



# Food Processing Inquiry

## The Welsh Government Response to the Economy, Trade, and Rural Affairs Committee report.

The Economy, Trade, and Rural Affairs (ETRA) Committee published its report, 'Bringing home the harvest: Supporting the Welsh food processing industry,' on 20 January 2026 with six recommendations for the Welsh Government.

This is the Welsh Government's response to those recommendations.

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## Introduction

The Committee began its Inquiry into Food Processing on 8 May 2025 and in particular, considered these areas under the Inquiry's Terms of Reference:

- The Welsh Government's performance in delivering against the objectives in its Vision for the Food and Drink Industry.
- Whether the objectives in the Vision for the Food and Drink Industry remain fit for purpose or whether they should be revised.
- The effect decreasing numbers of livestock have on the ability of the processing sector to add value to Welsh produce.
- What the Welsh Government can do to further support the processing sector to increase added value for food products in Wales, particularly for the red meat, dairy, and horticulture sectors; and
- The barriers to increasing the public procurement of food processed in Wales.

The Committee's report focuses on these areas, with an additional recommendation related to seafood following stakeholder evidence.

We acknowledge the Committee's important work in this area and outline our response to its recommendations below.

# Response to the six recommendations

## Recommendation 1

The Committee recommends that:

The next Welsh Government must coordinate its approach to the food system by ensuring policies are joined up and complementary. This must include ensuring the food processing sector is supported to both help businesses grow and ensure Welsh providers can service the Welsh market. To do this, they must create an overarching and holistic strategy for the whole food system designed to support the aims of the Vision and align Government food policy, promote the food processing sector, and prioritise sustainability and food security.

Response: Reject

The current Welsh Government maintains a joined-up, whole-system approach across its existing policies. We do not agree there is a need for the creation of an additional “overarching and holistic strategy” which could result in duplication and overlap with existing policies, or diversion from the existing policy priorities. Any future decisions on this will be a matter for the next Welsh Government. We recognise the importance of a coordinated approach to the food system. All current policies are designed to be complementary, and Welsh Ministers are subject to a statutory duty under the Well-being of Future Generations (Wales) Act to carry out sustainable development. This requires policies to align with the Act’s well-being goals and sustainable development principle.

The Welsh Government already provides a coordinated package of support for food and drink manufacturers through the Food and Drink Wales offer, which brings together sustainability, climate resilience, technical advice and supports business growth. This underpins a whole-system approach by helping processors consider the wider supply chain, improve environmental performance, strengthen resilience to climate risks, and remain competitive, aligning with wider food security and sustainability objectives.

A joined-up approach to food system sustainability is supported through services such as the free carbon reporting offer (Carbon Reduction Pilot), which provides funded technical advisory support to food and drink businesses. This enables businesses to establish a carbon baseline, identify emissions hotspots, and

develop robust carbon reduction plans with clear actions to reduce emissions across processing, packaging, and distribution.

From April 2026, the new Climate Resistant Food Security Service will ensure that food processors and manufacturers have access to the latest research on adaptation and resilience. This service will support businesses to grow sustainably and contribute towards strengthened food security in Wales. Alongside this long-term work, we also take forward a wider programme on emergency-related food risks that includes our role within the Wales Resilience Framework and our broader engagement with partners on supply chain vulnerabilities and crisis preparedness.

Key mechanisms supporting a coordinated whole system approach include:

- Our Vision for the Food and Drink Industry provides a strategic framework for the sector, taking a whole-system approach to meeting the wide-ranging needs of food and drink businesses. It strengthens business resilience through aligned action on sustainability, productivity and skills, delivered in collaboration with industry, government, and academia to ensure coherence across the supply chain. To support sustainable food production and increase food resilience, the Welsh Government's [Community Food Strategy](#), and [Sustainable Farming Scheme](#) complement 'the Vision's' ambition.
- The First Minister established the Food Forum in June 2023 to improve coordination and oversight of food-related work across government. It brings together officials from portfolios including Agriculture, Education, Health, Fisheries, the Circular Economy, the Foundational Economy, Skills, Tackling Poverty and Fair Work. It has supported delivery of key Programme for Government commitments including the Community Food Strategy (published 29 April 2025), by improving join up and communication across departments.
- Food Matters: Wales was published on 22 July 2024 to provide a summary of food related policies across our portfolios for stakeholders. It demonstrates how these policies connect through the Welsh Government's well-being objectives, which maximise our contributions to Wales' seven long-term national well-being goals under the Well-being of Future Generations (Wales) Act.

