

Summary of the Hearing with the Farmers Union of Wales, December 2006

Background

1. The Farmers Union of Wales (FUW) told us that it was an independent agricultural organization. Its members were primarily sheep, cattle or milk producers.
2. FUW noted that Wales was far more rural than the rest of the UK. It explained that there was a significant gap between the supermarkets and the farmers as the farmers dealt primarily with intermediaries.
3. The issues that FUW members were concerned about included farm profitability, regional and local supermarket dominance and the change in the type of outlets for their products. FUW members were also concerned about the non-availability of local products on the shelves.
4. FUW told us that the reduced availability of outlets for its products, due to the closure of small shops, had also resulted in a more limited choice for consumers in rural areas. FUW was of the view that the profit margins for the small local shops were much narrower than for supermarkets. It considered that the diversion of a small number of people to supermarkets could lead to a small shop effectively becoming uneconomical and being forced to close.

Relationships with retailers and processors

5. FUW said that the reduction in the farm gate price for milk was not reflected in the actual price of milk on supermarket shelves. It was of the view that the reduced farm gate price was simply being translated into higher profit for retailers.
6. FUW told us that it consistently received complaints from farmers about unfair competition from overseas suppliers of meat. Its members were particularly concerned about welfare issues such as the use of growth hormones and promoters and the lack of testing for antibiotics. FUW cited as an example the reduced standards for beef imported from Brazil. It believed that the supermarkets should apply greater controls on their meat imports. The FUW referred to suspicion that the supermarkets strategically imported meat in order to manipulate the domestic prices.
7. FUW explained that there were more direct relationships between the supermarkets and the farmers for branded higher-value meat products. It also noted that the producer clubs had more direct (although not fully direct) relationships with the supermarkets.
8. FUW considered that farmers were not in a position to control or dictate the prices for meat. Its members had primarily been complaining about the supermarkets with high market shares.
9. FUW said that its perception of the worst supermarkets was partially based on informal feedback from abattoirs. FUW considered it unlikely that the abattoirs had used the supermarkets as an excuse to pay the farmers lower prices for their meat. It pointed to the limited viability of the abattoirs compared with the supermarkets and highlighted the increased closure of abattoir operations.
10. FUW were of the view that the supermarkets had a great deal of control over the independent abattoirs. The abattoirs depended on their contracts with the supermarkets for the survival of their business.

Changes in the industry

11. FUW told us that the downward pressure from the supermarkets had resulted in the exit of a high number of farmers. There had been a lot of consolidation in the industry leading to larger farms and changed land use.
12. FUW said that the viability of meat production was lower, due in part to the changed subsidy system. It was of the view that the change in the Common Agricultural Policy was the first change on the way to the abolition of subsidies. If prices continued as they presently were, the majority of farms might not be viable.
13. FUW noted that the levy boards had been involved in advertising Welsh lamb and beef and raising awareness of the quality of the product and there had been some improvements in this area. FUW was of the view that selling the product through alternative outlets would only be a successful option in the future for a few farmers. It said that the majority of meat was currently distributed through the supermarkets and did not see that changing.
14. FUW told us that the maintenance of quality required investment in the process and in the methods of slaughtering and hanging as well as in transport. There were also additional costs to the level of investment required to keep up with increased bureaucracy. This was a particular issue for dairy farmers who needed to buy new machinery and maintain higher hygiene specifications.

Supermarket Code of Practice

15. FUW suggested that a possible amendment to the Supermarket Code of Practice (SCOP) would be to provide for transparency through greater price reporting. It was of the view that the prices at each level of the supply chain should be published after a time delay of, for example, six months.
16. FUW said that it would be difficult to legislate for certain practices in the SCOP as a great deal of the practices were due to the nature of the commercial negotiations between the parties.