

Written evidence submitted by NFU Cymru (HIL0006)

Welsh Affairs Committee enquiry - The economic and cultural impacts of trade and environmental policy on family farms in Wales

NFU Cymru is the voice of Welsh farming, championing and representing farmers throughout Wales and across all agricultural sectors. NFU Cymru's vision is for a productive, profitable, and progressive farming sector producing world renowned climate friendly food in an environment and landscape that provides habitats for our nature to thrive. Welsh food and farming can deliver economic, environmental, cultural, and social benefits for all the people of Wales whilst meeting our own ambition for net zero agriculture by 2040.

NFU Cymru very much welcomes the opportunity to provide the House of Commons' Welsh Affairs Committee with a submission as part of its examination of the cultural impacts of trade and environmental policy on family farms in Wales.

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

1. Agriculture, and family farms make a very significant contribution to Wales' cultural life and sense of national identity. The average size of a farm in Wales is 48ha, compared to an 88ha average size in England¹. This means that the Welsh countryside is characterised by farms of a modest size, typically owned and/or occupied by farming families, who will often have farmed in that locality for many generations.
2. Although the way in which our patchwork of family farms contribute to cultural life cannot easily be represented quantitatively or assigned a monetary value, NFU Cymru is firmly of the view that Wales would be culturally impoverished if our family farming structure were to be harmed or in some way diminished.
3. With around a third of agricultural land in Wales rented through formal and informal agreements the tenanted agricultural sector is very important in Wales. Tenants face a number of unique challenges, access to finance can be a problem and tenancy agreements can often hinder or prevent a tenant from diversifying or switching enterprises to meet changing market conditions. We are keen to ensure that this important sector is not disadvantaged through tenancy reform or changes to agricultural policy moving forward.
4. Research has shown that the proportion of Welsh speakers in the industry is 43%, a figure which is more than twice the level of Welsh speakers in the population as a whole (19%). With the extensive use of the language within the industry, both in the workplace and on a social level, there exists an undeniable connection between the future of Welsh agriculture and the future of the Welsh language.²
5. In Wales, the Well-being of Future Generations Act 2015 which focuses on 'improving the social, economic, environmental and cultural well-being of Wales' confers a duty on public bodies to work to achieve the vision for Wales set out in the seven well-being goals. One of these seven well-being goals is 'A Wales of Vibrant Culture and

¹ <https://senedd.wales/research%20documents/16-053-farming-sector-in-wales/16-053-web-english2.pdf>

² [Iaith y Pridd report.pdf \(gov.wales\)](#)

Welsh Language'. NFU Cymru considers Welsh farmers to be key promoters and protectors of the culture, heritage and language of Wales, with the farming sector making an essential contribution to the preservation of the Welsh language, and delivering strongly against this well-being goal.

6. As farmers in Wales maintain the Welsh landscape, they also continue to maintain its language and cultural traditions, and in so doing preserve our heritage and sense of place for future generations. Those in the agricultural industry are often at the heart of many rural communities across the country, as part of community groups, or in voluntary or leadership roles throughout rural Wales, and Welsh farmers make a key contribution towards the provision of attractive, viable, safe communities in rural areas. By their very nature, rural communities in Wales are small or in isolated locations. In these communities, it is often farmers and members of their families that support, sustain, and facilitate many aspects of community life.
7. Many farmers or individuals involved with the agricultural industry undertake leadership and voluntary roles in rural communities which contribute to community cohesion. There will often be members of the agricultural industry sitting on Community Councils, PTAs or on the board of school governors.
8. Farmers are often closely involved with tasks which assist rural communities, from clearing roads when it has snowed to arranging local shows. Local Young Farmers' Clubs bring young people in rural communities together, providing key life skills and social opportunities for young people reducing any sense of rural isolation.
9. A typical farm business contributes to the rural economy by sourcing numerous inputs and services from a wide range of rural businesses. Farm businesses therefore not only create employment on farm, but also in the wider rural economy, and in so doing help maintain the viability of our rural communities.

