

# Rethinking food in Wales: Food branding and processing

June 2019



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# **Rethinking food in Wales:** Food branding and processing

June 2019



# About the Committee

The Committee was established on 28 June 2016. Its remit can be found at:  
[www.assembly.wales/SeneddCCERA](http://www.assembly.wales/SeneddCCERA)

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Welsh Labour  
Swansea East

## Current Committee membership:



**Andrew RT Davies AM**

Welsh Conservatives  
South Wales Central



**John Griffiths AM**

Welsh Labour  
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**Llyr Gruffydd AM**

Plaid Cymru  
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Plaid Cymru  
South Wales West



**Jenny Rathbone AM**

Welsh Labour  
Cardiff Central



**Joyce Watson AM**

Welsh Labour  
Mid and West Wales

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The following Member was also a member of the Committee during this inquiry.



**Gareth Bennett AM**

UKIP Wales  
South Wales Central

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## Overview

This is the Committee's second report arising from its ongoing inquiry into Rethinking food in Wales. The approach taken in this report is consistent with that taken in our first report, *Rethinking food in Wales: Public Procurement of Food*. We did not seek evidence from the Welsh Government to inform this inquiry. Instead, we are seeking a response to our conclusions, which will be used as a basis for future scrutiny of the Welsh Government on its approach to rethinking food in Wales.

This report sets out the Committee's views on how the Welsh Government should approach food branding and processing in Wales in the post-Brexit era. Chapter 1 reiterates the need for a new, over-arching food and drink strategy in Wales, which the Committee called for in its first report, *Rethinking food in Wales: Public Procurement of Food*. The remaining chapters explore how food branding and processing in Wales can be strengthened to enable the sector to meet the challenges associated with Brexit.

**Recommendation 1.** The Welsh Government must report back to this Committee on each of this report's conclusions no later than 12 weeks after its publication, unless otherwise specified. Where the Welsh Government disagrees with one of the Committee's conclusions, it should specify its reasons for doing so.

## Conclusions

**Conclusion 1.** The Committee welcomes the Welsh Government’s intention to introduce a new food and drink strategy. We reiterate that the new strategy should:

- reflect a whole system approach which makes connections between different policy areas, such as health, wellbeing and sustainability, alongside economic growth,
- be underpinned by the objectives and goals of the Well-being of Future Generations (Wales) Act 2015, and
- be accompanied by an action plan, including measures and targets.

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**Conclusion 2.** The Committee called for a new overarching post-Brexit food strategy a year ago. While progress has been made by the Welsh Government in developing a strategy, the continuing uncertainty around Brexit has delayed its introduction. The timing of the new strategy remains unclear. **The Welsh Government should clarify the timescale for the new food and drink strategy and action plan.**..... Page 16

**Conclusion 3.** Following Brexit, the UK will be entering a separate set of negotiations over its future trading relationship with the EU and the rest of the world. The Welsh Government should have an equal voice at the negotiating table. It is imperative that the Welsh Government has a clear, strategic vision for the Welsh food sector underpinned by a commitment to maintaining, if not improving, our high environmental, food hygiene and animal welfare standards. This strategic vision should be reflected in UK’s negotiating position..... Page 16

**Conclusion 4.** The new food and drink strategy must be flexible enough to respond to pressures and opportunities arising from Brexit, including those associated with changes in the trading environment..... Page 16

**Conclusion 5.** The growth of the food and drink industry in Wales has been supported, at least in part, by EU funding. This funding will no longer be available once the UK leaves the EU. The Welsh Government must ensure that a sufficient level of funding is available for the delivery of the new strategy and action plan. **The Welsh Government should provide details of any assessment undertaken of the impact of Brexit on funding for the food and drink industry. It should also provide details of any discussions it has had with the UK Government on how any**

funding short-fall will be addressed, including the outcome of those discussions.  
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**Conclusion 6.** The Committee welcomes the priority afforded to the food and drink industry in the Welsh Government’s Economic Action Plan. We heard from stakeholders that the new Foundation Sector status of food provides a significant opportunity to strengthen the industry. However, it is unclear what this new status will mean for the industry in practice. **The Welsh Government should clarify this. It should also explain how the new strategy aligns with the Economic Action Plan, and how the forthcoming cross-government enabling plan for the Foundation Sectors will support the delivery of the new strategy.**..... Page 16

**Conclusion 7.** The “Welsh identity” has an important role in the promotion and marketing of Welsh food and drink products on a domestic and international level. It can be used to sell the story of Wales, and enables producers to differentiate their products from those of their competitors. The Welsh identity must, therefore, form a central plank in the Welsh Government’s approach to promoting Wales as a food nation..... Page 26

**Conclusion 8.** The Welsh Government must develop a clearer “Welsh identity” based on strong values that resonate across multiple markets. It must reflect the variety of produce coming out of Wales, including seafood. It must be based on a sound understanding of the needs of customers within existing and new markets, and be developed in collaboration with representatives across all sectors of the food and drink industry..... Page 26

**Conclusion 9.** There is significant untapped potential in some international export markets, as evidenced in the Agriculture and Horticulture Development Board’s (AHDB) report, *International Consumer Buying Behaviour*. The Welsh Government must work with the industry, and, where appropriate, with relevant UK Government Departments, to take full advantage of this potential after Brexit.  
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**Conclusion 10.** The Welsh Government should explore ways of encouraging the people of Wales to purchase local produce. There are examples internationally of interventions that would indirectly result in an increase in consumption of local produce. For example, in Italy, frozen food that it served in restaurants must be explicitly displayed as such on menus. .... Page 26

**Conclusion 11.** The UK identity can be a means of gaining access to global markets. It could be used where appropriate and where there are clear advantages for Welsh producers. .... Page 26

**Conclusion 12.** The Welsh Government’s new food and drink strategy must make clear links with its strategy for tourism in Wales. The Welsh Government must identify opportunities to ensure that quality Welsh produce, in particular GIs, can be used to promote Wales as a food destination..... Page 26

**Conclusion 13.** The Welsh Government should commission and publish an independent analysis of the effectiveness of its Food and Tourism Action Plan. This work should be completed within the next 12 months and should be used to inform any successor plan..... Page 26

**Conclusion 14.** There are many benefits arising from GIs, including their economic value and as a marketing tool. Given this, the future of UK GIs following Brexit is, understandably, a concern for producers and industry representatives. While the proposals for the new UK GI schemes have gone some way in addressing this concern, the status these schemes will have on the international stage is still in doubt. Whether the new schemes will be as attractive for both producers and consumers as the existing EU scheme is yet to be seen..... Page 32

**Conclusion 15.** The Welsh Government must ensure that the interests of food producers in Wales are represented in discussions with the UK Government as the new UK GI schemes are developed. We expect the Welsh Government to play a meaningful role not only in the administration of the new schemes, but in their development. This includes the design of the new UK GI logo..... Page 32

**Conclusion 16.** Establishing brand recognition under the new UK GI schemes will be challenging. It will take time and require investment. An effective communications strategy for the launch of the new UK GI schemes will be essential to promote awareness among producers and consumers on a domestic and international level. The Welsh Government must explain what role it will play in the development and delivery of this strategy..... Page 32

**Conclusion 17.** There is a lack of clarity about whether UK GI products will continue to be protected in the EU post-Brexit. The Committee is concerned about the impact on producers, and on the industry more broadly, if protection is not maintained. The Welsh Government should:

- provide details of any work undertaken to assess the impact on producers if protection within the EU is not maintained, and the steps it is taking to mitigate this, and
- make representations to the UK Government with a view to ensuring that UK GI products continue to be protected in the EU post-Brexit.

