

Sustainable Farming Scheme

Wales

In brief

- A final consultation is running on the Sustainable Farming Scheme (SFS) ahead of its 2025 rollout
- Participation is optional and 17 universal actions must be followed on the whole farm
- Universal actions include benchmarking, continued professional development and soil management, plus tree cover and habitat targets
- By 2029 the scheme will be fully rolled out with tiers of optional actions and collaborative actions too
- The BPS payments of farmers who do not join SFS will be phased out incrementally between 2025 and 2029.

The Welsh government has published its final consultation on the Sustainable Farming Scheme (the scheme) ahead of its expected rollout in 2025. The 90-page paper describes in detail the universal actions that all farms must comply with to receive scheme payments and we have provided an outline in this note. The universal actions place ambitious and challenging expectations on farmers in Wales. The scheme is being consulted upon so is subject to further changes.

Introduction

The structure of the forthcoming SFS has been well-known since 2022, and we covered the principles in our previous [briefing note](#). In the new consultation paper, the complexity of the transition to the new scheme is acknowledged by a proposal for a phased introduction, with the universal actions (UAs) applying in 2025 and the full three-layered scheme in place by 2029. Farmers will need to comply with all the UAs relevant to their farm to access the Universal Basic Payment (UBP). Existing agri-environmental schemes will be available during the transition period. Each UA is described in the paper alongside an explanation of its purpose, what farmers will have to do, and which sustainable land management outcomes the action relates to. We provide an outline of the UAs in this note.

Benchmarking

In stark contrast to the Environmental Land Management scheme in England, the first UA relates to benchmarking. The ambition is that all Welsh farmers will regularly measure their farm performance and use simple key performance indicators (KPIs) to adapt and change practices to improve environmental impact. Each year, farmers will have to complete a self-assessment and enter the information into a Welsh government portal. The results will generate scores and suggestions for improvement, but there will be no penalties under the scheme for poor results. Example KPIs are lamb losses, milk from forage and net margins. Asking farmers to give financial information to the government will offer it a depth of insight that it has not previously had wide access to.

Continuous personal development

All farmers will be expected to develop their skills and knowledge each year through a government-sponsored CPD programme. Six online modules will need to be completed by a registered partner within the business. Health and safety will be mandatory, but the other modules can be selected to suit the farm business. The modules are likely to be one hour long and online. Unlimited attempts will be allowed to pass each module.

Soil management

UA3 proposes that each farm is to complete comprehensive soil tests on 20% of the holding each year. Guidance on the methodology to be applied will follow. The information needs to be recorded with soil structure assessments and management actions in a soil management plan, and included as part of basic nutrient accounts to demonstrate compliance with water pollution regulations. UA4 goes further, proposing that all farmers will need to have a multispecies cover crop on all land which is uncropped over winter (i.e. bare for more than six weeks after harvest), to protect the soil and encourage biodiversity. The cover can be grazed and buffer strips may be made available to account for soil exposed over winter, for example, due to fodder grazing. Spraying off cover crops is “permitted, but not advised”. UA5 requires an Integrated Pest Management plan for each farm.

Heavily Modified Peatland

Only 3-4% of Wales is peatland, but this stores 20-25% of all soil carbon. Any farmer with drained and cultivated peatland soils will be subject to tougher new requirements, but peatlands that are still in a semi-natural state will be eligible for funding under higher-tier habitat management actions. The scheme proposes that farmers with heavily modified peat will be required to avoid certain practices, such as installing new drainage, supplementary

feeding and storage of manures and materials, and are prevented from clearing ditches between March and August. A map will be produced showing which farms are impacted by these rules.

Habitats

The scheme is underpinned by a requirement that 10% of each holding should be actively managed for wildlife. A proposed Universal Code for Habitats sets out what farmers can do on areas of natural vegetation and a basic Habitat Baseline Review (HBR) at the point of scheme entry will use existing national habitat maps to show where existing habitats are located. (A more detailed HBR will be undertaken before entry into the higher Optional and Collaborative tiers). Most management of existing habitat features will be funded through the UBP.

Once identified through the HBR, UA7 will require farmers to maintain existing semi-natural habitats to optimise benefits for grazing livestock and wildlife, but farmers will have more discretion to manage these landscapes based on the ground conditions and livestock type than was available under Glastir. For each habitat type, the scheme proposes a detailed prescription of aims, measurable outcomes, management recommendations and restrictions.

It is suggested that only existing habitats in 'good condition' will meet the 10% target, however, ground flora in woodlands can contribute to the habitat target at the same time as the woodland contributing to the equivalent 10% tree cover target. Dry-stone walls, buildings and coniferous woodlands will not count towards the threshold, but temporary features under UA8 can be used. UA8 actions will allow farms to meet the 10% threshold for wildlife management where there is insufficient existing habitat. Fallow crop margins, unsprayed headlands, fixed rough grass margins, mixed leys and wildlife cover crops will all count and depending on the feature, can be seasonal activities and maintained as part of a rotation.

SSSIs

UA9 proposes that farmers with Sites of Special Scientific Interest (SSSIs) should implement a Habitat Management Plan with Natural Resources Wales for the designated site. This plan will help identify funding options through the higher-tier Optional Actions. The funding methodology used within the scheme means that SSSIs are effectively excluded from habitat maintenance payments under UA7, but the remaining components of the UBP will be available in SSSIs.