[The Healthy Weight: Healthy Wales \(HWHW\) delivery plan for 2025 to 2027](#) also supports the food processing sector through reformulation, healthier product innovation, and shifting retail incentives away from products high in fat,

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sugar, and sugar (HFSS), to benefiting healthier food produce, including items supplied through short supply chains. This provides regulatory clarity on product presentation and promotion and embeds processors within a whole-system approach to population health.

**Financial implications: None**

## **Recommendation 2**

The Committee recommends that:

The next Welsh Government should look at how it can support Welsh abattoir and food producers to ensure relatively low carbon Welsh meat can be served on Welsh plates, to avoid destocking Welsh farms but importing lower quality, lower welfare, and higher carbon meat. They should give serious consideration to the stocking density of Welsh livestock farms and consider introducing a headage scheme similar to the Scottish Suckler Beef Support Scheme.

### **Response: Accept**

The Welsh Government recognises that a stable and sufficient supply of livestock is essential to the viability of the red meat and dairy processing sectors in Wales. We recognise that there has been a declining trend in domestic beef and sheep populations across the UK over the last twenty years. However, whilst beef and sheep population numbers have declined, production has remained relatively stable since 2008.

Food is one of the foundational sectors of our economy and our climate is better suited than many other parts of the world to producing sustainable, high-quality red meat. Our Sustainable Farming Scheme supports farmers produce food in a way that has a low carbon footprint. This will allow us to become one of the best countries in the world for sustainable farming, meeting our global obligations without offshoring food production to countries with lower standards.

Improving farm efficiencies and embracing scientific innovation - while stabilising numbers and maintaining the production of high-quality, sustainable food with healthier and more productive animals - is a key Welsh Government objective, with the main driver being the Sustainable Farming Scheme. Through the optional layer, the proposed SFS aims to incentivise on farm efficiency and productivity to adopt more effective practises to reduce Greenhouse Gas (GHG) emissions and improve the productivity of the beef sector.

Phase one will look to introduce actions to reduce the Age at Slaughter and Sire Registration – both for the beef sector. Phase two is looking for the continuation of other targeted support to increase efficiency.

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The sustainable production optional action will support all the Sustainable Land Management (SLM) objectives with a focus on sustainable food production.

We are proposing a suite of actions which are focused on supporting improved efficiency and sustainability of enterprises, whilst at the same time, reducing greenhouse gas emissions, responding to the climate and nature emergencies, and building resilience.

**Financial Implications - this work is ongoing and will be accommodated within existing budgets.**

### **Recommendation 3**

The Committee recommends that:

The Welsh Government should adopt Food Policy Alliance Cymru's ambitious target of 75% of vegetables consumed in Wales to be produced here sustainably. To achieve this, the Welsh Government must invest in horticultural business, support the development of horticultural skills, and make a specific effort to improve horticultural food processing infrastructure.

#### **Response: Reject**

The Welsh Government shares a high ambition to grow our horticultural sector. However, a target of 75% of vegetables consumed in Wales to be produced here sustainably may not be suitable or deliverable due to the seasonality of vegetable growing in Wales.

We strongly agree with the objective of increasing the sustainable production of vegetables in Wales through co-ordinated policies to improve the profitability, efficiency, and environmental impact of the horticulture sector.

We have been working with sector stakeholders to improve planning guidance for local authorities in Wales when dealing with applications from horticultural businesses. This should improve the dynamism of these businesses, allowing them to make efficiency improvements more quickly. This work is linked to capital grants schemes the Welsh Government have developed in the last few years to help the sector. The Small Grants – Horticulture Start Up and Agricultural Diversification and Horticulture Schemes have enabled growers to invest in equipment to increase sustainable fruit and vegetable production.

The work of the Farming Connect advisory service has been instrumental in driving growth in the horticultural sector. This service gives farmers

comprehensive advice and training to improve business performance, as well as providing a valuable forum for peer-to-peer learning and industry insight. The service has seen a 52% increase in the number of horticultural enterprises registered with them since 2023.

