



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor ar y Gorchymyn Arfaethedig ynghylch
Diwydiant Cig Coch Cymru
The Proposed Welsh Red Meat Industry LCO
Committee**

**Dydd Mawrth, 18 Tachwedd 2008
Tuesday, 18 November 2008**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mick Bates	Democratiaid Rhyddfrydol Cymru (Cadeirydd y Pwyllgor) Welsh Liberal Democrats (Committee Chair)
Nerys Evans	Plaid Cymru The Party of Wales
Ann Jones	Llafur Labour
Val Lloyd	Llafur Labour
Brynle Williams	Ceidwadwyr Cymreig Welsh Conservatives

Eraill yn bresennol
Others in attendance

Gwyn Howells	Prif Weithredwr, Hybu Cig Cymru Chief Executive, Hybu Cig Cymru
Richard Howells	Cadeirydd, Cynhyrchwyr Cig Oen ac Eidion Cymru Cyf. Chairman, Welsh Lamb and Beef Producers Ltd
Rees Roberts	Cadeirydd, Hybu Cig Cymru Chairman, Hybu Cig Cymru
Don Thomas	Prif Weithredwr, Cynhyrchwyr Cig Oen ac Eidion Cymru Cyf. Chief Executive, Welsh Lamb and Beef Producers Ltd

Swyddogion Gwasanaeth Seneddol y Cynulliad yn bresennol
Assembly Parliamentary Service officials in attendance

Sarah Beasley	Clerc Clerk
Carys Jones	Gwasanaeth Ymchwil yr Aelodau Members' Research Service
Bethan Roberts	Cynghorydd Cyfreithiol y Pwyllgor Legal Adviser to the Committee
Sarah Sargeant	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 9.01 a.m.
The meeting began at 9.01 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions

[1] **Mick Bates:** Welcome to this morning's meeting of the Proposed Welsh Red Meat Industry LCO Committee. I am very pleased to welcome our witnesses. In a moment or two, I will call on you to introduce yourselves.

[2] There are no apologies or substitutions this morning. Are there any declarations of interest?

[3] **Brynle Williams:** Yes, Chair. I am a practising farmer.

[4] **Mick Bates:** Thank you, Brynle. I, too, would like to declare that I am a member of a

farming business, which pays levies. Thank you very much.

[5] I have a few introductory housekeeping remarks to make. In the event of a fire alarm, Members should leave the room by the marked fire exits and follow the instructions of the ushers and staff. There is no fire alarm test forecast for today. All mobile phones, pagers and BlackBerrys should be switched off, as they interfere with the broadcasting equipment. The National Assembly for Wales operates through the media of the Welsh and English languages. Headphones are provided, through which instantaneous translation may be received. For those who may be hard of hearing, the headphones may also be used to amplify the sound. Please do not touch any of the buttons on the microphones as they can disable the system, but make sure that the red light is showing before you speak. Interpretation is on channel 1 of the headsets and the verbatim on channel 0.

9.03 a.m.

**Gorchymyn Arfaethedig Cynulliad Cenedlaethol Cymru (Cymhwysedd
Deddfwriaethol) (Amaethyddiaeth a Datblygu Gwledig) 2008
Proposed National Assembly for Wales (Legislative Competence) (Agriculture
and Rural Development) Order 2008**

[6] **Mick Bates:** It is my pleasure to welcome our four witnesses this morning: Gwyn Howells and his chair, Rees Roberts, Don Thomas, the chief executive of Welsh Lamb and Beef Producers, and his chair, Richard Howells. I invite one organisation to make a brief opening statement if you wish to do so. Please also introduce yourselves for the record. Don, could you begin?

[7] **Mr Thomas:** I am Don Thomas, the chief executive of Welsh Lamb and Beef Producers. We changed our name from Welsh Lamb and Beef Promotions in the last 12 months or so.

[8] **Mr R. Howells:** I am Richard Howells, the chairman of Welsh Lamb and Beef Producers.

[9] **Mr G. Howells:** I am Gwyn Howells, the chief executive of Meat Promotion Wales, Hybu Cig Cymru.

[10] **Mr Roberts:** I am Rees Roberts, chair of Hybu Cig Cymru.

[11] **Mick Bates:** Thank you very much. Do you wish to make an opening statement?

[12] **Mr Thomas:** No, I do not think so.

[13] **Mick Bates:** Thank you very much. In that case, we can move directly to questions. Thank you both for your papers. I would like to point out to Members that a further submission from the National Beef Association has been circulated, if you would like to refer to that.

[14] I will open the questioning. I have a question for both organisations to answer. You both state in your evidence that you support the principle that legislative competence in this area should be conferred on the Assembly. What do you think the powers being conferred via this LCO will be able to achieve that existing legislation does not? I refer that question to Don first.

[15] **Mr Thomas:** We as a body are content with the proposed Order. We believe that

Wales needs to be totally responsible for its red meat industry. The industry is an important economic resource to rural Wales; it produces about 30 per cent—or 28 per cent—of UK lamb, and possibly 9 per cent of UK beef. Therefore, on that basis, it certainly has critical mass, and it is an important industry for the present and the future.

