



(HCC 674)

**Minutes of a meeting of the Directors of Hybu Cig Cymru held at
10.00am at Tŷ Rheidol, Parc Merlin, Aberystwyth on Friday 15 January 2016**

Present: Dai Davies (Chairman)
John Brereton, Will Haresign, Bethan Jones, Gwynn Angell Jones
Graham Probert, Richard Rogers, Richard Tudor, Wyn Williams and
John Yeomans

By Invitation: Gary Haggaty and Keith Smyton (Welsh Government)
Kevin Roberts, Verley Consulting Ltd

**Executive Team:
in attendance** Gwyn Howells (Chief Executive Officer - CEO)
Prys Morgan (Head of Operations)

Julie Finch (Corporate Strategy and Policy Manager)
Laura Pickup (Market Development Manager)
Bryan Regan (Corporate Services Manager)

Julie Davies-Jones (Secretariat)

To welcome Mr Keith Smyton, Head of Food Division, Welsh Government

The Chairman welcomed Keith Smyton to the meeting.

The Board was given a presentation on the Welsh Government's priorities and challenges for the Food and Drink industry in Wales.

The Welsh Government launched its action plan for the Welsh food and drink industry on the 12 June 2014 entitled – "Towards Sustainable Growth: An Action Plan for the Food and Drink Industry 2014 – 2020".

The Action Plan recognised the importance of the sector and listed 48 actions which would deliver greater profitability, growth and jobs. Within the actions, five priority areas had been identified to achieve sustainable growth in the Food and Drink industry in Wales:-

Market Development
Food Culture
Sustainability and well-being
Supply Chain Efficiency; and
Integration.

The Welsh Government's Food and Drink Industry Board was now established and the appointment of a Chair and Vice-Chairs was imminent.

The Board emphasised that the links between HCC and the Food and Drink Board needed to be strong in order to ensure effective working and avoiding duplication. This was something that was currently being looked into by the Welsh Government.

The Food Division's proposed UK and International Trade events programme for 2016 / 2017 was shared with the Board.

The Welsh Government's Enhanced Export Programme (£1.2m to HCC over a three year period) was discussed. It was noted that the funding agreement was made on a time limited basis and would come to an end on the 31 March 2016. Given budgetary changes within the Welsh Government, it was unlikely that further funding for this area would be available in the near future.

Key Performance Indicators (KPIs) from the £1.2m investment by Welsh Government on export work could be used as a basis for HCC to submit a future business case for funding.

The Chairman thanked Keith Smyton for attending the Board meeting and stressed that it was important for HCC and the Welsh Government's Food Division to continue working in collaboration for the benefit of the red meat sector and the wider food sector in Wales.

HCC Board Meeting

1. Welcome and Chairman's Comments

The Chairman welcomed all to the meeting in particular Kevin Roberts who had been appointed by the Welsh Government to undertake the review on HCC (Item 7 refers).

The Chairman gave a verbal update on the key events and meetings he had attended since the previous meeting:-

November 2015

The Chairman and CEO attended the NFU Cymru's pre conference dinner and Annual Conference at the Metropole Hotel, Llandrindod Wells.

The Chairman represented HCC at the Annual General Meeting of the FUW Caernarfon County branch on the 6 November 2015. Topics of discussion included the impact of recent poor lamb farmgate prices on the red meat industry and active steps taken by HCC to support the industry through this difficult period through additional campaign work on the promotion of PGI Welsh Lamb. In addition, the Chairman briefed the audience on the situation regarding the

inequity in the current red meat Levy system and that dialogue was ongoing with other Levy bodies with regard to proposals for implementing a fairer method.

The Chairman hosted HCC's pre-conference dinner and chaired HCC's Annual Conference held this year at the Metropole Hotel, Llandrindod Wells.

The Chairman also attended a reception hosted by the Crown Estate held at Y Senedd, Cardiff and the annual St Merryn Beef Carcase Show, Merthyr Tydfil.

The Chairman attended the RWAS Winter Fair, Llanellwedd and thanked the Board for their presence and commended HCC's staff for their contribution towards making the event a success for HCC.

