Hybu Cig Cymru
Meat Promotion Wales

Business Plan for Hybu Cig Cymru – Meat Promotion Wales (HCC)

2022 – 2026

meatpromotion.wales

CONTENTS

1. ABOUT HCC

Vision

A profitable, efficient, sustainable, innovative and competitive industry which is resilient to political and environmental change and benefits the people of Wales.

Purpose

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

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

In the UK and in many important markets worldwide, HCC works with retailers, processors and food service operators to strengthen business opportunities and undertakes regular promotional programmes for Protected Geographical Indication (PGI) Welsh Lamb and PGI Welsh Beef. Across the whole supply chain, HCC undertakes research and development, shares information and supports training, to ensure the Welsh red meat industry is in a position to improve quality, increase cost-effectiveness and add value to Welsh red meat products. This is undertaken while Wales' unique sustainability credentials are maintained and, where possible, enhanced.

Funding

HCC's core funding is from Welsh Red Meat Levy. Since April 2021 HCC has also been in receipt of repatriated levy (levy that is calculated on livestock born and reared in Wales that is slaughtered in England or Scotland).

HCC was in receipt of additional funding via the European Agricultural Fund for Rural Development and the Welsh Government until September 2023. HCC is now actively seeking alternative funding and working collaboratively with other GB levy bodies, research bodies and other relevant organisations, in order to access funding and establish programmes that benefit the whole supply chain.

Measurement of Success

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

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

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

In order to show the value of HCC's activities (measurement of success) to levy payers and stakeholders, HCC measures a number of metrics on an ongoing basis:

- Outputs: measuring improvement,
- Outcomes: measuring if benefit is delivered, and
- Impact: measuring if the activities were of value to levy payers.

Board of Directors

HCC is wholly owned by the Welsh Ministers and appointments to the HCC Board are made by the Welsh Ministers in accordance with the Commissioner for Public Appointments' code of practice. The Board is representative of farmer and processor levy payers and others who possess skills relevant to the future development of the organisation.

The Board comprises 11 non-executive directors (including the Chair) as detailed at https://meatpromotion.wales/en/about/corporate-information/hcc-board.

Two Statutory Committees and a Working Group also exist to advise the Board on various functions and work streams.

2. INTRODUCTION

The agricultural sector in Wales provides vital economic activity and employment in rural areas, which supports rural community cohesion, provides cultural and well-being benefits and safeguards Wales' rich natural resources. A thriving agricultural sector also contributes to social capital in rural areas in the form of co-operation and mutual support, both within the farming community and between farm businesses and the wider community.

Red Meat Vision for Wales

Launched in May 2018, the *Red Meat Vision for Wales* provides strategic direction for the red meat sector. It considers the strategic risks in terms of trade, production and processing of red meat from Wales, not least of which is the substantial contribution that agricultural support currently makes towards profitability. It also considers possible longer-term opportunities. It sets out a direction for how the HCC Board believe that Welsh Red Meat Levy monies should be focused in order for HCC to undertake its statutory functionsin a way that will bring maximum benefit on behalf of the whole sector.

The vision for the Welsh red meat industry is:

A profitable, efficient, sustainable, innovative and competitive industry which is resilient to political and environmental change and benefits the people of Wales.

Following reviews of the Vision by the HCC Board in November 2020 and December 2021, it was determined that the nine priority areas that form the foundation of the Vision remain relevant. The Board agreed however that there was a need to further integrate the challenges and opportunities sustainability presents the Welsh red meat industry, both in responding to climate change and enhancing the provenance messaging.

The Welsh Way

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

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

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

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

Sustainability Statement

Wales is already one of the most sustainable places in the world to produce red meat, with its non-intensive farming based on abundant rainfall and grass growth which does not depend on imported feed.

