Assessment of Capacity in the Welsh Red Meat Slaughtering Industry

March 2016

Report Produced by Hybu Cig Cymru – Meat Promotion Wales (HCC)

HCC is the industry-led organisation responsible for the development, promotion and marketing of Welsh red meat. HCC has the statutory responsibility for the sheep, beef and pig industry’s in Wales and undertake a series of activities which benefit the sector, including advertising, export development, retail and foodservice sector support, new product development, consumer insight activities, market intelligence activities, research and development, genetic improvement support, knowledge transfer and training
Executive Summary

The Welsh red meat slaughtering industry has for many years faced a continuing underlying problem of fluctuating and at times low profitability. The sector as a whole suffers from underinvestment especially amongst small and medium enterprises and margins are coming under increasing pressure. This report provides a comprehensive review of the Welsh red meat slaughtering sector to determine the sector’s ability to sustain a growing red meat industry.

Structure of the Welsh Red Meat Slaughtering Industry
There are currently 22 operational red meat abattoirs in Wales, of which 17 slaughter cattle, 22 slaughter sheep and 13 slaughter pigs. Numbers are steadily declining and in the last two years, three abattoirs have closed/suspended operation in Wales. The cattle and sheep slaughtering sectors are dominated by large abattoirs whilst the pig slaughtering sector is dominated by small and medium sized abattoirs.

Whilst the majority of abattoirs in Wales are Welsh owned, the significance of the largest abattoirs in the cattle and sheep slaughtering sector (which are not in the main Welsh owned) plays a significant role (specifically in terms of slaughtering decisions, further processing and impact on export figures). Ownership of abattoirs slaughtering pigs is of much less significance, as all of the abattoirs slaughtering pigs in Wales are Welsh owned.

Movements and Transportation
There are significant movements of live cattle, sheep and pigs and of meat products within Wales and cross border between Wales and England. Livestock movements are for grazing and finishing purposes as well as for selling and slaughtering. Movements of meat products are for cutting, packing, distribution and retail. There are also movements of waste products for disposal.

Niche Markets
Over the last decade recognisable markets have emerged for halal and kosher meat in a number of European countries, notably in the UK. These markets provide an important market for Welsh red meat.

The organic market is also an important market for Welsh red meat and there are potential growth opportunities, in terms of adding to the resilience of businesses by supporting engagement with customers.

Capacity in the Welsh Red Meat Slaughtering Industry
In the last few years, whilst some extra red meat slaughtering capacity has come on stream through business expansion and through new businesses opening, there has at the same time been contraction amongst businesses and business closures/suspension of operation, resulting in an overall decrease in throughput.

Achieving capacity (or extending it) is largely dependent on any investment and expansion by the larger companies. The smaller companies have limited effect on increases or decreases in capacity.
It is estimated that the combined capacity of the abattoirs in Wales is as follows:

- Approximately 17 percent over current utilisation for cattle (i.e. spare capacity of approximately 24,000 cattle per year).
- Approximately 41 percent to 72 percent over current utilisation for sheep (i.e. spare capacity of approximately 1.4 million to 2.4 million sheep per year).¹
- Approximately 32 percent over current utilisation for pigs (i.e. spare capacity of approximately 11,000 pigs per year).

Whilst an element of multi-species slaughtering has been taken into account in the capacity calculations, it should be noted that the full capacity in more than one species would not be realistic as many of the abattoirs operating in Wales are non-specialist.

**Factors Affecting the Welsh Red Meat Slaughtering Industry**

There are a number of challenges that face the red meat industry in Wales, some of which have a substantial impact on the future resilience, performance and profitability of the sector.

- Livestock supply - declining livestock numbers;
- Regulatory compliance - increasing amount of regulation;
- Physical infrastructure - limited physical infrastructure (specifically chillers);
- By-product disposal - disposal generally outweighs margins;
- Value of hides, skins and offal - decreasing value;
- Changing demands - responding to demands;
- Skilled labour - shortage of skilled slaughter and butchery workers;
- Succession planning - limited replacement planning; and
- Market structure - intensified search for customers.

**Value of the Welsh Red Meat Slaughtering Industry**

The Welsh red meat industry is important to the Welsh economy in terms of wealth creation and employment in addition to the contribution it makes to the landscape, tourism and the rural economy.

- Welsh red meat production contributes the largest share towards Welsh Agricultural Output, accounting for 41 percent (£636 million) in 2013.
- The Welsh red meat slaughtering industry is calculated to be contributing approximately £461 million per annum to the Welsh economy.

**Conclusions**

Whilst it is estimated that the combined capacity of the abattoirs slaughtering cattle, sheep and pigs in Wales is approximately 17 percent, 41-72 percent and 32 percent respectively over current utilisation, the challenges the industry is facing will have a substantial impact on the future resilience, performance and profitability of the sector. These factors raise concerns over the long-term viability of Welsh abattoirs without future investment in this sector.

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¹ The range reflects the potential additional capacity from the new abattoir in Gaerwen, north Wales. It should be noted that due to seasonality of supply this capacity cannot practically be achieved.
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1 Introduction

Further to a series of recently published Government and industry strategic documents, which set ambitious targets for growth by 2020, it was felt an assessment of current and possible future capacity in the Welsh red meat slaughtering sector would be opportune, to understand the sector’s ability to sustain a growing red meat industry.

- **Welsh Government. ‘Food for Wales, Food from Wales 2010/2020’. December 2010.**
  The direction for the Welsh food industry is to grow in a sustainable and profitable manner, taking into account crosscutting themes such as health, food culture and education, food safety, food security, environmental sustainability and community development to provide the basis for an integrated approach to food policy in Wales.

  The target for the Welsh food and drink industry is to increase sales by 30 percent by 2020, to £7 billion.

  The aspiration for the Welsh red meat industry by 2020 is to increase sales revenue (income at point of sale) from Welsh red meat by at least 34 percent (to £776 million) and to improve on-farm output from the Welsh red meat sector by at least 7 percent (to £31.55 million).

The Welsh red meat slaughtering industry has for many years faced a continuing underlying problem of fluctuating and at times low profitability. The sector as a whole suffers from underinvestment especially amongst small and medium enterprises, at a time when investment requirements are growing, whether to meet hygiene requirements, or retailer as well as consumer demands for more innovative convenience foods. Margins have also come under pressure from lower fifth quarter returns, costs of by-product disposal and the sourcing policies of the multiple retailers and other customers. All these factors have led to a continuing trend of fewer abattoirs operating (both within Wales and across GB as a whole). In this climate of uncertainty, an assessment of the current state of the red meat slaughter sector in Wales is timely.

This paper has used in-house expertise and one-to-one discussions with abattoirs across Wales to gather relevant information, establish background information, outline anticipated throughput for 2015 and calculate practical capacity commercially available.
2 Structure of the Welsh Red Meat Slaughtering Industry

The Welsh red meat industry is important to the Welsh economy in terms of wealth creation and employment in addition to the contribution it makes to the landscape, tourism and the rural economy. However, the abattoir and processing sector in Wales has experienced some uncertainty over the past few years with an underlying problem of fluctuating and at times low profitability.

There are currently 22 operational red meat abattoirs in Wales (a list of operational abattoirs is located in Annex 1). As Figure 1 shows, abattoir numbers within Wales have declined significantly over the last 15 years (from 64 abattoirs in 1989/1990 to 24 in 2014) however, since 1994/1995 the decline has been more gradual.

Figure 1: Changes in Welsh Abattoir Numbers

Note: Figures for 2003-2014 are for calendar years; previous figures relate to year ended March

Source: HCC, November 2015

Of the 24 abattoirs operational in 2014, three have since closed or suspended operation:
- AL Basri Meat Ltd., Tywyn (sheep slaughter) - suspended operation in October 2014.
- HMD Butchers, Swansea (sheep and cattle slaughter) - closed in February 2014.
- Pembrokeshire Abattoir, Haverfordwest (sheep and cattle slaughter) - closed in June 2015.

