Corporate Plan for
Hybu Cig Cymru - Meat Promotion Wales
(HCC) 2021 – 2024

There are two major challenges facing HCC and the Welsh red meat industry during the lifetime of this Plan, namely the global coronavirus pandemic and the end of the Brexit transition period

This Plan outlines the planned activities of HCC, assuming a 'status quo' in terms coronavirus restrictions and in terms of UK-EU trade arrangements

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Executive summary

Vision 2025

A profitable, efficient, sustainable and innovative industry which benefits the people of Wales; which is resilient to political and environmental change and which is capable of responding competitively to ever changing market trends.

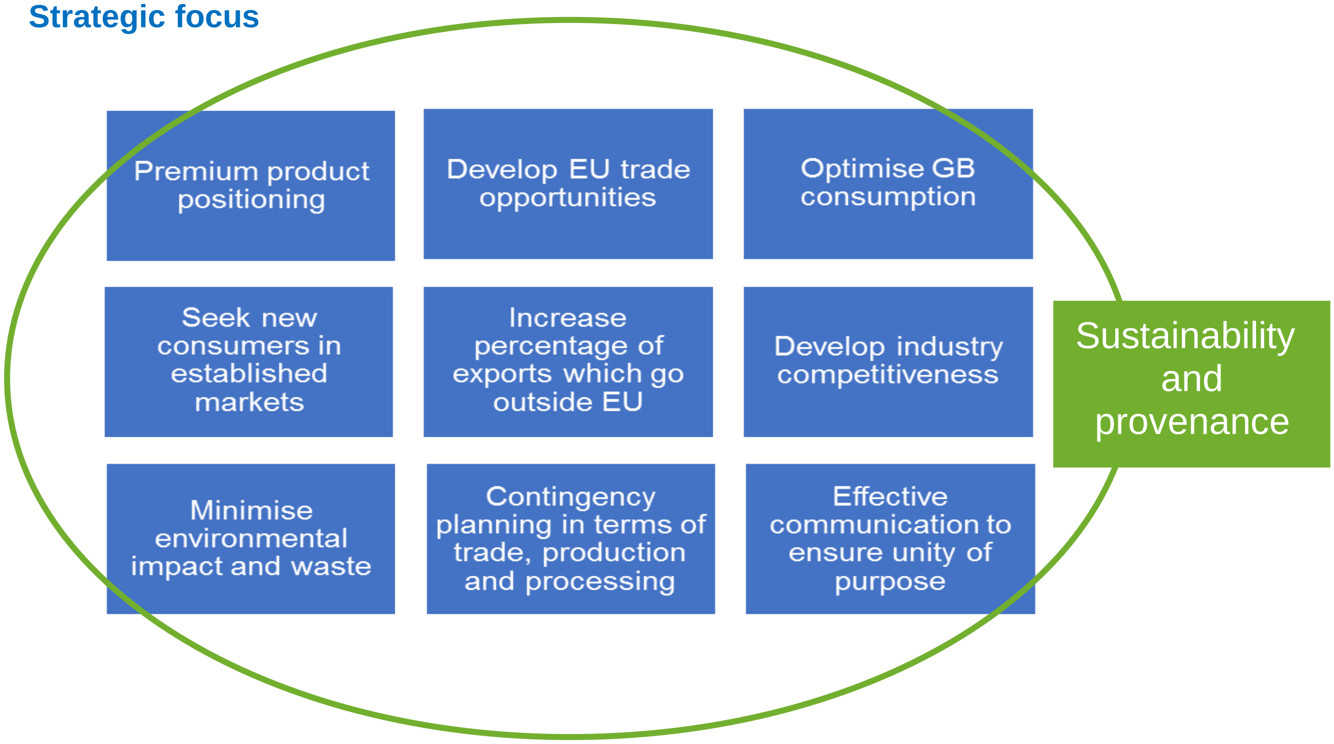
Vision 2025 was launched in May 2018, and reconfirmed in November 2020, and provides strategic direction for the red meat sector through to 2025. It sets out a direction for how the HCC Board believe that Welsh Red Meat Levy monies should be focussed in order for HCC to undertake its statutory functions in a way that will bring maximum benefit on behalf of the whole sector in a post-Brexit economy.

The Welsh Way

Published in December 2020, the *'Welsh Way'* examines how Wales stands in the global context of sustainability and food security and puts forward a case of where the Welsh red meat sector can make a real positive difference to achieving the nation's goals. The document considers the three pillars of sustainability - economic, environmental and societal. It also uses technical input from world renowned experts to analyse current emissions and carbon sequestration potential of sheep and beef farming in Wales, looks at scope for further improvement, and asserts that sheep and beef farming in Wales has the potential to form a profitable, sustainable, low-emissions system of food production.

Our ambition is to make sheep and cattle farming in Wales a global exemplar of how to produce quality food, sustainably and efficiently.

Strategic focus



The coronavirus pandemic is anticipated to continue impacting on HCC delivery during this three-year Plan; through travel restrictions, quarantines, workplace hazard controls and facility closures. This Plan therefore adjusts HCC delivery to accommodate the coronavirus challenges.

The end of the Brexit transition period will also impact upon HCC delivery. Non-trade barriers are expected to impact the industry, although their extent and reach is not yet fully known.

HCC delivery mechanisms (2021-2024)

In line with *Vision 2025*, this Plan (2021-2024) identifies six delivery mechanisms for the next three years, sets out key performance indicators and outlines expected outcomes.

About HCC

Vision

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 which is capable of responding competitively to ever changing market trends.

Purpose

HCC is the industry-led levy body organisation responsible for the development, promotion and marketing of red meat from Wales.

HCC collaborates with all sectors of the red meat industry – from farmers to retailers – and works to build the industry and develop profitable markets for PGI Welsh Lamb, PGI Welsh Beef and pork from Wales.

In the UK and in many important markets worldwide, HCC works with processors to strengthen business opportunities and undertakes regular promotional programmes. Across the whole supply chain, HCC undertakes research and development, shares information and supports training, to ensure the Welsh red meat industry is in a position to improve quality, increase cost-effectiveness and add value to Welsh red meat products.

Funding

The principle source of income of HCC is derived from Welsh Red Meat Levy which is jointly paid by producers and slaughterers/exporters, raised on all cattle, sheep and pigs slaughtered in Wales (which are fit for human consumption) or exported live.

Following the passing of the Agriculture Bill in 2020, from April 2021, HCC will also be in receipt of repatriated levy (levy that is calculated on livestock born and/or reared in Wales that is slaughtered in England or Scotland).

HCC is also in receipt of external funding, provided by the Welsh Government (for export activities) and through the Rural Development Programme.

Board of Directors

HCC is wholly owned by Welsh Ministers and appointments to the HCC Board are made by the Welsh Ministers in accordance with the Governance Code and the principles of public appointments.

The Board comprises 9 non-executive directors (including the Chair) - membership can be viewed at https://meatpromotion.wales/en/about/corporate-information/hcc-board. A new Chair was appointed from 01 April 2021.

The Board is representative of farmer and processor levy payers and others who possess skills relevant to the future development of the organisation.

In addition to the Board, a range of Committees exist to carry out development and advisory work on an ongoing basis.

Introduction

The HCC *Vision 2025* considers the strategic risks in terms of trade, production and processing of red meat from Wales, not least of which is the substantial contribution that agricultural support currently makes towards profitability. It also considers possible longer-term opportunities.