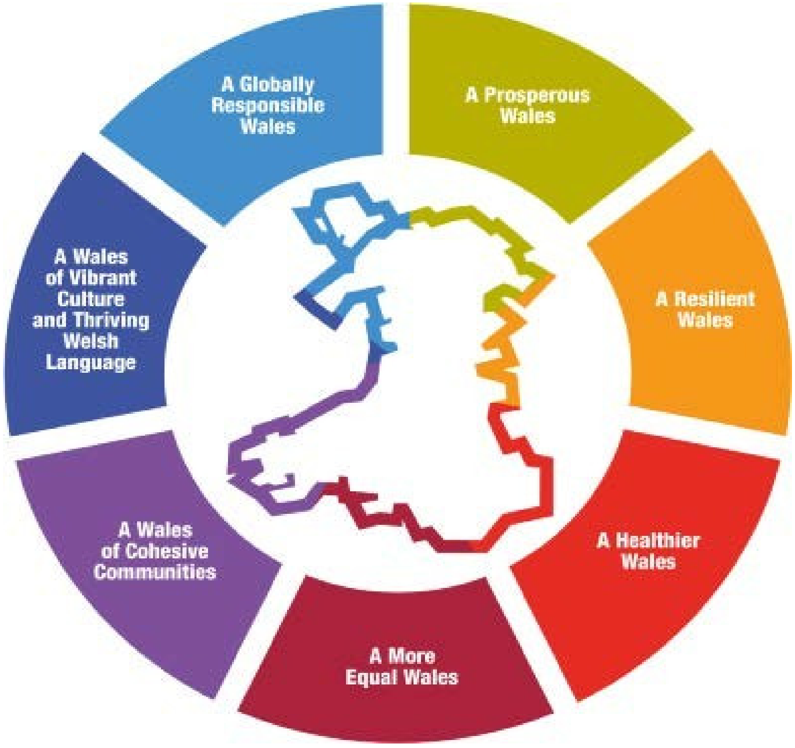
Our ambition is to sustainably produce high quality red meat which is sought in markets across the globe; focusing on the three pillars to sustainability (economic, environmental and societal) whilst providing a competitive advantage for Welsh red meat production:

- Supporting a thriving rural economy and red meat supply chain
- Protecting the natural environment
- Preserving and enhancing biodiversity
- Addressing climate change
- Aiding community resilience and nurturing the languages and cultures of Wales
- Contributing responsibly towards maintaining a healthy population
- Addressing global food security
- Meeting the needs of the present without compromising, and where possible enhancing, the ability of future generations to meet their own needs

Well-being of Future Generations (Wales) Act 2015

The Well-being of Future Generations (Wales) Act aims to improve the social, economic, environmental and cultural well-being of Wales and this plan seeks to incorporate the sustainable development principlesof the Act into HCC delivery contributing to achieving the seven well-being goals.

Seven Well-being Goals



This plan has considered the long-term impacts of planned activities in relation to people and communities, using the five ways of working set out in the Act and it seeks to address challenges and applies a joined-up approach to supporting the Welsh red meat supply chain.

Sustainable development principles	
Five ways of working	**Collaboration** Acting in collaboration with others to meet objectives
	Integration Considering how objectives may impact upon one another
	Involvement Involving all parties with an interest in achieving the objectives
	Long-term Balancing short-term needs with the need to safeguard the long-term needs
	Prevention Acting to address challenges

3. OVERVIEW OF THE WELSH RED MEAT SECTOR

Wales is characterised by an upland and mountainous topography. This landscape, alongside the maritime climate of Wales, result in a large proportion of agricultural land (80 percent)[1] being categorised as 'less favoured areas' (LFA). The climate and terrain in Wales therefore dictate the type of agricultural land use, resulting in the majority of the land being best suited to pasture and livestock farming (sheep and cattle).

- Aggregate agricultural output (gross output) in Wales is worth £2.1 billion (2022) to the economy.[2]
- 49,850 people work directly in the agricultural sector in Wales (June 2022).[3]
- In rural areas there are other businesses that depend on agriculture to make their living, thus extending the economic value of agriculture for the area. The Welsh livestock sector is currently based on a critical mass of small enterprises, contributing to a greater whole which supports economic activity and employment across large areas of Wales.
- The agricultural sector in Wales also makes an essential contribution to preserving the Welsh language. The 2021 census data states that of all industries in Wales, agriculture, energy and water has the highest proportion of Welsh speakers, with 30% of all employees able to speak Welsh[4].
- With agricultural production accounting for 90 percent of the land use in Wales,[5] it clearly also plays a major role in contributing to the wider management of Wales' natural resources. The livestock sector produces quality food on land which is largely unsuitable for other productive purposes, in non-intensive ways which depend on fewer additional inputs.
- Agriculture in Wales contributes to revenue generated by tourism through management of the landscape and through provision of tourist accommodation and attractions. Tourism contributes £3,064 million to GVA in Wales (2016) and supports approximately 132,300 jobs (2018).[6]

