Hybu Cig Cymru - Meat Promotion Wales (HCC) is the body responsible for the development, promotion and marketing of Welsh red meat.

VISION 2025
Vision and Strategic Direction for the Welsh Red Meat Sector to 2025

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Vision 2025 is a bold blueprint for leadership in a new era for an iconic Welsh industry. It addresses the new opportunities and challenges of the Brexit era. This document addresses strategic opportunities, challenges and risks in terms of trade, production and the processing of red meat from Wales and offers a future framework for a progressive, productive and profitable future.

It has been collated and constructed by HCC’s Board to empower it to positively undertake its statutory functions in a way that will actively enable the whole sector to function effectively, achieve its rich potential and bring maximum benefit to a post-Brexit Welsh economy.

This document is a roadmap to maximise the endeavours of a nation and identifies a nine-point programme of priorities:

1. Positioning red meat from Wales as a premium product.
2. Developing EU trade opportunities for Welsh red meat.
3. Optimising domestic (GB) consumption of red meat from Wales.
4. Seeking new consumers for Welsh red meat in established global markets.
5. Securing a greater percentage of Welsh red meat exports outside the EU.
6. Developing a competitive Welsh red meat industry.
7. Reducing the impact of Welsh red meat production and processing on the climate, the environment and waste.
8. Contingency planning in terms of future trade, production and processing post-Brexit.
9. Effective communication throughout the industry to ensure unity of purpose.

Kevin Roberts
Chairman HCC
HCC

Hybu Cig Cymru - Meat Promotion Wales (HCC) was established in 2003 as the body responsible for the strategic development, promotion and marketing of Welsh red meat. HCC works in dynamic and proactive partnerships with farmers, auction markets, processors, retailers, industry bodies and government bodies to boost productivity, profitability and sustainability.

The Welsh Red Meat Industry

The red meat industry is of huge importance to Wales. It is the cornerstone of communities, culture and a countryside that attracts around a million overseas visitors each year. In numbers, Welsh red meat production is worth an estimated £648 million\(^1\) annually and directly supports an agricultural workforce of 58,300\(^2\).

This cornerstone of the Welsh economy is built upon the foundations of its premium protected Welsh Lamb and Welsh Beef brands which HCC has helped develop and grow.

Partnership Working

Together HCC and Wales’ red meat processors strive to boost domestic and international sales opportunities for the PGI (Protected Geographical Indication) branded Welsh Lamb and Welsh Beef, and pork from Wales; that is expertly produced by Wales’ livestock farmers.

Partnership is paramount to delivery and the future success of this industry will undoubtedly rely on close working between governments, HCC and all industry stakeholders.

Strategic Action Plan for the Welsh Red Meat Industry

Twenty Twenty Vision: The Strategic Action Plan for the Welsh Red Meat Industry sets out the strategic direction for HCC, to work towards “a profitable, efficient, sustainable and innovative Welsh red meat industry which benefits the people of Wales, which is resilient to political and environmental change, and is capable of responding competitively to ever changing market trends”.

However, the impact of the UK’s decision to leave the EU and its effect on future trade relationships with the EU on the Welsh red meat industry is uncertain. As such, the HCC Board feel it is appropriate to revisit the priorities of the Strategic Action Plan, to ensure they are focused on supporting the long-term aspirations for the sector and to help sustain a viable red meat industry in Wales post-Brexit. Further analysis on Brexit can be seen in Annex 1.

Future Framework

The HCC Board is made up of industry and independent members appointed by the Welsh Ministers. They direct HCC’s appointed statutory activities from an income raised by the Welsh Red Meat Levy from sheep, beef and pigs at the point of slaughter in Wales.

HCC’s Board recognises that there are a number of strategic risks facing the industry in the new era but there may also be new opportunities.

Issues such as the continuing uncertainty regarding trade arrangements for the UK and the future status of the workforce in Wales, which includes highly skilled migrant workers, make the immediate future difficult to predict.

However, there remain reliable, firm fixtures within the Welsh red meat industry that are immovable and resilient in the face of change; Welsh farmers continue to produce premium lamb, beef and pork of market-leading quality.

The HCC Board believes the aspirations of the Strategic Action Plan remain relevant; however they consider the new climate demands a fresh and determined approach to achieve the vision successfully.

An Introduction to the 2025 Vision


A Snapshot of the Welsh Red Meat Sector

Statistics
In Wales, there are 14,023 sheep holdings (4.6 million breeding ewes); 7,435 beef cattle holdings (168,000 beef cows) and 1,369 pig holdings (4,000 breeding pigs).

Welsh red meat production is worth an estimated £648 million³ in total.

