National Assembly for Wales
Rural Development Sub-Committee

Inquiry into the Production and Promotion of Welsh Food

July 2009

The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

An electronic copy of this report can be found on the National Assembly's website
www.assemblywales.org

Further hard copies of this document can be obtained from:
Rural Development Sub-Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Tel: 029 2089 8185
Fax: 029 2089 8021
Email: ruraldev.comm@wales.gsi.gov.uk

National Assembly for Wales
Rural Development Sub-Committee

Inquiry into the Production and Promotion of Welsh Food

July 2009

Contents **Page**

Committee Membership

Alun Davies
(Chair)
Mid and West Wales
Labour

Mick Bates
Montgomeryshire
Welsh Liberal Democrat

Rhodri Glyn Thomas
Carmarthen East and Dinefwr
Plaid Cymru

Brynle Williams
North Wales
Welsh Conservative Party

CHAIR'S INTRODUCTION

As a Committee, we were keen to investigate the challenges facing the agri-food sector in Wales, as it is a vital part of the rural and wider Welsh economy.

The importance of this sector was highlighted during the course of this inquiry, when Dairy Farmers of Britain went into administration, resulting in the loss of the last remaining major milk processing plant in Wales.

We are all well aware of the importance of food and the changing nature of food production as technology and world markets develop which makes this a particularly challenging area. Some of the key issues impacting on food production in Wales, identified from the outset by the Committee, included high energy prices, increasing consumer awareness of environmental issues such as climate change, concerns regarding food miles and the economic downturn.

The Committee was keen to undertake this inquiry to consider how the current global drivers may impact on this industry and whether the most has been made of the opportunities to address areas of concern in this area. The Committee wanted to establish what the challenges facing the sector were, by examining every aspect from production through to consumption. We wanted to find out if the Welsh Government had been effective in helping producers and processors be more innovative and whether the grant support was being deployed in the best way. We wanted to find out whether more needed to be done to market and promote Welsh produce, thus helping it gain a better share of the domestic and overseas markets and helping to ensure that producers get a fair price for their goods.

In order for us to do this effectively, we wanted to hear from the businesses and organisations that are actively involved in this sector including farmers, processors, co-operatives, farmers' markets, and those involved in promotion.

Over the last seven months we have received written evidence from a wide range of organisations and taken oral evidence from producers, processors, retailers, and those involved in promotion and marketing. We would like to take this opportunity to thank everyone who took the time to provide evidence to the Committee. The broad range of evidence which the Committee has considered during the course of the inquiry has given us a solid base on which to make our recommendations.

Alun Davies AM
Chair, Rural Development Sub-Committee

INTRODUCTION AND BACKGROUND

Origins of the Inquiry

1.1 Food is a significant industry in Wales, providing a livelihood for a great many living in rural areas. The food sector in Wales, including food manufacturing, wholesaling, retailing, and non-residential catering, contributed around £3.5 billion to the UK Gross Value Added in 2005.

1.2 A number of challenges facing the agri-food sector in Wales were identified in the *Sustainable Farming and Environment, Action Towards 2020*. These included high energy prices adding to the cost of food production and price of food; consumer awareness of environmental issues and consumer demand for high quality products, and distinctive local products. Although the Welsh Government has issued a number of consultations and policies in this area, which indicates a commitment to developing this sector; the Committee was keen to undertake this inquiry to consider whether the most has been made of the opportunities to address the challenges in this area, which is such an important part of the rural economy.

Terms of Reference

1.3 The Rural Development Sub-Committee agreed to undertake an inquiry looking at the production and promotion of Welsh food in November 2008. The Committee started taking evidence on this inquiry in January 2009 and concluded evidence gathering in June 2009.

1.4 The inquiry aimed to:

- Examine the challenges associated with the Welsh agri-food sector (food production, processing and promotion);
- Assess the success of Welsh 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 future challenges and opportunities.

1.5 The Committee took evidence from across the food sector, hearing from producers, processors, retailers, those involved in labelling and marketing, procurers and promoters.

1.6 This report covers the main issues raised by the evidence. It considers matters around the food chain including information and communication; local sourcing, the supply chain and procurement; and marketing and promotion. Consideration has also been given to the global drivers and their impact, and government policy.

1.7 The Committee has made a number of recommendations to try and ensure that the most is made of the opportunities available within in this field.

GLOBAL DRIVERS AND SCENE SETTING

2.1 This chapter identifies some of the significant drivers facing the agri-food sector industries globally and how some of the issues relate to Wales. The chapter also highlights issues that were identified by the committee as part of its first scene setting evidence session that was held on 15 January 2009.

Global drivers/Challenges

2.2 In recent years global food supply has become a serious concern for the public and politicians, particularly in light of the rise in world food prices seen during 2008. The increase in agricultural commodity prices led to a worldwide increase in consumer prices and in the UK during August 2008, food price inflation (Retail Price Index) peaked at 12.8 per cent.[1] During March 2008, the price of wheat had doubled in price compared to March 2007.[2]

2.3 Many argue that food prices and the effects on global food supply are influenced by a series of longer-term factors. The combined effect of these factors can put pressure on the food markets making them more volatile. These factors are also referred to as 'drivers'. The drivers can affect global food systems in different ways and don't necessarily complement each other in terms of challenges and opportunities they present. However, it should be recognised that these drivers could provide opportunities for the future repositioning of Wales and its local food production and promotion and it is important to consider how we can make best advantage of them.

2.4 At the Rural Development Sub-Committee's scene setting evidence session Professor Marsden referred to the effects these drivers have:

> "I think that the importance of these wider pressures is that they are going to structure the nature of markets and the types of competition in markets quite significantly."[3]

2.5 Some of these key drivers include agricultural food policy, labour, climate change, land use, water management, energy prices, population growth and nutritional transition. The rest of this section discusses each of these eight key drivers in more detail.

Agricultural Food Policy

2.6 Agricultural food policy plays a fundamental role in influencing global food systems. As part of the food inquiry, the Committee heard evidence from Professor Marsden who commented on the:

> "Increasing volatility in markets, which suggest that we are moving away from the old Common Agricultural Policy system as the guarantor of good-quality food."[4]

---

[1] Office for National Statistics, *First Release-Consumer Price Indices for August 2008*, 16 September 2008 page 18
[2] National statistics and Defra, *Food Statistics Pocket book 2008*, page 35
[3] RoP, p5, 15 January 2009, Rural Development Sub-Committee
[4] Ibid, page 8

2.7 He also commented on the need to:

> […] "recast relationships with the UK and, in particular, EU policy levels with regard to competition and trade. […] These are important issues. Somehow, agri-food, rather than just agriculture needs to be part of that."[5]

2.8 The Common Agricultural Policy (CAP) is a system of European Union agricultural subsidies and programmes and costs about 55 billion Euros per year.[6] The most recent reform in CAP has seen a shift in focus towards removing the link between agricultural subsidies and the volume of food produced (also referred to as decoupling).[7] Under the current system farmers are expected to keep their land in Good Agricultural and Environmental Condition (GEAC) to receive money from the Single Payment Scheme and there is also an emphasis on farmers respecting the environment, food safety and animal welfare standards. [8]

2.9 Although the CAP system aims to be aligned with the markets, the Committee, as part of its food inquiry, heard evidence to suggest that the current farm subsidies are still not quite targeted effectively. The Dairy Development Centre commented:

> […] "the subsidy that goes into agriculture in Wales at the moment far exceeds the profitability of our agriculture. That subsidy through the single farm payments and the Tir schemes do not encourage more production. […] our schemes are encouraging farmers that the less they farm, the more profitable they will be at the end of the day."[9]

2.10 The EU Commission has recently completed its 'CAP Health Check' as a review of the Common Agricultural Policy (CAP). An EU agreement on the CAP Health Check was reached on 20 November 2008. Some of the changes include the further decoupling of farm payments, reduction in bureaucracy for farmers (in relation to cross-compliance checks) and an increased focus on funding targeted at environment and rural development schemes. [10]

2.11 The Health Check itself hasn't put in place major reform, but there are likely to be significant reforms in the longer-term for agriculture. The Welsh Government's strategy, *Food Farming and Countryside - Building a Secure Future* recognises that future CAP reform could potentially result in a reduction in the amount of support for EU food production with a shift away from direct payments under Pillar 1 to farmers that are increasing their activity under the rural development incentives of Pillar 2.[11]

---

[5] RoP, p6, 15 January 2009, Rural Development Sub-Committee
[6] European Commission Agriculture and Rural Development, *The Common Agricultural Policy Explained*
[7] Ibid, page 7
[8] http://wales.gov.uk/topics/environmentcountryside/farmingandcountryside/farming/cap/glossary/?lang=en
[9] RoP, p20, 15 January 2009, Rural Development Sub-Committee
[10] http://www.defra.gov.uk/farm/policy/capreform/index.htm
[11] Ibid, page 6

2.12 Although it is anticipated that any CAP reform would stimulate governments to put more emphasis on agri-environmental measures to benefit the environment, the transition to this will not be without its difficulties. It will require all EU farmers to become less reliant on CAP support and adapt their production systems to effectively compete in a global market place, whilst ensuring they are utilising the rural development measures that have an environmentally sustainable focus.