Red Meat Production

Welsh red meat production is dominated by sheep and approximately 29 percent of the GB flock is based in Wales (2021).[7] The beef breeding herd in Wales declined after the end of 'coupled' support payments, although numbers have stabilised in recent years. The pig sector in Wales is small (with the breeding population representing less than one percent of the GB herd) and typified by a relatively large number of very small holdings.

[1] Welsh Government. Agriculture in Wales. 2019.
[2] Welsh Government. Aggregate agricultural output and income. 2022.
[3] Welsh Government. Survey of Agriculture and Horticulture: Results for Wales. June 2022.
[4] Welsh Government (2023) *Census 2021: Welsh language by population characteristics*. Available at: https://www.gov.wales/welsh-language-population-characteristics-census-2021-html#124333 [Accessed 02/02/24]
[5] Welsh Government. June 2020 Survey of Agriculture and Horticulture: Results for Wales. 17 December 2020.
[6] Welsh Government. Welcome to Wales: Priorities for the visitor economy 2020- 2025.
[7] Defra and Welsh Government.

Welsh Government and Cattle Tracing System

The size of the Welsh sheep sector and the fact that 13 percent of the throughput of lambs at auction markets in Wales (2021)[8] is considered as "light lambs" (finished lambs weighing less than 32 kg) demonstrates a uniqueness of the Welsh sheep sector, and highlights an opportunity for the industry.

A challenge facing the industry is to make progress in terms of the number of lamb and beef carcases reaching market specifications and to secure buy-in among producers to the fundamental rationale behind these requirements to make the supply chain more efficient.

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

The red meat sector continues to face challenges with input inflation, including increased energy, fuel and food costs. Despite stable output prices the sector continues to be affected by tight overall margins, with many farming systems in the UK and Wales, feeling the effects.

A key driver towards achieving HCC's vision for the red meat sector is centred on the need to maintain a critical mass of livestock in Wales. Critical mass refers to the volume of red meat needed in order to trade efficiently and competitively in global markets whilst sustaining growth and efficiency along the supply-chain. If farmers are not encouraged to maintain livestock numbers in Wales (particularly sheep and cattle), there will be a huge knock-on effect on lamb and beef supply, thus affecting the viability and profitability of the whole Welsh red meat supply chain and impacting on revenue derived from food. Interdependencies between different parts of the supply-chain mean that loss of critical mass at any one-point could lead to wider collapse. In addition, by retaining a working population, farming contributes to the population critical mass required to justify public services in some rural areas and contributes to the pool of labour available for other economic and voluntary roles in the local economy, helping to sustain communities.

[8] AHDB and LAA. Liveweight Throughputs, Wales. 2021.

Red Meat Supply

With 22 markets operating in Wales that sell finished livestock and an annual throughput of 8,600 prime cattle and 1.2 million prime sheep (2021)[9], livestock auction markets play a key role in the Welsh red meat supply chain, both in offering opportunities for the retail of Welsh livestock and in supporting rural communities (through job creation and providing a social and business hub). Central to achieving these wider benefits is the success of the livestock market system in realising added value for both buyer and vendor.

Red Meat Processing

There are currently 16 operational red meat abattoirs in Wales (December 2023) all of which are facing challenges in relation to livestock sourcing, labour shortages, cost inflation, trade flow disruptions and changing consumer demands. Changes in demand from the retail, foodservice and export markets continue to impact upon weekly throughput levels.

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

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

Trade in Red Meat from Wales

Increased food inflation still presents both short-term and longer-term challenges for the Welsh red meat industry. As prices remain at a high level, it is difficult to forecast demand trends for red meat as consumers feel the squeeze on their household expenditure.