Uncertainty over the extent of continued restrictions as a result of the coronavirus pandemic and anticipated non-tariff barriers as a result of Brexit present significant challenges for the Welsh red meat sector in terms of how the *Vision 2025* is achieved. However, this Plan assumes that the 2020 coronavirus restrictions and frictionless EU market access will prevail; thereby allowing a plan of delivery to be determined.

Vision 2025

Launched in May 2018, *Vision 2025* provides strategic direction for the red meat sector through to 2025. It sets out a direction for how the HCC Board believe that Welsh Red Meat Levy monies should be focussed in order for HCC to undertake its statutory functions in a way that will bring maximum benefit on behalf of the whole sector in a post-Brexit economy.

The vision for the Welsh red meat industry is:

a profitable, efficient, sustainable and innovative industry which benefits the people of Wales; which is resilient to political and environmental change and which is capable of responding competitively to ever changing market trends.

Following a review of *Vision 2025* by the HCC Board in November 2020, it was determined that the nine priority areas that form the foundation of *Vision 2025* remain relevant. The Board agreed however that there is a need to further integrate the challenges and opportunities sustainability presents the Welsh red meat industry, both in responding to climate change and enhancing the provenance messaging.

The Welsh Way

The climate crisis is urgent and global in scale. Humanity is facing the challenge of producing enough high-quality food and distributing it equitably among a growing population. In response, the ‘Welsh Way’ of farming has a great deal to offer.

Published in December 2020, the *‘Welsh Way’* examines how Wales stands in the global context of sustainability and food security and puts forward a case of where the Welsh red meat sector can make a real positive difference to achieving the nation’s goals. The document considers the three pillars of sustainability - economic, environmental and societal. It also uses technical input from world renowned experts to analyse current emissions and carbon sequestration potential of sheep and beef farming in Wales, looks at scope for further improvement, and argues that sheep and beef farming in Wales has the potential to form a profitable, sustainable, low-emissions system of food production.

Welsh farmers produce high-quality protein on marginal land, which is largely unsuited for arable crops. This is done overwhelmingly in non-intensive systems, using grass and rainwater to rear animals, thereby avoiding contributing to deforestation and unsustainable use of water resources elsewhere in the world. Reductions in greenhouse gas emissions and waste have already been achieved and further reductions are possible whilst also contributing positively to carbon sequestration, soil regeneration and increased biodiversity. Livestock agriculture and food production also sustain the economic and cultural sustainability of vibrant Welsh communities and the Welsh red meat industry is therefore in a strong position to deliver against the three pillars of sustainability.

Further publications will flow from this umbrella document, providing more detail on the possible mitigations the Welsh red meat industry might adopt to work towards lower greenhouse gas emissions. Wales should prioritise efficiency measures which reduce emissions while maintaining production, as livestock agriculture and food production sustain the economic and cultural sustainability of vibrant Welsh communities.

Our ambition is to make sheep and cattle farming in Wales a global exemplar of how to produce quality food, sustainably and efficiently.

Strategic Focus

The following nine priority areas form the foundation of HCC's Vision.

2025 vision – priorities	1. Positioning red meat from Wales as a premium product 2. EU trade opportunities developed for Welsh red meat 3. Domestic (GB) consumption of red meat from Wales maximized 4. New consumers for Welsh red meat sought in established markets 5. A greater percentage of Welsh red meat exports outside the EU 6. Development of a competitive Welsh red meat industry 7. Reduction in 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 9. Effective communication throughout the industry to ensure unity of purpose	**Sustainability and provenance**

In line with *Vision 2025*, this Plan sets out the key areas of work that have been prioritised by HCC's Board for the effective use of Welsh Red Meat Levy monies during the three-year period from 2021-2024. It also takes into account the ongoing coronavirus pandemic and the end of the Brexit transition period, which present significant challenges.

Six delivery mechanisms have been identified for the next three years, and this Plan sets out key performance indicators and outlines expected outcomes for 2021-2024.

HCC delivery mechanisms (2021-2024)
• Develop export markets for Welsh red meat • Develop home markets for Welsh red meat • Develop red meat brands and products to create and sustain a strong and competitive brand position • Collate and disseminate market intelligence and research at Wales, UK and global level • Support relevant programmes of R&D activities • Facilitate and encourage supply chain efficiency Strategy and activity in all these areas to be communicated to HCC stakeholders

Current status of the Welsh red meat sector

Wales is characterised by an upland topography and is subject to a wet climate, and as such land use is dominated by grassland pasture of which a large proportion is considered LFA land (80 percent). The land is therefore more suited to pasture and livestock farming and is most favourable towards sheep and cattle. Welsh agricultural sector output is heavily focused on livestock (51 percent) and livestock products (35 percent), and the red meat industry is therefore of huge importance to Welsh agriculture and to the Welsh economy.[1]

The agricultural sector in Wales (particularly the red meat sector) provides vital economic activity and employment in rural areas which supports rural community cohesion and provides cultural and well-being benefits. Agriculture also plays a key role in safeguarding Wales' extensive natural resources.

Red meat consumption

Changing demographics of smaller households with busy lifestyles and the need for quick and easy meal solutions continue to drive demand. Within this there has been a move for a more consistent size of carcase that can be processed into cuts more cost-effectively. Price remains a key driver and red meat faces increasing competition from cheaper sources of protein such as chicken, fish and non-meat proteins.

A long-term trend of flat or gradually declining beef and lamb consumption in the UK and other western countries was reversed in 2020. Changing lifestyles during coronavirus restrictions led to challenging times in the foodservice sector, but buoyant retail sales as consumers – particularly families - experimented with more adventurous home cooking. This led to a 15-20 percent growth in year-on-year retail sales of red meat, with particularly strong sales of premium cuts. This helped reverse the gradual increase in the proportion of beef sold as low-value mince, an issue long-identified as a problem for profitability in the beef sector. It is uncertain, however, to what extent these new patterns represent permanent shifts in consumer demand.

Wider social and political factors continue to exert considerable influence on consumer purchasing. Public perception of the possible adverse effect of red meat within their diet on health and the move towards flexitarian eating is increasing. These, together with debate on the environmental impact of livestock production, present particular challenges with respect to red meat consumption. Whilst Brexit may stimulate some additional consumer demand for home-produced goods this must be considered in relation to the relatively high costs of production and a highly seasonal supply (particularly in the case of lamb).

These societal factors generate increasing pressure to develop new, innovative and healthy Welsh red meat products that can provide versatile convenient solutions for consumers and assist in achieving carcase balance.

[1] **Source:** Edward Armstrong. Research Briefing: The Farming Sector in Wales. National Assembly for Wales. September 2016.

