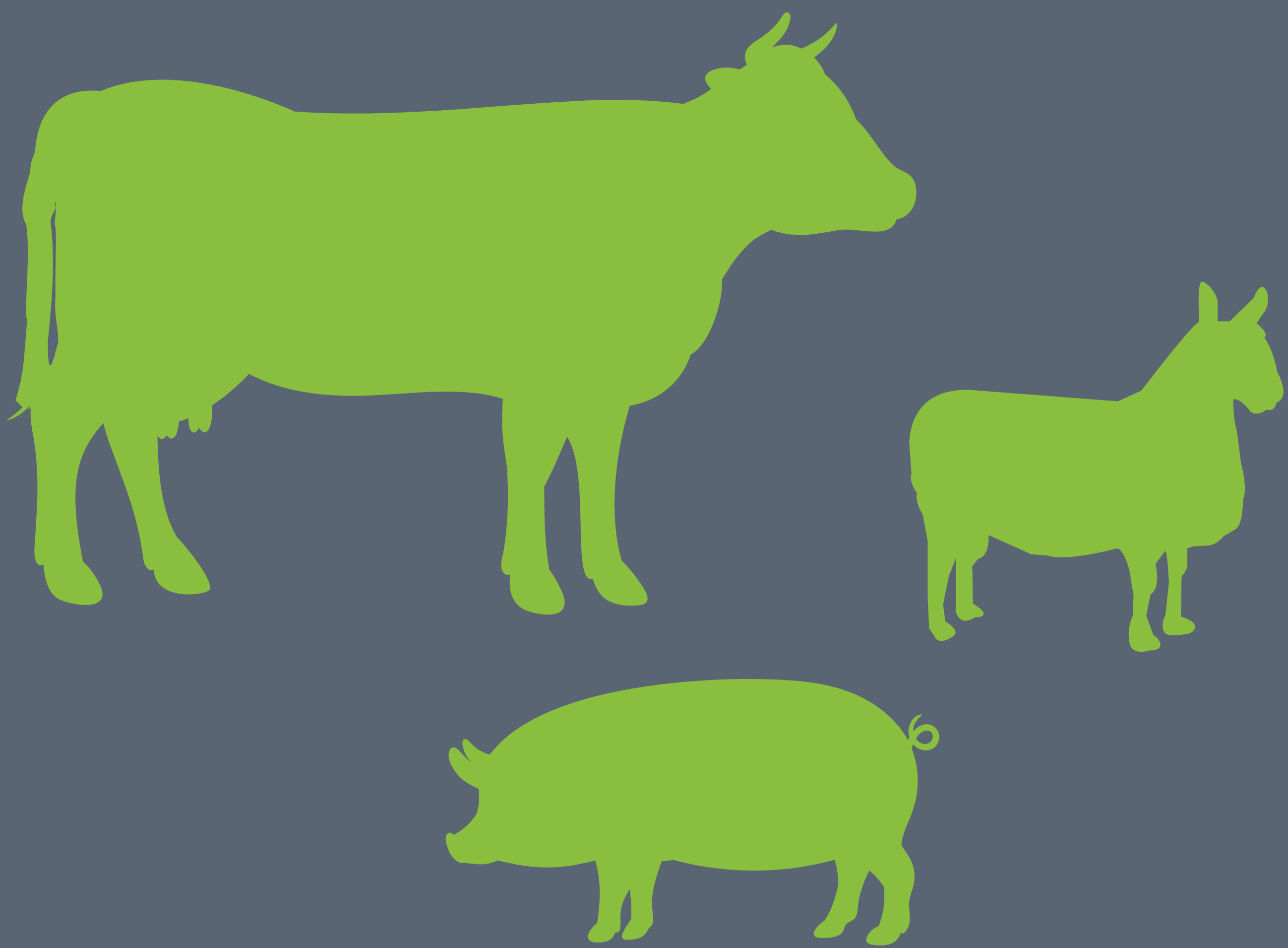
HYBU CIG CYMRU
MEAT PROMOTION WALES

Red Meat Vision for Wales



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

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www.meatpromotion.wales

An innovative and prosperous future

HCC's vision for the Welsh red meat industry is for a innovative and prosperous future which delivers for levy-payers, consumers and wider society.

