

Welsh Government response to the recommendations of the Climate Change, Environment and Rural Affairs Committee Report on Future of Land Management in Wales

Recommendation 1

The Committee recommends the UK Government should seek tariff and quota-free access to the EU Single Market for Welsh Agricultural and food products.

Response: Accept

I accept this recommendation. The Welsh Government has already stated in its White Paper, *Securing Wales' Future*, we believe continuing full and unfettered access to Europe's Single Market is vital to Wales' forward economic success. The imposition of tariffs, and non-tariff barriers between the UK and the EU would be damaging to businesses in Wales and the broader UK.

The Welsh economy is closely integrated in the EU Single Market and some two thirds of identifiable Welsh exports go to EU countries. Analysis of existing export customers shows that any significant reduction in access to the Single Market will be damaging, and the greater the reduction, the worse the consequences will be in terms of reduced growth. The Welsh Government believes that full and unfettered access to the Single Market for goods, services and capital is vital to interests of Wales and the UK as a whole and we urge the UK Government to adopt this as the top priority for negotiation with the EU.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 2

The Committee recommends the Welsh Government should have an equal voice at the negotiating table during the talks on access to the Single Market. The UK Government can only take forward a UK-agreed position during negotiations, not a UK-led position.

Response: Accept

I accept the recommendation. Given the timescales and the implications of the EU referendum on access to the single market it is essential the Welsh Government plays a full part in discussions, not only to ensure the UK negotiating position fully reflects the Welsh context, but also to agree

collectively the arrangements which will be in place on a UK basis following the departure from the EU.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 3

The Committee recommends the UK Government must safeguard the interests of Welsh lamb producers and, at the earliest opportunity, provide clarity on its negotiating strategy with regards to the future New Zealand lamb quota for the UK.

Response: Accept

I accept this recommendation. The Welsh Government recognises the importance of lamb production within the context of Welsh agriculture. but would extend the scope of this recommendation by insisting that the UK Government must play its role in safeguarding the interests of the entire agriculture industry across all sectors and regions of Wales.

Financial Implications

None

Recommendation 4

The Committee recommends the Welsh Government must work with relevant UK Government Departments to significantly increase its trade efforts internationally to develop new, and strengthen existing, export markets for Welsh lamb.

Response: Accept in principle

I accept this recommendation subject to the fact that the Welsh Government already undertakes significant trade efforts to develop export markets for food and drink products including lamb. On lamb exports, the Welsh Government works closely with Hybu Cig Cymru which undertakes trade promotion and trade visits and seeks to develop export markets. The Welsh Government already seeks to influence UK Government Departments to promote Welsh lamb through international trade work.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 5

The Committee recommends Hybu Cig Cymru must strengthen its marketing of Welsh lamb across domestic and international markets in order to assist producers to meet the challenges of leaving the EU. A refreshed marketing strategy for dealing with these issues should be prepared within the next 12 months. The strategy must properly address the needs of upland hill farmers.

Response: Accept

I accept this recommendation. Hybu Cig Cymru, in conjunction with the Welsh Government, continuously reviews the opportunities available to PGI Welsh Lamb in the domestic, European and international markets.

In 2016, the Welsh Government published an independent review of Hybu Cig Cymru which recommended that greater focus should be given to export promotion alongside continued promotion in the domestic market.

I have recently appointed a new Board to Hybu Cig Cymru and I have asked the Board in 2017/18 to undertake a robust appraisal of all export opportunities for Welsh red meat, with consideration of how they compare with opportunities in the UK market. The appraisal will consider a wide range of issues, including those facing light lamb producers.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 6

The Committee recommends the Welsh Government should seek urgent bilateral talks with the UK Government to develop a common understanding of the legal and constitutional position in respect of devolved and reserved powers following the exit of the UK from the EU.

Response: Accept

I accept this recommendation. I have been actively engaging with the UK Government and devolved administrations on this matter and in doing so, I have been pressing for collective discussions on the future arrangements.

During the discussions I have emphasised the need for devolution to be respected and that any UK position must reflect the interests of the UK as a whole. The UK Government must also be clear when it is speaking on behalf of the UK and when it is representing the interests of England.