During the Winter Fair, the Chairman chaired a meeting of the HCC Industry Group on Carcase Classification where a presentation was given on the independent review commissioned by HCC on the "Feasibility Study to Identify Commercial Systems suitable for Measuring Meat Yield from Lamb Carcases in a UK Environment". The Group also received a presentation on "Red meat Carcase payment – are there better systems than the EUROP grid?". The meeting was very well attended with representation from producer, processor and retail sectors.

December 2015

The Chairman attended the FUW's 60th Anniversary celebratory dinner in Carmarthen.

The Chairman chaired a meeting of the HCC R&D Advisory Group meeting on the 9 December 2015 (Item 13a refers).

2. **Apologies for absence**

There were no apologies to note.

3. **Declarations of Interest**

Declarations of Interest were noted as follows:-

Credit Control – John Brereton and Wyn Williams.

4. **To receive and approve the minutes of the Board meeting held on Friday 6 November 2015 (HCC 661)**

The minutes of the Board meeting held on Friday 6 November 2015 were taken as read, approved by the Board and signed by the Chairman.

5. **Matters arising****Replenishment of HCC Non-Executive Directors (NED's)**

It was noted that the Board had received individual reappointment letters from the Welsh Government for a further term to 30 September 2016.

Sheep Spinal Cord removal / Splitting of Lamb Carcasses

There was no update to report.

Welsh Red Meat Levy rates and recovery costs for the next financial year 2016 / 2017

It was noted that the Deputy Minister had agreed to the Board's recommendation that the Levy rates for 2016 / 2017 remain the same.

Welsh Red Meat Levy Rates for 2016 / 2017			
<i>(per head)</i>	Total Levy Collected	Total Paid by Producer	Total Paid by Slaughterer/ Exporter
Sheep	£ 0.83	£ 0.63	£ 0.20
Cattle	£ 5.67	£ 4.34	£ 1.33
Calves (up to 68kg)	£ 0.17	£ 0.085	£ 0.085
Pigs	£ 1.30	£ 1.05	£ 0.25

Levy Recovery Costs for 2016 / 2017	
Species	Levy Recovery (per head)
Sheep	£0.010
Cattle	£0.030
Pigs	£0.013

EU Reflection Group on Sheep Meat

The CEO summarized the first meeting of the above held at the EU Commission on the 12 November 2015 under the chairmanship of John Bryan (Ireland). There were 13 Member States (MS) represented.

The EU Commission had set up the Group at the behest of Commissioner Hogan in light of the significant challenges that the sheep sector had been exposed to recently.

In his opening address, the Chair highlighted that the formation of this Group represented a significant opportunity to increase the profile of the sheep industry

in the eyes of the Commission and emphasized that the sheep sector was an important economic sector for a number of MS. Therefore, a sustainable and profitable EU sheep industry was extremely important from not only an economic standpoint but from an environmental aspect ensuring that the largely marginal land where sheep grazed was not abandoned. The sector had, and continued to face significant challenges, but equally there were also opportunities. The Group was invited to consider amongst other issues current and future EU self sufficiency and the declining trend of sheep meat consumption across the MS.

There was a recurring theme amongst discussions which included the following:

- declining consumption
- more consumer promotion / awareness / education of EU lamb needed
- EU promotion schemes administratively too complex
- desire for EU wide market intelligence / observatory (similar to other sectors)
- improve technical efficiency
- improved transparency on carcass dressing specifications
- social / economic / environmental benefits – should be recognized under Pillar 2
- bureaucratic burden – EID was cited
- young entrants and access to land / capital

The next meeting was scheduled for February 2016 when international trade and supply would be discussed. The CEO had been invited to present on EU Lamb Promotion Programmes / Initiatives for heavy lamb meat at the next meeting.

New Zealand (NZ) Sheepmeat Imports

The Board discussed the Free Trade Agreement (FTA) that NZ was seeking to negotiate with the EU Commission (beef, sheepmeat and goatmeat).

