




# After Brexit: **10 key questions** for rural policy in Wales





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## After Brexit: 10 key questions for rural policy in Wales

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The Welsh rural economy is diverse but firmly grounded in Wales's rich natural environment. Although agriculture is an important industry for Wales, and the dominant land use, it is one part of a complex picture. Rural areas are seen very much as a place of work, including in National Parks and Areas of Outstanding Natural Beauty, where a careful balance is struck between a celebration of heritage and environmental values while maintaining and growing economic activity. The environmental value of the Welsh countryside is reflected in the designation of around 30 per cent of the land and marine area of Wales as protected landscapes or habitats.

Lamb is the food most readily identified by consumers as a typical Welsh product, but it is one of the most vulnerable sectors in the wake of Brexit. Changes to support payments and trade uncertainties are both threats to farming and its associated landscapes, particularly in the uplands. At the same time this is an attractive holiday destination that has benefited in recent years from growing markets for outdoor recreation and food tourism. Welsh cultural heritage and a strong sense of place and community are distinctive attributes that present opportunities for future growth in tourism and premium food marketing. However, there are varying levels of local need and capacity to act. It is questionable therefore whether the whole country can be treated uniformly in any approaches to support. Overall, the loss of European funding streams could have widespread and serious implications.

If rural areas of Wales are to flourish as communities and economic areas, policymakers will need to take a fresh and innovative approach to supporting new developments and industries. Working beyond the boundaries and traditional priorities of sectoral interests is a key means of promoting innovation. A more integrative and place-based approach, which acknowledges the diversity of rural stakeholders, could be particularly useful.





# 1

## What implications does Brexit have for Welsh agriculture and could/should policymakers aim to mitigate these effects?

The agricultural industry in Wales is dominated by small family farms with a mix of dairy, beef and upland sheep farming; with predominant low returns. Environmental constraints such as harsh climate and poor soils limit the ability of many farms to diversify into other forms of agricultural production. Support payments derived from the EU have largely underpinned business in many areas, whilst EU funding has also supported successive agri-environmental programmes, most recently Glastir. A study by the Wales Rural Observatory in 2010 found that 25 per cent of Welsh farms relied on the Single Farm Payment as their main source of income – rising to 32 per cent of sheep farms – and that one in five farmers would consider leaving farming if subsidies were substantially reduced. Part time farming of smaller holdings where household income relies upon other family members' jobs off the farm is increasingly common. This employment is often in the public sector which has been hit by austerity, increasing the vulnerability of farm households. Brexit could lead to significant changes in the structure and amount of support payments available to farmers, while changes to trading arrangements with the EU (overwhelmingly the biggest destination for lamb exports) could have very significant impacts on the value of lamb. Collectively, these factors could have notable adverse effects on rural communities in Wales, reflecting the contribution of farm supply chains to local economies and the significance of farming networks to the Welsh language. If the Welsh Government is committed to supporting economically active communities in rural areas, consideration will need to be given to the impact of policy changes on these complex patterns of interconnectivity.

Policymakers need to consider:

- Can upland farming survive as a viable industry in Wales if support payments are significantly reduced or discontinued?
- Could producers be supported to diversify into alternative sectors or industries where possible?
- How can rural populations be helped to prepare for harsher financial conditions?
- Could a more mixed plurality of activity, particularly for upland areas, including more tourism and leisure facilities, and renewable energy, help to provide a secure future for rural communities?
- How can Welsh agriculture capitalise on its high production standards to generate a premium, high-value product, whilst maximising synergies (and market opportunities) for increasing environmental wellbeing?
- What actions are or will farmers themselves be taking to reduce risk and ameliorate the effects of Brexit, and should the Government take any action to address possible negative effects such as unsustainable intensification?

## 2

## Should agriculture and the provision of environmental goods in Wales be considered together after Brexit?

Implementation of the Common Agricultural Policy in the UK has separated support for agriculture from the policy designed to grow the wider rural economy, while environmental protection has been an “add on”. Brexit could provide an opportunity for more integrated policymaking. Throughout the UK there have been indications that there is a growing appetite among the public and policymakers to consider alternative, more radical approaches to support the environment. Wales provides important public goods for other parts of the UK (water, carbon storage, biodiversity, flood management) and payment for such provision could be considered as part of a larger package.

