

## **Minutes**

**Date:** Thursday 14 September 2000  
**Time:** 2.00pm to 4.20pm  
**Venue:** Committee Room 1, National Assembly Building

In attendance

### *Members*

Rhodri Glyn Thomas, Chair	Carmarthen East and Dinefwr
Mick Bates	Montgomeryshire
Brian Hancock, substituting for Janet Davies	Islwyn
Delyth Evans	Mid and West Wales
Carwyn Jones	Bridgend
Elin Jones	Ceredigion
Peter Rogers	North Wales
Karen Sinclair	Clwyd South

### *Nautilus Consultants Ltd*

Crick Carleton

### *Special Adviser*

Professor Terry Marsden

### *Officials*

Steve Nicholls (item 3)	CAP Management Division
Mike Dunn (item 2, 4 and 5)	Head, Agriculture Policy Division
Jeanne Hazel (item 4)	Agriculture Policy Division
Glyn Perryman (item 5)	Agriculture Policy Division

### *Secretariat*

Adrian Crompton	Committee Clerk
Howell Rees	Deputy Committee Clerk

## **Item 1: Apologies and substitutions and declarations of interest**

1.1 The Chair welcomed Carwyn Jones and Delyth Evans to the Committee in their new roles as

Assembly Secretary and Deputy Secretary. Apologies were received from Christine Gwyther. The Chair paid tribute to Christine Gwyther's work as Assembly Secretary during the Committee's first year. He also welcomed Brian Hancock, who was substituting for Janet Davies, to the meeting.

1.2 He asked Members to declare any interests relevant to the meeting. Peter Rogers said he was a farmer, Mick Bates that he was a partner in a farming business and Elin Jones that she had an indirect interest in a farming business.

## **Item 2: Assembly Secretary's report - ARD 12-00(p5)**

2.2 The Chair invited the Assembly Secretary to present his report.

2.3 The Assembly Secretary referred the Committee to his written report and said that he proposed to submit similar papers to future Committee meetings. He provided an update on the Tir Mynydd scheme which was due to be considered by the European Commission's STAR Committee on 20 September.

2.4 The Assembly Secretary proposed to make two alterations to the scheme to be submitted to the EC. The first was designed to give farmers greater certainty about their payments under the new scheme by strengthening the safety net in the first year. He proposed that the safety net be strengthened so that farmers standing to lose under the new scheme would be guaranteed to receive at least 90% of the amount they actually received in Spring 2000. This would be financed in part by reducing the proportion of the budget allocated to Element 2 from 10% to 5% in 2001 and 2002.

2.5 The other concern being addressed related to stocking densities. Under revised proposals, rather than resulting in immediate penalties, a stocking rate above a threshold of 1.8 livestock units per hectare would trigger an inspection and, even if evidence of overgrazing were found at this inspection, a management regime would be agreed and a farmer would have one year to correct the situation before penalties were imposed. Both proposed alterations were subject to approval by the Commission.

2.6 In discussion the following points were raised:

- the Assembly Secretary was asked what the implications of changing the balance between element 1 and 2 were particularly for those farmers who would have gained under element 2. The Assembly Secretary said that the objective had been to increase certainty. Modelling on the effect of the changes could be provided;
- moving to area based payments would increase the number of farms able to apply for Tir Mynydd and the Assembly Secretary was asked what impact this would have on payments to individual farmers. The Assembly Secretary said that modelling had erred on the side of caution to allow for this. The development of a Geographical Information System would allow better targeting of the scheme in future years;
- the proposed stocking density limit was lower than expected and the Assembly Secretary was asked why it was proposed to set it at that level. It was also noted that weather conditions had a

significant impact on upland pasture which needed to be taken into account in assessing overgrazing. The Assembly Secretary said that the proposed stocking limit was set at the highest level likely to be acceptable to the Commission. The limit was less significant than it had been, however, as stocking above the limit would not now lead directly to penalties. He hoped it would be possible to develop flexible guidance on assessing overgrazing that would meet Welsh conditions.