2.13 According to *Farming Food and Countryside - Building a Secure Future* 80 per cent of the Welsh Government's Rural Development Plan budget will be utilised for land management and agri-environment schemes designed to enhance the environment.[12] Any CAP reform is likely to place a greater emphasis on environmental goods and services; therefore there is an opportunity here for Welsh farmers to prepare for any decline in CAP financial support by developing a more environmentally sustainable approach to farming.

2.14 Agricultural food policy also plays a significant role in setting standards for the quality and safety of food produced. At the Committee's scene setting session, Professor Marsden commented:

> […] "the food system is now seen as a part deliverer of the public health agenda, and that is going to affect markets."[13]

2.15 He also commented on the Pennington Report (inquiry into E coli) and the international attention it will attract on the quality of Welsh food.[14]

2.16 As a result of regulations and agricultural policies, food quality and safety standards are high in the UK. As a result of globalisation, farmers in Wales and the rest of the UK are increasingly exposed to competition from world wide markets with lower production costs. The Welsh Affairs Committee's inquiry also heard evidence to suggest that not all foreign food products meet the same high standards expected of British producers.[15] This could pose real challenges for the food industry in terms of animal health and welfare as well as general food safety. To counteract these effects, the Welsh Affairs Committee's globalisation report highlights that by promoting food products as distinctly Welsh, Wales has an opportunity to protect the interests of its higher cost producers against the other low cost competitors in the global economy.[16]

Labour

2.17 Labour and population movements are a key driver affecting the global food system. Globally there are increasing population movements from rural to urban areas, resulting in the consumption and demand for more varied diets.

---

[12] Welsh Assembly Government, *Farming Food and Countryside , Building a Secure Future, Annex 1: Industry Challenges*, May 2009, page 17
[13] RoP, p5, 15 January 2009, Rural Development Sub-Committee
[14] RoP, p9, 15 January 2009, Rural Development Sub-Committee
[15] Welsh Affairs Committee, *Globalisation and its impacts, 12 February 2009*, HC184-1, 2008-09, para 114
[16] Ibid, para 123

2.18 This presents a challenge for the shrinking farming workforce to produce enough food to meet demand. In relation to Wales, the Welsh Affairs Committee's globalisation inquiry heard evidence to suggest that the farming industry is under increasing pressure as a result of the number of young people that are leaving farm businesses.[17] According to the EC Farm Structure survey (2003), the average age of farmers for all holdings was 57 years old.[18]

2.19 This is supported by evidence heard as part of the Rural Development Sub-Committee's food inquiry, where NFU Cymru warned against the effects of a shrinking farm labour force:

> "If, over the next 10 years, young farmers move away from the industry as they have over the last 30 or 40 years, our ability to produce food in Wales will be severely hampered. […] we will see a real erosion of our production ability."[19]

2.20 Low farm incomes and declining profitability has been a long-term trend for Welsh farmers. Farm incomes for lowland grazing livestock and Less Favoured Area[20] farms continue to have below average incomes under all farm types.[21] The decrease in farm incomes in Wales can be partly attributed to increased production costs associated with animal feed, fertiliser and energy.[22] Farm subsidy payments through the Common Agricultural Policy are an important contribution to farm incomes.

2.21 The Welsh Affairs Committee also heard evidence to suggest that there is a general shortage of skills in Wales across the food industry as a whole from production to point of sale.[23]

Climate Change

2.22 Climate change is already high on the worldwide agenda. According to the Chatham House Report on *Food Futures- Rethinking UK Strategy*[24], climate change is considered to be:

> An important additional stress on agricultural production systems already affected by high demand and degradation.[25]

2.23 Climate change is creating disruptive weather events and natural disasters with detrimental effects on agricultural food production. As a result of climate change, it is anticipated that there will be increased incidences of extreme weather conditions damaging crops and making farmland

---

[17] Ibid, para 113
[18] Defra, *EC Farm Structure Survey-Focus on: Holders in the UK, October 2005*, table 4, page 9
[19] RoP, p14, 15 January 2009, Rural Development Sub-Committee
[20] Less favoured areas means land which is situated in and included in the list of less favoured farming areas adopted by the Council for the Commission of the European Communities under Article 2 of Council Directive No. 75/268/EEC on mountain and hill farming in less favoured areas, and In the UK, LFAs are subdivided into Severely Disadvantaged Area (SDA) (shaded pink on the designated map) and Disadvantaged Area (DA) (shaded blue on the map).
[21] Welsh Assembly Government, *Farming Food and Countryside , Building a Secure Future, Annex 1: Industry Challenges*, May 2009, page 15
[22] Ibid page 15
[23] Welsh Affairs Committee, *Globalisation and its impacts, 12 February 2009*, HC184-I, 2008-09, page 59, para 157
[24] Chatham House, *Food Futures: Rethinking UK Strategy*, February 2009
[25] Ibid, page 17

unviable.[26] 2.24 Climate change has also been linked with perpetuating the rapid spread of crop and animal diseases and fluctuations in temperature and precipitation.[27] Animal disease can also have longer term implications for the profile and reputation of food products; something that has been evident during previous animal disease outbreaks in the UK and Wales such as BSE and Blue Tongue.

2.25 The UK Climate Impact Programme (UKCIP) predicts that temperatures in Wales are forecast to rise on average by 1-3 degrees centigrade by 2080.[28] According to *Farming Food and Countryside - Building a Secure Future*, this may present opportunities for UK farmers in the form of longer growing seasons.[29] Carbon dioxide emissions are not the only green house gas contributing to climate change. Certain agricultural activities also emit other non-carbon dioxide emissions such as methane from livestock and nitrous oxides from fertilizers that also contribute to climate change.[30] This will present a significant challenge for farmers in Wales, where livestock and sheep are the most predominant sectors.

2.26 Farming and land management in Wales has an important role to play in maintaining and increasing the carbon stored in soils. In Wales, 400 million tonnes of carbon is stored in Welsh uplands.[31] This carbon store has built up over time due to water logged conditions in upland areas. The threat in terms of climate change is that a warmer and drier climate in Wales could result in these upland areas drying out and releasing carbon into the atmosphere.[32] According to *Farming Food and Countryside - Building a Secure Future*, if as much as 3 per cent of carbon was released from soils in the Welsh uplands, this could effectively double Wales' carbon dioxide emissions.[33]

2.27 Over time it is anticipated that as a result of climate change, food yields are likely to fall, which will have an inflationary impact on food prices across the globe. Figures quoted in the International Food Policy Research Institute report on *Food Policy* indicate that agricultural GDP outputs are anticipated to decrease by 16 per cent by 2020 as a result of global warming in the developed world, with a more severe decline of 20 per cent in developing countries.[34]

2.28 Such predicted shifts as a result of climate change will challenge farmers to become more flexible and adapt their approach to farming to better manage the effects of climate change. As part of the food inquiry, the Rural Development Sub-Committee heard evidence from Professor Marsden who stated:

---

[26] Ibid, page 17
[27] Ibid, page 17
[28] Friends of the Earth Media Briefing, *Climate Change Impacts*, May 2005 page 7[28] Welsh Assembly Government, *Farming Food and Countryside - Building a Secure Future, Annex 1: Industry Challenges*, May 2009, page 8
[29]
[30] Welsh Assembly Government, *Farming Food and Countryside - Building a Secure Future, Annex 1: Industry Challenges*, May 2009, page 8
[31] Welsh Assembly Government, *Farming Food and Countryside - Building a Secure Future, Annex 1: Industry Challenges*, May 2009, page 9
[32] Ibid, page 9
[33] Ibid, page 9
[34] International Food Policy Research Institute Food Policy Report, *The World Situation: New Driving Forces and Required Actions*, 2008 page 3

"We must try to develop this notion of farms not just as diversified entities, but as deliverers of sets of ecological goods and services."