With only five percent of the red meat produced in Wales consumed in the home (Wales) market, Wales continues to be heavily dependent on domestic markets - particularly England - and global export markets. More than a third of lamb and 15 percent of beef produced in Wales is exported outside the UK, predominantly to the EU. Currently around 90 percent of exports are destined for the EU. In 2021, approximately 24,000 tonnes of sheepmeat and 14,000 tonnes of beef (fresh/frozen) of Welsh origin was exported from the UK, which alongside exports of offal were estimated to be worth £210 million.[10]

[9] AHDB, LAA.
[10] HCC estimates based on UK HMRC data

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

In addition to existing EU and non-EU markets, HCC is currently working alongside Governments to develop Welsh red meat trade in the USA.

The ability to attract a premium for Welsh red meat is key to success. PGI status is therefore important to the Welsh red meat industry as Welsh Lamb and Welsh Beef are an intrinsic and valuable part of food production in Wales and the brand of Wales uses the iconic Welsh landscape in combination with its unique social and cultural influence. The PGI status provides a guarantee of provenance and a mark of quality; reinforcing consumer confidence in the products and allowing them to be sold at a premium. Both domestic and global gains rely on the effective premiumisation and the ability to differentiate and promote branded products. Opportunities to build on the PGI brand will be explored and utilised to include other factors such as eating quality and its environmental credentials.

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

Red Meat Consumption

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

This has been further exacerbated by rising costs – and in particular, rising prices of food at retail. Whilst grocery price inflation has now dropped from monthly double-digit increases to 9.7% for the first time since July 2022[11], consumers are still feeling the pressure. Changing consumer behaviours present a challenge to the industry, which may put further pressure on the market.

Wider social and political factors continue to exert considerable influence on consumer purchasing. Public perception of the possible adverse effect of red meat within their diet on health and the move towards flexitarian eating remains. These, together with debate on the environmental impact of livestock production, present particular challenges with respect to red meat consumption.

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

[11] Kantar, November 2023

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

4. THE OPERATING ENVIRONMENT

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

Red Meat Industry

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

Strengths

- Large supply of lambs and cattle produced mainly off natural grass/ forage systems – appeals to consumers who have a strong perception of red meat from Wales and its high environmental and animal welfare credentials
- Topography and climate of Wales is ideally positioned for grassland production which support sustainable red meat production
- A livestock market system that realises added value for both buyer and vendor
- Reputation of red meat sector allows for differentiation as premium product
- Production mainly from a base of family farms - traditional base of experience in good stock farming coupled with environmental management
- A variety of breeds and production systems to meet differing demand requirements
- Well-developed international and domestic sales experience (lamb in particular) has created a strong image and reputation of PGI Welsh Lamb and PGI Welsh Beef
- Ability to segment markets and to identify niche market opportunities
- Repatriation of levy is financially supporting the industry further
- The variance of abattoir sizes and structure (from very large to micro businesses) allows for supply to a range of potential markets (multiple retail through to boxed meat)
- Industry is well placed to respond to global food security issues by producing sustainable red meat

Weaknesses

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

- Reliance on migrant workers in the abattoir and processing sector has resulted in a labour shortage following Brexit and is expected to remain a challenge for the short to medium-term