Nineteen operational red meat abattoirs in Wales and the Welsh red meat slaughtering industry contribute approximately £460 million per annum to the Welsh economy.

Systems
Welsh livestock production predominantly uses forage-based systems.

Post Production Benefits
Red meat production supports the rural economy of Wales, helps to sustain Wales' natural resources; preserves the landscape and environment and supports and complements the food and tourism industries which rely upon the natural beauty of the Welsh landscape. The nation's red meat brands are its most recognisable food exports, acting as emblems of Welsh quality and craftsmanship in dozens of countries.

Consumption
Wales is heavily dependent on domestic markets (particularly England) and global export markets, as only five percent of the red meat produced in Wales is consumed in the home (Wales) market.

Exports
More than 30 percent of lamb and over 16 percent of beef produced in Wales is exported, equivalent to 26,200 tonnes of sheepmeat and nearly 15,000 tonnes of beef on 2016 figures, which alongside exports of skins, hides and offal are worth an estimated £185 million per annum. Currently around nine in every ten export orders go to the European Union, a reliance that makes the outcome of UK Brexit negotiations pivotal to the future outlook. There is a very strong correlation between the export performance of Welsh red meat and farmgate prices.

Carcase Balance
Overseas markets are also crucial to achieve effective carcase balance by seeking high-value markets for lower-value cuts and offal that can deliver improved returns to the Welsh industry, as these cuts have little or no value on the domestic market.

Market Access
HCC undertakes research to prioritise potential future markets for Welsh red meat, and working with DEFRA, the Welsh Government and the UK Export Certification Partnership (UKECP) to achieve market access to many important countries including Japan, the USA, China and Saudi Arabia.

Conclusion: The structure of the Welsh red meat industry and likely future consumer demand for red meat means that it is strategically sound to invest in growing exports, while also optimising domestic markets.

Demand
Projected worldwide meat consumption patterns would suggest that improving the export performance of Welsh red meat is likely to be ever more important to our long-term industry strategy.

Global demand for meat is rising, fuelled by growing populations and increased disposable incomes but the pace of growth varies within countries of different states of development.

Developed economies have slow or negative growth, with greater consumer interests in red meat products that reflect animal welfare, health and quality. Premium products offering better quality and traceability are increasingly sought after in all markets including the growing middle class populations of Asia.

The wider growth in meat consumption favours cheaper poultry cuts and non-meat proteins due to their low cost.

Sheepmeat and beef remain expensive meats in all markets but have good traditional support in many.

There is a limited global supply of sheep meat and so the slow expansion of production in developing markets represents a positive opportunity.

The red meat sector is facing increasing pressure in consumer trends, from new eating fads, more flexi-tarian approaches and the need for quick and easy meal solutions.

British consumers’ preference for lamb legs, in particular, means that the export market plays a key role in achieving carcase balance as the remaining cuts can be exported.

If tariff-free trade is disrupted (impacting on the amount of product exported), it may create an oversupply in the domestic market with accompanying challenges of how to displace imports and achieve carcase balance.

Producing for the Market
Trade in both export and home (GB) markets rely on the sector’s ability to respond to market signals and to guarantee the supply of quality red meat on a competitive basis.

Cost of production is relatively high for red meat from Wales and opportunities must be seized to improve the profitability and resilience of red meat production through efficiency savings across the supply chain.

Cooperation and collaboration across the supply chain is also required to maximise product and supply chain innovation, market intelligence and effective marketing.

Conclusion: The Welsh red meat industry needs support to adapt and compete to serve sectors of developed markets which are growing, as well as exploring opportunities in new export markets where patterns of demand show more favourable trends for both premium and fifth quarter products.
HCC Vision to 2025

The timescale envisaged to achieve and adjust to EU exit extends into the future. The HCC Board has therefore looked towards a vision and a strategy for the red meat industry in Wales to 2025.

Irrespective of the final Brexit scenario (discussed in Annex 1), the ultimate strategic vision for the industry remains – a profitable, efficient, sustainable and innovative Welsh red meat industry which benefits the people of Wales, which is resilient to political and environmental change, and is capable of responding competitively to ever changing market trends.

The strategy to achieve this vision must provide HCC with a sustainable way to use Welsh Red Meat Levy monies to support the growth in premium export markets, open up markets that are not currently accessible and develop emerging markets whilst building on developed markets.

We do however need to fully understand and reflect the factors that are beyond HCC’s control (specifically exchange rates and market access) and those which can be influenced within the boundaries of HCC’s statutory remit.

It is also important to understand that the timescales needed to achieve progress in some areas are extremely long and can extend to several years. For example, beef export markets are only gradually reopening following BSE restrictions of the late 1990’s.