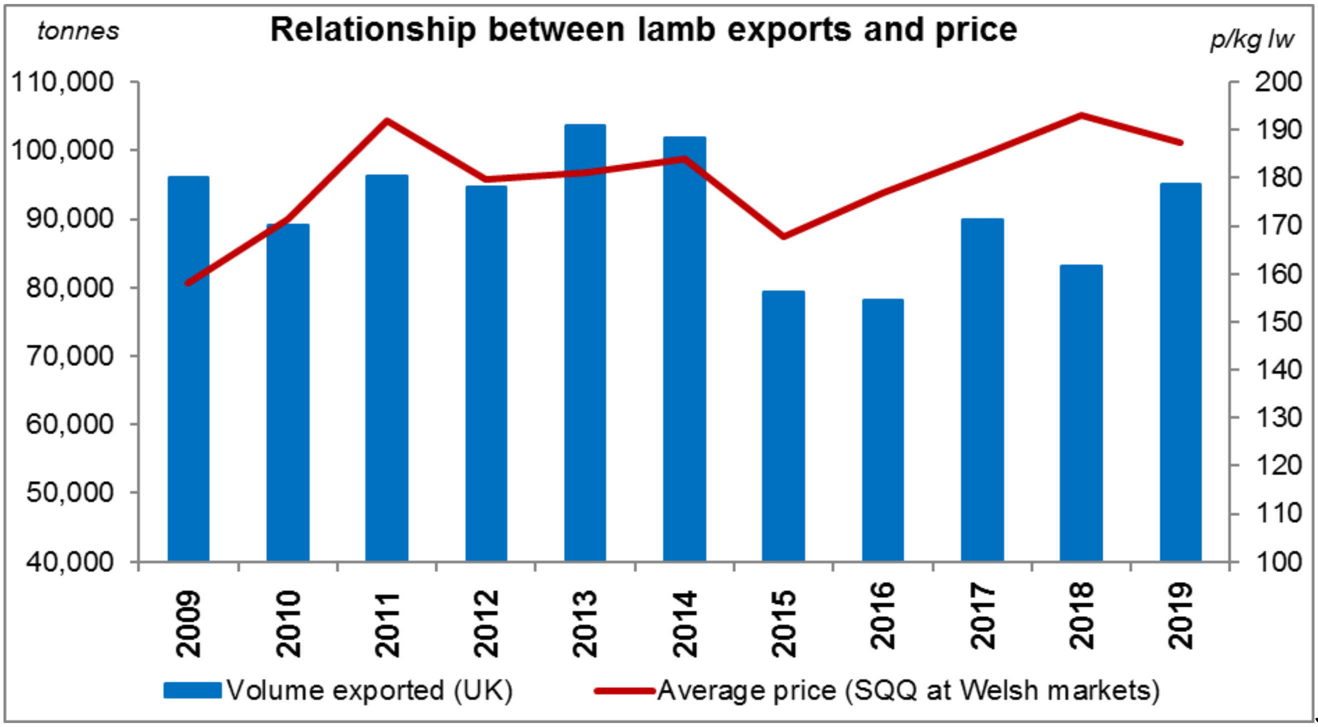
There is also increasing need to educate consumers about the importance and health benefits of red meat as part of a balanced diet and to counter the sometime negative public perception of a subsidised industry that has an adverse effect on the climate.

Trade in red meat from Wales

The coronavirus pandemic impacted all aspects of the red meat supply chain both in Wales and globally during 2020. Red meat faced huge changes in demand from the retail and multi-billion-pound foodservice sectors, which caused carcase imbalance issues and some instability in market prices during the initial lockdown period. The same pressures have also been exerted on the main export markets for Welsh red meat during the year. Trade recovered relatively well after the first wave of coronavirus, particularly in markets where our products are well-established in the retail sector, but continued disruption to the foodservice sector continued to impact exports to established markets. The high cost of air freight due to the pandemic hindered efforts to grow trade to destinations further afield, although encouraging growth was still seen in many markets, notably the lamb trade to the Middle East.

With only five percent of the red meat produced in Wales consumed in the home (Wales) market, Wales continues to be heavily dependent on domestic markets - particularly England - and global export markets. More than a third of lamb and 15 percent of beef produced in Wales is exported outside the UK, predominantly to the EU. Currently around 90 percent of exports are destined for the EU. In 2019, approximately 32,000 tonnes of sheepmeat and 18,600 tonnes of beef (fresh/frozen) of Welsh origin was exported from the UK, which alongside exports of offal were estimated to be worth £211 million.[2] The graph below highlights the strong correlation between the export performance of Welsh red meat and farmgate prices.

[2] **Source:** HCC, using HMRC data.



Source: HCC, using HMRC and AHDB data

These overseas markets are crucial to help ease the continuing challenge of achieving carcase balance and also to maximise carcase value by seeking the highest value markets for the different cuts. Markets where there is demand for lower-value cuts and offals also deliver improved returns to the Welsh industry, as these products currently have little or no value on the domestic market.

In addition to existing EU and non-EU markets, HCC is currently working alongside Governments to achieve market access for Welsh red meat in USA and China. Access for beef to the USA and China has been achieved, and HCC is now working towards approval for sheepmeat.

The ability to attract a premium for Welsh red meat is key to success. The EU PGI status and the new UK GI scheme are therefore important to the Welsh red meat industry as Welsh Lamb and Welsh Beef are an intrinsic and valuable part of food production in Wales and the brand of Wales uses the iconic Welsh landscape in combination with its unique social and cultural influence. The EU PGI status and the new UK GI scheme provide a guarantee of provenance and a mark of quality; re-enforcing consumer confidence in the products and allowing them to be sold at a premium. Both domestic and global gains rely on the effective premiumisation and the ability to differentiate and promote branded products. Opportunities to build on the PGI brand must be explored and utilised to include other factors such as eating quality and consistency. There is also a need to work with Defra, the Welsh Government and industry stakeholders to integrate the new UK GI scheme logos into packaging and promotional materials, and raise awareness of the scheme.

The reliance of the Welsh red meat sector on export markets brings with it a susceptibility to political and economic volatility and the value of the pound. Efforts must therefore be made to identify and develop markets that can spread both the economic and political risks.

Production and processing

Aggregate agricultural output in 2018 was £1.7 billion, of which output from red meat represented 41 percent (£690 million).[3] It is calculated that there are approximately 52,900 people working directly in the agricultural sector in Wales,[4] and that this accounts for four percent of employment in Wales. The wider Welsh agricultural supply chain (particularly the Welsh red meat processing sector) is also important in terms of employment, estimated to employ 223,100 people across Wales.[5]

The panic buying behaviour during the initial coronavirus lockdown period in March 20, combined with the almost complete closure of the foodservice sector, led to an increase in spend on cheaper beef/ lamb cuts and a sudden decrease in farmgate prices for prime lambs, followed by cull cows and prime cattle. For the beef market, the significant increase in mince sales led to beef carcase imbalance issues which contributed to the decrease in farmgate prices. Industry campaigns led by HCC and other organisations throughout the summer encouraged consumers to buy other premium cuts, which restored the balance in beef cut sales. The lamb market experienced an initial 50 p/kg decrease in prime lamb prices during the first UK lockdown announcement. Following the decrease, the average liveweight price in Wales recovered and was relatively strong during most of 2020 due to lamb performing well at retail.

Whilst red meat producers continue to face disruptions as a result of the coronavirus pandemic, the red meat processing sector is also experiencing some issues. Changes in demand from the retail, foodservice and export markets continue to impact upon weekly throughput levels, whilst both labour availability and dealing with the legal requirements in terms of social distancing are also restricting kill numbers at processing sites.

Red meat processing

There are currently 19 operational red meat abattoirs in Wales and the Welsh red meat slaughtering industry is calculated to be contributing approximately £460 million per annum to the Welsh economy.[6]

A review of the Welsh abattoir and processing sector undertaken in 2020 indicates that there is capacity for expansion. However, opportunities to optimise throughput in Welsh abattoirs continues to be limited by a number of factors that have a substantial impact on the future performance of the sector. These include factors such as fluctuating livestock numbers, increasing regulatory compliance, cost for disposal of by-products, the relatively low value of hides, skins and offal, as well as the shortage of skilled slaughter and butchery workers.