2.7 The Assembly Secretary said that consideration was being given to the shape of the scheme after 2003, bearing in mind the continuing move away from production subsidies. This was generally welcomed. The point was made that the successor scheme should be developed in close co-operation with Brussels. A plea was also made that labour units should be taken into account.

2.8 The Committee then turned its attention to the Assembly Secretary's written report. The following points were raised in discussion;

- information on the effect of the revised threshold for Tir Gofal applications on the number, size and type of farms being accepted was requested. The Assembly Secretary said that details would be provided;
- the Assembly Secretary was asked what was being done to persuade the Ministry of Defence (MOD) to buy Welsh meat. He said that the farming unions had held a number of meetings with the MOD and that he was supporting them. He had written to the MOD seeking a meeting;
- the Assembly Secretary was asked if farmers were receiving appropriate and useful advice from the Farmers Helpline. Carwyn Jones said he was not aware of any failings but agreed that the service needed to be monitored carefully for effectiveness;
- under the original proposals the Welsh Meat Company would have been able to access match funding. The Assembly Secretary was asked if match funding would be available to the alternative proposals. He said he was not aware that the position had changed;
- the dairy sector continued to face difficult conditions and a report on the outcome of the meetings with supermarkets was requested. The Chair said that he had attended the meetings. The message from supermarkets was mixed and he would discuss with the Assembly Secretary the provision of a report for the Committee;
- it was noted that there were signs that reduced milk supply might lead to some supermarkets increasing the price paid to producers;
- clarification of the legal position on the GM crop being grown in Flintshire was requested. The Assembly Secretary said that a meeting was being held in Sealand that evening. A number of points which required consideration had been raised which meant that it had been necessary to withdraw the Seeds (National List of Varieties) Regulations from discussion in Plenary session earlier that day. However it was important to get the regulations in place and the Assembly would need to consider them early in October.

2.9 The Assembly Secretary told the Committee that he intended to bring papers on the independent appeals mechanism and a vision statement for the longer term future of Welsh agriculture to the meeting on 11 October. The Chair thanked the Assembly Secretary and said the session had been useful.

## *Action points*

2.10 Report on outcome of meetings with supermarkets to be prepared for Committee. (A copy of the note provided is at annex 1) - **Assembly Secretary and Chair**

2.11 Breakdown of the size and type of farms accepted for the Tir Gofal scheme under revised threshold arrangements - **Assembly Secretary**

2.12 Modelling to be provided on the effect on payments under Tir Mynydd of enhancing the safety net by reducing element 2 to 5% - **Assembly Secretary**

### **Item 3: Ombudsman Report and Response - ARD 12-00(p1)**

3.1 The Chair said that the Committee was asked, under standing order 21, to consider three reports from the Welsh Administration Ombudsman. The Committee's role was to consider the proposed responses from the First Secretary, whether any wider lessons could be learned from the complaints, and whether they are being followed up properly. He welcomed Steve Nicholls to the meeting. Steve Nicholls outlined the cases briefly and said that in each case the Ombudsman had indicated that he was content with the remedial action being taken.

3.2 Case R.31/99-00 involved the dissolution of a partnership and the subsequent delay in subsidy payment. The view was expressed that the Assembly should have a mechanism to pick up such cases. The Committee noted that this was being considered but this type of case posed particular difficulties because of differences in definitions used under European regulations. Lessons learned were nevertheless being applied.

3.3 In view of its role, the Chair said that the Committee would appreciate being updated on significant developments. The proposed responses at annexes 3, 6 and 9 were agreed.