Opportunities

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

Threats

- Climate change, and limited public and media understanding of the differences between farming systems across the world (adaptation and mitigation - pressures to reduce greenhouse gas emissions from livestock, and challenge to meat consumption)
- Rising inflation presents a significant challenge, impacting on the cost of production for both beef and lamb systems in Wales. Key farm input costs - including fuel, energy, fertilizer, and feed – have both a direct and indirect impact on a number of businesses within the agricultural sector. Producer margins are squeezed as farmers manage inputs to maximise production and processing plants may be impacted if supply is affected
- The resilience of the red meat supply chain could be further challenged if producer margins are narrowed further. Lower retention rates and higher cull numbers (of both cattle and sheep) would impact the critical mass in the country, and lead to lower red meat production levels during future years. This would impact on the self-sufficiency of the UK in terms of domestic food production, and increase the reliance on imports from across the globe
- The UK's decision to leave the EU, its single market and the CAP continues to create a challenge, as the industry responds to the continued staging of non-trade barriers
- New trade deals between the UK and countries around the world present a possible threat to the industry in terms of competitiveness in the domestic market and brand protection elsewhere
- Failure to maintain a critical mass of livestock in Wales. If farmers are not encouraged to maintain livestock numbers in Wales (particularly sheep and cattle), there will be a huge knock-on effect on lamb and beef supply, thus affecting the viability and profitability of the whole Welsh red meat supply chain and impacting on revenue derived from food
- Public perception of red meat could be adversely affected by public health scare
- Increasing imports reduces trade demand for Welsh red meat
- Exchange rate fluctuations
- Ageing farmer population and fewer new entrants
- Animal health and traceability issues may undermine consumer confidence and lead to fall in demand for Welsh red meat
- Price remains a key driver and red meat faces increasing competition from cheaper sources of protein such as chicken, fish and non-meat proteins
- Public perception of the possible adverse effect of red meat within their diet on health and the move towards flexitarian eating
- Fluctuating livestock numbers, rising production costs, animal disease outbreaks, increasing regulatory compliance, cost for disposal of by-products, the decreasing value of hides, skins and offal, as well as the shortage of labour limits opportunities to optimise Welsh throughput
- Changing demands on land that would otherwise be used for livestock production (tree planting or biofuel production) threaten to disrupt and distort the market

HCC

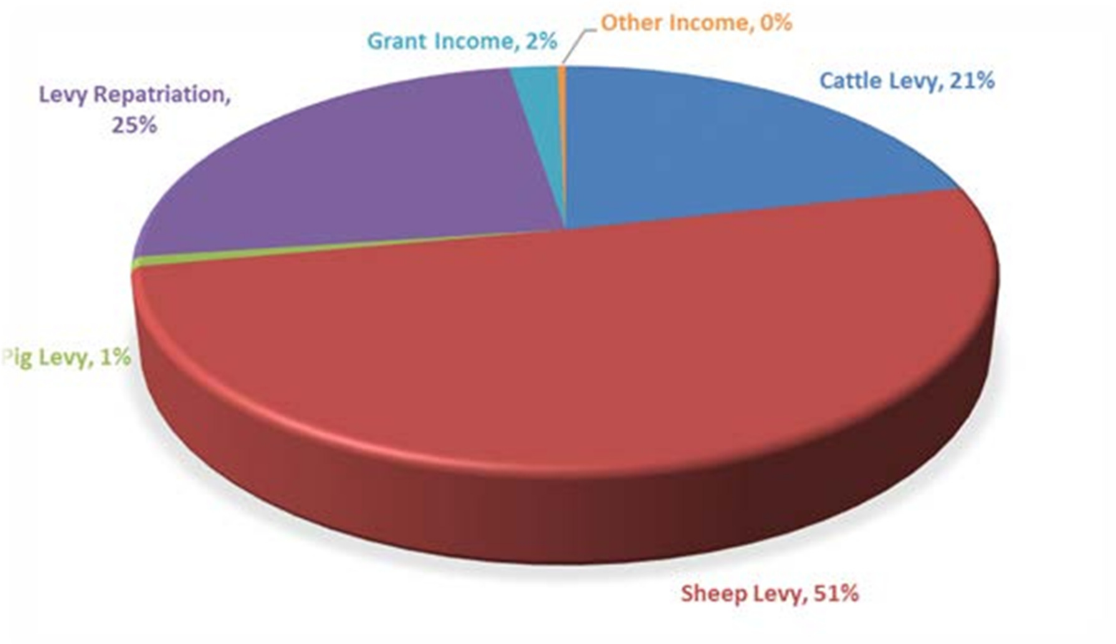
There are also a number of strategic strengths, weaknesses, opportunities and threats facing HCC.

