

Rural Development Sub Committee

Inquiry into the Production and Promotion of Welsh Food

Response from the Farmers' Union of Wales.



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Annwyl Alun,

RE the National Assembly for Wales' Rural Development Sub Committee Inquiry into The Production and Promotion of Welsh Food

Thank you for inviting the views of the Farmers' Union of Wales (FUW) on the production and promotion of Welsh food.

The Committee's consultation questions have been circulated among the FUW's twelve County Branches, and their comments have been taken into full account in drafting the below response.

Yn gywir

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Farmers' Union of Wales' Written Response to a National Assembly for Wales' Rural Development Sub Committee Inquiry into the Production and Promotion of Welsh Food

13th February 2009

BACKGROUND

1. The Farmers' Union of Wales was established in 1955 in order to protect and advance the interests of Welsh families who derive an income from agriculture. In addition to thirty-five Area Officers, the FUW has eleven offices distributed around Wales that provide a broad range of services to members. The FUW is a democratic organisation, with policies being formulated following consultation with its twelve County Executive Committees and relevant Standing Committees.
2. Of Wales agriculturally significant holdings, 63% are Less Favoured Area (LFA) cattle and sheep enterprises. The remainder comprises 14% non-LFA cattle and sheep, 13% dairy, and 2% arable enterprises, with other crop or mixed enterprises making up the remainder¹.
3. Welsh red meat production is estimated to be worth some £361 million, 43 per cent of the total annual Welsh agricultural output², while the dairy industry has been estimated as being worth 45% of Welsh agricultural output³.
4. The proportion of the working age population in rural Wales who are working and who are self-employed is 7% higher than in Wales as a whole, which reflects the fact that rural businesses have a high dependency on the agricultural sector⁵.
5. Agriculture supports over 10% of full time employees in Wales, and any decline in the industry is likely to affect unemployment rates significantly⁴. The numbers directly and indirectly employed in farming therefore make a crucial contribution towards sustaining rural businesses and communities.
6. The farming industry therefore contributes significantly to the economic, social, environmental and cultural cohesion of rural Wales. Farming also plays a key role in the preservation of Welsh culture, particularly in terms of the Welsh language, which in many areas is primarily preserved in farming communities, having been largely displaced by the English language in towns and villages.

¹ Welsh Assembly Government Farming Facts and Figures 2008

² Hybu Cig Cymru

³ International Journal of Dairy Technology, Volume 37 Issue 3, Pages 81 – 83 (2007)

⁴ The Economic Potential of Plants and Animals Not Currently Fully Exploited by the Welsh Agricultural Sector, Central Science Laboratories, 2003

Challenges and opportunities:

What are the main challenges for the Welsh agri-food sector over the coming years?

Production

7. Primary production is the foundation upon which the Welsh agri-food sector is built, and the continuity of production above critical levels is therefore amongst the most significant challenges facing the sector; below a critical level of primary input, economies of scale are lost, and the viability of the entire agri-food sector is threatened.
8. The maintenance of primary production above critical levels can only be achieved if farm incomes justify such production levels; in the absence of farm incomes that are sustainable, covering the costs of both production and equitable living standards, production will fall, having a knock on impact on the entire agri-food chain.
9. Since 2005 primary production within Wales has been fully decoupled from Common Agricultural Policy Pillar I payments, and the incentive to maintain production has therefore been purely market driven.
10. The latest data regarding production costs that do not include the affects of export restrictions due to disease outbreaks are for the 2006/07 financial year⁵. These show that, on average, market prices covered just 79% of lamb production costs, while for suckler calf production this figure was just 57%. During the same year the deficit between farm-gate milk price and the cost of production was estimated to be almost 3.5ppl.
11. In the absence of coupled payments, such farm-gate returns have led many farms to restructure their businesses, and between 2005 and 2007 the size of the national sheep flock fell by 5.5%, while the size of the national dairy and suckler herds fell by 4.1% and 7% respectively.
12. There are therefore significant concerns regarding the continuity of agricultural production in Wales above the critical levels needed to ensure the viability of the agri-food chain as a whole, and the long term attainment of equitable farm-gate prices is thus a critical challenge for the Welsh food sector.
13. Low farm incomes have, over the past decade, resulted in the loss of many young persons from the industry, and stemming this loss in order to preserve the agricultural knowledgebase upon which future production will depend remains a major challenge.
14. Over the past three decades the proportion of food sold by supermarkets, rather than private outlets, has risen to around 75%, with the largest four supermarket chains controlling over 70% of sales. Competition Commission figures show that

