

**Climate Change, Environment and Rural Affairs Consultation on
Rethinking Food in Wales
A response from the Food and Drink Federation (FDF)**

The Welsh Government has ambitious targets to grow our food and drink industry and raise the profile of food and drink from Wales. Also, the decision to leave the EU will create both challenges and opportunities for the industry.

The Climate Change, Environment and Rural Affairs Committee is carrying out an inquiry into what we can do to enhance the food and drink sector and our relationship with the food we eat.

We are therefore asking what the future for food and drink could be.

What is your vision for the future of food in Wales and what needs to be done to achieve it?

How can we rethink food so that we have:

- **Healthy, locally produced food that is accessible and affordable;**
- **An innovative food industry sustaining high quality jobs;**
- **Sustainably produced food with high environmental and animal welfare standards; and**
- **An internationally renowned destination for food lovers?**

Please feel free to let us know any other issues which you feel are relevant.

2,000 words, numbered paragraphs, references hyperlinked

Introduction

1. The Food and Drink Federation (FDF) is the voice of the UK food and drink industry – the UK's largest manufacturing sector. The Food and Drink Federation (FDF) represents and advises **food and drink manufacturing firms** across the United Kingdom, including leading brands and home-grown businesses, large and small. We are central to the economy and to food security, providing consumers with a fantastic array of safe, affordable and nutritious food and drink every day. As producers, we sit at the heart of a £110 billion 'farm to fork' industry which employs four million people
2. Food and drink in Wales is an economic success story and now employs over 22,000 people in over 550 businesses across the country, with a turnover of £4.8bn a year. It contributes more than £260 million in Welsh exports, and invests more than £4 million in innovation, research and development. The productivity performance of Welsh food and drink manufacturing has increased steadily since 1997 and remains higher per employee than in the UK as a whole. But its significance goes far beyond money. Food and drink has become a vital part of Welsh national identity.
3. However, as the sector the most impacted by Brexit, food and farming has much at stake in the negotiations. It is vital that we secure the right outcomes which ensure that we can maintain the quality, choice, and value that consumers demand. We cannot afford a 'cliff edge' scenario and FDF urges interim and transitional arrangements that will apply until any new arrangements are in place (without the need for two different adjustments), to protect our sector's successes and long term investment. We have asked the UK Government to counterbalance any uncertainty with incentives to support growth through an Industrial Strategy sector deal, and we

urge the Welsh Government to continue its support for the sector to ensure its continued success in Wales.

4. FDF's presence in Wales – FDF Cymru – works with key industry partners including David Lloyd, Director of the ZERO2FIVE Food Industry Centre at Cardiff Metropolitan University, and Andy Richardson, Chair of the Food and Drink Industry Board for Wales. Our Corporate Affairs Director Tim Rycroft, has been invited to sit on the Cabinet Secretary for Agriculture's Brexit Trade and Supply Chain Working Group.
5. This document sets out our priorities for a sustainable future for Welsh food and drink, as well as our desire for a clear agenda for the development of a new relationship with the EU which recognises the strategic importance of our industry to Wales and the UK.

Towards Sustainable Growth

6. FDF is delighted to support the Welsh Government's aim to grow output for the sector by 30 per cent to £7 billion by 2020 and increase the profile and reputation of Welsh food and drink, in its document 'Towards Sustainable Growth: An Action Plan for the Food and Drink Industry 2014-2020'. It is welcome that in November 2016, Lesley Griffiths Cabinet Secretary for the Environment and Rural Affairs, noted the progress made already in reaching that target, and that the industry's sales value in Wales has already grown to £6.1bn.
7. In July 2017, FDF commissioned Grant Thornton to undertake an independent research project identifying both the opportunities available to food and drink manufacturers and the barriers to growth across the UK. This research focuses on three core areas: innovation, trade and skills and will shape FDF's work to deliver an Industrial Strategy sector deal for food and drink in partnership with the UK Government.
8. As an industry, in response to the UK Government's Industrial Strategy Green Paper, we are developing a sector deal proposal which will add economic and societal value through the following priorities:
 - Investing in science, research and innovation for health and productivity improvements;
 - Addressing fragmentation of specialist food and drink export support to drive SME export growth and fulfil industry's export potential; and
 - Developing skills to improve workforce self-sufficiency and productivity improvements.
9. We welcome the ongoing consultation and engagement with the food and drink industry to inform the Welsh Government's vision for the post-Brexit future. FDF's priorities for the negotiations are five-fold:
 - Immediate action to guarantee the right to remain for valued EU citizens, and in the medium term, access to the skills and talent we need to address our sector's skills gap (which was already significant before the EU referendum as a result of demographic trends).
 - Recognition of Ireland's special circumstances.

