

Written Response by the Welsh Government to the report of the Climate Change, Environment & Rural Affairs Committee entitled Rethinking Food in Wales: Food Branding and Processing

Background to Current Position

The Welsh Government currently supports the food industry in Wales through the actions described in the current action plan 'Towards Sustainable Growth - An Action Plan for the Food & Drink Industry 2014-2020'. The Plan supports the delivery for the long term Strategy, 'Food for Wales, Food from Wales 2010-2020'. The Plan and Strategy expire on 31 December 2019.

The Welsh Government's 'Prosperity for All: Economic Action Plan', published in December 2017, identifies the Food & Drink industry as a foundation sector for support. 'Prosperity for All' includes a commitment to build on existing work to strengthen the sector and to develop 'cross-government enabling plans to maximise impact.

Prior to the receipt of this report I had agreed that the Welsh Government would launch the consultation for the successor to the current strategy and action plan at the Royal Welsh Show on 23 July 2019. Consultation responses will help set the future direction into the next decade and determine what support is needed to build on success to date as the United Kingdom continues to negotiate its future relationship with the European Union. As such, I welcome the timing of this report which provides further evidence for consideration in the preparation of the successor documents.

Detailed Responses to the report's recommendations are set out below:

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. Where the Welsh Government disagrees with one of the Committee's conclusions, it should specify its reasons for doing so.

Response: Accept. A full response to each conclusion is provided below.

Financial Implications: None: There have been no additional costs incurred in the preparation of the responses to the Committee's 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.

Extensive engagement has been underway since June 2018 to contribute to the development of the successor to the current Strategy and Action Plan. The consultation I launched in collaboration with the Food and Drink Wales Industry Board on 23 July at the Royal Welsh Show provides the opportunity to consider a full range of stakeholder inputs and wider policy connections which will then form the robust evidence base for the successor Strategic Plan.

Consideration of the Well-being of Future Generations (Wales) Act 2015 has underpinned the design of the proposals outlined in the consultation paper to ensure that they benefit both the economy of Wales and its people. The consultation paper proposes a series of targets and measures that provides a clear vision of what success looks like.

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.

The Welsh Government and the Food and Drink Wales Industry Board published a consultation on the 23 July. This proposes a new and ambitious strategic plan to provide a clear direction for the industry beyond 2020. The consultation will close on the 15 October.

We will use the results of this consultation to publish the new strategic plan by early 2020.

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.

The Welsh Government has a clear, strategic vision for the Welsh food and drink sector as set out in our current action plan and also within the proposals outlined in the consultation for the successor strategic plan.

The UK Government Environment, Food and Rural Affairs Committee takes account of the very strong national promotional events and plans around food and drink in Wales in its *Brand Britain: Promoting and Marketing British food and drink* report published on 27 June. We will continue to be robust about our strategic vision to maintain our high food production standards in our ongoing negotiations alongside UK Government.

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

Despite continued uncertainty around Brexit, we continue to recognise the long term challenges within the food and drink industry that need to be faced and addressed. Raising productivity, upskilling, growing our scale, sustainable business practice, stimulating resilience throughout the supply chain, adding value to our produce, promoting strong routes to world markets, and raising our profile are issues irrespective of Brexit.

The successor plan will include a coherent and integrated set of goals and actions which will evidence our commitment to living our values and creating well-being for the whole of Wales.

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.

Brexit means change to how support for Wales' food and drink sector may be funded and how much money is available. Historically, the Rural Development Programme for Wales funded by the EU's Common Agricultural Policy has been our main mechanism to support our food businesses, whether through direct investment grants or support-in-kind services, providing knowledge transfer and advice or supporting events.

The Welsh Government continues to engage with the UK Government on funding arrangements for all programmes after the UK has left the European

Union. In doing so, the Welsh Government is clear that leaving the EU should not mean any reduction in the funding available to Wales.

However, the future financial settlement for Wales remains uncertain, and the UK Government's approach to austerity means the Welsh Government's budget must meet many growing demands with tighter resources. Against this complex backdrop we must recognise the current support and funding landscape may change and that this could affect future funding priorities, including the food and drink industry.

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.