The HCC Board long-term strategy to 2025 to achieve this vision follows.

1. Positioning red meat from Wales as a premium product

Premiumisation can only occur where a product is of high quality. Welsh Lamb and Welsh Beef are the epitome of evidential premiumisation.

The HCC Board believes premiumisation, not commoditisation, where mass sales deliver profits according to scale, will deliver industry aspirations for adding value to red meat products from Wales. Effective premiumisation will maximise returns to the whole Welsh red meat supply chain. While we cannot compete on price due to higher costs of production, we can compete on quality and exclusivity with its narrative of ‘specialness’.

Both domestic and global gains will rely on the effective premiumisation of Welsh Lamb, Welsh Beef and pork from Wales and the ability to differentiate and promote branded products. Investment to evolve the Welsh red meat brands commercially needs to be undertaken to respond to modern consumer trends. Bold investment in the PGI Welsh Lamb and PGI Welsh Beef brands, led by HCC, has to date enabled a substantial growth in premium pricing as well as positive new market opportunities.

Robust systems for provenance and traceability have been a key element in securing trade in many existing markets. The PGI designation enjoys legal protection in Europe and some countries with equivalent legislation and it is regarded more widely as a mark of quality by the global food industry. This status has been instrumental in achieving considerable amounts of new business in high-end retail and foodservice for Welsh brands. HCC is working closely with governments to consider and establish effective equivalent schemes for our prime brands post-Brexit.

*Premiumisation occurs in a product category, market or industry where customers are willing to pay more for a higher quality product. Premiumisation establishes a point of difference but at a price that can be afforded.
PGI premiumisation underpins the Welsh export trade and helps to increase retail value for specific cuts which then, in turn, help to balance the overall carcase value.

Access to niche markets which consume lower value cuts and offal, as well as new sub-sector product development, will drive carcase balance. Opportunities for the pork sector in Wales are also anticipated in niche markets.

Objective measurements of factors known to influence consumer purchasing, such as eating quality, health and welfare and the green credentials of red meat from Wales, will help to establish a platform for increased consistency of product and enhance consumer perception.

HCC will safeguard the provenance of Welsh red meat and secure PGI status (and/or UK equivalence). HCC will take full advantage of identified high-value niches in the domestic and export markets. It will enhance provenance for key markets by seeking to identify and qualify additional attributes of red meat from Wales based on factors such as meat eating quality and environmental credentials.

2. Retaining and developing trade opportunities for Welsh red meat within the EU

It is crucial in the short term to retain confidence and relationships with existing, geographically close, customers in the EU and to develop relationships and expand trade opportunities in developing premium EU markets. This will help to mitigate any risks and disruption to trade that may be caused by uncertainty of future supply.

HCC will build on the work undertaken through the EU promotional programmes and will work in key countries to secure trade with our closest neighbours to secure and grow trade where possible.

3. Optimising domestic (GB) consumption of red meat from Wales

The overall long-term trend for consumption levels of lamb, beef and pork across the UK is one of decline.

Changing demographics towards smaller households and the need for quick and easy meal solutions drive demand for cuts rather than traditional, large roasting joints.

Price remains a key driver and competition from chicken, fish and non-meat proteins continues to grow.

The wider social and political factors exert influence on purchasing patterns and retail policies; these include political pressures in favour of home-produced goods, public perceptions of the health of red meat within their diet, and discussion surrounding the environmental impact of livestock production.

The domestic market still accounts for 60 per cent of Welsh red meat sales and consolidation of the GB market is essential for maintaining sales of Welsh Lamb and Welsh Beef.
Building cohesion and cooperation within the supply chain will also be critical to optimising domestic consumption of red meat from Wales.

HCC will maximise opportunities to develop and enhance the domestic market for red meat from Wales through:

- Promotion of Welsh red meat as a premium product.
- Consumer education alongside other key stakeholders (including schools and health professionals).
- Identifying and assessing opportunities for new product development (particularly in relation to lamb).
- Close working relationships with retail, foodservice and hospitality sectors to drive sales in the domestic market.

4. Seeking new consumers for Welsh red meat in established global markets

New product development must continue for a changing consumer base and for a different generation of consumer.

A segmented approach to consumer marketing within the food convenience sector needs to be undertaken to target key markets, including emerging ethnic markets, and provide bespoke consumer offerings.

HCC will enhance the recognition and positive perception of the Welsh red meat brands amongst target consumers in existing and emerging markets and utilise consumer data to identify and target new demographics so that the industry is well placed to supply them with premium Welsh red meat.

