Hybu Cig Cymru
Meat Promotion Wales

REVIEW 2003-2013

FLYING THE FLAG

DECADE OF SUCCESS FOR THE WELSH RED MEAT BRANDS

For further information or queries, please contact:

Hybu Cig Cymru - Meat Promotion Wales
Tŷ Rheidol, Parc Merlin
Aberystwyth SY23 3FF

Tel: 01970 625 050
Fax: 01970 615 148
enquiries@hccmpw.org.uk
www.hccmpw.org.uk

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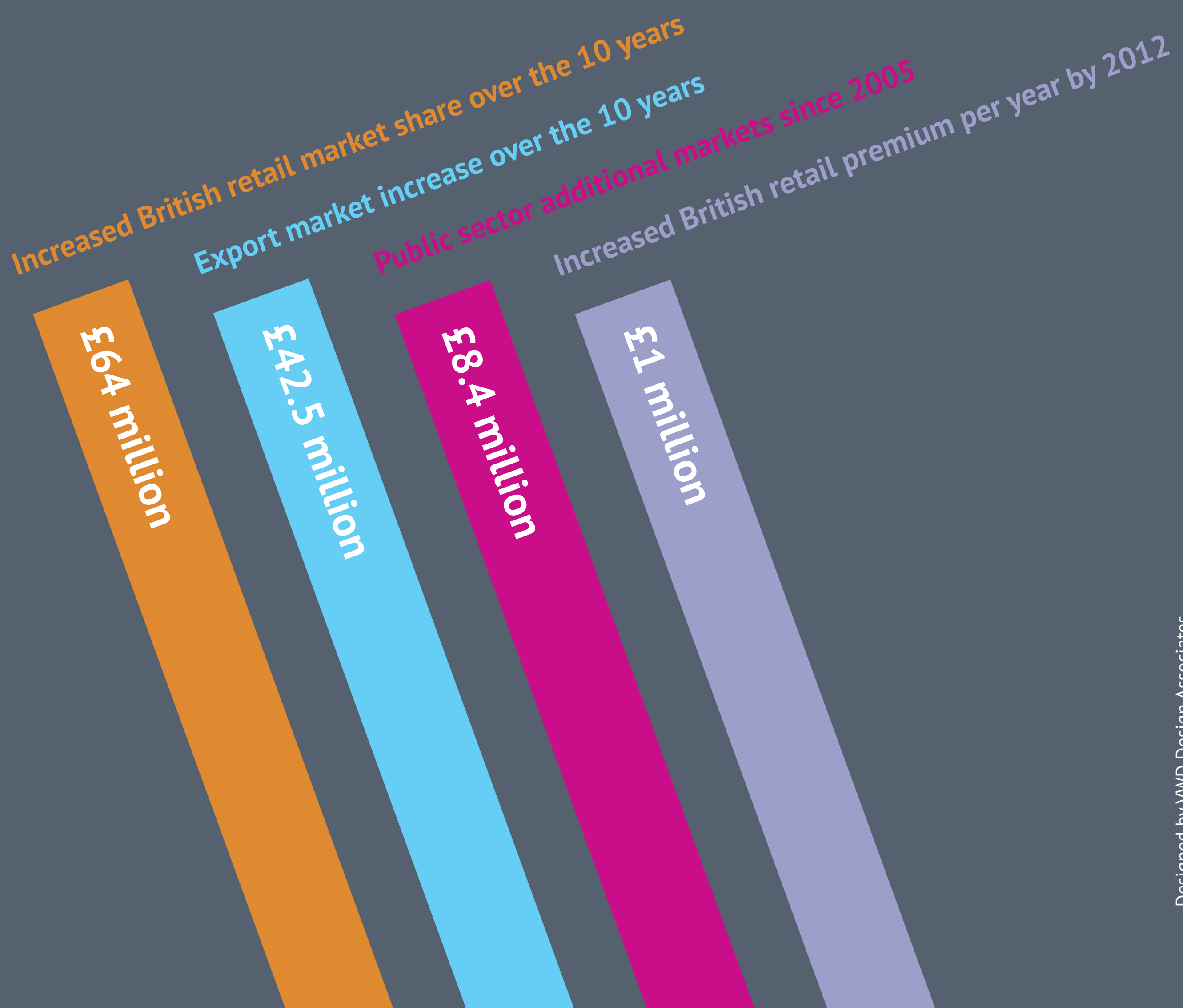

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EXECUTIVE SUMMARY

Hybu Cig Cymru – Meat Promotion Wales (HCC) was established in 2003 as the body responsible for the development, promotion and marketing of Welsh red meat. Throughout this time it has worked to develop profitable and sustainable markets both in the UK and abroad by assisting all parts of the supply chain.

Working in partnership with farmers, processors and retailers, HCC has helped develop and grow the Welsh red meat brands, turning PGI Welsh Lamb in particular into a global brand.

It is estimated that HCC's investment, combined with industry efforts, has grown premium and new market opportunities for the Welsh red meat supply chain of more than £115 million comprising:

- Increased British retail market share of **£64 million** over the 10 years;
- Export market increase of at least **£42.5 million** over the 10 years;
- Public sector additional markets of **£8.4 million** since 2005;
- Increased British retail premium of at least **£1 million** per year by 2012.

Over the last 10 years, the vast majority of the Welsh Red Meat Levy income has been spent by HCC on marketing and promotional activity, equating to around £22 million.

At the same time, the Welsh Government has targeted capital grant investment into over 100 red meat processing businesses. More than £47 million has been invested between business contributions and grants, reflecting confidence in the Welsh red meat industry and helping it exploit new products and markets.

Brookdale Consulting reviewed the activities undertaken by HCC over the past 10 years to develop the red meat brands, examining their value to the industry, economic benefits and future strategic opportunities for Welsh red meat.

PGI Welsh Lamb and PGI Welsh Beef have been adopted by retailers within their Welsh stores. In addition, PGI Welsh Lamb and PGI Welsh Beef have also been adopted nationally in premium tiers by a number of retailers.

In addition to the traditional export markets in Europe, such as France and Italy, HCC has helped open up new markets for PGI Welsh Lamb in countries as diverse as the United Arab Emirates, Canada, Sweden, Russia and Hong Kong. HCC continues to negotiate terms to gain access for PGI Welsh Lamb exports to China, the United States and several countries in the Middle East including Saudi Arabia, Kuwait and Oman – all countries with keen consumer interest in Welsh red meat.

EXECUTIVE SUMMARY

Sheepmeat and beef exports from Wales increased over the 10 year period to £133 million and £66.7 million respectively in 2011.

HCC has succeeded in ensuring that Welsh health authorities only serve PGI Welsh Beef and that many local authorities only put PGI Welsh Lamb and PGI Welsh Beef on their menus. HCC has also worked hard on delivering consistent messages to consumers urging them to include red meat as part of a balanced diet to maintain a healthy lifestyle.

The Welsh Lamb Club, which encourages use of PGI Welsh Lamb in restaurants, has seen its membership double from 50 prestigious restaurants and chefs since its launch by the Prince of Wales in 2010 to around 100 in 2012.

Welsh Beef was awarded Protected Geographical Indication (PGI) status by the European Commission in November 2002, followed by Welsh Lamb eight months later in July 2003.

PGI assures consumers that Welsh Lamb and Welsh Beef are fully traceable, recognising the origin and unique qualities of the product and protecting the integrity of the brands.

The image of the 'Welsh' brand encapsulates premium fresh red meat products backed up by provenance and taste. The climate of Wales, the quality of its grassland, its family farm tradition and the commitment of all in the supply chain combine to support a 'farm to fork' story that is appealing for today's consumers.

These characteristics have been the foundation of HCC's development work which positions the brands as products for premium markets. As guardian of the PGI brands, HCC has been responsible for ensuring that the criteria are strictly adhered to by the 58 abattoirs and cutting plants currently licensed to use them.

Although total sheep numbers in Wales have fallen by nine per cent in the decade since 2003, production has declined by just two percent, highlighting the impact of productivity improvements such as targeted management training for farmers and breed improvement programmes for livestock supported by HCC and other stakeholders.

Beef cattle numbers have declined by 12 percent over the period, but improved production methods coupled with efficient management has resulted in 87 percent of cattle slaughtered being selected at an appropriate level of finish.

HCC has worked to help raise the quality of Welsh red meat production by targeting key challenges facing the industry to improve productivity and the quality of the products produced. It has led to PGI Welsh Lamb and PGI Welsh Beef improving their competitive position in the market.

HCC UK consumer marketing has included TV and press advertising, point of sale materials, articles and events. Three major consumer campaigns - *Passion on a Plate, Rain* and *Quality Time* - have built awareness of the brands and communicated key messages.

Amongst UK retailers, work has focused on establishing PGI Welsh Lamb and PGI Welsh Beef across all lines within Wales and for PGI Welsh Lamb within a premium retail tier nationally.

HCC has worked with the foodservice sector to develop demand for PGI Welsh Beef and worked with the Welsh tourism industry in encouraging the hospitality sector to make greater use of food provenance on menus.

Looking to the future, HCC will need to continue to present compelling arguments to differentiate PGI Welsh Lamb and PGI Welsh Beef from other brands and to provide consumers with the option of purchasing PGI Welsh Lamb and PGI Welsh Beef across all retail tiers. There is an opportunity to expand the Welsh brands' market share within the British market and continued progress in the high quality restaurant sector will support that.

Export markets will continue to need HCC support, as this is an area where consultees indicated the strongest growth potential. Export market development work should continue to open up new markets with two clear objectives – those that can develop the premium standing of PGI Welsh Lamb and PGI Welsh Beef and those that can help with maximisation of carcase balance.

The work undertaken by HCC in developing the efficiency and quality of livestock production through Industry Development activities helps ensure competitiveness and quality of PGI Welsh Lamb and PGI Welsh Beef in both the domestic and international markets. Whilst this activity is on-going, key indicators are moving in the right direction and the activity is valued by industry.

Across the consumer market reaffirming the qualities of PGI Welsh Lamb and PGI Welsh Beef is vital, and within any communication it is critically important that consumers recognise the Welsh red meat brands as market leading.

Good progress has been made over the past **10 years** in establishing the brands, gaining acceptance, increasing take up and developing markets at home and abroad. Over the next 10 years there is scope to substantially increase the brand potential further and to work with the industry in achieving even greater market share for the Welsh red meat brands.

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Primary Contacts

Brookdale Consulting
Donald Webb
Donald@brookdaleconsulting.co.uk
07813 892090
0161 440 8290

BJC Consulting
Angharad Butler
Angharadbutler@gmail.com
07887 983275

Category Insight
Sophie Colquhoun
Sophie@category-insight.com
07768 855617

INTRODUCTION

Brookdale Consulting was commissioned by Hybu Cig Cymru - Meat Promotion Wales (HCC) to undertake a review of the value and impact of the Welsh meat brands 10 years on. HCC was set up in 2003 and 2013 marks its 10th anniversary.

The work had three objectives as follows:

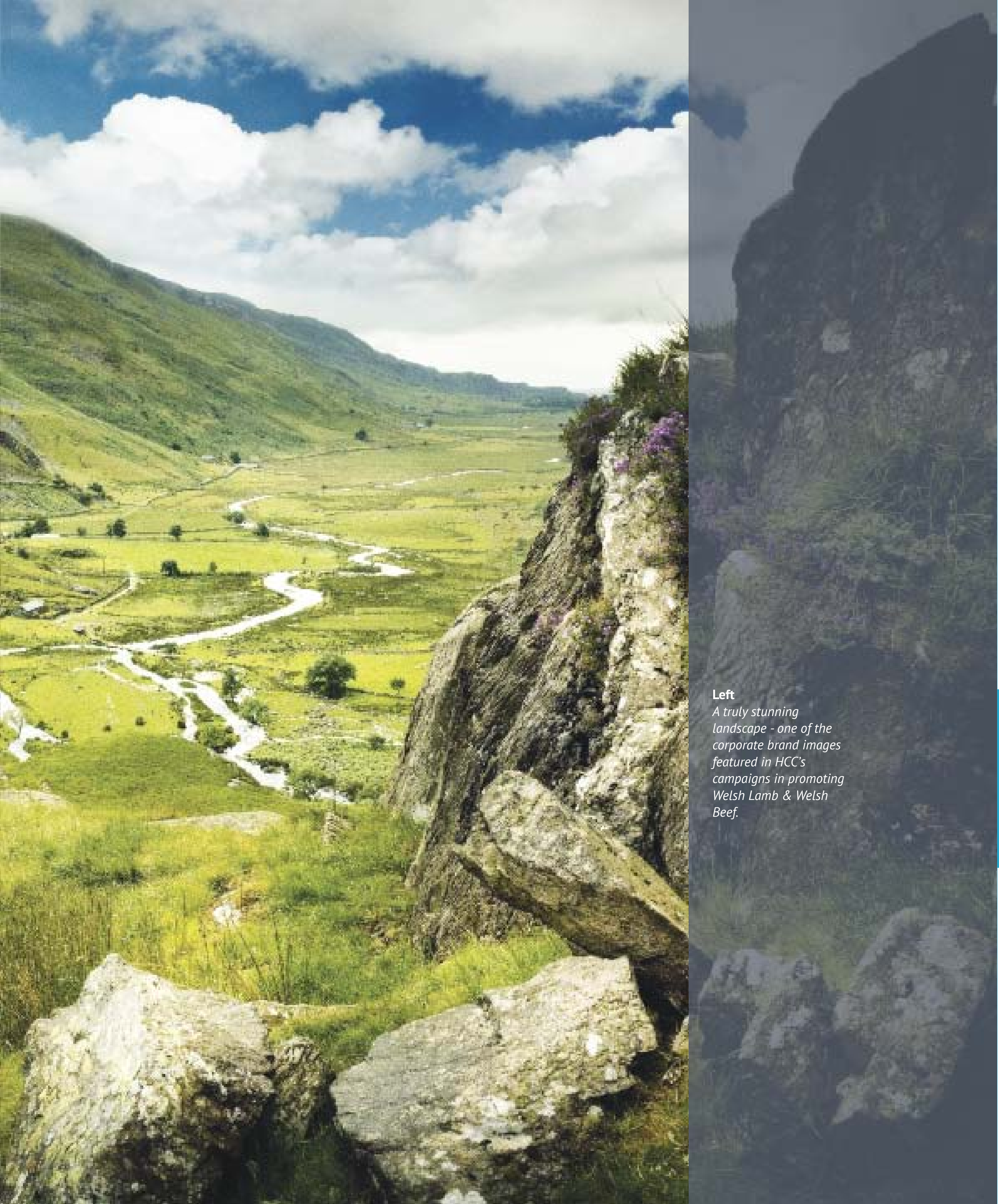
1. **Review the development of the Welsh red meat brands since 2003;**
2. **Calculate the value of the brands and their impact on the Welsh red meat industry; and**
3. **Outline strategic priorities for future development of the Welsh red meat brands.**

The work was carried out over the period December 2012 to March 2013 and involved reviews of background data from HCC and other bodies; consultations with abattoirs, processors and retailers; case studies of companies using the Welsh red meat brands; an estimation of the benefits of the Welsh red meat brands and an assessment of the lessons for the future.

The remainder of this report is set out as follows:

- **Section 2** sets out background to PGI (Protected Geographical Indication);
- **Section 3** provides context to the 10 year period;
- **Section 4** highlights key activities in developing the brand;
- **Section 5** discusses the marketing of the brands;
- **Section 6** reviews the economic benefits of the brands; and
- **Section 7** provides an overview of future brand opportunities.