⁵ Hybu Cig Cymru (2008)

65% of milk, 85% of beef, and 90% of lamb is sold through the multiple food retailers, with buying power being concentrated among a few companies⁶.

15. In 2008, Thanassoulis and Smith confirmed the disproportionate bargaining power that major retailers exert within the marketplace; in particular, they demonstrated that supermarkets can dictate upper price limits, which, in the case of milk, allows them to secure almost 90 per cent of the total supply chain profits⁷.
16. The power currently wielded by the major retailers therefore represents a major challenge, not only for primary producers, but for the Welsh agri-food sector in general. For this reason, the FUW has long argued that Government should take action in order to redress what is currently an imbalance between the powers held by primary producers, processors, and retailers, and that the first step towards doing this should be the appointment of a Supermarket Ombudsman.
17. The recent weakness of Sterling against the Euro and other currencies has led to an increase in the competitiveness of Welsh produce, both in domestic and export markets, and this has, in turn, led to a significant and welcome increase in farm-gate prices.
18. However, the impact of recession on consumer spending habits, coupled with the incentives that currently exist for major retailers to drive food prices down while maintaining their current profit levels, represents a significant challenge for the agri-food sector in the short term.
19. As with all businesses, the profitability of farms depends not only upon returns from the marketplace, but also on input costs.
20. While there are those input costs over which the EU and domestic governments have limited control, such as global commodity prices and sterling exchange rates, there are others that are the direct result of decisions taken by governments, most notably legal requirements that relate to agricultural production and land management.
21. Such legal requirements add significantly to the financial and time costs of agricultural production within Wales, and, while the Union accepts that many of these are necessary in order to ensure the highest standards of animal and human health and environmental protection, many others are not, and have little or no scientific or statistical basis for their existence.
22. Under the rules that govern the importation of produce into the EU from third countries, it is a requirement that imported produce has been subject to rules relating to animal and human health that are *equivalent* to those applied in the EU.
23. However, in practice the EU generally accepts equivalent rules that are far less onerous and costly than those required of EU farmers, and in some cases, notably that of Brazil, the EU has regularly failed to ban food imports that compromised

⁶ *Green, healthy and fair; A review of government's role in supporting sustainable supermarket food*, Sustainable Development Commission (2008)

⁷ *Estimating Bargaining Power in the Supply Chain; Milk Prices in Retail Competition and Upstream Competition and Downstream Buyer Power*, Thanassoulis and Smith (2008)

European animal and human health, despite numerous problems identified by the European Food and Veterinary Office.