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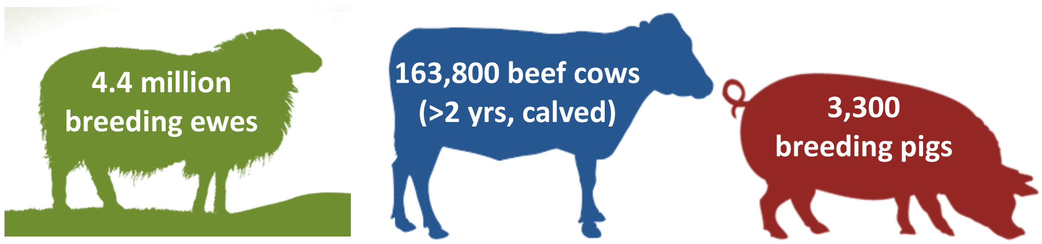
[3] **Source:** Welsh Government. Agriculture in the United Kingdom 2019.
[4] **Source:** Welsh Government. Survey of Agriculture and Horticulture, June 2019
[5] **Source:** Amaeth Cymru. The future of agriculture in Wales: the way forward. 2017.
[6] **Source:** HCC. Assessment of Capacity in the Welsh Red Meat Slaughtering Industry. March 2016

A core challenge remaining is how to secure product and supply chain innovation, market intelligence and effective marketing in an industry where primary production is spread between a large number of small businesses, many of which are already under financial pressure, and where the processing industry is dominated by a small number of companies, most of which have their headquarters outside of Wales. Continued co-operation and collaboration across the red meat sector will be essential to help meet this challenge.

Red meat production

Welsh red meat production is dominated by sheep and over 28 percent of the GB flock is based in Wales. The beef breeding herd in Wales declined after the end of ‘coupled’ support payments, although numbers have stabilised in recent years. The pig sector in Wales is small (with the breeding population representing less than one percent of the GB herd) and typified by a relatively large number of very small holdings.



	Sheep	**Beef cattle**	**Pigs**
No. holdings:	**14,135**	**7,128**	**1,335**

Source: *CTS and Welsh Government*

Welsh livestock production systems predominantly use forage-based systems and grazing therefore plays an important role in the conservation of the hills and landscape of Wales and its biodiversity through the management of terrain that is not practical to manage by any other means. There is a clear contribution from agriculture to the provision of services such as clean water and air, and the role of agriculture, most specifically the uplands, in climate change mitigation through carbon sequestration is also critical. Hence red meat production not only supports the rural economy of Wales but also helps to sustain Wales’ natural resources, preserve the landscape and environment, and is inextricably linked with the food and tourism industries that Wales’ economy and rural communites rely upon.

The size of the Welsh sheep sector and the fact that, unlike Scotland and England, 13 percent of the throughput of lambs at auction markets in Wales during 2019 was still considered as “light lambs” (finished lambs weighing less than 32 kg)[7] demonstrates a uniqueness of the Welsh sheep sector, and highlights an opportunity for the industry.

The increasing consumer demand for cuts means that there is now a requirement for larger lamb carcases for both home and export markets. HCC’s challenge is to help the industry to make progress in terms of the number of lamb and beef carcases reaching the required specifications

[7] **Source:** AHDB and LAA. Liveweight Throughputs, Wales. 2017.

and to secure buy-in among producers to the fundamental rationale behind these requirements to make the supply chain more efficient.

As export destinations are pursued that are further afield and opportunities to extend the UK season for Welsh Lamb in particular are sought, efforts must be made across the industry to continually improve the shelf-life of Welsh Lamb. Commercial drivers are already influencing progress in the processing sector and it will be important for producers and auction markets to fully understand their role in terms of presenting clean livestock for slaughter.

Enabling producers to get feedback from the eventual destination of their livestock remains a challenge particularly within the sheep sector where a significant percentage of finished lambs are sold via livestock markets.

The scale of the Welsh sheep sector also means that considerable efforts must be made in preparing red meat producers for a farming future that does not rely on subsidy for viability. The most efficient farms will be best placed to respond to Brexit and so the need to address and lower the cost of production on Welsh sheep and beef farms will be imperative. It will be crucial to support the industry in making the necessary changes in productivity and efficiency to help mitigate the impact of Brexit on their businesses. Improvements in technical efficiency can also help mitigate/ lower greenhouse gas emissions and the development of climate change indicators for sheep and beef production could provide the ability to measure and promote the green credentials of Welsh red meat production. New technologies can offer practical improvements and potential ways to quantify difficult to measure traits such as meat yield and eating quality. A possible shift in the balance of production towards cattle may also need to be considered.

SWOT analysis

Red meat businesses in Wales operate within a number of constraints so it is important they maximize opportunities and strengths.

Red meat industry SWOT

There are a number of political, economic, social, technological and environmental considerations for the Welsh red meat industry, many of which will have a substantial impact on future resilience, performance and profitability of the sector.

Strengths

- Large supply of lambs and cattle produced mainly off natural grass/ forage systems – appeals to consumers who have a strong perception of red meat from Wales and its high environmental and animal welfare credentials
- Topography and climate of Wales is ideally positioned for grassland production which support sustainable red meat production
- Reputation of red meat sector allows for differentiation as premium product
- Production mainly from a base of family farms - traditional base of experience in good stock farming coupled with environmental management
- A variety of breeds and production systems to meet differing domestic and export demand requirements
- Well-developed international and domestic sales experience (lamb in particular) has created a strong image and reputation of PGI Welsh Lamb and PGI Welsh Beef
- Ability to segment markets and to identify niche market opportunities
- Repatriation of levy (which was previously collected and used in England from animals that were born and reared in Wales) will financially support the industry further
- The variance of abattoir sizes and structure (from very large to micro businesses) allows for supply to a range of potential markets (multiple retail through to boxed meat)

Weaknesses

- Heavy reliance amongst primary producers on support payments
- Relatively high primary cost of production which exacerbates the need for premiumisation of red meat from Wales
- Primary production is spread between a large number of small businesses – limits product and supply chain innovation, gathering market intelligence and effective marketing
- Limited exploitation of advancing animal and plant genetics
- Seasonality of production and variable carcase quality restricts marketing opportunities
- Limited communication, coordination and collaboration between supply chain partners
- Heavily dependent on supplying into the markets close at hand, particularly England and near neighbours in the EU, which poses a risk should market conditions change and demand in these markets decline or cease
- The reliance on export markets brings with it a susceptibility to political and economic volatility and the value of the pound