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**Conclusion 18.** The Welsh Government has been instrumental in increasing the number of GIs in Wales in recent years. It should continue to build on this success. In light of the establishment of the new UK GI schemes, the Welsh Government should set out its position on, and approach to, increasing the number of GIs in Wales post-Brexit. In doing so, it should clarify what support will be made available to producers who wish to register with the new UK schemes and with the EU scheme. .... Page 33

**Conclusion 19.** The UK Government will be seeking to negotiate trade arrangements with the US after Brexit. Given the US’s historic antipathy towards GIs, the Welsh Government should seek a commitment from the UK Government that the protection of GIs will be a priority in any such negotiations. .... Page 33

**Conclusion 20.** The Welsh Government must do more to strengthen and develop infrastructure in the food system. The Welsh Government should undertake a mapping exercise to assess current processing capacity in Wales with a view to identifying gaps. The outcome of this work should inform the strategic development of processing facilities across Wales, with a focus on value-added activities. Support should be prioritised to address gaps in capacity. .... Page 37

**Conclusion 21.** The Welsh Government should establish an industry-led group to consider possible policy interventions with a view to increasing processing capacity in Wales, with a focus on value-added activities. This group should assess, in particular, opportunities and risks arising from Brexit, including the potential to increase processing capacity in the fishing and aquaculture industries. .... Page 38

**Conclusion 22.** The Welsh Government should review the appropriateness of current support available to new and existing food processing businesses. This should include an assessment of the extent that current support addresses the specific challenges faced by businesses in rural areas seeking to expand. .... Page 38

**Conclusion 23.** The Committee heard that access to labour is a key challenge for the food and drink industry, and the tourism and hospitality industry. These are all heavily reliant on EU migrant workers. Changes to immigration policy post-Brexit will see a much more restrictive system for low skilled EU migrant workers and could lead to a significant shortage of workers within these industries. Certain sectors, for example, the red meat processing sector, may be particularly vulnerable, given the specific difficulties they encounter in attracting UK workers. .... Page 42

**Conclusion 24.** The Welsh Government should set out its position on the UK Government’s proposed new single immigration system. In particular, the proposed minimum salary threshold of £30,000 for medium and high skilled workers. In doing so, the Welsh Government should explain the impact it expects these proposals to have on the food and drink industry, and the tourism and hospitality industry in Wales. .... Page 42

**Conclusion 25.** The Welsh Government’s on-going programme of work to address skills shortages within the workforce in Wales, including its strategy, *Transforming Skills in the Welsh Food and Drink Industry*, may go some way in improving labour availability in the food and drink industry, and the tourism and hospitality industry, in the longer term. However, it is unclear how the Welsh Government intends to mitigate the impact of restrictions on access to EU migrant workers on these industries in the immediate post-Brexit period and the shorter term. **The Welsh Government must clarify this issue as a matter of urgency.**..... Page 42

## Introduction

1. In June 2017, the Climate Change, Environment and Rural Affairs Committee launched a wide-ranging inquiry into the future of food in Wales. We were interested in how we can rethink food in Wales so we can 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.
2. The first strand of our inquiry focused on public procurement. In May 2018, we published our first report, *Rethinking Food in Wales: Public Procurement of Food*, which set out our vision for public procurement of food within the wider food sector and called for a new, overarching food and drink strategy. In August 2018, the *Welsh Government responded to our report*.
3. In January 2019, we agreed to continue our work on rethinking food in Wales, focusing on food branding and food processing. We also agreed to undertake work on allotments and community growing, and will be publishing a separate report on these in due course.

## Terms of reference

4. The inquiry considered:
  - Welsh Government strategy and activity to promote Welsh food products within the UK and internationally;
  - Welsh Government strategy and activity to support Welsh food producers to develop their branding;
  - UK Government activity to promote Welsh food products internationally;
  - The value of branding food as local, Welsh, British or otherwise;
  - The value of Protected Food Names (or “Geographical Indicators”), including the UK Government’s proposals for a new post-Brexit UK scheme;

- The value of food branding in the tourism and hospitality sector;
- Welsh Government strategy and support for food processors; and
- Trends in processing capacity in Wales and how Brexit might affect this.

## Approach

**5.** We used responses to our initial consultation to inform our work. We held meetings on 6 March and 20 March to take oral evidence from a range of witnesses. Details of these can be found at the end of this report. On 28 March, we visited Halen Môn, Dylan's Restaurant, Bangor Mussels and Medwyn's of Anglesey to hear first-hand from businesses within the food and drink industry. We would like to thank all those who have contributed to this inquiry.

# 1. A new overarching food strategy for Wales

In our report, *Rethinking food in Wales: Public Procurement of Food*, we emphasised the need for the Welsh Government to develop and implement a new, post-Brexit food strategy, to be accompanied by an appropriate level of support and investment.

## 1.1. Food and drink strategy in Wales

- 6.** The Welsh Government's overarching food and drink strategy, *Food for Wales, Food from Wales 2010 – 2020*, was introduced in 2010. Although the lifetime of the strategy continues until 2020, in practice, it has been replaced by *Towards Sustainable Growth: An Action Plan for the Food and Drink Industry 2014–20* (the Action Plan).
- 7.** The Action Plan's central objective is to increase turnover in the food and farming priority sector of the food chain by 30% from the 2013 baseline of £5.2 billion, to £7 billion annually by 2020. It also aims to increase Gross Value Added of the food and farming sector by 10%, to £1.4 billion annually by 2020.
- 8.** Our report, *Rethinking food in Wales: Public Procurement of Food*, highlighted that considerable progress has been made towards achieving the Action Plan's central objective. However, many contributors to our initial inquiry believed that the Action Plan is too narrowly focused on post farm gate activity and economic impact.
- 9.** We concluded there is a need for:
  - a strategic vision for the Welsh food sector which makes connections between different policy areas, such as health, wellbeing and sustainability, alongside economic growth, and
  - a new, overarching, post-Brexit food strategy that reflects a whole system approach. The strategy should be underpinned by the objectives and goals of the Well-being of Future Generations (Wales) Act 2015 and should be accompanied by an action plan, including measures and targets.

**10.** In responding to our report in August 2018, the Welsh Government told us it intended to prepare a successor food strategy and action plan. Since then, it has been working with the Food and Drink Industry Board (the Board) and stakeholders to develop these.<sup>1</sup>

**11.** Early indications from the Welsh Government are that the broad themes of the strategy will include:

- Growing our Businesses,
- Promoting Wales the Food Nation, and
- Benefiting our People and Society.<sup>2</sup>

## 1. 2. Food as a Foundation Sector

**12.** The food and drink industry is one of the four “Foundation Sectors” identified in the Welsh Government’s *Prosperity for All: Economic Action Plan*, as is tourism. The Economic Action Plan includes the following commitment:

“We will work to support [the] four foundation sectors...in a joined-up and consistent way across government. We will work with the sectors to understand the challenges they face and the opportunities for growth and innovation. We will develop cross-government enabling plans to maximise impact...By developing new models of support and partnerships in these areas, we can help small and often fragile enterprises embedded in local communities increase their productivity, encourage skills progression and develop more sustainable business models.”<sup>3</sup>

**13.** The Welsh Government has recently announced the launch of a new fund “to support innovative projects to trial different approaches”. It is anticipated that the fund will be open to bids early in the new financial year.<sup>4</sup>

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<sup>1</sup> [www.assembly.wales/laid%20documents/gen-ld11735/gen-ld11735-e.pdf](http://www.assembly.wales/laid%20documents/gen-ld11735/gen-ld11735-e.pdf)

<sup>2</sup>

<https://businesswales.gov.wales/foodanddrink/sites/foodanddrink/files/Outcome%20of%20initial%20engagement%20exercise.pdf>

<sup>3</sup> <https://gov.wales/sites/default/files/publications/2019-02/prosperity-for-all-economic-action-plan.pdf>

<sup>4</sup> <https://gov.wales/written-statement-foundational-economy>

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## Evidence from stakeholders

**14.** The evidence received from stakeholders reinforced the conclusion in our previous report, that there is a need for a new, over-arching post-Brexit food strategy that reflects a whole-system approach.

**15.** Wynfford James (Sgema Limited) pointed out that the “key vision” set out in *Food for Wales, Food from Wales 2010 – 2020* “is still relevant” to the development of the new strategy<sup>5</sup>. He told the Committee that the Welsh Government had failed to fully implement it.<sup>6</sup>

**16.** Professor Terry Marsden (Cardiff University), co-author of the Public Policy Institute for Wales report, *Food Policy as Public Policy: A Review of the Welsh Government’s Food Strategy and Action Plan* (June 2016), told the Committee that the Welsh Government had not responded to the report’s recommendations. He said that “a lot of [the report] still stands and...the issues now are more urgent than they were three years ago, in many respects”.<sup>7</sup>

**17.** Wynfford James emphasised that the successful delivery of the new strategy would require long-term commitment and investment. Professor Marsden made similar points.

