

Sustainable Farming Scheme: 2024 update Research Briefing

April 2024



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Research Briefing

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Contents

1. Replacing the EU’s Common Agricultural Policy (CAP)	2
2. The SFS proposals	3
Eligibility	3
Proposed ‘Actions’	4
Scheme rules: 10% tree cover and 10% semi-natural habitat.....	8
Habitat Baseline Review and carbon calculator	10
Payment methodology	11
Different farming models	12
Advice and guidance.....	14
Compliance	14
3. National Minimum Standards	16
4. Modelling economic impact	17
5. Budget.....	19

6. Agricultural support elsewhere in the UK.....	20
England.....	20
Scotland.....	20
Northern Ireland.....	20
7. Next steps.....	22

This briefing summarises proposals for the Sustainable Farming Scheme and stakeholder responses.

The Sustainable Farming Scheme (SFS or 'the scheme') is the Welsh Government's proposed new agricultural policy to replace the **EU Common Agricultural Policy (CAP)** system of support for farmers.

The new scheme would reward farmers for delivering actions based on **Sustainable Land Management objectives**. It is a significant departure from the current system's direct payments, with more emphasis on reward for public goods, particularly environmental actions.

The proposals have been developed over several years with **multiple consultations** and a **co-design exercise**. The **most recent consultation**, which closed in March 2024, was described as the "final step" before scheme introduction in 2025.

The proposals have met a **strong reaction** from the farming industry, and **unions say** the Welsh Government may need to delay introduction. However, **environmental groups** warn of the urgency of the climate and nature emergencies. The Senedd has been **scrutinising the scheme** and attention now turns to the new Cabinet Secretary for Climate Change and Rural Affairs, Huw Irranca-Davies MS, and next steps.

For a quick overview of the scheme, **read our article** (March 2024). Our 2022 **Sustainable Farming Scheme Research Briefing** also provides analysis of the previous iteration of the scheme.

1. Replacing the EU's Common Agricultural Policy (CAP)

Following EU-exit, the Welsh Government maintained the EU's Common Agricultural Policy (CAP) system of support. This has largely kept the status quo ahead of transition to a new scheme. For further information on that system, see [our 2022 Research Briefing](#).

The [Agriculture \(Wales\) Act 2023](#) provides powers for Welsh Ministers to introduce a new agricultural scheme. The SFS is anticipated to replace the CAP system in its entirety:

- Direct payments to farmers via the [CAP's Basic Payment Scheme \(BPS\)](#) have continued domestically, but are **proposed to be phased out** between 2025-2029 (the 'Transition Period'), following the introduction of the SFS. The SFS and BPS would run simultaneously during the Transition Period and farmers would be able to join either the SFS or the BPS during that time, but not both. The BPS would taper off (20% per year) so that only the SFS would be available in 2029.
- The [Rural Development Programme \(RDP\)](#) pillar of the CAP finished at the end of 2023 in the UK. In Wales, the RDP schemes have been replaced by [rural investment schemes](#), [Habitat Wales Scheme](#) and the [Organic Support Scheme](#) as interim measures, ahead of the SFS in 2025.

2. The SFS proposals

The **most recent Welsh Government consultation**, which closed in March 2024, was described as the “final step” before scheme introduction in 2025, with the first application window anticipated from March to May 2025. A **Welsh Government presentation** provides an overview.

These proposals follow **several consultations** (the previous iteration of the scheme was the **outline SFS**, published in 2022) and a **co-design exercise** where farmers fed into the scheme design. The proposals described in this briefing are predominantly from the **most recent (2023-24) consultation**.

Under the SFS proposals, farmers would be rewarded for actions, above the minimum legal requirements, to deliver environmental, animal welfare and social outcomes. These align with the **Sustainable Land Management (SLM) objectives** of the *Agriculture (Wales) Act 2023*, to:

1. produce food and other goods in a sustainable manner;
2. mitigate and adapt to climate change;
3. maintain and enhance the resilience of ecosystems and the benefits they provide; and
4. conserve and enhance the countryside and cultural resources and promote public access to and engagement with them, and to sustain the Welsh language and promote and facilitate its use.

All farmers participating in the SFS would be required to carry out a suite of ‘Universal Actions’ for which they would receive the ‘Universal Baseline Payment’. Building on this, non-compulsory ‘Optional’ and ‘Collaborative’ actions would then be available for additional support.

