

# Farmers' Union of Wales' response to an Economy, Trade and Rural Affairs Committee consultation on the Food (Wales) Bill

13th January 2023

## About the FUW

1. The Farmers' Union of Wales (FUW) was established in 1955 to exclusively represent the interests of farmers in Wales. Since 1978 the union has been formally recognised by UK Governments, and subsequently by Welsh Governments, as independently representing those interests.
2. The FUW's Vision is *thriving, sustainable, family farms in Wales*, while the Mission of the Union is *To advance and protect Wales' family farms, both nationally and individually, in order to fulfil the Union's vision*.
3. In addition to its Head Office, which has thirty full-time members of staff, the FUW Group has around 80 members of staff based in twelve regional offices around Wales providing a broad range of services for members.
4. The FUW is a democratic organisation, with policies being formulated following consultation with its twelve County Executive Committees and eleven Standing Committees.

## The UK and Welsh food system

5. The Covid-19 pandemic and ongoing Russian war on Ukraine has demonstrated how sensitive food supply chains and agricultural commodities can be to global events, serving as a stark reminder of the dangers of relying on imports of food and raw materials.
6. While the combined impacts of recent events are evidenced by the fact that the UK inflation rate for food and non-alcoholic beverage prices reached 16.4% in October 2022<sup>1</sup>, latest figures show the price index for agricultural inputs increased by 28.3% in the 12 months to October, around 20 percentage points above the UK Government's Consumer Price Index (CPI) rate of inflation, which is itself at the highest recorded rate since 1981.
7. Such events have highlighted the importance of maintaining a strong domestic production and processing base in order to provide for local and wider UK commodity markets.

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<sup>1</sup> [Consumer price inflation, UK: November 2022](#)

8. At the Royal Welsh Agricultural Show 2022, the FUW launched its five point plan which it believes should be implemented in order to help relieve pressures for farmers, food producers and consumers in the immediate term, while bolstering UK food and energy security in ways which reduce the dangers of future exposure to global emergencies<sup>2</sup>:
  - i. Time to reset international trade policy
  - ii. Good relations should be restored with our nearest neighbours
  - iii. Time for a renewable energy revolution
  - iv. Rethinking domestic agricultural and rural policies
  - v. Financial support for critical industries
9. 'Rethinking domestic agricultural and rural policies' will be essential for maintaining UK food security and to avoid undermining the farmers and food producers who provide three quarters of domestic food demands and the thousands of upstream and downstream businesses and jobs that rely on farm production.
10. As such, food production and the protection of Wales' family farms and rural communities must be placed on an equal footing with environmental objectives in order to maintain and enhance UK food security in an environmentally sustainable manner.
11. Nevertheless, small abattoirs - which provide a vital role in enabling farmers to sell their products directly - are being lost at a rate of 10% per year according to the Food Standards Agency, and a survey of small and local abattoirs conducted by the National Craft Butchers (NCB) across Wales, England and Scotland revealed that 59% expect to close within five years if current 'one-size fits all' regulations are not urgently reviewed<sup>3</sup>.
12. Findings such as these demonstrate how localised and even UK-wide food systems are disjoint and fail to recognise the importance of small and medium sized businesses for rural communities, economies and Wales' culture and language.
13. The Welsh Government's own figures show that 43% of workers within the agriculture, forestry and fishing sectors speak Welsh in comparison with education at 27%, the sector with the second largest percentage share, and 17% for all Welsh workers.
14. This means that the prevalence of Welsh speakers in the agricultural industry is 153% higher than for Wales as a whole.
15. Furthermore, in 2019 the agricultural sector was responsible for 3.5% of the Welsh labour force (52,860 persons), compared with 1.1% in England and 2.5% in Scotland. However, it must be noted that the local percentage employed in agriculture in Wales is between 15% and 28% in large areas of Wales.
16. Future policies must recognise these socio-economic factors and provide support to existing and new farming businesses and encourage investment into food processing in order to retain a greater proportion of food supply chains in Wales.

