

## Summary of a hearing with Really Welsh

### Background on Really Welsh

1. Really Welsh told us that it was a farming operation based in Lincolnshire, with farms in four locations in the UK, including Wales. It was the sole supplier of leeks, spinach and kale to all Tesco and Waitrose stores. It also supplied leeks and cauliflowers to stores in Wales. It was the only daffodil (of any scale) and leek grower in Wales. Its turnover with Tesco and Waitrose was currently somewhere between [ ] a year.
2. The company farmed 3,500 to 4,000 acres of vegetables in the UK. Within Wales it farmed 1,200 acres in the Vale of Glamorgan and 200 acres in North Wales. It employed 32 people.
3. Really Welsh was now growing some crops on converted dairy farmland in Wales and was paying significant rents to farmers who had not rented their land in the past. Barriers to entry were not high. Fifteen years ago Really Welsh would not have been able to rent enough land for its business. At that time, farmers were making a great deal of money from growing wheat because prices were higher. However, it was now more profitable for those farmers to rent that land to Really Welsh to grow leeks.
4. Really Welsh supplied both organic and inorganic food, but did not grow any organic food. It intended to supply meat and planned to purchase an abattoir. It was planning on acquiring a 400-acre farm business tenancy in order to create a centre of excellence for beef production, and potentially pork and poultry production as well. It wanted the Really Welsh brand to command a premium price so had to be better than other brands, and could not just rely on a Welsh dragon on the label. It was trying to change the perception of Welsh products so that these were regarded as being discernibly different. For example, it was having success with its Really Welsh cauliflowers which were slightly bigger than the standard product, slightly better in the way they were presented and offered more value for money.

### The market and relationship with supermarkets

5. The only factor that Really Welsh had seen affect the price of vegetables was over-supply. When a supermarket buyer was offered more product than the grocery retailer needed, the price the supplier received was reduced.
6. Really Welsh preferred to be the sole supplier of a product to a grocery retailer because of the assurance that that position provided in terms of planning. A leek crop could be in the ground for 12 months before being harvested. Given that situation, it was not helpful to have a retailer change business on a whim, which could happen when that retailer had two or three suppliers. It would take Tesco somewhere between one and two weeks to replace the products that Really Welsh supplied to it, with the exception of Welsh leeks which no one else grew.
7. Really Welsh had stopped dealing with Sainsbury's and Safeway because it did not like the way they traded. It preferred to deal with Tesco and Waitrose, with whom its business had increased 500 per cent and 200 per cent respectively. Sainsbury's used the 'picot process on pricing' and auction pricing. Really Welsh did not think it was

possible to invest in a supply business on the basis of quoting for two years to Sainsbury's when it was not known whether it would be a customer in year three. With Waitrose and Tesco's, business was conducted on an ongoing basis.

8. Really Welsh did not have any written contracts with Tesco or Waitrose but did not feel having them would make a difference. The price of its goods was agreed on a weekly basis with Tesco prior to supply. However, it had long runs on things like spinach, which in reality would be priced three times a year: in early season, UK season and imported season. There might be some slight fluctuations in price, but only by a few pence. Really Welsh's dealings with Tesco and Waitrose were transparent and it knew the margins they made on the produce they bought from the company. Really Welsh enjoyed this transparency with its suppliers as well.
9. There were problems associated with some supermarkets in the way they handled their suppliers. It was anti-competitive to expect businesses that had invested large sums to quote for short-term volumes when there was the possibility that their orders could suddenly be reduced. Businesses feared bankruptcy but would accept prices near to, or below, cost in order to retain business. Really Welsh was happy with Tesco and Waitrose which gave it clear information and key performance indicators (eg delivery targets).
10. Really Welsh wanted strong regulation at the food safety level, including the auditing and inspection of farms. A food scare could have serious consequences for the business. When there was e-coli in a batch of spinach from America, Tesco held a meeting with its major spinach suppliers and sent an expert to independently audit them all. Really Welsh considered this good business practice.
11. Really Welsh did not want a Supermarket Code of Practice that was unworkable and bureaucratic. It was concerned that regulation might stop retailers from making sensible business decisions about how their business could be allocated. There were some poorly-performing marketing agents, farmers and retailer suppliers, and people were becoming fearful about making supply chain decisions.
12. There were companies in supply situations with supermarkets which were forcing either poor quality, or badly-priced products, on to grocery retailers' shelves because they were not prepared to make the necessary decisions. This was not good from the consumers' point of view. Some suppliers were not trying to develop the product, unlike Really Welsh which was always trying to innovate. For example, it was now working with a small shitake mushroom-growing business in the Brecon Beacons to promote this product in Tesco. The mushrooms would be branded as Really Welsh.
13. Grocery retailers sold as much as they could of the products that customers wanted. If a niche product such as organic Welsh black beef was offered to Tesco or Waitrose in reliable quantities, both companies would stock it provided the product could drive sales. Rachel's organic dairy brand was a successful example of this. Waitrose and Tesco were now willing to stock a local niche product in a local store, so farmers did not have to produce enough to supply a large number of stores. Local produce was currently fashionable. Really Welsh delivered to three Waitrose stores every day but wanted to attract more local producers to share these deliveries. If more stores wanted to buy these local products, a significant distribution network could be developed.

14. Welsh produce had not been marketed well in the past. Farmers had a perception that the Welsh Assembly and Welsh marketing groups like Farm Assured Welsh Lamb had wasted money on fruitless marketing schemes. For this reason, Really Welsh did not want to be part of such schemes or to accept any grants.
15. Really Welsh said that around ten years ago there had been instances where some supermarket personnel had demanded cash payments from suppliers for doing business with them, but this practice had subsequently ceased: business dealings were now conducted electronically and were transparent.