

Elin Jones AC/AM

**Y Gweinidog dros Faterion Gwledig
Minister for Rural Affairs**



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

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Rhodri Glyn Thomas AM

Chair of the Rural Development Sub-Committee

National Assembly for Wales

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23 February 2010

Annwyl Rhodri

Thank you for your letter of the 2nd February 2010 following the Plenary debate on the Rural Development Sub-Committee's inquiry into the Dairy Industry. I am confident that there is a long term viable future for the dairy industry in Wales and will remain fully engaged in negotiations and policy development on UK and EU levels. I will also continue to encourage stakeholder engagement in development – through the Agri- food partnership between government and the industry, especially through the dairy strategy group.

The debate raised questions of interest to us all and I understand that you are now seeking some additional clarity on some of the aspects of the debate.

The Welsh Assembly Government is working to raise the profile of Welsh dairy products outside Wales in numerous ways including through the True Taste Awards which offers opportunities to raise the profile of the added value dairy sector in the rest of the UK. This initiative enjoys a high profile which reaches across our borders. Fifty seven added value producers appear in the Welsh Food and Drink Producers Directory. This is widely distributed at the Trade and Consumer Shows which the Assembly attends in UK and overseas.

The Local Sourcing Action Plan aims to increase the level of local sourcing of food and drink in Wales and to increase the level of supply of food and drink to public sector organisations. Officials will be developing measures to monitor progress in delivering the action plan against key performance indicators. There are many external factors that can influence supply which are outside the control of the Welsh Assembly Government. This has an overall impact on setting targets in relation to supply into the public sector.

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Officials in Value Wales will be launching the Food Framework Guidance next month which sets standards for the purchase of food products by the public sector in Wales; this is a milestone document under the Local Sourcing Action Plan.

There has been analysis on the EU's firm commitment to phase out the milk quota regime by March 2015 by the Food and Agricultural Policy Research Institute (FAPRI) on behalf of WAG and the other administrations of the UK. The quota system was introduced in 1984 as a market control in a very different market to that which we have now.

The Fapri Report – (Impact of HM Treasury/Defra's Vision of the Common Agriculture Policy (CAP) on Agriculture in Wales July 2009) uses a modelling system of econometric equations to determine the future of the dairy industry in Wales.

FAPRI looked at five scenarios in the drafting of the report. One of the featured scenarios was the Implementation of Health Check Reform; this includes the planned phased increase of milk quotas between 2009 and 2013, followed by abolition in 2015.

The report detailed the following outcomes for the dairy industry:

A phased increase and eventual abolition of milk quotas may lead to a modest increase in milk production throughout the EU as a whole. This means more milk will be available for manufacture and consequently, EU production of cheese, butter, skimmed milk powder (SMP) and whole milk powder (WMP) are higher but EU dairy commodity prices will decline in response to the increase in production.

A decrease in EU dairy commodity prices is expected to cause a 2% decrease in Welsh producer milk prices, therefore reducing Welsh milk production by 2%. However, the decline in the Welsh producer milk price will likely be diminished by the large share of raw milk used in the liquid milk market in England and Wales.

Decline in milk production in Wales reduces the amount of milk available for manufacture. As a result, projected production of cheese, butter and SMP declines in Wales. This decline in milk production has a downward impact on the number of dairy cows – by the end of 2015 there are expected to be 2% fewer dairy cows in Wales.

The Welsh Assembly Government will continue to provide support to the dairy industry throughout this period of change through Farming Connect and food industry support schemes (Processing and Marketing Grants; Supply Chain Efficiency).

The Red Tape review that I announced in January 2008 was never intended to be sector specific. It is designed to reduce the bureaucratic burden on the farming industry as a whole. Of the opportunities identified to reduce bureaucracy, priority has been given to the amalgamation of inspections undertaken by statutory and other bodies, which will include the dairy industry.

Where Cattle Identification Inspections (CII) on dairy holdings in Wales are necessary, Rural Inspectorate Wales (RIW) Field Officers will, where possible, arrange to visit the holding during milking times so that farmers avoid having to gather the herd a second time and outside the normal routine.

In addition, following a successful pilot in June 2008, arrangements were put in place to join-up TB tests and Cattle Identification Inspections in all parts of Wales. Veterinary inspectors are encouraged to combine their TB tests with Cattle Identification inspections carried out by the Assembly Government. To date 50% of large animal veterinary practises

in Wales are now supporting this initiative. The Assembly Government and Animal Health (Agency) are working with vets to increase this percentage still further.

As a result of the review the Welsh Assembly Government is also working closely with Local Authorities (LAs) and the Farm Assured Schemes to improve the targeting of inspections to prevent duplication. Local Authorities use inspection reports from the Rural Inspectorate Wales (RIW) to better assess which farms pose the greatest risk in terms of animal health and welfare. This allows the Local Authorities to avoid those farms that are compliant and focus on the high risk premises.

Other ongoing work includes measures to further simplify literature and application forms sent to farmers and improve communications.

I trust you will find these comments helpful.

A handwritten signature in black ink, appearing to read 'Elin Jones', written in a cursive style.

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