To support the Ministerial-level discussions there are also monthly meetings of the senior officials group involving representatives from Defra and the devolved administrations.

Whilst the UK Government's White Paper on the proposed Great Repeal Bill talks about increasing the decision-making power of devolved administrations, it is not clear at this time we share a similar view of where powers currently lie and how we should proceed in the future.

The Welsh Government have been clear that it sees benefit in agreeing common UK approaches on some devolved policy areas, where this is important for the smooth functioning of the UK market, provided these are agreed by the UK Government and all 3 devolved administrations. There must also be independent dispute resolution mechanisms.

Going forward, there will be a need to maintain the active dialogue across the UK administrations to develop a common understanding of the legal and constitutional position in respect of devolved and reserved powers.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 7

The Committee recommends the UK Government should give a commitment that future regulatory and policy frameworks for agriculture and rural development will be developed in partnership and there will be a parity of esteem between the UK Government and devolved administrations.

Response: Accept

I accept this recommendation. As I have indicated in response to recommendation 6, where UK Frameworks and structures are needed to replace those currently set by the EU, we see these as being collectively developed and agreed and not imposed.

This should include arrangements on non-devolved issues which have a critical impact on devolved policy areas.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 8

The Committee recommends the UK and Welsh Governments should strengthen joint working mechanisms, such as developing a 'UK Council of

Ministers' as suggested by the Welsh Government. There must be an appropriate adjudication mechanism to resolve disputes.

Response: Accept

I accept this recommendation. As set out in Securing Wales' Future, the Welsh Government does not see the current Joint Ministerial Committee (JMC) machinery as being adequate for what should be seen as 'pooled sovereignty' within the UK for agreed areas of common interest.

We believe the current JMC should be over-hauled and rebuilt into a UK Council of Ministers covering the various aspects of policy for which agreement between all four UK administrations is required. This would need to be accompanied by a robust and genuinely independent arbitration mechanism to resolve any disputes over the compatibility of individual policy measures in one nation within the agreed frameworks.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 9

The Committee recommends the UK Government must commit to maintain funding for agriculture at levels presently secured under CAP until at least 2020/21. Thereafter, the most important benchmark will be the next cycle of CAP, from 2021-2027. Such funding for agriculture should not be subject to the Barnett formula.

Response: Accept

I accept this recommendation. It is essential, after we leave the EU, that the UK government provides the Welsh Government with at least equivalent funding to replace what is currently being received through the CAP. The Welsh Government will continue to press for the best deal for Wales.

Financial Implications

None (to Welsh Government)

Recommendation 10

The Committee recommends the Welsh Government should commit to allocate funding at levels presently secured under CAP until 20/21 and should clarify its position in relation to funding in 2021/22 as soon as possible.

Response: Accept in principle

I accept this recommendation in principle. Continued CAP support beyond 2020 is dependent on decisions to be made by HM Treasury. The Welsh Government will take every opportunity to press for clarity.

Financial Implications

Funding is dependent on the UK Government.

Recommendations 11 and 12

The Committee recommends the UK Government should work with the Welsh Government to ensure Wales' labour needs are fully reflected in negotiations on withdrawing from the EU.

The Committee recommends the Welsh and UK Governments should begin work immediately to assess the skills shortages Welsh businesses may face as a result of a possible reduction in migrant labour.

Response: Accept both

I accept both these recommendations. The Welsh Government's White Paper, *Securing Wales' Future* recognises the very positive contribution EU migrants make to our economy and communities. They not only fill labour shortages in certain areas including agriculture and food processing, but also bring culturally unique and complementary skills which can improve productivity and help businesses to expand. Since 2005, the percentage of immigrant workers in the Welsh labour force has doubled. According to official statistical data from 2015, out of the overall workforce of 1.4 million in Wales, 94,600 workers were born outside the UK.

Agriculture and food manufacturing are amongst those sectors which benefit considerably from the availability of migrant workers in the UK. There is a concern that the UK's exit from the European Union could impact negatively on this sector which has been struggling to attract UK-born workers in large enough numbers.