Opportunities

- The ability to differentiate the 'Welsh Way' of production from a global norm which is perceived as environmentally damaging would help to enhance consumer perception of red meat from Wales
- Attract people to work within the industry through training provision and supporting agricultural related studies
- Maintain and enhance the recognition and positive perception of the Welsh red meat brands amongst target consumers in existing and emerging UK markets - consumers are increasingly seeking the reassurance of a high-quality product of known origin. The EU PGI designation and the new UK GI scheme allow the Welsh red meat industry to demonstrate its traceability credentials
- New product development can be focused on a changing consumer base and for a different generation of consumer so that the industry is well placed to supply specific sections of society with premium Welsh red meat
- Demographics and demand drivers are altering the demand for red meat products and there is now an increasing demand for cuts and consistent sized carcases - Wales has considerable scope to increase the number of lamb and beef carcases that reach the target specifications
- Targeted marketing of red meat (lamb in particular) within countries that are geographically close presents many advantages but the industry must continue to seek markets outside of the EU in order to maximise opportunities and spread risk. Overseas markets are crucial to help ease the continuing strain on carcase balance by seeking high value markets for the different cuts
- Growing demand for red meat in the Middle East and North Africa (MENA) and Indian Sub-Continent
- Development of new, innovative and healthy Welsh red meat products will provide versatile solutions and assist in achieving carcase balance
- Increased shelf-life of lamb through processors in Wales could help in opening up market opportunities in overseas markets
- Capitalising on halal sales in domestic and export markets presents an opportunity in underpinning sheepmeat sales
- Opportunities exist to maximise the potential of light lamb production
- Inform and educate consumers about the importance and health benefits of red meat as part of a balanced diet
- Opportunities to reduce cost of production through on-farm efficiency, uptake of relevant training and knowledge transfer
- Market intelligence will enable producers to understand market requirements
- Investment in relevant R&D will enable the red meat sector to take advantage of technological advancements in order to compete in a global marketplace
- Continued co-operation and collaboration across the red meat sector is required
- On-site improvements through R&D and market intelligence could bring about advancements in innovation and technology – automation of abattoir processes could offer improved efficiencies and long-term cost savings
- The Red Meat Development Programme provides an opportunity to help the industry to efficiently produce high quality products

Threats

- Climate change, and limited public and media understanding of the differences between farming systems across the world (adaptation and mitigation - pressures to reduce greenhouse gas emissions from livestock, and challenge to meat consumption)
- The need to continue supplying red meat whilst dealing with the threat to public health from the coronavirus has created a new, significant challenge for the Welsh red meat industry. The industry must adopt new ways of working, consider ways to shorten and simplify supply chains and seek to respond to evolving consumer demands
- The UK's decision to leave the EU, its single market and the CAP continues to create a challenge, as the industry responds to non-trade barriers
- Public perception of red meat could be adversely affected by public health scare
- Increasing imports reduces trade demand for Welsh red meat
- Exchange rate fluctuation
- Ageing farmer population and few new entrants
- Animal health and traceability issues may undermine consumer confidence and lead to fall in demand for Welsh red meat
- Price remains a key driver and red meat faces increasing competition from cheaper sources of protein such as chicken, fish and non-meat proteins
- Public perception of the possible adverse effect of red meat within their diet on health and the move towards flexitarian eating is increasing
- Fluctuating livestock numbers, rising production costs, animal disease outbreaks, increasing regulatory compliance, cost for disposal of by-products, the decreasing value of hides, skins and offal, as well as the shortage of skilled slaughter and butchery workers limits opportunities to optimise throughput in Welsh abattoirs
- Biofuels produced from feedstocks that would have been used for livestock feed, or on land that would otherwise be used for livestock production, or using crops that would have been used for livestock bedding, threaten to disrupt and distort the market

SWOT for corporate HCC

There are also a number of strategic strengths, weaknesses, opportunities and threats facing HCC.

Strengths

- High quality motivated staff with breadth of experience and high work ethic
- Good standing with farmer stakeholders and good relationship with trade associations
- Good communication and political network
- Delivery focused remit
- Red meat levy repatriation

Weaknesses

- Seeking to compete with larger competitors
- Spreading finite resources broadly – wide statutory remit
- Managing stakeholder expectations - market and industry activities have a long gestation period before reaching fruition

Opportunities

- Greater efficiencies through closer working with other sector bodies
- DEFRA, Welsh Government and Rural Development Plan funding
- Use of new communications technologies to enhance reach and to facilitate more targeted and interactive engagement with a wide range of audiences

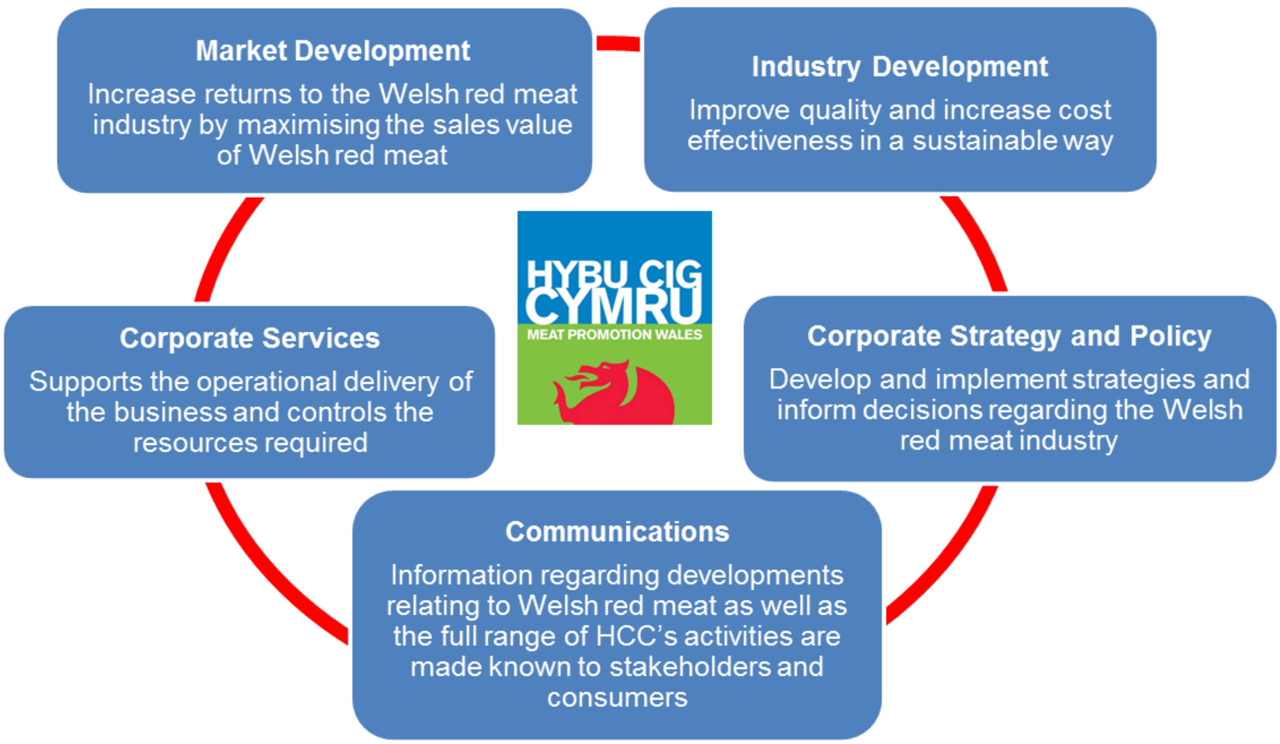
Threats

- Government policies could lead to reduced livestock numbers, affecting Welsh Red Meat Levy income
- Access to European structural funds ceased
- Increasing importance of UK Government in terms of negotiating trade and lack of direct HCC influence on UK policy
- Increasing expectation of levy payers in terms of levels of delivery against remit and within a limited budget
- Business interruption due to public health considerations may result in an inability of HCC to fulfil its functions

Delivery mechanisms 2021-2024

This Plan is directed by *Vision 2025*, which identifies nine priority areas for action. This Plan is focused on cost-effective delivery and recognises the importance of measuring the impact of investments. Collaboration, cooperation and communication across the industry is integral to achieving success.