**18.** Andy Richardson, Chair of the Board told the Committee that the Welsh Government’s new draft strategy was ready for consultation but that this had been put on hold “pending the outcomes of Brexit”.<sup>8</sup> At the time of writing this report, the new draft strategy has yet to be published.

**Conclusion 1.** The Committee welcomes the Welsh Government’s intention to introduce a new food and drink strategy. We reiterate that the new strategy should:

- reflect a whole system approach which makes connections between different policy areas, such as health, wellbeing and sustainability, alongside economic growth,
- be underpinned by the objectives and goals of the Well-being of Future Generations (Wales) Act 2015, and

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<sup>5</sup> RoP, para 11, 20 March 2019

<sup>6</sup> RoP, para 12, 20 March 2019

<sup>7</sup> RoP, para 242, 20 March 2019

<sup>8</sup> RoP, para 112, 6 March 2019

- be accompanied by an action plan, including measures and targets.

**Conclusion 2.** The Committee called for a new overarching post-Brexit food strategy a year ago. While progress has been made by the Welsh Government in developing a strategy, the continuing uncertainty around Brexit has delayed its introduction. The timing of the new strategy remains unclear. **The Welsh Government should clarify the timescale for the new food and drink strategy and action plan.**

**Conclusion 3.** Following Brexit, the UK will be entering a separate set of negotiations over its future trading relationship with the EU and the rest of the world. The Welsh Government should have an equal voice at the negotiating table. It is imperative that the Welsh Government has a clear, strategic vision for the Welsh food sector underpinned by a commitment to maintaining, if not improving, our high environmental, food hygiene and animal welfare standards. This strategic vision should be reflected in UK's negotiating position.

**Conclusion 4.** The new food and drink strategy must be flexible enough to respond to pressures and opportunities arising from Brexit, including those associated with changes in the trading environment.

**Conclusion 5.** The growth of the food and drink industry in Wales has been supported, at least in part, by EU funding. This funding will no longer be available once the UK leaves the EU. The Welsh Government must ensure that a sufficient level of funding is available for the delivery of the new strategy and action plan. **The Welsh Government should provide details of any assessment undertaken of the impact of Brexit on funding for the food and drink industry. It should also provide details of any discussions it has had with the UK Government on how any funding short-fall will be addressed, including the outcome of those discussions.**

**Conclusion 6.** The Committee welcomes the priority afforded to the food and drink industry in the Welsh Government's Economic Action Plan. We heard from stakeholders that the new Foundation Sector status of food provides a significant opportunity to strengthen the industry. However, it is unclear what this new status will mean for the industry in practice. **The Welsh Government should clarify this. It should also explain how the new strategy aligns with the Economic Action Plan, and how the forthcoming cross-government enabling plan for the Foundation Sectors will support the delivery of the new strategy.**

## Case study 1: Halen Môn – Anglesey Sea Salt

During its inquiry, the Committee visited Halen Môn and met the company's co-founder, Alison Lea-Wilson.

Halen Môn produces a range of salts and other salt-based products using salt harvested from the Menai Strait.

The salt is produced by hand using traditional techniques and has been awarded EU Protected Designation of Origin (PDO) status. Halen Môn products can be found in high-end retailers and restaurants in the UK and more than 20 other countries.

Halen Môn has recently opened a visitor attraction which includes tours of the production area. There were 15,000 visitors last year.

PDO status is very important to Halen Môn. They describe it as “the ultimate mark of authenticity” and an advantage, particularly in the Italian and Spanish export markets. They do not wish to have separate logos on their products for UK and EU markets after Brexit as this will add cost to them and the recognition of a UK logo will be low and would require significant promotion.

Alison is involved with local food groups on the island and called for more funding to support cooperation, particularly in building supply chains.

Alison also stressed that the Welsh Government was generally very supportive of the food and drink sector but two areas could be thought about further:

How to convert medium-sized businesses into large businesses; and

Succession planning for businesses with owners nearing retirement.

Halen Môn is working with the Welsh Government to develop a “Welsh sustainability mark”. This would not just be about taste, but also about raising the bar in terms of sustainability and marketability.

## 2. Food branding

### 2. 1. A Welsh identity

**19.** The Welsh Government’s Action Plan for the Food and Drink Industry 2014-2020 (the Action Plan) aims to develop Wales’ food and drink identity.<sup>9</sup> In 2013, the Welsh Government decided to move away from the “Wales The True Taste” brand due to “insufficient recognition and understanding [of the initiative] from both trade and consumer interests, in domestic and more particularly export markets”. Instead, the Welsh Government established the “trade identity”, “Food and Drink Wales”.<sup>10</sup>

**20.** As mentioned, early indications from the Welsh Government and the Food, and Drink Industry Board (the Board), are that one of the themes within the new food and drink strategy will be “Promoting Wales the Food Nation”.<sup>11</sup>

### Evidence from stakeholders

**21.** Stakeholders highlighted the importance of the “Welsh identity” in the promotion and marketing of Welsh food and drink products on a domestic and international level. They also highlighted the benefits associated with the Welsh identity, for example, increased product sales and enabling products to be sold at a premium.

**22.** Dr Robert Bowen (Swansea University) told the Committee that “the Welsh identity of food is considered an important differentiating factor due to Wales’ food heritage and increasing reputation for producing foods of high quality”.<sup>12</sup>

**23.** Gwyn Howells (Hybu Cig Cymru) said that “a key part of the export strategy for Welsh Lamb and Welsh Beef in particular has been to aim at premium markets”. He said that the Welsh identity “has been used to differentiate the

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<sup>9</sup>

<https://businesswales.gov.wales/foodanddrink/sites/foodanddrink/files/documents/Action%20Plan%20-%20English.pdf>

<sup>10</sup>

<https://businesswales.gov.wales/foodanddrink/sites/foodanddrink/files/documents/Action%20Plan%20-%20English.pdf>

<sup>11</sup>

<https://businesswales.gov.wales/foodanddrink/sites/foodanddrink/files/Outcome%20of%20initial%20engagement%20exercise.pdf>

<sup>12</sup> Written evidence, Dr Robert Bowen

product from other offerings” and was central to that approach. He went on to explain:

“...the Welsh landscape and distinctively Welsh values and imagery have been used consistently over the past decades to convey a brand which is rooted in positive perceptions of Welsh agriculture as being low-intensity, high-welfare and in tune with the natural environment.”<sup>13</sup>

**24.** Andy Richardson told the Committee that the Welsh identity is “not just about logos. It’s about what the values are of Wales, and those values have got to really resonate and make a difference globally”.<sup>14</sup>

**25.** He explained that strengthening the Welsh identity will be a “core part of [the new strategy]”. In addition, he explained that work is being undertaken to develop “sustainable brand values”, which will differentiate Welsh food products in a changing market.<sup>15</sup>

**26.** Simon Wright (Wright’s Food Emporium) pointed out that although the way in which Welsh food and drink are branded is “of great importance...its success will always depend on the quality of the offering”.<sup>16</sup> Dr Matthew O’Callaghan (UK Protected Food Names Association) made a similar point, and suggested that “the inherent qualities [of a product]” are more important than how it is branded.<sup>17</sup>

**27.** A number of stakeholders referred to the research findings of the Welsh Government commissioned report, *Value of Welshness: Shopper Desire for Welsh Produce* (2017), which considered the value that shoppers in Wales and the rest of Great Britain (GB) place on “Welshness”. The key findings were:

- Shoppers in Wales think that food and drink from Wales is “Great Quality” (85%) and “Great Tasting” (80%).
- 8 out of 10 shoppers in Wales (78%) would always buy Welsh if the price was right and 44% would pay more for Welsh.
- Shoppers outside of Wales also believe that Wales is known for good quality food and drink and would like to support Welsh food and drink.

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<sup>13</sup> [Written evidence. Hybu Cig Cymru](#)

<sup>14</sup> RoP, para 114, 6 March 2019

<sup>15</sup> RoP, para 114, 6 March 2019

<sup>16</sup> [Written evidence. Wright’s Food Emporium](#)

<sup>17</sup> RoP, para 95, 20 March 2019

- 29% of shoppers outside Wales would like to see more Welsh food and drink in their shops.
- Wales is more associated with “naturalness” than GB.

