



# Food Processing

Food processing in Wales drives sustainable growth and resilience. Our work is aligned with national well-being goals for the economy, health, and environment, with a focus on cross-sector support to strengthen innovation, procurement, and local supply chains.

This evidence paper provides information for the Economy, Trade, and Rural Affairs Committee's Food Processing Inquiry.

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## 1. Introduction

- 1.** The food and drink industry is a cornerstone of the Welsh economy. It encompasses a diverse range of businesses - from primary producers and processors to retailers and exporters - and plays a vital role in adding value to Welsh produce.
- 2.** In 2024, the Welsh food and drink sector supported 223, 500 jobs<sup>1</sup> across the supply chain to drive innovation, sustainability and product development, and help position Wales as a trusted, distinct food nation. The industry employs 17% of the Welsh workforce.
- 3.** Food processing enables the transformation of raw materials into value-added products, supports local growth, and underpins resilient supply chains. It contributes to our health and wellbeing, and our economic growth, key for the delivery of well-being objectives.
- 4.** *A Vision for the Food and Drink Industry* ('the Vision') was published in 2021, setting ambitious objectives to grow the sector's value to £8.5 billion by 2025, improve productivity, raise standards, and promote Wales as a globally recognised Food Nation. It also commits to increasing the number of Welsh products with protected status and ensuring that 80% of the workforce earns at least the Real Living Wage. The Vision provides a strategic framework for collaboration between government, industry, academia and communities, and continues to guide investment, innovation, and policy development across the food system.
- 5.** Since 2021, Welsh Government has continued to deliver key policies that support food processing and the wider food system. We have supported healthier food environments through Healthy Weight: Healthy Wales and worked with the food industry to reformulate products to reduce sugar, salt, and fat content.
- 6.** Wales is striving to become one of the best countries in the world for sustainable farming, to meet our global obligations on climate change without offshoring food production to countries with lower standards. The Sustainable Farming Scheme (SFS) is designed to incentivise environmentally responsible production, which in turn supports processors seeking to meet sustainability standards. The Welsh Government recognises that a stable and

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<sup>1</sup> [Economic Appraisal: Welsh Food and Drink sector | Business Wales - Food and drink](#)

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sufficient supply of livestock is essential to the viability of the red meat and dairy processing sectors in Wales.

- 7.** As a government we are supporting food and drink businesses of various sizes and maturity to grow and thrive through several schemes and wider services. These support programmes provide expert advice and guidance throughout the business journey and in other areas such as development, innovative technology, data and research. Information is shared through one-to-one business support, via the Cluster Network, Cywain, Scale Up, Investor Ready, Trade and Foodservice and Helix Programmes and through our dedicated Market Insight Programme.
- 8.** Export development and Foreign Investment programmes support Welsh businesses by providing opportunities for international trade and export, showcasing Welsh food and drink to an international audience of buyers, distributors, and influencers, and attracting inward investment. Export also supports business risk diversification, leverages innovation, and can enhance job quality.
- 9.** The Blas Cymru/Taste Wales brokerage generates business opportunities for food and drink businesses and promotes Welsh food and drink on a domestic and international stage. The most recent brokerage in October 2023 hosted 276 trade buyers (11 countries) and 122 Welsh producers including 15 Rising Stars; there were 2,100 business meetings; 203 new product competition entries; and it generated £38m worth of new business opportunities.
- 10.** Our Food and Drink Wales Programmes are focused on health, education and foundational economy to increase trade with retailers, independent stores, the public sector, and food service within the UK. Collaborating with the major retailers, wholesale and procurement leads has secured millions into the Welsh economy and created and safeguarded thousands of jobs.
- 11.** The new Procurement Act 2023 and Social Partnership and Public Procurement Act aim to support local supply chains to increase the amount of Welsh food and drink purchased.
- 12.** Complementing these efforts, the Community Food Strategy (CFS) promotes local food production, community resilience, and shorter supply chains, all of which benefit the processing sector. It commits to identifying opportunities for the procurement of locally sourced food in settings such as education, health and social care sectors.

**13.** In addition, Food Matters: Wales demonstrates Welsh Government cross-departmental alignment in delivering for the sector, supported by the work of the cross-government Food Forum. This joined-up approach ensures that food policy is integrated across agriculture, health, economy, environment, and education, reinforcing the strategic importance of food processing in Wales.