Concerns were raised regarding the potentially significant impact that could affect the UK sheepmeat industry should the FTA be approved and restrictions lifted. Currently NZ could only import in the region of 228,000 tonnes (carcass weight equivalent) of sheepmeat and goatmeat to the EU before paying tariffs.

It was noted that there were several steps that the EU needed to complete before FTA negotiations could commence which included defining the scope and overall approach to the negotiations and completing an impact assessment and negotiating directives. It was anticipated that this would take in the region of 12 – 18 months to conclude with negotiations expected to commence during 2017.

It was agreed that the Chairman write to the EU Commissioner, Phil Hogan highlighting the Board's concerns on this issue.

6. **HCC Reports**

a. Activities Report (HCC 662)

The above was taken as read.

HCC's Annual Conference - Thursday 12 November 2015

The Board deemed that the Annual Conference was successful.

The Conference was well attended with approximately 150 delegates. Feedback from delegates had been extremely positive in particular the quality of speakers and the butchery workshop.

PGI Welsh Lamb 2015 campaign

The Market Development Manager informed the Board that HCC's PGI Welsh Lamb 2015 campaign had received the "Food and Drink Campaign of the Year", the "Chairman's Award" and the "Crisis PR Strategy and Creative Team of the Year" award at the The Drum Network Awards held in London recently.

The Board congratulated HCC's staff and those who were involved with the campaign on achieving the accolade.

b. Market Bulletin (HCC 663)

The above was taken as read.

c. Financial – Draft Income and Expenditure and Balance Sheet to 31 December 2015 (HCC 664 - tabled)

The above was tabled and summarized by the Corporate Services Manager.

It was agreed to include the recharges to EIDCymru within the I&E going forward.

d. Forthcoming Events (HCC 665)

The above was taken as read.

ON-Farm 2016 – 11 February 2016

The Head of Operations informed that arrangements were being finalized for the event entitled "Practical Innovation for Profitable Production" to be held at the Resource Centre, Gelli Aur, Carmarthenshire.

Presentation and speakers for the event were:-

CODD in Sheep – Joe Angell, Liverpool University
Livestock production and climate change: Friend or Foe? Dr Prysor Williams, Bangor University
Improve control of liver fluke infection in cattle and sheep – Professor Diana Williams, University of Liverpool
Genomic selection for sheep and beef systems, dispelling the myths for farmers – Dewi Jones, CEO, Innovis Ltd.

It was planned to host a similar event in North Wales during May 2016.

e. To receive a presentation on the evaluation of the 2015 PGI Welsh Lamb advertising campaign

The Market Development Manager presented the evaluation results from the 2015 PGI Welsh Lamb campaign.

In summary, results from the evaluation indicated that the summer and autumn campaigns were very successful in terms of reaching three times more target consumers, increasing brand awareness and paving the way in a difficult climate for a substantial increase in both multiple retail sales and shelf share.

It was pleasing to note that the summer and autumns campaigns had:-

- supported an increase in supermarket PGI Welsh Lamb sales;
- encouraged the positioning of more Welsh Lamb on supermarket shelves;
- increased consumer awareness of PGI Welsh Lamb;
- improved awareness of Welsh Lamb's quality, versatility, convenience and cost effectiveness;
- grew the consumer concept of PGI Welsh Lamb as a 'brand for me';
- positioned PGI Welsh Lamb as part of a healthy balanced diet.

In addition, the major supermarkets reported that year on year spending on all lamb was generally down by nearly two per cent but branded PGI Welsh Lamb sales increased by a sizeable 5.6 per cent, with the main product growth in quality cuts like steaks and leg.

It was agreed to issue a press release on PGI Welsh Lamb "bucking" the market.

7. **To receive a verbal report on the Welsh Government's Review of HCC - Mr Kevin Roberts**

Kevin Roberts formally introduced himself to the Board. He had been appointed to undertake the review of HCC by the Welsh Government.

The review would evaluate whether there was a need for a Statutory Levy and if so, what the appropriate functions of HCC would be. The review would also consider the role and success of HCC in its ability to deliver value for money to Levy payers, the wider industry and the Welsh Government.