2.29 Farmers will need to adopt improved farming and land management practices.[35]

Land use

2.30 In Wales, the total agricultural land that is in use decreased from 1,680,000 hectares in 1997 to 1,640,000 hectares in 2007.[36] In particular, there have been decreases in relation to arable land and rough grazing land usage. For example, arable land usage decreased from 227,000 hectares in 1997 to just 162,000 hectares in 2007.[37] Rough grazing land has also seen a similar decline from 479,000 hectares in 1997 to 390,000 hectares in 2007.[38]

2.31 The majority of the world's most productive agricultural land is already in use, with analysts predicting that the area of cropland available for use will only expand slightly in the future.[39] This will mean that any future increases in food production would need to be based on greater productivity for each hectare of available land.[40] However, the Chatham House report reveals that the growth in yields per hectare appears to be decreasing. This creates real challenges for food security in the longer term and questions the ability for food supplies to meet growing demands. As populations continue to rise and land is pushed to its limits, issues such as resource use and environmental footprints will become a growing concern.[41]

Water management

2.32 The global pressures on the availability of water supply for human use are becoming an ever increasing problem. The scale of global trade in virtual water (embedded in food) exceeds 800 billion cubic metres a year, which is equivalent to Ten Nile Rivers.[42] In evidence taken as part of the Rural Development Sub-Committee's food inquiry, Professor Marsden commented on the use of water in food:

[…] "there is the whole question of sustainable systems, not least how we reduce waste and the exorbitant amount of water- what some people call 'virtual water'-that is in our foods. […] Globally, agriculture takes up 70 per cent of fresh water supplies, so water, as well as carbon, is going to be an important aspect of structuring the nature of competition."[43]

---

[35] Welsh Assembly Government, *Farming Food and Countryside - Building a Secure Future, Annex 1: Industry Challenges*, May 2009, page 8
[36] Welsh Assembly Government, *Farming Facts and Figures 2008*, 2008, page 3
[37] Ibid, page 3
[38] Ibid, page 3
[39] Chatham House, *Food Futures: Rethinking UK Strategy*, February 2009 page 15
[40] Ibid, page 15
[41] Chatham House, *Food Futures: Rethinking UK Strategy*, February 2009, page 16
[42] Ibid, page 16
[43] RoP, p5-6, 15 January 2009, Rural Development Sub-Committee

2.33 The Chatham House report warns that such use of water could cause environmental and social damage in countries where water scarcity is already an issue. The report also refers to the use of water irrigation systems for agricultural land as a core strategy in feeding an increasing world population, but highlights issues where some countries are not sourcing or managing water sustainably.[44]

2.34 Another factor that presents a significant challenge for food production in the future is water shortages associated with climate change. These factors will challenge countries to source their water supplies more sustainably and manage their water for agriculture more efficiently.

Energy Prices

2.35 Energy prices are a key driver of global food systems. Energy prices also have a significant impact on the price of food. Although energy prices have always been volatile, the last decade has seen sharp increases in the price of oil, gas and electricity. Agricultural production is a relatively energy intensive activity since energy is required to operate farm machinery and is used indirectly to produce fertilizer. Fertilizer prices are taking up a growing share of the main agricultural production costs in developing countries. [45] The World Bank's report on Agricultural Development warns that:

> Sharply higher fertilizer prices could have far-reaching effects on developing country agriculture-pushing down fertilizer application rates and crop yields and raising food prices.[46]

2.36 The Chatham House report states that energy input costs for agriculture and food businesses are likely to remain high with prices set to continually rise into the future.[47]

2.37 Food prices are also closely aligned to energy prices through freight/transport costs. Increased transportation costs have had a noticeable impact on trade patterns. According to the Food and Agricultural Organisation of the United Nations (FAO):

> […] "many countries opt to source their import purchases from nearer suppliers to save on transport costs. In many instances, this development has also sparked a noticeable reduction in the degree of world market integration with prices at regional or localized levels falling out of line with world levels".[48]

2.38 The World Bank's Agriculture for Development Report, suggests that transport costs can have an impact on increasing the amount of interest in the local sourcing of food and local food markets in the developed countries with a focus on reducing the number of food miles.[49]

---

[44] Chatham House, *Food Futures: Rethinking UK Strategy*, February 2009 page 17
[45] World Bank, World Development Report, *Agriculture for Development*, 2008, page 66
[46] Ibid, page 66
[47] Chatham House, *Food Futures: Rethinking UK Strategy*, February 2009 page 13
[48] FAO, *Food Outlook: Special Features*, November 2007 accessed on 04 June 2009
[49] World Bank, World Development Report, *Agriculture for Development*, 2008, page 66

Population growth and food security

2.39 Since 2000 the global stock levels of crops have been consistently declining partly due to reduced stocks in China.[50] It is estimated that in 2007/08, the global stock of wheat was 59 per cent of its 2000 level.[51] Such low stocks can make the markets more sensitive to undersupply which can drive up food prices. John Beddington, the Chief Scientific Advisor to the UK Government has commented that:

> "We are going to have to expect to have-throughout the world and not just in the UK-higher food prices"[52]

2.40 In his comments, he attributes the rise in food prices mainly to population growth and that this will counteract any decrease in food prices.[53]

2.41 The Chatham House report identifies that increases in the world population will have a longer term impact on increased demand for food and states that the world may need to feed over nine billion people by 2050.[54] According to the UN, by 2050 86 per cent of the world's population will live in less developed regions.[55]

2.42 Population growth and the impact this has on food prices, production costs and overall food security presents both challenges and opportunities to the agri-food sectors in Wales. According to *Farming, Food and Countryside - Building a Secure Future,*, Welsh farmers are likely to be in a good position to increase their meat and dairy product production.[56] The report recognises that food price volatility is likely to feature as a trend and that this may present challenges for the predominant livestock and dairy sectors in Wales as a result of any rise in the cost of animal feed.[57] To address this potential challenge the report argues that Welsh farmers will need to become more technically efficient in their production systems through optimising feed usage, minimising costs and preserving the environment, resulting in an emphasis on mixed farming with livestock farmers producing their own animal feed.[58]

[50] National statistics and Defra, *Food Statistics Pocket book 2008*, page 36
[51] Ibid, page 36
[52] The Telegraph Press Release, *High food prices here for the next decade*, 07 September 2008
[53] Ibid
[54] Chatham House, *Food Futures: Rethinking UK Strategy*, February 2009 page 11
[55] United Nations, Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, *World Population Prospects: The 2006 highlights*, 2007 page 1
[56] Welsh Assembly Government, *Farming Food and Countryside - Building a Secure Future, Annex 1: Industry Challenges*, May 2009, page 4
[57] Chatham House, *Food Futures: Rethinking UK Strategy*, February 2009 page 12
[58] Welsh Assembly Government, *Farming Food and Countryside - Building a Secure Future, Annex 1: Industry Challenges*, May 2009, page 5

Nutritional transition and changing consumer behaviours

2.43 The nutritional transition of countries can be linked to a country's development and the affluence of the population.[59] Generally as a country's affluence increases, so does the demand for meat, dairy products and in particular demand for processed and refined foods such as sugars, oils and fats.[60] The Chatham House report states that as this trend continues, countries like China, India, Thailand and Egypt are going to increasingly need greater amounts of animal feed, water and grazing land so will need to import some feed and livestock to meet this demand.[61] *Farming Food and Countryside - Building a Secure Future* recognises the increased demand from China and India for meat and dairy products from developed countries as a key global driver affecting the agri-food sectors.[62]

2.44 Globalisation of demand for food products may also present an opportunity for Wales. The Welsh Affairs Committee's inquiry into globalisation and its impact on Wales found that the growing demand for meat and dairy products in the emerging markets of China and India provide an opportunity for Wales to maximise its exports.[63] The report recognises that as affluence increases in these developing markets, this creates more markets and opportunities for the production of premium food products in Wales.[64] At the scene setting evidence session as part of the Rural Development Sub-Committee's food inquiry Professor Marsden commented on the export opportunities that this nutritional transition presents and argued the need for there to be a step change and greater coherence in export marketing and promotion.[65] *Farming, Food and Countryside - Building a Secure Future*' argues that Wales has an opportunity to position itself as a top producer of quality meat and dairy products in the world wide market.[66]