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<sup>2</sup> [FUW - Mitigating the impacts of current and future global emergencies: A five point plan for UK Governments](#)

<sup>3</sup> [Over half of small abattoirs expect to close within 5 years](#)

## Power within the UK and Welsh food industry

17. The Explanatory Memorandum rightfully states that *“the sector in Wales has a fundamental role to play in helping to create a more equal, healthier and greener Wales.”*
18. It is also positive to note that *“the purpose of the Bill is to establish a more sustainable food system. This means strengthening our food security through a resilient supply chain, supporting the development of our food industry, improving Wales’ socio-economic well-being and enhancing consumer choice.”*
19. The FUW also welcomes the amended Primary Food Goal of *“providing affordable, healthy and economically, environmentally and socially sustainable food for the people of Wales”*, and the revised description of the Environment Secondary Food Goal which now places emphasis on the enhancement and restoration of the environment through food production.
20. The Welsh Government’s Vision for the Food and Drink industry from 2021 is *“to create a strong and vibrant Welsh food and drink sector with a global reputation for excellence, having one of the most environmentally and socially responsible supply chains in the world<sup>4</sup>.”*
21. Between 2014 and 2020, the sector saw a 30% growth achieving sales worth £7.5 billion in 2019, exceeding the 2020 target of £7 billion.
22. However, the FUW has long argued that there is a lack of recognition and support for farmers and producers who supply mainstream commodity markets within the Welsh Government’s strategies for the food and drink sector.
23. In response to a number of consultations on the Grocery Code Adjudicator, the FUW has also maintained that its remit should be extended to include indirect suppliers such as primary producers.
24. It is also paramount that the incoming UK Milk Purchasing Code achieves what it sets out to do, namely to provide greater certainty and contractual fairness for both business purchasers and qualifying sellers within the milk sector.
25. Nevertheless, it must be accepted that food and drink markets are heavily driven by supply and demand.
26. Domestic sales of Welsh lamb and beef trended consistently higher throughout the pandemic with the spending on lamb increasing by 20% during the first lockdown in 2020 compared with 2019 as consumers turned to local, sustainable and quality food<sup>5</sup>.

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<sup>4</sup> [Vision for the Food & Drink industry from 2021](#)

<sup>5</sup> [Value of Red Meat Sector to Welsh Economy Up During Year of COVID](#)

27. However, with current inflation rates and soaring energy prices, pressures on disposable incomes and the public purse are increasing which will inevitably lead to more price-based purchasing decisions.
28. As such, the Welsh Government must recognise the difficulties in providing healthy and economically, environmentally and socially sustainable food which is affordable for the consumers in Wales when designing food policy.
29. One of the core objectives of the 1962 European Union's (EU) Common Agricultural Policy (CAP) was to provide consumers with a stable supply of affordable food, and this has played a significant role in shaping the provision of direct financial support for farmers over the past sixty years.
30. While the FUW has welcomed the inclusion of the sustainable production of food and the promotion of the Welsh language within the four core objectives of the draft Agriculture (Wales) Bill, the Welsh Government must go a step further by introducing a fifth objective which explicitly seeks to ensure the economic stability of farming families, underpinning the numerous contributions they make to Welsh economies, communities and culture.
31. The Explanatory Memorandum recognises that food supply chains have been placed under significant pressure in recent years. Therefore, it is ever more concerning to see proposals by the Welsh Government to cut the budget for rural affairs by around £9 million for the 2023-24 financial year.
32. While the Welsh Government's commitment to maintain a total budget of £238 million for direct payments in 2023 and 2024 is welcomed, it in fact represents a significant real terms fall for Welsh farms given the current rate of inflation.
33. In addition, there is a role for the Welsh Government to play in building better relations with major retailers as they continue to be the primary outlet for Welsh produce in order to maintain - as much as possible - the positive trends the Welsh red meat industry has experienced throughout the Covid-19 pandemic.
34. While the proposals for measures to strengthen food labelling have been removed due to the effect of the UK Internal Market Act 2020, the need for clear labelling of Welsh produce which recognises the world-leading animal health and welfare, environmental and food standards Welsh farmers already adhere to should nevertheless be considered by the Food Commission.
35. This is essential given that a large proportion of Welsh produce - including that produced to the standards of farm assurance schemes such as Red Tractor and FAWL - is sold by major retailers in other parts of the UK under the GB flag due to a lack of processing capacity in Wales, making it extremely difficult to segregate products by their country of origin.

