

## **Deputy Minister for Farming and Food**

### **Environment and Sustainability Committee**

1. This paper responds to the issues set out by the Committee in its e-mail of 16 September identifying particular topics and information it would like to receive in advance.

### **Strategic Framework for Welsh Agriculture**

2. The framework will be a way of working that brings together the many different policies and independent reviews that have been undertaken over the last couple of years.
3. The consultation on it has now ended and work is underway to analyse the consultation responses in detail. This is very much a joint initiative – undertaken with and supported by leading industry bodies including the FUW, NFU Cymru, CLA Cymru, the Agriculture and Horticulture Development Board, the Dairy Development Centre, Hybu Cig Cymru (HCC), Wales Young Farmers Club and the Tenant Farmers Association Cymru.
4. At the heart of our shared vision is a modern, professional, sustainable and profitable agriculture industry in Wales. The critical issue over the next few months will be the formation of a Partnership Group to own the vision and to further develop the strategic framework.

### **Common Agricultural Policy**

5. The new Basic Payment Scheme (BPS) opened earlier in 2015 and 16,535 applications were received (with a significant 72% of these online). Applications are currently being processed by Rural Payments Wales.
6. BPS payments in Wales will transition to a single flat rate between 2015 and 2019. This means that by 2019 every farmer in Wales claiming BPS will receive the same payment rate per hectare. In addition, there will be an additional Redistributive Payment for the first 54 hectares claimed by each farmer.
7. BPS also introduces two new schemes - Young Farmer and Greening. A Young Farmer, aged 40 or less and setting up an agricultural business for the first time, will receive a modest top up payment for up to five years. Greening is a little more complex. Farmers will receive payments if they observe certain agricultural practices which vary dependant on how the land is being farmed. The likely impacts will be lower in Wales than in other parts of Europe with most Welsh farmers automatically meeting Greening criteria by virtue of being livestock farmers with grassland.
8. Rural Payments Wales has highlighted since 2014 that the additional checks required in 2015 will necessitate BPS being paid in two instalments in the first year. We anticipate the part payment to each farmer will be between 70% and 80% of the estimated full value and are planning to issue these to farmers as early as possible in the 2015 payment window, which opens on 1 December 2015.
9. We will not be able to make an accurate full payment until we have verified all the claimed land in Wales, as this establishes the total payable area and allows Wales to make full use of its available EU budget. The balance will therefore be paid from April 2016, at which time farmers will know their definitive entitlement value, through to 2019.
10. There is a great deal of complex checking to do, including verifying that farmers meet the eligibility criteria for the new schemes, mapping, and inspections, to deliver the controls required by the governing EU Regulations. The EC regulations require that all inspections

must be completed and that full validation, including cross-checks of land, be finalised before any payments can be made.

11. You will be aware that the Welsh Government has received a pre-action protocol letter regarding CAP Pillar 1 from a group of farmers. We have responded to the group concerned, but given the possibility of legal action it would be inappropriate to comment further at this stage.
12. With regards to CAP Pillar 2, the Welsh Government Rural Communities Rural Development Programme 2014-2020 (RDP) was unveiled in July. Significant investment from the Welsh Government and the European Union will support a wide range of activities designed to increase the sustainability and resilience of our natural environment, land-based sector, food businesses and communities. This includes improving skills, innovation and knowledge transfer, supporting woodland and forestry, safeguarding jobs and tackling poverty, as well as promoting resource efficiency
13. Glastir multi-annual land management scheme will remain a core part of the package, representing the largest single area of investment. Various elements are now active and existing Glastir contracts, signed under the RDP 2007-2013, will continue under the RDP 2014-2020.
14. Furthermore, I have invited the first expressions of interest for a new Sustainable Production Grant – a significant fund to help make our farm businesses sustainable in the full sense of the word. A new targeted Food Business Investment Grant has also opened. The food and drink industry is agriculture's main customer – strengthening its capacity is vital to the future of our agriculture industry and adding value and reach to its products. It is a vital sector for jobs and economic growth in Wales – investing in the green growth of our wider supply chain benefits our primary production sector too.
15. Our Farming Connect offer will continue to be central to our support for the industry. Farming Connect, the Farm Advisory Service, and a Rural Business Advisory Service will spearhead our efforts, benefitting from investment over the lifetime of this Programme period.
16. The LEADER work has also already begun and the Local Action Groups and their Local Development Strategies have been approved.