Data collected for Wales reveal the number of non-UK born workers in the agriculture, forestry and fishing sector is relatively small and comprises around 2% of the overall workforce. The distribution is higher in the manufacturing sector, which employs around 150,000 workers overall, at 10%. This figure incorporates food processing but does not enable a specific breakdown to this subsector for Wales. However, the reliance on foreign workers in food processing is particularly high in the UK as a whole (40% foreign born, and over 20% casual migrant labour).

In 2015 over 27% of those employed in the Food and drink manufacturing sector in Wales were born in the EU. Since 2011 we have seen a 60% increase in the number of people born in the EU employed in the food and

drink manufacturing sector in Wales compared with 2% increase from the rest of the UK and 1% decline in those employed from Wales in the same period.

We must ensure that the Welsh agriculture and horticulture sectors continue to have access to the workforce needed following the UK's exit from the EU. The Welsh Government is assessing the needs of Welsh businesses and exploring options that would guarantee the viability of these sectors. One potential solution, which is under consideration by the UK Government, is the revival of the UK Seasonal Agricultural Workers Scheme which closed in 2013. A seasonal workers scheme would not however address Welsh food and drinks businesses' needs which have been fulfilled up to now by migrant labour, working in positions which are often perceived as unattractive to local sources of labour; work in abattoirs, cutting plants and on processing lines for example. Therefore, the Welsh Government believes the rights of EU migrants already living in Wales to remain should be guaranteed and all who live here must be treated with equal respect.

Financial implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 13

The Committee recommends the Welsh Government should develop a skills strategy for the sector within the next 12 months, setting out how any skills shortages and new opportunities will be met via training and education policies.

Response: Accept in principle

I accept this recommendation in principle. Ensuring the effective functioning of the sector requires a well-trained, well-numerated and motivated workforce. The existing Agricultural Minimum Wage regime supports career and skills development via various measures. In particular, it links pay to relevant qualification and experience in agriculture, provides for career progression and allows workers to undertake relevant training in work time, at the expense of their employer.

The Agricultural Advisory Panel which began its work in June 2016 will be instrumental in enhancing training and development opportunities within the sector and combating any skills shortages. A key statutory function of the independent Panel is to promote careers and skills development. The Panel's Sub-committee on Skills, Development and Training brings together experts from within the industry and academia with the intention of identifying gaps, pressures and priorities in terms of training and education and to develop a coordinated approach to retaining and enhancing skills in agriculture.

In addition, the Farming Connect Lifelong Learning and Development programme, funded through the RDP and Welsh Government, is already

delivering significant levels of support to the agricultural and forestry sectors in Wales to help improve their knowledge and skills and ultimately their resilience and profitability. To date 3,080 successful applications have been submitted for training.

Financial Implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 14

The Committee recommends the Welsh and UK Government must ensure that consideration of transitional arrangements is a central part of the role of the proposed 'UK Council of Ministers'.

Response: Accept

I accept this recommendation in principle. The Welsh Government's White Paper, Securing Wales' Future states our intention in relation to transitional arrangements. The UK Government should seek agreement on a transitional phase, after our formal exit from the EU.

Financial implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 15

The Committee recommends Welsh and UK Governments should ensure a transition period for future funding arrangements equivalent to the duration of the remainder of the current and the next CAP funding cycles.

Response: Accept in principle

I accept this recommendation in principle. The Welsh Government's aim is to safeguard Wales' agriculture, wider rural and environmental interests and is exploring every opportunity to benefit our farming, land management and food sectors. This includes close engagement with stakeholders to determine what the format of the transition might be.

Financial implications

It is too early to confirm this at present.

Recommendation 16

The Committee recommends Welsh Government should develop a system of basic support that is more aligned to sustainable outcomes whilst producing high quality food. The introduction of such a system should be subject to a transitional period through to the end of the next CAP cycle.

Response: Accept

I accept this recommendation. The Welsh Government's aim is to safeguard Wales' rural and environmental interests and we are exploring every opportunity to benefit our farming, land management and food sectors. Our focus remains on continuing to deliver key economic, social and environmental benefits to Wales.

The existing two pillar approach to farming and wider rural support will no longer apply once we leave the EU. We will replace the old system with a genuinely strategic and integrated approach to delivering a sustainable rural Wales.

Financial Implications

Funding is dependent on decisions by the UK Government.