[16] The brands that we have established in Wales are strong, and we are fully aware of the European regulations that underpin them at the protected geographical indication level. In order to sustain this critical mass, we believe that competitive marketing strategies are necessary, if we are to derive the maximum benefit. We believe that this Order will enable Wales to devise its own strategies for marketing its well-respected product. We accept that marketing is part of the industry and that a reasonable amount of benchmarking is important; farmers understand that.

[17] We strongly believe that Wales has an important role to play, and we as an organisation support the concept of competitive marketing strategies in the UK. We believe that the UK, having been devolved, will be responsible for its own economic destiny. Consequently, if we have an opportunity to competitively market ourselves against other regions, we should take it. I believe that the Order will substantially improve that position.

[18] **Mick Bates:** So, you do not feel that we had this power before?

[19] **Mr Thomas:** We have always had our own identity, but we have been part of a more federalised structure.

[20] **Mick Bates:** Thank you. I put the same question to Hybu Cig Cymru.

[21] **Mr G. Howells:** The Order adds to the Assembly's legislative powers and adds to what was in the spirit of the devolution settlement. A Measure that could come out of the Order, ultimately, could allow the Assembly to correct a failing in the Natural Environment and Rural Communities Act 2006, which does not allow the Assembly to do what it wants to do, namely to streamline the accountability of Hybu Cig Cymru directly to Ministers, as opposed to through the Welsh Levy Board. Therefore, HCC welcomes the increased efficiency and streamlined approach that this Order, and, in time, a Measure, could provide to rectify that process.

[22] **Mick Bates:** Thank you. Are Members happy with that? I see that you are. Val Lloyd has the next questions.

[23] **Val Lloyd:** Good morning, gentlemen. My questions are to both organisations, so please answer in whichever order you wish. Do you think that the proposed Order enables the policy objectives to be achieved? If so, how do you believe that it will do so?

[24] **Mr G. Howells:** I believe that it will achieve the policy objectives. It is important to stress—as perhaps was alluded to earlier—that red meat plays an important part, not only in Wales's rural economy, but in its general economy and GDP output. Therefore, anything that increases the Assembly's powers to make Measures in this area has to be welcomed by the industry, because it brings together the delivery of the industry's aspirations, and matches that up with Government policy. I believe that it achieves what it sets out to do. I guess that there is no other route to achieve this other than the legislative route of changing the Natural Environment and Rural Communities Act 2006, which has proved to be prohibitive in terms of giving the flexibility that is needed for the Assembly to achieve what it wants to achieve on behalf of the industry.

[25] **Val Lloyd:** I believe that that answers my supplementary question too.

[26] **Mick Bates:** Do you wish to comment on that, Don?

9.10 a.m.

[27] **Mr Thomas:** Yes. Continuing from the earlier point, the Assembly needs these powers to be responsible and, in turn, accountable to the Welsh levy payer, and this is a simple, straightforward way of achieving that.

[28] **Mick Bates:** Do other witnesses wish to add anything?

[29] **Mr Roberts:** On delivering the objectives, since 2005 and the Radcliffe review, it has been understood that powers in this area should be devolved to Wales and Scotland so that they can achieve these objectives. The Natural Environment and Rural Communities Act 2006 was prohibitive, but there was no time to adjust it, so this route was decided on, particularly in Wales. You will know that Quality Meat Scotland has decided to go down a different route, but that is definitely not one preferred by Wales. We would prefer the power to set levies to lie with the Assembly and not with a so-called quango, as is the case in Scotland. This LCO, followed up with Measures, would allow that to happen in Wales and would achieve the objectives of 2005.

[30] **Mick Bates:** Do you have an additional point, Val?

[31] **Val Lloyd:** I think that Mr Roberts might have answered my question, but I will ask it so that it is on the record. Do you have any concerns that the proposed Order will provide the Minister with the responsibility for setting the levy on red meat in Wales rather than its being a matter for a separate body such as the Welsh Levy Board?

[32] **Mr Roberts:** I would say that there are two good reasons why that would be beneficial to Wales and to the stakeholders, namely the producers and processors of red meat. First, the Minister and the Assembly would have that much more power to act in a UK context if necessary. For example, the fragility of our own sector in Wales could well lead to closures of levy-collecting processing plants, and this would mean that the Assembly and Wales might have to think again about where those levies come from. The situation is currently in balance, and we are reasonably happy with it, but I think that it would mean that the Assembly and the Minister would be that much more able to deal with such a scenario in a UK context. Secondly, such an Order would make democracy a part of this. As a supplementary to that, we all know that quangos are not that popular in Wales.

[33] **Mick Bates:** Quangos were meant to have been put on a bonfire. Of course, one is always suspicious that Governments may choose to take others back under their wing. Don, would you like to comment?

[34] **Mr Thomas:** I support what Rhys said. I think that it would be advantageous for the Minister to be responsible for Welsh levy setting, as we mentioned, because it is an important sector, particularly to rural Wales. The economy of rural Wales is highly dependent on red meat.

