

Written evidence submitted by the Welsh Government (HIL0004)

This document sets out the response from the Welsh Government on the Welsh Affairs Committee's call for evidence on 'The economic and cultural impacts of trade and environmental policy on family farms in Wales'.

The Role of the Welsh Government and reasoning for submitting evidence

- Agricultural policy is devolved to Welsh Ministers. Therefore the Welsh Government is responsible for designing and implementing support for future agriculture and rural communities in Wales.
- Climate change policy is devolved to Welsh Ministers. Therefore the Welsh Government is responsible for enacting climate change policy in Wales.

Our comments to the terms of reference questions set out in the call for evidence are outlined below.

How unique are family farms and how significant is their contribution to Wales' cultural life?

Family farms are not rare in Wales, the majority of farms in Wales are run by the farmer and their immediate family. Very small and small¹ farms comprise around 21,600 (87%) of the 24,700 farms in Wales and occupy more than half (57%)² of the total farmed area in Wales. These farms are almost certainly run by households and not corporations or institutions. It is estimated that a large proportion of the remaining 13% of Welsh farms are also run by families, as it's common for institutional farms in Wales to rent their land to families to manage.

Family farms are a crucial part of rural communities as they play an important role in rural employment and maintaining the social fabric of rural areas. In large rural parts of Wales such as Ceredigion and Powys, jobs in agriculture, forestry and fishing account for more than 12% of workplace jobs³. Rural communities are proportionately more dependent on agriculture for employment and agriculture forms a crucial part of rural supply chains and commerce. Some Welsh farms have been managed by multiple generations of the same family, who by creating and reinforcing social networks, have helped to bring cohesion and resilience to communities.

The stability provided by the multi-generational nature of agriculture in Wales supports the Welsh language in rural areas. The agriculture sector has the highest share of Welsh speaking workers of all sectors in Wales at 43%⁴. As such, family farms are attributed with cultural significance as repositories of the Welsh language.

¹ The EU approach is used to classify farm businesses by size. Very small farms are farm businesses with an estimated turnover (standard output) of under €25,000. Small farms are farm businesses with an estimated turnover between €25,000 and €125,000.

² Source: [Survey of Agriculture and Horticulture: Results for Wales](#), June 2020

³ Source: [Agriculture in Wales](#), 2019

⁴ Source: Census of Population, 2011

As custodians of 90%⁵ of Welsh land, Welsh farmers have been responsible for shaping our rural landscape for centuries. Ownership and management of countryside land which serves to attract tourists to Wales, means that farming households contribute significantly to the industry and subsequent cultural life in these communities. The landscape, alongside iconic brands of Welsh lamb, beef, specialist Welsh cheeses and other dairy products, is an important element of Wales' cultural identity which underpins £2,870 million⁶ in tourism to Wales.

Alongside contributions to tourism, farmers' relative permanence as residents, and the involvement within local community organisations that this often leads to, contribute further to the social capital embedded in rural communities.

What are the main challenges facing family farms specifically, and farming communities more generally, in Wales?

The main challenges facing family farms and farming communities in Wales are:

- Economic challenges; intensified by leaving the EU,
- Environmental challenges; presented by climate change,
- Social challenges; maintaining generational succession.

Economic challenges

Currently, farm input costs are increasing⁷ due to Covid and Brexit related supply chain issues. Despite many commodity prices being at relatively high levels, these rising costs are increasing pressure on Welsh farms, including family farms. Smaller family farms may also face more pressure than larger farms due to their limited ability to bulk buy, and capacity to store, materials in resilience planning.

New trade deals with major global agricultural exporters will bring increased exposure to global competition and pressure on prices, which may disproportionately impact smaller family farms.

Environmental challenges

Climate change brings challenges as well as opportunities for Welsh family farms. There is a strong need to diversify and focus on low carbon activities in order to align with our commitments in both the Well-being of Future Generations (Wales) Act 2015 and Environment Act (Wales) 2016. This will require change across all sections of society and all farmers will need to play their part.

All farmers, including Welsh farmers, will have to adapt to significant change. The challenge of climate change may put pressure on livestock systems if the human diet changes to contain less animal products. There will also be significant demands for carbon sequestration from tree planting and building soil carbon through soil management.