Recommendation 17

The Committee recommends the Welsh Government should prepare a plan for the dairy industry, in consultation with producers, distributors and retailers. This plan should identify how the sector can make the transition from the current funding model to a system of support based on sustainable outcomes.

Response: Accept in principle

I accept this recommendation in principle. The Welsh Government commissioned an independent Review of the Dairy Sector in Wales that reported in March 2015. The Welsh Dairy Leadership Board was established as a result of that review to deliver on those recommendations.

There is a need to develop a strategic direction for the sector especially in light of the UK's departure from the EU. This will only succeed with the agreement of and action by all in the supply chain; farmers, processors and retailers.

The Welsh Government will continue to work closely with Amaeth Cymru as well as the Food and Drink Wales Industry Board to develop and agree a strategy for the Welsh dairy supply chain and ensure that all involved share the risks and rewards of the market opportunities within the sector.

Financial Implications

Development of the strategy will be delivered through existing budgets. However, there may be a requirement for budget allocations to deliver specific actions yet to be agreed.

Recommendation 18

The Committee recommends Welsh Government must ensure that funding for land managers is based on delivery of outcomes which contribute to the ambitious targets for climate change adaptation and mitigation set out in Welsh legislation such as the Environment (Wales) Act 2016 and the Well-being of Future Generations (Wales) Act 2015.

Response: Accept

I accept this recommendation. My vision is for the development of future support outside of CAP which is better designed to deliver public goods and support rural businesses and meet our domestic ambitions and international obligations towards a better environment. Wales should have an opportunity to redesign support for the agricultural industry and rural business investment specifically to meet the needs of the Welsh situation. Many of the priorities may remain the same but this is the chance to develop the requirements and incentives that directly meet Wales' needs.

Any future programmes will be consistent with our requirements under Welsh legislation.

Financial Implications

Funding is dependent on the UK Government.

Recommendation 19

The Committee recommends the Welsh Government must progress as a matter of urgency its proposals on natural flood mitigation and prevention.

Response: Accept

I accept this recommendation. The Welsh Government wants to see natural flood risk management considered as an option for reducing flood risk and as such natural flood risk management approaches are eligible under the Welsh Government funded flood risk management programme. Natural flood risk management should be considered as an option for reducing flood risk and is eligible under the Welsh Government's flood programme. This could include work such as tree planting, using woody debris, fixing leaky dams and re-introducing meanders.

Our new Project Appraisal Guidance will encourage Risk Management Authorities to explore natural flood risk management options and innovative approaches to address flood risk as part of developing a business case, where it is suitable to do so. Our National Strategy for Flood and Coastal Erosion Risk Management in Wales sets out how we need to look at innovative and natural flood risk management solutions alongside more traditional defence schemes. In Wales we are ideally placed to integrate such approaches alongside established engineered schemes thanks to the close working relationship we have with Risk Management Authorities and the formation of Natural Resources Wales. This message will be strengthened in the update to our National Strategy.

We have been part of trials and research in places such as Pont Bren to restore upland catchments and in the upper Elwy and Clwyd catchments, which will help inform the benefits of such approaches which we can share with Risk Management Authorities to further encourage natural flood risk management take up in Wales.

Financial Implications

None. Natural flood risk management is encouraged and is eligible for funding under the Welsh Government's flood programme.

Recommendation 20

The Committee recommends the Welsh Government must develop a food culture in Wales that: values local production; reduces food miles and carbon footprint, and protects high animal health and welfare standards. This should ensure access to the Single Market for our producers and continue our 'Made in Wales' reputation for high quality goods.

Response: Accept in principle

I accept this recommendation in principle. The Welsh Government has stated the importance of continued full and unfettered access to the Single Market and the value of a high quality reputation for Welsh food and drink products in 'Securing Wales' Future'.

The Food and Drink Wales Industry Board, which is publicly appointed, works jointly with the Welsh Government in developing the food and drink industry in terms of its growth, its values, and its wider culture, social impact and relevance. The Board is focussed on leading change within the industry, geared towards delivery of 'Towards Sustainable Growth – An Action Plan for the Food and Drink Industry 2014-20'. The Action Plan's 48 actions set out a comprehensive programme to develop the industry in the widest sense, in ways which also further 'Taking Wales Forward'.