---

[59] Chatham House, *Food Futures: Rethinking UK Strategy*, February 2009 page 12
[60] Ibid, page12
[61] Ibid, page 12
[62] Welsh Assembly Government, *Farming Food and Countryside - Building a Secure Future, Annex 1: Industry Challenges*, May 2009 page 11
[63] Welsh Affairs Committee, *Globalisation and its impacts, 12 February 2009*, HC184-I, 2008-09, page 44, para 111
[64] Ibid, para 111
[65] RoP, p19, 15 January 2009, Rural Development Sub-Committee
[66] Welsh Assembly Government, *Farming Food and Countryside - Building a Secure Future, Annex 1: Industry Challenges*, May 2009, page 11

GOVERNMENT POLICIES

Farming, Food and Countryside – Building a Secure Future

3.1 The Minister for Rural Affairs has recently launched a new farming strategy *Farming, Food and Countryside – Building a Secure Future.*[67] The strategy aims to set out a vision of Welsh farming at the heart of a sustainable countryside and profitable rural economy. It builds on the earlier *Farming for the Future Strategy* and takes into account the recommendations of the independent *Sustainable Farming and Environment – Action Towards 2020* report.

3.2 Launching the strategy in June 2009 the Minister spoke of her aspirations for farming in Wales:

> "Continuing Wales' role as a food producing country is central to the strategy. The future must include adaptation to market and environmental pressures whilst ensuring we play our role in meeting the food demands of an increasing global population. It is my firm belief that the future for the farming economy, countryside and communities of rural Wales can be both profitable and sustainable."[68]

Red Meat Legislative Competence Order

3.3 The Welsh Government's (Welsh Government) *Welsh Red Meat Industry Legislative Competence Order*[69] (LCO) was approved by the Assembly in March 2009. The LCO was then approved by the House of Commons in May 2009. Welsh Ministers already have significant devolved powers within the field of agriculture; the purpose of this Order is to confer on the National Assembly for Wales the first legislative powers in this field. Specifically, the LCO will allow the National Assembly to approve Measures relating to the red meat industry in Wales.

3.4 Speaking in Plenary on 23 September 2008, the Minister for Rural Affairs said:

> "The direct purpose of this Order is to overcome the restrictions imposed by the Natural Environment and Rural Communities Act 2006, and to give the National Assembly greater flexibility to designate the arrangements for the collection of levies from the red meat sector in order to promote the Welsh red meat industry."

3.5 The draft Order was approved by the House of Lords in June 2009 and it is now waiting for Royal assent.

---

[67] Welsh Assembly Government *Farming, Food and Countryside. Building a secure future*. web page [on 19 June 2009}
[68] Welsh Assembly Government Farming, Food and Countryside helps to build a secure future for Farmers in Wales. Webpage [on 19 June 2009]
[69] 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 5 June 2009]

Local Sourcing Action Plan

3.6 The *One Wales*[70] agreement contains a commitment to the development of a major initiative on Local Food Procurement and most recently the Local Sourcing Action Plan[71] and the Food Tourism Action Plan[72] have been launched.

3.7 The Local Sourcing Action Plan seeks to assist Welsh food and drink companies in their efforts to access local markets. It also aims to make it easier for consumers to buy food and drink produced in Wales. The Government expects this to improve business, safeguard and create additional jobs, and encourage healthy eating. It should also help Wales to maintain high standards in food safety, develop local food cultures and reduce food miles.

3.8 The plan contains actions to help achieve these aims including supporting the development of farmers' markets and the development of the production and processing sectors; encouraging producers to diversify to meet local demand; developing community food projects and food hubs; encouraging all sectors to source more local food and drink, and ensuring high levels of food safety and hygiene.

3.9 Links to other Welsh Government policy aims have also been identified. The plan links to the work to improve the quality and nutritional value of food available in schools through Appetite for Life; the Welsh Government's work to improve that available within Welsh hospitals; the strategic plan to improve diets in Wales, known as Quality of Food for all in Wales, and policy aims relating to economic development, community regeneration and environment and social sustainability.

Food Tourism Action Plan

3.10 The Food Tourism Action Plan was launched by the Minister for Rural Affairs, Elin Jones and Heritage Minister, Alun Ffred Jones on 29 April 2009. The plan seeks to develop links between food and tourism to capitalise on the economic benefits of providing visitors with a unique, high quality and distinctive food experience. It brings together the agriculture, tourism and food production, processing and service sectors, and identifies future priorities for developing Wales' food and tourism sector.

[70] Welsh Assembly Government. One Wales: A progressive agenda for the government of Wales. Webpage [on 19 June]
[71] Welsh Assembly Government. Local Sourcing Action Plan. Webpage [on 30 June 2009]
[72] Welsh Assembly Government. Food Tourism Action Plan. Webpage [on 30 June 2009]

3.11 Speaking at the launch event for the plan, the Minister for Rural Affairs said:

> "Our Food Tourism Action Plan is all about improving perceptions of Wales as a destination where high quality and distinctive food is widely available in our cafes, restaurants, pubs, hotels and guesthouses. We want to ensure that our visitors are provided with an exceptional food experience based on locally sourced and distinctive food. In 2008 the first category for Food Tourism Destination was included in Wales, The True Taste Food & Drink Awards. The award aims to raise awareness of the excellence of Food Tourism outlets throughout Wales and we plan to continue this category in future years. There is clearly a demand for gastronomic experiences and outlets which promote and market high quality Welsh food and drink. The actions contained in the Plan are designed to help us meet this demand."

3.12 The Heritage Minister spoke about the importance of food in creating a unique visitor experience:

> "The importance of food to the tourism industry has increased significantly within the last ten years and there's a growing recognition that food can create a unique sense of place. Food products and dishes are also an expression of local cultures, and culinary tourism and agri-tourism are vital elements of a destination's cultural tourism offer. Food tourism fully integrates both concepts in order to maximise the economic impact of various activities linking food to tourism."

3.13 The first objective of the Food Tourism Action Plan is to improve the perceptions of Wales as a destination where high quality and distinctive food is widely available. Actions associated with this objective include reviewing the True Taste brand and reviewing and developing the content of the True Taste website.

3.14 The Minister and her officials updated the committee on 17 June 2009, stating that the results of the review were due out at the end of June 2009. The interim results showed that while some businesses had an awareness of the True Taste brand, more work is needed to increase consumer awareness:

> "The review shows that the brand has been very successful, business to business, but that there is a need to move it on to engage more closely with consumers, to raise their awareness of the Wales the True Taste brand. [...] We now need to increase that awareness among consumers, so that there is a consumer pull for products that are branded with the True Taste logo."

Strategic Action plan for the Welsh dairy industry

3.15 The Welsh Government strategy for the dairy industry was published in November 2007[73]. This commitment was also laid out in the *One Wales* agreement. The plan was developed in partnership with the Dairy Strategy Group, which is representative of the sector, and the Milk Development Council. The Plan has a vision of a 'sustainable, profitable, efficient and innovative Welsh dairy sector, which benefits the people of Wales. It focuses on three strategic aims,

[73] Welsh Assembly Government *Strategic Action Plan for the Welsh Dairy Industry*, web page [on 5 June 2009]

- To improve the levels of understanding of market trends and consumer behaviour;
- To foster innovation and improve supply chain linkages;
- To improve the business performance of producers and processors in response to changing market conditions, environmental requirements and consumer demands.

3.16 The plan points out that to be successful in achieving the aims, the Welsh Government and the Milk Development Council will provide a range of support activities that will be delivered through Farming Connect and other initiatives.

Rural Development Plan for Wales 2007 – 2013

3.17 *Axis 1 of the Rural Development Plan for Wales 2007 – 2013*[74] provides resources for measures which target the competitiveness of the agriculture and forestry sectors. This includes the following schemes[75]

3.18 *The Processing and Marketing Grant Scheme*, which supports farm businesses, and food and drink producers and processors to add value to their products and become innovative and competitive in the global market and supports agri-food businesses and other food and drink producers and processors in identifying and developing existing new markets.