### **Item 4: Meat Inspection Charges - ARD 12-00(p2)**

4.1 The Chair welcomed Jeanne Hazel to the meeting and said the Committee was asked to consider the Meat Inspection Charges Task Force's report and recommendations. The report was generally welcomed. The following points were made in discussion:

- it was disappointing that there was no provision to meet the cost of inspection charges in the agriculture budgets. The Assembly Secretary explained that consideration was being given to providing funding cover but the budget round was ongoing and he was not able to be more specific at this stage. The issue of state aids also had to be considered and he intended to seek legal advice;
- small abattoirs played an important role in sustainable agriculture but numbers in Wales were

falling. It was not correct to claim that they operated only in niche markets as paragraph 7 of the paper seemed to indicate. The Assembly Secretary agreed that small abattoirs had an important role and added that niche products related to only one part of their role.

4.2 The Assembly Secretary was urged to accept the report's recommendations and find the necessary funding. Carwyn Jones said that he accepted the principle of the report but careful consideration needed to be given to financing the recommendations and their legality if Wales adopted a different regime from England.

### **Item 5: Fisheries research - ARD 12-00(p3)**

5.1 The Chair welcomed Crick Carleton, Managing Director of Nautilus Consultants Ltd., who led the study team. Crick Carleton provided a brief summary of the main points of the report. The Assembly Secretary said that fisheries was an important sector that was not being exploited to the full.

5.2 In discussion the following points were raised:

- Crick Carleton was asked if consideration had been given to locating the two proposed new organisations within the WDA to take advantage of existing structures. He said that it was important that Sea Fishing Wales was under the Assembly's control and it would be sensible to attach it to existing structures such as the WDA. Angling/Fishing Wales was an extension of work being done by the Environment Agency Wales but links were needed to the Wales Tourist Board;
- the structure and relationship of the two sea fisheries committees with the Assembly needed to be examined. The Assembly Secretary said that Assembly and Ministry of Agriculture Fisheries and Food officials would be meeting shortly to discuss the structure and funding of the Committees;
- Crick Carleton was asked if an extensive consultation had been undertaken in the preparation of the report. The Committee noted that a number of key organisations had been consulted but that it was intended to put the final report out to wider consultation;
- considering the level of investment the forecast outputs appeared conservative and Crick Carleton was asked to comment. He told the Committee that much of the proposed investment was for infrastructure improvements to habitat and small harbours and launch sites which would not lead directly to employment;
- the report placed emphasis on the provision of business advice rather than capital investment particularly in the sea fishing sector. However there appeared to be a need for investment in fishing boats in Wales. Crick Carleton said that most of the offshore fleet was foreign owned and the bulk of the catch was sent straight to continental markets. There were limited opportunities for local processing. Support could be given to viable ventures;
- Crick Carleton was asked if discussions had been held with the Countryside Council for Wales (CCW) about the link to sustainable development. Crick Carleton said that discussions had been held with CCW and that there was an obvious relationship between fisheries, a high quality environment and sustainable development;

- there appeared to be considerable potential for linking recreational fishing with short breaks and environmental tourism. Crick Carleton said that there were huge opportunities in the recreational sector but few tourism packages were available. Working with the Wales Tourist Board, improvements could be quickly and easily implemented.

5.3 The Committee agreed that the report should be brought to the attention of the Economic Development and Environment, Planning and Transport Committees.

*Action points*

5.4 Copies of the Fisheries report to be sent to the Chairs of Economic Development and Environment, Planning and Transport Committees - **Secretariat**

**Item 6: Diversification Review - ARD 12-00(p4)**

6.1 The Chair welcomed Terry Marsden to the meeting. He told the Committee that Terry Marsden, Professor of Environmental Policy and Planning and Head of the Department of City and Regional Planning at Cardiff University, had a long track record of research on the rural economy.

6.2 Terry Marsden's role was to offer independent advice to the Committee as a whole on the direction of the review and possible lines of questioning, to help analyse information submitted to the Committee, to assist the Committee with its deliberations and to help the Clerk draft the final report. Members were asked to contact him via the Clerk.