Strengths • High quality motivated staff with breadth of experience and high work ethic • Good standing with farmer stakeholders and good relationship with trade associations • Good communication and political network • Delivery focused remit • Red meat levy repatriation
Weaknesses • Seeking to compete with larger competitors • Spreading finite resources broadly - wide statutory remit • Managing stakeholder expectations - market and industry activities have a long gestation period before reaching fruition
Opportunities • Greater efficiencies through closer working with other sector bodies • External funding opportunities • Use of new communications technologies to enhance reach and to facilitate more targeted and interactive engagement with a wide range of audiences
Threats • Government policies could lead to reduced livestock numbers, affecting levy income • Challenging and more competitive funding landscape with smaller funding pots available • Increasing importance of UK Government in terms of negotiating trade and lack of direct HCC influence on UK policy • Increasing expectation of levy payers in terms of levels of delivery against remit and within a limited budget • Business interruption due to public health considerations may result in an inability of HCC to fulfil its functions

5. FINANCE

Income

HCC's core funding is from the Welsh Red Meat Levy.



Budgeted Income 2024-25 £4,578k

<u>Welsh Red Meat Levy</u>

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

Since April 2008 the Welsh Ministers have been responsible for setting and raising Welsh Red Meat Levy. Through a Delegation Agreement, HCC collect the levy from sheep, beef and pigs at the point of slaughter in Wales and undertake the statutory functions in relation to the Welsh red meat industry.

Since April 2021 HCC has also been in receipt of repatriated levy (levy that is calculated on livestock born and reared in Wales that is slaughtered in England or Scotland).

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

HCC consulted with industry on levy rates during the autumn of 2022. It was proposed that future increases in the Levy rates would link with inflation, measured by CPIH from the previous calendar year. The industry's response was supportive with the HCC Board making the recommendation to the Minister for Rural Affairs and North Wales and Trefnydd. The Minister approved the Board's recommendation to increase the levy by 9.2% for the 2023-2024 financial year which was implemented from 1 April 2023 and noted the proposal to link levy rates more generally to CPIH in future. The Board will continue to consider all future amendments to the levy rate in advance of recommendations being put to Welsh Ministers.

The Chief Executive Officer of HCC, being the Accounting Officer, is personally responsible for ensuring levy is spent appropriately.