Brookdale Consulting acknowledges the co-operation of industry consultees who gave freely of their time to provide information used in producing this report.



Left
A truly stunning landscape - one of the corporate brand images featured in HCC's campaigns in promoting Welsh Lamb & Welsh Beef.

BACKGROUND TO PGI

Protected Geographical Indication (PGI) is a status awarded by the European Commission to protect and promote named regional food products with a reputation or characteristics specific to a particular area. It is one of a range of origin label products (OLPs) that apply across Europe.

Above
The official PGI logo.

Being awarded PGI status demonstrates that a product is produced and processed to agreed standards and specifications recognised at EU level and that it has a defined regional connection.

There are currently 30 products in the UK that have been awarded PGI status.[1] These range from speciality cheeses such as Stilton - blue and West Country Farmhouse Cheddar, to Whitstable Oysters and Arbroath Smokie, Melton Mowbray Pork Pie, Cornish Pasty and Traditional Cumberland Sausage.

Within the PGI category, the only fresh meats are Welsh Lamb, Welsh Beef, Scotch Beef and Scotch Lamb.

Overall, the European PGI scheme aims to:

- **Protect the reputation of the regional food product;**
- **Promote rural and agricultural activity;**
- **Help producers to obtain a premium price for their authentic products in return for a "genuine effort to improve quality"; and**
- **Communicate clear messages to consumers about product origin.**

PGI assures consumers that Welsh Lamb and Welsh Beef are fully traceable, recognising the origin and unique qualities of the product. The full specifications are set out in Appendix 2. Only PGI Welsh Lamb and PGI Welsh Beef are guaranteed to be sourced from lambs or cattle born and reared in Wales, which are fully traceable; and have been slaughtered and processed in HCC-approved abattoirs and cutting plants. PGI status protects the integrity of the Welsh Lamb and Welsh Beef brands. The PGI characteristics have been the foundation of HCC's brand development work.

The PGI status also enables public money, including Welsh Red Meat Levy, to be used on marketing and promotional activity that references country of origin.

Welsh Beef was awarded PGI status in November 2002 and Welsh Lamb eight months later in July 2003. In 2004 HCC was asked by the Welsh Government to assume responsibility for the PGIs and to act as guardians of the designations.

[1] **Source:** *Defra, http://www.defra.gov.uk/food-farm/food/protected-names/uk-registered-names/. March 2013.*

BACKGROUND TO PGI

Figure 2.1 Number of Red Meat Plants Registered for PGI, 2004/05-2012/13

Source: HCC, April 2013

Figure 2.1 shows the uptake of PGI by red meat plants (abattoirs and cutting plants) over the period. It can be seen that from an initial four in 2004/2005, numbers have grown rapidly to around 60. In 2007/2008 the dip in numbers was due to closure of some Welsh red meat plants.

There are now 34 Welsh red meat plants and 24 red meat plants outside of Wales which are registered for PGI – a list of PGI approved premises is available on HCC's website *(http://hccmpw.org.uk/pgi/)*. This large number demonstrates strong uptake and acceptance of PGI by the industry.

The PGI brands are underpinned by a robust policy of policing/enforcement to protect their integrity. To fulfil its responsibilities and to ensure that the integrity of the designations is protected, HCC has implemented a verification scheme for abattoirs and cutting plants. Control and monitoring throughout the rest of the supply chain is undertaken by local authority Trading Standards Officers. HCC has on-going dialogue with enforcement authorities. This provides for strict control and monitoring to ensure that only lamb and beef which meets the specifications is sold as Welsh.

HCC, through an independent certification body, inspects abattoirs and cutting plants to approve the use of the PGI Welsh Lamb and PGI Welsh Beef designations. Inspections are undertaken at all registered sites on an annual basis. Unannounced inspections are undertaken at 25 percent of members annually. After a successful inspection, which traces livestock back to farm in the case of an abattoir, sites are issued with certificates of approval which are valid for a year.

Summary

The PGI status recognises the origin and unique qualities of Welsh Lamb and Welsh Beef. It identifies and protects the following defining qualities of Welsh Lamb and Welsh Beef:[2]

- **Prime livestock which have not bred;**
- **Primarily reared extensively on Welsh grassland;**
- **Carcases that meet target classifications;**
- **Distinct flavour and defined visible characteristics;**
- **Slaughtered and processed in an HCC approved abattoir/cutting plant; and**
- **Fully traceable.**

Since its inception, HCC has promoted the uptake of PGI, there now being 58 abattoirs and cutting plants licenced to use PGI. This is a strong uptake and there is a good acceptance by the industry.

HCC has also put in place a robust monitoring and policing system for the PGIs to ensure that only lamb and beef which meets the specifications is sold as Welsh.

The PGI characteristics have been the foundation of HCC's brand development work. The PGI status enables HCC to advertise Welsh Lamb and Welsh Beef and to build specific brand recognition.

[2] *The PGI status applies to all cuts of meat and only excludes inedible offal. See Appendix 2.*

BACKGROUND CONTEXT 2003 - 2012

This section considers the background context during the 10 year period 2003-2012. It briefly describes the role of HCC, the economic context, livestock production in Wales and goes into more detail on consumer demand for red meat over the period. Data and source materials are contained in Appendix 1.

3.1 HCC Context

HCC was established in 2003 as the body responsible for the development, promotion and marketing of Welsh red meat. HCC's stakeholder representatives implement, on behalf of all Welsh farmers, processors and other key industry participants, a strategic plan to develop profitable and sustainable markets for Welsh red meat to derive benefit for all in the supply chain.

Opposite
Latest HCC publication in promoting the benefits of red meat and what Wales has to offer.

The focus for HCC delivery is through three aspects:

- **Market Development** - HCC is active in promoting and developing markets for Welsh red meat brands and products on a global scale. At home HCC supports the Welsh red meat brands by delivering regular promotional programmes for PGI Welsh Lamb and PGI Welsh Beef, as well as undertaking promotional activity for pork from Wales. HCC also supports the brands at the point of sale by working with relevant retailers, foodservice operators and farmers markets in the UK. In addition, HCC is active in many important markets worldwide promoting Welsh red meat brands in key markets as well as developing and strengthening business opportunities for Welsh red meat exporters;
- **Industry Development** - HCC undertakes research and development; analysis, interpretation and dissemination of information; and training relevant to each part of the supply chain - to ensure the Welsh red meat industry is in a position to improve quality and increase cost-effectiveness in a sustainable way;
- **Communications** - HCC ensures that information regarding developments relating to Welsh red meat, as well as the full range of the organisation's activities, are made known to stakeholders and consumers. This is achieved utilising both traditional media, such as newspapers and broadcasters, as well as new media including the web and social media. HCC works closely with other industry organisations and Government departments to ensure relevant information is communicated effectively to stakeholders. HCC also works closely with the health and education sectors to develop a consistent message about the positive aspects of the Welsh red meat industry, as well as the health benefits to both adults and children of a balanced diet that includes red meat.

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HCC's main source of income is derived from the Welsh Red Meat Levy collected from cattle, sheep and pigs slaughtered in Wales. HCC also receives grant funding from the Welsh Government and the European Commission, including the Rural Development Plan for Wales 2007-2013. Just over a third of HCC's income in 2011/2012 was from grants to fund a variety of activities such as industry and supply chain development.

3.2 Economic Context

The economic landscape has altered dramatically over the last 10 years. The UK economy experienced strong growth up until the financial crisis of 2008 and along with most of Europe and the United States has been in an economic downturn ever since.

The recession caused the value of sterling to fall dramatically in 2008 making Welsh exports to the Eurozone more attractive and helping to maintain EU support payments to Welsh farmers despite modulation.

Whilst the relative price of UK exports has fallen, consumer demand has tended to switch to cheaper proteins than red meat due to the continuing widespread downturn across Europe.[6] As in the UK, the fall in consumer spending has seen a switch from high value added products and expensive meat proteins to cheaper proteins such as chicken and pork and lower value cuts and offal.

Rising commodity prices have been driven by strong demand from Asia and the BRICS economies comprising Brazil, Russia, India, China and South Africa.

The Defra index of agricultural producer prices, for example, shows a 68 percent increase in UK output prices for all agricultural products over the period. Meanwhile the index of agricultural inputs, including fuel, fertiliser and feed, shows a 59 percent increase. This increase reflects a combination of effects including exchange rates, poor weather and strong global demand for inputs.

3.3 Livestock Production in Wales 2003-2012

In 2011, Welsh finished cattle, sheep and lamb production contributed 39 percent of the annual total value of Welsh agricultural output, worth £502 million.

The total value of the sector to the Welsh economy, taking into account the agricultural, processing and retail sectors, has been estimated to be more than £1 billion a year.[4]

[3] *European Commission, Prospects for Agriculture Markets and Income in the EU 2012-2022, December 2012.*
[4] *HCC, April 2013.*

3.3.1 Sheep

Sheep numbers in Wales have reduced over the period reflecting the withdrawal of support payments based on headage and the move to a more market responsive industry. Despite this reduction, production has not fallen at the same rate.

Sheep numbers have fallen by nine percent since 2004 though numbers have been rising again since 2009 to stand at 4.2 million breeding ewes in 2012. Despite this fall in livestock numbers, however, more lambs are being produced from fewer ewes due to improved efficiency. In 2012, 4.55 million lambs were produced from 4.2 million ewes in Wales, compared to 4.52 million lambs from 5 million ewes in 2004.

Over the last decade producers have been progressively increasing their lamb carcase weights. In 2004, the average carcase weight for a lamb at Welsh abattoirs was 17.8kg; in 2011, the figure stood at 18.5kg. This, coupled with an increasing lamb rearing percentage within the Welsh flock, has ensured that production levels in Wales have not decreased at the same rate as sheep numbers.

While total sheep numbers in Wales have fallen by nine percent since 2003, production has fallen by two percent due to targeted management training for farmers and breed improvement programmes for livestock which HCC and others have supported. Farmers have embraced opportunities offered by HCC to improve the quality of their livestock and the profitability and sustainability of their businesses.

This improvement can be seen by the increased number of lambs meeting market requirements. In 2011, 58 percent of lambs that went through Welsh abattoirs met market specifications, a rise of 12 percent compared to 2004.

Sheep prices have risen by 54 percent since 2004, with most of the increase being since 2008.

The number of sheep slaughtered in Wales has fallen by 21 percent since 2004 to 3.46 million head with tonnage falling by 25 percent as the number of Welsh abattoirs and livestock numbers have dropped. Many plants outside Wales slaughter Welsh sheep, however, only those approved by HCC can market these as PGI Welsh Lamb. This means that despite the decline in Welsh abattoir throughput, the availability of PGI Welsh Lamb to retailers is maximised.

BACKGROUND CONTEXT 2003 - 2012

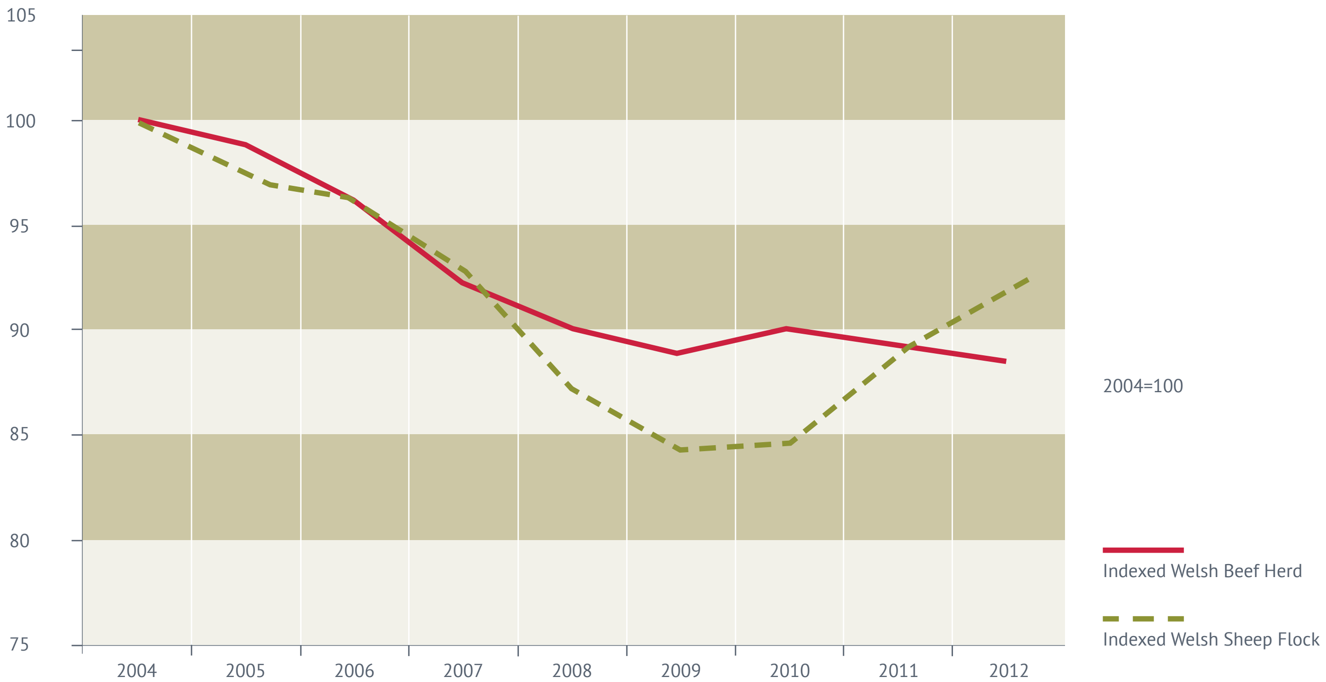
3.3.2 Cattle

Cattle numbers in Wales have reduced over the period by 12 percent to 226,000 female beef cows over two years of age in 2012, reflecting the withdrawal of support payments based on headage and the move to a more market responsive industry. Despite this fall in livestock numbers, more calves are being produced from fewer cattle due to improved on-farm efficiency.

Over the period, the number of cattle slaughtered has increased by two percent to 155,000 head in 2012 reflecting in part the slaughtering of non-Welsh cattle in Welsh abattoirs although these cannot be labelled as Welsh Beef. Cattle prices have also increased by 89 percent over the period with most of the increase occurring since 2008.

Figure 3.1 shows the decline in Welsh livestock numbers over the period. Rather than absolute numbers, the data are presented as an index to allow comparison of the trend between the beef cattle herd and sheep flock. Within the index 2004 is set to 100.

Figure 3.1 Indexed Welsh Livestock Numbers 2004-2012



Source: HCC, Little Book of Meat Facts: Compendium of Welsh Meat and Livestock Industry. Statistics adapted by Brookdale.