3.19 In written evidence to the Committee on 17 June[76], the Minister stated that a new round of funding under this scheme had begun and that to date, 80 projects have been funded with a total grant commitment of £17.6 million.

3.20 *Farming Connect and Farming Advisory Service*. Farming connect provides advice on farm diversification, innovation, business management, environment, marketing and information and communication technology.

3.21 *Supply Chain Efficiency Scheme*. A new supply chain efficiencies scheme has been developed to provide support for co-operative work to develop new products, processes and technologies in the agriculture, food and forestry sector. To date 20 projects have been funded with a total grant commitment of just over £16 million.

Agri-Food Strategy

3.22 The Agri-Food Partnership was established in 1999 and brought together public and private partners from all sectors of the supply chain. The lamb and beef, dairy and organic sectors were the original three agricultural sectors which fell under the remit of the Agri-Food Partnership, although other sectors have since been added.

3.23 Three sector groups were established which led to action plans for red meat, dairy and organic production. A Farm Development Group was also convened to look at issues affecting all sectors of primary production.

---

[74] Welsh Assembly Government *Rural Development Plan for Wales 2007 - 2013 web page* [on 5 June 2009]
[75] Welsh Assembly Government website *Axis 1 Schemes* web page [on 5 June 2009]
[76] National Assembly for Wales. Evidence from the Minister for Rural Affairs. Webpage [on June 19]

3.24 In 2001, a review of the Strategy was published, under the name *Towards 2003*. Two additional sector groups were added in 2002, developing action plans for fisheries and aquaculture, and horticulture.

3.25 The overall strategy was revised in 2004, in the document *Towards 2007*[77] and individual elements of the Strategy have been updated since then.

3.26 In December 2008, the Minister for Rural Affairs appointed the members of the Food and Drink Advisory Partnership for Wales that has replaced the existing Agri-Food Partnership Advisory Group. The group will build on the work of the Agri-Food Partnership Advisory Group that, since 1999, provided guidance and support to the former Welsh Development Agency and the Welsh Government on the development and implementation of support services for the food and drink industry in Wales. In written evidence to the Committee in June 2009, the Minister referred to the ongoing work of the partnership overseeing the development and implementation of the *Food and Drink from Wales* strategy and providing advice to the Welsh Government on its support for the food and drink industry.

3.27 The partnership is made up of a wide range of representatives who will be considering the linkages to health and food safety and with links to other Welsh Government strategies, especially the *Sustainable Development Scheme*.

3.28 Most recently, the Minister has announced the appointment of Dr Haydn E. Edwards to the post of Chair for the Food and Drink Advisory Partnership. Dr Edwards' appointment started on 1 July 2009 and will run for three years.

3.29 Announcing his appointment the Minister for Rural Affairs said:

> "Dr Edwards has extensive experience of working with the Welsh food industry at an academic and practical level and as Director of the successful Food Technology Centre at Coleg Menai, Llangefni. I am pleased to appoint Dr Edwards to this important role at a time when the Welsh food and drink industry is really taking off, strongly supported by the Welsh Assembly Government."

3.30 Dr Edwards has been the Principal and Chief Executive of Coleg Menai since 1994. He was involved in the development of the Coleg Menai Food Technology Centre in Llangefni, which had been an important facility for food businesses wishing to develop and market new and innovative food and drink products.

Strategic Action Plan for the Welsh red meat industry (2009)

3.31 This seeks to address the Welsh Government's *One Wales Agreement* (of June 2007), by supporting the Welsh red meat agricultural industry, which plays an important role in contributing to environmental considerations and in supporting the rural social economy.

[77] Welsh Assembly Government Strategy in Action: Towards 2007

Wales Fisheries Strategy (2008)

3.32 This is the Welsh Government's long term strategy for the management and development of fisheries in Wales across all sectors of aquaculture, commercial fisheries and recreational fisheries for 2020.

Organic Action Plan for Wales (First 1999 and Second 2004)

3.33 The first action plan sought to establish the key role of organic agriculture in agricultural and environmental policies in Wales, to expand the Welsh organic sector and to make best use of growing market opportunities.

3.34 The second action plan recommends a shift in emphasis from encouraging support to improving the marketing of organics, developing consumer understanding

Horticulture Strategy for Wales (2003)

3.35 The main objectives are to create a sustainable, market-driven horticultural industry in Wales, address environmental and economic issues relating to the sector and support continued development of the rural environment and communities.

Development of the Welsh Fisheries and Aquaculture Sector Strategic Action Plan (2003)

3.36 The plan focuses on the food provision services of the fishing and aquaculture industries in Wales, the development of new products and markets and the promotion of the industries products. It does not, and was not designed to, address management issues.

Welsh Lamb and Beef Sector, Strategic Action Plan (1999)

3.37 The Plan has three strategic goals; to differentiate Welsh lamb and beef products in the market so that they compete more on quality and less on price, to strengthen the value added in the food supply chain and to develop an integrated approach to achieving better quality and more cost efficient production on Welsh farms.

KEY ISSUES ARISING FROM THE EVIDENCE

4.1 The Committee began this inquiry by holding a stakeholder event to try and gain a better understanding of the real issues facing the food industry in Wales. We also undertook a fact finding visit to the Institute of Biological, Environmental and Rural Sciences (IBERS) at Aberystwyth to look at research and development work they were undertaking in relation to food production. We took evidence from a wide range of stakeholders, orally and in writing, as well as the Minister for Rural Affairs. Details of everyone who provided evidence to the Committee are attached as annexes.

4.2 The key issues emerging from the evidence have been broken down into the following areas:

- Information and communication
- Local sourcing and public procurement
- Marketing and promotion
- Future challenges

INFORMATION AND COMMUNICATION

5.1 The Committee heard from a number of witnesses that there were too many food policies and strategies.

5.2 Professor Kevin Morgan, Cardiff University, estimated that there were at least 14 food strategies in Wales, and highlighted the potential for conflict between these different strategies.

5.3 Evidence presented to the Committee suggested that the Welsh Government needs to concentrate more on promoting a few key initiatives to help the industry move forward rather than producing numerous strategies and documents. We were told that, whilst a lot of effort seemed to go into the production of strategies and policies, little appeared to be done to evaluate and monitor their effectiveness.

5.4 Professor Morgan said:

> "Sadly in Wales, we suffer from a knowledge deficit. We do not know how successful all the initiatives have been, and yet here we are knee-deep in new agri-food strategies."

5.5 Evidence suggested that the transition between Rural Development Plans had created difficulties, resulting in delays in the availability of processing and marketing grants. We also heard that there was a need for better integration across the Rural Development Plan, particularly between Axis 1 and 2.

5.6 Another common theme throughout the evidence was the belief that there had been a loss of momentum in the food agenda since the Welsh Development Agency had become a part of the Welsh Government. According to the NFU Cymru:

> "When it was within the Welsh Development Agency's agri-food sector, there was real support and expertise and individuals who could help and hold your hand all the way through the process from the farm gate to the shop shelf, but we simply do not have that now. A lot of expertise has been lost because those people did not get absorbed into the Assembly team when it was put in place."

5.7 Whilst we accept that it is the intention of the Minister and her officials that the various strategies and policies fit together to provide a cohesive framework, the Committee is concerned that the perception of external organisations is one of a lack of coherence and joined- up working. We also found the claims regarding loss of expertise worrying. At one time, the Welsh Government was seen as leading on innovation, support and development and we believe that a fully coherent Welsh food promotion policy is now needed to bring us back to this position.

Recommendation 1: The Welsh Government should establish a Wales Food Champion to co-ordinate and oversee the food promotion agenda in Wales and ensure this links to other key policy areas, such as health education, environment and rural development.

5.8 The Committee was concerned about the lack of clarity on the use of information gathered from food strategy monitoring and evaluation and how it influences the future direction of food policy in Wales.

Recommendation 2: The new Food and Drink from Wales Strategy should have a reporting mechanism built in from the start to ensure monitoring work is done against measurable targets and that this is available for public scrutiny. The newly launched plans for local sourcing and food tourism should, in their annual reports, show how information gathered will influence their future direction.

LOCAL SOURCING AND PUBLIC SECTOR PROCUREMENT

Local Sourcing

6.1 Several of those who submitted evidence suggested that we need to increase the sustainability of our food systems in Wales if we want to maintain our ability to produce food in the longer term. We were warned of the danger of putting ourselves in the hands of other countries, as a number of countries throughout the world had, over the past 12 months, banned exports because they were short of food themselves.