⁵ Source: [Survey of Agriculture and Horticulture: Results for Wales](#), June 2020

⁶ Source: Natural Resources Wales, State of Natural Resources Report, 2016

⁷ Source: [Farm costs at a glance](#), AHDB 2021

Social challenges

Advisory and financial support is often necessary to ensure farms remain viable and are retained within the family. With an aging farming population on very small and small farms, this makes succession planning all the more pressing. With appropriate support, family farms can determine how best to manage their farms for the future and secure the social benefits which intergenerational farming generates.

Impacts of economic and environmental challenges will also further exacerbate social challenges facing family farms, given that family farms are often the foundation of rural communities.

What are the potential implications of free trade agreements for farmers in Wales?

Competition from industrial scale agriculture, particularly from overseas, will only increase as the UK Government makes international trade deals with significant global agricultural exporters such as Australia, New Zealand and the United States.

This will place significant pressure on commodity prices, particularly for beef and lamb⁸, and potential future trade deals with the US and Mercosur countries may also introduce much greater competition on poultry. Given Wales has a relatively high percentage of farms in these sectors as compared to the rest of the UK, the impacts could be greater.

Given the different regulatory regimes in other countries when compared to the UK, Welsh farmers will find it extremely difficult to compete with these global exporters on price. Therefore, they will need to compete through other means, such as emphasising the high quality or environmental standards to which Welsh farmers must adhere. This does however offer an opportunity for other countries' producers to provide lower value cuts of meat, most likely to the food service and processed food sector, which may lead to negative impacts on Welsh farmers.

Dairy is forecast to be potentially more resilient, primarily due to the high UK domestic demand for fresh milk and other dairy products. However, there are still risks with trade deals with major dairy exporters, such as New Zealand and Canada, which could bring increased competition in globally traded dairy commodities such as butter and cheese.

A high proportion of Welsh milk is processed into cheese and butter with farms paid a lower price than those supplying liquid milk markets near large population centres. Any disruption to dairy markets which lowers milk price is inevitably more severe and longer lasting for Welsh dairy farms.

Concerning precedents have already been set by the UK Government on levels of market access in the Australia Agreement in Principle. It is vital that the UK Government takes cumulative effects of deals already struck into account when negotiating any deals going forward. New trade deals must not distort competition by

⁸ Source: [Impacts of alternative post-brexit agreements on UK agriculture](#), 2017

giving food importers with lower standards an economic advantage in our market compared to our own producers.

How, if at all, is the UK Government's climate change policy agenda impacting on family farms, including the future generations of farmers, and rural communities in Wales?

While climate change policy is a devolved matter, Welsh farmers will no doubt be impacted by the UK Government's agreements. The Welsh Government is responsible for enacting climate change policy in Wales, including delivering the targets the UK has signed up to through international agreements.

Through our Well-being of Future Generations (Wales) Act 2015, Wales is required to consider future generations and promote the future wellbeing of farmers and our rural communities. The Welsh Government is dedicated to establishing schemes which support our family farms and future generations of farmers, as well as actions that combat adverse effects from climate change.

The Welsh Government supports the UK Government's commitment for 30/30 – to allow nature to predominate on 30% of the land by 2030. This commitment is the first step to reversing biodiversity decline in the longer term. The change required to meet this challenge can only be achieved with the support of family farms.

What practical steps can the UK Government take to support these communities and how should the UK and Welsh governments work together to support these communities unique culture, including their contribution to the Welsh language, and heritage?

Agricultural policy is devolved to Welsh ministers, and therefore the Welsh Government is responsible for designing and implementing support for future agriculture and rural communities. We would welcome a collaborative approach with the UK Government to ensure the cultural significance of our family farms, and all Welsh farms, is recognised.

In order to meet the challenges set out above, it is critical that a fair amount of funding is available for our family farms. As well as encouraging a cooperative approach in which all UK administrations have an equal voice, the UK Government can best support the Welsh Government in delivering appropriate support by honouring the promise for Wales to receive "not a penny less" in replacement EU funding.

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