SECTION 3

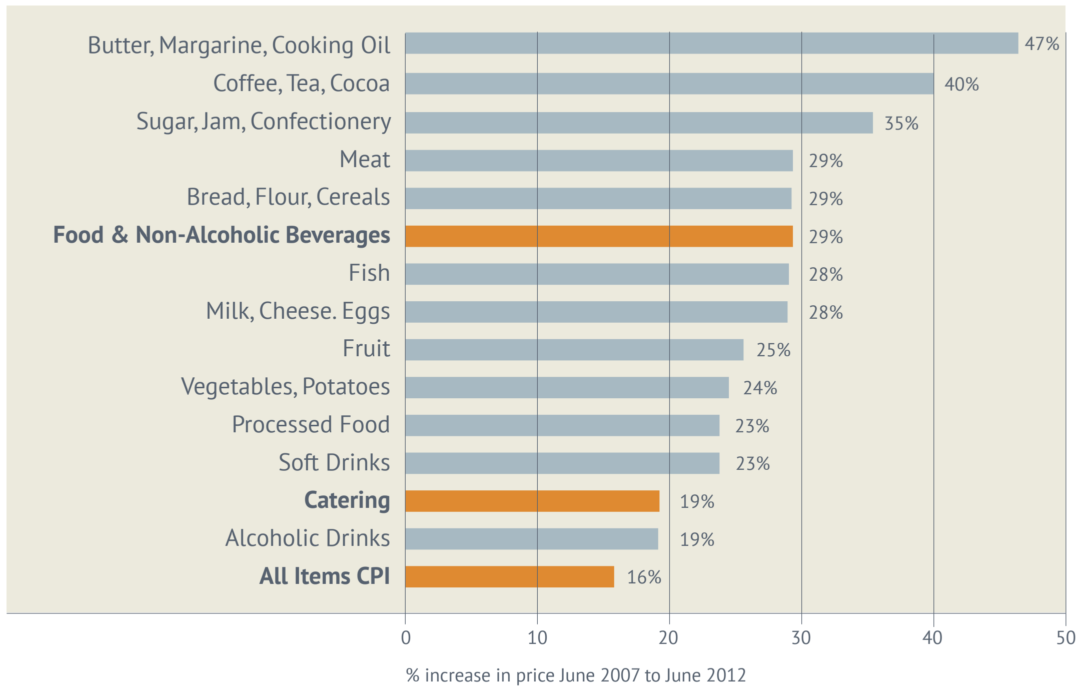
3.3.3 Animal Health

Animal health issues have had a significant impact on the industry from the Foot and Mouth Disease (FMD) outbreak of 2007 through to Bluetongue, Bovine Tuberculosis and Schmallenberg Virus. HCC has worked closely with Government and all sections of the industry to address these diseases and highlight the benefits of improved animal health through disease prevention. This has included diseases which have been identified as priorities under the Animal Health and Welfare Strategy including scab, liver fluke, lameness and lambing losses for sheep and bovine viral diarrhoea (BVD), Johne's disease and liver fluke in cattle.

3.4 UK Consumers

UK food prices have been on a long term downward trend and this was specifically the case between 2003 and 2007. In 2007, however, prices began to rise due to price spikes in agricultural commodities.[5] While the overall consumer price index (CPI) rose by 16 percent, UK retail meat prices increased by 29 percent between 2007 and 2012, consistent with the CPI for food and non-alcoholic beverages *(Figure 3.2)*.[6]

Figure 3.2 Changes in Retail Prices 2007-2012 by Food Categories



Source: Office of National Statistics (ONS), taken from Defra Pocket Full of Food Statistics 2012 - Consumer Purchasing Index (CPI)

[5] Office of National Statistics (ONS), taken from Defra Pocket Full of Food Statistics 2012 - Consumer Purchasing Index (CPI).
[6] All items CPI increased by 16 percent. This includes non-food items and alcoholic beverages.

BACKGROUND CONTEXT 2003 - 2012

The impact of higher prices on consumer meat purchasing behaviour is shown in *Table 3.1*. The three main changes are for consumers to buy less, trade down by paying less per unit or substitute with something else.

The table shows that whilst price rises have occurred across beef, lamb, pork and poultry,[7] both beef and lamb have seen the quantity purchased fall dramatically. This fall is particularly seen for lamb, where total spend has actually declined.

While poultry has seen a 22 percent price increase, overall consumer expenditure has increased by nearly 18 percent. The relative cheapness of poultry compared to beef, lamb and pork may explain why households have absorbed much of the price rise and failed to substitute poultry with alternative meat proteins.

Table 3.1 Consumers' Response to Food Price Rises - All Households 2007-2011

	Price Rise	Quality Purchased	Expenditure	Trade Down
Pecentage Change Between 2007-2011				
Food	+26%	-4.2%	12.1%	-6.8%
Beef	+29%	-11.1%	7.5%	-6.2%
Lamb	+55%	-33.4%	-3.7%	-10.8%
Pork	+35%	+3.0	13.6%	-18.3%
Poultry	+22%	-1.4%	17.7%	-2.4%

Source: Defra, Family Food Statistics 2012

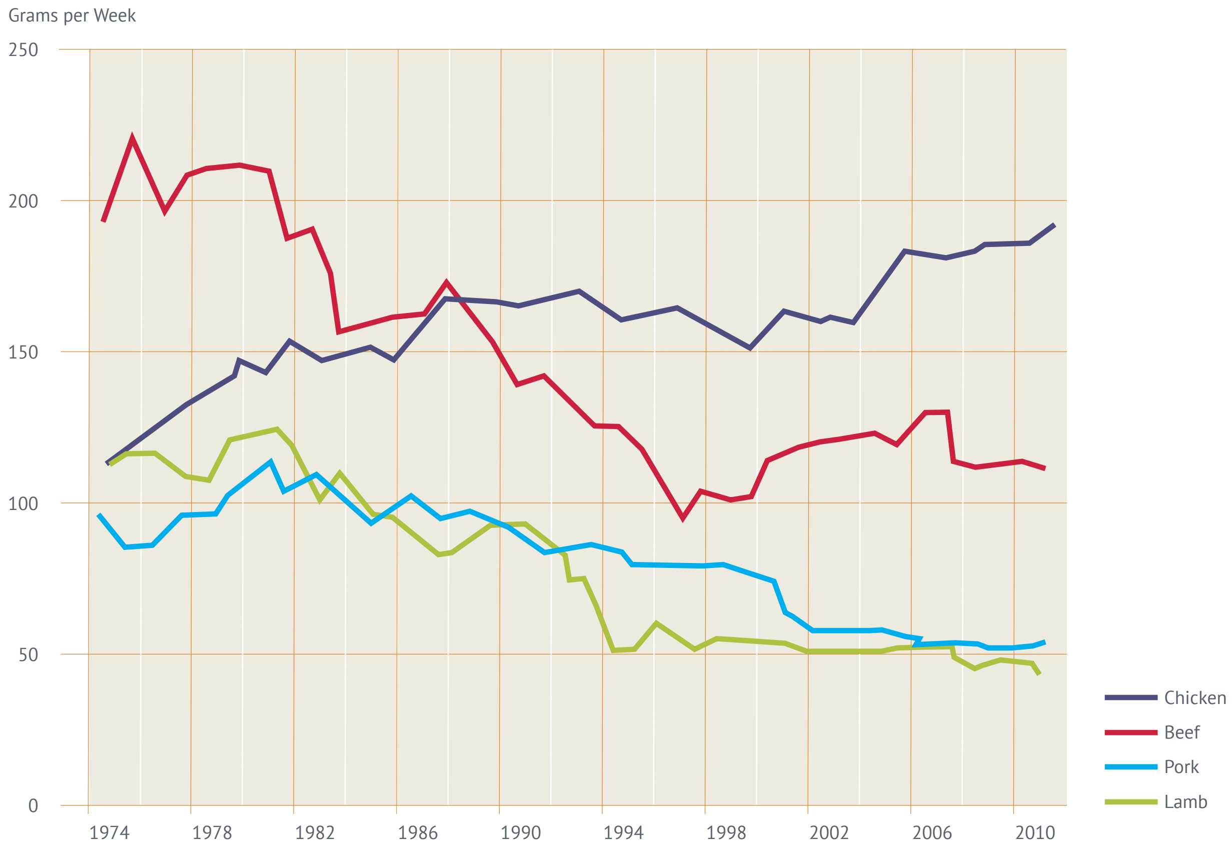
Research shows that price has become an increasingly important factor in influencing consumer product choice,[8] with 41 percent of shoppers identifying it as the most influential factor and 90 percent within their top 5 factors in 2012. Brand has remained important, however, with 32 percent of consumers naming it within their top 5 factors.

Figure 3.3 sets out the weekly average consumption of meat in the UK from 1974 to 2011. A marked trend amongst household consumption is the shift away from carcase meats - beef, lamb and pork - to non-carcase meats; which includes value added and processed products together with poultry.

Whilst lamb consumption was relatively stable from 2000 to 2008, it has fallen since the economic downturn in 2008. Beef and pork consumption have remained relatively stable and consumption of chicken has grown. This shows the sensitivity of consumers to relative meat prices during the downturn and suggests that they have substituted protein groups, with lamb consumption particularly affected.

[7] *Reflecting the rise in commodity prices.*
[8] *The Institute of Grocery Distribution (IGD) Shopper Vista 2012, taken from Defra Pocket Full of Food Statistics 2012.*

Figure 3.3 UK Average Weekly Person Consumption of Beef, Lamb, Pork and Chicken, 1974-2011



Source: Defra, Adjusted National Food Survey data 1974 to 2000, Expenditure and Food Survey 2001-02 to 2007 and Living Costs and Food Survey 2008 onwards

The data suggests that economic and agricultural factors have pushed up the cost of lamb and resulted in a substantial drop in overall consumption within the UK. Interestingly, whilst farmgate cattle prices have also increased dramatically since 2008, this has not resulted in beef consumption falling dramatically. This is partially explained by the greater range of beef cuts and consumers' ability to substitute within range, highlighting the importance of versatility. For example, the consumption of more expensive steaks has declined by 13 percent between 2008 and 2011, but mince consumption grew by nine percent.

SECTION 3

BACKGROUND CONTEXT 2003 - 2012

Summary

During HCC's 10 years of operation, the economic context has changed dramatically. The first half of the period to 2008 was marked by buoyant UK economic growth and the second half by a prolonged economic downturn. This has impacted on export opportunities, consumer demand and price.

Finished cattle, sheep and lamb production in Wales remain an important contributor to total value of Welsh agricultural output, representing 38 percent in 2010, worth £441 million. The total value of the sector to the Welsh economy, taking into account the agricultural, processing and retail sectors, has been estimated to be more than £1 billion a year.

Livestock numbers have fallen over the period, as a result of the gradual removal of support payments. Despite the fall in livestock numbers, however, more lambs and calves are being produced from fewer ewes and cows due to improved efficiencies.

Prices and input costs have increased since 2008 as commodities have been in demand globally and the sector has faced a number of animal health crises which HCC has worked with industry and Government to mitigate.

UK food prices have been on a long term downward trend, which was particularly evident between 2003 and 2007. However, in 2007 prices began to rise. Consumers have responded by buying less, trading down and substituting with other proteins. Price has become an increasingly important factor in influencing consumer choice; however brand has also remained important.

Beef and pork consumption has remained relatively stable over the period. Since 2008, however, various factors have pushed up the cost of lamb resulting in a drop in UK consumption.

SECTION 4

DEVELOPING THE WELSH RED MEAT BRANDS

The image of the 'Welsh' brand encapsulates premium fresh red meat products backed up by provenance and taste. The climate of Wales, its family farm tradition and strong environmental and animal welfare credentials are all key messages for the industry to use.

The location of abattoirs and processing facilities close to areas of production and the support available from the Welsh Government, HCC and industry partners also provide opportunities for the Welsh red meat industry. The PGI status for Welsh Lamb and Welsh Beef provide the industry with the opportunity to develop differentiated products, adding value at the processing stage.

Over the past 10 years HCC and stakeholders – including the Welsh Government – have invested on behalf of industry in the following areas:

- **Brand Identity – Establishing the brand values to be communicated to the market;**
- **Industry Development – Improving the quality of PGI Welsh Lamb and PGI Welsh Beef;**
- **Capital Investment – Grant funding to support investment in Welsh red meat slaughter and processing facilities;**
- **Marketing and Promotion – Communicating key messages to the trade and consumers and undertaking market development work at home and abroad.**

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The aim has been to improve the competitive position of PGI Welsh Lamb and PGI Welsh Beef in target market segments. This section provides an overview of HCC activities across these four areas.

DEVELOPING THE WELSH RED MEAT BRAND

4.1 Brand Identity

HCC has developed a Welsh red meat brand position for both PGI Welsh Lamb and PGI Welsh Beef. This positions them as products for premium markets. The consumer targets for PGI Welsh Lamb and PGI Welsh Beef are ABC1 households,[9] representing those within the higher income groups who would be attracted to premium products.

The brand identity is the corner stone of the marketing and promotion activity, setting out the key messages the brand should convey to the consumer. HCC has positioned Welsh red meat as premium brands and the first communication of this strategy was during the *Passion on a Plate* campaign between 2004 and 2006.[10] Key messages were focused on quality, husbandry and taste.

[9] *Within the household classification ABC1 households cover the upper middle class, middle class and lower middle class with chief income earners' occupations varying from higher managerial professionals to supervisory or clerical administrative.*

[10] *See Section 5 (Executing Brand Marketing) for details of advertising campaigns.*

Since 2007 there has been a focus on defining and documenting the PGI Welsh Lamb and PGI Welsh Beef premium brand position and their key attributes have been identified as:

Taste
Quality
Wales
Heritage
Uniqueness
Versatility
Naturalness
Tenderness
Husbandry

DEVELOPING THE WELSH RED MEAT BRAND

4.2 Industry Development

HCC has invested substantially in initiatives to target key challenges facing the industry, to improve productivity and ultimately to improve the quality of the products produced.

Industry development spend was £1.8 million in 2012, up from £1.2 million in 2004, but less than the peak expenditure of £1.9 million to £2.3 million in 2007-2008 when HCC was working to mitigate the Foot and Mouth Disease outbreak.

These initiatives have centred on working with the red meat supply chain and the Welsh Government on improving animal health and welfare, environmental performance, management, market price transparency and overall efficiency of primary producers and processors.

Industry development activity is critical in complementing brand development activity, ensuring that PGI Welsh Lamb and PGI Welsh Beef meet customer requirements and can compete effectively in the market place.

Examples of key activities are given below.

4.2.1 Farming Connect Sheep and Beef Development Programme

Between 2003 and 2011, HCC was responsible for delivering the red meat aspects of Farming Connect to enable technology transfer between farmers, researchers and advisors to improve farm efficiency and profitability in Wales. HCC established and maintained at any one time a pan-Wales network of between eight and ten Demonstration Farms, 28 farms in total during the period; and facilitated 30 Discussion Groups per annum. More than 16,640 farmers attended 899 events.

4.2.2 Genetic Improvement of Livestock

HCC has worked with partners to deliver permanent genetic improvement into the Welsh sheep flock and beef herd through a number of projects involving training of farmers to use breeding animals with high Estimated Breeding Values (EBVs).

SECTION 4

Above
HCC has succeeded in incentivising farmers to engage in an on-line education project for the genetic improvement of their flocks.

Welsh Beef Quality Improvement Project – This innovative project, which was delivered between 2006 and 2008, incentivised farmers to embrace improved genetics. It provided funding of up to £2,500 towards a top performing bull as a means of improving farmer knowledge and achieving genetic improvement into the development of their herds. A total of 575 farmers were trained and 326 introduced premier genetics into their herds. This was the first project of its kind and it was estimated in 2008 that it would result in annual impacts of between £85,000 and £342,000.

Elite Ram Project – Using a similar approach in the sheep sector, HCC succeeded in incentivising farmers to engage in an on-line education project for the genetic improvement of their flocks. This project, which was delivered between 2010 and 2011, comprised online training, the completion of a breeding plan and provision of a voucher for up to £400 to purchase a ram with superior genetic performance. A total of 2,179 farmers were trained and 1,174 bought a genetically superior ram. The three main benefits were improved growth rates and conformation of lambs and better grades at the abattoir.

