

Y Pwyllgor Materion Allanol a Deddwriaeth Ychwanegol

Goblygiadau Brexit i amaethyddiaeth Cymru

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Scenarios for the future relationship

Considerable uncertainty attaches to the nature of the relationship between the UK and the European Union after Brexit, and the form of that relationship will have considerable implications for agriculture. A worst case scenario would see tariffs imposed on exports of Welsh sheep meat to France, depressing the domestic price. It is quite possible that there will be a transitional period in which our relationship with the EU would be governed by WTO rules. However, the most likely outcome is a deal in which the UK has access to the single market but has made concessions in terms of a contribution to the budget and relatively few limits on the access of EU labour, e.g., confining access to those with employment offers or providing for some kind of 'emergency brake'.

Structural characteristics of Welsh agriculture

Clearly the sheep sector is of crucial importance to Wales which accounts for over a quarter of the total UK population. Cattle are also important with a greater share of the UK total than the share of the land mass. Milk is particularly important in Carmarthenshire. However, the horticulture sector is small so that migrant labour issues are of less significance in Wales.

It is important to bear in mind the importance of farming to the rural economy, particularly in the remoter parts of Wales where a traditional Welsh culture remains strong. The physical geography and climate in these areas is often challenging. Many people who are not farmers depend on the continued success of the farm sector for employment, e.g., agricultural contractors, tree surgeons, mechanics, veterinary practitioners etc.

Farm support

The Basic Payment in its present form and at its current level is to continue until 2020. For many farms, businesses, this represents the difference between making a profit and running at a loss. What will happen after 2020 is uncertain, but there is a growing consensus among policy analysts that any future general support should be focused on marginal farms in upland areas where the need is greatest. Large-scale arable farms in East Anglia should be able to be competitive without the large subsidies that they receive at the present.

There is a case for some continuation of general support given that farmers remaining in the EU will continue to receive CAP payments and there will not be a competitive level playing field. Some attention also needs to be paid to price volatility in terms of its impact on levels of production and hence on food security. Vulnerabilities to climate change could increase global price volatility.

Conservation and agri-environmental schemes will continue to be significant. There is a broader basis of political support for them. However, they are relatively short term, for example over periods of five years. All farms only have a limited area that can be taken out of production, or subject to special treatment; and still allow the farm to be a viable producer of food. Conservation and environmental protection will only be successful if the industry feels secure financially.

One sheep farmer I talked with noted, 'if the family farms are not maintained then they will not be there in the future and then who is going to look after the environment?' This farming family has been active in creating habitat areas with some grant help and noted 'This was all possible because over the years we have had a fairly reliable income source which has allowed us to improve the farm.'

One issue with such schemes is that of 'additionality', whether payments lead farmers to behave differently from what they would have done in the absence of the scheme. Whether this is the case is very difficult to assess conclusively.

Mechanisms of support

Payments that are based on head of stock produce quantity rather than quality which is not the best outcome either for the industry or the environment and they may not be compatible with WTO rules. Whether it would be possible to devise a policy instrument that rewarded quality without placing too great an administrative burden on administrators and farmers is an interesting question.

Farmers in Wales have sought to move up market and add value by producing more speciality products that can command a higher return from the market. Anything that can be done to encourage and support these efforts would represent a good strategy. However, the buying power of the supermarket chains remains a challenge.

Regulations

The EU has devised a wide range of regulations that apply to agriculture. These are embodied in numerous EU directives such as the Nitrates Directive and the Water Framework Directive. These have been transposed into law by the introduction of primary legislation or by the introduction of statutory instruments under the European Communities Act 1972.

As well as environmental legislation, there are extensive measures relating to animal health and welfare reinforced by the recognition of animals as sentient beings in the Lisbon Treaty. There are 18 EU laws setting standards on the way farm animals are produced and reared, transported and slaughtered. There are 12 laws covering wildlife.

Existing regulations should remain in place after Brexit while they are reviewed in terms of their objectives and whether they are efficient means of achieving those objectives, in particular whether they place disproportionate compliance burdens on farmers.

Conclusions

How far Wales can pursue a differentiated policy after Brexit that is sensitive to Welsh needs and priorities depends in large part on funding arrangements.

Reference to report

The report of the working party I chaired for the Yorkshire Agricultural Society on 'The Implications of Brexit for UK Agriculture' can be downloaded here:

http://yas.co.uk/uploads/files/YAS_FSN_Brexit_-_Full_Report.pdf