Policymakers need to consider:

- To what extent could payments for public goods provision (eg biodiversity, clean water, carbon storage, iconic landscapes) replace or supplement income from agricultural production, particularly in upland areas?
- What kinds of support could be considered to reward and secure the provision of such goods?
- To what extent do we need to offer more directed, outcome-based payments for public goods? Is there still justification for a base level of support to producers?
- Should support come primarily from the public sector? What is the role for public/private and third sector partnerships and how might this be initiated?
- Could businesses such as utilities, and major food chain companies which currently have a critical stake in the Welsh rural economy, play an enhanced role in the governance of public goods?
- Can the positive links between health and environment be maximised, using for example pooled budgets under the framework of the Wellbeing of Future Generations Act?
- How can stakeholder groups be involved in decision making and planning to better connect the supply and demand for public goods?
- To what extent is support for training, knowledge exchange and collective learning required to facilitate the active engagement of farmers and other stakeholders in transitions towards land management for public goods?
- How much does the public understand about the implications of changing funding for different kinds of land use? Is an information campaign required to explain and secure public support for policy changes?

## 3

## How can development policy be integrated across the range of rural needs?

The majority vote for Brexit in Wales resulted from a range of factors, including perceptions of economic and political marginalisation in many rural and ex-industrial communities. Support for Brexit among farmers in Wales in part reflected dissatisfaction with bureaucracy and regulations associated with administration of the CAP. Since the referendum, coverage of proposals to reform agricultural support has brought the levels of subsidy that prevailed under the CAP to greater public attention. There have been arguments for and against continuation of such support in the media, and decisions around public subsidies for agriculture must be placed in the context of a reduced Welsh Government budget and cuts in funding for public services. Brexit arguably presents an opportunity for a wider conversation among policymakers, stakeholders and the public about the sustainability of rural communities and how public resources might best be deployed to support their social and economic development.

Policymakers need to consider:

- How might EU funding and support for rural communities, currently delivered through the EAFRD (Rural Development Programme for Wales), the ERDF and the ESF (West Wales and the Valleys LDA and East Wales MDA), be replaced?
- Should there be more integration of planning and support for agriculture, environmental management, rural development and the provision of public services in rural communities (eg health, education, public transport) in an holistic rural policy?
- Is there a case for redirecting agricultural subsidies towards subsidies for rural community services and infrastructure (eg schools, health services, libraries, public transport, social services, broadband infrastructure)?
- Should funding be targeted at particular communities or be available to all rural communities in Wales? Is there a need for particular policies and programmes targeted at upland communities? Should funding allocations be linked to measures of socio-economic and spatial inequalities?
- What role should local authorities and local communities play in decision making on funding and the delivery of rural development actions?
- Do we have a sufficient evidence to make informed decisions about the targeting of rural development support in Wales, and how might this be enhanced?

## 4

## Will Brexit offer new opportunities for the Welsh food and drink sector and how could these be developed?

Food and drink represents a significant industry within the Welsh economy, worth £6.9 bn and employing over 240,000 people across the supply chain. Nearly 90 per cent of food exports go to the European Union. Brexit will bring both opportunities and threats for the sector. The UK is likely to develop a national framework while competencies could be devolved to the Welsh Government. It is unclear what the implications will be for quality designations if we lose European protected status for Welsh produce, or how any development of such labelling within the UK might be facilitated or supported. Fifteen Welsh food products have European-level protected status (PGI) at this time. On the other hand, a volatile exchange rate may encourage more sourcing of supplies from within the UK and unexpected opportunities may occur.

Policymakers need to consider:

- What might be the implications of proposed models for future trade and customs relationships between the UK and the EU for exports of food and drink from Wales, and what consequential actions may be required from the Welsh Government?
- What challenges and opportunities for the Welsh food and drink sector might arise from new trade agreements between the UK and other countries after Brexit?
- Where will responsibility for food governance reside with the return of powers from the EU? What will be the responsibilities and competences of the Welsh Government vis-à-vis the UK Government?
- How might local quality designations be maintained, reinstated or redesigned after Brexit to benefit the Welsh agri-food industry?
- How could such designations fit with Brand Cymru/Wales and be woven into support for the Welsh tourism industry? Who should take the lead?
- Will there be new market opportunities, not only in artisan, but also in mid-range areas of food production, for example for cheese and other dairy produce?
- How can the Welsh Government facilitate the growth of processing capacity to add value to these products?
- Can the Welsh Government work with processors and retailers to develop a stronger vision for Welsh produce, 'from farm to fork', building on established priorities for sustainability?



## 5

## What opportunities are there for new or alternative products from the land in Wales?

Brexit may offer opportunities to rethink land use, or provide new uses for current produce. Increased opportunities may open up for home-grown horticultural produce if imports from countries such as the Netherlands become more expensive.