24. Thus, the FUW maintains that a key challenge for producers is to secure a reduction in the costs of bureaucracy, while ensuring that appropriate action is taken to ensure that third countries meet the standards required of Welsh farmers.
25. During the recent WAG consultation on Axis II land management actions many members commented on the failure of the consultation to recognise the links between land management, environmental issues, and food production.
26. While it is accepted that issues relating to food production lay outside the remit of the consultation document, there is nevertheless an intrinsic link between the environment and food production, and it is therefore concerning that some bodies wish to consider issues such as greenhouse emissions in isolation from food production.
27. With the world population estimated to rise to between nine and ten billion by 2050, and predicted reductions in global agricultural productivity per hectare of between 3 and 16 percent by 2080⁸, there is clearly a need to balance food production against environmental considerations, and it follows that addressing environmental concerns while maintaining food production remains one of the most significant long term challenges facing Welsh agriculture.
28. In particular, climate change is likely to have a profound effect on global food security in the future and, as such, is one of the most significant challenges facing the industry in the medium to long term future.
29. Despite recognition that the climate is changing, there remains some question as to the speed of change and the impact it will have upon Wales. In the short to medium term, there may be opportunities for Welsh farmers to embrace new crops and cropping systems, although increased flooding and storms may represent a significant challenge.
30. The Common Agricultural Policy (CAP), by design, provides a framework that allows Europe to react to the imminent challenges that growing populations, global warming, rising sea levels, and peak oil represent in terms of food security.
31. Welsh farm income statistics show that CAP payments continue to make up the bulk of farm income, and that, in the absence of such payments, the vast majority of Welsh farms would not be economically viable. The forthcoming review of the CAP and the CAP budget are therefore a significant concern for the industry.
32. Current UK Government policy as regards the CAP is laid out in the DEFRA/HM Treasury document '*A Vision for the Common Agricultural Policy*'⁹. The document effectively describes a massive reduction in the CAP budget, facilitated by the dismantling of the majority CAP measures, and a liberalisation of trade, resulting in increased imports into the EU and hence lower public spending on food.

⁸ Centre for Global Development, Cline (2007)

⁹ *A Vision for the Common Agricultural Policy*, DEFRA and HM Treasury (2005)

33. It is the view of the FUW that such a policy would, by definition, result in a drastic fall in Welsh farm incomes, to the extent that the majority of Welsh farms would become unviable, and that this would decimate rural communities and threaten the UK's food security.
34. The FUW therefore maintains that any fall in CAP support should be balanced by measures that ensure corresponding increases in farm-gate prices.
35. While it is recognised that a significant proportion of Member States are unlikely to support the UK Government's vision, any concessions made in terms of CAP support would represent a major challenge for the Welsh agri-food sector. This would particularly be the case in the absence of measures that redress imbalances of power within the supply chain.

Processing

36. Since the majority of larger processors rely upon the major retailers, the imbalance of power between processors and the major retailers, as identified by Thanassoulis and Smith⁷, is a major challenge for Welsh processors.
37. While estimates of supply chain margins exist¹⁰, there is a significant absence of transparency in terms of farmer-processor-retailer price spreads, and this remains a significant obstacle in terms of assessing what precise imbalances exist throughout the supply chain.
38. The FUW fully recognises the difficulty associated with releasing what are likely to be commercially sensitive figures (although it should be noted that such figures are available for farm-gate receipts). However, the union maintains that the release of such figures after a time delay would address concerns regarding commercial sensitivity, while allowing a proper assessment of price spreads to be made. This would in turn allow action to be taken in order to address imbalances of power.
39. Many of the other challenges facing the processing industry are also similar to those faced by primary producers, such as the cost of disproportionate EU bureaucracy, and the disparity between rules that apply to Welsh and non EU processors. For example, EU legislation has been the most significant contributing factor to the closure of around 1,100 slaughterhouses over the past 15 years – representing the loss of around 80% of UK slaughterhouses. Such closures have led to substantial increases in the distance travelled from farm to abattoir.
40. For small and medium sized processors, access to markets remains a significant challenge, due to a general lack of will by major public and private sector buyers and distributors to deal with small and medium sized companies, and the fact that many tendering processes exclude businesses that cannot meet demands to supply large volumes of produce.

¹⁰ *Dairy Supply Chain Margins*, DairyCo (2007), *UK Market Survey*, MLC Economics (September 2008)

41. While it is accepted that private companies are at liberty to choose suppliers, the FUW believes that the public sector should be obliged to ensure that small and medium sized businesses are given fairer access to public sector tendering processes, and that sustainable buying policies that allow access to public sector procurement tenders by local businesses should be mandatory.
42. In this context, it should be noted that, in spite of claims by some that policies designed to support local businesses would represent the irresponsible spending of taxpayers money, research has shown that using local businesses can contribute 86% more to local economies than when large, non local businesses are used¹¹.
43. While there currently exists a Welsh Assembly Government facility that acts as a hub for public sector purchasers by which they can advertise to registered suppliers¹², guidance on local procurement is virtually non-existent on the buy4wales website compared to the numerous references to Fair Trade produce that can be found on the site.
44. As a members of the *Buy Local, Buy Fair Trade* campaign¹³, the FUW works closely with the Wales Fair Trade Forum in order to encourage the procurement of Fair Trade produce, and therefore supports moves by WAG to encourage public procurement of Fair Trade produce. However, the failure of the National Procurement Website to provide significant guidance on local sourcing is an omission that should be addressed.