Work had already commenced on the review, with Kevin Roberts attending internal meetings with Welsh Government Officials and meetings with the CEO, Head of Operations and Management team. It was noted that meetings were also in the process of being arranged with stakeholders including producers, Farming Unions, processors and numerous other industry organizations. There would also be a feedback form included within Gwlad.

In terms of timeline, it was proposed that an interim report would be prepared by the end of March 2016 with a full report to include recommendations by the end of June 2016.

The Chairman on behalf of the Board welcomed the review as a positive exercise and thanked Kevin Roberts for attending the meeting.

8. **HCC's Business Plan 2016 / 2017**

a. **To receive a summary paper of various scenarios considered in preparation of the Business Plan 2016 / 2017 (HCC 666)**

The above was taken as read and presented by the Corporate Strategy and Policy Manager.

Following round table discussion, the Board felt that further information was required in order to agree the draft budget for 2016 / 2017. It was therefore agreed to provide the Board with more financial context to the challenges of the forthcoming Business Plan which would take into account variables such as:-

- a. Levy repatriation
- b. RDP
- c. EU Promotional Funding

b. **To consider HCC's draft Business Plan for 2016 / 2017 (HCC 667)**

The above was taken as read and presented by the Corporate Strategy and Policy Manager.

The draft Business Plan was required to be approved by the Board at the 4 March 2016 Board meeting. Therefore, it was agreed that further feedback or comments should be referred to the Corporate Strategy and Policy Manager by the end of January 2016 so that they could be incorporated into the final draft.

The Board's observations were discussed and noted.

A revised draft of the Business Plan for 2016 / 2017 would be issued to the Board in advance of the next meeting along with a summary of the changes noted.

9. **To receive a Work Plan for the Board 2016 / 2017 (HCC 668)**

The above was taken as read and approved by the Board.

10. **To receive a verbal update on the GB Red Meat Levy Distribution**

A meeting of the Red Meat Levy Group was held on the 23 November 2015 where the Levy Boards (AHDB, HCC and QMS) had agreed the draft Ministerial Briefing document outlining an alternative option for the distribution of red meat Levy income.

The document had subsequently been issued to respective Ministers for consideration.

It was noted that dialogue was ongoing with regard to proposals for collaborative working in areas of mutual interest and possible joint funding on activity. It was anticipated that the timeline for changes to be implemented would be with effect from 1 April 2017.

The Board commended the CEO and Executive for the progress made to date on this area.

11. **To consider a request from The Organic Trade Board (OTB) to secure Welsh Red Meat Levy in order to access EU promotional funds (HCC 669)**

The above was taken as read and summarized by the Market Development Manager.

The OTB had requested Welsh Red Meat Levy funding towards their bid for EU monies to promote organic food and drink.

This would be a departure from HCC's statutory remit which was to promote and develop Welsh red meat brands and products.

The OTB EU co-funded programme would be delivered in conjunction with a Danish organic trade body and target markets would be the UK and Denmark.

Whilst there was a market opportunity for organic red meat in regions of the UK and Denmark, HCC would have limited funds to contribute to the programme.

Furthermore, HCC had already undertaken activity to drive demand for organic Welsh red meat in the UK and Denmark under its Sub Brand policy.

It was felt that contributing funds to the OTB programme could therefore be considered a duplication of funding and a decision would need to be reached between supporting HCC's existing programmes or the OTB programme in Denmark and the UK.

Moreover, providing Levy monies to a third party would present certain Governance / accountability challenges. The Board would need to ensure that HCC through its Accounting Officer, HCC would be in a position to safeguard appropriate use of red meat Levy funds. Ultimately, HCC was accountable to Welsh Ministers for Welsh Red Meat Levy expenditure.

HCC had strong brand value which had been proven to deliver on behalf of the entire Welsh red meat industry. The OTB programme did not have a track record of delivery on behalf of Welsh red meat brands or products due to its focus on driving demand for *all* organic food and drinks that subscribe to the programme, with no focus on red meat or on provenance.