At the end of 2015 one new abattoir was also conditionally approved by the Food Standards Agency (FSA) to slaughter sheep - Farmers Choice, Gaerwen (using the old Welsh Country Foods abattoir). It is anticipated that once fully operational, the site will fall within the large throughput category (over 50,001 head per annum).

In terms of throughput structure, as Table 1 shows, half of the abattoirs slaughtering in 2014 (categorised in the 1,001 to 10,000 GB Livestock Units [GBU]) represented only
6.7 percent of total red meat throughput. The three abattoirs in the 100,001 and over GBU category represented 80.8 percent of total red meat throughput.

Table 1: Structure of the Welsh Slaughtering Industry

<table>
<thead>
<tr>
<th>GB Livestock Units *</th>
<th>Abattoirs (number)</th>
<th>Throughputs (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2014</td>
</tr>
<tr>
<td>0 to 1,000</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>1,001 to 10,000</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>10,001 to 30,000</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>30,001 to 100,000</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>100,001 and over</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Total:</td>
<td>24</td>
<td>24</td>
</tr>
</tbody>
</table>

* GB Livestock Unit = 1 cattle beast = 5 sheep = 2 pigs

Note: Numbers may not total 100%, due to rounding

Source: HCC, November 2015

2.1 Cattle Slaughtering

The cattle sector is an important part of agricultural output in Wales, with outputs from cattle contributing £368 million to Welsh Agricultural Output in 2013 (representing approximately 24 percent of total value).2

However, the breeding beef herd (females aged 2 years or more) and the breeding dairy herd (females aged 2 years or more) has been steadily declining over the years. In June 2015 the beef breeding herd stood at 208,600 head whilst the dairy breeding herd stood at 300,500 head.3

In terms of throughput, the number of cattle being slaughtered by abattoirs within Wales is generally declining over time, although the decline has been more apparent since 2012. Between 2012 and 2014, total throughput (head) of cattle through Welsh abattoirs declined by 10 percent. See Figure 2.

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In 2014 over half of the abattoirs slaughtering cattle in Wales (11 abattoirs) were categorised in the 0 to 1,000 head annual throughput category, but they only represented 2.2 percent of total cattle throughput. The four abattoirs in the 5,001 and over head annual throughput category represented 92.1 percent of total cattle throughput. See Table 2.

Table 2: Structure of the Cattle Slaughtering Industry in Wales

<table>
<thead>
<tr>
<th>Head</th>
<th>Abattoirs (number)</th>
<th>Throughputs (000 head)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 1,000</td>
<td>12 (0.3)</td>
<td>3.0 (2.7)</td>
<td>2.4 (2.2)</td>
</tr>
<tr>
<td>1,001 - 5,000</td>
<td>4 (0.7)</td>
<td>7.4 (6.8)</td>
<td>6.0 (5.7)</td>
</tr>
<tr>
<td>5,001 and over</td>
<td>4 (1.1)</td>
<td>114.0 (110.9)</td>
<td>91.7 (92.1)</td>
</tr>
<tr>
<td>Total:</td>
<td>20</td>
<td>124.3 (120.4)</td>
<td></td>
</tr>
</tbody>
</table>

*Note: Numbers may not total 100%, due to rounding*

*Source: HCC, November 2015*

The four largest cattle slaughtering abattoirs in 2014 were:
- Cig Calon Cymru 2010 Cyf., Cross Hands;
- Pembrokeshire Abattoir, Haverfordwest;
- Randall Parker Foods Ltd., Llanidloes; and
- St Merryn Foods, Merthyr Tydfil.

Of which, one has subsequently closed - Pembrokeshire Abattoir. This has further condensed the number of abattoirs upon which the industry is reliant upon for throughput. This is further demonstrated as the five smallest abattoirs slaughtering cattle in 2014 (slaughtering less than 100 head per year) represented less than 1 percent of total cattle throughput.4

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4 Of the five smallest abattoirs slaughtering cattle in 2014, one has subsequently closed - HMD Butchers, Swansea.
The closure of Pembrokeshire Abattoir has also impacted upon the industry in terms of the emergency slaughter of cattle service it provided, as despite all abattoirs in Wales being eligible to process emergency slaughter animals, this is not a service currently being provided on the same scale anywhere else in Wales.\textsuperscript{5}

One of these operational abattoirs (Cig Calon Cymru 2010 Cyf.) is also slaughtering TB reactor cattle,\textsuperscript{6} which is an essential slaughter service for the Welsh red meat industry and contributes to the red meat produced from Welsh abattoirs (as the meat from the cattle can enter the food if it is passed after official checks). In 2014 approximately 90 percent of the TB reactor cattle slaughtered in Wales entered the food-chain (after the official checks passed the meat as fit to enter the human food chain).\textsuperscript{7}

There are currently 17 abattoirs in Wales slaughtering cattle,\textsuperscript{8} of which none are specialist cattle slaughter premises (i.e. they slaughter more than one species). Their locations and an indication of their throughputs are shown in Figure 3.

\textsuperscript{5} Emergency slaughter is utilised when an otherwise healthy animal suffers an accident that prevents its transport to the slaughterhouse for welfare reasons. The animal can then be slaughtered on farm and either the body be transported to an abattoir for post mortem inspection and further processing for human consumption; or it can be disposed of as fallen stock.

\textsuperscript{6} TB reactor cattle are cattle that have failed a test for bovine TB or had inconclusive test results at two consecutive tests. Reactor animals are removed quickly from the farm to help control the disease and are slaughtered.

\textsuperscript{7} Source: Welsh Government, November 2015.

\textsuperscript{8} HMD Butchers, Swansea and Pembrokeshire Abattoir, Haverfordwest have closed since 2014.
Figure 3: Location and Throughput of Abattoirs in Wales Slaughtering Cattle, November 2015

Note: Throughput based on 2014 throughput volumes and measured in head
Source: HCC, November 2015
2.2 Sheep Slaughtering

The sheep sector is also an important part of agricultural output in Wales, with outputs from sheep contributing £262 million to Welsh Agricultural Output in 2013 (representing approximately 17 percent of total value).  

However, breeding sheep numbers have been falling, reaching their lowest (below 4 million head) in 2009. Since 2009 numbers have shown significant signs of recovery, with 4.4 million breeding ewes recorded in June 2015.  

In terms of throughput, the number of sheep being slaughtered by abattoirs within Wales is declining over time. Between 2012 and 2014, total throughput (head) of sheep through Welsh abattoirs declined by 3 percent. See Figure 4.

**Figure 4: Sheep Throughput (head) in Welsh Abattoirs**

As Table 3 shows, three quarters of the abattoirs slaughtering sheep in 2014 (18 abattoirs) were categorised in the 0 to 20,000 head annual throughput category, but they only represented 3.3 percent of total sheep throughput. The four abattoirs in the over 50,001 head annual throughput category represented 94.9 percent of total sheep throughput:

- Dunbia (Wales), Llanybydder;
- Fairfield Meat Co. Ltd., Wrexham;
- Randall Parker Foods Ltd.; and
- St Merryn Foods, Merthyr Tydfil.