[35] **Mr G. Howells:** It is important to stress that any changes in levies, whether they go up or down, should be based on need. A consultation would ordinarily take place with industry based on that need and, therefore, the change might be made in the levy afterwards. So, it has to be business-driven. It would be a no-change situation in terms of whether the Welsh Levy Board, which currently does it, or the Minister sets the levy in the future. It would be based on need and a consultation process. That is important to stress.

[36] **Mr Thomas:** I would endorse that. One would assume that there would be total

industry consultation and explanation before any levy changes were made in terms of the economic return to those levies. So, that would be a prerequisite of that position; we would support that.

[37] **Mick Bates:** I have two further questions from Members. First, Brynle and then Ann.

[38] **Brynle Williams:** You have partly explained the levy in terms of its moving up or down and what have you, but given the fragility of the red meat industry, I have one nagging thought, and I am sorry, but I do not know the answer to it. What happens if one of these major abattoirs goes out of business? We have them right up the spine of Wales, right up to north Wales. There is a massive capacity and throughput there. Would the industry take on that additional levy?

[39] **Mr Roberts:** That is something that has concerned HCC right from the start, and I briefly touched on it earlier. It is about the fragility that we have. We have very large processing and slaughtering facilities, and smaller ones, but there is not a lot in the middle. So, the structure is a little fragile. Nevertheless, as I mentioned, it works very well at the moment, but things change, of course. Along the line, we have tried to influence the Natural Environment and Rural Communities Act 2006 to allow for distribution options, so that the levy could be collected in different ways, for example, on the basis that the animals had been born and reared in Wales, rather than on the basis of the site of slaughter. That was not possible. We have estimated that we would gain, in Wales, up to £1 million if that mechanism were adopted. Obviously, it is not popular in the rest of the UK because if one gains, the other loses. We also estimate that Scotland would have gained up to £2 million if that mechanism had been adopted, but Scotland did not support us enough. Nevertheless, were the scenario to which Mr Williams referred to happen, we feel—and I mentioned this earlier—that the Assembly would be more powerful and would be well placed to influence the rest of the UK and to say, ‘This mechanism is not working at the moment, and we want to change it to something that is fairer to everybody’. That is a scenario that may need to arise in the future, and these changes will help us on the way towards that, and to achieve a stronger position.

[40] **Mick Bates:** If I understood you correctly, you are saying that this LCO will help Wales if such situations keep arising, because we would have more power.

[41] **Mr Roberts:** Absolutely. That is how I see it anyway.

[42] **Ann Jones:** I wanted to pick up on a point that Mr Thomas mentioned about expecting consultation. You both agreed with my colleague, Val, and said that you did not have any concerns about the Minister setting the levy, but now you are saying that you expect consultation. The Minister could have those powers from the LCO and could just decide to set the levy. Are you now saying that you want to qualify your support for that?

[43] **Mr Thomas:** I think that what we are saying is that we welcome the opportunity for the Minister to be able to do this unilaterally in Wales, and for Wales to be taken as an economic entity for that. I think that I would agree with the point that Gwyn made earlier that the levies are an issue with the farming community. It is a parafiscal tax on a producer, and one would hope that the levy would be set at a level that would be commensurate with farmers’ expectations. I know that we do not have that ability for consultation regarding general taxation, but in terms of a parafiscal, tax-type arrangement, red meat producers in Wales find themselves in a special sort of position, and I would hope that there would be an element of consultation in the process, simply to explain why it is necessary to increase the levy and how it would be spent.

[44] **Ann Jones:** So, your support is qualified and reliant on your having the right to consultation.

[45] **Mr Thomas:** The right to consultation is not in the Order, and we support the Order on the basis that it has been drafted. However, we would hope that there would be an element of consultation before there would be any changes to the levy.

[46] **Ann Jones:** That is a qualification of your support.

[47] **Mr Thomas:** It is a qualification.

[48] **Ann Jones:** So, we would not get your support if we did not put anything in about consultation.

[49] **Mr Thomas:** That is an interesting point.

[50] **Ann Jones:** It requires a 'yes' or 'no' answer. Either you support it totally, as it is, or you want to qualify it. If the qualification is not introduced, is your support for the LCO still there or not?

[51] **Mr Thomas:** We support the Order. I understand that there is a degree of consultation in the system as it is now. Under the existing Agricultural Marketing Act 1983, it is anticipated that there will be consultation with the industry before levies are changed.

[52] **Ann Jones:** However, this LCO would subsume that—

[53] **Mr Thomas:** This LCO would supersede that.

[54] **Ann Jones:** So, is it qualified support or is it total support for the LCO?

[55] **Mr Thomas:** It is qualified support on the basis of industry consultation.

[56] **Ann Jones:** Okay; that is the position. So, the position has changed.

[57] **Mr Roberts:** Just so that there is no misunderstanding, we support it without qualification.

9.20 a.m.

[58] **Mick Bates:** That is an interesting point. I have just asked whether there is any other piece of legislation that makes reference to Government consultation when it wishes to raise a tax or a levy. In the context of industrial levies, rather than general taxation, which we do not have the powers over at the moment, it is an interesting point, and perhaps we need some further clarification. Are there any further points on that?