Labelling, Branding, Marketing and Promotion

45. Wales has, in the form of the Red Dragon, one of the most distinctive and memorable national symbols in the World, and this in itself presents a significant labelling and branding opportunity.
46. However, the inappropriate nature of current labelling legislation, and the restrictions that limit the way in which levy-payers' money can be spent to promote Welsh produce, remain a major challenges.
47. In terms of branding, the FUW believes that current legislation is too liberal, in that it allows companies to mislead the general public into believing major ingredients are of a particular origin or quality. The use of terms such as *farmhouse* etc., and the recent revelation that dioxin-contaminated Irish meat was an ingredient in products whose labelling led customers to believe they were *British* are examples of failings.
48. Conversely, legislation governing the use of levy-payers money to brand and market Welsh produce limits the way in which products can be branded; specifically, the rules only allow the origin of quality agricultural products to be included in advertising as a secondary message to the quality message, and do not allow any mention of origin in the advertising of products that do not satisfy 'food quality' criteria. Similar restrictions apply in terms of the use of Protected Geographical Indicator labelling.

¹¹ New Economics Foundation (2006)

¹² www.buy4wales.co.uk

¹³ http://fairtradewales.com/news/press_releases/774

49. The FUW believes that the restrictions placed by state aid rules upon the use of levy-payers monies are disproportionate, and that farmers should, through the relevant sector specific boards, be at liberty to use their own money in any way they see fit. This particularly includes drawing attention to the high standards that are a legal requirement for British farmers. The union therefore maintain that levy-payers' monies should be used primarily to benefit all levy payers.
50. Thus, while the FUW recognises the value of schemes such as Farm Assurance, and brands such as the Little Red Tractor, the union is opposed to the recent decision taken by the Agriculture and Horticulture Development Board to provide a financial contribution to promote the Red Tractor logo, on the grounds that not all levy payers are members of Farm Assurance schemes.
51. While there is an argument in favour of rationalising quality marks within or across some sectors, there is also a very real danger that rationalisation could undermine some sectors by replacing sector-specific marks that are currently recognised by the general public with generic labels. For example, a single mark associated with eating quality could hardly be applied to both beef and milk, given the differences between those products.
52. Similar sentiments were expressed in the Final Report of the Review of the Agricultural and Horticultural Levy Bodies (October 2005), which stated that

“Promotional campaigns are very expensive and tend to be at their most successful when aimed at promoting branded products to increase market share rather than promoting a commodity to increase general consumption. Promotional activity will often be best left to those, such as the big retailers, who can pursue brand or image-related objectives and have the resources to do so. Generic advertising financed out of levy funds is unlikely to deliver benefits to levy payers.”
53. Other challenges in terms of labelling include the drive towards providing so-called *health* information on produce, which can in many cases be misleading.
54. For example, the Food Standards Agency's *traffic light labelling* approach has given some products, such as hard cheese, an unfavourable and disproportionate status, even though such products can make an important contribution to a balanced diet.

What are the opportunities for the agri-food sector

55. The FUW believes that a diverse range of opportunities exist for the Welsh agri-food sector in the mid to long term, based upon growing awareness of the importance of local procurement, projections of future global food demands, and new and developing markets overseas.
56. While many of the current opportunities are the result of concerns relating to climate change, current predictions are that climate change will have significantly less impact on Welsh agriculture than in other countries, due to Wales' topography and latitude.

