

Environment, Planning and Countryside Committee

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Date: 11 October 2006

Venue: Committee room 2, Senedd

Title: Strategic Action Plan for the Welsh Dairy Industry, Consultation

Purpose

To provide EPC Committee with an update on the latest position regarding the new Strategic Action Plan for the Welsh Dairy Industry and the preparations for the consultation process.

Recommendations

The Committee is asked to note the intention to consult formally in the near future. Officials will review the responses received and a summary will be posted onto the Welsh Assembly Government's web-site.

Background

There are pressures on milk prices and though the Assembly Government has no role in commercial negotiations, it is essential for all those in the industry to improve transparency and communications at all levels of the supply chain.

Low farmgate prices are of concern to the industry generally and in relation to production costs. There can be substantial differences in the costs of production and profitability between the most and least efficient dairy farmers. The 25% of farmers with the lowest cost of production were producing milk for an average 12 pence per litre less than the 25% with the highest costs. The challenge is for as many dairy farmers as possible to match the performance of the most efficient.

The Welsh Assembly Government recognises that the farmgate price of milk is currently too low (17.17 pence per litre in July 2006) for some businesses and that some will leave the industry. One of the benefits of decoupling Europe's Common Agricultural Policy support from production is that farmers now need to make decisions about the future of their businesses based on the market and consumer needs rather farming to attract subsidy. The cuts in Europe's market support prices for milk and milk products, which were introduced partly due to pressure from the WTO, are compensated by the Single Payment which dairy farmers have been entitled to since 2005.

It is the Assembly Government's intention to issue for consultation in the near future, a new Strategic

Action Plan for the Welsh dairy industry and to work with the Dairy Strategy Group to implement the plan. Each of the factors that are impacting on the dairy industry in Wales presents both challenges and opportunities which will be taken forward in the proposed strategic action plan by the industry. These include the need to improve the efficiency of the supply chain generally, to increase the level of effective communication at all levels and comply with new environmental regulations. Many of the improvements needed, can be solved by collaboration rather than negotiation.

Committee Action

The Committee is asked to note that the draft Strategic Action Plan for the Welsh Dairy Industry will go to consultation in the near future. Additionally a summary paper will be prepared on the responses received to the consultation for future consideration by the Committee.

Carwyn Jones

Minister for Environment, Planning And Countryside

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