Alternative home-grown crops such as native trees could become more attractive to domestic markets as biosecurity regulations on imports are tightened. At the same time there may be cultural barriers that need to be overcome if changes to land use are widely implemented. Wales is a fruitful source of sustainable energy but hydro, solar and wind power developments can attract opposition. Similar challenges arise in relation to potential growth in other sectors such as conifer plantations or intensive poultry or dairying, all of which might be favoured in a post-Brexit UK market, but could raise potential aesthetic and environmental issues.

Policymakers could consider:

- How could the Welsh horticultural industry be expanded?
- Is there potential for increased numbers of small direct sales and vegetable box schemes and how could such enterprises be supported?
- Is there potential for developing a high quality market for wool and other fibre such as cashmere? What lessons could be drawn from countries such as New Zealand?
- Could sustainable energy play a larger role (eg wind, solar, micro hydro schemes) in supporting communities as well as individual land owners?
- What role might there be for expanded commercial forestry? How could woodland creation schemes be supported and what response might this meet with from the public?

## 6

## How might Brexit affect demographic trends in rural Wales?

Debates around migration were a key feature of the EU membership referendum and were often divisive. Rural Wales has experienced lower levels of immigration overall by EU nationals than many other parts of the UK, but the EU migrant population is nonetheless significant in certain localities and in particular sectors, including food processing and healthcare. Uncertainty around the future status of EU nationals in the UK, and possible restrictions on future migration from the EU, presents challenges for forward planning in these sectors and could lead to labour shortages in key occupations in rural Wales. At the same time, migration issues in rural Wales also concern migration within Wales and the UK, particularly to and from traditional Welsh speaking areas. If Brexit were to result in the further contraction of economic opportunities in north and west Wales it could exacerbate trends of out-migration of younger Welsh-speaking residents from these areas to larger towns and cities, notably Cardiff, thus further depleting the critical mass of Welsh speakers in 'heartland' districts. Equally, the revival of Welsh language culture and identity has been positively supported by membership of the European Union and community projects funded by the EU.

Policymakers need to consider:

- What impact may proposals for changes to the freedom of movement between the EU and UK have on employment in key sectors in rural Wales?
- How might potential labour shortages be addressed through recruitment within Wales or the rest of the UK? How might the Welsh Government work with employers to facilitate local recruitment?
- To what extent can the Welsh Government work with the UK Government to ensure that the interests of rural Wales are reflected in future immigration policy?
- What impacts may changes to the economy of rural Wales after Brexit have for migration to and from rural communities, including majority Welsh-speaking communities? What might be the implications for the use of the Welsh language in traditional 'heartland' areas?
- How might support for Welsh language and cultural initiatives from EU funding programmes be replaced?
- Can different rural populations be reconciled after the Brexit vote?



## 7

## How can we avoid rural areas losing out to urban centres in future funding support?

Wales has been a net beneficiary of funding from the EU and is unlikely to gain significant advantage from any 'Brexit dividend'. The fiscal model adopted by the UK for distributing any funding repatriated from the EU between the devolved governments will be critical in determining whether the Welsh Government receives the equivalent of current levels of funding from the EU, or whether there is an increase or decrease in real terms. Furthermore, decisions about whether to replace current EU funding programmes will be made in the context of several years of austerity policies that have reduced the overall Welsh Government budget and resulted in funding cuts in areas such as education and social services, including in rural communities. EU membership has in effect ring-fenced funding in areas such as agriculture and rural development, protecting them from the effect of austerity. However, post-Brexit, the allocation of funding to these sectors will come under greater scrutiny, with likely political pressure to direct more funding to public services, especially health. Given the distribution of the population of Wales and hence demand on public services, any such redirection of funding would probably have the effect of reducing public spending in rural Wales relative to urban districts.

Policymakers need to consider:

- Will the Welsh Government be able to justify continuing funding to support farmers and rural development if public services are being cut throughout the country?
- How can the benefits of a vibrant rural Welsh economy be measured and demonstrated?
- Will further centralising of services in urban areas drive further depopulation in rural communities?
- How can employment opportunities be grown in rural areas and how can infrastructure including broadband and mobile networks help?
- Would a revived cross-sectoral Wales Rural Forum/Partnership play a useful role in representing rural interests and informing funding decisions?
- How might the UK Government's proposed Shared Prosperity Fund contribute to investment in rural Wales, and how might this be aligned with Welsh Government priorities and funding?





## 8

## How can the positive links and relationships between rural and urban areas be nurtured?

Rural areas in Wales have a strong sense of their own identity as working communities but cannot thrive in isolation. Rural production is largely driven by urban demand and urban areas provide many of the services rural populations need to access. For people living in urban centres, rural areas provide not only food and other produce but also places for leisure and tranquillity. Some rural residents will be commuting to work in towns and cities. These linkages are important but can result in conflicts over landscapes and priorities.