57. However, such opportunities can only be fully realised with appropriate support from Welsh and UK governments.
58. In particular, the FUW believes that the general public is now more supportive of responsible procurement that supports local businesses and minimises impacts on the environment, and that encouraging more local procurement should be a priority.
59. The union therefore believes it is unacceptable for some government bodies to produce guidance that highlights the importance of local procurement, while others spend public money on foreign produce that is produced at welfare and environmental standards that would be illegal in Wales.
60. The union believes that WAG has the ability and opportunity to improve awareness of the Welsh brand and Welsh produce, both domestically and on overseas markets, and should do so by further encouragement of public sector support for Welsh produce, while publicising the environmental and economical merits of local sourcing.
61. The union also believes that increasing sales of produce via the service sector represents a significant opportunity for agri-food businesses, and that increasing awareness of local food, while requiring service outlets to advertise the country of origin of produce, would bring significant benefits to the Welsh agri-food sector.
62. The increased awareness of the need to produce and process locally is likely to present new opportunities in terms of horticulture, and there is therefore an opportunity for some to change land use in a way that meets these demands and increases financial returns per hectare. However, it should be emphasised that, in the absence of a significant change in the mindset of public and private procurers, changes in the strength of Sterling could jeopardise the long term financial sustainability of such initiatives.

What effect is the current economic climate having on the sector and how will this impact on Welsh produce in the future?

63. The main influences on the agri-food sector of the current economic climate can be split into two categories
64. Firstly, the significant weakening of Sterling against the Euro during the past 18 months has made Welsh food more competitive on both domestic and export markets, allowing Welsh and UK produce to displace other produce on both markets; for example, from January to October 2008 UK exports of fresh and frozen beef rose by around a third to 64,000 tonnes, compared with the same period in 2007, while exports to the Irish Republic rose by 70 per cent. Similarly, UK sheep meat exports to the Republic also rose by two-thirds during the same period, while UK exports to France rose by a quarter. This situation stands in stark contrast to the severe impact that the strength of Sterling has had on Welsh agriculture over the past decade.

65. However, just as the weakening of Sterling makes foreign meat imports less competitive, it also results in a rise in the cost of essential farm inputs that are imported. In particular, the costs of the 'three Fs': fuel, fertiliser and feed, rises as sterling weakens.
66. Thus, had it not been for the dramatic fall in oil prices that has occurred over the past 12 months, and the impact that these and the global recession has had on other global commodity prices, input costs for the Welsh agri-food sector would have risen dramatically.
67. Secondly, the global recession itself has led to a significant fall in disposable incomes, meaning that consumers are less likely to buy foodstuffs at the higher end of the price range.
68. For example, 2008 saw a significant slowdown in UK organic sales growth, and a substantial fall in sales during the latter part of the year¹⁴. Similarly, the proportion of shoppers buying organic food has dropped by 5%, to 19% during the past 12 months. However, it is also worth noting that similar falls have not been observed for sales of other 'ethical' foodstuffs, despite the economic downturn¹⁵.
69. While the FUW fully supports those farmers who wish to take advantage of the premiums that organic produce attracts, and recognises the valuable contribution that organic farming has made to the Welsh agri-food sector, these statistics do raise questions regarding WAG's proactive approach to organic farming over the past decade, particularly given the number of farms that have signed up to the Organic Farming Scheme in the past twelve months.

How should the Welsh Assembly Government be responding to this?

70. While the FUW recognises the importance of producing strategies relating the various agri-food sectors within Wales, there is significant concern among members that these have not resulted in action over recent years.
71. It is therefore believed that WAG should be more proactive in encouraging and facilitating public and private sector procurement of Welsh produce, and that this should be done in a manner that supports small, medium and large processors and cooperatives. Such action would not only provide opportunities for all existing companies; it would also catalyse the creation of new companies and cooperatives, which in turn would bring benefits in terms of local employment and redressing some of the imbalances that currently exist throughout the supply chain.
72. Such action would also raise awareness of and confidence in Welsh produce, both amongst Welsh people, and visitors to Wales. With regard to the latter, it should be noted that, notwithstanding the global falls in disposable incomes, the current exchange rate is likely to result in an increase in the number of visitors to Wales from other UK regions and beyond, and it important that every opportunity is taken to promote Welsh produce to such people.