## 2. Vision for the Food and Drink Industry from 2021

1. The Vision continues to provide a coherent and effective framework for Welsh Government support to the food and drink industry. Delivery against these objectives is evidenced through key performance indicators. Its objectives focus on growth, productivity, sustainability, fair work, and our reputation both nationally and internationally. 'The Vision' has guided a wide range of responsible business interventions that remains central to the development of the food and drink manufacturing and processing in Wales.
2. The most recent Economic Appraisal figures demonstrate continued growth and delivery outlined in the Vision's key performance indicators include:
  - Sector turnover reached £10.2 billion in 2024, a 10% increase from 2023. (This does not include the effects of inflation).
  - Export value hit a record £839 million, up 3% year-on-year and 47% since 2019. (This does not include the effects of inflation).
  - Employment across the food supply chain reached 223,500, accounting for 17% of the Welsh workforce.
  - There are now 570 food and drink manufacturing businesses, with bakery, meat, dairy and cereal sectors being the largest employers.
  - Food and drink manufacturing businesses totalled 663 units, with bakery and other food products leading in employment.
3. Welsh Government has strengthened delivery through a suite of complementary policies and programmes:
4. Our National Helix Programme provides tailored support to all food and drink businesses throughout Wales. The Programme brings together four Food Centres across Wales and is dedicated to encouraging the development of the food sector and providing technical and operational support on all aspects of food manufacturing. This assets support business innovation, develop new products, HFSS/Reformulation, and improve productivity. This programme is also essential for food security and food resilience in Wales.

- 5.** Our Cluster programmes support delivery of 'the Vision', by encouraging collaboration between businesses and supporting events to share best practice and address common challenges.
- 6.** Our Trade Engagement Programmes are key to developing the domestic market in the UK for those businesses manufacturing for retail and foodservice. Successive rounds of Value of Welshness research have evidenced GB consumer perceptions of Welsh products as intrinsically higher quality than comparable products.
- 7.** The Trade Development Programme has secured buy-in for Welsh products from all the major retailers and larger foodservice businesses. This requires continued support to sustain product listings. Our Food Service Programme targets buyers from the foodservice, hospitality and public procurement sectors to secure an increased offering of Welsh food and drink products for their customers.
- 8.** The Royal Welsh Agricultural Show continues to be a key component in trade development. The Business Lounge in RWAS is a 'go-to' destination for trade buyers and millions of pounds of orders are secured through this engagement.
- 9.** The Investor Ready and Scale Up Programmes both support growth in the Welsh Food and Drink Sector by providing the business tools and mechanisms required for businesses to be resilient and to prosper. These enable participating businesses to obtain investment and provides support to make informed sustainable business growth decisions. In addition, gross value added, return on capital employed (Food Business Accelerator Scheme) and new jobs generated are tracked closely as a means of assessing the contribution of the sector to the overall Welsh economy. The business support provided has enabled food manufacturers to finance develop and grow their businesses in difficult economic times.
- 10.** The Cywain Programme delivers a pan Wales Advisory Service to provide integrated advice for the Welsh Food and Drink industry. A broad range of specialist technical and business management areas are tailored to meet individual business needs. The Wales advisory service delivers an innovative programme for the purpose of disseminating knowledge transfer activities and events for the benefit of Welsh SMEs. This includes exploring trends, potential markets and how producers can diversify farming practices.

- 11.** The UK Geographical Indication (UKGI) Scheme is well established. The scheme is a form of intellectual property protection used to identify products whose quality, and reputation are linked to the region where they have been produced or protection of the process method by which they have been produced. Today, there are 24 Welsh products which have been awarded the GI status, more products pro rata per population than any other UK nation. The Welsh Government is committed to actively encouraging and supporting applications from all sub sectors in Wales to promote this programme of support to the Welsh food and drinks industry.
- 12.** The Market Insight Programme delivers up-to-date intelligence on the food and drink sector, along with foresight into future market developments. It draws on data and expertise from specialist agencies, focusing on retail grocery and out of home consumption, global trends and innovation in food and drink, export performance across international markets, and insights into the UK grocery sector. This evidence base informs policy development and supports the growth and competitiveness of Welsh food and drink businesses.
- 13.** A major study in 2025, namely 'Future Diets', was commissioned to identify trends in what consumers eat and the changes in diet from now to 2035. Most consumers will primarily choose and consume food and drink which is both affordable and convenient. Since this research and alongside the legislative and retailer backdrop, the Healthier Foods NPD programme was launched through a series of workshops for Welsh Food and Drink companies. This programme focused on how food and drink companies can respond to the forecasts, by developing healthier products which meet the consumers desire for convenience and affordability whether through reformulation, new ranges, or range extensions.
- 14.** Technical support for reformulation is delivered through Food Innovation Wales, supporting businesses meet health and sustainability goals.
- 15.** The Food (Promotion and Presentation) (Wales) Regulations 2025 aims to accelerate reformulation and create a level playing field for healthier products.
- 16.** The Food and Drink Wales Industry Board ensures strategic advice and supports sector growth and promotion. The Board enhances the reputation of the Welsh food and drink industry while supporting the delivery of 'the Vision'.