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Table 3: Structure of the Sheep Slaughtering Industry in Wales

<table>
<thead>
<tr>
<th>Head</th>
<th>Abattoirs (number)</th>
<th>Throughputs (000 head)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 5,000</td>
<td>7</td>
<td>8</td>
<td>15.1</td>
</tr>
<tr>
<td>5,001 - 20,000</td>
<td>10</td>
<td>10</td>
<td>88.2</td>
</tr>
<tr>
<td>20,001 - 50,000</td>
<td>1</td>
<td>2</td>
<td>25.4</td>
</tr>
<tr>
<td>50,001 and over</td>
<td>6</td>
<td>4</td>
<td>3,251.1</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>24</strong></td>
<td><strong>24</strong></td>
<td><strong>3,379.8</strong></td>
</tr>
</tbody>
</table>

Note: Numbers may not total 100%, due to rounding

Source: HCC, November 2015

As such, as with cattle slaughtering, the industry is reliant on only a few abattoirs for sheep throughput, which is further demonstrated as the eight smallest abattoirs slaughtering sheep in 2014 (slaughtering less than 5,000 head per annum) represented less than 1 percent of total sheep throughput.11

There are currently 22 abattoirs in Wales slaughtering sheep.12 Their locations and an indication of their throughputs are shown in Figure 5. Three of the 22 abattoirs are specialist sheep slaughter premises (i.e. they only slaughter one species [sheep]) - Dunbia (Wales), Fairfield Meat Co. Ltd. and Farmers Choice) and one is currently only slaughtering sheep (despite have multi-specie slaughter approval) - Menai Meats Wales Ltd. (Caernarfon).

In October 2015, Farmers Choice received conditional approval from the FSA to slaughter sheep at the new abattoir in Gaerwen (using the old Welsh Country Foods abattoir). It is anticipated that once fully operational, the site will fall within the large throughput category (over 50,001 head per annum).

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11 Of the four smallest abattoirs slaughtering sheep in 2014, one has subsequently suspended operation - AL Basri Meat Ltd., Tywyn.

12 AL Basri Meat Ltd., Tywyn; HMD Butchers, Swansea and Pembrokeshire Abattoir, Haverfordwest have closed since 2014.
Figure 5: Location and Throughput of Abattoirs in Wales Slaughtering Sheep, November 2015

Note: Throughput based on 2014 throughput volumes and measured in head
Source: HCC, November 2015
2.3 Pig Slaughtering

The pig sector is a small but important part of agricultural output in Wales, with outputs from pigs contributing £6 million to Welsh Agricultural Output in 2013 (representing approximately 0.4 percent of total value).¹³

The pig breeding herd dipped to 3,200 head in 2008 but numbers have been showing signs of recovery. The pig breeding herd was recorded at 4,033 breeding pigs and 21,300 fattening pigs in June 2015.¹⁴

In terms of throughput, the number of pigs being slaughtered by abattoirs within Wales is remaining fairly constant over time. Between 2012 and 2014 however, total throughput (head) of pigs through Welsh abattoirs declined by 9 percent. See Figure 6.

Figure 6: Sheep Throughput (head) in Welsh Abattoirs

![Figure 6: Sheep Throughput (head) in Welsh Abattoirs](source: HCC, January 2016)

As Table 4 shows, just over half of the abattoirs slaughtering pigs in 2014 (7 abattoirs) were categorised in the 0 to 1,000 head annual throughput category, representing 11.6 percent of total pig throughput. The six abattoirs in the over 1,001 head annual throughput category represented 88.5 percent of total pig throughput:

- Cig Oen Caron, Tregaron;
- D & J Thomas, Wrexham;
- G R Evans & Co., Corwen;
- J Williams & Co., Denbigh;
- Maddock Kembrey Meats, Maesteg; and
- N S & W A James, Raglan.


Table 4: Structure of the Pig Slaughtering Industry in Wales

<table>
<thead>
<tr>
<th>Head</th>
<th>Abattoirs</th>
<th>Throughputs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(number)</td>
<td>(000 head)</td>
</tr>
<tr>
<td>0 - 1,000</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>1,001 and over</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>15</strong></td>
<td><strong>13</strong></td>
</tr>
</tbody>
</table>

*Note: Numbers may not total 100%, due to rounding*

*Source: HCC, November 2015*

There are currently 13 abattoirs in Wales slaughtering pigs, of which none are specialist pig slaughter premises (i.e. they slaughter more than one species). Their locations and an indication of their throughputs are shown in Figure 7.
Figure 7: Location and Throughput of Abattoirs in Wales Slaughtering Pigs

Note: Throughput based on 2014 throughput volumes and measured in head
Source: HCC, November 2015
2.4 Ownership

The Welsh abattoir sector has experienced some uncertainty over the past few years in terms of ownership, however, the structure of the sector has remained relatively stable overall. With growing pressure to consolidate and centralise processing facilities outside of Wales, rationalisation is of concern as it can have implications as to how investment decisions are made in the future.

The majority of abattoirs slaughtering cattle and/ or sheep in Wales are Welsh owned. However, due to the significance of the largest five (Cig Calon Cymru 2010 Cyf., Dunbia [Wales], Fairfield Meat Co. Ltd., Randall Parker Foods Ltd. and St Merryn Foods), of which only two are Welsh owned, the ownership of abattoirs plays a significant role in the sector (particularly in terms of slaughtering decisions, further processing and impact on export figures).

Three of the largest abattoirs currently killing cattle and/ or sheep in Wales are owned by companies based outside of Wales, which have other linked abattoirs and processing facilities (e.g. cutting, packing and distribution) outside of Wales:

- Dunbia (Wales) - part of the Dunbia group which is a multi-national company and one of the largest meat companies in the UK.
- Randall Parker Foods Ltd. - part of the Randall Parker Foods Group which has major interests in packing and wholesaling (they also own the nationwide Weddel Swift Ltd. wholesale meat distribution chain).
- St Merryn Foods - part of the 2 Sisters Food Group which is one of the largest meat companies in the UK and has become one of the leading food manufacturing companies in Europe.

All other abattoirs killing cattle and/ or sheep in Wales are owned and operated by Welsh based companies.

Ownership of abattoirs slaughtering pigs is of much less significance to the sector than abattoir ownership is to the cattle and sheep sectors, as all 13 of the abattoirs slaughtering pigs in Wales are Welsh owned.

There is however a concern of succession planning for some of the smaller abattoirs (which are primarily family owned) as there are only a few of the sites where the next generation is showing an interest in taking on the business in the future. This affects the likelihood and extent of investment for the future.
2.5 Market Outlets

Only five percent of beef and sheepmeat produced in Wales is consumed in the home [Wales] market, with the remainder sold into the rest of GB (particularly England) and into export markets further afield.\(^\text{15}\) This demonstrates the importance of the GB and export markets for the Welsh red meat industry.

- Approximately 82 percent of the beef produced in Wales is consumed elsewhere in GB. The remainder (approximately 13 percent) is exported outside the UK.
- Approximately 60 percent of the sheepmeat produced in Wales is consumed elsewhere in GB. The remainder (approximately 35 percent) is exported outside the UK.

Unlike beef and lamb consumption, the majority of pork produced in Wales is consumed in the home [Wales] market. This reflects the industry size and set-up, which is very small in nature and typified by a relatively small number of specialist producers and a relatively large number of enthusiastic small-scale producers operating as smallholders.

The large companies that dominate the cattle and sheep slaughtering sector (Cig Calon Cymru 2010 Cyf., Dunbia [Wales], Randall Parker Foods Ltd. and St Merryn Foods) primarily service the UK multiple retailer, UK food service, wholesale and export markets. In addition, one of the other large companies dominating the sheep slaughtering sector (Fairfield Meat Co. Ltd.) primarily services the ethnic market (halal).

The remaining abattoirs slaughtering cattle and sheep in Wales service the important (and often undervalued) independent retailer and direct markets alongside some UK food service, wholesale and export markets. They also provide contract killing services (local service slaughter facilities to farmers for direct sale of meat and/or service slaughter for larger abattoirs supplying supermarkets who are reluctant to expand their slaughtering operations in the light of market uncertainties). This service has, for some businesses, become as important in terms of business variability as the conventional business model.

Companies that slaughter pigs in Wales primarily service the UK food service, wholesale, independent retailer and direct markets. They also provide contract killing services.