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

10. The challenges facing Wales' family farms are many and varied and will differ a good deal from farm to farm, sector to sector and area to area according to individual circumstances. Typically, however they will include factors such as marketplace volatility, the uncertainty surrounding future support payments, the impact of future trade agreements, regulations introduced by both the UK and Welsh Governments, succession, and the need to bring in the next generation, rural crime, poor rural connectivity, the high cost of housing and the barriers to young people seeking to build their lives in the countryside

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

11. NFU Cymru wants to see international trade outcomes that support our farmers in growing their businesses so that they can produce food for Wales and beyond, whilst meeting the high standards and expectations of the public and government in how they produce that food.
12. Farmers must be able to welcome trade deals with confidence, and as a Union we accept trade liberalisation in a fair and balanced manner. This must include a system

of checks and balances with safeguards built into these deals so we can monitor and respond quickly to any disruptive effects on domestic producers, as is common practice in trade deals of this kind.

13. The potential implications of future free trade agreements for farmers in Wales range from being modest, to potentially very significant. Ultimately the impact of trade deals will depend on several factors, including the agricultural offensive and defensive interests of the counterparties to any agreement, any safeguards relating to agricultural products and sensitive sectors, the precedent that a particular trade deal might set for any future trade deals, the cumulative effects of successive trade deals as well as geopolitical events and currency movements.
14. It is therefore difficult to anticipate the potential implications of future trade agreements without knowing who the parties to the agreement are and what the terms of any agreement might be, however we would offer the following general observations.
15. The speed and extent of trade liberalisation is an important factor. We know for example in the case of Australia, the UK market will be fully liberalised for beef, lamb, and dairy after a 15-year phase in. Despite an apparently long phase in period, the tariff-free quota ceilings are set so high during the 15-year transition, that to all intents and purposes trade with Australia will be fully liberalised well before 15 years has elapsed³.
16. New Zealand is also set to enjoy tariff and quota free access for beef and lamb in the UK market, following a 15-year phase in. For New Zealand cheese and butter, there will be tariff and quota free access to the UK market following a five-year phase in. During the phase in period, imports of these products into the UK will enjoy generous and increasing tariff-free quotas.
17. We must also consider the scale of the counterparty's agri-food sector. For example, Australian agriculture simply dwarfs Welsh agriculture, with feedlots a common feature of Australian beef production, these can be huge in size scale with capacities ranging from 500 to 50,000 plus head of cattle. This compares to the average beef cattle herd in Wales of just twenty-three animals.
18. In the dairy sector, New Zealand is a major player on the international market. As the world's 8th largest milk producer, it accounts for 3% of global milk production and is a global powerhouse in terms of dairy production, exporting 95% of the 21 billion or so litres of milk it produces annually to 130 different countries worldwide.⁴
19. Fonterra, the largest New Zealand dairy co-op, is the world's largest dairy exporter accounting for approximately 30% of global dairy trade, processing 17 billion litres of New Zealand's milk production and exporting to over 130 countries.^{5,6}
20. Although the UK Government has asserted that the Australia trade deal will not set a precedent for future trade deals, it already appears to have set a precedent with New

³ <https://www.gov.uk/government/publications/uk-australia-free-trade-agreement-negotiations-agreement-in-principle/uk-australia-fta-negotiations-agreement-in-principle>

⁴ Dairy Farming Industry & Milk Production History NZ | DCANZ

⁵ <https://www.dairyglobal.net/world-of-dairy/country-report-new-zealand-a-greener-future-for-dairy/>

⁶ [Brands and Markets \(fonterra.com\)](https://www.fonterra.com/brands-and-markets)

Zealand having been granted similar, highly favourable terms with regard to access to the UK market. Other large agri-food exporters such as the US, Canada and Brazil will be looking at the generous market access granted by the UK to Australia and New Zealand and will be wanting to secure similar if not better terms for their own producers.