The most significant change was the basis on which farmers proposed to purchase rams before and after the project. Before the project, **90 percent rated EBVs third or fourth in importance. After the project, however, 87 percent rated EBVs either first or second in importance**.

The first project of its kind, it was extremely well received by farmers and achieved combined net annual impacts of between £72,000 and £92,000.

Genetic Improvement Project – This project targeted both breeders and commercial producers by working closely with farmers and incentivising the supply of enhanced genetics through the provision of funding between 2008 and 2013 for artificial insemination, embryo transfer and performance recording. Original targets were exceeded in the first year so revised targets were set for breeders' performance recording (70 sheep and 40 beef) and for numbers introducing new genetics (55 sheep and 35 beef). This project will be evaluated in late 2013.

4.2.3 Research and Development (R&D)

HCC has invested in R&D as a core activity to make the red meat sector in Wales more profitable. Most farm businesses are constrained by the costs of R&D, while HCC by combining resources can allow farming businesses in Wales to access vital research projects to benefit the entire industry.

Above
Science and advanced technology plays a vital part in R&D.

HCC's strategy outlines the objectives for R&D in the red meat industry in Wales. Key areas for research include genetic improvement, animal health and welfare, traceability, nutrition for both humans and animals and environmental issues. Information gathered in these projects is used during HCC's technology transfer activities to inform the wider industry of new technologies.

Where R&D projects could benefit the whole UK industry, HCC has jointly funded them with EBLEX (English Beef and Lamb Executive), QMS (Quality Meat Scotland), BPEX (British Pig Executive), LMC (Livestock and Meat Commission for Northern Ireland) and Agrisearch.

4.2.4 Technology Development

Across all aspects of HCC's Technology Development project 2009-2012, independent evaluation showed high take up of interventions, adoption of lessons learned, a good fit with Welsh Government policy and HCC strategy, positive feedback from beneficiaries, tangible business benefits, economic impacts and lessons for the future.

A key aspect of this project involved building on HCC's engagement with farmers on understanding market needs and addressing animal health and welfare which resulted in a total of 3,713 farmers trained in selection of animals for slaughter.

An important resource in Wales is the 22 small and medium sized (SME) abattoirs which provide slaughtering facilities at a local level. This project included development of quality management procedures, training and in-plant systems at SME processors, packers and distributors to enhance and strengthen the quality of these businesses and their products.

The HCC Red Meat Training Programme involved working across the red meat supply chain to achieve engagement and improve understanding and transparency on market requirements, business efficiency and animal health and welfare with 25 suitably qualified persons[11] and 49 vets trained in reducing carcase losses as well as 190 farmers attending meetings and taking part in competitions.

A total of 66 development projects were completed addressing challenges across the entire red meat supply chain with 45 books or leaflets published creating a library of information on red meat management, productivity and consumer issues.

HCC funded 51 study tours, involving over 1,000 farmers with the aim of encouraging consideration of new ideas through experience. Subsequent reports and events disseminated the knowledge to a wider audience.

HCC also made available support for Welsh beef farmers to test 3,000 cattle for BVD to inform and address herd health status.

The total investment of £2.92 million led to annual direct Gross Value Added (GVA) net impacts of between £5 million and £7 million per annum, including the Elite Ram Project which was part of the Technology Development project. Livestock Selection Training alone was estimated to generate between £3.75 million and £4.6 million per annum.

[11] ***Suitably Qualified Persons** - those who are trained in ensuring statutory requirements are met in relation to prescription and/or supply of certain veterinary medicines.*

4.2.5 Market Information and Animal Health

Across all aspects of the project, independent evaluation showed high satisfaction ratings from beneficiaries, tangible business benefits and significant economic impacts. HCC's Economic and Market Information project, between 2008-2011, delivered a number of outputs and impacts including a 60 percent increase in website traffic for market information. The project also built on the HCC market prices text messaging service successfully resulting in a 233 percent increase in the number of mobile recipients receiving deadweight price text messages.

In evaluating the project, Brookdale Consulting highlighted the important role of HCC in providing up to date information from a variety of sources to help farmers market their stock at the optimum time for maximum returns. HCC has the expertise and the knowledge in these subjects to interpret and disseminate the relevant information.

During the period HCC developed and updated on an annual basis industry reference guides including the Little Book of Meat Facts: Compendium of Welsh Meat and Livestock Industry Statistics.

This HCC project included development for the first time of business benchmarks, both financial and physical, for hill, upland and lowland stock farms. This allowed farmers to check their own performance against benchmarks.

With input from industry and the Welsh Government HCC developed, for the first time, a Parasitology Action Plan for Wales and delivered a roadshow pan-Wales which included the training of 105 suitably qualified persons in the application of anthelmintics to prevent parasite resistance.

Through this project HCC made available for beef producers in Wales the only support available for Johne's Disease testing for 6,000 Welsh cattle and benchmarking of performance. HCC also provided support for enhanced use of health action plans at the farm level with measurement of their effect on performance and cost savings.

The independent evaluation of the project established that the £1 million project contributed to better prices for producers and the wider potential Gross Value Added (GVA) net impact of the work was worth between £7.41 million and £7.86 million per annum.

Welsh livestock production has seen a number of positive productivity and efficiency improvements including a rise of 12 percent in the number of lambs meeting desired slaughter specification between 2004 and 2012 and increase in carcase weight of 0.7kg to 18.5kg since 2006. Improvements have also been seen within the beef herd, with 87 percent of cattle slaughtered being selected at an appropriate level of finish.[12] The work of industry development and resultant improved productivity help to keep PGI Welsh Lamb and PGI Welsh Beef competitive in the market place.

[12] **Source:** *HCC March 2012*

4.3 Capital Investment

Over the last 10 years, the Welsh Government has targeted investment in red meat processing to help the industry exploit new products and markets. Two successive Rural Development Plans for Wales (2000-2006[13] and 2007-2013) have supported over 100 red meat businesses in Wales with processing and marketing grants for capital investment. In combination with industry, a total of £47 million has been invested into capital developments within the red meat supply chain.[14]

The level of investment reflects the commitment to the Welsh red meat industry by both the Welsh Government and individual businesses, demonstrating confidence in its future. It has provided Wales with state-of-the-art processing facilities enabling processers to add value at the point of production.

4.4 Marketing and Promotion

The qualities of Welsh Lamb and Welsh Beef recognised by PGI status have been central to HCC's marketing and promotion focus throughout the 10 year period.

The market within Wales has been the foundation for development of the sector. However, the British, mainland European and other global markets have grown in importance over the decade as key areas for Welsh red meat products to achieve premium prices.

From 2003-2012, HCC's spend on marketing and promotion has accounted for the vast majority of Welsh Red Meat Levy income, reflecting their importance within HCC's core strategy and the demands of levy payers. In 2011, HCC secured additional funding from the EU to help promote PGI Welsh Lamb and improve recognition of PGI amongst consumers in the key European markets of France, Germany, Italy and the UK.

Left
Recipe leaflets for Welsh Lamb and Welsh Beef.

[13] *Including funding from Objective 1 (EAGGF) programme*

[14] **Source:** *Welsh Government, April 2013. Excluding the supply chain efficiency projects delivered through HCC and described in Section 4.1*

DEVELOPING THE WELSH RED MEAT BRAND

Over the 10 year period HCC has spent £22 million on marketing and promotion.

Between 2003-2012 HCC has had four strategic objectives for marketing and promotional activities, set out below:

Period	Strategic Objective
2003-2008	• Effective promotion of Welsh red meat products; • Build strong differentiated products.
	HCC focused on establishing PGI Welsh Lamb and PGI Welsh Beef as brands, encouraging uptake of PGI by abattoirs, processors and retailers, increasing consumer awareness and developing new markets at home and abroad.
2008-2013	• To position PGI Welsh Lamb, PGI Welsh Beef and pork from Wales as premium brands; • To further diversify PGI Welsh Lamb, PGI Welsh Beef and pork from Wales into premium market sectors in the UK and internationally.
	Having established PGI Welsh Lamb and PGI Welsh Beef as brands, HCC focused on ensuring that they captured the intrinsic values communicated by the PGI status and that PGI Welsh Lamb and PGI Welsh Beef were viewed as premium products. Recognising the finite supply of PGI Welsh Lamb and PGI Welsh Beef, from 2008 onwards HCC has focused on positioning the brands in markets that would command a premium, be it within retail, foodservice or export.

The changes in strategic priorities reflect changes to the maturity of the brands in conjunction with changes in market forces. As the market has matured and consumers have become more discerning (seeking higher quality products), retailers have responded by re-launching their own premium brands.[15]

[15] *Tesco's Finest (re-launched 2006), Sainsbury's Taste The Difference (re-launched in 2010), Co-Operative Truly Irresistible (launched in 2007) and ASDA Chosen By You (launched in 2010).*

Summary

HCC has developed a Welsh red meat brand identity for both PGI Welsh Lamb and PGI Welsh Beef which positions them as products for premium markets. This position has been underpinned by the integrated marketing strategy for HCC, which between 2004 and 2008 was focused on quality, husbandry and taste. Since 2008 there has been a focus on defining and documenting the PGI Welsh Lamb and PGI Welsh Beef premium brand position and their key attributes.

Over the past 10 years HCC has worked to help raise the quality of Welsh red meat production so that PGI Welsh Lamb and PGI Welsh Beef improve their competitive position in the market. Ensuring quality and competitiveness of the product is an integral part of building strong Welsh red meat brands.

Over the period, HCC has invested substantially in industry development initiatives to target key challenges facing the industry, to improve productivity and ultimately to improve the quality of the products produced.

Working with partners, HCC has delivered genetic improvements into the Welsh sheep flock and beef herd through a number of projects involving training of farmers to use breeding animals with high EBVs. This helps to ensure that Welsh red meat production remains competitive globally, so that the output produced meets consumer expectations - not only for taste, traceability and animal husbandry but also conformation, consistency and quality.

HCC has also invested in R&D and market intelligence to support the red meat sector in Wales. Keeping producers informed of new technologies, market information and developments helps farmers to respond to market signals, improving production efficiency and market returns. The increased proportion of finished stock meeting carcase classification targets illustrates how Welsh producers are better meeting market needs.

There has been significant capital investment in the Welsh red meat sector by the industry since 2000 supported by Welsh Government grant funding and reflecting growing demand for regional food products. It also demonstrates the confidence and commitment of the industry in terms of the production and processing of Welsh Lamb and Welsh Beef underpinned by the PGI brand.

Marketing and promotion activities have accounted for the majority of levy income over the past 10 years. Total spend on marketing and promotion equates to **£22 million**.

ITV Meridian
ITV Wales
ITV Central
ITV West
C4
S4C
GMTV
UKTV Food

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MARKETING PGI WELSH LAMB AND WELSH BEEF

HCC's marketing of PGI Welsh Lamb and PGI Welsh Beef has focused on three main areas.

- **UK Consumer Market** – Influencing consumer/ household behaviour, accounting for 50 percent of spend;
- **Other UK Markets** – Influencing retail and foodservice behaviour, accounting for 23 percent of spend;
- **Export Market** – Influencing customers and supply chain behaviour abroad, accounting for 27 percent of spend.

Since 2007, HCC has adopted an integrated marketing approach across these three segments with a variety of campaigns, adopting a mix of both traditional and new media to get messages across to consumers.

5.1 UK Consumer Market

It is estimated by HCC that only five percent of red meat produced in Wales is consumed in the home market and that approximately 60 percent of the sheepmeat and 80 percent of the beef produced in Wales is consumed elsewhere in Britain.

The UK consumer market is represented by household shoppers where HCC has focused on establishing PGI Welsh Lamb and PGI Welsh Beef as premium brands, targeting ABC1 households with high disposable income, within the 25-65 age group and a slight female bias. The main geographical target areas have been Wales and the South East of England where there is availability of PGI Welsh Lamb and PGI Welsh Beef and a large number of affluent consumers.

A summary of the main media channels used by HCC over the last 10 years is shown in *Table 5.1*. While HCC's press and magazine advertising is UK wide, TV, outdoor and digital advertising is geographically targeted to ensure the effective use of budgets.

Up to 2008, HCC advertised on television in a number of regions, including ITV Wales, ITV Meridian, ITV Central, ITV West, C4, S4C, GMTV and UKTV Food. This was based on targeting areas where the majority of lamb purchasers live and also, to a degree, the retail distribution profile.

Since 2008, HCC has targeted TV advertising on ITV Meridian, the largest market in the South East of England as well as the 'home' market of ITV Wales. HCC has also retained a presence on UKTV food to reach food enthusiasts nationally. Outdoor and digital advertising has been used tactically to support TV activity on a geographic basis.

MARKETING PGI WELSH LAMB AND WELSH BEEF

HCC's spend across the mix of consumer marketing media has varied across the years, reflecting both the emergence of new media and also the effectiveness of campaigns within budgetary constraints.

Table 5.1 Main Marketing Channels used by HCC over the Period

Media	Key Channels / Titles	Activities during 2004-2012
Television	ITV Meridian, ITV Wales S4C, Good Food Channel	Television advertising focused over the September-November period
Consumer Press	Food magazines, supermarket magazines, national newspaper supplements	UK wide advertising in supermarket magazines
Outdoor – 48 Sheet Posters	Meridian	Billboards advertising in main cities and towns in the South East of England
Digital	Food websites, premium ad network and Pay Per Click	Increased spend in digital advertising, particularly since 2011
Point of Sale	In store – recipe leaflets, posters etc.	Point of sale materials have been prominent amongst independent retailers On-pack promotions are increasingly used in multiple retailers alongside point of sale material, including counter leaflets
Public Relations	Press office, placing of recipes, campaign support.	Broadened to include consumer marketing since 2007
Online	Twitter, Facebook and website	Social Media has been increasingly used in recent years to communicate directly with consumers HCC's consumer website was established in 2008 to present the latest information, recipes and news about PGI Welsh Lamb and PGI Welsh Beef, and was updated in 2011

Source: *HCC, March 2013*

HCC has run three major UK consumer communication campaigns between 2003 and 2013 including:

- *Passion on a Plate:* 2004 - 2006
- *Rain:* From 2007 - present
- *Quality Time:* 2011 - present

5.1.1 Passion on a Plate (2004-2006)

Passion on a Plate aimed to embody the passion of the Welsh people for PGI Welsh Lamb using appetising food and landscape photography. It reinforced the message that Welsh farmers are passionate about producing quality PGI Welsh Lamb and this is translated onto the plate. This first brand positioning was focused around portraying the quality, husbandry, taste and history of Welsh Lamb, which are all closely linked to PGI.

Passion on a Plate activity used a full range of communication channels, including consumer and trade shows, retail and foodservice promotion, TV, radio and press advertising and a press relations programme.

Within the first year of operation HCC spent £600,000 on TV consumer advertising which successfully realised increased sales of £1.75 million over a four week period during the campaign.[16]

The press campaigns focused on high quality images of cooked PGI Welsh Lamb dishes, as shown in the example presented here.