The development of the new Strategic Plan provides an opportunity to consider how we develop the sector in ways which are sustainable both environmentally and economically, enhance Wales' well-being, and create strong networks which help make our food system more resilient. The food and drink sector remains central to Welsh Government planning for furthering developments in public health, waste and carbon reduction, sustainable use of resources, embedding fair work and employment across our communities, the economy and raising the international profile of Wales the country.

The proposals for the Strategic Plan have been developed to align with the principles of [Prosperity for All: Economic Action Plan](#) whereby the production of food and the production of public goods are recognised as mutually reinforcing, not mutually exclusive, and continue to contribute to our nation's well-being.

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.

The development of Welsh identity is important, in conjunction with high standards, recognised accreditation and traceability. These factors, along with great taste and an attractive back story, will sell Welsh food both domestically and internationally.

Welsh Government support for Welsh brands will be underpinned through the supply chain by the promotion of certain Sustainable Brand Values, in line with the Wales Nation brand – Cymru / Wales which Visit Wales has developed successfully over recent years. The Sustainable Brand Values programme is being developed in collaboration with the food & drink industry and will deliver a robust product traceability and provenance system built on firm economic, environmental and societal foundations. Whilst the focus is on the food and drink sector, the standards and actions will be readily and broadly applicable to other sectors such as agriculture.

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.

The Welsh Government agrees that a clear Welsh identity based on strong values is important to market Welsh produce both domestically and internationally. Welsh Government is working closely with businesses to research, understand and develop routes to these markets with events such as Blas Cymru providing a showcase for our products and businesses.

The development of the Sustainable Brand Values programme referred to in Conclusion 7 is significantly influenced by market research and will underpin this work.

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.

We are working in partnership with the Food and Drink Wales Industry Wales Board (FDWIB) to drive ambitious growth in the industry, as set out in Towards Sustainable Growth, including increasing Welsh food and drink exports.

A comprehensive programme of support is in place to develop Welsh food and drink exports, including a dedicated Export Club to build capacity and capability on exporting in the sector. In addition, bespoke one-to-one support for developing export strategies, market selection and identifying in-market opportunities from our network of in-market representatives in an extensive range of global markets is provided. We also support companies to visit and exhibit in key UK and international trade events, to increase both exports and inward investment.

Our support is making a real difference as the value of food & drink exports in Wales has increased by 32% since 2014.

In March 2019 we welcomed, for the second time, the global food and drinks industry to Wales, including export buyers from across Europe, North America and the Middle East for our signature BlasCymru/TasteWales event, raising the profile of our sector internationally. The first event in March 2017 has generated £17m in new sales to date. All our work to develop Welsh exports is supported by the Welsh Government overseas office network, which has expanded in recent years to include markets such as Germany, France, Canada and Qatar.

We continue to work closely with the Department for International Trade (DIT), Foreign and Commonwealth Office (FCO) and Defra officials in activities to secure increased market access for the Welsh food and drinks sector. The recent visit of the Vice Premier of China, who visited two Welsh farms and ZERO2FIVE Food Industry Centre at Cardiff Metropolitan University, is an example of such activity.

We are also working closely with other organisations, including Hybu Cig Cymru (HCC) to deliver a three year Enhanced Export Development Programme, to support the Welsh red meat industry to maintain key markets in Europe, as well as developing market access further afield. This includes working closely with the UK Export Certification Partnership (UKECP) to secure access to new export markets.

Since the start of the programme announcements have been made on the successful removal of restrictions on exporting UK beef and lamb to Japan and lamb to India and Saudi Arabia. Work is underway to ensure the Welsh red meat industry takes full advantage of the increased profile the Rugby World Cup will provide this autumn. More recently, export restrictions for British beef to China have also been lifted, paving the way for Welsh beef exports to begin at the end of this year. This is estimated to be worth £25m a year to the Welsh red meat industry and is a further step forward in increasing exports of our quality products from Wales.

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.

The UK market has particular characteristics and we will continue to work within that context. A report published in 2017 on the '[Value of Welshness](#)' determined that consumers perceive a value added from food being specifically identified as made or produced in Wales. Shoppers across Great Britain associate Wales with natural food and drink. With health and freshness being macro trends in food and drink, the positive association between Welsh and naturalness is a valuable attribute of Welsh produce.