This Vision document, created by the HCC Board, was designed to outline the key priorities, opportunities and challenges for our industry in the coming years. It will act as a blueprint for our organisation to support and unite all elements of our sector and supply chain to bring about success for our industry in an ever-changing world and market-place in the period after Brexit.

The food and farming sector in Wales is integral to Wales' economy and culture. Therefore, it is integral that HCC positions the Welsh red meat sector and supply chain in a place where it can to respond to challenges such as food security and climate change as well as building and maintaining it's momentum in the national and global marketplace.

Sustainability, premiumisation and trade success are all at the heart of this Vision as we continue to carve out an ambitious and progressive outlook for Wales as world-leaders in red meat production.

HCC will carry out its role following this nine-point programme of priorities:

1. Positioning red meat from Wales as a premium product.
2. Developing EU trade opportunities for Welsh red meat.
3. Optimising domestic (GB) consumption of red meat from Wales.
4. Seeking new consumers for Welsh red meat in established global markets.
5. Securing market opportunities for Welsh red meat outside the EU.
6. Enhancing the competitiveness of the Welsh red meat industry and underpinning the role of Wales' red meat industry in global food security.
7. Supporting the economy, natural environment and society through sustainable red meat production and processing in Wales.
8. Planning in terms of future trade, production and processing through horizon scanning and market intelligence.
9. Demonstrating effective leadership and communicating to ensure purpose and proactive advocacy.

Catherine Smith
HCC Chair

An Introduction to the Vision

HCC

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

The Welsh Red Meat Industry

The red meat industry is of huge importance to Wales. It is the cornerstone of communities, culture and a countryside that attracts around a million overseas visitors each year.

In numbers, Welsh red meat production is worth an estimated £652 million[1] annually and directly supports an agricultural workforce of 50,400[2].

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

Partnership Working

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

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

Vision

This Vision sets out the strategic direction for HCC, to work towards a profitable, efficient, sustainable, innovative and competitive industry which is resilient to political and environmental change and benefits the people of Wales.

Future Framework

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

HCC's Board recognises that there are a number of strategic risks facing the industry but there are also opportunities.

Following Brexit and the Covid-19 pandemic, the sector has been faced with uncertainty and challenges, along with new trade deals and changes in agricultural support payments. The red meat sector also now faces new challenges with rising inflation.

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

[1]***Source**: Welsh Government. Agriculture in the United Kingdom, 2020.*
. [2]***Source**: Welsh Government, Survey of Agriculture and Horticulture, June 2021.*

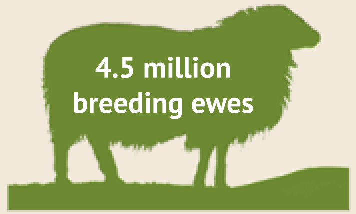
A Snapshot of the Welsh Red Meat Sector

Statistics

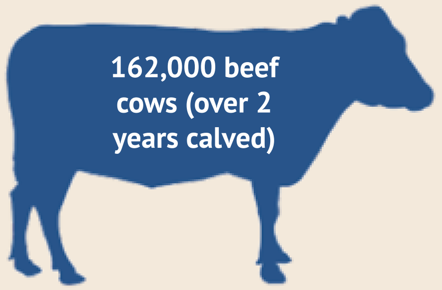
In Wales, there are 14,100 sheep holdings (4.5 million breeding ewes); 7,043 beef cattle holdings (162,000 beef cows) and 1,339 pig holdings (3,000 breeding pigs).

Welsh red meat production is worth an estimated £652 million[3] in total.