6.3 Terry Marsden outlined the thinking behind the approach and timetable for the review set out in the paper. He said it would be particularly important to link to the National Economic Development Strategy and the Economic Development Committee's review of business support during the next stage of the review which would look at access to capital and business support and advice. The Chair said that an invitation to attend relevant sessions would be extended to the Chair and members of the Economic Development Committee. Ann Watkin, of the WDA, would also be invited to attend relevant sessions. The Committee agreed the timetable set out in the paper.

6.4 The Chair said that the Committee timetable allowed for an extra meeting on 2 November. It was agreed that the Business Committee's permission should be sought for this time to be used for the review if necessary. It was felt that a proposed visit to the Lake Vyrnwy estate was not possible on a Thursday afternoon. However the Committee agreed that dates should be canvassed for a visit to Lake Vyrnwy as this would link well with the review and the Committee's sustainable development responsibilities.

*Action points*

6.5 Permission to be sought from Business Committee for an additional meeting to be held on Thursday 2 November - **Chair and Secretariat**

6.6 Dates for a possible visit to Lake Vyrnwy to be canvassed - **Secretariat**

6.7 Invitation to be extended to Chair of Economic Development Committee to attend meetings when access to capital and business advice and support is discussed - **Chair and Secretariat**

### **Item 7: Public appointments**

7.1 The Chair said that in June 1999, Ieuan Wyn Jones and Karen Sinclair were nominated as the Committee's two representatives to consider public appointments. Given Ieuan Wyn Jones's departure from the committee, a replacement was needed and the Chair asked for nominations.

7.2 Mick Bates nominated Rhodri Glyn Thomas. There were no other nominations and it was agreed that Rhodri Glyn Thomas should replace Ieuan Wyn Jones as one of the Committee's representatives to consider public appointments.

### **Item 8: Minutes of 5 July meeting - ARD 11-00(min)**

8.1 The Committee was asked to adopt the minutes of the meeting held on 5 July 2000.

8.2 Karen Sinclair had raised the issue of rural travel costs at the previous meeting and the current protests about high fuel costs highlighted the difficulties faced by rural communities. The Committee should consider this as soon as possible. After some discussion it was agreed that it would not be appropriate to discuss the impact of fuel costs until the present crisis was over and that the issue could be considered as part of the diversification review.

8.3 The Committee then adopted the minutes of the meeting of 5 July.

### *Action points*

8.4 Consideration of transport issues under the diversification review to be widened to include the impact of fuel costs on the rural economy - **Secretariat and Expert Adviser**

**Secretariat**

**September 2000**

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**Annex 1**

**NOTE FOR RURAL AFFAIRS COMMITTEE - MEETINGS WITH THE SUPERMARKETS AND DAIRY COMPANIES**

Following discussion at the Agriculture and Rural Development Committee Christine Gwyther AM, Secretary for Agriculture and Rural Development, held a series of meetings jointly with the then Chair of the Committee, Rhodri Glyn Thomas AM, with directors from three of the major supermarkets operating in Wales. Ms Gwyther and Mr Thomas also met one of the larger dairy processing companies operating in Wales.

The purpose of the meetings was to meet and discuss with a representative sample of companies operating in the retail and the dairy sectors, as part of an on-going dialogue with them, issues arising from the dairy industry crisis. These included issues relating to pricing and margins in dairy production, processing and retail and to consider what could be done to alleviate the situation. The Code of Practice on supermarkets' relationship with the supply chain produced by the Institute of Grocery Distribution was also discussed.

The meetings were useful in building on the Assembly's working relationship with these companies to make them aware of the specific problems facing the dairy sector in Wales. The companies all acknowledged the issues raised and agreed that they would take into account the needs of consumers and farmers alike with regard to their pricing policies. They also affirmed their support for the proposed IGD Code of Practice which set out a basis for improved relations and a more balanced power of negotiation at different stages of the supply chain.

