



Llywodraeth Cymru  
Welsh Government

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## **WRITTEN STATEMENT BY THE WELSH GOVERNMENT**

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**TITLE**            **Support for lamb producers**

**DATE**            **29 January 2013**

**BY**                **Alun Davies AM, Deputy Minister for Agriculture, Fisheries,  
Food and European Programmes**

Food production is part of the fabric of Wales and the Welsh economy. In 2011 the sheep sector was worth £270 million – 20 percent of the gross agricultural output of Wales. But of course its value to Wales goes far beyond its financial worth. Its role in sustaining rural and upland communities and their position as part of our social and cultural fabric is priceless. The price currently received by Welsh lamb producers is lower than at the same period in 2012 and returning to prices that are very near to 2011 levels. It is worth noting that lamb prices have enjoyed a general rising trend since 2008. There has been an unusual volatility in the lamb market place, far more than would be expected from normal seasonal fluctuations.

There have been a number of contributory circumstances leading to current price levels. These include the supply of lambs due to bad weather over the summer and autumn; lamb imports which are significantly cheaper than the home product; rising input costs, and reduction in SPS receipts as a result of the euro/sterling exchange rate. In addition, lambing conditions were especially challenging last year and as a result lower numbers were presented to the market in the summer, followed by a glut of additional lambs in the autumn. An additional consequence of the poor weather has been that lamb producers have had to rely more heavily on feed concentrates and supplements in the last year, and the cost of these has increased markedly over the last 12 months – by around 20 to 25 percent in some cases. There are likely to be further increases in feed costs, due to failed crops and reduced planting across the UK. All of these factors will impact on business profitability and viability. In addition, UK-wide figures show shifts in household purchases of mutton and lamb as a consequence of the price increases, with

the quantity purchased per person decreasing by around 18 percent between 2008 and 2011 – a greater change than has been noted for other meats.

Current prices should be read against a background of increasing lamb prices and rising farm incomes over much of the last decade where Welsh lamb producers have seen their incomes rise significantly and where lamb prices have increased year-on-year. The early lamb trade in 2012 was excellent with returns slightly higher than the previous trading year. However, as the year progressed the pattern changed dramatically and for 2012 as a whole the average price was down 7 percent on 2011 levels. By early January 2013, the average lamb price was around 30 percent less than it had been in 2011-2012.

I understand the frustration the current situation is causing for our lamb producers in Wales. Many of the current factors, such as the weather and exchange rates, are clearly outside the control of the Welsh Government and are factors that the whole economy has needed to address. It is ultimately for the sheep industry to ensure it produces what the market requires, however, the Welsh Government will provide increased support to help lamb producers achieve the efficiency and profitability that we all agree is required.

I have asked Farming Connect to develop further services that are specifically tailored for lamb producers. Farming Connect has a range of services which are available to respond to the current needs of sheep producers and I am anxious that we work with individual businesses to improve their efficiency through effective business planning. I encourage lamb producers to access the support, much of it subsidised, that is available through Farming Connect.

In addition, I encourage lamb producers to join the growing number of farmers who work together to share the latest technical information from industry specialists or business clubs. These have been established to give lamb producers the opportunity to focus on business performance, offer advice and the opportunity to benchmark their business to identify performance indicators to drive up farm profitability. These services are key to helping farmers to drive down costs and deliver modern, thriving, profitable businesses. I encourage lamb producers to contact Farming Connect without delay on 08456 000 813.

Hybu Cig Cymru - Meat Promotion Wales (HCC) - supports the Welsh lamb sector through industry development and promotional activities, and providing market information. Business management advice and training is provided to ensure the sector is in a position to improve quality, increase cost-effectiveness and add value to sheepmeat products. Support is also provided to develop and strengthen business opportunities for Welsh lamb in domestic and export markets in order to increase demand for lamb from Wales.

I recognize the importance of growing the export market in increasing and stabilizing lamb prices and I am particularly keen to take every opportunity to promote Welsh lamb and attract new market opportunities. The First Minister recently met high-ranking Chinese representatives who recognised the quality

and value of Welsh lamb and there is evidently a strong desire from them to import our quality produce. I am eager to move on this so that our lamb producers can enjoy the widest opportunities and rewards from branching out into this potential new market, which HCC estimates to be worth at least £10m annually to the Welsh economy. Export policies do not necessarily mean increased or new orders, but this new mission is a move in the right direction.

I am very supportive of and grateful for the work undertaken by HCC to support retailers across the world to source Welsh lamb - and beef - and I have personally been involved in recent discussions with retailers to encourage the stocking of Welsh lamb and beef. I also joined HCC on trade missions to Italy and France in the last few months to ensure that the quality and profile of Welsh lamb is recognised and appreciated. While producers are receiving low lamb prices, I am aware that lamb prices remain static in UK supermarkets. One major supermarket has recently announced they will pay their suppliers 60p above the average price – an announcement I welcome. I am keen to look closely at how supermarkets are playing their part in helping to address the current situation.

Finally, I will be making a statement on the future of Common Agricultural Policy payments in Wales. I will be continuing to support the CAP spending at current levels. This is the bedrock upon which all parts of Welsh agriculture is based. I remain greatly concerned that the UK coalition government seeks significant cuts to CAP that will make many Welsh sheep farms unviable. The farming community recognise that the Welsh Government will stand up for Wales and will argue the case for Welsh farmers and rural communities. CAP has made some £239m available in direct payments to farmers in Wales up to 24 January and, under the Rural Development Plan, around £110m is invested in rural Wales annually. This is critical funding that will help underpin not only individual farm businesses, but the wider rural economy.

Food production is a vitally important part of the Welsh economy and Wales offers a variety of quality products. The Welsh Government is committed to promoting these, to increasing market-awareness amongst producers, and to help them to gain every advantage to ensure their businesses thrive now and in the future.