6.2 We were advised of the need to balance the competing demands of food production, energy and environmental protection, and that just producing more, which used more resources and caused more pollution and emissions, was not a viable option. There was a need to evaluate what was currently being produced in Wales and how effectively this was being used as it was suggested that there was a huge amount of waste in the utilisation of what is currently produced.

6.3 The Committee believes that increasing the sustainability of Welsh food systems is vital if we are to be able to produce sufficient food for the future, and agrees that this has to be balanced with the wider environmental protection agenda.

Recommendation 3: The new Welsh Government overarching Food and Drink from Wales strategy should have the aim of building a sustainable food system at its core, to balance the challenges of food production, energy needs and environmental protection. This should involve full engagement of different sectors including health, education and environment as well as rural development. This should involve consultation with stakeholders outside the already established agri-food strategy.

6.4 We were told that EU procurement rules can be a barrier to local sourcing, as they make it difficult for procurement managers to specify that they want Welsh produce but this could be overcome by developing contractors locally. We also heard how some authorities were changing the emphasis within their tendering documents to focus more heavily on the healthy eating agenda, for example, with the use of words like 'fresh' rather than 'local'.

6.5 The Committee heard of some innovative methods of tendering in Florence that ensured all food for schools was supplied locally. This benefited both the local community, by ensuring only the freshest produce was provided to the school children, and the local economy, by keeping the finances circulating within Florence.

6.6 Whilst Wales is very strong in the dairy and meat sectors, we were told that there were not enough fruit and vegetable growers to meet the demand for Welsh produce and that a lot of what was produced tended to go to the supermarkets.

6.7 Evidence from the hospitality sector suggested this was a big issue for them, along with sourcing of fresh local fish. They highlighted the importance to them of continuity of supply, which tended to result in the use of wholesalers, particularly for vegetables, rather going straight to a local producer. They also suggested that small, local producers needed to be more commercially aware and understand the market they wanted to target so as not to price themselves out of it.

6.8 An additional complication to sourcing local products was that small producers tended not to be able to produce sufficient quantities to supply the large distributors. This made the ordering process more time consuming and costly, as it meant dealing directly with the producer. Therefore many companies would not be able or would not want to make the time commitment needed to source local produce.

6.9 Professor Terry Marsden suggested that one way to build power into the supply chain would be to develop incentives and facilitative frameworks which would encourage collaboration between farmers and small producers, whilst still enabling them to keep their individuality. We also received many responses in support of the creation of a supermarket ombudsman to protect the interests of small producers and the consumer.

6.10 The Committee supports the call for an Ombudsman to protect farmers and suppliers from exploitation by supermarkets and ensure transparency in the food chain. However, we recognise that it is unlikely that an Ombudsman to deal specifically with issues in Wales will be appointed.

Recommendation 4: We urge the Minister to ensure the needs of Wales are fully represented in the establishment of a British Ombudsman, including the provision of a fully bilingual service for Wales.

6.11 Evidence provided by the Welsh Federation of Fishermen's Associations suggested that there was a strong desire from Welsh consumers for fish and fish products from Welsh sources. However marketing and promotion initiatives had been severely hampered by the lack of any processing or supply chain infrastructure in Wales. This had led to some frustration, when potential customers had been unable to source products with any degree of continuity or reliability. They believed a significant culture change in working together was needed, if the industry was to survive and prosper.

6.12 The Committee was told that the biggest issue facing farmers' markets was how to define Welsh products and local products, and it was felt that sometimes the level of transparency could be lower than with the multiple retailers. Another issue was the lack of any formalised system of accrediting producers or checking the provenance of the products sold at farmers' markets. It was suggested that as most of the producers had followed the whole productive process right through, chances were it would be higher quality but there was no guarantee.

6.13 It was suggested that farmers' markets should set themselves up as collaborative, self-governing structures, where there was some definition of the term farmers' market. 'Farmers' markets' was not a legal term; therefore it was open to a lot of abuse. A collaborative method of defining the markets and how they operated, with a logo or some sort of marketing device, would make it easier for the customers to tell what a real farmers ' market was.

6.14 The importance of processors, small abattoirs and local butcher shops in producing local foods was highlighted by a number of respondents, as was the need for education and training to develop new skills in this area. Many processors were using a lot of foreign labour and, with the current euro conversion rate against the pound, there was concern that many skilled people could be exported.

6.15 The Committee was particularly concerned by the evidence received in relation to the inability to source local seafood, given that there is a great deal of fish around the Welsh coast. We accept the evidence that there is currently a lack of processing and supply chain infrastructure in Wales and look to the Welsh Government's Wales Fisheries Strategy to begin to address this and bring Wales on a par with its counterparts in other devolved administrations.

Public Sector Procurement

6.16 The Committee was told that the Pennington report on the outbreak of E.coli in South Wales could have a significant impact on public procurement in the future, in terms of the need for higher risk adverseness. It was suggested that there had been a tendency in Wales to see low cost as representing best value. This was clearly not always the case, as the findings of the Pennington report proved.

6.17 We heard concerns that, whilst many government bodies and local authorities had adopted initiatives to support fairly traded produce, there was no such commitment to supporting local produce. It was suggested that the public sector should lead by example and recognise and publicise the environmental and economic merits of local sourcing. Buying locally should be seen as an investment in local environments and economies.

6.18 The Committee was advised that co-ordinating a contract and negotiating it on an all-Wales level did not mean that it was one answer from one supplier for the whole of Wales. For example, the NHS had in place a number of geographically awarded contracts for things like milk and bread, so there was often a misconception that, because it was done on an all-Wales basis, there was one large supplier for the whole area, which was not actually the case.

6.19 Evidence suggested that it was difficult for small, local producers to enter into large contracts as they could not generally guarantee sufficient supplies of their product. They also struggled to meet many of the financial criteria of a big contract. One possible solution could be the creation of an organisation that would act as a hub. Public bodies could then approach them with their requirements and they could facilitate contracts with farmers/producers, as appropriate.

6.20 It was suggested that regional hubs might be more appropriate than just one for the whole of Wales, as local authorities tended to work on a local, regional, and national level, which would make it difficult to find one hub that could provide that level of advice. Another suggestion was that the agri-food partnerships might provide an avenue for creating a network or hub.

6.21 Regional food hubs should be established to help address concerns about distribution of local Welsh produce and also to address the issue about quantity and continuity of supply from smaller suppliers.

6.22 The Committee recognises the difficulties for small producers in trying to enter into large contracts and supports the creation of food hubs as a potential way of enabling them to engage with large scale public sector procurers.

Recommendation 5: The Welsh Government, when encouraging and supporting the development of food hubs, should ensure they recognise the needs of the small scale producer or supplier to enable them to link up to the large scale public sector procurers.

6.23 The Committee was told that, as a result of discussions with suppliers, work had been undertaken to try and standardise the approach to procurement across the whole of the public sector. This included a consistent approach to the way in which tenders were advertised and involved the use of a single website rather than the previous 50 or so different publications.

6.24 It was suggested, however, that further simplification was needed in terms of ensuring the rules for procurement were consistent. Currently, each local authority had their own procurement rules, which were all different in some way, particularly at different levels; the Welsh Assembly Government had its own procurement rules about the level at which contracts had to go out to tender; then any projects that involved European funding had to abide by European procurement rules. All of these rules were different, and made the process very confusing for companies wishing to enter into it.

6.25 The Committee acknowledges the work being undertaken by local authorities to simplify and standardise procurement across the public sector. We also received examples of a number of projects running in different areas aimed at raising awareness of healthy eating and buying local and would encourage greater sharing of good practice amongst local authorities.

Recommendation 6: The Welsh Government, while strengthening the Framework for Public Sector Procurement, should support local authorities to share good practice and roll out examples of projects involving local produce and public awareness raising of the benefits of buying and eating local produce.

MARKETING AND PROMOTION

7.1 There was a view amongst the Committee that although there had been a lot of promotion of Welsh food over the last 10 years, there had been very little marketing of it.

7.2 A number of respondents felt that more needed to be done to highlight the positive benefits of buying Welsh products. For Welsh products to really stand out, it would be necessary not only to emphasise their local or Welsh identity, but that some added value in terms of other things that were important to consumers or policy makers, such as animal welfare, environmental benefits or ethical trade issues, was emphasised.