\(^\text{15}\) Source: HCC, November 2015.
2.6 Cutting Plants – Adding Value

Of the 21 operational abattoirs in Wales, 17 have co-located cutting plants although the cutting facilities in most of those only provide a limited range of packing options. Some of these sites undertake value adding (adding ingredients to red meat products). In some instances, particularly in the case of two of the larger abattoirs - Dunbia (Wales) and Randall Parker Foods Ltd. - further processing is undertaken by specialist cutting and packing plants outside of Wales.

There are also a further 34 stand alone cutting plants that process red meat within Wales. The majority of these facilities are very small with the exceptions of:

- Bwydlyn, Criccieth;
- Celtica Foods Limited, Llanelli;
- Dawn Meats UK, Llanelli;
- Dunbia (Wales) Felinfach, Lampeter;
- Llechwedd Meats, Llangefni;
- Rhug Organic, Corwen;
- Weddel Swift Distribution Ltd., Bridgend; and
- Welsh Bros Foods Ltd., Newport.

There are also an unknown number of small facilities that operate under local authority control – which are generally small-scale butcher type establishments.

Cutting plants in Wales source from both within and outside Wales for product, working with sister companies across GB in the case of some of the larger companies. Vice versa, some of the larger abattoirs in Wales process red meat outside of Wales. Therefore with limited capabilities in the smaller sites in Wales, further investment is required to ensure Welsh produce is further processed within Wales in the future.
3 Movements and Transportation

There are significant movements of live cattle, sheep and pigs and of red meat products within Wales and cross border between Wales and England. Livestock movements are for grazing and finishing purposes as well as for selling and slaughtering. Movements of red meat products are for cutting, packing, distribution and retail. There are also movements of waste products for disposal.

3.1 Abattoir Sourcing Policies and Livestock Markets

Dependent on throughput and the markets being serviced, the abattoirs in Wales use differing livestock sourcing policies.

For the larger throughput sites that are predominately servicing multiple retailers and export markets, guaranteeing supply of consistent product in large volumes is essential. Factors such as animal weight, conformation and fat class, assurance status, traceability and movement history and animal origin can all dictate the type of livestock being sourced. Accessing the necessary volumes often within short timescales can therefore be problematic for abattoir livestock procurers/agents. As a result, the sites that dominate cattle and sheep slaughter in Wales compete for livestock supply.

Livestock supply impacts significantly on the business function and margins of abattoirs. With declining livestock numbers in Wales, sourcing of livestock by abattoirs includes livestock from outside of Wales (predominately England, where the livestock production base is probably the most resilient owing to its competitive finishing sector).

The large companies that dominate the cattle and sheep slaughtering sector generally prefer to source direct from farm, using livestock markets as a back-up when supply from farm drops or when product demand suddenly increases. The following abattoirs in Wales, servicing the multiple retailers, source predominately from farm:

- Dunbia [Wales] who supply Asda, the Co-operative and Sainsbury’s;
- Randall Parker Foods Ltd. who supply Sainsbury’s and Waitrose; and
- St Merryn Foods who supply Tesco.

In the competition for market share, the multiple retailers are always looking for ways of securing livestock supply for the future; and in the case of Morrisons they became the first (and still the only) vertically integrated multiple retailer in 1991 when they bought Woodheads, giving them access to slaughter and processing facilities in England and Scotland.

In contrast, the medium and small abattoirs slaughtering in Wales source both direct from farm and through livestock markets (located within Wales and just over the border in England). Often they have dedicated farm suppliers with whom they have built a relationship over a number of years and they combine that supply with animals bought through local auction markets.

Despite this continued support from the medium and small abattoirs, the shift towards more dedicated direct from farm supply chains has resulted in a steady decline in the liveweight selling (in auction markets) of sheep and cattle. As a result there has been
rationalisation in the live markets sector in Wales (and across GB). During 2014, 25 livestock auction markets in Wales price reported, indicating that over 1.3 million prime sheep and 10,000 prime cattle were marketed. In total there are 36 (seasonal and all year) livestock markets in Wales. Very few pigs are marketed through Welsh livestock auction markets. Figure 8 shows the location of all auction markets in Wales.

Figure 8: Location of Livestock Auction Markets in Wales

Source: HCC, November 2015

Source: HCC, November 2015.
The underlying problem of fluctuating and, at times, low profitability, means that this rationalisation is likely to continue as there are a reducing number of buyers, on-going changes in the livestock supply-chain, regulatory burdens (e.g. bio-security requirements and electronic recording) and continued growth of deadweight selling (selling directly to abattoirs) affecting these businesses.

However, the livestock markets remain a key link in the beef and sheep supply chain, acting as marketing outlets for both breeding livestock and for animals moving to slaughter. As an alternative to deadweight selling, they offer producer additional selling opportunities and this impacts directly on farm-gate prices as a result of the competition for livestock purchasing.

3.2 Welfare of Animals During Transport

The Welfare of Farmed Animals (Transport) (Wales) Order 2007 applies to the transport of vertebrate animals in connection with an economic activity. Sheep, cattle and pigs must be transported in a way that will not cause injury or unnecessary suffering and journeys should be kept to a minimum. The maximum duration of a journey for all livestock without a mandatory rest period is 8 hours in a basic standard vehicle.

Abattoirs therefore seek to source livestock from a locality within 8 hours drive. In Wales, the geography and road networks limit the distance from which abattoirs are sourcing and explains why such a large volume of livestock is sourced from outside Wales (by abattoirs closer to the Wales-England border). Many of the larger abattoirs that dominate cattle and sheep slaughter in Wales utilise collection centres, where livestock collection and sorting is undertaken, thereby minimising the pickups for their hauliers and reducing transport times. Figure 9 shows the location of the 39 collection centres in Wales.

Retailers (such as Marks and Spencer) are also taking distance and travelling duration of livestock into account when sourcing red meat products, using low transportation time (and therefore better animal welfare and lesser environmental impact) as a point of difference to the consumer.
Figure 9: Location of Collection Centres in Wales

Source: HCC, November 2015
3.3 Livestock Movements for Slaughter

The flow of livestock for slaughter (either directly to abattoir or via auction markets) across the Wales-England border is significant, highlighting the importance to abattoirs in Wales of livestock supply from England and highlighting the importance of abattoirs in England slaughtering livestock from Wales. Some movements are also trilateral within GB, where animals originating in one country (e.g. Wales) move to another country (e.g. England) before a final move for slaughter in a third country (e.g. Scotland).

This trading pattern, of animals originating in one country being slaughtered in another, has an impact on the red meat levy of each GB country. The current GB red meat levy apportionment system is entirely dependent on the geography of the abattoirs and not on the origin of the livestock and can result in the levy paid by the producers who are breeding and finishing animals in one country being used to fund the red meat promotional and developmental activities in another. The high volume of livestock movements across borders within GB for slaughter means that a disproportionately high amount of levy is collected in England, reflecting the number and scale of red meat abattoirs there.

The current levy apportionment system is also vulnerable to changes and restructuring within the abattoir sector. Rationalisation of the abattoir sector and the concentration of key abattoir facilities in England have already had a significant impact on slaughtering (and levy income) in Wales (and Scotland). One recent example of this was the closure of the VION (Welsh Country Foods) abattoir in Gaerwen in April 2013, which resulted in a significant reduction in sheep slaughtering throughput in Wales (and therefore levy income). Loss of this abattoir led to approximately 1 million fewer lambs being slaughtered in Wales per annum (with the majority of that slaughter moving to abattoirs in England).  

A new abattoir (Farmers Choice) started slaughtering sheep in Gaerwen (using the old VION [Welsh Country Foods] abattoir site) in October 2015. Once fully operational this site is expected to slaughter a significant number of lambs – with throughput anticipated to be in the large throughput category (over 50,001 head per annum).

Using total livestock populations as a measure of livestock production in each GB country and comparing it to total slaughterings in each GB country, the extent of the cross border movements for slaughter can be determined. Whilst movements across the Wales-England border for slaughter are two-way, with some Welsh livestock being reared and slaughtered outside Wales and some non-Welsh livestock being reared and slaughtered within Wales, this is a means of demonstrating cross border movements in its most simplistic form.