Key achievements and highlights of this marketing and promotions campaign included:

- **Independent retailers claimed an increase in PGI Welsh Lamb sales of 22 percent;[17]**
- **The campaign to encourage new product development saw 600 entrants from independent retailers, with 50 percent of these products being awarded gold standard for quality;**
- **A three percent increase in Welsh brand consumer awareness;**
- **Success in securing PGI Welsh Beef in National Health Service hospitals in Wales.**

[16] **Source:** *HCC, Annual Report 2005/2006.*
[17] **Source:** *HCC, Annual Report 2005 - referencing an Independent survey of Welsh Butchers.*

5.1.2 Rain (2007-present)

HCC's second major consumer campaign *Rain* built on the success of *Passion on a Plate* by focussing on the key attributes recognised by PGI status. Strong imagery of the Welsh landscape and climate was used to reinforce the message that PGI Welsh Lamb and PGI Welsh Beef are unique because of the landscape in which they are extensively farmed and this is what contributes to their unique taste and quality.

The *Rain* campaign was a real milestone in linking Welsh red meat to the qualities of PGI.

HCC reviewed the consistency with which key brand messages were communicated and adopted a strategy of integrated communication across all marketing channels and industry communications. In doing so, HCC developed clear brand guidance to apply to all marketing materials, ensuring that voice, tone and imagery complemented the overall objectives of the campaign.

This change in emphasis was deliberate, reflecting HCC's marketing and promotion strategic objectives to position PGI Welsh Lamb and PGI Welsh Beef as premium brands; and to diversify PGI Welsh Lamb, PGI Welsh Beef and pork from Wales into premium market sectors in the UK and internationally.

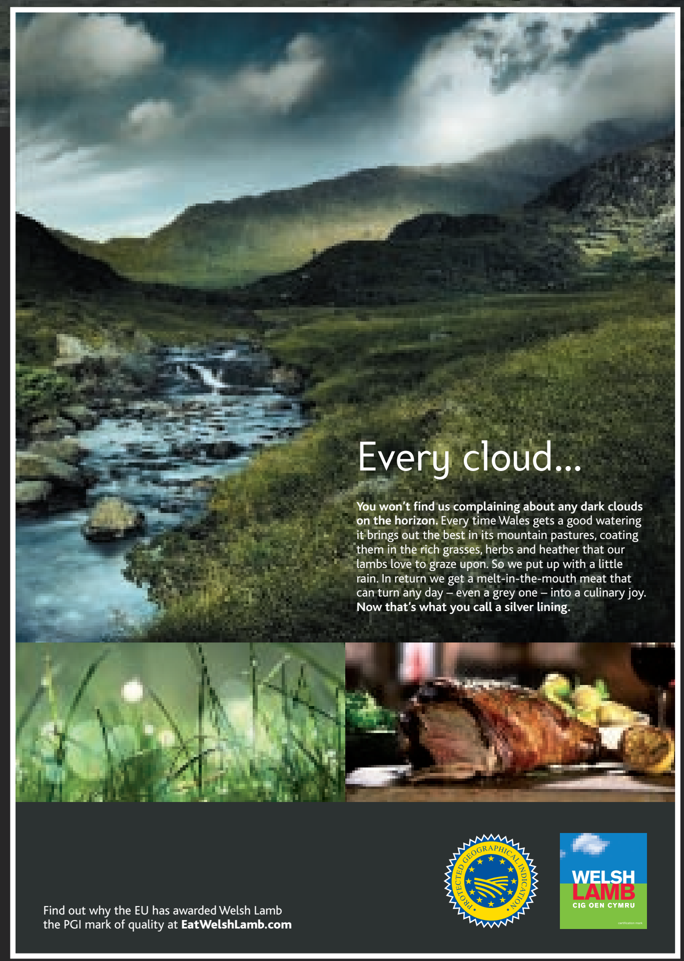
Achieving greater value out of the brand became a strategic focus of the marketing campaign and ensuring that this message was consistently heard was a priority.

Key achievements and highlights of this campaign included:

- ***Rain* scored highly with consumers;**
- **In the first year of the campaign, 70 percent of consumers stated in an independent survey that they trusted the brand;**
- **59 percent stated that the advert made them more likely to buy PGI Welsh Lamb;[18]**
- **HCC's TV adverts won the People's Choice Award in 2008, ahead of established popular brands such as Marks and Spencer and Levi;**
- **PGI Welsh Lamb was served at a dinner marking the anniversary of HRH Prince Charles becoming the Prince of Wales.**

An outbreak of Foot and Mouth Disease in August 2007 resulted in a UK export ban until November 2007, which was highly damaging to the Welsh red meat industry. In response, HCC, having obtained additional funding, launched a major successful domestic market sales push in September 2007 and greatly increased marketing spend on PGI Welsh Lamb to absorb surplus lambs.

[18] *Compared to 59 percent of consumers stating that they trusted the brand and 40 percent of consumers stating that the advert made them more likely to buy PGI Welsh Lamb (under the* Passion on a Plate *campaign in 2006).*
Source: *HCC, March 2013.*



Right
The advert for the 'Rain' campaign.

5.1.3 Quality Time (2011- present)

Quality Time was launched in 2011. Building on the success of *Rain* in establishing brand awareness, *Quality Time* aims to counter consumer perception that PGI Welsh Lamb is only for special occasions, such as Sunday lunch. Alongside the important brand messages, *Quality Time* therefore focuses on convenience and versatility to encourage greater mid-week consumption of PGI Welsh Lamb. This aims to encourage greater frequency of purchase, moving PGI Welsh Lamb campaigns on from a generic brand awareness objective to influencing consumer behaviour as well. The brand identity was also applied to PGI Welsh Beef.

The theme of *Quality Time* was multi layered, to promote the use of PGI Welsh Lamb and PGI Welsh Beef for a greater number of dining occasions. It successfully tapped into a growing consumer demand to link quality food with the high environmental and animal welfare standards that are employed by Welsh farmers working in a traditional landscape. It is a campaign that uses distinctly Welsh imagery, feel, vocabulary and tone alongside food photography.

The essence of the TV advert for PGI Welsh Lamb focuses on the quality time consumers have while eating a number of lamb dishes. In respect to PGI Welsh Beef, the TV advert focuses on a variety of dishes that can be made using beef. The key message is that using PGI Welsh Lamb or PGI Welsh Beef provides quality time in a number of ways:

- **Quality time in its production – time and commitment has been put into producing the product;**
- **Quality time in its preparation – due to its ease of use, simplicity and versatility;**
- **Quality time in eating – linked to the products taste and tenderness;**
- **Quality time with friends and family – as it is so quick and easy to use, it leaves time for you to enjoy socialising and relaxing.**

HCC is spending the majority of the advertising budget reinforcing the PGI Welsh Lamb and PGI Welsh Beef brands in the UK so that they remain the brands of choice for UK consumers.

To date, *Quality Time* has focused on a broader mix of multi-media channels than earlier campaigns, including on-line advertising, billboards and social networking such as Twitter and Facebook. Press advertising has also remained a strong feature because of the effective national coverage.

Right
The advert for the 'Quality Time' campaign.

MARKETING PGI WELSH LAMB AND WELSH BEEF

The level of TV advertising is less than the *Rain* campaign, reflecting the changes in the way that consumers use media. Geographic coverage has focused on ITV Meridian, giving access to the largest market in the South East of England, where there is availability of PGI Welsh Lamb and PGI Welsh Beef and there is a higher affluence amongst consumers The 'home' market of ITV Wales and S4C is also maintained as well as a presence on UKTV food to specifically target national food enthusiasts.[19]

HCC has also tackled the decline in general lamb consumption by increasing the versatility message to consumers in an educational format by developing new guides (such as *"Back to the Chopping Board"*) and by demonstrating how to cook various versatile, low cost, lamb cuts. HCC has targeted schools, with *"Cool2Cook"* recipe books and *"First Degree Cooking"*, a students' cookbook, responding to evidence suggesting that lamb consumption amongst the younger demographics was low. HCC has also refreshed the consumer website with recipes and product information, encouraging consumers to use PGI Welsh Lamb and PGI Welsh Beef in more versatile ways.

Below
The successful 'Cool 2 Cook' and the 'First Degree Cooking' publications.

HCC has targeted young people in particular with a health and education message that a balanced diet including red meat, combined with activity, results in a healthy lifestyle.

Two cookbooks aimed at primary school children – Cool2Cook 1 and 2 – have been produced and distributed free of charge to more than 50,000 schoolchildren across Wales. These books contained recipes that were easy for the children to make at home and encouraged them to involve their parents or guardians.

The success of these books led to a book aimed at students leaving home for the first time, *First Degree Cooking*. As well as recipes, the book includes hygiene and storage advice as well as a cost breakdown enabling hard-pressed students to eat well on a budget. To date, more than 25,000 copies have been distributed.

[19] *TV advertising has varied in its geographic reach. Up to 2007/2008, the TV advertising campaign covered ITV Wales, ITV Meridian, ITV Central, ITV West, C4 Macro, GMTV, S4C and UKTV Food (satellite). After this date, given budgetary constraints, the TV advertising was restricted to ITV Meridian, ITV Wales, S4C and UKTV.*

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These books have been distributed via events and demonstrations held in schools, colleges and universities across Wales. Special events were also held for teachers and medical professionals, emphasising the importance of including red meat as part of a healthy, balanced diet.

HCC also attends major consumer and trade shows, such as the Royal Welsh Show, BBC Good Food and Taste of London. These shows are used to showcase the versatility of PGI Welsh Lamb and PGI Welsh Beef to a consumer audience, often with the assistance of celebrity chefs.

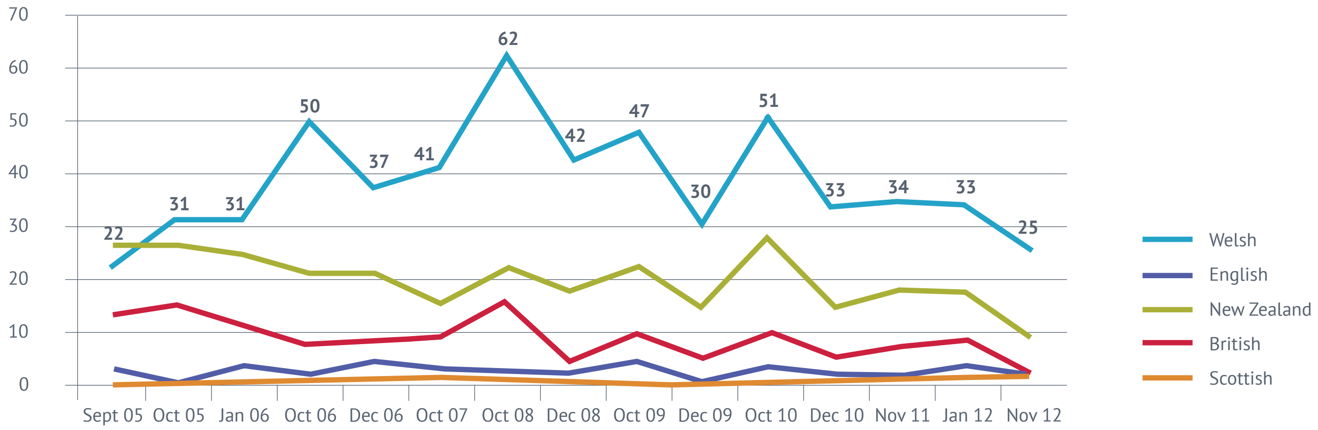
In addition, HCC has received €3.9 million (£.3.5 million) in EU funding to enhance awareness, recognition, demand and consumption of PGI Welsh Lamb between 2011 and 2014. The focus has been in the key European markets of France, Germany, Italy and the UK. It is aimed at consumers, opinion leaders, food distributors and food service decision makers and has used the *Quality Time* theme.

5.2 Effectiveness of UK Consumer Marketing

HCC began monitoring consumer responses to advertising in 2004 and has carried out research at least annually ever since.

PGI Welsh Lamb is the brand that consumers most recognise as being advertised within Wales (Figure 5.1). A similar picture has also been seen for PGI Welsh Beef awareness within Wales.

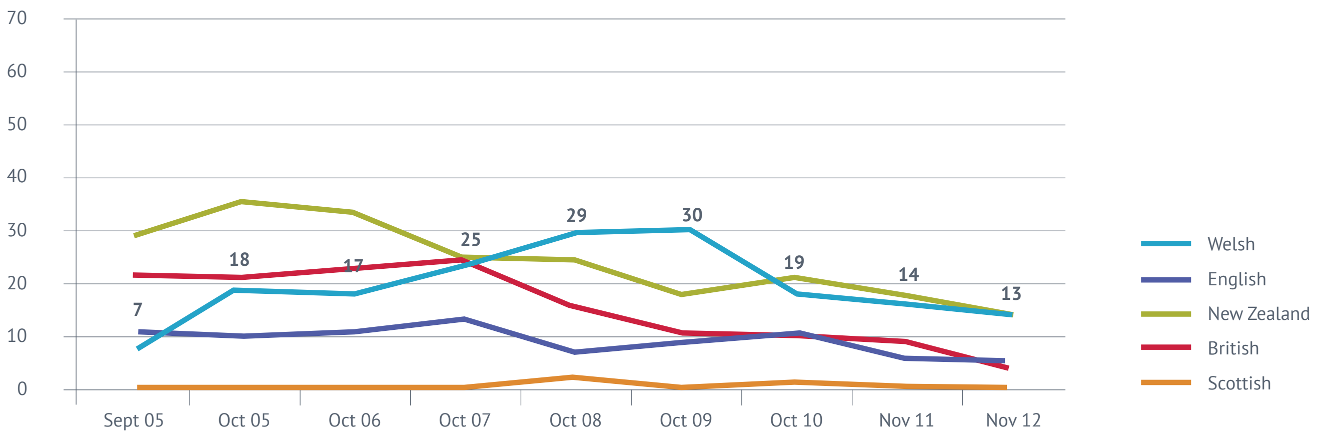
Figure 5.1 Response to question: Which country's lamb was the TV advertising promoting? Percentage last year in Wales.



Source: *HCC, Market Tools Report on Advertising Effectiveness*

As shown in *Figure 5.2*, in the Meridian region where HCC has continuously advertised PGI Welsh Lamb, awareness is as high, or higher, than New Zealand lamb advertising. The *Rain* campaign was particularly successful in growing PGI Welsh Lamb's awareness amongst those who had seen lamb advertising.

Figure 5.2 Response to question: Which country's lamb was the TV advertising promoting? Percentage last year in Meridian



Source: *HCC, Market Tools Report on Advertising Effectiveness*

Whilst it is too early to judge, *Quality Time* has been a clear shift away from being just about 'Welsh' to enhancing the versatility message of lamb.

In terms of brand affinity,[20] the *Quality Time* campaign is succeeding in persuading people to buy PGI Welsh Lamb (Table 5.2).

Table 5.2 Response to question: Are you more likely to purchase PGI Welsh Lamb after viewing the TV advert?

Lamb		Passion on a Plate	Rain	Quality Time
Measure	Region	October 2005 December 2006	October 2007 October 2010	November 2011 to November 2012*
Of those seeing the advert, proportion that is more likely to buy PGI Welsh Lamb in the future?	Wales	64%	66%	63%
	Central	54.5%	56%	n/a^
	Meridian	50%	58%	61%
^ Results for Central in 2011/12 are not applicable as HCC stopped advertising in this region.				

Source: *HCC, Independent Survey of HCC Lamb Marketing Campaigns*

[20] **Survey question:** *On seeing the advert, are you more likely to buy PGI Welsh Lamb in the future.*

The focus of *Quality Time* has been on driving versatility such that consumption rises in the long term. This is inherently difficult, but *Quality Time* is getting the following messages across:

- **89 percent of consumers who have seen *Quality Time* believe they can cook lamb dishes - up from 67 percent in the *Rain* campaign;**
- **71 percent of consumers believe that *Quality Time* shows more ways of cooking lamb - up from 64 percent from the *Rain* campaign;**
- **89 percent of consumers believe that lamb is versatile and can be used in many different ways.**

5.3 UK Markets

UK markets are split into the retail and foodservice sectors. In developing products, such as PGI Welsh Lamb and PGI Welsh Beef, it is important to work with the supply chain to encourage uptake of the brands and persuade them that the final consumer will demand and value such products. It is important that supply chain members understand the brand values of the final consumer.