The focus for delivery is through two operational departments (Market Development and Industry Development) and these are supported by the Communications, Corporate Strategy and Policy, and Corporate Services departments.



The coronavirus pandemic is anticipated to continue impacting on HCC delivery during this three-year Plan; through travel restrictions, quarantines, workplace hazard controls and facility closures. The end of the Brexit transition period will also impact upon HCC delivery as non-tariff barriers are anticipated. This means that resources cannot focus on just one or two key areas and must continue to be deployed across a wide range of export and domestic marketing activities.

Continued HCC input to Welsh Government Roundtable Groups, policy forums and other future industry shaping meetings will be essential to keep the survival of the Welsh red meat industry at the heart of all discussions regarding trade, regulation and land use as well as discussions surrounding the future of the rural economy and communities that rely heavily on red meat production and processing. Communications activity will also need to ensure that decision-makers and levy-payers are aware of the likely impact of potential scenarios and of HCC's contingency planning insofar as that is appropriate.

The planned HCC delivery for 2021-2024 is summarised below.

Vision	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
Objectives	Increase demand for Welsh red meat products (thereby increasing sales and returns) Improve production efficiency (thereby increasing quality supply) whilst maintaining the environment and landscape of Wales
Priorities	1. Positioning red meat from Wales as a premium product 2. EU trade opportunities developed for Welsh red meat 3. Domestic (GB) consumption of red meat from Wales maximized 4. New consumers for Welsh red meat sought in established markets 5. A greater percentage of Welsh red meat exports outside the EU 6. Development of a competitive Welsh red meat industry 7. Reduction in 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 9. Effective communication throughout the industry to ensure unity of purpose
HCC Delivery	• Develop export markets for Welsh red meat • Develop home markets for Welsh red meat • Develop red meat brands and products to create and sustain a strong and competitive brand position • Collate and disseminate market intelligence and research at Wales, UK and global level • Support relevant programmes of R&D activities • Facilitate and encourage supply chain efficiency Strategy and activity in all these areas to be communicated to HCC stakeholders
Sustainability ambition	To make sheep and cattle farming in Wales a global exemplar of how to produce quality food, sustainably and efficiently

The following tables highlight the key activities and indicators of success (KPIs) for HCC for the next three years (2021-2024) and provide an indicative budget for each delivery area.

Develop export markets for Welsh red meat			
Priorities: • A greater percentage of Welsh red meat exports outside the EU • EU trade opportunities developed for Welsh red meat			
Outcomes: • Growth in the Welsh red meat share of market value • Increased trade and consumer demand for Welsh red meat products in the export market			
	21/22	**22/23**	**23/24**
Activity	**Target Date**		
Established markets (France, Germany, Italy, Denmark, Spain & Switzerland)			
• Provide agent support to Welsh processors in established export markets to identify new opportunities and increase volume and value of sales to existing customers	Q1-Q4	Q1-Q4	Q1-Q4
• Provide key account support in established export market to build on existing relationships with customers and support businesses in relation to export custom requirements	Q1-Q4	Q1-Q4	Q1-Q4
• Attend relevant trade shows in established markets to identify new opportunities for Welsh Red Meat processors in established markets and build on relationships with existing customers	Q1-Q4	Q1-Q4	Q1-Q4
• Devise, develop and deliver consumer, retail, food service and wholesaler marketing campaigns in established markets to increase brand awareness and improve perception of Welsh Lamb and Welsh Beef	Q1-Q4	Q1-Q4	Q1-Q4
Developing markets (UAE, Canada, Japan, KSA, Qatar & Sweden)			
• Identify, prioritise and attend appropriate shows in developing markets to engage with potential new retail and wholesale customers and build on relationships with existing clients	Q1-Q4	Q1-Q4	Q1-Q4
• Work to improve relationships that assist in the development of trade in developing markets such as government agencies and officials, e.g. achieving relevant halal certification	Q1-Q4	Q1-Q4	Q1-Q4
• Devise, develop and deliver consumer, retail, food service and wholesaler marketing campaigns in developing markets to establish brand awareness and improve perception of Welsh Lamb and Welsh Beef	Q1-Q4	Q1-Q4	Q1-Q4

Develop export markets for Welsh red meat (continued)			
	21/22	**22/23**	**23/24**
Activity	**Target Date**		
Potential new markets (USA & China) • Continue participation in UKECP meetings and UK and Welsh Government forums to advise and keep abreast of developments and provide direction to UKECP with respect to priority/target markets to ensure efficiency • Collaborate with GB levy bodies to maximise benefits from non-competitive work to deliver the highest level of value for money for Welsh levy payers • Develop relationships that will allow access to high value markets therefore achieving the highest possible returns to the supply chain in Wales • Participate in trade missions, fact finding missions and attend exhibitions/ conferences in new and potential markets to maximize the visibility of Welsh red meat in markets	Q1-Q4 Q1-Q4 Q1-Q4 Q1-Q4	Q1-Q4 Q1-Q4 Q1-Q4 Q1-Q4	Q1-Q4 Q1-Q4 Q1-Q4 Q1-Q4
Delivery of the Enhanced Export Programme	Q1-Q2	-	-
KPIs	**Target**		
Established markets • Sales of PGI Welsh Lamb and Welsh Beef maintained or increased in established markets evidenced by volume and/or value data on sales to each account/country provided by main exporting processors and/or HMRC data	Maintain 20/21 volume/ value	Maintain 21/22 volume/ value	Maintain 22/23 volume/ value
• Consumer engagement within PGI Welsh Lamb and Welsh Beef marketing channels increased in established markets measured using social media analytic software	≥ 4%	≥ 4%	≥ 4%
Developing markets • Increased sales in developing markets evidenced by volume and/or value data on sales to each account/country provided by main exporting processors and/or HMRC data	≥ 5%	≥ 5%	≥ 5%
Potential new markets • Increased number of new markets where trade is established	1 new market	1 new market	1 new market
Budget - **Established markets** - **Developing markets** - **Potential new markets** - **Enhanced Export Programme**	**£000** **988** **152** **62** **100**	**£000** **950** **150** **80** **0**	**£000** **950** **150** **80** **0**

Develop home markets for Welsh red meat

Priorities:

- Domestic (GB) consumption of red meat from Wales maximized

Outcomes:

- Growth in the Welsh red meat share of market value
- Increased trade and consumer demand for Welsh red meat products in the domestic market

	21/22	22/23	23/24
Activity	**Target Date**		
<u>Retail</u>			
• Provide key account support in the retail sector including multiple, online and independent businesses	Q1-Q4	Q1-Q4	Q1-Q4
• Support red meat sales through independent retailers through the delivery of a strategic programme of activity	Q1-Q4	Q1-Q4	Q1-Q4
<u>Consumer</u>			
• Manage the undertaking of marketing, PR and promotional integrated campaigns for consumers	Q1-Q4	Q1-Q4	Q1-Q4
• Identify and develop brand partnerships to bring added value to consumer facing campaigns	Q1-Q4	Q1-Q4	Q1-Q4
• Educate/inform consumers of benefits of Welsh red meat in a healthy diet	Q1-Q4	Q1-Q4	Q1-Q4
<u>Foodservice</u>			
• Increase volume and value of Welsh red meat procured by public bodies	Q1-Q4	Q1-Q4	Q1-Q4
• Deliver processor account support programmes enabling the Welsh red meat industry to benefit directly from the work and to assist in providing strategic steer to activity	Q1-Q4	Q1-Q4	Q1-Q4
• Develop support to Welsh red meat customers in the HoReCa sector	Q1-Q4	Q1-Q4	Q1-Q4