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17 **Source:** HCC, November 2015.

18 **Sources:**
- UK Government. 2014 June Agricultural Census.
13 percent of GB cattle and calves were recorded in Wales in 2014 however only 7 percent of the GB slaughterings were undertaken in Welsh abattoirs.
- 31 percent of GB sheep and lambs were recorded in Wales in 2014 however, only 24 percent of the GB slaughterings were undertaken in Welsh abattoirs.
- 0.7 percent of GB pigs were recorded in Wales in 2014 however, only 0.4 percent of the GB slaughterings were undertaken in Welsh abattoirs.

These cross border movements impact on red meat production from abattoirs in Wales and the abattoir’s location and operations also have a direct impact on levy monies available to support the development of the slaughtering sector.

Movements also occur cross border for the slaughter of TB reactor cattle. In 2014, of the TB reactor cattle slaughtered in Wales, approximately 30 percent were from Welsh holdings, the remainder coming from elsewhere in GB.\textsuperscript{19}

### 3.4 Movements of Red Meat Products

Beef and lamb products from Wales are in a strong position to access wider global markets as both Welsh Beef and Welsh Lamb are recognised at a European level to have unique regional characteristics and they have been awarded the status of Protected Geographical Indication (PGI).\textsuperscript{20} Welsh Beef and Welsh Lamb were granted PGI status by the European Commission in November 2002 and July 2003 respectively and the status of PGI is of enormous economic importance to the Welsh red meat industry. A report by Brookdale Consulting in April 2013 (entitled “Flying the Flag: Decade of Success for the Welsh Red Meat Brands: Review 2003-2013”), estimated that premium and new market opportunities for the PGI Welsh Beef and PGI Welsh Lamb brands have grown by more than £115 million.

HCC has legal responsibility to act as guardian of these designations under Regulation (EU) No 1151/2012 of the European Parliament and of the Council. In order to fulfil its responsibilities and to ensure that the integrity of the PGI Welsh Lamb and PGI Welsh Beef designations are protected, HCC has implemented a verification scheme for abattoirs and cutting plants. This scheme provides for strict control and monitoring to ensure that only lamb and beef which meet the specifications is labelled as Welsh.\textsuperscript{21}

\textsuperscript{19} Source: Welsh Government, November 2015.

\textsuperscript{20} The EU Protected Food Name Scheme identifies regional and traditional foods whose authenticity and origin can be guaranteed. Under this system a named food or drink registered at a European level is given legal protection against imitation throughout the EU.

\textsuperscript{21} The main requirements of the specifications are that cattle and lambs must be:
- Born and reared in Wales;
- Fully traceable; and
- Slaughtered and processed in an HCC approved abattoir/ cutting plant.
PGI Welsh Beef and PGI Welsh Lamb must be slaughtered and processed in HCC approved abattoirs and cutting plants. In order to reflect the nature of cross border movements for slaughter, abattoirs and cutting plants which handle cattle and sheep that are eligible to be branded as Welsh, are approved by HCC both within and outside Wales. There are currently 67 premises approved, of which 31 are abattoirs.

Of the 31 abattoirs currently approved for slaughtering PGI Welsh Beef and/or PGI Welsh Lamb, 17 are within Wales and 14 are outside Wales (England). PGI approval for Welsh Beef and/or Welsh Lamb by HCC allows abattoirs to identify the origin and unique qualities of the beef and lamb at point of sale; and to apply the registered trademark logo(s), thereby accessing additional market outlets.

- Of the 17 abattoirs in Wales currently slaughtering cattle, 15 are approved by HCC to slaughter PGI Welsh Beef.
- Of the 21 abattoirs in Wales currently slaughtering sheep, 17 are approved by HCC to slaughter PGI Welsh Lamb and one other is in the process of seeking approval.

Approving abattoirs and cutting plants outside Wales to use the PGI Welsh Beef and/or PGI Welsh Lamb branding ensures that that cross border movements for slaughter are fully taken into account. An example of this is the ABP Food Group (one of Europe’s leading food processors) which has abattoir and cutting facilities in England which have been approved by HCC to brand as Welsh. Large volumes of livestock/products from Wales are slaughtered/processed in their sites.

Cutting plants in Wales also source from both within and outside Wales for product, working with sister companies across GB in the case of some of the larger companies.

### 3.5 Movements of Waste Products

During the slaughter and dressing process - blood, the head, feet, skin and internal organs are removed. These items, which are classed as non-carcase, are commonly referred to as the fifth quarter and their value has a significant impact on abattoir margins. Approximately 50 percent of a cow/sheep/pig is non-carcase.

Whilst some parts of the fifth quarter are permissible to enter the food chain, the majority of the parts are considered as an Animal By-Product (which is not intended for human consumption) and they must be disposed of. There are no by-product disposal units located in Wales. Abattoir by-products are therefore transported out of Wales (mainly to the English side of the Wales-England border) for disposal. Hence abattoir location and economies of scale (i.e. the volume of by-products) are key factors affecting profitability. Abattoirs in Wales report that by-product disposal could cost in the region of £75 - £120 per tonne (the range demonstrates the impact of access to disposal units and the volume being disposed), in additional to collection fees (which can be as high as £200 per pickup). The cost of this disposal has increased considerably over the last twelve months and some abattoirs are reporting that this cost could increase by a further 15-20 percent in 2016.

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22 Source: HCC, November 2015.
In the same way, there are no hide/skin collection centres located in Wales. Movement of hides and skins from Wales to collection centres in England means that abattoir location and economies of scale further affect abattoir profitability. These factors are particularly important at times when the market demand for these waste products is also extremely low. The cattle hide and sheep skin market in the UK has weakened over time. The price for hides and skins remains at a very low level as a number of factors drive down demand. Cattle hides and sheep skins are understood to currently be worth £15 – £40 per hide and £1.00 - £2.50 per skin to abattoirs in Wales (the range demonstrates the impact of access to hide/skin collection centres and the volume being collected).

3.6 Road Networks and Transportation

There are significant movements of animals and red meat products within Wales and cross border between Wales and England and as such the role of road transport is crucial to the Welsh red meat slaughtering industry. Producers, hauliers, livestock markets, abattoirs, cutting plants and retailers are all affected by the road networks within Wales.

However, the Welsh road network is limited as it is a product of geography and history. The extent of transportation links varies across the country with the busiest transport corridors being the east-west routes of coastal north and south Wales which join the ports of Wales to the major cities of east Wales, western England and, ultimately, Europe. East-west road links also join mid Wales to the English midlands.

The road networks in Wales are therefore a limiting factor which affects business competitiveness and profitability for abattoirs operating in Wales. Availability of transport facilities stimulates economic growth through increased accessibility and effectiveness which all affects the basic function of production, distribution, marketing and consumption of red meat from Wales. Transportation can also influence the cost of commodities consumed and the purchasing power of the consumers – hence demonstrating its significance in business competitiveness.

This is highlighted by the location of the large abattoirs dominating beef and sheep slaughter in Wales, which are strategically located either close to the Wales-England border or with good access to road networks. Abattoirs in Wales report that transportation costs can vary significantly for livestock moves within Wales, depending on distance and road infrastructure. For example, moving cattle north-south/south-north cattle can cost in the region of £25 per head compared to £15 per head for moves east-west/west-east.

Investment in road networks and transportation in Wales is therefore critical to the sustainability of the sector and whilst the significant Welsh Government investment over recent years has improved the transportation networks significantly, there remains some opportunity for further improvement.
4 Niche Markets

The Welsh red meat industry is in a strong position, maximising the use of Wales’ natural resources, taking advantage of the image of the Welsh brand (as a premium fresh red meat product backed up by provenance and taste) and utilising their expertise to produce high quality, authentic red meat products that consistently meets/exceeds market requirements and builds consumer trust.