The scheme rules, required for participation, include:

- at least 10% of each farm managed as habitat; and
- at least 10% under tree cover as woodland or individual trees.

The consultation proposes to deliver the SFS using the Rural Payments Wales (RPW) operating model using an annual declaration approach for the Universal Actions.

Eligibility

Scheme eligibility is described in the **2023-24 consultation** as:

You (the Farmer) must undertake agricultural or ancillary activities on agriculture land.

You must have at least three hectares of eligible agricultural land in Wales or be able to demonstrate more than 550 standard labour hours,

and

You must have exclusive occupation and management control of the land for at least 10 months of the calendar year.

Agriculture and ancillary activities are defined within the *Agriculture (Wales) Act 2023*. The consultation summarises this as:

...the production, rearing, or growing of agricultural products, including harvesting, milking, breeding animals and keeping animals for farming purposes and taking action on land used for agriculture to create and manage habitats, nature conservation, mitigate and adapt climate change or maintain and enhance resilience of ecosystems.

The eligibility criteria have been adapted since the **previous (2022) consultation**, adding the alternative of demonstrating more than 550 standard labour hours, in an aim to allow smaller enterprises, such as horticulturalists, to access the scheme.

Proposed 'Actions'

Universal Actions

There are **17 proposed universal actions** which are mandatory for scheme participants. Some are not applicable to all farms e.g. animal health actions are not required on arable farms. The Welsh Government emphasises that existing good practise will be rewarded. The 17 Universal Actions are:

UA1: Benchmarking

UA2: Continuous Personal Development

UA3: Soil health planning

UA4: Multispecies cover crop

UA5: Integrated pest management

UA6: Managing heavily modified peatland

UA7: Habitat maintenance

UA8: Create temporary habitat on improved land

UA9: Designated Site Management Plans

UA10: Ponds and scrapes

UA11: Hedgerow management

UA12: Woodland management

UA13: Create new woodland and agro-forestry

UA14: Historic environment – maintenance and enhancement

UA15: The Animal Health Improvement Cycle

UA16: Good animal welfare

UA17: Good farm biosecurity

Welsh Government officials describe the Universal Actions as broadly fitting into four categories: farmer development; soil health; animal health and welfare; and landscapes and habitats.

UA7:Habitat maintenance illustrates the Welsh Government’s aims to marry food production and environmental benefits. The consultation provides the example of enclosed semi-natural dry grassland - to be maintained by grazing to achieve a varied sward height and a variety of native plant species which flower and produce seed. For each habitat type, the Welsh Government will detail: measurable outcomes; management recommendations; and restrictions.

RSPB Cymru says the habitat proposals will not guarantee the mix of farmland habitats required to **halt the loss of nature by 2030**:

This mix should replicate those habitats that traditional farming would have once provided in abundance, including flowering habitats and seed-bearing crops, thick hedges, scrub and rough grassy areas. Where new habitats are required, they must be managed in ways that benefit nature. The current proposals don’t guarantee this.

The proposals exclude Sites of Special Scientific Interest (SSSIs) from UA7. The consultation says this is because of the higher regulatory requirements underpinning SSSI sites, and payments are for actions above the regulatory baseline. It is proposed that SSSI land will be prioritised for inclusion in the Optional Actions and “we will continue to explore potential opportunities for maintenance payments to be available for SSSIs”. Both **NFU Cymru** and **Wales Environment Link** have expressed concern that maintenance payments for SSSI land are not included in the Universal Baseline Payment.

Stakeholders have identified other potential limitations of some Universal Actions. **Soil Association Cymru said** actions don't go far enough to incentivise reduction in manufactured fertilisers on the scale needed to restore soil health. **Wales Environment Link says** UA17 on good farm biosecurity only focuses on livestock and is a missed opportunity to consider other biosecurity issues such as tackling tree diseases and invasive species.

NFU Cymru is concerned that there are too many prescriptive Universal Actions and documenting work towards them will be overly burdensome. It is calling for a strong stability element (via a **baseline support payment**) in the final SFS and for the universal actions to be achievable for all farm types.