36. While it is noted that there are currently 18 items on the Welsh Geographical Indication list which are marketed under the GI quality mark, many of these are very much niche products serving niche markets.
37. Adjacent to this, especially now that consumers are returning to eating out of the home, is the need for clear labelling of Welsh produce across the food service sector.

## Public procurement

38. It is welcomed that the Explanatory Memorandum states the Bill will *“act as a platform for collaboration between public bodies and policy makers, as well as bringing together food producers and consumers.”*
39. The Welsh Labour Government - Plaid Cymru Co-operation Agreement states that both parties will *“explore how to set meaningful targets to increase Welsh public sector procurement from the current 52%<sup>6</sup>.”*
40. The FUW believes that all Welsh Government departments, Local Authorities and public bodies have a duty to lead by example by supporting Wales’ farming and food industry.
41. The local procurement of food through establishments such as schools provides an opportunity for authorities to shorten supply chains, support the high environmental and animal welfare standards Welsh farmers must adhere to, and bolster circular economies while avoiding the implications of cheaper food imports on public health and the environment.
42. Whilst the proportion of food procured locally by some public bodies has increased over recent years, there remain a significant number of administrations which fail to support Welsh agriculture, choosing instead to accept produce from countries which often fail to meet the high production standards which are a statutory requirement in Wales.
43. As such, future food strategies as part of this Bill or other Bills must also ensure that domestic food producers are not placed at a competitive disadvantage as the UK Government signs free trade agreements with countries such as Australia and New Zealand, or be required to comply with additional regulations which increase costs of production.
44. Moreover, the nature of some procurement contracts means that what appears to be a commitment to procuring Welsh and UK produce within procurement rules can be circumvented by carefully worded clauses.
45. This is recognised by the recently launched Welsh Government food procurement resource ‘Buying Food Fit for the Future’ which provides legal guidance on food tenders and procurement rules, and states *“approximately £38.7 million (58%) of the total annual public sector food spend is with Welsh firms but we know that doesn’t necessarily*

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<sup>6</sup> [The Co-operation Agreement: 2021](#)

*equate with the food being of Welsh origin - that is estimated at being just over £19 million (23%)<sup>7</sup>.*”

46. The Explanatory Memorandum rightfully states that *“public bodies have been found to have very different and inconsistent attitudes towards food policy within their own remit.”*
47. The FUW has been instrumental in ensuring that Chartwells - the catering company supplying food to schools in Anglesey - commits to source 30% of the total produce from within a 60 mile radius as part of its contract with Anglesey County Council.
48. While this is considered to be a drop in the ocean compared with the potential benefits of increasing public procurement across Wales, the FUW has raised concerns about how current food inflation rates, budget allocations and pressures and the Welsh Government’s commitment to provide free school meals from 2023 onwards will influence the ability for Local Authorities to source local produce.
49. The Explanatory Memorandum states that £225 million has been allocated to providing free school meals to all primary school children by September 2024. However, The Bevan Foundation estimates that the provision of free school meals for all primary and secondary school children in Wales would cost a total of £180 million a year.
50. On a similar vein, the Regulatory Impact Assessment estimates the total cost of the Bill over the first five years to be between £4.7 million and £8.6 million in present values. Approximately £1 million of the total costs would be placed on Local Authorities and Local Health Boards to draft and report on Local Food Plans.
51. In light of ever increasing food production costs and given that in this example, Chartwells’ suppliers *‘must ensure that all meat purchased is of UK origin within legislative financial and practical constraints’*, the FUW believes that procurement policies to source directly from producers to help mitigate the impacts of market influences should be explored.
52. As various Members of the Senedd from different political parties continue with their ambitions to increase Welsh public sector procurement, they must ensure that future policies meaningfully achieve their objectives for the benefit of Welsh food producers and consumers.

