

## Response – 1a

### Background

The data below was used to calculate the proposed payments under the Habitat Wales Scheme.

This data was sent to ADAS, the UK's largest independent provider of agricultural and environmental consultancy, policy advice, and research and development, for verification. ADAS provided its comments (in italics) and approval of the data and comments have been included in this response, to evidence how the decision of £/ha was reached.

### Habitat Wales Scheme payment rate – Habitat land

#### Gross margin assumptions (sheep enterprise)

Farm Business Survey results:

	2019/21	2020/21	2021/22
Average for Hill sheep	£30.87	£42.16	£55.17
Average for Upland sheep	£40.91	£52.93	£75.56
Average for Lowland sheep	£48.63	£61.79	£89.38
<b>3 year average</b>	<b>£40.13</b>	<b>£52.29</b>	<b>£73.37</b>

The average Gross margin for the upland data averaged over three years is **£56.46**  
This is used as the basis of income forgone calculation.

A reduction of 1.0 ewe / ha is included in the income forgone calculation.

*ADAS comment: A reduction in stocking rate proposed of 1 ewe/ha for the income foregone calculation is considered reasonable assumption to represent a one payment system to cover for the many different options under the present Glastir scheme.*

<b>Management actions on permanent grassland / habitat land, managed with no inputs.</b>		<b>£69.46/ha</b>
Assumed mostly on semi-improved and reduction from 5.6 ewes / ha to 4.6 ewes / ha.		
Diary 0.30hr@£15	7.50	£7.5
Reduced GM on 1 ewe @56.46	56.46	£56.46
Management to control sward and weeds. Additional topping to manage sward height. Third of area topped/ year@ £29.10 / ha	10.00	£10
Less saving on interest on capital @£4.50 per ewe (Ewe value at sale £90, interest rate @ 5%)	-4.50	-£4.50
1 year re-imburement	69.46	£69.46
Intervention rate	99.33%	£69.00

Payment rate of £69.00 / ha is offered for all non-woodland habitat land.

## Habitat Wales Scheme payment rate – Woodland Habitat

The following summarises the assumption used in calculating the payment rate for the management of woodland habitat, 2024 (Woodland/Scrub/Orchard/Individual trees/Wood pasture)

### Gross margin assumptions (sheep enterprise)

Farm Business Survey results:

	2019/21	2020/21	2021/22
Average for Hill sheep	£30.87	£42.16	£55.17
Average for Upland sheep	£40.91	£52.93	£75.56
Average for Lowland sheep	£48.63	£61.79	£89.38
<b>3 year average</b>	<b>£40.13</b>	<b>£52.29</b>	<b>£73.37</b>

The average Gross margin for the upland data averaged over three years is **£56.46**  
This is used as the basis of income forgone calculation.

### Payment calculation:

<b>Management actions – Woodland stock excluded</b>		<b>£60.91 / ha</b>
Assumed average stocking density of 2.0 ewes/ha if woodland is grazed.		
Diary 0.30hr@£15	N/A	£0.00
Reduced GM on 2 ewes @55.26 per ewe	56.46	£112.92
Management to control sward and weeds. Additional topping to manage sward height. Third of area topped/ year@ £29.10 / ha	Na	£0.00
Less saving on interest on capital @£4.50 per ewe (Ewe value at sale £90, interest rate @ 5%)	9.0	-£9.00
1 year re-imburement		£103.92
Intervention rate: TBC	60%	£62.00

Habitat Wales Scheme will not require woodlands to be stock excluded. The proposed payment rate is based on stock exclusion.

Intervention rate applied due to no stock exclusion requirement.

Payment rate of £62.00 / ha is offered for all eligible woodland habitat.

*ADAS Comment – There is little data available on stocking rates of sheep kept in grazed woodland. Therefore, the original assumption used of 2 ewes/ha reduction in the budget above is still valid with the proposed percentage reductions.*

## Habitat Wales Scheme payment rate – Commons

Model will remain the same as Glastir Commons, with a single management payment and additional payment for stock reductions.