Farming Connect can advise growers on market access. While increasing the proportion of home-grown vegetables consumed in Wales, we need to be mindful of ensuring there is demand to meet the supply. Public procurement has a role to play in this, with the Welsh Veg into Schools project being a notable success story in increasing domestic consumption. The Welsh Government wishes to continue to support the sector to identify these market opportunities and encourage sustainable growth while avoiding market distortion and the potential risk to businesses from overproduction.

**Financial implications: None**

## **Recommendation 4**

The Committee recommends that:

The Welsh Government should set out any work it has undertaken to support the Welsh seafood processing industry and to encourage the consumption of Welsh seafood domestically.

**Response: Accept**

The Welsh Marine and Fisheries Scheme aims to ensure sustainable growth in the fisheries and aquaculture sector to support coastal communities prosper. The scheme is designed to create opportunities within the marine environment, coastal communities, and sustainable seafood across the whole supply chain, from production to processing and marketing. Previous grant rounds funded processing-related items such as ice machines, weighing systems and efficiency-boosting equipment.

The Welsh Government focuses on sustainable fish stock management through Fisheries Management Plans (FMPs). FMPs are a requirement of the Fisheries Act 2020 and the UK Joint Fisheries Statement (JFS). FMPs are a key tool to support a sustainable, resilient, well-managed fishery. Retaining stocks within sustainable limits will ensure our fishing communities, the seafood supply chain and wider society continue to benefit from our natural assets, now and into the future in line with the Well-being of Future Generations Act 2015.



We have commissioned a socio-economic study of Welsh fisheries, including seafood processors, to inform future support and policy decisions. The study gathers data from processors, wholesalers, and coastal communities to shape more targeted support and ensure sector resilience.

All local authorities and/or governing bodies have discretion over menu design and delivery of meals within the parameters set out both within the Healthy eating Regulations and the accompanying Statutory Guidance Revised Regulations as they apply to all maintained nursery and primary schools, were laid before the Senedd on 17 December 2025 and are expected to come into force on 31 October 2026. These Regulations will ensure that school meals consider the latest UK dietary recommendations and provide healthier, balanced options that support long-term wellbeing.

The revised Regulations set the minimum requirement of fish on a school menu as once every four weeks. The accompanying Statutory Guidance promotes the procurement of sustainably sourced fish.

We are committed to increasing the use of locally produced Welsh food in schools and have driven growth in local sourcing through Universal Primary Free School Meals and wider investments.

**Financial Implications: None**

## **Recommendation 5**

The Committee recommends that:

The Welsh Government must ensure it has a strategic plan to ensure there is a “team Wales” approach between producers, processors, retailers, and hospitality and that food processing is firmly supported and allowed to play its vital role in the foundational economy. A key part of this work should be exploring how they can fill the ‘missing middle’ gap in Welsh food production and encourage our excellent micro businesses to grow.

As part of this they should:

- Examine what lessons can be learnt from the Irish approach set out in Food Harvest 2020 and to picking winners.
- Develop programmes to help food processing businesses upskill their employees and to allow people to learn innovative or underused food processing skills to fill gaps in the Welsh food processing market.

- Review the food processing infrastructure offer across Wales, identify gaps, and set out a plan to fill them in order to strengthen local supply chains and retain GVA; and
- Consider how it can address the market failure caused by relatively lower property prices making it harder for many Welsh businesses to access loans against capital investment in the food processing sector.

### **Response: Reject**

Collectively, the Food and Drink Wales offer provides a strategic, whole-system package of support that strengthens domestic food processing capability, and resilience. This includes improving sustainability, supporting productivity and innovation, and enabling collaboration across producers, processors, retailers and hospitality – directly contributing towards a 'Team Wales' approach.

Our support focuses on the 'missing middle' by connecting SMEs with tailored technical expertise, productivity and innovation support through Wales's food centres, delivery partners, and cluster networks. Cluster networks such as the Sustainability Cluster and the climate resilience offer promote collaboration, shared learning, and continuous improvement.

We provide fully funded, onsite training for food processing and manufacturing businesses to build climate adaptation awareness and resilience. This support is available to businesses of all sizes.