**28.** The research also looked at perception of Protected Geographical Indicator (PGI) Welsh Lamb. The report concluded:

“[There] are positive findings for PGI Welsh Lamb, demonstrating strong consumer preference across GB. The evidence is supported by actual retail sales. Aldi saw sales of lamb increase by 25% when it switched to Welsh branded.”<sup>18</sup>

**29.** Huw Thomas (Puffin Produce) reported a similar outcome for his company when it replaced the Union flag with the Welsh flag for potatoes and vegetables. He told the Committee that this “created like for like sales uplifts of between 20% to 33%”. In addition, “a volume uplift of 33% was achieved when Puffin began supplying a comprehensive potato range to the 47 Welsh Aldi stores in 2017”.<sup>19</sup>

**30.** There was strong support for using the Welsh identity over the British food brand to promote Welsh food and drink products overseas, with the poor perception of British food cited as the principal reason for this. Several stakeholders cited the findings of the [Agriculture and Horticulture Development Board’s \(AHDB\) report, \*International Consumer Buying Behaviour\*](#) as evidence to support this view.

**31.** The report presented research on consumer attitudes to the British food brand in nine overseas markets<sup>20</sup>, with perceptions recorded as “positive”, “negative” and “don’t know”. It found that China and India had the most positive perception, scoring 50% and 53% respectively. Of the seven remaining countries, “don’t know” was the dominant response. Of these, Saudi Arabia and UAE had more “positive” than “negative” responses. However, in the other five countries

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<sup>18</sup>

[https://businesswales.gov.wales/foodanddrink/sites/foodanddrink/files/documents/value\\_of\\_welsh\\_ness.pdf](https://businesswales.gov.wales/foodanddrink/sites/foodanddrink/files/documents/value_of_welsh_ness.pdf)

<sup>19</sup> [Written evidence, Puffin Produce](#)

<sup>20</sup> The countries surveyed were: India, China, Saudi Arabia, UAE, Canada, France, USA, Japan and Germany.

there were more “negatives” than “positives”, with the two largest negative perceptions found in France and Germany (22% and 16% per cent respectively).<sup>21</sup>

**32.** Dr Bowen stated:

“It appears that Brexit has had a negative impact on the reputation of the UK in many countries, particularly in Europe, which is the biggest export market for Welsh food. The recent report by the Agricultural and Horticultural Development Board (AHDB) showed that a considerably more negative perception of British food was seen in Canada, France, Germany, Japan and the USA. As such, branding foods as Welsh would be more advantageous to build on the recent developments of the Welsh brand.”<sup>22</sup>

**33.** Gwyn Howells told the Committee that, in the European market, the Welsh identity is much stronger than the British food brand. Notwithstanding this, he acknowledged that using the British food brand could help provide a route into global markets, for example, China, where “awareness of Wales is minimal”.<sup>23</sup> He stated:

“[China’s] awareness of Britain is far, far stronger. So, there’s an opportunity there for us to use that tool in order to open the door and then, once we’re in those markets, we can develop the [Welsh] story”.<sup>24</sup>

**34.** Andy Richardson echoed this view. He explained that the UK Government’s GREAT Britain campaign is “really good for opening up overseas markets that Wales is not well known in”, for example, the Middle East.<sup>25</sup>

**35.** However, Dr O’Callaghan warned, “there is a danger that promotion of Welsh food by the UK Government merely reinforces the view that Wales and Welsh food is a sub-set and identical to English food rather than something distinctive”.<sup>26</sup>

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[https://projectblue.blob.core.windows.net/media/Default/Market%20Insight/Horizon\\_InterConsumer-march2018.pdf](https://projectblue.blob.core.windows.net/media/Default/Market%20Insight/Horizon_InterConsumer-march2018.pdf)

<sup>22</sup> [Written evidence, Dr Robert Bowen](#)

<sup>23</sup> RoP, para 68, 6 March 2019

<sup>24</sup> RoP, para 65, 6 March 2019

<sup>25</sup> RoP, para 208, 6 March 2019

<sup>26</sup> [Written evidence, UK Protected Food Names Association](#)

## 2. 2. Promoting Welsh food and drink

**36.** The Welsh Government’s Action Plan states that the Food and Drink Wales Identity will “lead the way” in promoting the quality of Welsh food and drink products. It says that Wales must target the export markets that offer the greatest opportunity for the product categories where Wales has supply capability e.g. dairy, meat, drinks and bakery products. The Action Plan also states that Wales has gained a reputation for products with Geographical Indications (GIs), which increase market sustainability, particularly in Europe, and enhance Wales’ reputation for quality food.<sup>27</sup> GIs are considered in more detail in Chapter 3.

**37.** The Welsh Government supports exporters through an International Trade Development programme which assists producers to develop new export business and supports growth of existing export business.

### Evidence from stakeholders

**38.** Dr Bowen reported “extremely positive” feedback from food producers on the role of the Welsh Government in promoting Welsh products, particularly internationally. He told the Committee:

“...the majority of Welsh food producers look more to the Welsh Government for support in promoting their products internationally. Although support is available on a UK level, the Welsh Government is seen as the main driver in promoting Welsh food products...The majority of Welsh food companies take a more reactive approach to internationalisation, as this tends to occur through approaches from the Welsh Government to attend events, rather than companies themselves seeking to develop international opportunities.”<sup>28</sup>

**39.** Gwyn Howells explained that the Welsh Government provides support for “attendance at trade fairs, on inward missions and at events worldwide”.<sup>29</sup> The Welsh Government is currently funding a 3-year £1.5 million Enhanced Export Development Programme (the Programme) to support the red meat industry in the run-up to Brexit. The Programme is focused on retaining and growing European markets and growing new business outside the EU.

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<sup>27</sup>

<https://businesswales.gov.wales/foodanddrink/sites/foodanddrink/files/documents/Action%20Plan%20-%20English.pdf>

<sup>28</sup> [Written evidence, Dr Robert Bowen](#)

<sup>29</sup> [Written evidence, Hybu Cig Cymru](#)

## 2. 3. Food tourism

**40.** The *Welsh Government's Food and Tourism Action Plan's* (2015-2020) central objective is to “raise Wales’s profile as a high quality Food Tourism destination”. It aims to do this by improving visitor awareness and access to Welsh food and drink, through encouraging hospitality businesses to source Welsh products, and improving skills in sourcing and preparing locally sourced food and drink.

**41.** In commenting on proposals for the new food and drink strategy, the Welsh Government states:

“There are opportunities to promote the quality food offer in Wales as an intrinsic part of tourism development, improving the Welsh food offer at visitor attractions and destinations, and to link with tourism for greater penetration into the food service sector.”<sup>30</sup>

## Evidence from stakeholders

**42.** There was general consensus that progress has been made in developing Wales’ food tourism offer in recent years, with the Welsh food identity a key contributor. However, evidence from stakeholders suggests that there is scope for further work to be done. Some stakeholders believed that the new “Foundation Sector” status of the food and drink industry, and the tourism industry, could provide further opportunities for development.

**43.** Dr Bowen emphasised the “natural connection” between food and tourism, which can be mutually beneficial. He said that “the need for the two sectors to work together is of considerable importance”.<sup>31</sup>

**44.** In commenting on how food and drink is positioned within Wales’ overall tourism offer, Simon Wright stated:

“...it’s definitely taken a step forward in recent years; we’ve sort of acknowledged the importance of food in the visitor experience. There’s

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<sup>30</sup>

<https://businesswales.gov.wales/foodanddrink/sites/foodanddrink/files/Outcome%20of%20initial%20engagement%20exercise.pdf>

<sup>31</sup> [Written evidence, Dr. Robert Bowen](#)

been a developed understanding of what that means in Wales, and also what's distinct about our offering..."<sup>32</sup>

**45.** Dr Bowen explained that Welsh produce with EU GI status provides a unique opportunity to link food and tourism.<sup>33</sup> A similar point was made by David Chapman (UK Hospitality Cymru) who said that the Welsh food offer is led by PGI Welsh Lamb which is a major contributor to the Welsh food identity. This, in turn, is "a vital enhancement to the visitor experience and the visitor sense of place".<sup>34</sup>

**46.** Dr O'Callaghan told the Committee that a number of areas around the UK have reinvented themselves as tourist destinations as a result of their unique food products, many of which are protected by EU GI schemes. For example, Melton Mowbray (Melton Mowbray Pork Pie and Stilton Cheese) and the Yorkshire Dales (Wensleydale Creamery and Black Sheep Brewery). He believed there is scope for the Welsh Government to support the development of, among other things, tourist destinations and food festivals in Wales, particularly around Welsh products with GI status.<sup>35</sup>

**47.** Alison Lea-Wilson (Halen Môn) explained that Halen Môn had recently opened a visitor attraction, including tours of the production area, which attracted around 15,000 visitors in the previous year.