NFU Cymru also says the scheme's actions do not provide sufficient support for sustainable food production and therefore do not appropriately address the first SLM objective (produce food and other goods in a sustainable manner). Several stakeholders (**e.g. Tenant Farmers Association**) have raised concerns around food security. **Dr Ludvine Petetin (Cardiff University) says** the proposals are lacking in terms of the “type of food we want to encourage growing. For example, growing fruit and vegetables is not promoted”.

The Welsh Government has maintained that as food has a market value it should not be classed as a public good, and so should not be directly funded by the state. Rather, **the Welsh Government has said** supporting improved environmental management will enhance sustainable food production, as they go hand in hand. The **Nature Friendly Farming Network (NFFN) welcomes** the view that food production, nature, climate and socio-economic outcomes can be delivered together.

Optional Actions

The consultation lists **provisional Optional Actions**. These are voluntary and are intended to go beyond the Universal Actions. Examples include support:

- to start-up horticultural businesses or new horticultural enterprises within established farm businesses;
- for innovation projects which trial new techniques and technologies at a practical level focusing on sustainability, market diversification and increased farm resilience; and
- for renewable energy generation.

Collaborative Actions

Collaborative Actions are voluntary measures for farmers to deliver action at a local, landscape, catchment, or national scale. Proposals include:

- landscape scale action, for the delivery of nature-based solutions at landscape scale;
- innovation and knowledge transfer in agriculture, for the delivery of knowledge transfer and innovative activity for the development of new processes, techniques and technologies; and
- co-operative working, to enable farming businesses to engage in co-operative working, enabling the sharing of facilities and resources to increase the profitability and resilience of farm businesses.

Introducing the tiered structure

The consultation focuses on the Universal Actions, with less detail on the more advanced Optional and Collaborative Actions. It proposes that these more advanced actions will be developed and brought in later, during the Transition Period. This is a change in focus from the 2022 consultation.

Both farming unions and environmental groups **told the Senedd's Climate Change, Environment and Infrastructure (CCEI) Committee** in March that although they welcomed the tiered structure, they had concerns around the delay to the advanced layers. The NFFN said these layers will provide the most environmental benefit, and that the delay would disadvantage farmers already delivering for the environment, putting them "at the back of the queue". **Wales Environment Link is calling** for the advanced layers to be introduced within 12 months of scheme launch.

The Farmers' Union of Wales (FUW) said these layers should be introduced at the earliest possible opportunity to provide funding for: SSSI management; common land; organic producers; renewable energy production; and shortening supply chains.

Scheme rules: 10% tree cover and 10% semi-natural habitat

The requirement for farmers to have at least 10% tree cover on their farm (first proposed in the 2022 consultation) has been a key area of contention. This is alongside another requirement for farmers to manage at least 10% of their land as semi-natural habitats.

Coed Cadw reports that, on average, tree cover on farms in Wales is at 6–7%. The Welsh Government has emphasised that existing tree cover will be recognised and that any additional tree planting required to meet the 10% rule will need to be completed by 2030.

The **Welsh Government has said** the 10% tree cover rule is based on UK Climate Change Committee (UKCCC) advice. The UKCCC's 2023 **Progress report: Reducing emissions in Wales** recommended the Welsh Government should:

Maintain and enhance incentives to support agroforestry and hedgerows in the Welsh farmed landscape over the transition to the new post-CAP framework. Plant trees on 2% of farmland by 2025 while maintaining its primary use, rising to 5% by 2035, and extend hedgerows by 20% by 2035 and better manage existing hedgerows.

And also:

Implement a strategy to address non-financial barriers to achieve annual tree planting rates of at least 4,500 hectares/year in Wales by 2030, rising to 7,500/year by 2035.

There has been **concern among farmers** that the 10% tree cover and 10% habitat requirements would not be feasible, and therefore preclude participation in the SFS.

Arguments against the 10% tree cover proposal have included that:

- it will be difficult for some farmers to achieve if their land is not suitable for tree planting e.g. upland and coastal farms;
- it may not be possible for common land farmers and tenant farmers to achieve due to restrictions in their contracts;
- it would take land out of production with associated concerns regarding business viability and food security;

- trees planted in the wrong places e.g. on peatland could have a detrimental environmental impact; and
- a lack of local native tree nurseries to provide saplings could risk disease spread if trees need to be imported.

