

Farmers' Union of Wales' response to a consultation on Natural Resources Wales' regulatory fees and charges for 2023/24

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About the FUW

The Farmers' Union of Wales (FUW) was established in 1955 to exclusively represent the interests of farmers across all of Wales, and since 1978 has been formally recognised by the UK Government, and subsequently by the Welsh Government, as independently representing those interests.

The FUW's Vision is for thriving, sustainable, family farms in Wales, while the mission of the Union is to advance and protect Wales' family farms, both nationally and individually, in order to fulfil the Union's vision.

In addition to its Head Office, which has thirty full-time members of staff, the FUW Group has around 80 members of staff based in twelve regional offices around Wales providing a broad range of services for members.

The FUW is a democratic organisation, with policies being formulated following consultation with its twelve County Executive Committees and eleven Standing Committees.

Having consulted with its membership through the above structure, the below response is offered for your consideration.

Comments and observations in the consultation document on the proposed regulatory fees and charges for 2023/2024 refer specifically to sections of relevance to the agricultural sector and of importance to the membership.

These sections include the Agricultural, Forestry and Fishing sectors and the Water supply, sewerage, waste management and remediation activities sectors.

General comments

Members were universally and genuinely astounded by many of the proposed increases in NRW regulatory charges for 2023/24.

The FUW believe there was a general lack of information and evidence in the consultation to justify the cost recovery. Despite pre-consultation stakeholder engagement that offered a basic organogram to show what data and costs were modelled, numerical figures were missing to support the charge proposals. Members questioned whether NRW had seriously undertaken an exercise to reduce its own business costs within the modelling exercise as, for example, they witnessed expensive excavators sitting idle for months on end. This could not be justified if the machines were either owned or rented within any business.

Furthermore, there appears to be no efforts to explain what was undertaken to streamline processes and reduce administrative inefficiencies to help balance the £3 million deficit.

Members also questioned how the proposed cost was so high, when in their experience application processing appeared to be a desktop exercise by a member of NRW staff in an office using mapping data, with farm assurance and cross compliance effectively policing the regime on a day to day basis, unless a pollution problem was reported.

Members stressed that a more holistic approach was required when considering charge levels, as there is a wider public benefit derived from animal health and welfare policies. This justified at least a proportion of the cost being paid for by the public purse as used to be the case. Other countries do not charge their farmers (and those who are in direct competition with Welsh and UK food producers) anything like such high levels for similar services.

Despite the consultation document acknowledging and referencing a joint document from the Farming Unions in August 2022, which *“clearly highlighted impacts from the 2022 prolonged dry weather and drought, and the impacts of the Ukraine war on fuel, energy, fertiliser and feed prices”*, there appears to be no understanding of the sector’s ability to meet price hikes of this magnitude. For example, The Andersons’ Centre’s Agflation estimates include an index of Agricultural Outputs prices. The July 2022 estimates put Agflation at 23.5% annually, more than double that of agricultural outputs (10.1%) at the time.

Impact Assessment

The Consultation on NRW Regulatory Fees and Charges 2023/24 Impact Assessment document provided at the FUW’s request, regularly states that a small number of farms will be impacted by these proposals. However, this is scant consolation to each individual farm business.

The FUW notes that the Impact Assessment acknowledges that *“NRW will look to improve data collection across our permitting and licensing data systems, to build resilience and improve our understanding for future charging reviews.”* Members believed that this exercise should have been undertaken in advance of proposing eye watering charge increases.

It also notes that the Impact Assessment is based on 13,160 enterprises identified by the Office for National Statistics out of the 24,677 active farms in the Farming Facts and Figures Wales 2021, and that this could lead to a distortion of the analysis based on farm turnover.

The FUW would also question the assumption that farms of different scale and farm incomes are equally likely to apply for environmental permits, as farms with larger turnovers are more likely to have the resources to manage the increased costs and processes. This assumption could skew the impact assessment analysis.

In businesses with relatively low turnovers (e.g. ONS classification <£49k), members noted a move towards a higher impact from introducing the new proposed charges, compared to the impact at the existing charges. For example, existing landspreading charges for businesses with a turnover of less than £49k will increase from 1.6% to a proposed 14.9%. It is also worth noting that this group comprised 46.7% of the holdings analysed.

The FUW would appreciate an explanation of why charges are skewed against smaller producers especially as mentioned below the Welsh Government are encouraging diversification in the agricultural sector.