**48.** Dr Bowen cited the *Welsh Food Producers Survey of 2013*, which showed that fewer than half of respondents were involved in supplying the tourism sector, and stated:

"Through collaboration there is scope for a unique Welsh offering to be provided in the tourism sector in Wales, with Welsh food at the heart of this, such as including Welsh food products on restaurant menus or offerings in hotel rooms."<sup>36</sup>

**49.** Andrew Campbell (Wales Tourism Alliance) told the Committee that improvements could be made in the supply chain for Welsh produce, with additional support for businesses to source local produce.<sup>37</sup>

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<sup>32</sup> RoP, para 121, 20 March 2019

<sup>33</sup> [Written evidence, Dr Robert Bowen](#)

<sup>34</sup> [Written evidence, UK Hospitality Cymru](#)

<sup>35</sup> [Written evidence, UK Protected Food Names Association](#)

<sup>36</sup> [Written evidence, Dr Robert Bowen](#)

<sup>37</sup> RoP, para 127, 20 March 2019

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**50.** Simon Wright told the Committee that his business had recently lost key local suppliers and reported difficulties in finding replacements.<sup>38</sup>

**51.** David Evans (Dylan's Restaurant) explained that Dylan's is a large purchaser of local produce with 67% of purchases in 2017 made from within Wales. He also explained that using local produce is a challenge when growing the business as small local suppliers may not have the capacity to supply the consistency, volumes or range of products needed. This was more of an issue with suppliers of vegetables. However, he expressed a willingness to work with local growers to seek to address this issue.

**52.** Both Simon Wright and David Evans reported difficulties in sourcing Welsh seafood, in particular fish. Simon Wright suggested that more needs to be done to address this and to improve Wales's reputation as a producer of seafood.<sup>39</sup>

**53.** David Chapman also recognised the need for improvements in the supply chain. He stated:

“For our [hospitality] industry in Wales to be able to provide a consistent product, we need to have a good, solid supply all through the year, and we need to have it at a price that's sensitive to the customers.”<sup>40</sup>

**54.** Simon Wright suggested that opportunities for Welsh produce to be offered in national and international hotel and restaurant chains are limited because of central buying practices and profitability margins.<sup>41</sup>

**55.** More broadly, David Chapman explained that UK Hospitality Cymru is working to improve cooperation between the hospitality industry and food and drink industry. He believed that more could be done to “encourage mutual trade and link the industries” and that Foundation Sector status provides opportunities in this regard.<sup>42</sup>

**56.** Alison Lea-Wilson referred to the work of Anglesey Food Group, made up of growers, producers, merchants and eateries working together to promote food and drink produced on Anglesey and to strengthen its reputation as a food

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<sup>38</sup> RoP, para 139, 20 March 2019

<sup>39</sup> RoP, para 209-210, 20 March

<sup>40</sup> RoP, para 131, 20 March 2019

<sup>41</sup> RoP, para 138, 20 March 2019

<sup>42</sup> Written evidence, UK Hospitality Cymru

destination. She believed that “food clusters” such as this are the way forward, however, there is limited support available.

**Conclusion 7.** The “Welsh identity” has an important role in the promotion and marketing of Welsh food and drink products on a domestic and international level. It can be used to sell the story of Wales, and enables producers to differentiate their products from those of their competitors. The Welsh identity must, therefore, form a central plank in the Welsh Government’s approach to promoting Wales as a food nation.

**Conclusion 8.** The Welsh Government must develop a clearer “Welsh identity” based on strong values that resonate across multiple markets. It must reflect the variety of produce coming out of Wales, including seafood. It must be based on a sound understanding of the needs of customers within existing and new markets, and be developed in collaboration with representatives across all sectors of the food and drink industry.

**Conclusion 9.** There is significant untapped potential in some international export markets, as evidenced in the Agriculture and Horticulture Development Board’s (AHDB) report, *International Consumer Buying Behaviour*. The Welsh Government must work with the industry, and, where appropriate, with relevant UK Government Departments, to take full advantage of this potential after Brexit.

**Conclusion 10.** The Welsh Government should explore ways of encouraging the people of Wales to purchase local produce. There are examples internationally of interventions that would indirectly result in an increase in consumption of local produce. For example, in Italy, frozen food that it served in restaurants must be explicitly displayed as such on menus.

**Conclusion 11.** The UK identity can be a means of gaining access to global markets. It could be used where appropriate and where there are clear advantages for Welsh producers.

**Conclusion 12.** The Welsh Government’s new food and drink strategy must make clear links with its strategy for tourism in Wales. The Welsh Government must identify opportunities to ensure that quality Welsh produce, in particular GIs, can be used to promote Wales as a food destination.

**Conclusion 13.** The Welsh Government should commission and publish an independent analysis of the effectiveness of its Food and Tourism Action Plan. This work should be completed within the next 12 months and should be used to inform any successor plan.

## Case study 2: Dylan's Restaurant

During its inquiry, the Committee visited Dylan's Restaurant in Menai Bridge and met the company's Director, David Evans.

Dylan's was established in 2012 and, at the time of preparing this report, had restaurants in Menai Bridge, Criccieth and Llandudno.

For Dylan's, the provenance of food is important. They use local & regional suppliers across North Wales, including the butcher, Edwards of Conwy; Menai Oysters and Mussels; and Gwinllan and Pant Du wines. In 2017, 67% of its purchases were sourced from North Wales suppliers.

However, ensuring that locally sourced food is at the heart of its offer does create challenges. Many small local suppliers do not have the capacity to supply the consistency, volumes or range of products that are needed to service three busy restaurants throughout the year. David Evans said that sourcing local seafood is a particular challenge.

Dylan's is a major regional employer and employs 230 staff during the busy summer period. The company places a value on developing its staff and has established an apprenticeship scheme. 170 members of its staff have benefitted from its Staff Training and Development Programme.

During our visit, we met staff who had benefitted from these initiatives and progressed within the company.

## 3. Protected food names (Geographical Indications)

**57.** The purpose of the European Union protected food names (PFN) scheme (the EU scheme) is to give legal protection against imitation of registered regional and traditional foods or drinks throughout the European Union (EU). Protected food names are often known as “Geographical Indications” (GIs).

**58.** The aim of the EU scheme is to secure a fair return for farmers and producers for the qualities and characteristics of a given product thereby enabling consumers to make informed purchasing choices.

**59.** Several stakeholders referred to Wales’ growing reputation for GI products, with positive reports of the Welsh Government’s role in encouraging and supporting registration with the EU scheme. There are currently 16 Welsh products registered under the EU scheme, including Welsh lamb, Welsh beef, Anglesey Sea Salt (Halen Môn) and Traditional Welsh Caerphilly.

### 3.1. The new UK GI schemes

**60.** At the time of writing this report, the terms on which the UK will exit the EU have yet to be agreed. In the event of an UK-EU Withdrawal Agreement, UK GIs will continue to be protected within the UK and EU during the transition period, and vice versa.

**61.** If an Agreement is not reached, the EU scheme will be retained in UK law. Amendments to this retained law will ensure that working UK GI schemes are in place from exit day. The new UK GI schemes will bring automatic protection for UK products already registered under the EU scheme. The implications of a “no deal” for UK GIs within the EU are not yet known. However, guidance issued by the UK Government, *Protecting food and drink names if there’s no Brexit deal*, (February 2019) states:

“The UK government anticipates that the EU GI schemes will continue to protect all current UK GIs after the UK leaves the EU in a deal or no deal scenario. But, if the UK leaves with no deal, it’s possible that the EU may not continue to protect UK GI products.”

**62.** The UK Government consulted on proposals for the new UK GI schemes at the end of 2018. The proposals included the creation and use of new UK GI logos and the introduction of revised appeals provisions.