¹⁴ TNS Global (2009)

¹⁵ IGD Retail Analysts (2009)

73. While the FUW recognises the problems that state aid rules represent in terms of encouraging public procurement of local produce, the union believes that these have been exaggerated by some bodies in order to avoid local procurement. Indeed, the implementation of local procurement initiatives by some public bodies both within Wales and across the EU supports this view, as does DEFRA's recent revelation that model contract clauses can be used to encourage local sourcing¹⁶.

How effective have Welsh Assembly Government policies and initiatives been in stimulating the growth of the agri-food sector in Wales? Which initiatives have been effective or ineffective and why?

74. While members recognised the important contribution that WAG policies have made to the towards stimulating growth within the Welsh agri-food sector, particularly in terms of processing and marketing grants, it was felt that there had been too much emphasis on niche, rather than mainstream markets.
75. Members also believed that greater emphasis should have been placed on encouraging processors to develop new mainstream products. This was particularly the case regarding the dairy industry, where significant growth has occurred in sales of foreign-produced yoghurt, fromage frais, and similar products.
76. As already alluded to, it is believed that past strategies were too disjointed, and that more cohesion between the various strands of the agri-food strategy would have increased growth in the sector.
77. With regard to the True Taste initiative, it is felt that the majority of the Welsh public are unaware of the brand, and that this represents a missed opportunity.
78. While the union recognises the role that Hybu Cig Cymru has played in terms of encouraging growth in the meat sector, there is a perception that the former Milk Development Council had previously failed to fully engage with the Welsh agri-food strategy.
79. Members were also concerned that there has been a lack of cohesion and communication across government departments and public bodies, both within Wales and across the UK, and that this represents a missed opportunity. This lack of cohesion is apparent in the vast differences that exist between the proportion of local food that is sourced by Welsh Local Authorities, Health Trusts, and overarching bodies such as the MoD.
80. The union has previously supported calls for the establishment of a 'food hub' in order to facilitate public and private sector procurement of local produce, and enable smaller processors and producers to work together in order to meet demands for large volumes of produce. The union therefore believes that initiatives such as the buy4wales National Procurement Website should be developed in order to embrace and pursue a far broader range of functions, including encouraging and facilitating

¹⁶ <http://www.farmersguardian.com/story.asp?sectioncode=1&storycode=22533>

cooperation between producers in order to meet the demands of both the private and public sectors.

Have the Welsh Assembly Government's initiatives to increase awareness of Welsh produce both domestically and overseas been effective?

81. The union believes that the impact of independent WAG initiatives to increase awareness of Welsh produce have been minimal, both domestically and overseas. However, it is recognised that joint initiatives between WAG and other bodies, including those funded in part by WAG, have had an impact.
82. In particular, the union recognises the impact that the work of Hybu Cig Cymru has had in raising awareness of Welsh produce in Wales, the UK, and overseas. For example, HCC's Welsh lamb advertising campaign was recently voted by viewers in the *People's Choice Awards* as their favourite, beating major rivals such as Marks and Spencer, Levis and Yellow Pages. Welsh Lamb has also become the most recognised brand in the South East of England, having outperformed all other home nations and imported lamb products.
83. In terms of awareness overseas, the union recognises the significant challenges that the strength of Sterling has represented for bodies such as HCC over recent years, and the impacts that export restrictions have had in terms of closing export markets and the loss of customers. It is therefore believed that the current weakness of Sterling represents an opportunity to develop new and existing markets overseas that should not be missed.

Has enough been done to encourage integration between different elements of the food supply chain?