4.1 Halal and Kosher Slaughter

Over the last decade recognisable markets have emerged for halal and kosher meat in a number of European countries, notably in the UK. A number of factors underpin these developments, including an increase in the Muslim population, changes in consumer behaviour, identity reinforcement and a general increase in meat consumption. Although the expansion of the kosher market is perceptibly smaller, and the Jewish population is more or less stable, the market remains important.

Provision and consumption of Halal and Kosher meat are inherent aspects of Muslim and Jewish religious lives, respectively.

The halal meat market in the UK is growing at a remarkable rate. The Muslim communities in the UK are estimated at 2.8 million people (approximately 4 percent of the UK population) and they account for approximately 20 percent of UK lamb consumption and a small but increasing amount of beef. Halal meat consumption is an important feature of life across Muslim communities in the UK with 90 percent indicating that they consume Halal meat. The Halal meat market therefore is a multi-million pound contributor to the British economy.

The market for kosher meat is less dynamic than the halal market as the Jewish communities in the UK are estimated at only 300,000 people (approximately 0.5 percent of the UK population).

Regulation (EC) 1099/2009 on the Protection of Animals at the Time of Killing came into force across Europe on 01 January 2013 and it stipulates that animals should only be killed after stunning. The Regulation does, however, maintain the possibility of a derogation from stunning in the case of religious slaughter for the production of Halal and Kosher meat, and this derogation has been adopted within the UK.

There are currently two abattoirs operational in Wales where the practice of non-stun Halal slaughter of sheep is undertaken - Fairfield Meat Co. (Wrexham) and Menai Meats Ltd. (Caernarfon); which differs to the situation a few years ago when there was only one abattoir servicing this market. Menai Meats Ltd. also received restraining pen

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23 Source: DIALREL. Spring 2010. The development of halal and kosher meat markets in the UK.
approval from the FSA in January 2016, so they can now utilise the practice of non-stun Halal slaughter of cattle.

No abattoirs operational in Wales are currently using the practice of shechita slaughter (the Jewish method of slaughter for kosher meat).

However, whilst Judaism does not permit an animal to be dead or unconscious at the time of the kill (i.e. animals cannot be stunned), in Islam certain stunning methods are accepted as long as it can be demonstrated that that the stun does not kill the animal (i.e. the animal should in principle be able to recover from the stun) and they meet other religious requirements. Therefore, production of meat according to Islamic rules does not necessarily involve a non-stun kill. As such, the majority of the large sheep slaughtering abattoirs in Wales are approved by the Halal Food Authority for sheep Halal slaughter (stunned and slaughtered in accordance with the Shari’ah of Islam) in order to supply both domestic and overseas retail and foodservice markets. No stunned Halal slaughter of cattle is currently undertaken in Wales.

4.2 Organic Meat

The market for organic produce is an important market, with the UK market worth £1.86 billion in 2014 and with 83 percent of UK households reportedly purchasing organic products. The value of the organic market in Wales/West is estimated to be in the range £100 million to 140 million through all channels.

In 2014 there were 779 fully organic holdings in Wales (representing approximately 2 percent of total agricultural holdings) and it is estimated by organic certifiers in Wales that there are currently approximately 500 organic beef and sheep holdings within Wales (representing approximately 4 percent of total beef and sheep holdings in Wales).

Approximately 8,000 finished beef (equivalent to approximately 7 percent of cattle slaughtering’s in Wales) and 115,000 finished lambs (equivalent to approximately 3 percent of sheep slaughtering’s in Wales) from Welsh farms were eligible to be sold as organic to abattoirs in 2014. It is estimated however, following discussions with the certified organic abattoirs and organic certifiers in Wales that only approximately 45 percent of the eligible lambs and 25 percent of eligible cattle are sold as Welsh organic, with the remainder being sold into the conventional market. Of these animals sold as

DEFRA, Agriculture in the UK, 2014.
HCC. Levy Returns 2014.
Welsh organic, certified organic abattoirs in Wales also indicate that dependent on retailer demands, a need to achieve carcase balance, the saturation level of the organic market or business operator needs to fulfil orders; not all meat from these organic animals is retailed as organic – much of it is sold into the conventional market.

Of the 21 operational abattoirs in Wales, 6 are registered as organic with either the Soil Association Certification Ltd. or Organic Farmers and Growers Ltd. A further one (St Merryn Foods, Merthyr Tydfil) also slaughters organic, on behalf of a sister site in England:

- Cig Calon Cymru 2010 Cyf., Cross Hands;
- Cig Oen Caron, Tregaron;
- Dunbia (Wales), Llanybydder;
- Randall Parker Foods Ltd.; and
- G R Evans & Co., Corwen;
- J Williams & Co., Denbigh;

There are potential growth opportunities in the organic Welsh red meat sector, as other sectors have shown that organic primary production can add to the resilience of businesses by supporting engagement with customers. A key challenge for the organic red meat supply chain is to match supply and demand and many beef and lamb producers lack confidence in the security of demand throughout the year.

Using PGI as an overarching point of difference (provenance, traceability, authenticity and quality), HCC have a policy that supports sub-brands (such as local, niche, organic, breed specific) that work alongside the PGI. This provides an important way forward for developing the organic red meat supply chain.
5 Capacity in the Welsh Red Meat Slaughtering Industry

In the last few years, whilst some extra red meat slaughtering capacity has come on stream through business expansion and through new businesses opening, there has at the same time been contraction amongst businesses and business closures/suspension of operation, resulting in an overall decrease in throughput. Between 2012 and 2014, total throughput of cattle, sheep and pigs through Welsh abattoirs declined by 10 percent, 3 percent and 9 percent respectively.33

5.1 Anticipated Throughput for 2015

Using levy returns for the first eight months of 2015, through on-going engagement with abattoirs in Wales; and following recent conversations with abattoirs across Wales, the anticipated throughput for 2015 in Wales has been calculated as follows.

Cattle Throughput

The throughput of abattoirs slaughtering cattle in Wales in 2015 is anticipated to be approximately 140,000 head (cows and calves).

Sheep Throughput

The throughput of abattoirs slaughtering sheep in Wales in 2015 is anticipated to be approximately 3.4 million head.

Pig Throughput

The throughput of abattoirs slaughtering pigs in Wales in 2015 is anticipated to be approximately 35,000 head.

5.2 Practical Capacity Commercially Available

Capacity in the Welsh red meat slaughtering sector was last undertaken in October 2006 by MLC Industry Consulting. It concluded that the potential capacity in the Welsh slaughter industry is largely dependent on any investment (and expansion) by the larger companies. The smaller companies historically had little or no effect on increases or decreases in capacity.

Capacity can be measured in number of ways. For the purposes of this report capacity is defined as ‘practical capacity commercially available’.

‘Practical capacity commercially available’ is a measure of basic capacity (throughput that could be achieved if the peak week throughput of the abattoir was maintained) adjusted to be practically possible within structural/operational constraints of the site (typically lairage or chiller capacity) and which is realistic when multi-species slaughtering is taken into account. Individual trading conditions and costs of operation

33 Source: HCC, November 2015.
(e.g. waste disposal charges) are then further taken into consideration (e.g. many small plants only work one or two days a week and are unwilling to work more for various reasons, such as lack of workers). An assessment of potential slaughtering opportunities that may come on stream in the near future is also taken into account to measure the capacity.

Achieving capacity (or extending it) is largely dependent on any investment and expansion by the larger companies. The smaller companies still have limited effect on increases or decreases in capacity.

Through on-going engagement with abattoirs in Wales, the practical capacity commercially available in Wales has been calculated as follows.

**Practical Cattle Capacity Commercially Available**

It is estimated that the combined capacity of the abattoirs slaughtering cattle and calves in Wales in 2015 will be approximately 164,000 head. When this figure is compared to the expected throughputs in 2015, the capacity is approximately 17 percent over current utilisation. In headage terms, this equates to a spare capacity of approximately 24,000 cattle per year.