5.3.1 Retail Sector

Multiple retailers are dominant in the retail sector and in 2011 accounted for about 80 percent of beef and lamb sales in Britain.[21] While the decline of independent retailers has been evident over many years, High Street butchers still accounted for eight percent of beef sales and 13 percent of lamb sales in 2010.[22] HCC spends approximately 20 percent of its marketing and promotions budget on retail activity. This activity includes the following:

- **Development of point of sale materials, including recipe cards;**
- **On-pack consumer competitions and promotions;**
- **Assistance in labelling development;**
- **Advertising within retailer food magazines;**
- **In store promotions and tastings.**

[21] **Source:** *HCC, Little Book of Meat Facts: Compendium of Welsh Meat and Livestock Industry Statistics 2012. The multiple retailer market share of fresh meat is estimated at around 90 percent. Retailer market share in GB estimated at 81 percent for beef and 77 percent for lamb in 2010 (Source: AHDB 2011 UK Yearbook).*

[22] *GB estimates by AHDB (2011 UK Yearbook).*

MARKETING PGI WELSH LAMB AND WELSH BEEF

PGI Welsh Lamb has been adopted by all of the major retailers within their Welsh stores, across both premium and standard lines. Outside of Wales, PGI Welsh Lamb is sold within the premium lines of ASDA, The Cooperative, Sainsbury's, Tesco and Waitrose. Waitrose also sources PGI Welsh Lamb when in season across its entire standard range.

PGI Welsh Beef has been adopted by those multiple retailers operating regional meat sourcing policies. PGI Welsh Beef has been adopted in premium tiers outside of Wales by Sainsbury's, Tesco and Waitrose.

Consultations with independent retailers in Wales as a part of this review confirmed that traceable local lamb and beef were demanded by their customers. They highlighted how HCC had been influential in developing their businesses through point of sale materials such as recipe cards and new product development, which helped achieve better carcase balance and led to improved profitability.

Independent retailers are well positioned to discuss issues such as quality, versatility and traceability directly with consumers and can be valuable spokespeople for PGI Welsh Lamb and PGI Welsh Beef. To support independent retailers who source and sell PGI Welsh Lamb and PGI Welsh Beef, HCC will introduce the Butcher's Club in 2013. Members of the club will receive regular newsletters, together with point of sale materials and invitations to exclusive events.

These activities together with consumer marketing and work to improve the quality of PGI Welsh Lamb and PGI Welsh Beef have helped increase the market share of Welsh branded products sold at retail.

5.3.2 Foodservice Sector

The foodservice sector[23] accounts for approximately 15 percent of UK beef usage and 12 percent of UK lamb usage.[24] It is split into the commercial and public sector caterers. Fast food restaurants account for about a quarter of the UK market, with other restaurants and pubs accounting for approximately a third. The public sector element accounts for less than 10 percent of foodservice sales.[25]

Traditionally, foodservice has been important in helping to ensure efficient carcase balance to the commercial and retail sectors. There is also high import penetration in the sector, especially in relation to beef.[26]

HCC has worked to stimulate demand for PGI Welsh Lamb and PGI Welsh Beef within the foodservice market in both the commercial and not for profit sectors.

[23] *Also known as the Hotels, Restaurants and Catering Sector (HORECA)*
[24] **Source:** *AHDB, 2011 UK Yearbook.*
[25] **Source:** *Defra, Food Statistics Pocketbook 2012, referencing Horizons For Success 2011*
[26] **Source:** *AHDB, 2011 UK Yearbook.*

5.3.2.1 Not for Profit Sector

HCC has actively targeted public sector caterers from its inception, especially the NHS Wales Trust. Working with procurement teams, HCC was able to advise NHS Wales Trust on how to source PGI Welsh Beef within the context of Official Journal of the European Union (OJEU) requirements. The NHS Wales Trust has sourced PGI Welsh Beef since 2005 following HCC's efforts. Industry consultations as part of this review have also identified companies which are successfully supplying other public sector bodies, such as Welsh local authorities, with PGI Welsh Lamb and PGI Welsh Beef. Outside of the UK, HCC also successfully secured PGI Welsh Lamb into schools in Rome, utilising the PGI credentials as a key factor in accessing this market.

5.3.2.2 Commercial Sector

The commercial sector includes major chains and independent outlets covering hotels, restaurants, pubs and cafes. HCC has worked with the Welsh tourism industry in encouraging the hospitality sector to make greater use of food provenance and Welsh red meat on menus.

In 2010 the *Welsh Lamb Club* was official launched by HRH the Prince of Wales at Clarence House. Initially starting with 50 London chefs, the club now includes over 100 chefs across the UK, committed to using PGI Welsh Lamb in their menus. The *Welsh Lamb Club* promotes restaurants and chefs who are committed to using PGI Welsh Lamb.

PGI Welsh Lamb has been used in a number of prestigious occasions, showcasing the best of British foods. These include dinners for the G20 world leaders in London, the London 2012 Olympic Games, Ryder Cup 2010 and Wimbledon 2012.

HCC has also worked to stimulate demand for PGI Welsh Lamb and PGI Welsh Beef within major foodservice companies such as Brakes, Bookers, Costco and 3663.

5.4 Export

The export market is particularly important for Welsh livestock production as strong overseas demand lifts farmgate prices, especially for lamb where GB self-sufficiency was estimated at almost 100 percent in 2011.[27] Stimulating export demand helps to balance supply and demand thus securing greater returns to the supply chain.

It is estimated that approximately 35 percent of the sheepmeat and 15 percent of the beef produced in Wales is consumed outside Britain.

The export market has been an important focus for HCC activity from its outset. HCC has maintained and promoted PGI Welsh Lamb and PGI Welsh Beef in established markets, which include France, Germany, Belgium, Italy and Spain for lamb and Ireland, the Netherlands, France, Italy and Germany for beef. These markets have accounted for approximately 98 percent and 35 percent of PGI Welsh Lamb and PGI Welsh Beef exports respectively over the past 10 years.[28]

In addition to these established export markets, HCC has also actively pursued other high value opportunities, capitalising on the PGI status in new markets, including the Netherlands, Portugal, Austria, Russia, Switzerland, Spain, Greece, the United Arab Emirates (UAE), Hong Kong, Singapore, Norway and Sweden for lamb; and Belgium, Denmark, Switzerland and Spain for beef.

From 2010 onwards, the emerging markets in China and Canada have been particularly important. The Chinese market is valuable not only in terms of growth potential, but also given high demand for fifth quarter cuts (offal), which are in less demand on the domestic market.

Since HCC's inception, Welsh red meat exports to UAE, Hong Kong, Singapore, Canada and Scandinavia have grown. Access to these increasingly important export markets was granted for the first time to Welsh red meat as a result of the PGI credentials.

In helping to boost exports, HCC has worked in collaboration with Welsh processors, leading delegations, attending trade shows and hosting trade dinners. Target market outlets have included multiple retailers, high end retailers and food service - both public sector and high end restaurants.

[27] **Source:** *HCC Little Book of Meat Facts: Compendium of Welsh Meat and Livestock Industry Statistics 2012 and AHDB data.*

[28] *Based on estimates by HCC from official data and verified through industry consultations.*

France Italy
Germany Spain
Ireland Greece
Netherlands
Portugal Austria
Russia Switzerland
Scandinavia United
Arab Emirates (UAE)
Hong Kong China
Singapore Norway
Sweden Belgium
Denmark Canada

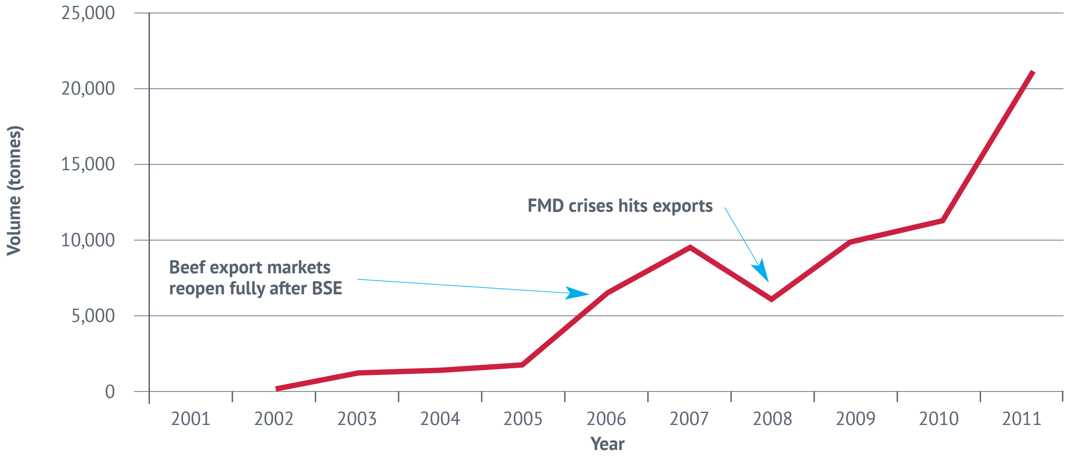
MARKETING PGI WELSH LAMB AND WELSH BEEF

Figures 5.3 and *5.4* show exports of sheepmeat and beef from Wales between 2001 and 2011. For sheepmeat, the two Foot and Mouth Disease crises are shown when export markets were closed, while for beef the re-opening of beef exports post-BSE is shown along with the impact of FMD on exports.

Figure 5.3 Sheepmeat Exports from Wales 2001-2011

Source: *HM Revenue and Customs (HMRC) data adapted by HCC, March 2013*

Figure 5.4 Beef Exports from Wales 2001-2011



Source: *HMRC data adapted by HCC, March 2013*

Notwithstanding the various crises and external factors, as the figures show, both PGI Welsh Lamb and PGI Welsh Beef have shown strong export growth, helped by favourable exchange rates.[29]

[29] *The correlation between exchange rates and sheepmeat exports (2005-2011) is 0.92 which is very high. For beef, the correlation is much lower at 0.64.*

- **Sheepmeat exports from Wales increased from £56.7 million in 2004 to £133 million in 2011 (an increase of 134 percent);**
- **Beef exports from Wales increased from £3 million in 2004, to £14.6 million when export markets re-opened in 2006, to £66.7 million in 2011 (an increase of 357 percent on 2006 exports).**

As well as absolute growth in exports, the number of countries that Wales exports to has increased. In 2004 exports of lamb from Wales were made to France, Belgium, Germany, Italy and Ireland. By 2012, a further 12 countries had been added to the export list - the Netherlands, Portugal, Austria, Switzerland, Spain, Greece, United Arab Emirates, Hong Kong, Singapore, Norway, Sweden and Canada. These new markets are estimated by HCC to account for over 2,000 tonnes in 2011.

In 2004, exports of beef from Wales were made to Ireland, the Netherlands, France, Germany and Italy. From 2007, a further four countries had been added to the export list - Belgium, Denmark, Switzerland and Spain. PGI Welsh Beef is much more limited in supply than PGI Welsh Lamb and commands a premium on the home market which explains why its export markets are more limited. New markets are estimated by HCC to account for 2,600 tonnes in 2011.

Highlights during this time included:[30]

- **In 2005, PGI Welsh Lamb was advertised on French television for the first time;**
- **In 2006, the ban on beef exports was lifted and HCC was proactive in re-establishing PGI Welsh Beef on the export market, with campaigns at European trade shows;**
- **In 2007, PGI Welsh Lamb accessed the United Arab Emirates export market for the first time, making it the only UK meat product being exported to the influential market;**
- **In 2009, PGI Welsh Lamb was chosen to top the menu at the G20 summit in London, which was attended by, among other world leaders, Prime Minister Gordon Brown and US President Barack Obama;**
- **In 2009, France remained a critically important market to PGI Welsh Lamb exports, accounting for £77 million of sales while the leading multiple retailer in Luxemburg committed to buying PGI Welsh Lamb and PGI Welsh Beef;**
- **In 2009 sales to Hong Kong were estimated at around £500,000, growing considerably since market development work started in 2007.**

Approximately 27 percent of HCC marketing and promotions budget has been spent on export related activity over the past 10 years.

[30] *Sourced from the relevant annual reports and accounts for HCC.*

5.5 Brand Marketing Activity Summary

Since its inception in 2003, HCC has worked closely with the supply chain in raising awareness and opening up new opportunities for PGI Welsh Lamb and PGI Welsh Beef through marketing activities. Key activities undertaken are summarised in *Table 5.3*.

Table 5.3 Summary of Brand Marketing Activity in Key Target Markets

Area	Activity
UK Consumer Market	TV advertising Press advertising Recipe cards/ features/ cook books Health and education advice Events sponsorship Social media
Independent Retailers	New product development advice, guidance and awards Point of Sale materials, posters and leaflets Development of the Welsh Lamb Butchers Club Regional/local advertising Consumer competitions
Multiple Retailers	Point of Sale materials On pack promotions Complementary product promotions New product development In-magazine advertising and features Regular meetings with multiple retailers and suppliers Industry development activity and market information
Foodservice (cost sector)	Procurement advice and guidance Health material and guidance
Foodservice (profit)	Welsh Lamb Club Promotion and guidance
Export Market	International trade shows Exploratory trade missions with supply-chain partners International negotiations/lobbying work to remove trade embargoes Hosting showcasing events International advertising and sponsorship International point of sale materials and recipe books TV advertising in France

These activities have run alongside public relations campaigns focused on delivering key messages to the industry and public throughout the year. These have covered a range of subject matters from increasing awareness of PGI products, to highlighting research demonstrating improvements to Welsh livestock quality.

HYBU CIG CYMRU
MEAT PROMOTION WALES

Summary

In the UK, consumer marketing has included TV and press advertising, point of sale materials, articles and events. HCC's spend across this mix of consumer marketing media has varied across the years, reflecting both the emergence of new media and also the effectiveness of campaigns within budgetary constraints.

HCC spends approximately 20 percent of its marketing and promotions budget on retail activity. Work has focused on establishing PGI Welsh Lamb and PGI Welsh Beef across all lines within Wales and for PGI Welsh Lamb within a premium retail tier nationally.

PGI Welsh Lamb and PGI Welsh Beef have been adopted by retailers within their Welsh stores. In addition, PGI Welsh Lamb and Beef have also been adopted nationally in premium lines by a number of retailers.

The foodservice sector accounts for approximately 15 percent of UK beef usage and 12 percent of UK lamb usage. There are a number of important customers of red meat including the NHS Wales Trust, schools and prison services that generally source minced and diced lamb and beef, and who HCC has worked with to develop demand for PGI Welsh Beef.

HCC has also worked with the Welsh tourism industry in encouraging the hospitality sector to make greater use of food provenance on their menus.

In 2010 the Welsh Lamb Club was officially launched, which from a base of 50 London chefs has now expanded to over 100 chefs across the UK. Through the work of HCC, these chefs are committed to using PGI Welsh Lamb in their menus. PGI Welsh Beef is also penetrating the high end restaurant market.

The export market is particularly important for Welsh livestock production as strong export demand lifts farmgate prices, especially for lamb. Stimulating export demand helps to balance supply and demand thus securing greater returns to the supply chain.