- 17.** The CFS contains six objectives that will support food security, local horticulture, and resilient supply chains, indirectly benefiting processors through infrastructure and procurement support.
- 18.** A Ministerial Advisory Group has been established to support an effective and joined up implementation of the CFS. This will draw together senior stakeholders and key delivery partners to focus on successful delivery of the objectives.
- 19.** We collaborate closely with the Future Generations Commissioner and his office, and we have seen the importance placed on the food industry in his strategy Cymru Can. This collaboration will continue as we jointly support Public Bodies and Public Service Boards to embed food as a priority within local services delivery.
- 20.** The CFS considers the diverse needs of Welsh communities, through a place-based approach, to enable local activity for local priorities. This is supported by a cross-portfolio funding package of over £2 million for Local Food Partnerships for the financial year 2025-2026.
- 21.** These Local Food Partnerships have now been established in every Local Authority in Wales and will provide a much-needed strategic co-ordination of local food projects 'on the ground'. They will create new supply opportunities by connecting local food stakeholders – including producers, businesses, wholesalers and public sector services. By joining farmers with wider organisations along the supply chain, this will also compliment the objectives of the SFS.
- 22.** These actions demonstrate that Welsh Government has been and will continue to deliver effectively against the Vision's objectives, while adapting to emerging challenges and opportunities through targeted, cross-cutting interventions.
- 23.** While, in 2021, the Vision was shaped during a time of acute disruption, the underlying vulnerabilities it responded to - supply chain fragility, food insecurity, and economic resilience - are still present.
- 24.** Rather than being outdated, the Vision has proven to be a resilient and an adaptable framework. The Vision's emphasis on local supply chains, added-value processing, and sustainable growth remains a robust response to these enduring threats.

**25.**It continues to align with the Well-being of Future Generations (Wales) Act, supporting goals for a prosperous, resilient, and healthier Wales.

**26.**Its core objective - growth, productivity, fair work, sustainability, and its reputation nationally and internationally - are still relevant and actionable.

### 3. Livestock numbers and adding value to Welsh produce

- 1.** Food is one of the foundational sectors of our economy and our climate is better suited than many other parts of the world to producing sustainable and high-quality red meat and dairy.
- 2.** We are committed to a sustainable, vibrant and successful agricultural sector and food chain which helps to underpin the wider rural economy.
- 3.** As set out in the Programme for Government, we need to ensure our response to the climate and nature emergency is embedded in everything we do. We need to provide the right support to our farmers throughout the transition to a decarbonised food system and ensure Wales' land is fit for the future.
- 4.** This successful future for Welsh farming is about producing food sustainably, looking after our environment and underpinning our rural communities, all the while overcoming the climate and nature emergencies we and our future generations are facing.
- 5.** The Welsh Government is committed to supporting sustainable livestock production through the SFS, which aims to balance environmental outcomes with food production. The SFS will support the sector to maintain and enhance the value of Welsh red meat, including its Protected Geographical Indication (PGI) status.
- 6.** We are working closely with Hybu Cig Cymru to develop a refreshed Vision for the red meat sector, underpinned by robust data and evidence. This will help articulate the sustainability credentials of Welsh livestock systems and inform future support.
- 7.** The Welsh Government is also reviewing the UK Climate Change Committee's (CCC) advice on livestock numbers as part of preparations for Carbon Budget 4 (2031–35). We are committed to a just transition that supports farmers, protects rural livelihoods, and strengthens foundational sectors such as food.

## 4. Supporting growth in the processing sector

- 1.** The Welsh Government recognises the central role of food processing in creating added value, retaining wealth locally, and enabling shorter, more resilient supply chains. Processing is a critical link between primary production and market access, and its development is essential to achieving the Vision's objectives around growth, sustainability, and fair work.
- 2.** Welsh Government support for the processing sector is delivered through a combination of strategic programmes, targeted funding, and innovation support.
- 3.** In red meat and dairy, support has focused on enabling processors to meet export certification requirements, adopt new technologies, and access premium markets through branding and Geographic Indications (e.g. PGI Welsh Lamb and Beef). The Procurement Act 2023 further strengthens domestic market access by increasing the public sector's ability to source Welsh-processed food.
- 4.** In horticulture, the Welsh Government has taken steps to address long-standing structural barriers to growth. The Horticulture Development Scheme and Small Grants – Horticulture Start-Up Scheme provide capital support for new and existing enterprises, including those investing in packhouses, cold storage, and processing capacity.
- 5.** In our Written Statement on Horticulture Policy Development we set out a clear policy intent to grow the sector through a balanced approach that integrates planning reform, business support, and skills development.
- 6.** The establishment of the Wales Horticulture Planning Working Group and the commitment to updating Planning Policy Wales signal a strategic shift towards enabling horticulture as a viable land use and processing opportunity.
- 7.** Further support is being considered to address systemic challenges, including:
  - Infrastructure investment for small-scale and regional processing facilities.
  - Skills development through Farming Connect and Lantra, with a focus on technical roles in processing.