21. Having granted such favourable terms to Australia and New Zealand it will be difficult for UK negotiators to resist doing so with regard to other large agricultural exporters. For intending trading partners with offensive interests in agriculture, there will also be considerable domestic pressure to secure UK market access terms at least as generous as that secured by Australia and New Zealand, otherwise the negotiation will be seen as 'failure' at home.
22. At the moment, much of Australia and New Zealand's agri-food exports are destined for China, in part this is response to China seeking alternative sources of protein following the mass culling of China's pig population in response to an outbreak of African Swine Fever. Once China's protein needs switch back to being met from local sources then Australia and New Zealand will inevitably look to re-direct product to new markets elsewhere in the world.
23. Similarly, currency movements or geopolitical tensions can serve to make markets more or less attractive to exporting nations impacting trade flows.
24. Exports of agri-food products are important to Wales. Our farmers are very proud of the food they produce and are anxious not only to maintain and grow existing export markets but also to sell their produce into new markets.
25. Trade agreements may offer opportunities to sell into new markets. Realising these opportunities requires the development of an export platform by the UK Government, which maximises the opportunity to sell Welsh and British produce into new markets.
26. NFU Cymru considers the UK's offer in terms of trade diplomacy to be lacking, particularly when compared to competitor nations. Trade readiness on the part of the UK Government needs to be stepped up, with the creation of export strategies tailored to particular export markets.
27. New Zealand for example has 18 agricultural attachés located in 13 countries around the world promoting and facilitating New Zealand exports. Some of these 18 attachés are paid for by the New Zealand government and others are part funded by industry. In comparison, the UK has two, one located in the Gulf and one in China, with the China posting funded primarily (80%) by industry
28. NFU Cymru would like to see the UK Government recruiting and deploying agricultural counsellors to its diplomatic missions in key markets and match-funding existing industry investment in developing and entering new markets at home and abroad.

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?

29. Agricultural greenhouse gas emissions are very different from other sectors of the economy, such as electricity generation, transport, and manufacturing. The principal greenhouse gas emitted by most industries is carbon dioxide (CO₂) from fossil fuel combustion, while for agricultural systems methane (CH₄) and nitrous oxide (N₂O) are the main greenhouse gases.
30. Reducing these emissions is more difficult than cutting CO₂, because they result from complex and imperfectly understood natural soil and animal microbial processes. Therefore, as the UK Government develops its climate change policy agenda, they need to be mindful of the complexity of the biological processes behind agricultural greenhouse gas emissions.
31. Many of the policy levers in relation to climate change are within devolved competence, which does place some constraints on the UK Government's climate change policy agenda as far as Wales is in the question. However, that is not to say that decisions made by the UK Government, including any international agreements that the UK Government may enter into with regard to climate change, do not ripple out and impact on Wales.
32. Agriculture is uniquely placed to be part of the solution to climate change, as both an emissions source and a sink. Farmers recognise the special responsibility they have to protect carbon reserves already in our soils and vegetation. NFU Cymru's ambition is for a net zero contribution to climate change across the whole of agricultural production by 2040 on a national level, not an expectation that every farm can reach net zero⁷.
33. Speculation about future carbon trading has led to many large co-operations purchasing Welsh land in order to plant it with trees. Once this land is planted with trees then it may never revert to agricultural production and so our primary production base is eroded. The large-scale planting of trees has a dramatic impact of the appearance of our landscape and can also have the detrimental impact on rural communities as large corporations with considerable resources are able to outbid local farmers when land comes up for sale⁸.
34. Recent research has shown that the production of a kilogram of Welsh beef creates CO₂ equivalent emissions of between 11kg and 16kg which compares favourably with a global average of 37kg CO₂ equivalent per kilogram of beef. UK and Welsh Government climate change and international trade policy needs to recognise and make a virtue of the favourable position of Wales' livestock producers compared to producers elsewhere in the world.⁹
35. NFU Cymru urges the UK Government to be particularly mindful of some of the potential unintended consequences of climate change policy which if wrongly designed could lead to the off-shoring of the production of certain agri-foods to countries with poor environmental records. For example, any policies or trade deals which have the effect of causing consumers to switch away from the lower-carbon

⁷ <https://www.nfu-cymru.org.uk/cross-sector/environment/achieving-net-zero-meeting-the-climate-change-challenge/>

⁸ <https://www.bbc.co.uk/news/uk-wales-58103603>

⁹ [Climate change: Welsh farms told to cut more carbon emissions - BBC News](#)

beef and lamb produced in Wales to higher carbon beef and lamb produced elsewhere in the world will undermine efforts to cut emissions.

