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Sustainable Farming Scheme Wales

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Introduction

The Welsh Government published its final proposals for the Sustainable Farming Scheme (SFS) on 15 July 2025. It will replace the Basic Payment Scheme (BPS) and is said to be a "truly landmark moment for Welsh agriculture". The government says the SFS is "a big change from the existing BPS, but it is a change it believes will be good for farming, for food production and for the environment".

It aims to support farmers and land managers in Wales by promoting sustainable agricultural practices that deliver public goods, enhance biodiversity, and contribute to climate change mitigation. There have been some changes from the initially proposed SFS, e.g. the number of universal actions has been reduced (from 17 to 12), and the government has revised its position on trees (the proposal was for 10% tree cover) and in several other areas to make sure the actions are achievable by all.

The SFS will begin on 1 January 2026. The application will be available on the Single Application Form (SAF) via Rural Payments Wales (RPW) Online from March until 15 May. From 2026, farmers and land managers will have the choice to either enter the SFS or remain with the BPS. However, once participation in the SFS is chosen, it is not possible to revert to the BPS. The BPS will be phased out by 2029 following a 40% taper in 2026, a 20% taper in both 2027 and 2028, with the final payment being made in 2028. There will be no BPS application or payment in 2029. Farmers who participate in the SFS will surrender their BPS entitlements.

Background to the SFS

The development of the SFS has been a comprehensive process involving multiple consultations and feedback from various stakeholders, including farmers, environmental groups, and the public. The scheme is part of the Welsh Government's broader strategy to transition towards more sustainable agricultural practices post-Brexit, ensuring that farming in Wales remains economically viable while also addressing environmental challenges.

Outline of the SFS

The SFS is structured around three layers:

1. SFS Regulatory Baseline – includes a set of regulations, already set out in law, and previously included in Cross Compliance.
2. Universal Code – framework of non-regulatory requirements which all farmers in the SFS must adhere to. This should be considered alongside the Universal Actions (UAs). For example, the scheme requires 10% of the farm to be habitat. If you have insufficient existing habitat, you must create additional temporary habitat to meet the 10% requirement.
3. Universal Layer – mandatory requirements set out in the 12 UAs. You need to undertake all UAs applicable to you and your farm in each calendar year. A farm-level carbon baseline will be introduced in the second year of the scheme based on SAF information from the previous year. The 12 UAs are:

   UA1: Soil health
   UA2: Integrated Pest Management
   UA3: Benchmarking
   UA4: Continuous Professional Development
   UA5: Habitat maintenance
   UA6: Temporary habitat creation on improved land
   UA7: Designated Site Management Plan
   UA8: Hedgerow management
   UA9: Woodland maintenance
   UA10: Tree and hedgerow planting opportunity plan
   UA11: Historic environment
   UA12: Animal health and welfare

Voluntary optional and collaborative actions

Further guidance (application process, targeting and prioritisation and payment rates) will be produced as each action becomes available from 2026 onwards.

Optional Actions (OAs) are additional voluntary actions that farmers can choose to undertake for extra payments. These actions target specific environmental and social outcomes. The OAs have been grouped into 14 themes, including improved soil health, multispecies crop cover, and organic farming (support and conversion). Additional OAs will be made available from 2027.

The collaborative layer builds upon the universal and optional layers. **Collaborative Actions (CAs)** involve cooperation between multiple farmers or land managers to achieve broader landscape-scale benefits, such as creating wildlife corridors. This can be at a landscape, catchment or national scale. The three themes are:

- Innovation, research and development.
- Collaborative market and supply chain.
- Collaborative landscape scale activity.

Common land - support for common land will be available through a universal payment for individual holders of grazing rights and collaborative payments.

Eligibility
To be eligible for the universal payment, you must:

- Undertake agricultural or ancillary activities on agricultural land.
- Have at least three hectares of eligible land in Wales or demonstrate more than 550 standard labour hours.
- Have exclusive occupation and management control of the land for at least 10 months of the calendar year.
- Manage at least 10% of land as habitat.
- Have all available and eligible land declared on the annual SAF. For cross-border farms, you must be able to meet all your requirements on your land in Wales.

The scheme includes robust monitoring and evaluation mechanisms to ensure compliance and measure effectiveness. RPW will administer the scheme. To join the scheme, you will need to register your business through RPW Online if you have not already done so. If you have a Customer Reference Number, you don't need to re-register, but you may need to update your details. RPW will contact all registered farm businesses with more information regarding the data confirmation exercise ahead of the scheme's commencement. A redesigned and updated Farming Connect Programme will support delivery of the scheme, and Natural Resources Wales will work alongside RPW where required.

Payments
The universal payment consists of two elements: a universal baseline payment and a social value payment.

1. Universal baseline payment is an annual payment consisting of three categories:
   a) Whole farm payment - a tiered payment rate covering the eligible area of the whole farm declared on the SAF. £70 per hectare for the first 70 hectares of eligible land and £2 per hectare for all remaining eligible land.
   b) Habitat maintenance payment - a single payment rate per hectare of semi-natural habitat and/or area of temporary habitat created to meet the 10% requirement. £69 per hectare for all habitat maintained as part of UA5, or for habitat created under UA6 (temporary habitat creation on improved land) to meet the 10% requirement.
   c) Woodland maintenance payment - a single payment rate of £62 per hectare for existing woodland managed in accordance with UA9.

2. Social value payment - A payment of £107 per hectare is available for all the farm's eligible land, to reflect the public value of the outcomes delivered.

Once a farm's universal payment exceeds £25,000, capping is applied, starting with a 5% reduction on the portion between £25,000 and £50,000. An additional 'stability payment' of £1,000 (one-off) will be payable to farms that join the SFS in 2026 and have up to 100 hectares of eligible land.

For the optional and collaborative actions, payments include a mixture of one-off revenue payments, multi-annual revenue payments and capital payments. Collaborative projects could be funded through a third-party facilitator. Further information will be available in due course.

Conclusion
The SFS is underpinned by the Agriculture (Wales) Act 2023. The scheme will be monitored, reported, and evaluated by the Welsh Government, and secondary legislation will be introduced to effectively operate and administer all future schemes. Detailed scheme guidance, including technical notes and a set of verifiable standards setting out all the scheme requirements, scheme actions, and evidence required to meet the conditions of the scheme and receive scheme payments, will be published later this year.

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