**63.** The role of the Welsh Government in the new UK GI schemes is not yet clear. The Welsh Government previously confirmed that it had worked with the UK Government to develop the consultation. There is, however, a difference in opinion between the Welsh Government and UK Government on the issue of competence in relation to GI schemes.<sup>43</sup> While the UK Government consider these matters to be reserved, the Welsh Government believes they are within the Assembly's devolved competence.

**64.** The UK Government has provided written assurances that the Devolved Administrations will be involved in the operation of GI schemes. In addition, the Welsh Government has committed "to work to ensure that a Memorandum of Understanding...provides for a meaningful role for Welsh Ministers in the administration of the schemes".<sup>44</sup>

### Evidence from stakeholders

**65.** Dr O'Callaghan reported that the UK Government estimates UK GIs are worth around £5 billion per annum and account for 25% of all UK food and drink exports by value. He highlighted the economic value of PFNs:

"Many producers charge a premium for a PFN product and customers are prepared to pay that premium for a product with provenance and heritage. One estimate [by the European Commission] is that PFN status increases the value of a product by 2.23 times."<sup>45</sup>

**66.** Similar points were made by Gwyn Howells, who explained that GI status is "instrumental to the Welsh lamb and Welsh beef offering". He also explained:

"PGI status provides a guarantee of provenance and a mark of quality; re-enforcing consumer confidence in the product and allowing it to be sold at a premium. Effective premiumisation maximises returns to the whole supply chain."<sup>46</sup>

**67.** The Committee heard evidence to suggest that GI status is a valuable marketing tool. Dr O'Callaghan outlined that GI status "immediately opens doors

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<sup>43</sup> [Written statement by the Welsh Government: The Food and Farming \(Amendment\)\(EU Exit\) Regulations 2019, 19 February 2019](#)

<sup>44</sup> [www.assembly.wales/laid%20documents/ws-ld12189/ws-ld12189-e.pdf](http://www.assembly.wales/laid%20documents/ws-ld12189/ws-ld12189-e.pdf)

<sup>45</sup> [Written evidence, UK Protected Food Names Association](#)

<sup>46</sup> [Written evidence, Hybu Cig Cymru](#)

and allows the short-cutting of initial conversations as the value of the product is already confirmed”.<sup>47</sup> Gwyn Howells made a similar point:

“It’s not only in Europe and the UK that [EU GI status] gives us traction in the marketplace, but also worldwide—people know about Welsh lamb in all corners of the earth, because of the work that has been done on the back of this very exclusive club.”<sup>48</sup>

**68.** Stakeholders raised concern about, or called for clarification on, the status of existing UK GIs post-Brexit, in particular, whether existing UK GIs will continue to be protected in the EU.

**69.** Gwyn Howells, stated:

“...unless the status, or a UK protected food name status which is recognised worldwide as being equivalent, can be maintained post Brexit, the ability to attract a premium for Welsh red meat could be limited.”<sup>49</sup>

**70.** He told the Committee that “immediate, seamless protection for the Welsh Lamb and Welsh Beef brands post Brexit...is essential for the red meat industry”.<sup>50</sup>

**71.** Dr Bowen believed that “maintaining the existing EU scheme is vital in ensuring that the recent successes in the Welsh food and drink industry are upheld”. He raised concern that “losing Welsh protected food names could potentially affect Wales’ reputation for food in international markets, which could in turn impact on exports”.<sup>51</sup>

**72.** Stakeholders noted the steps the UK Government is taking to ensure that new UK GI schemes will be in place on exit day, but questioned the potential effectiveness of these schemes.

**73.** Dr O’Callaghan acknowledged the new schemes “will be useful” to protect UK GIs in the UK. However, he asserted “[they] will not give any degree of protection to UK products sold in EU countries”.<sup>52</sup> He believed it was “naïve” for the

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<sup>47</sup> [Written evidence, UK Protected Food Names Association](#)

<sup>48</sup> RoP, para 44, 6 March 2019

<sup>49</sup> [Written evidence, Hybu Cig Cymru](#)

<sup>50</sup> [Written evidence, Hybu Cig Cymru](#)

<sup>51</sup> [Written evidence, Dr Robert Bowen](#)

<sup>52</sup> [Written evidence, UK Protected Food Names Association](#)

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UK Government to suggest that the EU will continue to protect existing UK GIs post-Brexit, unless reciprocal arrangements are made.<sup>53</sup>

**74.** Several stakeholders raised concern about the lack of brand recognition the new UK GI scheme would have. Gwyn Howells told that Committee that “brand awareness of any PFN scheme in the UK, going forward, will be at zero”, which will be “a challenge”.<sup>54</sup> A similar view was expressed by Dr Bowen who also emphasised that brand recognition would take “a considerable amount of time to develop”.<sup>55</sup>

**75.** Dr O’Callaghan and Gwyn Howells emphasised that selecting an appropriate UK GI logo will be important. They raised concern about the potential impact on Welsh products with GI status of using the Union flag. This was primarily because of the poor reputation or low recognition of British branded foods in some overseas markets, as evidenced in the AHDB report.

**76.** Gwyn Howells warned against “any drastic change in the PFN logos”.<sup>56</sup> He also stated:

“...we need the scheme...to have a protected food name feel that is similar to the current European scheme, and not for it to be assumed into just a ‘This is a UK badge’, which then leaves us vulnerable in terms of us telling the Welsh story being diluted.”<sup>57</sup>

**77.** Alison Lea-Wilson said that she did not want to have separate logos on their product for UK and EU markets after Brexit, which will add cost. She believe that recognition of a new UK logo will be low at the start and that significant promotion would be required.

**78.** At the time of taking evidence, regulations amending retained EU law after exit day to establish the new UK GI schemes had not been made. However, the UK Government has since made these regulations and has signalled its intention to introduce further regulations to implement the new UK logos for use once they are developed.

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<sup>53</sup> [Written evidence, UK Protected Food Names Association](#)

<sup>54</sup> RoP, para 44, 20 March 2019

<sup>55</sup> [Written evidence, Dr Robert Bowen](#)

<sup>56</sup> [Written evidence, Hybu Cig Cymru](#)

<sup>57</sup> RoP, para 46, 6 March 2019

**79.** Dr O’Callaghan raised serious concern about the implications of any future UK-US trade deals for GIs. He explained:

“The US Government has always been hostile to PFNs. It took the EU to the World Trade Court over the EU scheme and arguing that the scheme was anti-competitive...It is unlikely given the UK Government’s desire for a post-Brexit trade deal with the US, that any protection will be afforded to UK PFNs.”<sup>58</sup>

**80.** Dr O’Callaghan also pointed out that the EU-Canada Comprehensive Economic and Trade Agreement (CETA) does not afford protection to UK GIs. He explained that the UK Government did not consult on, or put forward, any UK GIs for inclusion with the result that CETA protects many EU GIs but none from the UK.<sup>59</sup>

**Conclusion 14.** There are many benefits arising from GIs, including their economic value and as a marketing tool. Given this, the future of UK GIs following Brexit is, understandably, a concern for producers and industry representatives. While the proposals for the new UK GI schemes have gone some way in addressing this concern, the status these schemes will have on the international stage is still in doubt. Whether the new schemes will be as attractive for both producers and consumers as the existing EU scheme is yet to be seen.

**Conclusion 15.** The Welsh Government must ensure that the interests of food producers in Wales are represented in discussions with the UK Government as the new UK GI schemes are developed. We expect the Welsh Government to play a meaningful role not only in the administration of the new schemes, but in their development. This includes the design of the new UK GI logo.

**Conclusion 16.** Establishing brand recognition under the new UK GI schemes will be challenging. It will take time and require investment. An effective communications strategy for the launch of the new UK GI schemes will be essential to promote awareness among producers and consumers on a domestic and international level. The Welsh Government must explain what role it will play in the development and delivery of this strategy.

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<sup>58</sup> Written evidence, UK Protected Food Names Association

<sup>59</sup> Written evidence, UK Protected Food Names Association

**Conclusion 17.** There is a lack of clarity about whether UK GI products will continue to be protected in the EU post-Brexit. The Committee is concerned about the impact on producers, and on the industry more broadly, if protection is not maintained. The Welsh Government should:

- provide details of any work undertaken to assess the impact on producers if protection within the EU is not maintained, and the steps it is taking to mitigate this, and
- make representations to the UK Government with a view to ensuring that UK GI products continue to be protected in the EU post-Brexit.