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?

36. It is important to bear in mind that the nature of agriculture across the UK is not homogenous. Different types of agriculture and horticulture pertain in different parts of the UK according to various factors such as climatic conditions, geography, topography, and proximity to market.
37. Livestock production and dairying is shifted towards the west of the UK (and very much predominates in Wales), whilst horticulture and arable enterprises are more typically encountered in central, southern, and eastern parts of the UK. The competitive position of Welsh family farms is further eroded by the fact that they are typically smaller and so lack the economies of scale that larger producers elsewhere in the UK might enjoy. The effects of any trade liberalisation which provides a competitor with preferential market access in relation to meat and dairy is therefore almost certain to be felt disproportionately hard in Wales.
38. Owing to Welsh agriculture's reliance on one or two key sectors, and the typically smaller size of our average farming business, certain trade liberalisation scenarios will risk having a disproportionate impact on Wales *vis a vis* much of the rest of the UK.
39. NFU Cymru therefore strongly endorses the Welsh Affairs Committee's recommendation which followed its enquiry into the UK/Australia Trade deal that the UK Government should publish a Wales-specific impact assessment for free trade agreements, including the UK-Australia Free Trade Agreement.
40. We are deeply concerned at the Australia and New Zealand trade deals, the precedent they set, and their likely adverse effect on the future viability of our sector. Our rural communities are also strongholds of Welsh language and culture, things which are important to our sense of national identity, but which will also be at risk if we get our future trading agreements wrong.
41. By conducting a Wales-specific impact assessment some of these adverse impacts should be able to be anticipated and potentially mitigated. Wales-specific impact assessments should also at the very least ensure that both the Government and Parliamentarians are fully aware of the impacts, both positive and negative of future trade deals as they are negotiated by Government and debated and evaluated by Parliament.
42. The UK Government confirmed its intention to establish a statutory Trade and Agriculture Commission in November 2020¹⁰. We are pleased to see the new Trade and Agriculture Commission launched in October, and we are now anxious that it begins its work as soon as possible so that it can discharge its key task of providing Parliamentarians with the information they need in order to critically analyse

¹⁰ <https://www.gov.uk/government/news/trade-and-agriculture-commission-put-on-statutory-footing>

prospective trade deals for their impacts on animal welfare and agriculture, as a key part of the scrutiny process.

43. A proper understanding of the implications of future trade deals can only follow a deep and meaningful examination of their content. Without such an examination there is a serious risk of doing great damage to Wales' rural communities.
44. The basic payment and rural development funding play a very important role in supporting the rural businesses, with funding received by farmers rapidly cascading throughout the rural economy. We know from last year's comprehensive spending review that the UK Government have agreed to give WG a figure of £242m for the 2021/22 financial year to fund the basic payment scheme and rural development. This figure falls £95m short of the £337m annual figure that would otherwise have been expected.¹¹
45. Our understanding is this is because UK Government is "netting off" the value of the EU unspent funds from the 2014-2020 programme and the Pillar transfer money. This is despite the fact that the rules for the 2014-2020 RDP and the EU withdrawal agreement allow for EU funds to be spent up to the end of 2023.
46. Welsh Government urgently needs to increase the spend profile under the current RDP, as otherwise not only do we risk the netting off of further funds, but we also run the risk of funds being forfeited to the European Commission under the N+3 rule.
47. In the lead up to the EU referendum and thereafter, we have been consistently told that funding for Welsh farming would be maintained and protected following our departure from the EU, with assurances given we would not receive a penny less in funding as a result of our EU departure. By 'netting off' the value of unspent funds, Wales' farmers stand to lose out in a way which would not have happened if we had remained in the EU.
48. The prospect of losing £95m in funding is deeply concerning for Wales farmers and rural communities, particularly during times of considerable uncertainty for the sector. We need the UK Government to restore Wales' agriculture and rural development budget to the levels we would have received pre-EU exit, in accordance with the numerous assurances and promises made both, ahead of and after the referendum campaign.
49. NFU Cymru welcomed assurances given by 2016-2021 Welsh Government to the ring-fencing of funding for Welsh agriculture received from the UK Government in future. At this critical time, we would welcome a re-affirmation of this commitment by the current Welsh Government.
50. A commitment to deliver funding for agriculture on a multi-annual basis would also be welcome and would offer farmers some stability and certainty beyond the arrangements currently in place, since our departure from the EU. We would therefore urge the UK and Welsh Governments to work together to look at options for making multi-annual commitments with regard funding for agriculture.