The **analysis of feedback to the outline scheme proposals** and the **co-design final report** provide more information.

The Welsh Government **has set out** the benefits of tree planting including:

- shelter belts;
- animal shelter;
- biosecurity (distance between neighbouring farms);
- water quality protection and flood prevention;
- biodiversity enhancement;
- climate change mitigation;
- air quality; and
- recreational value (alongside public access).

The 10% tree cover proposal has been revised since the 2022 consultation. The 2024 consultation changes the requirement so that it would not be 10% of the entire holding, but 10% of the *remaining area once unsuitable areas have been identified*.

The (then) Minister for Rural Affairs, North Wales and Trefnydd, Lesley Griffiths MS ('the Minister'), highlighted in **her letter** related to a **Senedd petition** on the 10% tree cover requirement that:

Unlike the current Basic Payment Scheme, trees and woodlands will be included in the land area which generate farmers' payments, so I hope farmers can once again learn to value the multiple benefits provided by trees.

NFU Cymru remains concerned that the minimum 10% tree cover scheme rule is likely to "prove a barrier to entry for many businesses". Farmers argue the two scheme rules could take 20% of their land out of production.

Coed Cadw notes:

...farms are not required to take 20% of their land out of production as tree cover and habitat. There is lots of flexibility here, including counting native tree and woodland cover towards both the tree cover

and habitat requirement. Habitat includes species-rich grassland and heathland which continues to be grazed and productive and, where farms do not have enough of these permanent habitats, they can meet the requirement by creating temporary habitat of value, such as multi-species pastures.

Wales Environment Link **welcomes the requirements** while emphasising professional, independent, farm level advice is important to ensure the right tree in the right place principle to guarantee the environmental benefits. **RSPB Cymru is concerned** the proposals identify low-quality habitats as the most suitable for tree planting, which can be the most nature-rich areas on some farms.

Wales Environment Link says “if we fail to effectively integrate increased tree cover into the SFS then a significant risk remains that the current trend of land conversion continues.”

The CCEI Committee discussed other methods of decarbonisation with academic witnesses such as peatland restoration and growing biomass crops. Professor Iain Donnison (head of the Institute of Biological, Environmental & Rural Sciences (IBERS), Aberystwyth University) **stated in evidence:**

...the Welsh Government has accepted the CCC recommendation on tree planting, but seemingly not accepted the recommendations on biomass crops. Perennial biomass crops could reasonably be planted on some farms in lieu of trees, providing flexibility to farmers who are either restricted by tenancy agreements or looking for a more regular income stream. Perennial biomass crops (e.g. Miscanthus, short rotation coppice willow, short rotation forestry poplar) also have the potential to help decarbonise industrial sectors, for example providing carbon in the manufacture of green steel, and would therefore have the potential to feed into local supply chains within Wales.

Habitat Baseline Review and carbon calculator

For those participating in the SFS, a ‘Habitat Baseline Review’ of the farm would be required as an environmental baseline assessment, identifying broad habitat types, trees and hedgerows as well as other farm features. This would include assessment of the 10% tree cover and 10% habitat requirements. Farmers would check and update information the Welsh Government holds.

Farmers would be required to complete a carbon assessment within the first year of joining the scheme, using a carbon calculator. The consultation says this would help identify opportunities and efficiencies to reduce emissions and costs. This data would be aggregated and used to understand the sector’s overall carbon impact. There are many carbon calculators available but only one type would be used to allow aggregation of data.

Payment methodology

Payment levels have not been provided with the consultation. They are expected to be published **in the summer** following the consultation outcomes and further economic analysis. Stakeholders have said this makes it difficult for them to comment on the workability of the proposals.

The payment methodology proposed for the Universal Basic Payment will be an estimate of the cost incurred and income forgone for farmers for undertaking the Universal Actions. The payment will be based on the area of the farm. Payments may be subject to financial controls such as capping.

In addition, the Welsh Government is considering rewarding the social value of the outcomes of the actions through the 'natural capital' approach (analysing the monetary value of benefits derived from the natural environment).

A 'Stability Payment' is intended to support those who move from BPS to the SFS, by providing continuity of income (through topping up the SFS payments if they are below a 'notional' BPS value). This Stability Payment is for the transition period only and would end in 2029.