### Commons Management

Management actions on Commons		£24.88 / ha
Based on Glastir calculations for Grazing Management of Open Country Average number of sheep per hectare - reduce stocking rate by 0.207 Isu = reduction of 1.38 ewes / ha		
Diary 0.1hr@£15	1.50	£1.50
Reduced GM on 1.38 ewe @£56.46 (GM for hill ewe used.)	56.46	£77.91
Management to control sward and weeds. Additional topping to manage sward height. Third of area topped/ year@ £29.10 / ha	NA	NA
Less saving on interest on capital @£4.50 per ewe (Ewe value at sale £90, interest rate @ 5%)	-4.50	-£6.21
		£73.20
Intervention rate	34%	<b>£25</b>

- Intervention rate of 34% applied.
- Annual management payment of **£25 / ha** for all common land.
- Stocking rate is highly variable.
- No transactional costs are proposed for Habitat Wales Scheme.
- No additional requirements put on commons; requirement will be to maintain existing management.

*ADAS Comment – The Glastir option of grazing management of open country was based on the FBS average gross margin upland ewe data. The revised figures for the average years 2019/22 being £56.46/ewe.*

### Management Payments

#### 1. Stock management

Stock management on commons		ADAS comments
Labour costs £15 / hr	£15	Accepted
Additional labour required to monitor sward and manage livestock. (hr/ha/yr)	£22.5	1.5 hrs accepted
Intervention rate @ 66%	<b>£15</b>	Accepted

### Considerations:

- No change to payment rate proposed.

## 2. Mixed grazing

Stock management on commons		ADAS comments
Labour costs £15 / hr	£15	Accepted
Additional labour for management of mixed grazing (hr/ha/yr)	£15	1hrs accepted
Intervention rate @ 80%	<b>£12</b>	Accepted

### Considerations:

- No change to payment rate proposed.

## 3. Reduce stocking.

Reduce stocking		ADAS comments
Gross margin per ewe (£/ewe/yr)	£42.73	Upland FBS ewe rate £56.46
Glastir assumed reduction of 1 LU / ha		
Number of ewes per livestock unit	6.66	6.66 accepted
Loss of gross margin per livestock unit (£/ha/yr)	<b>£284.58</b>	£376.02
Less saving on interest on capital @£4.50 per ewe (Ewe value at sale £90, interest rate @ 5%)	<b>-29.97</b>	-£29.97 Accepted
	<b>£254.6</b>	£346.05

### Considerations:

- Assumptions from stocking rate reduction (LU/ha) taken from Glastir costings.
- Management of commons will remain the same as Glastir.
- Hill sheep GM used (all Commons would be hill sheep and low productivity)
- This is a reduction in payment rate from £267 to £254 / ha.
- An intervention % rate could be applied but current position is to support stock reduction at 100%

*ADAS Comment – previous Glastir figures have been based on the upland ewe FBS gross margin data as some commons are situated in the lowlands. The current average upland ewe gross margin for the years 2019/22 is £56.46/ewe.*

*Based on the upland ewe rate the intervention rate would need to 73.5% to correspond with the £254.6 figure in the above table.*

### Post verification summary:

	<b>Maximum payment</b>	<b>Intervention rate</b>	<b>Habitat Wales Commons payment</b>
<b>Management payment</b>	£73.20 / ha (Revised following ADAS comments)	34%	<b>£25 / ha</b>
<b>Stock management on commons</b>	£22.50	66%	<b>£15 / ha</b>
<b>Mixed grazing on commons</b>	£15.00	80%	<b>£12 / ha</b>
<b>Reduce stocking on commons</b>	£346.05	75%	<b>£259 / LU</b>

- Reduction in management payment proposed.
- Stock management payment, mixed grazing and stock reductions maintained at similar payment rated to Glastir Commons.
- There is an argument to use a lower GM figure than recommended by ADAS, Hill sheep average would be a fair reflection of livestock returns on commons, however, ADAS recommendation maintained, with higher intervention rate to reflect the change.

### **Gross margin assumptions (sheep enterprise)**

Farm Business Survey results:

	<b>2019/21</b>	<b>2020/21</b>	<b>2021/22</b>
Average for Hill sheep	£30.87	£42.16	£55.17
Average for Upland sheep	£40.91	£52.93	£75.56
Average for Lowland sheep	£48.63	£61.79	£89.38
<b>3-year average</b>	<b>£40.13</b>	<b>£52.29</b>	<b>£73.37</b>

Three-year average for Hill sheep = **£42.73**