- Improved planning guidance to facilitate development of horticulture-related processing sites.
- Enhanced access to finance for SMEs seeking to modernise or expand processing operations.

**8.** These actions reflect Welsh Government's commitment to strengthening the processing sector as a driver of added value, rural employment, and food system resilience. Through our Community Food Strategy, we have continued to embed these priorities more explicitly and ensure continued alignment with policy areas, such as food security.

## 5. Public procurement of food processed in Wales

- 1.** Food is a critical sector within Wales' Foundational Economy, accounting for 28% of all foundational businesses and generating the highest turnover at £21.7 billion.
- 2.** Public sector food procurement, valued at approximately £85 million, represents a significant opportunity to support Welsh producers and processors, strengthen local supply chains, and deliver social value.
- 3.** Welsh Government has taken a strategic approach to addressing barriers to public procurement of Welsh-processed food, focusing on infrastructure, innovation, accreditation, and procurement reform.
- 4.** Our work has focused on shortening supply chains and reducing reliance on imports by increasing the amount of Welsh food served in schools and hospitals. Projects funded through the Foundational Economy programme have helped build stronger relationships between growers, processors, wholesalers, and public sector buyers.
- 5.** The Welsh Veg in Schools project, led by Food Sense Wales, supported eight new growers and delivered 200,000 portions of organic, local veg across six local authorities. However, the lack of infrastructure—such as facilities to wash, slice, and store produce—was a key barrier. We are now funding work through Local Food Partnerships to begin developing regional infrastructure close to production hotspots.
- 6.** Castell Howell and Harlech Foodservice have reported significant increases in Welsh food supply to schools and hospitals. Castell Howell's spend on Welsh food rose 173% between 2021 and 2024, while Harlech reported increases of 90% for Welsh meat, 120% for Welsh milk, and 64% for Welsh school drinks.
- 7.** Innovation in Welsh-processed ingredients has been central to our approach. Through support for Castell Howell's Celtica meat-processing arm, new carbon-friendly, nutritious school dishes have been developed using Welsh meat and vegetables. These include Welsh meatballs, Welsh hybrid mushroom burgers and Welsh tomato sauces, co-designed with catering officers and schoolchildren.

- 8.** The Tech Tyfu project has enabled small firms to enter public and private sector supply chains with environmentally friendly production methods. Examples include:
- Snowdon Valley Farm, trialling water salinity reduction technology to improve tomato yields.
  - Fresh and Tasty, now supplying microgreens and edible flowers to six counties.
  - Fungi Foods, delivering 20,000 packets of Lions Mane mushrooms to Aldi.
- 9.** Through the Food Accreditation Grant Scheme, we supported 73 Welsh food firms, helping retain 1,119 jobs and improving their chances of winning public contracts.
- 10.** Access to land and suitable dwellings for growers is essential for expanding horticulture. The Social Farms and Gardens project developed planning guidance now being implemented in Powys, including mixed-use models for housing, employment, and growing. These developments are aligned with Powys Council's consultation on its Council Farm Estate Policy.
- 11.** Public procurement is often cited as a barrier to local sourcing, but legislative flexibilities exist to support innovation and social value. Welsh Government has developed:
- 'Buying Food Fit for the Future', an online resource embedding sustainable procurement principles.
  - 'Harnessing the Purchasing Power of the Public Plate', legal procurement guidance implemented by Caerphilly Council in its South Wales Food Framework, which prioritised quality over price (70/30 split) and introduced a new Welsh lot with Castell Howell winning 100 out of 150 lots.
- 12.** We acknowledge the challenge of scaling successful pilots regionally and nationally. The Backing Local Firms Fund, which supported many of these initiatives, has ended due to financial constraints. However, we are funding the expansion of the Welsh Veg in Schools project into North Wales and exploring UK Government funding streams to support priority areas.
- 13.** The Larder Cymru project, led by Menter Môn, has shown how improved relationships between procurement managers, catering officers, and
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suppliers can increase Welsh food on school menus. Caerphilly Council nearly doubled its spend on Welsh food following a menu review, with 72% of surveyed parents supporting more local options.

- 14.** The Procurement Act 2023 and Social Partnership and Public Procurement (Wales) Act further strengthen sustainable food procurement by shifting focus from lowest cost to whole life costing and social value.