84. The union does not believe that enough has been done to develop integration between different elements of the food chain. In particular, there has been a lack of guidance and uniformity as regards public sector procurement initiatives that would otherwise have encouraged integration and cooperation between different elements of the food chain.
85. While WAG has little control over private sector procurement, this is not the case with respect to the Welsh public sector, and encouraging public sector procurement, while also facilitating cooperation, through the development of the buy4wales hub, would catalyse further integration and cooperation among producers and processors. This help companies and cooperatives to raise sales above the critical masses needed for such businesses to be sustainable, which would in turn allow them to compete for private sector contracts.

Good Practice

Do you have any examples of good practice within Wales?

86. Throughout Wales numerous examples of initiatives that have made a positive contribution to the Welsh agri-food sector exist, in terms of activities by primary producers, cooperatives, and public sector procurement. Many of the best examples of good practice within Wales have been formally recognised by the *Wales True Taste Awards*, and winners and runners up in the awards have comprised a diverse range of innovative industry and public body initiatives to promote and support Welsh produce.
87. Particular examples of good practice in terms of producers include, *Calon Wen, Llaeth y Llan, Graig Farm, Trioni, Cambrian Mountain Lamb, Llwynhelyg Farm Shop* and *Cig Oen Maethlon*.
88. Examples of public sector initiatives include numerous 'Grow It, Cook It, Eat It' Local Authority and school initiatives, and Caerphilly County Borough Council's Farmers Project. One of the most innovative recent initiatives has been Aberystwyth University's drive to source all the food served in its restaurants locally¹⁷.
89. In terms of broader initiatives, various Welsh Procurement Initiative and Welsh Local Government's Procurement Support initiatives have taken significant steps towards increasing local sourcing through the *Sustainable Procurement Assessment Framework* and *Opening Doors* initiatives. However, despite the growth in public sector procurement of local produce that has occurred over recent years, the figures for many government departments and public bodies leave much to be desired.

Do you have any examples of initiatives in other parts of the UK or Europe that have successfully encouraged the growth of regional food products?

90. While numerous examples of good practice exist within the UK and further afield^{18,19,20} the world-leader in terms of the public procurement of regional food products has been the school meals program in Rome, Italy.
91. The Italian public sector is bound by the same EU laws as the UK, which stipulate that contracts cannot be awarded based on the geography of the bidder. However, following the EU Council of Ministers' agreement in 1999 that contracting authorities may take production methods into consideration, Italy passed a law that explicitly promoted the link between organic and local food and public sector catering.
92. Since 2001, Rome's *All for Quality* initiative has ensured procurement policies based upon definitions of health that include the social and nutritional health of children, coupled with a philosophy of environmental stewardship.
93. The policies adopted in Rome and other parts of Italy effectively allow positive discrimination in favour of local sourcing by emphasising the links between food, culture, and traditions. The system also allows state aid law to be interpreted

¹⁷ <http://www.aber.ac.uk/aberonline/en/archive/2008/09/au13808/>

¹⁸ *A flexible and sustainable supply chain model to provide local food into schools*, Collier (2005)

¹⁹ <http://www.defra.gov.uk/farm/policy/sustain/procurement/sellingpublic.htm>

²⁰ *Local Food Procurement Policies: A Literature Review*, MacLeod & Scott (2007)

creatively in a way that emphasises the territorial 'rootedness' of public procurement, over and above the European principle of non-discrimination²¹.

94. This approach also allows an holistic interpretation of *best value* that extends to include values such as hygiene, nutrition, and education
95. For example, the awarding of contracts to supply the 140,000 or so school lunches that are served in Rome every day is based upon a 100-point system, of which 51 points are based on the purchase price of the food. The remaining 49 points include factors such as support for infrastructure, place of origin, organic, fair trade, etc. It is perhaps worth noting that DEFRA's recent 'discovery' of a 'loophole' in state aid rules¹⁶ came more than nine years after the Council of Ministers' decision to allow contracting authorities to take production methods into consideration, and seven years after Rome implemented its *All For Quality* initiative.

²¹ *Empowering consumers: the creative procurement of school meals in Italy and the UK*, Morgan, K. & Sonnino (2006).