7.3 The importance of the tourism industry to the Welsh economy was highlighted and the need to sell the 'Welsh experience'. It was felt that greater support and funding for training was needed so that people working within the industry understood the role they could play in promoting Welsh produce and culture to visitors.

7.4 It was suggested that the reason regional and local produce tended to be more expensive was because of the quality of the ingredients and the absence of economies of scale. If this was communicated more effectively to consumers, through increased education and information campaigns, they would become more discerning and prepared to pay a little more for good, local produce.

7.5 It was also pointed out that, whilst there were many advertising campaigns for Welsh beef and lamb, none of the witnesses could recall seeing adverts for any other type of Welsh produce.

7.6 A number of witnesses talked about the success of Hybu Cig Cymru in the development, promotion and marketing of Welsh red meat, and highlighted the lack of an equivalent body for other food groups.

7.7 The Committee recognises the excellent work done by Hybu Cig Cymru in raising the profile of Welsh meat products, both in the UK and further afield.

Recommendation 7: The Welsh Government should support the establishment of organisations to develop, promote and market other Welsh produce following the model of Hybu Cig Cymru.

7.8 The importance of brand development and marketing and the need for support in this area was highlighted. It was felt that, whilst general workshops for a number of companies had their place, individual scrutinising of a brand was most important. It was suggested that this was an area where the Welsh Government could play a much greater role by providing more tailored support to individual businesses to support them and their brand development.

Labelling

7.9 It was largely felt that country of origin labelling was one area where the Welsh Government could play an important role as the new European Union regulations evolved. According to Professor Kevin Morgan:

> "country of origin labelling as it is currently allowed under the EU is nothing short of a scandal."

7.10 Much of the evidence received suggested that the most important issue for consumers was knowing what they were buying and where it had come from, and clear and concise labelling was needed to facilitate this. We were told that country of origin labelling should be introduced, which would preclude produce of foreign origin being processed in Wales and then being labelled as of domestic origin.

7.11 There was a commonly held view that for a product to be truly Welsh, it should be from a Welsh farm, processed in Wales and sold in the Welsh market. The need for clear and transparent language in food labelling was highlighted, along with the need for regulation of terms such as 'local' and 'seasonal' to ensure that any product carrying such a definition was of a sufficiently good standard.

7.12 The Committee learned that whilst there was an onus on the public sector to buy local, fresh, quality products, in the for profit sector, i.e. restaurants, cafes, pubs, bars, and the main hotels, there was currently no requirement for them to include any information on their menus about where the ingredients came from. It was suggested that legislation was urgently needed to address this.

7.13 Witnesses highlighted the need for the education of smaller suppliers and the provision of technical support and assistance to help them to label and package their products according to what was in the pack. Grants were available in other parts of the UK for technical improvements and assistance was available for suppliers to undertake technical accreditation. Any such form of financial or educational support the Welsh Government could provide for the producer in this respect would be welcomed.

7.14 The Committee felt very strongly that labelling should be clear and accurate. Consumers should be able to have confidence that if they bought a product labelled as Welsh then they were not buying products from elsewhere that had only been processed in Wales.

Developing a Welsh Brand

7.15 The Committee was told that if the Welsh Government wanted to promote Welsh products by giving them some sort of visual identification (such as use of a flag or dragon), there would be no legal impediment to prevent that from going ahead voluntarily but there would need to be an assurance system behind it to ensure all claims were verifiable.

7.16 There was a suggestion that legislation should be introduced on the use of the red dragon, so that it became a gold standard that stated that the product that carried it had been produced and packed in Wales. However, such a move should be approached with caution, as any promotion of Welshness would need to comply with state aid rules. Some European member states, including Germany and the Republic of Ireland, had experienced problems with similar schemes. It was suggested that the main way to differentiate Welsh products was to persuade those who owned the brands, and particularly those who owned the supermarket-own labels, that there was added value in differentiating the Welsh product stream.

7.17 Other evidence suggested there were already too many labels on food that were confusing to the consumer. Questions were also raised about how the quality of products carrying a Welsh brand would be policed. It was pointed out that a low value product could be Welsh but it was still a low value product and not of the highest quality. If people equated Welsh products with being high quality then they could lose faith in the Welsh label.

7.18 The Committee agreed that too many different labels could be confusing to the consumer. We also accepted the points raised regarding quality and how a consistently high standard could be achieved in all products carrying a Welsh logo. We therefore came to the conclusion that True Taste should be adopted as the mark of good quality Welsh produce and work undertaken to raise awareness of it with consumers.

Recommendation 8: The Committee urges the Minster to ensure that the UK Government fully represents the needs of Welsh producers and consumers and voice concerns raised over the provenance and traceability of Welsh produce in the ongoing discussions on country of origin labelling at a European level.

True Taste Awards

7.19 The Committee received mixed views regarding the effectiveness of the True Taste award scheme. On one hand, we were told that they were a fantastic success story that both the industry and the Welsh Government could be proud of, and should continue to support. Other witnesses felt that, whilst it was successful at highlighting good practice and small suppliers that had niche and excellent products, it was not so good at getting the wider message across or promoting Wales as a brand. Another problem was the ability of award winners to scale up to the right size to supply retail. It was suggested there needed to be different divisions within True Taste so that small suppliers were still being rewarded and encouraged to do what they were doing, but also aimed to reward the medium-sized suppliers who had the ambition and the drive to get up to retail status, so that their products could be better marketed within supermarkets.

7.20 The current review of True Taste also highlighted that while there was an awareness of the brand business to business, there was much work to be done to raise the profile of True Taste with the consumer. The Committee felt that development of the True Taste brand presented opportunities to make Welsh produce distinct for buyers and consumers. After hearing concerns over the use, implementation and regulation of a Welsh dragon or flag label, the Committee agreed that True Taste could fit this purpose if developed to be recognisable as a mark of good quality Welsh produce.

PGI (Protected Geographical Indication) Status

7.21 Again, the Committee received differing evidence on the usefulness of PGI status. From the retailer's perspective, it was felt that the process for gaining PGI certification was difficult and it did not really mean anything to the customer. They were far more interested in where the animals had come from. However, processors believed it was useful when exporting into Europe where it was a recognised status and provided a guarantee of quality.

Traceability

7.22 The Committee heard that it was as important to suppliers to have the correct standards and traceability in place as it was to consumers, as it offered them brand protection. As long as the right checks were in place and they were able to prove where their products had been sourced, should there be any problems with their products and they needed to be traced back and checked, then the brand could survive scrutiny. This was particularly important for suppliers as they were building a brand and as they developed their relationships with supermarkets.

7.23 The Committee was advised that supermarkets applied the same standards to products being brought in from outside the UK as those that were applied to UK suppliers. All products had to have British Retail Consortium accreditation, or an equivalent, which covered traceability. They also had to maintain similar welfare standards and were audited to ensure that was the case. This provided an assurance that a product that had gone through retailers, and certainly the larger multiple retailers, had the necessary technical inspections that covered traceability.

Research and Development

7.24 We were told that without substantial investment in research and development, there was a danger that we would not be able to undertake more business in Wales and if facilities were not available to create new products, then jobs could be exported to other parts of the UK.

7.25 The Committee accepts the need for future investment in research and development to create new products for developing markets and to protect jobs currently within the sector in Wales.

FUTURE CHALLENGES

Finding a Balance

8.1 Balancing the issues associated with food security, energy needs and environmental protection will become ever increasingly important. The aim of public policy must therefore be to optimise the production of food and fuel whilst protecting the environment and moving towards a low-carbon, sustainable food system.

Changes to the Farming Industry post 2013

8.2 It is very probable that post 2013 the Common Agricultural Policy (CAP) will change again. It is therefore vital that Wales starts planning now for this change. The Committee heard that this work needs to start now to prepare the Welsh agri-food sector, rather than just agriculture for change. It is expected that the CAP will continue to shift in emphasis from direct payments to farmers to the direction of environmental or rural community based support.

Recommendation 9: The Welsh Government should work with the industry at the earliest available opportunity to prepare for change post 2013.

Annex 1

Summary of recommendations

Recommendation 1: The Welsh Government should establish a Wales Food Champion to co-ordinate and oversee the food promotion agenda in Wales and ensure this links to other key policy areas, such as health education, environment and rural development.