- Zero-tariff and frictionless trade across borders.
 - Stable regulatory framework to maintain consumer confidence in the safety and authenticity of UK food and drink.
 - A transition or implementation period that allows business to make only one adjustment to a new way of trading/operating.
10. At a time of great change and business uncertainty, it is vital that the Welsh Food and Drink industry is supported by Welsh Government and treated as a priority sector. FDF Cymru remains willing to continue our work with Welsh Government and the Food and Drink Industry Board for Wales to ensure this.

Workforce: Maintaining the flow of talent and skills into the industry

11. Ensuring the nation can be fed must be a high strategic priority for the Welsh Government. The people working across our supply chain are essential to what UK consumers eat and drink. As a sector we welcomed the announcement from the Prime Minister in June 2017 regarding safeguarding the position of EU citizens living in the UK and UK nationals living in the EU and we urge negotiators on both sides to resolve the matter swiftly.
12. FDF leads an EU Exit workforce group, with farming, food retail and hospitality bodies. Our joint August 2017 report 'Breaking the Chain' revealed that an abrupt reduction in the number of workers from the EU able to work in the UK after Brexit would cause significant disruption to the whole food and drink supply chain.
13. Almost half (47%) of businesses surveyed said EU nationals were considering leaving the UK due to uncertainty surrounding their future, and over a third (36%) said they would become unviable if they had no access to EU workers. The report made a number of recommendations to Government, including reviewing the recording of immigration data, increasing efficiency through adequate Home Office resourcing and investment in skills provision.
14. While companies are working hard to build their pipeline of home grown talent, achieving this significant step change will take time. With record high levels of employment in key geographical locations, it is often a question of local labour availability for the roles we are seeking to fill. Our sector already faced a large skills gap due to demographic change. Across the UK, we will need 140,000 new skilled workers by 2024. Future migration policy must ensure that industry has access to the workers it needs to address our skills gap, and that the food and drink industry in Wales – and across the UK gets its fair share.

International Trade: A prosperous and secure future through international trade

15. The EU is a vital market for UK food and drink. Once Free Trade Agreements (FTAs) are accounted for, our research shows that 94 per cent of exports and 97 per cent of imports of food and non-alcoholic drink are with the EU, or with countries with which the EU has signed or is negotiating a trade deal.
16. There is also an inter-dependency of food between the nations of Great Britain, Northern Ireland and the Republic of Ireland and consideration must be given to the fact that many of those exports/imports come through the North and South Wales

ferry routes to Ireland. Data from the Value of Welsh Food and Drink report shows that 88 per cent of all exports in 2015 from Wales were to the EU, worth £264 million in 2015.

17. FDF member companies are committed partners of our domestic agriculture industry, however they also often need to import ingredients that are not produced in the UK or are not produced in sufficient quantity. To meet consumer demand, our industry must have access to sufficient supplies of safe, high quality, and competitively priced raw materials.
18. We welcome the UK Government's desire for a deep and comprehensive trade agreement with the European Union. However, until such a trade deal has been agreed, ratified and enters into force, we will need transitional arrangements to ensure businesses have continued access to vital imported ingredients and export markets.
19. Ensuring a single point of change would help to minimise unnecessary disruption for businesses that have established trading relationships with the EU. FDF is currently preparing detailed input to the UK Government on the two proposed models as set out in the most recent Customs Paper which would each pose specific issues for food and drink manufacturers.
20. The challenge will then follow in designing and negotiating a model that maintains these benefits beyond the transition period, delivering the same ease of trading that UK food and drink currently enjoys with the EU27, with zero tariffs and no new regulatory or other non-tariff barriers.
21. A no-deal scenario could pose a real threat to trade in our industry's products. While EU applied tariffs for non-food goods average only 2.3 per cent, food and drink would face tariffs entering the EU averaging 22.3 per cent. Even under the EU's WTO Most Favoured Nation (MFN) status, tariffs for agrifood and drink are on average significantly higher than for other trade in goods, with peaks of more than 100 per cent on fruit, vegetables, meat, oilseeds, sugars and confectionery and beverages.
22. Food is part of our critical national infrastructure and 'just in time' (JIT) supply chains mean empty shelves in four days or fewer if supply is delayed or interrupted. Most food has a limited shelf life and some is highly perishable.

