

## Rural Development Sub-Committee

### Production and promotion of Welsh food

#### Introduction

This paper provides a suggested scope for the Rural Development Sub-Committee's inquiry into the Production and Promotion of Welsh food.

#### 1. Background

The Rural Development Sub-Committee will be undertaking an inquiry into Food Production in Wales, commencing in January 2009. This paper outlines some key issues, current Welsh Assembly Government policy of relevance and suggests a scope for the inquiry.

#### 2. Structure of the inquiry

The proposed aims of the inquiry are to:

- Examine the challenges associated with the Welsh agri-food sector (food production, processing and promotion)
- Assess the success of Welsh Assembly Government initiatives in this area including the agri-food strategy, sectoral strategies and the role of the agri-food partnership
- Examine whether future plans will help the food sector respond to the challenges and opportunities
- Make recommendations to the Welsh Assembly Government

The inquiry could select a number of sectors (for example red meat, fish, dairy, horticulture and crops – this is indicative) and assess the following aspects in relation to each sector:

Scene setting – value of Welsh agri-food sector, challenges and opportunities	
Production	Adequacy of support for those looking to make better connections to the market, diversify, add value to produce, select other ways of farming such as free range, organic etc. This could include schemes such as the Farming Connect service.

Processing	Links between processors and producers including abattoirs, dairy cooperatives etc
Labelling, Marketing, Promotion and Retail	Promotion of produce, initiatives such as PGI status and True Taste, overseas marketing and increasing market share, links with large retailers and their sourcing of produce, success of local branding and farmers' markets, farm assured products
Recommendations	

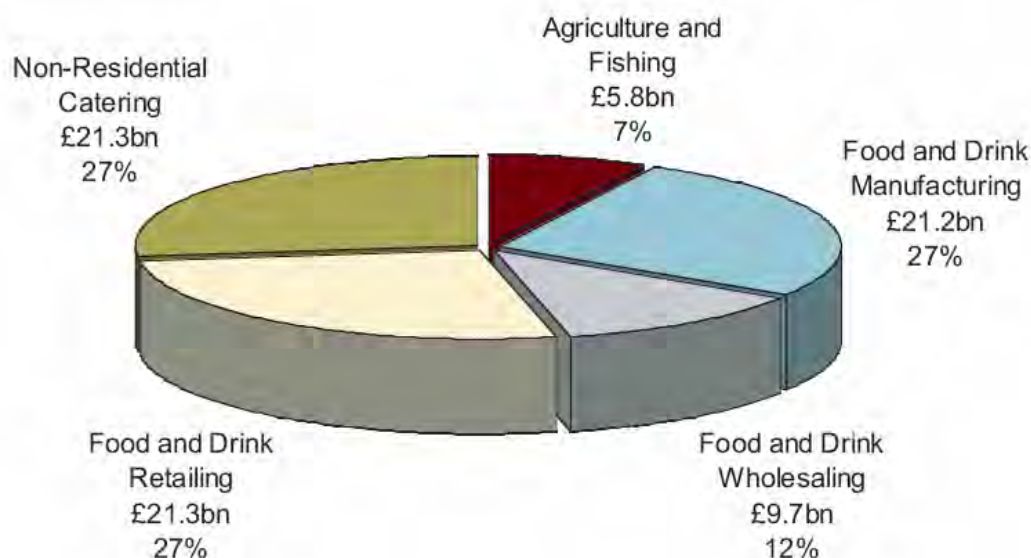
The Committee could undertake the following activities to gather evidence:

- Written consultation to relevant stakeholders
- Oral evidence sessions for each section of the inquiry, taking evidence from individual producers, cooperatives, processors, agencies involved in promotion and marketing etc
- Visits to examine the success of local initiatives
- Look at examples of best practice from elsewhere

### 3. Agri food sector statistics

In 2006, the UK agri-food sector contributed 7 per cent (£79.4 billion) of UK GVA<sup>1</sup>. The value of the overall sector is broken down as follows:

**Fig. 1: GVA of the UK Agri-Food Sector 2006<sup>2</sup>**



<sup>1</sup> National Statistics & Defra [Food Statistics Pocketbook 2008](#), October 2008, page 14, web page [on 11 November 2008]

<sup>2</sup> Food and drink manufacturing includes animal feed and tobacco

In the same year, UK household consumers spent £29.55 per person per week on food and non-alcoholic drinks. 23 per cent of the shopping bill was spent on meat, with the equivalent amount spent on fruit and vegetables<sup>3</sup>.

