one way also, domestically, that we can move in.

Q49 **Ruth Jones:** I am going to move on to climate change now, looking at the effects on Wales currently and into the future, and what the implications are in terms of food production within Wales. I am going to put it all as one question.

Professor Marsden: It is the area of mitigation. There is a series of key issues. Flooding has already been mentioned, but sea level rise and how we manage the coasts will also affect the farming. Also, there is volatility in seasons, clearly. In the farming community now it is as if we have thrown all the cards up in the air, including the climate. You cannot even rely on certainty of the weather. Things have changed, so the seasonality changes and so on.

There might be some opportunities there, in a sense: wine growing and a slightly changed, milder and wetter climate for farming. It needs to be built into the package of things about how we adapt through climate adaptation to the current situation.

Renewable energy opportunities have not been mentioned. I know this is very contentious on a landscape front. There are some great examples of local hydro going on in Wales. There are more farmers getting involved in renewable energy as an income source. Another way of maintaining and managing family farming is through producing food but also producing different forms of community energy and local energy supply.

We need to mitigate against the volatilities of climate change, but also perhaps there are some opportunities there. Linking that to renewables is something, not necessarily wind farms but I am thinking of local hydro and solar to a certain extent, although we do not necessarily want to

have a landscape plastered with forests and solar panels either. This is a much more nuanced approach, it seems to me.

If you think about a farm, I am old enough to remember mixed farming and what mixed farming was. It was effectively a circular economy, manuring and so on. Now, if we think of mixed farming, we perhaps think of multifunctionality with woodland, a bit of recycling, circular energy supplies, heating systems. We see some great examples of this in Europe, in Scandinavia and so on.

The climate change aspect, together with our targets for carbon emissions, suggests that innovation is necessary in this whole area of the circular economy and farming, and actually putting the circular economy back into farming. Farming was effectively a circular economy and we got rid of that circularity. We need to put it back and this is an opportunity.

Ruth Jones: Mr Williams, do you want to add anything in terms of the implications for the long term?

David Williams: I have an example of it. For instance, Professor Marsden has just mentioned agri-forestry. Many farmers, while they are experienced in farming, are not necessarily experienced in forestry, so there is an opportunity. As you will know, we have an excellent organisation in Farming Connect in Wales, which can advise people on that.

As well, we need to be a little bit careful about things. One of our volunteers who works in Carmarthenshire has told me that, within a 20-mile radius of where he lives in Carmarthenshire—he is a farmer as well—six farms, I think, have been sold, maybe to the British Airways pension fund, for completely planting up with trees. That is an unforeseen consequence of a fiscal policy that has already been discussed. There is enormous opportunity for tree planting on farms in Wales on marginal land that can be used to mitigate the effect of climate change.

On our own farm, for instance, we are replanting some woodland now that, years ago, we busily grubbed out, because we thought our role was just to grow as much food as we could. There is much that farmers can be doing if they are supported, advised and helped. The climate change issue is something that we can make a lot of progress on, but probably not with grandiose schemes. Professor Marsden has already mentioned hydroelectric power, small scale, in rural areas. There is much that can be done without getting too excited about having windmills everywhere or solar panels plastered all over the countryside.

Q50 **Geraint Davies:** Professor Marsden, you may have heard reports, as has been mentioned actually, of British Airways buying up Welsh farms to offset carbon, so it can fly more people in aeroplanes, therefore displacing Welsh farms and ending up with imports of perhaps lamb from Australia, which is to a higher carbon footprint. Does that make any environmental sense? What do you think should be done about it?

Professor Marsden: No. We are learning that net zero needs to be handled quite carefully here. We need to be very careful and critical of carbon offsetting as a blanket weapon, both here and abroad, in terms of carbon offsetting, the REDD initiatives in the Amazon and so on. It is the way you do it. You do not want economies of scale and blanket approaches to these sorts of things. You want a diversified approach—what I call the economies of scope, not scale—to these sorts of demands, particularly in a Welsh context.

We want biodiversity, human diversity and economic diversity. This is what I am learning. Those three things go together. Economic diversity is not about blanketing the landscape with forests, solar panels, windmills or whatever. It is a much more nuanced approach that is, essentially, a third wave of industrialisation. It is not a factory-type, economies-of-scale industrial model for agriculture and rural areas. It is actually a distributed model of SMEs and small businesses. In that sense, small is beautiful.

Therefore, we have to be very careful, with this net-zero and carbon offsetting logic on a global scale, that we do not go down the route of these blanket approaches. In fact, we need the Welsh Government and planning policies to ensure that that does not happen.

Q51 **Geraint Davies:** You think the solution to stopping big companies like British Airways or somebody buying out farms to offset their planes, to a certain extent at least, is a matter of planning policy in Wales. Also, presumably, the UK policy should be perhaps more nuanced.

Professor Marsden: The UK policy should be much more nuanced. Carbon offsetting should not be about that sort of blanket approach. If firms want to invest in carbon offsetting, they should get involved in the multifunctionality of farming and rural economies. It is not simply about land use or planting trees. It is too simplistic in that respect. We do not want to replace one monoculture with another monoculture. We have had a history in Wales of afforestation in the 20th century. We do not want to repeat that.

This is a UK issue and it needs to have a much more nuanced approach to carbon offsetting. When firms come up with these ideas of wanting to offset, Governments step in and shape those offsetting arrangements. I am not saying that the capital should be ignored, but it should be shaped in ways that help water pollution in Pembrokeshire, for instance, or clean up the rivers. There are plenty of things to do in terms of offsetting, but it does not need to be this very blanket approach. That is the important point.

Q52 **Geraint Davies:** Would it be possible to drop us a line on specifically what we might suggest to the Government in terms of how they could change their carbon offset strategy and policies to avoid people like BA buying up our farms and covering them up in forest, in not a very sophisticated way?

Professor Marsden: This is a Treasury issue. It is to do with fiscal policy as well. The incentives could be nuanced in ways that ward against that. It is something we should not be doing anywhere, never mind just in the UK. We should not be doing it in Malaysia or Brazil either, in a sense. We have been setting up an offsetting scheme in Cardiff University for this last couple of years and the funding we are getting from that we are putting into real, sustainable biodiversity renewal.

Q53 **Geraint Davies:** Finally, are there other ways we can reduce emissions from the agricultural industry, just as a list? What else should agriculture do to reduce emissions?

Professor Marsden: Partly, we should not get carried away with the idea that all farming is the same in this regard. Methane is a good example of this. There is nothing wrong with sustainable farming grazing systems as far as I can see, in terms of minimal carbon emissions. It is the industrialisation process that has been the killer here and we have to move beyond that. We have to have a transition beyond industrial systems of farming and move towards more extensive systems of farming, including animals, in my view.

Q54 **Geraint Davies:** I suggested the idea of a carbon border tax to the last panel, so that we do not have a situation where more environmentally sustainable production systems, like, as you say, grazed cattle or clean steel, are basically displaced by dirty Chinese steel or mass-produced meat in Australia with a much higher carbon footprint. Is that something you would support?

Professor Marsden: Yes, I would. I would support free trade deals that are based on ethical principles and relate to carbon conditions. That is a real opportunity for the British Government to do that.

Chair: I am terribly sorry; we are out of time. I would like to thank you both, gentlemen, for a very useful session. Thanks to colleagues.