**Practical Sheep Capacity Commercially Available**

It is estimated that the combined capacity of the abattoirs slaughtering sheep in Wales in 2015 will be between approximately 4.8 million and 5.8 million head, dependent on the potential additional capacity from Farmers Choice. When these figures are compared to the expected throughputs in 2015, the capacity is approximately 41 percent to 72 percent over current utilisation. In headage terms, this equates to a spare capacity of between approximately 1.4 million to 2.4 million sheep per year. **However, due to the seasonality of lamb supply, this capacity cannot practically be achieved.**

**Practical Pig Capacity Commercially Available**

It is estimated that the combined capacity of the abattoirs slaughtering pigs in Wales in 2015 will be approximately 46,000 head. When this figure is compared to the expected throughputs in 2015, the capacity is approximately 32 percent over current utilisation. In headage terms, this equates to a spare capacity of approximately 11,000 pigs per year.

Whilst an element of multi-species slaughtering has been taken into account in the capacity calculations, it should be noted that the full capacity in more than one species would not be realistic (i.e. it is not feasible for cattle and sheep capacity to be reached for both species at the same time) as many of the abattoirs operating in Wales are non specialist (they slaughter more than one species).
6 Factors Affecting the Welsh Red Meat Slaughtering Industry

There are a number of political, economic, social, technological and environmental challenges that face the red meat industry in Wales, some of which have a substantial impact on the future resilience, performance and profitability of the sector. Capacity commercially available is influenced by livestock supply and red meat product demand, both of which need stimulating to work towards a viable Welsh red meat slaughtering sector.

During discussions, the issues facing the abattoirs in Wales were raised, with the main concern being that of long-term viability. The issues raised by abattoirs in Wales are summarised below.

Livestock Supply

The supply of livestock impacts significantly on the business function and margins of abattoirs. With declining livestock numbers in Wales, abattoirs are sourcing livestock from within and outside of Wales (predominately England, where the livestock production base is probably the most resilient owing to its competitive finishing sector). This is highlighted by the location of the large abattoirs dominating beef and sheep slaughter in Wales, which are strategically located either close to the Wales-England border or with good access to road networks.

The falling cattle numbers are of most concern. This was highlighted by the Review of the Beef Sector in Wales by SAC Consulting in September 2014, which concluded that the Welsh beef industry is being undermined primarily by problems at the production level. Many Welsh farmers are reducing suckler herds and beef production following the decoupling of the suckler cow premia and reducing their beef production as a direct result of the bovine TB risk and low margins that are being recovered from beef enterprises relative to sheep, dairy and dairy support enterprises.

Abattoir requirements for consistent volume and consistency are also an issue, as increasingly abattoirs are seeking livestock that will produce uniform cuts of equal high quality, to meet consumer demands and fit within existing packaging. This is a challenge for producers in terms of supplying the livestock consistently of the right quality.

Regulatory Compliance

There is considerable concern about the increasing amount of regulation for the Welsh abattoir sector to cope with. Current and upcoming legislation/policy changes that are a concern to the sector include animal identification, supply-chain traceability, water management and soil conservation, waste disposal, pollution prevention, fallen stock, animal by-products, food labelling, animal welfare, hygiene, ‘official controls’ charges, food safety, transport and slaughtering licences and the use of CCTV. Capacity within businesses to make the necessary changes (in terms of business culture, staff skills, IT capabilities, resource availability and time constraints) are a limiting factor for many abattoirs in Wales.
The FSA is responsible for meat inspection duties in approved meat premises across GB and it is their role to help ensure that the meat industry safeguards the health of the public; and safeguards the health and welfare of animals at slaughter. To achieve this, the FSA delivers 'official controls' in approved meat premises, requiring specified inspections of all animals, carcases and offal through risk-based audits to verify that approved fresh meat premises comply with EU Food Hygiene Regulations. The FSA also undertakes official controls on behalf of Defra and the Welsh Government on animal health and welfare to ensure compliance with legislative requirements. Despite recent reform in the 'official controls' - to provide a balanced and equitable system, which promotes efficiency, improves compliance and supports small and medium sized businesses - the regulatory inspection requirements and the increase in compliance charges remain a significant concern to abattoirs across Wales. Controls are viewed as difficult to understand, they are deemed to require streamlining and are considered an unnecessary bureaucracy.

Physical Infrastructure

Limited physical infrastructure is a significant issue raised by abattoirs across Wales. Whilst the Welsh slaughtering sector is dominated by a few large abattoirs, which are relatively technologically advanced and willing to invest in expansion plans, the infrastructure of the majority of abattoirs in Wales (primarily small and medium sized) is a concern.

Investment is a key component towards achieving long-term viability of both individual abattoirs operating in Wales and in the red meat slaughtering sector of Wales as a whole. The extent (or lack) of investment affects business sustainability, resilience, performance and profitability. The limited chiller facilities in the small and medium sized abattoirs in Wales is the greatest concern, impacting on their ability to process product, expand or meet specific market requirements.

By-product Disposal

The efficient management and disposal of waste and animal by-products is a major concern to abattoirs in Wales.

Much of the fifth quarter (non-carcase) is considered as an Animal By-Product (not intended for human consumption) and the cost of its disposal (and collection charges) is a major concern as its disposal generally outweighs the possible margins that can be made on the parts that can join the food chain. With no by-product disposal units located in Wales, the by-products of Welsh abattoirs are transported out of Wales (mainly to England) for disposal. Abattoirs report that disposal could cost in the region of £75 - £120 per tonne (dependent on access to disposal units and volume being disposed), in additional to collection fees (which can be as high as £200 per pickup).
Value of Hides, Skins and Offal

Decreasing value of hides, skins and offal (as a result of decreasing demand in China and changing consumer demands) and the cost of accessing hide/ skin collection centres is having a big impact on businesses.

The cattle hide and sheep skin market in the UK has weakened over time. The price for hides and skins remains at a very low level as a number of factors drive down demand. A push to make China more environmentally friendly, as well as economic problems in Russia and China, coupled with falling prices for crude oil have all put pressure on prices in the past year. Cattle hides and sheep skins are understood to currently be worth £15 – £40 per hide and £1.00 - £2.50 per skin to abattoirs in Wales (the range demonstrates the impact of access to hide/ skin collection centres in England and the volume being collected).

The majority of hides/ skins are exported onto the global market, given the small tanning capacity in the UK and Europe, with the majority being shipped to China – the largest importer in the world – where most of the world’s tanning capacity is located. Between January and September 2015, the volume of hides and skins exported from the UK was 114,660 tonnes (equating to a value of £141.4 million). However, demand for hides and skins has been falling due to Chinese green initiatives (as tanning can be a very polluting industry).

Demand for hides and skins in China is therefore reducing; which coupled by less demand from Russia (another important market for hides and skins) due to the weakening rouble, a relatively mild winter and increasing competition from synthetic textiles; impacts on demand (and therefore price).

Changing Demands

Changing consumer demands, notably of which is the demand for different cuts, different packaging and niche products, alongside the pressure to maintain consumer confidence remain challenges for the abattoir sector. Different product cuts and packaging demanded by consumers require costly changes within abattoirs, to upgrade machinery, amend processes and train abattoir workers; which alongside amended legislative and best practice guidelines in regard to food safety and hygiene; are significant issues abattoirs in Wales are facing. Carcase balance also remains a challenge, i.e. finding market outlets for all parts of the animal.

34 Source: HCC (using HM Revenue and Customs data), November 2015.
Skilled Labour

Skilled workers increase the flexibility of the workforce and increase businesses competitiveness. However, despite structural change, new technologies and productivity growth requiring on-going investment in skills, the labour market position of low skilled workers has worsened within Wales. The skills most lacking are problem solving, customer handling and other technical and practical skills. Abattoirs across Wales report that there is a shortage of skilled slaughter/ butchery workers. More needs to be done to match and improve learning provision to meet the needs of the sector.