Charge modelling methodology

The document explains how NRW's Strategic Review of Charges (SRoC) team calculated full cost recovery for recently published permitting charge proposals, using Welsh Government's guidance 'Managing Welsh Public Money' (MWPM). Similarly, the pre-consultation document shared with stakeholders of the Charge Payer's Consultative Group outlined how the costs and charges were modelled and calculated.

However, given the proposed increase of 3810% for a substantial variation of a land spreading permit for sheep dip, members questioned whether it was the same model used to calculate costs at the last iteration. If so, what has happened to the direct costs, enabling services overheads and capital finance charges of NRW since then to justify such proposals? The FUW would like to request publication of the actual figures used from the Charge Model at both the last iteration and for the proposed charges in 2023/24.

Members noticed how little variation existed in the percentage figure that direct costs made of the total cost across different permits, considering the different demands of producing permits for land spreading, intensive pig and poultry units and anaerobic digestion.

It was also mentioned that if direct charges and overhead costs made up the bulk of the overall costs, how when using the MWPM guidance was there justification for

enormous cost rises during the Covid-19 pandemic when NRW's overhead costs and staff surveillance was significantly reduced.

Intensive rearing of pigs and poultry (IRPP)

FUW members questioned the scale of proposed rises in charges at a time when the poultry sector has and continues to face the challenges of an Avian Influenza outbreak, requiring the mandatory housing of flocks for up to 16 weeks, increased feed costs from global supply problems - all leading to more than 5.5 million dead or culled birds since October 2021.

The FUW believe that abolishing a higher rate for producers above the eighty thousand bird threshold would discriminate against small intensive poultry producers. At present, producers between the 40k exemption threshold and the higher 80k threshold benefit from lower rates.

Similarly, the pig sector has over the last few years faced unprecedented challenges from a labour shortage in abattoirs such that pig producers were unable to process pigs off the farm. Many farms were forced to humanely destroy pigs on the farm with dire financial consequences.

Agriculture and Horticulture Development Board (AHDB) data show costs of production through October to December 2021 averaged £177 a pig, while selling prices averaged £138 a pig. The National Pig Association (NPA) also requested an extension to the Slaughter Incentive Payment Scheme (SIPS) in order to continue to reduce the backlog of pigs on UK farms, alongside growing concerns with regards to increases in input costs.

Intensive Rearing of Pig & Poultry - New Application

Members could not understand how increases of this magnitude could be introduced at one stroke. They could not support proposed percentage increases in permits such as:

New	-9% to +27%
Substantial Variation	+45% to +107%
Normal Variation	+1,334%
Minor Variation	+574%
Full Transfer	+570%
Full Surrender	+474% to +1354%

Members noted that many farmers would face additional habitat assessment charges, adding a further £1670.

Some members expressed concern that a conflict could arise between more habitat assessments and their ability to claim future payments through the Sustainable Farming Scheme for habitat restoration and management.

Some respondents questioned how permit variations were selected, classified, monitored and whether stakeholders were ever consulted or could farmers appeal.

Members were at a loss to understand how these astonishing price rises (in what is accepted in the Impact Assessment as a subsidiary sector in Welsh agriculture) supported the Welsh Government's aspirations in the Sustainable Farming Scheme, to develop mixed farms, new marketing opportunities, market diversification and increased farm resilience.

One member asked how a new proposed charge of £595 for Administrative Variation could be warranted, when elsewhere in the consultation document a time and material charge was stated as £125 per hour. It was questioned whether it takes 4 hours to vary the administration details of a permit.

Land spreading of sheep dip

The FUW have for a long time participated with other stakeholders in the Sheep Scab Industry Group to develop control measures for sheep scab and other ectoparasites, in the national flock.

Sheep scab is a major concern for sheep farmers as it has a significant impact on the health, welfare and productivity of affected animals. The effects of sheep scab infestations and poor welfare can possibly lead to eventual death, with economic losses amounting to approximately £8 million per year in the UK.

Two types of treatment are available to farmers to control and treat sheep scab, plunge dipping with organophosphate dips (diazinon) and endectocides (injectables 3 - ML). Dipping used to be compulsory but since this ended, it has been estimated that sheep scab has increased 60 fold in the UK sheep flock.

The FUW Animal Health and Welfare Committee regard the availability of plunge dipping with organophosphate dip (OP) to be an essential and most effective tool for the farmer to control and treat sheep scab and other ectoparasites.