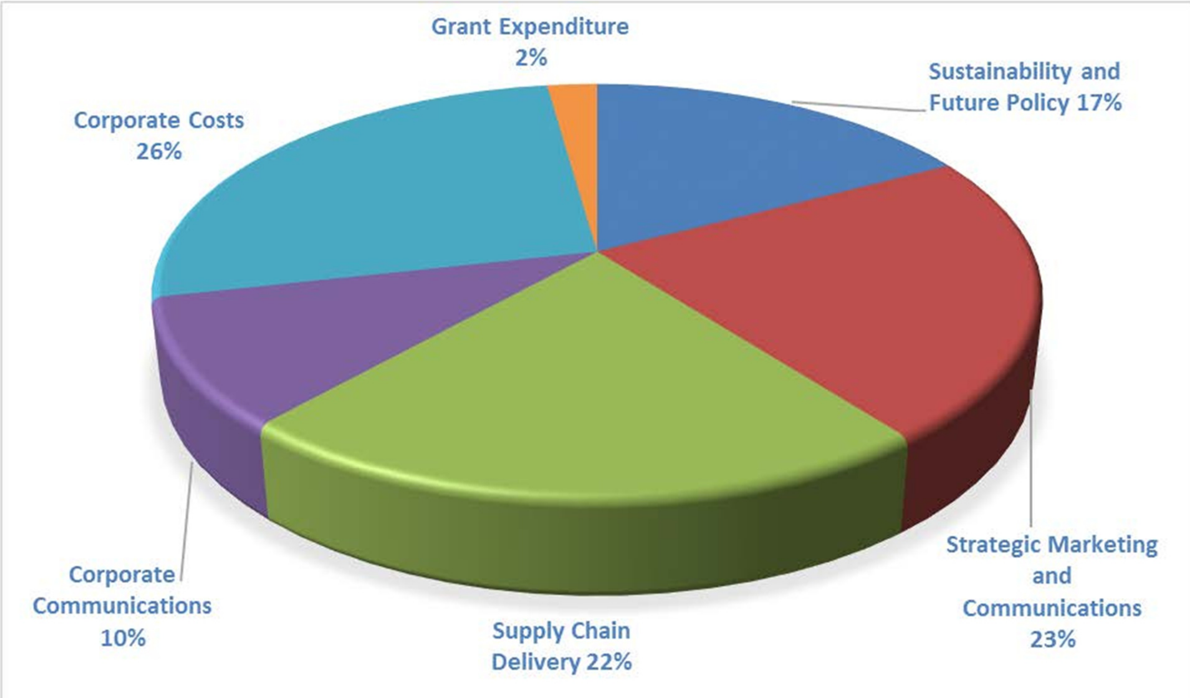
<u>External Funding</u>

HCC is actively seeking alternative funding and working collaboratively with other GB levy bodies, research bodies and other relevant organisations, in order to access funding and establish programmes that benefit the whole supply chain.

Expenditure

HCC utilises levy income to develop, promote and market red meat from Wales, with levy expenditure determined by the HCC Board.

The structure of the Income and Expenditure account reflects the nature of the planned activities for 2022-2026.



Budgeted Expenditure 2024-25 £4,578k

6. DELIVERY PROGRAMME

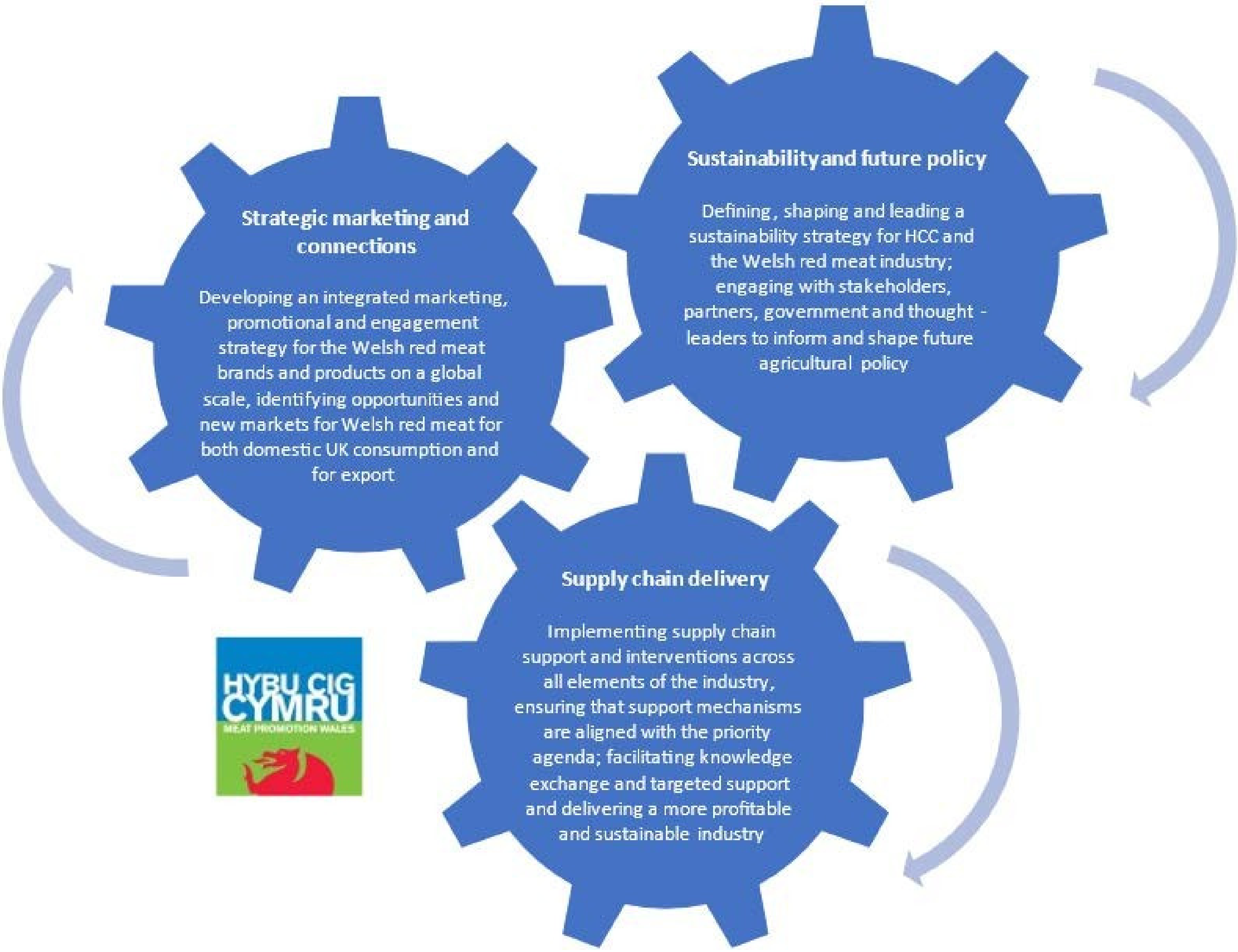
This Plan is directed by the *Red Meat Vision for Wales* and is focused on cost-effective delivery and recognises the importance of measuring the outcomes and impact of investments. Collaboration, cooperation and communication across the industry is integral to achieving success.

