



David Rees AM
Chair of the External Affairs and Additional
Legislation Committee
National Assembly for Wales

SeneddEAAL@assembly.wales

22 August 2019

Dear David

Thank you for your letter of 24 July regarding the Welsh Government's preparedness for Brexit and, in particular, contingency planning for the sheep sector.

We have always been clear; a no deal would be catastrophic for our agricultural industry and rural communities. Crashing out of the European Union without a deal would be hugely damaging and must be avoided at all costs. A 'no deal' Brexit is not what people wanted when they voted to leave the EU and it is the responsibility of the UK Government to make sure it does not happen.

A considerable amount of work and engagement has been undertaken by the Welsh Government in preparation for Brexit. This includes work on a contingency plan for the sheep sector focusing on a possible 'no-deal' exit from the EU.

I have engaged closely with stakeholders through the Ministerial Stakeholder Roundtable group to keep industry leaders updated on the actions being taken by the Welsh Government to plan for a 'no-deal' scenario. My officials have also met regularly with key industry representatives to discuss the issues, share our emerging thinking and to seek feedback on the proposals.

Following the decision to extend Article 50 until 31 October 2019, my officials have continued to work collaboratively with the UK Government and other Devolved Administrations to assess the scale of the impact on our agricultural industries. It is clear the sheep sector will be particularly vulnerable in the event of a 'no deal' exit, with around 35% of Welsh lamb currently exported, of which around 95% is destined for the EU and worth a total of £94 million annually.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Gohebiaeth.Lesley.Griffiths@llyw.cymru
Correspondence.Lesley.Griffiths@gov.wales

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Ministers from the four UK Governments have agreed to develop a UK scheme (delivered separately by each administration) for the sheep sector to provide consistency due to the interlinked nature of the markets and supply chain.

Since the extension to Article 50, my officials have reviewed the analysis on the impact of a 'no deal' exit on the basis of an autumn 2019 exit. The challenges the industry face in October are significantly different to those in April, with the new exit date falling during a key selling period where light lambs (which are generally exported to the EU) are introduced to the market. It would also fall just after an important period of breeding sales and breeding decisions for the following spring having already been made.

My officials have developed a suite of measures which are in addition to financial support. Whilst we can mobilise the resources we have available to help cushion the blow and mitigate short term issues, this will not eliminate the impact of no deal which will have medium and long term impacts.

These measures focus on helping businesses deal with the immediate pressures and respond to the opportunities of leaving the EU. This will be delivered through an integrated package of support which links closely to the wider support being offered to all businesses in Wales. I have included a summary of those below:

1. Crisis Payments

The preferred option of direct financial support, agreed by all Ministers at the EFRA Inter Ministerial Group (IMG), is a UK-wide breeding ewe headage scheme. The scheme would target producers who are likely to suffer (or suffered) low prices in 2019, or have made production decisions for 2020 ahead of EU exit. Compensating farmers for part of their market-loss would help partially support the viability of businesses and enable them to reassess their longer term plans.

This measure would be introduced under Article 219 of the rolled over EU CMO regulation, and would be administered by each Administration to be triggered in the event of a substantial decrease in sheep prices after a 'no deal' exit.

The delivery of any crisis payment is dependent on the availability of HM Treasury funding. We continue to work closely with the UK Government and other Administrations to submit a coordinated bid for Treasury funding.

2. Market Monitoring Group

A UK Agricultural Market Monitoring Group (UKAMMG) is being established under an arrangement between the UK Government and the other Administrations in order to coordinate analysis of market information from government, industry and other sources. The group will monitor developments in the main agricultural industry and consider responses to adverse market developments and provide recommendations if any interventions are required.

3. BPS support scheme

I have announced a new BPS support scheme for up to 90% of the anticipated BPS 2019 claim value. This follows a similar scheme in 2018 following the dry weather over the summer. A BPS support scheme would assist farmers with immediate cash flow issues arising from a no deal exit.