### **Farm prices and Dairy crisis**

17. I remain aware of the issues that Welsh farmers are experiencing. High production levels and the strength of the Pound against the Euro mean that conditions have not been favourable for some time. In his speech at this year's Royal Welsh Show the EU Commissioner for Agriculture and Rural Development, Phil Hogan, made it clear that farmers across the EU need to face the future with confidence and ambition. Farming must become more productive and efficient if we are to rise to the challenges. I fully endorse these sentiments.
18. The supply chain remains a critical element within the milk and red meat sectors. We must all act in a responsible manner if this industry is to take itself forward. This is not something in which government can simply intervene. We must work together. Likewise retailers, processors and consumers need to think about what they can do to support Welsh farmers.
19. The decline in milk price has slowed and I hope that prices are now able to recover, but we are exposed to the prices paid for dairy products on global markets and we must work towards becoming more competitive in global markets and to also look to add value to dairy – in home and export markets. We must also continue to look at efficiency.

20. Our dairy farming sector has some real advantages over our competitors. We are able to grow grass, the cheapest and best food for dairy cows and our family farming system, with a viable herd size, gives Welsh dairy farmers resilience and an edge that we will help them exploit.
21. Our Review of the Dairy Sector in Wales recommends that we compete in the world market. There is no reason why dairy farms in Wales cannot compete with other milk producing countries.
22. The Welsh Dairy Leadership Board has begun work on delivering the recommendations in the Review of the Dairy Sector. The feasibility study into increasing milk processing capacity in south west Wales has also started; we have appointed a contractor to undertake the work. It is important that we understand the potential for the sector and develop a sustainable market for our increasing milk production. I want more dairy farmers to focus on business efficiency and benchmark where they can make most improvement.
23. I was also pleased to announce recently that Welsh farmers will receive a £3.2m from an agreed EU dairy aid package. Every dairy farmer in Wales will get a one-off payment to help with cash-flow problems in recognition of the prolonged period of low milk prices. Payments will be based on how much milk they produced in 2014-15, with an average payment being put at £1,800 per farm. We hope to make the payment as quickly as possible.
24. Elsewhere, HCC continues to promote Welsh Lamb at key events and locations throughout England and Wales and I am very grateful for its continued efforts. I also welcome the work undertaken by it in the development of a targeted strategy for the red meat industry in Wales, which will help farming businesses become more profitable in a sustainable way.
25. The price we are currently getting for lamb is not just a Wales issue, nor is it a UK issue. This is being experienced right across the European farming sector; and therefore as a collective, we need to find a way of supporting farming to become more resilient to market forces. I believe that it is the right time to look at whether or not the import quota which allows lamb into Europe is still appropriate. This is something that I would urge the European Commission to look into straight away to avoid this perfect storm situation reoccurring.
26. The supply chain is pivotal to the success of the red meat industry in Wales and further afield. And for this to be a success, all members need to play their part responsibly. I am pleased to read reports that UK supermarkets are supplying more and more Welsh [and British] red meat, but I feel that more could still be done.

## **Food and Drink**

27. The latest priority sector statistics for farming and food reported a £5.8 billion turnover which means that we have already achieved 11.5% growth since 2012-13. Food manufacturing alone is an important industry for Wales and accounted for £4.3 billion in turnover in Wales in 2014. We have also achieved the delivery of £10.8 million of new business investments in 2014/15 which has safeguarded over 1,365 jobs and created 450 new jobs in food.
28. As mentioned earlier in this paper, the Food Business Investment Grant has also opened. The scheme will focus on jobs in the food sector, and help create innovative products, and encourage collaborative projects on food innovation and sector specific support. We have already received in excess of 100 business enquiries since the scheme launch.