Furthermore, the creative messaging used by the OTB to date also positioned organic foods as a 'better' alternative to 'conventional'.

It could be argued therefore that by diverting funds to the OTB programme, HCC would be contributing to a programme that would not only be inconsistent with the overall Welsh red meat brand messaging, but one that would likely undermine the premium quality of conventional Welsh red meat.

Therefore, taking all of the above into consideration, the Executive recommended to the Board that both the organic and conventional Welsh red meat sectors would be better served through HCC's Sub Brand Policy.

Following round table discussion and consideration, the Board unanimously agreed to the Executive's recommendation and HCC would respond to the OTB accordingly.

12. **Audit and Risk Committee**

a. *To receive a verbal report of the Audit and Risk Committee meeting held on Friday 6 November 2015*

It was noted that Bethan Jones had replaced Graham Probert as Chair of the Audit and Risk Committee.

The Chair of the Audit and Risk Committee gave a verbal report on the matters discussed at the meeting.

- b. To adopt the minutes of the Audit and Risk Committee meeting held on Monday 22 June 2015 (HCC 670)

The minutes of the Audit and Risk Committee meeting held on Monday 22 June 2015 were taken as read and adopted by the Board.

13. **R&D Advisory Committee**

- a. To receive a verbal report of the R&D Advisory Committee meeting held on Wednesday 9 December 2015

The Chairman gave a verbal report on the matters discussed at the meeting:-

Professor Dave Chadwick from Bangor University presented to the Committee about an ongoing 'Green House Gas emission inventory' project. Professor Chadwick currently led the Defra / Devolved Administrations funded consortium project to Improve the UK Agricultural Nitrous Oxide Inventory (InveN2Ory project), one of three projects delivering to the UK GHG platform. The research aimed to generate a new country-specific measured and modelled Emission Factor for methane (CH₄) and nitrous oxide (N₂O) from agriculture.

Many of the project management meetings had taken place during November 2015. It was noted that all projects were on target. The completion of the 'Carcase Trait EBV' meant that the final report would be due in February 2016.

A project proposal was considered for funding by the Committee - 'Assessment of Silage clamp losses and factors affecting them on livestock farms across England and Wales'

The project aimed to analyse the quality of clamped silage and predict its nutritional loss from cutting to feeding. Concerns were raised on the format of the proposal and whether the project directly addressed the issue highlighted in the title.

The Committee advised HCC that this project was not suitable for funding.

- b. To adopt the minutes of the R&D Advisory Committee meeting held on Wednesday 2 September 2015 (HCC 671)

The minutes of the R&D Advisory Committee meeting held on Wednesday 2 September 2015 were taken as read and adopted by the Board.

14. **To receive a verbal update on the Wales Rural Development Programme 2014 – 2020**

It was noted that the Expression of Interest (EOI) submitted by HCC to the Welsh Government in October 2015 to develop a Strategic Programme for the Red Meat Sector had been successful.

Next steps: HCC would be invited to further develop the application. The CEO and Corporate Strategy and Policy Manager would lead on this area of work.

15. **To receive a verbal update on EIDCymru – the sheep movement database**

It was noted that arrangements were in hand for the database system to go live on the 18 January 2016.

The Bureau team had been in place since December 2015 and had been fully trained in readiness. The Engagement team continued to be extremely busy with extensive meetings held with producers, abattoirs and livestock markets.

It was agreed to provide the Board with the Memorandum of Understanding (MoU) between HCC and the Welsh Government in relation to EIDCymru for information.

Following the meeting, the Board were invited to visit the EIDCymru offices and received a brief insight into the online movement system for sheep.

16. **Papers for information**

a. *Lamb and Beef Imports for Key Markets and Welsh Targets (HCC 672)*

The above was taken as read.

b. *The impact of the Cattle Movement Specifications on the Welsh Beef Industry (HCC 673)*

The above was taken as read and noted by the Board.

17. **Any other business**

There was no other business to note.

18. **Date of next meeting**

Friday 4 March 2016.

Signed.....
Chairman of HCC