4. Farming Connect

Existing support measures are available to all agricultural sectors, including ongoing knowledge transfer and training aimed at business resilience and profitability through Farming Connect. These support measures will be refocused and prioritised in the event of a no deal exit.

5. Red Meat Benchmarking

The Red Meat Benchmarking project in 2018/19, funded through the EU Transition Fund, enabled participating farmers to receive a bespoke assessment of their farm's performance. It also enabled farmers to evaluate their business against their peers, and better understand their financial and technical performance. Individual surgeries were also arranged by Farming Connect for farmers to discuss and analyse their individual results with agricultural consultants.

The industry sector level report provides essential data on performance and production costs. Benchmarking against other farms can help businesses become more sustainable and better able to weather fluctuating commodity costs.

Further funding has also been allocated from the EU Transition Fund to provide further support to participating farmers who will receive a bespoke business plan and action report.

6. Supply Chain / Market Development

My officials are working closely with Hybu Cig Cymru (HCC) to invest in an Enhanced Export Programme to support the Welsh red meat industry to maintain key markets in Europe, as well as developing market access further afield.

It is necessary to improve domestic market demand for sheep meat, and discussions have taken place with the levy bodies, retailers, food services and processors, with the aim to increase public consumption of red meat.

7. Mental health awareness and support

I recognise the human impact that Brexit is having on a number of the sectors represented by my portfolio. The huge uncertainty that Brexit has brought about is causing mental strain for many individuals.

Last summer, in response to the exceptional dry weather, I announced that £500,000 in funding was being provided to three rural charities, which operate across all of Wales, to address the acute financial issues and knock on effect on mental health some farmers would face in the short term. A further £500,000 was recently announced by the Minister for Health and Social Services to develop the national and regional work required to tackle suicide and self-harm.

A Charities' Partnership has also been established to act as the main contact point for Welsh Government and rural charities, to share knowledge and expertise, identify ways to work collaboratively and to provide a strong coordinated position on mental health support within the agriculture industry in Wales.

I also recently announced funding of £47,000 for the DPJ Foundation, which raises important awareness of the issues surrounding mental health.

All Farming Connect front line staff and mentors, as well as the Welsh Government's Farm Liaison Service, have received training on identifying the signs of poor mental health and direct farmers to the relevant support.

8. Agri Alert

In a "No Deal" scenario the *Agri Alert* process will be used to gather clear intelligence at a local level from trusted advisers – how farmers are coping; are the animal welfare concerns which need addressing; what additional support should be provided for example. This would continue to inform policy design and mitigation of issues if and when they arise.

I recognise the biggest impact of a no deal exit will be on the sheep sector, I also acknowledge the above measures could equally support the other agricultural sectors. The Welsh Government will continue to monitor all agricultural sectors via the establishment of the UKAMMG and target support and investment where it is most needed.

I hope this letter assures the Committee as a Government we are fully aware of the issues facing our agricultural industry. Irrespective of the support we provide to help farmers, such support will not remove the fact the decision by UK Government to allow a no deal Brexit is to inflict unnecessary damage to Wales' rural communities which will be felt for decades to come. In the interim period, we are actively working with stakeholders and delivery partners (including the UK Government) to ensure mitigations are in place for known risks and we are able to respond appropriately to the challenges facing the sheep sector. Following a potential 'no deal' exit from the EU, the UKAMMG will closely monitor all agricultural sectors, providing informed decisions to advise on potential next steps and timescales.

I have copied this letter to the Chair of the Climate Change, Environment and Rural Affairs Committee.

Regards

A handwritten signature in black ink, reading 'Lesley Griffiths'. The signature is written in a cursive, flowing style with a large loop at the end of the last name.

Lesley Griffiths AC/AM

Gweinidog yr Amgylchedd, Ynni a Materion Gwledig
Minister for Environment, Energy and Rural Affairs