5. Identifying, prioritising and developing non-EU markets so that a greater percentage of Welsh red meat exports are outside the EU

Access to a range of new markets outside the EU is imperative both to support trade and spread economic and political risk. The industry needs to recognise the dependence of the Welsh red meat sector on export markets and the key role that positive export performance plays in raising farmgate prices.

There is already increasing export demand for cuts rather than carcases. The ability to meet this demand and to convert commodity/carcase exports to branded cuts in a wide variety of international markets will also help to reduce impact of currency fluctuations.

Many of the target destinations for Welsh red meat (including the USA) are not currently available for trade with the UK in terms of meat products. Negotiations to achieve market access are both lengthy and complex and not directly within HCC’s control.

Greatest benefits and returns for the Welsh red meat industry are likely to be derived by an approach that targets high value premium markets for branded cuts. Realising the demand for lower-value cuts and offal in key overseas markets will offer greater opportunity for financial returns than can be gained in the domestic markets.

Direct access to China is a high priority along with other Asian and African markets, the Middle East and emerging economies which have potential to import sheep meat and fifth quarter products, subject to agreeing market access.

HCC will work with Welsh Government, UK Government, AHDB Beef and Lamb and Quality Meat Scotland to build networks, maximise market data and, through UKECP, support and progress negotiations on access to new markets.
6. Supporting the development of a competitive Welsh red meat industry (production and processing)

Trade in export and home (GB) markets relies on the sector's ability to assess and respond to market signals and to be able to guarantee the supply of quality red meat on a competitive basis. This requires collective approaches across the whole red meat supply chain to:

• Maintain product consistency and maximise eating quality
• Retain the red meat processing capability in Wales and expand opportunities to add value through the further processing.
• Enhance the shelf life of Welsh Lamb.
• Improve the profitability and resilience of red meat production through on-farm efficiency (including animal health, genetics, grassland management, uptake of technology and reducing costs).

HCC will collate, assess and disseminate market and consumer intelligence to the industry to enable the sector to respond to change. It will invest in research and innovation to enable the red meat sector to have access to new technologies that are relevant to Welsh farming and processing. It will work with industry stakeholders (including producers and processors), Welsh Government and existing deliverers to provide relevant and targeted support and maximise opportunities to generate a competitive red meat industry.

7. Supporting the Welsh red meat industry in reducing the impact of Welsh red meat production and processing on the climate, the environment and avoiding unnecessary waste

Climate change is of growing concern for the Welsh red meat sector. Ruminant livestock (cattle and sheep) enterprises are the dominant contributors to the greenhouse gas output of Welsh industry. The Welsh Government currently has targets to reduce greenhouse gas emissions and there is growing awareness and pressure to achieve this by reducing the numbers of ruminant livestock. The Welsh Government also has a target to achieve zero waste by 2050 (Zero Waste Wales).

Climate change also presents real challenges to a Welsh red meat sector. A heavy reliance on traditional seasonal farming activities and susceptibility to the increasing likelihood of extreme weather events, flooding, soil erosion, and variable or reduced crop (including grass) yields can cause greater uncertainty in an already volatile market place.

HCC is a signatory to Courtauld 2025, a voluntary initiative that aims to reduce food and drink waste, reduce greenhouse gas emissions of food and drink consumed in the UK and to reduce the impact associated with water and other resource use across the supply chain.

HCC will work with key stakeholders, C2025, WRAPCymru and the Welsh Government to develop and support initiatives to reduce waste and greenhouse gas emissions from the Welsh red meat sector whilst ensuring the industry remains viable.
8. Contingency planning in relation to future trade, production and processing post-Brexit

A number of unquantified challenges and uncertainties within the commercial and political scenarios have been identified (as a result of Brexit – see Annex 1) and the HCC Board therefore considers contingency planning essential to protect its long-term goals.

This includes HCC undertaking an exercise to model the impacts of any scenarios as they unfold, to make sure the outcomes of this work would be quickly available to inform and guide the industry on a series on valuable strategic interventions.

These could show:

- How more product could be utilised in the home market.
- How new product development could be accelerated or enhanced – including potential for non-food by-products (e.g. skins and hides).
- Mechanisms to assist in the potential displacement of imported red meat.
- How supply and demand could be better balanced – including approaches, interventions and technologies that could help to reduce the impact of the highly seasonal supply. This will include support to the industry to scope what mix of farming option could be considered (for example, keeping fewer sheep and more cattle) as well as processing options.

HCC will demonstrate clear, determined, assertive and positive leadership to the Welsh red meat industry and put in place measures to help raise industry confidence, activity and knowhow.