Succession Planning

Succession planning (i.e. replacement planning) was noted to be a problem for some of the smaller abattoirs (which are primarily family owned) as there are only a few of the sites where the next generation is showing an interest in taking on the business in the future. With more appealing opportunities elsewhere, which are well paid/ better located/ less physical/ less burdensome, the sites (many of which are owned by individuals considering retirement in the next few years) are reluctant to investment as the future of the business is uncertain.

Market Structure

There has been a reduction in the number of small butchers, the rise in the power of the multiple retailers and the move into large-scale wholesalers/ distribution outlets; impacting on abattoirs across Wales. Despite growing interest in more local product, the concentration of retail sales into the hands of a small number of companies has intensified the search for customers for abattoirs.

There is an increasing demand for contract kill services, for supply into direct sale or to provide service slaughter for larger abattoirs. Typically this service is only offered in small abattoirs and as such the fragility of the small abattoirs in Wales is of significant concern to the industry in terms of future supply.

7 Value of the Welsh Red Meat Slaughtering Industry

The red meat sector (sheep, cattle and pigs) is an important primary production industry in Wales. Welsh red meat production contributes the largest share towards Welsh Agricultural Output, accounting for 41 percent (£636 million) in 2013.36

As food producers, the Welsh red meat slaughtering sector plays a vital role in supporting the rural economy upon which the economy and our food and tourism industries rely. Abattoirs provide employment and both upstream and downstream benefits in terms of their suppliers and the customers that they supply meat to.

Whilst the cattle and sheep slaughtering sectors are dominated by large abattoirs, the role of the small and medium abattoirs is significant, as they have a much larger role in supporting the rural economy.

As an outline indicator of the value of the Welsh red meat slaughtering industry, an analysis of data from 2014 has been undertaken, to determine a financial indicator of its contribution.37

Cattle
Cattle throughput through Welsh abattoirs is discussed in section 2.1 of this report - in 2014, cattle throughput in Welsh abattoirs was 120,400 head. Using an average cattle kill weight (of 348.7kg) and an average deadweight price (of £3.56 per kg) for cattle slaughtered in Welsh abattoirs in 2014; the value of the cattle slaughtering industry in Wales in 2014 was calculated to be approximately £186 million.

Sheep
Sheep throughput through Welsh abattoirs is discussed in section 2.2 of this report - in 2014, sheep throughput in Welsh abattoirs was 3.4 million head. Using an average sheep kill weight (of 19.4kg) and an average deadweight price (of £4.13 per kg) for sheep slaughtered in Welsh abattoirs in 2014; the value of the sheep slaughtering industry in Wales in 2014 was calculated to be approximately £271 million.

Pigs
Pig throughput through Welsh abattoirs is discussed in section 2.3 of this report - in 2014, pig throughput in Welsh abattoirs was 32,900 head. Using an average pig kill weight (of 80.9kg) and an average deadweight price (of £1.56 per kg) for pigs slaughtered in Welsh abattoirs in 2014; the value of the pig slaughtering industry in Wales in 2014 was calculated to be approximately £4 million.

The Welsh red meat slaughtering industry is therefore calculated to be contributing approximately £461 million per annum to the Welsh economy demonstrating the significance of the sector and the need for future investment.

The Welsh red meat industry is important to the Welsh economy in terms of wealth creation and employment in addition to the contribution it makes to the landscape, tourism and the rural economy. The Welsh red meat slaughtering industry is calculated to be contributing approximately £461 million per annum to the Welsh economy demonstrating its significance and the need for future investment.

The Welsh red meat slaughtering industry has however for many years faced a continuing underlying problem of fluctuating and at times low profitability. The sector as a whole suffers from underinvestment especially amongst small and medium enterprises, at a time when investment requirements are growing, whether to meet the stringent hygiene requirements, or retailer as well as consumer demands for more innovative convenience foods. Margins have also come under pressure from lower fifth quarter returns, costs of by-product disposal and the sourcing policies of the multiple retailers and other customers. All these factors have led to a continuing trend of fewer abattoirs operating (both within Wales and across GB as a whole).

Whilst it is estimated that the combined capacity of the abattoirs slaughtering cattle, sheep and pigs in Wales is approximately 17 percent, 41-72 percent and 32 percent respectively over current utilisation, the challenges the industry is facing will have a substantial impact on the future resilience, performance and profitability of the sector. These factors raise concerns over the long-term viability of Welsh abattoirs without future investment in this sector.
## Annex 1
### Operational Welsh Red Meat Abattoirs, January 2016

<table>
<thead>
<tr>
<th>Name of Operator</th>
<th>Location</th>
<th>Species</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Sisters Red Meat Ltd. – T/A St Merryn Foods</td>
<td>Merthyr Tydfil</td>
<td>Cattle, sheep</td>
</tr>
<tr>
<td>B&amp;B Webster</td>
<td>Rhyl</td>
<td>Cattle, sheep, pigs</td>
</tr>
<tr>
<td>Cig Calon Cymru 2010 Cyf.</td>
<td>Cross Hands</td>
<td>Cattle, sheep</td>
</tr>
<tr>
<td>Cig Oen Caron</td>
<td>Tregaron</td>
<td>Cattle, sheep, pigs</td>
</tr>
<tr>
<td>Conwy Valley Meats</td>
<td>Llanwrst</td>
<td>Cattle, sheep</td>
</tr>
<tr>
<td>D &amp; J Thomas</td>
<td>Wrexham</td>
<td>Cattle, sheep, pigs</td>
</tr>
<tr>
<td>DT Havard</td>
<td>Caerphilly</td>
<td>Cattle, sheep, pigs</td>
</tr>
<tr>
<td>Dunbia (Wales)</td>
<td>Llanybydder</td>
<td>Sheep</td>
</tr>
<tr>
<td>E T Jones &amp; Sons &amp; Daughter</td>
<td>Holyhead</td>
<td>Cattle, sheep, pigs</td>
</tr>
<tr>
<td>Evan Roberts &amp; Sons</td>
<td>Blaenau Ffestiniog</td>
<td>Cattle, sheep</td>
</tr>
<tr>
<td>Fairfield Meat Co. Ltd.</td>
<td>Wrexham</td>
<td>Sheep</td>
</tr>
<tr>
<td>Farmers Choice</td>
<td>Gaerwen</td>
<td>Sheep</td>
</tr>
<tr>
<td>G R Evans &amp; Co.</td>
<td>Corwen</td>
<td>Cattle, sheep, pigs</td>
</tr>
<tr>
<td>Jones Bros.</td>
<td>Wrexham</td>
<td>Cattle, sheep, pigs</td>
</tr>
<tr>
<td>J Williams &amp; Co.</td>
<td>Denbigh</td>
<td>Cattle, sheep, pigs</td>
</tr>
<tr>
<td>L H &amp; C A Phillips</td>
<td>Swansea</td>
<td>Cattle, sheep, pigs</td>
</tr>
<tr>
<td>Maddock Kembery Meats</td>
<td>Maesteg</td>
<td>Cattle, sheep, pigs</td>
</tr>
<tr>
<td>Menai Meats Wales Ltd.</td>
<td>Caernarfon</td>
<td>Sheep</td>
</tr>
<tr>
<td>N S &amp; W A James</td>
<td>Raglan</td>
<td>Sheep, pigs</td>
</tr>
<tr>
<td>Randall Parker Foods Ltd.</td>
<td>Llanidloes</td>
<td>Cattle, sheep</td>
</tr>
<tr>
<td>William Lloyd Williams &amp; Son</td>
<td>Machynlleth</td>
<td>Cattle, sheep, pigs</td>
</tr>
<tr>
<td>W J George (Butchers) Ltd.</td>
<td>Brecon</td>
<td>Cattle, sheep, pigs</td>
</tr>
</tbody>
</table>

**Source:** HCC, January 2016