HCC has maintained and promoted PGI Welsh Lamb and PGI Welsh Beef in established export markets. In addition, HCC has also actively pursued other high value opportunities, capitalising on the PGI status in new markets.

In helping to boost international exports, HCC has worked in collaboration with Welsh suppliers, leading delegations, attending trade shows and hosting trade dinners. Target market outlets have included multiple retailers, high end retailers and food service (both public sector and high end restaurants).

Sheepmeat and beef exports from Wales increased over the 10 year period to £133 million and £66.7 million respectively in 2011.

Approximately 27 percent of HCC marketing and promotions budget has been spent on export related activity over the past 10 years.

ECONOMIC BENEFITS OF THE BRANDS

The findings in this section are based on a review of background data and from in-depth consultations with a wide range of stakeholders including abattoirs, processors, multiple retailers and independent retailers. The abattoirs interviewed represented the majority of lamb and cattle slaughterings in Wales in 2012 and they were also major exporters. Unless specified, individual company details have not been divulged for reasons of commercial confidentiality.

The section covers the following market segments:

- **GB retail market;**
- **UK restaurant sector;**
- **Public sector procurement; and**
- **Export market development.**

6.1 GB Retail Market

In 2003, sales of PGI Welsh Lamb and PGI Welsh Beef were mainly into the Welsh domestic market. Since the adoption of PGI, PGI Welsh Lamb and PGI Welsh Beef have retained their position in Wales and also expanded into the premium tiers nationally of ASDA, The Co-operative, Sainsbury's and Tesco. In addition PGI Welsh Lamb is adopted by Waitrose across standard and premium ranges. The brands are also widely adopted by independent retailers across Wales.

This adoption outside Wales has significantly increased the British retail share of PGI Welsh Lamb in particular. In 2012, the retail value of lamb sold in Britain was £570 million (67,000 tonnes)[31] with consumption in Wales accounting for nine percent or 6,053 tonnes, 3,600 of which is likely to be PGI Welsh Lamb.[32] For beef, the figure is estimated at 20,000 tonnes.

Estimates of the size of the British red meat premium tier vary depending on various factors such as inclusion of in-store counters. Low end estimates suggest 2.9 percent while high end estimates are around 20 percent according to Kantar Worldpanel, March 2013.

According to Kantar Worldpanel data, PGI Welsh Lamb has increased its share of the premium pre-packed segment from 13.5 percent in 2008 to 17.5 percent in 2012.[33] Whilst premium tiers account for a relatively small proportion of total sales, they do define the quality benchmark within the retail market and endorse the PGI qualities of Welsh Lamb.

[31] *Equating to £850 per tonne on average.* **Source:** *Kantar Worldpanel, March 2013*

[32] *Assumes 100 percent Welsh when available, supplemented by 40 percent of lamb imports and 15 percent beef imports.*

[33] **Source:** *Kantar Worldpanel, March 2013. PGI Welsh Lamb's value may be underestimated by these figures as some may simply be recorded under the independent retailer's own brand or as British Lamb.*

ECONOMIC BENEFITS OF THE BRANDS

By combining data from industry consultations, HCC and other sources it is estimated that the retail value of branded PGI Welsh Lamb in 2012 was around £56 million, or 10 percent of the GB total retail market.[34] This fits within the range of Kantar Worldpanel estimates. This consists of strong market share in Wales, strong market share within the British premium tier and strong share across the national lamb range within certain retailers. In 2003, it is assumed that there was strong market share within Wales and limited penetration outside Wales.

Since adopting the PGI status and supporting marketing and promotional activity, it is estimated that the overall market share for PGI Welsh Lamb within the national premium tier has grown by £14 million between 2003 and 2012.[35] The cumulative benefit of this increased market share is estimated at £64 million over the 10 years.[36]

PGI Welsh Lamb now achieves a retail premium of £1.70 per kg over and above the average lamb retail price in Britain.[37] This premium reflects the hard work of HCC and supply chain partners in communicating the PGI message and developing the quality of Welsh Lamb over the period. **The premium amounts to at least £1 million additional value per year** for PGI Welsh Lamb per annum compared to other lamb products, this additional value benefiting the Welsh red meat supply chain.

It has not been possible to quantify figures for PGI Welsh Beef due to lack of data. However there is evidence of its growing adoption as a premium product outside Wales.

6.2 UK Restaurant Sector

The UK restaurant sector accounts for approximately 20 percent of foodservice sales. This translates into an estimated £80 million of lamb sales and £358 million of beef sales. Information gathered through industry consultations has indicated that the PGI status has been influential in accessing the high end restaurant market and securing a strong premium market for the companies distributing to these – especially within London.

It is too early to determine the impact of the *Welsh Lamb Club*, having only been established in 2010. However, with membership growing to approximately 100 restaurants within a short time frame, there is clearly commitment to PGI Welsh Lamb amongst the high end restaurant market.

[34] *Exact calculations cannot be shown for confidentiality reasons.*

[35] **Assumptions:**

- *This is based on estimates of 2012 market share of premium tier PGI Welsh Lamb gained through consultations. Baseline consists of Welsh Lamb sold in Wales and sales of Welsh lamb through standard tiers outside of Wales. Growth in market share attributed to PGI/HCC limited to the premium tier. This is a conservative estimate of economic benefit attributed to PGI/HCC because it does not account for the work in maintaining market share in Wales and within the standard tier nationally. Without the PGI/ HCC activity - it could be argued that this market share would have been lost.*
- *Contains confidential industry data alongside Kantar Worldpanel, HCC and Brookdale data.*

[36] *Assumes linear distribution of growth since 2003, deflated by ONS CPI for Meat.*

[37] **Source:** *Kantar Worldpanel, March 2013. Regional breakdown suggests that price premium achieved outside of Wales.*

The restaurant sector is a valuable market for PGI Welsh Lamb and PGI Welsh Beef because it showcases the products to its customers who may then purchase themselves. By featuring PGI Welsh Lamb and PGI Welsh Beef on their menus, high end restaurants help to reinforce the message that these are products for premium markets.

Industry consultations identified that the reputation of PGI Welsh Lamb had been instrumental in accessing, maintaining and growing the high end restaurant market, especially within London. Companies specifically targeted quality restaurants, where quality produce was critical to chefs. These restaurants would market PGI Welsh Lamb on their menus, together with the supplier's company name.

The review does not quantify the impact of PGI on the restaurant sector due to lack of specific data, but PGI Welsh Lamb and PGI Welsh Beef are growing their market position as premium brands, with a reputation for quality.

HCC has also worked to stimulate demand for PGI Welsh Lamb and PGI Welsh Beef within major foodservice companies such as Brakes, Bookers, Costco and 3663.

6.3 Public Sector Procurement

HCC has worked to stimulate demand for PGI Welsh Lamb and PGI Welsh Beef within the domestic foodservice market in both the commercial and not for profit sectors. Over the 10 year period, advances have been made in procurement of Welsh red meat and work is on-going.

HCC has been highly influential in helping the NHS Wales Trust procure PGI Welsh Beef within the procurement requirements of the European Union.

By working closely with the Catering Advisory Group, HCC has been able to:

- **Provide clear guidance on European tendering requirements;**
- **Undertake tests and trials with catering managers in using alternative cheaper cuts in desired meals; and**
- **Work with suppliers to ensure that PGI Welsh Beef is priced competitively for the sector.**

In 2005, the NHS Trusts in North Wales, South Wales and Mid Wales announced a commitment to source PGI Welsh Beef through its current catering contracts. **It is estimated that this has generated approximately £1.2 million in sales per annum for the past seven years making a total of £8.4 million.**

By specifying the PGI requirements, other imported products have been displaced and additional local revenue has been generated for the Welsh supply chain.

By leading the way with the NHS Wales Trust, HCC has enabled best practice solutions to be put in place, enabling companies to secure supply contracts with other public sector caterers. These include PGI Welsh Lamb and PGI Welsh Beef being sold to Welsh Local Authorities and PGI Welsh Lamb being exported to schools in Rome. The PGI status has been critical in accessing these markets.

6.4 Export Market Development

Exports of PGI Welsh Lamb and PGI Welsh Beef have grown strongly since 2004. A number of factors have supported this growth, including favourable exchange rates, efforts by HCC to support existing markets as well as developing new markets; and efforts by companies to grow their businesses. This section focuses on lamb exports as the main market cited by consultees.

Industry consultations have provided a valuable insight as to how helpful the PGI and HCC support have been in maintaining existing export markets and in opening up new export markets from 2004 to 2012. On this basis the levels of export growth that can be attributed to PGI and HCC have been estimated.

The key benefits cited by companies were as follows:

- **PGI has been an important market access tool to all new markets entered during the period;**
- **Without PGI, some existing markets would have been lost or sales would have reduced, while others would have been more difficult to retain;**
- **HCC has played a leading role in opening up new markets and its efforts have been highly valued.**

According to consultees, France and its neighbouring countries remain the dominant export markets, with France itself estimated by HCC to account for at least 60 percent of total exports for lamb from Wales. France is, however, seen to be a price sensitive market with PGI accounting for only around 20 percent of sales. The Eurozone crisis has reinforced this position with more emphasis on economy pricing. Nonetheless, consultees believed that HCC has helped to develop and maintain this market.

Twelve new markets for PGI Welsh Lamb have been entered over the 10 year period and four for PGI Welsh Beef. Whilst France is still the dominant export market, these new markets are seen to be very profitable and growing strongly.

Table 6.1 sets out the views of consultees in relation to the importance of the PGI in export markets. Italy is one established market where PGI is seen as very important and has been the key to accessing public sector schools as well as other contracts.

Table 6.1 Importance of PGI Welsh Lamb in different export markets based on abattoir consultations.[38]

Country	Importance of PGI (based on estimates of PGI sold)
France	20 percent
Italy	75 percent
Canada, Dubai, Denmark, Germany, Hong Kong, Scandinavia, Singapore and Spain	100 percent

Source: *Industry Consultations*

Whilst the Italian market has been an established market for PGI Welsh Lamb for many years, the PGI status has de-commoditised Welsh Lamb and helped exports grow substantially. HCC estimates that overall export growth to Italy for sheepmeat has grown by 45 percent since 2003.

Many of the long distance markets may be relatively small volumes but they are profitable and have strong growth potential. For example, Hong Kong and Norway were the third largest and eighth largest UK sheepmeat export destinations respectively in 2012, up 380 percent and 250 percent by volume respectively on 2011.[39]

In relation to export markets, consultees highlighted that HCC had had a major role in growing trade and developing new markets. The PGI had helped companies retain business that might otherwise have been lost as well as being an entry requirement to many new markets.

As a baseline, Welsh sheepmeat exports to the EU were estimated at 22,470 tonnes in 2003 and to non-EU destinations, including Switzerland, at under 300 tonnes in 2003.[40] Welsh sheepmeat exports in 2011 were 52 percent greater estimated at 34,500 tonnes (see Section 5), over 2,000 tonnes of which was to new markets entered during the past five years.

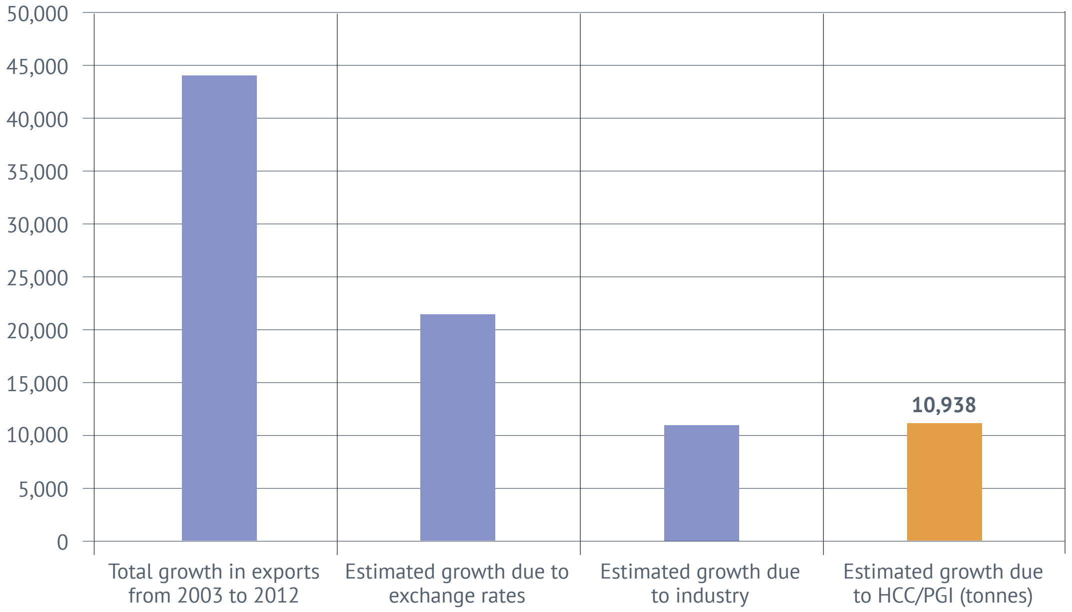
Figure 6.1 shows the total export growth from 2003-2011 and estimations of the different factors supporting that growth. By far the biggest factor is favourable exchange rates which have made Welsh product more competitive in the Eurozone, although industry efforts are also hugely important. HCC efforts have been critical in accessing new markets.

[38] *The table does not necessarily include all markets, just those mentioned by consultees.*
[39] **Source:** *HMRC, March 2013*
[40] *Based on HCC estimates adapted by Brookdale.*

ECONOMIC BENEFITS OF THE BRANDS

The weighting attributed to HCC in Figure 6.1 is equivalent to 3,000 tonnes in 2011 or almost 11,000 tonnes across the ten year period. Given that new markets accounted for 2,000 tonnes in 2011 and that consultees strongly supported HCC's role in accessing new markets these estimates can be considered as a conservative estimate of the role of HCC and the PGI in lamb export market development.

Figure 6.1 Growth in Welsh sheepmeat exports 2003-2011 in tonnes and attribution to different factors



Source: *HCC, April 2013*

If it is assumed that the increase in exports can be attributed 50 percent to exchange rates, 25 percent to industry efforts and 25 percent to the PGI brand/HCC activities, then around 3,000 tonnes of 2011 lamb exports (25 percent of the increase from 2003) can be attributed to the PGI brand/HCC activities; and 11,000 tonnes over the 10 year period. The 11,000 tonnes equates to £42.5 million of additional export sales from 2004 to 2011.[41]

[41] **Assumptions:**

- *The sales estimate is consistent with the consultations.*
- *Exchange rates are weighted at 50 percent as a major factor in growth of exports. Industry efforts and the PGI brands/ HCC activities are equally weighted at 25 percent each. It could be argued that exchange rates or industry contribution are more important or less important, however, consultees were supportive of HCC and the PGI, attributing their impact as a major contribution to export sales increases, particularly in entering new markets. The attribution of 25 percent to HCC (equivalent to 3,000 tonnes in 2011) is supported by the export data showing 2,000 tonnes of new market exports alone in 2011.*
- *The views of abattoir consultees are assumed to be representative of all Welsh exports (they accounted for the majority of lamb and cattle slaughterings in Wales).*
- *Ignores any effects of price variation and international supply and demand from countries such as New Zealand and Australia.*
- *Ignores any effects of increased exports on UK domestic lamb prices.*

Summary

Over the last 10 years, the Welsh Government has targeted investment in red meat processing to help 100 businesses exploit new products and markets. Total investment, between grant and businesses' own financial commitments has been £47 million over the period. In addition, HCC has spent 69 percent of the Welsh Red Meat Levy income on marketing and promotional activity, equating to around £22 million.