**Conclusion 18.** The Welsh Government has been instrumental in increasing the number of GIs in Wales in recent years. It should continue to build on this success. In light of the establishment of the new UK GI schemes, the Welsh Government should set out its position on, and approach to, increasing the number of GIs in Wales post-Brexit. In doing so, it should clarify what support will be made available to producers who wish to register with the new UK schemes and with the EU scheme.

**Conclusion 19.** The UK Government will be seeking to negotiate trade arrangements with the US after Brexit. Given the US's historic antipathy towards GIs, the Welsh Government should seek a commitment from the UK Government that the protection of GIs will be a priority in any such negotiations.

## Case study 3: Bangor Mussels

During its inquiry, the Committee visited Bangor Mussels and its Director, James Wilson.

Bangor Mussels is an association of companies cultivating mussels in the Menai Strait. Seed mussels are collected, replanted and harvested three years later.

Bangor Mussels regularly produces 8,000 tonnes per year which accounts for 30% of UK mussel production. Given the limited demand for mussels in the UK, over 90% of the mussels are exported, through just in time distribution channels, to the Netherlands, Belgium and France.

Bangor Mussels have progressed to an advanced stage with plans to develop a quay-side processing plant with a view to selling Mussels to the domestic market. This project is now on hold because of uncertainty over renewal of their exclusive rights to harvest mussels from a certain area of the Menai Strait. James understands the delay is due to a Welsh Government review of how the relevant legislation is interpreted.

James was concerned about the Welsh Government's resourcing and policy approach in terms of commercial fishing. He suggested that the Welsh Government should:

- Manage stocks in a more sustainable and strategic way;
- Be better at implementing its own strategies and plans; and
- Stop seeing fisheries management as an "environmental problem".

James believes that a Welsh brand would be perfect for seafood as it would be consistent with the aims of the *Environment (Wales) Act 2016* and the *Well-being of Future Generations (Wales) Act 2015*.

## 4. Food processing

**81.** The Welsh Government's Food and Drink Action Plan 2014-2020 (the Action Plan), includes the following actions:

“Ensure [Rural Development Programme] 2014-2020 provides business and processing support schemes that are appropriate to the food sector. This will require close working and integration across all government departments.

Ensure adequate availability and access to property for processing of primary products and food manufacturing generally. The provision should include premises for incubation/starter units, expansion and inward investment which will support new and developing food businesses.”<sup>60</sup>

**82.** The Action Plan outlines financial support available to the food processing sector, which includes:

“European funding, being planned through the Rural Development Programme (RDP) 2014-2020, will contribute to capital projects under established schemes such as the Processing and Marketing Grant Scheme, and the Supply Chain Efficiency Scheme which provides financial support for co-operation projects that will develop new products, processes and technologies.”<sup>61</sup>

### Evidence from stakeholders

**83.** There was broad support among stakeholders for increasing processing capacity in Wales, with a particular emphasis on adding value to Welsh produce. There were calls for increased investment in local infrastructure so that produce can be processed closer to source, therefore reducing food miles and retaining the economic benefit in local communities.

**84.** Professor Marsden referred to the conclusions of Public Policy Institute for Wales report, *Food Policy as Public Policy: A Review of the Welsh Government's*

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<https://businesswales.gov.wales/foodanddrink/sites/foodanddrink/files/documents/Action%20Plan%20-%20English.pdf>

<sup>61</sup>

<https://businesswales.gov.wales/foodanddrink/sites/foodanddrink/files/documents/Action%20Plan%20-%20English.pdf>

*Food Strategy and Action Plan*, which highlighted the need for greater emphasis on “investment in the ‘missing middle’” of the food chain, i.e. “the gaps in physical and digital infrastructure which continue to expand food miles and create bottlenecks in retail food”. The report also highlighted “[the] need to develop a clear strategy for developing local and regional collaborative food hub businesses across Wales”.

**85.** Professor Marsden referred to the “declining and hollowing out of food infrastructures” and emphasised the need “[to] be much more proactive about developing a new generation of food processing”.<sup>62</sup> This should include new types of artisan products as well as seafood. He explained that investment in infrastructure would enable the creation of new food processing businesses, which will, critically, add value to Welsh produce.<sup>63</sup>

**86.** In commenting on the consolidation of food processing facilities, Professor Marsden stated:

“We have to be realistic that we’ve got this continuous process of economies of scale going on in the main conventional sectors – red meat, and particularly, dairy. The story has been that we’ve lost capacity and are continuing to lose capacities in Wales...I think we need to work ways of rebuilding infrastructure in Wales...We’re going to be entering a period when more and more people are actually going to want localised or re-localised foods. They’re not going to want the food miles attached to these distant centres.”<sup>64</sup>

**87.** He explained that, in many parts of Europe, there is a move “away from the concentration of processing facilities in one or two nodes, and towards a more distributed system”.<sup>65</sup> He highlighted the “need explicitly to build capacity” and called for the new food and drink strategy to address this.<sup>66</sup>

**88.** Gwyn Howells told the Committee that there are 18 operational red meat abattoirs in Wales and numbers are steadily declining.<sup>67</sup> He explained that larger meat processing companies were consolidating their operations near large

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<sup>62</sup> RoP, para 249, 20 March 2019

<sup>63</sup> RoP, para 249, 20 March 2019

<sup>64</sup> RoP, para 261, 20 March 2019

<sup>65</sup> RoP, para 264, 20 March 2019

<sup>66</sup> RoP, para 262, 20 March 2019

<sup>67</sup> [Written evidence, Hybu Cig Cymru](#)

centres of population in England, which was “a challenge”.<sup>68</sup> He acknowledged the need to incentivise companies to invest in rural areas.<sup>69</sup>

**89.** Huw Thomas emphasised the importance of local processing facilities. However, he acknowledged that the optimal location for facilities “varies from product to product” depending on “where the best place to add the value is”.<sup>70</sup>

**90.** A similar point was made by Andy Richardson:

“I think the question is not whether we have processing [facilities in Wales], the question is are we adding value. So, you could say, is it better to have a plant in Wales that produces a commodity, or is it better to supply product from Wales to a plant in, let’s say, England, that actually adds value, because the bottom line should be adding value to Welsh produce...”<sup>71</sup>

**91.** Huw Thomas referred to the “value gap”, as a barrier preventing many rural based food businesses from expanding.<sup>72</sup> He explained that the ability of these businesses to borrow against capital assets is “severely curtailed” because of low valuation due to their geographical location. However, in the case of Puffin Produce, financial support from the Welsh Government and EU, “has helped overcome what would have been insurmountable economic barriers”.<sup>73</sup>

**92.** Professor Marsden asserted that “the issue of finance is a critical one”. He referred to the need to “find ways of creating credit systems in Wales to stimulate [investment in local infrastructure]”.<sup>74</sup> He suggested that clarification is needed on the level and sources of investment for the food processing sector, pointing out that EU funding had been used to meet the cost of various initiatives deriving from the Action Plan. This funding will no longer be available following the UK’s exit from the EU.<sup>75</sup>

**Conclusion 20.** The Welsh Government must do more to strengthen and develop infrastructure in the food system. The Welsh Government should undertake a mapping exercise to assess current processing capacity in Wales

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<sup>68</sup> RoP, para 41, 6 March 2019

<sup>69</sup> RoP, para 41, 6 March 2019

<sup>70</sup> RoP, para 131, 6 March 2019

<sup>71</sup> RoP, para 134, 6 March 2019

<sup>72</sup> RoP, para 128, 6 March 2019

<sup>73</sup> Written evidence, Puffin Produce

<sup>74</sup> RoP, para 264, 20 March 2019

<sup>75</sup> RoP, para 249, 20 March 2019

with a view to identifying gaps. The outcome of this work should inform the strategic development of processing facilities across Wales, with a focus on value-added activities. Support should be prioritised to address gaps in capacity.

**Conclusion 21.** The Welsh Government should establish an industry-led group to consider possible policy interventions with a view to increasing processing capacity in Wales, with a focus on value-added activities. This group should assess, in particular, opportunities and risks arising from Brexit, including the potential to increase processing capacity in the fishing and aquaculture industries.

**Conclusion 22.** The Welsh Government should review the appropriateness of current support available to new and existing food processing businesses. This should include an assessment of the extent that current support addresses the specific challenges faced by businesses in rural areas seeking to expand.