The food sector in Wales contributed around £3.5 billion to UK GVA in 2005<sup>4</sup>. This includes food manufacturing, wholesaling, retailing and non-residential catering. In 2004, the contribution of the manufacturing of food products, beverages and tobacco to Wales GVA was 2.3 per cent, whilst agriculture, hunting and related activities accounted for 1.5 per cent of GVA<sup>5</sup>.

In a survey undertaken by Mintel<sup>6</sup>, 34 per cent of those questioned were willing to pay a higher price for locally sourced food, 34 per cent were willing to pay a higher price for organic food and 29 per cent were willing to pay more for meat reared to higher welfare standards.

Data on farm business income published by the Welsh Assembly Government shows that in 2006/07, only dairy farms reported an income from agricultural activities<sup>7</sup>, an average of £10,500. LFA grazing lowland farms and lowland grazing livestock farms made an average loss of £17,700 and £8,300 respectively<sup>8</sup>.

#### 4. Drivers

The *Sustainable Farming and Environment, Action Towards 2020* report highlighted a number of challenges that face the agri-food sector in Wales. Some of these are drivers that impact and will continue to impact on food production in Wales are highlighted briefly below:

- High energy prices adding to cost of food production and price of food
- Further CAP Reform – the recent Health Check of the CAP and the discussions on the future of the CAP leading up to 2013 are likely to result in a greater shift away from supporting food production towards supporting rural development activities and environmental protection. According to the *Towards 2020* report, this should make it easier for Welsh farmers to align food production with the market
- Climate Change – the management of soil carbon will become increasingly important. Agriculture emits high levels of Green House Gasses – 12 per cent of all Wales' GHG emissions. Agricultural production may change as a result of changes in the climate
- Increasing demand from China and India for Western meat and dairy products
- Opportunities associated with increased consumer demand for high quality products, distinctive local products, fair trade and organic food versus the affordability of quality food, particularly given the current economic climate
- Increasing consumer awareness of environmental issues and concerns regarding food miles

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<sup>3</sup> Ibid page 27

<sup>4</sup> Ibid page 80

<sup>5</sup> Stats Wales [Regional GVA by Industry](#), 2004, web page [on 12 November 2008]

<sup>6</sup> Welsh Assembly Government, [Farming Food & Countryside: Building a Secure Future](#) page 17, web page [on 11 November 2008]

<sup>7</sup> Excluding subsidies and income from diversified activities

<sup>8</sup> Ibid. page 16

- Low incomes for farming family households resulting in a lack of interest in continuing with the farm business
- Competition between food and non-food products
- Involvement of some farmers in added value food production such as on-farm processing, organics and developing niche or premium food markets

## **5. Opportunities**

The recent Welsh Assembly Government consultation *Farming Food and Environment – Building a Secure Future*<sup>9</sup> identified a number of aims for the Welsh agri-food sector, including:

- Encouraging more collective marketing
- Encouraging more innovation in processing
- Developing food supply chains – making links including farmers, auctioneers, processors and retailers.
- Improving the positioning of Welsh products
- Encouraging the hospitality/service sector to promote and use Welsh produce
- Increasing public sector procurement of Welsh produce

The consultation document states (p21):

Farmers and food processors have to work together if the Welsh food sector is to succeed in competitive markets. Processors and producers must commit to securing the supply base in terms of volume, quality and fair pricing. Retailers must play their part in negotiating fair contracts and engendering trust throughout the chain. A new Food and Drink Strategy for Wales is being developed with a vision of a market led, customer focussed, profitable and sustainable industry which adds greater value and produces distinctive Welsh products and is responsive to market trends.

## **6. Welsh Assembly Government policy and commitments**

- The *One Wales* agreement contains a commitment to the development of a major initiative on Local Food Procurement.
- The Minister for Rural Affairs has recently consulted on a Farming Strategy, details of which are outlined above.
- The Welsh Assembly Government's strategy for the dairy industry was published in November 2007<sup>10</sup>. This was a commitment in the *One Wales* agreement.