[59] **Mr G. Howells:** On that front, the consultation is not included overtly in the Order as it stands, but it must be in the spirit of what is undertaken between Government and the industry. For example, 65 per cent of our gross income comes from levy payers, and so it would be remiss of the Welsh Levy Board or the Ministers in future not to consult on the plans. I return to the fact that it must be based on a need, and if a levy is increased or decreased, it must be based on a need. It cannot be undertaken on a whim.

[60] **Mick Bates:** Thank you for that. It is an interesting point that there is no need for the Minister to consult on the levy; we are conferring the power. Specifically on consultation, Gwyn, what is the role of HCC? You mentioned the spirit of the legislation, but do you currently undertake any role in consulting the producer when it comes to raising levies?

[61] **Mr G. Howells:** At the moment, the levies are published in the Welsh Levy Board Order 2008, passed in February, including the maximum rates. Given that the current levy rates are below the maximum rates, there is no need to consult levy payers. However, if they go above the maximum rates published in the Order, there would be a need for consultation.

[62] **Mick Bates:** It has just been pointed out to me that consultation may be introduced under a future Measure rather than on the face of this Order, because that is what we are discussing specifically. However, it was an interesting point, and thank you for raising it. Ann has the next question.

[63] **Ann Jones:** Yes, thank you. Sorry about this. I will shut up after this one, probably. Mr Roberts started to touch on cross-border issues, which I wanted to ask about. Have you given any more thought to such issues, which may arise as a result of gaining the competence under this LCO?

[64] **Mr Roberts:** There are no apparent cross-border issues. On UK levy boards, I referred to the Agriculture and Horticulture Development Board, which is the levy-collecting board for English red meat and for other UK products. That operates within the remit of the Natural Environment and Rural Communities Act 2006, which the Welsh Assembly Government would also do in its relationship with Hybu Cig Cymru. Therefore, there is much common ground and there is no leeway for anything other than minor differences, so we have no concerns about cross-border issues.

[65] **Mr Thomas:** The major cross-border issue that we see is the matter that has already been referred to, namely that the levy is collected on animal slaughter in Wales despite the enormous amount of cross-border trade that takes place and the fact that we are slaughtering animals from Scotland, Cumbria, Gloucestershire and Herefordshire. While we understand that the position is broadly in balance, I agree with the earlier comments that, as a body, we would prefer the levy in Wales to be based on production rather than slaughter. The fragility of the slaughtering and processing industry is renowned, and Mr Williams's earlier point was well made. Currently, a large percentage of animals slaughtered in Wales are owned by a Dutch farmers' co-operative, Vion Food Group, which owns plants in Anglesey and in Merthyr Tydfil. If a degree of economic fragility were to be introduced, which was beyond the UK's remit and control, and if that body were to suffer financial hardship, the levy Order would be fairly meaningless as it is set up, because we would not be collecting anything like the economic return on our output.

[66] I do not understand the mechanism. We have been told in the past that the collection mechanism would work efficiently only if based on slaughter, but I am sure that there are cross-border issues, and I agree with the earlier comment that the Minister now has the power to evaluate the levies, should such a situation arise. Without the ability to collect levies on animals reared in Wales, there is not quite the same emphasis. If it were possible to do so in the future, we would far prefer that as the basis of the collection mechanism. So, there are huge cross-border relationships and problems, given that a lot of our stock is slaughtered in Wales and a lot more comes in. The figures that were quoted earlier suggest that there is a substantial ex-flow of stock, rather than an in-flow, so, if we were collecting levies on what is produced, we would be in the black financially.

[67] **Ann Jones:** So, you would want to see that mechanism put into a subsequent Measure again.

[68] **Mr Thomas:** It is all to do with the collection of the levy, rather than the ability to raise it. It is about the physical collection and where the money comes from. The current mechanism, where the levy is collected at the point of slaughter, has been working and is an efficient way of doing it, but it does not allow for the significant cross-border trading that is

taking place. If we had a problem with the slaughtering industry in Wales, and we had a major casualty for whatever reason, be it financial, economic, or demographic, Wales's ability to have a reasonable pot of levy under the existing collecting system would be severely compromised.

[69] **Mr R. Howells:** Following Don's point, the current levy collection method leaves HCC in a very vulnerable position. If we were to see the collapse of an organisation such as Vion, we could be looking at a collapse of 70 per cent of our income. It is urgent that the Minister looks at how the levy is collected, almost immediately. It would bring not only a lot more money into Wales but also security. At the moment, I do not feel that we have the security of that money for the future.

[70] **Mick Bates:** There may be a Measure on that, but there may also be a need to include other words in the aims of this legislation. I will come to that in a moment, and I know that Nerys has questions on that, but I think that Gwyn wants to respond, and then I will call Ann again and Brynle. Do you want to say anything further on that, Gwyn?

[71] **Mr G. Howells:** Only that a Measure, if it were deemed appropriate, could be constructed in such a way as to allow us to collect a levy in any way we want. The caveat to that is that it needs to be in harmony with what is happening in Scotland and England, and that is the difficulty that we face.

[72] **Mick Bates:** I was about to raise that.

[73] **Mr R. Howells:** This is the cross-border issue again.