Hedges and woodlands

The scheme aims to be prescriptive on hedgerow management, with UA11 setting out a detailed description of 'good condition' hedgerows and proposing that all hedgerows meet this definition by year five of the scheme. Each regularly trimmed hedge will need to be stockproof in its own right (i.e. without fencing) and be at least 2m wide and 1.5m high (except during management). Standard trees should feature every 50m on average and the hedge should have a 1m margin from the base of the hedge/hedgebank. UA12 proposes all existing woodland to be maintained to 'optimise benefits for livestock, wildlife, and business diversification'. This brings all the farmed landscape within the UBP, as the Basic Payment Scheme (BPS) excluded woodland areas. No blanket stock exclusion is planned, such that woodlands could be grazed unless a previous funding scheme rule prevents it.

The proposed scheme rule for each farm to have at least 10% tree cover has been subject to fierce criticism for impacting on productive landscapes. The paper clarifies that existing native and coniferous woodland will count towards the mandatory threshold of 10% tree cover on each farm, and scattered groups and individual trees in fields and hedges will also count (but not the hedge itself). Orchard trees and agroforestry will also be included in the 10%, but the relevant area will be calculated based on plantable areas only. This means that areas of the holding that are tenanted, or classed as permanent features or vulnerable features, will not count towards the plantable area. If a farm has less than 10% coverage on its plantable area, the government intends to 'work with' farmers to find suitable locations for new trees and a specific payment rate will apply to these areas. UA13 sets out how new tree cover can be integrated into existing farmed landscapes, to enable farmers to access capital funding from the government.

Animals

For livestock farmers, additional universal actions are proposed. UA15 proposes engagement with a vet to establish a proactive approach to animal health. UA16 will require farmers to complete competency training and carry out lameness and condition scoring. UA17 requires farmers to establish farm biosecurity protocols, including wash stations, a livestock-secure farm boundary and biosecurity assessment of incoming animals.

Who can apply?

The scheme will be available to anyone undertaking agriculture or ancillary activities (as defined in the Agriculture Act) on agricultural land, who has at least three hectares of land in Wales, plus exclusive occupation and management control for at least 10 months of the calendar year. Actions need to be maintained for the full

calendar year under annual contracts, following a similar application process to the current Single Application Form, with a scheme window open between March and 15 May. Longer term agreements will apply to optional and collaborative action tiers. Unexpected changes to the landholding will be accommodated through adaptations to agreements during scheme years. A similar list of ineligible land uses (golf courses, campsites etc) will apply as under the BPS. Land and annual declarations will be checked against the existing land parcel information system, with on-the-spot checks conducted in person and using earth observation technology. Participating in the UA layer is optional (just as the BPS was), but incentivised as participating farmers will have priority access to the optional and collaborative action tier funding when they launch.

Scheme rules

In addition to familiar rules relating to cross-compliance, the paper notes that the new scheme will operate at a farm business level, meaning that all land under the holding needs to be included and an annual declaration made that the farmer can meet all the UAs during the scheme year. Additional scheme rules are being considered, such as bringing public rights of way rules into the scheme, requiring compliance with workplace recycling rules, and meeting legal responsibilities under the Wildlife and Countryside Act 1981 and invasive species rules.

Payments

A detailed payment methodology is set out in chapter 4 of the paper. Notwithstanding that the actual level of funding available to the new scheme is still unknown, the components that will make up each farm's UBP are described. The UBP will be based on the area of each habitat type (excluding or including SSSIs as appropriate), with separate payment rates for:

- Maintenance of existing woodland
- Woodland creation
- Habitat maintenance
- Remaining actions.

Payment rates will be determined based on the costs incurred and income foregone delivering actions, but the Welsh government is considering how the public good value of the actions can be included within the payment rates, and whether the total amount of UBP payable should be capped. It is not clear whether penalties for non-compliance will relate to specific actions, components of the UBP, or the total amount, but a more progressive approach to enforcement is proposed.

For current BPS recipients, a stability payment will be available during the transition period (2025-2029) to top up any amount received under the UBP to the notional amount that would have been received under BPS. If the UBP is greater, then no stability payment is available. The payment is intended to help bridge the gap until the optional and collaborative action tiers become available, but this gives an indication of the funding split that the Welsh government is anticipating. Once farmers have entered the scheme, BPS entitlements will be surrendered and no further BPS payments will be made, and BPS itself will be phased out incrementally over five years to 2029, with the first 20% reduction taking place in 2025.

Other matters

The rest of the consultation paper relates to the statutory instrument needed to bring the scheme into effect, the evidence base for intervention, the payment methodology, and data processing and reporting mechanisms. Indicative Optional Actions are listed in Appendix 2. The consultation is open until 7 March 2024.

Conclusion

Wales has been leading the way in setting out its vision for sustainable food and farming, and this document sets out further valuable detail for its farmers on what is likely to be heading their way. There is an ambition that the total amount of money coming into their pockets through the UBP will be about the same as under BPS, but the deep conditionality proposed by the scheme means a dramatic departure from no-strings-attached area-based payments. A substantially higher cost of compliance is evident but with no departure yet from the 'income foregone' principle used within existing agri-environment schemes. Cross-border farms are going to have their work cut out deciding how much of the progressive, conditional Welsh farming scheme, with baseline, benchmarks and plans a plenty, to extend to their whole holding.

Whether the Welsh government has truly done enough to get farmers on board with 17 UAs required to access annual payments remains to be seen, but the government remains committed to the message that this level of action is needed to meet national goals for sustainable food and environmental outcomes. The light-touch English pick-and-mix approach is looking increasingly unambitious in comparison.

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