29. To help further drive the sector forward we now have full membership of the Food and Drink Wales Industry Board. This is a government/industry partnership and the Board will provide strategic direction to the Welsh Government on delivering the action plan. We have also established a Welsh Government Food Policy Group with representatives from all Ministerial portfolios to ensure policy alignment and synergy, and to support delivery of the action plan.
30. We have hosted a number of events this year to celebrate the best of Welsh produce, including the celebration of last year's Welsh Great Taste Award winners. An impressive 174 coveted Great Taste awards went to products from Wales this year, with ten being deemed worthy of the 3-star accolade. This year's competition witnessed a 25% upsurge in Welsh entries. Under the Food and Drink Wales banner, we have also recently hosted a Wales-wide food writer's tour, in which the best of Wales' food and drink (PFN status) offering was showcased.
31. Together with the Deputy Minister for Culture, Sport and Tourism I have also launched a 'Food Tourism Action Plan for Wales 2015-2020'. A key focus is on increasing the prevalence of local and regional foods in our shops and on our menus, directly benefiting our economy. We are investing over £2.5 million during the next two years to ensure that Wales continues to have a strong presence at a series of key UK and International trade events. Trade events in 2014/15 resulted in Welsh companies securing nearly £6 million additional business, with further opportunities identified of over £16 million.
32. The National Procurement Service Food Category Forum has also been working on a Food Strategy, and started the process to procure food for the Welsh Public Sector. The first lots will start on 1 February 2016 and begin with Prepared Sandwiches and Sandwich Fillings and Frozen Plated Meals.
33. Work is also underway to promote our Sustainable Development Charter and Resource Efficient Wales with food and drink manufacturers. We continue to promote healthy eating and drinking in schools and are beginning work on a food and nutrition strategy in conjunction with the Department for Education.

### **Organic Farming**

34. On organics, I am pleased that the General Approach for the new European Organic Regulation was accepted by majority vote at the Agriculture and Fishery Council at Luxembourg in June. Much of the detail of the approach will be developed and negotiated through the introduction of the implementing regulations and I will continue to work with the UK delegation to ensure that Welsh organic farmers are not disadvantaged by the new regulations.
35. As also already mentioned, Glastir Organic is open for business with over 500 Glastir Organic contracts becoming live earlier this year. A new Glastir Organic application window closed on 2 September during which 84 applications were received. Encouragingly 61 of the applications were from individuals new to organic farming. This vindicates the decisive action I took to open the Glastir Organic application window before the approval of the Rural Development Programme as this has stabilised the number of organic farmers in Wales and there are now some signs of growth in the sector.

### **Agricultural Advisory Panel**

36. The Committee also asked me to provide an update on the Agricultural Advisory Panel. In line with consultation responses, the Panel will consist of ten members and a Chair. The Farming Unions and UNITE will have a guaranteed membership whilst independent members, including the independent Chair, will be selected via the public appointment process. The

work of the Panel will be supported by a permanent subcommittee responsible for advising on career and skills development. The public appointment exercise will open on 23 October 2015 and it is expected that the Panel will be in place by early 2016.

37. On the Agricultural Wages Order, we held a public consultation over the summer and the majority of the responses supported the introduction of it. My intention is that the order would increase wages by around 6% for Grade 2-6 and other categories of workers, representing an annual increase of 2% between 2012 and 2015. In the new wages order, Grade 1 level will be raised to a rate which is 2p above the national minimum wage. The order is expected in December 2015 and will remain in force until a new wages order is made based on the recommendations of the Panel.