[74] **Ann Jones:** I want to clarify something. You say that Wales is slaughtering animals from Scotland and all parts of England, and you say that you want a levy based on the production side, namely animals reared in Wales. Does that not affect us if we are exporting animals for slaughter as well? You indicated that the flow out is greater than the flow in. I am confused.

[75] **Mr R. Howells:** It should be a positive that we slaughter less stock imported in from Scotland and England than we send out of Wales.

[76] **Ann Jones:** Could we have some figures to back up what you are saying?

[77] **Mr R. Howells:** There are figures.

[78] **Mr Thomas:** Yes.

[79] **Mr R. Howells:** I believe that we have good figures on that.

[80] **Mr Roberts:** I will refer to a ballpark figure, but I can give you more specific figures. The imbalance is not that great. In Wales, we think that the levy collected is £800,000 to £1 million. Sheep are more or less in balance; it is cattle that are not quite so much in balance—and pigs, slightly, which is £10,000.

[81] **Ann Jones:** Can we have some figures on that?

[82] **Mr Roberts:** Yes, we can give you specifics, as that was just a ballpark figure. It is reasonably in balance, but a scenario may arise in the future where it would go out of balance.

[83] **Ann Jones:** Mr Howells, when you said that you wanted to collect a levy whichever way you could, using a Measure, I take it that you would not want to collect a levy on both

production and slaughter.

[84] **Mr G. Howells:** No, no.

[85] **Ann Jones:** Sorry. I am a townie, so I do not understand this.

[86] **Mr G. Howells:** Whichever way we decide on in the future, if we have one system in Wales, another system in England, and another system in Scotland, the problem is that there is a real danger of a distortion of the stock moved between the countries and of different rates.

[87] **Ann Jones:** I just wanted to clarify that we were not looking to have our cake and eat it.

[88] **Mick Bates:** To raise a couple of issues on that, although we are straying somewhat, I think that the point that you are making is that there must be some consistency in the level of the levy throughout Great Britain. In addition, for Members' interest, some years ago, the Welsh attempted to collect levies on slaughter in England—in Preston, was it not? I think that a scheme was set up for Welsh Lamb and Beef Producers Ltd to try to address some of those issues. However, those are subjects for later discussion. I call Brynle to make a brief point, and then Nerys.

9.30 a.m.

[89] **Brynle Williams:** I will be very brief, but, for the record, the problem and the reason for this conversation is that, regrettably, there are too few abattoirs in Wales that hold a balance of power, to a degree.

[90] **Mr Thomas:** I certainly support that view. The entry cost of becoming a processing plant these days is substantial. I am afraid that the economic forecasts suggest that we are likely to have fewer abattoirs in future, not more. So, that is where the fragility of the collection system comes into play. We are more likely to see a plant fail than be created in Wales. That is the economic reality.

[91] **Mick Bates:** I think that Nerys has a question about the structure of the industry and accountability.

[92] **Nerys Evans:** Diolch yn fawr am eich tystiolaeth. Mae gennyf gwestiwn i Gynhyrchwyr Cig Oen ac Eidion Cymru Cyf. I symud ymlaen o'r pwyntiau yr ydych newydd eu codi a'r rhai a godwyd gennych yn eich tystiolaeth ysgrifenedig ynglŷn â strwythur y diwydiant a'r angen i ffocysu ar y farchnad, a gredwch fod unrhyw broblemau o ran sut mae'r trefniadau presennol yn cael eu gweithredu? Os oes, a gredwch fod y Gorchymyn hwn yn ymdrin â'r rheiny?

Nerys Evans: Thank you for your evidence. I have a question for Welsh Lamb and Beef Producers Ltd. Given the points that you have just raised and those that you raise in your written evidence about the structure of the industry and the need to be market-focused, do you think that are any problems with the way in which the current arrangements are operated? If so, do you believe that this proposed Order will address those problems?

[93] **Mr Thomas:** Fel y dywedais ar y cychwyn, credwn ei bod yn bwysig iawn bod Cymru'n cymryd pob mantais bosibl i farchnata cynnyrch o gig coch sy'n dod o Gymru. Yr ydym yn cynhyrchu cynnyrch o safon, a chynhyrchwn dipyn o gig coch; felly, mae marchnata hwnnw yn y farchnad yn

Mr Thomas: As I said at the outset, we believe that it is very important that Wales takes every advantage possible to market red meat products from Wales. We are producers of quality, and we produce a great deal of red meat; therefore, the positioning in the European market and at home is very

Ewrop a gartref yn bwysig iawn. Credaf fod amcanion y Gorchymyn yn sicrhau y gall hynny ddigwydd. Yn bersonol, teimlaf fod cyfanswm yr arian a gasglwn yn gymharol fach, yn enwedig o ystyried faint mae'r cwmnïau yn ei wario ar farchnata, a chredaf y dylem wario cymaint ag y gallwn ar farchnata yn gyntaf, gyda'r amcanion eraill yn dilyn. Hoffwn weld marchnata fel yr amcan pwysicaf i'w ddefnyddio o dan y Gorchymyn.