Policymakers need to consider:

- What should Welsh priorities be for the countryside – is it an area of production or a playground for urban as well as rural dwellers? Can it fulfil both functions?
- What considerations of environment and heritage landscapes need to be taken into account?
- What role does human and social capital play as well as natural and environmental capital in making the countryside attractive to visitors?
- What facilities do rural areas need in order to maintain important flows and linkages with urban centres?
- What priorities still need to be met, eg broadband and mobile connections for the most difficult to reach rural populations – and how can need and costs be balanced?
- How can investment in connectivity such as broadband facilitate public sector service delivery to rural areas and ultimately save money?
- How can Welsh rural businesses be supported to develop urban markets beyond Wales in the UK and abroad?





## 9

## How can rural development be supported and encouraged across the whole of rural Wales after Brexit?

Through the Wales Rural Development Programme, EU funding has been available to all rural communities in Wales and has generally been distributed competitively rather than through a needs-based formula. This has included the various iterations of LEADER, which has enabled a range of local projects to promote community development and social inclusion. Additionally, rural areas in the West Wales and the Valleys region have, since 2001, been able to draw on the highest level of European Regional Development Fund support (previously known as 'Objective 1' or 'Convergence Region' funding), though this has not been available to rural areas in East Wales. Brexit creates the opportunity to rethink the model for targeting economic development support in Wales, presenting both opportunities and challenges for rural communities. A move towards distribution models based on indicators of deprivation, for example, would be likely to disadvantage rural communities, with dispersed patterns of rural poverty not adequately captured by the statistical measures used.

Policymakers need to consider:

- How can all rural areas in Wales be enabled to fulfil their economic potential?
- Should funding be driven by open competition, economic development or measures of deprivation? Can patterns and pockets of rural deprivation be appropriately measured to ensure a fair distribution of funding?
- How can economic development needs be measured and support targeted?
- How can policy be tailored to the different geographical and cultural areas?
- Could a renewed Welsh version of LEADER that was enabled to create partnerships with business and the public sector provide a catalyst for rural growth?
- Could Natural Resources Wales and the National Park Authorities play a more active role in both social and economic development?



## 10

## How can policymakers support new and innovative industries to establish and also remain in Wales?

Human capital and resources are needed to drive innovation in rural Wales and this is particularly true in the key market towns. Designating economic zones and provision of shared facilities can only have positive outcomes if there is buy-in from stakeholder communities. If rural areas in Wales are to grow economically, policymakers and rural residents need to be considering new and emerging industries and nurturing crowdfunded innovative start-ups that could grow into major employers.

Policymakers need to consider:

- How can communities be involved in promoting more organic economic development in rural areas?
- Are there trusted individuals or groups who can take the lead?
- How can these kinds of initiatives be tailored to specific areas with varied histories and needs?
- How can policies capture the multifunctional value of rural areas?
- What emerging industries could be the potential winners for rural areas over the next 20 years?
- How can innovative start-ups be encouraged to base themselves in rural Wales?
- How can Wales ensure their rural workforce is upskilled for the needs of the future rather than the past?
- How can companies be incentivised to grow and then remain in rural areas of Wales?
- What lessons could be learnt from other rural areas in the UK and beyond?

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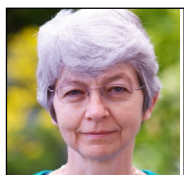
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The **Centre for Rural Economy** was Established in 1992 at Newcastle University and specialises in interdisciplinary social science and applied policy research oriented towards the achievement of sustainable development in rural areas. Topics covered include rural employment, rural policy, farmer and consumer behaviour, rural tourism, environmental management, and rural communities and organisations. Drawing on a team of over 50 social scientists, including economists, geographers, sociologists, food marketers, political scientists and psychologists, it is one of the most significant groupings of rural social scientists in Europe. In 2013 the excellence of its research and teaching was recognised by the award of a Queen's Anniversary Prize for Higher and Further Education.

The **Centre for Welsh Politics and Society** is a new interdisciplinary research centre at Aberystwyth University aimed at developing our understanding of contemporary politics and society in Wales in the context of an inter-connected world, supporting and delivering world-class research in the social sciences, and contributing to public knowledge and debates and policy development in Wales. The Centre builds on the established reputations of the Institute of Welsh Politics and the Wales Institute of Social and Economic Research, Data and Methods (WISERD) at Aberystwyth University, and brings together geographers, political scientists, psychologists and historians as well as social scientists from related departments with an interest in Wales. It also functions as the Aberystwyth arm of WISERD, providing links with social scientists at Bangor, Cardiff, South Wales and Swansea universities.

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