### **Other considerations**

53. Following discussions with stakeholders, the Explanatory Memorandum highlights *“a general lack of scrutiny of policy related to the wider food system in Wales ... with Welsh Government departments taking different approaches to food policy; thus resulting in policy aims that can often contradict each other.”*

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<sup>7</sup> Brookdale Consulting, 2022

54. In Plenary on 26th January 2022, the Minister for Finance and Local Government Rebecca Evans MS outlined ongoing work relating to food procurement with Caerphilly Council, along with the Wales Local Government Association (WLGA) and wholesalers, and Monmouthshire Council, demonstrating the lack of consistency when it comes to working on food policy with all Local Authorities across Wales<sup>8</sup>.
55. Notwithstanding the Union's long-standing concerns regarding the Sustainable Farming Scheme and the need for the overarching principles to include socio-economic factors such as the economic sustainability of Wales' family farms, the latest proposals from the Welsh Government have moved on leaps and bounds compared with what was being proposed in the 2018 Brexit and Our Land consultation.
56. As the draft Food (Wales) Bill consultation suggests, the Sustainable Farming Scheme *"intends to help farmers build new markets and add value to their produce; support local food keeping value in communities; and to build a more diverse food system which is more resilient to climate change."*
57. These objectives can only be achieved by taking into account all farm types and production systems in Wales and ensuring that the overarching principles are extended beyond the definition of Sustainable Land Management.
58. The Union has no objections when it comes to providing support for farmers to diversify into horticulture and vegetable production. However, if such production is to be expanded enough to replace a noticeable proportion of imported produce in Welsh and UK retailers, it must be done commercially and be proportionate in terms of budget, rules and the feasibility for farmers.
59. While the Social Partnership and Public Procurement (Wales) Bill is currently going through Stage 2 of the Senedd scrutiny process, the Explanatory Memorandum recognises that there may be some cross over to the policy objectives of the Food (Wales) Bill such as the provisions for a *"statutory duty on certain public bodies to consider socially responsible public procurement when carrying out procurement, to set objectives in relation to well-being goals, and to publish a procurement strategy."*
60. The Welsh Government's Programme for Government and Co-operation Agreement with Plaid Cymru also commit to *"develop a Wales Community Food Strategy to encourage the production and supply of locally-sourced food in Wales"*<sup>9</sup>.
61. Therefore, the FUW believes that there is certainly a role within the Welsh Government to ensure that these Bills, current policies and future schemes complement each other and achieve such objectives for the benefit of Wales' food producers and consumers.
62. As such, the proposal for a National Food Strategy to set an overarching framework for a joined up approach and to advance the Primary and Secondary Food Goals is welcomed.

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<sup>8</sup> [Plenary - Tuesday, 25 January 2022](#)

<sup>9</sup> [Programme for government](#)

63. While the creation of food targets will allow for the success of this Bill to be measured, introducing them through secondary legislation as new 'regulations' must not create additional red tape or burdensome requirements for farmers or other businesses throughout the food supply chain. Nevertheless, it is welcomed that the process of setting targets would be transparent and involve seeking advice from independent bodies.
64. More specific local food plans being underpinned by the National Strategy makes sense, and the FUW agrees that *"the development of local food plans should not duplicate existing policies or activities that may already be required under separate legislation"*, given that, for example, farmers could work collaboratively and receive funding through the Sustainable Farming Scheme to develop supply chain opportunities in certain areas of Wales.

### **Welsh Food Commission**

65. The FUW is supportive of the proposed functions of a Welsh Food Commission which could work alongside and scrutinise current policies and other legislative Bills.
66. However, the FUW believes that such a group should bring existing food policy focussed groups together where appropriate as opposed to replicating work, such as Food Policy Alliance Cymru, the Food, Farming and Countryside Commission, Food Division of the Welsh Government, Sustainability Clusters and farming organisations.
67. This approach would also reduce the costs associated with creating yet another commission as outlined in the Regulatory Impact Assessment.
68. Such a group should ensure that future food policies reflect the socio-economic factors of the entire food system and the seven Well-being of Future Generations (Wales) Act 2015 goals, and undertake the roles highlighted in this submission such as addressing barriers to local procurement and ensuring that Bills which influence food policy complement each other.
69. On occasions when Welsh Government Ministers are required to seek advice from the Welsh Food Commission, its comments and input should be formally recognised rather than it being seen as a tick box exercise.