[94] **Nerys Evans:** A deimlwch fod y Gorchymyn yn ddigon eang i ganiatáu i ni wneud hynny drwy Fesur yn y dyfodol?

[95] **Mr Thomas:** Ydwyf, yn sicr.

[96] **Nerys Evans:** A oes unrhyw sylwadau gan Hybu Cig Cymru?

[97] **Mr G. Howells:** Yr wyf yn weddol hapus gyda'r Gorchymyn o ran y swyddogaethau o dan fater 1.1, er enghraifft. Mae'n eithaf eang, a gall gynnwys popeth y mae'r diwydiant angen ei wneud, fe dybiwn. O ran marchnata, yr ydym yn gwario rhwng 55 a 60 y cant o'n cyllideb gyfredol ar farchnata, felly mae'n cael blaenoriaeth yn ein gwaith bob dydd.

[98] **Mr Roberts:** I ychwanegu, caf ar ddeall fod y Gymdeithas Cig Eidion Genedlaethol wedi ategu rhai sylwadau o ran sut y byddai'n ychwanegu at fater 1.1. Caf ar ddeall mai effeithiolrwydd cyllidol yw un pwynt, a thechnoleg yw'r llall. Tybiwn fod y rheiny wedi'u cynnwys ym mater 1.1 eisoes, a bod y Gorchymyn yn caniatáu hynny eisoes.

[99] **Nerys Evans:** A deimlwch fod angen rhoi'r geiriad hwnnw i mewn yn benodol, neu a ydyw'n ddigon eang fel ag y mae?

[100] **Mr Roberts:** Teimlaf ei fod eisoes wedi'i gynnwys. Credaf fod digon wedi'i gynnwys ym mater 1.1 i ganiatáu hynny.

[101] **Nerys Evans:** A yw'n briodol gofyn i chi am eich sylwadau? Yr ydym wedi cael tystiolaeth gan y Gymdeithas Cig Eidion Genedlaethol am ehangu mater 1.1(a) i gynnwys '*economic return*', ac ehangu mater 1.1(c) i ychwanegu technoleg. A gredwch fod

important. I believe that the objectives in the Order will ensure that that can happen. Personally, I feel that the total amount that we collect is comparatively small, particularly if we consider how much the companies spend on marketing generally. I also believe that we should spend the maximum possible on marketing first of all, with the other objectives to follow. I would like to see marketing being the most important objective under the Order.

Nerys Evans: Do you think that the Order is broad enough to allow us to do that, by Measure in the future?

Mr Thomas: Yes, certainly.

Nerys Evans: Are there any comments from Meat Promotion Wales?

Mr G. Howells: I am relatively happy with the Order as regards the functions under matter 1.1, for example. It is relatively broad and could include everything that the industry wants to do, I expect. As regards marketing, we spend between 55 and 60 per cent of our current budget on marketing, and so it is currently given priority in our day-to-day work.

Mr Roberts: To add, I understand that the National Beef Association has added some comments on how it would add to matter 1.1. I am given to understand that budgetary efficiency is one point, and technology is the other. I would assume that they are already included in matter 1.1, and that the Order already covers that.

Nerys Evans: Do you believe that that wording should be included specifically, or do you think that it is broad enough already?

Mr Roberts: I think that it is there already. I think that enough has been included in matter 1.1 to cover it.

Nerys Evans: Would it be appropriate for me to ask for your comments? We have received evidence from the National Beef Association on widening matter 1.1(a) to include economic return and widening matter 1.1(c) to include technology. Do you think that we

angen y geiriad hwnnw, neu a yw'n ddigon eang fel ag y mae?

[102] **Mr Thomas:** Credaf y bydd unrhyw ddatblygiad yn cymhlethu pethau yn hytrach na gwneud pethau yn gliriach. Credaf fod y pedwar is-bwynt a nodwyd yn y mater yn glir iawn, ac maent yn derbyn y sefyllfa fel ag y mae. Fel y dywedais, byddai unrhyw beth arall yn cymhlethu pethau. Beth yw ystyr 'technolog', er enghraifft? Credaf y byddai'n rhy gymhleth. Gwell fyddai cadw pethau'n syml.

[103] **Nerys Evans:** Mae fy nghwestiwn nesaf i Hybu Cig Cymru yn gyntaf. Yn eich tystiolaeth ysgrifenedig, yr ydych yn sôn am yr angen i sicrhau bod corff ar wahân yn parhau i gefnogi'r diwydiant ac i fod yn atebol i'r Gweinidog yng Nghymru a'r bobl sy'n talu ardollau. Yr ydych yn nodi ei fod yn bwysig bod yr atebolrwydd yn parhau os yw'r pwerau yn y Gorchymyn arfaethedig yn trosglwyddo i'r Cynulliad. Dywedodd y Gweinidog yn ei thystiolaeth i'r pwyllgor yr wythnos diwethaf nad oedd ganddi fwriad i ddod â Hybu Cig Cymru i mewn i'r Cynulliad. A hoffech ymhelaethu ar y pwyntiau yn eich tystiolaeth ysgrifenedig ynglŷn â phwysigrwydd cadw corff annibynnol ac atebol?