The Vision for the Food and Drink Industry provides the overarching strategic framework that underpins Welsh Government support for government-industry-academia collaboration, embedding food processing within the foundational economy.

On the Committee's reference to Food Harvest 2020, future Welsh Government business support will be a decision for the next Welsh Government. Our current business support model delivers practical, agile support tailored to each business's needs. Programmes including Enterprise for Success, Investor Ready and Scale-Up support Welsh firms at different stages of maturity, including micro and small firms with growth potential to access investment, improve productivity, and make informed, long-term decisions. Metrics such as gross value added, return on capital employed and jobs generated track sector performance.

Targeted capital schemes, including the Food Business Accelerator Scheme support performance improvements, competitiveness, sustainability, and efficiency. To respond to consumer demand, we encourage diversification, and identify, exploit and service new emerging and existing markets. These

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schemes provide capital investments for processing equipment, to modernise facilities, boost sustainability, and support sector-wide growth and supports projects that offer clear and quantifiable benefits to the food and drink industry in Wales. These investments build a more sustainable production infrastructure across Wales, aligning with wider Welsh Government climate goals. An independent evaluation of previous food sector schemes delivered under the Rural Development Programme shows they leveraged over **£45 million** of investment that would not otherwise have taken place, enabling increased capacity, improved efficiency, and earlier investment decisions.

Our National Helix Programme makes Wales different through the delivery of specialist support across Wales. This support is channelled through four food centres focused on process efficiency, new product development, reformulation, and accreditation. Our cluster programme strengthens collaboration, innovation, and supply chain resilience, with over 800 growth businesses engaged in the past year.

Workforce development is supported through the Food and Drink Skills Wales programme, offering diagnostics, funded training, and tailored workforce support. This supports existing employees progress, address skills gaps and create new career opportunities within the industry. Since March 2025, the sector jobs noticeboard has advertised over 1,600 vacancies, strengthening labour supply and attracting new talent.

Our Retail and Foodservice Plan supports the food processing industry by improving market access and has informed our Food and Drink Trade Programmes. This approach has increased the Welsh offer in the UK domestic market for retail, foodservice, and hospitality. We are proud of these collaborative partnerships developed under the 'Food and Drink Wales' brand and have secured buy-in for Welsh products from all major retailers and larger foodservice businesses.

In 2022, we conducted the first Major Retailer Audit Report to identify the number of Welsh product listings at major supermarkets and stores in Wales. Our most recent review in Autumn 2024 revealed that since 2022, product listings have increased by 143%. Since 2024, we have supported more than 70 Welsh businesses access new markets, with approximately 2,500 Welsh product lines listed in Wales and the UK, worth over £8m in sales. We continue to engage with wholesalers in Wales and those who service the hospitality sector to increase Welsh produce on menus.

In February 2026, the Welsh Government announced circa 4,400 hospitality businesses will be eligible for 15% relief on their rates bills in 2026-2027 to support hospitality businesses through a period of rising costs and changing consumer

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habits. The Welsh Government is providing up to £8 million for the package, using funding from the UK and Welsh Governments. This support for Food and Drink hospitality comes on top of substantial existing support. Upwards of half of pubs in Wales already benefit from Small Business Rates Relief, and over a quarter pay no rates at all. The Welsh Government's permanent reliefs are worth £250 million every year.

Export development and foreign investment programmes support international trade by promoting Welsh food and drink to buyers, wholesalers, and distributors to attract inward investment, and support business risk diversification, innovation, and job quality. Our export programme has evolved to provide a more strategic, step-by-step approach to market development, delivering impactful support to key international markets. The Blas Cymru/Taste Wales brokerage generates business opportunities for Food and Drink businesses domestically and internationally. Last year, it hosted the trade buyers from leading UK retailers, foodservice operators, and global buyers with over 2,700 trade meetings. These new important trade links have already resulted in over £45 million in new business opportunities. At the Royal Welsh Show, the Food and Drink Wales Trade Business Lounge further supports buyers to identify Welsh suppliers.

All 22 Local Food Partnerships across Wales have been awarded grant funding that places us on course to achieve the published commitment in the Community Food Strategy to provide over £2m of support in this financial year. These partnerships design and implement their own food projects to target local needs and create collaborations across key local food stakeholders. This support is critical for strengthening local food networks and for delivering community-led food solutions. Up to £240,000 has been made available for Local Food Partnerships to collaborate on larger projects with a shared interest. For example, Bwyd Powys is leading a project covering Mid and West Wales including four Local Food Partnerships to develop a pioneering food resilience strategy as well as delivering activity to start to address this challenge on the ground.