It is estimated that the investment above, combined with industry effort has grown premium and new market opportunities for the Welsh red meat supply chain as follows:

- **British cumulative retail market share – £64 million over the 10 years;**
- **British retail premium – at least £1 million per year by 2012;**
- **Public sector additional markets – £8.4 million overall since 2005;**
- **Export market increase – £42.5 million over the 10 years.**

FUTURE STRATEGY

Over the past ten years, HCC has focused on securing PGI Welsh Lamb and PGI Welsh Beef as products for premium markets. Evidence gathered over the course of this review suggests that:

- **Abattoirs and cutting plants inside and outside Wales have joined the PGI Welsh Lamb and PGI Welsh Beef verification scheme and welcome it;**
- **Within Wales, PGI Welsh Lamb and PGI Welsh Beef have wholesale support from the retailers;**
- **Outside of Wales, PGI Welsh Lamb and PGI Welsh Beef are now used by a number of retailers as the definer of the premium tier;**
- **Internationally, PGI Welsh Lamb and to a lesser extent, PGI Welsh Beef has a strong reputation for quality, has been a gateway to new markets and is gaining increased exposure to profitable markets with strong growth potential in the eyes of industry.**

From this base, the strategic future vision for PGI Welsh Lamb and PGI Welsh Beef is:

- **For PGI Welsh Lamb and PGI Welsh Beef to always be the customers' first choice within Wales; and**
- **Outside of Wales; the qualities of PGI Welsh Lamb to be seen making it the customers' first choice.**

In order to achieve this vision, prioritisation is needed. HCC needs to take account of a number of challenging factors and maximise on opportunities presented by the market. These are briefly summarised here.

7.1 Current UK Consumer Situation

There is strong brand affinity within Wales and consumers recognise PGI Welsh Lamb and PGI Welsh Beef as being high quality. In England, consumers consider PGI Welsh Lamb as having the best taste and animal husbandry.[42]

Whilst price is the most important determining factor in meat purchases, factors such as traceability, localness and country of origin are also important to the consumer, particularly in the face of food scares such as the 2013 horsemeat crisis.[43] Wales has potential to capitalise further on these factors.

[42] *HCC, Market Tools research 2008-2012.*

[43] *The 2013 Horsemeat Crisis arose when processed products labelled as beef were found to contain significant horse DNA. This shook consumer confidence in the food supply chain, especially amongst certain food manufacturers and retailers.*

7.2 Current Market Situation

Overall, there is opportunity to increase the proportion of Welsh supply sold as PGI Welsh Lamb or PGI Welsh Beef. Many customers specify 'British Lamb' or own brand and with mixed loads, shortage of supply at certain times of year and the threat of not being able to meet traceability requirements, it may be preferable for abattoirs and processors not to restrict contracts to PGI Welsh Lamb or PGI Welsh Beef.

There is very strong support for Welsh branded red meat in the Welsh retail markets, with all multiple retailers selling PGI Welsh Lamb and PGI Welsh Beef. Outside Wales, UK retailers are using PGI Welsh Lamb as a definer of their premium tiers. There is also increasing buy-in from high end restaurants to source PGI Welsh Lamb and publicise it as such. There is strong export demand for PGI Welsh Lamb and whilst the exchange rate is a determinate, PGI has enabled new valuable market segments to be accessed that were otherwise closed or difficult to enter.

PGI Welsh Lamb and PGI Welsh Beef have made good ground over the past ten years thanks to marketing and promotion activity. The market remains competitive, however, with other brands continually striving for market share. There is a need to continue to support efforts to enable the Welsh red meat brands to continue to develop.

7.3 Strategic Priorities

The primary challenge for HCC in developing future priorities is that it has finite resources to deliver a large number of objectives across a diverse market place with many stakeholders. Secondly, its job is to influence and raise awareness working with industry to achieve brand uptake – HCC does not sell product in its own right. Furthermore, as a public body, HCC is also subject to EU State Aid regulations that limit the extent to which it is able to intervene in the market. Whilst each retailer and market sector demand bespoke solutions, HCC aims to treat the whole supply chain even-handedly and spreads its resources across all sectors.

Nonetheless, there is strong support for HCC amongst abattoirs, processors and retailers. The strategic priorities for HCC, according to target market segments, are therefore set out below.

Within Wales – the retail sector has strongly adopted the PGI red meat brands in Wales. The relatively small market size and, therefore, limited growth potential, mean that the objective here is to maintain the position through general awareness campaigns. For the food service sector in Wales there is potential to increase penetration of the public sector and efforts should continue here with the support of Welsh Government as it can be important to maximising carcase balance. Alongside market development, industry development and capital investment are critical in supporting the industry to improve productivity, efficiency and environmental performance.

Within the rest of GB – The Welsh PGI red meat brands have been adopted by several UK multiples, but predominately limited to the premium tier outside of Wales. There is a need to support the retailers that have showed commitment to PGI Welsh Lamb and PGI Welsh Beef so that sales can be increased further, demonstrating the value of the PGI Welsh red meat brands in increasing category sales. This may involve selected consumer advertising focused on specific geographies or in-store promotions.

Alongside this, there may be a need for further consumer education campaigns around the PGI Welsh Lamb and PGI Welsh Beef benefits. Given the prominence of traceability and food provenance since the horsemeat crisis, consumers should be receptive to this type of messaging influencing their meat purchases.

Within export markets – Consultees indicated the strongest growth potential is within export markets; and this is an area where HCC has had considerable success to date. Export market development work should continue to open up new markets with two clear objectives – those that can develop the premium standing of PGI Welsh Lamb and PGI Welsh Beef and those that can help with maximisation of carcase balance. Alongside new market development there is also potential to increase the profile and adoption of PGI Welsh Lamb and PGI Welsh Beef in existing export markets.

As summarised above, there are a number of areas that HCC could influence to secure PGI Welsh Lamb and PGI Welsh Beef as the brands of choice across the markets.

Good progress has been made over the past 10 years in establishing the brands, gaining acceptance, increasing take up and developing markets at home and abroad. Over the next 10 years there is scope to substantially increase the brand potential further and to work with the industry in achieving even greater market share for Welsh PGI brands.

APPENDIX 1

DATA AND SOURCE MATERIAL

Year	Unit	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Change	Note	Source
Welsh Sheep Flock	m		9,737	9,510	9,351	8,987	8,518	8,238	8,244	8,619	8,898	-9%		Welsh Government
Indexed Welsh Sheep Flock	Index		100	97.7	96.0	92.3	87.5	84.6	84.7	88.5	91.4		2004=100	Brookdale
Welsh Sheep Slaughter no.	000	4,208.5	4,366.1	4,690.4	4,556.8	4,280.8	4,576.3	3,929.2	3,700.0	3,816.9	3,462.8	-21%		HCC
Welsh Sheep Slaughter wt	t	75.6	82.4	85.6	82.6	80.0	81.2	71.0	66.9	69.0	61.5	-25%		HCC
Average Carcase Weight	kg		17.8	18.0	18.1	18.9	18.0	18.3	18.2	18.5	18.6	4%		MLCSL/HCC survey
Meeting market spec. (Wales)	%		45.2%	50.8%	55.7%	52.3%	58.6%	56.4%	57.4%	58.3%	57.4%	12%	Lambs	MLCSL/HCC
Meeting market spec. (GB)	%		52.3%	52.7%	56.7%	53.6%	58.7%	57.1%	57.7%	58.4%	57.5%		Lambs	MLCSL/HCC
Meeting market spec. (Wales)	%					41.1%	51.3%	50.3%	44.4%	48.1%	50.6%		Prime Cattle	MLCSL/HCC
Meeting market spec. (GB)	%		N/A	45.4%	48.4%	49.0%	49.9%	50.9%	48.7%	49.0%	51.2%		Prime Cattle	MLCSL/HCC
Sheep Prices	p/kg		119.16	112.45	115.84	103.42	131.27	161.67	176.04	195.93	183.95	54%		MLCSL/HCC
Welsh Beef Herd	000		1,267	1,251	1,216	1,164	1,143	1,130	1,138	1,123	1,113	-12%		Cattle Tracing System
Indexed Welsh Beef Herd	Index		100	98.7	96.0	91.9	90.2	89.2	89.8	88.6	87.8		2004=100	Brookdale
Welsh Sheep Slaughter no.	000	139.5	152.1	155.9	140.1	135.1	137.7	141.3	148.3	157.6	155.2	2%		HCC
Welsh Sheep Slaughter wt	t	43.5	45.5	47.9	45.0	44.1	42.2	42.2	44.3	44.5	44.3	-3%		HCC
Cattle Prices	p/kg		100.8	101.7	108.9	111.5	143.3	156.0	148.5	170.8	190.3	89%		MLCSL/HCC
HCC Levy Income	£'000		3,421	3,569	3,973	3,539	3,680	3,482	3,190	3,102	3,910	14%		HCC
HCC Grant Income	£'000		1,451	1,658	1,462	2,403	3,782	1,239	1,074	1,719	2,141	48%		HCC
HCC Total Income	£'000		**4,908**	**5,305**	**5,500**	**6,052**	**8,338**	**4,858**	**4,333**	**4,868**	**6,112**	25%		HCC
Market Development	£'000		1,933	2,273	2,738	3,015	4,111	2,266	1,824	1,695	2,377	23%		HCC
Industry Development	£'000		1,167	1,322	1,379	1,945	2,342	1,550	1,063	1,507	1,828	57%		HCC
Communications	£'000		487	532	602	440	516	831	703	766	799	64%		HCC
Corporate Services	£'000		483	533	716	628	599	830	838	623	1,090	126%		HCC
HCC Total Expenditure	£'000		**4,070**	**4,660**	**5,435**	**6,028**	**7,568**	**5,477**	**4,428**	**4,591**	**6,094**	50%		HCC
HCC Annual Surplus/Deficit	£'000		**838**	**645**	**65**	**24**	**770**	**-619**	**-95**	**277**	**18**			HCC
All inputs to Agriculture	Index	93.0	100.3	100.0	104.0	115.7	146.0	133.2	139.3	157.6	159.9	59%	2005=100	Defra
Total Outputs	Index	100.4	103.7	100.0	104.2	119.0	144.0	136.9	146.0	165.8	174.1	68%	2005=100	Defra

APPENDIX 2

PGI WELSH LAMB & PGI WELSH BEEF SPECIFICATIONS

PGI Welsh Beef

Description of product

Welsh Beef is the name given to carcasses or cuts of meat taken from prime cattle (cattle that have not bred) which are born and reared in Wales. Producers of Welsh Beef aim to meet a target carcase classification of R conformation or better and 4L fat content or leaner.

Historically the traditional cattle breeds of Wales were predominately the Welsh Black and Hereford. These breeds remain at the foundation of the Welsh beef industry today. Welsh Beef is derived from the traditional breeds of Wales and these crossed with each other or with any other recognised breed.

Cattle are slaughtered at under 48 months of age and must not have bred.

Cattle are slaughtered and processed in HCC verification scheme approved abattoirs/cutting plants to ensure the PGI Welsh Beef brand and integrity is protected. This scheme ensures that any beef branded as 'Welsh Beef' meets the specifications. All abattoirs and cutting plants that wish to use the Welsh Beef designation must demonstrate to HCC's appointed inspection body on an annual basis that the beef meets the PGI specifications and that the plant is operating to best practice guidelines. HCC also undertake random spot checks to verify abattoir/cutting plant approval and licence use of the PGI Welsh Beef brand.

After slaughter and dressing the beef may be marketed as a whole body, as a whole side, as part sides (hindquarter/forequarter) or as cuts of beef (including minced beef).

Meat profiles on the whole are convex, with very good muscle development and a wide, thick back, up to a well-rounded shoulder. Solid to the touch, with a loose and consistent texture, the well-developed muscles are of a deep red colour with fat that is yellowish white. The meat is generally well marbled.

Feed

Cattle are raised extensively on grassland within the geographical area, according to traditional husbandry practices of Welsh cattle farming.

On occasions where feed is utilised to supplement grass pasture, the feed will be sourced from within the geographical area where possible.

Labelling

At all stages of the production process records are kept to ensure traceability of the product. The geographical indication 'Welsh Beef' must appear on carcases, parts of carcases or cuts in combination with the HCC registered trademark for Welsh Beef and the PGI symbol.

Specificity of the area

A distinctive characteristic of Welsh Beef is that cattle feed on the abundant natural grassland in Wales, which flourishes as a result of the wet and mild Welsh climate and topography. A 1,200 km coastline surrounds Wales and inland there is a sweeping and soaring landscape that seamlessly merges mountains, hills, valleys and lakes. Supported by the typical high rainfall of the area, Wales is perfectly adapted to the production of natural pasture. This sprawling emerald tapestry woven by acre after acre of lush green grass, combined with heathers and indigenous fragrant wild herbs, contribute to the distinctive flavour of Welsh beef.

PGI Welsh Lamb

Description of product

Welsh Lamb is defined as meat taken from lambs, which are born and reared in Wales. Producers of Welsh Lamb aim to meet a target carcase classification of R conformation or better and 3H fat content or leaner.

Welsh Lamb is derived from the sheep breeds of Wales. These are predominately the Welsh Mountain, Welsh Mules, Welsh Halfbreds, Beulah, Welsh Hill Speckled Face, Lleyn Sheep, Llanwennog and Radnor. These breeds may be crossed with Texel, or Suffolk rams, or any other terminal sire breed for prime lamb production (i.e. lambs that have not bred).

Welsh Lambs are selected for slaughter when they are judged to be ready by the farmer, at under 1 year-old. The meat must come from lambs which are born and reared in Wales.

APPENDIX 2

PGI WELSH LAMB & PGI WELSH BEEF SPECIFICATIONS

Lambs are slaughtered and processed in HCC verification approved abattoirs/ cutting plants to ensure the PGI Welsh Lamb brand and integrity is protected. All abattoirs and cutting plants that wish to use the Welsh Lamb designation must demonstrate to HCC's appointed inspection body on an annual basis that the lamb meets the PGI specifications and that the plant is operating to best practice guidelines. HCC also undertake random spot checks to verify abattoir/ cutting plant approval and licence use of the PGI Welsh Lamb brand.

Feed

Sheep are raised extensively on grassland within the geographical area, according to traditional husbandry practices of Welsh sheep farming.

On occasions where feed is utilised to supplement grass pasture, the feed will be sourced from within the geographical area where possible.

Labelling

At all stages of the production process records are kept to ensure traceability of the product.

The geographical indication 'Welsh Lamb' must appear on carcases, parts of carcases or cuts in combination with the HCC registered trademark for Welsh Lamb and the PGI symbol.

Specificity of the area

The unique character of the product arises from the influence of the traditional hardy Welsh breeds that dominate the Welsh flock and also by the lambs feeding on the abundant natural grassland in Wales, which flourishes as a result of the wet and mild Welsh climate and topography. A 1,200 kilometre coastline surrounds Wales and inland there is a sweeping and soaring landscape that seamlessly merges mountains, hills, valleys and lakes. Supported by the typical high rainfall of the area, Wales is perfectly adapted to the production of natural pasture. This sprawling emerald tapestry woven by acre after acre of lush green grass, combined with heathers and indigenous fragrant wild herbs, contribute to the distinctive flavour of Welsh Lamb.