9. Effective communication throughout the industry to ensure unity of purpose

In order to meet the needs of the industry and to achieve the HCC Board 2025 Vision, HCC will need to interact with the Welsh and UK Governments, public agencies and industry bodies to share information and influence policies and regulation where possible. HCC must also raise awareness of the work of the organisation and maintain the confidence of its levy-payers.

HCC will ensure that information regarding developments relating to Welsh red meat as well as the full range of HCC’s activities is made known to stakeholders and consumers.
Implementation

The implementation of the priorities outlined in this document will ultimately be determined by a number of factors. The impact of Brexit, the level of funding available through the Welsh Red Meat Levy, changes in livestock numbers and availability of additional supplementary funds to support and enhance these activities will all impact on the implementation.

HCC publish a rolling 3-year Corporate Plan on an annual basis, in which how this strategy will be delivered is outlined in detail.

Conclusion: HCC will work very closely with all industry stakeholders, the Welsh Government and GB levy bodies to ensure that Welsh Red Meat Levy monies are targeted in ways to maximise benefit and value to the red meat sector. HCC will also seek alternate funding where possible, to augment levy funds.

Annex 1

Brexit Impacts

In principle, trade with the EU will operate as “business as usual” until March 2019. Given the complex negotiations involved it is possible, perhaps even likely, that a deal may not have been reached by that time. The negotiation of a potential transition period may allow free trade to continue for a period of time whilst a permanent agreement is negotiated and finalised.

Whilst the end play is therefore unknown at this stage, it is acknowledged that the UK sheep industry is at serious risk, probably more so than any other domestic agricultural sector and this presents a significant risk for Wales that has more than 30% of the GB flock.

This risk is expected to be evident from April 2019 for a period of 5-10 years whilst new trade deals are settled.

We present four strategic scenarios that reflect recent analysis and illustrate the impacts of a range of possible trade arrangements that are currently under discussion.

a. Free Trade Agreement with the EU

This represents the closest arrangement to current relationships:

- Free Trade Agreement (i.e. free access to the Single Market).
- New customs agreement with tariff and quota free access for UK exports to the EU and tariff and quota free access for imports into the UK from the EU.

Outcomes: Little would change in terms of the UK’s trade in beef, lamb and pork products and whilst it is likely to require additional trade facilitation due to increased cross border administration paperwork; migrant workers restrictions; inspections and delays at port; the indications suggest that the costs are likely to be relatively small compared against the benefit of limited disruption to trade.
b. WTO default to Most Favoured Nation (MFN) Tariffs

In the absence of a Free Trade Agreement between the UK and the EU, the UK would revert to trading with the EU on the same basis as other WTO members. MFN tariffs would be applied to both UK exports to the EU and imports from the EU to the UK.

Outcomes: MFN tariffs would lead to significant disruptions to trade between the UK and EU-27 countries; AFBI suggests that in net importing sectors - dairy, beef, pig and poultry - the high tariffs would reduce the volume of EU imports and available supplies and significantly increase UK producer prices. Output values have been estimated at an increase of 17% for the beef sector but with knock-on consequences in the form of higher consumer prices.

However, MFN tariffs diminish competitiveness in the net-exporting sectors – e.g. sheep. This reduces UK exports to the EU, increases domestic supplies and lowers market prices. The impact is particularly marked in the sheep sector due to the large quantity of sheepmeat currently exported to the EU from the UK. Producer prices in the sheep sectors are projected to decrease by 30%.

c. Unilateral Trade Liberalisation

It is also possible that rather than applying the high WTO default MFN import tariffs on goods, the UK could potentially opt for unilateral trade liberalisation, where tariffs on imports from the EU and the rest of the world are reduced. A radical version of this arrangement in which the UK sets zero tariffs on imports to the UK from both the EU and the rest of the world, while exports from the UK face trading partners MFN tariffs, has been considered.

Outcomes: This scenario has a depressing impact on UK prices and output values across all commodities particularly in the beef and sheep sectors where international competition is very strong. A large increase in imports in these sectors from the rest of the world has been projected together with a significant downward pressure on UK prices and production. In this particular scenario producer prices in the beef and sheep sectors would decrease by 45% and 29%, respectively, compared with reductions of 12%, 9% and 10% in producer prices for the pig, poultry and dairy sectors respectively.

d. Hybrid / transition arrangements

Hybrid arrangements could take the form of any combinations of scenarios in between these and will inevitably have an impact on trade flows between the UK and both the EU and non-EU countries.

Outcomes: Special bilateral trade arrangements may be considered for agricultural products, such as those that already exist between the EU and Norway (free movement of people and goods, excepting agricultural and fisheries, and tariff quotas are in place for the meat sector).