<sup>9</sup> Welsh Assembly Government Consultation [Farming Food and Environment – Building a Secure Future](#), June 2008, page 35, webpage [on 24 September 2008]

<sup>10</sup> Welsh Assembly Government [Strategic Action Plan for the Welsh Dairy Industry](#), 2007 web page [on 11 November 2008]

- The Welsh Assembly Government's *Welsh Red Meat Industry Legislative Competence Order*<sup>11</sup> (LCO) is currently being scrutinised by the Assembly. The LCO will allow Welsh Ministers to introduce measures relating to the red meat industry in Wales.
- Axis 1 of the *Rural Development Plan for Wales 2007 – 2013*<sup>12</sup> provides resources for measures which target the competitiveness of the agriculture and forestry sectors. Of relevance to food production and marketing are the following<sup>13</sup>:

#### *Processing and Marketing Grant Scheme*

- To support farm businesses, and food and drink producers and processors to add value to their products and become innovative and competitive in the global market.
- To support agri-food businesses and other food and drink producers and processors in identifying and developing existing new markets.

#### *Quality Food Scheme*

According to the Welsh Assembly Government website:

There is a growing enthusiasm among consumers for high quality food with a clear regional identity. To help meet this new requirement companies will be encouraged to obtain both ISO 9000/ISO 14001 and British Retail Consortium (BRC) accreditation.

However, when a product acquires a reputation beyond its national borders it can find itself in competition with products which pass themselves off as the genuine article and take the same name.

The Protected Food Name Scheme is one solution to this problem and is split into three sub schemes.

- Protected Designation of Origin
- Protected Geographical Indication
- Traditional Speciality Guaranteed

#### *Farming Connect and Farming Advisory Service*

Farming connect provides advice on farm diversification, innovation, business management, environment, marketing and information and communication technology.

#### *Supply Chain Efficiency*

The Welsh Assembly Government website states:

The agri-food sector in Wales faces pressures derived from a highly competitive market place. There is an evident need for the industry to address the pressures and adapt to the continually changing market place. The Welsh Agri-Food sector is over reliant on competing in commodity markets, which results in price volatility along the supply chain.

<sup>11</sup> Welsh Assembly Government [The National Assembly for Wales \(Legislative Competence\) \(Agriculture and Rural Development\) Order 2008 \(relating to the Welsh Red Meat Industry\)](#) web page [on 11 November 2008]

<sup>12</sup> Welsh Assembly Government [Rural Development Plan for Wales 2007 - 2013](#)

<sup>13</sup> Welsh Assembly Government website [Axis 1 Schemes](#) web page [on 11 November 2008]

- The Welsh *Agri-Food Strategy* of the previous Assembly Government<sup>14</sup>, which was the responsibility of the then Welsh Development Agency, had the following strategic objectives for the agri-food sector:
  - Improving market focus
  - Improving supply chain linkages
  - Improving the performance of processors
  - Improving the performance of primary producers

The strategy was delivered through a number of sectoral groups and strategies, with separate groups set up for farm and trade development:

- Fisheries Action plan<sup>15</sup>
- Horticulture<sup>16</sup>
- Lamb and Beef<sup>17</sup>
- Organic Action Plan (first and second)<sup>18</sup>

A number of agri food sector food consultations are expected over the coming months, including:

- Food and Drink Strategy
- Action plan for the red meat sector
- Action plan for food tourism
- Action plan for local sourcing
- Action plan on Horticulture
- Action plan on Organic

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<sup>14</sup> Welsh Assembly Government [Strategy in Action: Towards 2007](#)

<sup>15</sup> Welsh Assembly Government [Development of the Welsh Fisheries and Aquaculture sector](#) web page [on 12 November 2008]

<sup>16</sup> Welsh Assembly Government [Horticulture Strategy for Wales](#) web page [on 12 November 2008]

<sup>17</sup> Welsh Assembly Government [The Welsh Lamb & Beef Sector: A Strategic Action Plan](#) web page [on 12 November 2008]

<sup>18</sup> Welsh Assembly Government [The Welsh Organic Food Sector](#) web page [on 12 November 2008]