[104] **Mr Roberts:** Mae gennyf ddau ymateb i hynny. Mae'n bwysig ein bod yn cadw pellter braich am amryw o resymau, ond y prif reswm yw bod y rhanddeiliaid—sef y talwyr—yn deall mai eu corff nhw yw hwn, eu bod yn talu amdano a'u bod yn cael y dylanwad sydd ei angen er lles y diwydiant. Mae'n bwysig er hygreddod fod y corff yn bodoli. Fel y deallaf, nid yw'r Cynulliad am wneud unrhyw beth mwy na hynny, ac mae'r statws sydd gennym ar hyn o bryd yn mynd i adael inni wneud hynny. Pe na baem yn cryfhau'r LCO hwn, byddai'n rhaid, yn y pen draw, inni wneud beth mae'r Alban wedi'i wneud, a chreu cwango. Byddai hynny'n ei wneud yn fwy atebol i'r Cynulliad na'r statws sydd gennym ar hyn o bryd.

[105] **Nerys Evans:** A ydych yn gwrthwynebu'r symudiad hwnnw?

[106] **Mr Roberts:** Yr wyf yn hapus â'r sefyllfa fel ag y mae ar hyn o bryd.

need that wording, or is it broad enough as it is?

Mr Thomas: I think that any development would complicate matters rather than clarify them. I think that the four sub-points noted in the matter are very clear, and they accept the position as it stands. As I said, anything else would further complicate matters. For instance, what does 'technology' mean? I think that it would be too complicated. It would be better to keep things simple.

Nerys Evans: My next question is for Hybu Cig Cymru first. In your written evidence, you highlight the need to retain a separate body in Wales to support the industry and to be accountable to the Minister in Wales and to those who pay the levy. You state that it is important for this accountability to remain, should the powers in the proposed Order transfer to the Assembly. In her evidence to the committee last week, the Minister said that she had no plans to bring Hybu Cig Cymru in-house. Would you like to expand on the points that you make in your written submission about the importance of retaining an independent, accountable body?

Mr Roberts: I have two comments on that. It is important that we retain this at arm's length for many reasons, the main reason being that the stakeholders—who are the payers—understand that this is their organisation, that they pay towards it and that they influence it for the benefit of the industry. It is important for reasons of credibility that the organisation exists. As I understand, the Assembly does not want to do anything more than that, and the status that we currently have allows us to do that. If we did not strengthen this LCO, we would eventually have to do what Scotland has done, and create a quango. That would make it more accountable to the Assembly than our current status allows.

Nerys Evans: Do you object to that movement?

Mr Roberts: I am happy with the situation as it currently stands.

[107] **Mick Bates:** I think that most of us are happy with the situation, but there is always the suspicion, as I said before, that Ministers like to accrue power. There is some evidence to suggest that it becomes less efficient, at times, if I may be so bold as to suggest that from the Chair.

[108] **Brynle Williams:** Could you provide the committee with some information on the current size of the venison and goat sectors in Wales and their potential for future growth? This question stems from the fact that we are seeing various farms diversifying into goat-milk production, which has an end product.

[109] **Mr Thomas:** I have no statistics on the size of the venison and the goat industries, but I have a comment to make on it. If you have statistical questions, I think that Gwyn may be better placed to answer them.

[110] **Mr G. Howells:** I will start by saying that we have no statutory remit for deer and goats at present, so I am speaking with no real expertise in the subject. To answer your question directly, Mr Williams, there are, in the UK, around 30,000 farmed deer at the moment, of which 1,000 are kept and farmed in Wales. We believe that there are 95,000 goats that are farmed, predominantly for their milk, in the UK, of which 9,000 are in Wales. That will give you an idea of some of the dimensions relating to those industries. Comparing those figures with a sheep flock of 5 million breeding ewes, a beef suckler herd of 340,000 breeding cows, and another 250,000 dairy cows in Wales, gives you an idea of the scale of those industries at present.

[111] **Mick Bates:** I think that Val could come in here about the possibility of including venison and goat in the proposed Order.

[112] **Val Lloyd:** The proposed Order relates to red meat in the form of cattle, sheep and pigs—I do not have to tell you that, because you know it better than I do. In light of the statistics—we will take those statistics as working figures, as I am sure that they give a good indication—do you think that the scope of the proposed Order should be broadened to include other red meats, such as venison and goat? If that should happen, can you foresee any problems in extending the proposed Order to include these meats?

9.40 a.m.

[113] **Mr G. Howells:** I cannot see any distinct advantage from including them in the proposed Order, as it currently stands, because I believe that it will complicate matters and potentially slow down the process. In terms of including them in any future Order, a question must be asked at the beginning: is there a market failure within those industries? Is there a need for a statutory levy? We need an economic analysis of those industries to start with, in order to establish whether there is market failure, and if so, whether that warrants a statutory levy. That is the first step. There may be no need for a statutory levy, as there is for pigs, sheep and beef, so that is an important step to be taken before including this in the Order. There is quite a bit of work that needs to be undertaken.

[114] I would also say that, if those two species are not included in the Order, and at some point in the future the state of the industry warrants Government support, general economic powers held by the Assembly could meet that need, as opposed to complicating it with this proposed Order.