The stocking of Welsh products in supermarkets has delivered substantial incremental growth and the new Strategic Plan will also continue to develop our food industry in conjunction with the tourist industry to ensure that local produce forms a key part of restaurant menus.

A grant scheme in support of food festivals and farmers markets provided financial support to 26 events in 2018/19.

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.

It is recognised that there are significant advantages for Welsh producers through the promotion of the Welsh brand alongside the UK identity in certain markets. The Welsh Government collaborates with the UK Government Department for International Trade on major Food and Drink Events overseas, including ANUGA (biennially in Cologne) SIAL (biennially in Paris) and Gulfood (annually in Dubai).

A close relationship is also maintained between Wales and UK Government Departments for the organisation of Trade Development Visits, in-market representation and to ensure that full use is made of UK residences and the Consul General or Ambassador is invited to meet Welsh delegates.

Additionally, Welsh companies are supported through the Overseas Business Development Visit fund to attend trade missions organised by the Welsh Government, Department for International Trade or to visit a market which is not currently being targeted by the Welsh Government.

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.

Welsh Government under the current action plan has successfully grown the basket of [protected food and drink products](#) under the EU's Geographic Indicator schemes. We will continue to promote the scheme in Wales and encourage and support businesses to put forward new applications. There are strong opportunities through tourism and we seek to build on the current [Food Tourism Action Plan](#) to improve the food and drink offer to visitors at key destinations and events and impart a sense of Wales as a food nation.

Many consumers see protected food and drink products as a mark of quality, a product that is authentic, attractive and iconic and we see opportunities to develop more in the successor food and drink strategy.

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.

The success of the Food and Tourism Action Plan and consideration for a successor Food Tourism Action Plan will be progressed following the launch of the new Food and Drink Action Plan and the Tourism Action Plan later this year. Extensive stakeholder engagement will be undertaken with public, private and voluntary sectors within the industry, in order to identify and consider all requirements for the development of a new strategy.

A full consultation and impact assessment will be undertaken on any proposals, in line with Welsh Government policy.

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.

We fully recognise the economic value of PFN/GI for Welsh producers and we are committed to ensuring products with an existing status can continue to be protected after we leave Europe. Welsh Government will be working with producers to help them transition into the new UKGI scheme as soon as the UK Government has a clear direction on how we will be leaving Europe, with or without a deal.

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.

Welsh Government are proactively engaged with the UK Government on the issue of EUPFN/GIs and is fully involved in working groups which are feeding into the development of the new UKGI. Welsh Government is a full member of the UKGI logo working group, we have also ensured that UK Government

have sought feedback directly from businesses with current PFN status and Anglesey Sea Salt is a nominated Welsh representative on a UK wide producer group working with the UK Government appointed design agency developing the new UKGI logo. The Welsh Government has been assertive in detailing certain requirements of the new UKGI logo and will be working closely with UK Government to ensure any logo is acceptable for Wales.

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.

The new arrangements for the UKGI involve a cross UK government working group or panel and these matters will be considered once the group is in operation.

The Welsh Government is the only devolved administration that has a bespoke programme of support for PFN producers. This covers promotional activities, PR and also technical assistance. No other devolved administration currently offers this level of support. We will be developing this and have made a commitment to fund the programme in the current financial year.

The Welsh Government is also engaging with the other devolved administrations about how we can collaborate further to raise the awareness to the consumer of the new UKGI logos once they are decided.

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.

Countries outside of the EU (third countries) can access the EUPFN scheme for example Columbian Coffee is protected in the EU market as a GI. There is no reason why Welsh PFN products could not seek protection as a third country after we leave if a deal is not reached. The main issue will be other trade related issues such as tariffs and other non-tariff barriers which could make the export of Welsh protected products challenging. Stakeholder

engagement and regular dialogue with the UK Government at an official and Ministerial level is ongoing. Trade Marks also provide similar protection in the market from fraud and imitation and we are aware that our main exporting products have also sought trade mark status in significant export markets to reinforce the protection available to them in the market.

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.

Welsh Government has grown the GI family of products significantly in recent years and will continue to support our producers as we fully appreciate the intrinsic value that Welsh GIs have to the Welsh economy, culture, heritage and wider global recognition for Wales.