There was consensus among stakeholders **providing evidence to CCEI Committee** that the costs incurred and income foregone model of payment will not provide meaningful income. They suggest, without an incentive to join the scheme, its ambition will fail.

NFFN **calls for:**

...Payments that go beyond income foregone and costs incurred that deliver genuine outcomes through schemes that are more flexible, reward results and harness existing farmer knowledge.

Several stakeholders (e.g. **Soil Association Cymru**) are concerned that small farms, such as small horticulture enterprises, would be disadvantaged under the payment methodology.

Several stakeholders (e.g. **FUW**) have highlighted that the payment methodology will not support new entrants into the industry.

In evidence to CCEI there was concern from FUW that the natural capital calculation is complex and very much at an early stage of development describing it as "blue-sky thinking". Soil Association Cymru highlighted the issue of data gaps in assessing ecosystem services from actions, but outlined proxies can be used for

the weighting of payments. RSPB Cymru highlighted work on valuing ecosystem services:

The work that we've done showed that for every £1 invested in these habitats, the peatland generated £4.62 worth of benefit; saltmarsh, £1.31; and woodland, £2.79. And those are based on a range of societal benefits. So, it's possible to do this...

Different farming models

Several stakeholder have highlighted that the design of the scheme isn't appropriate for various different farming models. Some examples are provided below.

Common land

Common land is generally defined as land owned by one party over which another party has certain rights, such as the right to graze cattle.

The Welsh Government established a common land working group to help shape the SFS design. However, common land farmers have **raised concerns** that the proposed scheme will not work for them.

The current SFS proposals primarily refer to enclosed farmland. The consultation says the nature of common land presents a range of challenges in terms of workability of the SFS proposals. It says due to the complexities of common land ownership and allocation of rights, the Welsh Government is not able to pay individuals for many of the proposed Universal Actions, unless they have sole management responsibility for the common land.

The consultation proposes that for each common, a Commons Management Plan should be developed collectively by rights holders and landowners, possibly with the input of supporting organisations. The Welsh Government is considering if it is appropriate to provide further support for facilitation and governance. It is proposing an additional element of financial support for individual graziers paid through the Stability Payment until the Collaborative support has been introduced.

NFU Cymru highlights the importance of BPS income for commoners, and warns collaborative agreements “will not be possible in all instances”.

Tenanted land

There was concern following the 2022 consultation that the proposed scheme would not be right for tenant farmers. For example, due to restrictions in their contracts. The Welsh Government established a tenant farmer working group to feed into the current proposals.

Following this work the proposed contract length changed to annual agreements (from five year agreements) to cater for tenant farmers. The consultation proposes that if a tenant unexpectedly loses control of a piece of land in the scheme, it can be removed with a proportionate reduction in payment and no financial penalty.

The consultation describes the possible issues for tenants in achieving the 10% tree cover requirement e.g. if planting is precluded by the tenancy agreement. This land can be declared and excluded from the requirement calculation.

However the **Tenant Farmers Association believes** the recent proposals don't properly consider tenant farmers. For example it says:

Welsh Government must address the interactions between the Rules of Good Husbandry and the scheme requirements. Tenant farmers with agreements under the Agricultural Holdings Act 1986 are required to make maximum efficient use of the land that they farm. Many Farm Business Tenancy agreements will also refer to the Rules of Good Husbandry as a matter of contract. Whilst this needs to be looked at generally (with perhaps an amendment to the Rules of Good Husbandry which were drawn up in 1947) this is a particular issue in respect of the proposed hedgerow management standards within the Sustainable Farming Scheme.

The farming unions have also raised concerns for tenants, e.g. **FUW stated:**

...a number of other practical limitations for tenants must also be considered, such as the ability to obtain landlords' permission to create new ponds and habitats or deciding who has management control of historical features or individual trees within hedgerows.

Organic farming

The **consultation says** farmers with organic certification will have "smooth entry" into the scheme as many of the actions will already be part of the farm's management. It says several Optional Actions will align with organic practices and these actions may be prioritised for introduction. However, **Soil Association Cymru highlights** that the delay to the introduction of the Optional Actions puts organic farmers at a disadvantage. It says organic actions available in the Optional layer

should be detailed in 2024 to give organic farmers a clear picture when joining the scheme in 2025.