## **Animal Welfare**

38. I published the first annual Implementation Plan of the Animal Health and Welfare Framework in July 2015 and set out the priorities for the year and key actions for delivery as agreed by Welsh Government and the Wales Animal Health and Welfare Framework Group. These priorities contribute towards achieving the strategic outcomes. The plan sets out the policy areas which are under development and will be kept under review and updated throughout the year.
39. The Group have made it a priority to ensure that there is a balanced approach across the scope of the Framework. In order to take this forward, the Group has recognised that, whilst relationships and links on the livestock sector side are well established, more needs to be done to embed links with the welfare sector. Work on this is progressing and a constructive meeting has already been held with Animal Welfare Network Wales to help take this forward.
40. There is ongoing work to re-evaluate the way of working and relationship with the Animal and Plant Health Agency (APHA), including improvements to governance, funding arrangements, their support to policy and a new Animal Health and Welfare Concordat signed off by all UK Administrations.
41. The Welsh Government is working proactively as part of a UK Working Group to evaluate the procedures in place between UK Administrations as well as with APHA to improve governance, financial transparency and general ways of working. It is important Wales' priorities can be met and carried out in a cost effective manner. At the same time ensuring effective delivery of animal health and welfare priorities in Wales is critical while maintaining a level of resilience across the UK to deal effectively with any future exotic animal disease outbreak.

## **Bovine TB**

42. As of June 2015, close to 95% of herds in Wales are TB free. The overall trend in new incidents and animals slaughtered due to TB control is broadly downwards. Between 2008 and 2014 there was a 29% decrease in new incidents and a 44% decrease in animals slaughtered.
43. We have published a TB dashboard to present data in an understandable and visual way, charting the journey to TB eradication on a quarterly basis. The fourth year of the badger vaccination project in the Intensive Action Area is ongoing. To date, five vaccination cycles have been completed and 841 badgers have been vaccinated. In previous years 1,316 badgers were vaccinated in 2014, 1,352 in 2013 and 1,424 in 2012.

44. I have also recently decided to change our legislation so that information on the location of herds affected by TB can be published to enable people to take appropriate precautions to protect their animals and to raise awareness of the risk of purchasing animals with hidden infection.
45. Elsewhere, we will maintain the current system of on farm valuation for TB compensation and my officials will introduce measures which will penalise cattle keepers who are undertaking risky practices. Our consultation - open until 6 November – asks about the way we deal with compensation in circumstances where risky practices can contribute to the spread of TB.
46. The Cymorth TB veterinary programme continues to be rolled-out across Wales and includes more choice for farmers. We have also developed an accredited online Cymorth TB training programme for vets in partnership with APHA and the training provider Improve International. The bilingual training is being rolled out this autumn and we are subsidising 300 training units with the hope that all practices and most vets working in Wales will be Cymorth TB qualified.

## **EID Cymru**

47. Separately, EIDCymru will help Welsh farmers and land managers to increase profitability from the efficiencies of reporting and greater access to data. EIDCymru will be available from November for livestock markets and abattoirs to help ensure that the system works effectively at these high volume/throughput locations. Full implementation for all sheep keepers is planned for January 2016, to coincide with the proposed amendment to Sheep and Goats Records Identification and Movements legislation (SAGRIMO) which will enable these changes to be enforced.
48. We are taking a strategic and controlled approach to implementing EIDCymru in Wales, having learnt significant lessons from the implementation of the Animal Recording and Movement Service (ARAMs) in England. Interfaces are required to transfer ear-tag and County Parish Holding information into EIDCymru along with the transfer of data into the Animal Movement Licencing System as the central animal movement repository of data for Wales, England and Scotland. We have agreed a contract with the Rural Payment Agency and their IT contractors to deliver these requirements to our timescale. EIDCymru will also exchange cross border movement data with Defra's sheep movement database ARAMs. Officials are working closely with Defra's contractor, South Western, to achieve this.

## **Commons Act 2006**

49. In addition, we have also introduced significant commons legislation to protect common land and promote sustainable farming, public access to the countryside, and the interests of wildlife.
50. The priority for the remaining sections of the Commons Act is to enable applications to correct mistakes and for non-registration or mistaken registration. I expect these elements to be in force from summer 2016. Work is also ongoing on developing a fee structure for applications under Part 1 of the Act, the implementation of Electronic Registers of Common Land together with the establishment of Commons Councils.

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**Deputy Minister for Farming and Food**  
**October 2015**