¹¹ <https://www.nfu-cymru.org.uk/home/nfu-cymru-in-cardiff-bay/funding-shortfall-is-a-bitter-blow-for-welsh-far/>

51. The trade deals with Australia and New Zealand mean potentially significant marketplace changes for Welsh agriculture. These trade deals, coupled with the impact of a pandemic, mean that things have changed drastically in a short space of time, and the world of late 2021 is very different to the one we knew when Welsh Government began to consider future farm policy for Wales.
52. With Welsh Government set to take the Agriculture (Wales) Bill through the Senedd next year, there is an urgent need to look again at how future agriculture policy can continue to underpin sustainably produced, climate-friendly Welsh food and support our rural communities, against the backdrop of the UK Government's trade policy, a pandemic and a post-Brexit environment which continues to challenge and re-shape our food supply chains.
53. The Welsh Government's future support scheme needs to be simple to administer, easy to understand and target support at active farmers.
54. The needs of the tenanted sector need to be properly recognised, and tenant farmers should not be disadvantaged by government policies compared to their owner-occupied colleagues. With regard to future support policy the Welsh Government should not move forward with the implementation of new policy to replace the CAP until the impacts on the tenanted sector are properly understood, and full and equal access to future support is assured for tenant farmers.
55. Regulation and its impact is a crucial determinant of business confidence and the success of a farm business. We need both the UK and Welsh Governments to recognise that the sector needs an enabling regulatory framework which encourages sustainable business growth and investment.
56. Both need to be mindful of the fact that farm businesses are typically small or medium enterprises or even microbusinesses which are very often family owned and operated. As such they might not have the capital or resources available to them that larger businesses do in order to ensure compliance with a myriad of statutory requirements.
57. A review and gap analysis of the current regulatory framework is needed. Such an analysis would need to consider areas of regulatory duplication, coherence between different regulations, fields where different regulators operate within the same sphere, and where regulatory complexity, lack of information about regulation and misunderstanding of regulation lead to non-compliance.
58. This should include a review and gap analysis of the current regulatory framework that farmers operate within, as well as an examination of areas of duplication
59. The public sector is a significant procurer of food; however, it is often the case that procurement decisions end up being made solely or largely on the basis of cost. We consider this approach to be short term and misguided, and detrimental to domestic producers.
60. NFU Cymru believes that there are opportunities to look afresh at public sector procurement outside of the EU's single market. We would like to see a far higher proportion of domestically produced food finding its way into our schools and

hospitals, and to bring about a shift in emphasis away from purely cost based decisions to ones based more on quality and provenance.

61. Public procurement of course is about more than just food, and there is scope to look at all the products of primary industry including wool and timber, and to make greater use of these in public sector contracts.
62. With ever greater ranges of product set to come into the UK via trade deals reached with third countries NFU Cymru is of the view that the UK Government needs to legislate for clear food labelling, including country of origin labelling in order to allow consumers to make an informed purchase.
63. We believe that there is a pressing need to introduce stricter food labelling rules in relation to the foodservice and hospitality sectors where labelling has always been more opaque, and there has traditionally been a far greater use of imported product.

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