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.

Trade negotiation is a reserved competence of UK Government. The Welsh Government will be fully expressing the point about protection for our products both in the US market and also from fraud and misuse by US companies in our market. The Welsh Government preference is to ensure GIs are recognised and will be challenging the UK Government to ensure this is considered. Support for businesses to seek trade mark or other IP protections in the market may be considered where necessary.

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.

The Welsh Government regularly undertakes research to help inform the strategic development of processing facilities within Wales.

In the recent past we have completed research into poultry and egg production which has increased confidence of further opportunities and market growth for these products.

We also undertook a feasibility study to investigate the options and challenges associated with developing the dairy processing sector in Wales. Additional studies have recently looked at options for import substitution and highlighted real opportunities for Wales to add value in certain areas, such as chip processing and Welsh poultry.

We provide grant assistance to food manufacturing businesses to invest in plant and processing facilities.

Further studies and work through our Cluster initiative is also helping producers collaborate to add value to Welsh primary produce, such as with vineyards in Wales to establish a Welsh based winery.

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.

The Food and Drink Wales Industry Board, assembled in 2014/15 following a main recommendation in the Food and Drink Action Plan, has a majority membership of food industry representatives.

Many of the actions are in support of business growth and trade development towards a £7bn turnover target, partly enabled by increasing processing capacity. The Food Business Investment Scheme provides grant support to enable this and the Board is actively involved in the development and monitoring of the scheme. The Board also provides leadership and support for continued growth of business networks and clusters and are developing investor ready opportunities for food and drink businesses to increase processing. They will be hosting a conference before we leave the European Union to promote this area further.

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.

Work is ongoing to rationalise and update current funding programmes when they expire, to provide adaptable and targeted grant support on the merits of how the business case helps Wales' well-being. Future investment will offer flexible financial support, to benefit businesses of all sizes, in all locations, on their growth journey. However, as the future financial settlement for Wales

remains uncertain, we are unable to confirm future levels of support until clarity is received from UK Government. That said, our planning for future food processing business support will be robust enough to be flexible and responsive to changing financial circumstances. The Food Business Investment Scheme has recently been reviewed <https://gov.wales/food-business-investment-scheme-review>

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.

The Welsh Government is working closely with UK Government on the issues that will affect Wales and the UK as a whole when we leave the EU, including the availability of low-skilled migrant workers. We will continue to do so to ensure that businesses in Wales are not disadvantaged in any way.

The Home Office has recently included veterinarians to the Shortage Occupation List which will support the red meat processing sector in Wales.

Welsh Government Food Division provided a Skills Zone at RWAS this year to raise awareness of food industry careers and to attract young people and those considering a career change to consider food manufacturing.

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.

A 12 month engagement programme has been set up involving senior officials from the Welsh Government, Scotland, Northern Ireland and the UK Government to consider issues such as the salary threshold.

The Welsh Government is clear about the need for a flexible, managed approach to immigration that will not damage our prosperity and are calling for a salary of £20,000 threshold for Tier 2 visas. We continue to advocate for this with the UK Government and encourage changes at an early opportunity to allow employers to be able to adopt a structured approach to recruitment.

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.

The issue of skills and labour availability in the food & drink industry is a key issue for Welsh Government. We continue to challenge the Home Office on the £30,000 salary threshold for Tier 2 visas and call for a future migration policy based on supporting the economy, allowing us to attract workers into the right areas. Lowering the threshold to £20,000 would reduce the impact on the Welsh economy somewhat as many of the less skilled workers in the food and drink sector earn close to this level. This is supported by evidence we commissioned from the Welsh Centre for Public Policy and has broad support from business.

The Welsh Government is working with The National Skills Academy for Food and Drink, Job Centre Plus and the Department for Work and Pensions on a pilot scheme which brings together local food and drink companies and prospective employees. Successful delivery has commenced through the Employability Skills Programme resulting in increased employability skills and permanent employment for some. The flexibility of the Programme allows us to respond to local and regional labour market developments and Welsh Government are now exploring how the pilot scheme can be delivered to other food and drink companies across Wales.

Lesley Griffiths AM

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