Strategic Focus
The following nine priority areas form the foundation of HCC's Vision with sustainability and provenance interwoven throughout.

Red Meat Vision for Wales - 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 though 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 unity of purpose and proactive advocacy

Delivery Plan
In line with the Vision, this plan sets out the key areas of work that have been prioritised by HCC's Board for the effective use of Welsh Red Meat Levy monies during the term of Government. It also takes into account the challenges the industry is facing in relation to rising inflation and food security.

Three programmes have been identified within the delivery plan for the term of Government, and this plan sets out key performance indicators and outlines expected outcomes for 2022-2026.



These programmes are further supported by stakeholder communications, seeking to develop HCC's role as the authority and thought leader on red meat supply chain development and promotion in Wales.

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

The planned HCC delivery for 2022-2026 is summarised below along with the KPIs measured in the final year of the term of Government:

	Outcome	Impact	
Sustainability and future policy	HCC is evidence based/ data driven Welsh red meat brands underpinned by environmental credentials Informed Welsh red meat supply chain Brand integrity/ protection A policy environment favourable to the Welsh red meat industry Work of HCC adequately funded	Sustainable Welsh red meat production Wales' red meat's role in global food security underpinned	A profitable, efficient, sustainable, innovative and competitive industry which is resilient to political and environmental change and benefits the people of Wales *(Red Meat Vision for Wales)*
Strategic marketing and connections	Welsh red meat brands are premium brand(s) of choice amongst strategic consumer market segments in Wales, UK and export markets Data/ results captured to inform trade selling story in key markets	Increased demand for Welsh red meat Premium positioning that benefits whole supply chain	
Supply chain delivery	**Market Development** Welsh red meat brands are premium brand(s) of choice: • UK retail/ foodservice/ importers • Retail/ foodservice in priority export markets Visible branded Welsh red meat in trade (domestic and export) **Producers and processors** A strong, resilient, innovative and dynamic supply chain efficiently producing Welsh red meat products that are fit for market and in demand	**Market Development** Increased availability of Welsh red meat Premium pricing that benefits whole supply chain **Producers and processors** A consistent and sustainable supply of Welsh red meat products that meet consumer, processor and market demands and specifications	
	Stakeholder groups are • aware of HCC's work and understand how it benefits them • informed with relevant and useful insight and intelligence • recognise Welsh red meat as a nutritious, sustainably produced quality food product	HCC is considered as the authority and thought leader on red meat supply chain development and promotion in Wales by target stakeholder groups	

	KPI
Sustainability and future policy	• Transition to net zero by 2050 • Growth (GVA and Aggregate Agricultural Output)
Strategic marketing and connections	• Volume and value sales of branded Welsh red meat, in key markets: - at retail - in foodservice • Marketing return on investment (ROI)
Supply chain delivery	• Volume and value sales of branded Welsh red meat in priority markets: - at retail - in foodservice - new markets • Welsh red meat price premium • Industry engagement with HCC activity • Supply of Welsh animals reaching processors
Corporate communications	• Stakeholder engagement