## Case study 4: Medwyn's of Anglesey

During its inquiry, the Committee met Medwyn and Alwyn Williams, of Medwyn's of Anglesey.

Medwyn Williams is a renowned horticulturalist and vegetable grower. He has won a series of accolades at the highest level, including 12 Gold Medals at the Chelsea Flower Show, most recently this year.

Medwyn and his son Alwyn are using innovative growing techniques to transform what can be grown and how it is grown. Medwyn and Alwyn have developed strong relationships with many chefs, both local and from afar; and with international companies who are wishing to draw on their experience and knowledge. For example, a Dutch hydroponics company partnered with Medwyn and Alwyn to support their display at this year's Chelsea Flower Show where they launched their latest variety of tomato, the Ddraig Goch.

Medwyn and Alwyn have a vision of Anglesey being developed as a "growing" island building on its status as Môn Mam Cymru. They have produced a booklet containing tips for vegetable growers identifying the best crops for the Anglesey soil. This was supported by Menter Môn.

They are campaigning for a local "marketing coordinator", to organise local growers to collaborate together to satisfy the requirements of the market and guarantee a fresh supply at all times. They would like more young people to be trained in horticulture so they can pass on their expertise and expand this aspect of the Anglesey economy.

Medwyn and Alwyn both highlighted the lack of financial support for horticulture. They talked about the need for food security to be a key consideration arising from Brexit.

## 5. Labour supply and skills

**93.** The UK Government's Immigration White Paper (December 2018) proposes the creation of a new single system of immigration post-Brexit “which gives access to highly skilled and skilled workers” from both EU and non-EU countries.

**94.** The White Paper also proposes to create a transitional work route for temporary short-term workers at all levels. This will allow workers to come to the UK for up to 12 months, provided they meet the UK Government's criteria. The White Paper states that there will be no dedicated immigration route for low-skilled workers, with the possible exception of seasonal agricultural workers.

**95.** In the event of a “no deal” Brexit, EU citizens who wish to work in the UK for more than 3 months after it leaves the EU will need to apply for Temporary European Leave to Remain, which is valid for up to 3 years. EU citizens applying before 2021 to stay for more than 3 years will need to apply under the new immigration system that will be introduced in 2021. From 2021, all EU citizens who wish to work in the UK will need to apply under the new system.

### Evidence from stakeholders

#### Food processing sector

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**96.** Stakeholders raised concern about the impact of post-Brexit immigration policy on the recruitment and employment of EU workers, who make up a significant proportion of the workforce within the food processing sector in Wales.

**97.** Gwyn Howells told the Committee that the impact of Brexit on labour supply in processing facilities could be quite significant given the reliance on migrant workers. He said that, in some large processing facilities in Wales, over 50% of the workforce are migrant workers, mainly from the EU.<sup>76</sup> He favoured a future immigration system that will “be based on an ability to find work and will cover not only the skilled workforce but the non-skilled workforce”.<sup>77</sup>

**98.** Gwyn Howells explained that it will be extremely difficult to replace EU migrant workers with indigenous workers, who seem unwilling to work in abattoirs and meat-cutting plants. He reported a similar issue in the Republic of Ireland, which has led to the introduction of a scheme to attract workers from

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<sup>76</sup> RoP, para 80, 6 March 2019

<sup>77</sup> RoP, para 81, 6 March 2019

South American countries to processing plants. He suggested that the UK Government might need to consider the introduction of a similar scheme.<sup>78</sup>

**99.** Huw Thomas told the Committee that concerns about the tightening labour market was a key driver for Puffin Produce’s recent £12 million investment in automation.<sup>79</sup> While Professor Terry Marsden acknowledged the need “to develop a food and agriculture policy that is embracing technology and automation where it’s useful”, he suggested that its role in addressing labour shortages within the sector has been overemphasised.

**100.** In terms of skilled workers, the veterinary sector is heavily reliant on migrant labour. 25% of vets in Wales are non-UK EU nationals. The situation is particularly acute in the meat hygiene sector where estimates suggest 95% of vets are from overseas with the majority being non-UK EU nationals.

**101.** In evidence to the External Affairs and Additional Legislation Committee’s Brexit preparedness inquiry, the British Veterinary Association called for the new immigration system to prioritise the veterinary profession. It also called for vets to be “immediately restored to the Shortage Occupation List”, at least in the short-term.

**102.** The Minister has previously told the Committee that the Welsh Government is working with the Home Office to demonstrate the importance of EU qualified veterinary surgeons to the meat hygiene sector in Wales.<sup>80</sup> The Welsh Government is represented on the board of the Veterinary Capability and Capacity Project, which aims to develop a veterinary workforce that meets the UK’s needs post-Brexit.

## Tourism and hospitality industry

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**103.** Like the food processing sector, the tourism and hospitality industry is highly reliant on EU migrant workers. David Chapman cited the findings of KPMG’s report, *Labour migration in the hospitality sector* (March 2017), which indicated that the sector will have “a severe problem with migrant labour shortages” post-Brexit.

**104.** Andrew Campbell explained that “staff shortages are already the key issue for businesses”.<sup>81</sup> He referred to a forecast that suggests 330,000 EU nationals are

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<sup>78</sup> RoP, para 85, 6 March 2019

<sup>79</sup> [Written evidence, Puffin Produce](#)

<sup>80</sup> <http://record.assembly.wales/Committee/4886>

<sup>81</sup> RoP, para 231, 20 March 2019

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thinking of leaving the UK by 2020 as having “created absolute alarm throughout the tourist industry”.<sup>82</sup>

**105.** Both David Chapman and Andrew Campbell raised concern about the impact on the tourism and hospitality industry of the proposed minimum salary threshold of £30,000<sup>83</sup> for EU migrants under the new immigration system. David Chapman called for adequate transitional arrangements to be put in place, as a minimum, for key parts of the industry where shortages already exist.<sup>84</sup>

**106.** More broadly, David Chapman explained that the hospitality industry faces challenges in attracting UK workers due to negative perceptions of the industry among job-seekers. He referred to a lack of awareness of the full range of employment opportunities available across the industry and explained that UK Hospitality Cymru is taking steps to address this.<sup>85</sup>

**Conclusion 23.** The Committee heard that access to labour is a key challenge for the food and drink industry, and the tourism and hospitality industry. These are all heavily reliant on EU migrant workers. Changes to immigration policy post-Brexit will see a much more restrictive system for low skilled EU migrant workers and could lead to a significant shortage of workers within these industries. Certain sectors, for example, the red meat processing sector, may be particularly vulnerable, given the specific difficulties they encounter in attracting UK workers.

**Conclusion 24.** The Welsh Government should set out its position on the UK Government’s proposed new single immigration system. In particular, the proposed minimum salary threshold of £30,000 for medium and high skilled workers. In doing so, the Welsh Government should explain the impact it expects these proposals to have on the food and drink industry, and the tourism and hospitality industry in Wales.

**Conclusion 25.** The Welsh Government’s on-going programme of work to address skills shortages within the workforce in Wales, including its strategy, *Transforming Skills in the Welsh Food and Drink Industry*, may go some way in improving labour availability in the food and drink industry, and the tourism and hospitality industry, in the longer term. However, it is unclear how the Welsh Government intends to mitigate the impact of restrictions on access to EU

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<sup>82</sup> RoP, para 231, 20 March 2019

<sup>83</sup> A minimum salary threshold of £30,000 applies to non-EU migrant workers under the UK’s existing immigration scheme.

<sup>84</sup> RoP, para 227, 20 March 2019

<sup>85</sup> RoP, para 223-227, 20 March 2019

migrant workers on these industries in the immediate post-Brexit period and the shorter term. **The Welsh Government must clarify this issue as a matter of urgency.**

## Annex: Oral evidence

The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at:

[Transcripts](#)

Date	Name and Organisation
6 March 2019	Gwyn Howells, Meat Promotion Wales Andy Richardson, Food and Drink Wales Industry Board Huw Thomas, Puffin Produce
20 March 2019	Dr Matthew O’Callaghan OBE, UK Protected Food Names Wynfford James, Sgema Ltd Dr Robert Bowen, Swansea University David Chapman, UK Hospitality Cymru Andrew Campbell, Wales Tourism Alliance Simon Wright, Wright’s Independent Food Ltd