Develop home markets for Welsh red meat (continued)			
	21/22	**22/23**	**23/24**
KPIs	**Target**		
• Consumer engagement within PGI Welsh Lamb, Welsh Beef and Pork from Wales marketing channels increased in the UK market, measured using social media analytic software and google analytics - Welsh Lamb - Welsh Beef - Porc.Wales	> 2.5%	> 2.5%	> 2.5%
• Awareness of Welsh Lamb brand increased, evidenced by YouGov research (baseline: 34% in Nov 2020)	>1%	>1%	>1%
• Increased Welsh red meat procured by public bodies in Wales. Evidenced by information provided by public body procurement services	> 3%	> 3%	> 3%
• Increased number of multiple retailers/ food service businesses engaged in promotional activity	+1	+1	+1
• Number of multiple retailers and food service supply companies with UK listings of Welsh Lamb and Welsh Beef	+1	+1	+1
• Total number of SKU's of Welsh Lamb and Welsh Beef in multiple retail outlets	≥ 4%	≥ 4%	≥ 4%
• Butchers club membership maintained or increased	≥ 125 members	≥ 130 members	≥ 135 members
Budget **- Retail** **- Consumer** **- Foodservice**	**£000** **306** **915** **122**	**£000** **300** **900** **100**	**£000** **300** **900** **100**

Develop red meat brands and products to create and sustain a strong and competitive position			
Priorities: • Positioning red meat from Wales as a premium product			
Outcomes: • Growth in the Welsh red meat share of market value • Increased awareness and improved consumer perception for Welsh red meat			
	21/22	**22/23**	**23/24**
Activity	**Target Date**		
• Sustain PGI scheme membership for Welsh Lamb and Welsh Beef, and increase where possible	Q1-Q4	Q1-Q4	Q1-Q4
• Further develop the reputation of Welsh Lamb and Welsh Beef by exploring innovative ways to ensure integrity	Q1-Q4	Q1-Q4	Q1-Q4
• Work with Defra, the Welsh Government and industry stakeholders to incorporate the new UK GI scheme logos onto packaging and promotional materials, and raise awareness of the scheme	Q1-Q4	Q1-Q4	Q1-Q3
• Explore opportunities for New Product Development (in relation to lamb) and seek collaborative funding opportunities for research and development	Q1-Q4	Q1-Q4	Q1-Q4
• Communicate key messages on the factors which influence the shelf-life of Welsh Lamb and continue to develop an industry blueprint for all sections of the supply chain	Q1-Q4	Q1-Q4	Q1-Q4
• Research halal market opportunities and encourage sales	Q1-Q4	Q1-Q4	Q1-Q4
KPIs	**Target**		
• PGI scheme membership sustained	≥ 60 members	≥ 60 members	≥ 60 members
• Increased shelf-life of lamb through processors in Wales	≥ 5%	≥ 5%	≥ 5%
• Increased stakeholder awareness of HCC activity (measured through surveys)	> 2%	> 2%	> 2%
Budget	**£000** **234**	**£000** **200**	**£000** **200**

Collate and disseminate market intelligence and research at Wales, UK and global level			
Priorities: • Development of a competitive Welsh red meat industry • New consumers for Welsh red meat sought in established markets • Contingency planning in terms of future trade, production and processing • Effective communication throughout the industry to ensure unity of purpose			
Outcomes: • Enhanced industry knowledge and understanding of markets needs and trends • Enhanced productivity and efficiency • Growth in the Welsh red meat share of market value • Increased consumption of Welsh red meat			
	21/22	**22/23**	**23/24**
Activity	**Target Date**		
• Collate and analyse Welsh, UK, EU and global market intelligence data	Q1-Q4	Q1-Q4	Q1-Q4
• Undertake trade and marketing research that will identify and illustrate buying patterns (trade and consumer) and potential new market opportunities	Q3	Q3	Q3
• Research findings incorporated into targeted plans and campaigns	Q4	Q4	Q4
• Communicate intelligence data, policies, consumer and retail trends and the work of HCC to levy payers, stakeholders and policy makers	Q1-Q4	Q1-Q4	Q1-Q4
• Represent the red meat sector in discussions and relevant WG policy forums providing valued and insightful market and trade intelligence	Q1-Q4	Q1-Q4	Q1-Q4
• Deliver a strategic communications programme, incorporating PR, electronic media and public affairs activity, which grows the knowledge, recognition and support for the sector among stakeholders	Q1-Q4	Q1-Q4	Q1-Q4
• Inform decision-makers so that they are aware of the impact of current and future public policies and trade agreements on the red meat industry	Q1-Q4	Q1-Q4	Q1-Q4
• Deliver a programme of communication activities to ensure the positive messages of the ‘Welsh Way’ and the three pillars of sustainability (economic, environmental and societal) to support the premiumisation of Welsh red meat products	Q1-Q4	Q1-Q4	Q1-Q4

Collate and disseminate market intelligence and research at Wales, UK and global level (continued)			
	21/22	**22/23**	**23/24**
KPIs	**Target**		
• Increased understanding of micro and macro-economic factors on the red meat industry	≥ 80% understanding	≥ 80% understanding	≥ 80% understanding
• Regular updates on market and consumer trends issued to increased number of individuals within supply chain	≥ 5%	≥ 5%	≥ 5%
• Increased engagement of email communications to stakeholders through:			
- Average open rates	> 33% average open rate	> 35% average open rate	> 38% average open rate
- Average clickthrough rates	> 5% average clickthrough rate	> 6% average clickthrough rate	> 7% average clickthrough rate
- Email bulletins	30	30	30
• Increased engagement on corporate Facebook, Twitter and Instagram accounts	5%	5%	5%
• Increased engagement via corporate website (sessions)	5%	5%	5%
• Increased media coverage of proactive press releases and articles reinforcing key messages (OTS figures)	10%	10%	10%
Budget	**£000** **453**	**£000** **475**	**£000** **475**

Support relevant programmes of R&D activities

Priorities:
- Development of a competitive Welsh red meat industry

Outcomes:
- Improved business management skills and industry resilience
- Enhanced productivity and efficiency

	21/22	22/23	23/24
Activity	**Target Date**		
• Regularly communicate with research bodies to keep abreast of developments that could benefit the red meat sector	Q1-Q4	Q1-Q4	Q1-Q4
• Evaluate R&D priorities to ensure their relevance to current and possible future production and processing challenges	Q3	Q3	Q3
• Maintain a research and development portfolio relevant to the needs of Wales, and work collaboratively where possible to maximise levy expenditure	Q1-Q4	Q1-Q4	Q1-Q4
• Disseminate and communicate R&D activity to levy payers	Q1-Q4	Q1-Q4	Q1-Q4
KPIs	**Target**		
• Regular updates on R&D activity issued to individuals within supply chain	Establish baseline	≥ 5	≥ 5
• Increased producer understanding of relevance of R&D portfolio to their businesses	≥ 80% understanding	≥ 80% understanding	≥ 80% understanding
Budget	**£000** **165**	**£000** **165**	**£000** **165**

Facilitate and encourage supply chain efficiency

Priorities:

