



Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Your Ref:
Our Ref:
E-mail: huw.thomas@nfu.org.uk
Phone: 01982 554200
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Dear Sir/Madam

National Assembly for Wales – Finance Committee – Inquiry into preparations for replacing EU funding for Wales – Consultation

NFU Cymru is pleased to be able to make a submission to the Finance Committee's enquiry into preparations for replacing EU funding for Wales after Brexit. NFU Cymru considers EU funding to have been crucial for the agricultural sector, and in turn the wider rural economy. It therefore follows that whatever support is put in place to replace the lost EU funding after Brexit, will also be a key determinant of whether or not Wales will have the productive, profitable, and progressive farming sector, and thriving rural economy that we would all like to see.

Direct payments to farmers under the CAP are particularly important to Wales' farmers, and in 2014-15 they accounted for an average of 81% of net farm income across all Welsh farm types. Wales is therefore particularly exposed to any changes to the level of support paid to farmers. We also know from work undertaken by Development Economics that every £1 invested in farm support, farming delivers £7.40 back to the economy, so there is a strong multiplier effect linked to support to farmers.

During the course of the EU referendum campaign there were of a number of statements made by prominent advocates of leave which gave rise to a reasonable expectation of funding for Wales continuing on a similar basis to that which we currently enjoy. We also know that post Brexit, EU farmers will continue to receive and enjoy support under the CAP.

The Conservative Party manifesto for the 2017 General Election committed to guarantee the current level of financial support for farmers until 2022. Whilst this has assuaged some concerns around funding, it still leaves unresolved at least two issues of critical importance to Welsh farmers.

Foremost amongst these concerns is a desire to preserve the current historic relative allocations amongst the home nations of the UK's CAP receipt from the EU. Under current arrangements Wales receives 8.96% of the UK's Pillar 1 allocation, and 13.7% of the UK's Pillar 2 allocation. This translates to a weighted average of 9.4% across Pillar 1 and Pillar 2 payments coming to Wales, despite Wales being just 4.7% of the

UK population. The fact that Wales over-indexes in terms of CAP support is reflective of the type of agriculture which is most prevalent here and the relative importance of the sector to the economy.

Were Wales' future allocation of Treasury funding for agriculture subject to a population share based allocation, this would imply a reduction in funding of 50% from £371m to £185m. Wales' farmers need urgent clarification from Defra and the UK Treasury that future funding for Welsh agriculture will continue to be allocated on the basis of Wales historic relative share, and will not be rebased according to a population share calculation.

NFU Cymru fully appreciates that the issue of how allocations will be made amongst the home nations, to replace lost EU funding is not something that within the control of the Welsh Government or the National Assembly for Wales, but we urge them to continue to maintain the pressure on the UK Government to bring forward a prompt and satisfactory resolution to this issue.

As a Union, NFU Cymru has utilised every opportunity that has presented itself to raise this issue with the UK Government, most recently via the Defra Health and Harmony consultation, and will continue to do so going forward.

The second critical issue concerns the hypothecation of funding. It is NFU Cymru position that we would want to see future funding passed directly to Welsh Government, and ring-fenced for the purposes of agriculture and rural development. This would avert the potential scope for such funds to be appropriated for any other purpose, and would also help ensure that there are not distortions of the UK's internal market were it the case that differing levels of support funds percolated down to farmers in each of the home nations, on account of differing expenditure priorities amongst the devolved administrations.

I trust that you will find these comments useful as part of your inquiry into replacing EU funding for Wales.

Yours faithfully

A handwritten signature in black ink, appearing to read 'M. Thomas', is written over a faint, circular watermark or stamp.

Political Adviser
NFU Cymru