The **Habitat Wales Scheme** (the 2024 replacement for Glastir) was criticised for not supporting whole-farm organic management. Following these concerns, **the Welsh Government announced** a support package for organic farmers for 2024. The SFS proposes to include an additional element of financial support for the organic sector during transition through the Stability Payment to maintain this additional support.

Advice and guidance

Detailed scheme guidance and a set of verifiable standards setting out scheme rules are expected to be produced in advance of the scheme opening.

The consultation briefly refers to advice and guidance available from **Farming Connect**. The Senedd's Economy, Trade and Rural Affairs (ETRA) Committee has undertaken a **short inquiry** on the role of Farming Connect in supporting delivery of the SFS.

RSPB Cymru highlights the importance of appropriate (face to face) advice and guidance in the transition to deliver contracts. It highlights the need for balanced advice to deliver the integrated requirements of the scheme: farming for food, nature and climate.

NFFN says one of the biggest positives of a previous agri-environment scheme, Tir Gofal, was the availability of local officers to help farmers apply for and implement the scheme. **Soil Association Cymru says** advice is an investment in the results of the scheme.

NFU Cymru emphasises that although the right advice is important, advisory services should not be used as compensation for “an overly complex scheme design” and they must provide value for money.

Compliance

Compliance with the scheme eligibility criteria, rules, regulatory baseline and applicable actions are a condition of payment.

On-the-spot checks are proposed using a combination of physical inspections and earth observation (remote sensing and aerial photography). RPW will select and inspect a percentage of scheme applications each year to confirm the scheme rules

and regulatory baseline requirements are being met.

Failure to accurately declare information may lead to reductions and penalties. In circumstances of non-compliance where financial penalties are required, the consultation proposes a set of variable standards and a sanctions matrix setting out consequences.

3. National Minimum Standards

The regulatory baseline, above which farmers would be rewarded under the SFS, will be determined by 'National Minimum Standards' (NMS).

Farmers are currently required to meet certain base-line standards on environmental management, animal welfare and traceability, known as 'cross-compliance' under the legacy EU system which remains in operation. **Cross-compliance** includes:

- statutory management requirements (SMR) – these apply to all farmers whether or not they receive the CAP system of support; and
- good agricultural and environmental conditions (GAEC) – these only apply to farmers receiving support.

During scrutiny of the Agriculture (Wales) Bill the then Minister **said she intended** to consolidate existing rules, including cross-compliance, to create the NMS.

4. Modelling economic impact

The **Welsh Government published economic modelling results** to accompany the latest SFS consultation. ADAS, Pareto Consulting, Scotland's Rural College (SRUC) and University College Dublin were commissioned to estimate the potential economic effects of elements of the proposed SFS across Wales in terms of agricultural land and labour use, farm output and farm incomes. The study report presents the following headline estimates:

- c.26,000 ha of new semi-natural habitat and 28,000 ha of new woodland would be created;
- farm business income would fall by £199m and farm output decreases by £125m;
- livestock units would reduce by 122,000 and on-farm labour decrease by 11%; and
- impacts would typically be greatest for dairy farms and lowest for upland grazing farms.

It's important to note the estimates are derived from modelling based on certain assumptions. The study report states that farm income and output figures are "indicative of worst-case outcomes". The **report makes a number of significant caveats**, including:

- The analysis takes account of the SFS Universal Actions, but does not include the SFS Optional and Collaborative layers that would generate further income (and costs) to farm businesses.
- The analysis assumes 100% uptake of Universal Action measures.
- The analysis considers static impacts rather than allowing for dynamic responses, i.e. the modelling doesn't factor in changes to farming enterprise mixes and/or management intensity, or farm diversification activities.
- The 11% decrease in on-farm labour doesn't necessarily imply an actual reduction in on-farm labour since agricultural hours worked often exceed the nominal 1900-hour year. Equally, non-agricultural tasks may increase. However, **NFU Cymru claims** this could equate to 5,500 jobs lost.

A full summary of the modelled estimates and caveats can be found on page 23 of the **report**.

Farming unions have responded strongly to the estimates. **NFU Cymru said:**

The data paints a 'shocking scenario' for Welsh farming and if this were to become a reality, one that completely contradicts the 'Keep Farmers Farming' title of Welsh Government's latest consultation.