- Development of a competitive Welsh red meat industry
- Reduction in the impact of Welsh red meat production and processing on the climate, the environment and waste

Outcomes:

- Improved business management skills and industry resilience
- Improved animal health, welfare and disease prevention
- Improved supply, transparency and consistency of product and enhanced supply chain linkages
- Increased uptake of techniques which support climate change targets and minimize greenhouse gas and methane emission
- Enhanced productivity and efficiency

	21/22	**22/23**	**23/24**
Activity	**Target Date**		
• Provide information to help producers to improve technical efficiency through genetic improvement, improved flock and herd health and welfare and better utilisation of grass/ forage	Q1-Q4	Q1-Q4	Q1-Q4
• Provide information to help red meat sector mitigate against climate change	Q1-Q4	Q1-Q4	Q1-Q4
• Cultivate relationship with Farming Connect to influence and provide a strategic steer in delivery of the annual programme	Q1-Q4	Q1-Q4	Q1-Q4
• Deliver Selection for Slaughter training (lamb and beef) and monitor impact to improve producer understanding of market requirements	Q2-Q4	Q2-Q4	Q2-Q4
• Support and encourage Welsh beef and sheep pedigree breeders to performance record and CT scan	Q1-Q4	Q1-Q4	Q1-Q4
• Develop and deliver technical information to improve processor knowledge and opportunities for cost-reduction through increased carcase utilisation and waste reduction	Q1-Q4	Q1-Q4	Q1-Q4
• Work closely with key stakeholders, Courtauld 2025, WRAPCymru and Welsh Government	Q1-Q4	Q1-Q4	Q1-Q4
• Work to develop environmental standards to substantiate the Welsh Lamb and Welsh Beef brands, working with the Welsh Government Sustainable Brand Values (SBVs) programme and industry stakeholders	Q1-Q4	Q1-Q4	Q1-Q4
Delivery of the Red Meat Development Programme against agreed outputs and outcomes • Flock and herd health planning • Hill ram genetics • Lamb meat eating quality	Q1-Q4	Q1-Q4	Q1-Q2
Delivery of the BeefQ project in partnership with IBERS against agreed outputs and outcomes	Q1-Q4	Q1-Q2	-

Facilitate and encourage supply chain efficiency (continued)

	21/22	**22/23**	**23/24**
KPIs	**Target**		
• Increased level of understanding of market requirements following attendance at events	≥ 80% understanding	≥ 80% understanding	≥ 80% understanding
• Increased number of pedigree breeders in Wales performance recording - Sheep flocks - Cattle herds	≥ 110 flocks ≥ 135 herds	≥ 120 flocks ≥ 135 herds	≥ 120 flocks ≥ 135 herds
• Reduction in waste produced by Welsh red meat processors	≥ 5% reduction	≥ 5% reduction	≥ 5% reduction
• Increased level of understanding within red meat industry of genetic improvement, flock and herd health and welfare, better utilisation of grass/ forage and GHG lowering mechanisms following attendance at events	≥ 80% understanding	≥ 80% understanding	≥ 80% understanding
Budget - **Supply chain efficiency** - **RDP Grants** - **BeefQ** -	**£000** **104** **2,527** **20**	**£000** **100** **2,750** **0**	**£000** **100** **1,000** **0**

Finance

Income

Welsh Red Meat Levy funding

The principle source of HCC's income is derived from Welsh Red Meat Levy which is jointly paid by producers and slaughterers/exporters, raised on all cattle, sheep and pigs slaughtered in Wales (which are fit for human consumption) or exported live.

Since April 2012 the Welsh Ministers have been responsible for setting and raising Welsh Red Meat Levy. Through a Delegation Agreement, HCC collect the levy from sheep, beef and pigs at the point of slaughter in Wales and undertake the statutory functions in relation to the Welsh red meat industry. Following the passing of the Agriculture Act 2020, HCC will also be in receipt of levy income based upon sheep, beef and pigs born in Wales and slaughtered in England or Scotland.

Statutory levy has existed in the red meat sector for a number of years to fund activities to assist with the development of this sector, notably work that would not be done under normal market conditions. This results from the fact that producers in these sectors, and in many cases processors too, are too small to be able to resource such areas of work themselves.

The Chief Executive of HCC, being the Accounting Officer, is personally responsible for ensuring Welsh Red Meat Levy is spent appropriately.

External funding and resources

Enhanced Export Programme
(Welsh Government)
This three-year programme (which has been extended due to the coronavirus pandemic) commenced in January 2018 and is due to end June 2021. It enables HCC to extend the work to maintain market share within the EU and third country markets.

Red Meat Development Programme
(European Agricultural Fund for Rural Development and the Welsh Government)
This five-year programme commenced in July 2018 and aims to improve efficiency and profitability in the Welsh red meat supply chain. The Programme consists of three projects which focus on flock and herd health planning, hill ram genetics and lamb meat eating quality. These three elements will help the red meat industry to efficiently produce high quality products that will grow market share at home and abroad, as the future trading landscape continues to evolve.

BEEFQ
This IBERS led project supported by Celtica, HCC and a consortium of other stakeholders began in November 2018 and is due to end in April 2022 (following an extension). The research trial seeks to validate Welsh Beef in an established eating quality grading system (Meat Standards Australia [MSA]). There are three key phases within the project beef grading training courses, a general survey of carcasses and collection of selected cuts and consumer sensory testing.

Other
HCC will also work collaboratively with other GB levy bodies and relevant organisations in order to seek funding and establish projects.

Expenditure

The structure of the Income and Expenditure account reflects the nature of the activity undertaken – Annex 1 graphically shows the split for the three years outlined in this Plan.

Summary Income and Expenditure

	Budget 12 months to Mar 22	Budget 12 months to Mar 23	Budget 12 months to Mar 24
Income:	**£000**	**£000**	**£000**
Levy			
Cattle Gross	802	850	850
Sheep Gross	2,494	2,400	2,300
Pigs Gross	37	40	40
Levy Repatriation	1,028	1,000	1,000
Total Gross Levy	**4,361**	**4,290**	**4,190**
RDP			
- Grants	2,507	2,750	1,000
- BeefQ	20	0	0
WG - Export	100	0	0
Other Income	27	30	30
Total Income	**7,015**	**7,070**	**5,220**
Expenditure:			
Export:			
- Established markets	988	950	950
- Developing markets	152	150	150
- Potential new markets	62	80	80
- Export Enhanced Export Programme	100	0	0
Home:			
- Retail	306	300	300
- Consumer	915	900	900
- Foodservice	122	100	100
Development of brands	234	200	200
Market intelligence	453	475	475
Research & Development	165	165	165
RDP Grants	2,527	2,750	1,000
Supply chain efficiency	104	100	100
Corporate costs	887	900	800
Total Expenditure	**6,015**	**7,070**	**5,220**
Surplus/(Deficit)	**0**	**0**	**0**

Monitoring and evaluation

As part of the fulfilment of its objectives, HCC has an established monitoring framework which:

- Allows HCC to measure progress in meeting its objectives;
- Provides valuable management information to the management team and Board of HCC;
- Allows HCC to communicate its performance to external stakeholders on an ongoing basis; and
- Provides a basis for evaluation at an appropriate time.

The monitoring framework extracts the actions and measurements from within the Operational Plan and monitors the performance against these targets throughout the year.

Annex 1 – Graphical presentation of financial summary