There are 24 Welsh products with UK Geographical Indication (GI) Status including Welsh lamb and Welsh beef. These designations anchor processing in Wales, support price premiums, strengthen exports and help retain economic value and skilled employment.

Welsh Government supports an SPS agreement and continues working with the other UK administrations to secure arrangements that reduce friction for Welsh food producers and processors while maintaining strong biosecurity. We ensure Welsh interests are represented in all UK trade negotiations, pressing for outcomes that protect Wales' high standards in animal health and welfare, traceability, the environment, and food safety. We safeguard the competitiveness

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of Welsh food businesses by emphasising the need for a level playing field—imports produced to lower standards must not gain an unfair economic advantage, and new trade agreements must not undermine our essential trading relationship with the EU.

Finally, our Market Insight Programme provides food and drink businesses with data on retail, grocery, and out-of-home trends, supporting informed decision-making and strengthening competitiveness.

### **Financial Implications – None**

## **Recommendation 6**

The Committee recommends that:

Welsh Government should expand successful schemes supporting public procurement and integrating public sector purchasers into local supply chains, in order to realise the objectives of the Social Partnership and Public Procurement (Wales) Act.

### **Response- Accept**

Through statutory duties, procurement policy frameworks, practical procurement guidance, business support programmes, and evidence-led interventions, the Welsh Government actively supports the integration of public sector purchasers into local supply chains.

For example, we are strongly committed to increasing the use of locally produced Welsh food in schools, recognising its nutritional, educational and economic value. Through Universal Primary Free School Meals and wider foundational-economy investment, the Welsh Government has driven growth in local sourcing, with public procurement of Welsh food more than doubling since 2021 and Welsh wholesalers reporting a 173% increase in local authority spend on Welsh produce between 2021 and 2024.

This commitment is being realised through collaborative work with local authorities, producers, and wholesalers to diversify supply chains, pilot innovative approaches such as the Welsh Veg in Schools project, and embed sustainable procurement principles that shorten supply chains, reduce food miles and support Welsh growers, farmers, and manufacturers.

Further, in supporting the implementation of the revised Healthy Eating in Schools Regulations coming into force this October, we will collaborate with local

authorities and the Welsh school food supply chain to maximise opportunities to source local products onto school plates.

The Community Food Strategy includes a commitment to increase the amount of Welsh public sector spend on food of Welsh origin by at least 50% by 2030. To this extent, Foundational Economy funded food projects have strengthened partnerships between growers, local authorities, health boards, and wholesalers, increasing the supply of Welsh, sustainable produce and improving food education and procurement. Support for 52 Welsh food businesses has helped retain 1,119 jobs.

As highlighted in our Evidence Paper, we are progressing the implementation of Part 3 of the Social Partnership and Public Procurement (Wales) Act 2023. This introduces new socially responsible procurement duties on contracting authorities to pursue economic, social, environmental, and cultural well-being when undertaking procurement. A consultation on the draft Statutory Guidance required to support implementation of the Act closed on 10 February 2026. The Statutory Guidance will help public bodies who are covered by the Act to discharge their new socially responsible procurement duties. It will provide practical guidance on achieving wellbeing outcomes through procurement. We will work with public bodies, social partners, procurement professionals, and others to support effective implementation and delivery.

Our Carbon Reduction Pilot directly supports Welsh Government procurement requirements by providing suppliers with a practical, procurement-ready approach to measuring and reporting carbon emissions in line with WPPN 06/21, including Scope 1, 2 and key Scope 3 emissions.

Through the pilot, businesses are supported to record emissions using a consistent, auditable methodology and to develop credible carbon reduction plans, strengthening readiness for major public sector contracts and delivery of Net Zero 2050.

By the end of the two-year pilot we aim to have supported nearly 140 food and drink manufacturing businesses, and from April 2026, this approach will be embedded within a new Sustainability Service offer for the sector, consolidating carbon reporting, the Sustainability Cluster, with supporting research and training.

**Financial Implications – None**