Recommendation 2: The new Food and Drink from Wales Strategy should have a reporting mechanism built in from the start to ensure monitoring work is done against measurable targets and that this is available for public scrutiny. The newly launched plans for local sourcing and food tourism should, in their annual reports, show how information gathered will influence their future direction.

Recommendation 3: The new Welsh Government overarching Food and Drink from Wales strategy should have the aim of building a sustainable food system at its core, to balance the challenges of food production, energy needs and environmental protection. This should involve full engagement of different sectors including health, education and environment as well as rural development. This should involve consultation with stakeholders outside the already established agri-food strategy.

Recommendation 4: We urge the Minister to ensure the needs of Wales are fully represented in the establishment of a British Ombudsman, including the provision of a fully bilingual service for Wales.

Recommendation 5: The Welsh Government, when encouraging and supporting the development of food hubs, should ensure they recognise the needs of the small scale producer or supplier to enable them to link up to the large scale public sector procurers.

Recommendation 6: The Welsh Government, while strengthening the Framework for Public Sector Procurement, should support local authorities to share good practice and roll out examples of projects involving local produce and public awareness raising of the benefits of buying and eating local produce.

Recommendation 7: The Welsh Government should support the establishment of organisations to develop, promote and market other Welsh produce following the model of Hybu Cig Cymru.

Recommendation 8: The Committee urges the Minster to ensure that the UK Government fully represents the needs of Welsh producers and consumers and voice concerns raised over the provenance and traceability of Welsh produce in the ongoing discussions on country of origin labelling at a European level.

Recommendation 9: The Welsh Government should work with the industry at the earliest available opportunity to prepare for change post 2013.

Annex 2

Organisations and individuals who gave evidence in person to the Committee

Those giving evidence

15 January 2009

- Delyth Davies - Menter a Busnes
- Helen Davies - National Sheep Association Wales
- John Davies - NFU Cymru
- John Griffiths - Dairy Development Centre
- Lorraine Howells - The Farmers' Union of Wales
- Nic Lampkin - Director, Organic Centre Wales; Chair, Welsh Organic Strategy
- Professor Terry Marsden - Cardiff University
- Professor Kevin Morgan - Cardiff University
- Katie Palmer - Welsh Food Advisory Committee, Food Standards Agency
- Jenny Randerson, AM
- Rees Roberts - Meat Production Wales
- Stephen Shearman - Farmers' Market in Wales
- Joyce Watson, AM
- Wyn Williams - Dunbia

5 February 2009

- Dai Davies - NFU Cymru
- John Davies - NFU Cymru
- Nick Fenwick - Farmers Union Wales
- Lorraine Howells - Farmers Union Wales
- Dylan Morgan - NFU Cymru

12 March 2009

- Alan Aitkin - Carmarthenshire County Council
- Barry Davies - Carmarthenshire County Council
- John Davis - Food Centre Wales
- Vince Hanley - Welsh Purchasing Consortium
- Cath John - Adventa
- Rick Longford - Monmouthshire County Council
- June Scott - Welsh Health Supplies
- Steve Swinglehurst - Cadog
- William Lloyd Williams - William Lloyd Williams and Son
- Wyn Williams - Dunbia

6 May 2009

- Tony Burgess - Birchgrove Eggs
- David Clarke - Assured Food Standards
- Ieuan Edwards - Edwards of Conwy
- Claire George - Pembrokeshire County Council
- Gwyn Howells - Meat Promotion Wales
- Bethan Jones - Menter a Busnes
- David Lloyd - Packaging Innovation Group, Food Industry Centre
- Phil Morgan - Food Standards Agency
- Hilary Neathey - Food Standards Agency
- Hannah Pitt - The National Trust

20 May 2009

- Michael Ash-Edwards - The Co-operative
- Justin Baird Murray - Wales Tourism Alliance
- David Chapman - Wales Tourism Alliance
- Gary Chappell - The Co-operative
- Steve Garrett - Riverside Community Market
- Mark Grant - Tesco
- John Glasby - Bluestone Leisure Ltd
- Felix Gummer - Tesco
- Allison Lloyd - Asda
- Simon Michaels - Local Food Shop and f3
- Maia Riley - Spar Group UK
- Stephen Shearman - Farmers' Markets in Wales
- John White - Asda

15 June 2009

- Edward Morgan - Castell Howell
- Jeremy Percy - Welsh Federation of Fishermen's Associations

17 June 2009

- Elin Jones - Minister for Rural Affairs, Welsh Assembly Government
- Wynfford James - Welsh Assembly Government
- Rory O'Sullivan - Welsh Assembly Government

Annex 3

Schedule of committee papers provided to inform oral evidence

Date	**Name of Paper**	**Paper Number reference**
5 February 2009	Evidence from NFU Cymru	RDC(3)-03-09 : Paper 1
12 March 2009	Evidence from Monmouthshire County Council	RDC(3)-04-09 : Paper 1
	Evidence from Camarthenshire Council	RDC(3)-04-09 : Paper 2
	Evidence from Welsh Health Supplies	RDC(3)-04-09 : Paper 3
	Evidence from Minister on Agri-Food Research and Monitoring Activities	RDC(3)-04-09 : Paper 4
6 May 2009	Evidence from Pembrokeshire County Council	RDC(3)-06-09 : Paper 1
	Response from Hybu Cig Cymru.	RDC(3)-06-09 : Paper 2
	Response from the National Trust	RDC(3)-06-09 : Paper 3
	Response from the Food Standards Agency	RDC(3)-06-09 : Paper 4
	Response from the Food Standards Agency	RDC(3)-06-09 : Paper 4, Annex 1
	Evidence from Assured Food Standards	RDC(3)-06-09 : Paper 5
	Response from Birchgrove Eggs	RDC(3)-06-09 : Paper 6
20 May 2009	Evidence from Wales Tourism Alliance	RDC(3)-07-09 : Paper 1
	Evidence from The Co-operative	RDC(3)-07-09 : Paper 2
	Evidence from The Co-operative	RDC(3)-07-09 : Paper 2, Annex 1
	Evidence from The Co-operative	RDC(3)-07-09 : Paper 2, Annex 2
	Evidence from The Co-operative	RDC(3)-07-09 : Paper 2, Annex 3

	Evidence from The Co-operative	RDC(3)-07-09 : Paper 2, Annex 4
	Evidence from The Co-operative	RDC(3)-07-09 : Paper 2, Annex 5
	Evidence from The Co-operative	RDC(3)-07-09 : Paper 2, Annex 6
	Evidence from Tesco	RDC(3)-07-09 : Paper 3
	Evidence from Tesco.	RDC(3)-07-09 : Paper 3, Annex 1
15 June 2009	Evidence on the Inquiry into the Production and Promotion of Welsh Food from the Welsh Federation of Fishermen's Associations	RDC(3)-09-09 : Paper 1
17 June 2009	Evidence from Elin Jones, the Minister for Rural Affairs to the Rural Development Sub-Committee's Inquiry into the Production and Promotion of Welsh Food.	RDC(3)-10-09 : Paper 1

Annex 4

List of respondents to call for written evidence

The following organisations responded to the call for written evidence

Organisation	**Committee Reference**
Anglesey Sea Salt Company	RDC(3) FD – P1
ADAS UK	RDC(3) FD – P2
Rural Regeneration Unit	RDC(3) FD – P3
Hybu Cig Cymru Meat Production Wales	RDC(3) FD – P4
Camarthenshire County Council	RDC(3) FD – P5
Monmouthshire County Council	RDC(3) FD – P6
National Trust Wales	RDC(3) FD – P7
The Chartered Institute of Marketing	RDC(3) FD – P8
Menter a Busnes	RDC(3) FD – P9
Coleg Menai	RDC(3) FD – P10
Welsh Federation of Fishermen's Associations Ltd	RDC(3) FD – P11
Future Farmers of Wales	RDC(3) FD – P12
First Milk Limited	RDC(3) FD – P13
Farmers' Union of Wales	RDC(3) FD – P14
Hospitality, Business & Tourism Coleg Llandrillo	RDC(3) FD – P15
School of Management and Business, Aberystwyth University	RDC(3) FD – P16
Organic Centre Wales, Aberystwyth University	RDC(3) FD – P17
Conwy County Borough Council	RDC(3) FD – P18
Powys County Council	RDC(3) FD – P19
Merched Y Wawr	RDC(3) FD – P20