Financial implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 21

The Committee recommends the Welsh Government should aim to increase public procurement of Welsh produce and should report to this Committee within the next six months on current levels of procurement and its plans for the future.

Response: Accept

I accept this recommendation. The National Procurement Service has made significant progress in improving the scope of public procurement as a market opportunity for Wales' food and drink producers. A new approach to how contracts put out to tender are designed has opened up many new opportunities for producers who previously may not have had the capacity or reach to successfully tender and deliver. Awareness raising activity has also been undertaken.

Financial implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 22

The Committee recommends the Welsh Government should work with Welsh food producers, distributors and retailers to increase sales of Welsh produce, including vegetables, and report to this Committee within the next six months on progress.

Response: Accept in principle

I accept this recommendation. The Welsh Government already has a comprehensive programme of activities underway which support businesses. These originate from 'Towards Sustainable Growth – An Action Plan for the Food and Drink Industry 2014-20'. The Action Plan's 48 actions set out a comprehensive programme to develop the industry. The publicly appointed Food and Drink Wales Industry Board also works jointly with the Welsh Government to help develop the industry.

Financial implications

None. Any additional costs will be drawn from existing programme budgets.

Recommendation 23

The Committee recommends future funding for land managers should support the delivery of outcomes which maintain and enhance biodiversity in Wales and also promote a spatial approach to land management, any such approach should support the delivery of the objectives of the Welsh Government's Nature Recovery Plan.

Response: Accept

I accept this recommendation. The Welsh Government's aim is to safeguard Wales' rural and environmental interests and we are exploring every opportunity to benefit our farming, land management and food sectors. Our focus remains on continuing to deliver key economic, social and environmental benefits to Wales.

Financial Implications

Funding is dependent on the UK Government.

Recommendation 24

The Committee recommends that future support for land managers in Wales rewards land managers for improving access to the countryside. Funding should also reflect the extent to which access routes are maintained and promoted.

Response: Accept in principle

I accept this recommendation in principle. The Welsh Government has long been committed to extending the opportunities for public access to the Countryside through the Countryside and Rights of Way Act 2000 and the Wales Coastal Path. The Welsh Government will continue to invest in new infrastructure to improve public access and reward land managers which commit to enhancing or complimenting existing access opportunities. This is subject to future funding guarantees from the UK Government.

Financial Implications

Funding is dependent on decisions by the UK Government.

Recommendation 25

The Committee recommends the Welsh Government must ensure that future support for rural development encompasses the best practice of existing schemes such as LEADER, so that vital learning and investment is not lost on our exit from the EU.

Response: Accept in principle

I accept this recommendation in principle. Schemes such as LEADER and other community grass-roots led schemes provide the pre-commercial investment and innovation required in rural Wales.

The Welsh Government's vision is for a future support programme outside of CAP which is better designed to deliver public goods and support rural businesses. Wales should have an opportunity to redesign support for the agricultural industry and rural business investment specifically to meet the needs of the Welsh situation. Many of the priorities may remain the same but this is the chance to develop the requirements and incentives that directly meet our needs.

The Welsh Government will be working with stakeholders to examine options for the future, including identifying the priorities to be addressed in different funding scenarios. It is too early to say if the existing mechanisms will be appropriate for delivering the action required.

Financial Implications

Funding is dependent on the UK Government.

Recommendation 26

The Committee recommends in its negotiations with the UK Government, the Welsh Government must emphasise the extent to which support for agriculture and rural development underpins the viability of rural communities, and the culture and language of Wales, and therefore reinforces the need for the continuation of current levels of support.

Response: Accept

I accept this recommendation. Agriculture is fully devolved to Wales and will be so once the UK leaves the EU. The Welsh Government's aim is to continue to safeguard Wales' rural and environmental interests and we are exploring every opportunity to benefit our farming, land management and food sectors.

The Welsh Government's focus remains on continuing to deliver key economic, social and environmental benefits to Wales and I, along with the First Minister, have been and will continue to highlight the needs of Wales in our negotiations with the UK Government.

Financial Implications

No financial implications.

Lesley Griffiths AM, Cabinet Secretary for Environment and Rural Affairs