[115] **Val Lloyd:** That is very helpful. You have answered my next question as well.

[116] **Mick Bates:** It would not complicate it if we just included venison on the face of the

proposed Order. That would be subject to a future Measure. Why would it complicate the proposed Order to include venison?

[117] **Mr G. Howells:** I assume that, if you are including it in the proposed Order, you are presuming a market failure, economically, within the deer-farming industry, and a need for a statutory levy. I do not know that that is the case, Chair.

[118] **Mick Bates:** Your rationale that there must be a market failure in order to include something does not suggest a very good future for the other industries listed in the proposed Order.

[119] **Mr G. Howells:** Market failure is an economic term referring to a situation where the supply chain is very long, as it is in the red meat industry, and no individual part of that supply chain can do everything necessary for research and development, marketing and promotion. That is not possible with individual businesses within the red meat industry, so we need a statutory levy to help to overcome that failure.

[120] **Mick Bates:** Don, I think that you would like to come in on Brynle's point and Val's point.

[121] **Mr Thomas:** The answer to the question of whether it should be extended to include venison and goat meat is 'no'. That would complicate the issue unnecessarily. There are significant problems with going through the work necessary to add goat meat or venison, which would delay the legislation inordinately. I am also concerned that the cost of developing some provision for venison and goat meat would far outweigh any benefits, and would hinder the position of other red meats, such as lamb, beef, and possibly pork, which is also on the margins.

[122] I am not aware of any Welsh meat plant that slaughters venison. My understanding is that they are shot in the field, so there are issues about slaughter and so on. I think that there is only one approved venison slaughtering plant in the UK, so there are issues there. I have no idea how goats are slaughtered, and how they are treated. Then there are all the complexities of the cross-border issues that we referred to earlier, so I think that it would be an unnecessary complication.

[123] **Mick Bates:** Does anyone have any further points on that issue?

[124] **Val Lloyd:** My next question has been answered by Mr Howells. I was going to ask about something that the head of rural affairs and heritage at the Assembly Government mentioned last week, in relation to the Assembly Government's powers, but Mr Howells answered that question in his comments on economic developments. I do not know whether Mr Thomas wants to comment on that.

[125] **Mr Thomas:** I did not fully understand the question.

[126] **Val Lloyd:** Last week, the head of rural affairs and heritage said that, if Hybu Cig Cymru felt it important to support the development of the venison sector, the Government could use its current powers on economic development to support that.

[127] **Mr Thomas:** That sounds sensible. I agree with that, rather than complicating this proposed Order.

[128] **Mick Bates:** Thank you for your clarification on that point. Finally, we have a question from Brynle.

[129] **Brynle Williams:** The interpretation section of the proposed Order lists the activities involved in the red meat industry, including breeding, keeping, processing and marketing. Are there other activities in the red meat industry that are not covered in the proposed Order?

[130] **Mr Thomas:** We do not think so. The proposed Order is comprehensive in the activities that it lists. As I say, I see prioritising those objectives as the important point, because we have a limited resource, and we are talking about relatively small sums of money. That is the important issue.

[131] **Mr Howells:** All that I would add to that is that I think that HCC would consider the interpretation in the proposed Order to be as expansive as possible, and I think that that is by design, and it has enough scope for any future Measures to fit into the legislative powers contained in it and will more than suffice in helping the industry to achieve its goals.

[132] **Mick Bates:** Are there any further questions from Members? I see that there are not. Do the witnesses have any points to add to their written or verbal evidence? I see that they do not. There was the issue of numbers. If you have further information on that, we would be grateful for it. It is good to increase understanding even if it is not necessarily directly related to the issues before us.

[133] I thank the four witnesses for their written evidence and for their answers to our questions. Some points were immensely interesting to us and will help us when we come to make our recommendations. As witnesses, you will be sent a copy of the transcript. If, having read through that, you think that you would like to add something, please do not hesitate to send us further information. Thank you all.

[134] Members, as I mentioned before, I have received further evidence from the National Beef Association. Two specific points came up today about including the words 'economic return' and the word 'technology'. I will write a letter to the Minister asking her opinion on that, given that, when she came before committee, that evidence was not there.

9.47 a.m.

Cynnig Trefniadol Procedural Motion

[135] **Mick Bates:** The next item to discuss is that of the next meeting. As I think we have discussed before, we will consider the key issues and our recommendations at our next meeting, and I would like to confirm that the meeting can be held informally. Would anybody like to propose that?

[136] **Ann Jones:** It is normal practice to meet in private from time to time. Therefore, I propose that

the committee resolves to exclude the public from the next meeting of this committee in accordance with Standing Order No. 10.37.

[137] We can then consider the key issues.

[138] **Mick Bates:** Are Members content that we meet in private to discuss the issues and our recommendations? I see that they are.

[139] I thank Members for their attendance and the staff as usual, and I formally close the meeting.

*Derbyniwyd y cynnig.
Motion carried.*

*Daeth y cyfarfod i ben am 9.48 a.m.
The meeting ended at 9.48 a.m.*