Since the initial meetings there have been the following developments:

- Carwyn Jones AM, Minister for Rural Affairs has welcomed the recommendation of the Competition Commission that a binding code of conduct should be developed for the industry, building on the Institute of Grocery Distribution's voluntary code to protect producers' interests and improve relationships in the food supply chain
- as the concerns of the farming community in Wales were a significant factor in the original referral of the supermarket sector to the Competition Commission the Minister has written to the Rt Hon Stephen Byers, Secretary of State for Trade and Industry, seeking an opportunity to take the leaders of the Welsh farming unions to meet him to discuss the issues and discuss ways in which the producer bodies and processors can make an input to help shape the Code of Practice which the Office of Fair Trading is drafting
- in October Dairy Crest, the UK's largest single raw milk buyer, who have now also acquired Unigate, agreed to offer producers an extra 2p per litre for their milk, raising the price to 18 pence per litre. This has been made possible because four major supermarkets, Sainsbury, Safeway, Tesco and Asda have agreed to fund an additional producer element in the price they pay for retail liquid milk
- milk production in the UK is currently approximately 3.6% under quota. This is leading to a shortage of milk for processing but the price of milk to retail consumers has remained stable and not increased. Intervention Board figures for the year as a whole to the end of November show a 287.6m litres shortfall on a cumulative quota profile of 9.3b litres
- total UK production of milk during the quota year is 9.112m litres
- a Dairy Prospectus was been prepared by the WDA to attract inward investors in the milk

- processing industry into Wales, it was launched at the Royal Welsh Show on 25<sup>th</sup> July
- the Prospectus also looks at the opportunities for existing Welsh processors to develop new products and marketing initiatives, either by themselves or in partnerships, and opportunities for them to work on these initiatives with inward investors looking to establishing themselves in Wales
  - as part of the follow up to the Prospectus, ADAS were commissioned to investigate dairy developments elsewhere in the UK and Ireland and identify inward investor companies in the dairy sector.
  - as a result, the WDA Food Directorate has initiated contact with twelve companies as possible inward investment partners and is in constructive dialogue with three of these as potential investors. Enquires are at various stages of development: one has developed to potential site visits, first draft artist's impressions and the development of business plans; the other two are still at discussion stage
  - the WDA International division is talking to a further eight companies identified from the report

## **MEETINGS WITH SUPERMARKETS AND THE DAIRY SECTOR**

### **Christine Gwyther AM and Rhodri Glyn Thomas AM**

Sainsbury plc	May 2000
Safeway plc	May 2000
Unigate	May 2000
Tesco plc	June 2000

### **Ministers**

Christine Gwyther	West Wales Milk Producers	Dec 1999
Christine Gwyther	ACC Llandyrnog	July 2000
Christine Gwyther	ACC Llangadog	July 2000
Carwyn Jones	Horizon	July 2000
Carwyn Jones	Llanboidy Cheesemakers	July 2000
Carwyn Jones	South Caernarfon Creameries	Sept 2000
Carwyn Jones	ACC Llangadog	Sept 2000
Carwyn Jones	Aeron Valley Cheese	Sept 2000

### **Officials**

Calon Wen Organic Milk Co-op	Jan 2000
Organic Milk Producers	Feb 2000
ACC Llandyrnog	Feb 2000
ACC (in CP2)	Mar 2000
Heritage Cheese	Apr 2000
Organic Milk Society of Wales	May 2000
OMSCO	May 2000
Dairy Industry Federation	May 2000
Roil Foods	June 2000
South Caernarfon Creameries	June 2000
ACC Llangadog	June 2000
Axis	July 2000
Ash Manor Cheese	July 2000
Aeron Valley Cheese	Sept 2000
South Caernarfon Creameries	Oct 2000
Ash Manor Cheese	Dec 2000

### **Planned - Officials**

Aeron Valley Cheese	Dec 2000
Abergavenny Fine Foods	Dec 2000