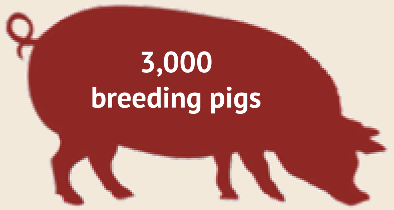
Eighteen operational red meat abattoirs in Wales and the Welsh red meat slaughtering industry contribute approximately £460 million per annum to the Welsh economy.



No. sheep holdings
14,100



No. beef cattle holdings
7,043



No. pig holdings
1,339

Systems

Welsh livestock production predominantly uses forage-based systems.

Post Production Benefits

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

Consumption

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

Exports

35 percent of lamb and 15 percent of beef produced in Wales is exported, equivalent to 24,200 tonnes of sheepmeat and 14,400 tonnes of beef on 2021 figures, which alongside exports of skins, hides and offal are worth an estimated £210 million per annum. Currently around nine in every ten export orders go to the European Union.

There is a very strong correlation between the export performance of Welsh red meat and farmgate prices.

Carcase Balance

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

Market Access

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

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

[3]*Source: Welsh Government. Agriculture in the United Kingdom, 2020.*

Outlook - Welsh Red Meat in a Global Marketplace

Demand

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

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

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

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

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

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

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

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

Producing for the Market

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

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

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

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

HCC Vision

The strategic vision for the industry is a profitable, efficient, sustainable, innovative and competitive industry which is resilient to political and environmental change and benefits the people of Wales.

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

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

It is also important to understand that the timescales needed to achieve progress in some areas are extremely long and can extend to several years.

The HCC Board strategy to achieve this vision follows.

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1. Positioning red meat from Wales as a premium product

Premiumisation can only occur where a product is of high quality.[4] Welsh Lamb and Welsh Beef are the epitome of evidential premiumisation.

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

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

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

[4]*Premiumisation occurs in a product category, market or industry where customers are willing to pay more for a higher quality product. Premiumisation establishes a point of difference but at a price that can be afforded.*

PGI premiumisation underpins the Welsh export trade and helps to increase retail value for specific cuts which then, in turn, help to balance the overall carcase value.

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

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

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

2. Developing EU trade opportunities for Welsh red meat

It is crucial in the short term to retain confidence and relationships with existing, geographically close, customers in the EU and to develop relationships and expand trade opportunities in developing premium EU markets.

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Securing market opportunities for Welsh red meat outside the EU

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

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

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

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

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

HCC will work with Welsh Government, UK Government, AHDB Beef and Lamb and Quality Meat Scotland to build networks, maximise market data and, through UKECP, support and progress negotiations on access to new markets.

6. Enhancing the competitiveness of the Welsh red meat industry and underpinning the role of Wales' red meat industry in global food security

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

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

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

7. Supporting the economy, natural environment and society through sustainable red meat production and processing in Wales

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

HCC recognises the urgency and gravity of the challenge of sustainability. It is a challenge that is global in scale and encompasses climate change, food security, social justice, land use and soil degradation. We believe passionately that food and farming in Wales are already making a positive contribution, and can do more over the coming years.

Published in December 2020, the 'Welsh Way' examines how Wales stands in the global context of sustainability and food security and puts forward a case of where the Welsh red meat sector can make a real positive difference to achieving the nation's goals.

HCC will work with key stakeholders and the Welsh Government to develop and support initiatives to sustainably produce high quality red meat which is sought in markets across the globe; providing a competitive advantage for Welsh red meat production.

8. Planning in terms of future trade, production and processing through horizon scanning and market intelligence

The HCC Board considers contingency planning essential to protect its long-term goals given the challenges and uncertainties the industry is facing.

These could show:

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

HCC will undertake horizon scanning, gather market intelligence information and ensure that information regarding developments relating to Welsh red meat is made known to stakeholders and consumers.

9. Demonstrating effective leadership and communicating to ensure unity of purpose and proactive advocacy

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

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

Implementation

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

HCC publish a rolling Business Plan (which lasts for the term of Government) on an annual basis, in which how this strategy will be delivered is outlined in detail.

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