Regulatory Stability: Ensuring consumer and industry confidence

23. Maintaining consumer confidence in the safety and authenticity of UK food and drink is paramount for industry. Common regulatory and legal requirements informed by sound science and evidence allow companies to do business and trade on a level playing field, while also protecting consumers. However, where EU regulation creates barriers and burdens that limit businesses' ability to innovate, we believe improvements can be made.
24. The production, processing, distribution, retail, packaging, and labelling of food and drink is governed by a wealth of laws, regulations, codes of practice, and guidance - the majority of which are set at an EU level. Professor Tim Lang, Professor of Food Policy at City University London estimates that 80 per cent of our current food legislation will need to be re-drawn. Businesses therefore need a clear roadmap setting out how the UK Government in partnership with devolved Governments will manage the exit process in the complex area of food legislation.

25. The existing EU regulatory framework facilitates trade on a level playing field and allows Welsh businesses to access the Single Market. Industry needs to be assured that mechanisms will be put in place to ensure mutual recognition of potentially different regulatory systems, without the need for Export Health Certificates, burdensome customs barriers, and other non-tariff barriers.
26. The UK Government has indicated it is considering the role of EFSA, alongside other bodies. FDF would want to continue to have access to EFSA's expertise. Any proposed changes to food and drink regulation as between the UK and EU – and across the devolved Governments of the UK – should be subject to detailed consultation with industry. Both the Welsh and UK Government should also continue to play an active role in ongoing EU policy negotiations then be revised or revoked by the UK Government, or introduced by the EU after the UK has left.
27. The Cabinet Secretary has recognised the necessity of promoting Welsh food and culture, as well as the value of the EU protected food name scheme of which 14 Welsh products are currently registered. Food and drink producers highly value the role geographical indicators have played in celebrating quality and provenance, but Brexit may have an impact on our ability to use the existing EU geographical indication schemes. FDF is therefore seeking reassurance, for manufacturers and consumers alike, that matters are in hand to protect these products post-Brexit.

Improving Public Health: Working together to tackle obesity

28. Food and drink manufacturers take our responsibility to help consumers make informed diet choices and achieve healthier lifestyles very seriously. We agree with leading experts that there is no silver bullet to tackle the complex issue of obesity and diet-related diseases. Success is dependent on many co-ordinated interventions across the entire food chain and in homes, communities and workplaces.
29. As an industry, we are proud of our record to date; from voluntary salt reduction, virtual elimination of artificial trans fats, and now a world-leading sugars reduction programme.
30. FDF has also taken the initiative in other spheres, such as our support in 2015 to bring advertising in digital media in line with current broadcast restrictions. Given children's changing viewing habits, we believed it was right to support a change to the rules so as of July 2017, adverts for products high in fat, salt and sugars can no longer be shown in children's media online.
31. We agree with dietitians that it is wrong to focus on one single nutrient or ingredient and that we must look for a 'whole diet and lifestyle' solution. The emphasis should be on calories, as undue focus on any one nutrient risks misleading the consumer. Ahead of the Welsh Government's new Obesity Strategy, FDF would urge a holistic reformulation programme, with calorie reduction at its heart.
32. Reformulation takes time, involves technical challenges and incurs great costs. Pre-competitive research support remains vital to help keep new product prices competitive, ensuring these are truly affordable to all and helping to alleviate health inequalities. We urge the Welsh Government to continue supporting research and innovation in the sector for example through the food innovation centres based across the country which support small and medium sized businesses with reformulation and other activities to improve public health.

Conclusion

33. The food and drink industry is a critical part of the Welsh and UK economy. There is no doubt that a changed relationship between the UK and EU, as well as the continuing pressures on the sector through pressures in our workforce, trade, regulation, sector growth, and in public health could have a strong impact on the industry in Wales.
34. We strongly agree with the importance placed by the Cabinet Secretary of the industry both to the economy, and to the country's tourism industry. FDF and FDF Cymru is therefore keen to work with the Welsh Government and the National Assembly for Wales to ensure that the Welsh and UK food and drink manufacturing sectors continue to be a national and international success story.