The agricultural sector is continually policy driven towards more sustainable farming systems, which includes less use of antibiotics, anthelmintics and medicines. However, with the proposed increased costs for the disposal of used sheep dip, many farmers will resort to using more injectables to control sheep scab, even though most farmers perceive this to be an inferior control measure, and it risks developing pathogen resistance from increased exposure to the drug.

Therefore, members felt that the introduction of the proposed charge increases listed above will introduce a barrier to use dipping and have severe implications on efforts to eradicate sheep scab in Wales. It was noted that this may have further implications on cross border farms with England.

Unfortunately, this may coincide with other efforts to control sheep scab, such as the three year contract the Welsh Government recently awarded Coleg Sir Gar to support the industry to eradicate sheep scab in Wales. Furthermore, these exorbitant increases, if introduced in 3 months time, would allow farmers precious little time to adapt, at a time when the industry already faces so many other challenges.

Members expressed concern that increased charges to dispose of carcasses or wash water to land during an animal disease outbreak would further increase animal health and water quality issues. They questioned how during a disease breakdown when restrictions can be applied at short notice, for example during an Avian Influenza (AI) outbreak, could a producer apply for a landspreading notice to dispose of the disinfected wash waters within an appropriate timescale.

Farmers acknowledge that OP dips should be used, stored and disposed of responsibly and that regulation has a role in this, but fears were expressed that the introduction of such eye watering increases could result in some farmers operating irresponsibly, outside of the regulations, with negative impacts on the environment.

Some members hire the services of contractors to carry out mobile dipping and disposal of the diluted sheep dip. Concern was expressed that some contractors may well see reduced customer numbers in certain areas, and as a consequence withdraw from providing such services altogether. This could further exacerbate industry efforts to control sheep scab.

Members questioned whether there is a need to annually assess a sheep dip disposal site as at present, is there a need for an annual licence, and why is there a charge for bringing a permit to an end.

Questions were raised about the standard of service provided, with many members raising concerns on the delays experienced following permit applications, or requests for additional information, being far greater than promised.

Members noted the value of pesticide disposal schemes operated by water companies to the agriculture sector and to the environment. They wondered why this could not be considered by NRW to dispose of waste sheep dip.

Water abstraction and impoundment

Despite the application numbers per year being low, members struggled to comprehend the introduction of the proposed charges as listed below.

New Bespoke	322% to 4,586%
Full Variation	221% to 3,463%

Members also noted new proposed significant charges below:

Simple Variation	£1,357
Habitat Risk Assessment	£917
S32 GIC	£1,903

Despite the exemption from abstraction charges for water from inland sources for volumes of less than 20m³ per day, members thought that during dry years such as 2022, farmers would require additional volumes to support their businesses, but would be discouraged from applying for an abstraction licence.

During the five months from March to July 2022, Wales received 61% of long term average rainfall. The only other drier periods in the past 100 years occurred in 1976 and 1984. The majority of farmers across Wales were impacted by the prolonged period of dry weather in 2022 in one way or another. Some farmers might need to abstract water for livestock or irrigation above the exempted 20m³ threshold, but charges at this level would discourage farmers even further to apply for a licence.

Members expressed concerns that with the forecast of drier summers and the water shortages as seen during 2022, it was likely that the agricultural industry would need to address how it stored water during the wetter months for use during the drier months, which would include winter abstractions for storage in ponds/reservoirs. However, the proposed licensing costs would make many businesses think twice.

Once again NRW proposals appear to be working against wider government policy due to a lack of communication and joined up thinking.

Reservoir registration

Members noted the below changes, and although they only impacted on few farmers and for reservoirs above 10,000m³, they wondered whether increases of this magnitude (Percentage change Registration of new reservoir +48%) would deter farmers from building reservoir structures on farm, in order to improve farm resilience.

It was noted that the Welsh Government were proposing some optional actions within the Sustainable Farming Scheme that will support farmers to create new reservoirs and irrigation ponds, install water harvesting, reuse equipment and install clean and dirty water separation infrastructures. All of the above actions would increase farm resilience during the drought conditions experienced in 2022, yet this NRW proposal would work against farmers taking these steps.

As mentioned above, the farming sector faces numerous challenges on many fronts and this can impact on the well-being and mental health of FUW members.

To conclude, the FUW does not accept that these proposed increases in charges highlighted above are proportional and fair.