NFU Cymru also criticised the analysis because it doesn't model wider impact on rural businesses. However, the **Integrated Impact Assessment** accompanying the proposals assumes a number of Universal Actions:

...are likely to increase the need for provision of goods and services to farms, presenting opportunities for other businesses. These include woodland creation, animal health and welfare actions, and creation of scrapes on the farm.

The **Minister said the modelling is based on an earlier version** of the proposed SFS and the estimated impact on employment would not be as significant in the final proposals. In February, **the Welsh Government committed** to carry out an updated economic analysis.

5. Budget

The budget for the scheme is not currently known. **The consultation states:**

The Welsh Government will pursue, at least, the same total level of funding for farmers and land managers from the UK Government as we will receive in 2024/25. Recognising the inflationary pressures which have impacted the farming industry, as it has impacted other sectors and everyone in Wales, we will expect the UK Government to provide an inflationary uplift in funding.

An **independent assessment** (2023) for the RSPB, the National Trust and The Wildlife Trusts concluded Wales requires £496m annually to meet environmental land management priorities alone. **NFU Cymru has estimated** that the current total CAP replacement funding of £380m needs to increase to over £507m, just to keep up with inflation.

It is not known how the budget will be allocated across the Universal, Optional and Collaborative tiers and therefore whether emphasis will lie on particular elements. **Soil Association Cymru** suggests allocation of at least 50% of the scheme budget to the Optional and Collaborative layers by the end of the transition period.

6. Agricultural support elsewhere in the UK

England

In England, BPS payments are being phased out over a seven-year transition period, with final payments due in 2027. The BPS will be replaced by the **Environmental Land Management (ELM) scheme**, due to be available from 2024. The ELM scheme will have three main strands:

- Sustainable Farming Incentive: universal payments for managing land in an environmentally sustainable way.
- Countryside Stewardship (local nature recovery): competitive (non-universal) payments to support local nature recovery and local environmental priorities.
- Landscape Recovery scheme: support for large-scale projects that make long-term changes to land use that improve ecosystems.

Scotland

In Scotland, BPS-style payments will continue, but with new conditions introduced in 2025. From then, at least half of funding will be targeted towards biodiversity gain and climate mitigation and adaptation. The **framework from 2025** will consist of four tiers:

- Tier 1: Base Level Direct Payment – universal payments for meeting minimum standards on the environment, animal health and welfare and Fair Work.
- Tier 2: Enhanced Level Direct Payment – universal payments for those delivering Tier 1 requirements and undertaking further activity that delivers outcomes for nature and climate improvement.
- Tier 3: Elective Payment – competitive (non-universal) payments for targeted actions on particular habitats or defined species.
- Tier 4: Complementary Support – support for Continuing Professional Development, advice and knowledge exchange.

Northern Ireland

In Northern Ireland, development of a new scheme was delayed by the **lack of an Executive** following the 2022 elections. Following restoration of the Assembly the **Minister of Agriculture, Environment and Rural Affairs** said work will resume to develop the scheme:

The overall objectives are to transition to a more sustainable farming sector by seeking to implement policies and strategies that benefit our climate and environment, while supporting our economically and socially significant agriculture sector.

Various decision documents were published prior to the elections in March 2022 following a **consultation** on future agricultural policy proposals for Northern Ireland.

7. Next steps

The **farming unions and Tenant Farmers' Association** argue that the scheme should only be introduced once it provides the same level of stability to agri-food businesses as the current support system. **NFU Cymru is calling** for the Welsh Government to establish and chair regular SFS meetings with NFU Cymru leaders between now and the final scheme design.

Environmental groups warn that delaying the scheme's introduction would have implications in terms of achieving net zero and biodiversity commitments.

Dr Ludivine Petetin suggests a phased, incremental approach could be a compromise.

The then Minister **told the Senedd's ETRA Committee** on 6 March that “nothing is set in stone” and “there will be changes; there are no two ways about it”. The Minister agreed it was more important to get SFS right, than to get it done by 2025.

The Minister committed to further economic analysis and publication of payment levels in the summer.

The next steps are now in the hands of the newly appointed Cabinet Secretary for Climate Change and Rural Affairs, Huw Irranca-Davies MS.

Senedd Committees are continuing to gather evidence to make recommendations to help shape the final scheme design.